
1Q24

Northern New Jersey Industrial Market Overview

NEWMARK

Market Observations

Economy

- While the region’s labor market remains on relatively solid footing, the annual job growth rate has moved further away from the national average, continuing a downward trend year-over-year. The unemployment rate has increased to 4.8%, with New Jersey now trending above the rising national average of 4.2%.
- Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers in the market.
- Trade, Transportation, and Utilities along with Education & Health led all industries in regional annual job growth. Industrial-using industries all saw annual job gains during the last 12 months.

Major Transactions

- DMI, Inc signed an 845,078 SF lease at 1369 Lambert Road in Hamilton; they’ll be occupying the entirety of the Class A property.
- GXO signed a 610,949 SF lease for five years at 301-321 Herrod Boulevard in South Brunswick.
- Associated Materials, LLC signed a 317,500 SF extension at 11 Cragwood Road in Avenel for four years.
- Experior Global leased the entirety of the 266,000 SF Class A property at 2000 Marketplace Boulevard in Hamilton.

Leasing Market Fundamentals

- The vacancy rate increased by 140 basis points year over year to 4.4% in the first quarter of 2024. This substantial shift has been driven by a slowdown in leasing activity and an increase in available space.
- First quarter deliveries surpassed 2.5 million SF as the construction pipeline remains healthy with over 12.8 million SF currently under construction.
- A slowdown in leasing activity, muted tenant demand, and large blocks of space coming to the market contributed to the negative 550,000 SF of quarterly net absorption.
- Industrial asking rents reached \$16.83/SF during the first quarter of 2024 as year-over-year rent growth was 17.1%. The increase in rent can be linked to the new construction that has been introduced to the market, with a focus on highly efficient, top-tier Class A spaces that command the highest rental rates.

Outlook

- The market is recalibrating, with vacancy expected to rise throughout the remainder of 2024 as highly optimized construction deliveries outpace net absorption.
- As large quantities of big block space remain available, landlords are exploring the potential divisibility of properties to attract a wider variety of prospective tenants.
- Tenant demand for industrial space has decelerated from historical highs reported during the height of the pandemic, as the frequency of tenant consolidations and downsizing has risen.

1. Economy
2. Leasing Market Fundamentals

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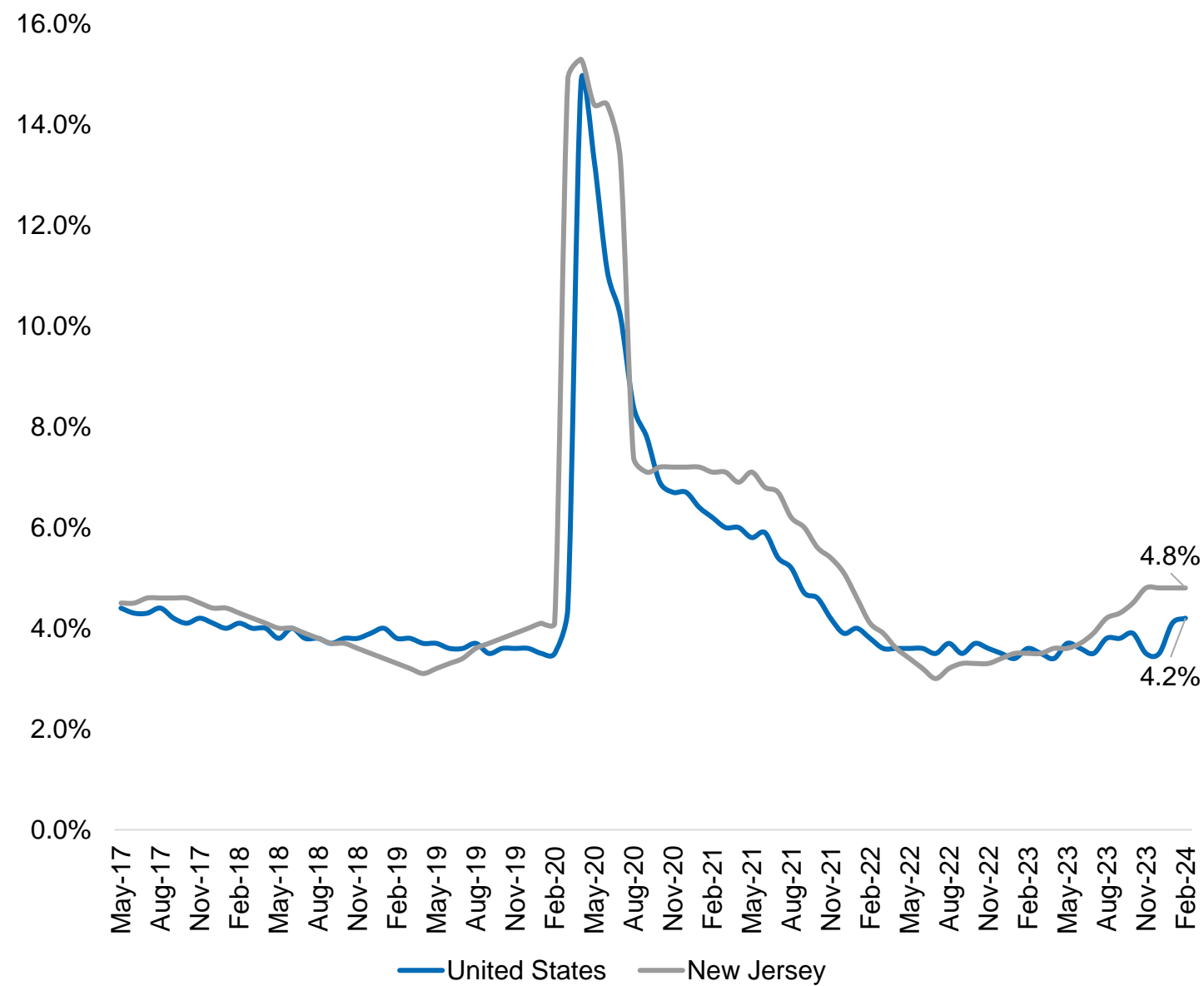
Economy



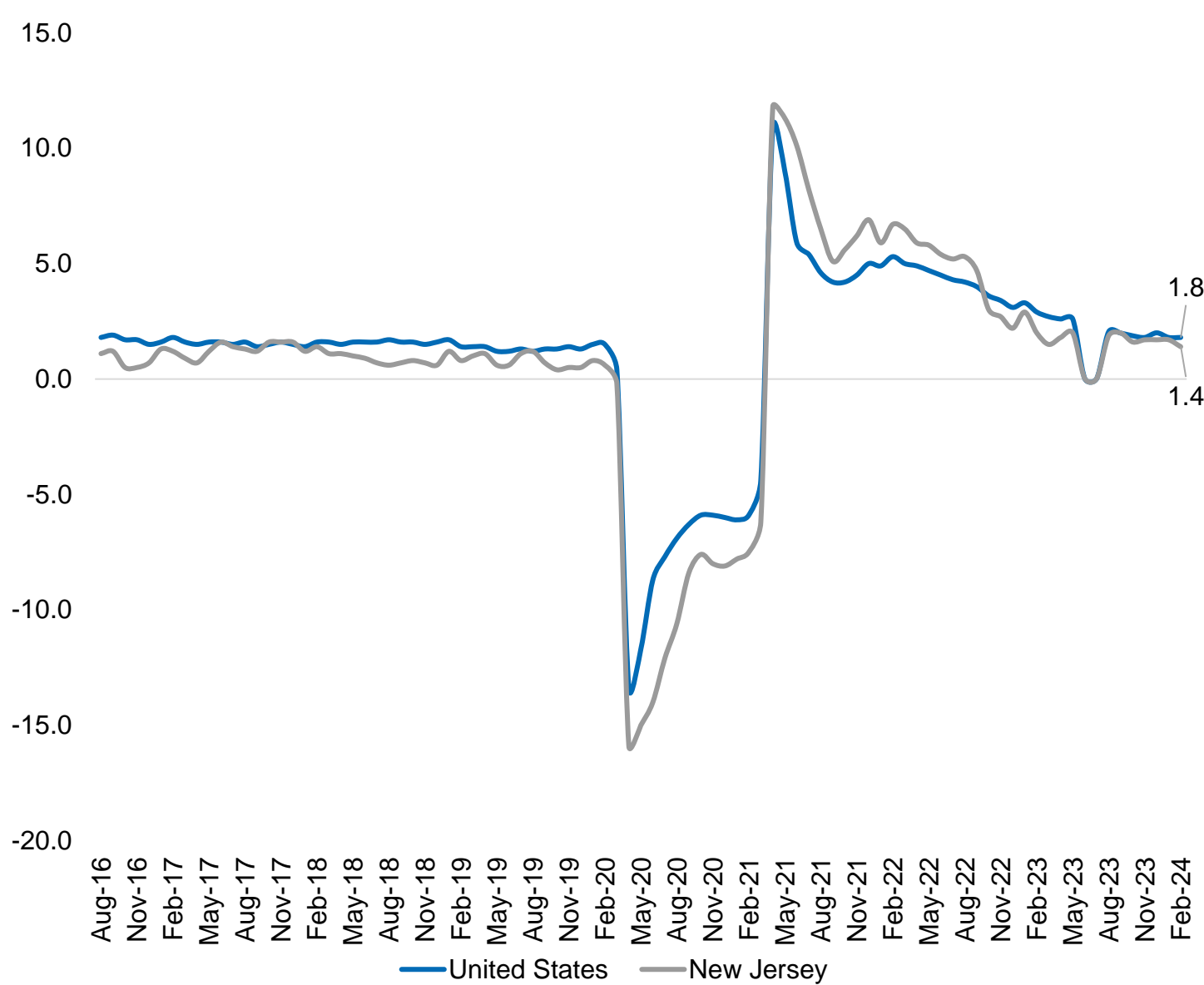
Metro Employment Trends Signal a Slowing Economy

While the region's labor market remains on relatively solid footing, the annual job growth rate has moved further away from the national average, continuing a downward trend year-over-year. The unemployment rate has increased to 4.8%, with New Jersey now trending above the rising national average of 4.2%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

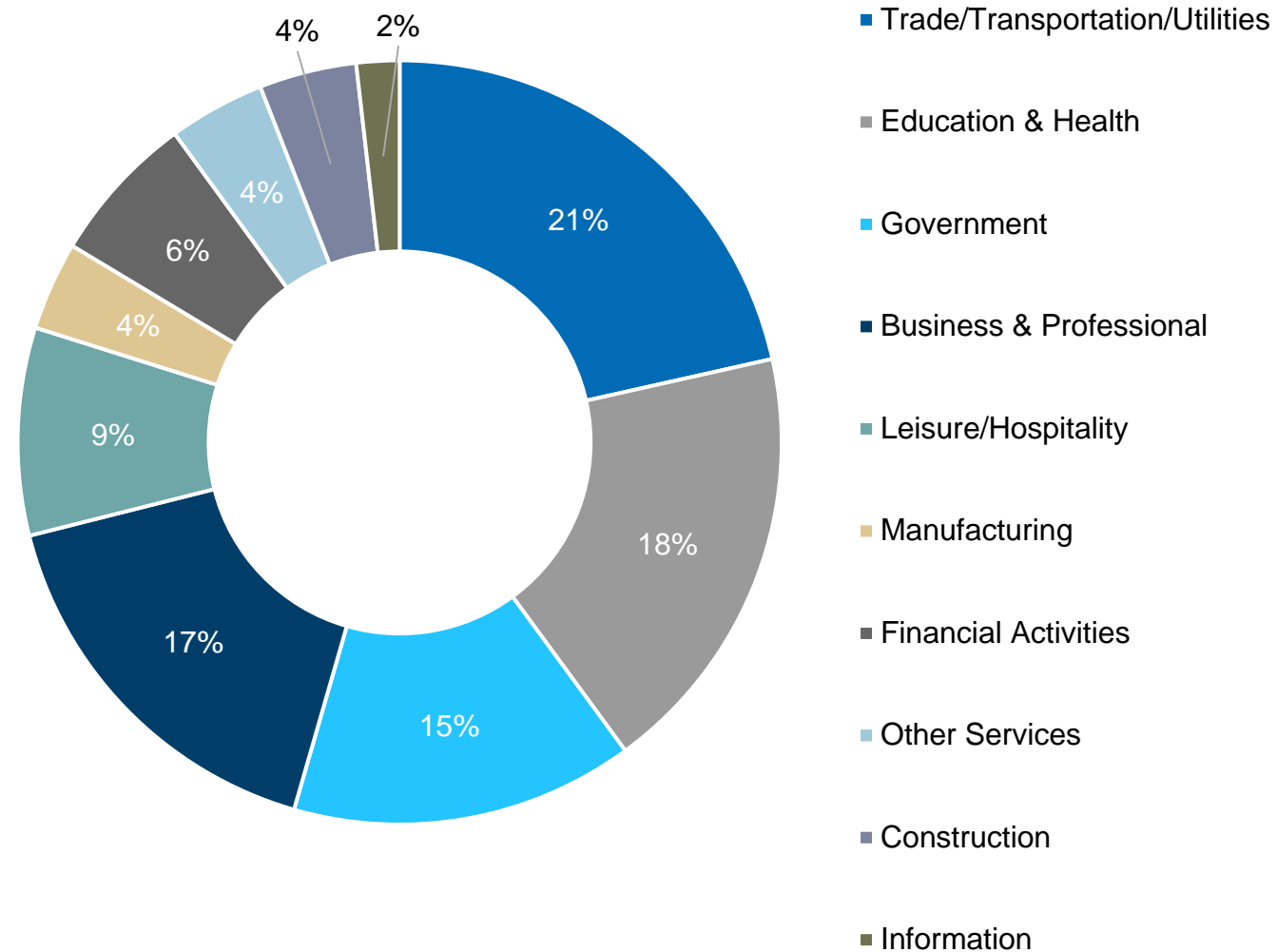


Source: U.S. Bureau of Labor Statistics, New Jersey

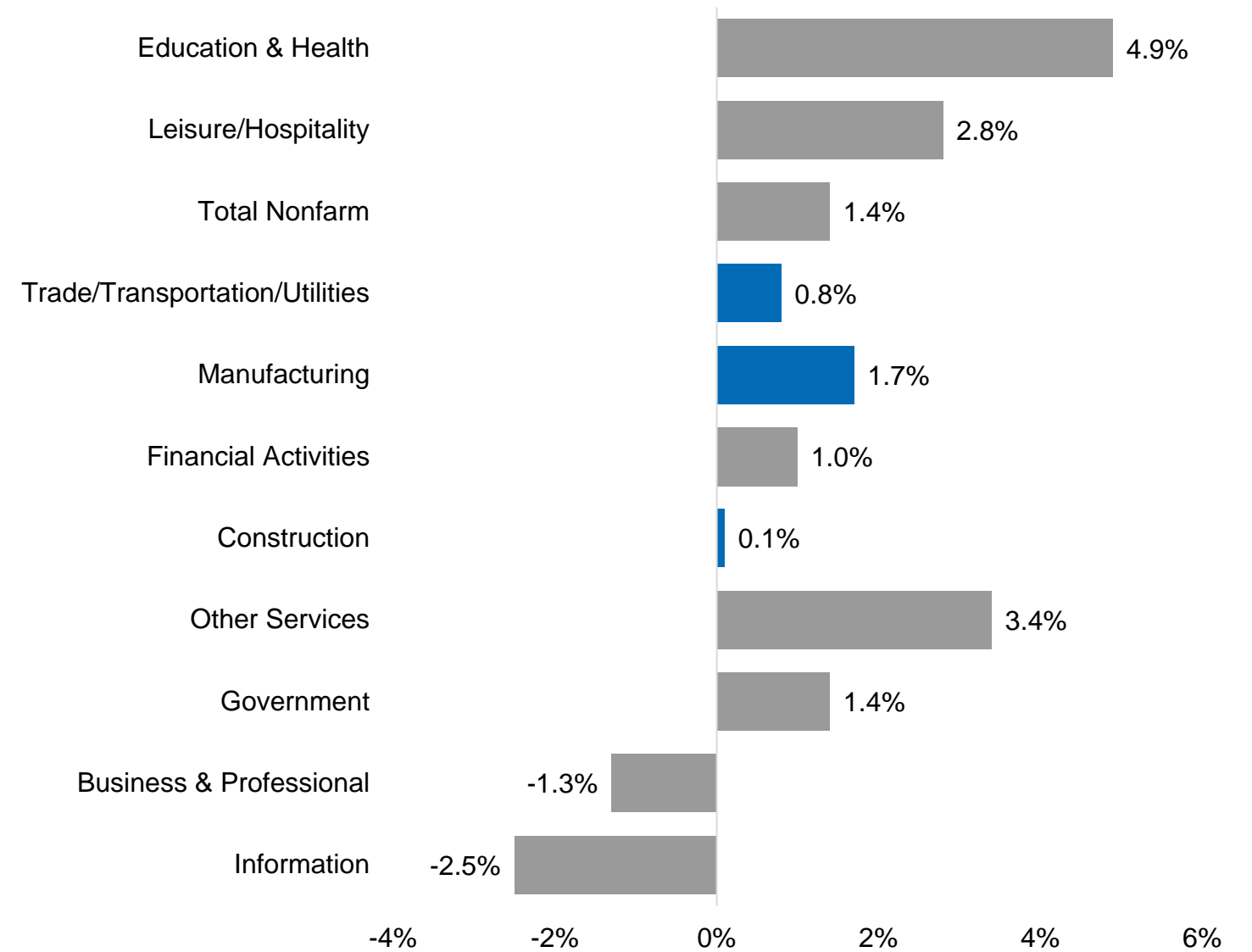
Job Growth Driven in Large Part by Services Still Making up for Pandemic Losses

The education and health sector, along with leisure and hospitality led all industries in regional annual job growth, marking two straight years with the largest growth by industry. Industrial-using industries all saw annual job gains during the last 12 months, led by manufacturing with 1.7%.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

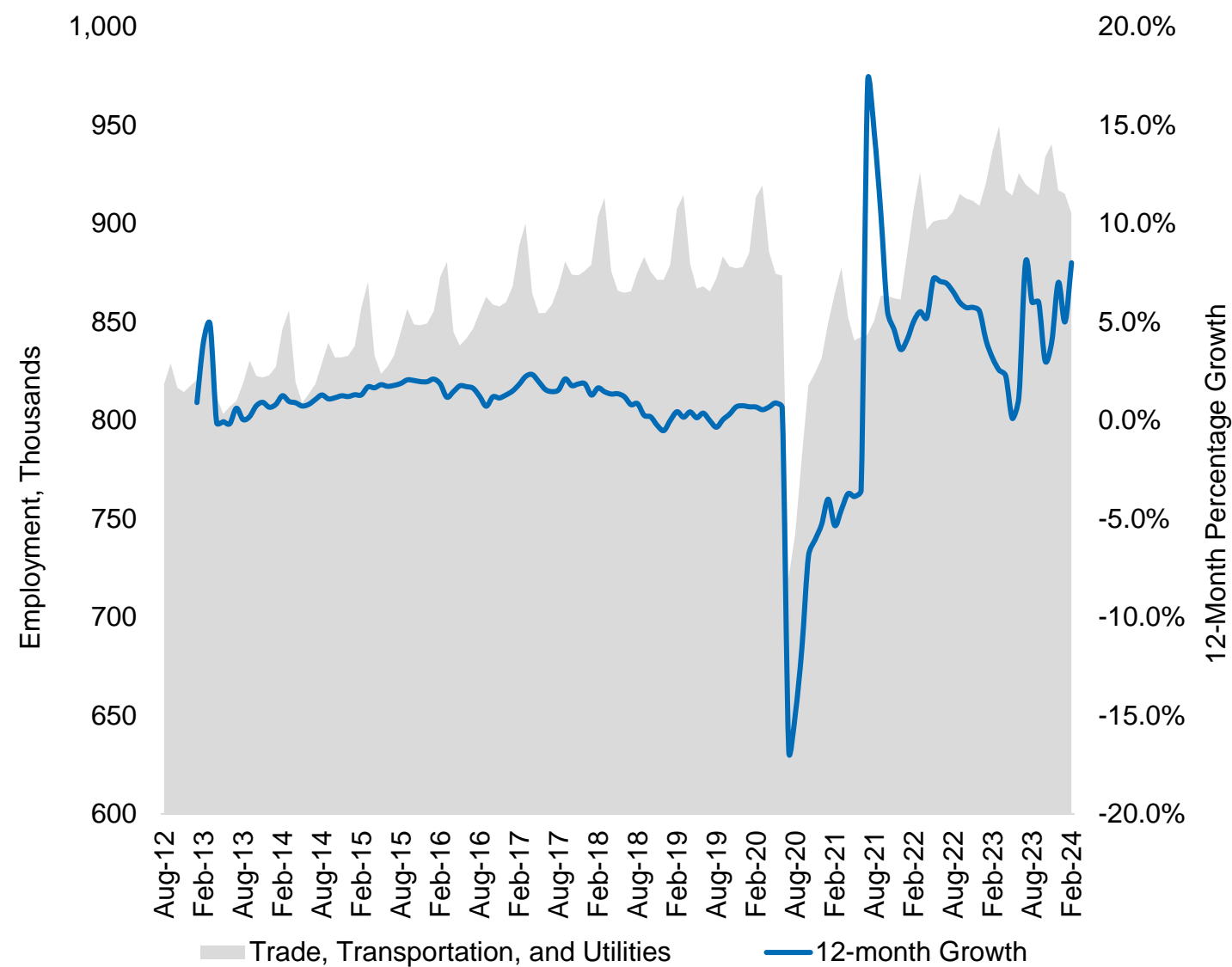


Source: U.S. Bureau of Labor Statistics, New Jersey

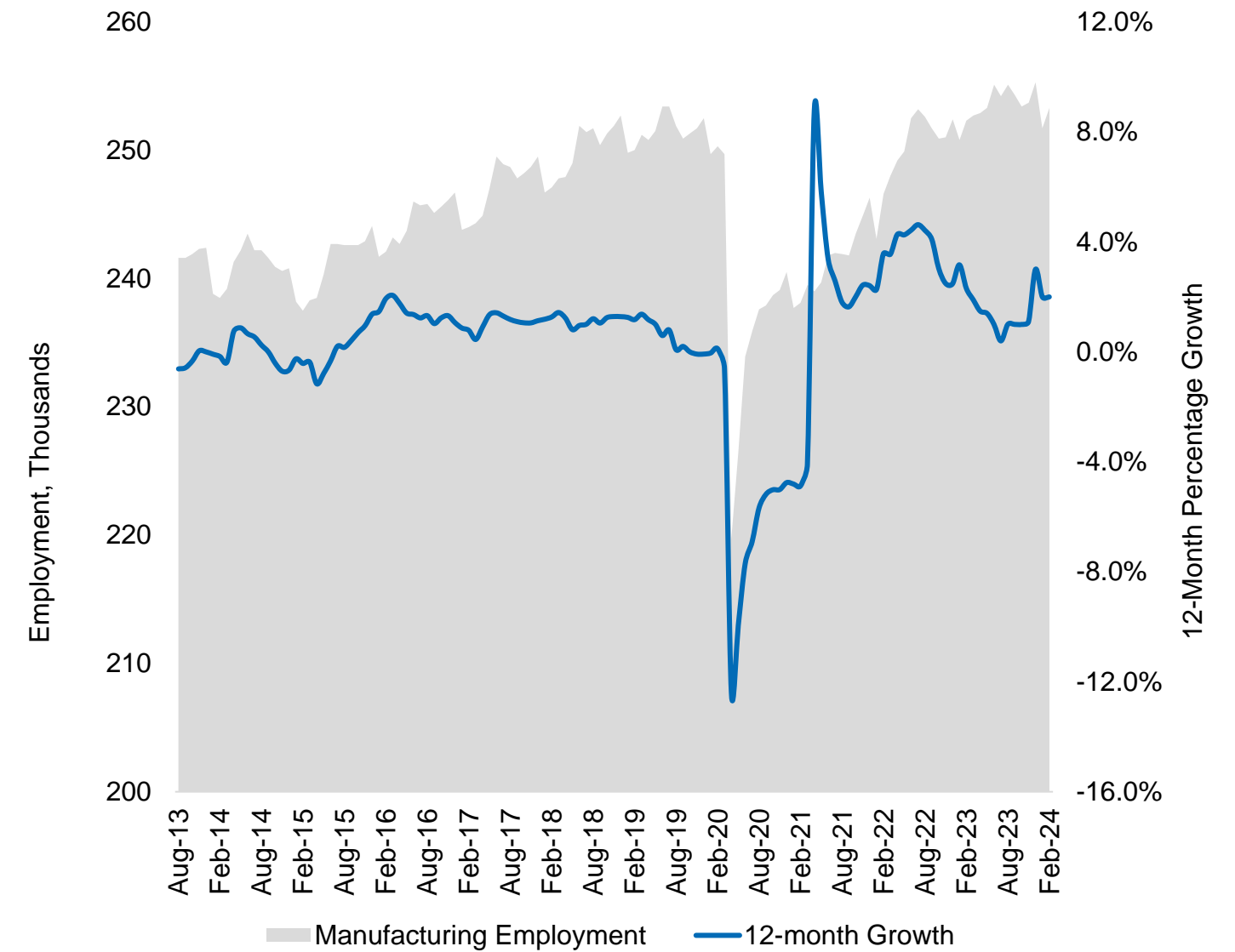
Industrial Employment Strong but Not Immune to Softening Conditions

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers in the market.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, New Jersey

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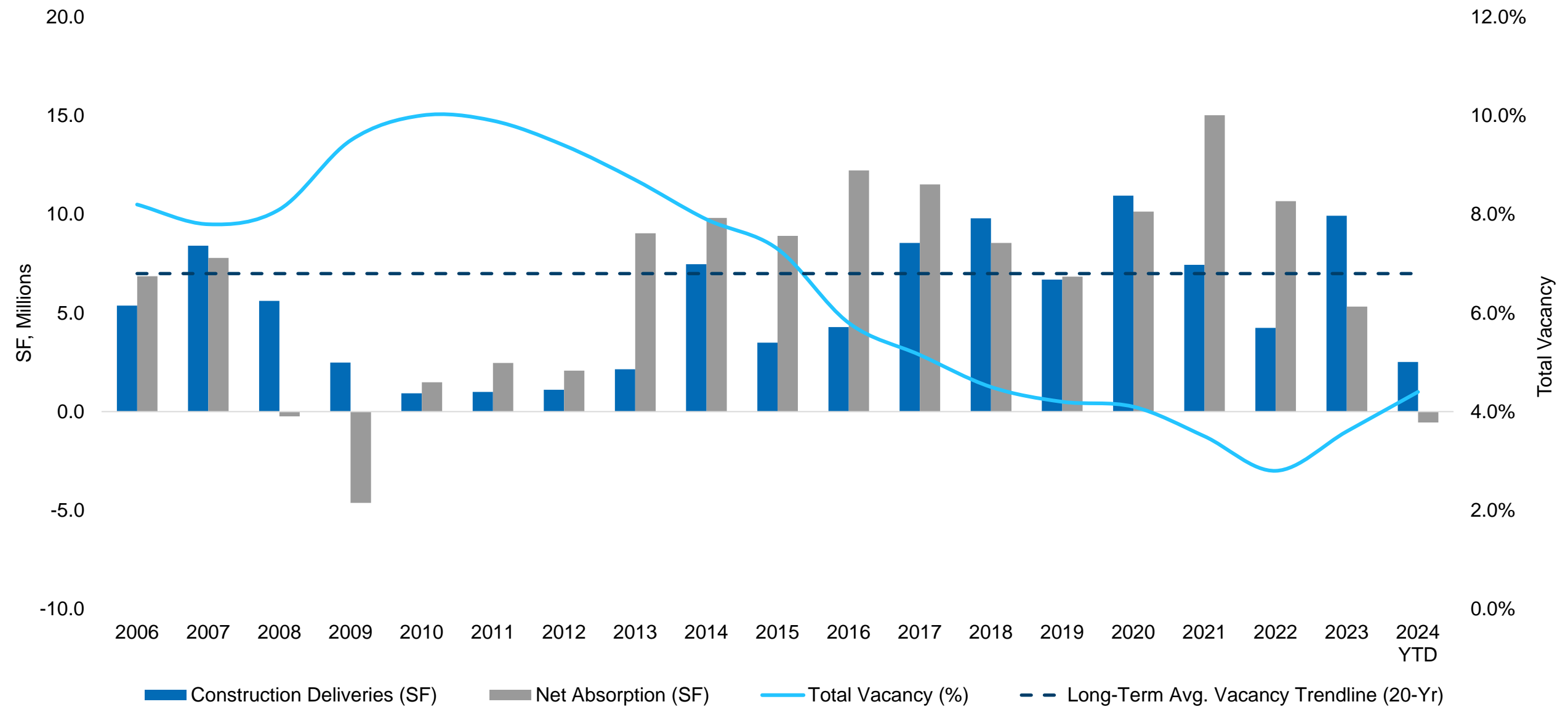
Leasing Market Fundamentals



Vacancy Rises as Net Absorption Reverts Negative

The vacancy rate increased by 140 basis points year over year to 4.4% in the first quarter of 2024. This substantial shift has been driven by a slowdown in leasing activity and an increase in available space, directly impacting net absorption. The market is recalibrating, with vacancy expected to rise throughout 2024 as highly optimized construction deliveries continue to outpace net absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy

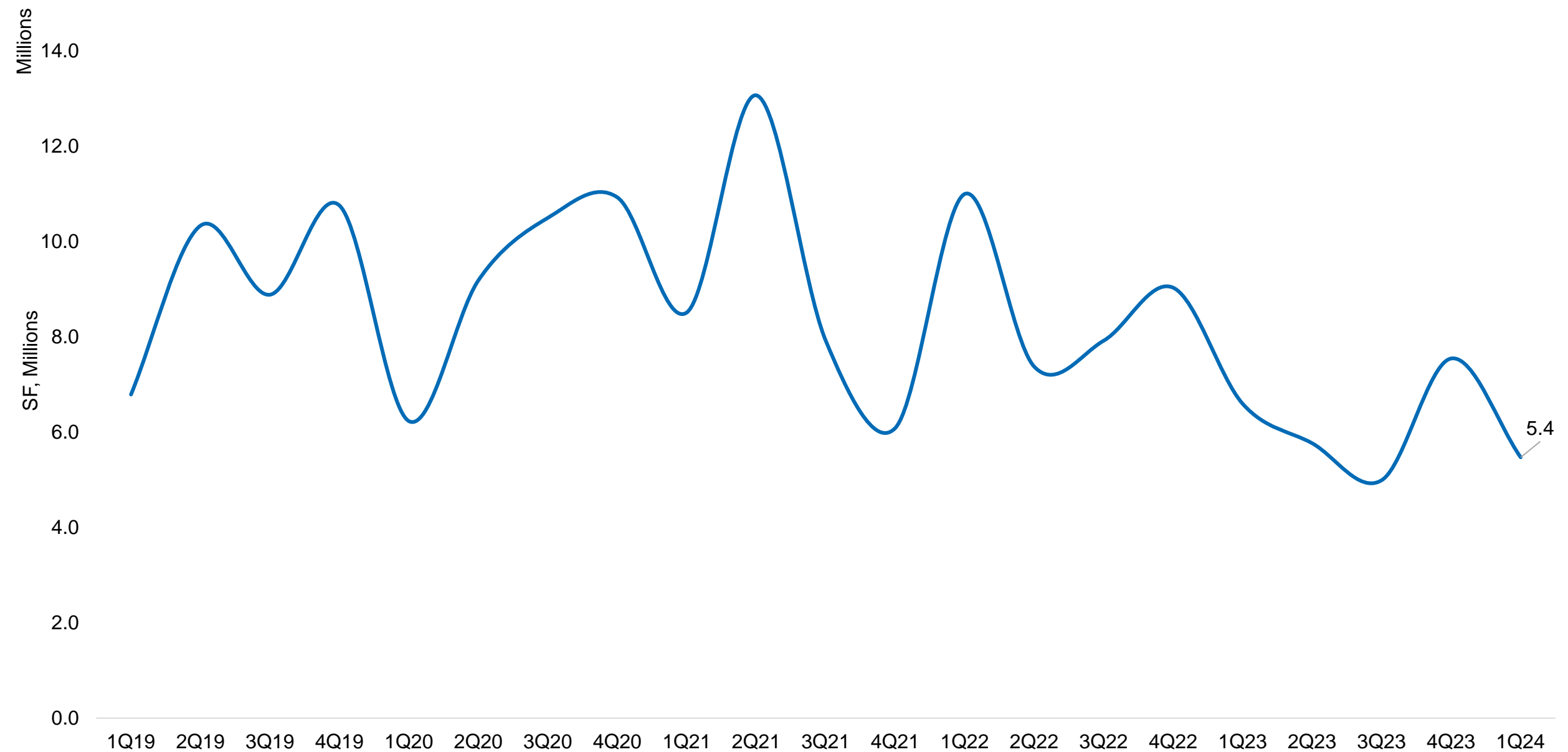


Source: Newmark Research

Industrial Leasing Activity Cooling

Tenant demand for industrial space has decelerated from historical highs reported during the height of the pandemic, as the frequency of tenant consolidations and downsizing has surged. Leasing activity decreased by 17.1% year-over-year, among the 5.4 million SF of leasing volume during the first quarter of 2024 were six leases for warehouses greater than 150,000 SF across Northern and Central New Jersey, compared with eleven during the same time last year.

Total Leasing Activity (SF)

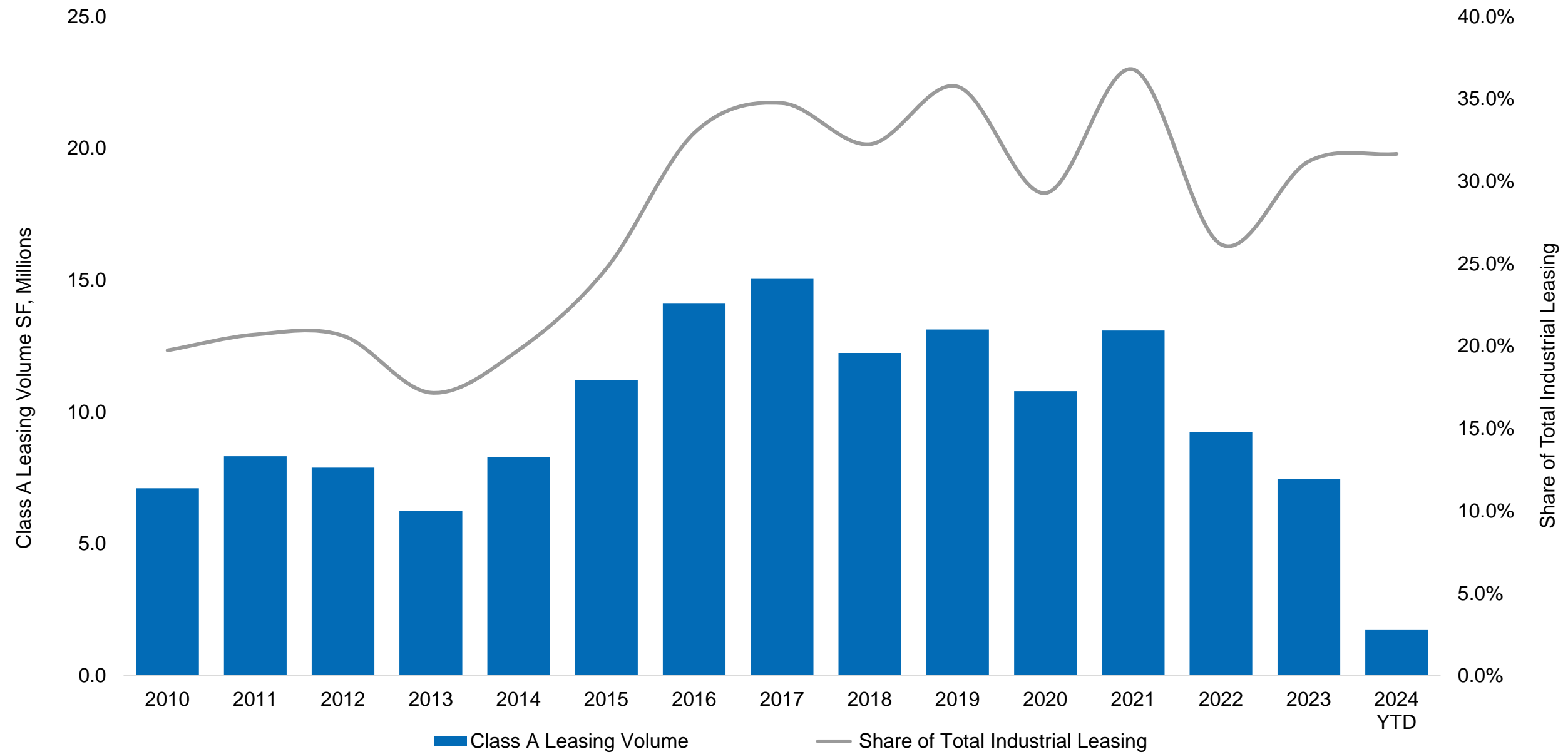


Source: Newmark Research, CoStar

Class A Warehouse Leasing above Long-Term Average

Despite a continued cooling leasing market, Class A warehouse leasing has remained consistent, representing more than 31.67% of overall activity in the first quarter of 2024. However, Class A activity decreased 10.6% year-over-year, as leasing activity has decreased from during the height of the pandemic as highly optimized assets were delivered to both spec and suite. It's expected that Class A warehouse leasing will continue to represent a significant portion of leasing activity throughout 2024 with over 12.8 million SF in the construction pipeline.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

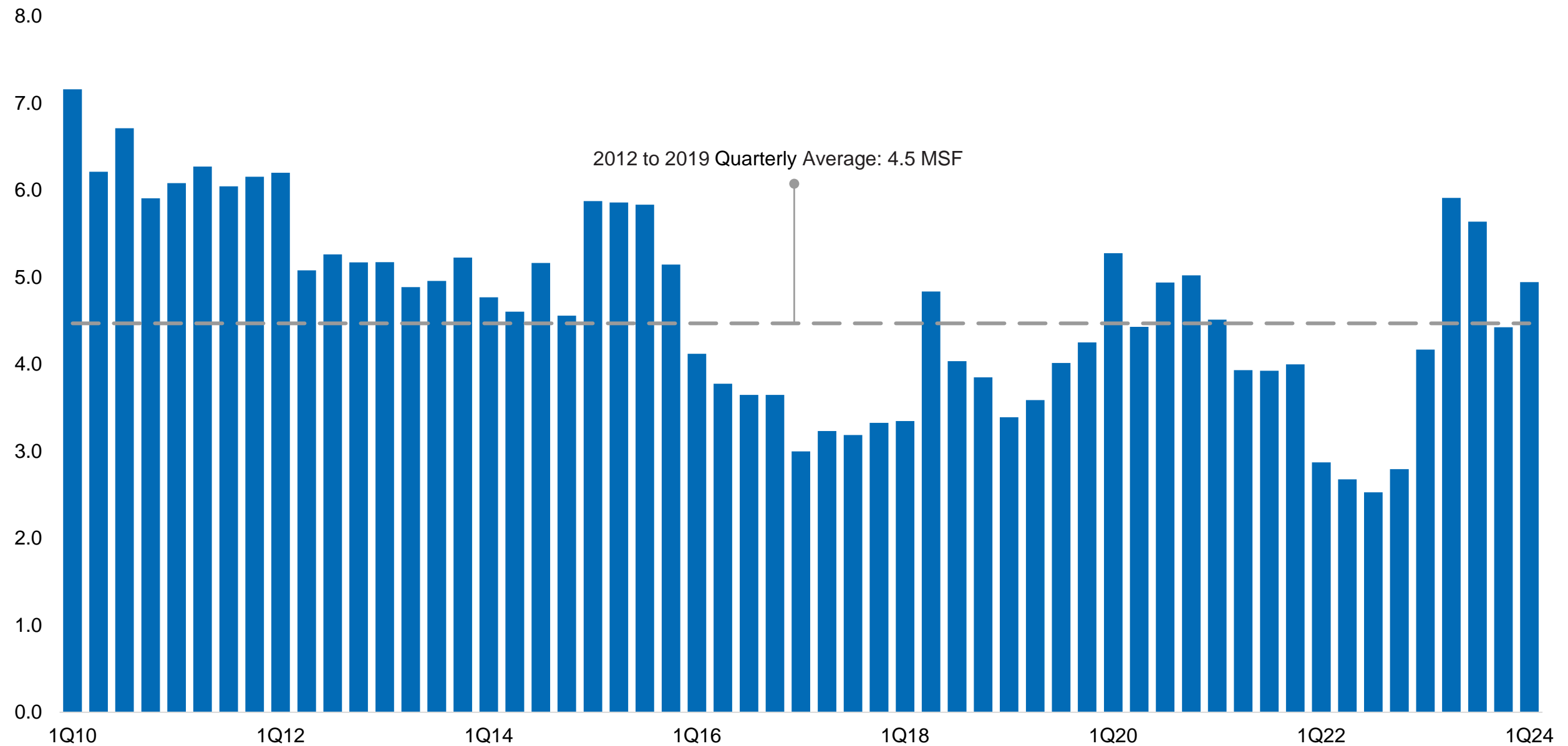


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases

Sublease availability closed first quarter of 2024 at 4.95 million SF, a quarterly increase of 11.7% which is slightly above the long-term average. The rate at which large subleases were added to the market accelerated during the first quarter, led by the 735,220 SF sublease at 700 Logistics Way in Linden. The space was added to the market in March and previously occupied by Samsung.

Available Industrial Sublease Volume (MSF)

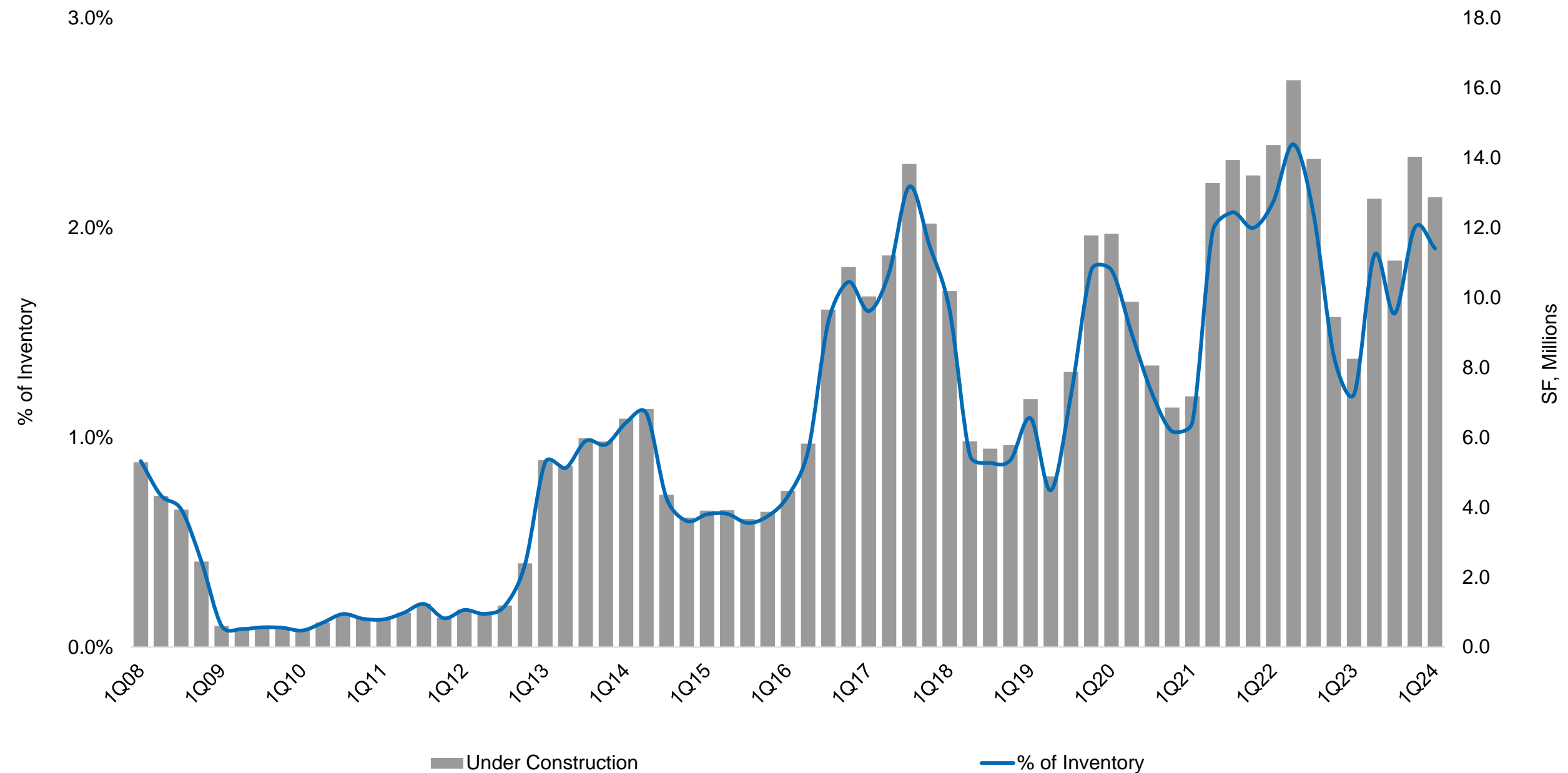


Source: Newmark Research, CoStar

Industrial Supply Pipeline Decreases as Deliveries Rise

The construction pipeline trended down during the first quarter of 2024, as construction deliveries totaled over 2.5 million SF. Tightening economic conditions has created diverse challenges for developers and investors to navigate, even so, the pipeline remains healthy with over 12.8 million SF currently under construction.

Industrial Under Construction and % of Inventory

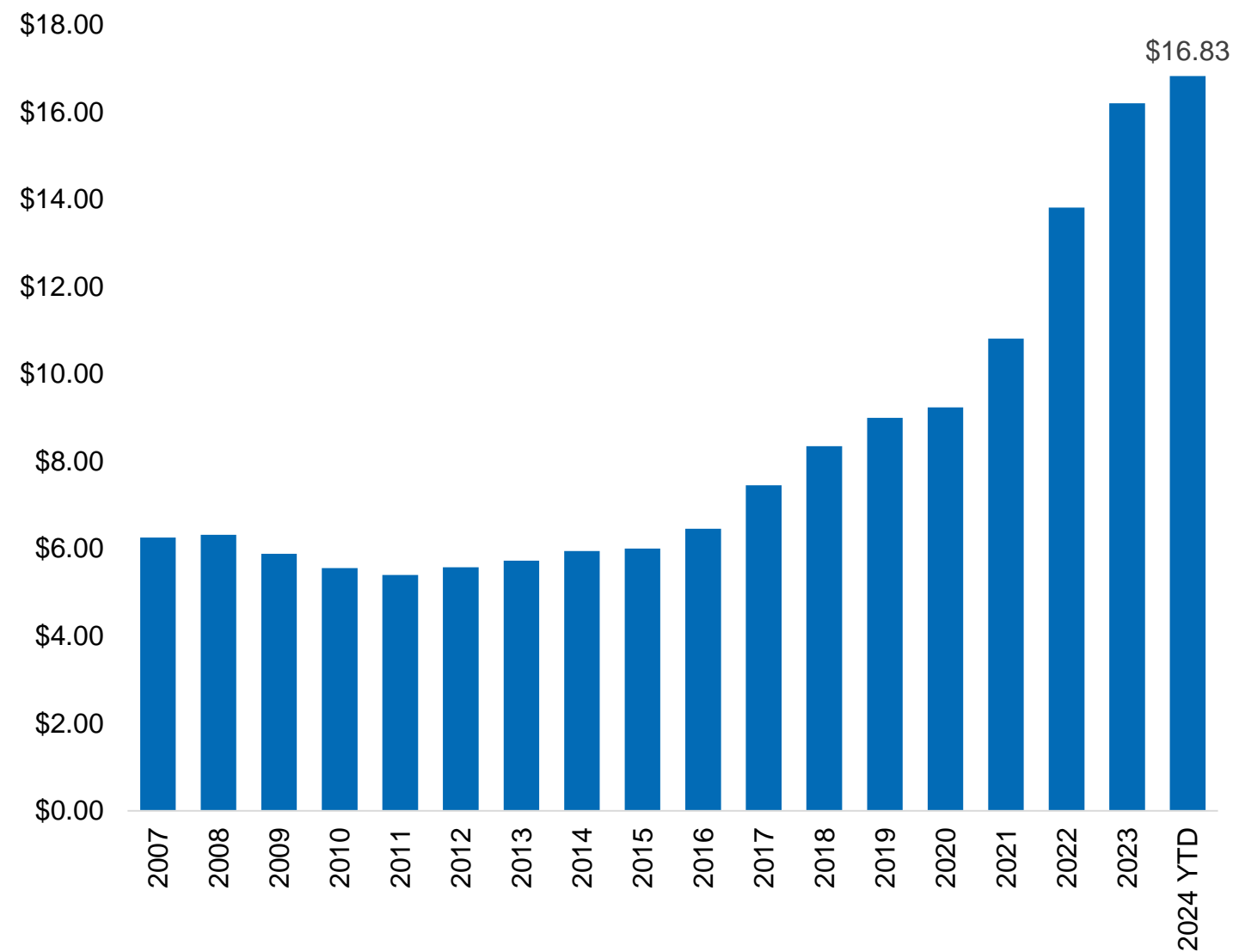


Source: Newmark Research, CoStar

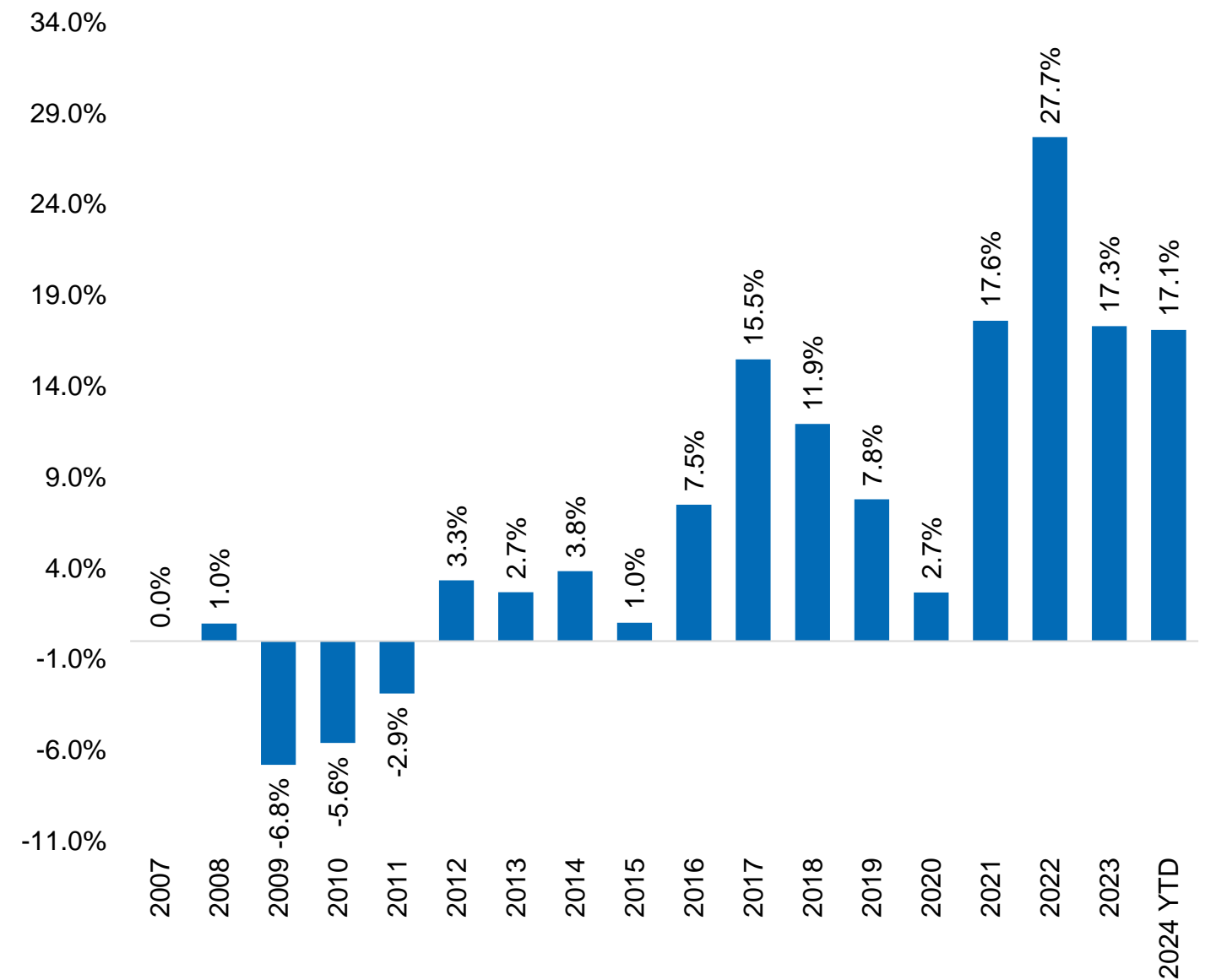
Industrial Asking Rents Reach New Historical High

Industrial average asking rents in Northern and Central New Jersey reached a new historic high of \$16.83/SF during the first quarter of 2024. Year-over-year rent growth was 17.1%. The increase in rent can be linked to the new construction that has been introduced to the market, with a focus on highly efficient, top-tier Class A spaces that command the highest rental rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q24 Lease Transactions

Tenant demand for industrial space has decelerated, underscoring the 17.1% year-over-year decrease in leasing activity. During the first quarter of 2024 were six leases for warehouses greater than 150,000 SF across Northern and Central New Jersey, compared with eleven during the same time last year. While New Jersey's industrial market continues to recalibrate, the flight to quality remains consistent, with recently constructed properties attracting the most activity and garnering the highest rents, at over \$20.00/SF.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
DMI, Inc <i>DMI, Inc signed a 845,078 SF lease at 1369 Lambertson Road in Hamilton, they'll be occupying the entirety of the Class A property.</i>	1369 Lambertson Road	Exit 7A	Direct New	845,078
GXO <i>GXO signed a 610,949 SF lease for five years at 301-321 Herrod Boulevard in South Brunswick.</i>	301-321 Herrod Boulevard	Exit 8A	Direct New	610,949
Associated Materials, LLC <i>Associated Materials, LLC signed a 317,500 SF extension at 11 Cragwood Road in Avenel for four years.</i>	11 Cragwood Road	Exit 12	Direct Extension	317,500
Experior Global <i>Experior Global leased the entirety of the 266,000 SF Class A property at 2000 Marketplace Boulevard in Hamilton.</i>	2000 Marketplace Boulevard	Exit 7A	Direct New	266,000
Statco Warehouse, Inc <i>Statco Warehouse, Inc signed a 250,000 SF lease for eight years, occupying the entire property at 1-11 Market Street in Passaic.</i>	1-11 Market Street	Paterson/Passaic	Direct New	250,000

Submarket Stats Overview

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