



Office Q1 2023

20.2%
Vacancy Rate
YoY
Chg12-Mo.
Forecast
-434K
Net Abs. YTD, SF

\$28.33
Asking Rent, PSF


(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q1 2023**
1.5M
Central NJ
Employment
YoY
Chg12-Mo.
Forecast
3.1%
Central NJ
Unemployment Rate

3.5%
U.S.
Unemployment Rate


Source: BLS

ECONOMY: Central New Jersey's Unemployment Rate Falls to 3.1%

Despite the challenges brought on by the pandemic, the Central New Jersey (CNJ) economy has continued its positive trajectory into the first quarter of 2023, with employment figures reflecting an encouraging trend. Central New Jersey's unemployment rate decreased year-over-year (YOY) in the first quarter to 3.1%, as total employment levels grew to 1.5 million jobs. Total private sector employment for the state also registered an uptick in employment, improving by 2.8% over the past year, driven by gains in the education services and the leisure & hospitality sectors. Office-using employment increased slightly YOY by 0.9% to reach 1.1 million employees.

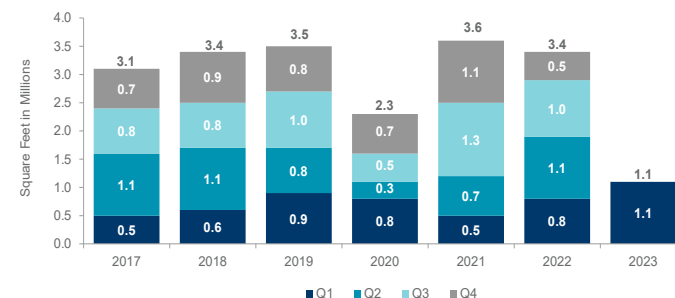
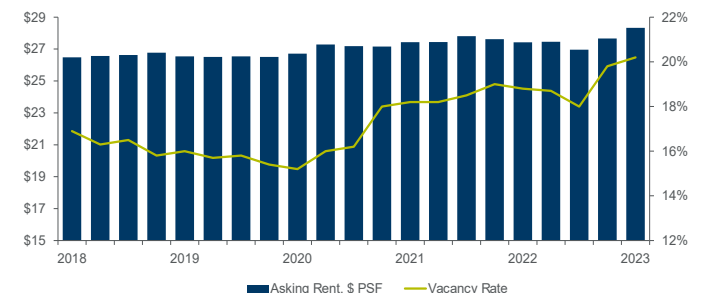
SUPPLY & PRICING: New Wave of Sublease Space Added to Supply

The first quarter of 2023 displayed a reversal of the positive momentum exhibited by CNJ during the first half of 2022, as new subleases were added to supply, causing further increases in the vacancy rate and occupancy losses. The vacancy rate climbed by 140 basis points (bps) YOY to 20.2%, with sublease vacancy accounting for 22.1% of the total vacant space, up from 16.6% in the first quarter of 2020. The addition of Horizon NJ Health's 142,029-square foot (sf) space in Hopewell and Guardian Life's 91,319-sf space at Bell Works in Holmdel, were the largest contributors to the rise in sublease supply. Meanwhile, net absorption remained in the red, at negative 434,189 sf but improved from the 1.4 million square feet (msf) of negative absorption recorded at year-end 2022.

Despite the increased vacancy, average asking rents grew in the first three months of 2023. At \$28.33 per square foot (psf), the asking rent was up 3.3% YOY. The class A average asking rent also improved, rising to \$32.44 psf, primarily driven by the Woodbridge/Edison (\$39.55 psf) and Princeton (\$36.11 psf) submarkets.

DEMAND: Flight to Quality Takes Shape in Central New Jersey

Leasing activity slowed in the first quarter, with a total of 1.1 msf transacted. While this figure was up from last year, it was primarily boosted by Merck's 523,333-sf sale/leaseback in Kenilworth, accounting for 46.8% of the total velocity. The pandemic accelerated the flight-to-quality trend, as Class A leasing activity accounted for 78.2% of total demand this quarter, compared to 56.1% and 56.7% during the first quarter of 2022 and 2020, respectively. The trend towards upgrading spaces was also evident in the case of Wells Fargo, who will be relocating to a 130,948-sf space at 194 Wood Avenue South in Metropark. The site will not only give a modern workspace for their current employees but will ultimately provide the company with access to a larger pool of potential talent. Demand for modern, financially stabilized offices in centrally located markets will remain highly sought after by corporate users.

LEASING ACTIVITY BY QUARTER (2017- Q1 2023)

OVERALL VACANCY & ASKING RENT


MARKETBEAT CENTRAL NEW JERSEY

Office Q1 2023



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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	2,939,009	1,626,084	0	55.3%	24,094	24,094	0	0	\$17.94	\$17.98
Mercer County	16,303,811	2,150,963	771,946	17.9%	-263,458	-263,458	65,789	0	\$30.54	\$34.62
Middlesex County	23,228,863	3,928,135	720,836	20.0%	-275,726	-275,726	307,972	0	\$30.73	\$35.65
Monmouth County	12,027,826	833,803	255,472	9.1%	69,941	69,941	77,048	0	\$26.61	\$31.64
Somerset County	18,544,069	3,593,649	1,530,368	27.6%	59,175	59,175	73,841	0	\$24.65	\$27.56
Union County	9,627,474	864,297	404,634	13.2%	-48,215	-48,215	593,785	0	\$29.11	\$38.03
CENTRAL NJ TOTALS	82,671,052	12,996,931	3,683,256	20.2%	-434,189	-434,189	1,118,435	0	\$28.33	\$32.44
SELECTED SUBMARKETS										
I-78 Corridor	19,107,345	4,712,037	1,775,967	34.0%	81,513	81,513	67,099	0	\$26.36	\$27.65
Princeton/Route 1 Corridor	16,358,858	2,869,326	746,735	22.1%	-269,385	-269,385	49,933	0	\$31.39	\$34.58
Upper 287 Corridor	9,050,716	1,156,647	132,485	14.2%	-30,959	-30,959	9,000	0	\$20.19	\$21.56
Woodbridge/Edison	8,589,812	1,482,360	385,367	21.7%	-243,045	-243,045	236,027	0	\$35.96	\$39.55

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2000 Galloping Hill Road	523,333	Merck	New Lease	Clark & Cranford Market
194 Wood Avenue South	130,948	Wells Fargo	New Lease	Woodbridge/Edison Market
101 Crawfords Corner Road	48,888	Cisco Systems	Renewal	Monmouth County
1 Tower Center Boulevard	40,732	HCLTech	New Lease	The Brunswicks
630 Central Avenue	26,377	RWJ Barnabas Health	New Lease	Union Route 24 Corridor

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
131 Morristown Road	216,573	UBS Asset Management Adoni Property Group	\$9.4M / \$44
3150 Brunswick Pike (aka Route 1)	100,925	Gilbane Development Company Sant Properties	\$4.3M / \$43
10 Constitution Avenue	54,320	Siemens Kimberly Won	\$8.0M / \$148
14 Cliffwood Avenue	46,345	Methfessel & Werbel White Star Logistics	\$7.6M / \$163

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