

# MARKET REPORT

INDUSTRIAL

Northern New Jersey Region

IPA INSTITUTIONAL PROPERTY ADVISORS

2H/19

## As Key Link to Global Supply Chains, Area's Sales Prices And Rents Keep Rising Amid Investor, Tenant Demand

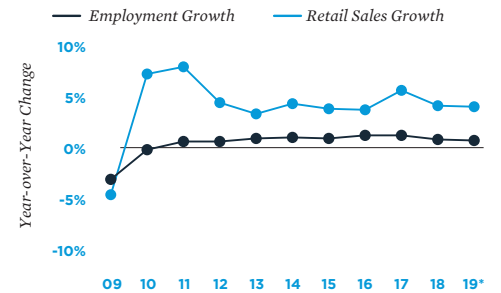
**Global trade and local consumerism keep industrial vacancy tight, lift rents.** A series of powerful demand drivers have led to a nearly uninterrupted decline in the market's vacancy rate for the better part of a decade, supporting exceptional growth in asking rents. The country's third largest port by cargo volume creates ample need for warehouse and distribution space as products are relayed across the Northeast, with more than 19 percent of the U.S. population living within 250 miles of Newark. The growing prominence of e-commerce has also emphasized the importance of last-mile delivery centers. The proximity to Manhattan and rental rates less than half the New York City average make Hudson County and the Northern New Jersey region at large a natural location for these facilities. Interest in industrial floor plans is supporting ongoing construction activity, with deliveries for 2019 concentrated in Essex and Passaic counties. Major completions include an unleased 661,740-square-foot distribution center arriving in Newark later this year as well as a recently opened building in Wayne where Gucci occupies all 437,500 square feet.

**Essex County leads region in industrial trades as sales prices continue to climb higher.** The same attributes that attract industrial tenants to Northern New Jersey, including the port and high population density, also draw industrial investors. While overall transaction velocity moderated over the 12-month period ended in September, the total number of trades rose year over year in Essex County. Buyers targeted properties in Fairfield Market most often, with the proximity to the Essex County Airport supporting sales prices that regularly exceeded \$150 per square foot. Entry costs also surpassed the market average of \$142 per square foot in Bergen and Hudson counties, nearing \$200 per square foot for Carlstadt warehouses. Strong investor demand, especially from institutions, for newer, Class A industrial space continues to sustain price appreciation and cap rates in the 4 percent range. Buyers seeking smaller or older Class B and C buildings found first-year yields up to 7 percent.

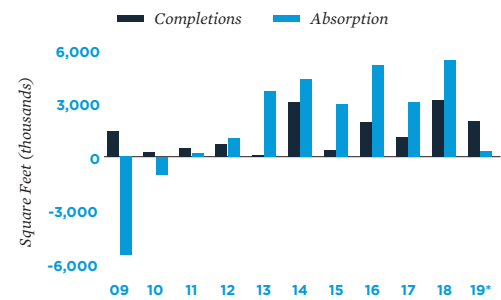
## 2019 Market Forecast

- Employment** ↑  
 up 0.7%  
 Employers in the region will create 15,000 new jobs in 2019, slightly below last year's 0.8 percent gain, as a sub-2 percent unemployment rate hinders hiring.
- Construction** →  
 2.0 million sq. ft.  
 Total completions will fall short of last year's 3.1 million square feet but will still constitute the third largest annual construction pipeline for the cycle.
- Vacancy** ↑  
 up 40 bps  
 Vacancy will rise to 4.7 percent in 2019 after decreasing for seven years to a decade-plus low of 4.3 percent in 2018. Proximity to the riverfront and Manhattan keep availability under 4 percent in both Essex and Hudson counties.
- Rent** ↑  
 up 8.4%  
 The average marketed rent will climb to \$9.53 per square foot this year, building upon a 13.0 percent spike in monthly rates recorded in 2018. Strong demand has lifted asking rent by about 50 percent over the past five years.
- Investment** ●  
 More industrial investors may be considering manufacturing space as manufacturing firms have leased the most space year-to-date, and such facilities have changed hands more frequently over the past 12 months.

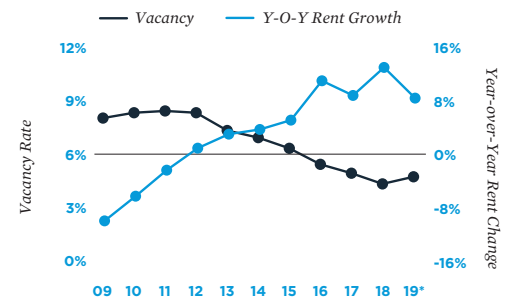
### Employment vs. Retail Sales Trends



### Industrial Completions



### Asking Rent and Vacancy Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and industrial data are made during the third quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.