

NAI James E. Hanson

COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

30
2023
INDUSTRIAL
REPORT

3Q 2023 INDUSTRIAL REPORT

Economic Overview



Earlier in the year there were fears that the U.S economy would slip into recession given high inflation and a tight labor market, but the economy has remained resilient and is now poised for a “soft landing”. Moderation in job and wage growth are positive indicators and inflation is down significantly from the peak in June 2022. Throughout much of the third quarter the U.S. unemployment rate hovered between 3.5% and 3.8%. Job growth is strongest in health care, leisure and hospitality, social assistance and construction. Possible headwinds facing the economy during the last quarter of the year include a decrease in consumer spending, a slowing job market and further interest rate hikes.



After several months of remaining below the national unemployment rate, the New Jersey unemployment rate jumped to 4.2% at the end of the summer, from 3.0% one year ago. While the overall unemployment rate is up the Garden State is still at historically high numbers for both employers and workers according the NJ Department of Labor and Workforce Development. Job gains occurred in seven of the nine major private-sector categories, led by professional and business services and education and health care.

Market Overview

Questions about the national economy did not have a major effect on the New Jersey industrial market. Demand for warehouse and distribution space by e-commerce and 3PL firms are still driving activity in market but there are signs that trends may be moderating. The addition of available supply in recent construction completions coupled with an increase in sublease space seem to indicate that the market is “normalizing” after several years of hyper-growth.

The overall vacancy rate rose during the third quarter up to 3.8%, from 2.3% at the same time last year. The rise in the vacancy rate comes amid the delivery of nearly 4.0 million square feet of new product during the quarter, where 60.0% of space is available. Comparatively, New Jersey remains below the national industrial vacancy rate of 4.2%. Vacancy rates within the fourteen submarkets range from a high of 6.4% in Brunswick/Exit 9, to a low of 1.7% in Exit 8A. Average asking rents continued to rise but at a more measured pace than they have over the last few years . The highest rents are not surprisingly, in the Ports and Meadowlands submarkets, where average rates are over \$16.50 per square foot.

Market Pricing

Average asking rates continued to move higher but the pace at which they have risen has slowed. Year-over-year asking rents have increased by 13.0%, compared to a nearly 20.0% rise from third quarter 2021 to third quarter 2023. After surpassing the \$14.00 per square market in the first quarter, rates rose incrementally through the end of the third quarter.

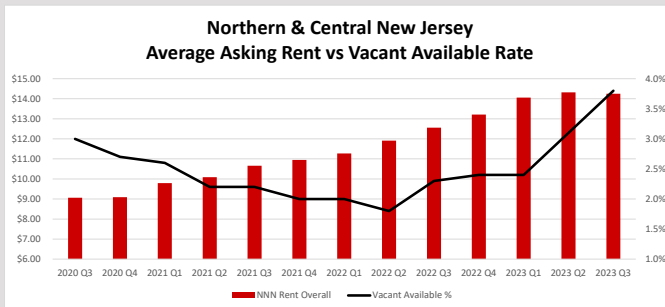


\$14.25 PSF
Asking Rental Rate



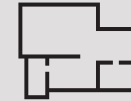
13.0%
Increase versus
3Q 2022

Asking rates in all of the fourteen submarkets tracked by NAI James E Hanson rose over the last 12 months but rates are beginning to show signs of stabilizing. At the end of the third quarter, rates in the Ports and Meadowlands are highest with Hunterdon and Morris offering the lowest pricing.

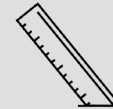


Vacancy, Absorption & Leasing

3Q2023 vs. 3Q2022



3.8%
Vacancy Rate



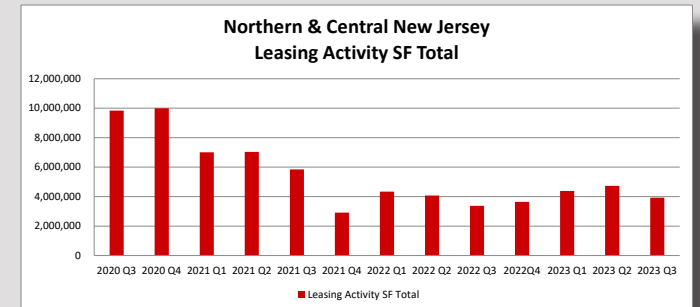
-2.6M SF
Absorption



3.9M 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.

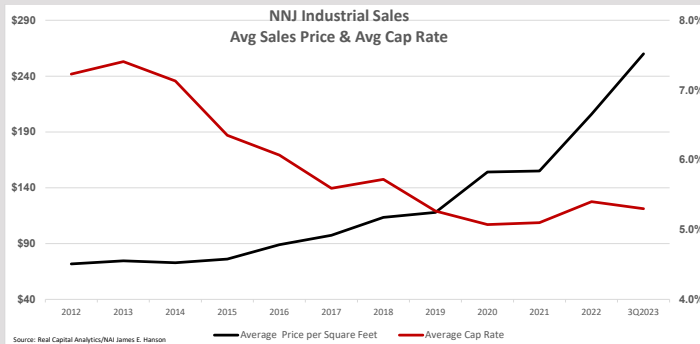


Investment Sales

A challenging interest rate environment did not deter investors from buying industrial properties with quarterly dollar volume reaching \$623 million. Although the demand for industrial properties remains strong, the number of potential investors has declined. The average price per square foot maintained upward momentum, finishing the quarter at \$260 per square foot.



More than 3.6 million square feet of industrial property changed hands during the third quarter, while cap rates held steady in the low-to-mid 5.0% range as they have for the last several quarters.

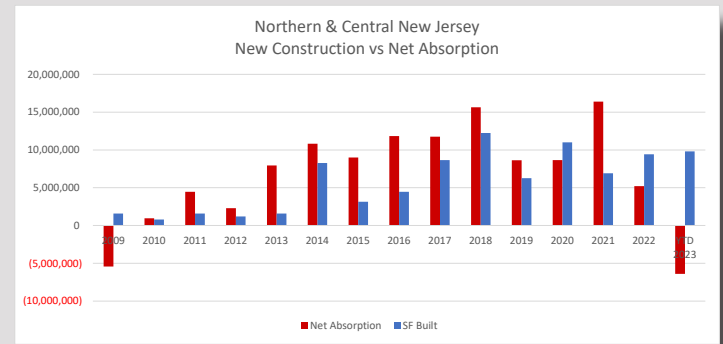


New Construction

Though new construction starts have leveled, there are still more than 20 million square feet of industrial product under construction. The submarkets with the most amount of square footage currently under construction are Exit 10/12, Ports and the Meadowlands. Of the current projects, more than 12 million square feet is slated for completion before the end of the year.



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 third quarter of 2023. Of the 9.3 million square feet delivered year-to-date, more than 7.0 million square feet remains available.



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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	711,365,868	27,053,069	3.8%	(2,675,608)	3,929,538	20,529,416	\$14.25
Middlesex	216,827,819	7,371,285	3.4%	430,939	1,637,041	7,459,950	\$14.97
Bergen	91,296,918	4,414,401	4.8%	(812,308)	591,079	2,875,009	\$13.72
Hudson	81,716,072	3,753,822	4.6%	(570,753)	548,920	2,939,074	\$14.26
Essex	67,513,403	2,580,445	3.8%	(474,153)	180,466	255,059	\$14.84
Union	70,757,960	2,847,146	4.0%	(275,798)	449,376	1,339,603	\$14.00
Passaic	56,090,955	1,793,576	3.2%	(482,948)	121,139	295,500	\$14.35
Morris	39,030,288	1,047,014	2.7%	(143,552)	108,812	1,032,092	\$12.92
Mercer	36,990,873	1,109,416	3.0%	34,086	13,793	1,440,162	\$10.75
Somerset	31,831,296	1,208,320	3.8%	(75,278)	183,912	1,206,885	\$13.53
Warren	8,772,969	445,164	5.1%	(119,384)	88,000	1,249,122	\$7.72
Hunterdon	7,121,872	367,287	5.2%	(132,716)	-	0	\$10.01
Sussex	3,415,443	115,193	3.4%	(53,743)	7,000	436,960	\$11.97

	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	RBA Under Construction	Average Asking Rate
Ports	146,562,939	6,144,902	4.2%	(748,892)	614,093	3,998,419	\$16.85
Exits 10/12	118,183,764	4,646,961	3.9%	575,253	1,161,497	5,432,253	\$15.90
Meadowlands	95,230,874	3,982,921	4.2%	(584,623)	941,970	3,203,500	\$16.60
Exit 8A	75,903,106	1,265,841	1.7%	111,783	458,044	1,243,345	\$16.21
Route 46/23/3 Corridor	55,465,613	1,886,786	3.4%	(505,327)	79,339	295,500	\$13.71
Exit 7A	49,544,295	2,721,404	5.5%	(82,994)	158,879	1,314,089	\$11.70
Morris Region	37,516,656	928,918	2.5%	(139,652)	108,812	1,032,092	\$11.98
Somerset	31,831,296	1,208,320	3.8%	(75,278)	183,912	1,643,845	\$13.60
Central Bergen County	25,723,143	1,225,464	4.8%	(578,168)	73,919	206,826	\$14.52
Suburban Essex	24,233,053	1,014,712	4.2%	(221,604)	55,022	0	\$14.10
Brunswick/ Exit 9	22,740,949	1,459,283	6.4%	(256,897)	17,500	944,815	\$15.21
Northern Bergen County	21,789,132	1,289,356	5.9%	63,599	126,637	0	\$13.01
Warren & Sussex	12,188,412	560,357	4.6%	(173,127)	95,000	1,249,122	\$11.92
Hunterdon	7,121,872	367,287	5.2%	(132,716)	-	0	\$10.15

Top Transactions

Top SALE Transactions

640,000 SF | \$98,500,000

Multi-Property Portfolio
Buyer: Sitex Group
Seller: Zuckerberg Family

301,626 SF | \$64,000,000

571 Jersey Avenue, New Brunswick
Buyer: B10 571 Jersey Owner LLC
Seller: Principal RE Investors

203,404 SF | \$53,750,000

34 Engelhard Dr, Monroe Township
Buyer: GLP Capital Partners
Seller: ING Clarion, Clarion Partners

125,500 SF | \$36,200,000*

111 Central Avenue, Teterboro
Buyer: Prologis
Seller: John B Landers

* NAI Hanson deal

Top LEASE Transactions

200,500 SF

207 Pond Avenue
Middlesex
Tenant: GDB International

200,000 SF

300 Linden Logistics Way
Linden
Tenant: Fabuwood Cabinets

192,000 SF

601 Lehigh Avenue
Linden
Tenant: Beacon/Access Link

137,972 SF

80 Campus Drive
Kearny
Tenant: Refrig-it

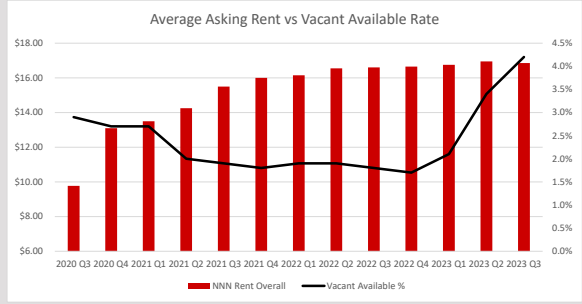


TOP 10 CONSTRUCTION PROJECTS

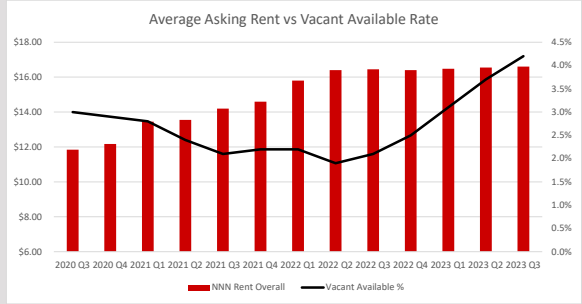
ADDRESS	SIZE (SF)	COMPLETION	DEVELOPER	SUBMARKET
3000 Rand Boulevard	1,249,122	4Q23	Bridge Development Partners	Warren & Sussex
3000 Valley Brook Ave - Bldg A	932,168	2Q24	JV Forsgate Ind. Partners & Russo Dev.	Meadowlands
42 Military Ocean Term Bldg 3	886,256	4Q23	Lincoln Equities Group LLC	Ports
Jake Brown Rd (Bldg. 3) (Central Logistics Park)	818,395	1Q24	2020 Acquisitions	Exit 10/12
1160 State Street (BridgePort II) Bldg 1	800,000	2Q24	Bridge Investments	Exit 10/12
30 Sigle Ln (Bldg. 5)	674,209	4Q23	Heller Industrial Parks, Inc.	Exit 8A
85 Main Street (Main St. Logistics Ctr.)	654,640	4Q23	Rockefeller Development	Brunswick/Exit 9
1 Malcolm Ave	515,421	4Q23	Hartz Mountain Industries, Inc.	Meadowlands
Jake Brown Rd (Bldg. 6) (Central Logistics Park)	495,086	4Q23	2020 Acquisitions	Exit 10/12
1075 Secaucus Road	490,429	2Q24	1075 Secaucus Road, LLC	Ports

Submarket Highlights

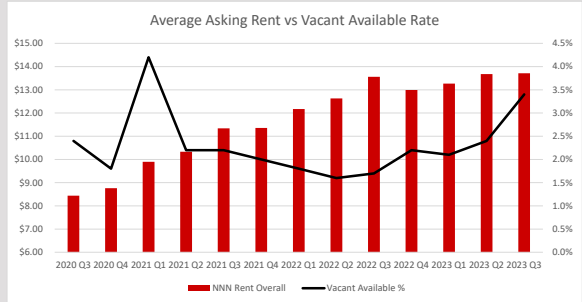
Ports



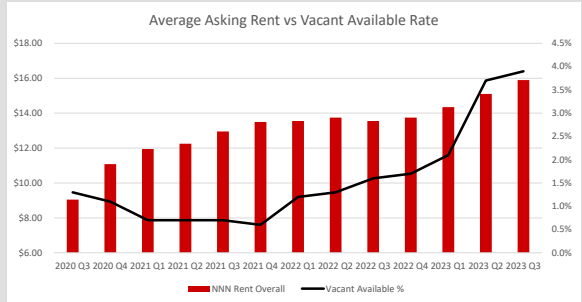
Meadowlands



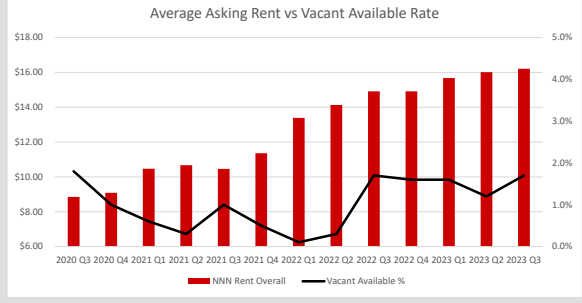
Route 46/23/3 Corridor



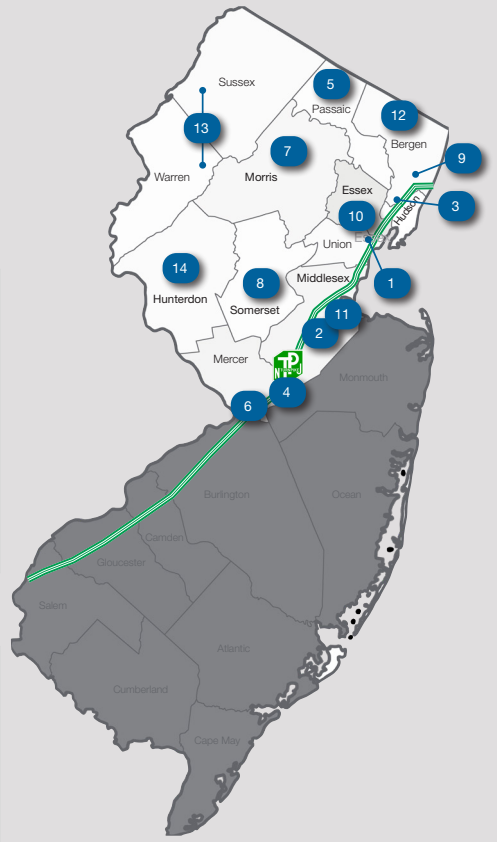
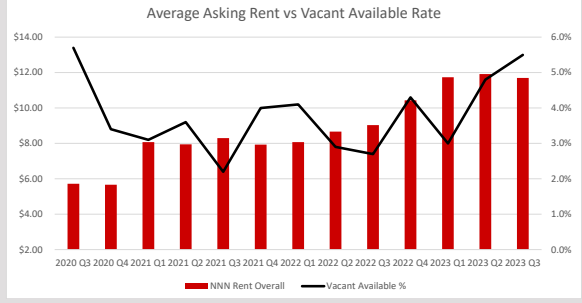
Exit 10/12



Exit 8A



Exit 7A



#	SUBMARKET	VACANCY
1	PORTS	4.2%
2	EXIT 10/12	3.9%
3	MEADOWLANDS	4.2%
4	EXIT 8A	1.7%
5	46/23/3 CORRIDOR	3.4%
6	EXIT 7A	5.5%
7	MORRIS REGION	2.5%
8	SOMERSET	3.8%
9	CENTRAL BERGEN	4.8%
10	SUBURBAN ESSEX	4.2%
11	BRUNSWICK/EXIT 9	6.4%
12	NORTHERN BERGEN	5.9%
13	WARREN & SUSSEX	4.6%
14	HUNTERDON	5.2%

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NAI GLOBAL

43± Countries
325± Offices
5,800± Market Leaders

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REAL ESTATE PROFESSIONALS

Superior information management and market research capabilities



44
Agents



12 SIOR'S -
THE HIGHEST OF ANY
CRE FIRM IN NJ

275
TRANSACTIONS IN 2022

\$1.05
BILLION - VALUE OF
TRANSACTIONS IN 2022

Consistently ranked as
Top "Power Broker" by
Costar Group