

# NEW JERSEY INDUSTRIAL MARKET

Q2 2024



## TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.7	4.1	↑	5.7	↑
NET ABSORPTION (MSF)	(1.3)	0.3	↓	1.8	↓
OVERALL VACANCY RATE	6.4%	3.8%	↑	3.6%	↑
OVERALL VACANT SF (MSF)	48.4	28.6	↑	26.2	↑
UNDER CONSTRUCTION (MSF)	8.7	18.6	↓	15.2	↓
ASKING RENT, NNN (PSF)	\$13.95	\$13.94	↑	\$11.36	↓
SALES VOLUME (MILLIONS)	\$366.5	\$931.5	↓	\$1,052.3	↑
SALES PRICE (PSF)	\$187	\$202	↓	\$165	↓

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

## SUPPLY CONTINUES TO OUTPACE DEMAND

The abundance of supply delivered to the New Jersey industrial market continued to offset modest leasing activity, pushing the vacancy rate to a nine-year high. Since the occupancy level peaked two years ago, new deliveries have far outpaced net absorption, resulting in a 400-basis point increase the overall vacancy rate. Though the amount of product under construction continues to subside, more softening is expected, albeit at a slower pace. As a result, rents have stabilized, and while the balance of power hasn't completely shifted, tenants are in their strongest negotiating position in quite some time.

Growth for jobs supporting industrial real estate continued, led by an increase in warehouse employment. The Port of New York and New Jersey has recorded six consecutive months of year-over-year of cargo growth through May, boosted by shipments which would normally go to the Port of Baltimore. However, a looming labor strike could decrease volume during the second half of the year.



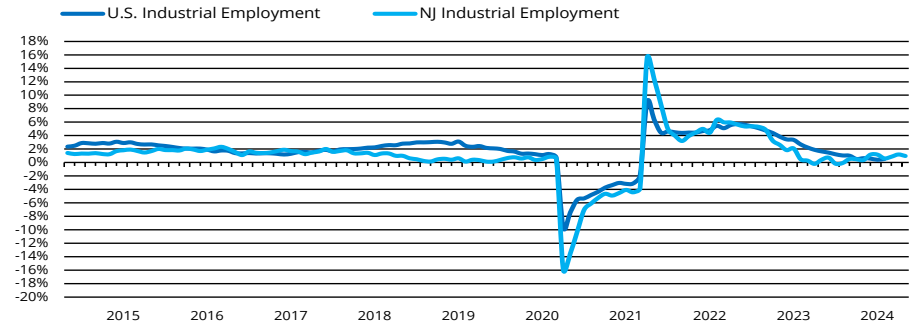
### ECONOMY

#### Bump from Baltimore

- The U.S unemployment rate moved slightly higher, rising to 4.0% as of May 2024, its highest level since January 2022 and 30 basis above the same quarter a year ago.
- The labor participation rate for the U.S. fell slightly to 62.5% during the quarter and decreased minimally when compared year-over-year. It remains 80 basis points below pre-pandemic levels.
- Jobs supporting the industrial real estate sector continued higher while the growth rate leveled off. Warehouse jobs increased while trucking employment totals fell.
- The New Jersey employment sector improved slightly after remaining at 4.8% for six consecutive months. However, the 4.7% rate as of May 2024 remained 60 basis points higher than 12 months ago.
- Through May 2024, the Port of New York and New Jersey has recorded six consecutive months of year-over-year of cargo growth, boosted by shipments which would normally go to the Port of Baltimore. A looming labor strike could decrease volume during the second half of the year.

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

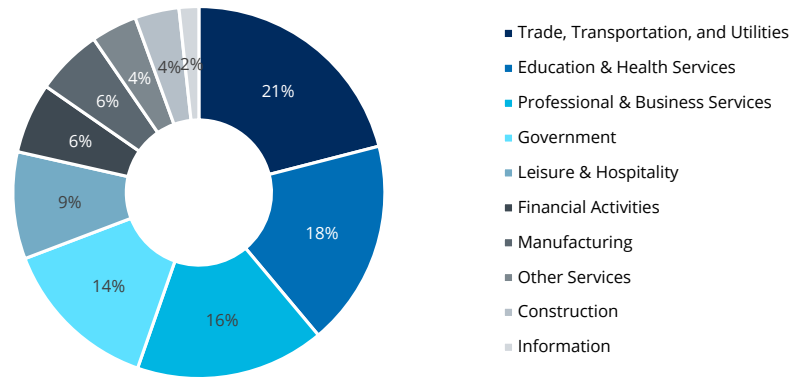
New Jersey | May 2024



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

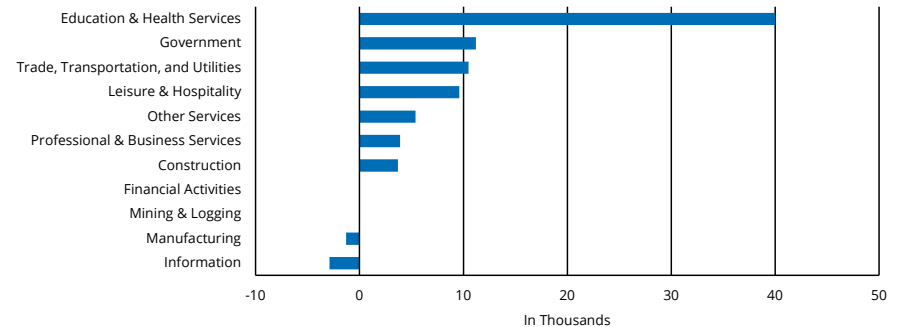
New Jersey | May 2024



Source: Bureau of Labor Statistics, Transwestern

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

New Jersey | May 2024



Source: Bureau of Labor Statistics, Transwestern

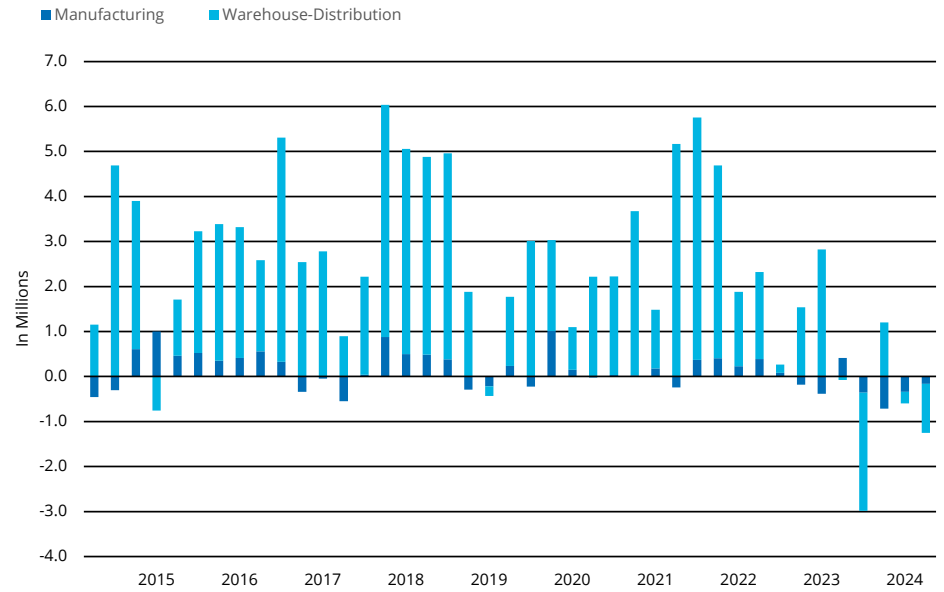


### NET ABSORPTION

#### Leases Spread Geographically

- Supply outpaced demand for the third time in the past four quarters as 1.3 million SF of negative net absorption was recorded during the past three months.
- More than 1.8 million SF of industrial space has been returned to the market thus far in 2024.
- With nearly 800,000 SF added during the quarter, the amount of vacant sublease space is approaching five million SF, the highest level in more than 21 years.
- Nearly 4.8 million SF was returned to the market during the past 12 months, the largest year-over-year occupancy loss since Q1 2010.
- Leasing activity, which included an increase in renewals, was geographically spread as the five largest leases were signed in different submarkets, three in central New Jersey and two in the northern part of the state.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### NOTABLE LEASES

#### Q2 2024

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
<b>JW FULFILLMENT</b>	99 Callahan Blvd	Exit 11/Perth Amboy/GSP	New	342,371
<b>GENTEK BUILDING PRODUCTS</b>	11 Cragwood Road	Exit 12/Carteret-Avenel	Renewal	317,500
<b>UNITED DISTRIBUTION SERVICES</b>	8 Santa Fe Way	Exit 8A	Renewal	299,000
<b>CIBO VITA</b>	11 Taft Rd	Route 46/23/3	New	284,347
<b>DMI</b>	80-98 Main St	Morris West	Renewal	254,246

Source: CoStar, Transwestern

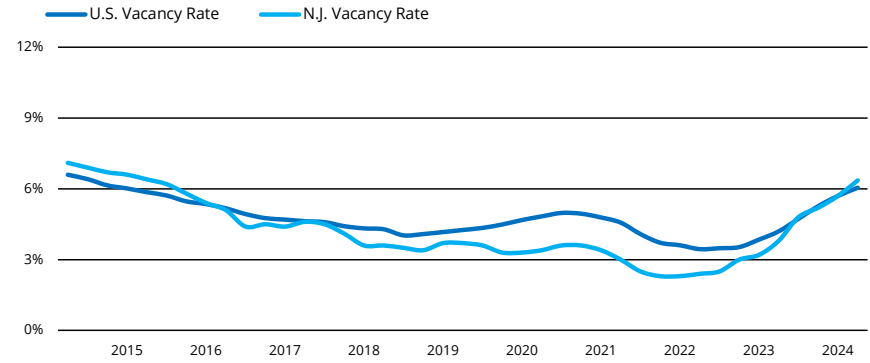


### VACANCY

#### Nine-Year High

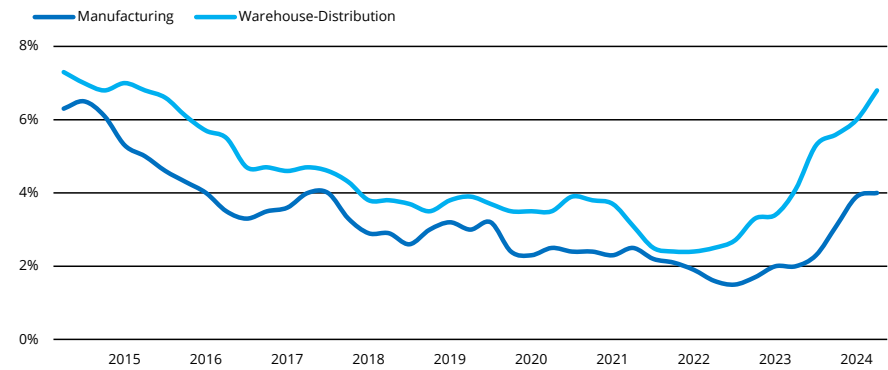
- The overall vacancy rate increased for the ninth consecutive quarter, its highest level since Q2 2015.
- The level of unoccupied space 260 bps higher when compared year-over-year including a 70-bps jump in Q2.
- Vacant sublease space increased to 5 million SF, nearly doubling in the first six months of 2024, including the addition of 800,000 SF in Q2.
- At 5.7%, the vacancy rate for warehouse-distribution buildings is at its highest level since Q3 2015.
- Occupancy losses were recorded in 18 of 29 submarkets during Q1 2024, up from 17 the previous quarter, while the number of submarkets which recorded negative net absorption year-over-year increased from 16 to 20.

### OVERALL VACANCY RATE



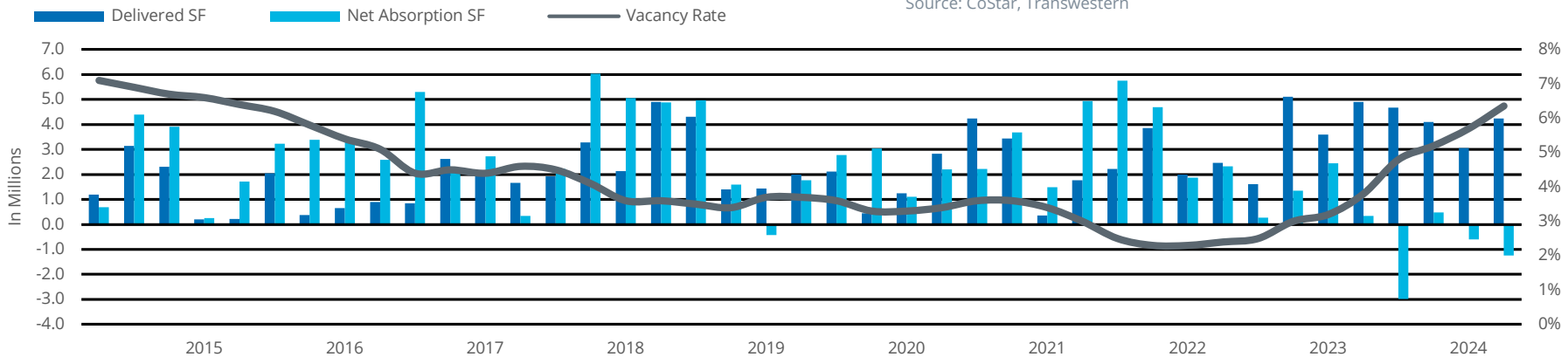
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

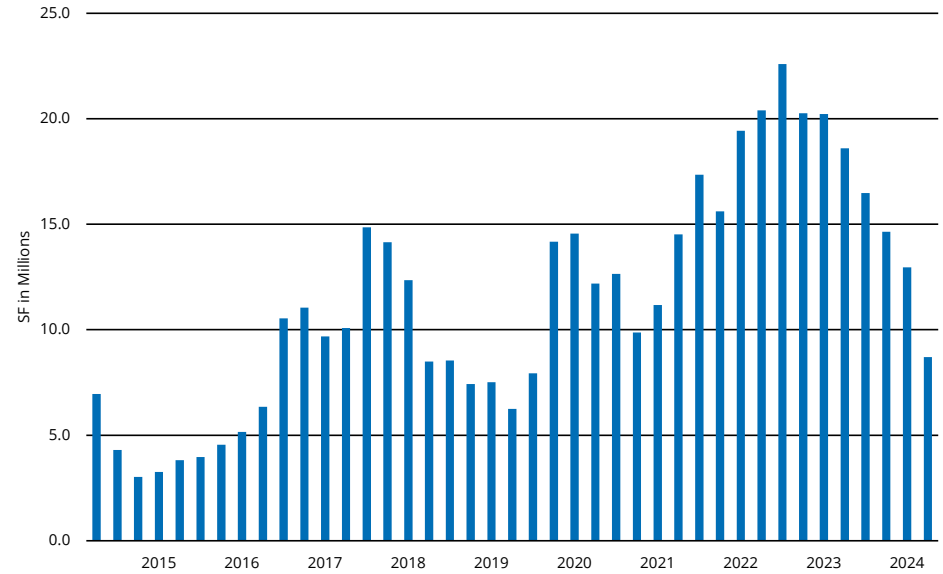


### UNDER CONSTRUCTION

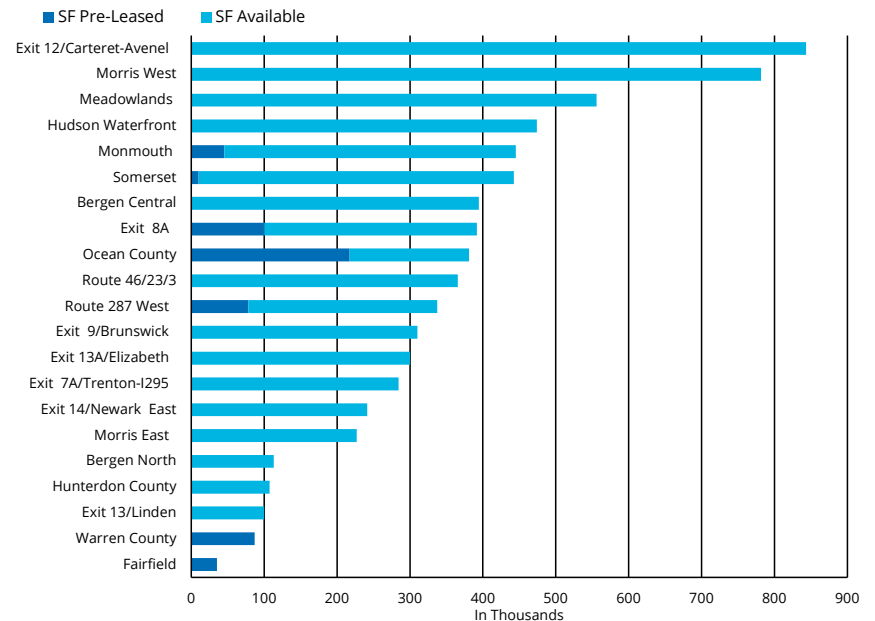
#### Pipeline Shrinking

- Total product under construction decreased for the seventh consecutive quarter, while 4.2 million SF was delivered to the market, the highest level since Q3 2023.
- The 8.7 million SF under construction is the lowest since Q3 2019, and 6.5 million SF below the five-year average.
- 22 of 29 submarkets have product under construction, up from 22 the previous quarter.
- Exit 11/Perth Amboy/GSP being the only submarket with more than one million SF in the pipeline. A year ago, seven submarkets had more than one million square feet under construction.
- Options to lease new space are abundant as 93% of space under construction is available, compared to 70% a year ago, though 18.5 MSF was in the pipeline at that point.

### UNDER CONSTRUCTION



### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

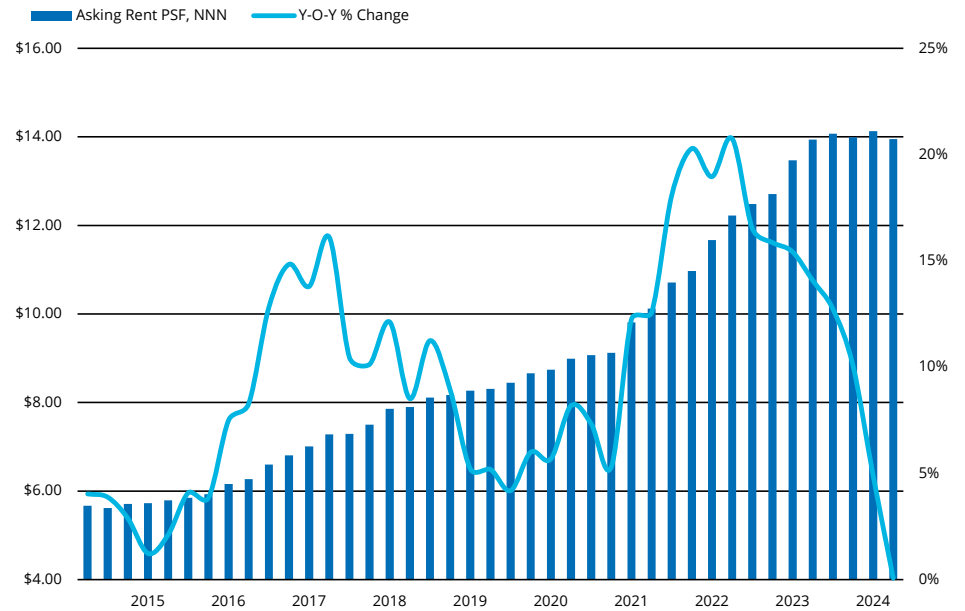


### RENTAL RATES

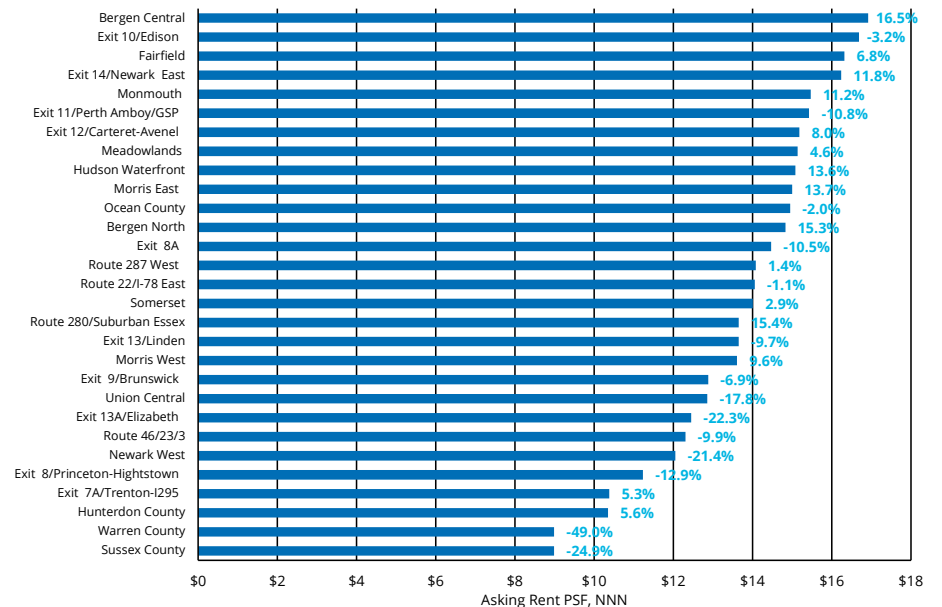
#### Stabilizing

- After rising nearly every quarter for 12 consecutive years, rents have appeared to stabilize around the \$14.00 mark.
- The average rent fell by 1.3% during the quarter, and while seemingly insignificant, it was the largest decrease since Q1 2011.
- The average rent of \$13.95 PSF at the close of Q2 was one cent higher than a year ago. The last time a year-over-year loss was recorded was Q4 2011.
- Rents softened in slightly more than half the markets during the past quarter, while remaining higher in 15 of 29 submarkets when compared year-over-year.
- Some owners are lowering rents to win deals as there are more options for tenants than in the past couple of years.

### ASKING RENT



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



Source: CoStar, Transwestern

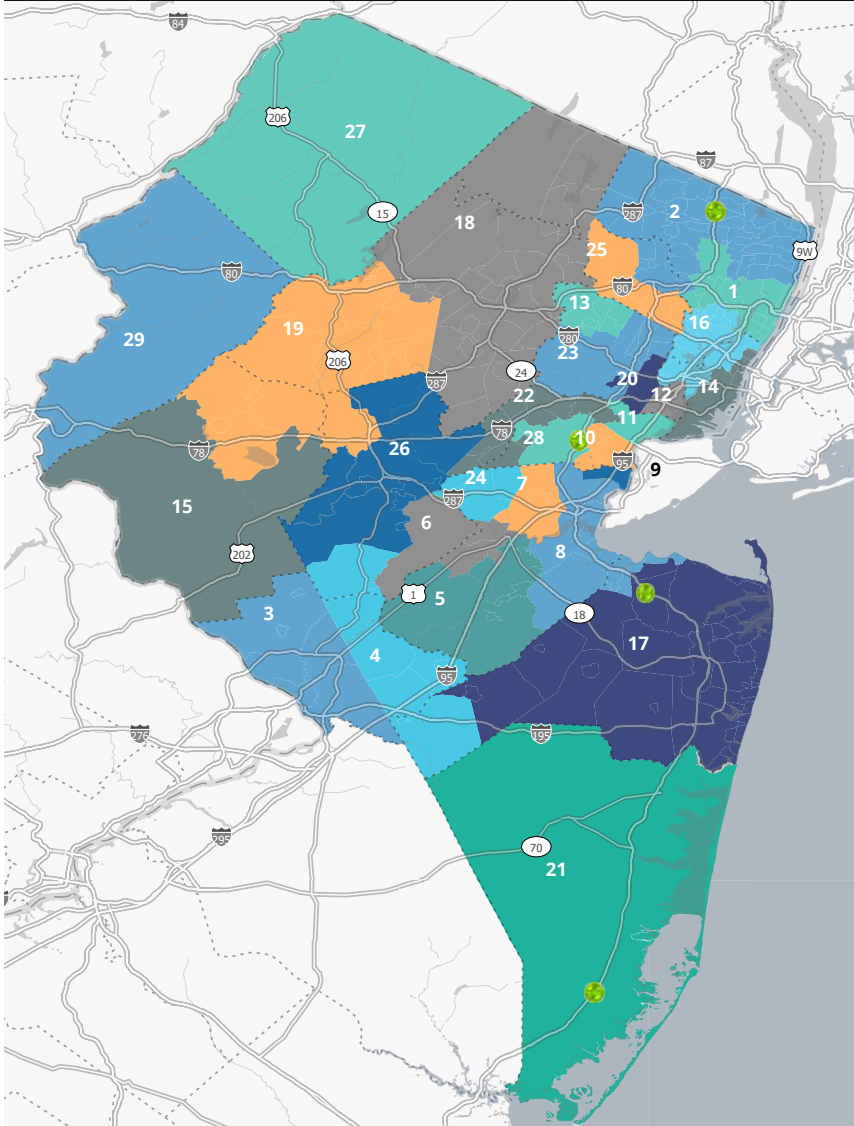


MARKET INDICATORS BY SUBMARKET | Q2 2024

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	25,805,074	1,596,342	6.2%	7.0%	394,356	21,994	(743,299)	\$16.92
BERGEN NORTH	22,360,362	1,094,046	4.9%	4.9%	113,000	83,405	400,503	\$14.83
EXIT 7A/TRENTON-I295	30,320,155	2,602,634	8.6%	9.1%	284,400	(765,320)	(989,393)	\$10.38
EXIT 8/PRINCETON-HIGHTSTOWN	8,115,468	211,762	2.6%	2.6%	0	(35,148)	(38,148)	\$11.23
EXIT 8A	77,503,277	2,076,635	2.7%	3.0%	391,758	(112,682)	705,292	\$14.47
EXIT 9/BRUNSWICK	23,618,392	1,935,524	8.2%	10.6%	310,180	(120,864)	(305,930)	\$12.88
EXIT 10/EDISON	43,724,776	1,831,450	4.2%	5.1%	0	71,374	(925,457)	\$16.69
EXIT 11/PERTH AMBOY/GSP	25,169,425	2,998,443	11.9%	11.9%	1,481,814	249,751	797,775	\$15.43
EXIT 12/CARTERET-AVENEL	20,282,341	3,060,993	15.1%	16.0%	843,544	(324,853)	(767,265)	\$15.18
EXIT 13/LINDEN	25,915,366	1,115,788	4.3%	8.7%	100,000	319,855	312,111	\$13.65
EXIT 13A/ELIZABETH	20,051,028	1,294,880	6.5%	6.7%	299,999	(42,284)	(626,451)	\$12.45
EXIT 14/NEWARK EAST	24,804,155	509,706	2.1%	2.6%	241,388	(297,345)	(197,833)	\$16.24
FAIRFIELD	12,767,395	288,683	2.3%	2.3%	35,235	(1,555)	(84,334)	\$16.32
HUDSON WATERFRONT	34,289,677	3,365,927	9.8%	10.1%	474,080	(91,186)	(409,687)	\$15.08
HUNTERDON COUNTY	5,954,338	283,567	4.8%	4.8%	107,200	324,834	(48,996)	\$10.35
MEADOWLANDS	95,808,634	5,527,417	5.8%	6.7%	555,913	(247,740)	(1,406,714)	\$15.14
MONMOUTH	21,759,957	2,452,497	11.3%	11.3%	445,081	(11,496)	58,888	\$15.47
MORRIS EAST	24,930,404	1,291,881	5.2%	5.4%	226,749	(22,743)	(238,905)	\$15.00
MORRIS WEST	16,573,152	657,281	4.0%	4.1%	781,748	248	(105,535)	\$13.61
NEWARK WEST	17,807,808	1,170,994	6.6%	6.6%	0	210,943	(61,908)	\$12.05
OCEAN COUNTY	13,692,505	1,558,307	11.4%	11.4%	381,176	(99,392)	(201,176)	\$14.95
ROUTE 22/I-78 EAST	20,153,205	646,761	3.2%	3.3%	0	99,648	101,930	\$14.06
ROUTE 280/SUBURBAN ESSEX	11,225,592	797,782	7.1%	7.2%	0	56,519	(187,671)	\$13.65
ROUTE 287 WEST	33,076,453	582,549	1.8%	2.2%	337,433	(124,611)	280,918	\$14.08
ROUTE 46/23/3	53,108,988	2,052,250	3.9%	4.4%	365,505	(587,359)	(974,453)	\$12.31
SOMERSET	31,601,705	1,534,057	4.9%	5.0%	442,421	407,107	298,785	\$14.01
SUSSEX COUNTY	3,581,585	228,011	6.4%	6.4%	0	(65,825)	(166,561)	\$8.99
UNION CENTRAL	7,266,381	285,532	3.9%	5.6%	0	(100,378)	(189,575)	\$12.86
WARREN COUNTY	10,614,356	494,774	4.7%	5.2%	87,000	(46,674)	904,228	\$8.99
<b>TOTAL</b>	<b>761,881,954</b>	<b>43,546,473</b>	<b>5.7%</b>	<b>6.4%</b>	<b>8,699,980</b>	<b>(1,251,777)</b>	<b>(4,808,861)</b>	<b>\$13.95</b>

MARKET INDICATORS BY PROPERTY TYPE | Q2 2024

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	632,172,062	38,854,966	6.1%	6.8%	8,699,980	(1,087,007)	(3,232,316)	\$14.16
MANUFACTURING	129,709,892	4,691,507	3.6%	4.0%	0	(164,770)	(1,576,545)	\$12.91
<b>TOTAL</b>	<b>761,881,954</b>	<b>43,546,473</b>	<b>5.7%</b>	<b>6.4%</b>	<b>8,699,980</b>	<b>(1,251,777)</b>	<b>(4,808,861)</b>	<b>\$13.95</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

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