LEASING REBOUNDS AND VACANCY INCREASES MODERATE IN PROMISING Q2

7.2%
Vacancy Rate

-710,000
Sq. Ft. Net Absorption

7.8M
Sq. Ft. Under Construction

7.2M
Sq. Ft. Leasing Activity

$19.49
NNN / Class A Lease Rate Per Sq. Ft.

$17.63
NNN / Lease Rate Per Sq. Ft.

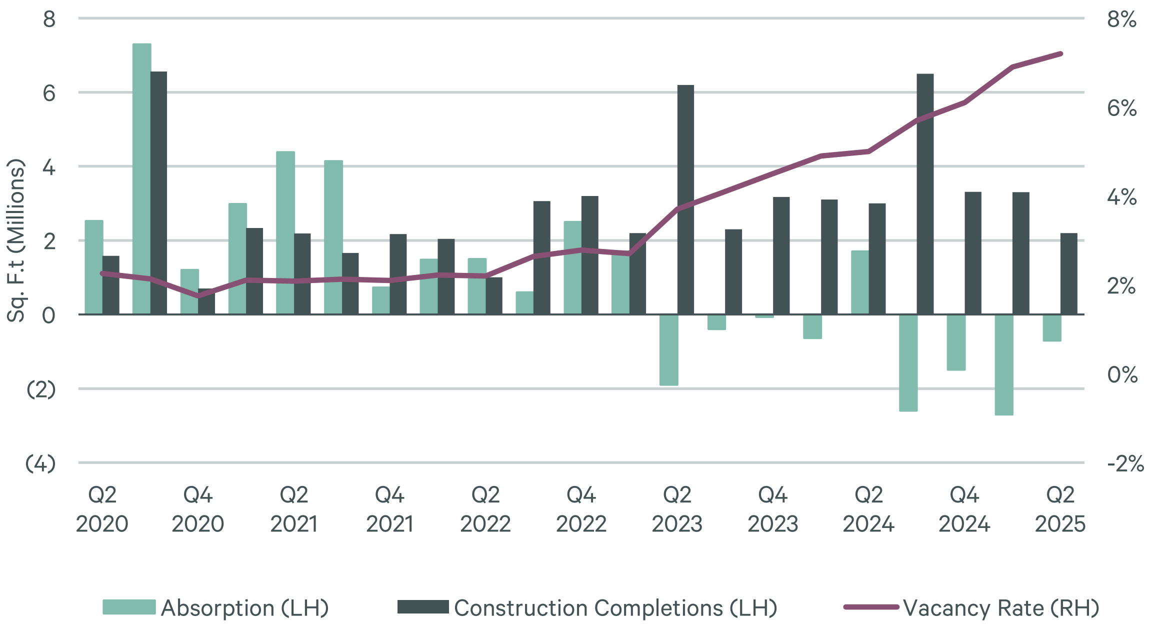
Note: Arrows indicate change from previous quarter.

Market Overview

Leasing activity rebounded strongly in Q2 2025 following a cautious start to the year. The uptick in activity was facilitated by occupancy-conscious landlords, especially those sitting on long-term vacancies within new Class A product. 3.2 million square feet (sq. ft.) of Class A industrial space was leased during the quarter, highlighting the ongoing flight to quality. Further demonstrating that trend was a disparity in absorption performance across classes - Class A assets recorded 2.2 million sq. ft. of positive net absorption while Class B/C properties saw a combined 3.0 million sq. ft. of negative absorption.

As Class B/C occupancy losses outpaced Class A gains, overall vacancy grew by 30 basis points (bps) to 7.2%. Despite the uptick, strong leasing activity and a disciplined construction pipeline moderated vacancy growth, especially when compared to the sharp increases from 2023 through mid-2024. Asking rents remained stable across most submarkets, though areas with elevated vacancy are beginning to experience declines in base rents in addition to increases in concession packages.

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



Source: CBRE Research, Q2 2025

Demand

Leasing demand regained momentum in Q2 2025, with 7.2 million sq. ft. of leasing volume marking the third quarter in the past twelve months to exceed seven million sq. ft. This rebound reflected a strategic shift by landlords in filling long-term vacancies via concessions and competitive rents. With similar aims, landlords with expiring near-term leases expiring engaged in-place tenants early to retain occupancy and forgo those tenants exploring an increasingly competitive market.

From an industry perspective, quarter-over-quarter trends remained stable, led by third-party logistics (3PL) and food/beverage occupiers. 3PLs accounted for the largest share of activity with 2.5 million sq. ft. across 12 deals. Many of these leases were concentrated around port submarkets—Carteret/Avenel, Hudson Waterfront, Linden/Elizabeth, and Newark. Chinese 3PLs remained active, securing four major leases in Central NJ totaling 1.3 million sq. ft. sq. ft. representing 23% of new leasing in that market. In contrast, retail and wholesale firms' leasing were subdued, completing just three large deals totaling 430,000 sq. ft.

Supply

Vacancy growth moderated during the second quarter, rising a modest 30 bps to 7.2% compared to the first quarter's 80 bps jump. For the first time since the early 2000s e-commerce boom, Class A and Class B/C vacancy rates moved in opposite directions.

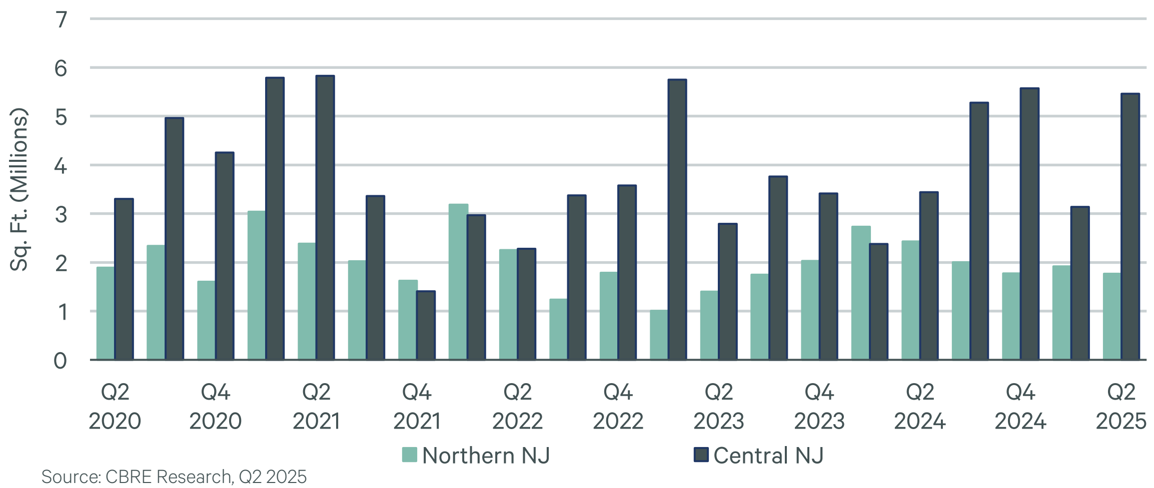
Class A vacancy declined by 50 bps to 17.7% while Class B vacancy rose 30 bps to 6.8%. This divergence highlighted the flight to quality trend. Occupiers with sophisticated logistics operations—who account for most new leases over 100,000 sq. ft.— favored the advanced specifications of Class A facilities.

FIGURE 2: Notable Lease Transactions, Q2 2025

Size	Tenant	Address	City	Transaction Type
480,844	Elogistek	500 Linden Logistics Way	Linden	Sublease
450,330	Iron Mountain	1065 Cranbury South	South Brunswick	Renewal
355,790	ID Logistics	1 Wiley Dr	Somerset	New Lease
259,559	Yusen Logistics	231 Mill Rd	Edison	New Lease
203,512	Menasha Packaging	112 Truman Dr	Edison	Renewal

Source: CBRE Research, Q2 2025

FIGURE 3: Historical Industrial Leasing Activity by Market



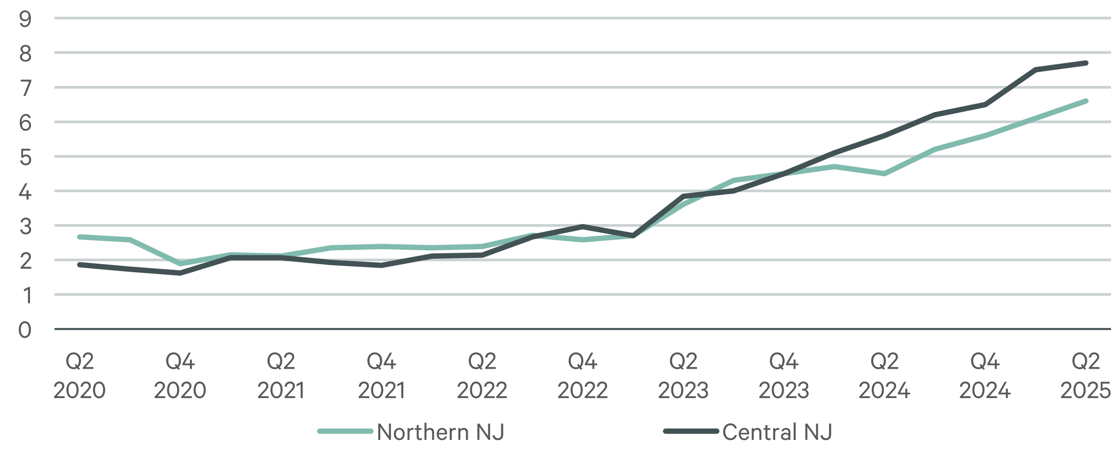
Source: CBRE Research, Q2 2025

Construction activity picked up modestly as 2.3 million sq. ft. of new projects broke ground across 13 projects. Development was concentrated primarily in Central New Jersey near Exit 7A and in western New Jersey near the Pennsylvania border. Total space under construction rose 8.3% quarter-over-quarter to 7.8 million sq. ft., though the pipeline remained below recent historic levels as the market absorbed recent completions.

Rent Trends

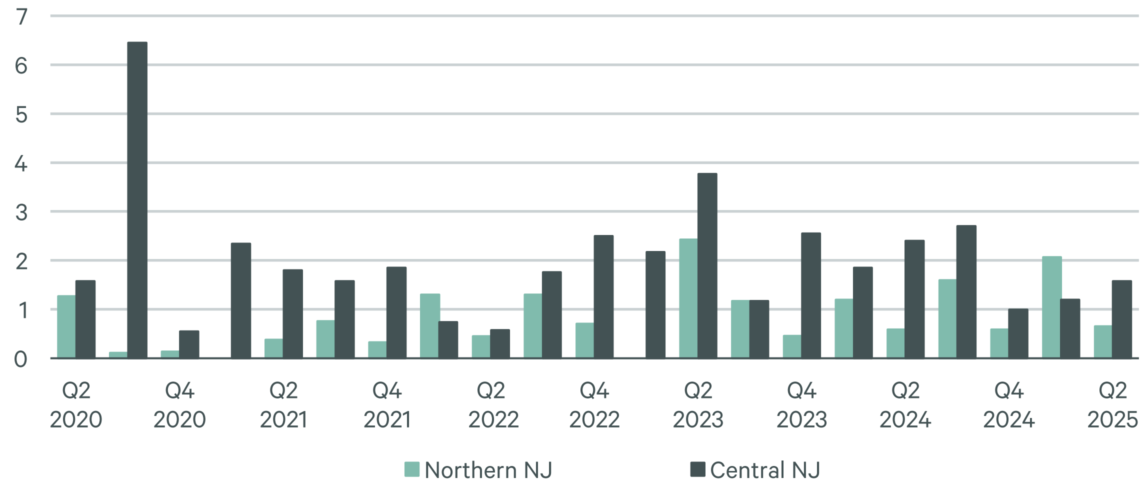
New Jersey's average asking rent declined by less than 1% in Q2, settling at $17.63 per sq.ft., continuing a trend of modest quarterly decreases. On a year-over-year basis, average rents fell by 3.3%. This softening was indicative of landlords' strategies to fill long-term vacancies, especially in submarkets with elevated levels of empty space. To attract creditworthy tenants, landlords reduced rents and offered competitive concession packages. And despite a quarter of diminished Class A vacancy, rents declined, 1.4% quarter-over-quarter, to $19.49 per sq. ft. Pricing generally lags vacancy trends so a few quarters of Class A vacancy deflation should result in stabilized rents.

FIGURE 4: Historical Vacancy Rate by Market (%)



Source: CBRE Research, Q2 2025

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



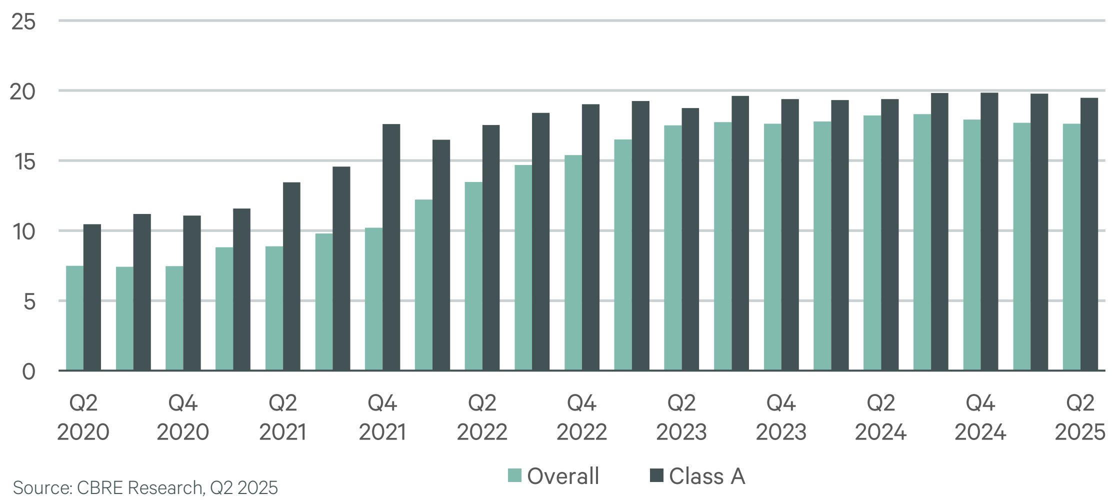
Source: CBRE Research, Q2 2025

Economic Overview

Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy.

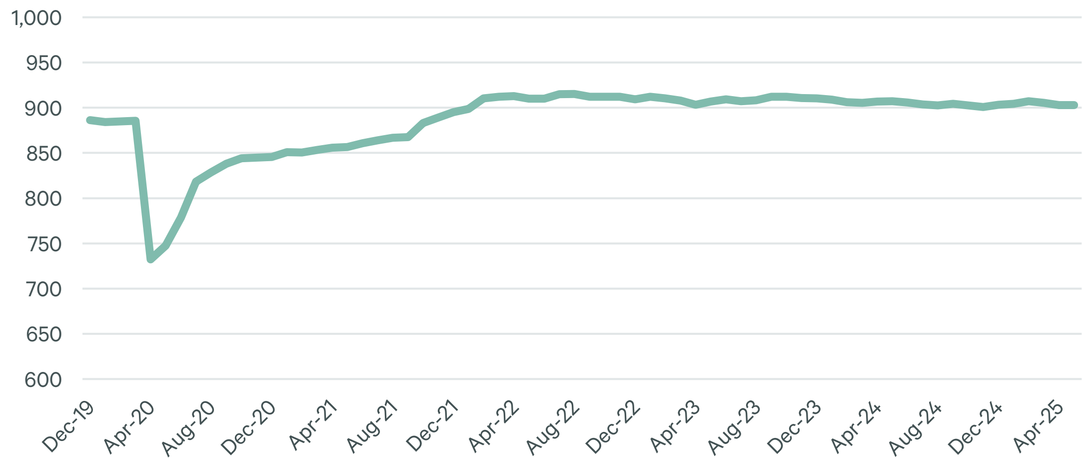
New Jersey's industrial employment saw a modest decline in Q2 2025 as manufacturing employers added 800 positions (+0.3%) quarter-over-quarter and the significantly larger trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – reduced payroll by 2,400 positions (-0.3%). Overall, New Jersey let go of 1,600 industrial positions in Q2 (-0.1%) and 3,600 positions year-over-year (-0.3%). New Jersey industrial employment achieved a post-pandemic peak of 1.17 million jobs in September 2023 and currently stands at 99.3% of that level.

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



Source: CBRE Research, Q2 2025

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



Source: BLS

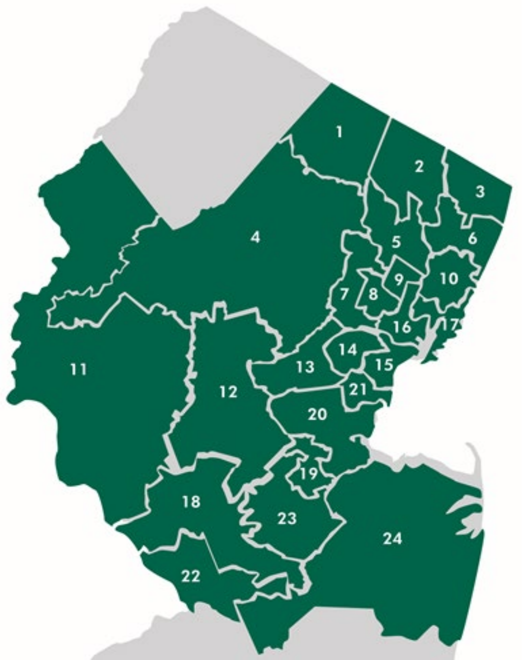
FIGURE 8: Submarket Statistics

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	32.1	5.7	-	18.04	30.3	-272.4	0.0
Fairfield Market	18.6	5.8	-	16.18	20.6	-121.4	22.0
Hudson Waterfront	67.3	7.8	26.65	21.98	230.3	-873.1	426.3
Meadowlands	93.9	7.6	25.29	19.64	761.8	102.3	1453.2
Morris Region	43.3	9,1	17.79	16.50	240.5	-177.3	1291.6
Newark	53.4	5.1	27.76	22.76	249.3	32.5	475.6
Northeast Bergen	8.2	2.6	-	15.91	36.5	33.1	0.0
Northwest Bergen	19.5	6.5	21.82	19.57	19.3	-30.2	0.0
Rt 23 North	0.6	4.6	-	-	0.0	-20.0	0.0
Rt 280 Corridor	4.4	5.2	-	12.64	0.0	-23.0	0.0
Rt 46/23/2 Interchange	58.2	4.6	-	14.51	175.9	206.6	0.0
Suburban Essex	6.7	4.7	24.50	22.22	8.5	19.9	0.0
Northern NJ Total	**406.2**	**6.6**	**22.69**	**19.04**	**1,773.0**	**-1,123.0**	**3,667.6**
Brunswicks/Exit 9	29.7	8.4	18.00	16.59	410.1	448.5	163.6
Carteret/Avenel	31.2	11.4	19.70	19.11	906.8	-120.2	0.0
Central Union	23.5	3.4	19.25	16.74	16.3	104.0	151.7
Exit 8A	81.1	10.5	16.22	15.91	211.0	-1,702.8	0.0
Hunterdon/Warren	15.1	5.0	-	13.86	64.1	239.8	1,025.9
Linden/Elizabeth	45.9	7.9	23.70	20.53	1,054.5	928.6	0.0
Monmouth	29.2	9.9	17.00	16.51	104.7	-141.4	507.5
Princeton	16.1	2.1	-	13.71	11.0	81.7	375.5
Route 287/Exit 10	112.9	7.1	19.23	16.73	1,022.7	-174.2	302.4
Route 78 East	9.7	2.5	-	12.24	76.0	-35.3	0.0
Somerset	42.5	4.8	17.50	16.16	763.3	655.7	74.8
Trenton/295	32.5	8.9	15.50	14.41	823.5	128.4	1,523.2
Central NJ Total	**469.3**	**7.7**	**18.20**	**16.92**	**5,463.9**	**412.7**	**4,124.5**
NJ Total	**875.5**	**7.2**	**19.49**	**17.63**	**7,236.9**	**-700.2**	**7,792.1**

Source: CBRE Research, Q2 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