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3Q24

# Northern New Jersey Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- While the region’s labor market remains on solid footing, employment growth has slowed, continuing a downward trend but still reporting positive growth of 1.5% year-over-year. New Jersey’s unemployment rate increased by 40 basis points year-over-year, reaching 4.7% in the third quarter. Despite these increases, New Jersey has remained above the national average, which has been 4.1% since May 2023.
- The education and health sectors, along with leisure and hospitality, led all industries in regional annual job growth, marking two consecutive years with the largest gains. In contrast, industrial-using sectors experienced annual job losses over the past 12 months, with the construction industry down 1.9% year-over-year.
- Trade, transportation, utilities, and manufacturing firms are adjusting labor needs in response to the economic climate and shifting consumer demand. However, competition for labor remains a challenge for many occupiers in the market.

## Major Transactions

- Amazon renewed their lease for 565,405 SF at 301 Blair Road in Avenel.
- RealCold expanded its footprint into the Northeast, pre-leasing 410,295 SF of temperature-controlled warehouse space, with delivery scheduled for the fourth quarter of 2025.
- RK Pharma leased the entire 406,669 SF Class A property at 148 Princeton Hightstown Road in East Windsor, expanding their presence in New Jersey.
- EDA International Inc. signed a 15-year lease for 368,050 SF at 400 Fairfield Road in Freehold. The Class A warehouse, completed in 2023, offers state-of-the-art facilities.

## Leasing Market Fundamentals

- The vacancy rate increased by 20 basis points quarter-over-quarter to 5.5% in the third quarter of 2024. Despite the rise in vacancy over the past two years, the market remains healthy, standing 130 basis points below the twenty-year trendline. Even with robust deliveries, increased availability, and economic uncertainties, the market recorded one of its strongest leasing quarters in the last two years.
- While overall leasing activity remains below post-pandemic averages, Class A warehouse leasing surged throughout 2024, accounting for more than 52.42% of year-to-date leasing activity. The average deal size reached 187,867 SF in the third quarter of 2024, reflecting continued strong demand for quality space in Northern and Central New Jersey.
- Sublease availability closed the third quarter of 2024 at 8.3 MSF, a 23.4% increase quarter-over-quarter. A key factor behind this surge is the addition of 1,281,000 SF at 904 Cranbury South River Road in Monroe Township. The space, previously occupied by Home Depot following their signing of the largest lease in Q4 2022, has now returned to the market.

## Outlook

- The rate of vacancy increases over the past two years is expected to decelerate, as the market remains below the twenty-year trendline.
- The Port of New York and New Jersey, a key gateway for global goods on the East Coast, continues to drive demand for industrial logistics space. While the recent strike by the International Longshoremen's Association is on hold until mid-January, a renewed strike could heighten short-term demand, particularly for industrial outdoor storage (IOS) space. However, the fundamentals in the submarket remain strong.
- The market is also seeing a rise in property availability, especially sublease opportunities. This trend is expected to continue as large blocks of underutilized space are brought to market.

1. Economy
2. Leasing Market Fundamentals

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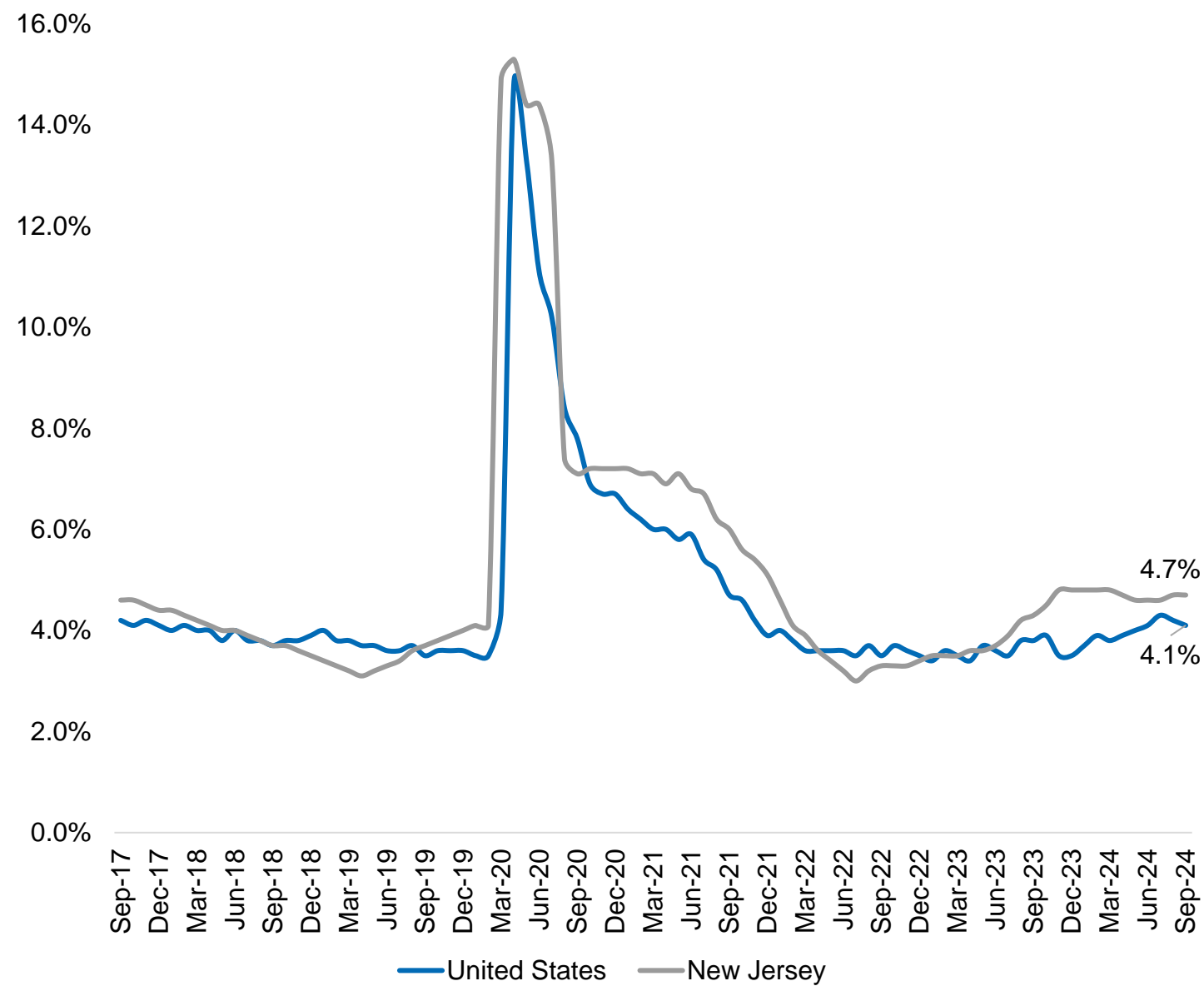
# Economy



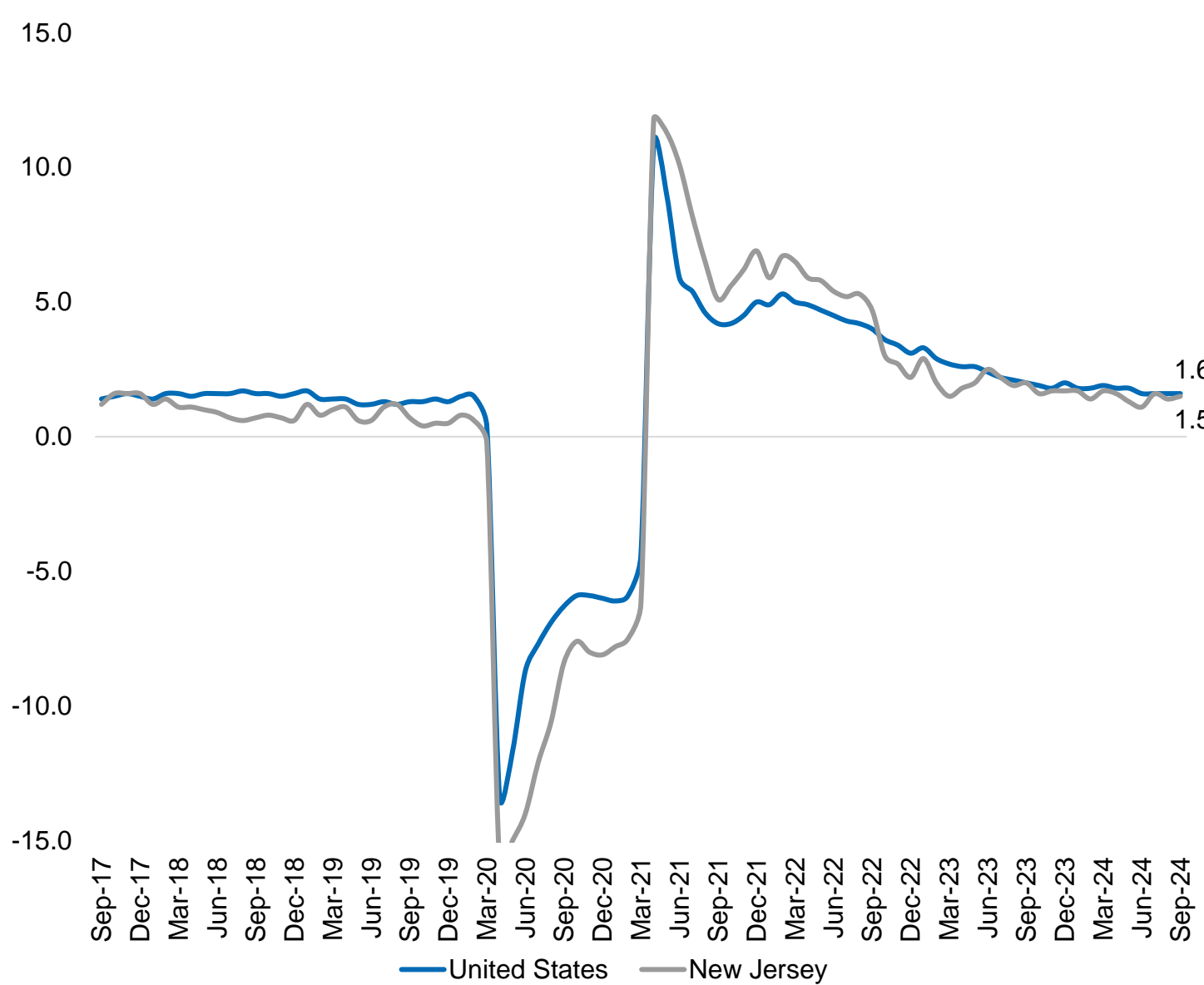
# Metro Employment Trends Signal a Slowing Economy

While the region’s labor market remains stable, employment growth has slowed, continuing a downward trend. Despite this, year-over-year growth remains positive at 1.5%. New Jersey’s unemployment rate rose by 40 basis points year-over-year, reaching 4.7% in the third quarter. Even with this increase, the state’s unemployment rate remains above the national average of 4.1%, which has been climbing since May 2023.

**Unemployment Rate, Seasonally Adjusted**



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

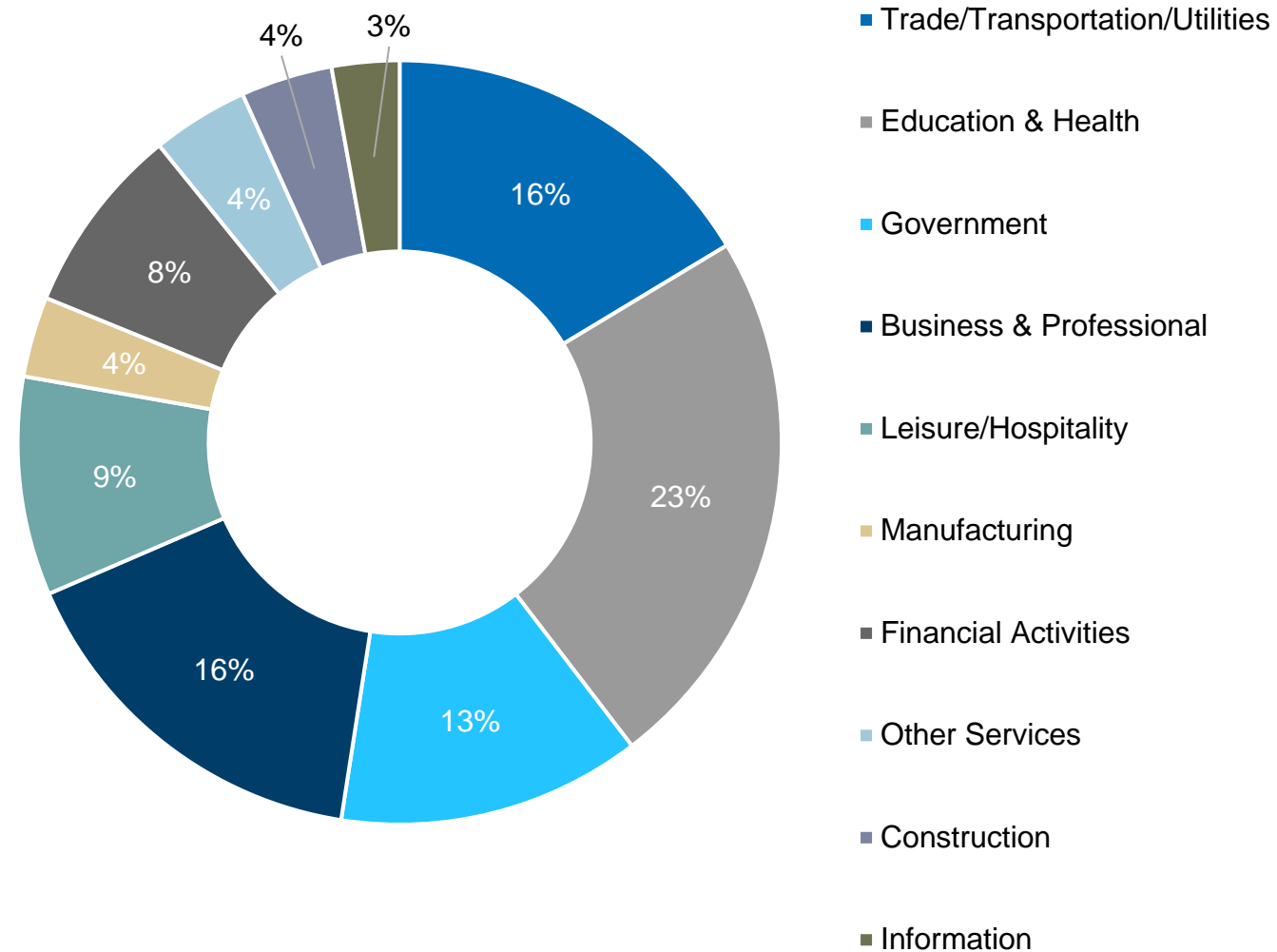


Source: U.S. Bureau of Labor Statistics, New Jersey

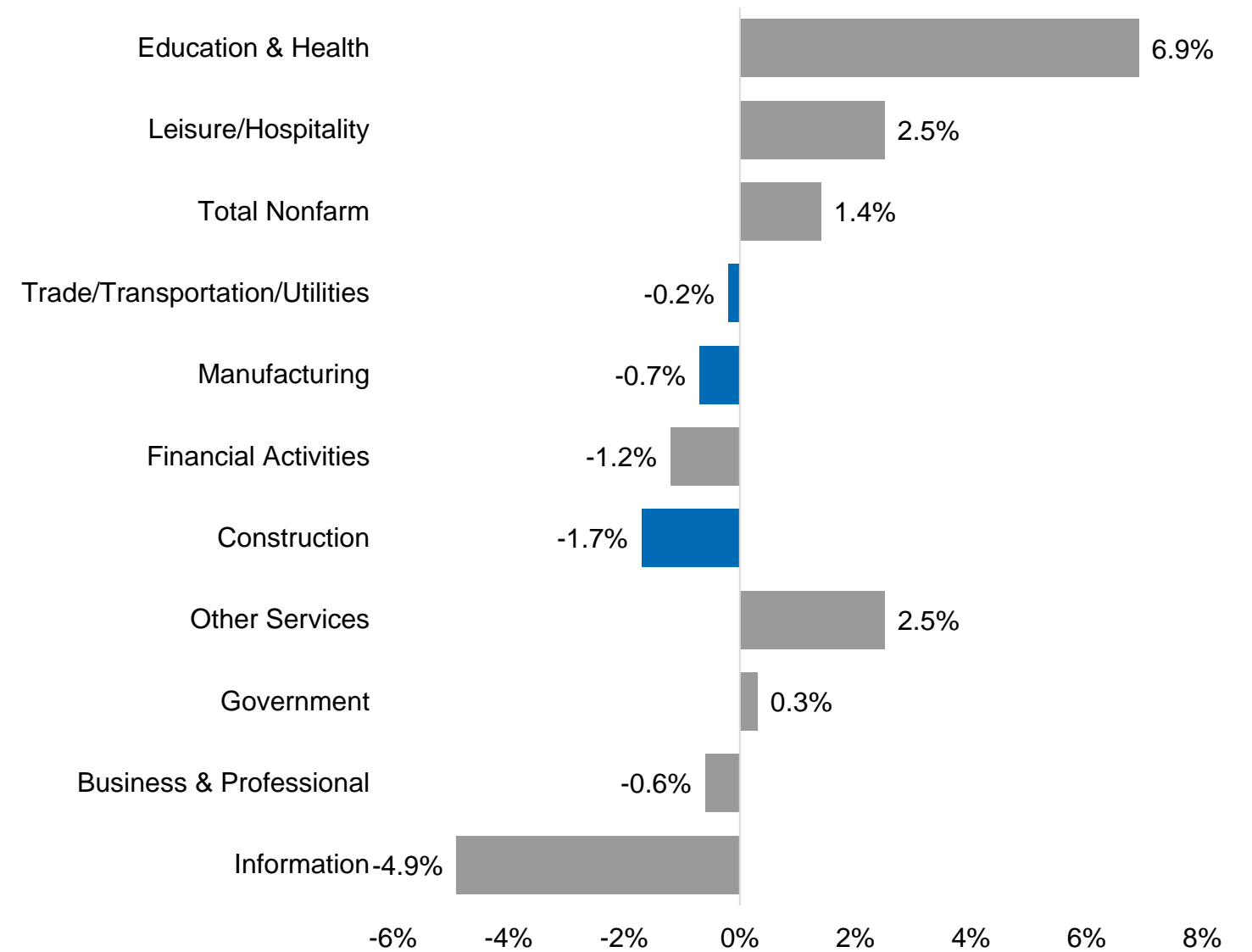
# Education & Hospitality Show Growth; Industrial Job Losses Mount

The education and health sectors, along with leisure and hospitality, led all industries in regional annual job growth, marking two consecutive years of the largest growth by sector. Industrial-using industries experienced annual job losses over the past 12 months, with the construction industry declining by 1.9% year-over-year.

Employment by Industry, August 2024



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

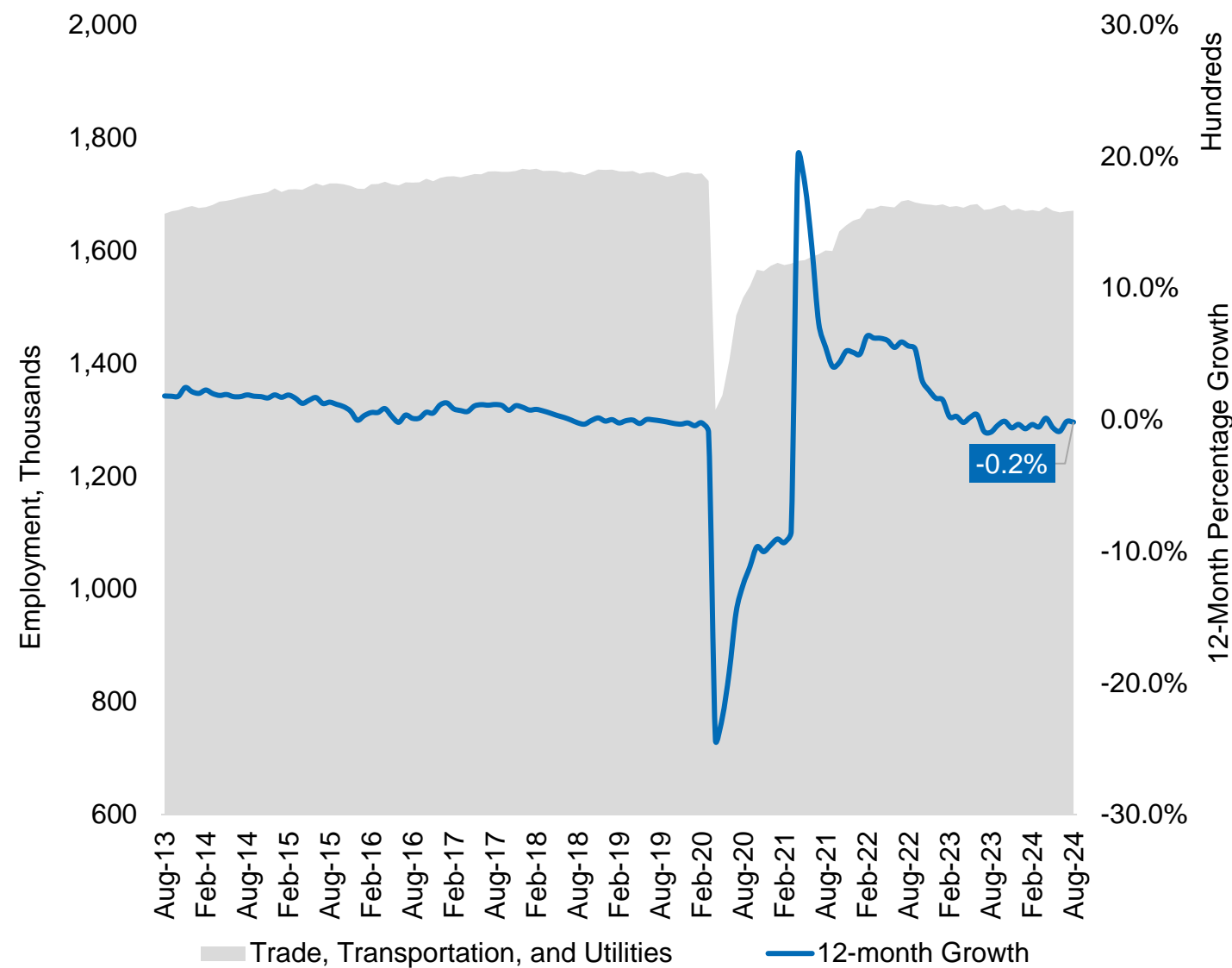


Source: U.S. Bureau of Labor Statistics, New Jersey

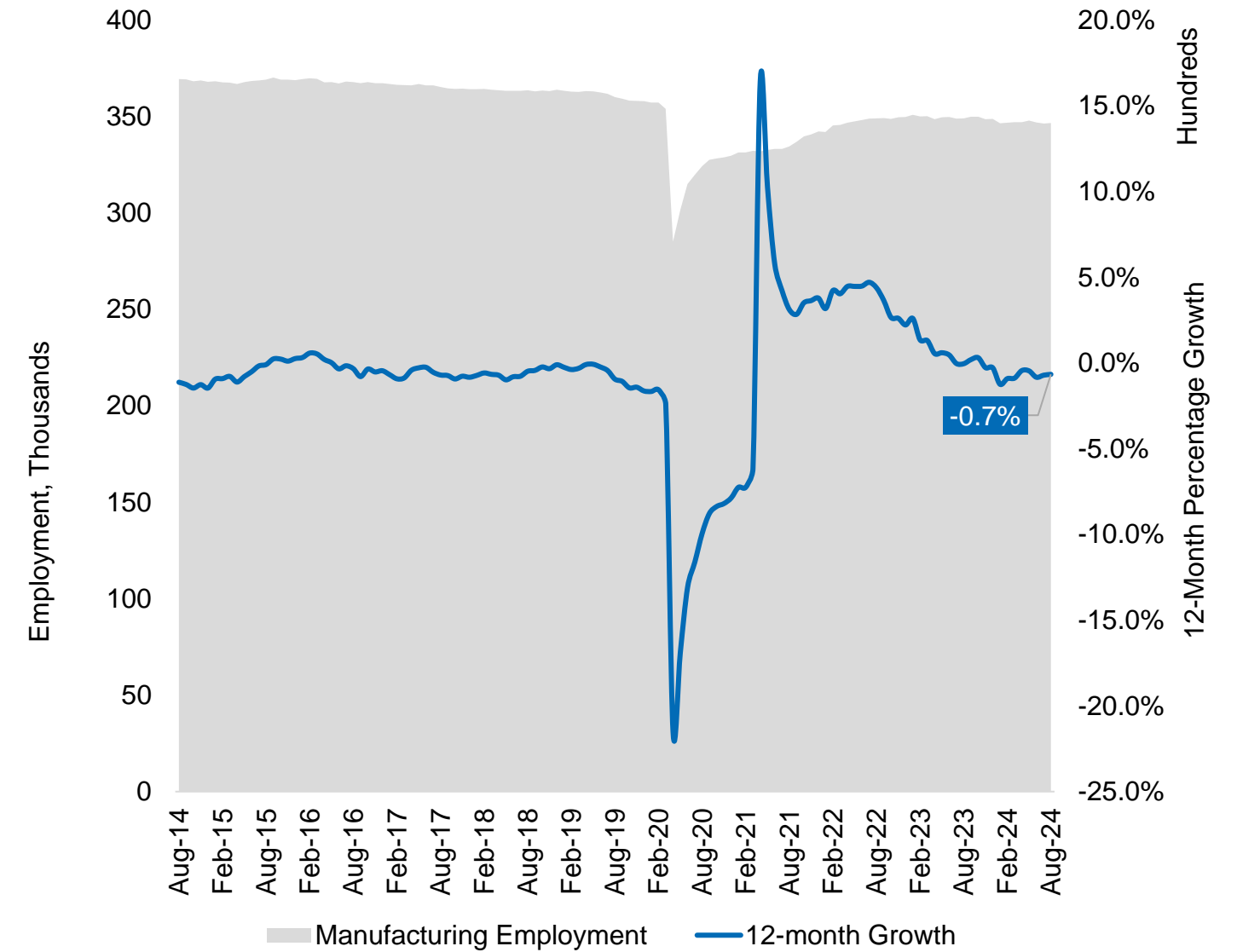
# Industrial Employment Growth Slows

Trade, transportation, utilities, and manufacturing firms are responding to the economic climate and shifting consumer demand by adjusting their labor needs. However, competition for labor remains a challenge for many occupiers in the market. Industrial-using sectors experienced job losses over the past 12 months, with the construction industry seeing a 1.9% decline year-over-year.

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

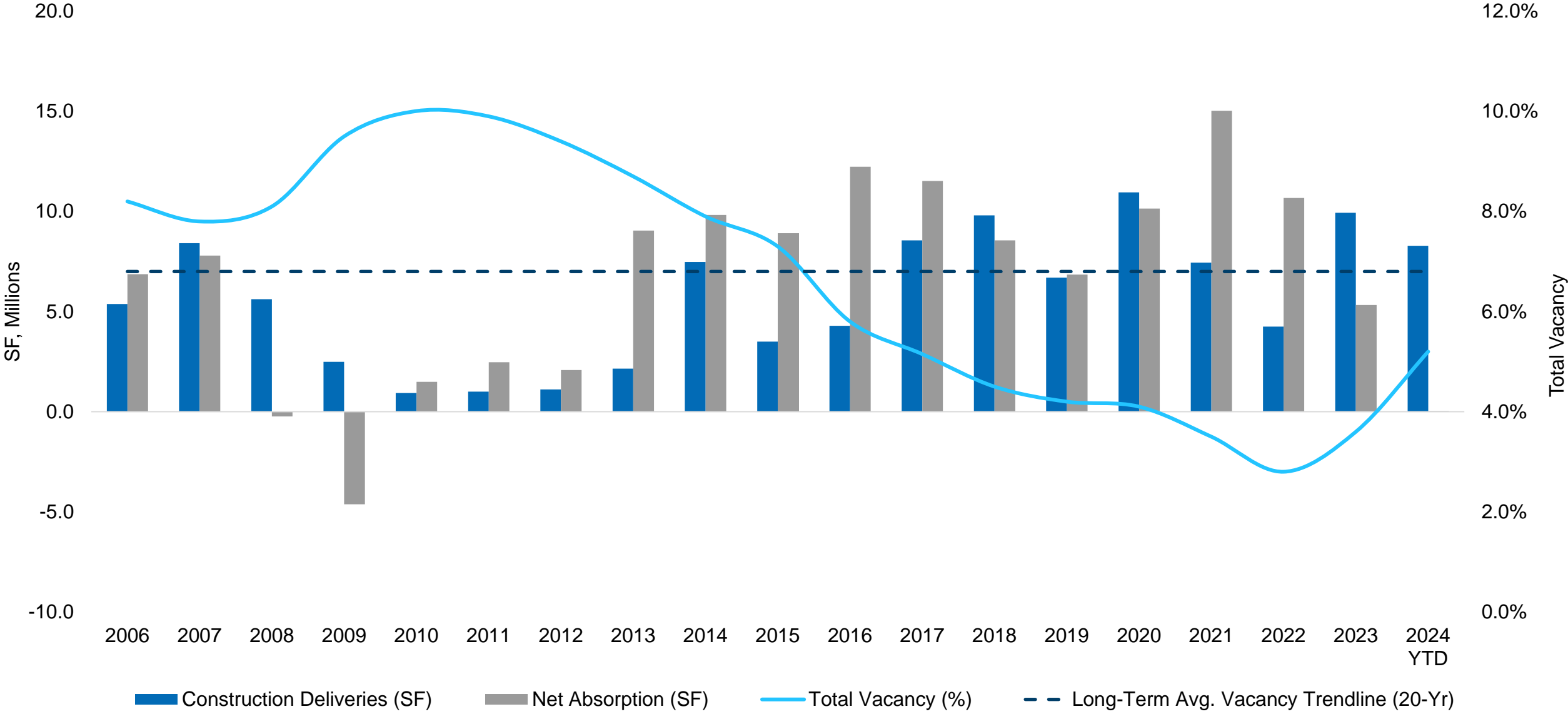




# Vacancy Rises as Net Absorption Rebounds

The vacancy rate increased by 20 basis points quarter-over-quarter to 5.5% in the third quarter of 2024. Despite vacancy increases over the past two years, the market remains healthy, standing 130 basis points below the twenty-year trendline. Even with robust deliveries, increased availability and economic uncertainties, the market registered one of its strongest quarters of leasing activity in the last two years as net absorption came in at over 950,000 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

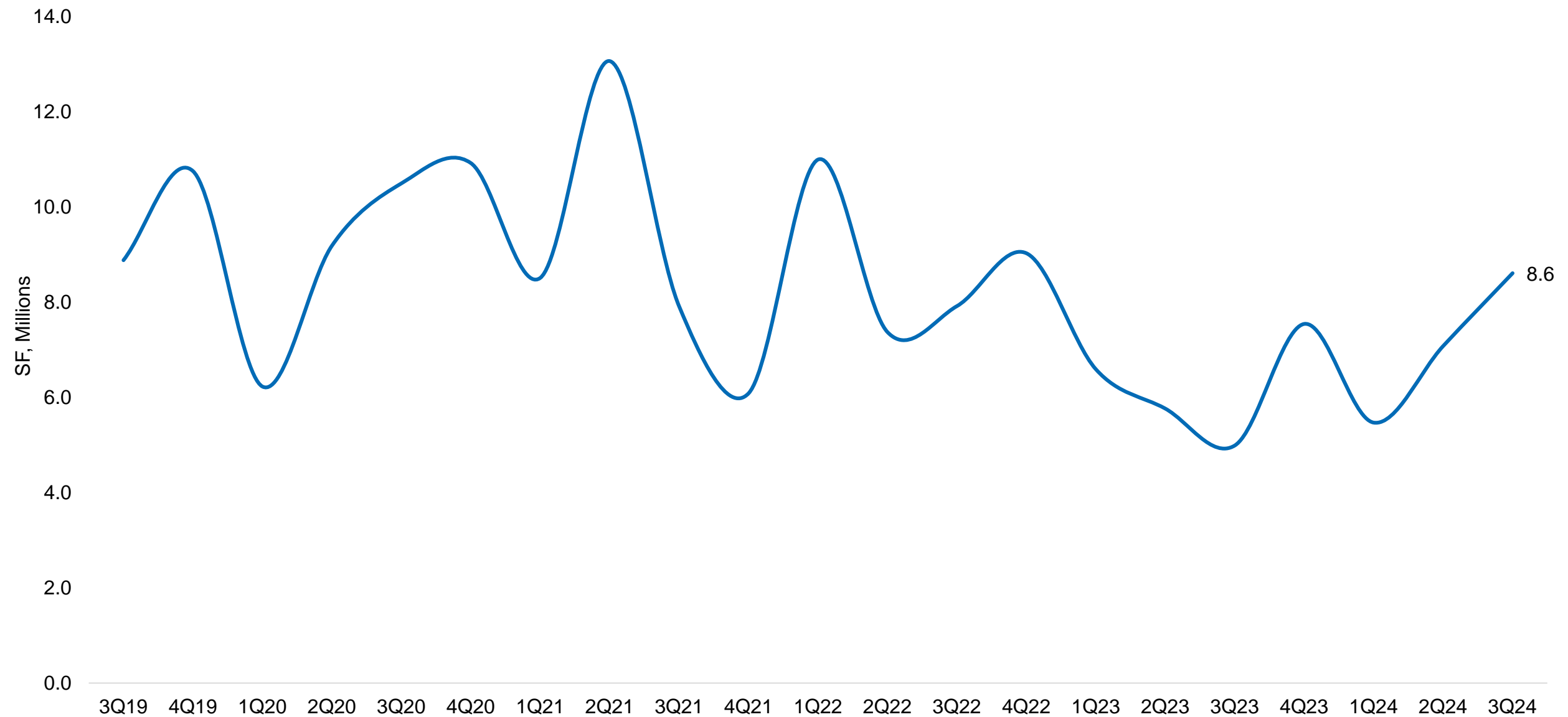


Source: Newmark Research

# Industrial Leasing Activity Rises

Leasing activity surged in the third quarter, reaching over 8.6 million SF, a 21.3% increase quarter-over-quarter. The average deal size also grew, hitting 38,192 SF in the third quarter of 2024, which is 3,097 SF larger than the previous quarter. Of the 8.6 million SF of leasing volume in Q3 2024, 15 leases were for warehouses over 200,000 SF across Northern and Central New Jersey. This compares to the 22 leases of over 200,000 SF during the first two quarters of the year combined.

Total Leasing Activity (SF)

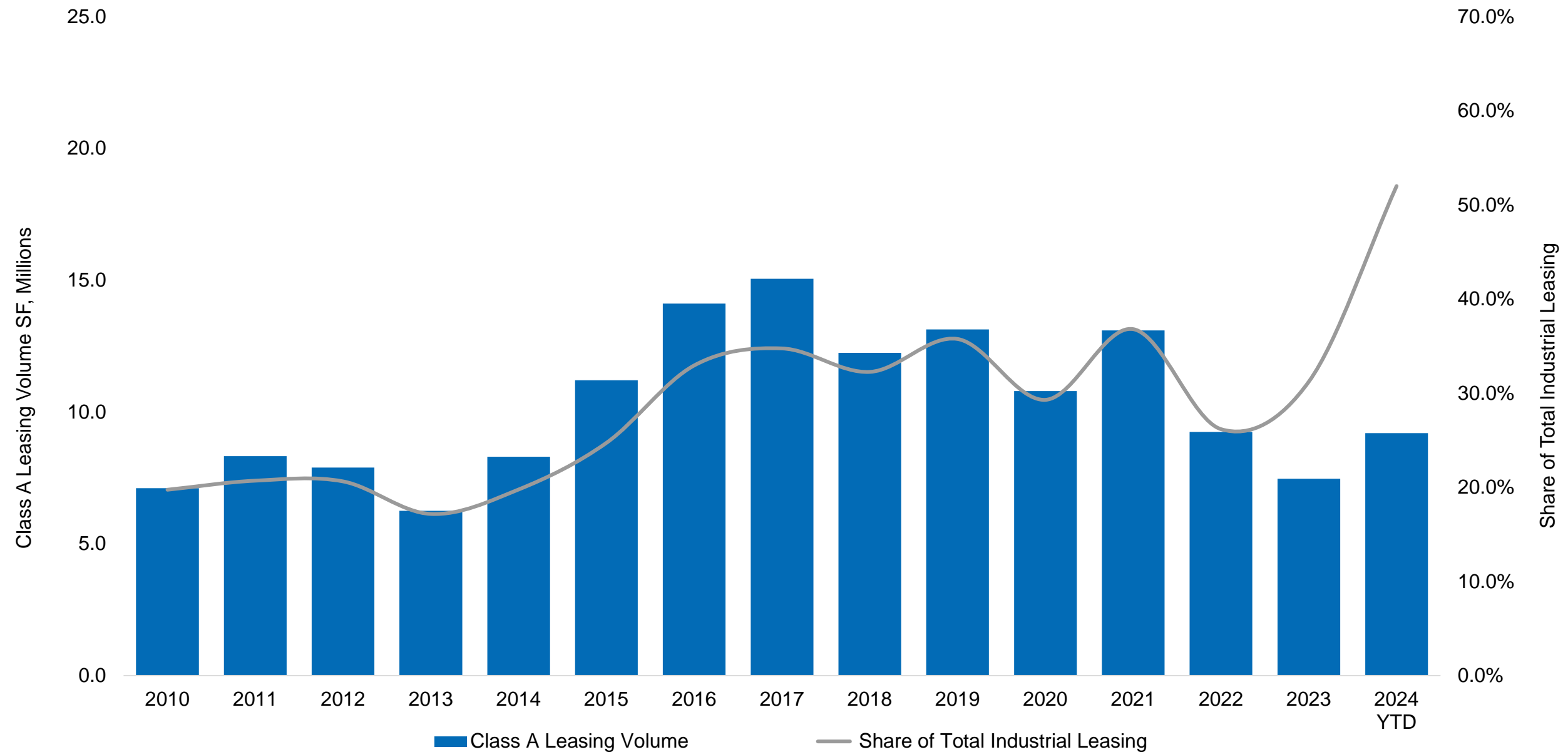


Source: Newmark Research, CoStar

# Class A Warehouse Leasing Activity Surges

Despite overall leasing activity being below post-pandemic averages, Class A warehouse leasing has surged throughout 2024, accounting for over 52.42% of total leasing volume year to date. Class A activity increased by 23.2% year-over-year, fueled by highly optimized space entering the market and landlords offering generous concession packages. The average deal size reached 187,867 SF in the third quarter of 2024, reflecting continued strong demand for quality space in Northern and Central New Jersey.

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

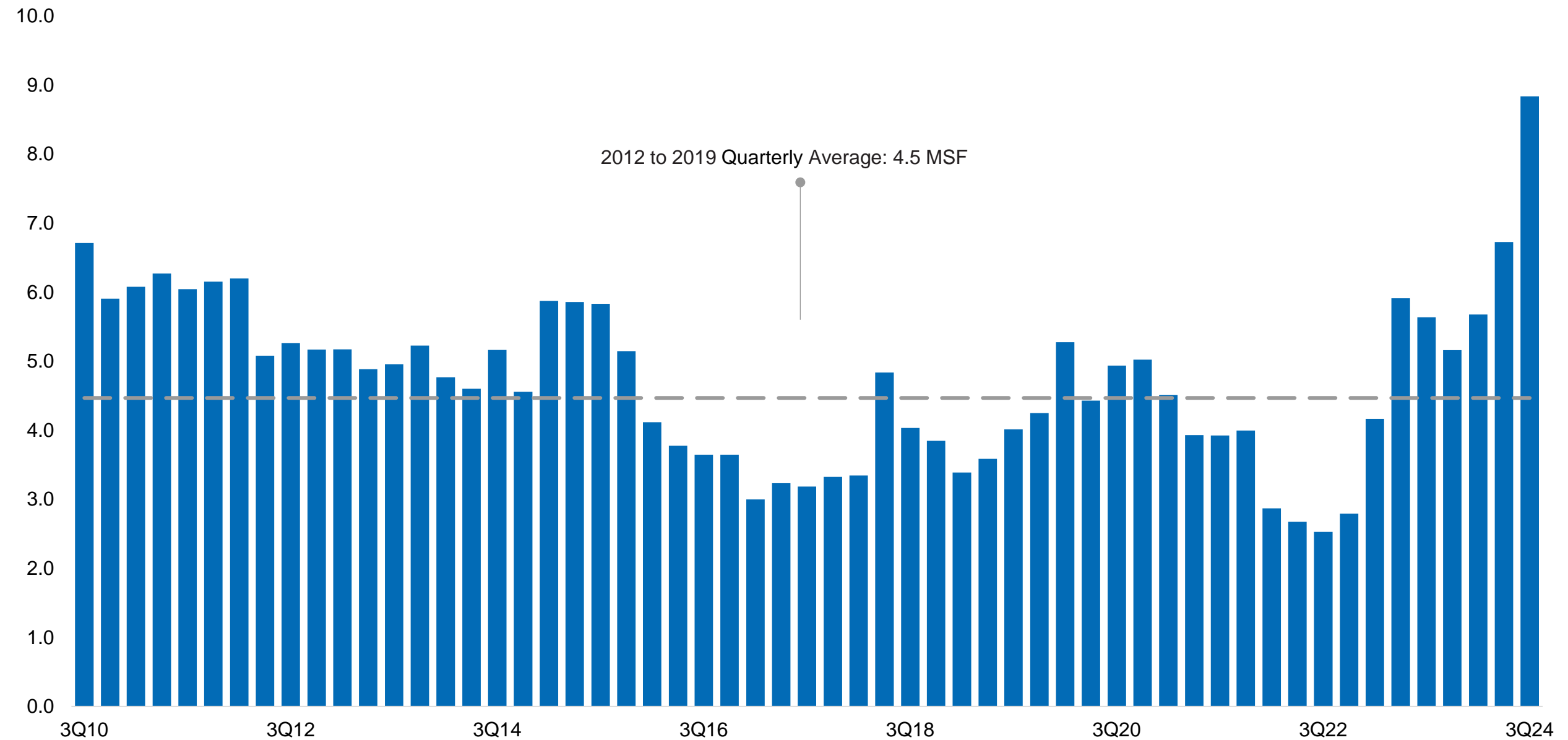


Source: Newmark Research, CoStar

# Industrial Sublease Availability At New High

Sublease availability ended the third quarter of 2024 at 8.3 MSF, marking a 23.4% increase quarter-over-quarter. The significant rise in available sublease space was largely driven by the addition of 1,281,000 SF at 904 Cranbury South River Road in Monroe Township. Previously occupied by Home Depot, the space was the largest lease signed in the fourth quarter of 2022. Several companies are looking to cut costs through consolidation and supply chain optimization, which often results in subleasing underutilized or surplus space.

Available Industrial Sublease Volume (MSF)

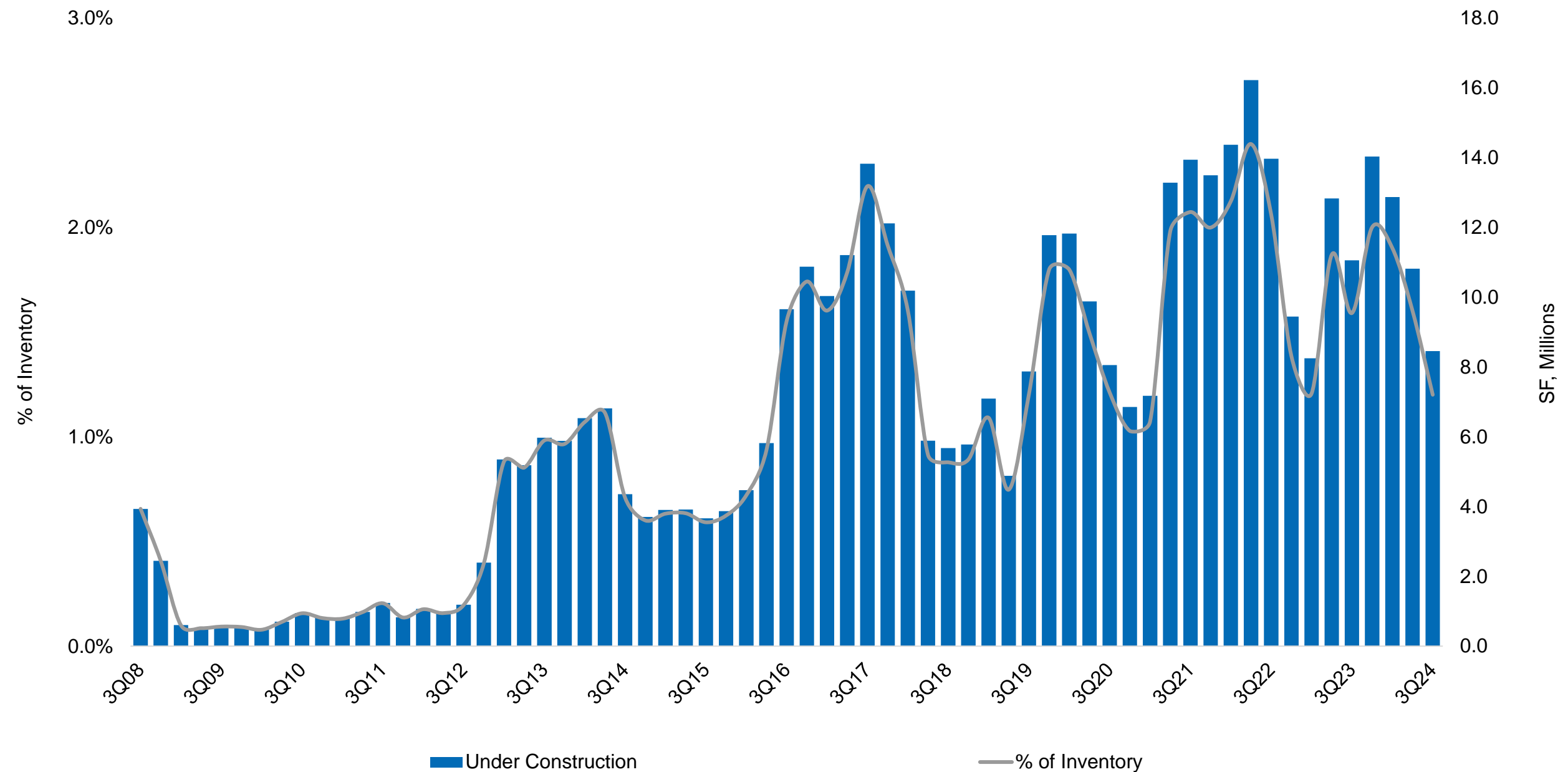


Source: Newmark Research, CoStar

# Industrial Supply Eases as Deliveries Increase

The construction pipeline has mostly declined over the past four quarters, with year-to-date deliveries totaling more than 8.2 MSF. Tightening economic conditions have introduced varied challenges for developers and investors, slowing the pipeline as construction starts and new development continue to decelerate.

## Industrial Under Construction and % of Inventory

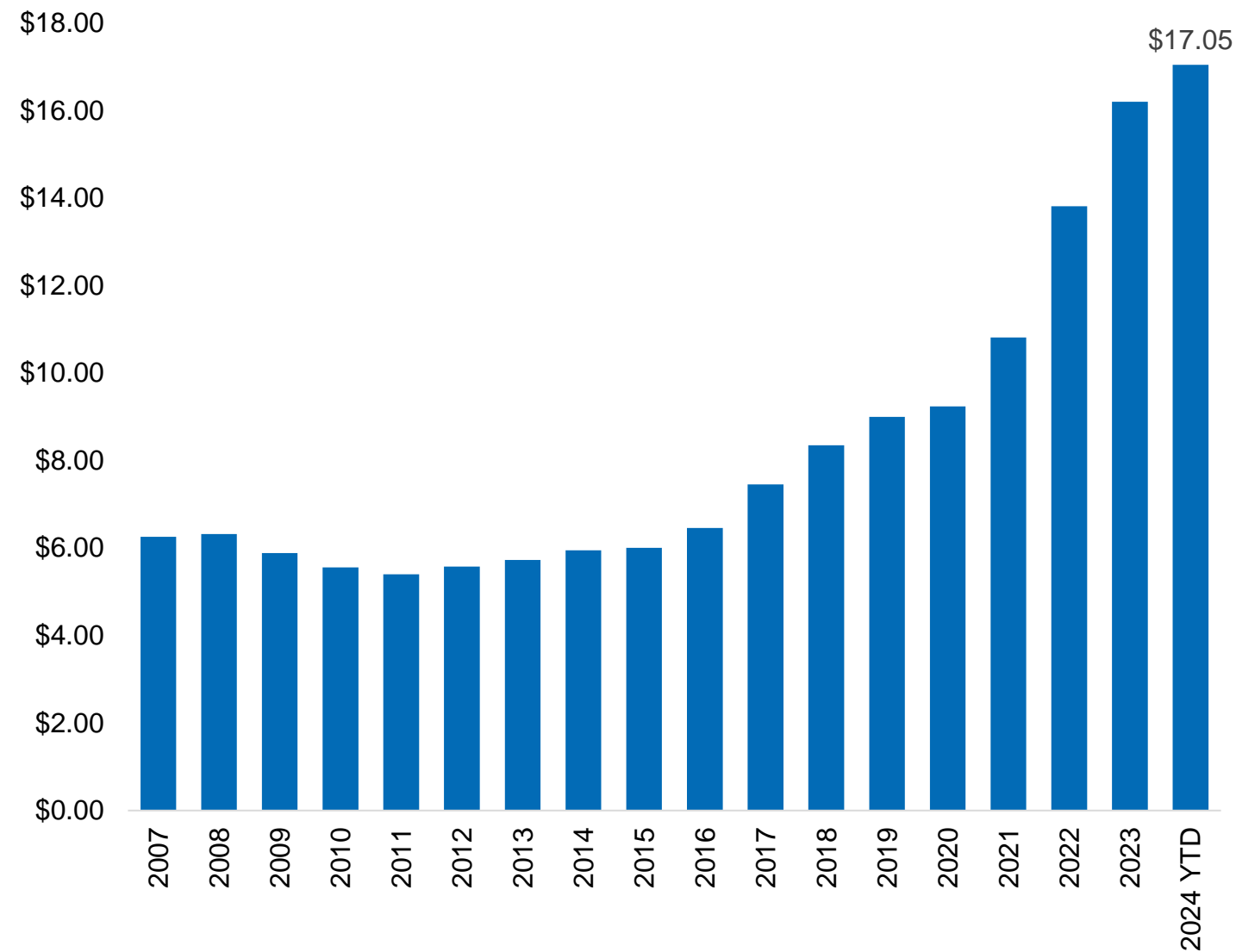


Source: Newmark Research, CoStar

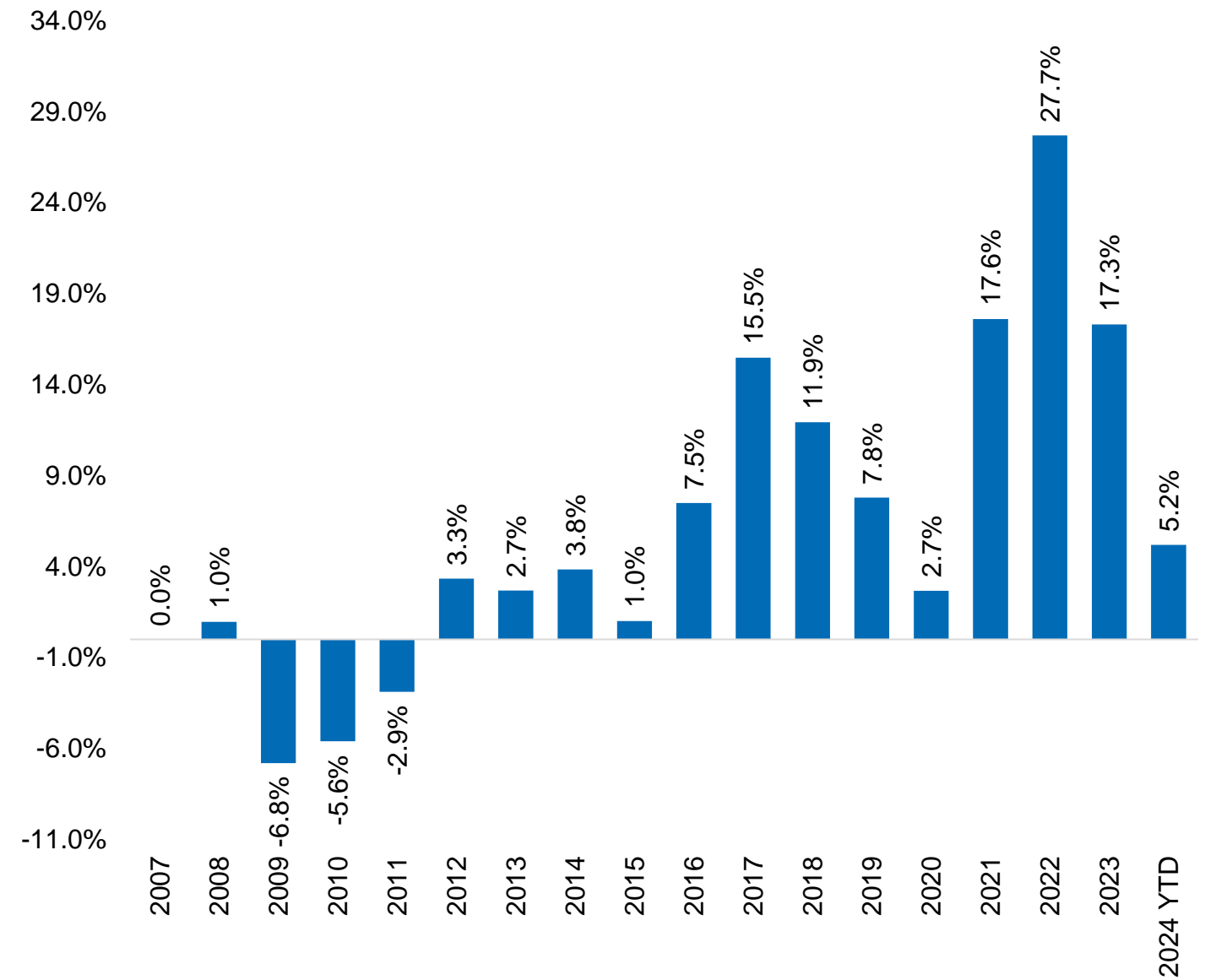
# Industrial Asking Rent Growth Begins to Moderate

Industrial average asking rents in Northern and Central New Jersey hit \$17.05/SF in the third quarter of 2024. Year-over-year, rents grew by 5.2%, a noticeable slowdown compared to the growth of the previous three years. As more space becomes available, rent growth is expected to moderate for the rest of 2024.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Notable 3Q24 Lease Transactions

Leasing activity increased significantly during the third quarter, reaching over 8.6 million square feet, a 21.3% jump quarter-over-quarter. The average deal size reached 38,192 SF during the third quarter of 2024, 3,097 SF larger than during the previous quarter. Among the 8.6 MSF of leasing volume during the third quarter of 2024 were 15 leases for warehouses greater than 200,000 SF across Northern and Central New Jersey. Contrasted with the first two quarters of the year which totaled 22 leases for more than 200,000 SF.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Amazon <i>Amazon renewed their lease for 565,405 SF at 301 Blair Road in Avenel.</i>	301 Blair Road	Exit 12	Direct Renewal	565,405
RealCold <i>RealCold expanded their footprint into the Northeast, pre-leasing 410,295 SF of temperature-controlled warehouse space. The property is set to deliver during the fourth quarter of 2025.</i>	45 State Route 10	Morris East	Direct New	410,285
RK Pharma <i>RK Pharma leased the entire 406,669 SF Class A property in East Windsor, expanding their existing footprint in New Jersey.</i>	148 Princeton Hightstown Road	Exit 8A	Direct New	406,669
EDA International Inc <i>EDA International Inc leased the entire Class A property, taking 368,050 SF over a 15-year term.</i>	400 Fairfield Road	Monmouth	Direct New	368,050
Winit <i>Winit subleased 367,610 SF of Samsung's 735,220 SF footprint.</i>	700 Linden Logistics Way	Linden/Elizabeth	Sublease New	367,610

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## Submarket Stats Overview

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## Leasing Volume by Building SF Tranches

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## Vacancy by Building Size Segments

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# Warehouse Development



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# The Ports Submarket Overview

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