TRANSWESTERN

NEW JERSEY INDUSTRIAL MARKET

Q3 2023

TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.9	3.9	↔	5.4	↑
NET ABSORPTION (MSF)	(3.0)	-0.1	↓	1.9	↑
OVERALL VACANCY RATE	4.8%	2.6%	↑	3.2%	↑
OVERALL VACANT SF (MSF)	35.6	18.8	↑	23.2	↑
UNDER CONSTRUCTION (MSF)	16.2	22.7	↓	14.6	↓
ASKING RENT, NNN (PSF)	$14.09	$12.40	↑	$10.45	↑
SALES VOLUME (MILLIONS)	$328.5	$855.1	↓	$1,066.3	↑
SALES PRICE (PSF)	$200	$193	↑	$153	↓

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

BALANCING OUT

The latest indicators for the New Jersey industrial market illustrate a move towards supply-demand balance. The past three months saw 3.0 million SF of space returned to the market, the highest level since Q2 2009. More than 4.0 million SF of inventory was delivered during the past quarter and 12 million SF year-to-date. More than two-thirds of that new product remains available, largely accounting for the substantial increase in overall vacancy. New construction continues to push average rents higher, though the pace of growth has slowed considerably.

Jobs supporting the industrial real estate sector increased by 1.1% during the past 12 months, in the U.S., 0.6% for N.J., both the lowest level of growth since March 2021. U.S. trucking employment fell considerably during the quarter, impacted by Yellow Corporation's bankruptcy. New Jersey's unemployment rate ticked up slightly but was at the same level as a year ago.

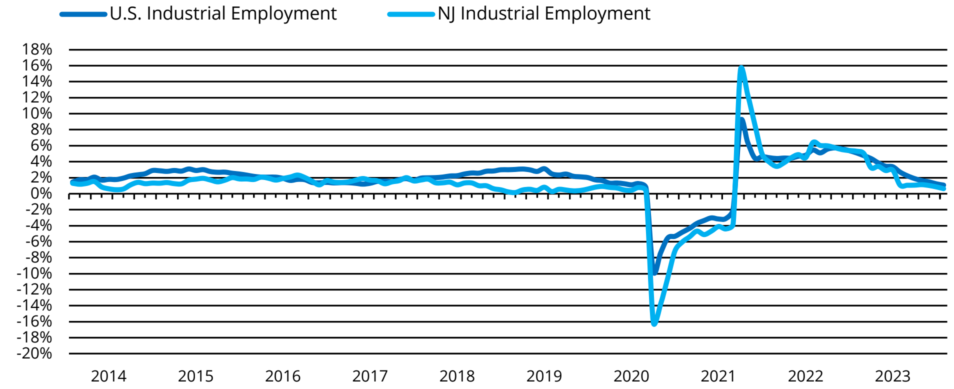
ECONOMY

Trucking Employment Takes a Plunge

- The U.S. unemployment rate increased to 3.8%, 10 basis points higher than both the previous quarter and when compared year-over-year.
- Labor participation continued to increase to within 50 basis points of February 2020 pre-pandemic levels.
- Jobs supporting the industrial real estate sector increased by 1.1% during the past 12 months, the lowest level since March 2021, while trucking employment fell considerably in August, impacted by Yellow's bankruptcy.
- The New Jersey unemployment rate increased 30 basis points to 3.9% during the quarter, returning to the same level when compared year-over-year.
- Declining shipping volumes continued at The Port of New York and New Jersey as warehouse inventory levels are still high, though cargo totals remain higher than 2019 pre-pandemic levels.

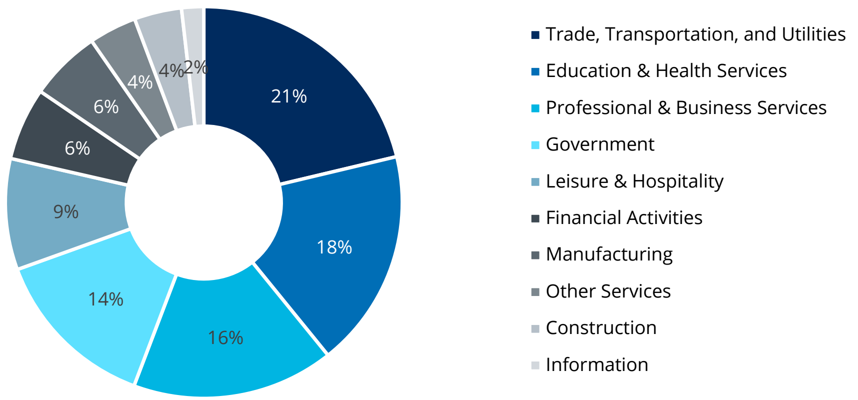
Y-O-Y CHANGE IN INDUSTRIAL JOBS

New Jersey | August 2023



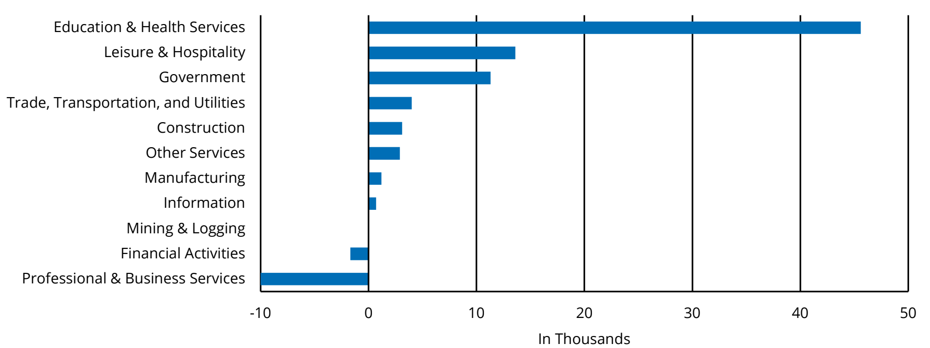
SHARE OF EMPLOYEES BY INDUSTRY

New Jersey | August 2023



Y-O-Y CHANGE IN JOBS BY INDUSTRY

New Jersey | August 2023



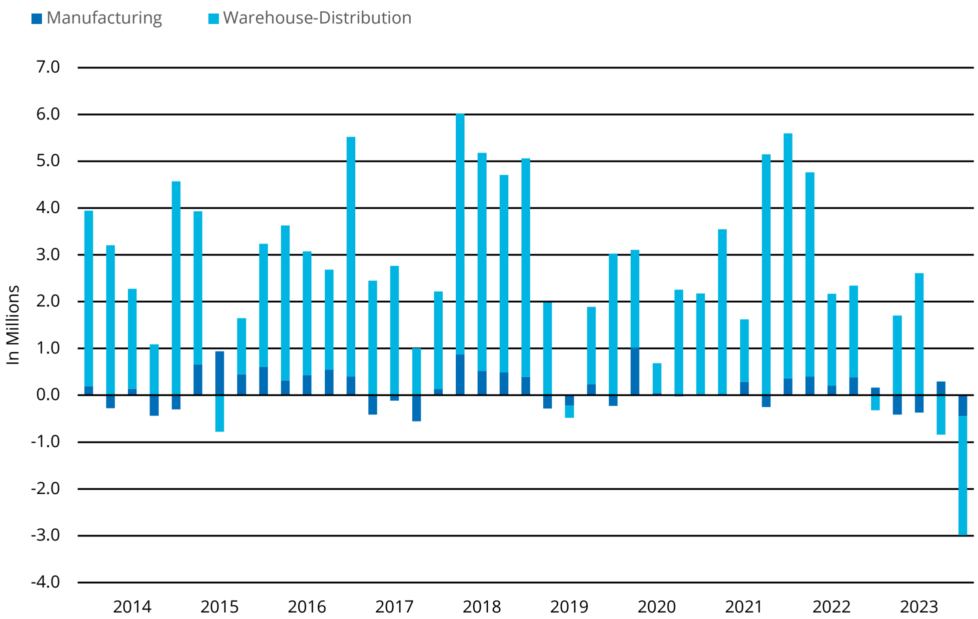
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

14-Year Low

- The market recorded negative net absorption during back-to-back quarters for the first time since the first half of 2011.
- Total occupancy fell by more than 3.0 MSF for the first time since Q2 2009.
- Year-over-year net absorption was negative for the first time since Q2 2011, as nearly 50,000 SF was returned to the market during the past 12 months.
- Warehouse-distribution buildings, which represent 82% of the market's total inventory, accounted for 85% of occupancy losses.
- Leasing activity cooled for the third consecutive quarter as more tenants are becoming hesitant to expand amid increasing economic uncertainty and slowing consumer spending.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

NOTABLE LEASES

Q3 2023

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
EAST COAST WAREHOUSE	20 Sigle Ln	Exit 8A	New	387,744
GDB INTERNATIONAL	207 Pond Ave	Route 287 West	New	200,500
FABUWOOD CABINETRY	300 Linden Logistics Way	Exit 13/Linden	New	197,072
WEIDA FREIGHT SYSTEM	400 Salt Meadow Rd	Exit 12/Carteret-Avenel	New	188,265
SCENTBIRD, INC.	401 Cottontail Ln	Somerset	New	99,714

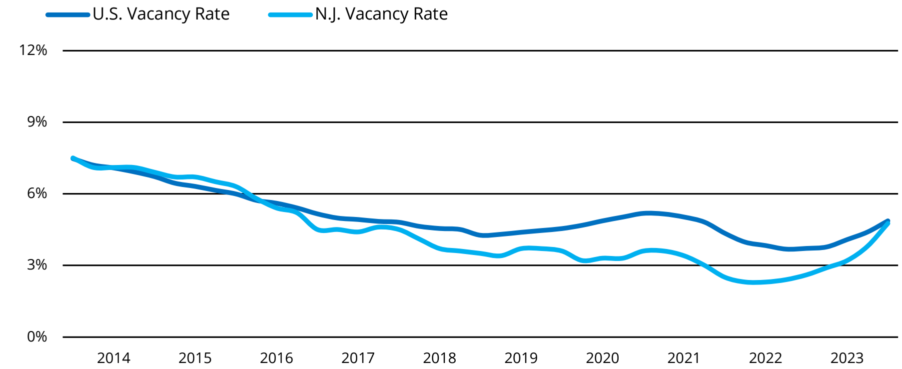
Source: CoStar, Transwestern

VACANCY

Softening Conditions Geographically Widespread

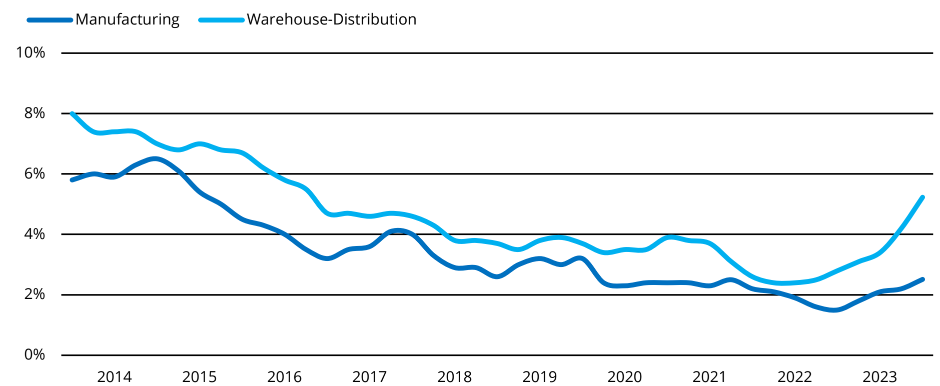
- Total vacant space increased for the seventh consecutive quarter due to decelerating leasing velocity and an increase of new product delivered to the market.
- The vacancy rate jumped 100 bps to 4.8%, and the level of unoccupied space is 220 bps higher when compared year-over-year, though on par with pre-pandemic levels.
- At 5.2%, the vacancy rate for warehouse-distribution buildings is at its highest level since Q2 2016.
- Occupancy losses were recorded in 22 of 29 submarkets during Q3 2023, up from 15 the previous quarter, and nearly half of the submarkets when compared year-over-year.
- The vacancy rate in the New Jersey industrial market is 10 bps lower than the U.S. average, closing the gap from 60 bps the previous quarter and 100 bps a year ago.

OVERALL VACANCY RATE



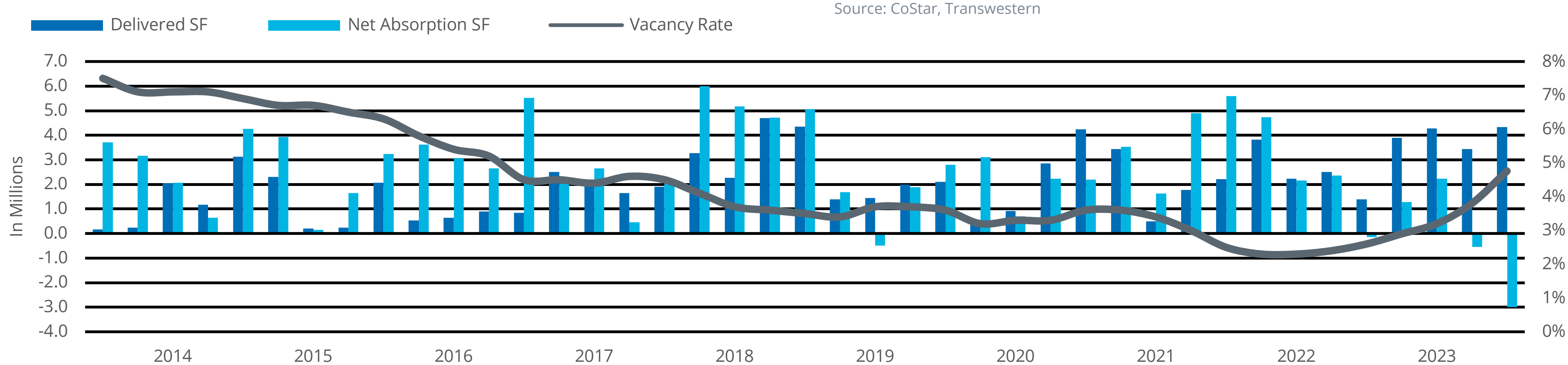
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



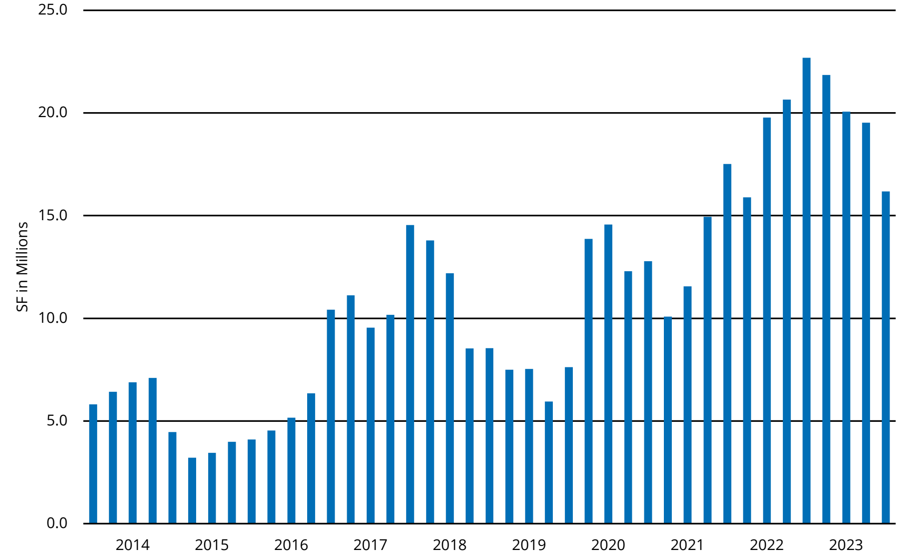
Source: CoStar, Transwestern

UNDER CONSTRUCTION

Deliveries Up, Starts Down

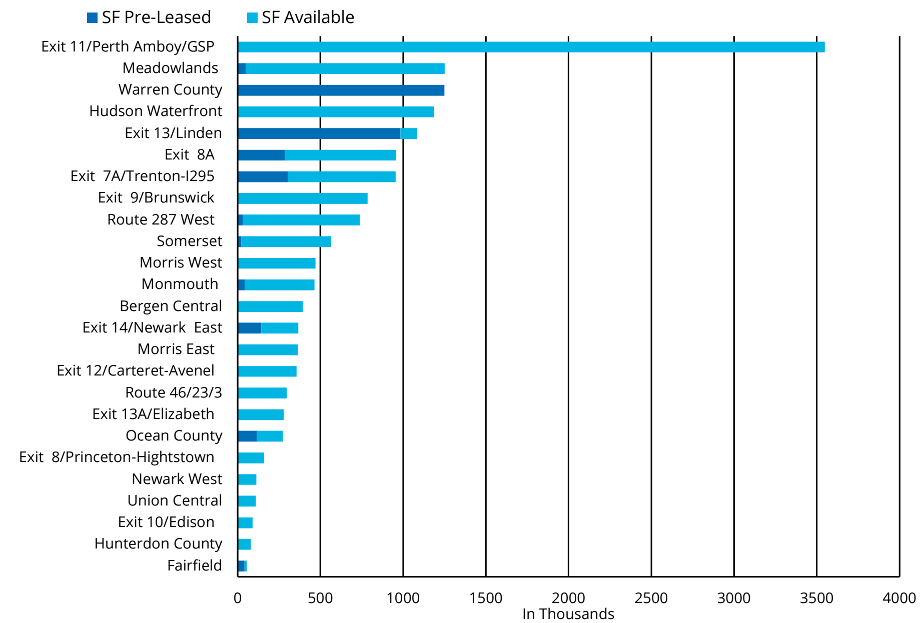
- Total product under construction decelerated considerably, while more than four million SF was delivered to the market for the second time in the past three quarters.
- The 16.2 million SF under construction is the lowest since Q4 2021, falling below the three-year average but remained above the average for the past five years.
- New development is spread throughout the market as 25 of 29 submarkets have product under construction, led by the Exit 11/ Perth Amboy/GSP submarket at 3.5 million SF.
- Options to lease new space have opened considerably for tenants as nearly 80% of space under construction remained available.
- As availability increases, users have the opportunity to make asset upgrades that were previously impossible under constrained market conditions.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



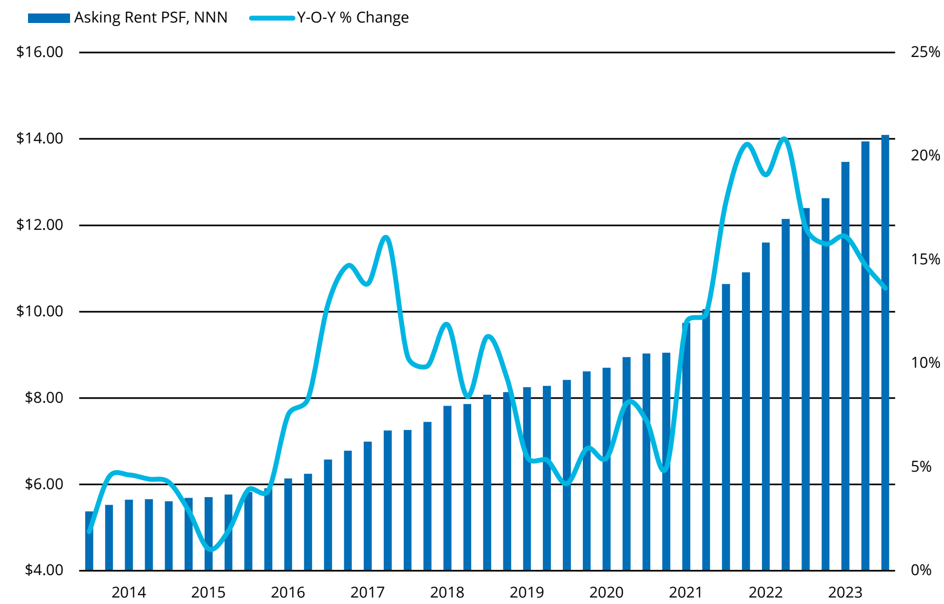
Source: CoStar, Transwestern

RENTAL RATES

Growth Decelerating

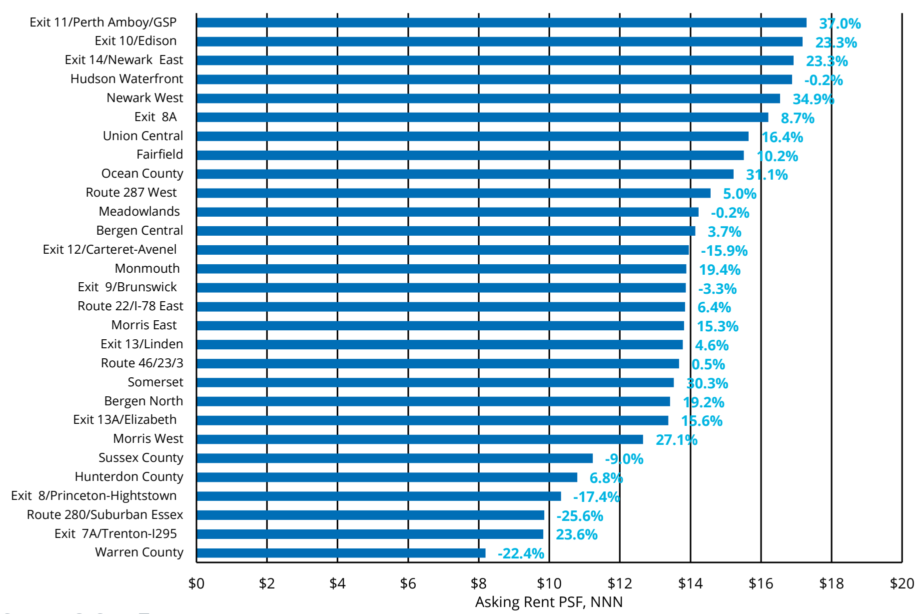
- Asking rents continue higher, though the $0.15 rise during Q3 2023 was the lowest quarterly increase since Q4 2020.
- Year-over-year rent growth decelerated to 13.6%, the lowest level since Q2, but remained above the 11.8% annual growth level during the past five years.
- The average asking rent has risen for 36 consecutive quarters, including more than 62% growth since the beginning of the pandemic.
- Rents increased in 75% of submarkets during the past 12 months, a strong showing but significantly lower than the previous quarter when all but one submarket experienced YoY increases.
- Eight submarkets recorded asking rent increases by more than 20%, led by Exit11/Perth Amboy/GSP with 37.0% growth during the past 12 months.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

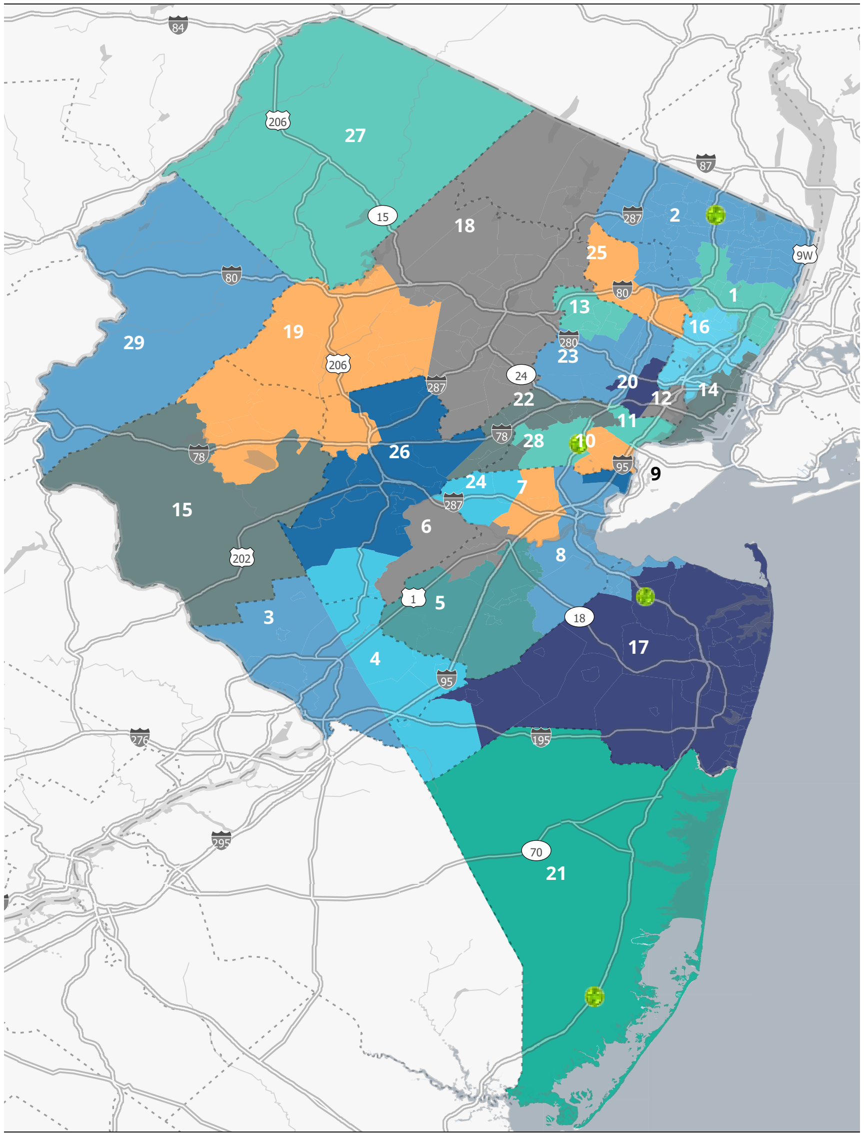
MARKET INDICATORS BY SUBMARKET | Q3 2023

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	25,750,699	1,394,398	5.4%	5.5%	394,356	(532,819)	37,998	$14.14
BERGEN NORTH	21,883,108	965,590	4.4%	6.7%	0	23,900	(617,087)	$13.42
EXIT 7A/TRENTON-I295	29,260,775	1,017,264	3.5%	3.7%	953,989	34,086	1,400,110	$9.83
EXIT 8/PRINCETON-HIGHTSTOWN	7,764,098	16,152	0.2%	0.2%	160,462	-	38,824	$5.75
EXIT 8A	75,617,744	1,995,809	2.6%	3.3%	957,983	(152,879)	529,169	$16.21
EXIT 9/BRUNSWICK	22,740,949	1,391,022	6.1%	7.2%	784,352	(256,897)	(586,252)	$13.87
EXIT 10/EDISON	43,211,036	1,259,954	2.9%	3.2%	90,129	(176,280)	(268,065)	$17.18
EXIT 11/PERTH AMBOY/GSP	23,015,947	940,420	4.1%	4.3%	3,548,527	733,389	(58,456)	$17.29
EXIT 12/CARTERET-AVENEL	20,113,947	2,310,172	11.5%	11.8%	355,100	(100,325)	264,382	$13.95
EXIT 13/LINDEN	24,821,970	2,041,851	8.2%	8.4%	1,083,929	(304,737)	97,395	$13.78
EXIT 13A/ELIZABETH	19,670,825	523,303	2.7%	2.7%	277,440	(86,392)	(154,890)	$13.37
EXIT 14/NEWARK EAST	25,307,867	324,036	1.3%	1.3%	366,872	(8,743)	(156,156)	$16.92
FAIRFIELD	13,046,681	309,087	2.4%	2.5%	55,235	(121,738)	(2,721)	$15.51
HUDSON WATERFRONT	33,443,529	2,475,549	7.4%	7.7%	1,184,860	(619,739)	67,196	$16.88
HUNTERDON COUNTY	7,132,272	431,287	6.0%	6.0%	79,200	(196,716)	(252,509)	$10.79
MEADOWLANDS	95,464,470	3,764,953	3.9%	4.7%	1,250,330	(638,807)	(1,780,433)	$14.23
MONMOUTH	21,563,854	1,992,980	9.2%	9.4%	464,447	256,819	852,078	$13.88
MORRIS EAST	24,394,311	926,691	3.8%	3.9%	362,648	(88,535)	(242,211)	$13.82
MORRIS WEST	15,812,646	156,936	1.0%	1.0%	470,044	(68,360)	(85,046)	$12.66
NEWARK WEST	17,616,112	1,239,588	7.0%	7.0%	112,580	(243,106)	(607,946)	$16.54
OCEAN COUNTY	13,482,049	1,381,368	10.2%	10.2%	273,582	(48,987)	371,678	$15.22
ROUTE 22/I-78 EAST	20,212,131	623,066	3.1%	3.1%	0	144,175	273,004	$13.85
ROUTE 280/SUBURBAN ESSEX	11,186,369	728,527	6.5%	6.5%	0	(99,866)	113,301	$9.86
ROUTE 287 WEST	32,211,105	500,162	1.6%	1.7%	738,245	525,630	1,196,898	$14.57
ROUTE 46/23/3	53,032,861	1,543,778	2.9%	3.4%	295,506	(489,325)	(863,038)	$13.68
SOMERSET	31,777,049	1,603,170	5.0%	5.2%	564,756	(64,873)	387,005	$13.53
SUSSEX COUNTY	3,441,530	265,193	7.7%	7.7%	0	(203,743)	(170,473)	$11.23
UNION CENTRAL	7,165,866	198,744	2.8%	2.8%	109,200	(88,844)	105,756	$15.65
WARREN COUNTY	8,772,969	450,164	5.1%	5.1%	1,249,122	(124,384)	60,956	$8.19
TOTAL	**748,914,769**	**32,771,214**	**4.4%**	**4.8%**	**16,182,894**	**(2,998,096)**	**(49,533)**	**$14.09**

MARKET INDICATORS BY PROPERTY TYPE | Q3 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	618,401,539	29,820,980	4.8%	5.2%	15,528,254	(2,551,591)	882,108	$14.22
MANUFACTURING	130,513,230	2,950,234	2.3%	2.5%	654,640	(446,505)	(931,641)	$13.50
TOTAL	**748,914,769**	**32,771,214**	**4.4%**	**4.8%**	**16,182,894**	**(2,998,096)**	**(49,533)**	**$14.09**

Source: CoStar, Transwestern



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

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