

Office Q1 2023

**21.9%**

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast**-1.8M**

YTD Net Abs., SF

**\$33.08**

Asking Rent, PSF



(Overall, All Property Classes)

**ECONOMIC INDICATORS  
Q1 2023****1.6M**Northern NJ  
EmploymentYoY  
Chg12-Mo.  
Forecast**3.7%**Northern NJ  
Unemployment Rate**3.5%**U.S.  
Unemployment Rate

Source: BLS

**ECONOMY: Office-Using Jobs Persist in New Jersey**

Despite the challenges faced by the broader economy, Northern New Jersey (NNJ) maintained an impressive growth trajectory. The region's unemployment rate fell by 90 basis points (bps) year-over-year (YOY) to 3.7%, while the state's unemployment rate reached 3.5% in February. Private sector employment increased by 311,000 jobs in February. The leisure and hospitality industry led the way with 105,00 jobs added, although is still below pre-pandemic levels. Growth in office-using jobs persisted, as employment in professional and business services trended up in February, with the addition of 45,000 jobs.

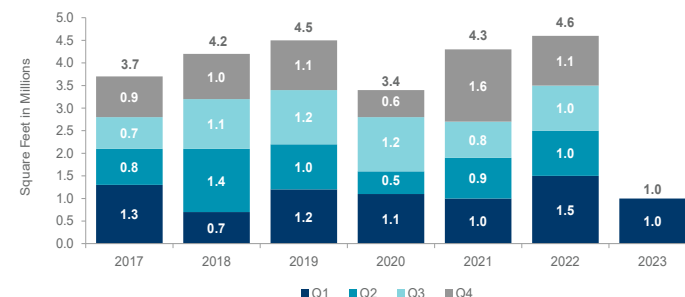
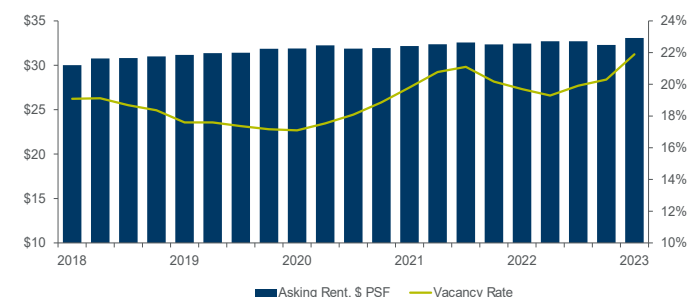
**DEMAND: Tenant Demand Focused on Flight to Quality**

Northern New Jersey recorded over 1.0 million square feet (msf) of new leases during the first three months of the year amid slower leasing demand in the overall market. The flight to quality trend continued into 2023, as Class A leasing accounted for 55.5% of total activity in the first quarter, highlighting tenant demand for centrally located, high-quality assets near a growing suburban workforce. This trend was underscored by Sanofi's relocation from Bridgewater to a 260,000 square foot (sf) build-to-suit property at M Station West in Morristown, developed by SJP Properties. Other notable executed leases during the quarter included Virtu Financial Services' 34,640-sf lease at 101 JFK Parkway in Short Hills, while Summit Health committed to 30,000 sf at 6 Brighton Road in Clifton. Existing tenants in well-positioned, quality assets renewed their leases, such as Forbes Media's 46,360-sf lease at 499 Washington Boulevard in Jersey City and Wallenius Wilhelmsen Logistics' renewal at 300 Interpace Parkway in Parsippany for 40,993 sf. Although leasing activity slowed at the beginning of the year, tour activity remained robust, suggesting an uptick in demand during the second half of 2023 as tenants continued reassessing their space needs.

**SUPPLY & PRICING: New Supply Keeps Absorption Negative in Northern New Jersey.**

Despite the strong demand for quality assets, NNJ's net absorption remained negative for the third consecutive quarter, posting a 1.8 msf negative net absorption for the first quarter of 2023. The vacancy rate jumped by 160 basis points from the previous quarter to 21.9% due to the addition of several large sublease blocks. Six new subleases in excess of 50,000 sf were added to the vacancy, including Wyndham's 245,518-sf sublease at 22 Sylvan Way in Parsippany, followed by AbbVie's 154,440-sf sublease at 5 Giralda Farms in Madison, and Marsh & McLennan's 139,143-sf sublease at 121 River Street in Hoboken.

The average asking rent remained stable, up \$0.64 per square foot (psf) YOY to \$33.08, primarily driven by the addition of higher-priced Class A space. Class A space closed the first quarter at \$36.56 psf, representing a 10.5% premium from the overall NNJ market.

**LEASING ACTIVITY BY QUARTER (2017-Q1 2023)****OVERALL VACANCY & ASKING RENT**

# MARKETBEAT NORTHERN 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)*
Bergen County	25,314,857	3,729,867	650,047	17.3%	-281,216	-281,216	203,955	0	\$28.50	\$31.19
Essex County	26,068,896	3,671,728	911,463	17.6%	-240,792	-240,792	183,420	0	\$32.38	\$34.89
Hudson County	24,420,822	4,411,665	1,386,241	23.7%	-613,868	-613,868	120,869	0	\$43.17	\$44.36
Morris County	28,579,712	6,429,626	1,948,624	29.3%	-605,409	-605,409	436,593	120,000	\$28.08	\$30.50
Passaic County	5,340,631	730,785	146,937	16.4%	-59,193	-59,193	61,009	0	\$22.96	N/A
<b>NORTHERN NJ TOTALS</b>	<b>109,724,918</b>	<b>18,973,671</b>	<b>5,043,312</b>	<b>21.9%</b>	<b>-1,800,478</b>	<b>-1,800,478</b>	<b>1,005,846</b>	<b>120,000</b>	<b>\$33.08</b>	<b>\$36.58</b>
SELECTED SUBMARKETS										
Hudson Waterfront	21,053,517	3,763,480	1,305,283	24.1%	-608,305	-608,305	60,274	0	\$44.68	\$45.07
Newark	14,544,536	1,935,935	725,995	18.3%	55,867	55,867	31,410	0	\$34.01	\$36.19
Parsippany	12,211,173	3,264,759	974,187	34.7%	-367,284	-367,284	66,264	0	\$26.69	\$29.31
Route 10/24 Corridor	8,952,629	1,715,468	740,728	27.4%	-238,067	-238,067	18,684	0	\$30.28	\$32.52
Essex Rt. 280 Corridor	7,826,297	1,302,965	39,615	17.2%	-290,959	-290,959	119,515	0	\$31.62	\$32.89
Meadowlands	6,390,647	1,009,393	250,765	19.7%	-33,354	-33,354	73,231	0	\$28.07	\$31.10
Morristown	5,605,231	1,013,755	197,346	21.6%	2,430	2,430	329,421	120,000	\$30.92	\$31.99

\*Leasing activity does not include renewals

## KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
M Station West	260,000	Sanofi	New Lease	Morristown Market
499 Washington Boulevard	46,360	Forbes Media	Renewal*	Hudson Waterfront
200 Plaza Drive	43,618	Hartz Mountain	New Lease	Meadowlands
300 Interpace Parkway	40,993	Wallenius Wilhelmsen Logistics	Renewal*	Parsippany Market
101 JFK Parkway	34,640	Virtu Financial Services	New Lease	Essex Route 280 Corridor

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
369-379 Interpace Parkway	155,234	Vision Real Estate Partners / Avis Budget Group	\$32.6M / \$210
123 Tice Boulevard	126,585	Vision Real Estate Partners / Yisroel Zahler	\$13.2M / \$104
330 Changebridge Road	13,075	Delaware Hudson Realty Group / National Retail Properties	\$4.2M / \$324
239 New Road	20,025	Lexinsa / 239 New Road Holdings LLC	\$2.9M / \$142

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