



Office Q3 2022

YoY
Chg 12-Mo.
Forecast**19.5%**

Vacancy Rate

**58.0K**

Net Abs. YTD, SF

**\$26.94**

Asking Rent, PSF



(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q3 2022**YoY
Chg 12-Mo.
Forecast**1.5M**Central NJ
Employment**3.4%**Central NJ
Unemployment Rate**3.5%**U.S.
Unemployment Rate

Source: BLS

ECONOMY: Labor Participation Rate Grows as Additional Workers Enter the Job Market

Central Employment growth in Central New Jersey (CNJ) persisted, with the unemployment rate continuing its downward trend. CNJ's unemployment rate fell to 3.4% and is 10 basis points (bps) lower than the U.S. unemployment rate of 3.5%. On the state level, New Jersey recorded its 21st consecutive month of job growth in August. However, the state's unemployment rate increased to 4.0% due to a rise in the labor force participation rate, as more workers seek jobs as a result of a strong labor market.

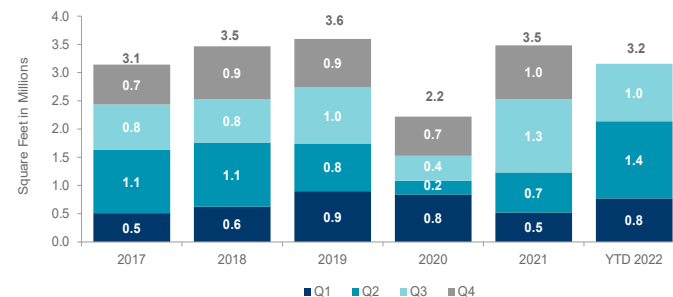
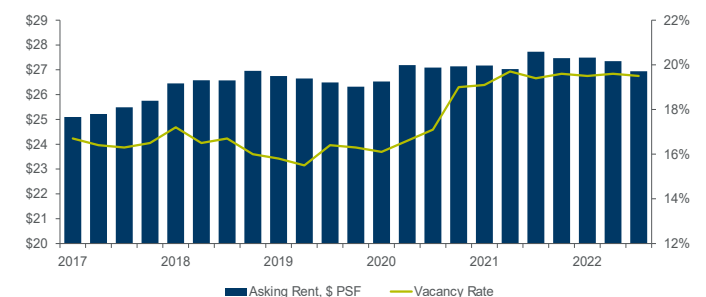
SUPPLY & PRICING: Vacancy Improves Despite New Sublease Additions

Central New Jersey experienced strong momentum this quarter, driven by gains in the Upper I-287 Corridor, Princeton, and Monmouth County submarkets, which together posted over 164,000 square feet (sf) of positive net absorption. In total, net absorption for CNJ was firmly in the black at 88,518 sf, which lowered the vacancy rate by 10 bps quarter-over-quarter to 19.5%. Tenants in CNJ continued to focus on Class A product, with a majority of the occupancy gains having occurred in Class A properties. Net absorption in Class A product totaled positive 151,446 sf, far outpacing Class B at 7,606 sf and Class C, which recorded negative 101,087 sf of net absorption. As the flight to quality trend continued to gain momentum, pricing, particularly in Class A product, also rose. This is evidenced by the 13.9% asking rent premium for Class A space. The overall average asking rent is down 2.8% year-over-year (YOY) to \$26.94 per square foot (psf).

Large blocks of newly vacant space continued to offset further improvement in Central New Jersey's vacancy rate despite the uptick in leasing. Newly vacant sublease space entered the market in the third quarter, albeit at a slow pace. Horizon Blue Cross Blue Shield added the largest block to the market this quarter, for 81,442 sf in Hopewell, while Cognizant returned 64,754 sf at 200 Somerset Corporate Boulevard in Bridgewater. The sublease share of overall vacant space grew during the third quarter of 2022 to 19.0%, up from 17.9% in the prior year. Although new sublease additions persisted in the third quarter, it was at a much slower pace compared to the height of the pandemic.

DEMAND: Flight to Quality Takes Shape in Central New Jersey

New leasing activity in the third quarter totaled 1.0 msf, bringing the year-to-date (YTD) figure to 3.2 msf, up 25.6% YOY. Class A leasing accounted for 2.3 msf or 74.0% of the YTD leasing velocity and is up 138.2% from this time last year, a clear sign of tenant preference for centrally located and well-amenitized Class A office product. On the heels of PTC Therapeutics' lease at Warren Corporate Center, AT&T relocated to 1405 and 1425 Route 206 in Bedminster, while G3 Technologies committed to a 25,631 sf sublease at 400 Connell Drive in Berkeley Heights. These transactions emphasized the main theme in New Jersey's office market: sustained tenant demand for modern, amenity-rich buildings that attract and retain talent.

LEASING ACTIVITY BY QUARTER (2017-2022)**OVERALL VACANCY & ASKING RENT**

MARKETBEAT CENTRAL NEW JERSEY

Office Q3 2022



CUSHMAN &
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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)*
Hunterdon County	2,944,007	1,274,401	0	43.3%	5,500	33,262	78,501	0	\$16.67	\$16.16
Mercer County	16,804,987	2,060,713	487,204	15.2%	-16,525	146,178	578,557	0	\$30.62	\$35.18
Middlesex County	23,667,791	3,611,460	764,814	18.5%	-30,497	91,741	635,663	0	\$28.38	\$32.40
Monmouth County	12,028,106	969,049	227,829	10.0%	79,287	175,919	562,221	0	\$25.64	\$31.90
Somerset County	18,936,971	4,279,848	1,415,224	30.1%	18,734	-411,178	1,108,076	0	\$24.61	\$27.88
Union County	9,132,173	996,255	203,429	13.1%	32,019	22,043	191,782	0	\$26.39	\$30.61
CENTRAL NJ TOTALS	83,514,035	13,191,726	3,098,500	19.5%	88,518	57,965	3,154,800	0	\$26.94	\$30.69
SELECTED SUBMARKETS										
I-78 Corridor	19,510,777	4,887,742	1,483,612	32.7%	-4,257	-135,152	1,124,345	0	\$25.10	\$26.41
Princeton/Route 1 Corridor	17,085,249	2,805,652	615,044	20.0%	-49,634	202,784	574,496	0	\$30.88	\$34.78
Upper 287 Corridor	9,249,896	1,500,653	293,295	19.4%	60,340	-82,640	196,061	0	\$19.71	\$21.07
Woodbridge/Edison	8,589,812	1,148,518	291,632	16.8%	-22,596	-41,193	228,717	0	\$33.76	\$38.68

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1405/1425 Route 206, Bedminster	230,000	AT&T	New Lease	Somerset Route 78 Corridor
1085 Morris Avenue, Union	47,000	Transportation Security Administration	New Lease	Clark & Cranford Market
115 Campus Drive, West Windsor	33,600	Catalent	New Lease	Princeton
400 Connell Drive, Berkeley Heights	25,631	G3 Technologies	Sublease	Somerset Route 78 Corridor
100 Somerset Corporate Boulevard, Bridgewater	22,329	Lexicon Pharmaceuticals	New Lease	Somerset Route 78 Corridor

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
1700-1800 American Boulevard Hopewell	321,809	The Adria Kravinsky Foundation/ Birch Group & Lionstone Capital	\$ 73.6M / \$229
477 Martinsville Road, Basking Ridge	250,590	American Real Estate Partners & PNC Financial / Edgewood Properties	\$10.7M / \$43
500 Craig Road, Manalapan	40,000	K.R. Holdings / Carey Tajfel	\$4.5M / \$112

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