

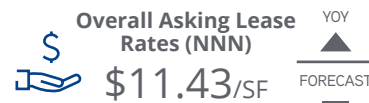


Southern New Jersey

Industrial
23Q3

Key Takeaways

- The vacancy rate increased from 5.6% to 9.4%, the highest level since 2015.
- Absorption was at the lowest level since 2015 as new supply out-paced demand.
- Asking rents rose by 2.96% for the quarter to \$11.43 NNN, indicating that the upward trend was moderating.
- Investment volume slowed during the third quarter as interest rates increased, making lenders are being increasingly conservative.



Highlights

The sharp jump in the Southern New Jersey vacancy rate was mainly attributed to the delivery of 6.2 million square feet of speculative construction in the third quarter. This was more than double last year's annual total, and 85% of the new product was vacant as big box demand has subsided. There was also an increase in space coming back on the market through sublet or direct givebacks from relocations/downsizing such as UNFI/Albert's Organics and Bonduelle closing operations. Asking rents have continued to increase as new supply with \$12.00-plus rents have been delivered. Spaces in smaller sizes ranges have been in short supply, keeping asking rents at a premium. However, there were indications that landlords were becoming more willing to negotiate in order retain credit tenants rather than risk vacancy. Increased borrowing costs, growing community resistance combined with an already lengthy entitlement process have resulted in a decline in new construction starts.

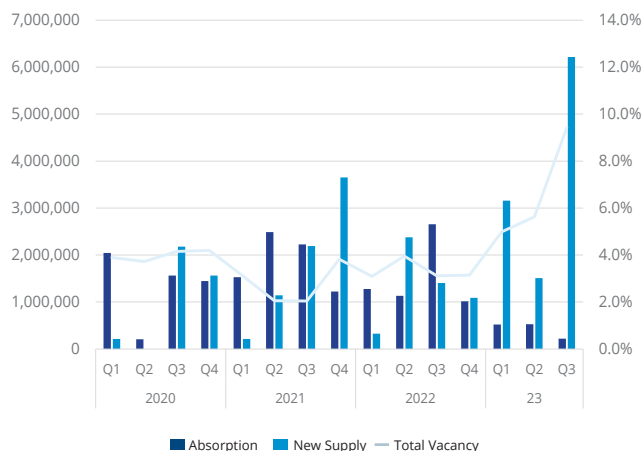
Market Indicators



Historic Comparison

	22Q3	23Q2	23Q3
Total Inventory (in Millions of SF)	137.02	142.85	149.09
New Supply (in Millions of SF)	1.57	1.51	6.21
Net Absorption (in Millions of SF)	2.66	0.53	0.22
Overall Vacancy	3.12%	5.63%	9.43%
Under Construction (in Millions of SF)	10.46	9.78	3.65
Overall Asking Lease Rates (NNN)	\$9.73	\$11.10	\$11.43

Market History



Forecast

The slowdown in new development will be beneficial, with just over 3.0 million square feet due to be delivered over the next two quarters. There is still an impressive pipeline of proposed projects, but the timeline for the start of these projects is likely to be dependent on the lease up of the earlier 2022 and 2023 deliveries and financing costs. The vacancy rate is anticipated to remain well above 5% through at least 2Q 2024. The upward trend in asking rents will continue to moderate.

Recent Transactions



New Lease
Mt. Holly Road Bldg. 940
Performance Team | 939k



Renewal/Expansion
1109 Commerce Blvd.
PFG | 300k SF



Renewal
2040 Route 130 N.
Express Scripts | 239k SF



Sale-Investor
720 Hylton Rd.
Seyon Group | 106k SF



Sale-Investor
Twinbridge Part 2
DRA Advisors | 54k SF



Sale-Investor
7040 Colonial Hwy
SNS Real Estate | 24k SF

Southern New Jersey | 23 Q3 | Industrial | Market Statistics

Submarket	Total Inventory SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	Vacancy Rate Previous Qtr.	Net Absorption YTD	Deliveries YTD	Under Construction	Avg Direct Asking Rate (NNN)
County										
Burlington	65,315,457	8,374,428	1,097,076	9,471,504	14.5%	9.3%	947,707	4,840,327	949,522	\$11.96
Camden	28,926,263	610,559	85,746	696,305	2.4%	1.3%	211,003	337,150	0	\$10.40
Gloucester	35,678,337	2,050,061	0	2,050,061	5.7%	0.9%	172,483	1,642,220	915,775	\$10.54
Atlantic	9,089,435	327,702	250,000	577,702	6.4%	5.3%	-195,430	0	0	\$6.84
Cumberland	2,640,352	266,450	0	266,450	10.1%	9.5%	-34,150	0	0	\$10.70
Salem	7,441,812	996,750	0	996,750	13.4%	0.0%	0	904,750	1,787,500	\$10.96
TOTAL	149,091,656	12,625,950	1,432,822	14,058,772	9.4%	5.6%	1,101,613	7,724,447	3,652,797	\$11.37

Lease Deals

Q3

Tenant	Building	Submarket	Type	Square Feet
Performance Team	Mount Holly Road-The Crossings Bldg. 940	Burlington County	New	939,918
Performance Food Group	1109 Commerce Boulevard	Gloucester County	Renewal/ Building Expansion	300,618
Express Scripts	2040 Route 130 North	Burlington County	Renewal	239,000
United Fulfillment	2605 Rancocas Road	Burlington County	New	217,986
Bonduelle	101 Arlington Boulevard	Gloucester County	Renewal	154,675
GlacierPoint Enterprises	101 Commerce Lane	Burlington County	Renewal	64,700
Loyalty Services	2185 High Hill Road	Gloucester County	New	60,000

Sale Transactions

Q3

Buyer	Building	Submarket	Sale Price	Square Feet
Seyon Group	720 Hylton Road	Camden Count	\$10,205,000	106,000
DRA Advisors	8500 Remington Avenue, 1525 Route 73	Camden County	\$8,596,,000	54,080
SNS Real Estate	7040 Colonial Highway	Camden County	\$2,880,000	24,000

FOR MORE INFORMATION
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