



Office Q4 2022

21.2%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-463K

YTD Net Abs., SF



\$31.58

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2022

1.6M

Northern NJ
EmploymentYoY
Chg12-Mo.
Forecast

3.9%

Northern NJ
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: New Jersey Employment Growth Remains Strong

The unemployment rate in Northern New Jersey (NNJ) continued to improve despite the current headwinds in the broader economy, falling 130 basis points (bps) year-over-year (YOY) to 3.9%. On the state level, the unemployment rate reached 3.4% in November and remained 30 bps lower than the national rate. Annually, private sector employment has risen by 147,200 jobs, a 4.2% increase. The leisure and hospitality industry exhibited the highest annual employment boost of 10.6%, nearly re-gaining most jobs lost due to the pandemic. Growth in office-using employment persisted, increasing by 23,500 jobs from a year ago.

DEMAND: Life Science and Healthcare Industries Boost Leasing Activity in 2022

Leasing activity in Northern New Jersey ended 2022 positively, recording 1.2 million square feet (msf) of new leases during the fourth quarter, up 23.2% quarter-over-quarter. The strong finish drove full-year leasing activity to 4.6 msf—the highest total since 2019. The main driver of demand was a flurry of new activity by life science firms in Morris County. Bristol Myers Squibb leased 250,000 square feet (sf) at 5 Giralda Farms in Madison, while AbbVie took 92,122 sf at 100 Park Avenue in Florham Park. Demand in Bergen County persisted with two significant transactions at 15 East Midland Avenue in Paramus. AT&T inked a 70,953-sf renewal, while Hospital for Special Surgery relocated to the property, signing a new 40,062-sf lease.

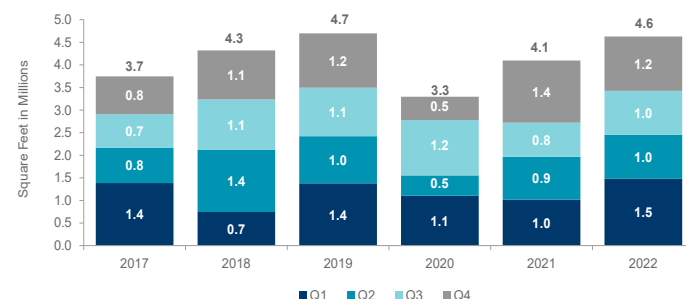
The flight-to-quality trend accelerated in 2022, as Class A leasing accounted for 67.4% of the total activity, up from the 60.3% recorded last year, further underpinning tenant preference for a centrally located, modern work environment. Pent-up demand resulted in solid leasing totals for the year, with tenants reassessing and making decisions regarding their space needs. While some tenants consolidated their footprint as they established a hybrid work schedule, their commitment to maintaining an office presence led to positive leasing momentum heading into 2023.

SUPPLY & PRICING: New Supply Returned at an Accelerated Pace During Second Half of 2022

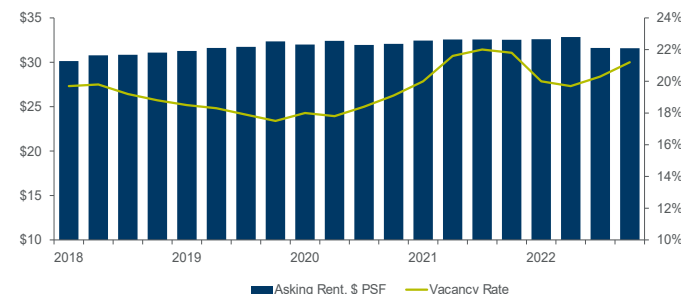
Net absorption during the year's first half trended positive but reversed course, posting 1.7 msf of negative net absorption during the last six months of 2022. This dynamic brought the full-year net absorption figure to negative 462,920 sf, increasing the vacancy rate by 60 bps YOY to 21.2%. Large blocks of newly available direct space resulted in negative absorption totals in the fourth quarter, while new sublease additions slowed in NNJ. The most significant new vacancy was at 3 Penn Plaza East in Newark, with Horizon Blue Cross Blue Shield's 474,899-sf space put on the market, followed by a 204,494-sf space at 8 King Road that Spectra Labs occupied. This year's strong leasing demand was not enough to offset the burst of new space added to the market.

The average asking rent decreased by 3.1% YOY to \$31.58 per square foot (psf), driven by new leasing activity for higher-priced spaces and newly available Class B space, priced lower than the market average. Pricing for Class A space closed the year at \$35.22 psf, representing an 11.5% premium from the overall NNJ market.

LEASING ACTIVITY BY QUARTER (2017-2022)



OVERALL VACANCY & ASKING RENT



MARKETBEAT NORTHERN NEW JERSEY

Office Q4 2022



CUSHMAN &
WAKEFIELD

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	25,552,309	3,715,805	670,581	17.2%	-179,273	-44,988	1,301,352	0	\$28.18	\$31.03
Essex County	26,053,380	3,525,803	938,268	17.1%	-766,313	-112,535	686,667	0	\$30.89	\$33.56
Hudson County	24,758,778	4,522,120	1,109,573	22.8%	168,262	-202,985	860,209	0	\$42.49	\$43.71
Morris County	28,956,270	6,660,997	1,472,211	28.1%	-154,303	-81,255	1,657,303	120,000	\$28.01	\$30.20
Passaic County	5,340,140	730,483	86,286	15.3%	-44,489	-21,157	123,722	60,000	\$22.92	N/A
NORTHERN NJ TOTALS	110,660,877	19,155,208	4,276,919	21.2%	-976,116	-462,920	4,629,253	180,000	\$31.58	\$35.22
SELECTED SUBMARKETS										
Hudson Waterfront	21,391,473	3,826,431	1,028,615	22.7%	201,552	-183,444	744,961	0	\$44.65	\$45.05
Newark	14,544,536	2,015,815	797,974	19.4%	-591,148	-390,284	253,872	0	\$32.53	\$35.10
Parsippany	12,211,941	3,340,109	667,474	32.8%	-6,171	-134,161	585,325	0	\$27.24	\$29.47
Route 10/24 Corridor	9,340,244	1,862,825	581,514	26.2%	-122,789	25,380	580,518	0	\$28.77	\$30.95
Essex Rt. 280 Corridor	7,810,781	1,074,273	8,203	13.9%	-132,163	59,419	283,812	0	\$30.34	\$31.57
Meadowlands	6,350,647	998,694	250,023	19.7%	-36,557	42,423	242,245	0	\$29.18	\$31.83
Morristown	5,593,406	1,024,907	186,860	21.7%	-14,247	50,185	408,158	120,000	\$31.14	\$32.94

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5 Giralda Farms, Madison	250,000	Bristol Myers Squibb	New Lease	Route 10/24 Market
100 Park Avenue, Florham Park	92,122	AbbVie	New Lease	Route 10/24 Market
15 East Midland Avenue, Paramus	70,953	AT&T Wireless	Renewal*	Route 4 East Corridor
480 Washington Boulevard, Jersey City	49,509	Société Générale	New Lease	Hudson Waterfront
121 River Street, Hoboken	41,453	Nestle	Sublease	Hudson Waterfront

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
101 Hudson Street, Jersey City	1,347,712	Veris Residential / The Birch Group	\$ 346.0M / \$257
300 Kimball Drive, Parsippany	428,000	Sovereign Partners / Signature Acquisitions	\$ 88.0M / \$206
1680 Route 23, Wayne	122,694	Chopp Holdings / Midtown Equities Brokerage	\$ 22.3M / \$181
300 Harmon Meadow Boulevard, Secaucus	123,600	Samson Management / Harmon Meadow Suites	\$ 18.0M / \$146
218 Route 17 North, Rochelle Park	105,026	GHP Office Realty / 218 Route 17N LLC	\$ 17.8M / \$169

JOHN OBEID

Senior Research Manager, New Jersey

Tel: +1 201 351 0885

john.obeid@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com