

FIGURES | NEW JERSEY INDUSTRIAL | Q3 2026

STRONG DEMAND DRIVES VACANCY COMPRESSION

▼ 7.3%
Vacancy Rate

▼ 3.2M
SF Net Absorption

▲ 8.0M
SF Under Construction

▲ 8.9M
SF New Leasing

▼ \$18.74
NNN/Class A Lease Rate PSF

▼ \$16.62
NNN/Lease Rate PSF

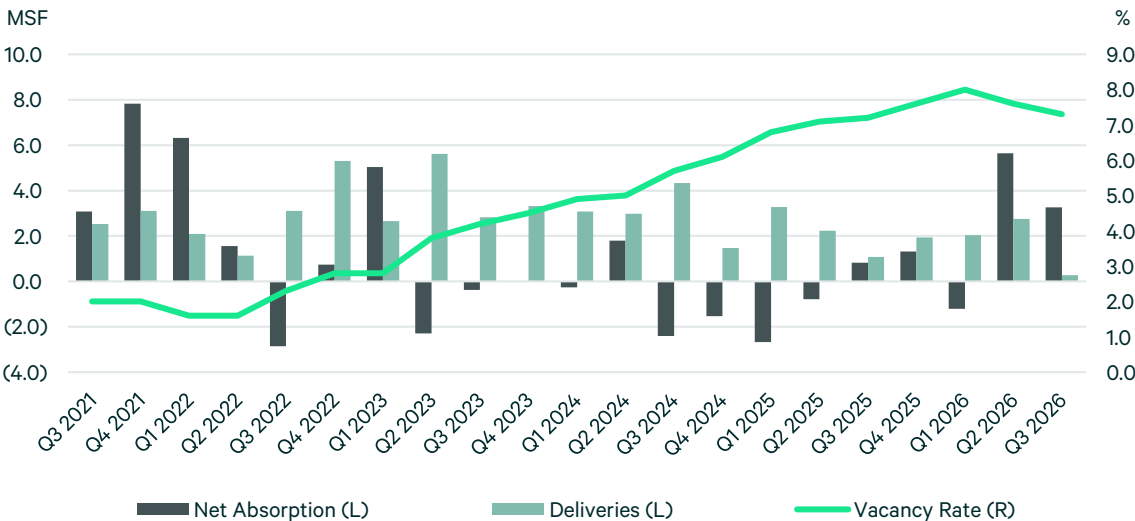
Note: Arrows indicate change from previous quarter.

Market Overview

Supported by strong demand, vacancy declined for a second consecutive quarter across the Northern and Central New Jersey industrial market in Q3 2026. The vacancy rate fell 30 basis points (bps) quarter-over-quarter to 7.3%, and down from its market cycle high of 8.0% in Q1. Net absorption remained positive at 3.2 million sq. ft., following 5.6 million sq. ft. in Q2. The lowest level of vacant new construction deliveries since Q3 2019 also assisted in vacancy compression. Meanwhile, the construction pipeline expanded 20% to 8.0 million sq. ft. after contracting sharply since 2025, driven largely by the groundbreaking of Kurv Industrial's 471,000-sq.-ft. development at 555 Market St. in Perth Amboy.

Tightening supply occurred due to elevated leasing activity. Tenants signed 8.9 million sq. ft. of new leases, the second-highest quarterly total on record, trailing only Q1 2026. Year-to-date new leasing volume reached 25.8 million sq. ft., placing the market on pace to challenge its annual record. Demand also broadened during the quarter as recognizable retail and wholesale occupiers re-entered the market after third-party logistics (3PL) providers dominated leasing activity throughout 2025 and early 2026.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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The market's continued flight to quality enabled Class A properties to capture a disproportionate share of demand, accelerating the recovery of a segment that had experienced several years of elevated vacancy following a wave of new development and soft leasing activity.

Demand

Industrial demand remained strong in Q3 2026, with new leasing activity reaching 8.9 million sq. ft., an 11% increase from Q2 and a total surpassed only in Q1 2026. Through the first three quarters of the year, new leasing volume reached 25.8 million sq. ft., putting an annual record within reach even if leasing activity moderates in Q4. Renewal activity was similarly robust, totaling 4.4 million sq. ft., up 33% quarter-over-quarter to 12.8 million sq. ft. year-to-date.

Large-block demand has rebounded, with new leases exceeding 500,000 sq. ft. regaining momentum after a lull in 2025. Year-to-date, four new leases totaling 2.8 million sq. ft. have been completed in this size segment, more than doubling the volume recorded across two transactions totaling 1.1 million sq. ft. during all of 2025.

Leasing activity favored modern distribution facilities in Q3 2026. Class A facilities, which offer modern specifications such as clear heights up to 40 feet and the ability to accommodate advanced logistics technologies, accounted for 54% of new leasing activity despite comprising just 18% of total inventory. The trend extended to renewals, with Class A properties representing 60% of renewal volume. Occupiers often make significant investments in automation, racking, and facility improvements within these buildings, increasing the likelihood of renewal relative to lower-grade facilities where such capital commitments are less common.

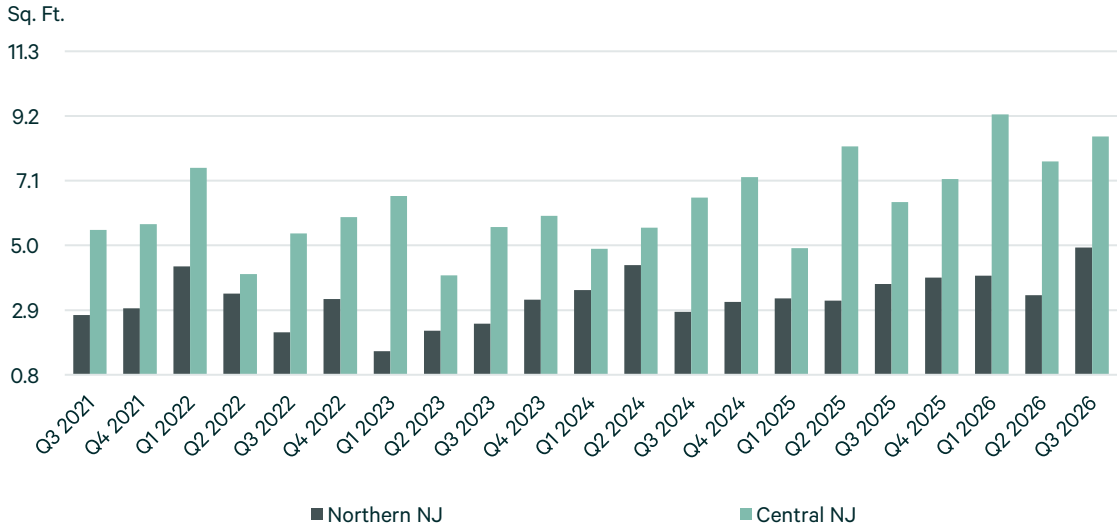
The composition of demand shifted notably from a year ago, when leasing activity was largely driven by Asian third-party logistics companies capitalizing on favorable market conditions. In Q3, retail and wholesale occupiers re-emerged as a major source of demand, completing several large-block transactions. Notable deals included, L.G. Electronics 926,000-sq.-ft. renewal at 50 Veronica Ave in Somerset, Dunlop's 334,000-sq.-ft. lease at 740 Corporate Blvd. in Trenton and Imperial Dade's 229,000-sq.-ft. expansion at 255 Route 1 & 9 in Jersey City. Third-party logistics providers also remained active, led by US Elogistics' 611,000-sq.-ft. lease at 1 Costco Dr. in Monroe, Everlast Logistics' 296,000-sq.-ft. lease at 1 Heller Park in Franklin, and AI Delivery's 167,000-sq.-ft. lease at 760 Corporate Blvd. in Trenton.

Figure 2: Notable Lease Transactions

Tenant	Size	Address	City	Transaction Type
LG Electronics	926,392	50 Veronica Ave	Somerset	Renewal
US Elogistics Service	611,320	1 Costco Dr	Monroe Township	New Lease
Dunlop	333,580	740 Corporate Blvd	Trenton	New Lease
Everlast Logistics	296,337	1 Heller Park Ln	Franklin Township	New Lease
Amneal Pharmaceuticals	253,575	276 Old New Brunswick Rd	Piscataway	New Lease

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Figure 3: Historical Leasing Activity by Market and Q-o-Q Change



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Overall, retail and wholesale occupiers accounted for 49% of new leasing activity in Q3, followed by third-party logistics providers at 36%. Within the 3PL segment, Asia-based firms represented 12% of total market leasing activity and 37% of all 3PL leasing. While the influence of Asian 3PL providers has moderated in recent quarters, demand from established operators remains healthy, and data about existing requirements that have not signed leases suggests this source of demand will remain active.

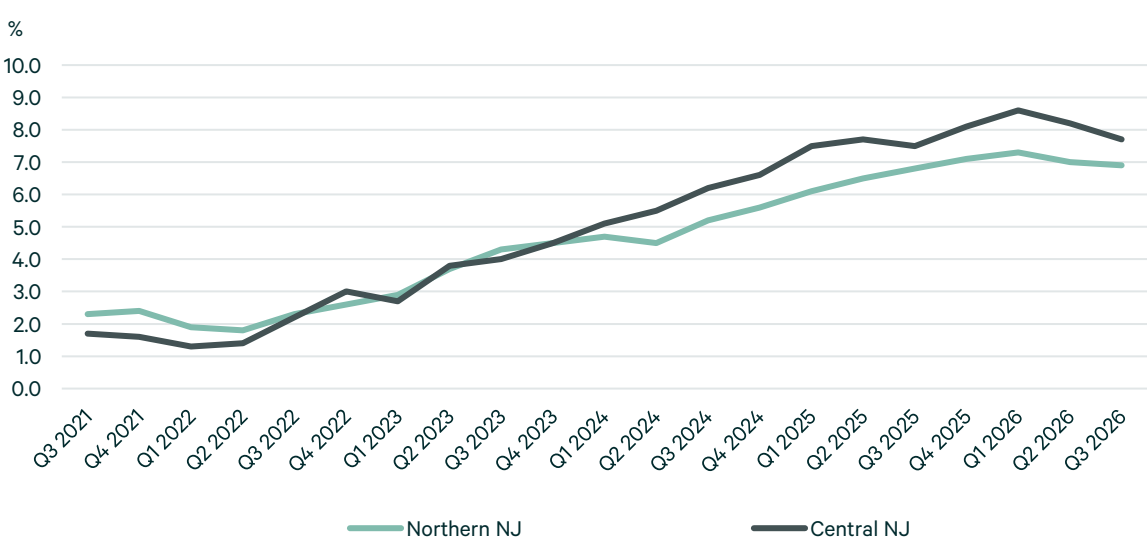
Supply

Vacancy decreased by 30 bps overall and 110 bps for Class A properties to 7.3% and 14.1%, respectively. Both rates are down from their respective market cycle highs of 8.0% in Q1 2026 and 18.1% in Q1 2025. Net absorption remained strongly positive for a second consecutive quarter, totaling 3.5 million sq. ft. after 5.6 million sq. ft. in Q2. Vacancy compression was further supported by the limited amount of new construction space delivered during the quarter. Just 220,000 sq. ft. of vacant newly constructed space was delivered in Q3, the lowest total since Q3 2019.

Class A properties drove much of the improvement in market fundamentals during the quarter. Net absorption totaled 1.8 million sq. ft. in Q3, accounting for 59% of overall absorption. Class A vacancy within the Turnpike submarkets continued to compress, falling 130 bps to 12.5%. Notable submarket compressions along the Turnpike include Linden/Elizabeth where Class A vacancy declined from 20% in Q4 2024 to 5.9% in Q3 2026 and Route 287/Exit 10 submarket which has dropped from 13.0% in Q2 2025 to 6.4% in Q3 2026. Looking deeper into Class A availability by size, a dearth of space larger than 400,000 sq. ft. remains in the Northern Turnpike submarkets, with only limited options available in smaller size ranges.

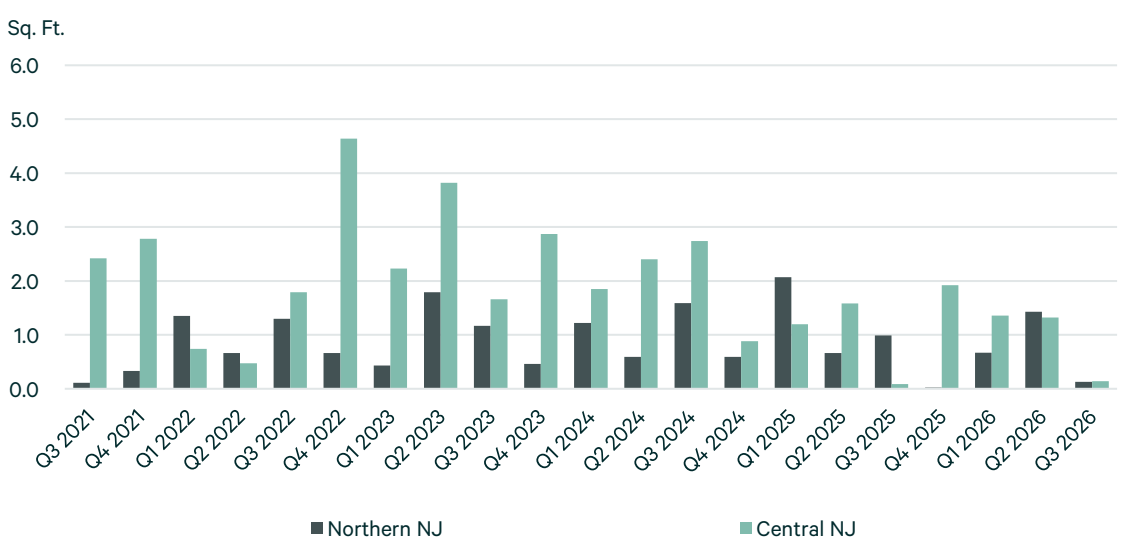
The overall construction pipeline expanded 20% from Q2 to 8.0 million sq. ft largely due to Kurv Industrial's 471,000-sq.-ft. project at 555 Market St. in Perth Amboy. Another significant construction start during the quarter was Woodmont and Sagard's 202,000-sq.-ft. Building A at 349 New Brunswick Ave. in Rahway. Beyond these two projects, there were no significant construction starts within the Turnpike submarkets. Furthermore, of the 7.0 million sq. ft. of space currently under construction that isn't pre-leased, only 37% is located within Turnpike submarkets, with just 2% situated in Northern New Jersey Turnpike submarkets.

Figure 4: Historical Vacancy Rate by Market



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Figure 5: Historical Construction Completions by Market and Q-o-Q Change



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Rent Trends

Although market fundamentals improved during the quarter, rent growth remained muted. The overall average asking rent declined 1.1% to \$16.63 per sq. ft., while the Class A average asking rent decreased 1.0% to \$18.74 per sq. ft. Concession packages remained common as landlords competed for tenants and worked to absorb space delivered during the 2023-2024 development cycle. However, declining availability within certain submarkets and size ranges helped support modest rent gains for select high-quality spaces.

Looking ahead, sustained tenant demand and a narrowing construction pipeline, particularly for Class A product along the New Jersey Turnpike corridor, should gradually strengthen landlord pricing power as available inventory declines and fewer owners face prolonged lease-up periods.

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

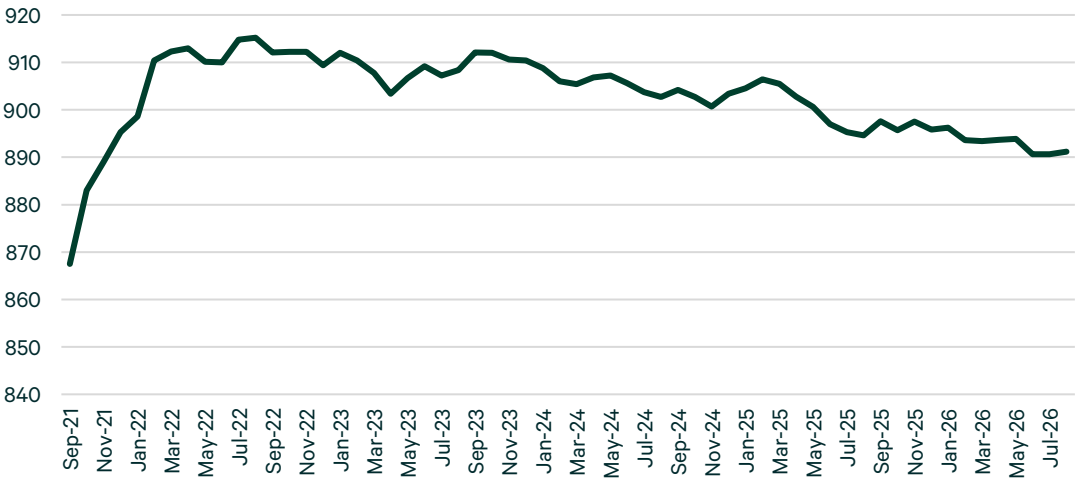
The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

Figure 6: Historical Asking Rents (\$/ Per Sq. Ft.)



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FIGURE 7: NJ Trade, Transportation, and Utilities Employment (Thousands)



Northern NJ Market Statistics

Figure 9: Northern NJ Market Statistics

Submarket	Building Count	Inventory (Million Sq. Ft.)	Vacancy Rate (%)	Class A Avg. Asking Rent (\$/Sq. Ft.)	All Space Avg. Asking Rent (\$/Sq. Ft.)	New Leasing (Thousand Sq. Ft.)	Net Absorption (Thousand Sq. Ft.)	Under Construction (Thousand Sq. Ft.)
Central Bergen	688	28.2	6.7	-	16.72	245.8	157.2	379.0
Fairfield Market	455	18.6	6.9	-	17.60	100.9	130.6	0
Hudson Waterfront	610	61.2	8.7	21.79	17.68	889.5	121.0	76.9
Meadowlands	1,249	94.3	7.1	27.00	18.11	1,626	20.4	70.3
Morris Region	620	44.5	9.5	18.34	16.75	453.1	253.5	1,498
Newark	665	47.2	5.3	25.80	19.75	30.0	(120.1)	0
North East Bergen	189	7.9	3.3	-	14.57	16.5	3.0	0
North West Bergen	333	18.4	6.4	20.71	17.13	193.6	(3.8)	0
Route 23 North	18	0.7	11.9	-	13.00	0	(58.0)	0
Route 280 Corridor	73	4.9	4.3	-	11.82	3.2	36.9	0
Route 46/23/3 Corridor	915	56.9	5.2	-	14.88	390.1	(156.6)	0
Suburban Essex	122	5.6	4.5	25.00	24.07	27.0	52.5	0
Northern NJ Total	5,937	388.3	6.9	22.47	17.59	3,976	436.6	2,024
NJ Total	10,692	851.8	7.3	18.74	16.62	8,933	3,262	7,961

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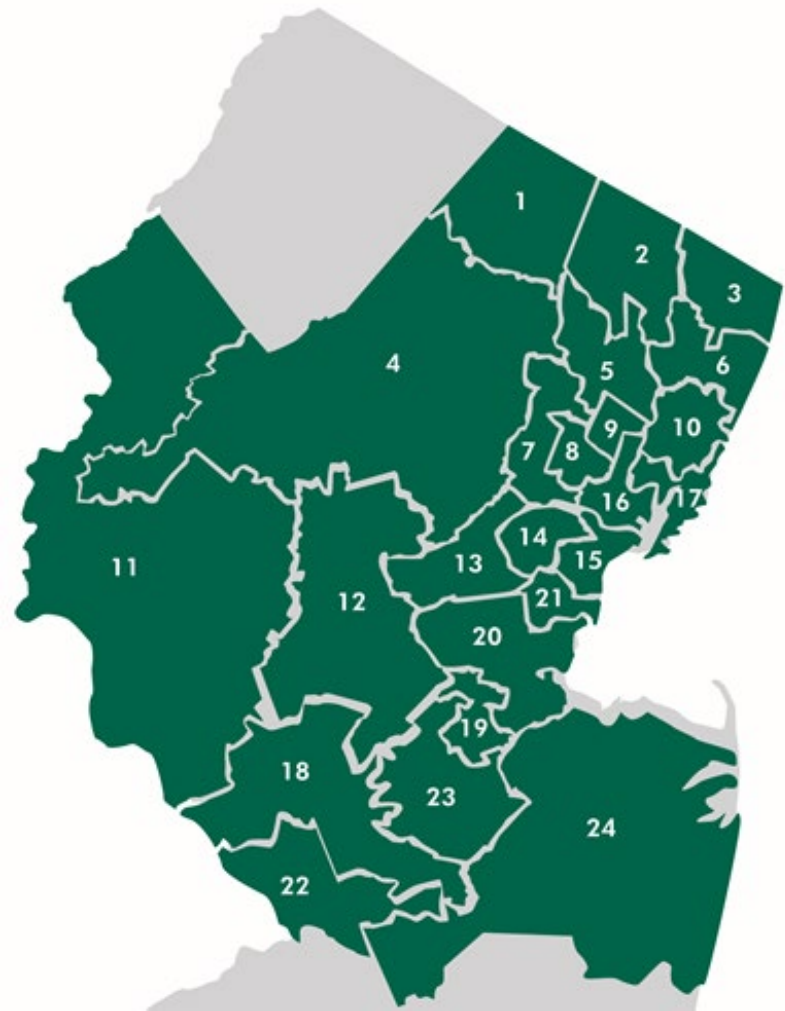
Central NJ Market Statistics

Figure 10: Central NJ Market Statistics

Submarket	Building Count	Inventory (Million Sq. Ft.)	Vacancy Rate (%)	Class A Avg. Asking Rent (\$/Sq. Ft.)	All Space Avg. Asking Rent (\$/Sq. Ft.)	New Leasing (Thousand Sq. Ft.)	Net Absorption (Thousand Sq. Ft.)	Under Construction (Thousand Sq. Ft.)
Brunswicks/Exit 9	299	29.0	6.2	18.00	15.67	107.3	(118.1)	195.4
Carteret/Avenel	268	33.6	10.3	19.25	18.45	326.7	562.7	277.8
Central Union	491	22.2	4.6	19.50	15.30	39.7	50.8	0
Exit 8A	354	83.0	9.8	16.00	15.37	1,024.6	543.4	0
Hunterdon/Warren County	160	15.9	17.8	13.10	12.71	38.5	(661.2)	0
Linden/Elizabeth	571	44.8	7.3	26.13	18.04	378.9	260.6	0
Monmouth	454	28.7	6.4	15.72	14.86	829.5	577.2	2,377.
Princeton	113	14.6	7.6	14.98	15.02	9.5	(55.5)	0
Route 287/Exit 10	1,117	111.0	4.7	18.81	16.70	1,151.2	977.5	1,600
Route 78 East	141	9.0	3.5	-	11.86	12.0	(2.4)	0
Somerset	499	41.0	5.3	18.15	16.39	450.1	614.1	572.4
Trenton/295	288	30.8	13.8	14.32	14.19	588.9	76.5	913.7
Central NJ Total	4,755	463.4	7.7	17.39	15.94	4,957	2,825	5,936
NJ Total	10,692	851.8	7.3	18.74	16.62	8,933	3,262	7,961

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Market Area Overview



- 1. Route 23 North
- 2. Northwest Bergen
- 3. Northeast Bergen
- 4. Morris Region
- 5. Route 46/23/3 Corridor
- 6. Central Bergen
- 7. Fairfield Market
- 8. Route 280 Corridor
- 9. Suburban Essex
- 10. Meadowlands
- 11. Hunterdon/Warren
- 12. Somerset
- 13. Route 78 East
- 14. Central Union
- 15. Linden/Elizabeth
- 16. Newark
- 17. Hudson Waterfront
- 18. Princeton
- 19. Brunswicks/Exit 9
- 20. Route 287/Exit 10
- 21. Carteret/Avenel
- 22. Trenton/295
- 23. Exit 8A
- 24. Monmouth

Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.

Availability Rate: Total Available Sq. Ft. divided by the total building Area.

Average Asking Lease Rate: A calculated average of net lease rates for direct available space, weighted by their corresponding available square footage.

Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.

Class A: Industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Class A Average Asking Rent: A calculated average of net lease rates for direct available space in existing and under construction buildings, weighted by their corresponding available square footage.

New Leasing: New leases and expansion signed during the quarter

Total Leasing Activity: New Leases, expansions, and renewals signed during the quarter

Net Absorption: The change in Occupied Sq. Ft. from one period to the next.

Net Lease Rent: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

Occupied Sq. Ft.: Building Area not considered vacant.

Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

Under Construction: Industrial buildings being constructed that have permanent structures in the ground

Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria:

Includes all Distribution/Logistics and R&D/Flex buildings of 10,000 sq. ft. and greater in size in the counties of Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Passaic, Union, and Warren.

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