Northern New Jersey

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Construction deliveries and climbing vacancy overshadow positive absorption

Vacancy continues to climb in the market, up 250 basis points (bps) year over year, on the back of newly constructed supply. Speculative construction accounts for 4.7 million square feet (msf) of the nearly 5.9 msf delivered this quarter, of which 51% remains unleased. Both the Morris and Meadowlands submarkets delivered over 600,000 square feet (sf) of speculative and available product this quarter, with projects like TEB Transport Center, 1879 Route 46 and Bridge Point East Hanover all completing before year end. However, net absorption shifted positive in Q4 2023, with nearly 1.0 msf of positive net absorption across the market. The largest such move stems from the Route 78 West submarket, as Flexport, following its Shopify Logistics/Deliverr acquisition, opens its 1.2 msf distribution center at Bridge Point 78.

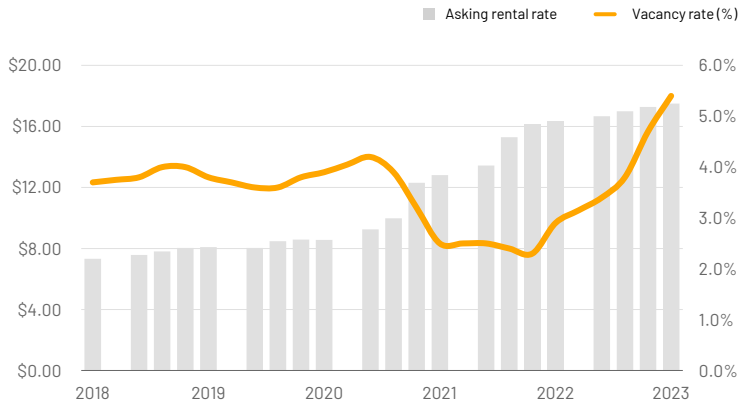
As the development pipeline shrinks, appetite for spec development persists

The development pipeline has shrunk nearly 30% from the highwater mark seen in mid-2022, as new product continues to come online. Deliveries of new construction totaled just over 17.0 msf in 2023, and developers and tenants alike continued to show favor for new product, albeit at a slower pace. Infill submarkets, such as Hudson Waterfront and Linden/Elizabeth, continue to absorb such appetite, as seen by quarterly groundbreakings at Bridge Point Bayonne and Elizabeth Metropolitan Logistics Center. Additionally, CVS committed to over 400,000 sf at the recently completed HRP Hudson Logistics Center in Hudson Waterfront.

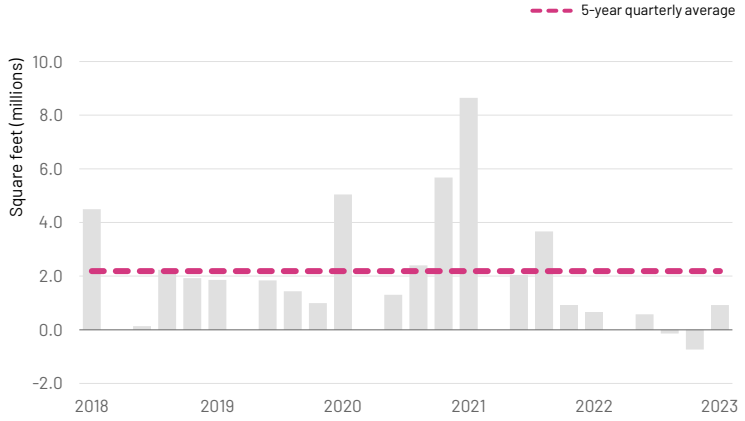
TEUs rebound in second half of 2023, poised to outstrip 2019 and 2020 volumes

Volumes at the Port of New York and New Jersey recorded the largest monthly mark year to date, processing nearly 743,000 TEUs. While 2023 will pale in comparison to 2021 and 2022, which each saw a record 9.0 million TEUs processed, the latter half of 2023 has turned a corner, averaging nearly 700,000 TEUs per month since June. With 6.5 million TEUs processed year to date, the port is well on pace to surpass the yearly volumes of 2019 and 2020. While multiple factors fuel demand for industrial real estate, container volumes are one leading indicator signaling a return to the pre-pandemic market.

Asking Rent and Vacancy



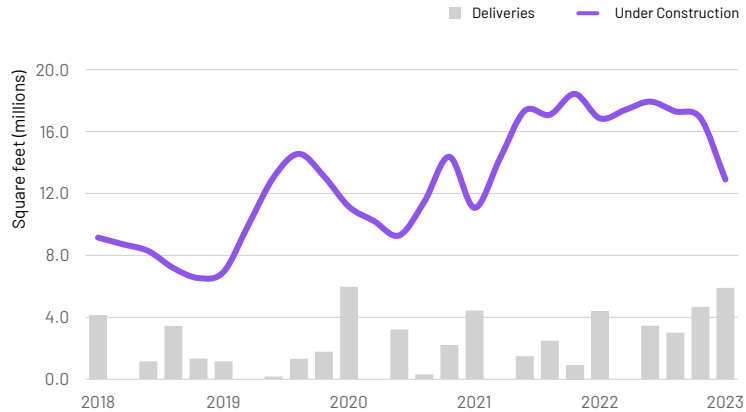
Net Absorption



Key Statistics

	Q4 2022	Q4 2023	Y-O-Y
Inventory	635.1 msf	**661.9 msf**	+26.8 msf
Vacancy Rate	2.9%	**5.4%**	+250 bps
Asking Rental Rate	$16.33	**$17.50**	+7.2%
Net Absorption	0.7 msf	**0.9 msf**	+0.2 msf
Under Construction	16.8 msf	**12.9 msf**	-3.9 msf
Deliveries	4.4 msf	**5.9 msf**	+1.5 msf

Deliveries and Under Construction



Outlook

01 The 12.9 msf construction pipeline, of which 90% remains available, is expected to drive near-term vacancy rates higher

02 Supply-constrained, port-centric submarkets will continue to attract speculative construction

03 As TEU volumes revert to pre-pandemic levels, expect industrial demand to adjust accordingly

Top Leases

Source: Savills Research

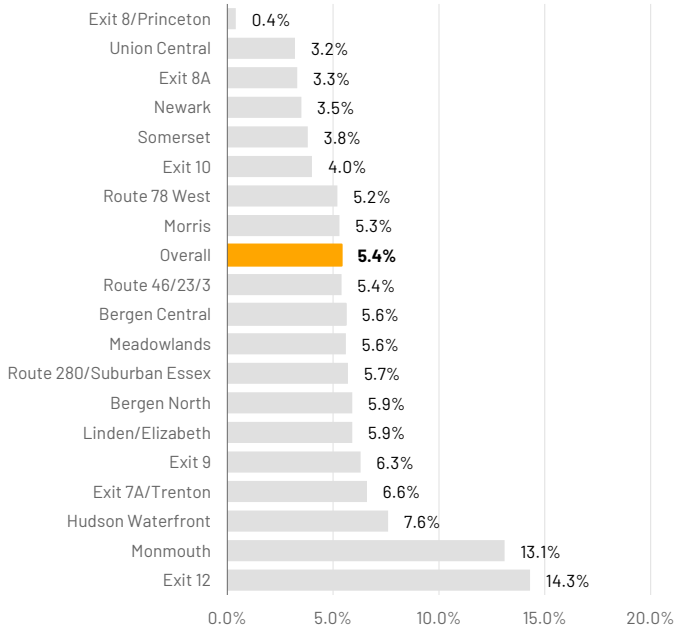
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
CVS	427,155	Hudson Waterfront	134 Van Keuren Avenue	New Lease	Retailer (Brick & Mortar)
1 Stop Electronics Center	232,640	Exit 7A/Trenton	1365 Lamberton Road	Sublease	Consumer Goods
Luxe Event Rentals	190,000	Exit 9	1735 Jersey Avenue	New Lease	Professional & Business Services
Packaging & Distribution Resources	154,137	Exit 10	40-44 Distribution Boulevard	New Lease	Logistics & Distribution/3PLs
WinCup	129,785	Somerset	4-8 Heller Park Lane	New Lease	Paper & Packaging

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / $/SF	SELLER
Morgan Stanley	1,237,253	Morris	Murray Road Portfolio	$217.5 M / $176	Urban Edge Properties
Faropoint	770,064	Bergen North	Allendale & Mahwah Industrial Parks	$144.5 M / $188	Camber Real Estate Partners / Advance Realty
Service Tire Truck Center	67,355	Linden/Elizabeth	1900 Lower Road	$21.0 M / $312	Turtle & Hughes
Marcus Partners	111,548	Morris	100 Fulton Street	$20.9 M / $187	Dauphin
Venture One Real Estate	93,000	Route 280/Suburban Essex	1 Dodge Drive	$17.8 M / $191	Terreno Realty

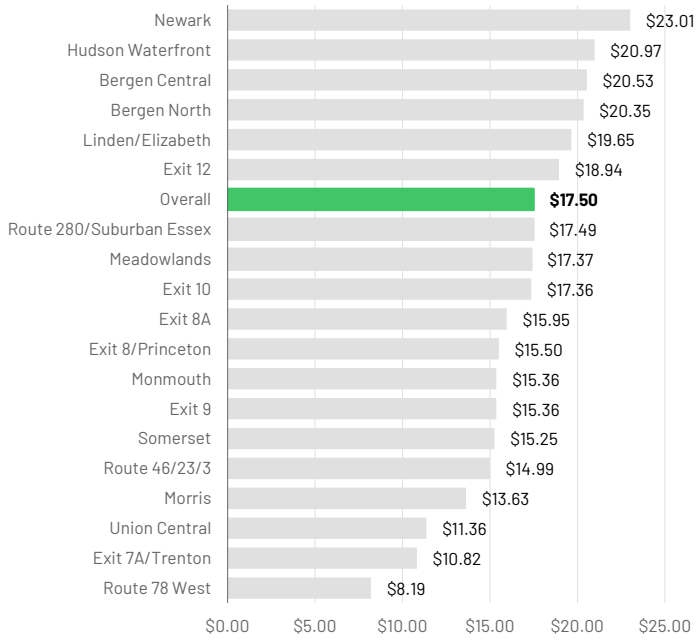
Vacancy Rate Comparison (%)

NORTHERN NEW JERSEY SUBMARKETS



Rental Rate Comparison ($/sf)*

NORTHERN NEW JERSEY SUBMARKETS



*based on all classes of available inventory

Northern New Jersey Q4 2023 - 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.

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