

INVESTMENT FORECAST

Marcus & Millichap

INDUSTRIAL

Northern New Jersey Metro Area

2022

Surge of Shipping Through New Jersey Ports Bolsters Space Demand; Developers Set Record Pace

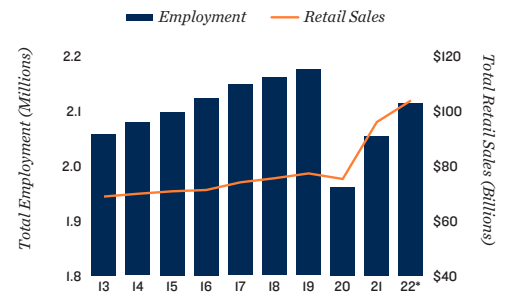
E-commerce and logistics trends push warehouse performance to new heights. Supply chain woes have increased multi-channel retailers' storage requirements in Northern New Jersey. Bottlenecks in other coastal metros have diverted record tonnage into New York and New Jersey ports, affirming Port Newark's status as the top point of entry for goods shipped through the East Coast. Nationwide logistical challenges are also influencing development trends. Booming construction is concentrated around the Meadowlands and waterfront locales, streamlining a flow of goods to surrounding consumers. Additional conversion activity should help bolster metro stock. Corporate offices in Rockaway, recently vacated by Party City, will add over 120,000 square feet of warehouse space to the market after remodeling. While this year's record supply pipeline will bring vacancy back above last year's all-time low, elevated demand for industrial space should push asking rents to new highs, as online retailers strive to shorten distances between staging areas and customers.

Active investment base pursues warehouse deals and drives pricing gains. Lined with active seaports and home to one of the country's most affluent populations, Northern New Jersey's high-performing warehouse segment is garnering significant interest from buyers. Competitive bidding has led to substantial price growth on industrial properties over the last half decade. Since 2016, the average sale price per square foot has increased by over 50 percent. Buyer fervor for warehouse space has driven cap rates well under the yields for other types of industrial properties, with these assets seen trading as low as the mid-2 percent range. As logistics providers continue expanding last-mile shipping operation, suburbanized areas like Bergen County should capture the highest bidding activity.

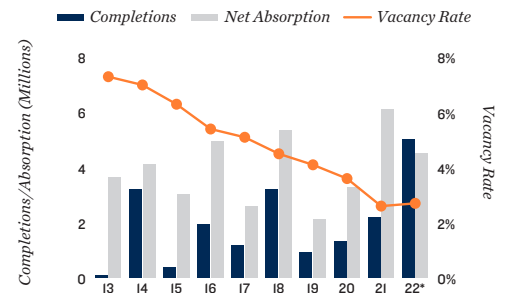
2022 Market Forecast

- Employment** up 2.9% Area companies slow down hiring following 2021's surge, expanding payrolls with 60,000 new positions this year.
- Construction** 5 million sq. ft. Developers are scheduled to exceed last year's delivery volume by 2.8 million square feet, posting a multidecade record for supply additions.
- Vacancy** up 10 bps At over 4.5 million square feet, net absorption trails rapid inventory expansion. Still, only a nominal increase in availability is noted this year, lifting vacancy up to 2.7 percent.
- Rent** up 6.3% Following a 15.3 percent climb last year, tight conditions allow for a more sustainable pace of rent growth in 2022 that elevates the mean marketed rate to \$12.40 per square foot.
- Investment** Buyers searching for properties with rent growth potential may seek out assets in Passaic and Morris counties, where yields average higher than along the waterfront. Vacancies in these submarkets have gone down by half since 2018.

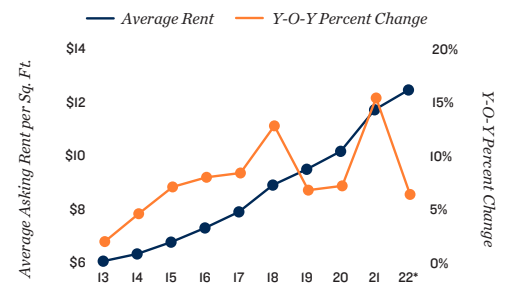
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. 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. Forecasts for employment and retail data are made during the first 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.