

Office Q2 2023

YoY
Chg 12-Mo.
Forecast**21.5%**
Vacancy Rate**-1.8M**
YTD Net Abs., SF**\$32.83**
Asking Rent, PSF

(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q2 2023**YoY
Chg 12-Mo.
Forecast**1.6M**
Northern NJ
Employment**3.5%**
Northern NJ
Unemployment Rate**3.6%**
U.S.
Unemployment Rate

Source: BLS

ECONOMY: New Jersey Employment Continues to Exhibit Growth

The unemployment rate in Northern New Jersey (NNJ) continued to improve despite the current economic challenges. Year-over-year (YOY), the unemployment rate in NNJ fell by 30 basis points (bps) to 3.5%. Meanwhile, in May, unemployment for the entire state was 3.6% and has remained below 4.0% since April 2022. Total private sector employment increased by 93,600 jobs YOY. Office-using jobs (defined by the information, financial activities, and professional and business services industries) registered little movement over the last year, exhibiting a 0.1% decline since May 2022.

DEMAND: Interest in Modern, Centrally Located Offices Remains Strong

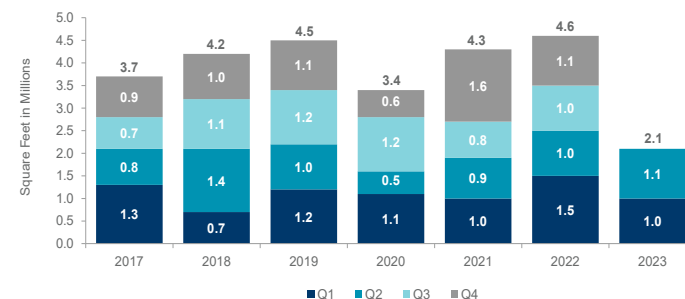
Leasing activity trended up in NNJ, despite occupancy losses due to changes in office space requirements. While many companies still opt to have a physical office presence, the adoption of hybrid work policies has led to downsizing space requirements. Although net absorption continued to trend negative, leasing activity remained brisk.

Second-quarter new leasing activity in NNJ totaled 1.1 million square feet (msf), reaching 2.1 msf in volume for the first half of 2023. Well-located, modern offices captured much of the space demand this quarter as occupiers seek to create a more appealing workplace. This dynamic resulted in increased competition for new office product. On the heels of Sanofi's relocation to M Station West in Morristown, Stifel Financial relocated to a newly renovated building at 305 Madison Avenue in Morristown, leasing 50,865 square feet (sf). NJ Transit was the largest lease signed during the second quarter, committing to 407,173 sf at 2 Gateway Center in Newark. Gateway Center recently underwent a significant \$50 million capital project to modernize the complex after being acquired by Onyx Equities as part of a joint venture transaction in 2018.

SUPPLY & PRICING: Vacancies Grew Amid Increasing Sublease Space

Vacancy increased for the fourth consecutive quarter to 21.5%, reversing the positive movement exhibited the prior year. Although net absorption improved from the 1.3 msf of occupancy losses last quarter, NNJ still recorded a negative net absorption of 462,537 sf in the second quarter, bringing the mid-year total to negative 1.8 msf. The largest new vacancy that reentered the market was a 78,479-sf sublease at 7 Giralda Farms in Madison. Newly vacant subleases continued to return to the market, with nine new subleases larger than 20,000 sf. At 5.1 msf, sublease space exceeded the 5.0 msf mark, accounting for 21.5% of the total vacant space this quarter.

The average asking rent exhibited little action, up 0.3% YOY to \$32.83 per square foot (psf), as higher-priced Class A space returned to the market. Pricing for Class A space reached \$36.42 psf, representing a 48.0% premium from the Class B average asking rent of \$24.61 psf.

LEASING ACTIVITY BY QUARTER (2017-Q2 2023)**OVERALL VACANCY & ASKING RENT**

MARKETBEAT NORTHERN 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)*
Bergen County	25,314,857	3,573,174	576,219	16.4%	-107,506	-149,367	431,091	0	\$28.68	\$31.11
Essex County	25,807,251	3,645,352	917,500	17.7%	-84,487	-249,466	705,000	0	\$31.78	\$34.20
Hudson County	24,586,222	4,488,503	1,490,123	24.3%	-297,429	-868,308	220,506	0	\$42.64	\$43.83
Morris County	28,584,473	6,098,019	1,937,027	28.1%	24,641	-482,399	669,239	120,000	\$27.81	\$30.62
Passaic County	5,154,785	700,398	146,937	16.4%	2,244	-49,074	66,754	0	\$23.34	N/A
NORTHERN NJ TOTALS	109,447,588	18,505,446	5,067,806	21.5%	-462,537	-1,798,614	2,092,590	120,000	\$32.83	\$36.42
SELECTED SUBMARKETS										
Meadowlands	6,390,647	1,074,224	303,405	21.6%	-153,517	-170,503	101,917	0	\$27.60	\$29.97
Essex Route 280 Corridor	7,564,652	1,304,078	35,785	17.7%	-31,088	-313,931	212,446	0	\$31.51	\$32.67
Newark	14,544,536	1,945,698	698,676	18.2%	-36,554	69,579	444,009	0	\$33.05	\$35.29
Hudson Waterfront	21,218,917	3,774,252	1,393,253	24.4%	-176,762	-747,978	153,248	0	\$44.52	\$44.92
Morristown	5,605,231	762,581	117,388	15.7%	201,108	226,346	422,209	120,000	\$31.97	\$33.43
Parsippany	12,214,541	3,282,420	990,426	35.0%	-114,512	-432,725	138,254	0	\$26.23	\$29.03
Route 10/24 Corridor	8,952,629	1,628,837	809,424	27.2%	-70,184	-301,569	58,442	0	\$29.85	\$32.64

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2 Gateway Center	407,173	NJ Transit	New Lease	Newark
305 Madison Avenue	50,865	Stifel Financial	New Lease	Morristown
111 River Street	37,000	Sumitomo Trust	New Lease	Hudson Waterfront
433 Hackensack Avenue	22,458	OnScent	New Lease	Bergen County
105 Eisenhower Parkway	20,815	Miesel, Tutor & Lewis	New Lease	Essex Rt. 280 Corridor

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
150, 200, 210 Hudson Street	2,012,882	Veris Residential / The 601W Companies	\$420.0M / \$209
161, 163 Madison Avenue	120,000	The Silverman Group / Pentaurus Properties	\$21.5M / \$179
200 Kimball Drive	175,000	Principal Financial Group / Ramaa Management	\$14.3M / \$82
1 Lethbridge Plaza	39,000	David Reid / Coli Construction	\$5.4M / \$138

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