



Office Q4 2022

20.0%
Vacancy Rate
YoY
Chg12-Mo.
Forecast
-590K
Net Abs. YTD, SF

\$27.54
Asking Rent, PSF


(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q4 2022**
1.5M
Central NJ
Employment
YoY
Chg12-Mo.
Forecast
3.1%
Central NJ
Unemployment Rate

3.7%
U.S.
Unemployment Rate


Source: BLS

ECONOMY: Central New Jersey Employment Remains Strong

Central New Jersey's (CNJ) unemployment rate continued to trend lower, reaching 3.1% in the fourth quarter of 2022. Total employment for the state has risen for 31 consecutive months, as the private sector alone recorded 11,400 new jobs over the last month. Compared to the prior year, the leisure and hospitality and education and health services sectors have yielded the highest employment gains, increasing by 10.6% and 4.6%, respectively.

SUPPLY & PRICING: Vacancy Improves Despite New Sublease Additions

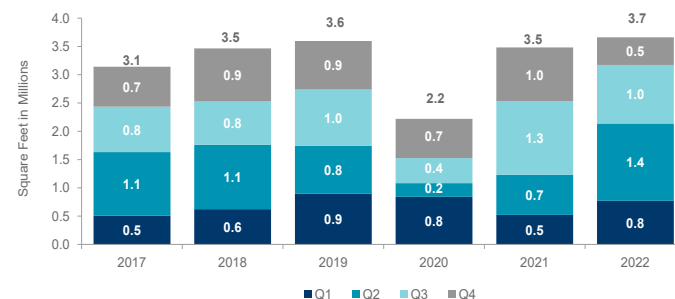
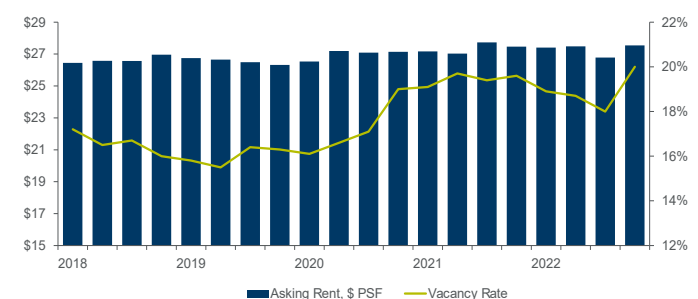
New supply returned to the market rapidly during the fourth quarter, as net absorption in Central New Jersey moved into the red for the first time this year, at negative 1.7 million square feet (msf). Substantial occupancy losses in the fourth quarter resulted in negative 590,355 square feet (sf) of net absorption for the year, boosting the vacancy rate by 80 basis points (bps) year-over-year (YOY) to 20.0%. Six new blocks, each over 100,000 sf, were added to vacancies during the fourth quarter, totaling 1.0 msf. Significant new subleases were returned to the market this quarter, increasing the amount of vacant sublease supply by 16.9% YOY to 3.6 msf. The largest new sublease additions included L'Oréal's 181,468-sf space at 50 Connell Drive in Berkeley Heights and AAA Mid-Atlantic's new 120,000-sf sublease at 700 Horizon Center Drive in Hamilton.

The average asking rent decreased by merely \$0.05 from last year to \$27.54 per square foot (psf). Class A asking rents in the Woodbridge/Edison and Princeton/Rt 1 Corridor submarket continued to be among the priciest in the state at \$39.44 psf and \$34.95, respectively, underscoring tenant demand for centrally located, transit-oriented properties.

DEMAND: Flight to Quality Takes Shape in Central New Jersey

Leasing activity slowed during the fourth quarter in Central New Jersey to 489,186 sf after recording over 1.0 msf of new leases in the prior two quarters. Still, strong demand through the first three quarters fueled full-year 2022 leasing activity to 3.7 msf—marking a record total since 2016. At 1.2 msf, the I-78 Corridor submarket yielded the highest leasing activity of any submarket in 2022, followed by Monmouth County at 636,608 sf. Strong demand at Bell Works in Holmdel led to an uptick in Monmouth County leasing, fueled by new lease transactions signed by Colliers Engineering & Design and Cisco Systems.

While new leasing activity was muted in the fourth quarter, renewals and tenant recommitments were particularly strong. Eight of the top 10 transactions in CNJ were renewals, driven by Merrill Lynch's 553,841-sf extension at 1100-1600 Merrill Lynch Drive in Hopewell.

LEASING ACTIVITY BY QUARTER (2017-2022)

OVERALL VACANCY & ASKING RENT


MARKETBEAT CENTRAL NEW JERSEY

Office Q4 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	1,652,498	0	56.10%	-398,097	-364,835	89,098	0	\$19.42	\$20.17
Mercer County	16,804,987	2,045,700	698,716	16.30%	-322,448	-62,663	630,412	0	\$30.36	\$34.86
Middlesex County	23,667,791	3,712,059	713,038	18.70%	-478,184	-97,290	848,725	0	\$29.04	\$35.13
Monmouth County	12,028,106	860,146	295,740	9.60%	-153,677	213,362	636,608	0	\$27.27	\$31.91
Somerset County	18,936,051	3,975,832	1,522,506	29.00%	-253,703	-271,294	1,192,962	0	\$24.44	\$27.69
Union County	9,126,641	809,022	410,169	13.40%	-47,437	-7,635	263,224	0	\$29.85	\$36.04
CENTRAL NJ TOTALS	83,507,583	13,055,257	3,640,169	20.0%	-1,653,546	-590,355	3,661,029	0	\$27.54	\$31.75
SELECTED SUBMARKETS										
I-78 Corridor	19,504,325	5,067,719	1,784,925	35.1%	-693,745	-684,712	1,197,840	0	\$26.49	\$28.11
Princeton/Route 1 Corridor	17,085,249	2,801,882	681,561	20.4%	-178,611	122,656	623,564	0	\$30.55	\$34.95
Upper 287 Corridor	9,249,896	1,191,221	132,363	14.3%	-106,361	278,029	219,370	0	\$20.18	\$21.59
Woodbridge/Edison	8,589,812	1,297,398	363,121	19.30%	-321,751	-283,085	338,433	0	\$35.28	\$39.44

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1100-1600 Merrill Lynch Drive, Hopewell	553,841	Merrill Lynch	Renewal*	Route 295 Corridor
90 Old Matawan Road, Old Bridge	61,863	K. Hovnanian	New Lease	The Brunswicks
400 Crossing Boulevard, Bridgewater	40,110	Harding Loevner	Renewal*	Route 78 Corridor
200 Metroplex Drive, Edison	37,064	ModivCare	Renewal*	Woodbridge/Edison Market
99 Wood Avenue South, Woodbridge	30,721	Ernst & Young	Renewal*	Woodbridge/Edison Market

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
1100-1600 Merrill Lynch Drive, Hopewell	553,841	Capital Commercial Investment Management / KAMCO/ Northridge Capital	\$223.5M / \$404
1200 Route 22 East, Bridgewater	110,276	Liberty Equities / Treetop Development	\$16.0M / \$145
150 Morristown Road, Bernardsville	54,600	Denholtz Properties / Rocket Shippers	\$7.8M / \$144

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