



TRANSWESTERN

# NEW JERSEY INDUSTRIAL MARKET

## Q2 2023



### TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.5	4.1	↓	5.4	↑
NET ABSORPTION (MSF)	(1.8)	2.3	↓	2.2	↑
OVERALL VACANCY RATE	3.9%	2.4%	↑	3.2%	↑
OVERALL VACANT SF (MSF)	28.6	17.3	↑	22.8	↑
UNDER CONSTRUCTION (MSF)	18.5	19.9	↓	14.2	↓
ASKING RENT, NNN (PSF)	\$13.94	\$12.16	↑	\$10.16	↑
SALES VOLUME (MILLIONS)	\$530.2	\$1,000.8	↓	\$1,062.5	↓
SALES PRICE (PSF)	\$209	\$183	↑	\$149	↑

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

### MARKET TAKES A BREATHER

Following an extended torrid pace, conditions in the New Jersey industrial market calmed during the second quarter as the sector continues to normalize. While construction starts continued to decrease, new deliveries totaled more than three million square feet for the third consecutive quarter, adding much needed supply to a constrained market while contributing to the continued rise in asking rents. Softening conditions prompted an increasing number of landlords to offer more flexible lease terms and, in some cases, owners of higher-quality assets are beginning to subdivide space for the first time during this cycle.

Employment supporting the industrial real estate sector accelerated during the quarter but overall growth slowed year-over-year. As retailer warehouse inventory levels remained high, imports continued to shrink, though the Port of New York and New Jersey continued to benefit from shifted shipping routes and outperformed pre-pandemic levels of overall cargo volume.



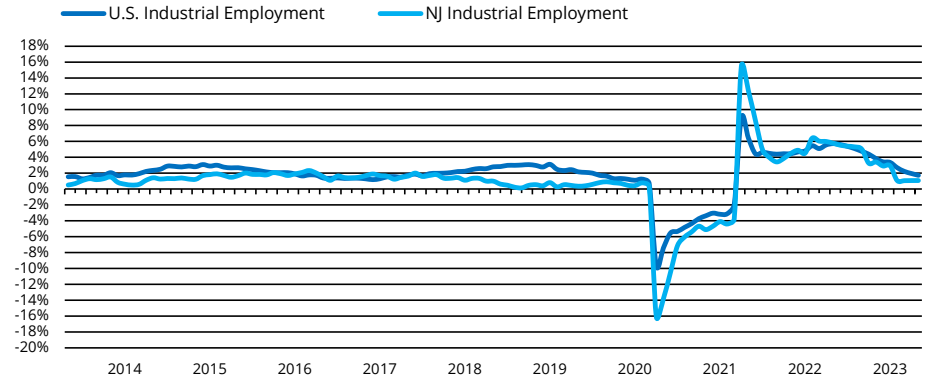
### ECONOMY

#### Boost in Transportation Labor

- 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 was unchanged during the quarter and remains 70 basis points below the pre-pandemic level in February 2020.
- The growth rate for employment supporting the industrial real estate sector accelerated during the quarter, boosted by an increase in trucking jobs, but continued to slow on a year-over-year basis.
- New Jersey's unemployment rate was unchanged during the quarter while its industrial employment was stagnant overall, but experienced growth in the transportation sector.
- Cargo volume at the Port of New York and New Jersey has fallen 20% when compared to year ago but remains significantly higher than 2019 pre-pandemic levels.

### Y-O-Y CHANGE IN INDUSTRIAL JOBS

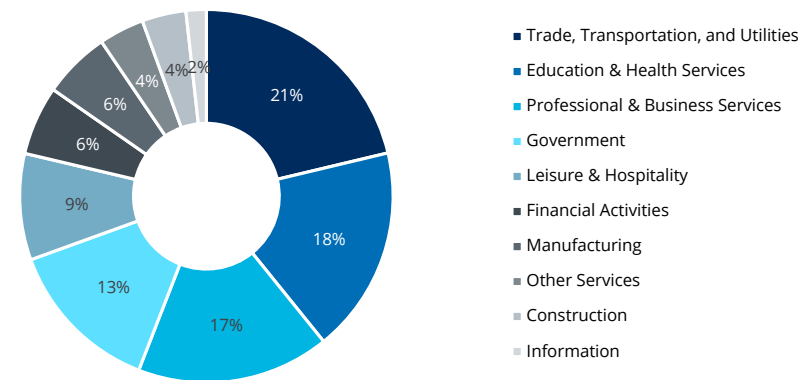
New Jersey | May 2023



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

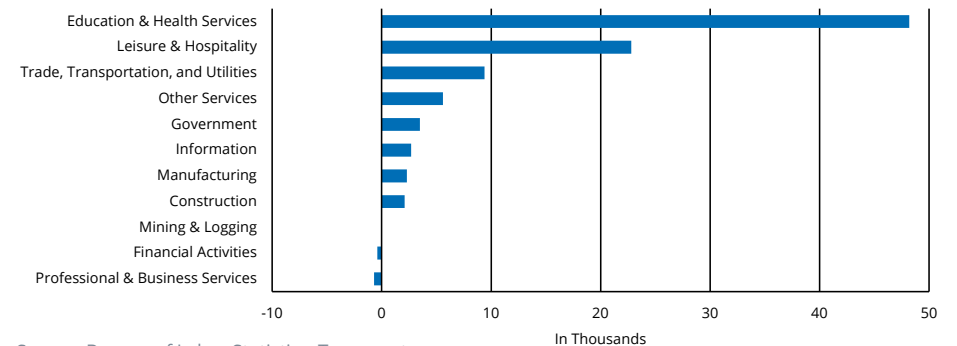
New Jersey | May 2023



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

New Jersey | May 2023



Source: Bureau of Labor Statistics, Transwestern

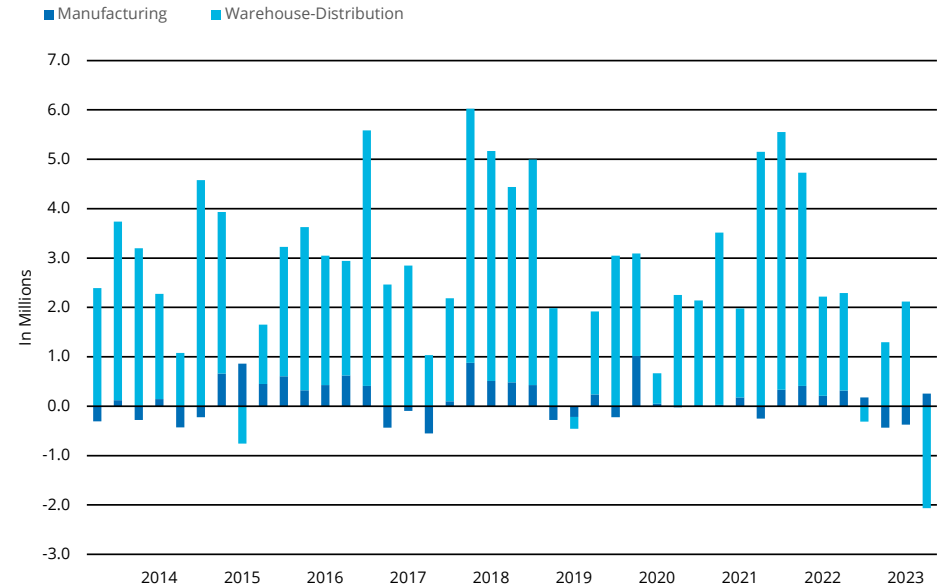


## NET ABSORPTION

### Decade Plus Low

- The market experienced an overall loss in occupancy for only the second time in the past 17 quarters, and only the third time in the past 45 quarters.
- The 1.8 million SF of negative net absorption was the lowest level recorded in more than 11 years.
- Year-over-year occupancy growth fell to the lowest level since Q2 2011, failing to exceed one million SF for the first time during the period.
- An increasing number of landlords are offering more flexible lease terms and, in some cases, owners are willing to subdivide space.
- While a pause in growth can be common after a long period of prosperity, the amount of space returned during the quarter may raise concerns about the short-term prospects of the market.

## NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

## NOTABLE LEASES

### Q2 2023

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
<b>LVMH GROUP</b>	258 Prospect Plains Rd	Exit 8A	New	886,826
<b>S&amp;S ACTIVEWEAR</b>	16 Applegate Dr	Exit 7A/Trenton I-295	Renewal	480,420
<b>CODA LOGISTICS</b>	1501 West Edgar Rd	Exit 13/Linden	New	321,765
<b>DEWELL</b>	244 Belmont Dr	Somerset	New	198,772
<b>GETINGE</b>	148 Princeton Hightstown Rd	Exit 8/Princeton-Hightstown	New	167,500

Source: CoStar, Transwestern

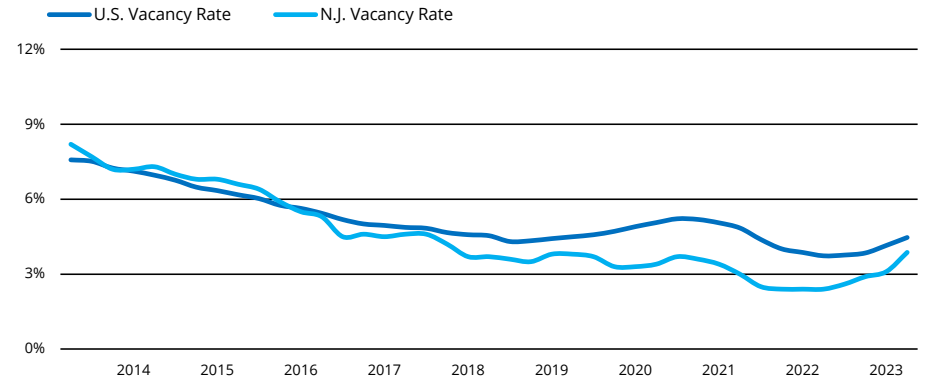


### VACANCY

#### Loosened Considerably

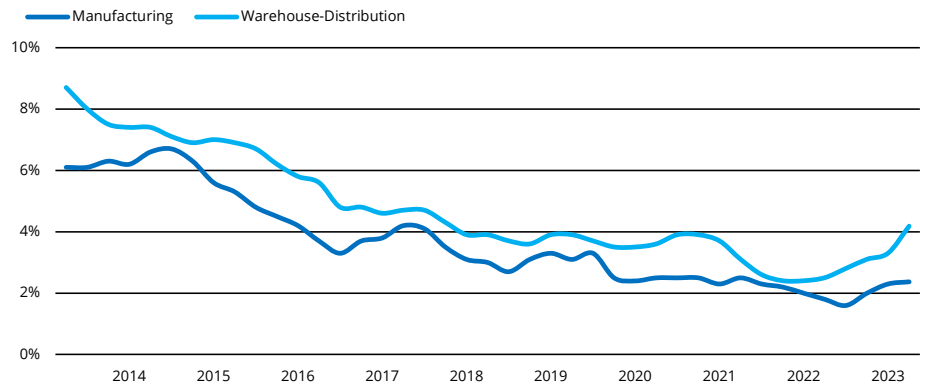
- The rate of unoccupied space jumped from 3.1% to 3.9%, the highest level since Q4 2017, pushing the vacancy rate higher by 150 basis points when compared year-over-year.
- Vacant sublease space increased by 64% during the quarter and is at its highest level since 2012.
- Warehouse/distribution properties were more than 4.0% unoccupied for the first time since 2017 while vacancy in manufacturing buildings remained below 3.0%.
- Slightly more than half of submarkets studied recorded occupancy losses during Q2 2023, though nearly 60% experienced year-over-year gains.
- Despite the jump in vacancy, the level of unoccupied space in the New Jersey industrial market was 60 basis points lower than the U.S. average.

### OVERALL VACANCY RATE



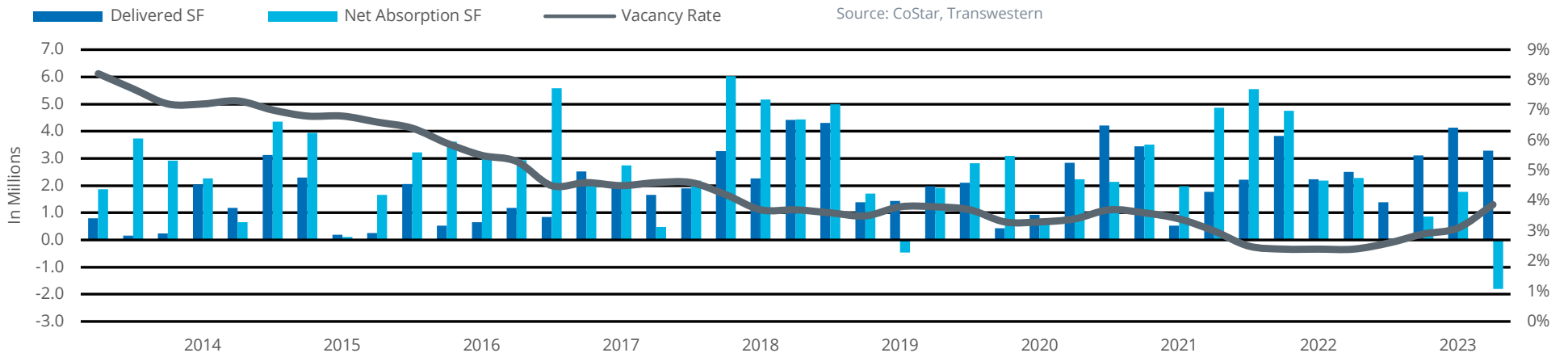
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

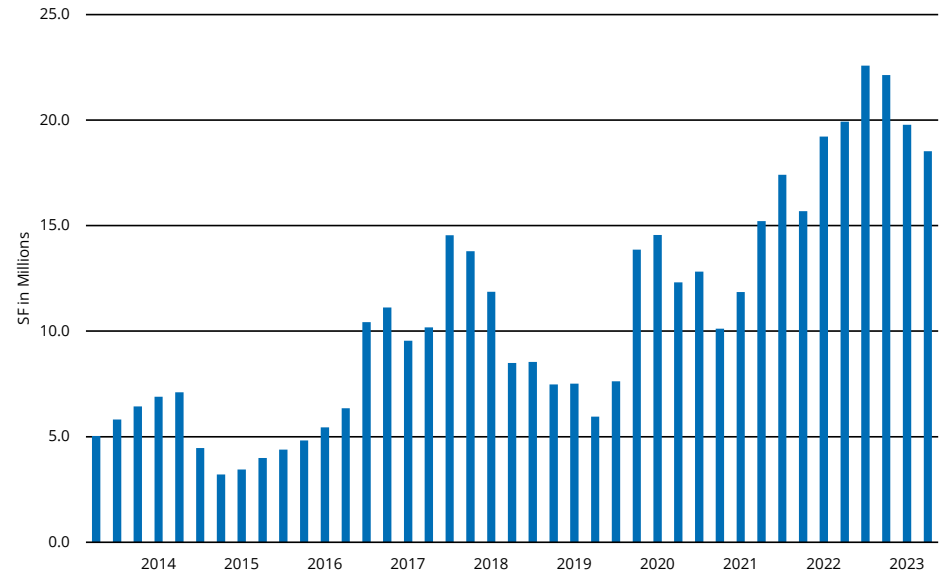


### UNDER CONSTRUCTION

#### Shifting to Supply Side

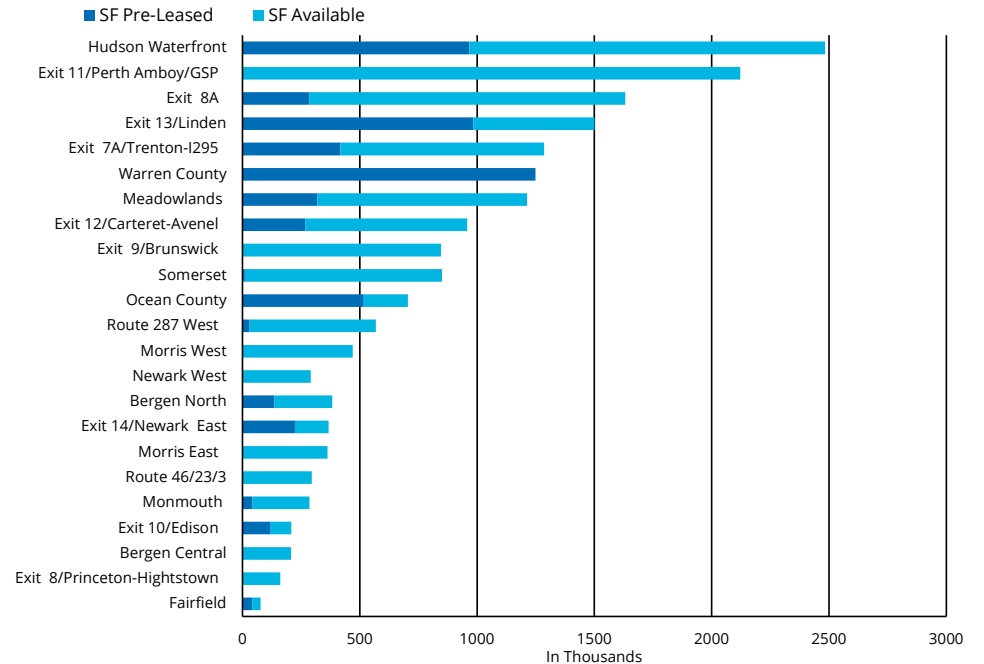
- For the third consecutive quarter, total product under construction decelerated, while deliveries totaled more than three million SF.
- The 18.5 million SF under construction was the lowest level since Q4 2021.
- 23 of 29 submarkets have product under construction, six with at least one million square feet, down from seven the previous quarter, including two with more than two million SF being built.
- 30% of space under construction is preleased, down slightly from the previous quarter.
- While market activity slows, savvy developers are evaluating ways to modernize future projects to be better positioned when leasing re-accelerates.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

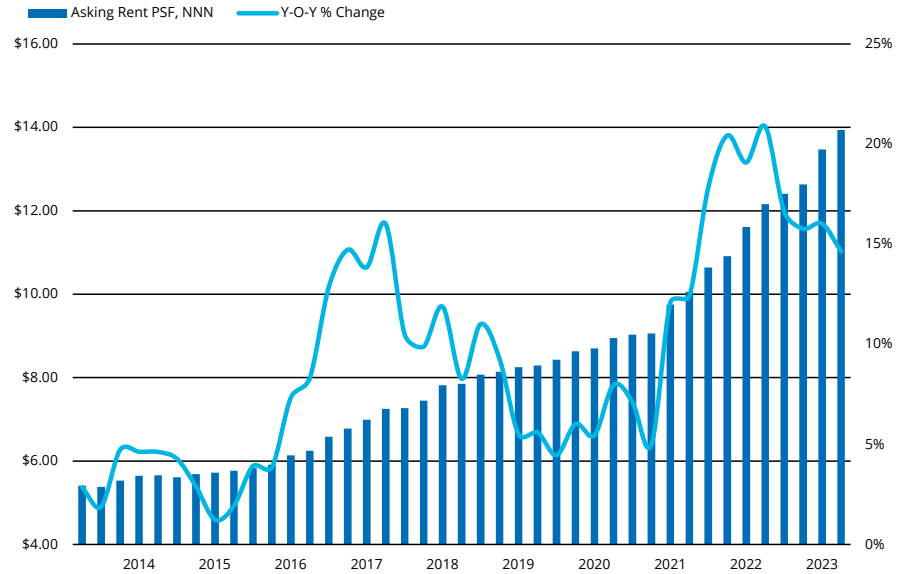


### RENTAL RATES

#### Development Helps Rents Maintain Growth

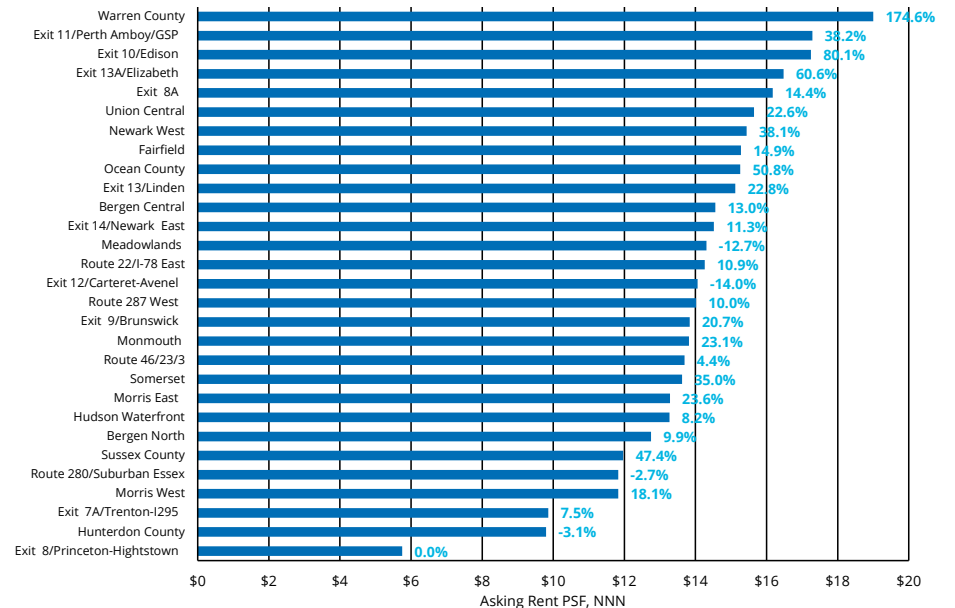
- Following a near record increase in Q1, asking rents rose 3.5% during Q2, on par with the previous three-year average.
- Rents have grown by 14.6% during the past 12 months, recording double-digit YoY growth for the tenth consecutive quarter.
- The average asking rent has risen for 35 consecutive quarters, increasing by nearly 150% during that period.
- Rents increased in 25 of 29 submarkets during the past 12 months, but only 17 submarkets during the quarter.
- Development has contributed to continued rent growth, with asking rents for new inventory and product currently under construction averaging in the high teens.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

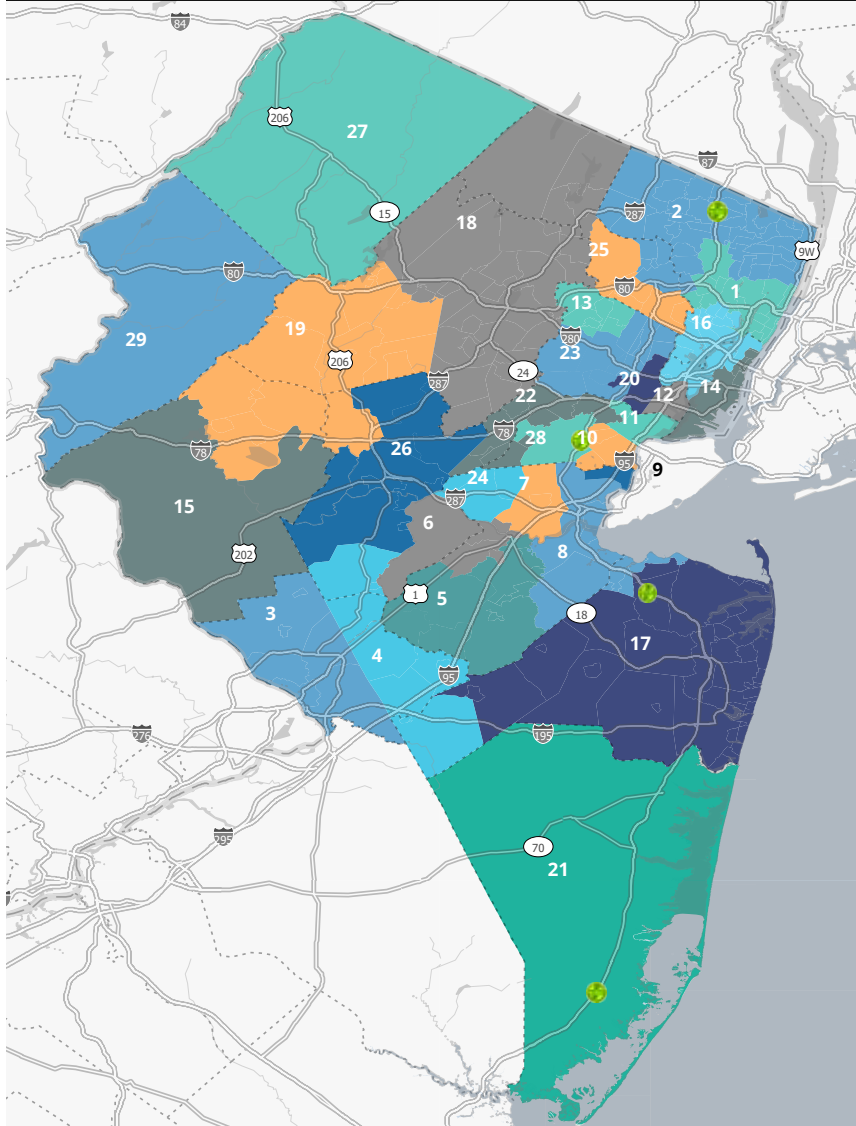


MARKET INDICATORS BY SUBMARKET | Q2 2023

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	25,820,988	882,208	3.4%	3.5%	206,826	664,262	872,063	\$14.56
BERGEN NORTH	21,536,574	654,296	3.0%	5.3%	382,429	(308,573)	(535,363)	\$12.75
EXIT 7A/TRENTON-I295	28,864,094	782,859	2.7%	3.0%	1,286,264	791,846	1,166,389	\$9.86
EXIT 8/PRINCETON-HIGHTSTOWN	7,764,098	100,152	1.3%	1.3%	160,462	-	497,914	\$5.75
EXIT 8A	75,229,234	1,834,277	2.4%	2.4%	1,631,089	(618,890)	(183,309)	\$16.17
EXIT 9/BRUNSWICK	22,786,631	1,172,555	5.1%	5.2%	846,121	(372,069)	(363,144)	\$13.84
EXIT 10/EDISON	43,210,898	748,611	1.7%	2.5%	207,692	(380,235)	(131,300)	\$17.25
EXIT 11/PERTH AMBOY/GSP	22,376,870	882,458	3.9%	4.2%	2,121,376	(725,309)	(803,769)	\$17.29
EXIT 12/CARTERET-AVENEL	19,511,752	1,769,278	9.1%	9.7%	957,295	50,000	164,795	\$14.06
EXIT 13/LINDEN	18,971,446	1,253,559	6.6%	6.8%	1,500,524	(52,682)	470,036	\$15.12
EXIT 13A/ELIZABETH	19,618,546	423,683	2.2%	2.3%	0	(41,332)	(3,298)	\$16.48
EXIT 14/NEWARK EAST	24,720,572	314,593	1.3%	1.3%	366,872	(186,098)	(161,026)	\$14.52
FAIRFIELD	13,039,718	223,649	1.7%	1.7%	77,195	42,781	66,737	\$15.28
HUDSON WATERFRONT	31,938,100	1,426,170	4.5%	4.9%	2,483,756	(207,943)	(246,571)	\$13.27
HUNTERDON COUNTY	7,045,872	244,107	3.5%	3.5%	0	(95,307)	(100,669)	\$9.80
MEADOWLANDS	95,555,213	2,969,814	3.1%	4.0%	1,213,423	(439,000)	(1,193,046)	\$14.31
MONMOUTH	21,325,581	2,281,999	10.7%	10.7%	284,748	235,648	587,642	\$13.82
MORRIS EAST	24,538,926	812,656	3.3%	3.4%	362,648	(70,694)	(97,453)	\$13.28
MORRIS WEST	15,799,114	94,672	0.6%	0.6%	470,044	2,782	(16,051)	\$11.83
NEWARK WEST	17,932,572	831,752	4.6%	4.6%	290,780	(135,814)	(434,762)	\$15.44
OCEAN COUNTY	12,966,977	1,313,776	10.1%	10.3%	704,636	33,845	101,431	\$15.26
ROUTE 22/I-78 EAST	20,305,826	797,241	3.9%	3.9%	0	8,410	116,126	\$14.26
ROUTE 280/SUBURBAN ESSEX	11,104,582	647,711	5.8%	5.8%	0	(116,306)	165,167	\$11.83
ROUTE 287 WEST	32,119,751	738,553	2.3%	2.9%	568,717	(71,156)	292,831	\$14.02
ROUTE 46/23/3	52,866,663	1,171,081	2.2%	2.5%	295,506	(78,128)	(338,373)	\$13.69
SOMERSET	31,103,395	1,083,804	3.5%	3.5%	750,662	323,907	89,092	\$13.62
SUSSEX COUNTY	3,427,961	61,450	1.8%	1.8%	0	75,530	61,335	\$11.97
UNION CENTRAL	7,997,513	109,900	1.4%	1.4%	0	(10,800)	172,800	\$15.65
WARREN COUNTY	8,773,019	344,780	3.9%	3.9%	1,249,122	(129,030)	473,090	\$19.00
<b>TOTAL</b>	<b>738,243,294</b>	<b>25,971,644</b>	<b>3.5%</b>	<b>3.9%</b>	<b>18,518,208</b>	<b>(1,810,355)</b>	<b>689,314</b>	<b>\$13.94</b>

MARKET INDICATORS BY PROPERTY TYPE | Q2 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	612,638,404	23,252,762	3.8%	4.2%	17,449,968	(2,067,741)	1,060,626	\$14.10
MANUFACTURING	125,604,890	2,718,882	2.2%	2.4%	1,068,240	257,386	(371,312)	\$13.23
<b>TOTAL</b>	<b>738,243,294</b>	<b>25,971,644</b>	<b>3.5%</b>	<b>3.9%</b>	<b>18,518,208</b>	<b>(1,810,355)</b>	<b>689,314</b>	<b>\$13.94</b>



### 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](mailto:matthew.dolly@transwestern.com)  
973.947.9244

### ABOUT TRANSWESTERN

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