

3Q
2024
INDUSTRIAL
REPORT

3Q 2024 INDUSTRIAL REPORT

Economic Overview



The U.S. economy remained remarkably strong during the summer months with job growth exceeding expectations. There are some indications, however, that the labor market may be cooling. The unemployment rate edged higher in July jumping to 4.3% but receded in August to 4.2%. The downward revisions for job gains earlier in the year suggest that the market is slowing. Employment gains have largely been in construction and health care, while decreases in jobs were in manufacturing and transportation equipment. Despite the apparent concern about the jobs market, wage growth has continued to outpace inflation. With inflation numbers improving slowly over the last several months, the Fed finally reduced interest rates by 50 basis point in September.



Since mid-2023, New Jersey's unemployment rate has hovered between 4.5-4.8%, exceeding the rate for the U.S. which remains below 4.5%. Despite the stagnant unemployment rate, New Jersey's labor force grew by nearly 60,000 jobs over the past year, according to the New Jersey Department of Labor. Year-over-year job gains have been in education and health services, transportation and utilities and government. Professional and business services and leisure and hospitality have seen minimal growth while financial services, manufacturing and information have experienced job losses.

Market Overview

In what is typically the slowest part of the year, demand for industrial space remained robust through the third quarter. Leasing activity reached over 6.0 million square feet, but the year-to-date total remains below 2023 levels. Despite sustained activity, vacancy rose to its highest level since late 2015. Rising vacancy rates have come amid new construction deliveries, resulting in another quarter of negative absorption. Average asking rents, which experienced a sustained period of growth over the last several quarters, have leveled off across Northern New Jersey.

The overall vacancy rate rose during the third quarter up to 5.8%, from 5.0% at the end of the second quarter. The rise in the vacancy rate is mostly attributable to the completion of 3.5 million square feet of new product during the quarter. Despite the increase in vacancy in Northern New Jersey, the rate remains below the national average of 6.1%. Rising rates are not isolated to New Jersey as most of the major industrial markets across the U.S. have seen higher rates over the past year. Of the submarkets traced by NAI James E. Hanson, vacancy rates range from a high of 10.0% in Brunswick/Exit 9, to a low of 3.3% in Suburban Essex.

Market Pricing

Average asking rates were mostly flat year-over-year dipping by 1.6% from the same period last year. Comparatively, rents rose by more than 14.0% from third quarter 2022 to third quarter 2023. Asking rates in seven of the fourteen submarkets were lower on the year, while the remaining seven were either flat or had some increases.

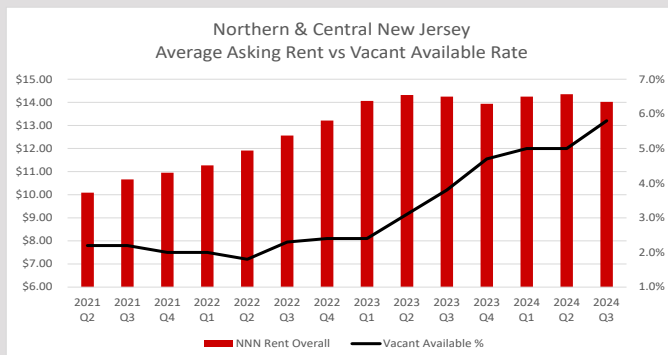


\$14.02 PSF
Asking Rental Rate



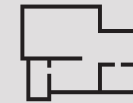
1.6%
Decrease
versus 3Q 2023

While average asking rates remain above \$14.00 per square foot for the overall market, some actual starting rents are considerably higher with several transactions commanding more than \$17.00 per square foot. Asking rates range from a high of more than \$16.00 per square foot in the Meadowlands and Port Markets to the \$9.00-\$10.00 per square foot range in the smaller markets.



Vacancy, Absorption & Leasing

3Q2024 vs. 3Q2023



5.8%
Vacancy Rate



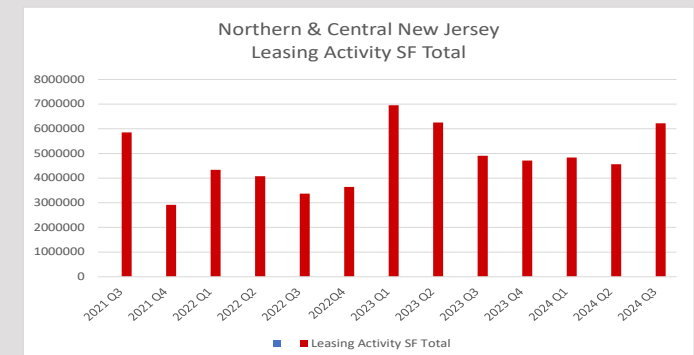
(276,268) SF
Absorption



6.2 MSF
Leasing Activity



Sustained deliveries of new product with available space, have kept absorption in negative territory for the last six quarters. The last time absorption was positive was back in the first quarter of 2023. Year-over-year leasing activity was up by 1.5 million square as a result of several large deals, but was outpaced by more space coming onto the market.

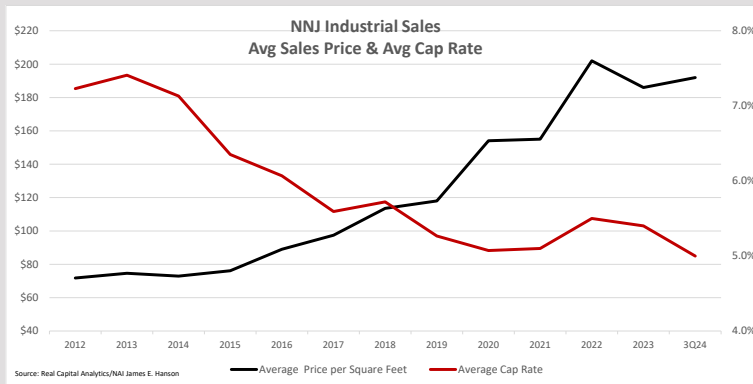


Investment Sales

Higher interest rates and financing continue to be a drag on investment sales and year-over-year volume has declined. Although the demand for industrial properties remains strong, the number of potential investors and qualified buyers has waned. The average price per square foot remained in the \$190-\$200 where it has been for the last two years.



Except for Longpoint Realty Partner's acquisition of four properties in Pine Brook, the majority of sales during the quarter, were smaller sized buildings. Cap rates held steady remaining in the mid 5.0% range where they have been for more than a year.

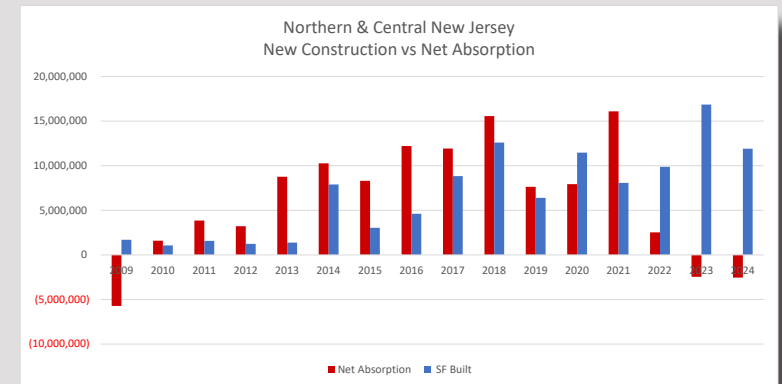


New Construction

At the end of the third quarter nearly 12.0 million square feet of new construction was completed in Northern New Jersey. Over the short-term, however, construction starts will level. Currently there are 11.0 million square feet under construction with delivery over the next 12-18 months. The submarket with the most amount of square footage currently under construction is Brunswick/Exit 9.



The amount of new space to the market has continued to outpace leasing since early 2023. Of the 3.5 million square feet completed in the third quarter, nearly 85.0% of space was delivered vacant.



Market Statistics

	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	RBA Under Construction	Average Asking Rate
Northern & Central NJ	726,590,212	42,243,488	5.8%	(276,268)	6,219,786	10,446,272	\$14.02
Middlesex	224,010,550	15,186,320	6.8%	(613,976)	2,507,276	2,795,674	\$14.67
Bergen	92,882,139	5,956,625	6.4%	313,555	881,537	2,209,949	\$15.54
Hudson	83,300,062	5,400,906	6.5%	128,612	420,249	900,355	\$15.38
Essex	67,479,838	2,936,385	4.4%	(21,575)	192,419	290,111	\$13.61
Union	71,311,860	3,079,685	4.3%	388,771	1,116,670	676,200	\$13.09
Passaic	56,298,719	2,685,045	4.8%	(197,236)	31,045	70,000	\$12.24
Morris	40,174,420	1,441,410	3.6%	159,788	200,985	1,702,647	\$12.77
Mercer	38,586,393	2,850,702	7.4%	(295,401)	709,300	284,400	\$10.23
Somerset	32,396,552	1,766,078	5.5%	(64,492)	130,305	971,736	\$13.87
Warren	10,614,356	418,899	3.9%	4,051	4,500	438,000	\$8.24
Hunterdon	5,953,738	265,778	4.5%	(28,651)	11,500	107,200	\$10.40
Sussex	3,581,585	255,655	7.1%	(49,714)	14,000	0	\$10.02

	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	RBA Under Construction	Average Asking Rate
Ports	149,426,546	8,307,436	5.6%	329,231	1,296,885	1,606,555	\$16.01
Exits 10/12	122,626,600	9,936,974	8.1%	(270,291)	1,103,011	1,988,692	\$15.46
Meadowlands	95,583,035	5,796,061	6.1%	(1,070)	890,065	1,946,949	\$16.18
Exit 8A	77,791,347	2,895,131	3.7%	(462,706)	1,366,319	643,372	\$14.66
Route 46/23/3 Corridor	55,679,188	2,612,967	4.7%	(218,804)	23,845	70,000	\$12.92
Exit 7A	51,901,215	4,382,492	8.4%	(4,081)	744,346	418,344	\$11.15
Morris Region	38,630,648	1,425,042	3.7%	184,447	198,185	1,702,647	\$12.77
Somerset	31,592,726	1,766,078	5.6%	(64,492)	130,305	971,736	\$13.87
Central Bergen County	25,934,131	1,663,833	6.4%	15,777	118,073	0	\$15.75
Suburban Essex	24,027,598	793,761	3.3%	38,541	40,104	260,111	\$14.01
Brunswick/ Exit 9	23,592,135	2,354,215	10.0%	35,897	37,946	163,610	\$14.18
Northern Bergen County	22,399,062	900,956	4.0%	254,712	275,748	263,000	\$14.80
Warren & Sussex	14,195,941	674,554	4.8%	(36,839)	18,500	438,000	\$8.92
Hunterdon	5,953,738	265,778	4.5%	(28,651)	11,500	107,200	\$10.40

Top Transactions

3Q SALE Transactions

305,548 SF | \$70,750,000
 16, 20, 26 & 20 Chapin Rd.- Pine Brook
 Buyer: Longpoint Realty Partners, LP
 Seller: First Industrial Realty Trust

147,920 SF | \$45,850,000
 10 Constitution Avenue - Piscataway
 Buyer: Bridge Industrial
 Seller: Rockefeller Group

40,000 SF | \$40,000,000
 1500 Clinton Street - Hoboken
 Buyer: Advance Realty Investors, PGIM, Inc.
 Seller: Deugen Development

81,000 SF | \$24,125,000
 80 E Essex Ave. - Avenel
 Buyer: Sagard Real Estate
 Seller: TA Realty

3Q LEASE Transactions


806,000 SF
 1183 Florence Columbus Rd. - Mansfield
 Tenant: US E-Logistics

406,669 SF
 148 Princeton Hightstown Rd. - East Windsor
 Tenant: RK Pharma

357,829 SF
 1 Industrial Road - Dayton
 Tenant: Jerich International

342,371 SF
 99 Callahan Boulevard - Sayreville
 Tenant: JW Fulfillment

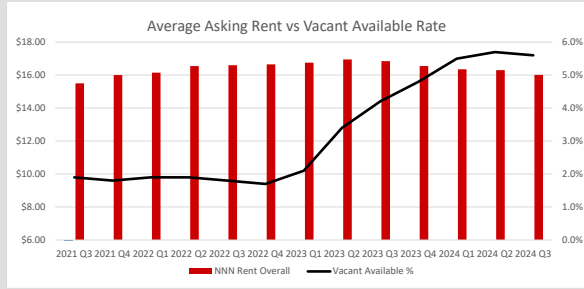
6.5 AC
 700 Jernee Mill Road - Sayreville
 Tenant: Aggreko



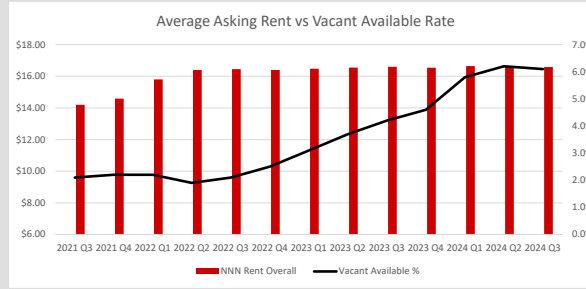
TOP 10 CONSTRUCTION PROJECTS				
ADDRESS	SIZE (SF)	COMPLETION	DEVELOPER	SUBMARKET
3000 Valley Brook Ave (Bldg. A)	932,168	4Q25	JV Forsgate & Russo Development	Meadowlands
3000 Continental Dr (Matrix Logistics)	585,000	4Q24	Matrix Development	Morris Region
395 Elizabeth Avenue	438,960	1Q25	Prologis	Somerset Region
145 Industrial Drive (Liberty Commerce Ctr.)	426,275	4Q25	Brookfield	Port
265 Rhode Hall Road	409,598	2Q25	Brookfield	Exit 8A
63 Hook Rd	355,580	4Q24	Bridge Investments	Port
300 Salt Meadow Rd (Crow Holdings@Carteret)	355,100	4Q24	Crow Holdings Industrial	Exit 10/12
3105 US 206	351,000	4Q24	Elion	Warren & Sussex
3000 Valley Brook Ave (Building B)	344,110	4Q25	JV Forsgate & Russo Development	Meadowlands
891 Newark Avenue (Bldgs. 1&2)	299,999	4Q24	Brookfield	Port

Submarket Highlights

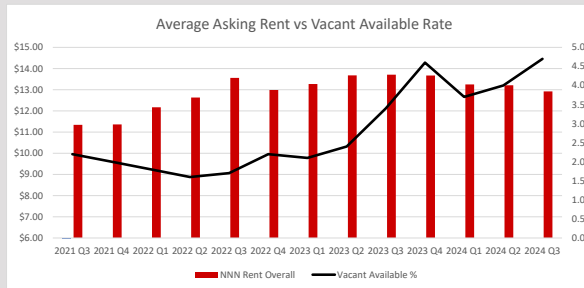
Ports



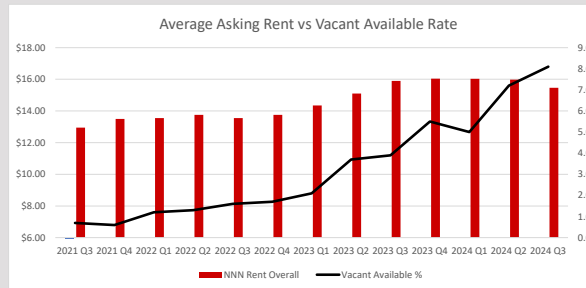
Meadowlands



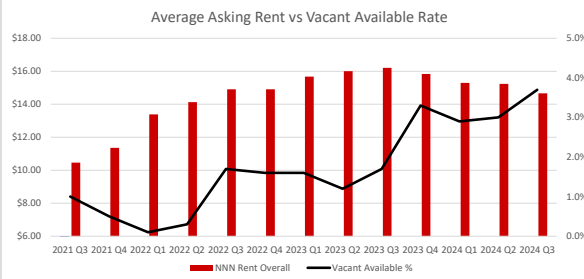
Route 46/23/3 Corridor



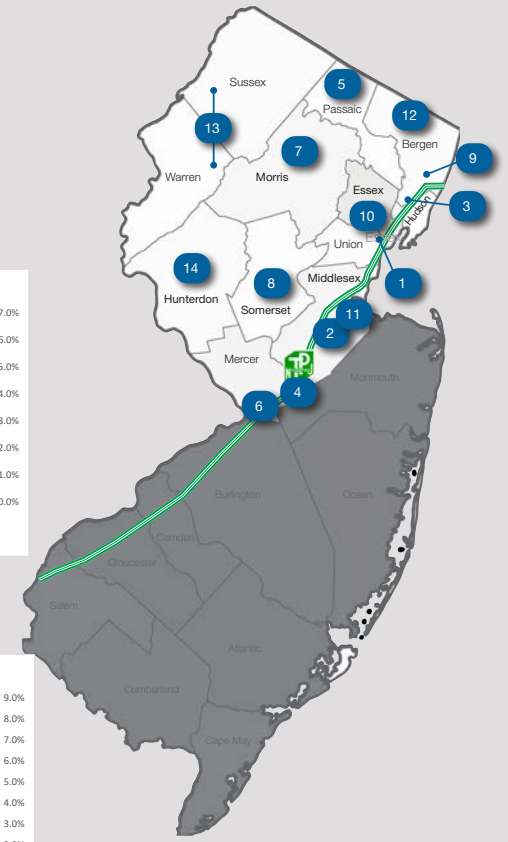
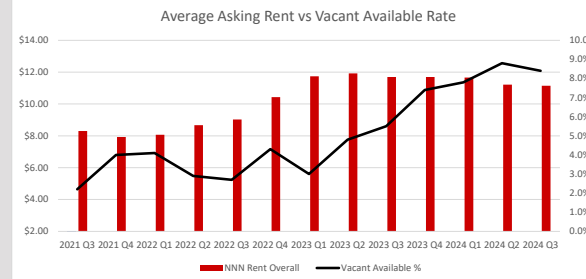
Exit 10/12



Exit 8A



Exit 7A



#	SUBMARKET	VACANCY
1	PORTS	5.6%
2	EXIT 10/12	8.1%
3	MEADOWLANDS	6.1%
4	EXIT 8A	3.7%
5	46/23/3 CORRIDOR	4.7%
6	EXIT 7A	8.4%
7	MORRIS REGION	3.7%
8	SOMERSET	5.6%
9	CENTRAL BERGEN	6.4%
10	SUBURBAN ESSEX	3.3%
11	BRUNSWICK/EXIT 9	10.0%
12	NORTHERN BERGEN	4.0%
13	WARREN & SUSSEX	4.8%
14	HUNTERDON	4.5%

30 2024 INDUSTRIAL REPORT

NAI James E. Hanson
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

NAI GLOBAL

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

For more information, please contact:

William C. Hanson, SIOR
President
201 488 5800 x145
whanson@naihanson.com

NAI JAMES E. HANSON

78
REAL ESTATE PROFESSIONALS



Superior information management and market research capabilities

49
Agents

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



240
TRANSACTIONS IN 2023

\$878
MILLION - VALUE
OF TRANSACTIONS
IN 2023

Consistently ranked as Top "Power Broker" by Costar Group

FOLLOW US!



195 North Street, Suite 100 • Teterboro, NJ 07608 • 201 488 5800 | 10 Lanidex Plaza W., Parsippany, NJ 07054 • 973 463 1011 | naihanson.com

THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM SOURCES CONSIDERED TO BE RELIABLE, BUT NO GUARANTEE OF ITS ACCURACY IS MADE BY NAI JAMES E. HANSON.