MARKETBEAT
NEW JERSEY
INDUSTRIAL Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.1% Vacancy Rate	▲	▼
-3.6M YTD Net Absorption, SF	▼	▲
$16.75 Asking Rent, PSF	▼	▼

(Overall, Net Asking Rent)

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.7M New Jersey Employment	▬	▬
4.8% New Jersey Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: Midyear TEU and Import Growth Continues at the Port of NY/NJ

The Port of New York and New Jersey (PONY/NJ) grew 6.5% year-over-year (YOY), processing 3.7 million TEUs through May. Import volume continued to drive growth, increasing by 5.3% to 1.9 million TEUs, while exports rebounded by 3.8% to 592,342 TEUs. This growth was driven by the port handling 774,698 TEUs in May, making it the nation's busiest port. Despite tariff-related uncertainty, the PONY/NJ has demonstrated strong resilience through May 2025.

After a slight dip in January, rail volume rebounded by 10.2% to 296,443 containers after four consecutive months of gains. In April, the PONY/NJ moved 30,124 autos, a 20.9% decrease from the prior year, contributing to a 13.0% decline in auto shipments from January to April compared to the same period in 2024. Overall, port activity through May has displayed solid YOY growth, reinforcing the region's continued strength as a critical logistics hub.

OVERVIEW: New Supply Accelerates Occupancy Losses Despite Leasing Gains

New Jersey's industrial market recorded additional occupancy losses in the second quarter as 3.2 million square feet (msf) was returned to the market—a 5.3% quarter-over-quarter (QOQ) increase. While leasing activity improved in the second quarter following a slow start to the year driven by tariff-related uncertainty on consumer demand, the addition of new supply this quarter led to negative absorption for the ninth consecutive quarter. Class A properties, however, continued to outperform, recording positive net absorption for the third straight quarter due to strong demand for newly delivered product.

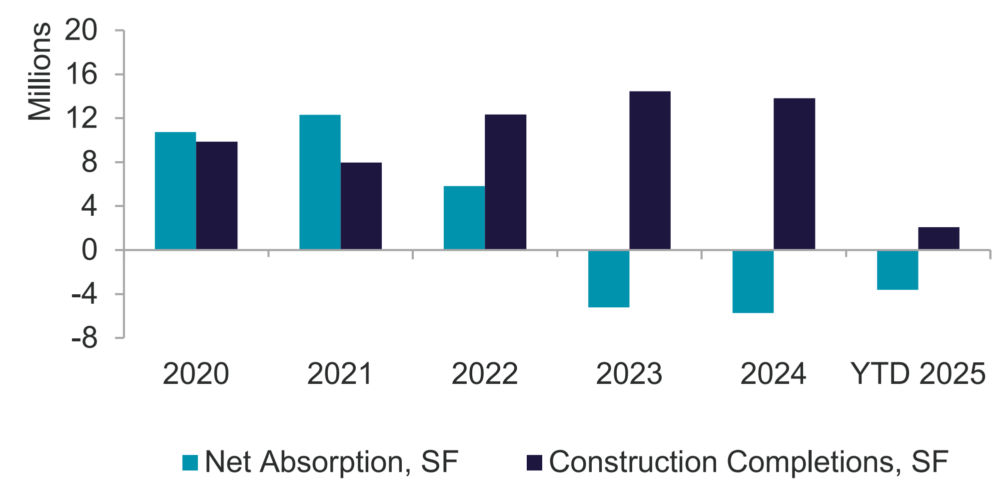
DEMAND: Leasing Activity Increased As User-Sale Demand Persists

Following a cautious start to 2025, industrial leasing activity in New Jersey increased in the second quarter, totaling 7.0 msf—up from 6.5 msf in the previous quarter and 6.7 msf one year ago. Renewal activity increased 75.1% from the previous quarter to 3.8 msf, 8.2% above the two-year quarterly average of 3.5 msf, demonstrating positive occupier demand across the state.

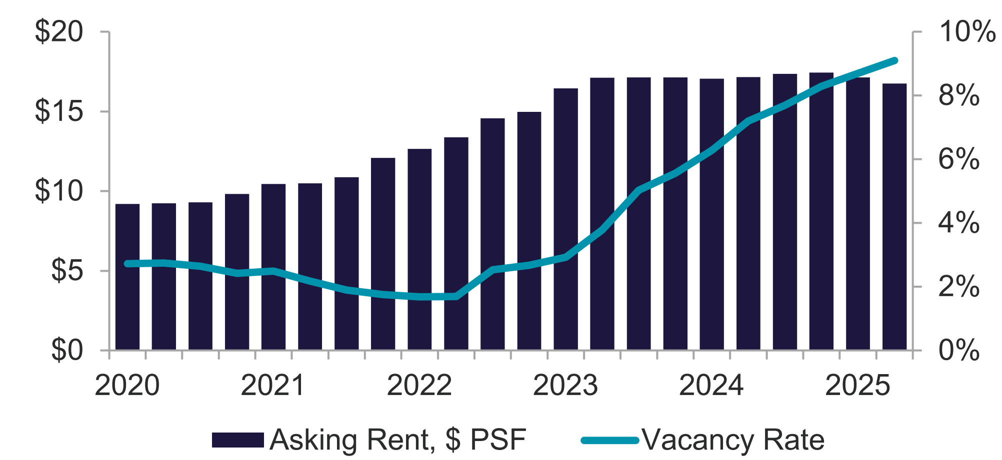
The Port Region and Port South submarkets remained the primary leasing drivers, accounting for 29.5% of total year-to-date (YTD) activity. Asian-supplied third-party logistics (3PL) firms secured 19.4% of all signed leases through the first half of the year, with 73.2% (1.9 msf) of those falling within Class A warehouse and distribution properties—underscoring the ongoing importance of global trade and port-adjacent facilities.

As companies prioritize stability to mitigate rising rents and market uncertainty, user-buyers are securing industrial assets for their operations. This shift in market dynamics and these improved capital markets conditions have created opportunities for well-positioned industrial user-buyers. Notable transactions include iBUY's $16.2-million acquisition of 225 Phillips Boulevard in Ewing at $52.24 per square foot (psf), DataBank's $16.0-million purchase of 25 Corporate Place in Piscataway at $324.18 psf, and Cavalli Cabinets' $7.0-million purchase of 727 South Avenue in Piscataway at $170.73 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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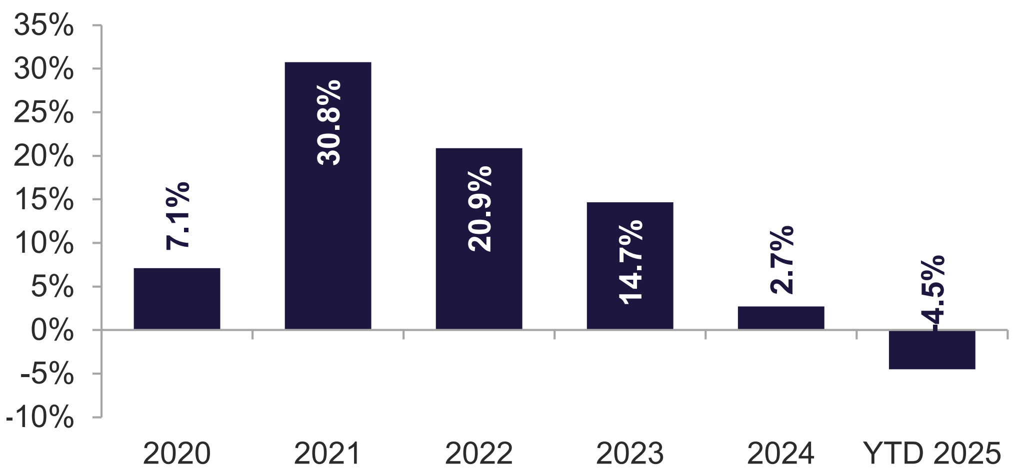
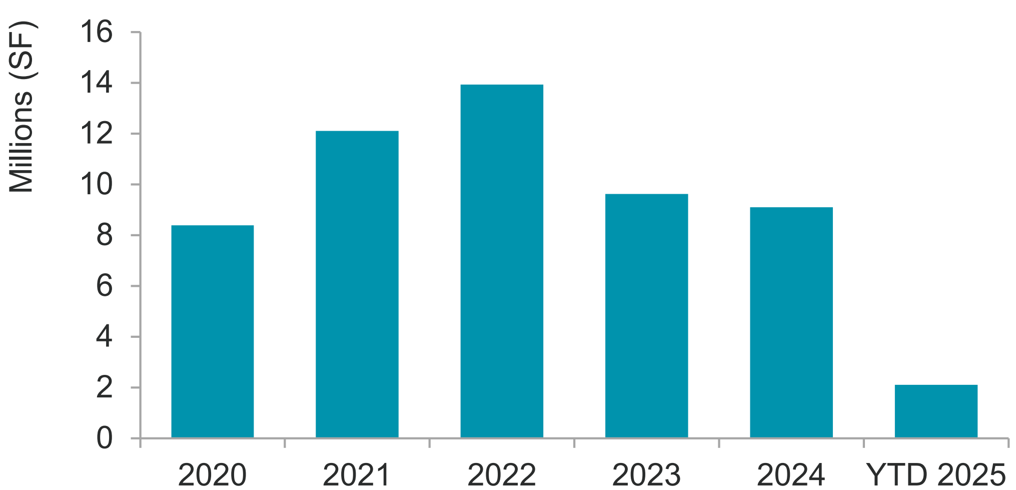
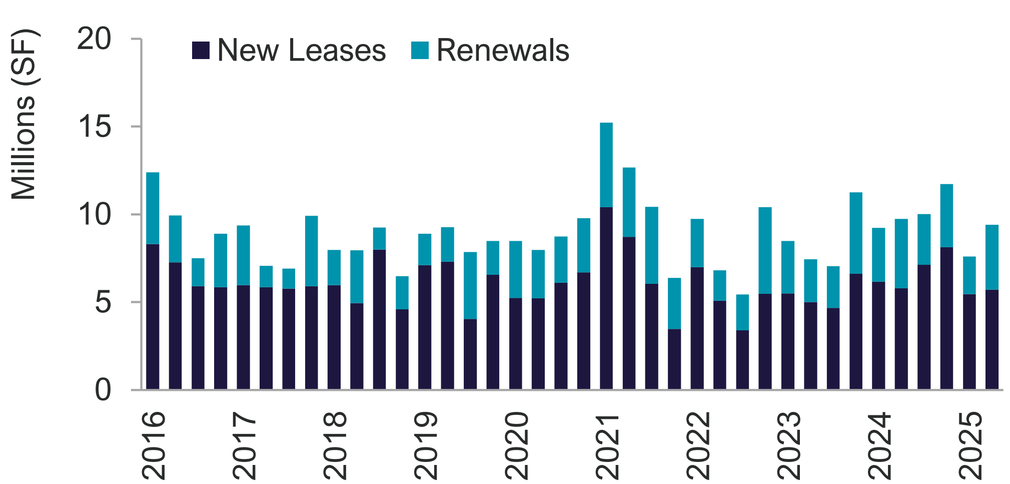
ANNUAL WAREHOUSE RENT GROWTH (%)



CONSTRUCTION STARTS



YTD HISTORICAL WAREHOUSE NEW LEASING ACTIVITY



SUPPLY: Vacancy Increases As Net Absorption Remains Negative

As industrial occupiers navigate market uncertainty and large blocks of space return to the market, net absorption remained negative for the ninth consecutive quarter at negative 1.7 msf, bringing YTD occupancy losses to negative 3.6 msf. The addition of 14.0 msf of new vacancies over the past year pushed the vacancy rate up 190 basis points (bps) YOY to 9.1%. Sublease space, which has grown 82.9% YOY to 9.5 msf, now consists of 15.0% of the total vacant space. This surge indicates that many occupiers are reassessing their real estate footprints, either by consolidating space or shedding excess capacity in response to changing economic conditions.

Despite market obstacles, the demand for high-quality, well-located industrial properties remained robust, as reflected in Class A performance. These properties have captured the bulk of occupier demand, posting 47,851 sf of positive net absorption in the second quarter.

After a strong start to the year, Northern New Jersey recorded 699,298 sf of negative net absorption in the second quarter, although YTD occupancy totals remain positive at 326,505 sf. Central New Jersey recorded negative 1.0 msf of net absorption this quarter, bringing YTD occupancy losses to negative 3.9 msf. The Meadowlands submarket trended upward for a second consecutive quarter, posting 937,037 sf of occupancy gains midway through 2025 and lowering its vacancy rate by 120 bps to 8.4%. The Exit 8A submarket has faced six consecutive quarters of negative absorption, totaling negative 5.0 msf in occupancy losses, while its vacancy rate rose 720 bps to 10.2%.

OUTLOOK

- Vacancy rates are projected to rise further in the short term as new supply continues to outpace demand.
- Tenant move-outs will contribute to vacancy, requiring time for the market to absorb the excess new space.
- Uncertainty surrounding tariffs is driving volatility in industrial real estate.
- Average asking rents are expected to be competitive, as vacancy rates remain high.
- Build-to-suit projects are expected to help improve net absorption.

PRICING: Pricing Decreases As Vacancies Add Competition

Warehouse and distribution space pricing in New Jersey continues to stabilize, with rent growth leveling off after two years of record-setting new supply. Recent developments drove asking rents to historic highs by the end of 2024, but as of the latest quarter, average asking rents declined by 2.7% YOY to $17.14 psf. Rising vacancies have heightened competition among landlords, fueling an increase in lease concessions such as extended free rent periods and more tenant-friendly terms. These evolving market dynamics are prompting a more strategic approach to leasing and pricing statewide.

CONSTRUCTION: New Deliveries Increased As Construction Starts Slowed

After warehouse/distribution completions fell to just 517,288 sf—the lowest level since 2010—in the first quarter, second quarter deliveries rebounded to 1.4 msf. Pre-leasing slowed, with only 15.4% of the delivered product occupied at the time of completion, lowering overall pre-leasing activity to 28.4% through the first half of the year. However, that figure is expected to improve with nine build-to-suit warehouse and distribution projects underway, totaling 2.5 msf. These projects, which secure tenant commitments prior to construction, offer developers greater financial certainty and mitigate vacancy risk compared to speculative developments.

The market appears poised for potential occupancy gains in the second half of 2025, supported by a reduced pipeline of speculative projects and a greater share of pre-leased developments. As these commitments materialize, they are expected to drive positive net absorption. The uptick in pre-leasing and the shift toward build-to-suit projects signal a market that is adapting to current conditions. This transition could foster a more stable and well-balanced environment in the months ahead.

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD LEASING ACTIVITY (SF)**	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	QRTLY CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (HT)*	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (W/D)
Northern Bergen	16,994,999	6.0%	121,530	88,417	50,295	–	–	$16.68	$15.36	$17.08
GW Bridge Market	3,762,073	6.0%	35,583	-5,310	25,964	–	–	$21.98	–	$23.54
Central Bergen	21,321,575	8.5%	143,628	-134,463	-170,126	154,240	–	$16.47	$15.20	$16.29
Meadowlands	80,231,230	8.4%	1,655,958	602,732	937,037	1,443,003	–	$18.84	$17.22	$18.56
Port Region	96,402,519	11.5%	1,690,920	-400,602	-306,416	354,400	630,682	$18.85	$13.97	$19.92
Suburban Essex	10,463,256	3.7%	35,684	29,798	107,859	–	–	–	$21.00	$16.22
Greater I-80 Corridor	85,074,929	7.1%	1,192,296	-500,286	-283,091	879,798	–	$15.05	$13.68	$16.44
Route 23 North	561,756	41.7%	0	-175,976	-233,976	–	–	–	–	$13.00
Morristown Market	11,380,333	9.4%	388,228	224,528	254,923	600,000	136,714	$16.02	$15.00	$18.21
Route 23 Corridor	1,986,877	1.5%	34,500	-8,000	28,892	–	–	–	–	$18.00
Port South	44,832,431	12.3%	2,284,907	19,713	161,111	–	–	–	–	$18.41
Central Union	19,175,317	7.3%	418,750	150,341	-439,506	294,336	132,000	$11.56	$13.69	$15.18
Route 24 Corridor	5,359,331	3.0%	18,076	-32,586	132,052	–	–	$22.00	$23.83	$14.22
Somerset/ I-78 Corridor	34,255,059	5.2%	1,637,823	-25,666	233,754	661,359	–	$16.46	$14.12	$15.43
I-287/Exit 10	98,902,498	7.3%	1,184,873	-36,165	-871,814	390,138	–	$16.42	$12.18	$16.84
Exit 9	28,624,057	14.1%	464,806	150,043	93,200	235,610	–	$15.84	–	$16.67
Exit 8A	81,539,186	10.2%	1,183,434	-1,051,908	-2,243,647	100,000	409,598	$14.01	$12.00	$15.06
Greater Princeton	9,463,551	13.7%	92,340	223,168	-208,129	–	–	$11.95	$9.08	$13.09
Exit 7A/8	27,500,045	12.5%	618,154	-960,976	-1,242,631	942,477	–	$13.11	$8.25	$13.89
Monmouth County	16,921,525	8.3%	255,292	122,166	371,381	440,181	136,088	$14.24	$12.59	$13.89
NORTHERN NJ TOTALS	311,613,093	8.6%	4,828,912	-699,298	326,505	3,431,441	767,396	$16.16	$13.89	$18.37
CENTRAL NJ TOTALS	383,139,454	9.5%	8,627,870	-1,021,734	-3,929,373	3,011,418	677,686	$13.78	$12.80	$16.26
NEW JERSEY TOTALS	**694,752,547**	**9.1%**	**13,456,782**	**-1,721,032**	**-3,602,868**	**6,442,859**	**1,445,082**	**$14.60**	**$13.37**	**$17.14**

**Rental rates reflect weighted net asking $psf/year*
***Leasing activity totals do not include renewals*

HT = High Tech/Flex MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	PROPERTY TYPE	LEASE TYPE
1501 Cottontail Lane	Somerset/I-78 Corridor	Nissan	519,544	Manufacturing	New Lease
500 Linden Logistics Way	Port South	Elogistek	480,844	Warehouse/Distribution	New Lease
1065 Cranbury South River Road	Exit 8A	Iron Mountain (Clutter)	450,330	Warehouse/Distribution	Renewal*
1 Wiley Drive	Somerset/I-78 Corridor	ID Logistics	355,790	Warehouse/Distribution	New Lease
801 West Linden Avenue	Port South	Southern Glazer's Wine and Spirits	282,400	Warehouse/Distribution	Renewal

**Renewals not included in leasing statistics*

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	DEVELOPER	SF	MAJOR TENANT	PROPERTY TYPE
3000 Valley Brook Avenue - Building A	Meadowlands	Russo Development/ Forsgate Industrial Partners	932,168	TJX	Warehouse/Distribution
45 Route 10 - Bldg. A	Morristown Market	Russo Development/Onyx Equities	600,000	RealCold	Warehouse/Distribution
395 Elizabeth Avenue	Somerset/I-78 Corridor	Prologis, Inc.	436,900	–	Warehouse/Distribution
825 Sloan Avenue	Exit 7A/8	PGIM Real Estate/Lincoln Equities Group	420,024	–	Warehouse/Distribution
128 Iron Mountain Road	Greater I-80 Corridor	Brookfield Properties	393,335	–	Warehouse/Distribution

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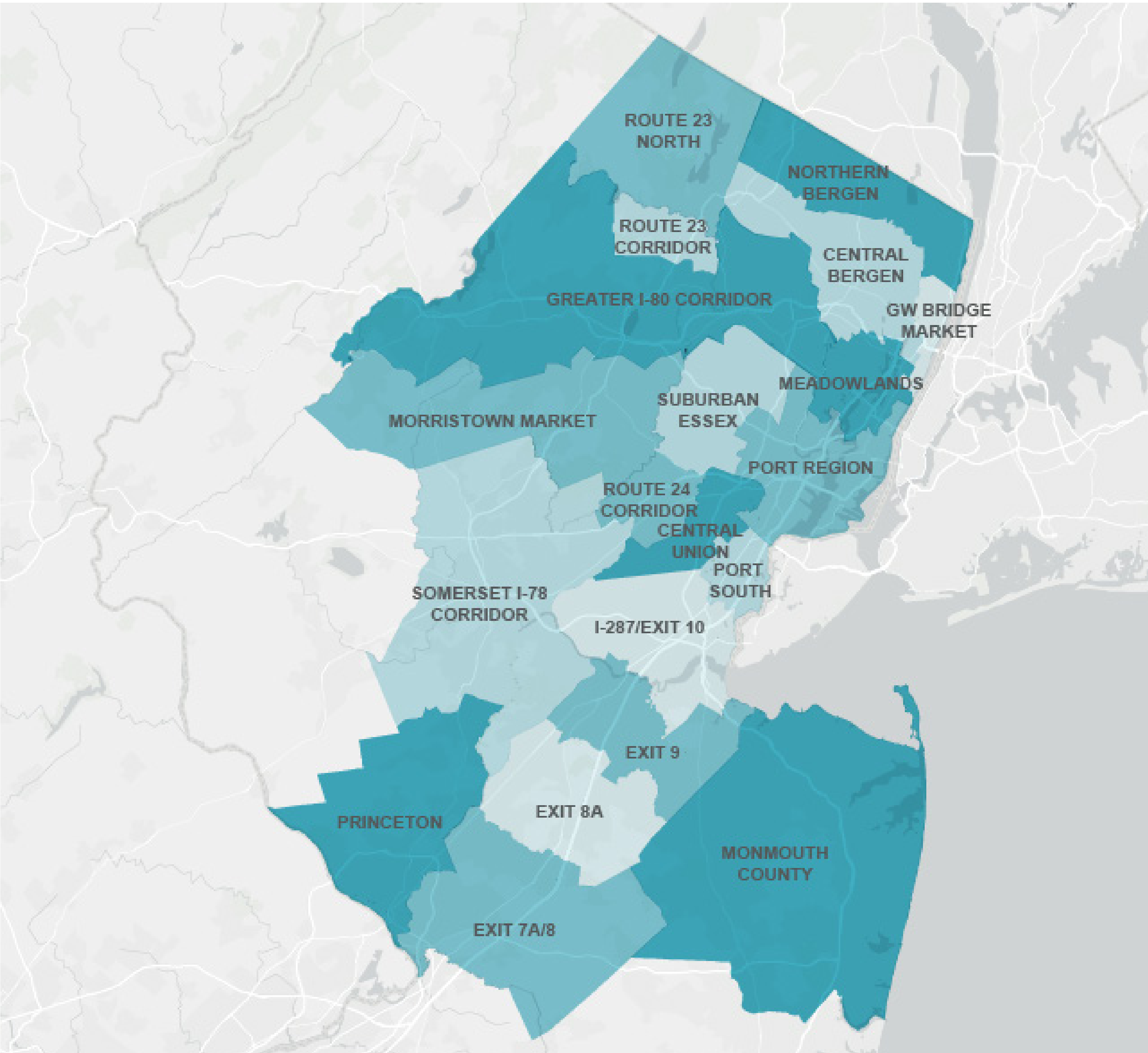
SUBMARKETS



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