

Northern New Jersey Industrial Market Overview

Market Observations

Economy

- While the region's labor market remains on relatively solid footing and the annual job growth rate continues to exceed the national average, cracks are beginning to show amid persistently high inflation and increasing interest rates.
- Unemployment has increased to 4.5%, with New Jersey now trending above the national average of 3.7%. This is due to more residents joining the labor force and fewer residents being employed.
- Regional annual job growth was led by the education and health industries along with the leisure and hospitality industries, marking two straight years with the largest growth by industry. Industrial-using industries all saw annual job gains during the last 12 months.

Major Transactions

- Marc Fisher signed the largest lease of the fourth quarter of 2023, renewing 607,709 SF at 1240-1248 S River Road in Cranbury.
- GRM signed one the largest new deals of the fourth quarter of 2023 in October, taking up the entire 509,775 SF warehouse property at 2520 Route 130 in Cranbury.
- CVS leased the entire 427,155 SF property at 134 Van Keuren Ave. in Jersey City. The Class A warehouse property recently delivered during the third quarter of 2023.
- Paragon Packaging Inc preleased Building 2 in the Central 9 Logistics Park in Old Bridge; the 192,111 SF Class A property is set to deliver in May 2024.

Leasing Market Fundamentals

- Absorption in the fourth quarter of 2023 totaled 912,153 SF, bringing the year-to-date total to 5.3 million SF.
- The construction pipeline remains robust, trending upward during the fourth quarter of 2023 to 14 million SF.
- Vacancy and rents both increased year over year. Vacancy grew by 100 basis points to 3.6%. Higher-priced space delivered to the market and still-robust demand drove strong 2023 year-to-date rent growth of 17.3%.
- Asking rents reached a new historic high of \$16.21/SF during the fourth quarter of 2023, with newly delivered space directly impacting the increasing rents.

Outlook

- Uncertainty reigns in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will impact leasing and investment activity.
- Market vacancy will likely increase further as a wave of new construction delivers throughout 2024, with much of this space remaining available.
- Class A space will still be at a premium for tenants as new properties are delivered, further driving rent growth throughout 2024.

1. Economy
2. Leasing Market Fundamentals

4Q23

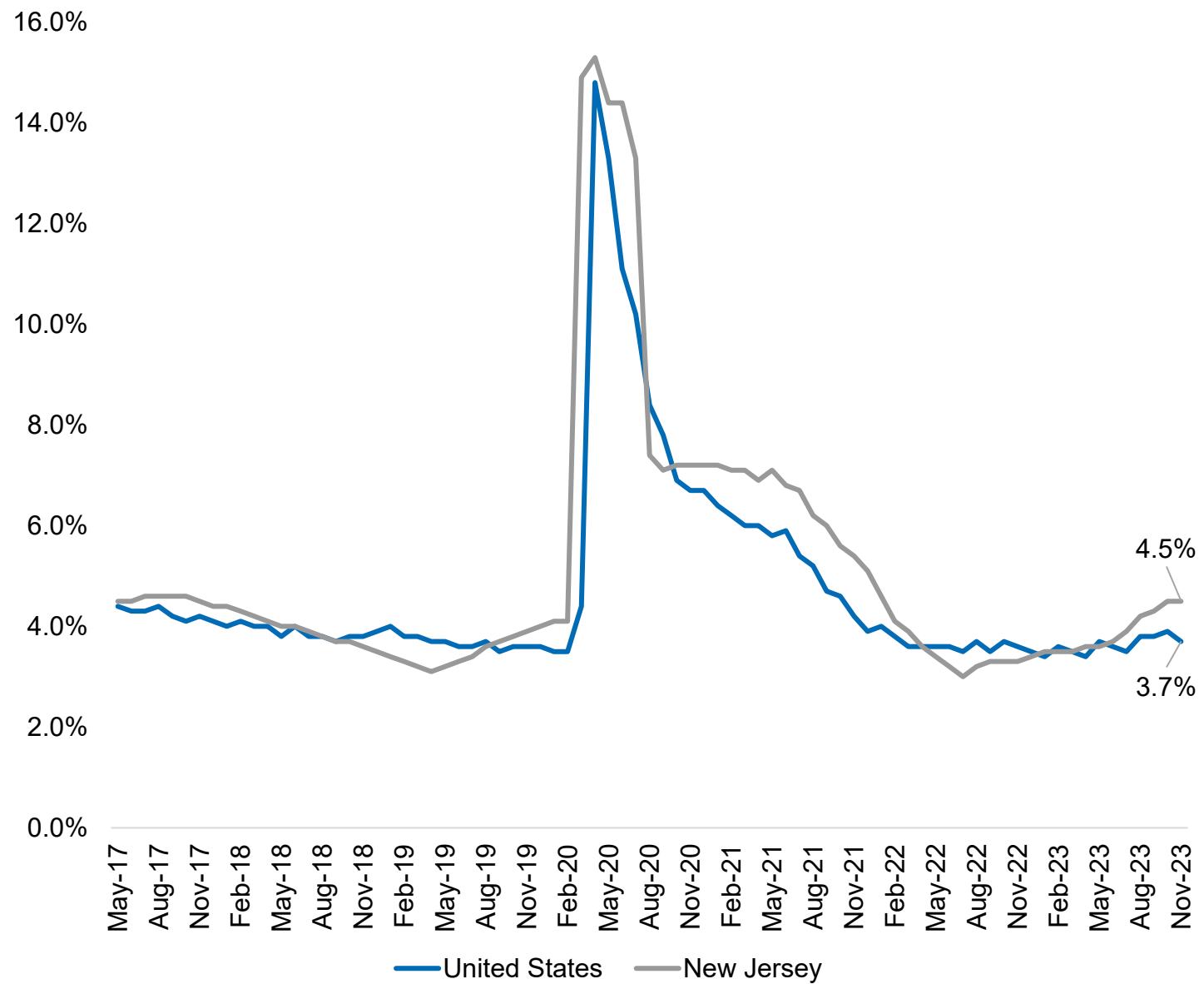
Economy



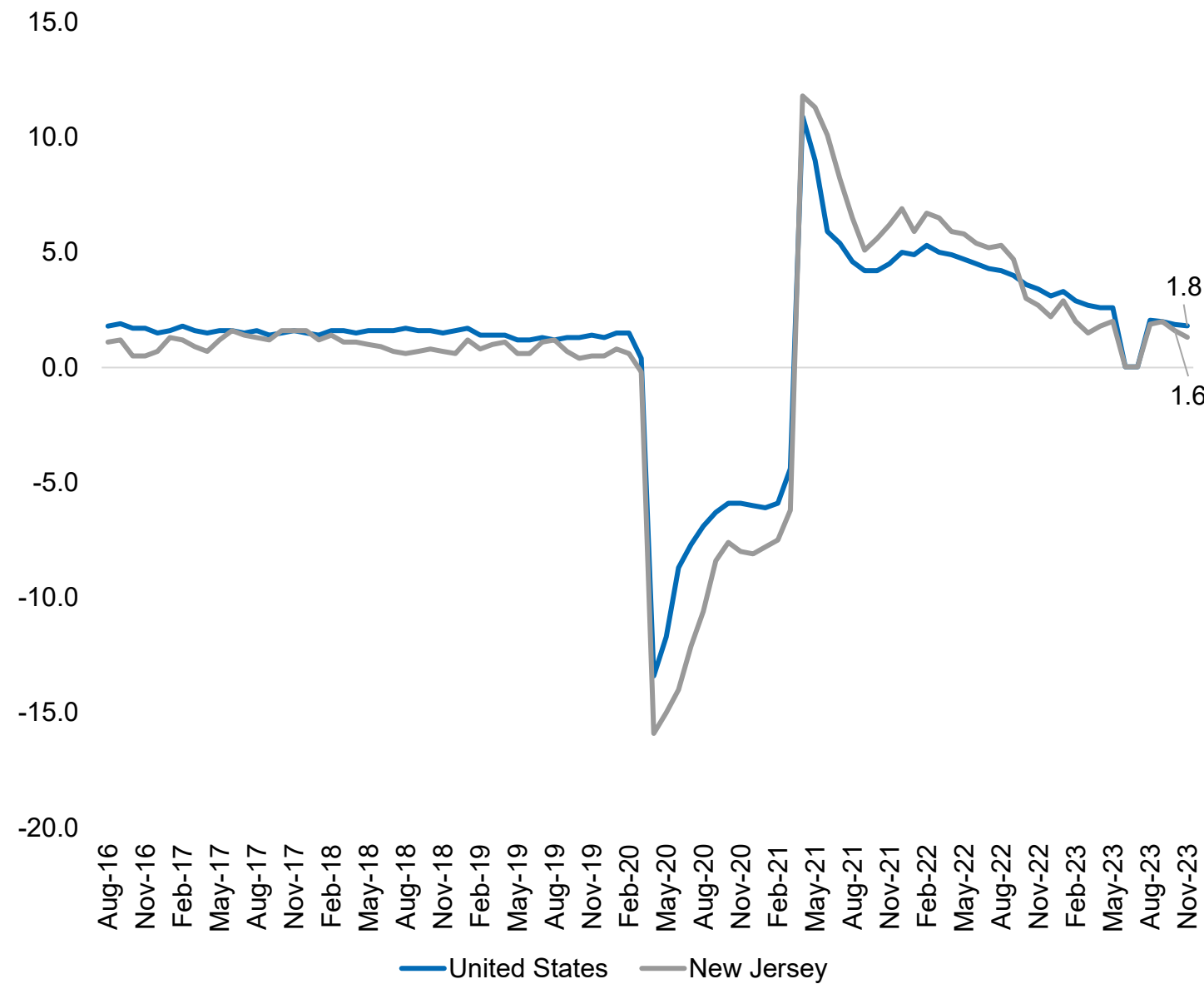
Metro Employment Trends Signal a Slowing Economy

While the region’s labor market remains on relatively solid footing, the annual job growth rate has moved comparably to the national average, continuing a downward trend year-over-year. Unemployment has increased to 4.5%, with New Jersey now trending above the national average of 3.7%.

Unemployment Rate, Seasonally Adjusted



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



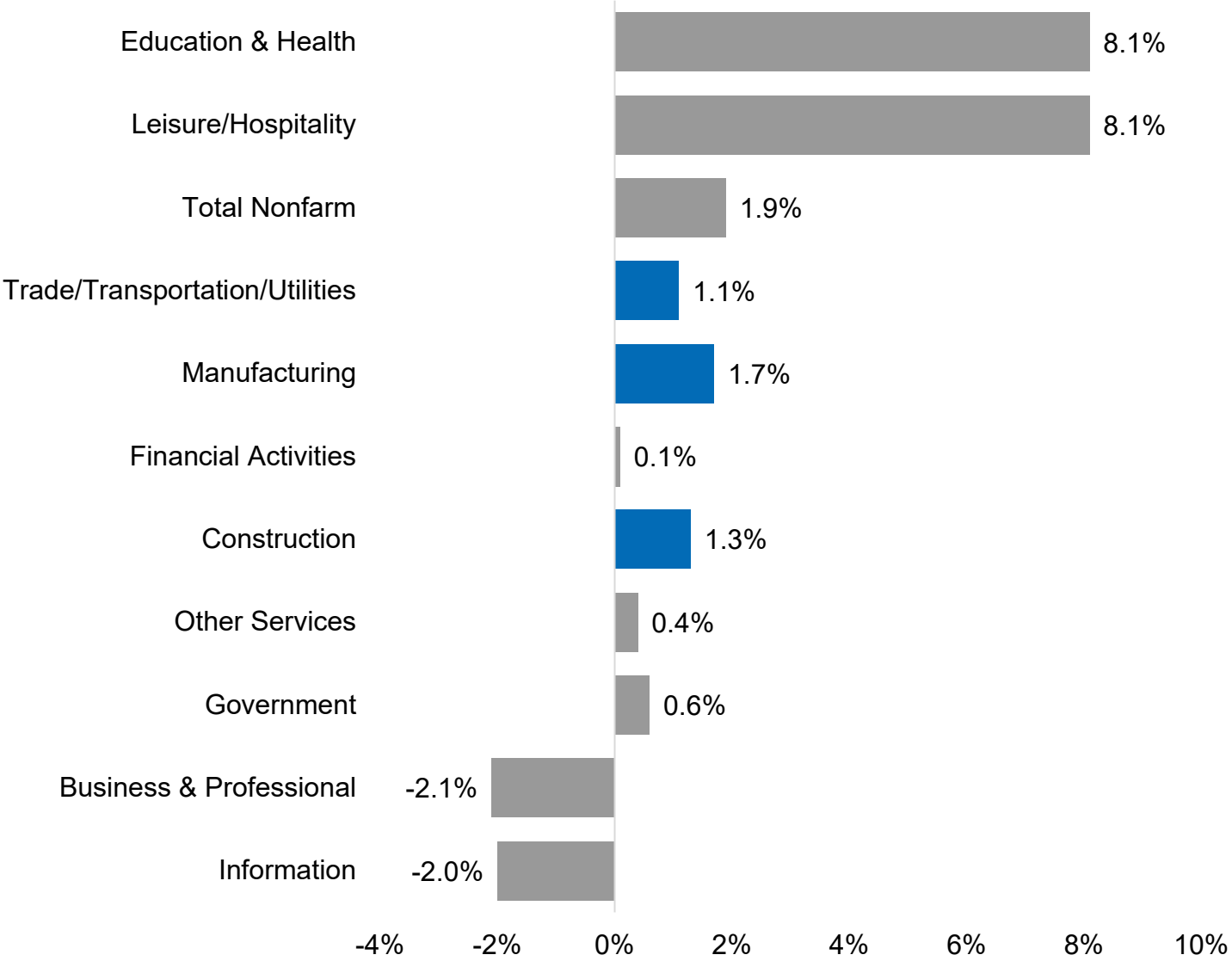
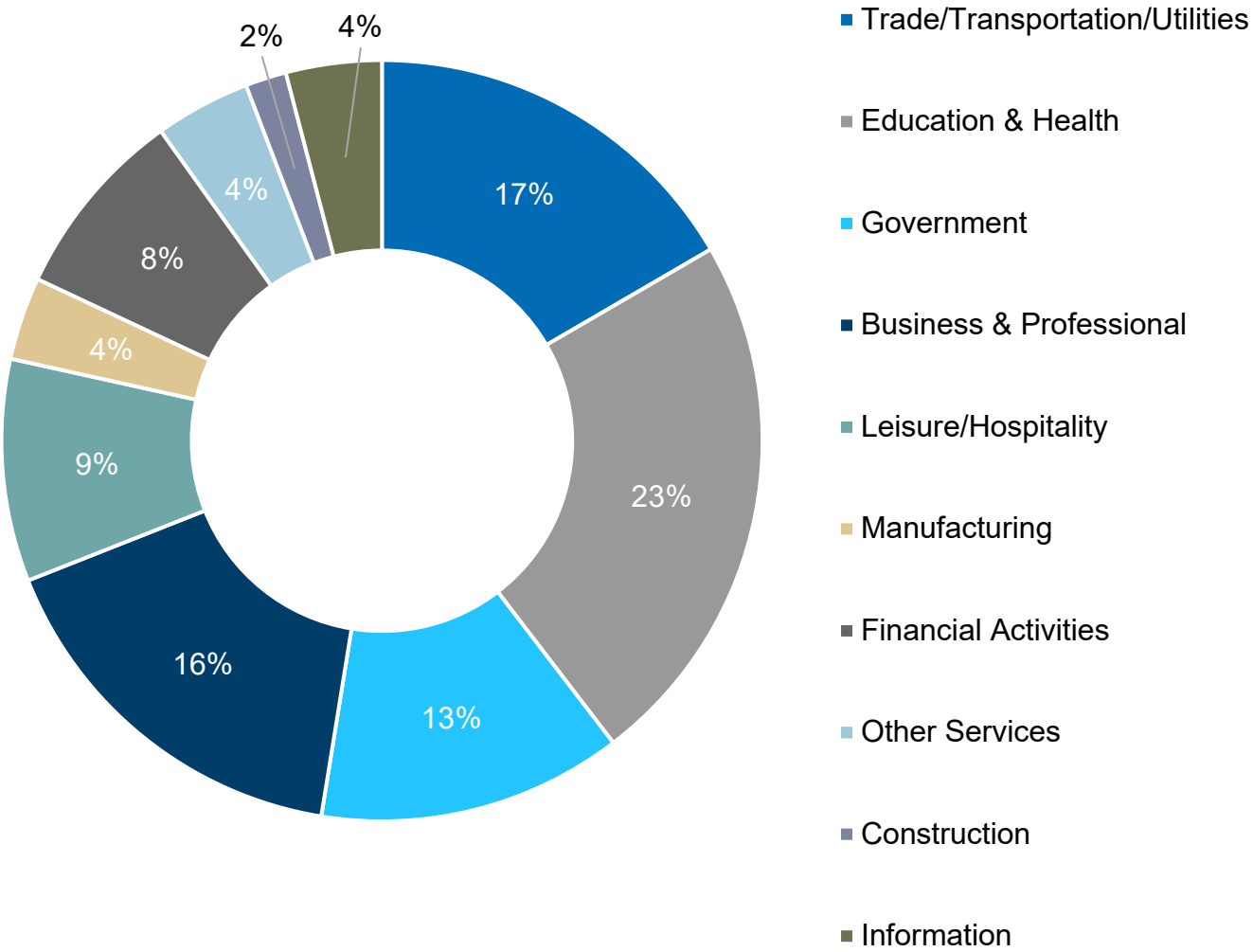
Source: U.S. Bureau of Labor Statistics, New Jersey

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, November 2023

Employment Growth by Industry, 12-Month % Change, November 2023

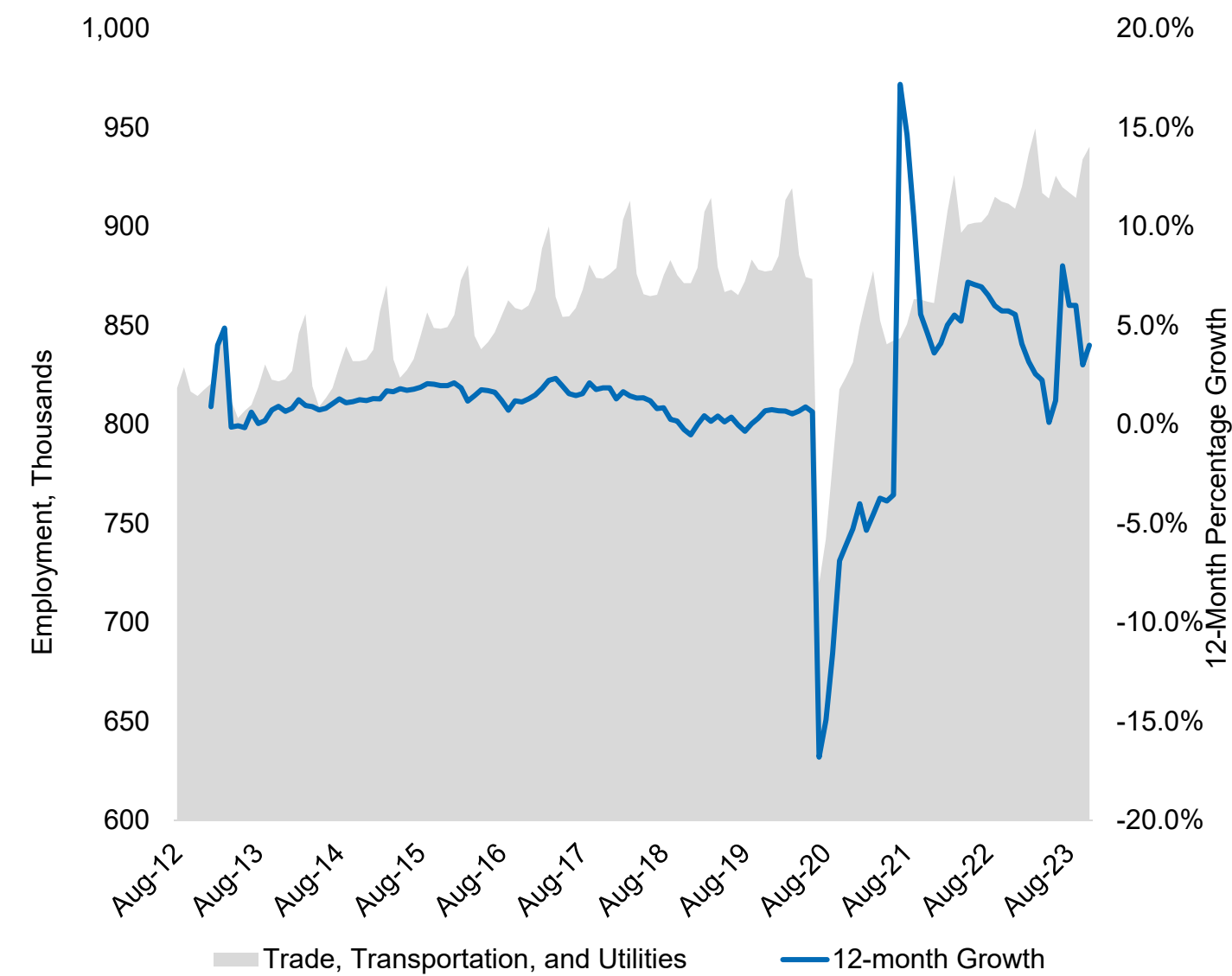


Source: U.S. Bureau of Labor Statistics, New Jersey

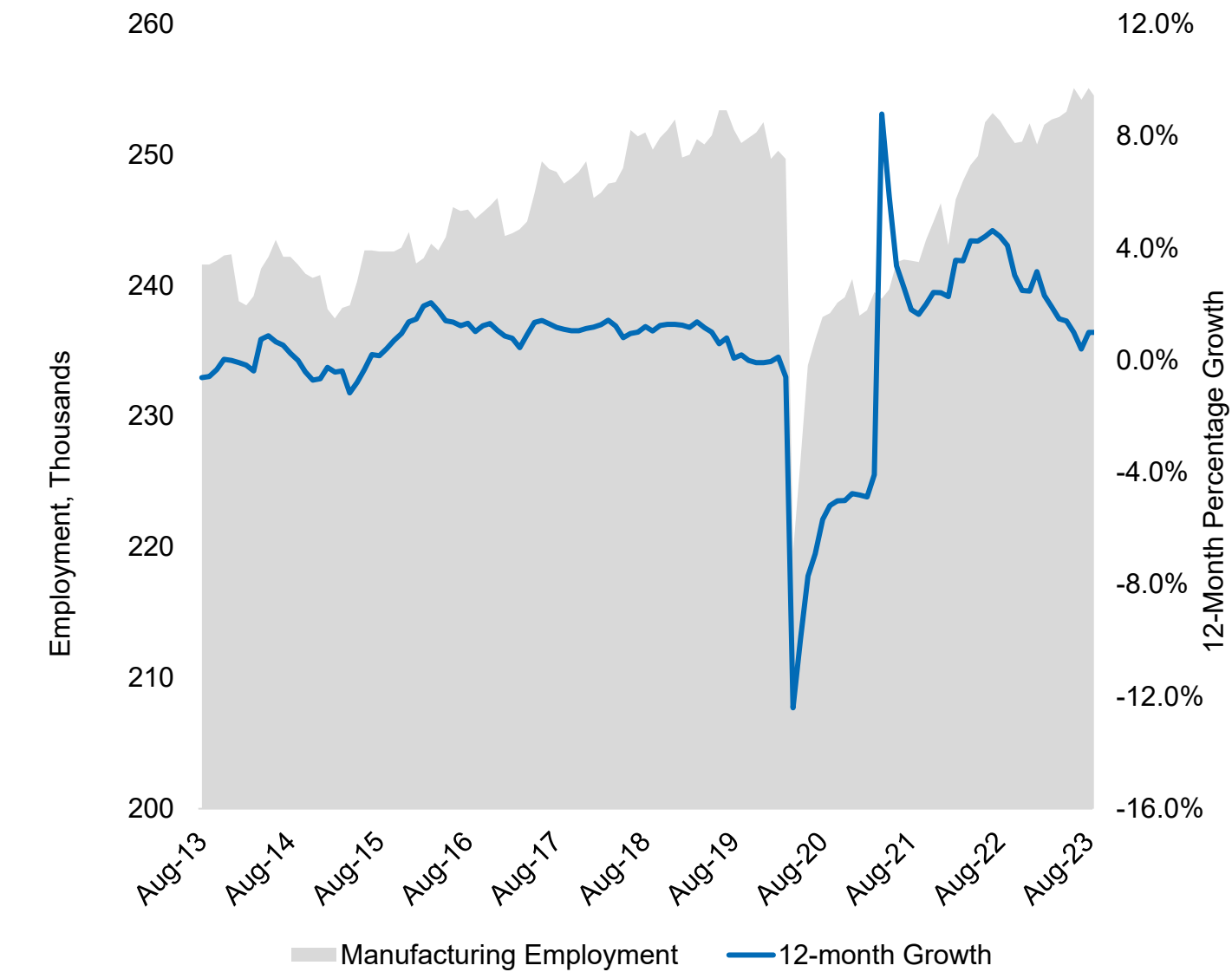
Industrial Employment Strong but Not Immune to Softening Conditions

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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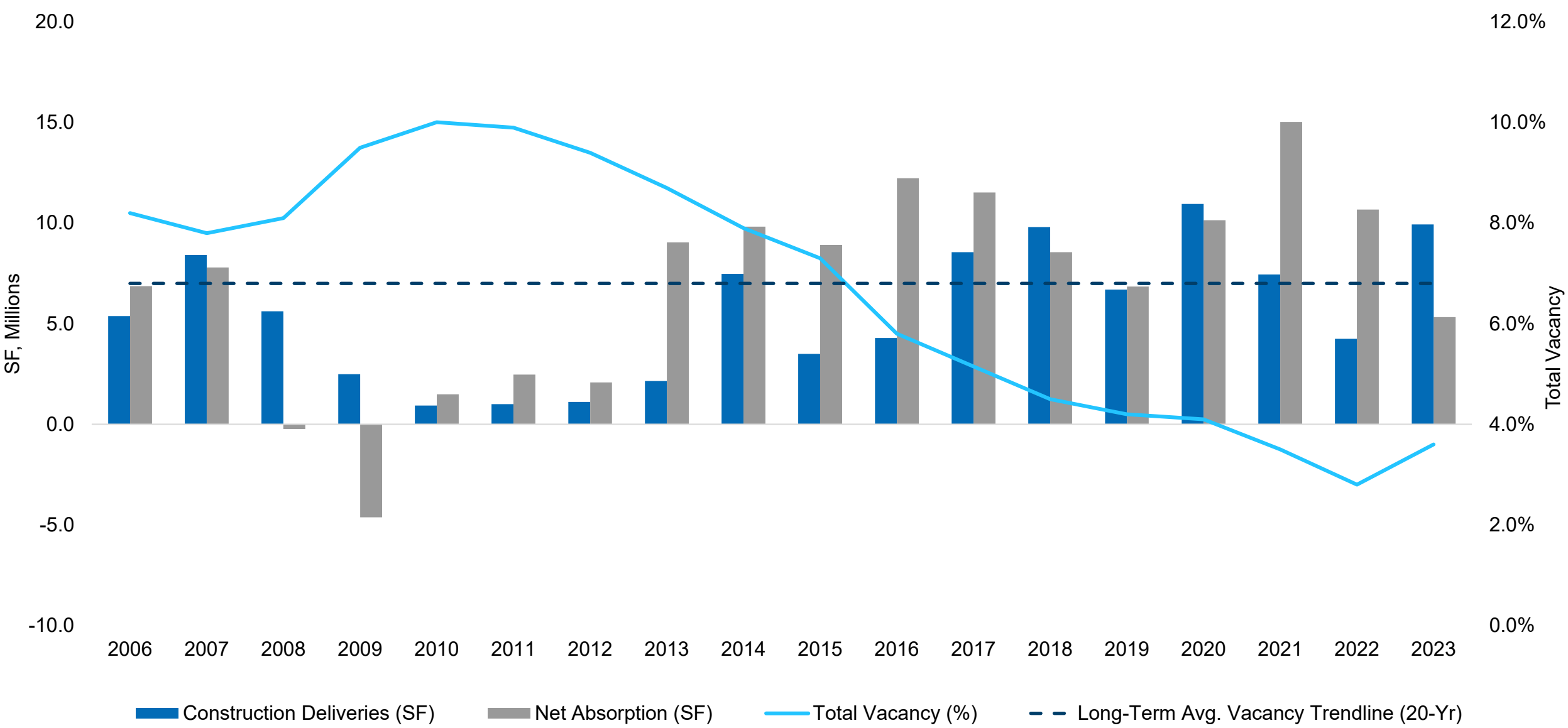
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate increased by 100 basis points year over year to 3.6% in the fourth quarter of 2023. The market is recalibrating, with vacancy expected to rise over the next few quarters as highly optimized construction deliveries continue to outpace net absorption, reversing the trend of the last two years.

Historical Construction Deliveries, Net Absorption, and Vacancy

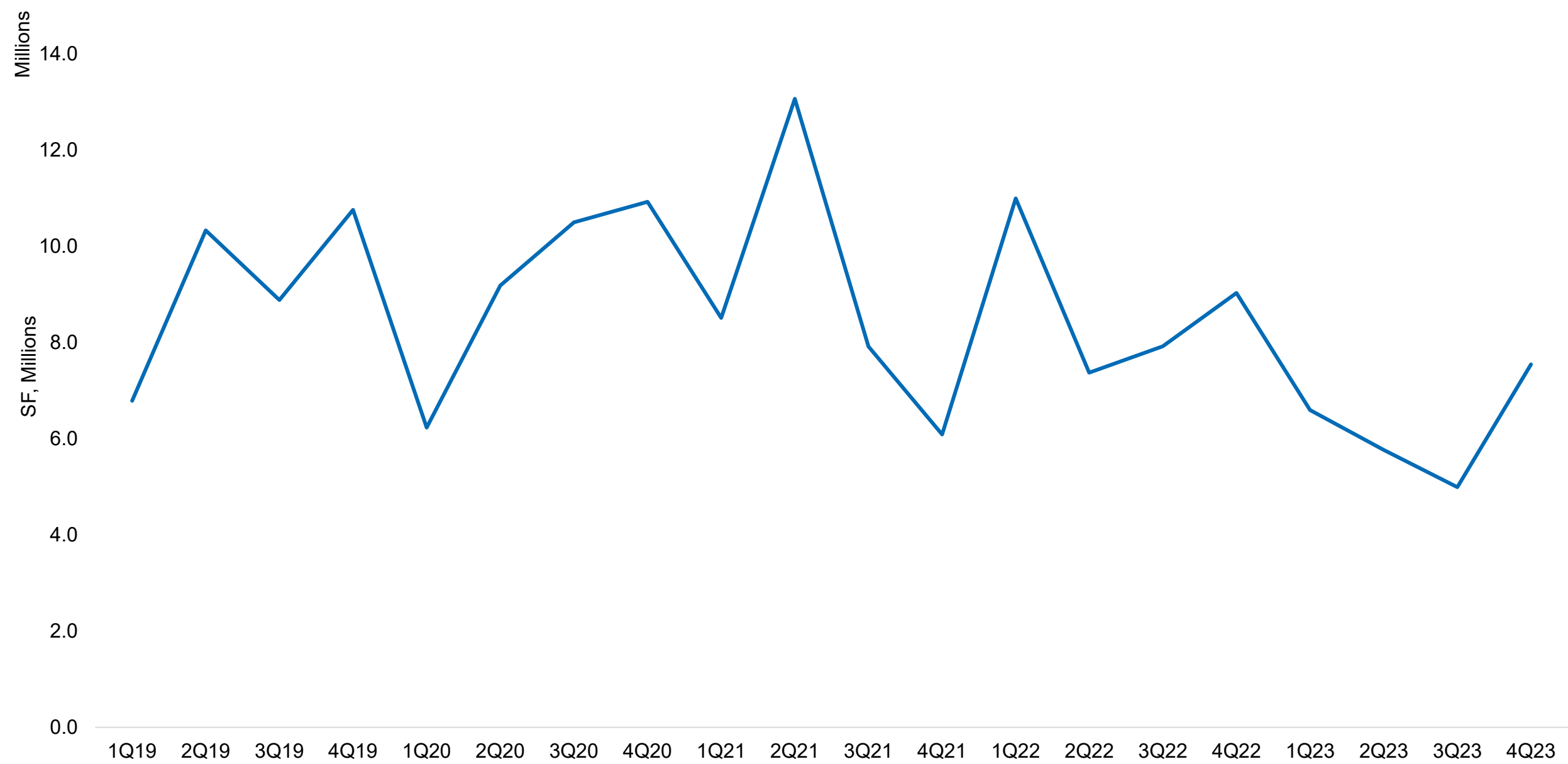


Source: Newmark Research

Industrial Leasing Activity Increases

Although the market still registers as healthy, demand for industrial space has decelerated from historical highs reported during the pandemic. Leasing activity increased by 51% quarter over quarter, among the 7.5 million SF of leasing volume during the fourth quarter of 2023 were twelve leases for warehouses greater than 150,000 SF across Northern and Central New Jersey.

Total Leasing Activity (SF)

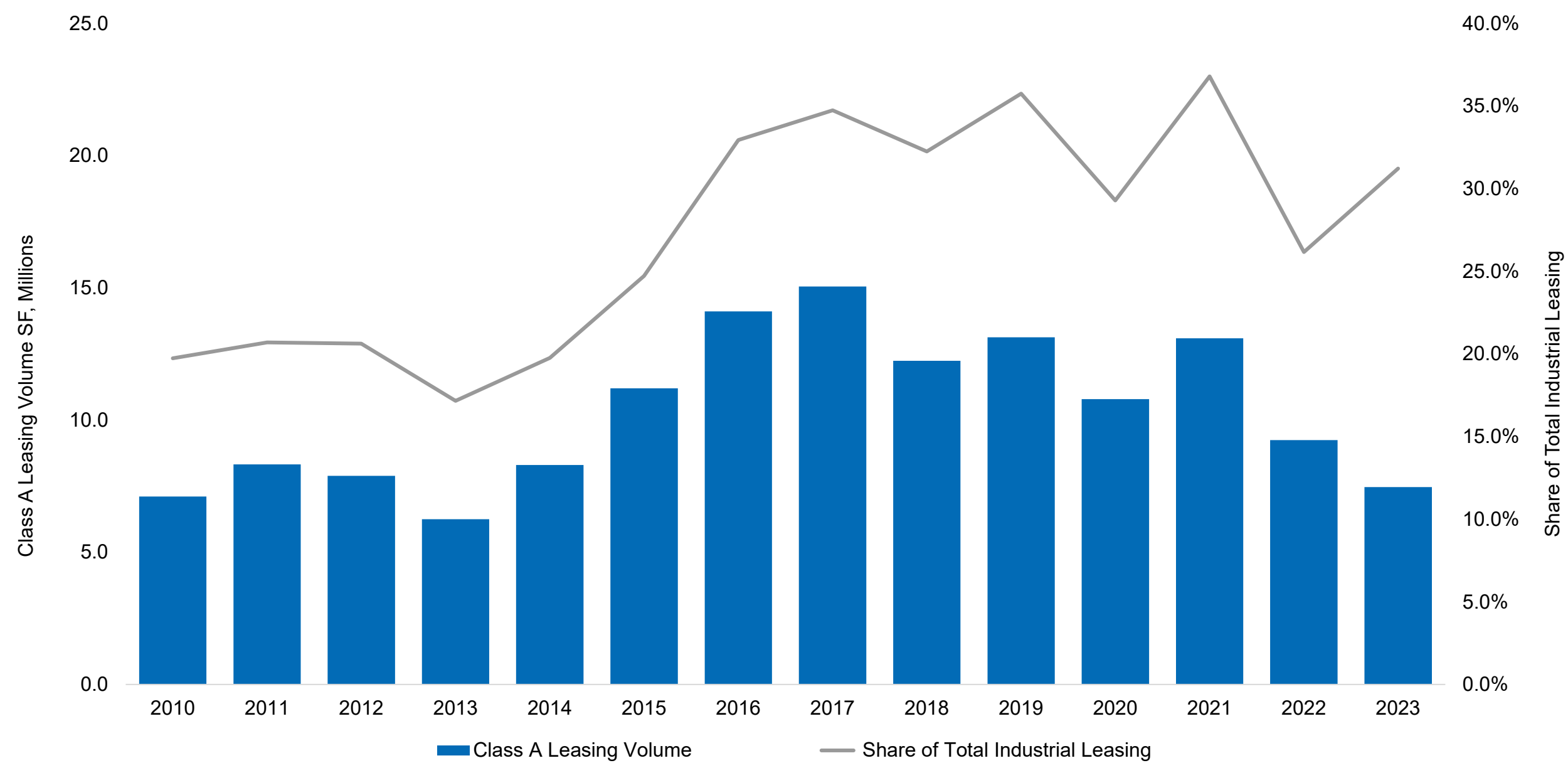


Source: Newmark Research, CoStar

Class A Warehouse Leasing above Long-Term Average

Despite a cooling leasing market, Class A warehouse leasing has remained consistent, representing more than 31.22% of overall activity in 2023, down from a high of 36.8% in 2021. Leasing activity has decreased from during the height of the pandemic as highly optimized assets were delivered to both spec and suite; however, with a healthy construction pipeline of 14 million SF, it's expected that Class A warehouse leasing will continue to represent a significant portion of leasing activity throughout 2024.

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

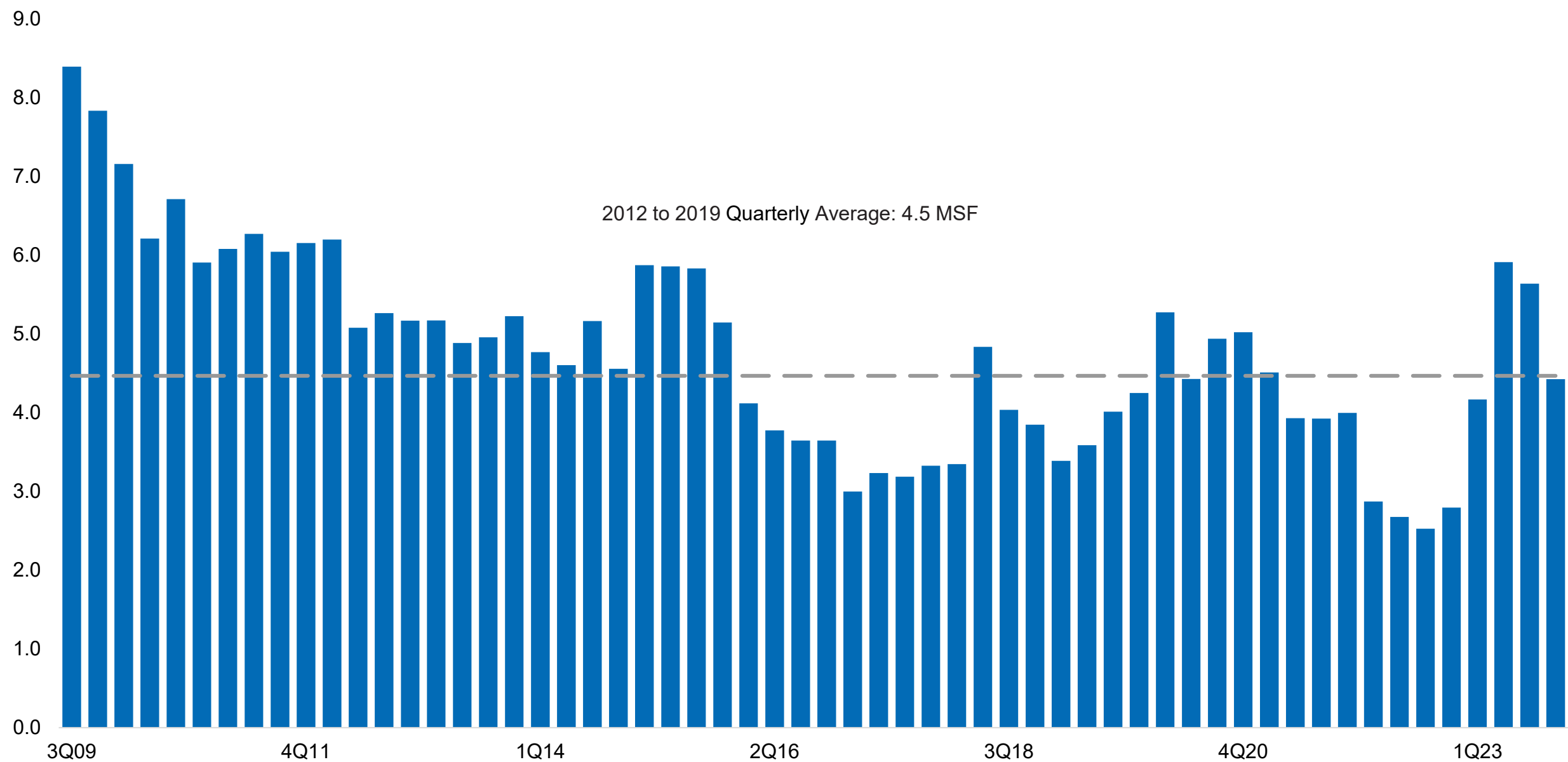


Source: Newmark Research, CoStar

Industrial Sublease Availability Declines

Sublease availability in the fourth quarter of 2023 fell behind the volume charted during the height of the pandemic and is slightly below the long-term average. The rate at which subleases were added to the market accelerated during the first three quarters of 2023; however, eFulfill, Inc’s 469,600 SF sublease at 600 Ridge Rd. was the main contributor to the quarter-over-quarter decrease.

Available Industrial Sublease Volume (msf)

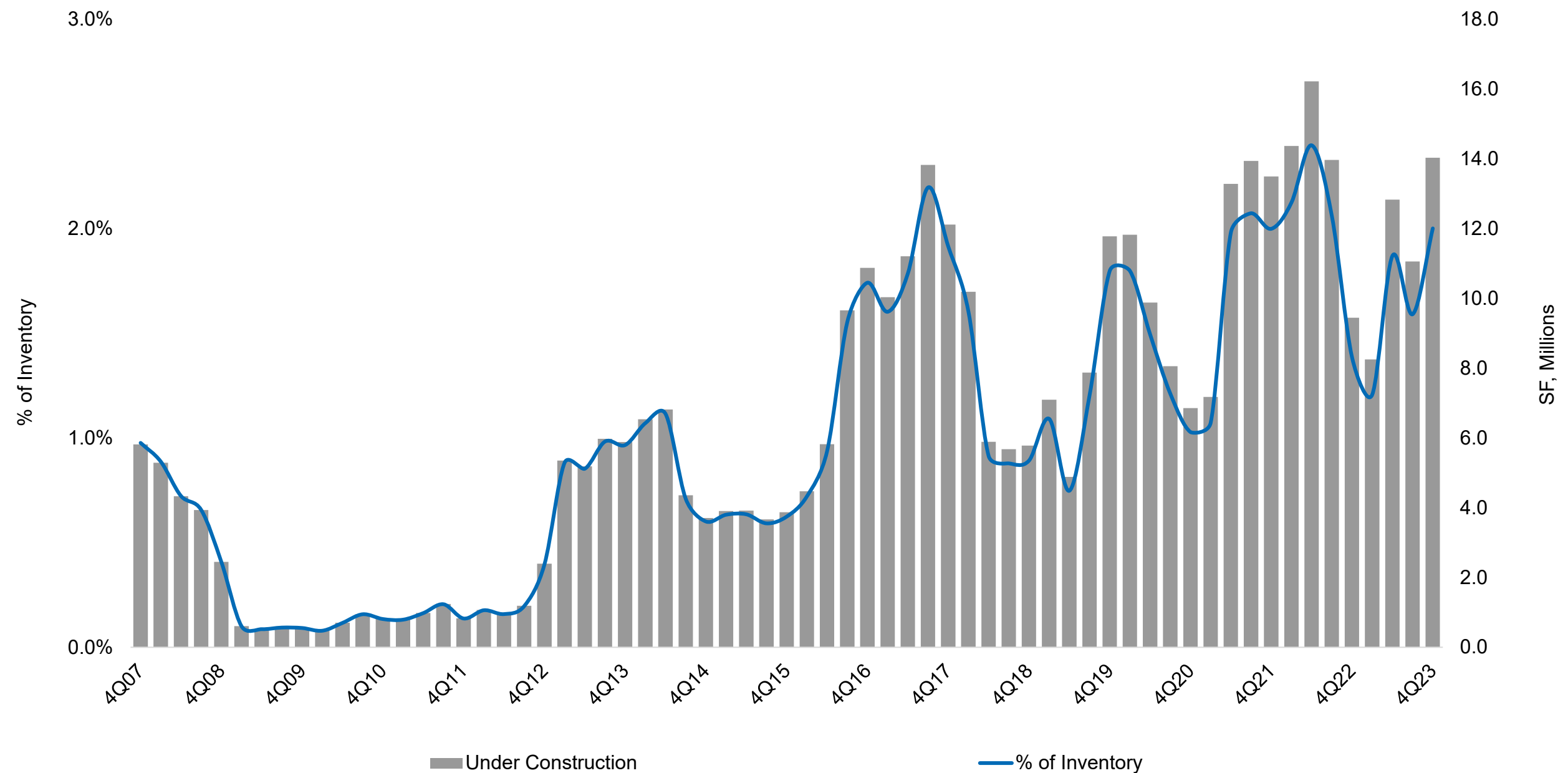


Source: Newmark Research, CoStar

Industrial Supply Pipeline Rises

The construction pipeline trended upward during the fourth quarter of 2023 after reaching a historic high of 16.2 million SF in the second quarter of 2022. Even with the current economic conditions developers and investors are facing, the construction pipeline remains robust, with over 14.0 million SF.

Industrial Under Construction and % of Inventory

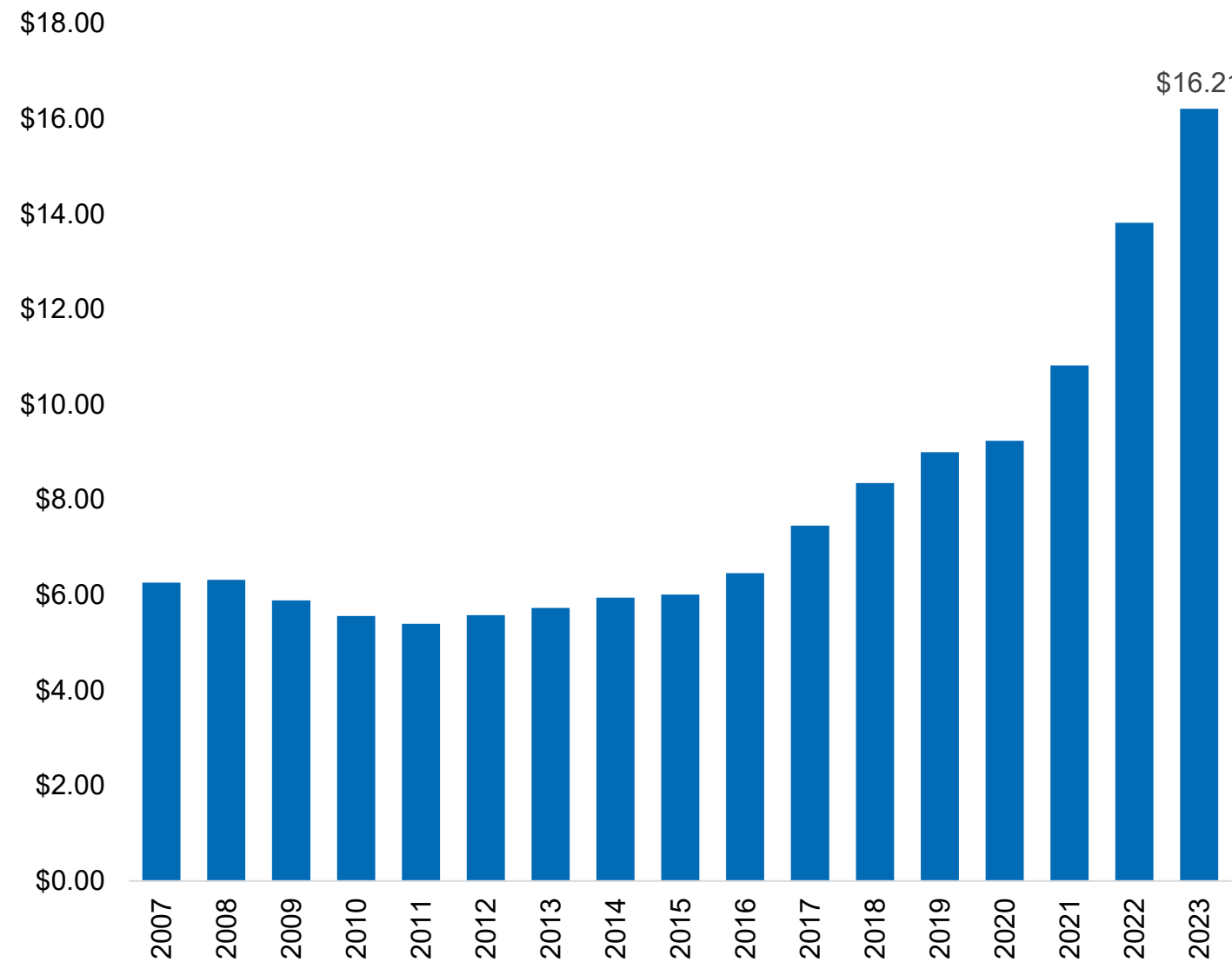


Source: Newmark Research, CoStar

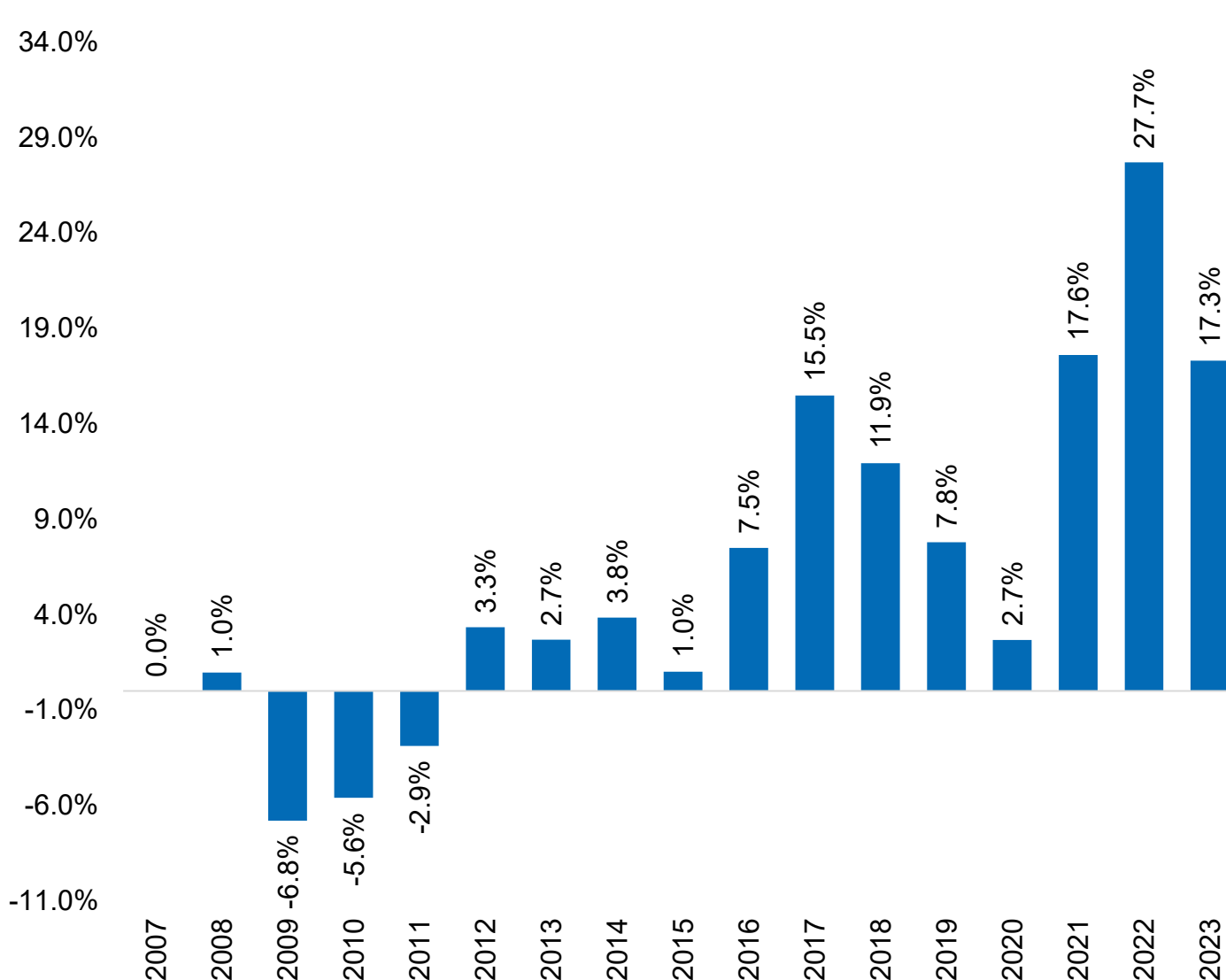
Industrial Asking Rents Reach Historical High

Industrial average asking rents in Northern and Central New Jersey reached a historic high of \$16.21/SF in the fourth quarter of 2023. Year-over-year rent growth was 17.3%. Rent growth is expected to increase throughout 2024 as large quantities of highly optimized new construction are delivered to the market.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 4Q23 Lease Transactions

Although there has been a lag in leasing activity throughout 2023, there was an uptick during the fourth quarter of 2023, with twelve leases signed for warehouses greater than 150,000 SF. New Jersey’s industrial market remains strong as the flight to quality continues, with recently constructed properties being of interest to opportunistic tenants.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Marc Fisher Footwear <i>Marc Fisher Footwear renewed their 607,739 SF lease at 1240-1248 S River Road in Cranbury.</i>	1240-1248 S River Road	Exit 8A	Renewal	607,739
TFH Publications Inc. <i>TFH Publications Inc. renewed their 550,050 SF lease to occupy the entire Class A property.</i>	965 Cranbury S River Road	Exit 8A	Renewal	550,050
GRM <i>GRM signed a five-year lease, taking up the entire 509,775 square foot warehouse property.</i>	2520 Route 130	Exit 8A	Direct New	509,775
eFulfill, Inc <i>eFulfill, Inc subleased the space Kiss Products, Inc vacated during the first quarter of 2023.</i>	600 Ridge Road	I-287 Corridor	Sublease	469,600
CVS <i>CVS leased the entire 427,155 square foot Class A property, which was recently delivered during the third quarter of 2023.</i>	134 Van Keuren Avenue	Hudson Waterfront	Direct New	427,155

Submarket Stats Overview

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