NAI James E. Hanson

COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

1Q 2026 INDUSTRIAL REPORT

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Economic Overview

The U.S. economy appears to be heading into a period of uncertainty as key economic indicators show signs of concern. The labor market was uneven during the first quarter with nearly 100,000 jobs lost in February—the highest monthly loss since October 2025—but rebounded in March with strong growth of 178,000 jobs. Downward revisions for data released earlier, however, show a broader decline. As a result of the changing job market, the unemployment rate moved but is still low in the mid-4.0% range. Inflation, which has been steady, could rise given the current geopolitical environment. The conflict with Iran and the situation in the Middle East has led to a spike in oil and gas prices, putting even more pressure on consumers. In addition, the potential for additional global tariffs has shaken financial markets and stoked fears of a potential recession.

New Jersey's unemployment rate continues to lag the national rate, with the rate remaining close to 5.5%. The rate has been over 5.0% since August 2025. A dampened outlook for the national employment picture is likely to affect the New Jersey labor market moving into the second quarter. Overall job growth is slowing with only a few sectors marking gains including health services and professional business services. Job gains are being offset by losses in the public sector, trade, transportation and construction. Over the longer term, New Jersey's life sciences and technology sectors and its strategic location for transportation and logistics should help to buoy economic activity.

Market Overview

Trends in the Northern New Jersey industrial market remained relatively unchanged in the first quarter of 2026. Over the last year supply and demand have become more balanced in the overall market but there are areas of strength. High-quality Class A assets with high ceilings are in demand as the number of large leases in these properties has increased. There were 29 leases over 100,000 square feet signed during the first quarter, including thirteen over 200,000 square feet and four over 400,000 square feet. Similarly, small bay properties—those under 50,000 square feet—also appear to be outperforming the broader market with robust demand. While big-box tenants are absorbing large availabilities, local businesses and retailers are responsible for leasing smaller spaces.

After remaining in the 6.0%-6.5% range for six consecutive quarters, the overall vacancy rate finished the first quarter at 7.0%. At the submarket level, vacancy ranges from a low of 4.4% in Suburban Essex to a high of 18.4% in Warren and Sussex. The largest three submarkets, Ports, Exits 10/12 and the Meadowlands all have rates between 6.1% and 6.9%. The amount of sublease space remains high with more than 11.0 million square feet on the market at the end of the quarter, including 3.3 million square feet of Class A space.

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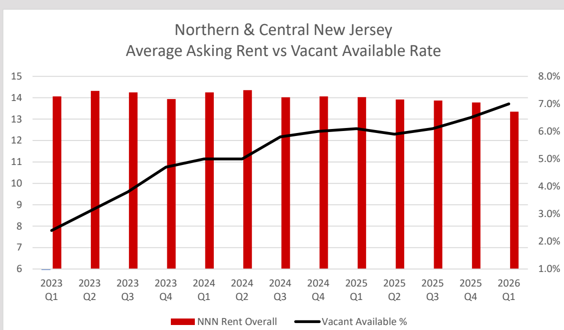
Market Pricing

Overall average asking rates were down year-over-year, closing at $13.35 per square foot from $14.08. Rents have trended slowly downward as space at the high-end of the market is leased. Class A rents finished at $16.08 per square foot.

$13.35 PSF
Asking Rental Rate

5.1%
Decrease
versus 1Q 2025

While average asking rates are slightly above $14.00 per square foot for the overall market, actual starting rents are considerably higher particularly in the larger submarkets. Average starting rents for space in the Meadowlands and Ports areas, for example, are over $17.00 per square foot, while in Exit 8A they are slightly below that threshold.



Vacancy, Absorption & Leasing

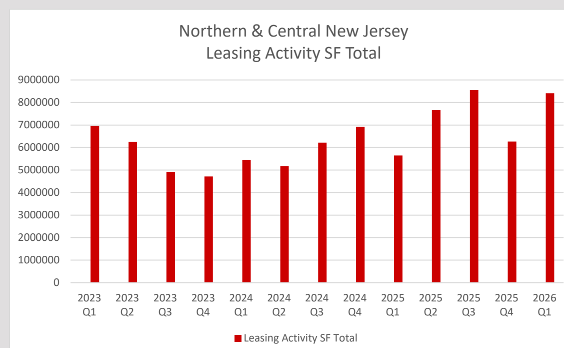
1Q2026 vs. 1Q2025

7.0%
Vacancy Rate

(295,961) SF
Absorption

3.7M SF
Leasing Activity

Leasing activity measured nearly 8.4 million square feet during the quarter, significantly higher than the same time last year. Leasing activity during the first quarter was boosted by several large transactions. Deals over 100,00 square feet comprised much of the total with three transactions over 500,000 square feet accounting for a combined total of nearly 2.0 million square feet.



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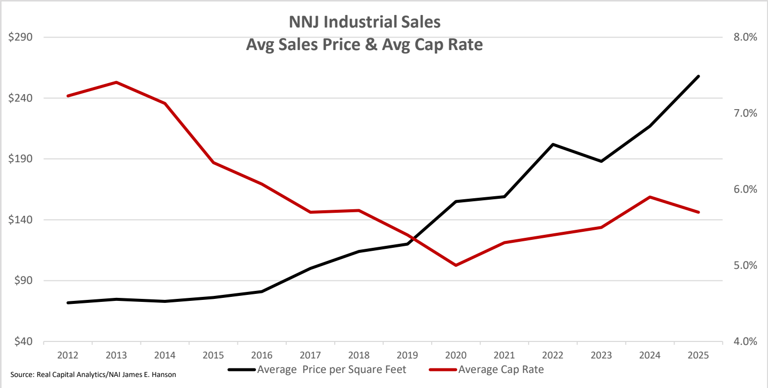
Investment Sales

Sales volume for industrial product continues to be robust The total dollar value in 2025, surpassed the previous year by more than 25% The largest sale of the quarter was 1065 Cranbury South River Road in South Brunswick for $138.5 million

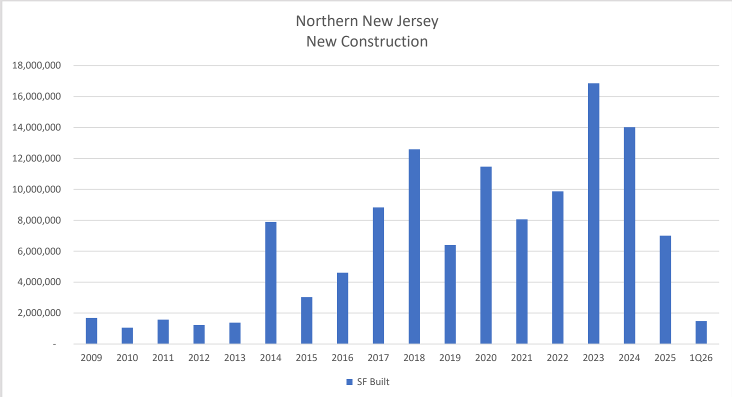
Cap rates for Class B properties have been trading the 6.0%-6.5% range, while Class A is pricing roughly 100 bps below that ranging between 4.75%-5.25% The overall average price per square foot meanwhile, has remained in the $200-260 range.



New Construction

Over the last 18 months, the pace of new construction deliveries continues to slow. Through the end of the first quarter, 1.4 million square feet was delivered, compared with 2.2 million square feet in 1Q2025 and 4.6 million square feet in 1Q2024. Currently, there are 10.8 million square feet under construction with 8.1 million slated for completion this year. The pipeline for 2027 drops considerably, with only 2.7 million square feet of construction currently underway.

In 2023 the amount of speculative construction peaked as 16.8 million square feet was delivered. In the subsequent years, the number of projects under construction has slowed with 14.0 million square feet constructed in 2024 and half of that amount—just 7.0 million square feet completed in 2025.



Market Statistics

	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	RBA Under Construction	Class A Average Asking Rate	Overall Average Asking Rate
Northern & Central NJ	748,990,909	52,353,074	7.0%	(487,118)	8,410,837	10,808,105	$16.08	$13.35
Middlesex	224,731,779	16,647,186	7.4%	932,714	3,867,488	3,181,920	$16.23	$14.02
Bergen	91,416,385	5,516,025	6.0%	(198,349)	1,657,696	1,605,396	$19.37	$16.14
Hudson	81,048,982	6,377,243	7.9%	471,590	547,896	851,912	$19.57	$15.32
Essex	70,770,226	3,026,310	4.3%	(98,616)	338,169	354,400	$15.27	$13.40
Union	71,072,851	4,488,361	6.3%	(765,047)	488,674	0	$18.62	$13.19
Passaic	54,233,174	2,981,374	5.5%	(286,551)	375,594	0	$14.98	$13.28
Morris	41,486,224	3,475,823	8.4%	326,324	375,587	1,030,090	$14.01	$14.62
Mercer	38,114,044	3,202,550	8.4%	(178,856)	400,241	1,372,145	$14.00	$11.27
Somerset	32,634,700	2,167,542	6.6%	(785,205)	121,644	1,011,346	$14.57	$13.76
Monmouth	22,209,262	1,366,210	6.2%	186,283	201,658	976,734	$15.18	$13.31
Warren	11,608,519	2,779,269	23.9%	(53,878)	6,000	353,525	$11.50	$10.92
Hunterdon	5,964,453	287,172	4.8%	(57,674)	8,750	70,637	$0.00	$12.99
Sussex	3,700,310	38,009	1.0%	20,147	21,440		$9.52	$7.27
Orange, NY	37,065,458	3,687,238	9.9%	30,743	32,100	1,700,561	$12.21	$10.51
Rockland, NY	16,132,946	1,843,824	11.4%	(75,927)	89,828	248,200	$14.14	$14.17

	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	RBA Under Construction	Class A Average Asking Rate	Overall Average Asking Rate
Ports	151,680,668	10,288,675	6.8%	(605,322)	701,193	354,400	$21.24	$13.25
Exits 10/12	124,723,183	8,631,401	6.9%	656,198	1,039,595	2,722,889	$20.54	$14.03
Meadowlands	93,521,714	5,707,509	6.1%	347,896	922,719	2,303,068	$21.95	$16.39
Exit 8A	77,142,254	6,023,831	7.8%	158,046	2,722,454	100,000	$16.53	$15.64
Route 46/23/3 Corridor	53,766,850	2,989,217	5.6%	(262,032)	375,594	0	$18.75	$13.48
Exit 7A	52,043,793	4,362,706	8.4%	48,748	434,641	2,348,879	$14.33	$11.93
Morris Region	39,942,452	3,383,620	8.5%	326,324	187,557	1,030,090	$14.59	$14.51
Somerset Region	32,634,700	2,167,542	6.6%	(785,205)	121,644	1,011,346	$14.57	$13.76
Central Bergen County	25,754,092	1,481,431	5.8%	130,213	526,471	154,240	$16.01	$15.94
Suburban Essex	24,200,622	1,060,212	4.4%	(426)	145,800	0	$13.98	$13.96
Brunswick/ Exit 9	22,866,342	1,991,954	8.7%	118,470	122,967	359,031	$14.12	$13.07
Northern Bergen	21,073,976	954,472	4.5%	(154,667)	329,363	0	$15.51	$15.26
Warren & Sussex	15,308,829	2,817,278	18.4%	35,747	27,440	353,525	$10.87	$10.26
Hunterdon	5,964,453	287,172	4.8%	(57,674)	8,750	70,637	$0.00	$12.99

Source: CoStar® & NAI Hanson - 10,000+ SF

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Top Transactions

SALES

450,330 SF | $138,500,000
1065 Cranbury South River Rd
South Brunswick
Buyer: Property Reserve, Inc.
Seller: Morgan Stanley

470,044 SF | $129,300
1879 Route 46
Landing
Buyer: U.S. Immigration & Customs Enforcement
Seller: Dalfen Industrial | The Goldman Sachs Group, Inc.

31,226 SF | $26,250,000
110 Sylvania Place
South Plainfield
Buyer: Link Logistics Real Estate
Seller: Bettaway

54,113 SF | $21,100,000
51 New Brunswick Ave
Hopelawn
Buyer: Sagard Real Estate
Seller: Woodmont Properties

LEASES

695,073 SF
25-35 Talmadge Road
Edison
Tenant: FedEx

600,000 SF
201 Middlesex Center Boulevard
Monroe
Tenant: DSV

585,000 SF
3000 Continental Drive
Mount Olive
Tenant: Amazon

309,925 SF
200 Docks Corner Road
Dayton
Tenant: S&D Transfer

TOP 10 CONSTRUCTION PROJECTS

ADDRESS	SIZE (SF)	COMPLETION	DEVELOPER	SUBMARKET
2000 Valley Brook Avenue (Building A)	1,286,241	1Q27	JV Forsgate Industrial Partners & Russo Development	Meadowlands
577 Smith Street	973,395	4Q26	Brookfield Properties	Exits 10/12
201 Jake Brown Road	808,510	2Q26	2020 Acquisitions	Exits 10/12
100 Paterson Plank Road	775,000	2Q27	Hartz Mountain Industries, Inc.	Meadowlands
40 Jake Brown Road	646,278	4Q26	2020 Acquisitions	Exits 10/12
111 Route 10	602,409	3Q26	Russo Development, Related Fund Management, Onyx Equities	Morris Region
395 Elizabeth Avenue	438,960	2Q26	Prologis	Somerset Region
825 Sloan Avenue	420,024	2Q26	PGIM	Exit 7A
105-161 Hyatt Avenue	354,400	2Q26	Link Logistics Real Estate	Port
120 Manunka Chunk Road	353,525	2Q26	Krame Development Co., Inc.	Warren & Sussex

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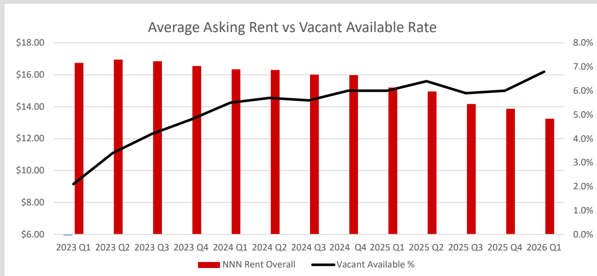
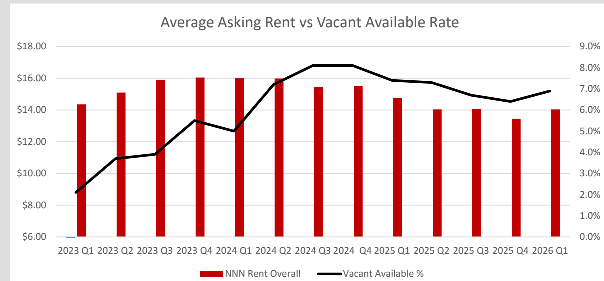
Submarket Highlights

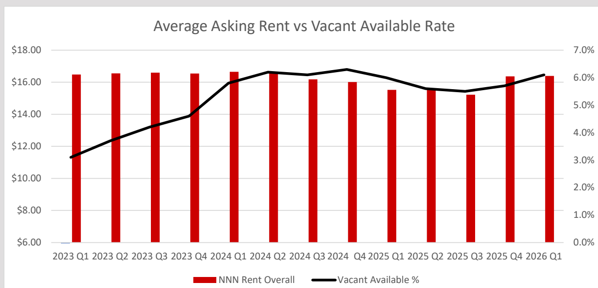
Ports



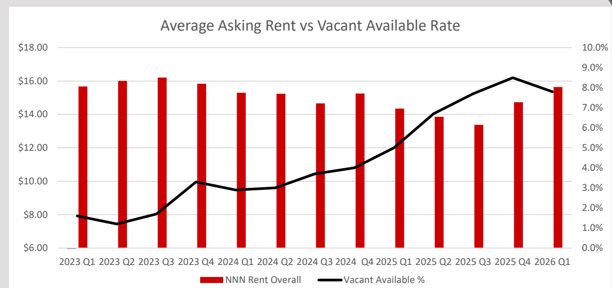
Exit 10/12



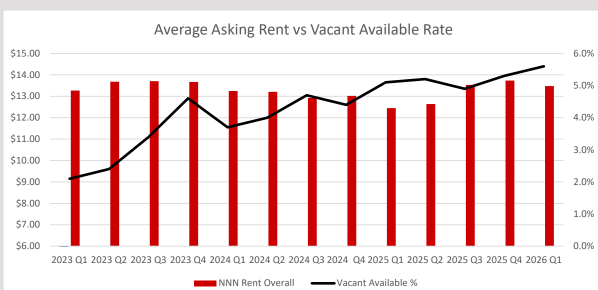
Meadowlands



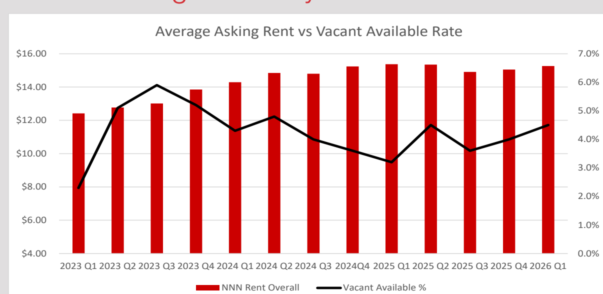
Exit 8A

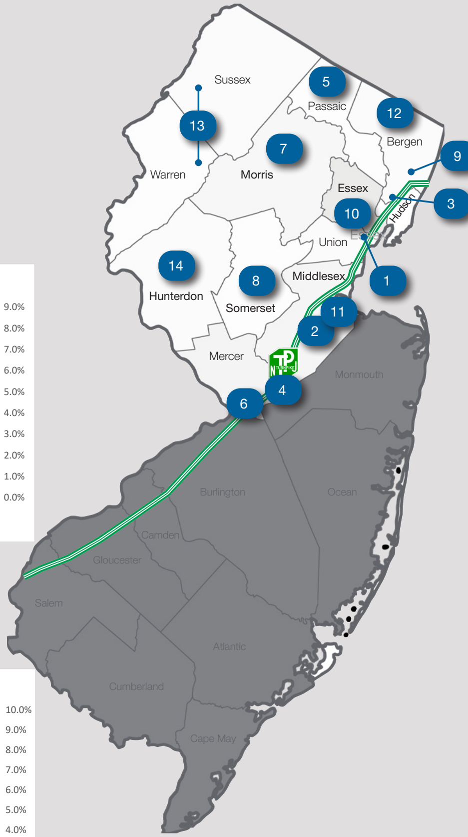


Route 46/23/3 Corridor



Northern Bergen County





#	SUBMARKET	VACANCY
1	PORTS	6.8%
2	EXIT 10/12	6.9%
3	MEADOWLANDS	6.1%
4	EXIT 8A	7.8%
5	46/23/3 CORRIDOR	5.6%
6	EXIT 7A	8.4%
7	MORRIS REGION	8.5%
8	SOMERSET	6.6%
9	CENTRAL BERGEN	5.8%
10	SUBURBAN ESSEX	4.4%
11	BRUNSWICK/EXIT 9	8.7%
12	NORTHERN BERGEN	4.5%
13	WARREN & SUSSEX	18.4%
14	HUNTERDON	4.8%

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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

NAI GLOBAL

65± Countries
325± Offices
5,800± Market Leaders

85 REAL ESTATE PROFESSIONALS

Superior information management and market research capabilities

52 Agents

13 SIOR'S- THE HIGHEST OF ANY CRE FIRM IN NJ

SIOR

251 TRANSACTIONS IN 2025

$752 MILLION - VALUE OF TRANSACTIONS IN 2025

Consistently ranked as Top "Power Broker" by Costar Group

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