
2Q24

Northern New Jersey Industrial Market Overview

NEWMARK

Market Observations

Economy

- While the region’s labor market remains on relatively solid footing, the market’s employment growth has slowed, continuing a downward trend while still reporting positive growth of 1.6% year over year. With an unemployment rate of 4.6%, New Jersey has remained above the rising national average of 4.0% since May of 2023.
- 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. Besides manufacturing, industrial-using industries saw annual job gains during the last 12 months, led by construction with 1.9%.
- 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.

Major Transactions

- ADJCO Warehouse and Logistics renewed a 418,300 SF lease at 113 Interstate Boulevard in Monroe Township, they’ll be occupying the entirety of the Class A property.
- DSV pre-leased then entire 355,100 SF Class A warehouse at 300 Salt Meadow Road in Carteret, set to deliver during the third quarter of 2024.
- JW Fulfillment signed a 342,371 SF lease at 99 Callahan Boulevard in Sayreville, which was recently delivered in March 2024.
- Supply One signed a 7-year lease for the entirety of the 326,500 SF property at 100 Porete Avenue in North Arlington.

Leasing Market Fundamentals

- The vacancy rate increased by 90 basis points quarter over quarter to 5.3% in the second quarter of 2024, with supply continuing to outpace demand since 2023. This substantial shift has been driven by a slowdown in leasing activity and an increase in available space with robust deliveries since 2023.
- 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 average asking rents in Northern and Central New Jersey reached a new historic high of \$17.01/SF during the second quarter of 2024, increasing by 9.5% year over year. 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

- Vacancy in Northern and Central New Jersey is expected to rise in the near term as supply will continue to outpace occupancies.
- Tenant demand for industrial space has decelerated from historical highs reported post-pandemic, as the frequency of tenant consolidations and downsizing has risen, leading to landlords exploring the potential divisibility of properties.
- Asking rents will likely continue to increase due to elevated inflation as new product commanding higher pricing is delivered.

1. Economy
2. Leasing Market Fundamentals

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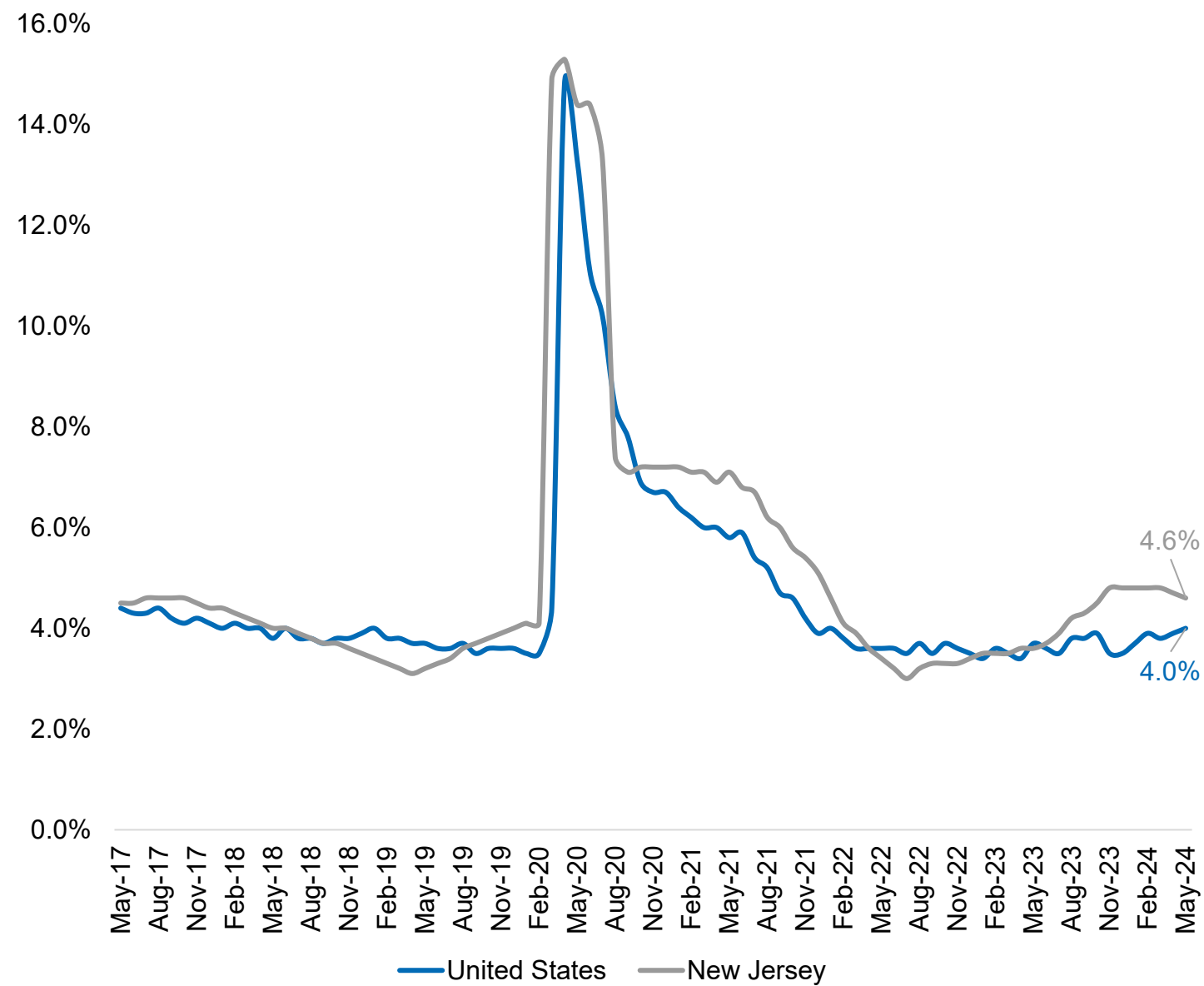
Economy



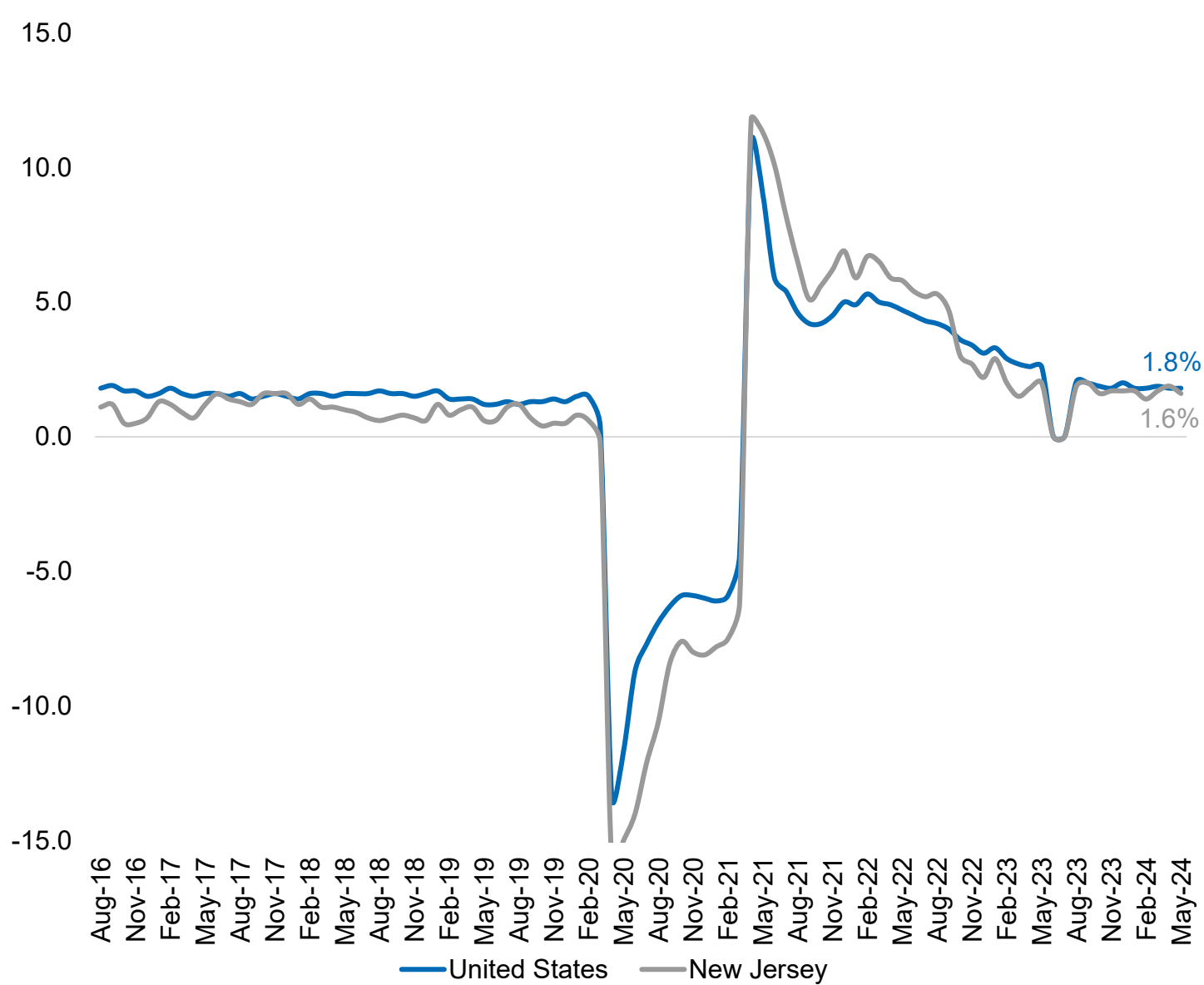
Metro Employment Trends Signal a Slowing Economy

While the region's labor market remains on relatively solid footing, the market's employment growth has slowed, continuing a downward trend while still reporting positive growth of 1.6% year over year. With an unemployment rate of 4.6%, New Jersey has remained above the rising national average of 4.0% since May of 2023.

Unemployment Rate, Seasonally Adjusted



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

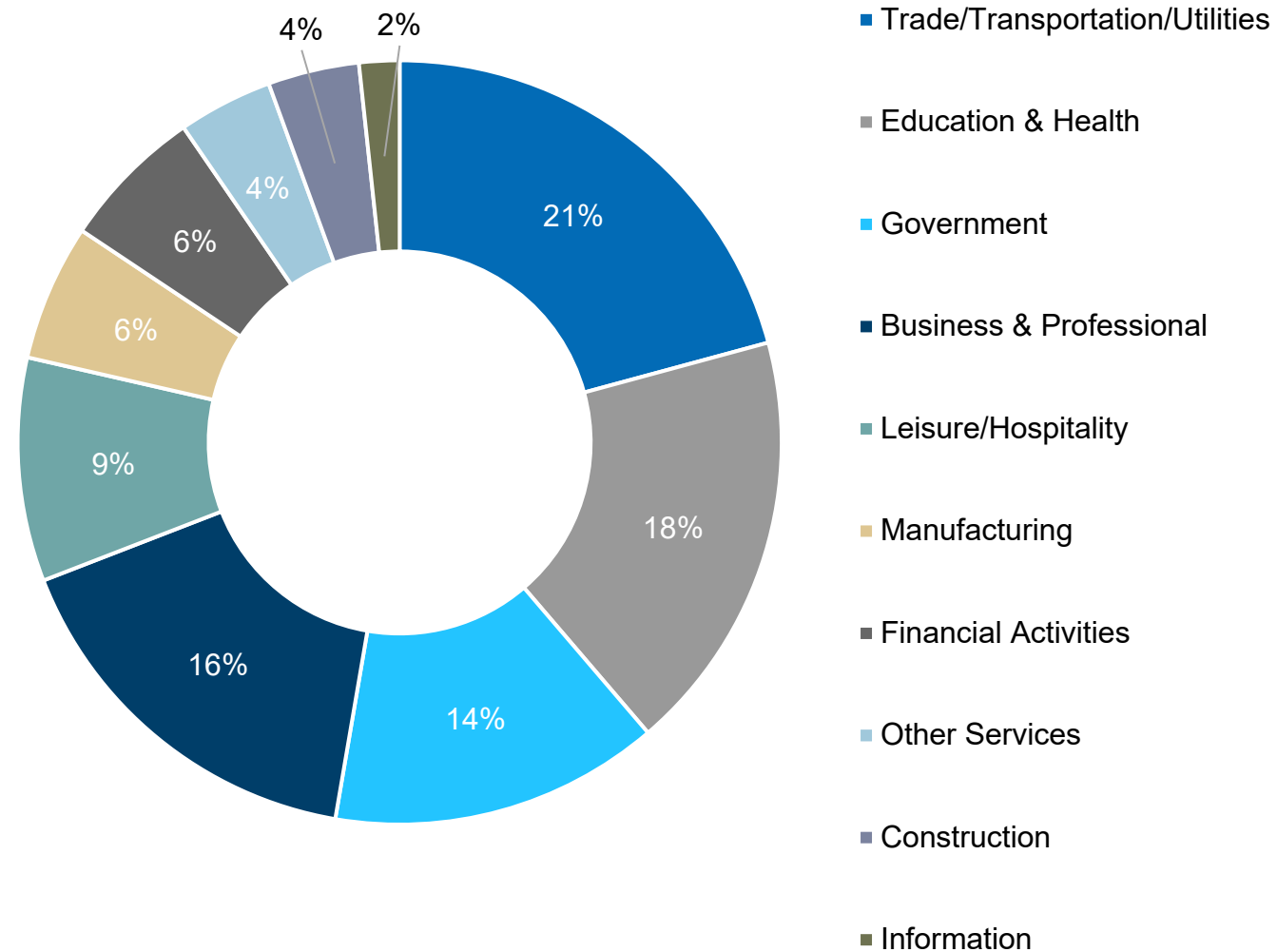


Source: U.S. Bureau of Labor Statistics, New Jersey

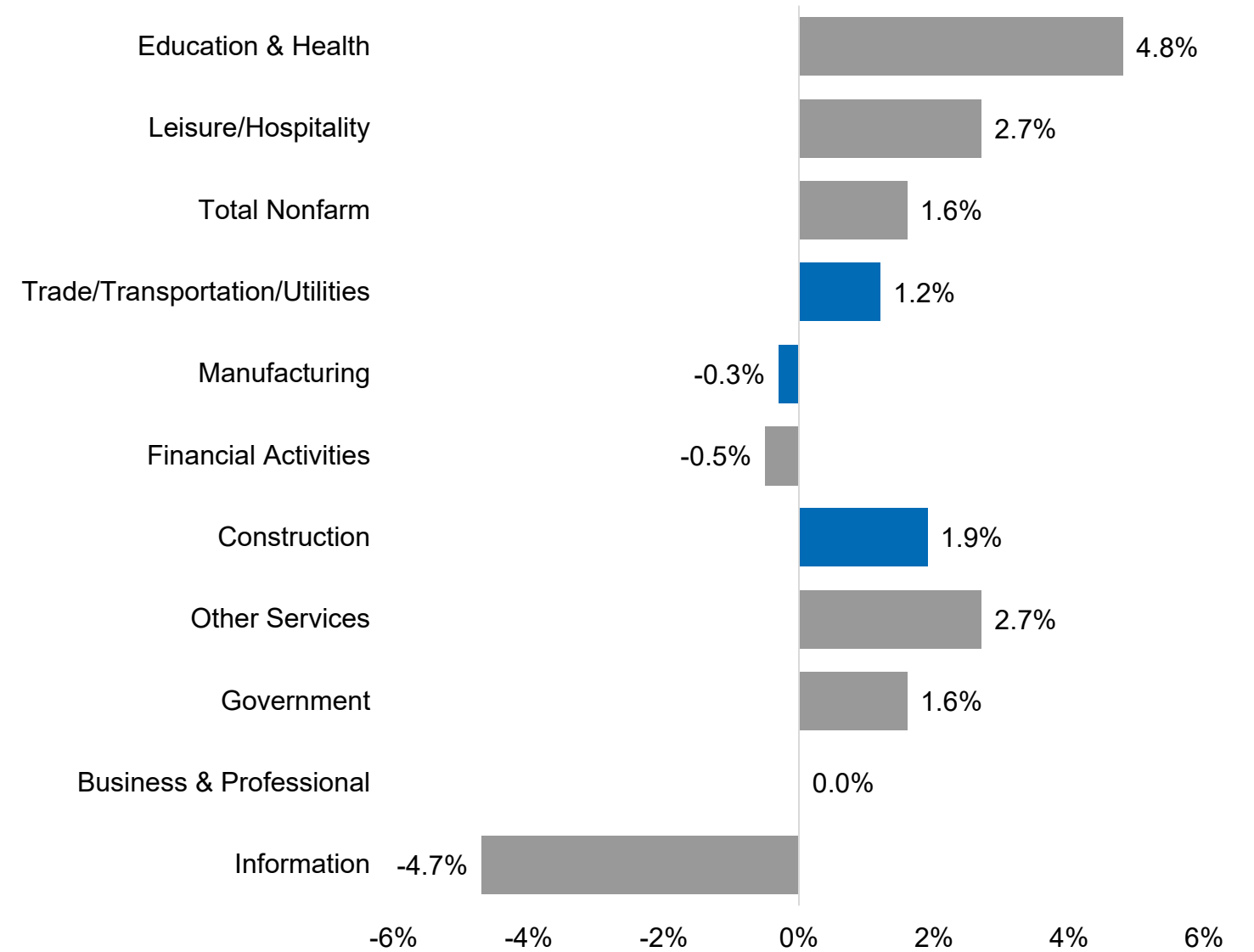
Employment Growth Continues for Most Sectors

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. Besides manufacturing, industrial-using industries saw annual job gains during the last 12 months, led by construction with 1.9%.

Employment by Industry, May 2024



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

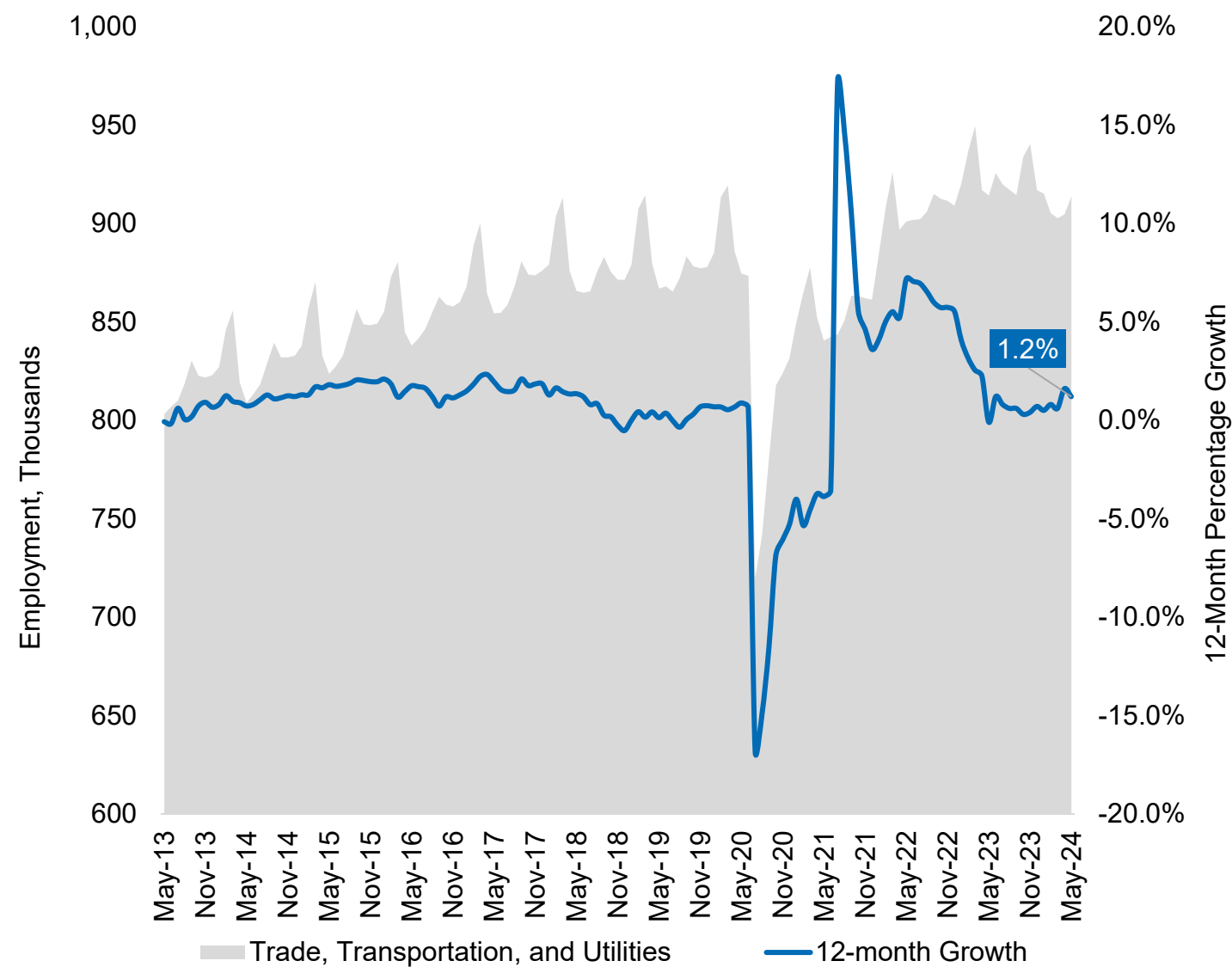


Source: U.S. Bureau of Labor Statistics, New Jersey

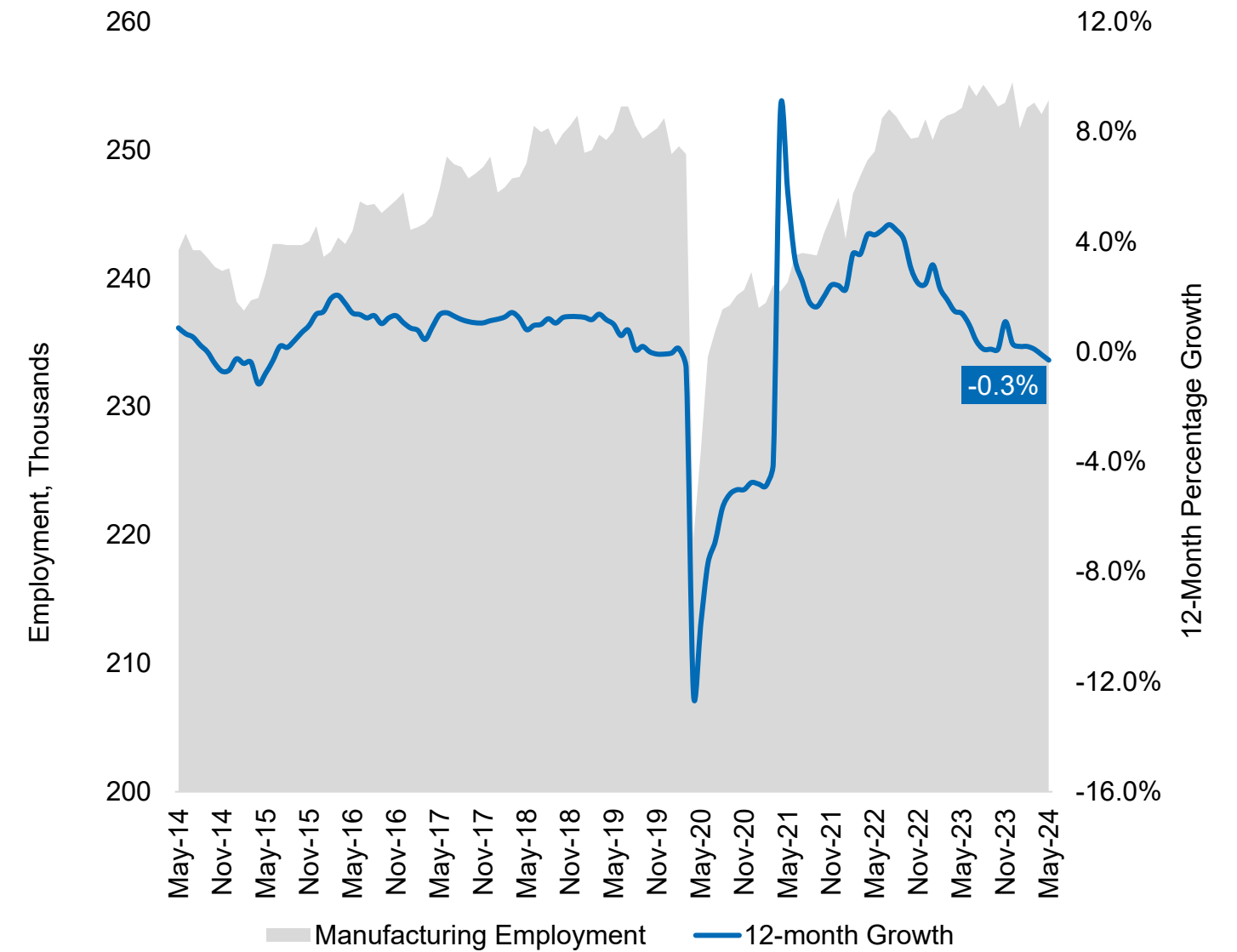
Industrial Employment Growth Pace Slows

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. Industrial-using employment still continues to show yearly growth, albeit at a slower pace than before, reflecting a shifting economy.

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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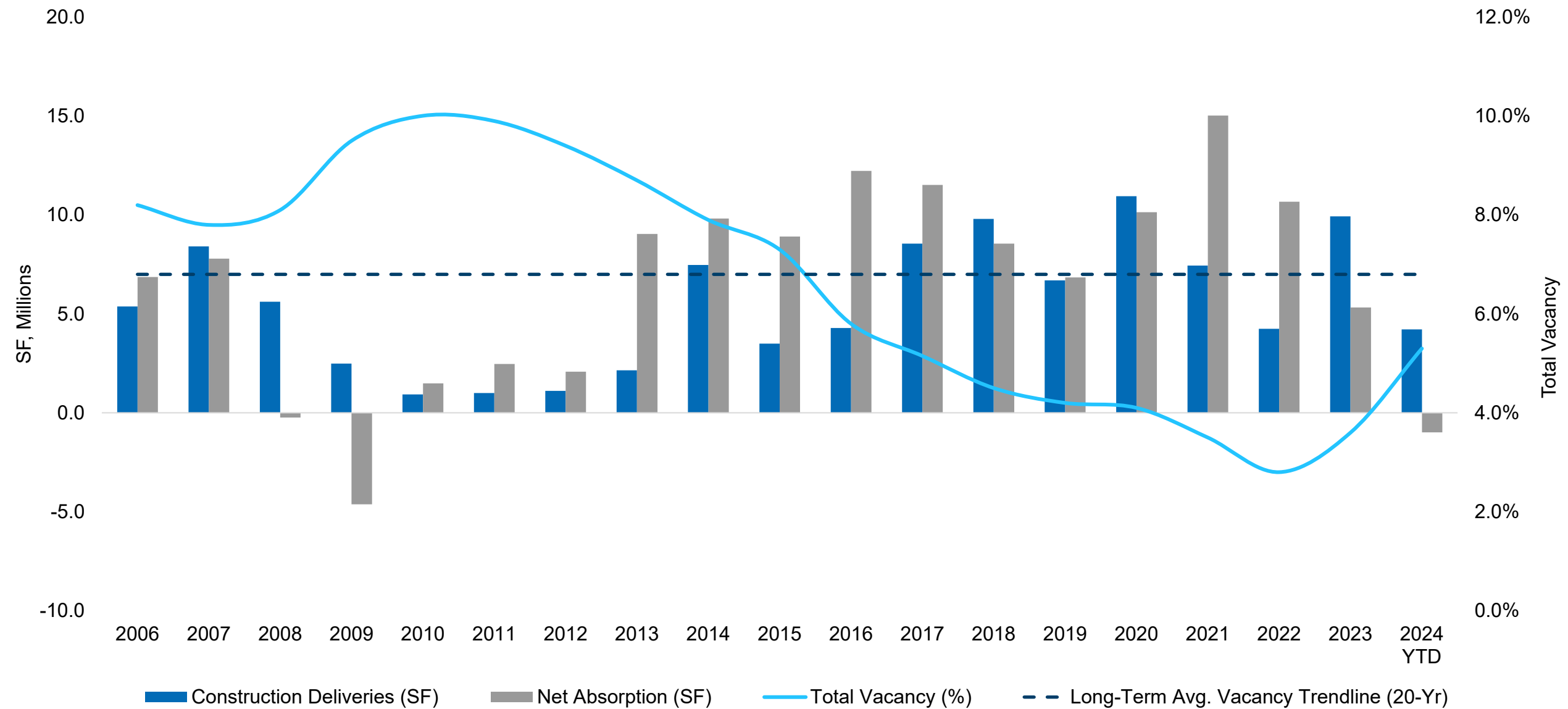
Leasing Market Fundamentals



Vacancy Rises as Net Absorption Continues Negative

The vacancy rate increased by 90 basis points quarter over quarter to 5.3% in the second quarter of 2024, with supply continuing to outpace demand since 2023. This substantial shift has been driven by a slowdown in leasing activity and an increase in available space with robust deliveries since 2023. Despite national economic headwinds, demand continues to remain positive for industrial space in Northern and Central New Jersey.

Historical Construction Deliveries, Net Absorption, and Vacancy

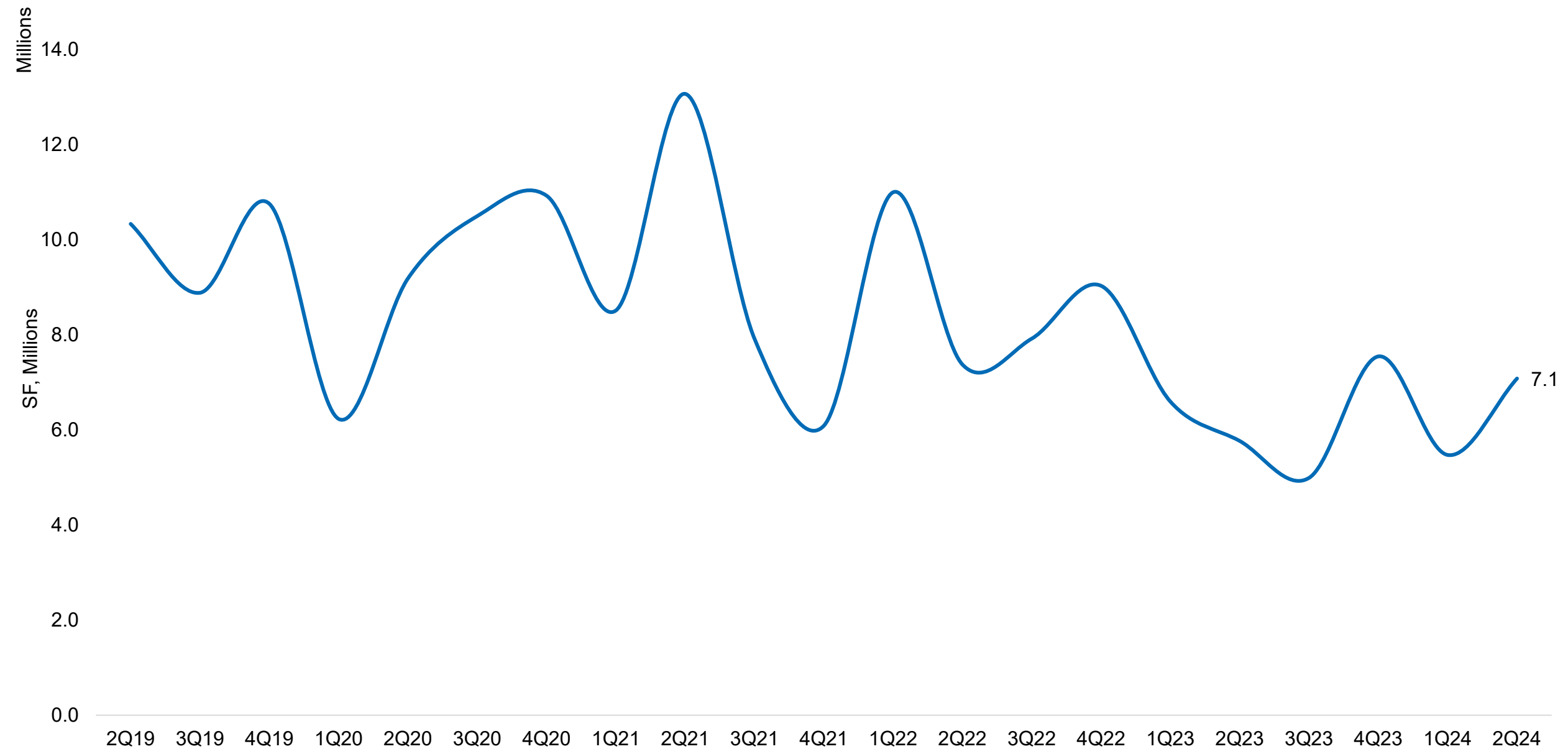


Source: Newmark Research

Industrial Leasing Activity Below Post-Pandemic Levels

Tenant demand for industrial space has decelerated from historical highs reported post-pandemic, however leasing activity increased by 24.4% year-over-year. The average deal size was 35,095 SF during the second quarter of 2024, an average of 8,478 SF higher than during the prior quarter. Among the 7.1 MSF of leasing volume during the second quarter of 2024 were 11 leases for warehouses greater than 200,000 SF across Northern and Central New Jersey as an increasing number of large deals move further south in New Jersey.

Total Leasing Activity (SF)

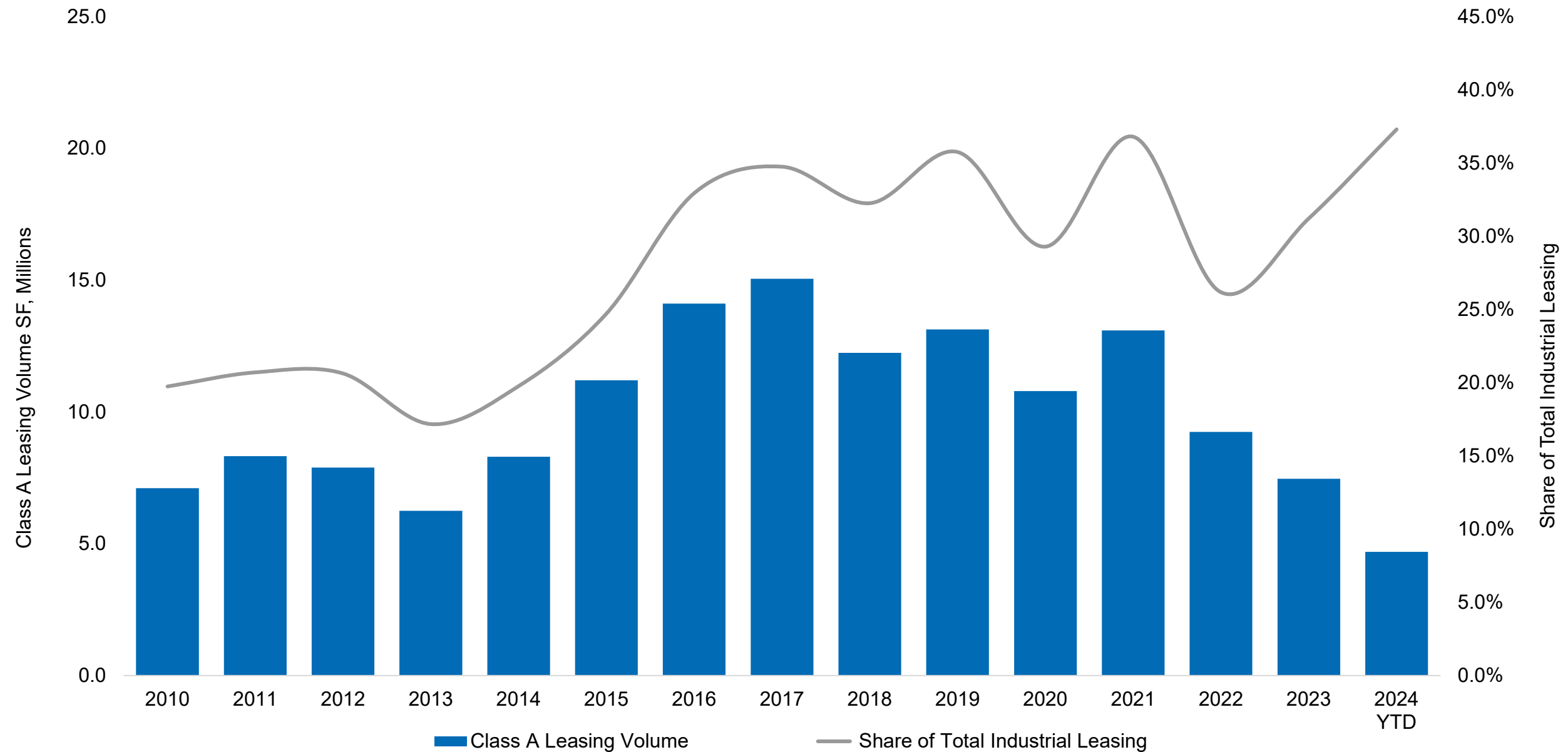


Source: Newmark Research, CoStar

Class A Warehouse Leasing above Long-Term Average

Despite a leasing market below post-pandemic averages, Class A warehouse leasing has remained consistent, representing more than 37.31% of overall activity in 2024. Class A activity increased 6.1% year-over-year, as highly optimized assets were delivered to both spec and suite. The average deal size was 104,333 SF during the second quarter of 2024, indicating there is strong appetite for quality space within the market.

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

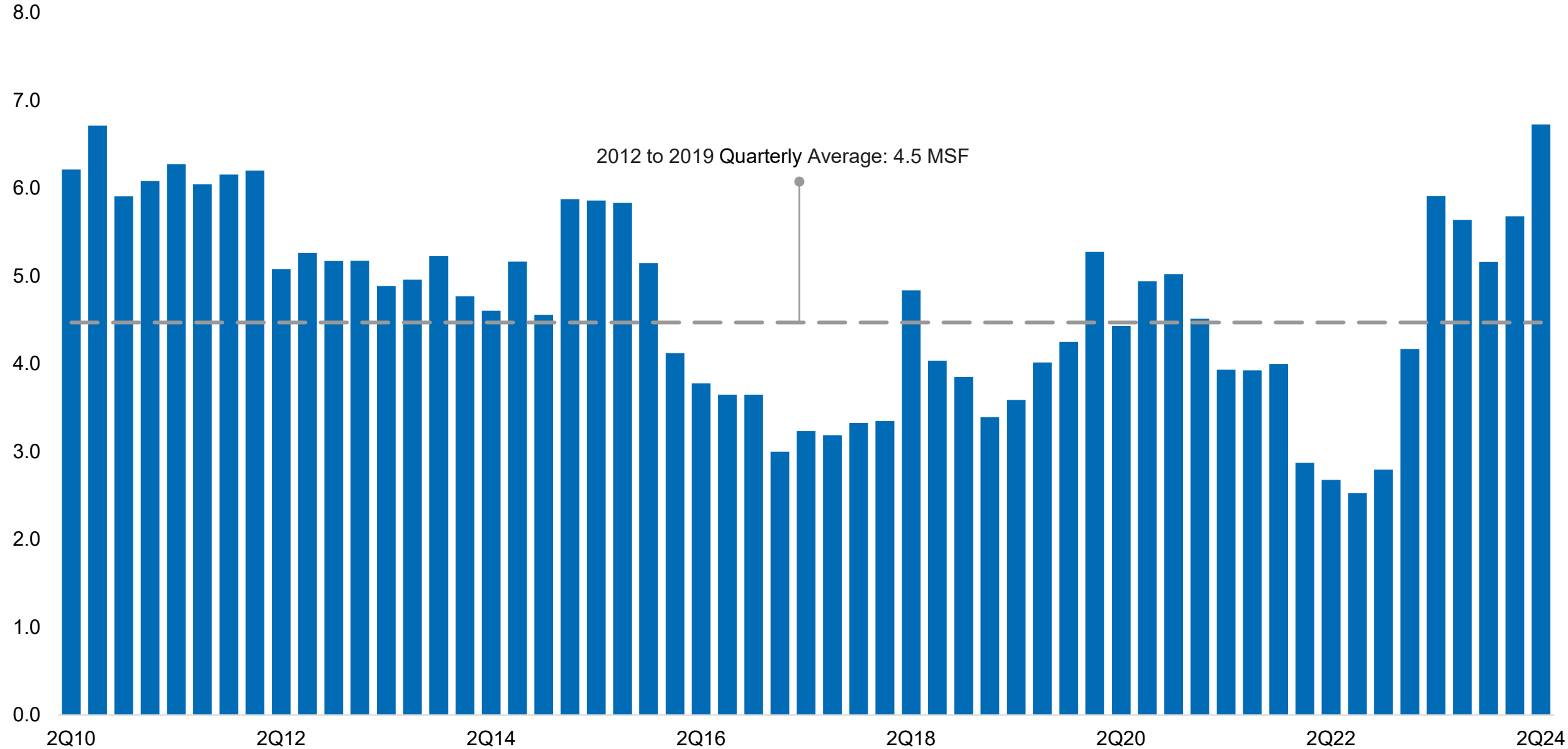


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases

Sublease availability closed the second quarter of 2024 at 6.7 MSF, increasing by 18.4% quarter over quarter. Sublease availability continues to remain elevated, well above the 4.5 MSF historical average since the second quarter of 2023. An inflationary environment and declining consumer demand are driving some firms to control costs via consolidation and supply chain optimization, which included putting underutilized or excess space up for sublease.

Available Industrial Sublease Volume (MSF)

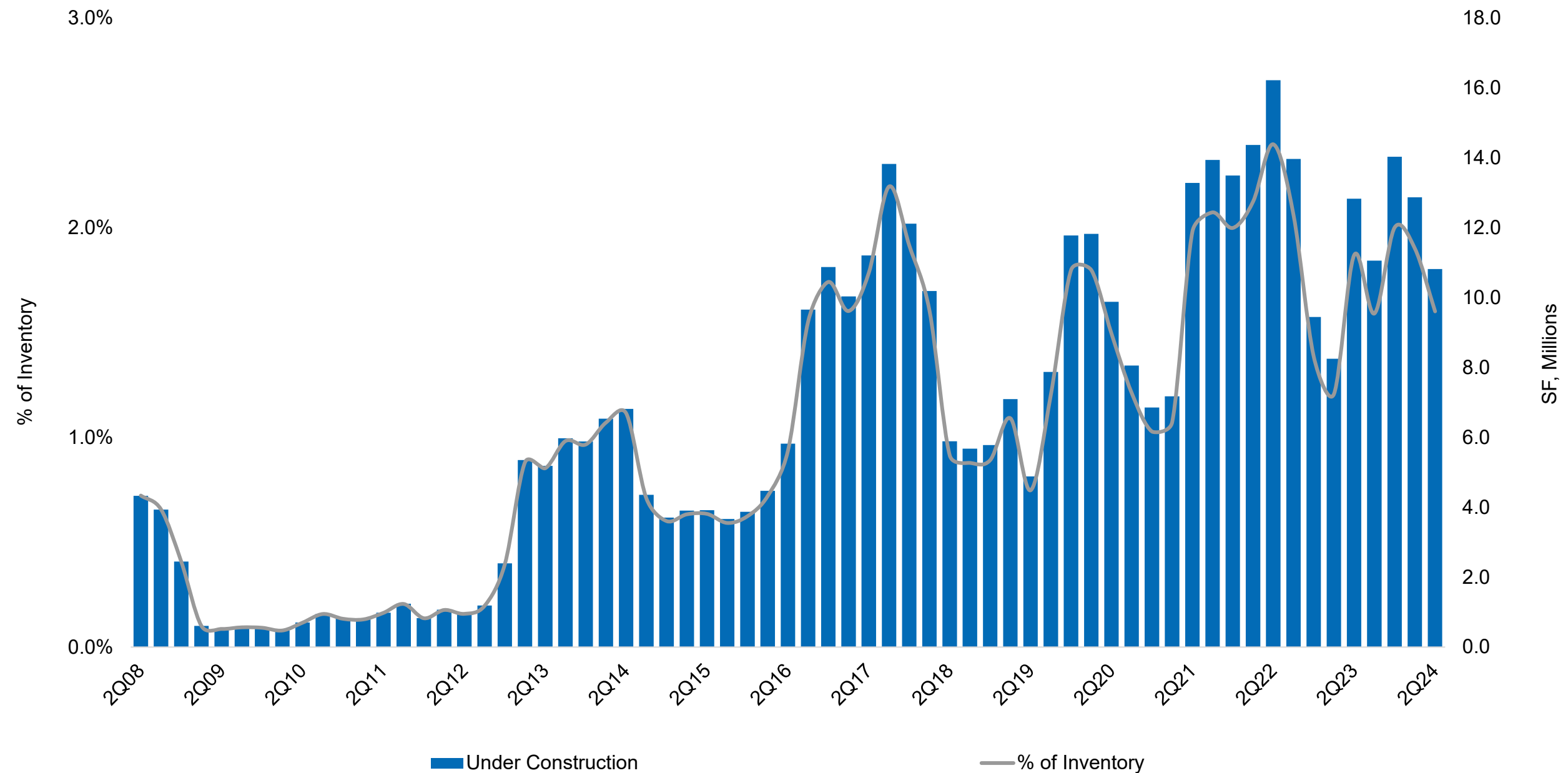


Source: Newmark Research, CoStar

Industrial Supply Pipeline Decreases as Deliveries Rise

The construction pipeline trended down during the second quarter of 2024, as construction deliveries total over 4.2 MSF year to date. Tightening economic conditions has created diverse challenges for developers and investors to navigate, causing the pipeline to decelerate as deliveries hit the market, creating potential supply constraints as economic conditions improve in 2025.

Industrial Under Construction and % of Inventory

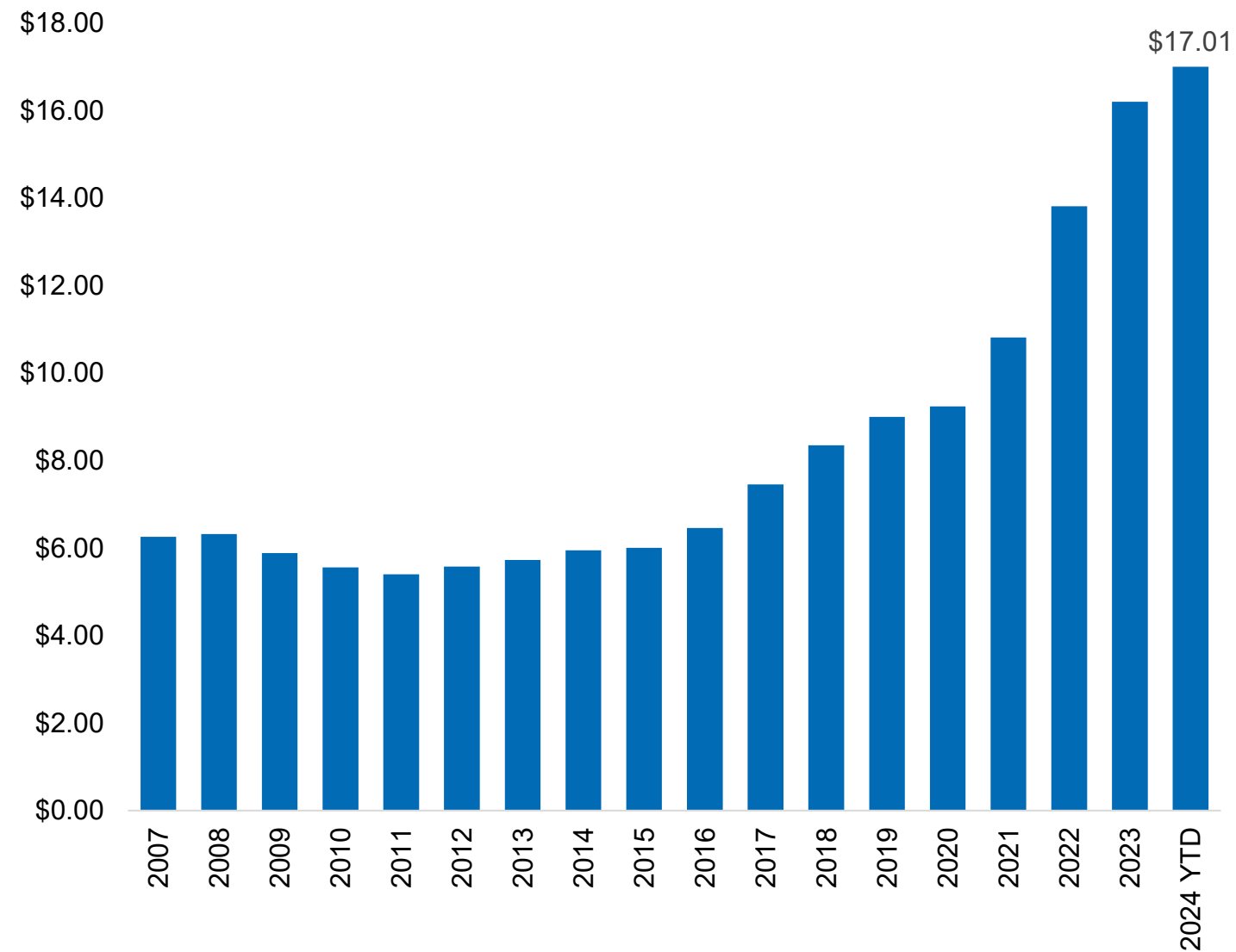


Source: Newmark Research, CoStar

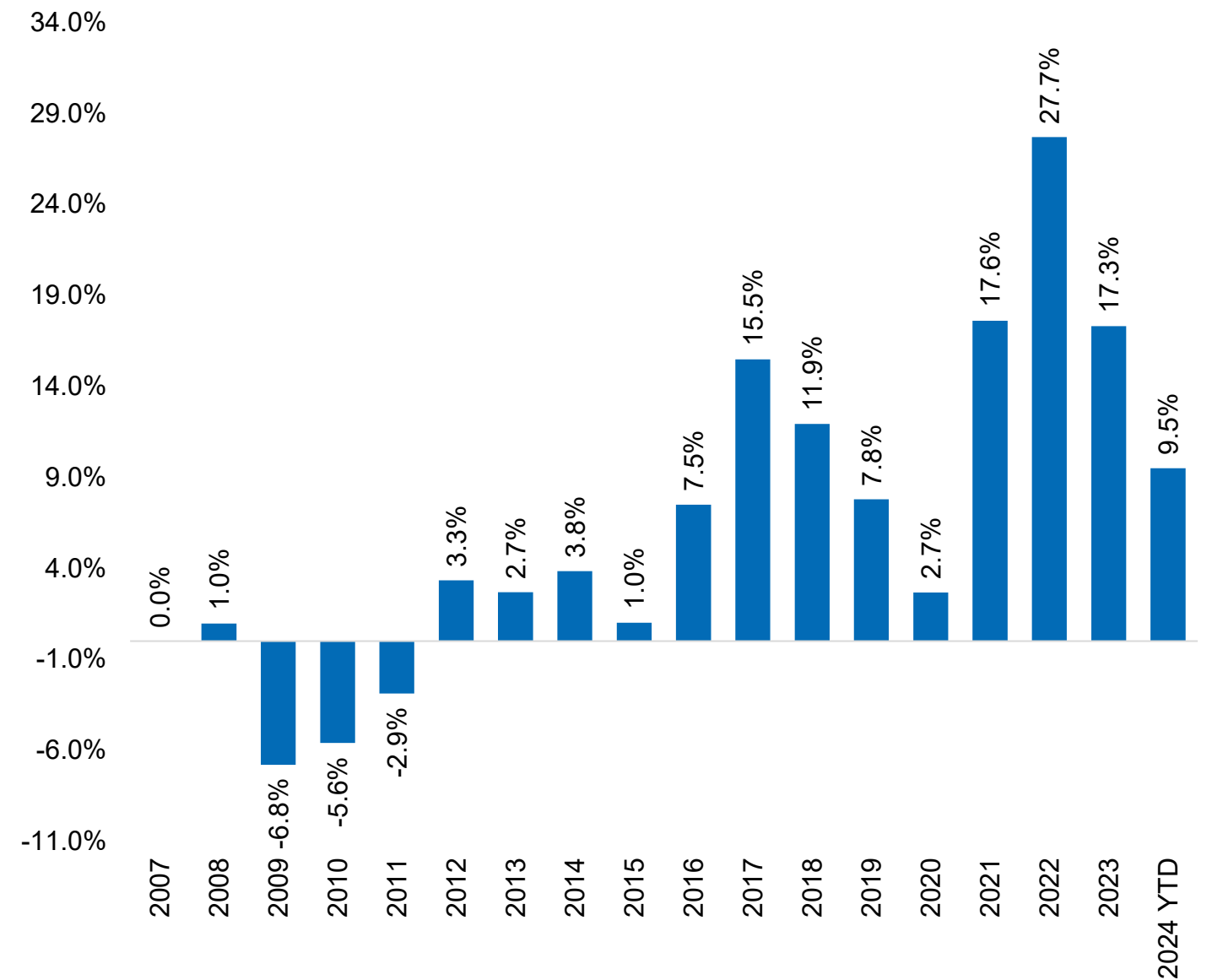
Industrial Asking Rents Hit New High

Industrial average asking rents in Northern and Central New Jersey reached a new historic high of \$17.01/SF during the second quarter of 2024, increasing by 9.5% year over year. 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 2Q24 Lease Transactions

Tenant demand for industrial space has decelerated from historical highs reported post-pandemic, however leasing activity increased by 24.4% year-over-year. The average deal size was 35,095 SF during the second quarter of 2024, an average of 8,478 SF higher than during the prior quarter. Among the 7.1 MSF of leasing volume during the second quarter of 2024 were 11 leases for warehouses greater than 200,000 SF across Northern and Central New Jersey

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
ADJCO Warehouse and Logistics <i>ADJCO Warehouse and Logistics renewed a 418,300 SF lease at 113 Interstate Boulevard in Monroe Township, they'll be occupying the entirety of the Class A property.</i>	113 Interstate Boulevard	Exit 8A	Direct Renewal	418,300
DSV <i>DSV pre-leased then entire 355,100 SF Class A warehouse at 300 Salt Meadow Road in Carteret, set to deliver during the third quarter of 2024.</i>	300 Salt Meadow Road	Exit 12	Direct New	355,100
JW Fulfillment <i>JW Fulfillment signed a 342,371 SF lease at 99 Callahan Boulevard in Sayreville, which was recently delivered in March 2024.</i>	99 Callahan Boulevard	Exit 9	Direct New	342,371
Supply One <i>Supply One signed a 7-year lease for the entirety of the 326,500 SF property at 100 Porete Avenue in North Arlington.</i>	100 Porete Avenue	Meadowlands	Direct New	326,500
Gentek Building Products <i>Gentek Building Products renewed their lease at 11 Cragwood Road in Avenel for 317,500 SF.</i>	11 Cragwood Road	Exit 12	Direct Renewal	317,500

Submarket Stats Overview

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