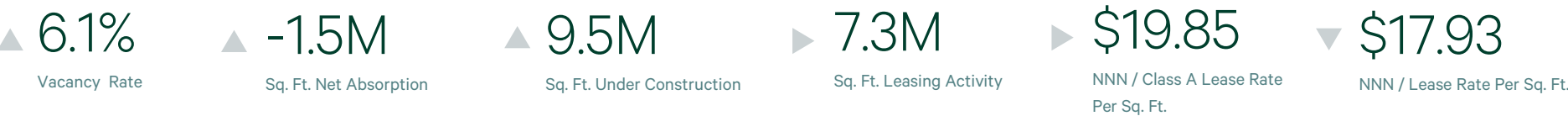


TENANT LEVERAGE CONTINUES TO FUEL RAPID LEASING AS 2024 CLOSES

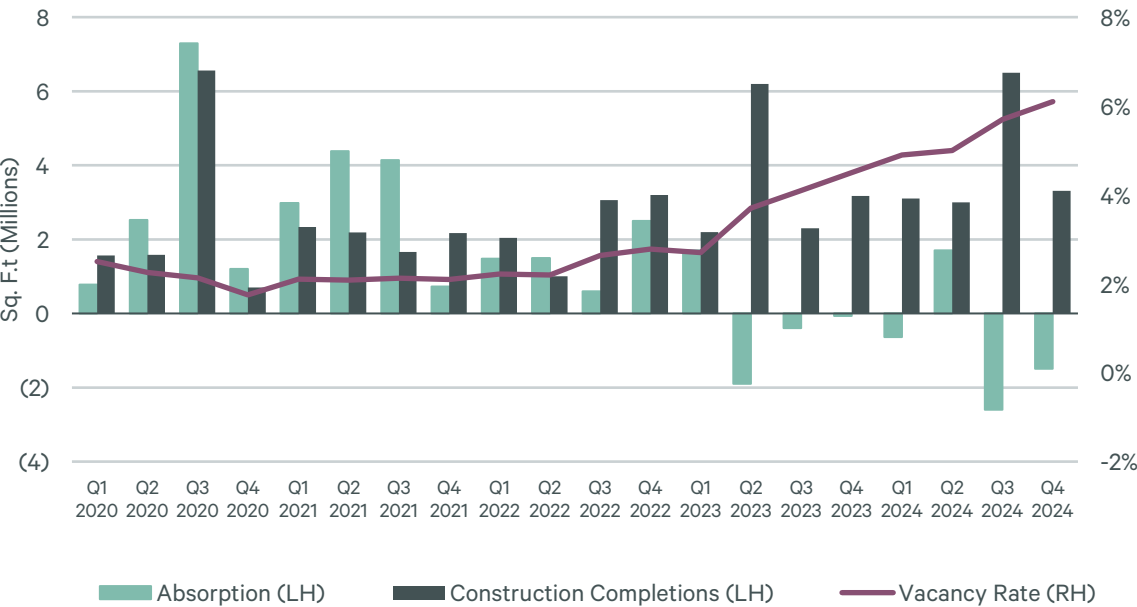


Note: Arrows indicate change from previous quarter.

Market Overview

As we close out the year, the Northern and Central NJ’s industrial leasing landscape demonstrated notable resilience driven by a combination of strong demand and shifting supply dynamics. In the last quarter, leasing activity surged to its third highest level in five years, spurred by favorable economic conditions and persistent demand from third-party logistics (3PL) companies. However, the market was not without its challenges; vacancy rates continued to climb, prompting landlords to implement concession packages to attract tenants. As we move into 2025, the market’s ability to maintain high leasing activity in the face of right-sizing tenants and vacant construction deliveries will determine the timing of peak vacancy.

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



Source: CBRE Research, Q4 2024

Demand

Leasing momentum from the prior quarter carried over into the last three months of the year as the market posted its third highest quarterly leasing activity in five years with over 7.3 million sq. ft. Increased tenant leverage, a resilient economy, and strong port performance drove this velocity with 3PL companies dominating demand, accounting for 75% of the quarter’s 17 new leases of 100,000 sq. ft. and greater, mostly within Class A space. Specifically, activity from Asian 3PLs remained strong and was up 14% at 1.4 million sq. ft., quarter-over-quarter. With vacancy persisting at relatively high rates, landlords utilized concession packages in the form of free rent, and tenant improvement dollars along with less aggressive pricing to attract tenants to vacancies.

Supply

The combination of new large block vacancies and unleased construction completions bumped vacancy higher for the seventh straight quarter by 40 bps to 6.1%. Class A vacancy grew 30 bps to 16.3% and sublet availability was unchanged, quarter-over-quarter, at 1.0%.

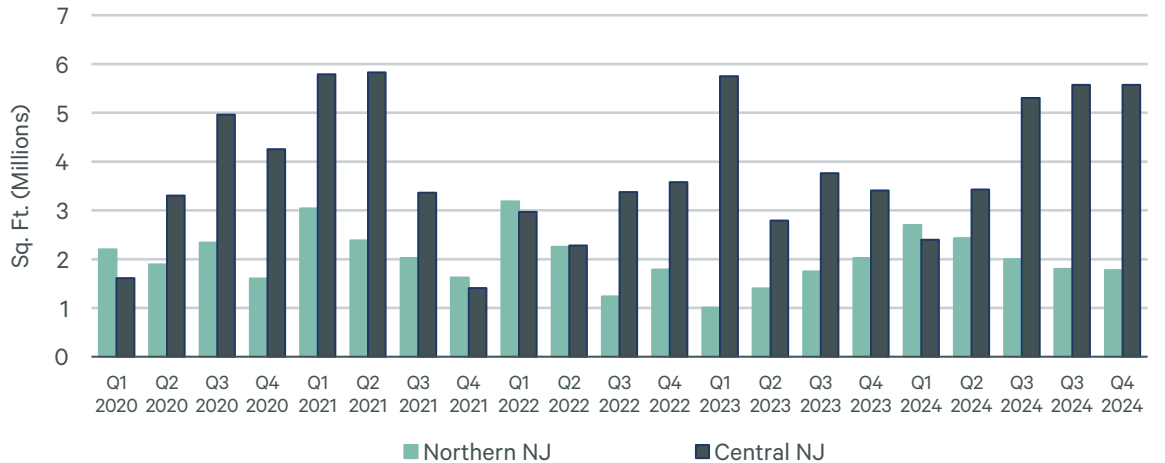
Large block vacancies of 50,000 sq. ft. or more slowed 12% to 6.9 million sq. ft. but remained at an elevated pace. The Exit 8A and Route 287/Exit 10 submarkets, once again, saw the bulk of new vacancy added in these markets with 34% of this quarter’s large blocks concentrated in Exit 8A alone. 3PL and retail/wholesale companies, many of whom over-leased during the Covid-19 boom, were now right sizing their logistics operations, accounting for much of the space put back on the market.

FIGURE 2: Notable Lease Transactions, Q4 2024

Size	Tenant	Address	City	Transaction Type
664,644	Logistics Plus	505 Route 33 – Bldg 1	Millstone	New Lease
553,507	Imperial Dade	219–295 Route 1 & 9	Jersey City	Renewal
418,300	OSU Logistics	113 Interstate Blvd	Monroe Twp	Renewal
371,995	LA Enterprises	1 Costco Dr	Monroe	Renewal
367,500	Winit	700 Linden Logistics Way	Linden	Sublease

Source: CBRE Research, Q4 2024

FIGURE 3: Historical Industrial Leasing Activity by Market



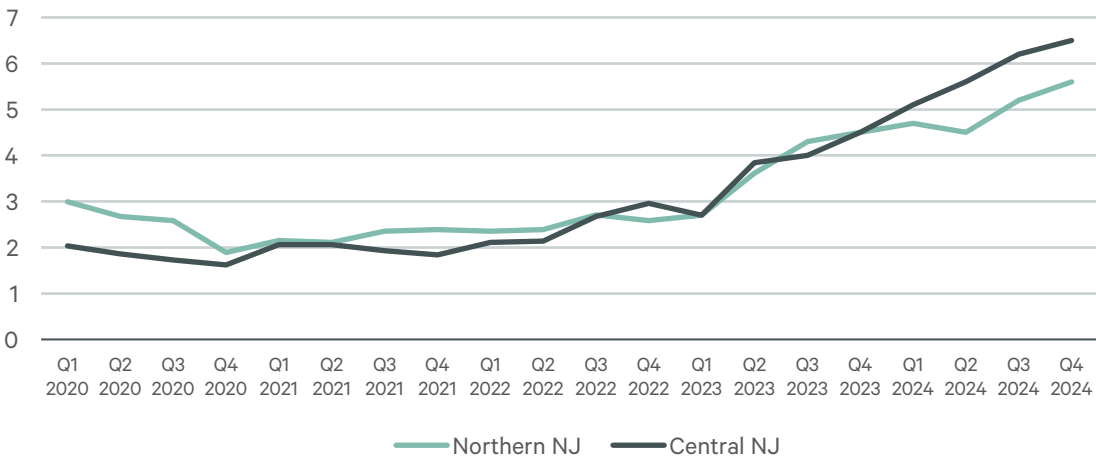
Source: CBRE Research, Q4 2024

Q4 2024 saw 1.2 million sq. ft. of newly-completed, unleased construction adding vacancy to the market, the least amount since Q2 2022. Despite increased vacancy via new construction, there was an uptick in construction starts this past quarter with 3.9 million sq. ft. breaking ground. While this may seem in conflict with market conditions, there are only three properties starting over 200,000 sq ft. without pre-lease activity. Furthermore, the quarter’s largest speculative development start, 1 Edge Rd in Alpha, NJ (450,000 sq. ft), in Hunterdon/Warren, is in a market low vacancy at 3.4%.

Rent Trends

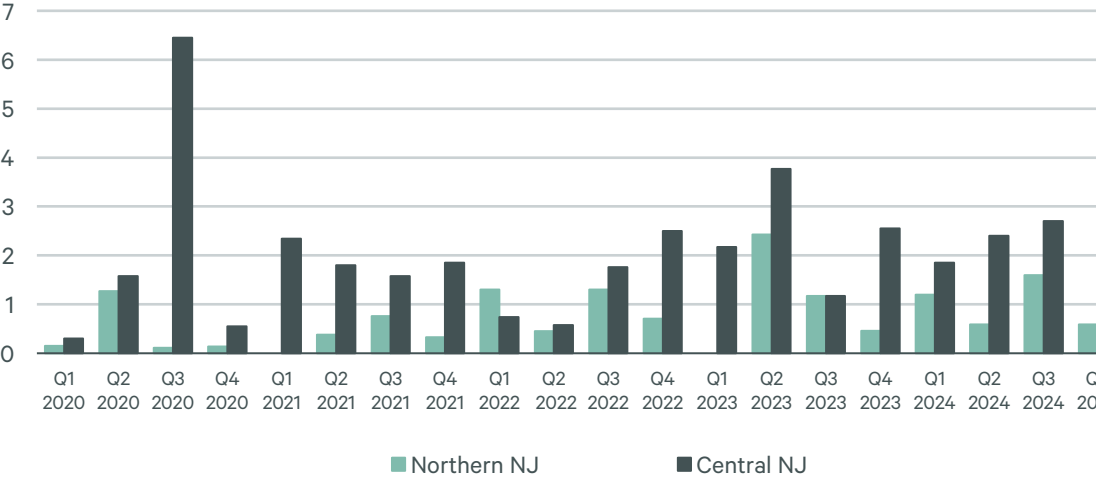
Average asking rents fell 2.0% quarter-over-quarter to \$17.93 per-sq.-ft. as increased vacancy began to erode pricing. The average asking rent for Class A space was virtually unchanged at \$19.85 per-sq.-ft. as owners tried to hold on to face rents and offer larger concession packages and less aggressive escalations to quality credit tenants. Pricing and terms agreed to in leases though were more nuanced than averages can demonstrate - a conservative owner or one with vacancy fatigue was more likely to settle for an under-market base rent than a long-term-hold owner with many other stabilized properties in their portfolio.

FIGURE 4: Historical Vacancy Rate by Market (%)



Source: CBRE Research, Q4 2024

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

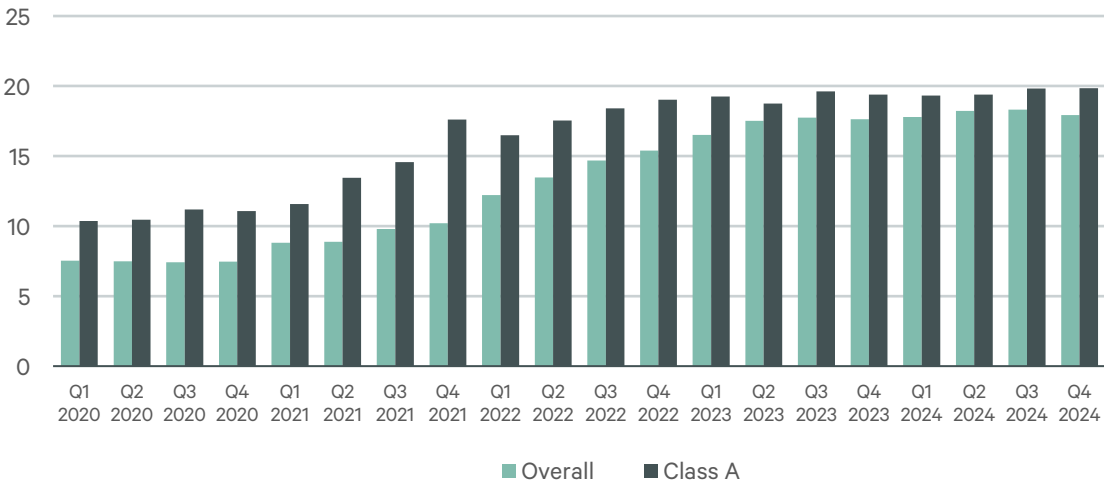


Source: CBRE Research, Q4 2024

Economic Overview

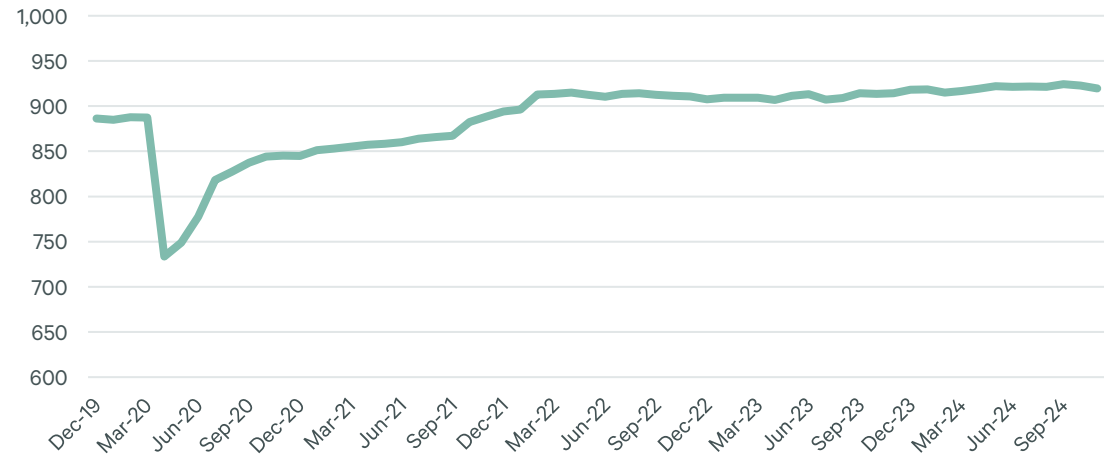
New Jersey’s labor market experienced modest growth in Q4, adding 17,700 positions quarter-over-quarter (+0.4%). Year-over-year gains in Q4 amounted to 38,400 positions (+0.9%). New Jersey’s industrial employment saw a modest net decline in Q4 2024 as manufacturing employment gained a modest 400 positions (+0.2%) quarter-over-quarter but was overshadowed by losses in the significantly larger trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – where headcount was reduced by 2,200 positions (-0.2%) in Q4. Overall, New Jersey shed 1,800 industrial positions in Q4 but was up a net of 3,500 industrial positions year-over-year and remains at 103.1% of the 2019 level.

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



Source: CBRE Research, Q4 2024

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



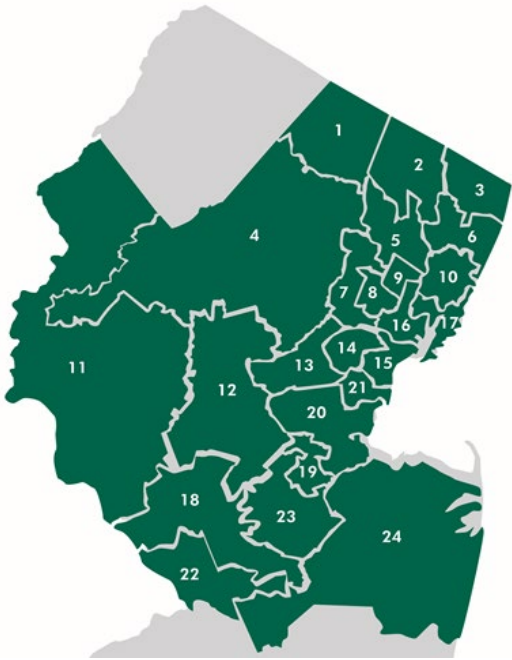
Source: BLS

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	4.9		16.60	297.3	133.0	187.5
Fairfield Market	18.8	5.1		15.09	60.0	-171.1	0.0
Hudson Waterfront	66.1	5.8	26.20	22.31	233.6	-5.1	781.9
Meadowlands	95.0	7.6	26.14	20.89	378.2	-505.9	1,443.0
Morris Region	41.8	4.7	17.41	15.07	287.4	-432.8	2,579.1
Newark	54.0	5.4	28.77	23.91	80.0	-141.9	195.8
North East Bergen	8.1	2.7		15.52	26.6	18.8	0.0
North West Bergen	19.4	5.4	21.82	19.68	61.6	20.0	150.0
Rt 23 North	0.6	0.0		6.17	0.0	8.0	0.0
Rt 280 Corridor	4.4	4.2		12.33	0.0	-30.0	0.0
Rt 46/23/2 Interchange	58.3	4.4	22.00	16.08	334.0	-110.3	70.0
Suburban Essex	6.8	1.6		12.42	17.0	168.1	204.4
Northern NJ Total	406.5	5.6	23.68	19.57	1775.7	-1,049.3	5,611.7
Brunswicks/Exit 9	29.4	9.2	17.93	16.73	361.6	131.8	163.6
Carteret/Avenel	30.8	10.9	19.54	19.23	555.2	105.8	488.4
Central Union	24.7	2.6	19.25	17.17	136.5	149.6	0.0
Exit 8A	80.3	6.6	16.45	16.00	239.9	-2,011.5	525.2
Hunterdon/Warren	14.9	3.4	11.95	11.89	87.6	54.2	450.0
Linden/Elizabeth	46.0	8.5	23.70	21.62	855.5	48.4	0.0
Monmouth	29.5	9.1	17.00	16.58	1,007.7	1,389.0	141.3
Princeton	16.1	2.2		12.50	3.2	31.0	0.0
Route 287/Exit 10	111.8	5.7	19.15	17.24	1,522.0	-446.5	846.1
Route 78 East	9.7	3.7		12.64	10.0	29.3	0.0
Somerset	40.9	5.0	17.65	17.45	296.9	-38.8	539.4
Trenton/295	33.7	7.4	15.26	13.32	496.4	116.3	704.4
Central NJ Total	468.0	6.5	18.45	17.09	5,572.5	-441.5	3,858.5
NJ Total	874.5	6.1	19.85	17.93	7,348.2	-1,490.8	9,470.2

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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