

Northern New Jersey

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Rent growth tapers; new industrial product continues to fuel upward vacancy

Average asking rents have begun to flatline in the Northern New Jersey industrial market, up 4.7% year over year but nearly flat over the last few quarters. Running in step with slowing rent growth has been climbing vacancy, up 270 basis points (bps) year over year, primarily fueled by the delivery of speculative industrial developments over the last several quarters. The market's construction pipeline delivered 16.5 million square feet (msf) in 2023, while another 3.8 msf, all speculative development, delivered in Q1 2024. In fact, inventory built in 2023 and 2024 make up 27% of current market vacancy, nearly 11.0 msf in total.

Exit 8A submarket starts 2024 with a boon of activity

Offering less expensive average rental rates than its port-centric competitors, one of the lowest vacancy rates in the market, and untethered access to I-95, the Exit 8A submarket saw a boon of activity in the first quarter. New commitments, totaling over 500,000 square feet, from third-party logistics firms Amware and SLM as well as renewals for Anixter and SupplyHouse New Jersey made up the lion's share of first quarter activity. The capital markets also continue to be drawn to Exit 8A, as evidenced by Invesco's recent \$55.0 million acquisition of an I-95 adjacent warehouse, built in 1991. Both the leasing and acquisition activity underpin the submarket's competitiveness due to its interstate-centric location and quick access to both the New York and Philadelphia consumer markets.

Container activity at Port of New York and New Jersey starts the year off strong

The Port of New York and New Jersey has bounced back from slowed TEU volumes in 2023 and through February has processed nearly 3.0 million TEUs in 2024, a 6.8% increase from this time last year. Considering the recent disruption at the Port of Baltimore, the rerouting of containerized cargo as well as the continued strength of the American consumer should continue to bolster TEU volumes at the port from a 2023 lull. If port activity continues to be a leading indicator of industrial demand, expect normalized rent growth, slowing vacancy, and the absorption of new Class A supply.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	640.2 msf	666.4 msf	+26.2 msf
Vacancy Rate	3.4%	6.1%	+270 bps
Asking Rental Rate	\$16.67	\$17.46	+4.7%
Net Absorption	0.6 msf	-0.2 msf	-0.8 msf
Under Construction	17.9 msf	11.7 msf	-6.2 msf
Deliveries	3.4 msf	3.8 msf	+0.4 msf

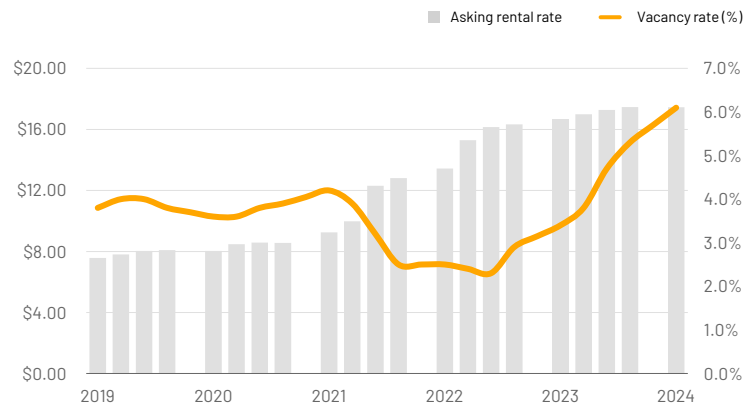
Outlook

01 The continued growth of sublet availability, up 27.0% from last quarter and now nearly 1.0% of total availability, will continue to provide leverage for occupiers negotiating leases in the near term

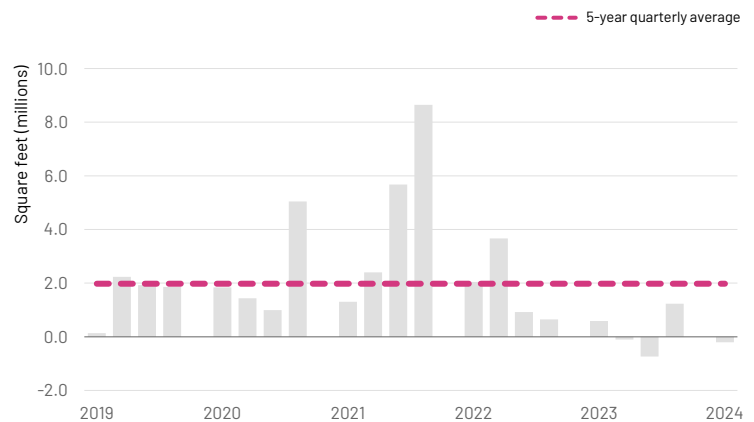
02 Submarkets, like Exit 8A, that offer competitive interstate access, less expensive rents, and still tight vacancy will continue to attract both occupiers and investors

03 The Port of New York and New Jersey's busy first two months of the year could be an early green shoot, signaling slowing vacancy and near-term demand growth

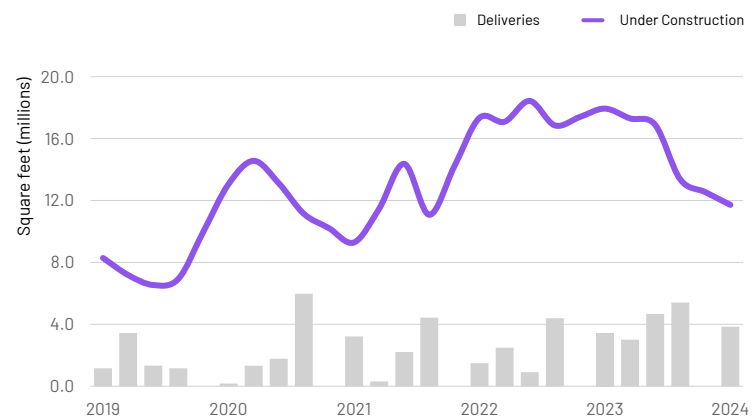
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

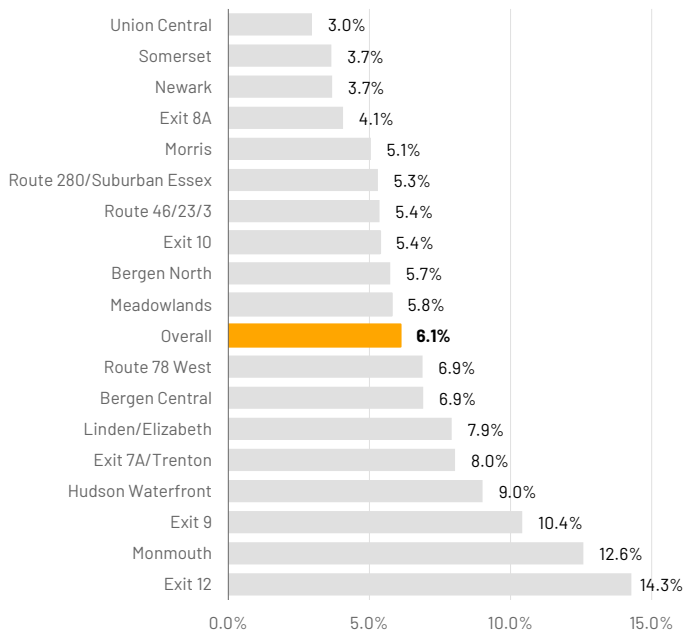
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Elogistek	607,417	Exit 10	1001 W Middlesex Avenue	New Lease	Logistics & Distribution/3PLs
Refresco	502,403	Morris	80-98 North Main Street	Renewal	Food & Beverage
Anixter	501,400	Exit 8A	7 Santa Fe Way	Renewal	Industrial Machinery & Supplies
Amware	285,362	Exit 8A	10 Sigle Lane	New Lease	Logistics & Distribution/3PLs
SLM	250,000	Exit 8A	258 Prospect Plains Road	Sublease	Logistics & Distribution/3PLs

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Invesco	216,000	Exit 8A	152 Ridge Road	\$55.0 M / \$255	Saadia Group
Oliver Street Capital	101,344	Meadowlands	299 Murray Hill Parkway	\$28.5 M / \$281	Braha Industries
Old Dominion Freight Line	34,000	Hudson Waterfront	55 Van Keuren Avenue	\$21.6 M / \$635	James G. Nicholas II LLC
Sagard Real Estate	48,000	Meadowlands	85 Herman Street	\$19.4 M / \$404	Deugen Development
Dalfen Industrial	92,400	Bergen North	12 Thornton Road	\$14.7 M / \$158	Raymour & Flanigan Furniture

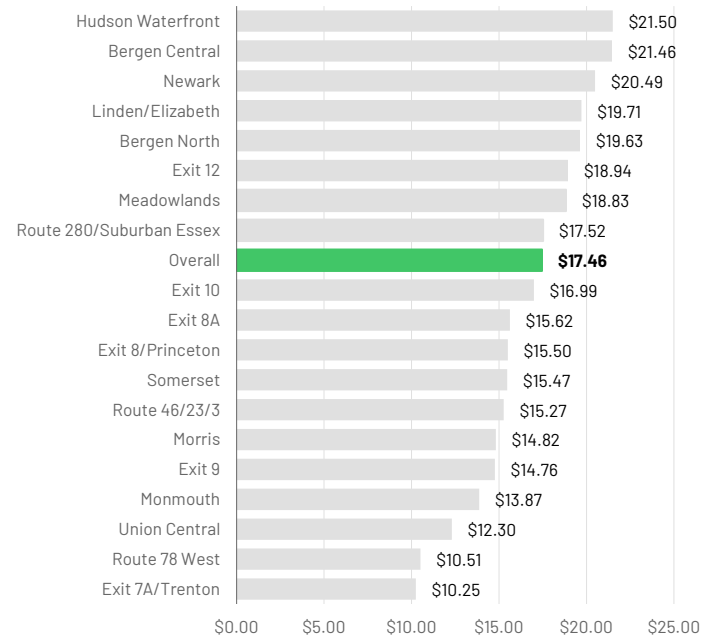
Vacancy Rate Comparison (%)

NORTHERN NEW JERSEY SUBMARKETS



Rental Rate Comparison (\$/sf)*

NORTHERN NEW JERSEY SUBMARKETS



*based on all classes of available inventory

Northern New Jersey Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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