

NEW JERSEY INDUSTRIAL MARKET

Q3 2024



TRENDLINES

| | Q3 2024 | Q3 2023 | ONE-YEAR TREND | FIVE-YEAR AVERAGE | 12-MONTH FORECAST |
|--------------------------|---------|---------|----------------|-------------------|-------------------|
| UNEMPLOYMENT RATE | 4.7 | 4.5 | ↑ | 5.8 | ↑ |
| NET ABSORPTION (MSF) | 1.3 | -3.2 | ↑ | 1.8 | ↓ |
| OVERALL VACANCY RATE | 6.4% | 4.7% | ↑ | 3.7% | ↑ |
| OVERALL VACANT SF (MSF) | 49.3 | 36.3 | ↑ | 27.4 | ↑ |
| UNDER CONSTRUCTION (MSF) | 8.0 | 16.0 | ↓ | 15.1 | ↓ |
| ASKING RENT, NNN (PSF) | \$13.79 | \$14.09 | ↓ | \$11.64 | ↑ |
| SALES VOLUME (MILLIONS) | \$498.6 | \$666.9 | ↓ | \$855.5 | ↑ |
| SALES PRICE (PSF) | \$189 | \$211 | ↓ | \$171 | ↓ |

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

LEASING ACTIVITY REACCELERATES

The New Jersey industrial market rebounded in the third quarter. While not at record-setting levels during the expansion of the market when e-commerce exploded during the pandemic, leasing reaccelerated during the summer months, a typically slower period, to normalization levels recorded in 2023. Despite the bounce back, the vacancy rate rose for the tenth consecutive quarter as 2.6 million SF of new development was delivered to the market while a substantial amount of space was returned as sublease listings. Asking rents continued to cool, dropping to the lowest average in 18 months.

The economic story of the quarter for New Jersey was a threat of a longshoreman's strike at the ports. In preparation, retailers reloaded inventories resulting in double digit cargo volume growth when compared to 2023. As for employment supporting the industrial sector, job totals fell slightly during the quarter but increased by 0.7% during the past 12 months.



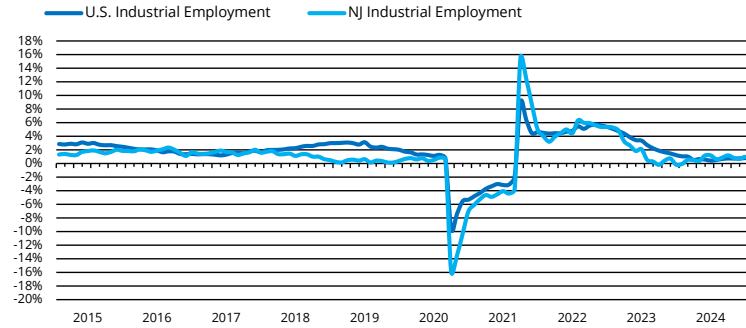
ECONOMY

Construction Leads Job Growth

- The U.S unemployment rate moved to its highest level since October 2021, rising to 4.2% as of August 2024, 20 basis points above the average for the previous quarter and 40 basis points higher than the same time a year ago.
- The labor participation rate for the U.S. increased slightly to 62.7% during the quarter and decreased minimally when compared year-over-year. It remains 60 basis points below pre-pandemic levels.
- Jobs supporting the industrial real estate sector increased by 0.8% during the past 12 months, the highest level since September 2023, boosted by strong gains in construction labor.
- The New Jersey unemployment rate ticked up slightly and at 4.7% and was 20 basis points higher when compared year-over-year. Industrial employment fell slightly during the quarter but increased by 0.7% during the past 12 months.
- The Port of New York and New Jersey recorded double-digit annual cargo growth through July as retailers reloaded inventories ahead of a dockworkers' strike deadline.

Y-O-Y CHANGE IN INDUSTRIAL JOBS

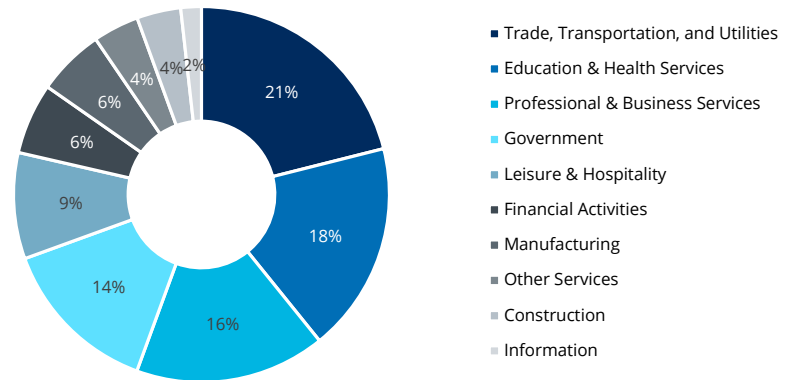
New Jersey | August 2024



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

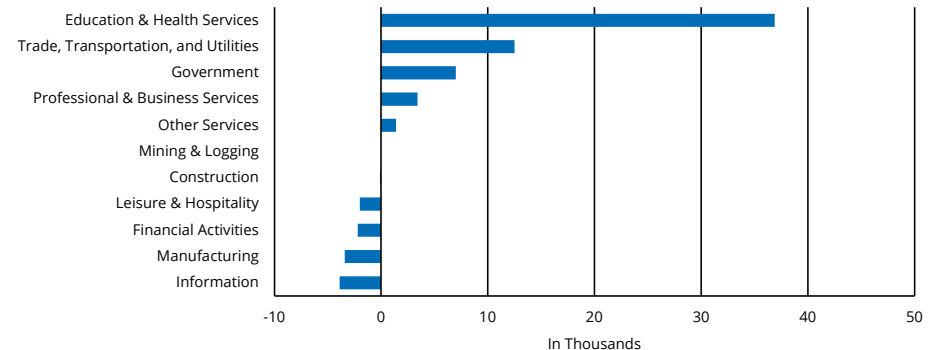
New Jersey | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

New Jersey | August 2024



Source: Bureau of Labor Statistics, Transwestern

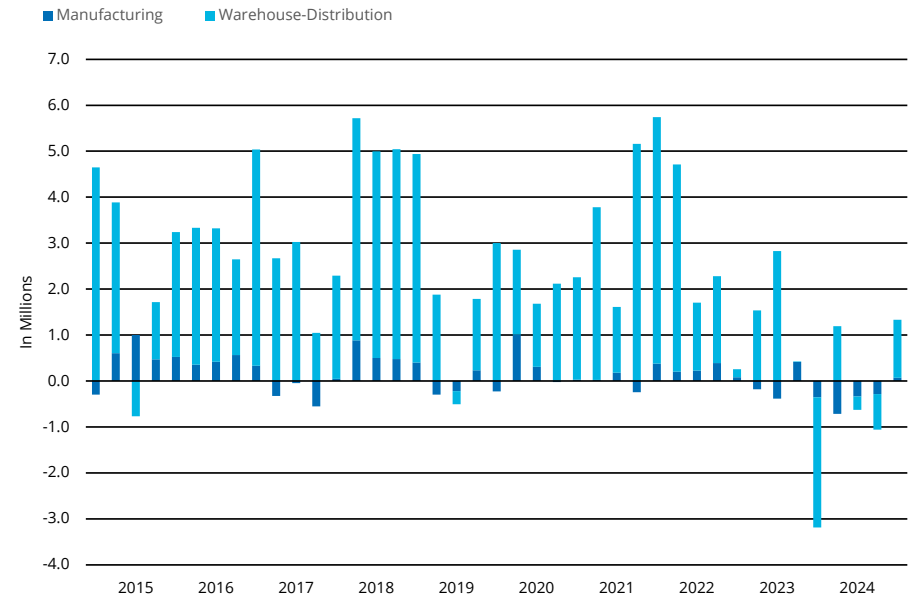


NET ABSORPTION

Robust Rebound

- Following back-to-back quarters of negative net absorption, the New Jersey industrial market rebounded to regain more than three quarters of total occupancy loss from the first half of 2024.
- Total occupancy grew by more than 1 MSF for the first time since Q1 2023 and has been positive in 19 of the past 22 and 46 of the past 50 quarters.
- Year-over-year net absorption was positive, albeit slightly, for the first time in three quarters.
- Warehouse-distribution buildings, which represent 83% of the market's total inventory, accounted for 95% of occupancy gains.
- After cooling for several quarters, leasing activity increased by 20% during the summer months, a typically slower period, and was spread throughout the market as the five largest lease signings occurred in five different submarkets.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

NOTABLE LEASES

Q3 2024

| TENANT | ADDRESS | SUBMARKET | TYPE | SF LEASED |
|--------------------------------|--------------------------|-------------------------|----------|-----------|
| UNIDENTIFIED ECOMMERCE COMPANY | 301 Blair Rd | Exit 12/Carteret-Avenel | New | 565,405 |
| REALCOLD | 45 State Route 10 | Morris East | New | 410,285 |
| EDA INTERNATIONAL INC. | 400 Fairfield Rd | Monmouth | New | 368,050 |
| WINIT | 700 Linden Logistics Way | Exit 13/Linden | Sublease | 367,610 |
| JERICH INTERNATIONAL | 1 Industrial Rd | Exit 8A | New | 357,829 |

Source: CoStar, Transwestern

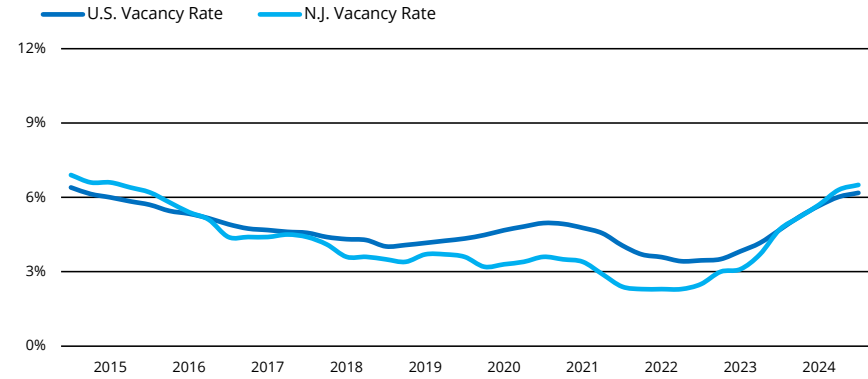


VACANCY

Leveling Off

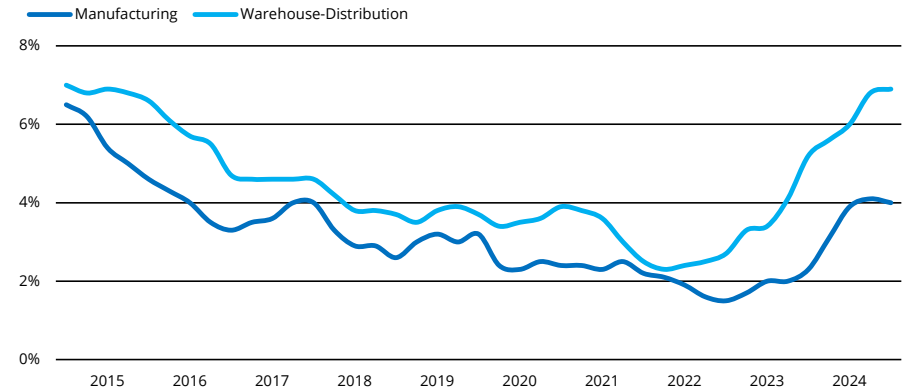
- The overall vacancy rate rose for the tenth consecutive quarter, albeit the pace slowed to record the smallest increase since Q1 2023.
- The vacancy rate jumped 10 bps to 6.4%, and the level of unoccupied space is 170 bps higher when compared year-over-year.
- Occupancy gains were recorded in 17 of 29 submarkets both during Q3 2024, and when compared year-over-year.
- The amount of sublease space listed on the market increased to the highest level on record and represented 13.4% of total available space, a 310 bps increase over a year ago.
- The vacancy rate in the New Jersey industrial market is 30 bps higher than the U.S. average for the second consecutive quarter.

OVERALL VACANCY RATE



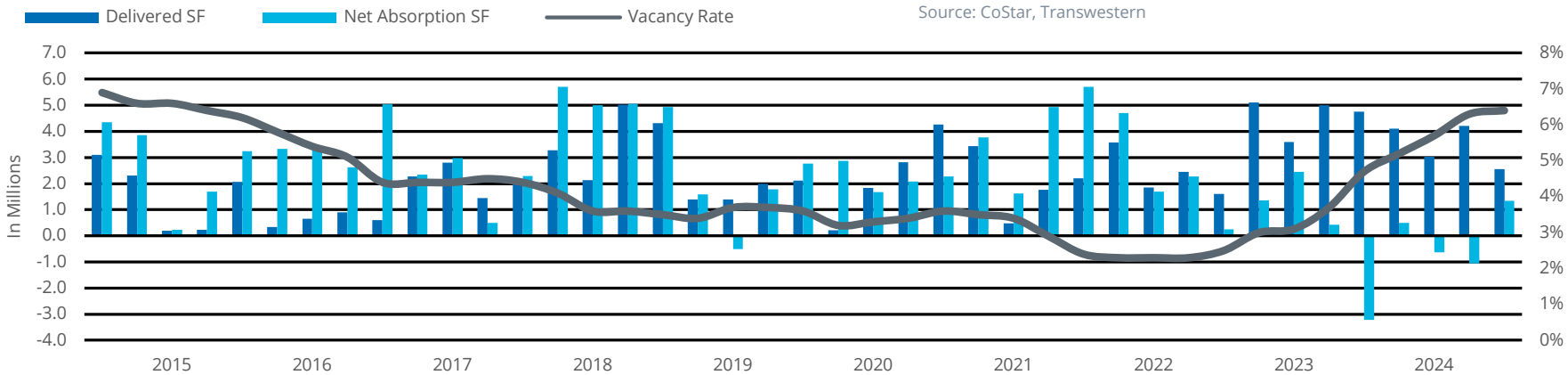
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

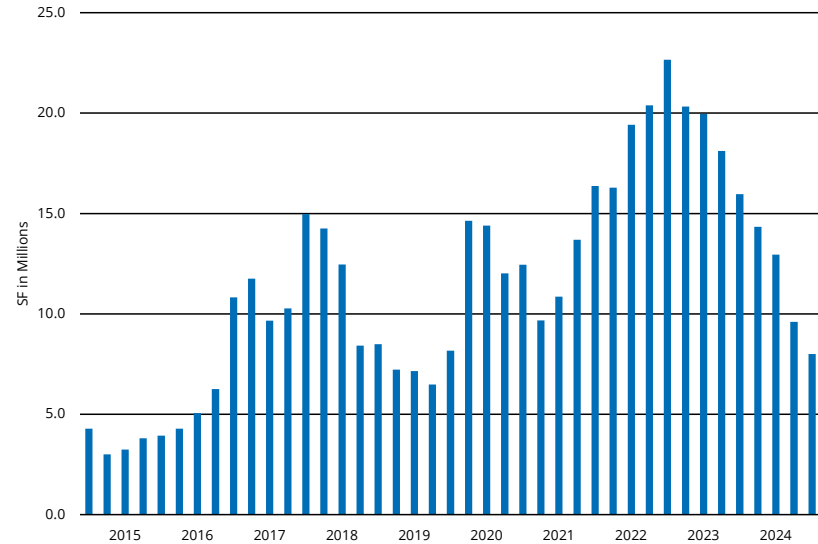


UNDER CONSTRUCTION

Geographically Balanced

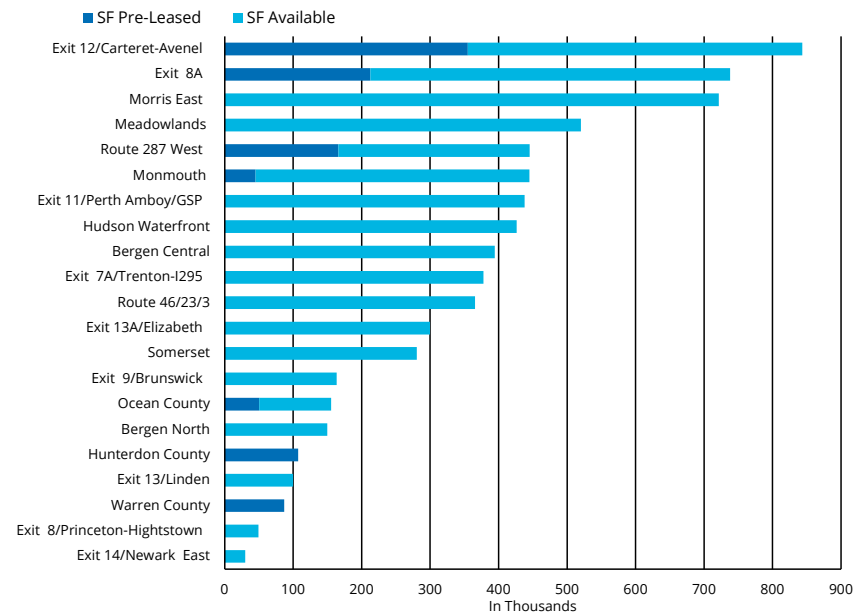
- Product under construction decreased for the eighth consecutive quarter, while 2.6 million SF was delivered to the market, the lowest level since Q3 2022 though still outpacing occupancy growth.
- The 8.0 million SF under construction is the half the amount of a year ago, and the lowest level since Q2 2019. It is well below both three and five-year averages of 17.2 MSF and 15.1 MSF, respectively, but on par with the pre-pandemic average.
- New development geographically balanced as 22 of 29 submarkets have product under construction, with no areas exceeding 1 MSF.
- Options to lease new space have opened considerably for tenants as nearly 87% of space under construction is available, up from 80% the previous quarter.
- Tenants are taking advantage of softening market conditions, upgrading to assets that were previously unattainable under previously constrained market conditions.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

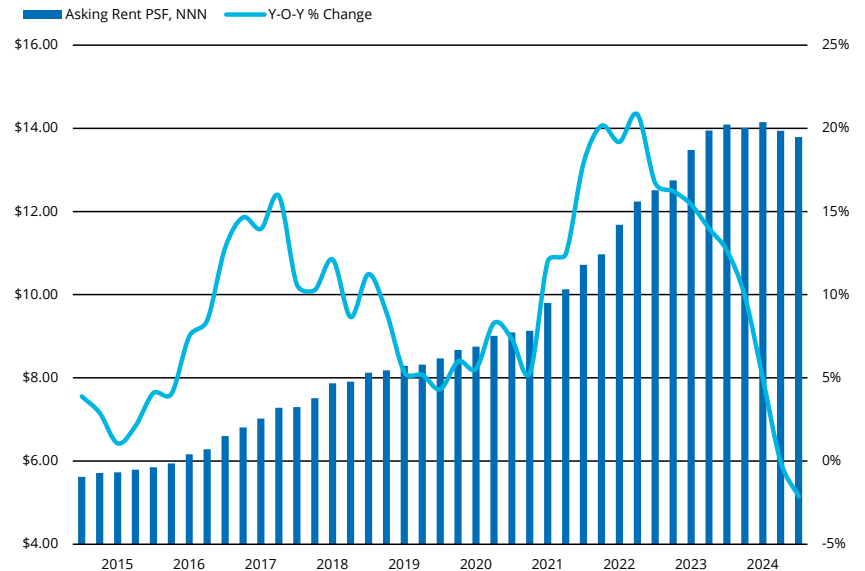


RENTAL RATES

Softening

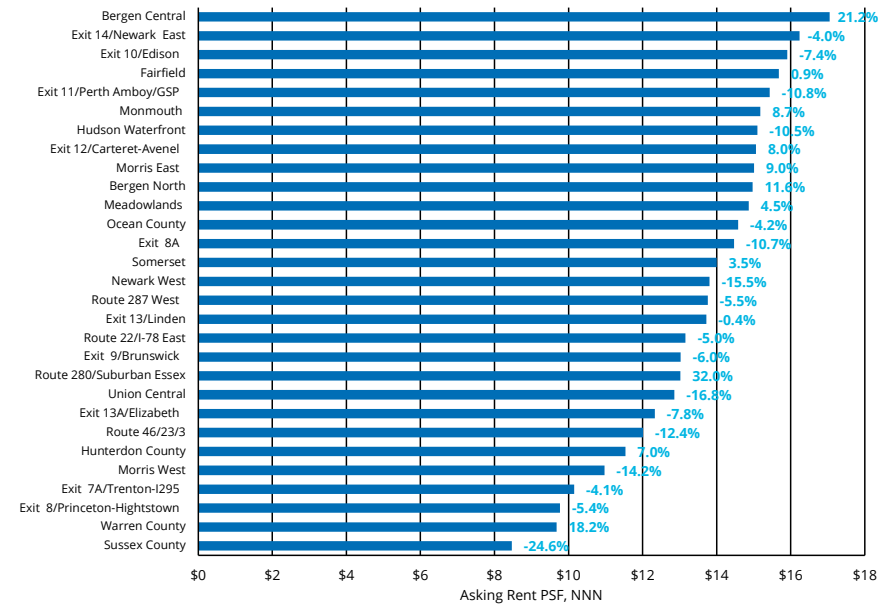
- Asking rents fell for the second consecutive quarter and for the third time in the past three quarters, dropping to \$13.79 PSF, the lowest average in 18 months.
- When compared year-over-year, rents fell 2.1%, seemingly minimal but the largest drop since Q3 2011.
- Despite trending lower of late, the average asking rent remains well above the post-pandemic average of \$11.86 PSF.
- Rents softened in slightly less than half the markets during the past quarter but were lower in 18 of 29 submarkets when compared year-over-year.
- Rents are likely to continue downward, albeit slightly, in the coming quarters until new construction tapers off and economic conditions strengthen to a point where tenants can feel more confident about expanding space needs.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

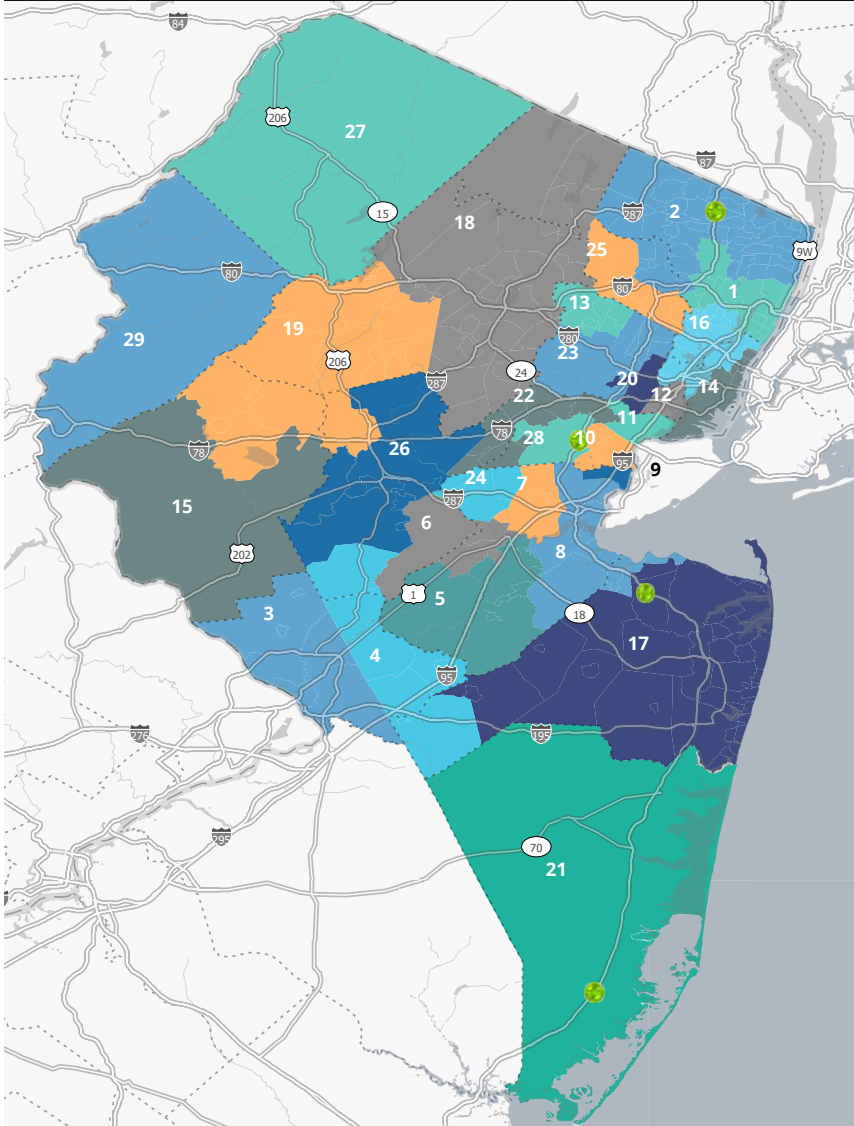


MARKET INDICATORS BY SUBMARKET | Q3 2024

| 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 | 25,916,718 | 1,488,783 | 5.7% | 6.6% | 394,356 | 103,312 | (106,302) | \$17.05 |
| BERGEN NORTH | 22,425,555 | 913,588 | 4.1% | 4.1% | 150,000 | 196,345 | 565,421 | \$14.97 |
| EXIT 7A/TRENTON-I295 | 30,470,925 | 2,336,649 | 7.7% | 9.3% | 378,000 | (37,413) | (958,796) | \$10.15 |
| EXIT 8/PRINCETON-HIGHTSTOWN | 8,115,468 | 50,638 | 0.6% | 0.7% | 49,213 | 662 | 122,976 | \$9.77 |
| EXIT 8A | 78,149,556 | 2,409,728 | 3.1% | 3.9% | 737,980 | (382,897) | 274,937 | \$14.47 |
| EXIT 9/BRUNSWICK | 23,863,732 | 2,058,842 | 8.6% | 10.5% | 163,610 | 158,128 | 66,095 | \$13.03 |
| EXIT 10/EDISON | 43,835,248 | 1,838,709 | 4.2% | 4.9% | 0 | 126,933 | (655,065) | \$15.91 |
| EXIT 11/PERTH AMBOY/GSP | 26,664,325 | 4,286,415 | 16.1% | 16.1% | 437,842 | (244,000) | 314,813 | \$15.43 |
| EXIT 12/CARTERET-AVENEL | 20,349,487 | 3,032,870 | 14.9% | 15.3% | 843,544 | 120,363 | (273,758) | \$15.06 |
| EXIT 13/LINDEN | 25,908,244 | 1,019,794 | 3.9% | 5.5% | 100,000 | 833,604 | 1,343,652 | \$13.72 |
| EXIT 13A/ELIZABETH | 19,957,352 | 1,291,211 | 6.5% | 6.5% | 299,999 | 29,339 | (489,972) | \$12.33 |
| EXIT 14/NEWARK EAST | 25,130,357 | 773,963 | 3.1% | 3.7% | 30,000 | (8,626) | (256,993) | \$16.24 |
| FAIRFIELD | 13,007,763 | 251,599 | 1.9% | 1.9% | 0 | 91,323 | 126,727 | \$15.68 |
| HUDSON WATERFRONT | 34,283,870 | 3,152,940 | 9.2% | 9.5% | 426,249 | 212,987 | 26,814 | \$15.10 |
| HUNTERDON COUNTY | 5,953,738 | 275,778 | 4.6% | 4.6% | 107,200 | (28,651) | 155,509 | \$11.54 |
| MEADOWLANDS | 95,774,669 | 5,618,834 | 5.9% | 6.6% | 520,013 | 71,788 | (619,676) | \$14.87 |
| MONMOUTH | 21,534,424 | 2,290,827 | 10.6% | 10.7% | 445,081 | 165,270 | 25,839 | \$15.18 |
| MORRIS EAST | 24,474,950 | 751,371 | 3.1% | 3.2% | 721,499 | 540,182 | 415,132 | \$15.01 |
| MORRIS WEST | 16,773,763 | 722,721 | 4.3% | 4.5% | 867,748 | (80,440) | (99,945) | \$10.97 |
| NEWARK WEST | 17,673,658 | 1,500,395 | 8.5% | 8.5% | 0 | (314,401) | (148,203) | \$13.81 |
| OCEAN COUNTY | 13,915,502 | 1,602,976 | 11.5% | 11.5% | 155,400 | 176,307 | 21,018 | \$14.58 |
| ROUTE 22/I-78 EAST | 20,093,428 | 859,609 | 4.3% | 4.4% | 0 | (186,908) | (254,353) | \$13.16 |
| ROUTE 280/SUBURBAN ESSEX | 11,068,743 | 734,972 | 6.6% | 6.7% | 0 | 69,310 | (8,545) | \$13.02 |
| ROUTE 287 WEST | 33,262,795 | 866,319 | 2.6% | 2.9% | 445,359 | (143,850) | (249,121) | \$13.76 |
| ROUTE 46/23/3 | 53,158,134 | 2,189,197 | 4.1% | 4.6% | 365,505 | (166,226) | (924,872) | \$12.01 |
| SOMERSET | 31,751,223 | 1,817,434 | 5.7% | 6.0% | 280,665 | (23,692) | 339,966 | \$14.00 |
| SUSSEX COUNTY | 3,427,335 | 269,655 | 7.9% | 7.9% | 0 | (49,714) | (89,462) | \$8.47 |
| UNION CENTRAL | 7,241,156 | 175,346 | 2.4% | 4.1% | 0 | 98,906 | 2,230 | \$12.86 |
| WARREN COUNTY | 10,369,357 | 396,399 | 3.8% | 4.4% | 87,000 | 6,375 | 1,053,587 | \$9.68 |
| TOTAL | 764,551,475 | 44,977,562 | 5.9% | 6.5% | 8,006,263 | 1,334,316 | (280,347) | \$13.79 |

MARKET INDICATORS BY PROPERTY TYPE | Q3 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 | 634,895,193 | 40,178,402 | 6.3% | 6.9% | 8,006,263 | 1,263,154 | 987,226 | \$13.97 |
| MANUFACTURING | 129,656,282 | 4,799,160 | 3.7% | 4.0% | 0 | 71,162 | (1,267,573) | \$12.75 |
| TOTAL | 764,551,475 | 44,977,562 | 5.9% | 6.5% | 8,006,263 | 1,334,316 | (280,347) | \$13.79 |



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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