

New Jersey



Quick Stats

3.8% ↓

New Jersey's unemployment rate (National rate 3.6%).

3.0% ↓

Overall vacancy rate.

\$8.55 ↑

Market Rent (NNN).

7.6 M ↓

12 month absorption (SF).

Rental Rates continue to rise

The vacancy rate dropped to 3.0 percent from 3.1 percent in the second quarter of 2018. The historic ascent of market NNN rent has continued its historic rise to \$8.55 per square foot. Leasing activity fell to 6.7 million square feet, compared to 10.4 million square feet in the second quarter of 2018.

Ingredients company finds a new home in Totowa

Corbion, an ingredients company for food and biochemical solutions leased 382,596 square feet at 700 Union Boulevard in Totowa. The company is planning on consolidating two of its current locations at 100 Adams Drive in Totowa and 30 Corporate Drive in Wayne into their new location. The Totowa Logistics Center at 700 Union Boulevard was sold late last year

382,596 sf

LEASED BY CORBION AT 700 UNION BLVD.

by Hampshire Companies to AEW Capital Management.

Turnbridge Equities and Harbor Group International's \$4.5 million improvements bring in a wellness food manufacturer

Another significant lease deal that occurred this past quarter was Vitaquest International's 200,000 square foot lease at 100 Jefferson Road in Parsippany. The wellness food manufacturer currently has operations in West Caldwell and Fairfield. 100 Jefferson was acquired late last year by a partnership between Turnbridge Equities and Harbor Group International in a partial sale-leaseback with PNY Technologies. At the time of sale, the new group announced plans to commence a \$4.5 million capital improvement program.

Dermody Properties purchase Exit 8A property with upgrade and expansion planned

In one of the largest purchases transacted during the quarter, Reno, Nevada based Dermody Properties purchased 150 Milford Road, East Winsor. The 600,000 square foot logistics center was purchased for \$56.1 million. The new owners are planning upgrades to the property, which will bring the square footage to 615,000 by 2020. The building is located on 51.49 acres and is less than one mile from Exit 8 on the New Jersey Turnpike.

Market Spotlight - Bayonne - Where is all of the new construction in Bayonne?

At first glance when looking at a map of New Jersey, Bayonne would look like the perfect location to develop the next high-quality industrial property. It is home to Port Jersey, one of the most advanced port facilities in the country, allowing for fast, efficient loading and unloading of ships. It makes sense that developers are salivating at the opportunity to build in Bayonne. But when looking at the locations of new construction in the state, Bayonne is not near the top of the list, which begs the question “why?”.

When one takes a closer look at the geography of Bayonne, the challenge of transporting items off of the peninsula becomes glaringly obvious. Companies are forced to either use the Bayonne Bridge to Staten Island followed by the Goethals Bridge to get back to New Jersey or take the Newark Bay Bridge to get to the New Jersey Turnpike. Getting to I-95 is a trek whichever route is taken from Bayonne, compared to the short journey to I-95 for cargo arriving in Port Newark. With the raising of the Bayonne Bridge in 2017 to allow Panamax Cargo ships to reach the larger Port Newark, Bayonne seemed to have

lost its competitive advantage of being able to accommodate the large ships.

With all this being said, the properties that are located in Bayonne have a low 3.7 percent vacancy rate. There are also some developers who are employing the Field of Dream’s mantra of “If you build it, they will come.” The newly developed former Unilever processing plant, 99 Avenue A is located on the west coast of Bayonne, less than a mile away from the Bayonne Bridge. One of the properties was recently completed and the other is under construction but are both looking for tenants. This new development pales in comparison to planned development by Lincoln Equities Group. The East Rutherford-based real estate company showed off their progress this quarter of their planned 1.6 million square foot logistical center located at 42 Military Ocean Terminal. The 153- acre former naval base site is expected to be developed into four properties with ceiling heights of up to 50’ and is expected to generate 2,700 new jobs through construction and new occupancy.

Bayonne has been the beneficiary of the exploding multifamily development in Jersey City and along the entire Hudson Waterfront. Over the past couple of years, multifamily developers have been looking at Bayonne as an opportunity to create a lower cost alternative to Jersey City. These new developments have the potential to create a greater need for last mile facilities in and around Bayonne.

Looking ahead, it remains to be seen if the recent industrial developments, along with the growing multifamily market, will spur future industrial development in Bayonne.



Market Data Points

New Jersey

Indicator	Q2 19	Q2 18
Vacancy	3.0%	3.1%
Rent	\$8.55	\$7.75

Northern New Jersey

Indicator	Q2 19	Q2 18
Vacancy	3.6%	4.0%
Rent	\$9.52	\$8.44

Central New Jersey

Indicator	Q2 19	Q2 18
Vacancy	2.5%	2.2%
Rent	\$7.53	\$7.20

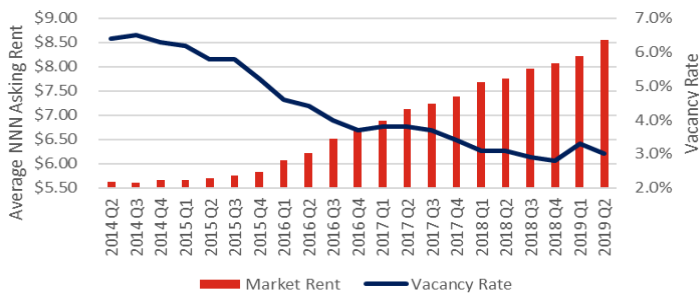
Select Industrial Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
400 Ridge Road, Piscataway	Brunswick/ Piscataway/ Central New Jersey	Rockefeller Group	SHI International Corp.	\$59,512,500	\$150.00	396,750
150 Milford Road, East Windsor	Mercer/ Central New Jersey	Conair Corporation	Dermody Properties, Inc.	\$56,100,000	\$91.22	615,000
140-142 Carter Drive, Edison	Brunswick/ Piscataway/ Central New Jersey	Samar Distributors	Liberty Property Trust	\$26,500,000	\$121.56	218,000

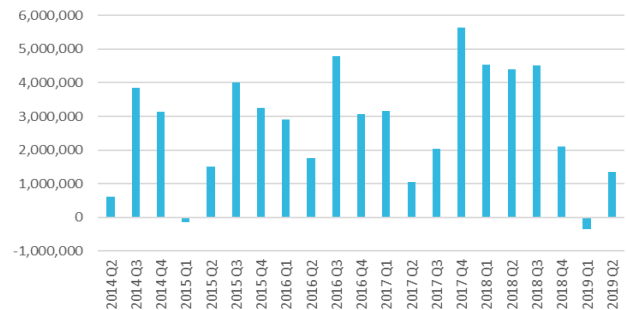
Select Industrial Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Geodis	1 Costco Way, Monroe Township	Exit 8A /Central New Jersey	Renewal	611,320
Newgistics	117 Interstate Boulevard, South Brunswick	Exit 8A /Central New Jersey	New	593,720
Corbion	700 Union Boulevard, Totowa	Route 46/23/ Northern New Jersey	New	391,515

New Jersey Industrial Vacancy Rate vs. Direct Asking Rent



Total Net Absorption



Trends to Watch



The continued "Build and they will come" mentality displayed by industrial developers as spec construction remains the norm.



The effect on the supply chain of all Chinese-made goods due to the increased tariffs and "trade war" with China.

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q2 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent
Bergen Central	22,476,424	802,856	44,000	3.8%	(16,202)	-208,504	30,000	\$11.15
Bergen North	20,025,279	780,727	42,995	4.1%	124,327	158,312	-	\$9.48
Eastern Morris	17,286,235	768,357	50,576	4.7%	93,977	-72,440	-	\$8.83
Hudson Waterfront	30,302,172	1,266,428	10,500	4.2%	(74,604)	-14,829	284,151	\$10.20
Meadowlands	90,731,645	2,498,012	167,668	2.9%	(285,798)	-654,292	489,405	\$9.88
Morris West/I-80	14,171,657	1,592,775	0	11.2%	161,569	293,494	105,000	\$7.50
Morristown Area	2,863,713	57,322	0	2.0%	2,130	27,130	54,576	\$9.25
Newark	38,087,668	569,295	0	1.5%	134,581	496,669	804,241	\$13.11
Northwest Frontier	2,275,156	48,678	0	2.1%	(5,601)	6,678	-	\$9.09
Rt. 46/23/3	48,768,409	1,549,585	40,000	3.3%	299,728	245,500	-	\$9.17
West Essex	20,860,366	661,043	0	3.2%	95,550	6,296	-	\$9.25
Northern New Jersey	307,848,724	10,595,078	355,739	3.6%	529,657	284,014	1,767,373	\$9.52
Exit 8 A	68,420,339	505,516	68,756	0.8%	306,895	(441,319)	251,288	\$7.77
Exit 9- Piscataway	49,710,879	1,454,611	0	2.9%	456,629	264,517	367,200	\$8.98
Exit 10- Carteret Avenel	77,502,182	1,432,947	168,050	2.1%	271,798	1,131,859	635,086	\$9.40
Mercer	32,104,756	702,567	0	2.2%	(39,173)	72,713	371,000	\$7.00
Monmouth	16,063,867	599,593	21,700	3.9%	(27,964)	(105,974)	185,000	\$7.95
Somerset	27,646,038	1,056,947	6,600	3.8%	(215,989)	(328,313)	188,182	\$7.95
Union	59,493,765	2,058,344	42,701	3.5%	64,547	105,548	867,685	\$8.50
Central NJ	330,941,826	7,810,525	307,807	2.5%	816,743	699,031	2,865,441	\$7.53
New Jersey	638,790,550	18,405,603	663,546	3.0%	1,346,400	983,045	4,632,814	\$8.55

Note: In an effort to better reflect the market we have removed properties that we believe do not represent the market from our data set

New Jersey Economy



Unemployment rate drops once again, yet still trails the national average

As of May 2019, New Jersey's seasonally adjusted unemployment rate dropped for the second straight month to 3.8 percent, while dropping 40 basis points year over year. The total number of Nonfarm jobs has also increased by 45,900 to 4,193,800. New Jersey still trails the national unemployment rate by 20 basis points, which is 3.6 percent as of May 2019.

EDA Task Force delivers a scathing first report

On June 17th, 2019, Governor Murphy's Task Force on EDA Tax Incentives released their first report on New Jersey's Economic Development Authority's tax incentive program. The task force was created by the Governor via executive order in response to the Office of the State Comptroller January 2019 audit. The audit found that the program had "failed to comply with applicable statutes... and to implement key internal controls for monitoring the performance of tax-incentive beneficiaries." The Governor ordered this audit as one of his first acts as Governor in 2018 to assist lawmakers to determine whether or not the EDA's Tax Incentive Programs should be reauthorized when they were set to expire on July 1, 2019.

In their first report, the Task Force focused on the Grow NJ program, which is one of the two main tax incentive programs offered by the EDA. The Grow NJ program was created in 2012 by The Grow New Jersey Assistance Act and was subsequently amended and expanded in 2013 by The New Jersey Economic Opportunity Act of 2013. The program has undergone minor changes since 2013 but has maintained its basic structure. The Grow NJ program is designed to incentivize the creation and/or

the retention of jobs in the state of New Jersey. For a company to receive a tax incentive, they must show that without the tax incentive, jobs will either be eliminated or relocated outside of New Jersey. Companies are also required to make a minimum capital investment in a business facility, usually in the form of a new lease or construction of real estate.

A company that is looking to procure a tax incentive through the Grow NJ program must demonstrate that without the tax incentive it would not be prudent to have the facility in New Jersey. This is accomplished through a series of documents including a "Cost-Benefit Analysis" form which shows that added expense of the New Jersey location versus the out of state locations. The EDA then does an analysis to determine the size of the incentive by multiplying the number of jobs created and/or saved by a "base" amount between \$500 and \$5,000 per job. The "base" amount is preliminarily determined by the location of the project. Second, a statutorily defined bonus is added to the "base," established on the type of industry or job created.

At the heart of the program, the assessment of the tax-incentive award will "yield a net positive" to New Jersey. In laymen's terms, the question is, will the state collect more tax revenue from the company being in the state, in the form of property, sales and income tax versus the cost of the incentive. The goal of the program is at the very least to pay for itself in tax revenue.

The Task Force had two main findings in their first report: I) Special Interests had a significant impact on the design of Grow NJ and its regulations. II) The EDA did not have adequate procedures and training to discover relevant information in the decision-making process.

Expounding on their findings, the Task Force found that law firms and lobbyists played a major role in the creation and expansion of the rules and regulations of the Grow NJ program to an unfair advantage to their clients. This was especially potent in the City of Camden where special rules were carved out just for projects in the city (and subsequently Atlantic City).

The Task Force also found that the EDA failed to provide adequate training and controls to ensure the necessary vetting required by the EDA could be done appropriately. These issues included an inconsistent understanding of job roles by EDA employees, a major lapse in basic applicant research and an overall lack of diligence and scrutiny necessary to properly vet companies and award incentive packages.

The Task Force provided numerous recommendations to remedy

some of the issues they highlighted, including suspending or terminating close to \$500 million of incentives that had been awarded.

Since the Task Force's report was released, the EDA has filed subpoenas requesting more information from a few companies mentioned in the report, concerning their eligibility to receive tax incentives. The state legislator also voted to renew the EDA program another year until July 1, 2020, a move that Governor Murphy promised to veto. The ultimate fate of the program remains to be determined. We will need to see if the Governor follows through with his veto promise and if the legislators will actually have enough votes to override it.

Click [here](#) to see the Task Force's first report.



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