LEASING RUSH MODERATES AS CONSTRUCTION ACTIVITY CONTRACTS

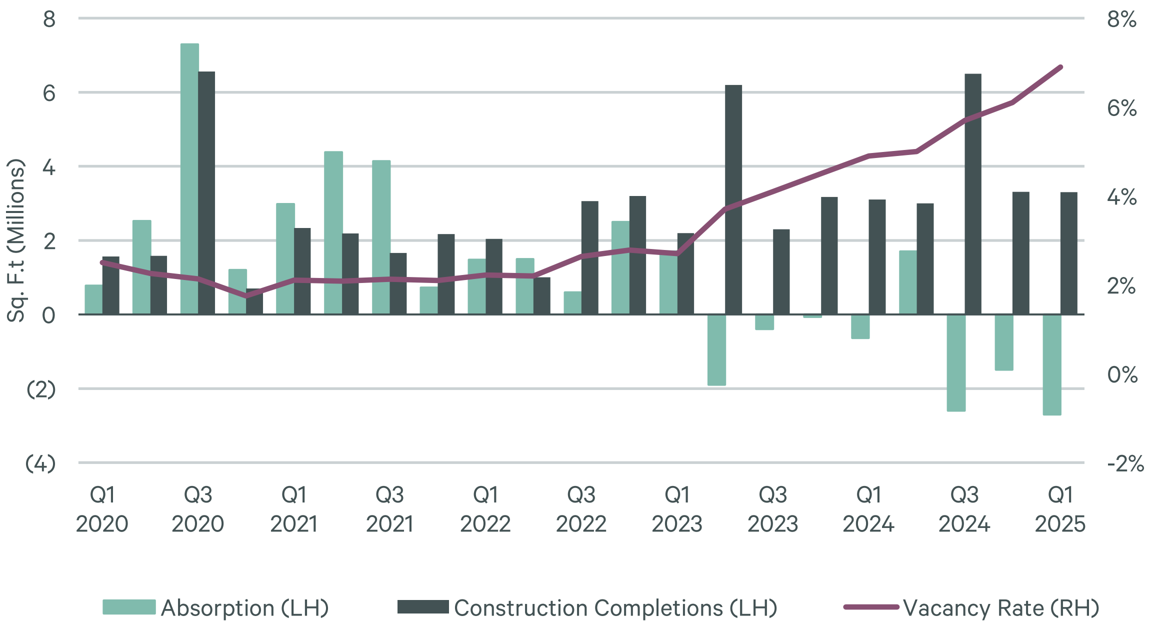
▲ 6.9%	▼ -2.7M	▼ 7.2M	▼ 5.3M	▶ $19.77	▼ $17.69
Vacancy Rate	Sq. Ft. Net Absorption	Sq. Ft. Under Construction	Sq. Ft. Leasing Activity	NNN / Class A Lease Rate Per Sq. Ft.	NNN / Lease Rate Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

Market Overview

After a vibrant end to 2024, demand in the Northern and Central industrial leasing markets retreated in Q1 2025 with unleased construction completions and occupier right-sizing. These challenges are familiar, having started after the Federal Reserve started raising its target interest rate in mid-2022. But landlords have proven that through flexibility and increased concessions, dealmaking is possible in a market with rising vacancy. The shrinking of the construction pipeline to its lowest level in five years along with few large spec developments on the horizon are positive signs that landlords and developers are seeking balance. Uncertainty in the international trade environment deepened during the quarter, posing a new hurdle for demand, though its effects won't be fully understood for several quarters while third party logistics (3PLs) and retail/whole companies re-examine their occupancy strategies.

FIGURE 1: NJ Overall Historical Absorption, Construction Completions, and Vacancy



Source: CBRE Research, Q1 2025

Demand

Consecutive quarters of strong leasing activity came to an end during the first quarter as leasing activity cooled to 5.3 million sq. ft., consistent with the post-interest rate hike environment. The drivers of demand, 3PLs, food service, and retail/wholesale, were mostly unchanged from recent quarters. 3PLs continued to dominate, accounting for 37% of leasing activity, followed by food service tenants at 27% and retail/wholesale tenants at 22%. Within the 3PL category, there was a notable shift in the composition of leasing. Domestic 3PLs' share of leasing activity shrunk to 37% compared to 57% with offshore 3PLs ascending to 63% from 43% in Q4. Even with an increased share, offshore 3PL leasing fell by more than half to 660,000 sq. ft. Offshore 3PL tenants are opportunistic and seek deals in Class A long-term vacancies and subleases. Fewer port-adjacent Class A, long-term subleases and diminishing long-term new development vacancies ultimately led to a decrease in leasing activity by this group during the first quarter.

Supply

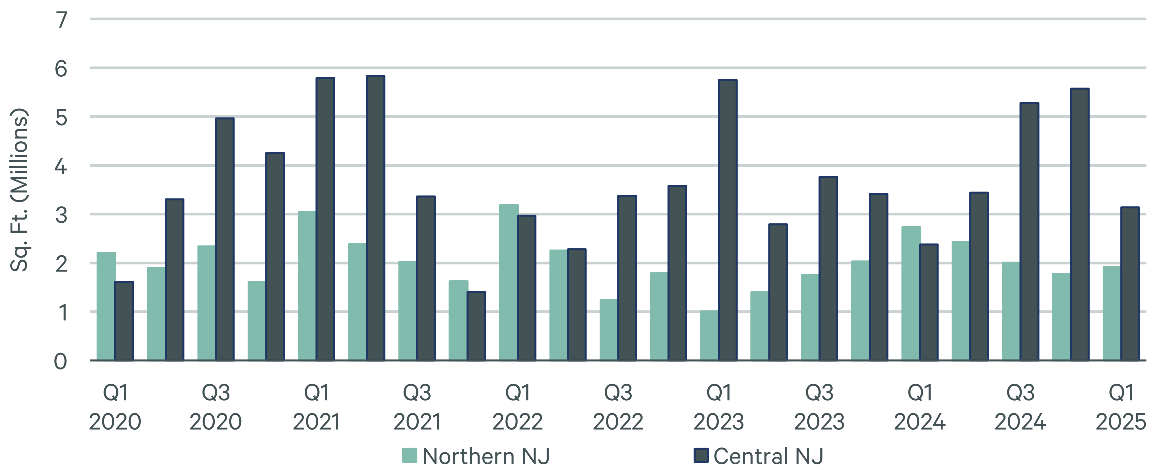
New large block vacancies of 50,000 sq. ft. or more were added to the market. Vacancy among all classes of space grew quarterly by 80 basis points (bps) to 6.9% and Class A vacancy jumped to 18.2% from 16.3% in Q1 2025. During this time, 9.4 million sq. ft. of 50,000 sq. ft. or larger were added to the market, 36% above the prior quarter's total. The Exit 8A and Route 287/Exit 10 submarkets saw the largest increases in big block vacancy, accounting for 32% of the recent

FIGURE 2: Notable Lease Transactions, Q1 2025

Size	Tenant	Address	City	Transaction Type
405,000	Nestle	1115 W Middlesex Ave	Port Reading	New Lease
339,000	Shaw Floors	30 Sigle Ln	Dayton	New Lease
146,000	YunExpress	400 Salt Meadow - B	Carteret	New Lease
130,000	SciSafe	9 Cotters Ln	East Brunswick	New Lease
106,000	BLLIX	1130 State St	Perth Amboy	New Lease

Source: CBRE Research, Q1 2025

FIGURE 3: Historical Industrial Leasing Activity by Market



Source: CBRE Research, Q1 2025

additions. These two submarkets are home to many domestic 3PLs and retail/wholesale companies that took on excess space during COVID-19. Their leases have started to roll over, resulting in right-sizing.

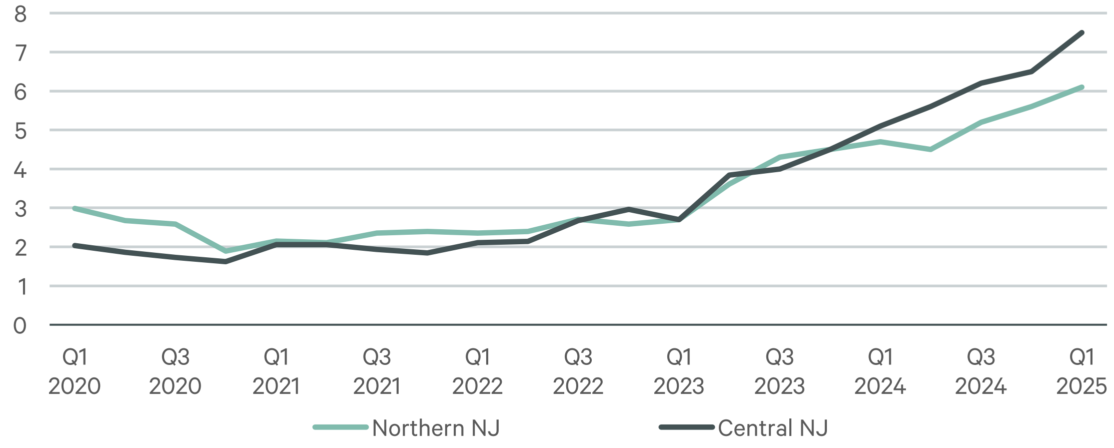
Sublease availability ticked higher after several quarters of holding steady; net 1.5 million sq. ft. of sublease space was added during the quarter, pushing the sublease availability rate up 20 bps to 1.2% and comprising 16% of all availability.

Q1 2025 saw 3.1 million sq. ft. of newly completed, unleased construction adding vacancy to the market, the third highest total in the last five years. New construction starts were muted, totaling 531,000 sq. ft. as developers pump the brakes in a market with rising vacancy. The high level of completions in conjunction with few starts trimmed the under-construction pipeline to 7.2 million sq. ft., the second lowest total in five years.

Rent Trends

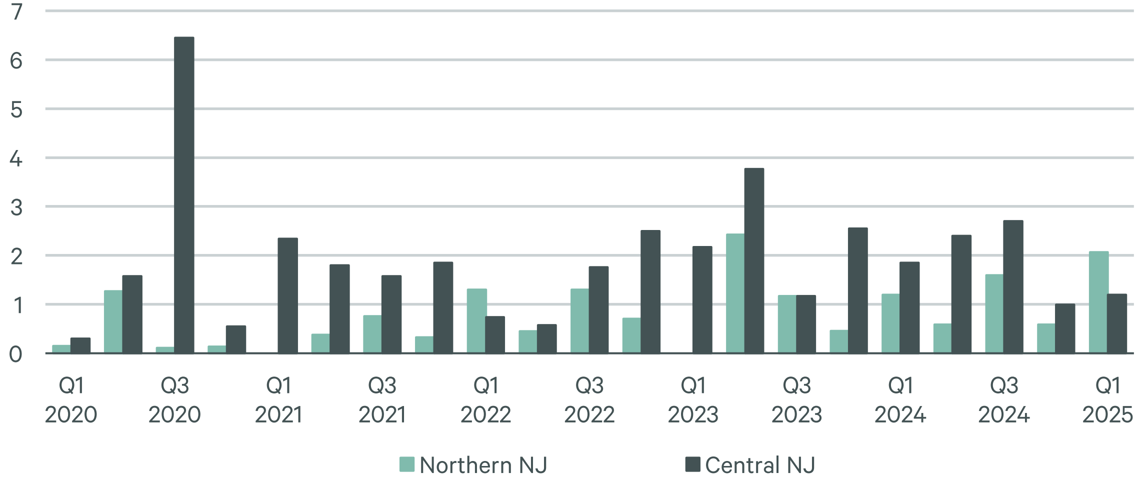
Average asking rents fell for the second straight quarter as vacancy continued upward. Asking rents softened by 1.4%, bringing average asking rents down to $17.69 per sq. ft., 3.4% below the peak of $18.31. The Class A average asking rent was virtually unchanged at $19.77 per sq. ft., due to well-capitalized owners holding face rents without sublease competition. Most long-term deals include low effective rents as landlords offer aggressive concession packages. A growing roster of landlords with vacancy fatigue have been looking to stabilize assets in competitive submarkets by settling for reduced base rents.

FIGURE 4: Historical Vacancy Rate by Market (%)



Source: CBRE Research, Q1 2025

FIGURE 5: Historical Construction Completions by Market (Million Sq. Ft.)



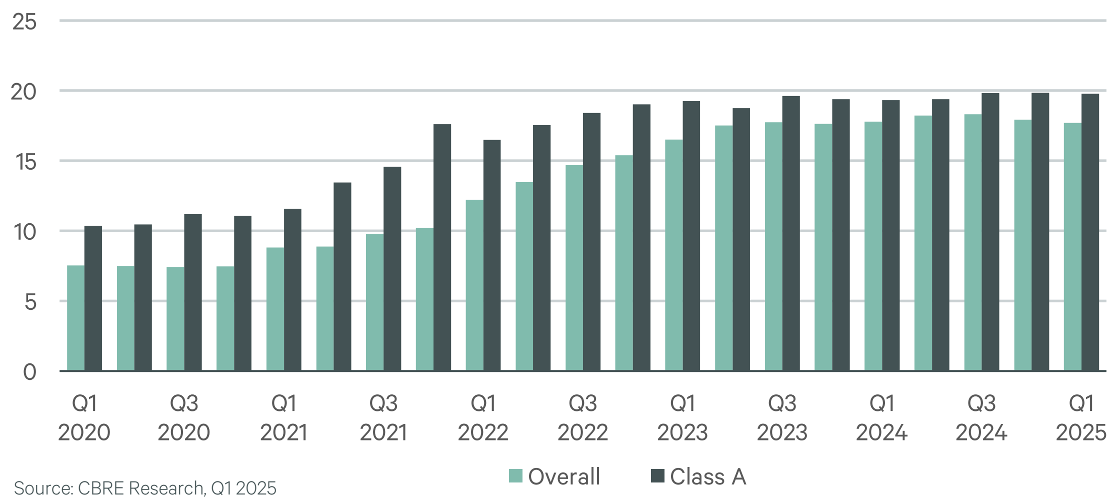
Source: CBRE Research, Q1 2025

Economic Overview

Policy speculation and announcements are now the key catalysts for macro expectations and financial markets. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its outlook for this year down to just below 2%.

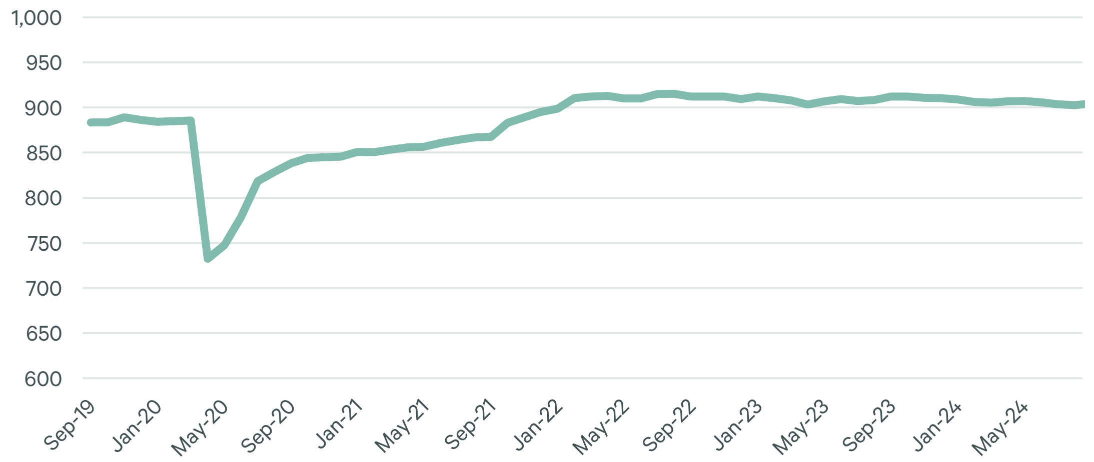
New Jersey's industrial employment saw modest improvement in Q1 2025 as manufacturing employers added 400 positions (+0.2%) quarter-over-quarter and the significantly larger trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – added 6,300 positions (+0.7%). Overall, New Jersey gained 6,700 industrial positions in Q1 and 2,800 positions year-over-year. New Jersey industrial employment achieved a post-pandemic peak of 1.17 million jobs in September 2023 and currently stands at 99.6% of that level.

FIGURE 6: NJ Overall Historical Industrial Asking Rents ($/ Per Sq. Ft.)



Source: CBRE Research, Q1 2025

FIGURE 7: NJ Trade, Transportation, and Utilities Employment (Thousands)



Source: BLS

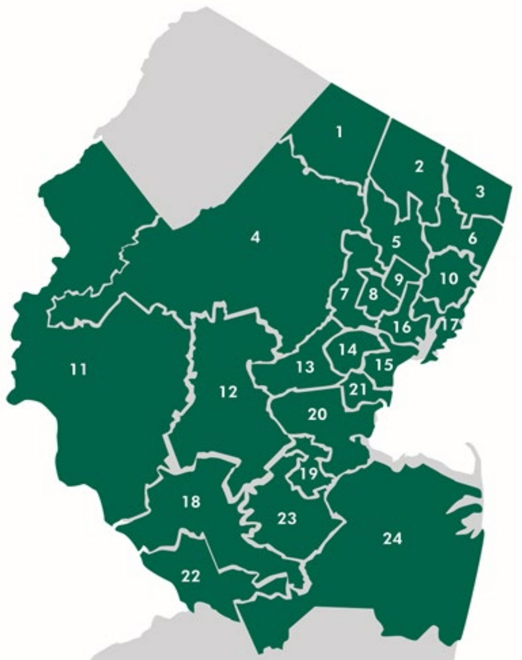
FIGURE 8: Submarket Statistics

District	Inventory (Million Sq. Ft.)	Vacancy Rate (%)	Class A Avg. Asking Rent ($/Sq. Ft.)	All Space Avg. Asking Rent ($/Sq. Ft.)	Leasing Activity (Thousand Sq. Ft.)	Net Absorption (Thousand Sq. Ft.)	Under Construction (Thousand Sq. Ft.)
Central Bergen	31.9	4.4	-	16.96	128.1	198.4	154.2
Fairfield Market	18.6	5.1	-	16.42	101.3	4.4	0.0
Hudson Waterfront	67.3	6.4	26.65	22.38	424.1	53.0	426.3
Meadowlands	93.9	7.7	26.14	20.19	628.6	180.9	1453.2
Morris Region	43.1	8.2	17.37	16.31	197.6	-233.5	1270.9
Newark	53.3	5.1	28.77	23.89	258.0	133.4	195.8
Northeast Bergen	8.2	3.0	-	15.36	5.3	-31.4	0.0
Northwest Bergen	19.5	6.3	21.82	19.70	58.9	-40.6	0.0
Rt 23 North	0.6	1.3	-	-	0.0	-8.0	0.0
Rt 280 Corridor	4.4	4.6	-	13.48	2.8	-20.3	0.0
Rt 46/23/2 Interchange	58.2	5.0	22.00	16.33	118.2	-144.1	0.0
Suburban Essex	6.5	2.0	-	12.42	0.0	-24.4	204.4
Northern NJ Total	**405.5**	**6.1**	**23.14**	**19.29**	**1,922.9**	**67.7**	**3,704.8**
Brunswicks/Exit 9	29.7	9.9	18.00	16.36	179.8	-216.8	163.6
Carteret/Avenel	31.2	11.0	19.67	19.18	833.6	440.2	0.0
Central Union	23.4	3.2	19.25	17.09	73.2	-82.7	151.7
Exit 8A	80.5	7.8	16.44	15.85	944.0	-891.0	525.2
Hunterdon/Warren	15.2	6.3	-	12.92	367.8	-357.0	500.0
Linden/Elizabeth	45.9	9.9	23.70	21.43	190.8	-324.5	0.0
Monmouth	29.2	9.4	17.00	16.57	98.2	-55.8	224.9
Princeton	16.0	2.6	-	12.50	10.0	-62.3	0.0
Route 287/Exit 10	112.6	6.9	19.11	16.78	210.1	-928.6	458.1
Route 78 East	9.7	2.2	-	10.45	10.5	142.9	0.0
Somerset	41.8	4.9	17.65	16.60	338.8	68.9	578.0
Trenton/295	32.5	9.3	14.99	13.47	93.6	-530.9	851.4
Central NJ Total	**467.7**	**7.5**	**18.41**	**16.88**	**3350.3**	**-2,797.6**	**3,452.9**
NJ Total	**873.2**	**6.9**	**19.77**	**17.69**	**5,273.2**	**-2,729.9**	**7,157.7**

Source: CBRE Research, Q1 2025,
- Indicates no direct space available for rent analysis

Market Area Overview

1. Route 23 North
2. Northwest Bergen
3. Northeast Bergen
4. Morris Region
5. Route 46/23/3 Corridor
6. Central Bergen
7. Fairfield Market
8. Route 280 Corridor
9. Suburban Essex
10. Meadowlands
11. Hunterdon/Warren
12. Somerset



13. Route 78 East
14. Central Union
15. Linden/Elizabeth
16. Newark
17. Hudson Waterfront
18. Princeton
19. Brunswicks/Exit 9
20. Route 287/Exit 10
21. Carteret/Avenel
22. Trenton/295
23. Exit 8A
24. Monmouth

DEFINITIONS

Asking Rent: Weighted average asking rent.

Availability Rate: The amount of space currently being marketed for lease, divided by the total current inventory of built space in the market, expressed as a percentage.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

Net Absorption: The change in the amount of occupied sq. ft. within a specified period of time.

Taking Rent: Actual, initial base rent in a lease agreement.

Vacancy: Unoccupied space available for lease

Contacts

Nicole LaRusso
Head of US Field Research & Data Intelligence
+1 212 984 7188
Nicole.LaRusso@cbre.com

Joe Gibson
Director, Research
+1 610 727 5922
Joseph.Gibson@cbre.com

Brian Klimas
Field Research Manager
+1 201 712 5633
Brian.Klimas@cbre.com

Anna Schaeffer
Senior Field Research Analyst
+1 212 984 6653
Anna.Schaeffer@cbre.com

Jayson Pernick
Research Data Analyst
+1 201 712 5653
Jayson.Pernick@cbre.com

CBRE