



Office Q3 2023

20.5%
Vacancy Rate
YoY
Chg12-Mo.
Forecast
-596K
Net Abs. YTD, SF

\$28.25
Asking Rent, PSF


(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2023
1.5M
Central NJ
Employment
YoY
Chg12-Mo.
Forecast
3.7%
Central NJ
Unemployment Rate

3.7%
U.S.
Unemployment Rate


Source: BLS

ECONOMY: Central New Jersey's Economy Remains Steady

Central New Jersey's (CNJ) economy remained relatively stable despite a recent increase in the unemployment rate. This stability is mainly due to the consistent growth of the private sector, which has helped offset the rise in unemployment. CNJ's unemployment rate, which climbed by 90 basis points (bps) year-over-year (YOY), currently stands at 3.7%, aligning with the national average. Meanwhile, CNJ's total employment levels grew to an impressive 1.5 million jobs, indicating the strength of the region's economy.

SUPPLY & PRICING: Net Absorption Turns Negative, While Rents Increase

Despite an optimistic start to the year, market momentum has gradually waned as newly vacant office space re-entered the market at the beginning of the year's second half. This is reflected in the rising vacancy rate, which escalated by 90 bps from the preceding quarter, reaching an unprecedented high of 20.5%. Year-to-date (YTD) net absorption turned negative, amounting to 596,066 square feet (sf), with the quarter's largest addition occurring in the Clark & Cranford submarket, where Merck added 292,000 sf to the vacancy at the NEST Campus in Kenilworth. However, sublease vacancy constricted again, dipping below the 19.0% threshold for the first time in a year to stand at 18.8%, despite a newly vacant 60,270-sf sublease at 30 Knightsbridge Road in Piscataway.

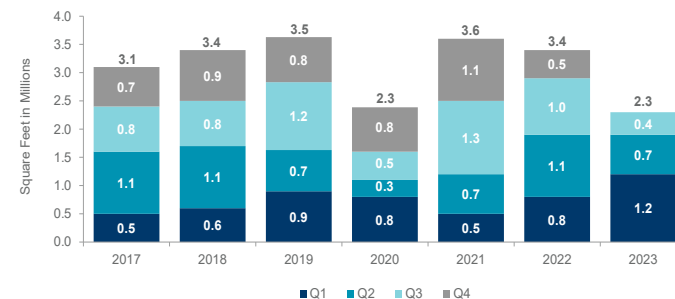
The average asking rent remained above the \$28.00 per square foot (psf) mark, ending the third quarter at \$28.25 psf and up 3.5% YOY. The Class A average asking rent also improved, rising to \$32.41 psf, primarily driven by the Woodbridge/Edison (\$39.87 psf) and Princeton (\$34.08 psf) submarkets.

DEMAND: Class A Inventory Demonstrates Ongoing Demand

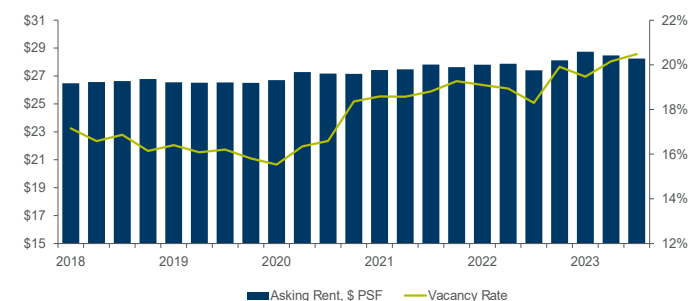
Leasing activity in CNJ decelerated for the second consecutive quarter, declining by a substantial 39.3% quarter-over-quarter to 438,601 sf. Leasing volume YTD reached 2.3 msf, down 18.8% YOY. The Monmouth County submarket emerged as a significant demand driver in CNJ, contributing 145,953 sf to the total leasing activity this quarter, accounting for 33.3% of the region's overall leasing volume. The Greater Princeton submarket followed closely, representing 29.3% of the leasing volume. Dr. Reddy's Laboratories signed the largest new lease to occupy 53,432 sf at 600 College Road East in Plainsboro, alongside State Street Bank's decision to renew their lease, encompassing 62,696 sf at the same property.

Amidst ongoing economic uncertainties, tenants continued to be cautious in assessing their options in the market. As a result, the flight-to-quality trend has continued, with a sizable 60.2% of new leasing activity in the third quarter taking place in Class A buildings. The trend is further reflected as 78.1% of 2023's lease renewals have been executed within Class A properties. This underscores the premium tenants place on quality and stability in Central New Jersey's office market.

LEASING ACTIVITY BY QUARTER (2017- Q3 2023)



OVERALL VACANCY & ASKING RENT



MARKETBEAT CENTRAL NEW JERSEY

Office Q3 2023



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	1,671,469	15,409	57.4%	-25,828	-17,180	24,457	0	\$15.81	\$14.92
Mercer County	16,597,875	2,356,934	891,910	19.6%	-68,438	-249,631	178,496	0	\$31.63	\$35.04
Middlesex County	23,348,715	3,799,334	748,730	19.5%	-176,897	-269,427	601,864	0	\$30.83	\$36.08
Monmouth County	12,089,460	935,186	170,862	9.2%	-46,859	-1,027	295,201	0	\$26.38	\$32.84
Somerset County	17,991,693	3,555,256	1,236,566	26.6%	-97,938	394,716	355,472	0	\$23.75	\$26.85
Union County	9,626,474	1,408,765	123,238	15.9%	-345,189	-453,517	855,842	0	\$28.87	\$38.18
CENTRAL NJ TOTALS	82,593,226	13,726,944	3,186,715	20.5%	-761,149	-596,066	2,311,332	0	\$28.25	\$32.41
SELECTED SUBMARKETS										
I-78 Corridor	16,593,673	3,031,194	1,170,378	25.3%	-4,368	597,958	343,059	0	\$28.13	\$29.98
Greater Princeton	23,071,198	3,928,169	1,125,700	21.9%	-42,907	-258,394	320,265	0	\$29.98	\$34.08
Upper 287 Corridor	8,889,813	1,254,816	206,095	16.4%	-227,285	-234,155	44,577	0	\$20.98	\$24.02
Woodbridge/Edison	8,530,552	1,532,128	339,836	21.9%	-78,415	-268,991	352,872	0	\$36.28	\$39.87

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
600 College Road East	62,696	State Street Bank	Renewal	Greater Princeton
600 College Road East	53,432	Dr. Reddy's Laboratories	New	Greater Princeton
1350 Campus Parkway	27,822	Yorktel	New	Monmouth County
100-300 American Metro Boulevard	27,615	Berkley Life & Health Insurance Company	New	Greater Princeton
184 Liberty Corner Road	25,207	Continental Casualty Company	Renewal	Somerset Route 78 Corridor

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
240 West State Street	240,000	Holiday Trenton LLC Trenton West Garden State Growth Zone LLC	\$5.5M / \$23
1090 King Georges Post Road	121,998	Denholtz Properties Federal Business Centers	\$49.8M / \$408
399 Hoes Lane	61,200	Hapag-Lloyd America LLC Atrium Holding 399LLC	\$3.8M / \$62
1767 Morris Avenue	35,000	Sky Energy Realty LLC Shmuel S Schlaff	\$4.0M / \$114

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