
4Q24

Northern New Jersey Industrial Market Overview

NEWMARK

Market Observations

Economy

- While the region’s labor market remains stable, employment growth has slowed, continuing its downward trend. Year-over-year growth remains positive at 1.4%. New Jersey’s unemployment rate declined by 10 basis points year-over-year to 4.6% in the fourth quarter but has remained above the national average of 4.2% since May 2023.
- Education and Health led all industries in Northern New Jersey, achieving 6.9% annual job growth. In contrast, industrial-occupying industries posted no year-over-year job gains, and the Construction sector contracted by 1.7%.
- Trade, transportation, utilities, and manufacturing firms are adapting to the economic climate and shifting consumer demand by recalibrating their labor needs. Despite these adjustments, competition for labor remains a significant challenge for many occupiers in the market. Industrial-using sectors reported job losses over the past 12 months, with the Construction industry experiencing a 1.9% year-over-year decline.

Major Transactions

- Logistics Plus signed the largest lease of the fourth quarter, securing 997,965 SF at 505 State Route 33 in Millstone.
- Campbells leased 450,933 SF at 100-400 Nixon Lane in Edison.
- Adjco Warehouse renewed its lease for 418,300 SF at 113 Interstate Boulevard in Monroe.
- L.A. Enterprises extended its 371,995 SF lease for six years at 1 Costco Drive in Monroe.
- Winit subleased the remaining 367,610 SF of Samsung's 735,220 SF footprint.

Leasing Market Fundamentals

- The vacancy rate rose by 20 basis points quarter-over-quarter to 5.7% in the fourth quarter of 2024. Despite increases in vacancy over the past two years, the market remains healthy, standing 110 basis points below the twenty-year trendline. Net absorption exceeded 800,000 SF as demand outpaced supply.
- Class A warehouse leasing surged throughout 2024, accounting for over 55.21% of total leasing volume year to date. Class A activity rose by 18.8% quarter-over-quarter, driven by highly optimized space entering the market and landlords offering generous concession packages. The average deal size exceeded 200,000 SF in the fourth quarter of 2024, reflecting a sustained flight to quality.
- The construction pipeline largely declined over the past year, with year-to-date deliveries totaling more than 10.3 MSF, the highest since 2020. However, this trend reversed in the latter part of 2024, coinciding with three interest rate cuts by the Federal Reserve.

Outlook

- The rate of vacancy increases over the past two years is expected to slow throughout 2025 as leasing activity improves and interest rates are reduced.
- The International Longshoremen's Association has reached a tentative agreement on a new six-year contract; however, the possibility of a renewed strike remains, which could drive short-term demand, particularly for industrial outdoor storage (IOS) space.
- Elevated vacancy is anticipated to result in a decrease in the overall market's average asking rents in 2025, though select submarkets such as the Ports, Meadowlands, and Exit 12 are expected to maintain higher rent levels.

1. Economy
2. Leasing Market Fundamentals

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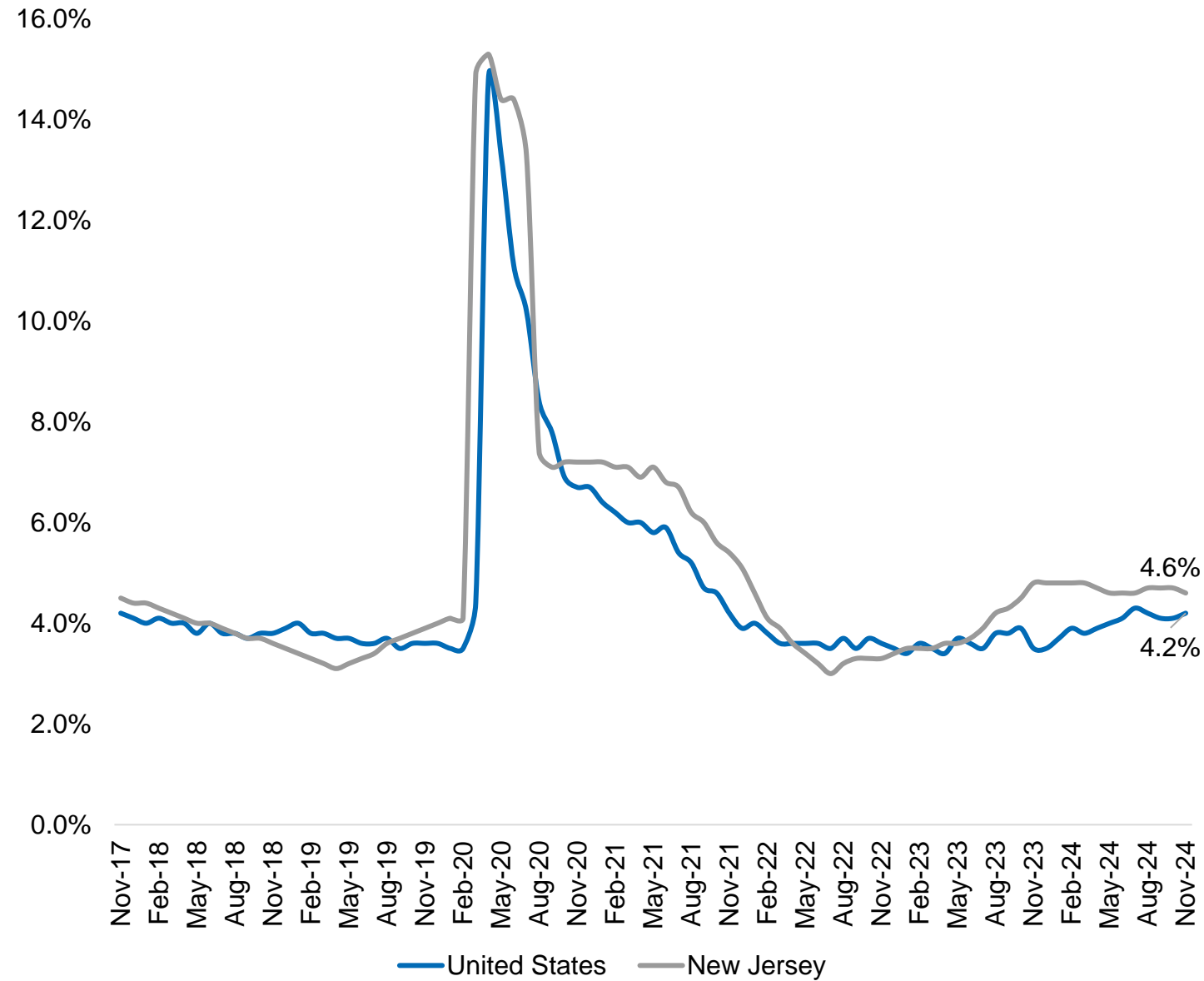
Economy



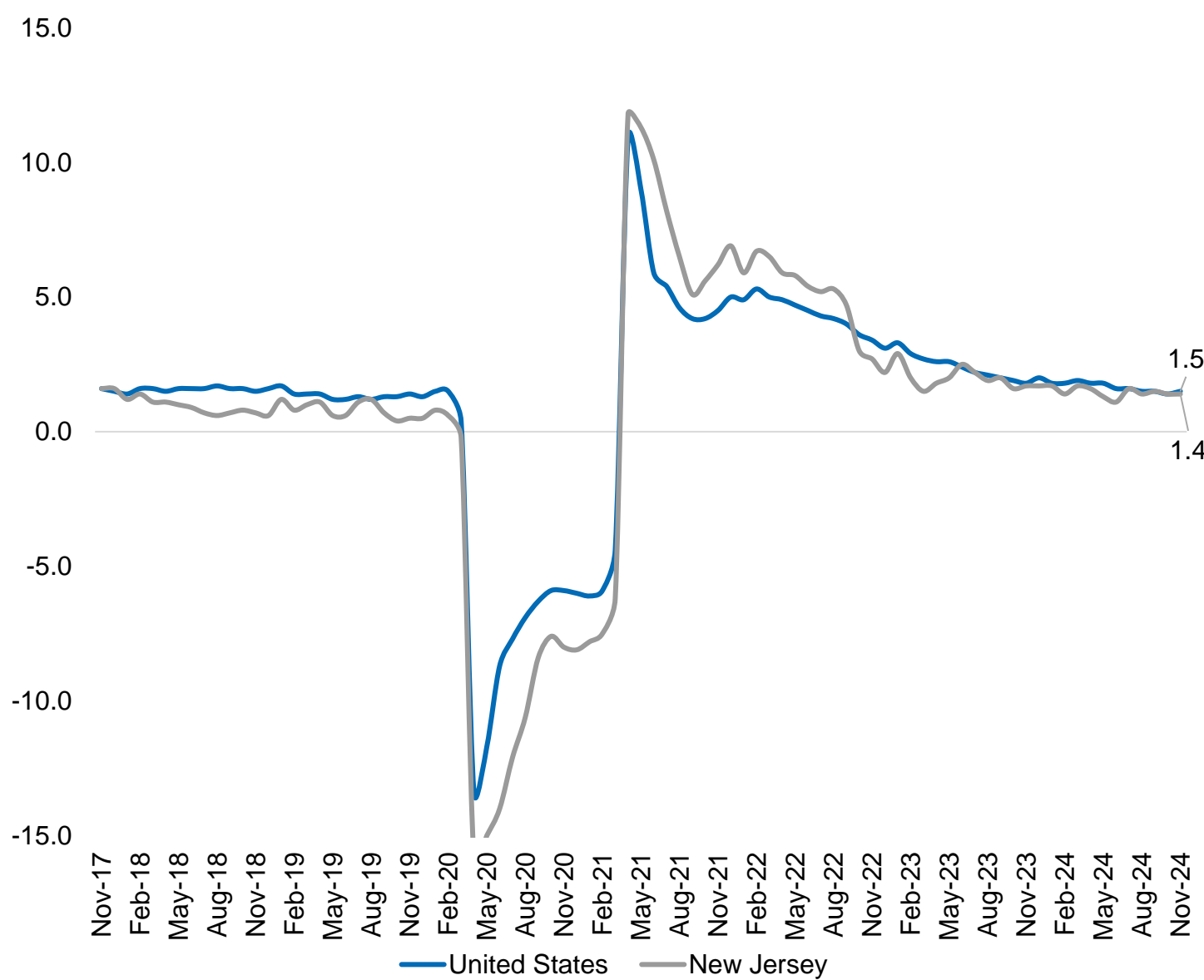
Metro Employment Trends Signal Slowing Economy

While the region's labor market remains stable, employment growth has slowed, continuing its downward trend. Year-over-year growth, however, remains positive at 1.4%. New Jersey's unemployment rate declined by 10 basis points year-over-year to 4.6% in the fourth quarter but has remained above the national average of 4.2% since May 2023.

Unemployment Rate, Seasonally Adjusted



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



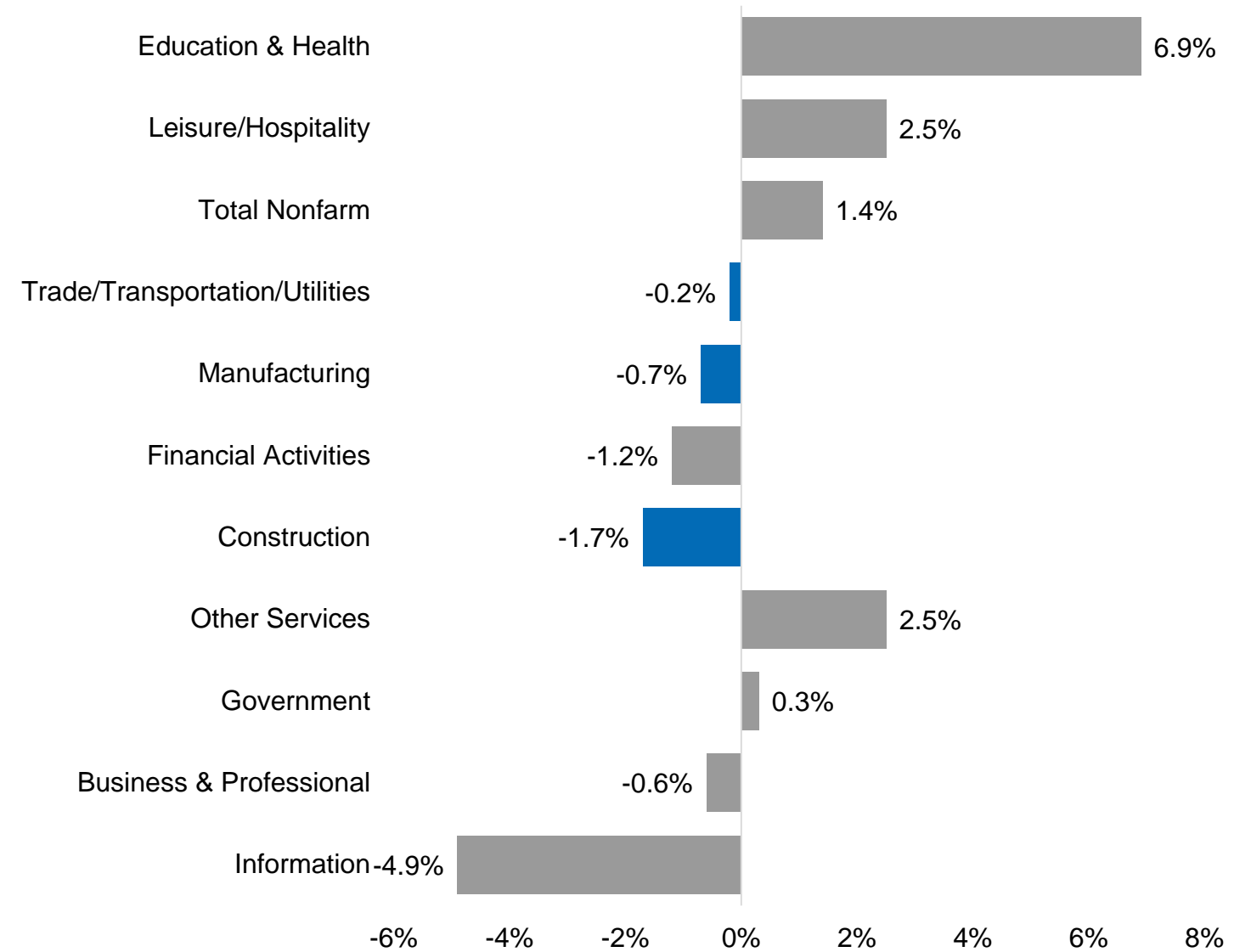
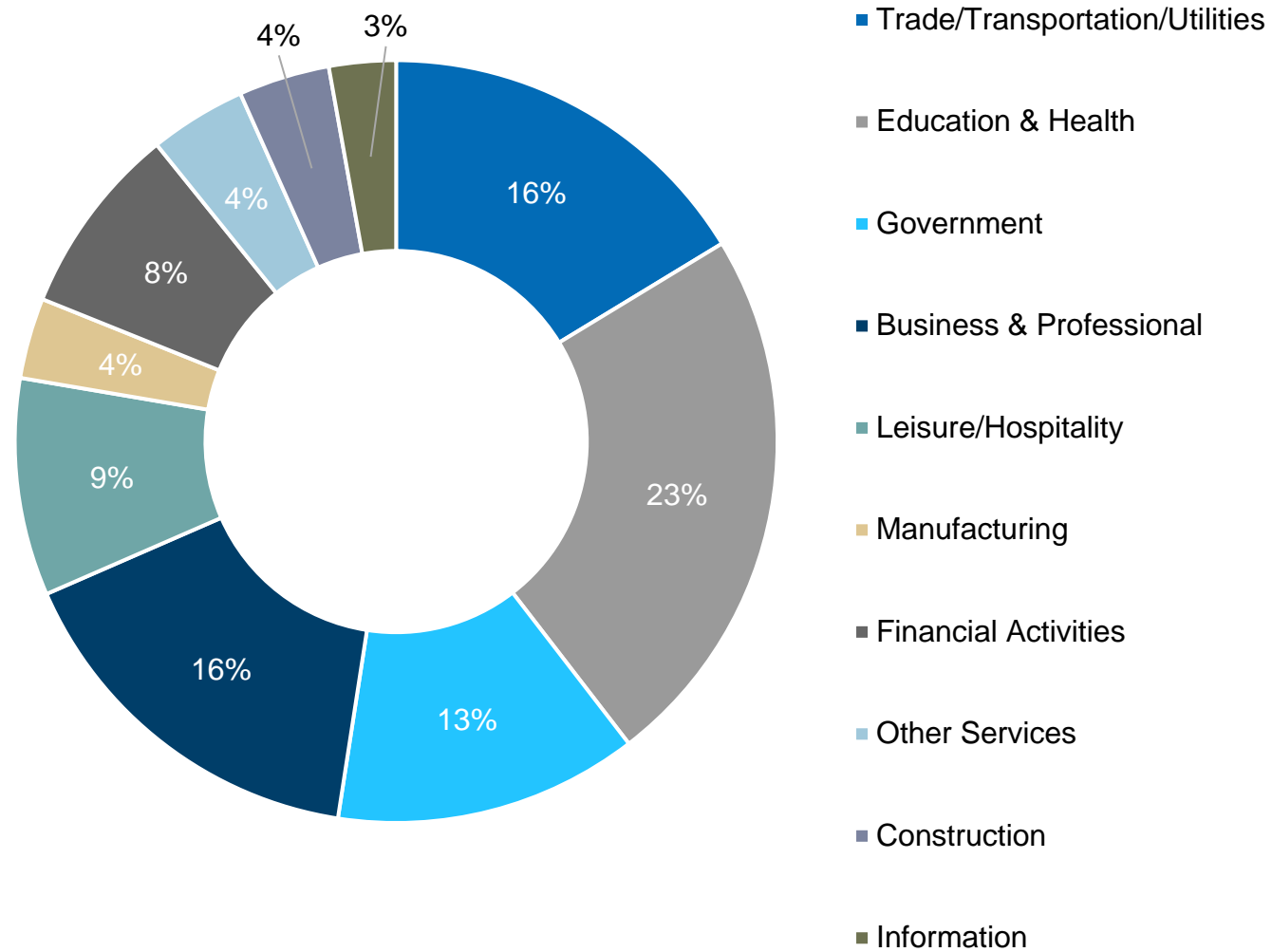
Source: U.S. Bureau of Labor Statistics, New Jersey

Industrial Employment Lower

Education and Health led all industries in Northern New Jersey, achieving 6.9% annual job growth. In contrast, industrial-occupying industries posted no year-over-year job gains, while the Construction sector contracted by 1.7%.

Employment by Industry, November 2024

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

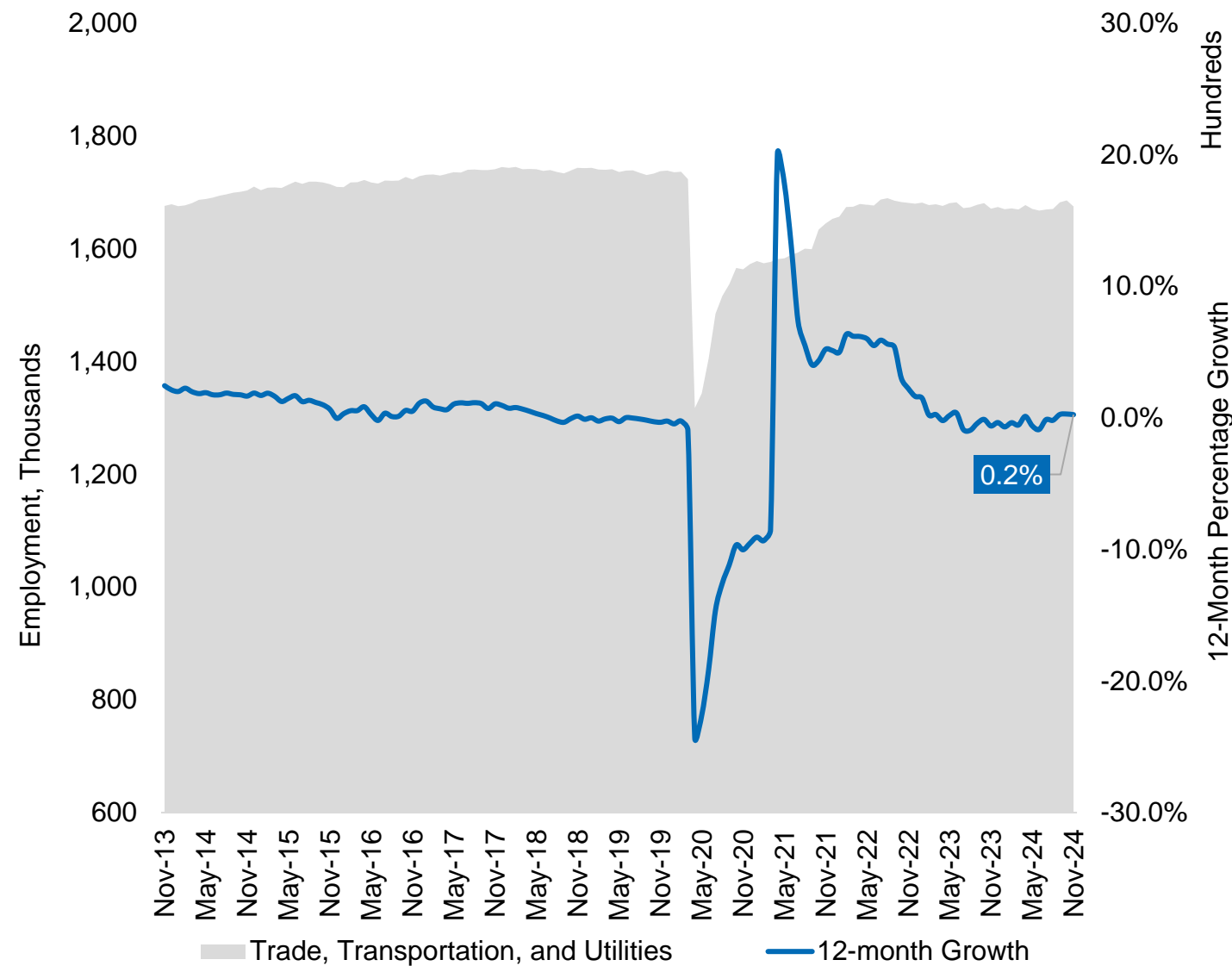


Source: U.S. Bureau of Labor Statistics, New Jersey

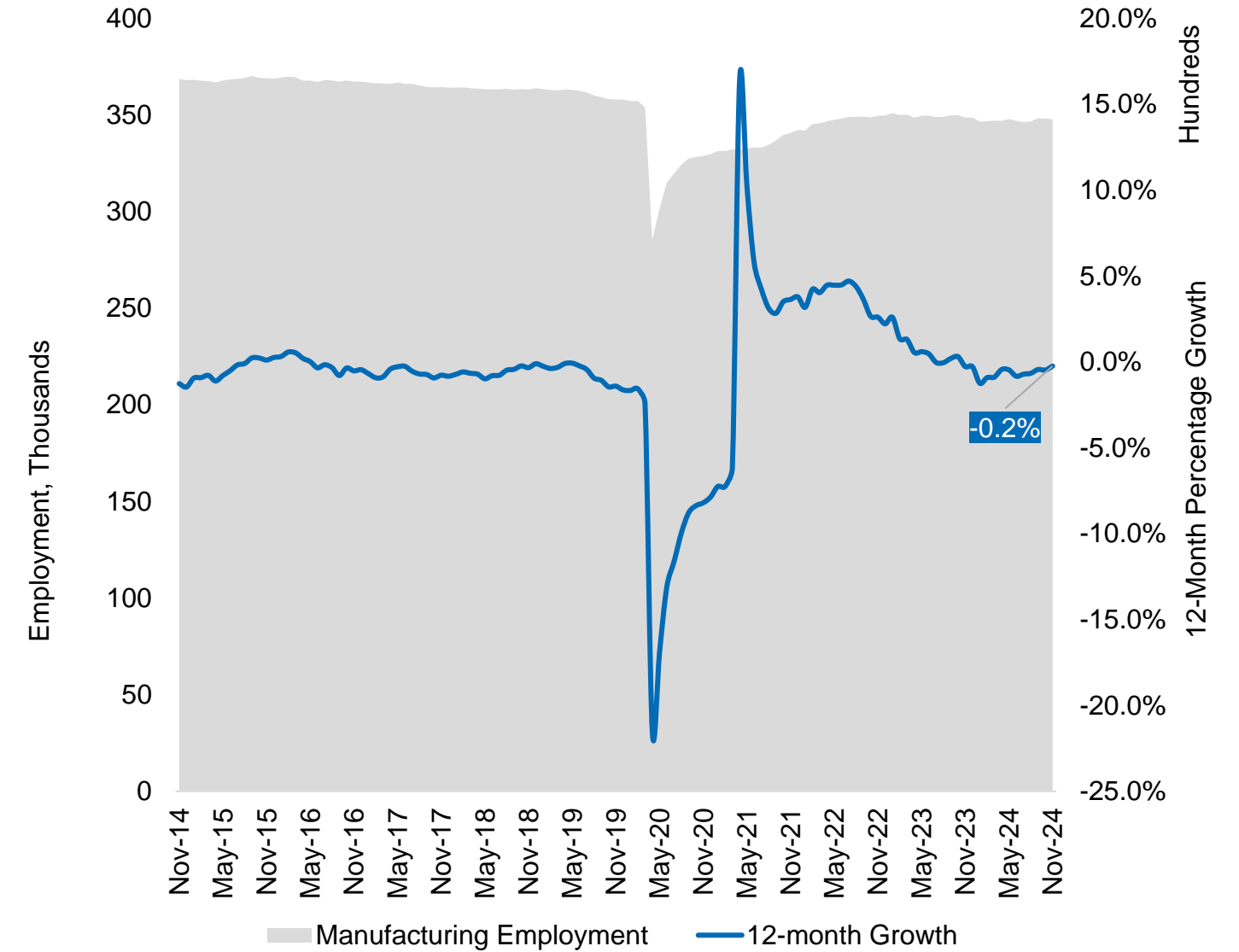
Industrial Employment Growth Slows

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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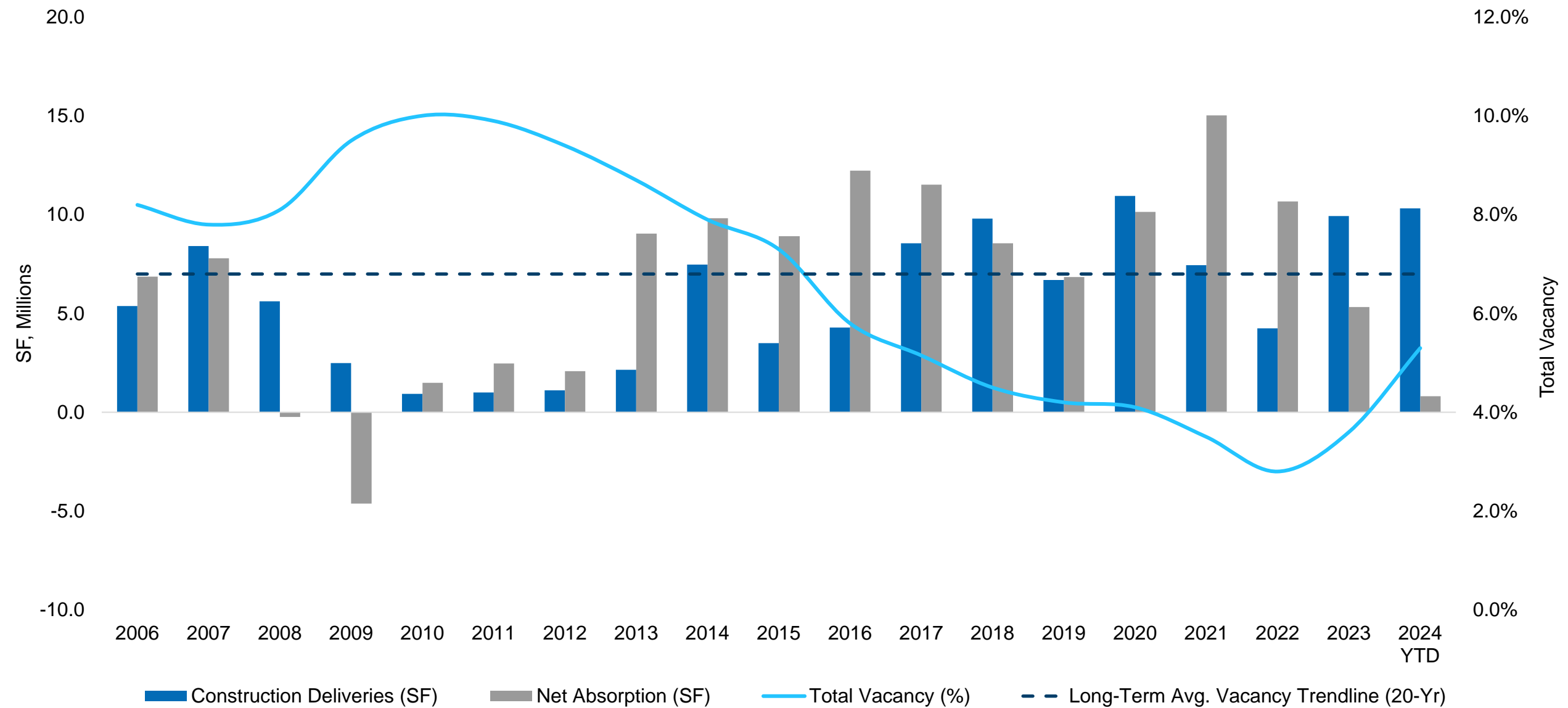
Leasing Market Fundamentals



Vacancy Rises As Net Absorption Positive

The vacancy rate rose by 20 basis points quarter-over-quarter to 5.7% in the fourth quarter of 2024. Despite increases in vacancy over the past two years, the market remains healthy, standing 110 basis points below the twenty-year trendline. Even with robust deliveries, heightened availability, and economic uncertainties, the market recorded one of its strongest quarters of leasing activity in the past two years, with net absorption exceeding 800,000 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

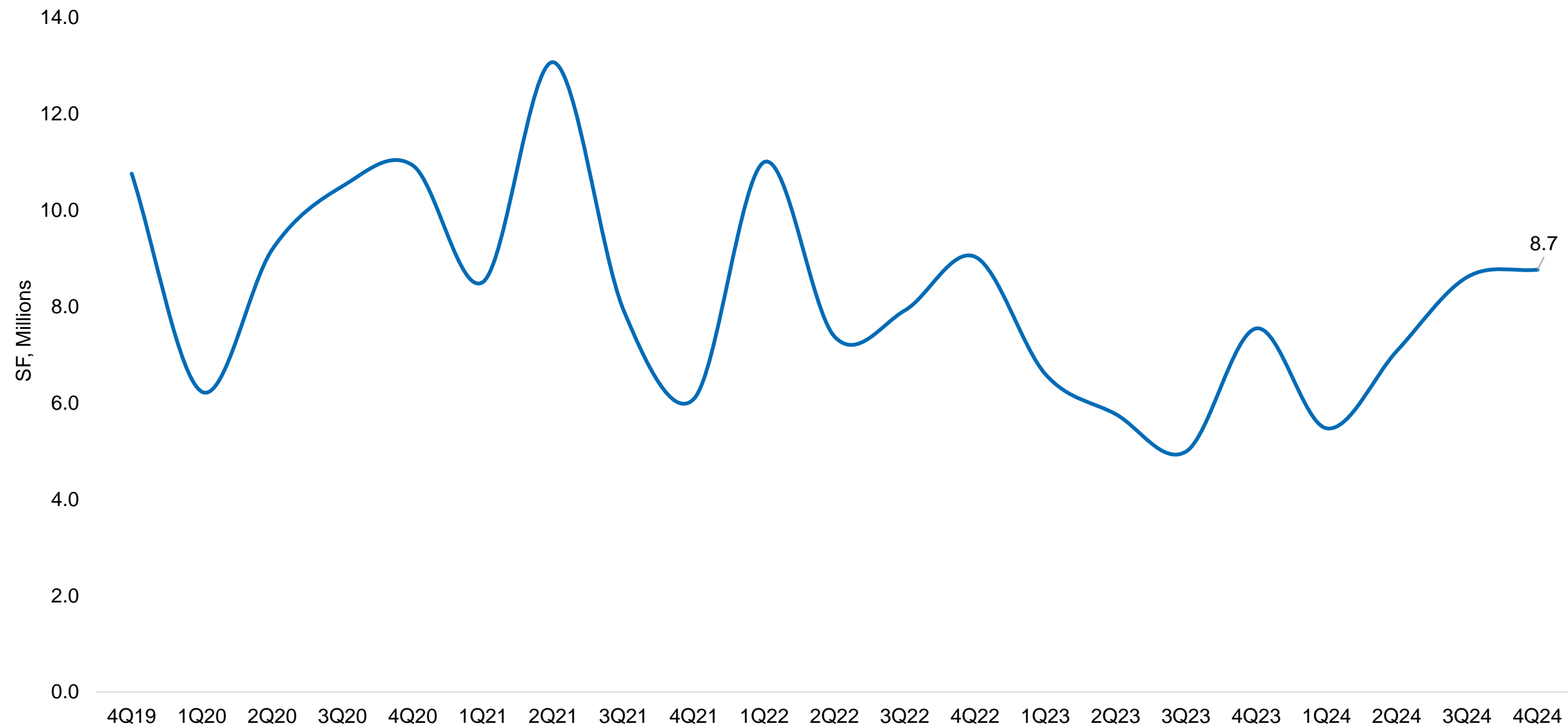


Source: Newmark Research

Industrial Leasing Activity Rises

Leasing activity surged in the latter half of 2024, reaching over 8.7 million SF during the fourth quarter, a 15.3% year-over-year increase. Third-party logistics (3PLs) continued to dominate leasing activity, accounting for the majority of the top deals during the quarter, highlighted by a 997,965 SF lease with Logistics Plus at 505 State Route 33 in Millstone. The average deal size during the fourth quarter of 2024 was 37,675 SF.

Total Leasing Activity (SF)

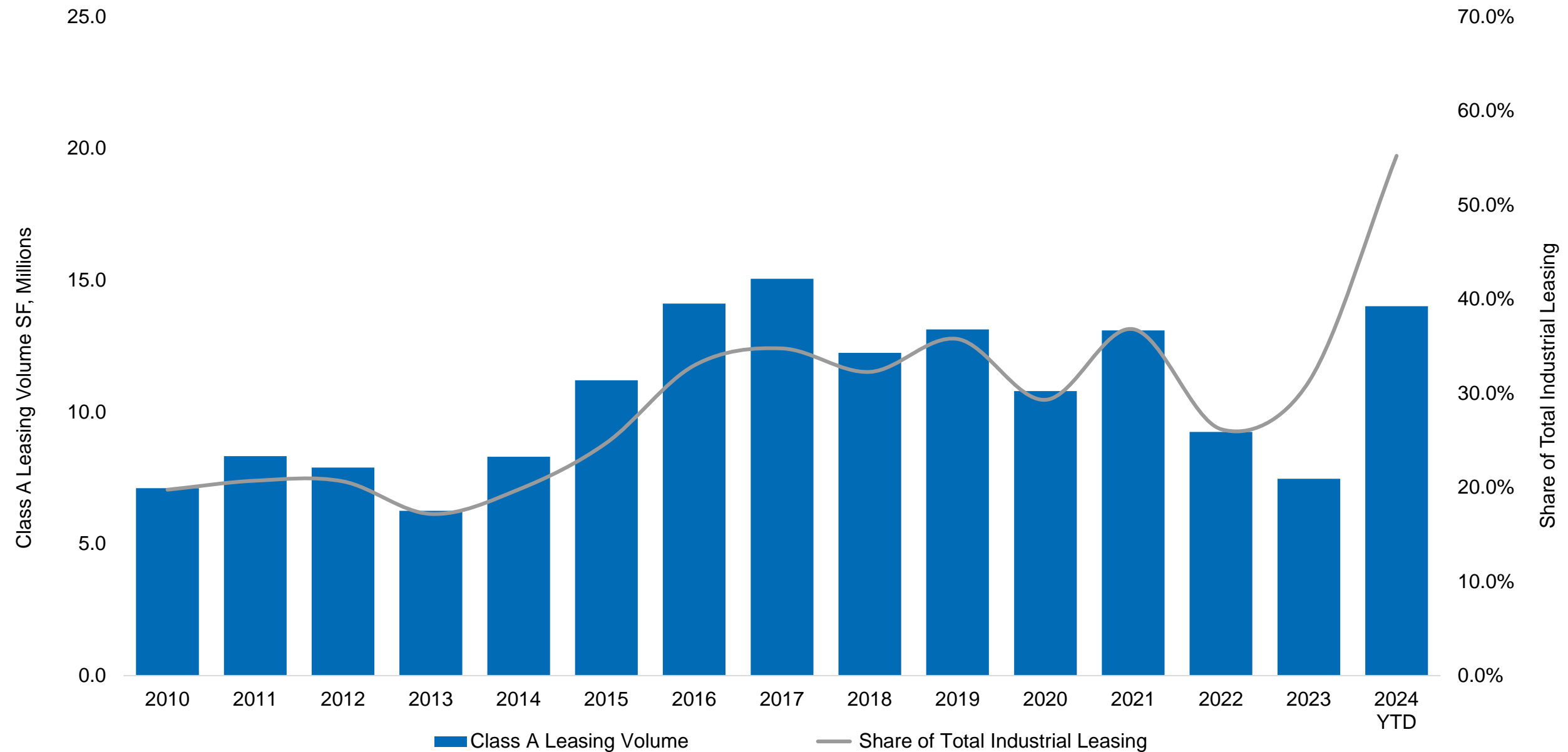


Source: Newmark Research, CoStar

Class A Warehouse Leasing Activity Surges

Despite overall leasing activity remaining below post-pandemic averages, Class A warehouse leasing surged throughout 2024, accounting for over 55.21% of total leasing volume year to date. Class A activity rose by 18.8% quarter-over-quarter, driven by highly optimized space entering the market and landlords offering generous concession packages. The average deal size exceeded 200,000 SF in the fourth quarter of 2024, reflecting the continued flight-to-quality trend within the market.

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

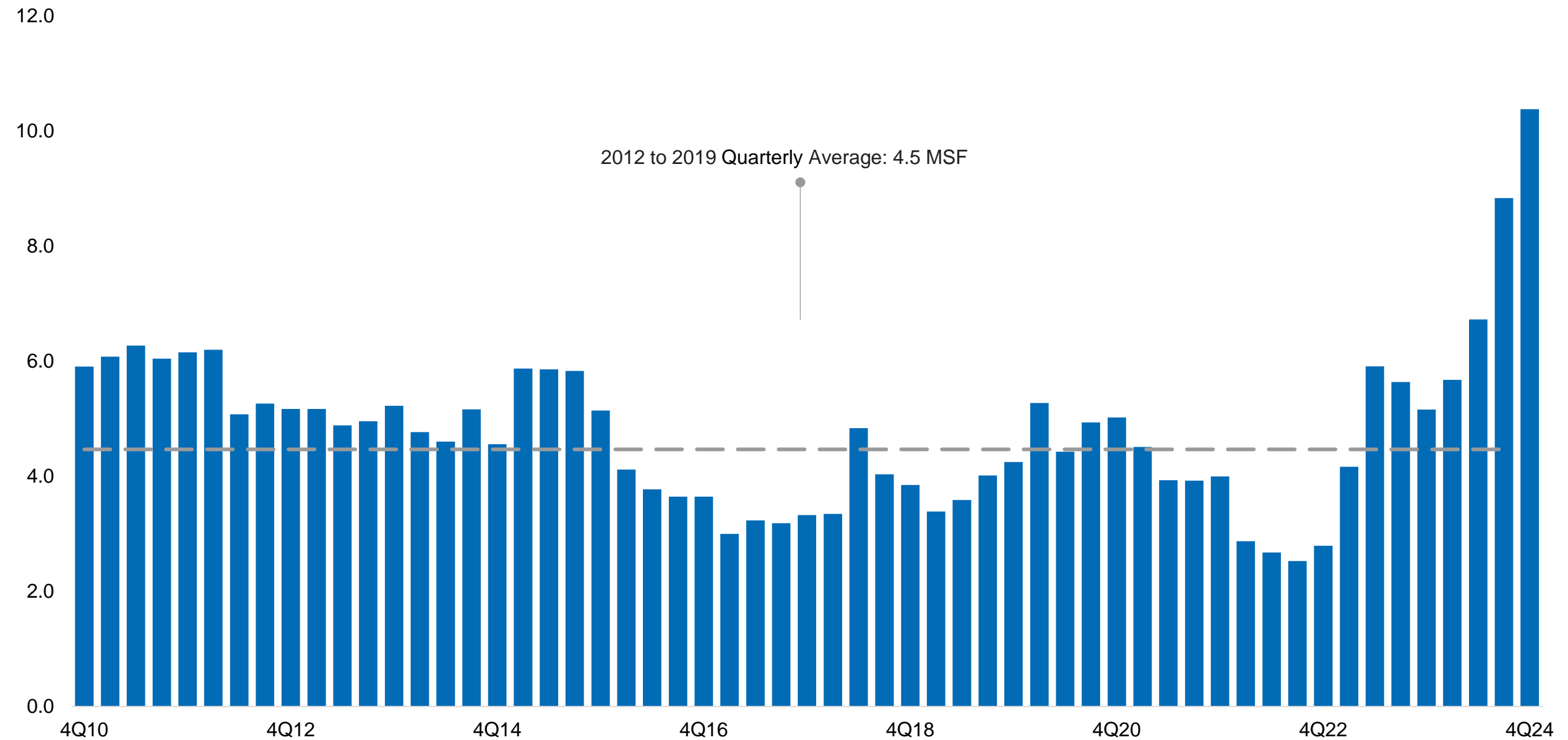


Source: Newmark Research, CoStar

Industrial Sublease Availability At New High

Sublease availability closed the fourth quarter of 2024 at 10.3 MSF, representing a 17.6% quarter-over-quarter increase. A key contributor to this rise is the 1,281,000 SF at 904 Cranbury South River Road in Monroe Township. Previously occupied by Home Depot, this space was the largest lease signed in the fourth quarter of 2022. Many companies are seeking to reduce costs through consolidation and supply chain optimization, often leading to the subleasing of underutilized or surplus space.

Available Industrial Sublease Volume (MSF)

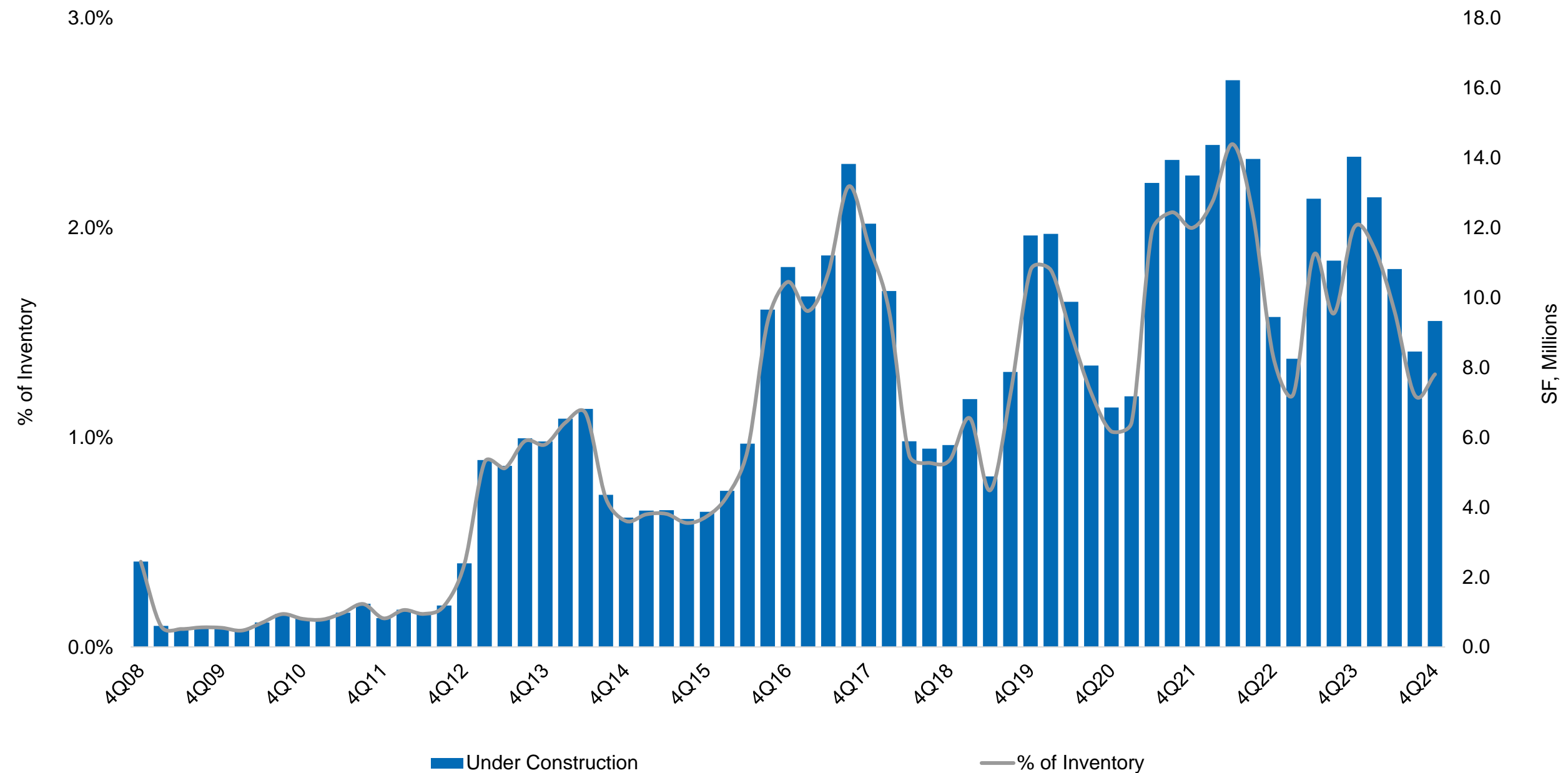


Source: Newmark Research, CoStar

Industrial Supply Increases

The construction pipeline largely declined over the past year, with year-to-date deliveries exceeding 10.3 MSF, the highest total since 2020. However, this trend reversed in the latter part of 2024, coinciding with three interest rate cuts by the Federal Reserve. The under-construction pipeline expanded by more than 1.2 MSF as several projects broke ground, including a mix of build-to-suit and speculative developments.

Industrial Under Construction and % of Inventory

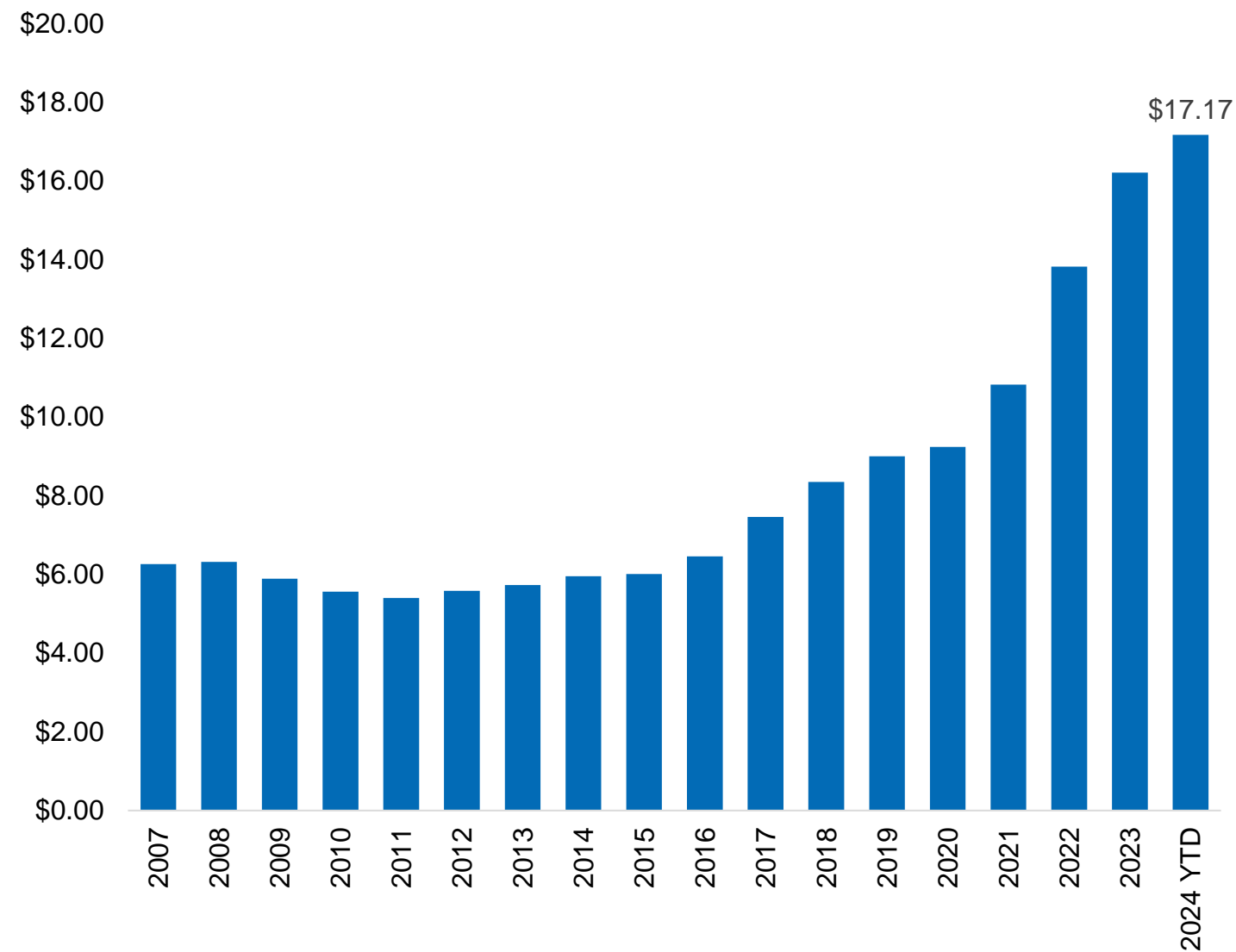


Source: Newmark Research, CoStar

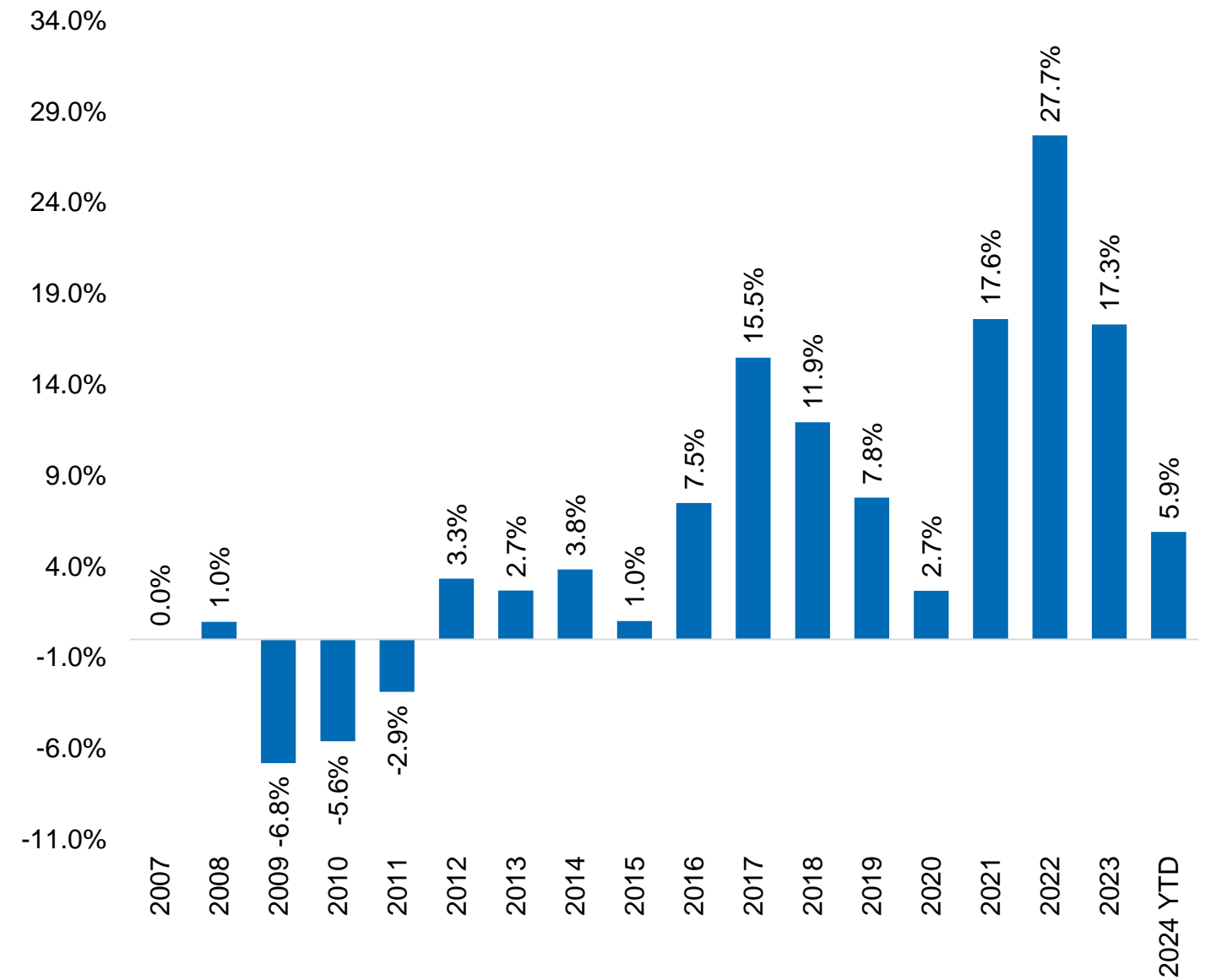
Industrial Asking Rent Growth Moderate

Industrial average asking rents in Northern and Central New Jersey reached \$17.17/SF in the fourth quarter of 2024. Year-over-year, rents increased by 5.9%, marking a notable slowdown compared to the rapid growth of the previous three years. As more space enters the market, rent growth is expected to moderate into early 2025.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 4Q24 Lease Transactions

Leasing activity surged in the latter half of 2024, reaching over 8.7 million SF during the fourth quarter, a 15.3% year-over-year increase. While there has been a notable rise in Asian third-party logistics (3PL) firms within the market, leasing activity to close out the year was primarily driven by other 3PL companies and retailers.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Logistics Plus <i>Logistics Plus signed the largest lease of the fourth quarter, taking 997,965 SF at 505 State Route 33 in Millstone.</i>	505 State Route 33	Monmouth	Direct New	997,965
Campbells <i>Campbells leased 450,933 SF at 100-400 Nixon Lane in Edison.</i>	100-400 Nixon Lane	Exit 10	Direct New	450,933
Adjco Warehouse <i>Adjco Warehouse renewed for 418,300 SF at 113 Interstate Boulevard in Monroe.</i>	113 Interstate Boulevard	Exit 8A	Direct Renewal	418,300
L.A. Enterprises <i>L.A. Enterprises extended their 371,995 SF lease over 6 years at 1 Costco Drive in Monroe.</i>	1 Costco Drive	Exit 8A	Direct Extension	371,995
Winit <i>Winit subleased the remaining 367,610 SF of Samsung's 735,220 SF footprint.</i>	700 Linden Logistics Way	Linden/Elizabeth	Sublease New	367,610

Submarket Stats Overview

Please reach out to your
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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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NNJ Construction Starts

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The Ports Submarket Overview

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