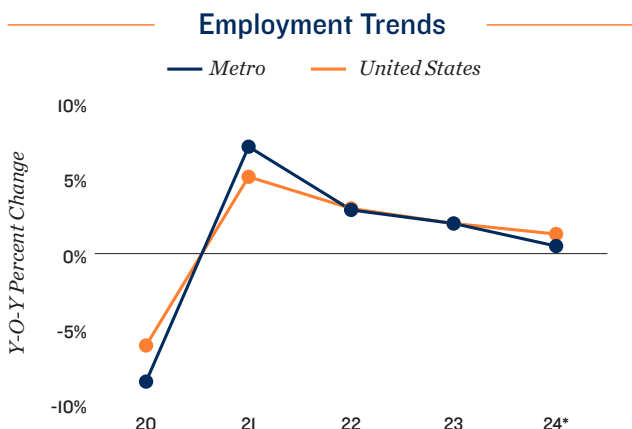


## Strong Port Activity Bolsters Industrial Landscape, Although Possible Headwinds on the Horizon

**Sector reset from health crisis continues.** The trend of net space relinquishment that began in 2023 will extend through this year, albeit to a lesser degree. Move-outs have been most common among light manufacturing, light distribution and larger warehouse space amid post-pandemic supply chain normalization. While the resulting lift to vacancy will place the marketwide rate at a nine-year high, it will still be lower than nearly all of the 2001-2015 span. Vacancy is comparatively tighter for either small or large floor plans under 50,000 or above 500,000 square feet. This reflects local demand for both last-mile infill and major distribution hubs, with roughly 70 percent of the national population within a 24-hour drive.

**Port activity strong at midyear.** Aided in part by Baltimore cargo diversions, the Port of New York and New Jersey was the country's busiest container port in May. Total TEUs processed year to date through May were also up 12 percent over the same span in 2023. While the added volume bodes well for nearby industrial assets, with Essex County the second most occupied local submarket in June, headwinds could form later this year. If the International Longshoreman's Association does not reach a new labor agreement with East and Gulf coast port authorities by Sept. 30, workers could strike, similar to the West Coast last year. Shippers may want to divert some cargo to Pacific points of call to mitigate risks, although Panama Canal drought restrictions may waylay those ambitions.



\* Forecast  
Sources: BLS; CoStar Group, Inc.

## Industrial 2024 Outlook



12,000

JOB  
will be created

### EMPLOYMENT:

A subdued first five months of job creation tempers the employment growth outlook for the market in 2024. Total staffing will inch up by about 0.5 percent this year, weighed down by losses in office-based roles.



2,600,000

SQ. FT.  
will be completed

### CONSTRUCTION:

Development eases following the record arrival of 5.9 million square feet last year. Completions scheduled for 2024 will expand existing stock by 0.6 percent, on par with the paces of growth noted in 2021 and 2022.



110

BASIS POINT  
increase in vacancy

### VACANCY:

After declining for 11 years, vacancy rose 230 basis points in 2023. That trend will continue to a lesser degree this year. The marketwide rate climbs to 5.7 percent by year-end, above the 2014-2019 average by 50 basis points.



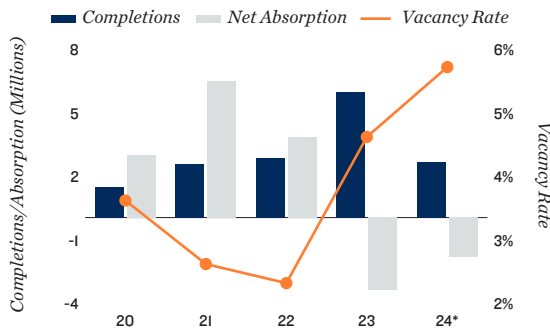
1.5%

DECREASE  
in asking rent

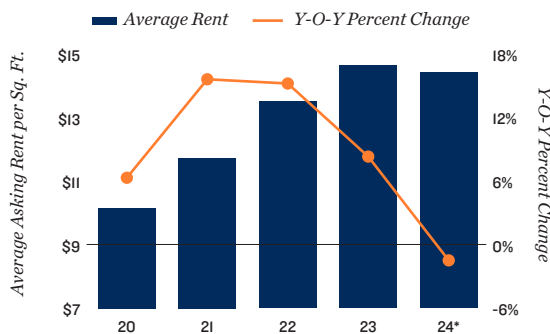
### RENT:

Two straight years of negative net absorption will stall rent growth as the market's mean dips down to \$14.41 per square foot by December. The average asking rate will still be 51 percent above the 2019 mark.

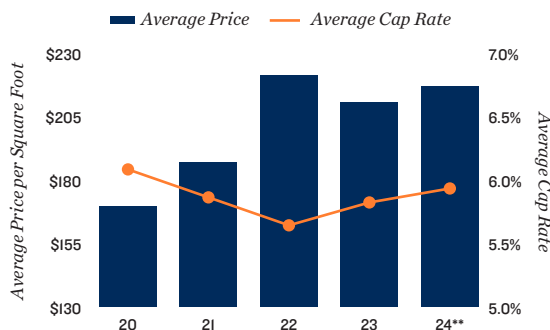
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

## 2Q 2024 - 12-Month Period

### CONSTRUCTION

4,087,000 sq. ft. completed

- Completions over the past year ending in June 2024 fell 250,000 square feet below the prior 12-month total. Inventory growth slowed to 1.0 percent, largely comprised by warehouse and distribution properties.
- Union and Morris counties led the metro in inventory growth, both at 1.9 percent, while Hudson County placed third at 1.4 percent.

### VACANCY

220 basis point increase in vacancy Y-O-Y

- Vacancy rose to 5.5 percent in June after a net of 5 million square feet was relinquished over the last year, the largest total since 2010.
- Hudson and Bergen counties, the metro's two largest submarkets by stock, posted the highest local vacancies, at 6.6 and 6.4 percent, respectively. In contrast, the other four other submarkets had rates below 6.0 percent.

### RENT

1.7% increase in the average asking rent Y-O-Y

- The metro's mean marketed rent grew at its slowest pace in over a decade to \$14.61 per square foot in June. Still, this is a 45 percent gain since 2020.
- Samsung's 700,000-square-foot exit from Union County contributed to local asking rents falling 8.5 percent year over year. The other five submarkets, however, noted an average annual increase of nearly 4 percent.

### Investment Highlights

- Uncertain capital markets have hindered deal flow over the past year ended in June. The fourth quarter of 2023 and the second quarter of 2024 showed notable jumps in activity from their respective preceding quarters, based on preliminary data. Increased port volume supported investor interest, while the 20-basis-point rise in the average cap rate over the year ending in June suggests buyer-seller expectations are aligning.
- With new supply pressuring property performance in the greater Newark area, investors turned to northern suburbs along the Route 10 Corridor and near Essex County Airport. Land availability here translated to developers completing large distribution centers in recent years, which may have steered investor demand toward proximate last-mile warehouses.
- A falling 10-year treasury stirred pent-up investor demand in the fourth quarter of 2023, and could do so again later this year following August's drop. Institutional deal flow already appears to be improving, as the second quarter of 2024 recorded almost triple the amount of deals priced at \$10 million or greater compared to the prior three months. This was on par with the activity seen at the end of 2023.