

NEW JERSEY INDUSTRIAL MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.6	3.3	↑	5.4	↑
NET ABSORPTION (MSF)	0.2	1.3	↓	1.9	↓
OVERALL VACANCY RATE	5.5%	2.9%	↑	3.3%	↑
OVERALL VACANT SF (MSF)	41.3	21.3	↑	24.2	↑
UNDER CONSTRUCTION (MSF)	11.8	21.7	↓	14.7	↓
ASKING RENT, NNN (PSF)	\$13.93	\$12.72	↑	\$10.78	↑
SALES VOLUME (MILLIONS)	\$769.1	\$2,045.8	↓	\$1,068.3	↑
SALES PRICE (PSF)	\$185	\$202	↓	\$157	↓

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

DEVELOPMENT DRIVES THE MARKET

Record-setting development in the New Jersey industrial market resulted in both increased occupancy and rising vacancy rates in 2024. More than 19 million SF of new inventory was delivered in 2023, smashing the record of 13 million SF set in 2018. However, despite more than 40% of the newly built product leased, year-over-year net absorption was negative for the first time since Q2 2011. When coupled with the unoccupied new inventory, the vacancy rate increased to its highest level in nine years. The average asking rent continued higher in 2023, though closed out the year with its first quarterly loss since Q3 2014.

The New Jersey unemployment rate climbed every quarter in 2023. Mirroring the U.S., jobs supporting the industrial real estate sector slowed considerably, impacted by construction labor losses, failing to grow in New Jersey for the first year since 2020. Cargo volumes at Port NY/NJ were lower in 2023, but remained well above pre-COVID levels



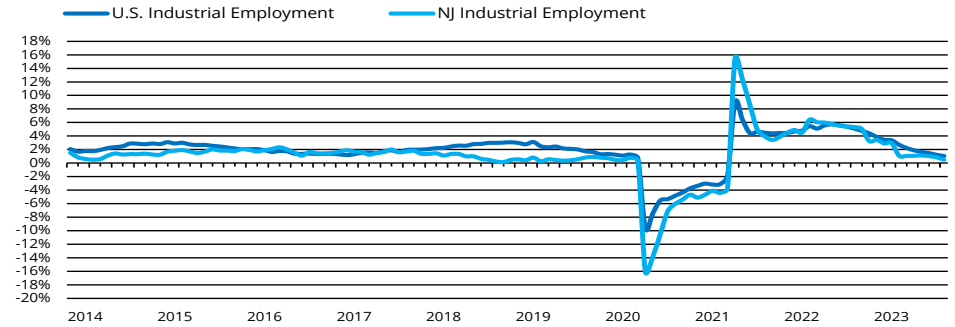
ECONOMY

Warehousing Suffers

- The U.S unemployment rate decreased slightly to 3.7%, 10 basis points lower than the previous quarter, but 20 basis points higher when compared year-over-year.
- Labor participation dipped to its lowest level since Q1 2023 and remains 80 basis points below the pre-pandemic level.
- Jobs supporting the industrial real estate sector slowed considerably and has increased by less than 1% during the past 12 months. Trucking employment continued to recover from Yellow's bankruptcy while warehousing jobs suffered an overall loss in 2023.
- The New Jersey unemployment rate continued 20 basis points higher to 4.6% during the quarter, climbing every quarter in 2023 to an increase of 130 basis points year-over-year.
- Cargo volumes at The Port of New York and New Jersey were lower in 2023 compared to 2022, but still outpaced pre-pandemic 2019 levels while remaining the nation's second busiest port.

Y-O-Y CHANGE IN INDUSTRIAL JOBS

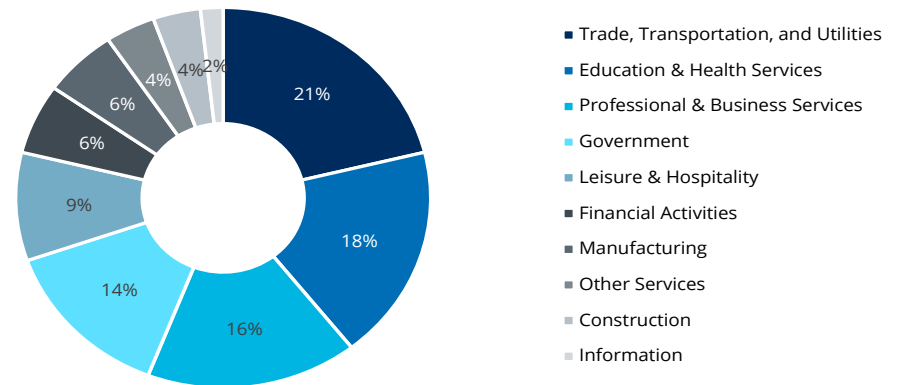
New Jersey | November 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

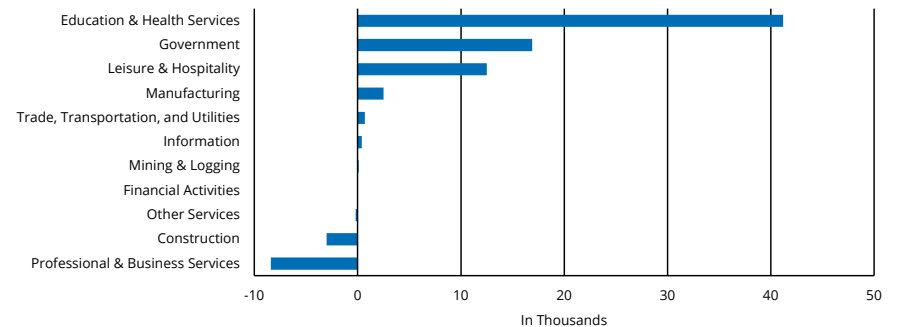
New Jersey | November 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

New Jersey | November 2023



Source: Bureau of Labor Statistics, Transwestern

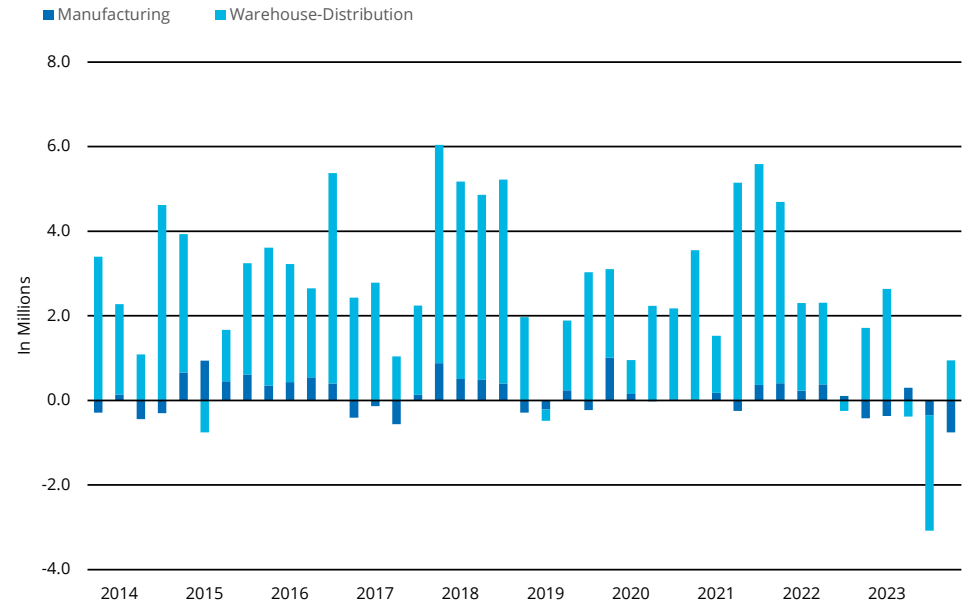


NET ABSORPTION

Mini-Streak Halted

- After falling for consecutive quarters, positive net absorption was recorded during Q4 2023, albeit nominally.
- The market has not recorded three consecutive quarters of occupancy losses since 2009.
- Warehouse-distribution buildings, which represent 83% of the market's total inventory, recorded nearly 1 MSF of occupancy growth, while manufacturing buildings suffered a setback of more than three-quarters of a million SF.
- Year-over-year net absorption was negative for the first time since Q2 2011, as 761,000 SF was returned to the market.
- New leasing continued to level off while renewals accounted for an increasing share of activity.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

NOTABLE LEASES

Q4 2023

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
TJX COMPANIES	3000 Valley Brook Ave	Meadowlands	New	1,276,278
TFH PUBLICATIONS	965 Cranbury South River Rd	Exit 8A	Renewal	550,050
GRM	2520 Route 130	Exit 8A	New	509,775
EFULFILL, INC.	600 Ridge Rd	Route 287 West	Sublease	469,200
FERGUSEN PLUMBING	50 Meadowlands Pkwy	Meadowlands	Renewal	450,318

Source: CoStar, Transwestern

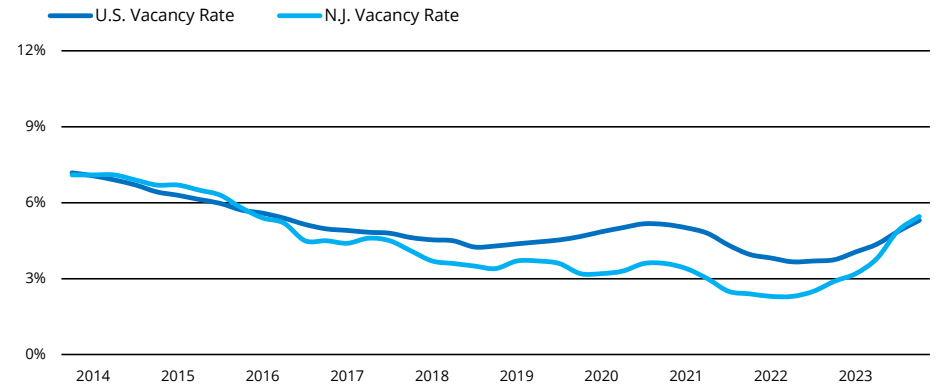


VACANCY

Nine-Year High

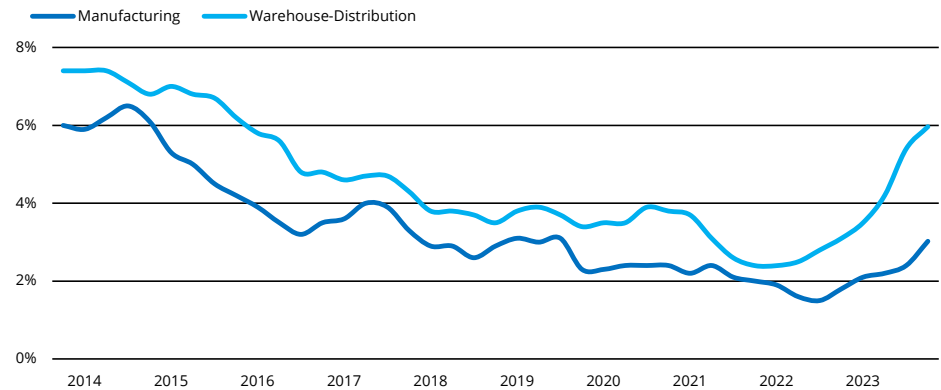
- The vacancy rate continued higher in 2023, largely due to record-setting new delivery totals, pushing the level of unoccupied space 260 bps higher when compared year-over-year including a 60-bps jump in Q4.
- Total vacant space has increased every quarter during the past two years and is at its highest level since Q3 2015.
- At 6.0%, the vacancy rate for warehouse-distribution buildings is at its highest level in nine years.
- Despite the increase in overall vacancy rate, occupancy gains were recorded in 16 of 29 submarkets during Q4 2023, up from only seven the previous quarter. However, 17 submarkets experienced losses when compared year-over-year, up from 14.
- The vacancy rate in the New Jersey industrial market surpassed the U.S. average for the first time since Q4 2015.

OVERALL VACANCY RATE



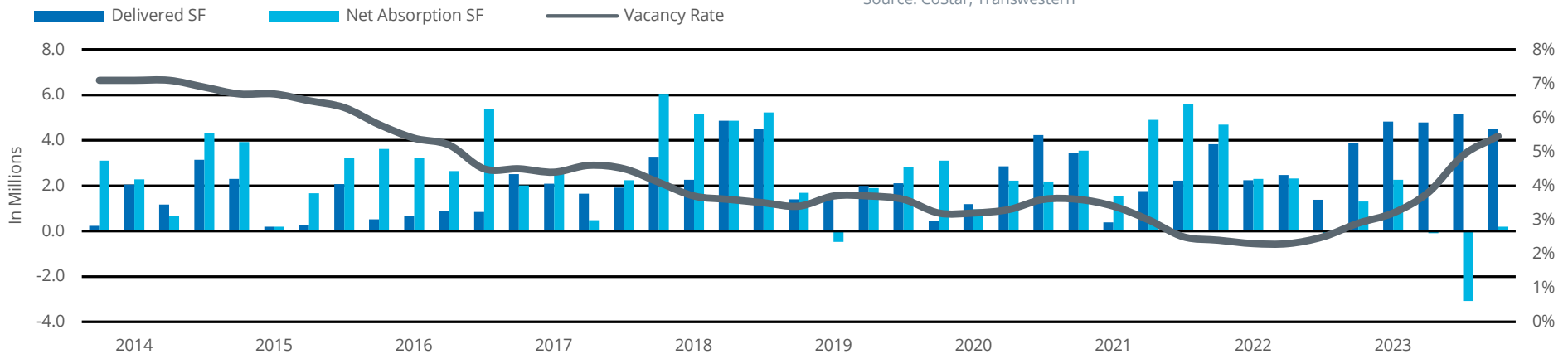
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

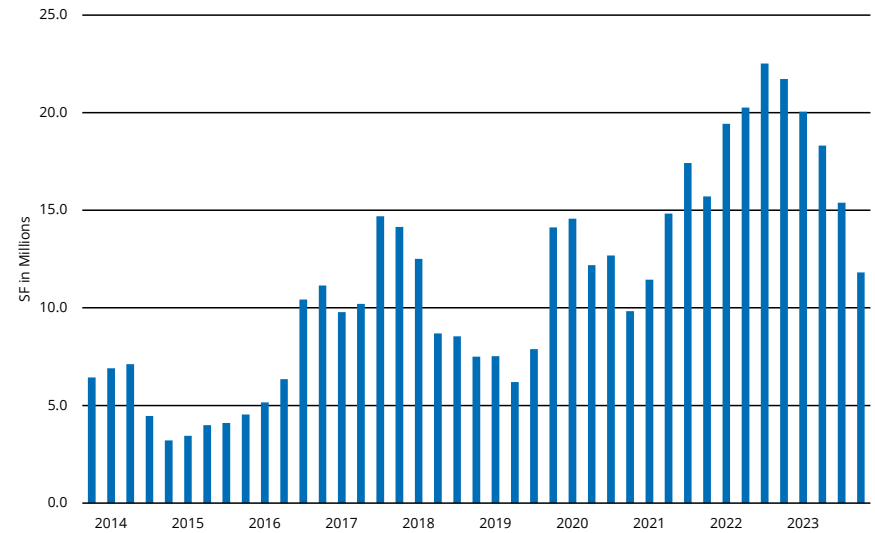


UNDER CONSTRUCTION

Record-Setting Year

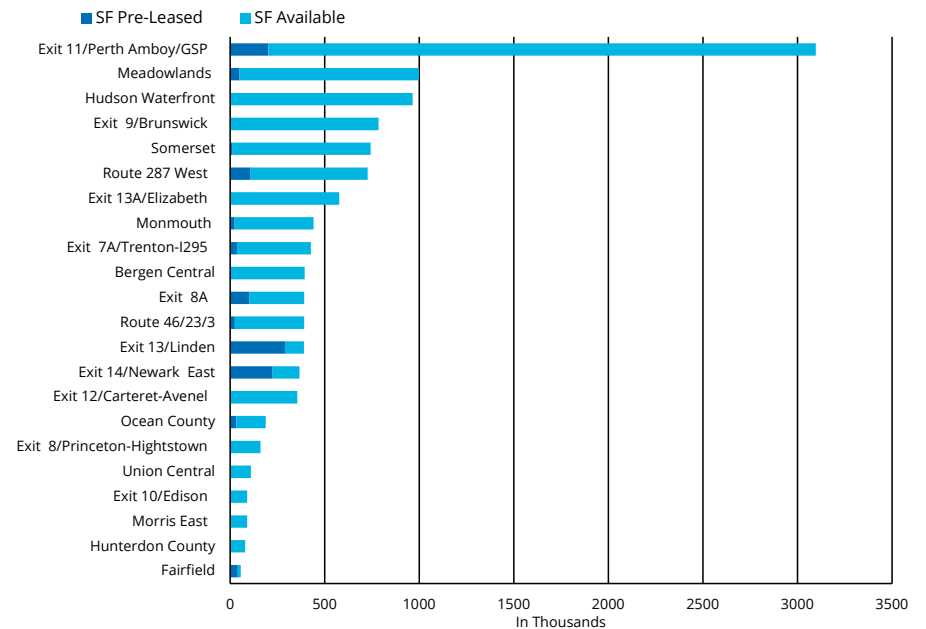
- Total product under construction fell significantly, while 4.5 million SF was delivered to the market during Q4, the fourth consecutive quarter at or above that level.
- The 11.8 million SF under construction is the lowest since Q1 2021, falling below the five-year average for the first time since Q4 2020.
- 19.2 million SF of new inventory was delivered in 2023, smashing the record of 13.0 million SF set in 2018.
- 22 of 29 submarkets have product under construction, down from 25 the previous quarter, with one-quarter of the new product being developed in the Exit 11/Perth Amboy/GSP submarket.
- Options to lease new space continue to grow as more than 90% of product under construction remained available, up from 80% the previous quarter.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

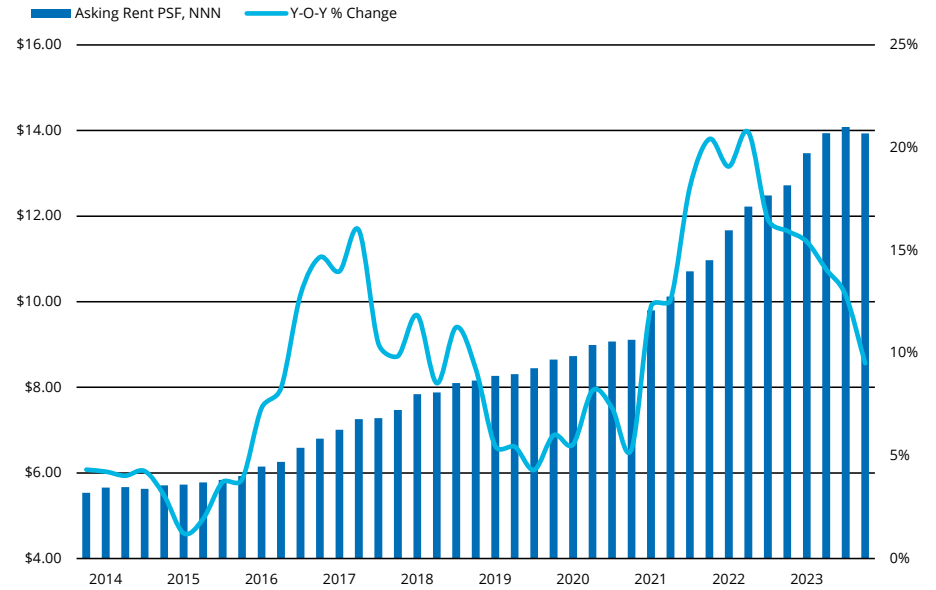


RENTAL RATES

Streak Over

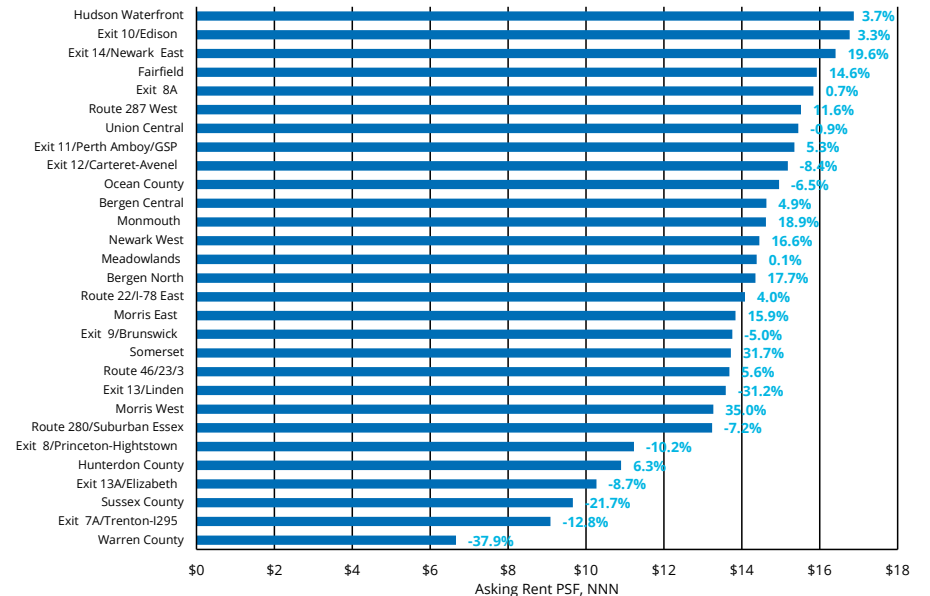
- Asking rents declined for the first time in 38 quarters, sliding \$0.15 to fall below \$14.00 PSF just one quarter after reaching that peak.
- Despite the overall setback, more than half of the submarkets recorded quarterly rent increases.
- YoY rent growth continued for the 12th consecutive year, though decelerated to 9.5%, the lowest level since YE 2020.
- Rents remain 60% above pre-pandemic levels and are substantially above the five-year average of \$10.78 PSF.
- Rents increased in 18 of 29 submarkets during the past 12 months, a strong showing but significantly lower than the previous quarter when 24 submarkets experienced YoY increases.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

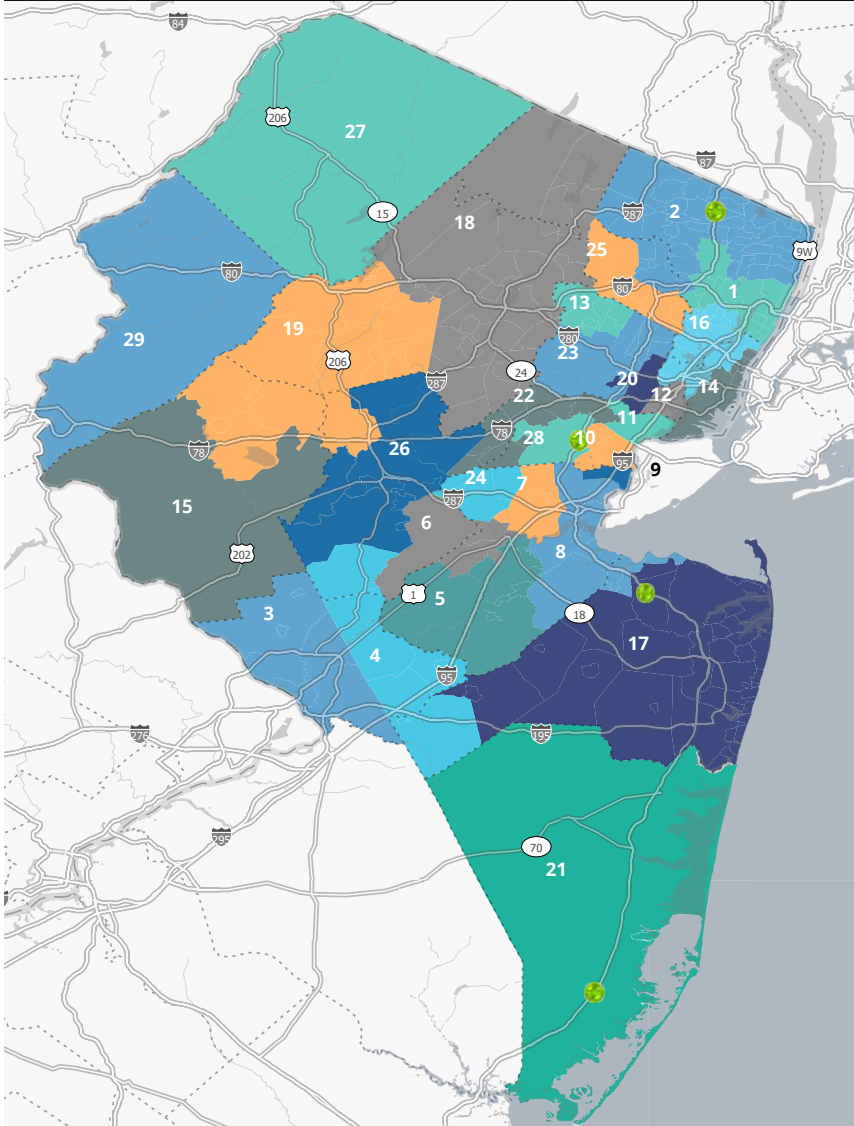


MARKET INDICATORS BY SUBMARKET | Q4 2023

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	25,823,499	1,611,716	6.2%	6.4%	394,356	(47,494)	(361,758)	\$14.63
BERGEN NORTH	22,326,379	916,836	4.1%	5.9%	0	183,572	(476,613)	\$14.35
EXIT 7A/TRENTON-I295	30,002,811	1,760,175	5.9%	6.1%	426,343	(313,229)	745,088	\$9.09
EXIT 8/PRINCETON-HIGHTSTOWN	8,155,170	16,152	0.2%	0.2%	160,462	-	0	\$11.23
EXIT 8A	76,264,567	2,894,828	3.8%	4.5%	391,758	(304,609)	490,186	\$15.84
EXIT 9/BRUNSWICK	22,903,308	1,017,347	4.4%	5.5%	784,352	373,675	(303,218)	\$13.76
EXIT 10/EDISON	43,539,533	1,828,440	4.2%	5.0%	90,129	(774,738)	(1,301,903)	\$16.77
EXIT 11/PERTH AMBOY/GSP	23,507,909	1,370,253	5.8%	5.8%	3,096,925	571,855	56,972	\$15.35
EXIT 12/CARTERET-AVENEL	20,114,397	2,812,824	14.0%	14.3%	355,100	(34,046)	(26,607)	\$15.18
EXIT 13/LINDEN	25,517,630	1,721,113	6.7%	6.8%	390,005	844,743	618,149	\$13.59
EXIT 13A/ELIZABETH	19,767,155	757,961	3.8%	3.9%	577,439	(234,658)	(305,343)	\$10.27
EXIT 14/NEWARK EAST	25,053,207	267,528	1.1%	1.1%	366,872	56,508	(120,994)	\$16.41
FAIRFIELD	12,745,235	286,274	2.2%	2.3%	55,235	39,813	(28,576)	\$15.93
HUDSON WATERFRONT	33,903,624	3,136,386	9.3%	9.6%	964,508	(463,560)	75,694	\$16.88
HUNTERDON COUNTY	7,283,972	376,087	5.2%	5.2%	79,200	55,200	(163,787)	\$10.90
MEADOWLANDS	96,203,228	4,364,933	4.5%	5.1%	998,628	141,322	(1,035,638)	\$14.38
MONMOUTH	21,552,623	2,293,215	10.6%	10.7%	441,059	(210,857)	426,909	\$14.62
MORRIS EAST	24,831,684	1,337,528	5.4%	5.5%	90,035	(71,998)	(385,142)	\$13.84
MORRIS WEST	16,284,376	634,058	3.9%	4.0%	0	(488,012)	(73,344)	\$13.27
NEWARK WEST	17,803,668	1,255,294	7.1%	7.1%	0	96,874	(393,299)	\$14.45
OCEAN COUNTY	13,591,159	1,455,690	10.7%	10.9%	188,024	20,316	123,638	\$14.96
ROUTE 22/I-78 EAST	20,177,576	669,517	3.3%	3.4%	0	(53,451)	(116,876)	\$14.08
ROUTE 280/SUBURBAN ESSEX	11,135,419	882,122	7.9%	8.0%	0	(162,901)	(371,267)	\$13.24
ROUTE 287 WEST	32,817,131	546,160	1.7%	1.7%	727,165	8,582	1,117,949	\$15.52
ROUTE 46/23/3	52,948,656	2,351,966	4.4%	4.9%	391,221	(798,688)	(1,293,980)	\$13.68
SOMERSET	31,450,450	1,027,869	3.3%	3.4%	742,421	684,901	1,130,630	\$13.72
SUSSEX COUNTY	3,464,530	142,270	4.1%	4.1%	0	37,923	(54,270)	\$9.66
UNION CENTRAL	6,961,678	210,829	3.0%	3.0%	109,200	5,915	72,671	\$15.45
WARREN COUNTY	10,038,691	544,848	5.4%	5.4%	0	1,034,438	1,193,824	\$6.66
TOTAL	756,169,265	38,490,219	5.1%	5.5%	11,820,437	197,396	(760,905)	\$13.93

MARKET INDICATORS BY PROPERTY TYPE | Q4 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	625,812,068	34,761,244	5.6%	6.0%	11,165,797	949,952	408,869	\$14.13
MANUFACTURING	130,357,197	3,728,975	2.9%	3.0%	654,640	(752,556)	(1,169,774)	\$12.97
TOTAL	756,169,265	38,490,219	5.1%	5.5%	11,820,437	197,396	(760,905)	\$13.93



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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