

# 10

## 2023

### INDUSTRIAL REPORT

# 1Q 2023 INDUSTRIAL REPORT

## Economic Overview



The U.S. economy remained strong into the first few months of 2023 despite the ongoing challenges of high inflation and increasing interest rates. Wage increases have allowed consumers to maintain some level of confidence against rising prices. The labor market continues to be resilient with the unemployment hovering in the 3.5% range throughout the first quarter. Notable job gains over the last few months have been in leisure and hospitality, retail trade government and healthcare. New concerns about the health of the banking system along with persistent inflation and interest rates could slow the economy heading into the second quarter.



The economy of New Jersey mirrored national trends with the unemployment rate remaining in the 3.4-3.6% range in the first quarter. Over the past year, the Garden State has added more than 105,000 jobs. Over the last 12 months the industries with the highest number of job gains were education and health services, leisure and hospitality, trade, transportation and utilities and manufacturing.

## Market Overview

Concerns over the direction of the national economy did little to affect the New Jersey industrial market during the first quarter of 2023. Overall vacancy remained very low while pricing moved higher—although at more moderate pace. Demand for warehouse and distribution space by e-commerce and 3PL firms are still driving activity in market. The trend, however, may ease over the next several quarters if occupiers delay expansion plans and if the need to house large amounts of inventory wanes.

Market indicators were strongly positive during the quarter, with overall vacancy finishing at 2.4%. Comparatively, New Jersey remains well-below the national vacancy rate of 4.0%. The amount of available space is tight in all fourteen submarkets with the highest vacancy rate in the Somerset Region at 3.7%, while Exit 8A had the lowest recorded rate at 1.8%. Average asking rents continued to rise but the rate of increase is showing some signs of leveling. The highest rents are not surprisingly, in the Ports submarket, where average rates are nearing \$17.00 per square foot.



## Market Pricing

Average asking rates moved higher during the first quarter ending at \$14.06 per square foot. Year-over-year asking rate have increased by 25.0%. Rates are likely to rise throughout 2023 as vacancy remains tight and available space in new construction is priced above market.

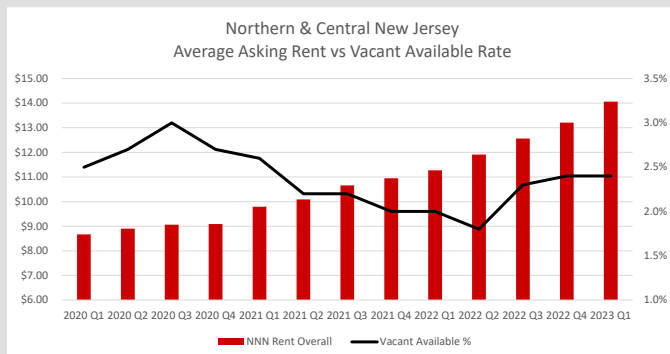


**\$14.06 PSF**  
Asking Rental Rate



**25.0%**  
Increase versus  
1Q 2022

Asking rate in all of the fourteen submarkets tracked by NAI James E. Hanson rose over the last 12 months, with the highest increases recorded in the Exit 7A and Brunswick/Exit 9 submarkets. As of the end of the first quarter, rates in the Ports and Meadowlands are highest with Hunterdon and Morris offering the lowest pricing.



## Vacancy, Absorption & Leasing

### 1Q2023 vs. 1Q2022



**2.4%**  
Vacancy Rate



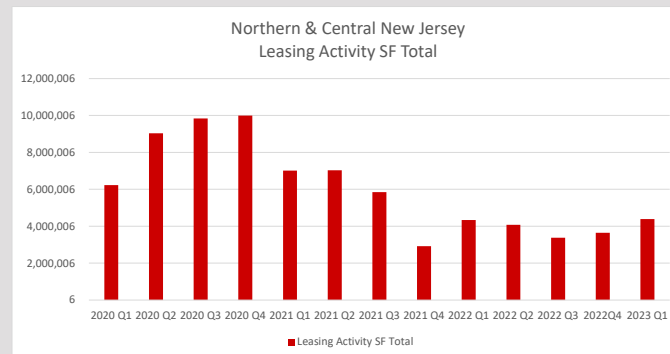
**359,970 SF**  
Absorption



**4.6M SF**  
Leasing Activity



Although leasing activity was slightly higher than the same time last year, absorption was significantly lower, and the vacancy rate moved higher. The addition of available space in newly constructed buildings attributed to the change in both vacancy and absorption.

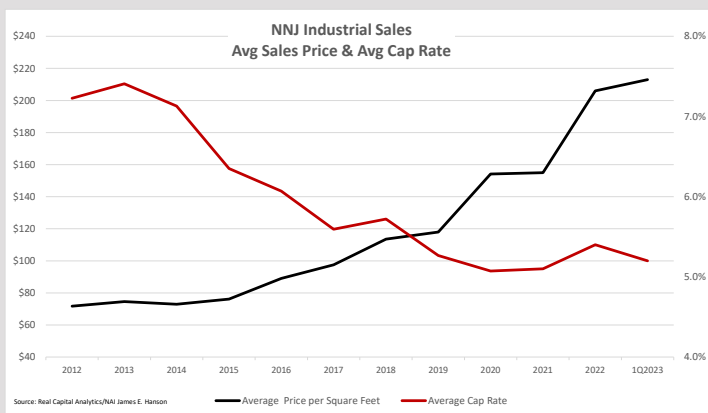


## Investment Sales

Rising interest rates did not deter investors from buying industrial properties with quarterly dollar volume reaching \$558 million. While interest remains strong, the number of potential investors has declined. The average price per square foot continues to rise, finishing the quarter at \$213 per square foot, up from \$165 year-over-year.



More than 2.6 million square feet of industrial property changed hands during the first quarter, while cap rates held steady remaining in the low-to-mid 5.0% range as it has for most of 2022.

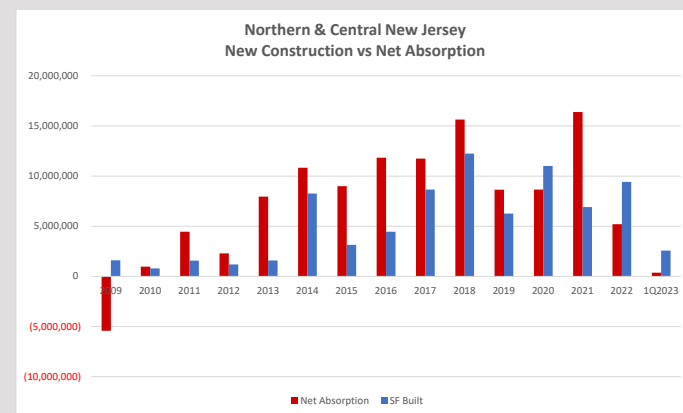


## New Construction

As of the end of the first quarter there were 22.8 million square feet of new product under construction, with more than 5.0 million square feet in the Ports submarket. The largest project is the 1.2-million square foot building at 3000 Rand Boulevard in the Warren & Sussex submarket.



Except for 2020, net absorption outpaced new construction for 13 years. In 2022, however the square footage from new deliveries surpassed the amount of space absorbed and that trend continued into the first quarter of 2023. Of the 2.6 million square feet delivered in the first quarter, only 20.0% of space was pre-leased.





## Market Statistics

	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	RBA Under Construction	Average Asking Rate
Northern & Central NJ	700,952,705	16,818,862	2.40%	359,970	4,696,302	22,039,828	\$14.06
Middlesex	213,308,086	4,309,719	2.00%	1,623,748	1,630,540	6,602,517	\$15.92
Bergen	90,198,321	2,497,205	2.80%	(357,680)	304,082	4,189,695	\$14.55
Hudson	82,224,392	2,496,501	3.00%	(381,714)	280,889	2,593,757	\$14.26
Essex	67,799,867	1,615,691	2.40%	(193,799)	168,514	488,494	\$14.35
Union	64,580,342	1,090,991	1.70%	(67,481)	481,139	2,476,897	\$13.84
Passaic	56,167,737	1,071,080	1.90%	52,425	81,975	295,500	\$13.29
Morris	39,456,396	943,434	2.40%	(351,332)	104,325	870,457	\$10.58
Mercer	36,577,143	946,080	2.60%	(200,363)	993,477	1,731,937	\$11.32
Somerset	31,449,373	1,139,253	3.60%	287,946	325,487	1,104,492	\$13.03
Warren	8,832,215	325,050	3.70%	(80,500)	245,000	1,249,122	\$12.02
Hunterdon	6,990,872	248,578	3.60%	76,000	80,154	0	\$9.80
Sussex	3,367,961	135,280	4.00%	(47,280)	720	436,960	\$12.34

	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	RBA Under Construction	Average Asking Rate
Ports	140,823,380	2,952,277	2.10%	(328,958)	607,239	5,393,913	\$16.75
Exits 10/12	115,588,328	2,466,334	2.10%	393,826	593,704	4,280,957	\$14.35
Meadowlands	95,695,507	2,943,674	3.10%	(351,886)	288,565	2,841,478	\$16.48
Exit 8A	74,940,858	1,226,680	1.60%	950,754	978,394	1,345,727	\$15.68
Route 46/23/3 Corridor	55,764,159	1,156,567	2.10%	37,290	89,150	295,500	\$13.27
Exit 7A	48,684,526	1,483,962	3.00%	785,341	1,093,418	2,341,914	\$11.74
Morris Region	37,708,725	830,982	2.20%	(329,832)	97,150	870,457	\$10.58
Somerset	31,149,377	1,139,253	3.70%	287,946	305,000	1,541,452	\$13.03
Central Bergen County	25,060,108	577,333	2.30%	(126,929)	103,506	1,075,788	\$14.10
Suburban Essex	24,125,163	747,905	3.10%	(37,785)	127,114	55,235	\$14.70
Brunswick/ Exit 9	22,778,900	616,705	2.70%	(306,097)	123,100	1,136,296	\$15.62
Northern Bergen County	21,401,535	501,164	2.30%	(186,481)	108,200	382,429	\$12.42
Warren & Sussex	12,200,176	460,330	3.80%	109,720	245,720	1,249,122	\$11.75
Hunterdon	6,990,872	248,578	3.60%	76,000	80,150	0	\$10.02

## Top Transactions

### Top SALE Transactions

**553,436 SF | \$115,500,000**

100 Jefferson Road, Parsippany  
Buyer: 100 Jefferson F&S, LLC  
Seller: JFR Global, Inc.

**853,191 SF | \$65,500,000**

297 Getty Avenue, Paterson  
Buyer: Thor Equities  
Seller: Alma Realty

**190,146 SF | \$44,700,000**

19-25 Stults Road, Dayton  
Buyer: Jetro Holdings, LLC  
Seller: Kennedy International

**221,448 SF | \$35,500,000**

333 North Street, Teterboro  
Buyer: Hampshire Co.  
Seller: Graphic Arts Teterboro

### Top LEASE Transactions

**845,078 SF**

1365 Lambertson Road  
Hamilton Township  
Tenant: DMI, Inc.

**611,000 SF**

301-321 Herrod Boulevard  
South Brunswick  
Tenant: GXO Logistics

**372,159 SF**

400 Linden Logistics Way  
Linden  
Tenant: Vanguard

**321,765 SF**

1601 W. Edgar Road  
Linden  
Tenant: Coda Logistics & Distribution



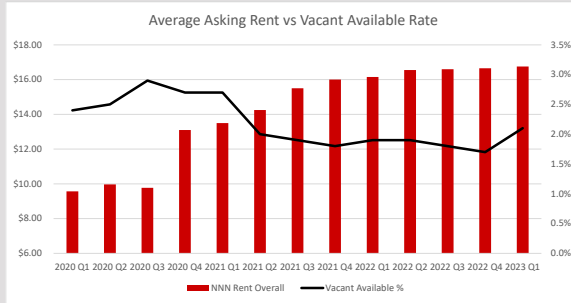
#### TOP 10

#### CONSTRUCTION PROJECTS

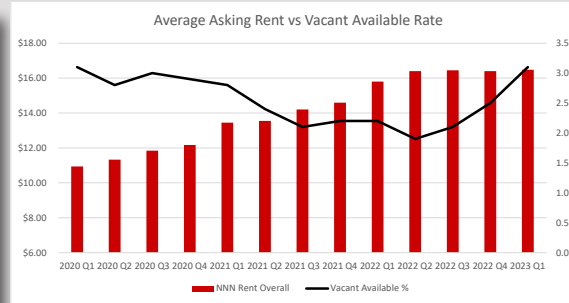
ADDRESS	SIZE (SF)	COMPLETION	DEVELOPER	SUBMARKET
3000 Rand Boulevard	1,249,122	3Q23	Bridge Development Partners	Warren & Sussex
1289 Rahway Avenue	1,215,238	2Q23	The Morris Companies	Exit 10/12
3000 Valley Brook Road	932,138	2Q24	JV Forsgate Ind. Partners & Russo Dev.	Meadowlands
42 Military Ocean Terminal (Building 3)	886,256	3Q23	Lincoln Equities	Ports
30 Sigle Lane (Building 5)	674,209	3Q23	Heller Industrial Parks, LLC	Exit 8A
85 Main Street	654,640	4Q23	Rockefeller Development	Brunswick/Exit 9
38 Market Street	532,000	3Q23	Exchange Market Street. LLC	Central Bergen
200 Linden Logistics Way	516,600	2Q23	JV Greek Dev. & Advance Realty	Ports
1 Malcolm Avenue	515,412	4Q23	Hartz Mountain Industries, Inc.	Meadowlands
Jake Brown Road (Building 6)	495,086	2Q23	2020 Acquisitions	Exit 10/12

## Submarket Highlights

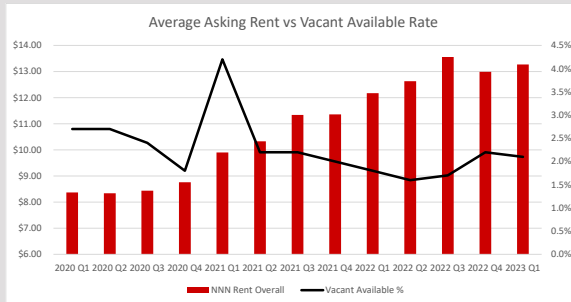
### Ports



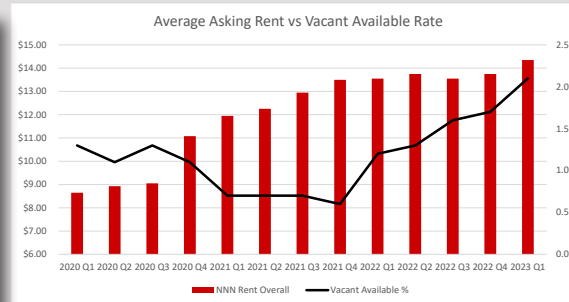
### Meadowlands



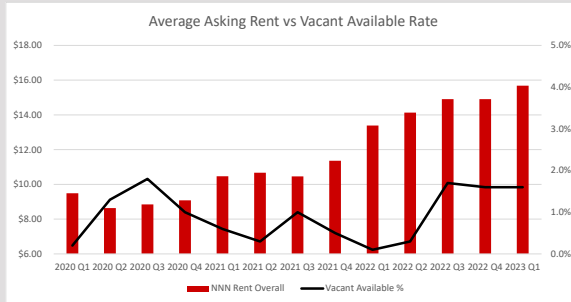
### Route 46/23/3 Corridor



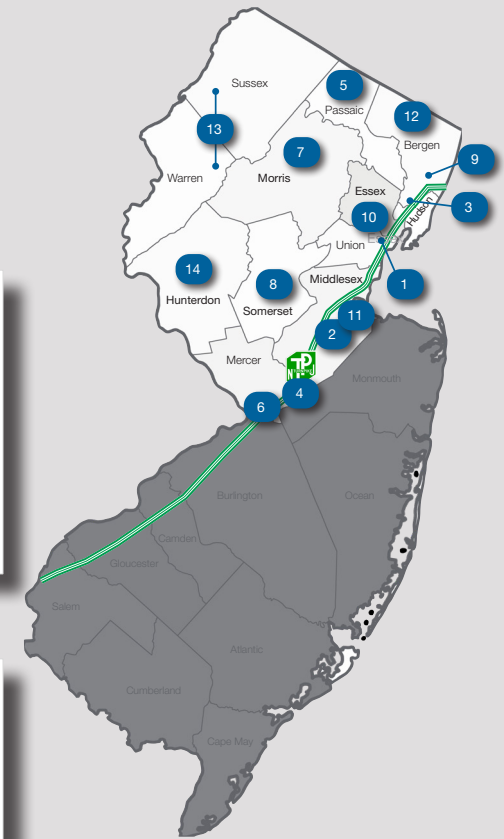
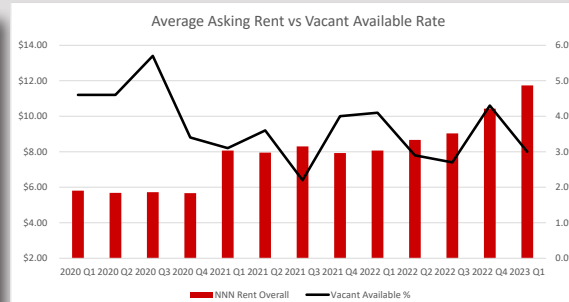
### Exit 10/12



### Exit 8A



### Exit 7A



#	SUBMARKET	VACANCY
1	PORTS	2.1%
2	EXIT 10/12	2.1%
3	MEADOWLANDS	3.1%
4	EXIT 8A	1.6%
5	46/23/3 CORRIDOR	2.1%
6	EXIT 7A	3.0%
7	MORRIS REGION	2.2%
8	SOMERSET	3.7%
9	CENTRAL BERGEN	2.3%
10	SUBURBAN ESSEX	3.1%
11	BRUNSWICK/EXIT 9	2.7%
12	NORTHERN BERGEN	2.3%
13	WARREN & SUSSEX	3.8%
14	HUNTERDON	3.6%



# 10Q 2023 INDUSTRIAL REPORT

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**275**  
TRANSACTIONS IN 2022

**\$1.05**  
BILLION - VALUE OF  
TRANSACTIONS IN 2022

Consistently  
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