



New Jersey industrial market report

Q1 2024

**AVISON
YOUNG**

New Jersey industrial market trends

\$16.12

average asking rent (NNN)

Q1 2024 saw average NNN asking rents stay nearly level while availability was up 20 basis points to 9.4%.

It is expected that the average asking rent will continue to level for the first half of 2024 based on new deliveries exceeding the demands for industrial space.

4.88 msf

of leasing activity

Leasing activity got off to a slow start in 2024, the historical Q1 average is 10.95 million-square-feet (msf).

It is expected that leasing volume will continue to crawl through 2024 as balance returns to the supply-demand dynamic.

Economic conditions continue to affect tenant commitments, such as inflation, wage increases and interest rates.

98%

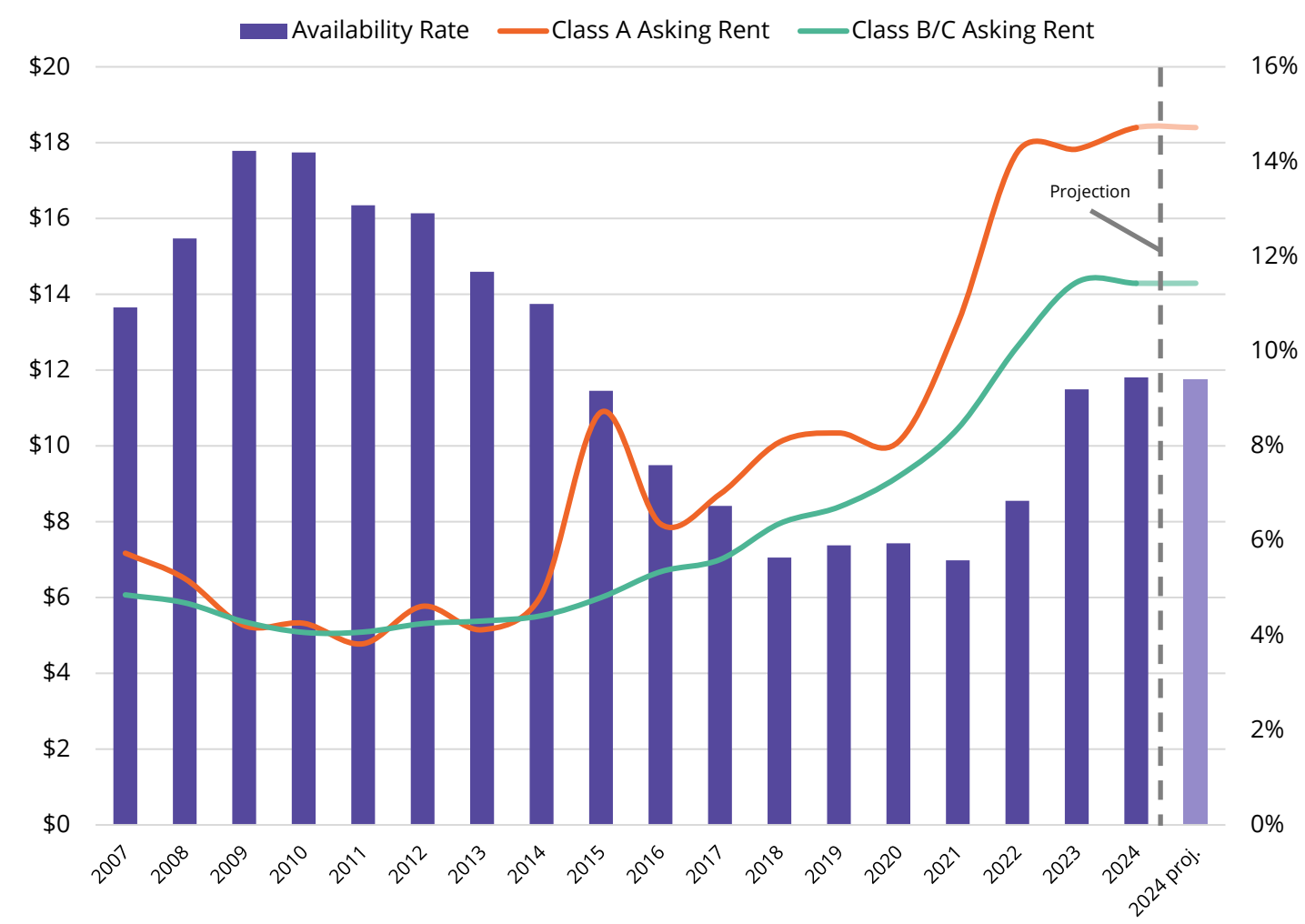
of new deliveries are empty

All 9 buildings that delivered in the first quarter of 2024, that are greater than 100k sf in rentable building area (RBA), delivered empty as new constructions outpaced demand.

However, 26.6% of the 17.1 msf currently under construction are fully preleased.

Moreover, the delivery of mostly empty buildings will continue to impact rent as owners will make concessions in order to fill the space.

NNN asking rents and availability



Asking rents levelled off in Q1, decreasing by only -0.21% since the end of 2023.

The availability rate increased by 0.2% to 9.4% total availability as 2.97msf of new inventory was delivered, mostly vacant.

It is expected that the average asking rent will continue to level off through 2024 as deliveries continue to outpace demand.

Leasing volume

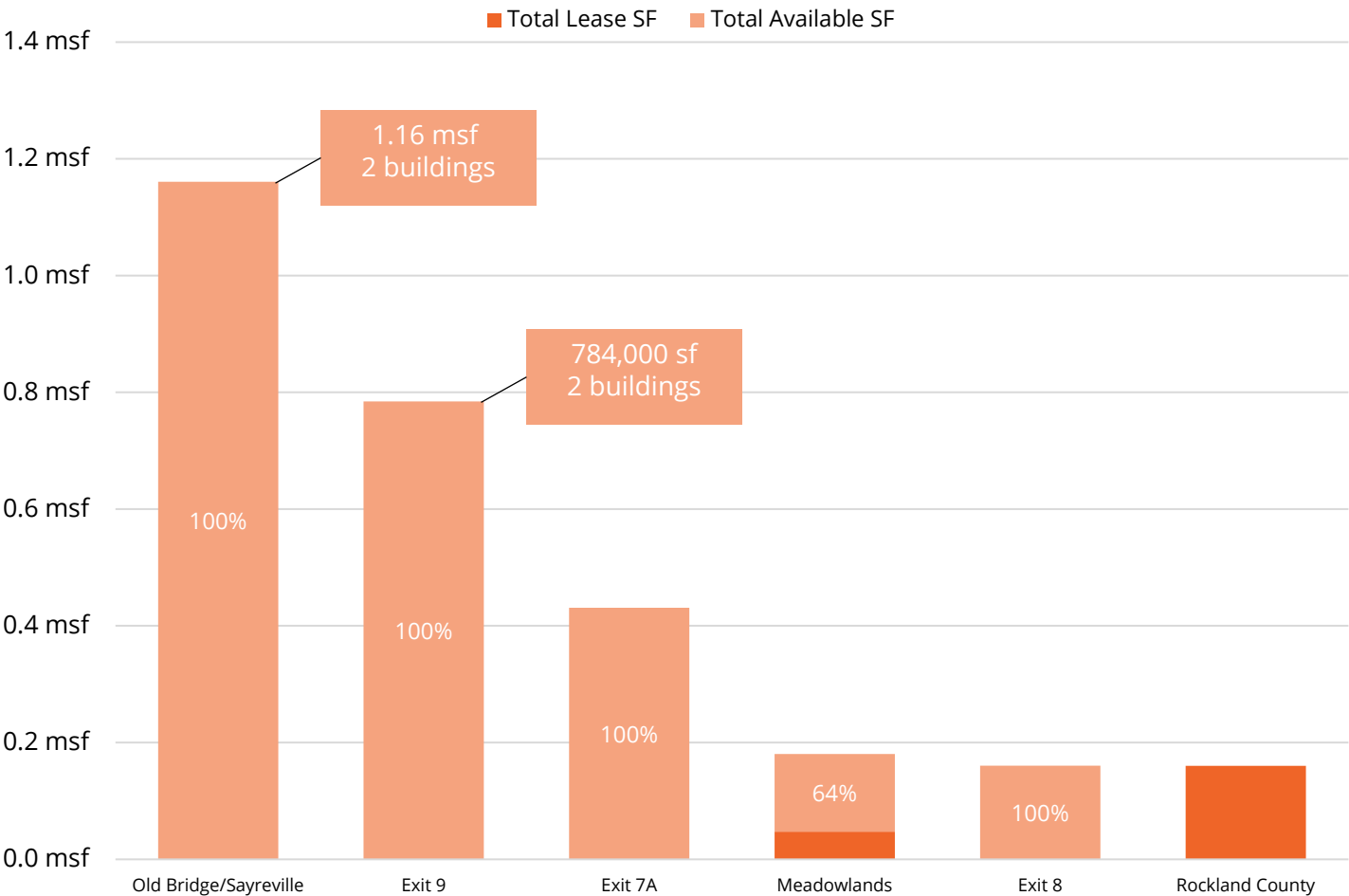


There was a total of 4.88 msf of leasing activity in Q1 2024. This is less than half of historical Q1 activity.

There were only 18 new leases signed in Q1 that were greater than 50,000 sf, 2 of which were subleases.

Economic factors and inflated market rents have adversely affected tenant leasing strategies. Tenants renewing leases are seeing obligations that are double the amount from their initial signing.

New deliveries by submarket



The Old Bridge/Sayreville submarket had the most deliveries in Q1 2024 at 1.16 msf across 2 buildings; all 1.16m msf of which is available.

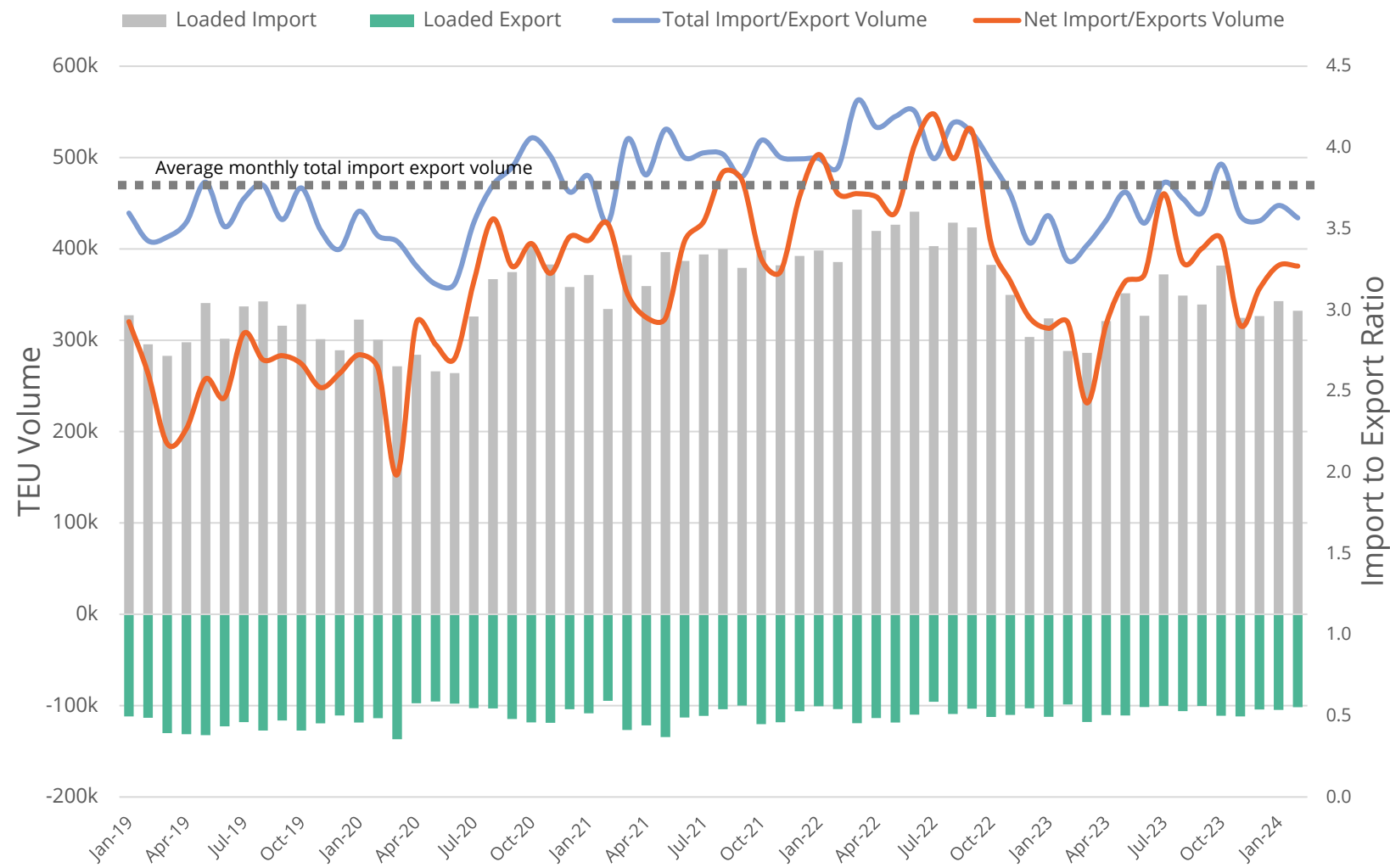
Rockland County saw one 160,000 sf building delivered to full occupancy.

In Q1 just 2% of deliveries had any occupancy. The other 98%, comprising of nearly 3 msf, delivered fully vacant.

Market-driving trends



Ports of NY and NJ shipping volume increases



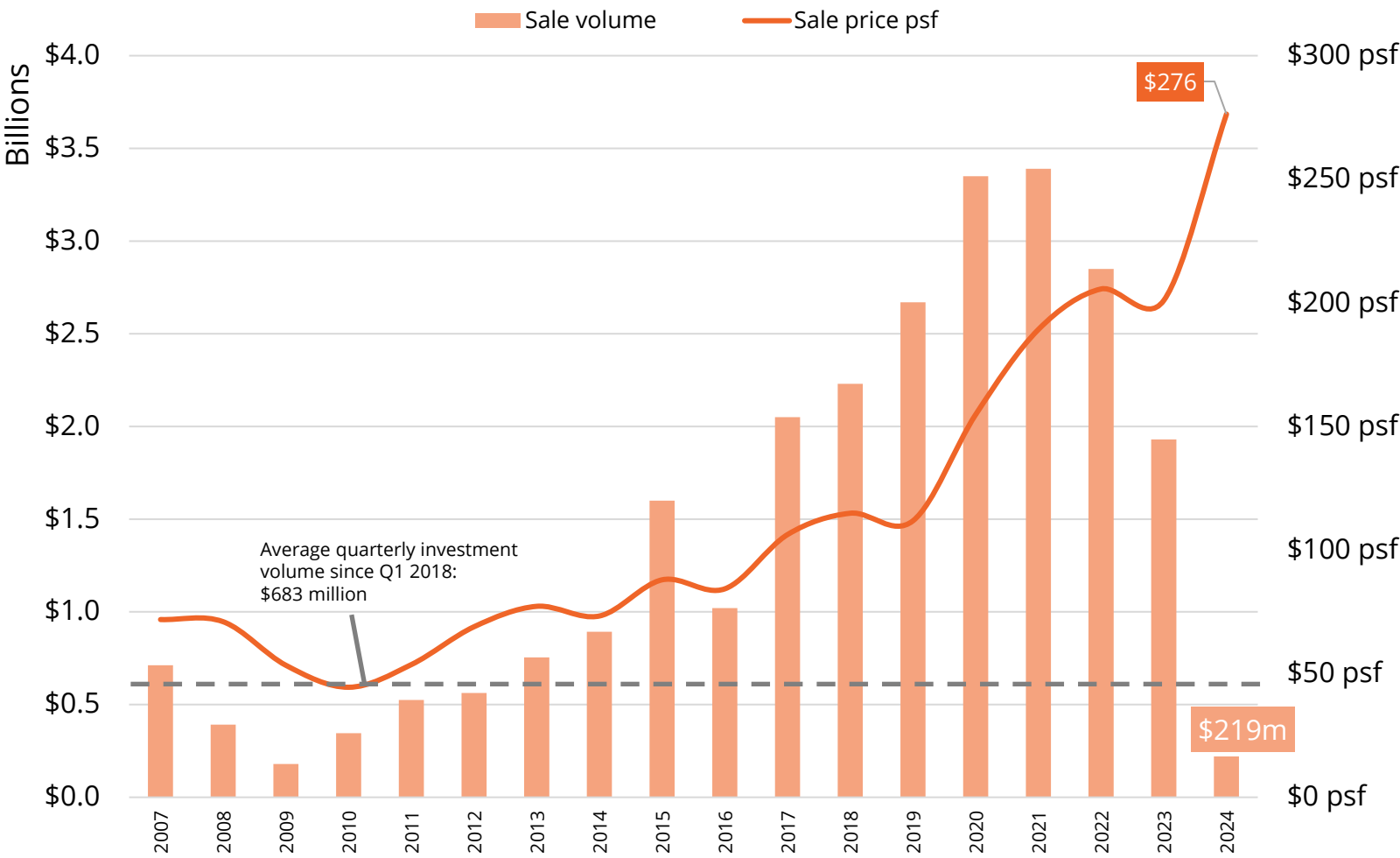
Source: Port Authority of NY/NJ
Note: TEU = Twenty Equivalent Unit (standard shipping container)

Total TEU* volume increased by 6.8% year-over-year.

This means that, year-over-year, there is an increase in imports suggesting an increasing demand for goods which need to be transferred to or shipped from industrial locations.

It is expected that there will be an increase in occupancy within a 50-mile radius of the Ports of NY/NJ in 2024 as economic conditions improve and port activity continues to increase.

Investment sales volume

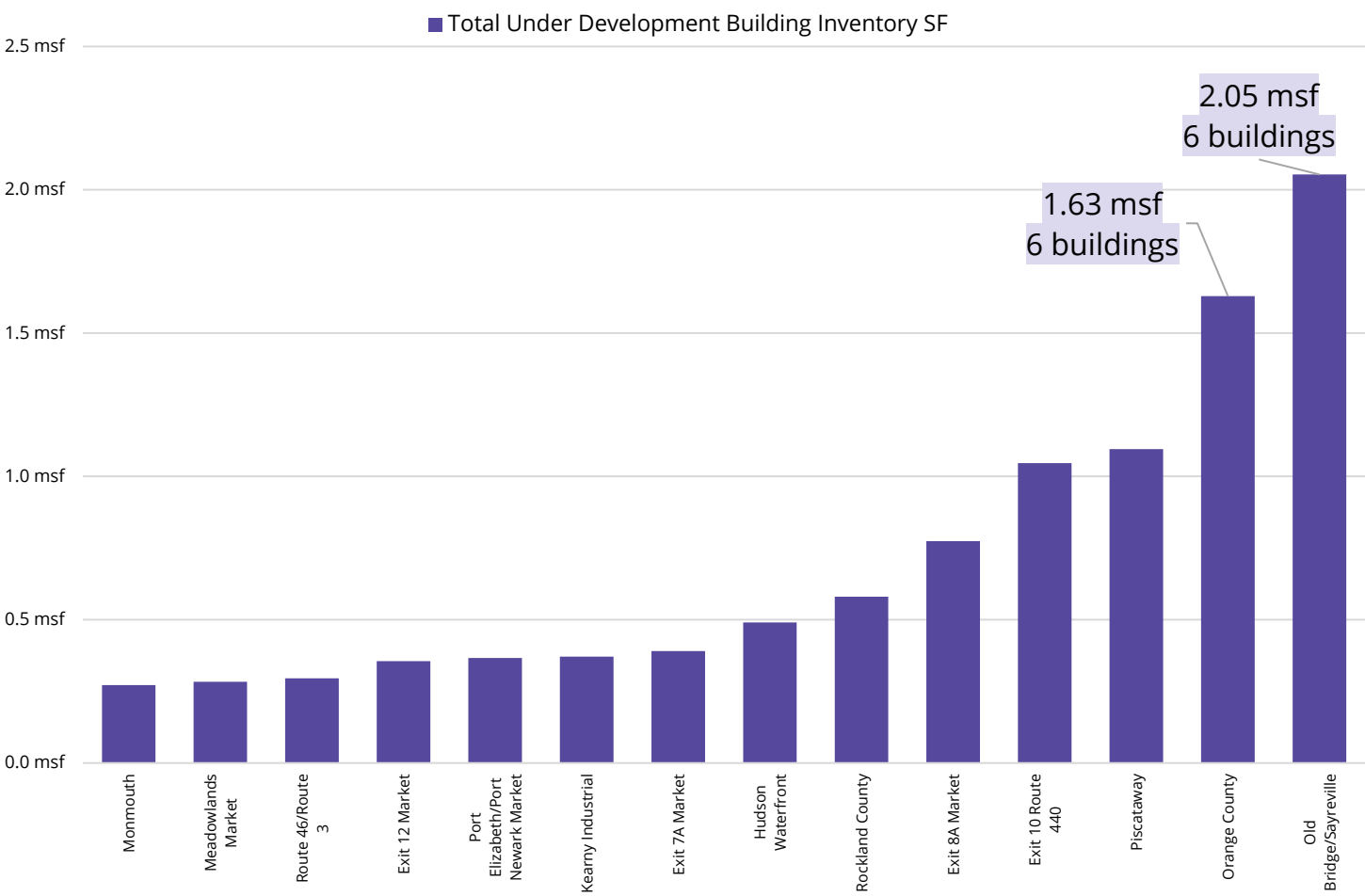


In Q1 2024, investment sales volume amounted to \$219 million.

Investment sales volume this past quarter was also the lowest for a quarter since Q1 2021.

Much like 2021, investors are waiting for economic conditions to improve before investing. Real estate experts forecast a slight recovery in those conditions by the end of 2024 and a return to normalcy in 2025.

Under construction by submarket*



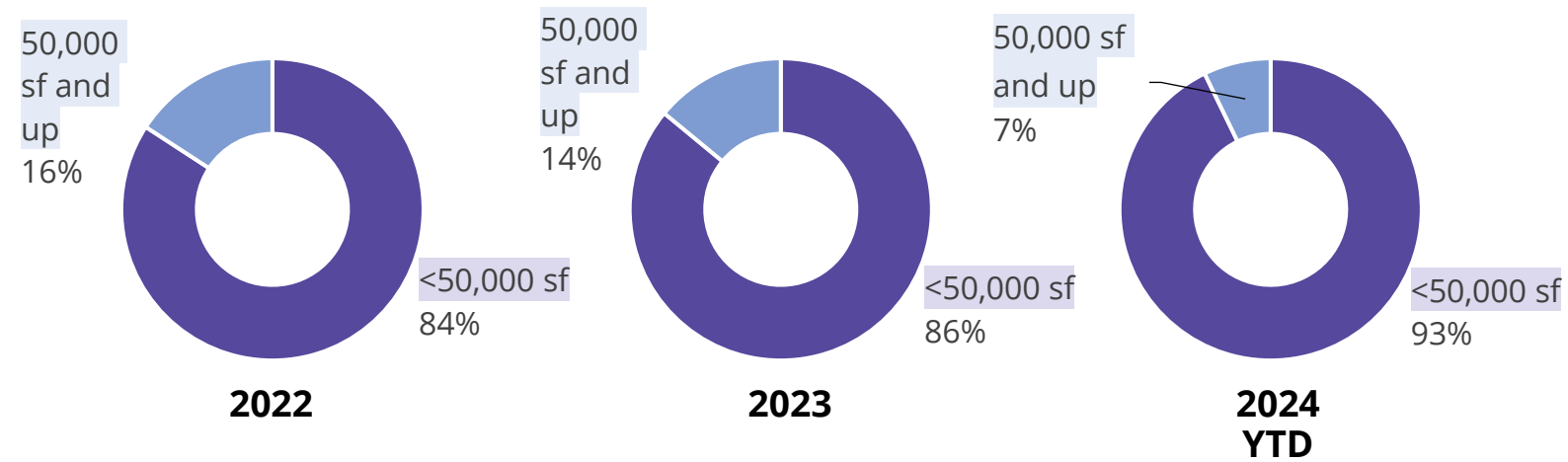
The Old Bridge/Sayreville market currently has the most inventory under construction, with 6 buildings totaling 2.05 msf.

The largest building currently under development is 1396 Route 300, Newburgh, NY (Orange County submarket) which will be fully occupied by Tesla upon delivery.

*submarkets with more than 200k sf under construction

Source: AVANT by Avison Young, CoStar

Leasing activity increases in smaller space



Leasing activity for space less than 50,000 sf, as a percentage of all signed leases, continues to increase.

2022 to 2023 saw a 2% increase in smaller leases year-over-year. So far in 2024, 93% of industrial leases signed have been for less than 50,000 sf.

Small to mid-size companies continue to downsize and sign smaller leases as they offset operational costs.

Industrial development pipeline

114 properties

under construction

17.1 msf

under construction

2.6%

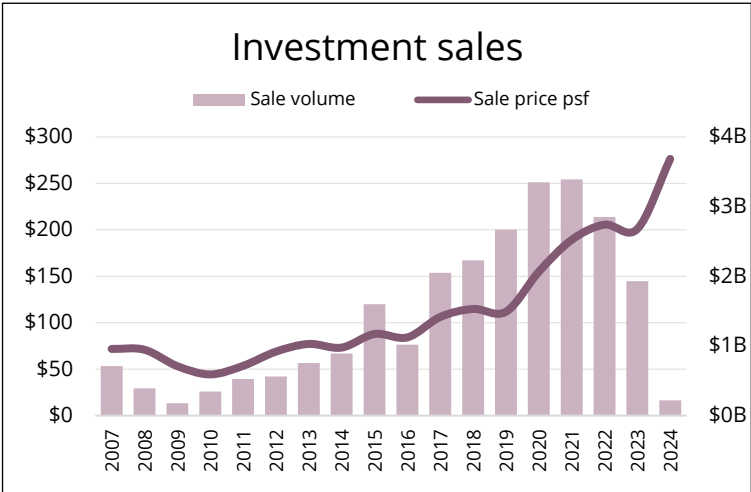
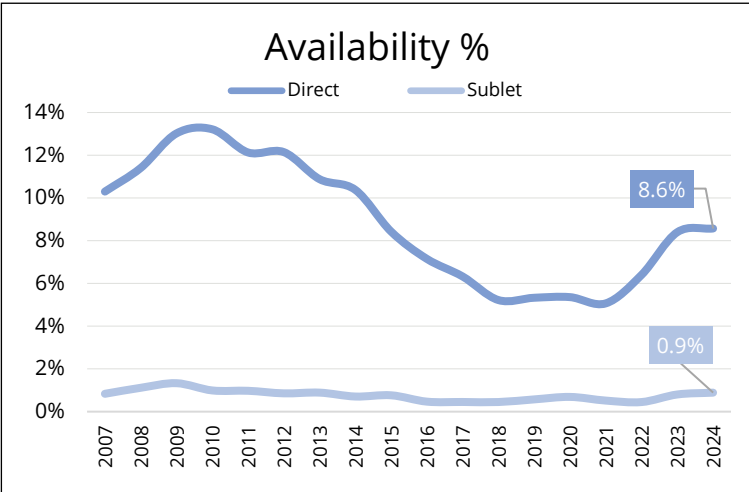
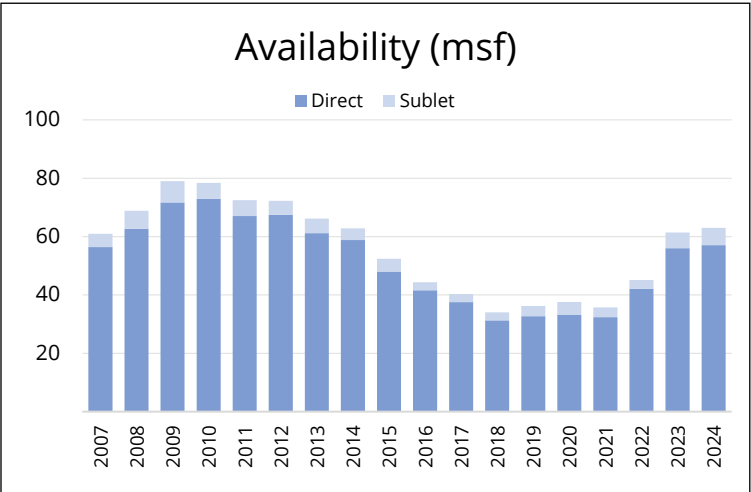
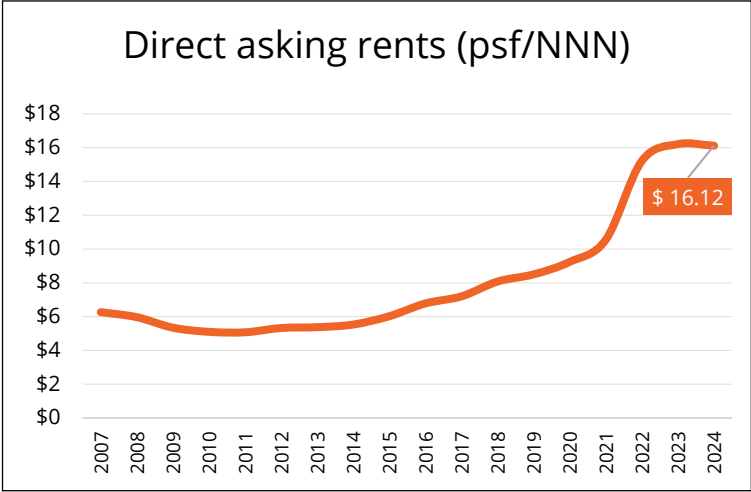
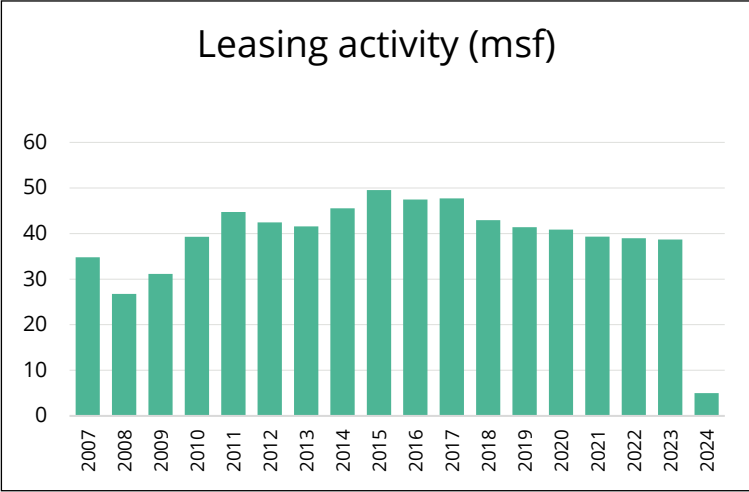
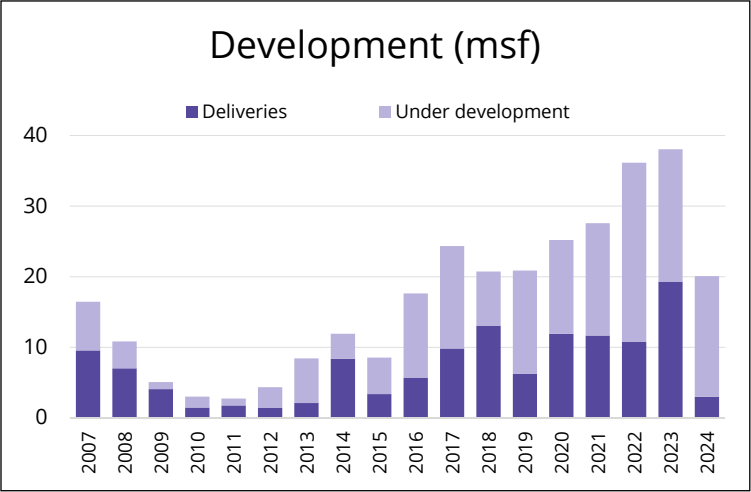
share of industrial inventory

26.6%

preleased



New Jersey industrial market indicators



New Jersey industrial market activity

Recent leasing activity

Tenant	Address (Building Name)	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Elogistek	1001 W. Middlesex Ave., Port Reading, NJ (Building 1)	Exit 12	Feb. 2024	607,417	Direct	New
Refresco US	80-98 N. Main St., Wharton, NJ	Western Morris	Mar. 2024	502,403	Direct	Renewal
Wakefern Food Corporation	60 Tower Rd., Dayton, NJ	Exit 8A	Mar. 2024	419,900	Direct	Renewal
ACG Warehouse & Distribution	100-300 Rella Blvd., Montebello, NY	Rockland County	Jan. 2024	224,500	Direct	New
Paragon Packaging	Jake Brown Rd., Old Bridge, NJ (Building 2)	Old Bridge/Sayreville	Jan. 2024	192,100	Direct	New
21 st Century Distribution	70-90 Saw Mill Pond Rd., Edison, NJ	Exit 10 Route 440	Mar. 2024	153,809	Direct	Renewal

Recent sales activity

Buyer	Address (Building Name)	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
GNAM Development	125 Theodore Conrad Dr., Jersey City, NJ*	Feb. 2024	919,552	\$92,578,282	\$199	U.S. News & World Report
Invesco Real Estate	152 Ridge Rd., Dayton, NJ	Jan. 2024	216,000	\$55,000,000	\$254	Saadia Group
Oliver Street Capital	299 Murray Hill Pkw., East Rutherford, NJ	Feb. 2024	101,344	\$28,500,000	\$281	Braha Industries
Sagard Real Estate	85 Herman St., East Rutherford, NJ	Feb. 2024	47,310	\$17,000,000	\$409	Deugen Development

* Indicates part of a portfolio

New Jersey industrial market activity

Top projects under development

Address (Building Name)	Submarket	Delivery date	Building size sf	% Preleased	Developer
1396 Route 300, Newburgh, NY (Matrix Logistics Center at Newburgh)	Orange County	Q2 2024	927,000	100%	Matrix Development Group
1160 State St., Perth Amboy, NJ (Bridge Point Building B)	Exit 10 Route 440	Q2 2024	800,000	0%	Bridge Industrial
3000 Continental Dr., Mount Olive, NJ (Matrix Logistics Park – Mt. Olive)	Western Morris	Q2 2024	585,000	0%	Matrix Development Group
2500 Route 17M, Goshen, NY (Tri-State Logistics Center)	Orange County	Q2 2024	500,124	100%	GFI Partners

Notable building deliveries

Address (Building Name)	Submarket	Delivery date	Building size sf	% Leased	Developer
Jake Brown Rd., Old Bridge, NJ (Central 9 Logistics – Building 3)	Old Bridge/Sayreville	Feb. 2024	818,395	0%	2020 Acquisitions
85 Main St., Spotswood, NJ (Main Street Logistics Center - Spotswood)	Exit 9	Mar. 2024	654,640	0%	Rockefeller Group
50 Minisink Ave. S, Sayreville, NJ (Building 2)	Old Bridge/Sayreville	Mar. 2024	342,371	0%	Trammell Crow Company CBRE
650 US Highway 130, Hamilton Township, NJ (Building 1)	Exit 7A	Jan. 2024	217,250	0%	Ares Management

New Jersey industrial market stats by property subtype

Property Type	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Distribution	193,068,936	341,833	5,795,027	6.2%	1.2%	7.4%	(107,821)	(0.06)%	\$17.41
General Warehouse	326,233,451	450,300	4,014,879	6.1%	0.5%	6.6%	(633,762)	(0.19)%	\$15.85
Manufacturing	97,265,742	654,640	206,826	3.7%	0.0%	3.9%	322,856	0.33%	\$14.45
Office Showroom	27,847,911	0	0	5.5%	0.9%	6.4%	(69,506)	(0.25)%	\$13.7
R&D	11,864,035	0	167,735	3.9%	0.2%	4.1%	(32,435)	(0.27)%	\$12.84
Market total	656,280,075	1,446,773	10,184,467	5.7%	0.7%	6.4%	(520,668)	(0.08)%	\$16.12



New Jersey Industrial Submarkets

**1. Orange/Rockland/
N. Bergen/Rt 17**

Orange
Rockland County
Northeast Bergen
Route 17
West Bergen

2. Western Rural Jersey

Sussex
Warren
Western Morris
Bridgewater
Hunterdon
Southern Somerset

3. Meadowlands

Paterson
Meadowlands
Route 46/Route 3
Secaucus
Kearny
West Newark
GW Bridge

4. Port Market

Port Jersey
Port Elizabeth
Hudson waterfront
Linden

5. Essex/Union/Morris County

Eastern Morris
Fairfield
Route 24
Eastern Essex
Union

6. I-287 Corridor

Exit 10 Route 440
Piscataway
Exit 12

7. Greater Trenton

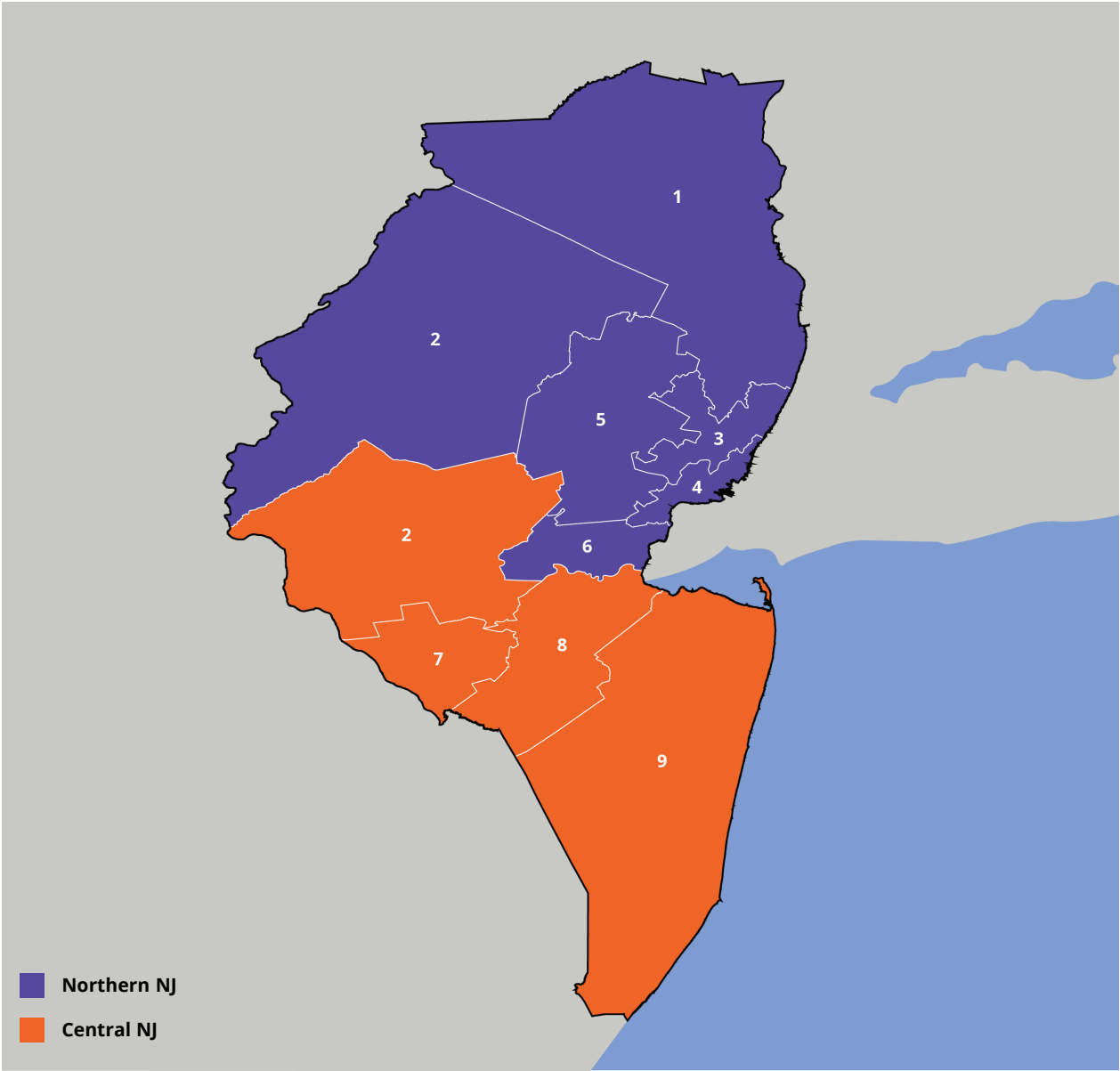
Trenton
Princeton

8. NJ Turnpike Corridor

Exit 9
Old Bridge/Sayreville
Exit 8
Exit 8A
Exit 7A

9. GSP South

Monmouth
Ocean



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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