



Office Q4 2020

19.1%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-1.5 MSF

YTD Net Abs., SF



\$32.08

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2020

1.5M

Northern NJ
EmploymentYoY
Chg12-Mo.
Forecast

11.7%

Northern NJ
Unemployment Rate

6.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: New Jersey Economy Remains Soft, Although Moderate Gains Recorded

The Northern New Jersey unemployment rate reverted during the fourth quarter, improving by 30 basis points (bps) to 11.7% as some modest improvements in the state's economy were recorded in recent months. The state has now recorded private-sector job growth for seven straight months through November, although the gains were modest in October and November of 2020. COVID-19 has affected all industry sectors since it hit the nation, but locally, the leisure & hospitality, retail trade, and education & health services have recorded substantial losses. Directly affecting the office market, the professional and business services sector has registered an 8.7% annual decline.

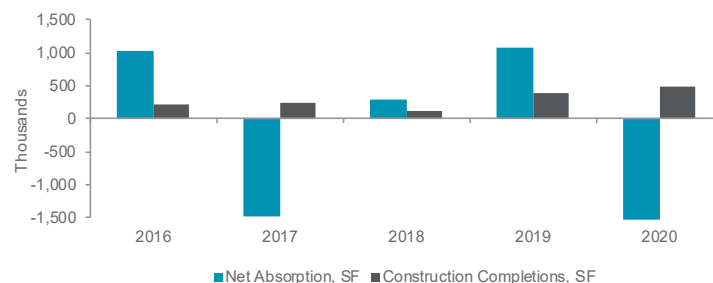
DEMAND: Lack of Large Transactions Temper Demand Totals as Year Ends

New leasing activity slowed in the final quarter of 2020 as just three leases greater than 20,000 square feet (sf) were completed. Although the quarterly leasing total was modest, some submarkets did record healthy activity: the Waterfront, Clifton & Passaic, and Bergen Route 17 North/GSP Corridor submarkets. Year-to-date demand was down 29.8% compared to 2019 as COVID-19's impact on the office market kept many tenants on the sidelines due to the uncertainty in the marketplace. However, some industries continued to fuel demand as life sciences, health services, and financial services firms made up most of the new transactional volume in 2020. Meanwhile, renewal activity was steady throughout the year as nine tenants inked renewals for 50,000 sf or greater in the market both for on short-term and long-term extensions.

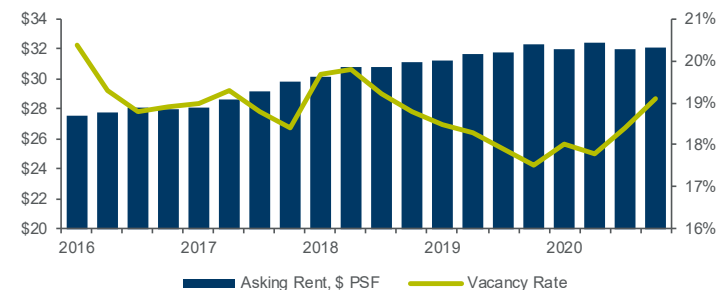
SUPPLY & PRICING: Availabilities on The Rise in Many Market Segments

As demand slowed and numerous blocks of direct and sublease space returned to the marketplace, the vacancy rate for Northern New Jersey swelled by 70 basis points (bps) to 19.1%. Areas such as the Waterfront, Morristown, Route 10/24 Corridor, and the I-280 Corridor all recorded notable occupancy losses throughout the fourth quarter as large blocks of sublease space were added to the market by Realogy in Madison (180,000 sf), Dun & Bradstreet in Short Hills (123,000 sf), and Citigroup (92,554 sf) in Jersey City. As a result, vacant sublease space climbed by 26.2% since the third quarter. Meanwhile, Crum & Forster placed 75,000 sf of its space at 305 Madison in Morristown on the market for lease. Conversely, the Meadowlands and Newark submarkets had nominal quarterly improvements in terms of vacancy while the Parsippany submarket remained flat in the fourth quarter. As higher priced space entered the marketplace, the average asking rental rate once again ticked higher as 2020 ended. Class A asking rents, while up quarter-over-quarter, have slipped by 2.2% since they peaked one year ago. Governor Murphy finally signed into law a long-awaited replacement to the Grow New Jersey program; the \$14.5 billion Economic Recovery Act of 2020, which is intended to provide responsible, incentive-based stimulus back into the market to assist in New Jersey's recovery. The stimulus could help bolster tenant demand and occupancies in 2021 and forward.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT NORTHERN NEW JERSEY

Office Q4 2020



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Bergen County	26,094,979	3,859,028	498,372	16.7%	-166,864	-501,638	755,040	40,500	\$28.93	\$31.18
Essex County	26,048,928	3,795,282	446,864	16.3%	-190,463	-19,806	684,313	0	\$29.05	\$33.30
Hudson County	24,647,954	3,798,850	1,091,589	19.8%	-140,843	-568,103	949,336	110,000	\$43.56	\$45.03
Morris County	28,345,031	5,565,479	1,103,513	23.5%	-551,293	-394,417	599,443	0	\$28.63	\$31.35
Passaic County	5,365,020	903,117	21,194	17.2%	-6,632	-52,825	306,392	0	\$19.36	N/A
NORTHERN NJ TOTALS	110,501,912	17,921,756	3,161,532	19.1%	-1,056,095	-1,536,789	3,294,524	150,500	\$32.08	\$36.32
SELECTED SUBMARKETS										
Hudson Waterfront	21,285,018	3,396,411	817,608	19.8%	-178,840	-608,526	789,148	110,000	\$45.50	\$46.02
Newark	14,457,265	1,976,599	82,700	14.2%	-1,640	-120,071	100,426	0	\$30.42	\$35.46
Parsippany	12,033,131	2,821,358	645,972	28.8%	-76,790	-47,955	191,249	0	\$28.85	\$32.09
Route 10/24 Corridor	8,967,020	1,693,213	309,336	22.3%	-315,165	-350,839	246,245	0	\$28.92	\$30.99
Essex Rt. 280 Corridor	7,894,501	1,159,247	352,450	19.2%	-172,547	-194,275	165,216	0	\$29.15	\$32.06
Meadowlands	6,454,141	845,678	361,920	18.7%	19,719	-96,343	311,922	0	\$27.88	\$30.19
Morristown	5,454,038	762,831	143,205	16.6%	-163,372	-41,455	91,758	0	\$28.61	\$32.24

*Leasing activity does not include renewals

**Rental rates reflect gross asking \$psf/year

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Isabella Street, Clifton	80,000	Hackensack Meridian Health	Build-to-suit	Clifton & Passaic
12 Vreeland Road, Florham Park	57,667	CACI, Inc.	Renewal	Morris Route 10/24
1 Garret Mountain, Woodland Park	49,932	PNC Bank	Renewal	Suburban Passaic
221 River Street, Hoboken	40,000	Snow Joe	Sublease	Hudson Waterfront

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
55 Challenger Road, Ridgely Park	310,000	KABR Real Estate Investment Group / The Birch Group	N/A / N/A
85 Challenger Road, Ridgely Park	235,057	KABR Real Estate Investment Group / Asia Investment Management	\$59.7M / \$254
44 Whippany Road, Morristown	220,160	Marcus Partners / Liberty Properties & Opal Holdings	\$50.0M / \$227

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