

CENTRAL NEW JERSEY

Office Q2 2023

20.2%
Vacancy RateYoY
Chg12-Mo.
Forecast-179K
Net Abs. YTD, SF\$28.47
Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 20231.5M
Central NJ
EmploymentYoY
Chg12-Mo.
Forecast3.2%
Central NJ
Unemployment Rate3.6%
U.S.
Unemployment Rate

Source: BLS

ECONOMY: Central New Jersey's Unemployment Rate Improves to 3.2%

Central New Jersey's (CNJ) economy continued its positive trajectory into the second quarter of 2023, with employment figures reflecting an encouraging trend. CNJ's unemployment rate decreased year-over-year (YOY) to 3.2% as total employment levels grew to 1.5 million jobs. Total nonfarm payroll employment increased by 9,800 in May, with the private sector adding 3,900 jobs. Moreover, the labor force participation rate increased again in May, reaching its highest level in 10 years, to 65.2%.

SUPPLY & PRICING: Sublease Supply Falls as Average Asking Rents Increase

After a strong start to the year, positive momentum stalled in the second quarter as newly vacant space reentered the CNJ market. The vacancy rate increased by 70 basis points (bps) from last quarter, while absorption turned negative at 489,081 sf. This quarter's largest additions occurred in Franklin Township, where 156,140 sf, that was formerly occupied by Syneos Health became vacant, followed by Verizon's 95,000-sf space in Hamilton. Despite the additions, sublease vacancy contracted by 1.2% quarter-over-quarter (QOQ) led by Mallinckrodt's 50,000-sf sublease at 440 Route 22 East in Bridgewater.

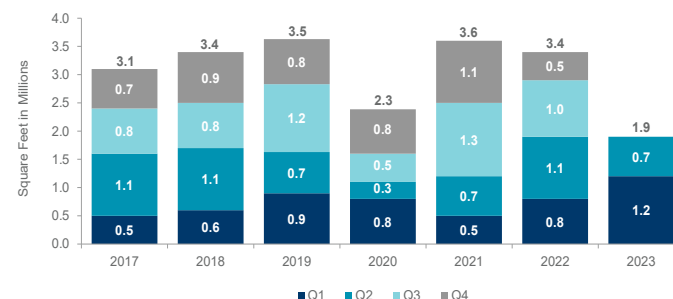
Despite the increase in vacancy, the average asking rent registered \$28.47 per square foot (psf), remaining above the \$28.00 per square foot (psf) mark for the third consecutive quarter and up by 2.1% YOY. The Class A average asking rent also improved, rising to \$32.56 psf, primarily driven by the Woodbridge/Edison (\$40.02 psf) and Princeton (\$34.17 psf) submarkets.

DEMAND: New Leasing Activity Stalled, While Renewals Increased in Class A Buildings

Leasing activity slowed in the second quarter, falling short of the 1.0 msf mark. However, the volume for the first half of 2023 reached a total of 1.9 msf, increasing by 2.0% compared to the same period in 2022. At 200,871 sf, the I-78 Corridor drove demand in CNJ, making up 27.7% of the total leasing activity this quarter. Syneos Health leased 56,706 sf at 200 Crossing Boulevard following its move from 500 Atrium Drive. Meanwhile, Kenvue, a consumer health spinoff of Johnson & Johnson, secured this quarter's largest lease, occupying 191,448 sf at 86 Morris Avenue in Summit.

As tenants continued to weigh their options in the market amidst ongoing economic uncertainty, the flight to quality trend remained active, as 42.4% of second-quarter new leasing was executed in Class A buildings. Additionally, 79.0% of renewals this quarter were completed in Class A product, demonstrating tenant commitment to financially stabilized offices in centrally located markets.

LEASING ACTIVITY BY QUARTER (2017- Q2 2023)



OVERALL VACANCY & ASKING RENT



MARKETBEAT CENTRAL NEW JERSEY

Office Q2 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	1,633,857	10,921	56.0%	-15,446	8,648	13,536	0	\$15.76	\$14.83
Mercer County	16,609,326	2,416,124	823,518	19.5%	-161,752	-229,663	118,739	0	\$31.58	\$34.99
Middlesex County	23,115,983	3,842,799	670,931	19.5%	-102,213	-224,655	479,998	0	\$30.95	\$36.29
Monmouth County	12,089,460	893,882	154,510	8.7%	-50,392	49,599	149,248	0	\$26.68	\$32.00
Somerset County	18,081,693	3,486,809	1,374,529	26.9%	-32,652	339,155	286,918	0	\$24.23	\$27.01
Union County	9,627,474	1,030,231	280,761	13.6%	-126,626	-122,128	826,739	0	\$29.06	\$38.16
CENTRAL NJ TOTALS	82,462,945	13,303,702	3,315,170	20.2%	-489,081	-179,044	1,875,178	0	\$28.47	\$32.56
SELECTED SUBMARKETS										
I-78 Corridor	18,894,284	4,510,236	1,510,006	31.9%	185,116	554,724	276,163	0	\$25.37	\$26.56
Princeton/Route 1 Corridor	23,082,649	4,030,857	1,059,394	22.1%	-241,527	-278,525	193,978	0	\$30.24	\$34.17
Upper 287 Corridor	8,747,081	1,304,257	134,065	16.4%	-241,970	-224,151	37,580	0	\$21.10	\$23.99
Woodbridge/Edison	8,530,552	1,487,774	319,869	21.2%	-43,888	-199,717	305,806	0	\$36.37	\$40.02

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
86 Morris Avenue	191,448	Kenvue	New Lease	Union County / Rt. 24 Corridor
200 Crossing Boulevard	56,706	Syneos Health	New Lease	Somerset County / I-78 Corridor
440 Route 22 East	50,000	Mallinckrodt	New Lease	Somerset County / I-78 Corridor
111 Wood Avenue South	41,170	Mott MacDonald	Renewal	Woodbridge / Edison
99 Wood Avenue South	40,084	Greenbaum, Rowe, Smith, Ravin, Davis & Himmel	Renewal	Woodbridge / Edison

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
150 College Road West	71,550	Nessel Development / Strategic Funding Alternatives	\$12.7M / \$178

FELIX SOTO

Senior Research Analyst, New Jersey

Tel: +1 201 460 3355

felix.soto@cushwake.com

JOHN OBEID

Senior Research Manager, New Jersey

Tel: +1 201 351 0885

john.obeid@cushwake.com

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