Cushman & Wakefield releases comprehensive Northeast industrial corridor report analyzing the pivotal logistics hub

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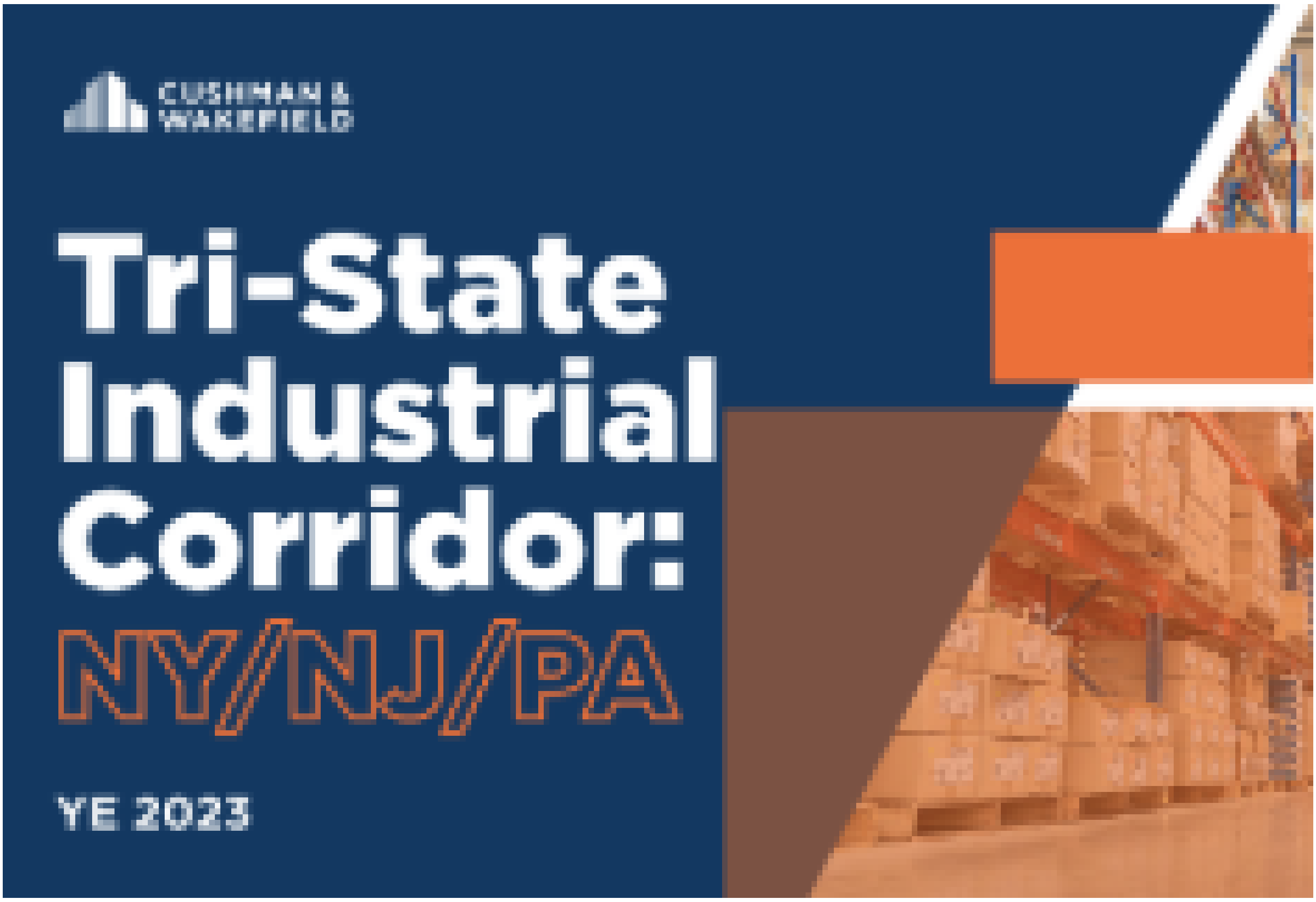

New York, NY Cushman & Wakefield, a leading global real estate services firm, released its in-depth analysis of the Northeast Industrial Corridor, encompassing New York, New Jersey and Pennsylvania. The report underscores the region's significance as a central hub for warehouse and logistics operations, bolstered by its strategic location around densely populated metropolitan areas like New York City, Boston, Washington, D.C. and Philadelphia, where consumer demand for goods and products has consistently demonstrated remarkable strength over the years despite prevailing challenges.

"The New York, New Jersey and Pennsylvania Industrial Corridor showcases a dynamic and competitive landscape where companies can take advantage of logistical efficiencies and an affluent consumer base, making it a powerhouse in the logistics and warehousing sectors. Coupled with the region’s proximity to major metros and population centers, there are many robust reasons for companies to invest in their presence here,” said John Obeid, senior research manager.

Stretching from Boston down Interstate 95 to Washington D.C., and encompassing additional areas west of the interstate, the Northeast I-95 market is home to some of the nation's most prominent logistics markets. A significant portion of the region’s strength stems from its proximity to the Port of New York and New Jersey (PNYNJ), which ranks as the busiest port along the entire Eastern Seaboard. Notably, 60 million people reside within a five-hour drive from PNYNJ, constituting a substantial 17.8% of the national population.

Further highlighting the region's importance is its robust economic power, boasting an average household income of $128,198, which surpasses the national average by 19.8%. This elevated purchasing capacity serves as compelling evidence for major retailers to enter and expand their operations within this market, as they seek to capitalize on the region's affluence, fueled by the population’s disposable income and persistent demand for next-day and same-day merchandise deliveries.

The New York, New Jersey and Pennsylvania Industrial Corridor region exhibited ongoing market adjustments, returning to normalized levels of demand seen pre-pandemic. Leasing activity for 2023 totaled 55.4 million s/f, marking a 13.5% decrease from the same period last year, yet demonstrating a 2.5% increase from pre-pandemic leasing levels in 2019. Leading in leasing totals were the PA I-81 & I-78 Corridor with 22.7 million s/f and Central New Jersey (CNJ) with 14.2 million s/f. Despite a decrease in demand for larger spaces diminishing throughout the year, significant transactions occurred in these markets, including seven new leases totaling more than 1.0 million s/f and three new leases exceeding 600,000 s/f in CNJ.

Net absorption in 2023 reached a positive 20.6 million s/f, signaling resilience in the region, despite the current economic headwinds.

“While net absorption is expected to fall below recent norms, it is anticipated to remain positive looking ahead. Although new construction pre-leasing has cooled, a slower pace of construction starts is expected to help mitigate further increases in vacancy. The amount of product under construction is limited compared to other major markets, and at 36.5 million s/f, the total construction pipeline accounts for just 2.6% of the total inventory,” said Dimitri Mastrogiannis, senior research analyst.

In comparison to competing industrial hubs in the nation, the New York, New Jersey and Pennsylvania Industrial Corridor exhibits promising signs. Recent pricing trends display consistency compared to softening asking rents in other regions. Notably, the region's average asking rent increased 1.3% year-over-year to $14.72 per s/f, while Southern California witnessed a contrasting decline of 6.2%. Additionally, this region recorded positive net absorption of 20.6 million s/f at the end of 2023, standing in stark contrast to Southern California's 10.0 million s/f in occupancy losses. The Port of New York and New Jersey's influence looms large, acting as a significant driver of demand across various industrial markets in the Northeast due to the extensive surrounding population.

“Amidst a backdrop of softened economic and market fundamentals, the New York, New Jersey and Pennsylvania Industrial Corridor maintains a resilient position as it progresses into 2024. As a surge in new developments and softening demand pushed overall vacancy levels upward in 2023, future construction starts are expected to slow, subsequently balancing the existing supply and demand imbalance. Increases in pricing are anticipated to continue, albeit at a moderated pace compared to the robust growth observed in recent years,” said Felix Soto, senior research analyst.

Central and Northern New Jersey displayed the most significant rent growth since the close of 2022, with increases of 13.7% and 15.2%, respectively. The New York Outer Boroughs also showed a noteworthy 8.6% growth in rents, reaching $28.59 per s/f, maintaining its position as the highest-priced industrial market tracked by Cushman & Wakefield.

Cushman & Wakefield’s forecasts point toward sustained growth within the region with forecasted asking rents in Northern and Central New Jersey projected to exhibit the highest growth rates in this region at 17.7% and 24.0%, respectively.

“Although an increase in new supply may temporarily inflate vacancy rates, the forecast also anticipates continued positive, though tempered, net absorption through 2025. Despite a slight setback witnessed in 2023, this region remains firmly positioned for sustained expansion,” said Ryan Hull, senior research Analyst.