PRIME OPPORTUNITIES IN THE MARKET LEAD TO SURGE OF LEASING

▲ 5.7%	▼ -2.6M	▼ 6.5M	▲ 7.3M	▲ $19.83	▶ $18.31
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.

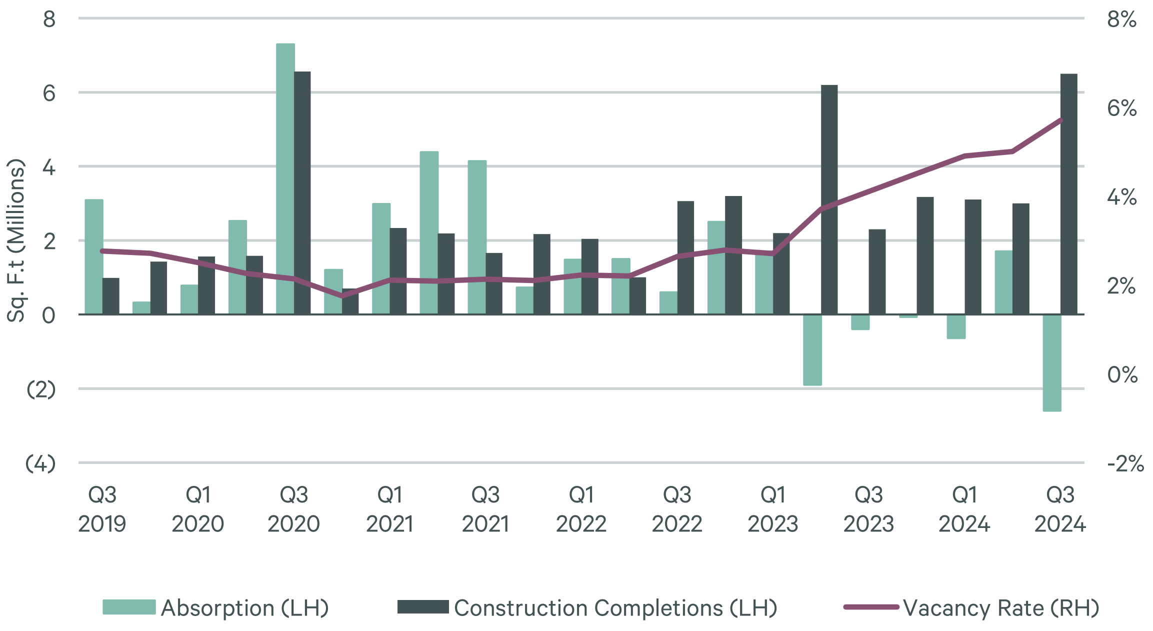
Note: Arrows indicate change from previous quarter.

Market Overview

Strong demand, rising vacancy and increased tenant leverage led to a flight-to-quality in the NJ industrial market. Demand continued to trend upwards for the second consecutive quarter as 7.3 million square feet (sq. ft.) of leasing activity was recorded with Class A space accounting for 3.4 million sq. ft. Leasing was focused in size segments of 400,000 sq. ft. and below as large big-box retailers and e-commerce occupiers, who typically lease larger footprints, remained on the sidelines.

Despite the strong leasing activity, the market posted another increase in vacancy, growing 70 basis points (bps) to 5.7%, the highest level of vacancy in over 10 years. The third quarter's vacancy increase was due to a combination of 3.6 million sq. ft. of vacant new construction deliveries and negative net absorption of 2.5 million sq. ft. The negative absorption, aside from one large sublease availability, was focused mostly in Class B and C space. Strong demand for modern logistics space and increasing tenant leverage led to positive net absorption of 1.0 million sq. ft. within the Class A segment. Cooling rent

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



Source: CBRE Research, Q3 2024

growth allowed for more tenants to lease these highly desirable assets, fueling the flight-to-quality.

The construction pipeline continued to empty with 25 projects completing during the quarter totaling 4.2 million sq. ft., bringing the under-construction total to 6.5 million sq. ft., the lowest level since Q1 2019.

Demand

There were no summer doldrums in the NJ industrial Market as leasing activity pushed to a new post-pandemic high of 7.3 million sq. ft. The increase was largely due to strong demand in all size ranges up to 400,000 sq. ft., especially for Class A space. Class A space accounted for 78% of the sq. ft. of the quarter's top 20 new leases as occupiers capitalized on landlord pliancy in deals for extended vacancies. Also, newly constructed space accounted for 2.4 million sq. ft. of direct leasing, a 50% increase over last quarter.

Another important trend for the market in Q3 was the pace of sublease leasing. Although still less than 1% of the total inventory in the market, available sublease space has accordioned between 7-10 million sq. ft. over the last twelve months, a sizeable increase to the sub-3 million sq. ft. of sublease inventory during the pandemic. There were 1.2 million sq. ft. in subleases signed this quarter, three times last quarter's total. More than half of these leases were signed by Asian third-party logistics (3PL) companies.

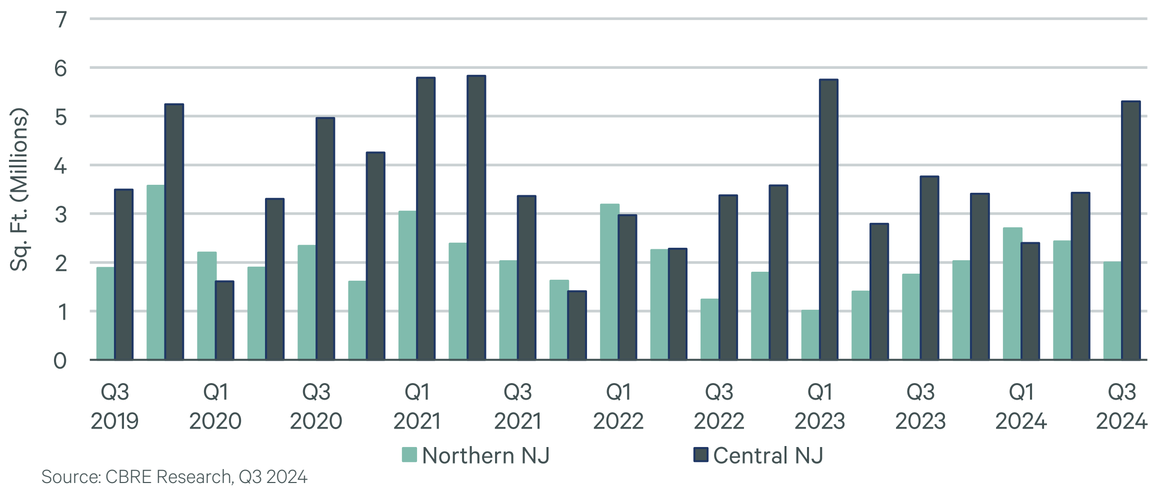
3PL/warehousing/transportation were the main overall demand drivers, accounting for 42% of new leases greater than 50,000 sq. ft. followed by retail/wholesale at 18% and food services at 16%. Audio video equipment and

FIGURE 2: Notable Lease Transactions, Q3 2024

Size	Tenant	Address	City	Transaction Type
565,405	Confidential E-Commerce	301 Blair Rd	Avenel	Renewal
410,285	RealCold	45 Route 10	East Hanover	New Lease
406,669	RK Pharma	148 Princeton Hightstown Rd – A	Hightstown	New Lease
368,000	EDA International	368 Fairfield Rd	Freehold	New Lease
367,610	Winit	700 Linden Logistics Way	Linden	New Lease

Source: CBRE Research, Q3 2024

FIGURE 3: Historical Industrial Leasing Activity by Market



Source: CBRE Research, Q3 2024

production occupiers emerged as a new user type and contributed 328,000 sq. ft. to the leasing activity, mostly in the Meadowlands submarket.

Supply

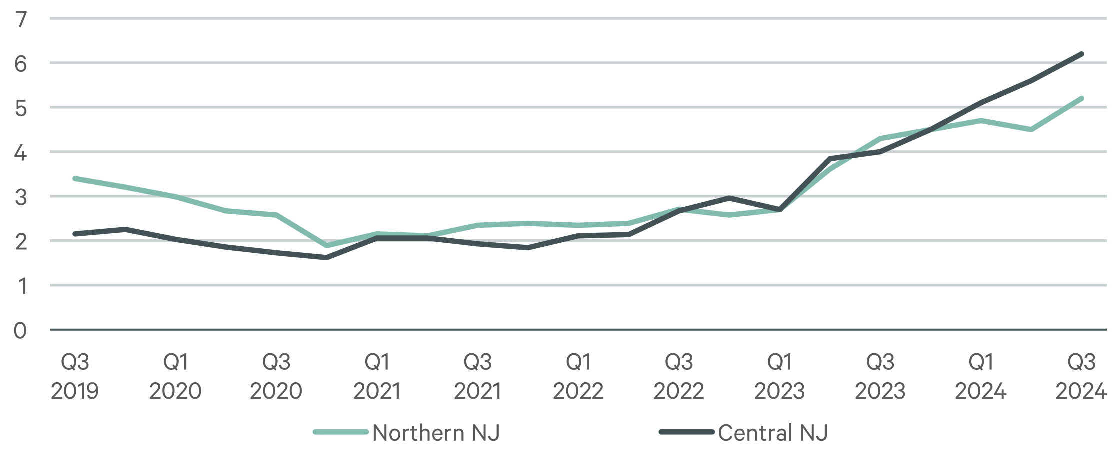
Unleased new construction completions accompanied by negative net absorption led to a 70 bps increase in NJ's vacancy rate to 5.7%, the highest it's been in over ten years. Construction completions were responsible for 3.6 million sq. ft. of new vacant space on the market and existing space accounted for 8.7 million sq. ft. or 71% of the quarter's newly vacant space. Class B and C buildings accounted for 78% of new gross vacancy this quarter with 62% of that in buildings under 100,000 sq. ft., underlining occupiers' preference for quality space.

The construction pipeline continued to thin out as 25 projects totaling 4.2 million sq. ft. delivered and three projects totaling 370,000 sq. ft. commenced construction. The total under construction pipeline was 6.5 million sq. ft. at quarter end, the lowest total since Q1 2019 and 58% below the peak in Q2 2020. Land sales remained muted for another quarter.

Rent Trends

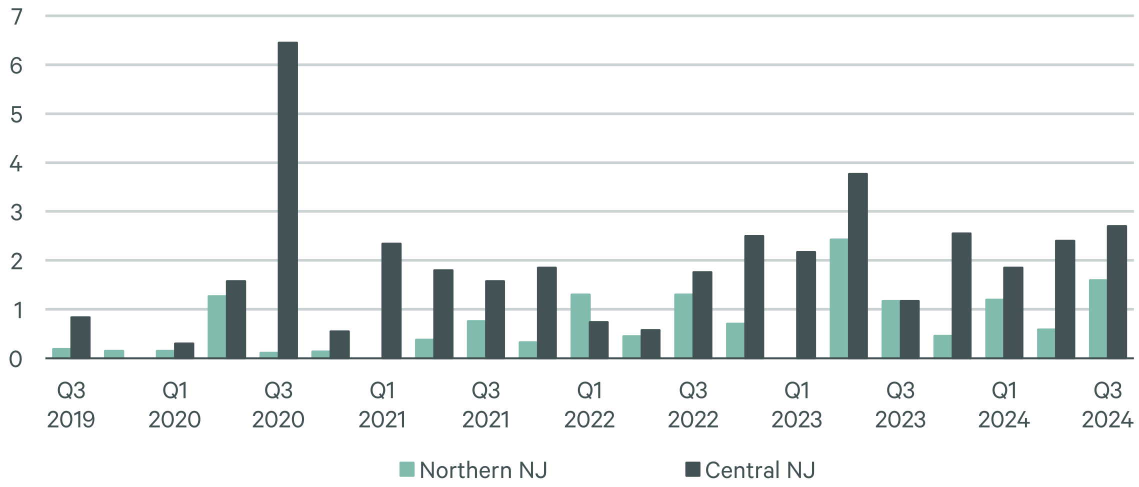
Asking rents remained mostly stable quarter-over-quarter with Class A rents increasing 2.2% to $19.83 per-sq.-ft. Class B and C rents decreasing 2.8% to $16.62 due to some higher quality Class B spaces being leased. New development deals for spaces lingering on the market and large long-term deals continued to benefit from increased concessions through free rent, tenant improvement allowances and less aggressive rental escalations.

FIGURE 4: Historical Vacancy Rate by Market (%)



Source: CBRE Research, Q3 2024

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



Source: CBRE Research, Q3 2024

Class A sublease availabilities created a hurdle for owners trying to maintain their base rents in recent quarters. Many of these spaces were leased during Q3 2024 though leaving only a few submarkets where direct Class A spaces compete with subleases.

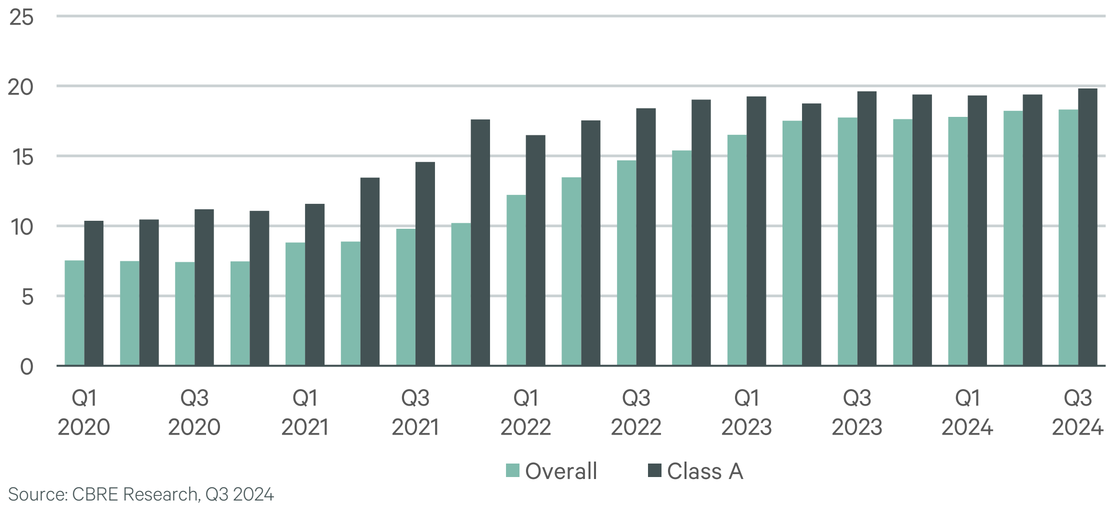
Economic Overview

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

The most consequential policy lever has already been pulled via the FOMC's 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption.

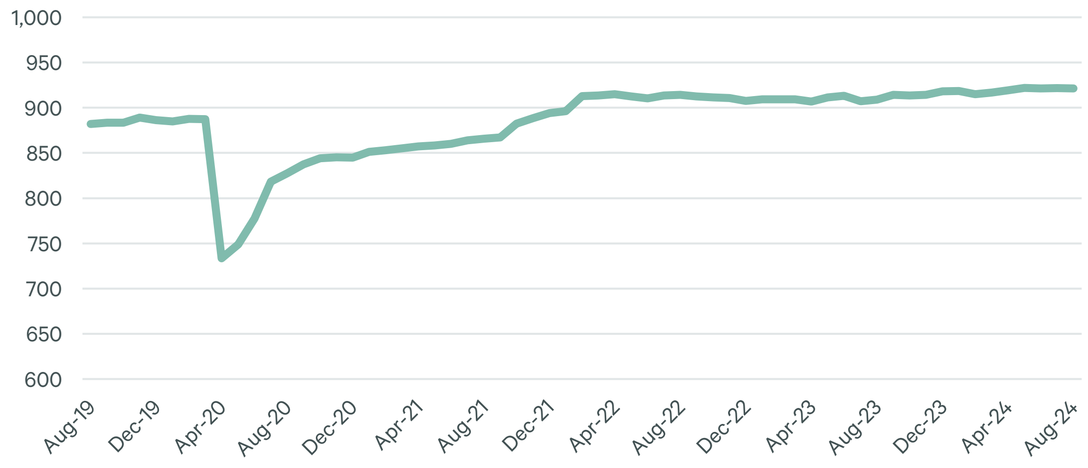
New Jersey's industrial employment saw a modest net decline in Q3 2024 as manufacturing employment let go of 800 positions (-0.3%) quarter-over-quarter and the significantly larger trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – added just 700 positions (+0.1%). Overall, New Jersey shed 100 industrial positions in Q3 but remains at 103.2% of the 2019 level.

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



Source: CBRE Research, Q3 2024

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



Source: BLS

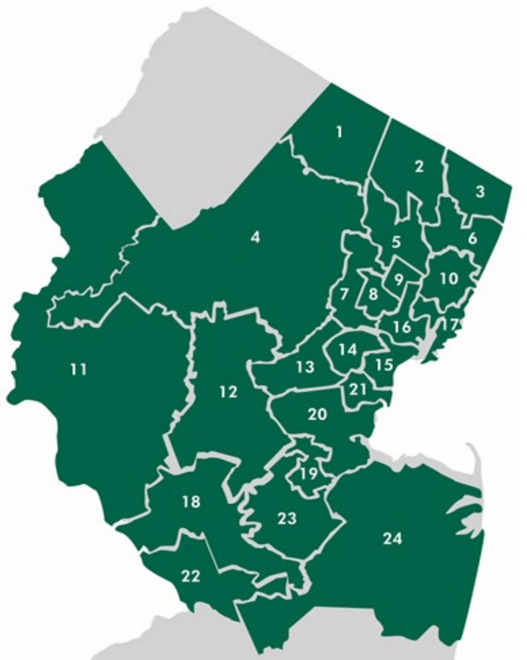
FIGURE 8: Submarket Statistics

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	32.3	5.3	23.00	18.36	110.7	-386.9	187.5
Fairfield Market	18.8	4.2	-	15.69	20.1	-74.9	0.0
Hudson Waterfront	66.7	5.1	26.48	22.56	56.9	-505.7	1,272.3
Meadowlands	94.9	7.0	25.89	21.54	654.5	-159.3	100.0
Morris Region	42.8	3.7	15.86	15.50	621.9	356.8	1,835.3
Newark	54.0	5.2	28.77	27.65	55.9	-444.3	0.0
North East Bergen	8.1	2.9	-	15.61	53.7	-41.0	0.0
North West Bergen	19.4	5.5	21.82	20.31	400.1	-106.0	113.0
Rt 23 North	0.6	1.3	-	-	0.0	0.0	0.0
Rt 280 Corridor	4.4	3.5	-	19.50	3.9	-10.5	0.0
Rt 46/23/2 Interchange	58.3	4.2	22.0	16.53	25.7	-523.4	70.0
Suburban Essex	6.8	4.1	-	12.47	0.0	87.1	0.0
Northern NJ Total	**405.9**	**5.2**	**24.26**	**20.07**	**2,003.5**	**-1,808.1**	**3,578.1**
Brunswicks/Exit 9	29.3	9.2	17.93	17.08	321.1	-422.1	310.2
Carteret/Avenel	30.8	11.3	19.60	19.55	282.9	110.3	488.4
Central Union	24.5	2.3	19.25	17.78	22.0	89.2	100.0
Exit 8A	80.3	4.1	16.37	15.95	1,376.0	-419.7	115.6
Hunterdon/Warren	14.9	3.8	11.95	11.53	32.4	97.6	0.0
Linden/Elizabeth	46.0	7.9	23.70	21.46	1,199.8	277.2	0.0
Monmouth	29.3	13.1	16.13	16.01	396.9	548.8	0.0
Princeton	16.1	2.4	-	12.50	427.2	456.9	0.0
Route 287/Exit 10	111.4	5.0	19.14	17.76	764.4	-587.3	964.6
Route 78 East	9.7	4.0	-	13.13	153.8	25.7	0.0
Somerset	40.8	4.5	17.69	17.37	97.6	-207.4	691.4
Trenton/295	33.7	7.8	15.26	14.29	200.2	-759.1	284.4
Central NJ Total	**466.9**	**6.2**	**18.33**	**17.46**	**5,274.5**	**-789.9**	**2,954.6**
NJ Total	**872.9**	**5.7**	**19.83**	**18.31**	**7,278.1**	**-2,597.9**	**6,532.8**

Source: CBRE Research, Q3 2024,
- Indicates no direct space available for rent analysis

Market Area Overview

1. Route 23 North
2. North West Bergen
3. North East 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

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