

NEW JERSEY INDUSTRIAL MARKET

Q1 2023



TRENDLINES

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.4	4.9	↓	5.4	↑
NET ABSORPTION (MSF)	1.0	2.6	↓	2.5	↓
OVERALL VACANCY RATE	3.4%	2.4%	↑	3.2%	↑
OVERALL VACANT SF (MSF)	25.3	17.3	↑	22.9	↑
UNDER CONSTRUCTION (MSF)	18.7	19.1	↓	13.6	↓
ASKING RENT, NNN (PSF)	\$13.49	\$11.62	↑	\$9.86	↑
SALES VOLUME (MILLIONS)	\$693.8	\$1,230.0	↓	\$1,054.0	↓
SALES PRICE (PSF)	\$199	\$165	↑	\$145	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

SUPPLY MEETS DEMAND

Moderate growth continued for the New Jersey industrial market to open 2023. Warehouse/distribution properties maintained strong occupancy gains while manufacturing buildings returned space for the second consecutive quarter. Despite occupancy growth for the 16th consecutive quarter, the vacancy rate jumped to the highest level since Q1 2021. Increased supply contributed to the rise in vacancy as the amount of new product added to the market since the start of the pandemic has finally caught up with demand. New construction contributed to rising asking rents, which recorded the second highest quarterly increase on record.

Employment supporting the industrial real estate sector continued to increase, however, the growth rate on an annual basis has decelerated. Logistics companies and e-commerce retailers continued to trim jobs due to a slowdown in spending. Overall, both the U.S and New Jersey unemployment rates reported little change while labor participation remains below pre-pandemic levels.



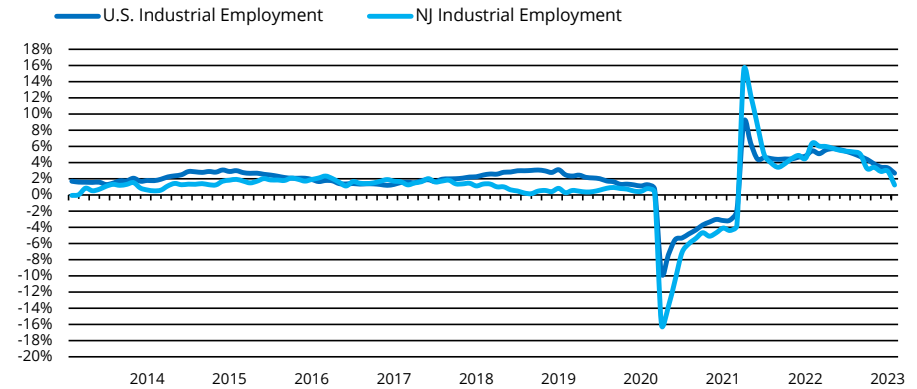
ECONOMY

Spending Slowdown Dampens Growth

- The U.S unemployment rate remained ticked up slightly to 3.6% during the quarter and has ranged between 3.5% and 3.7% since Q1 2022.
- Labor participation has not changed much in more than a year and remains below February 2020 pre-pandemic levels.
- Employment supporting the industrial real estate sector continued to increase, however the growth rate on an annual basis has decelerated. Logistics companies and e-commerce retailers continue to trim jobs due to a slowdown in spending and online shopping.
- New Jersey's unemployment rate ticked up slightly during the quarter but remains on par with pre-pandemic lows.
- Continuing a trend from the previous quarter, cargo volumes continued to decline, though the Port of New York and New Jersey reestablished the ranking it attained late in 2022 as the second busiest port in the U.S.

Y-O-Y CHANGE IN INDUSTRIAL JOBS

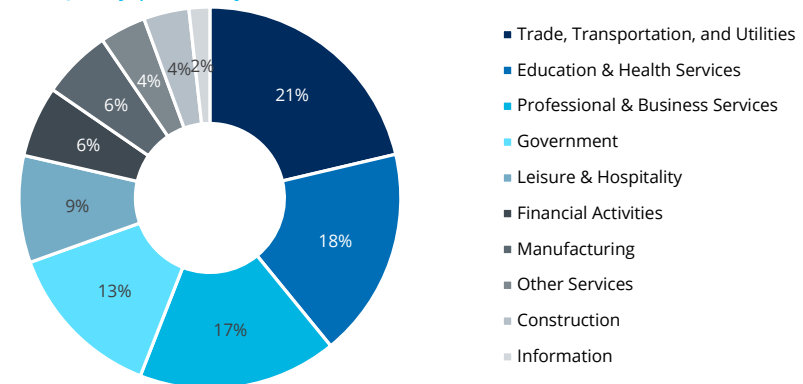
New Jersey | February 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

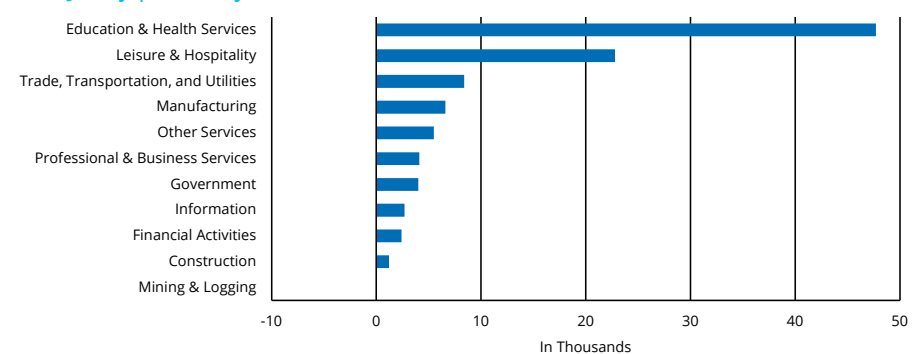
New Jersey | February 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

New Jersey | February 2023



Source: Bureau of Labor Statistics, Transwestern

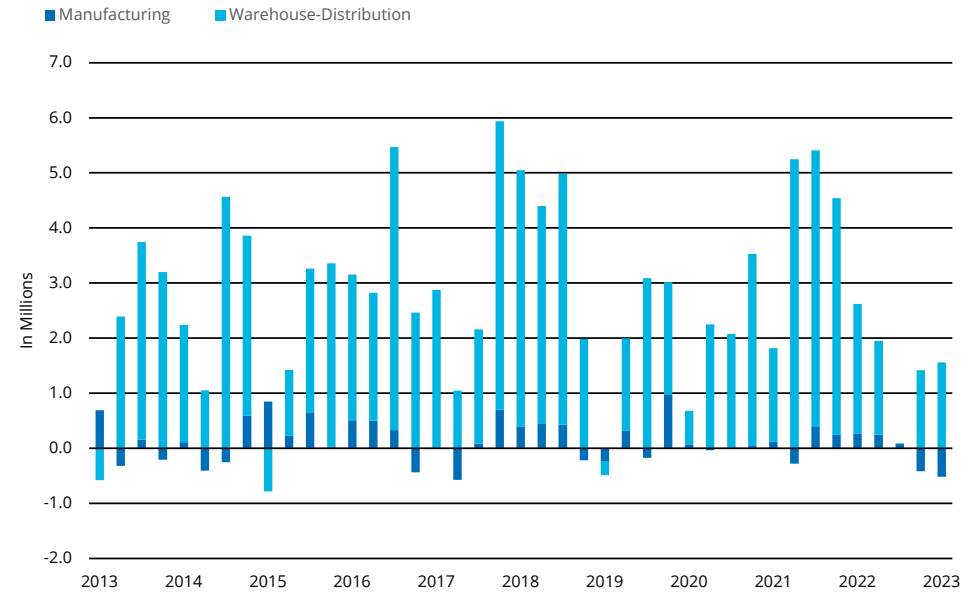


NET ABSORPTION

Deceleration Continues

- Occupancy growth occurred for the 16th consecutive quarter, and 43rd time in the past 44 quarters.
- Warehouse-distribution properties recorded occupancy growth for the sixteenth consecutive quarter, while negative net absorption was recorded in manufacturing buildings for the second consecutive quarter.
- Year-over-year occupancy growth fell to the lowest level since 2012, as 4.2 million SF of inventory was absorbed during the past 12 months, approximately one-third of the previous five-year average.
- Transportation and warehousing companies represented more than one-third of leasing activity during the past 12 months, followed by retailers at nearly 25% and manufacturers at 15%.
- Nearly 31 million SF of industrial space has been absorbed in the three years since the start of the pandemic, compared to 26 million SF the previous three years.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

NOTABLE LEASES

Q1 2023

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
DMI, INC.	1365 Lambertson Rd	Exit 7A/Trenton-I295	New	845,078
GXO LOGISTICS	301-321 Herrod Blvd	Exit 8A	New	610,949
VANGUARD LOGISTICS	400 Linden Logistics Way	Exit 13/Linden	New	372,159
CODA LOGISTICS	1501 West Edgar Rd	Exit 13/Linden	New	321,765
FLEET DISTRIBUTION	21 S Middlesex Ave	Exit 8A	New	204,369

Source: CoStar, Transwestern

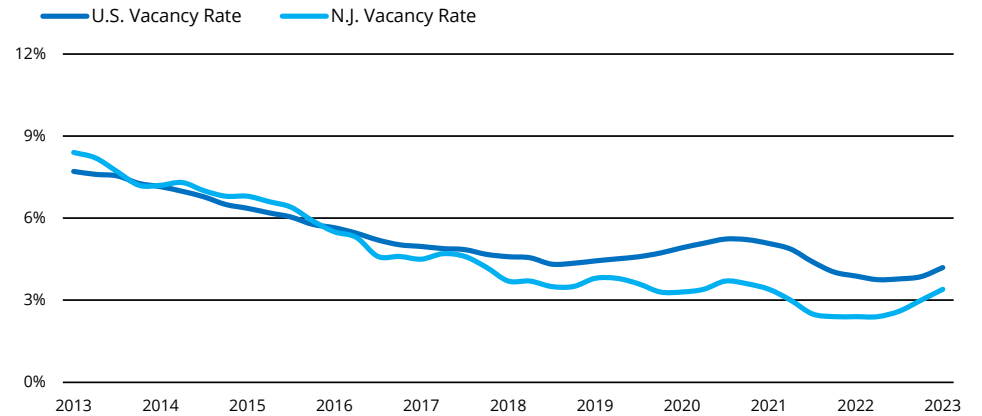


VACANCY

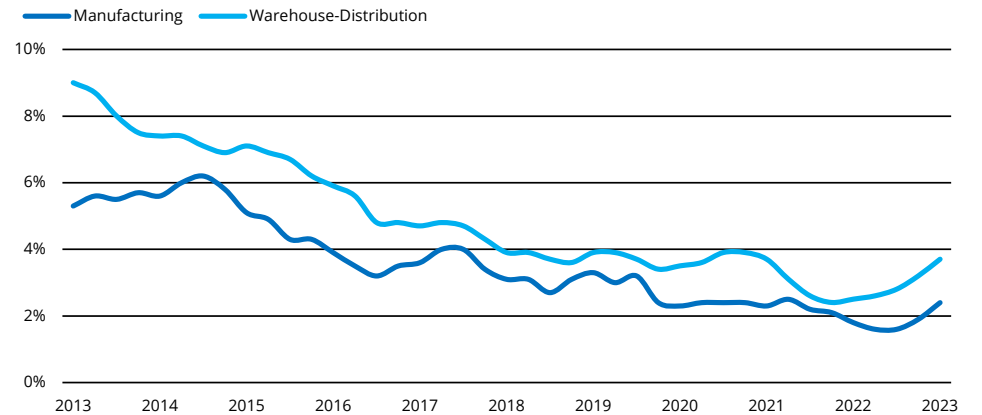
New Deliveries Push Rates Higher

- The rate of unoccupied space jumped 40 basis points for the second consecutive quarter to 3.4%, the highest level since Q1 2021, pushing the vacancy rate higher by 100 basis points when compared year-over-year.
- Vacant sublease space increased for the third time in the past four quarters and is at its highest level in two years.
- Warehouse/distribution properties continued to record strong occupancy growth while manufacturing buildings returned nearly one million SF of space to the market during the past six months.
- Half of the submarkets studied experienced occupancy growth during Q1 2023, while 60% of submarkets recorded year-over-year gains.
- The vacancy rate in the New Jersey industrial market remained 80 basis points lower than the U.S. average.

OVERALL VACANCY RATE

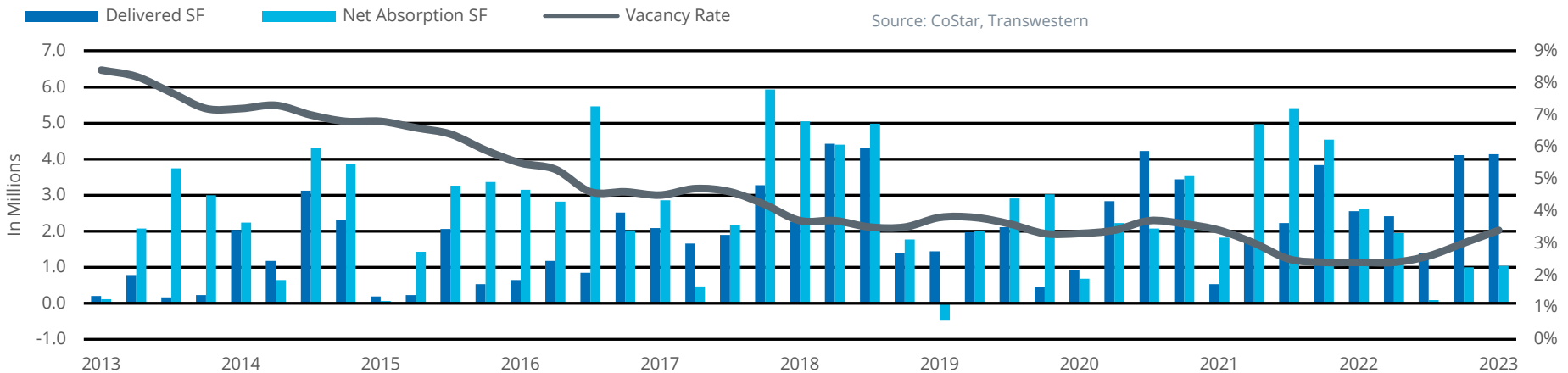


OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

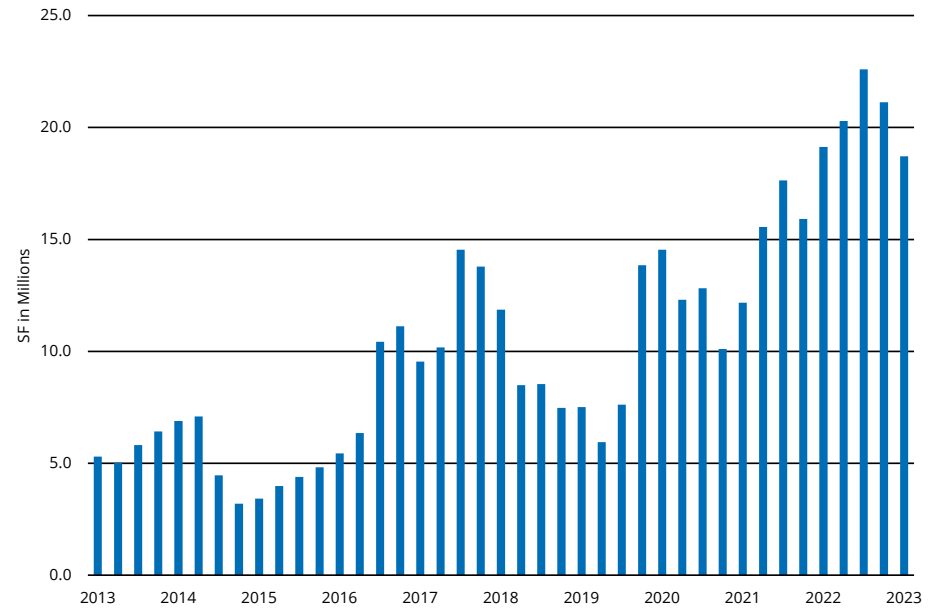


UNDER CONSTRUCTION

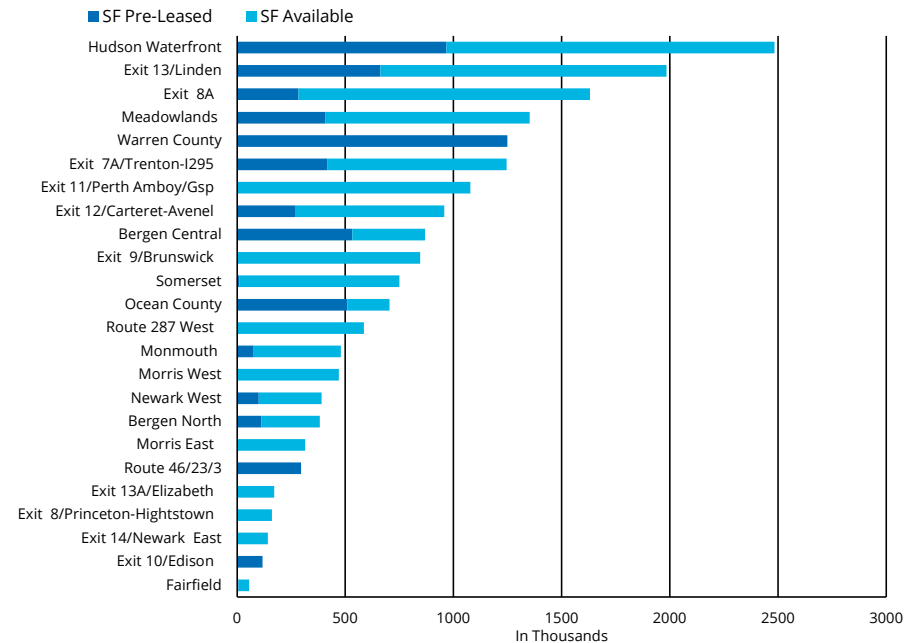
Supply Catches Up with Demand

- Total product under construction continued to decelerate, while new deliveries totaled more than four million SF for the second consecutive quarter.
- Groundbreakings have slowed as less than 20 million SF is under construction for the first time since the same quarter a year ago.
- 24 of 29 submarkets have product under construction, seven with at least one million square feet, including two with more than two million SF being built, led by Hudson Waterfront.
- One-third of space under construction is preleased, up from 25% the previous quarter.
- Supply has finally caught up with demand as the amount of new product added to the market since the start of the pandemic has finally outpaced occupancy growth during the same period.

UNDER CONSTRUCTION



UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

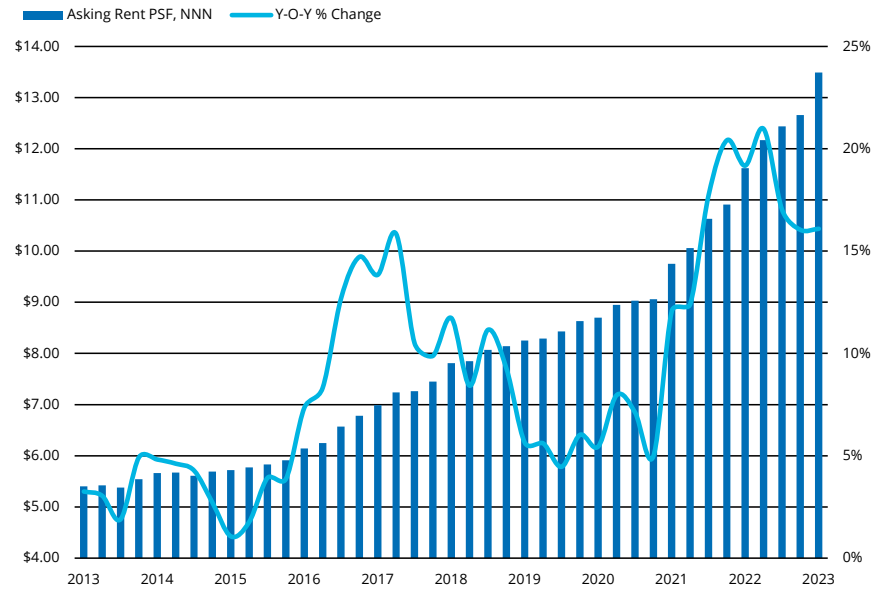


RENTAL RATES

Quarterly increase nears historic high

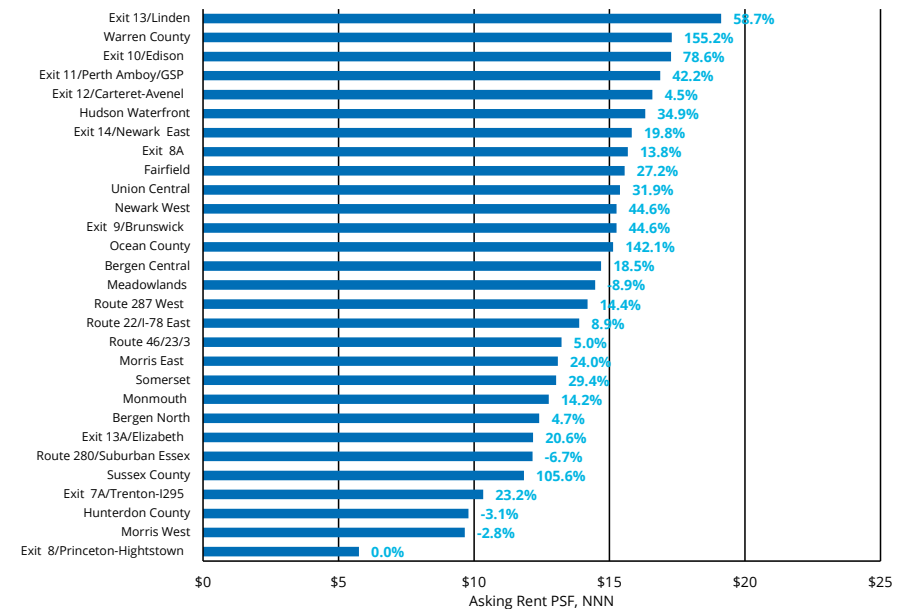
- Asking rents spiked considerably due to steady demand and new construction delivered to the market.
- The 6.6% quarterly increase in asking rent was the second highest on record, surpassed by only the 7.6% rise during Q1 2021.
- Rents have grown by 16.1% during the past 12 months, recording double-digit YoY growth for the ninth consecutive quarter.
- The average asking rent has risen for 34 consecutive quarters, increasing by 140% during that period.
- Rents increased in over 80% submarkets during the past 12 months, including three submarkets which more than doubled during the past year.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

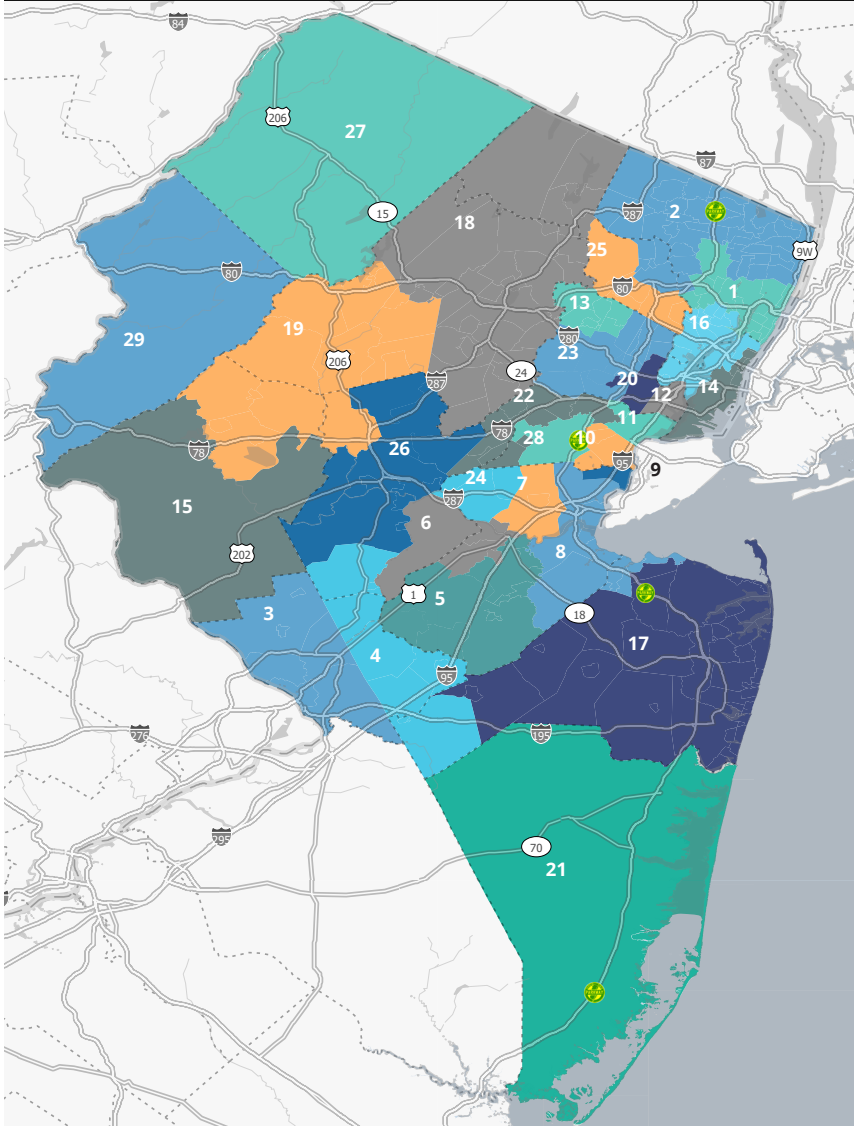


MARKET INDICATORS BY SUBMARKET | Q1 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
BERGEN CENTRAL	25,059,653	810,008	3.2%	3.4%	868,962	(150,974)	78,781	\$14.69
BERGEN NORTH	21,436,535	478,555	2.2%	2.8%	382,429	(182,981)	(62,702)	\$12.41
EXIT 7A/TRENTON-I295	28,811,164	1,662,705	5.8%	5.8%	1,245,764	58,637	473,275	\$10.34
EXIT 8/PRINCETON-HIGHTSTOWN	7,765,979	100,152	1.3%	3.5%	160,462	(84,000)	617,669	\$5.75
EXIT 8A	75,150,309	1,297,884	1.7%	1.7%	1,631,089	1,536,019	420,806	\$15.68
EXIT 9/BRUNSWICK	22,778,900	817,185	3.6%	3.6%	846,121	(306,097)	(82,363)	\$15.26
EXIT 10/EDISON	43,067,636	699,013	1.6%	2.1%	117,562	(153,384)	(96,299)	\$17.27
EXIT 11/PERTH AMBOY/GSP	22,311,943	158,036	0.7%	0.8%	1,077,776	(27,877)	(86,960)	\$16.87
EXIT 12/CARTERET-AVENEL	19,501,068	1,819,278	9.3%	10.0%	957,295	307,800	242,510	\$14.46
EXIT 13/LINDEN	18,096,536	397,483	2.2%	2.2%	1,984,004	(56,990)	518,731	\$19.12
EXIT 13A/ELIZABETH	19,441,617	185,723	1.0%	1.2%	171,128	57,739	(5,837)	\$12.18
EXIT 14/NEWARK EAST	24,912,546	128,495	0.5%	0.5%	142,479	18,039	273,040	\$15.82
FAIRFIELD	13,030,568	294,499	2.3%	2.3%	55,235	(39,391)	(91,562)	\$15.56
HUDSON WATERFRONT	31,828,674	1,318,235	4.1%	4.2%	2,483,756	41,725	131,051	\$16.32
HUNTERDON COUNTY	6,990,872	248,578	3.6%	3.6%	0	76,000	(85,785)	\$9.80
MEADOWLANDS	95,695,507	2,497,929	2.6%	3.3%	1,352,042	(262,436)	(500,486)	\$14.47
MONMOUTH	20,826,267	2,187,045	10.5%	10.5%	479,440	631	427,873	\$12.76
MORRIS EAST	24,691,431	989,961	4.0%	4.0%	314,413	(344,124)	(26,885)	\$13.09
MORRIS WEST	15,799,115	109,354	0.7%	0.7%	470,044	(4,898)	898,411	\$9.66
NEWARK WEST	17,891,342	708,463	4.0%	4.0%	391,117	(208,128)	(247,923)	\$15.26
OCEAN COUNTY	12,931,905	1,351,984	10.5%	10.6%	704,636	(4,640)	6,596	\$15.13
ROUTE 22/I-78 EAST	20,215,506	992,201	4.9%	4.9%	0	(225,210)	158,466	\$13.88
ROUTE 280/SUBURBAN ESSEX	11,092,582	531,405	4.8%	4.8%	0	1,606	307,445	\$12.16
ROUTE 287 WEST	31,952,028	638,362	2.0%	2.7%	586,217	435,201	179,611	\$14.19
ROUTE 46/23/3	52,994,138	1,235,341	2.3%	2.3%	295,500	56,480	252,349	\$13.23
SOMERSET	31,149,377	1,380,875	4.4%	4.5%	750,662	89,174	(111,322)	\$13.03
SUSSEX COUNTY	3,367,961	135,280	4.0%	4.0%	0	(47,280)	24,858	\$11.84
UNION CENTRAL	7,996,820	95,500	1.2%	1.2%	0	188,000	159,900	\$15.39
WARREN COUNTY	8,832,215	335,750	3.8%	3.8%	1,249,122	273,800	457,820	\$17.30
TOTAL	735,620,194	23,605,279	3.2%	3.4%	18,717,255	1,042,441	4,231,068	\$13.49

MARKET INDICATORS BY PROPERTY TYPE | Q1 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
WAREHOUSE-DISTRIBUTION	610,205,459	20,767,217	3.4%	3.7%	17,530,615	1,559,441	4,724,857	\$13.56
MANUFACTURING	125,414,735	2,838,062	2.3%	2.4%	1,186,640	(517,000)	(493,789)	\$13.33
TOTAL	735,620,194	23,605,279	3.2%	3.4%	18,717,255	1,042,441	4,231,068	\$13.49



NEW JERSEY SUBMARKETS

- 1 BERGEN CENTRAL
- 2 BERGEN NORTH
- 3 EXIT 7A/TRENTON-I295
- 4 EXIT 8/PRINCETON-HIGHTSTOWN
- 5 EXIT 8A
- 6 EXIT 9/BRUNSWICK
- 7 EXIT 10/EDISON
- 8 EXIT 11/PERTH AMBOY/GSP
- 9 EXIT 12/CARTERET-AVENEL
- 10 EXIT 13/LINDEN
- 11 EXIT 13A/ELIZABETH
- 12 EXIT 14/NEWARK EAST
- 13 FAIRFIELD
- 14 HUDSON WATERFRONT
- 15 HUNTERDON COUNTY
- 16 MEADOWLANDS
- 17 MONMOUTH
- 18 MORRIS EAST
- 19 MORRIS WEST
- 20 NEWARK WEST
- 21 OCEAN COUNTY
- 22 ROUTE 22/I-78 EAST
- 23 ROUTE 280/SUBURBAN ESSEX
- 24 ROUTE 287 WEST
- 25 ROUTE 46/23/3
- 26 SOMERSET
- 27 SUSSEX COUNTY
- 28 UNION CENTRAL
- 29 WARREN COUNTY

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in northern and central New Jersey. This report includes properties 10,000 square feet and larger.

FOR MORE INFORMATION

Matt Dolly

Research Director | Research Services
matthew.dolly@transwestern.com
973.947.9244

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and @Transwestern.