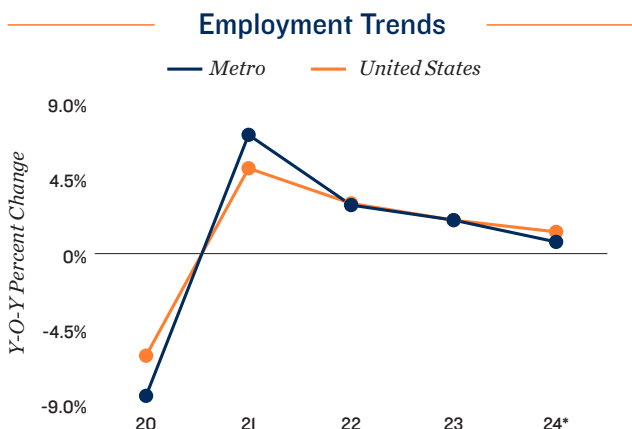


Tenant Competition for Available Space is Reaching All-Time Highs in Northern New Jersey

Conditions continue tightening west of the Hudson River. Vacancy in Northern New Jersey is expected to reach a new record-low point for a third straight year. Solid tenant demand amid an extended span of sparse supply additions is supporting this dynamic. While yearlong completions averaged 1 million square feet from 2007 to 2020, the metro failed to surpass that mark over the past three years. Supply pressures will abate even further in 2024, as builders deliver an all-time low of just 270,000 square feet. Limited amounts of new, vacant supply will continue to turn retailers to existing properties, sustaining vacancy compression marketwide. Leading this dynamic is Passaic County, where local vacancy dropped by 50 basis points from January to March. The area expects over 556,000 square feet of move-ins in 2024, doubling the delivery count for the entire market.

Demand is elevated in affluent outer areas. Local vacancy in Morris County fell 60 basis points over the last year to a record low of 4.7 percent in March. A market-leading median household income has continued to support footprint expansions from home goods, leisure and fitness retailers. The local volume of occupied stock grew by a metro-high 1.4 percent over the last year, but the pace could still accelerate as an additional 200,000 square feet of move-ins are expected for 2024. Sustained demand in Morris County has the potential to keep its average asking rate on the rise, after the metric already grew by a double-digit percentage during the last 12 months.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2024 Outlook



15,000

JOB
will be created

EMPLOYMENT:

While slower than recent periods, this year's 0.7 percent job gain will exceed the two years prior to the pandemic. Most hires will come from education and health services fields, which added 7,400 jobs in the first four months.



270,000

SQ. FT.
will be completed

CONSTRUCTION:

This year's all-time low 0.1 percent stock expansion will be spread out. Retail inventories in Essex, Bergen, Morris and Union counties are each expected to grow by 25,000 square feet to 100,000 square feet in 2024.



30

BASIS POINT
decrease in vacancy

VACANCY:

Northern New Jersey's vacancy drop will tie for the largest among major U.S. markets, lowering the metric to 3.0 percent. Much of this momentum will come from the single-tenant sector after it noted a dip in the first quarter.



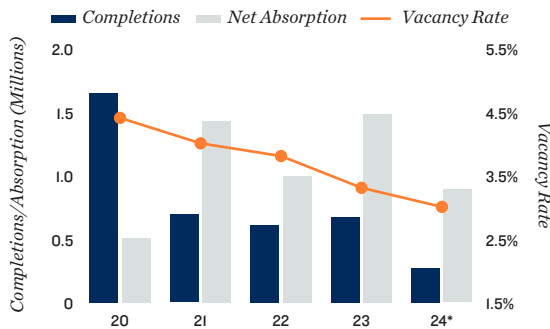
5.5%

INCREASE
in asking rent

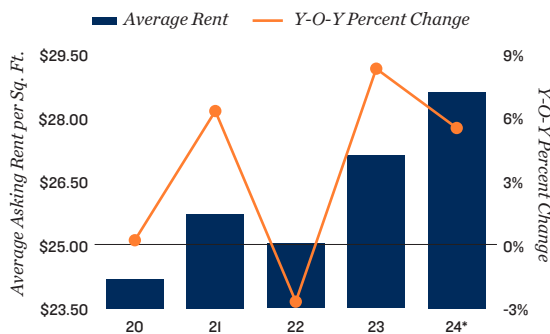
RENT:

The average asking rent grows by more than 5 percent for the third time in four years, reaching \$28.60 per square foot. Northern New Jersey's pace this year will be the fourth-highest among major markets.

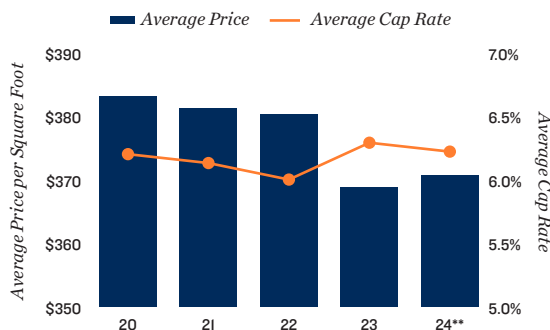
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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IQ 2024 - 12-Month Period

CONSTRUCTION

500,000 sq. ft. completed

- Marketwide inventory expanded by only 0.3 percent over the year ended in March. Morris and Union counties received most of the new supply, with about 365,000 square feet collectively delivered across these areas.
- While additions were virtually split across the single- and multi-tenant sectors, the former's 0.2 percent stock growth marked an all-time low.

VACANCY

30 basis point decrease in vacancy Y-0-Y

- Four out of six Northern New Jersey counties posted vacancy declines over the last 12 months, lowering the metro's rate to 3.3 percent in March.
- Most marketwide compression was driven by the single-tenant sector, which noted a 40-basis point drop year over year to 3.2 percent. This tied for the sixth-largest decline among major U.S. markets in the span.

RENT

8.2% increase in the average asking rent Y-0-Y

- Local rates grew annually in all six counties, placing the mean marketwide rent at \$27.51 per square foot entering the second quarter of 2024.
- The multi-tenant sector noted an 11.2 percent gain over the last year, lifting its average asking rent to \$26.05 per square foot. Single-tenant options meanwhile posted a record 7.5 percent increase to \$27.89 per square foot.

Investment Highlights

- According to preliminary data from the first five months of 2024, Morris County is on track to lead Northern New Jersey's deal flow for the first time in at least six years. Market-leading demand over the last year and a limited active pipeline are bolstering investor expectations for local property performance. Most buyers have targeted well-leased single-tenant assets, including those with upcoming lease expirations where upside can be captured by securing renewals or re-tenanting the property.
- While multi-tenant trading has remained subdued on a marketwide scale, Bergen County is poised to see a resurgence moving forward. Local vacancy is the tightest among any major U.S. submarket with over 10 million square feet of shopping center stock. This tightness led the local average price to rise by 3 percent annually, compared to a flat trend for the metro.
- Hudson County's growth is sustaining investment here. Its population is expected to increase at a market-leading pace through 2028, and the area is home to the largest concentration of rental units, with nearly 15,500 planned or underway as of June. Investors are targeting ground-level retail plates of larger mixed-use properties to capitalize on these inflows.