

21.7%
Vacancy Rate
YoY
Chg12-Mo.
Forecast
-1.8M
YTD Net Abs., SF

\$32.88
Asking Rent, PSF


(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q3 2023**
1.6M
Northern NJ
Employment
YoY
Chg12-Mo.
Forecast
3.8%
Northern NJ
Unemployment Rate

3.7%
U.S.
Unemployment Rate


Source: BLS

ECONOMY: Job Market Cools as Unemployment Steadily Climbs

The unemployment rate in Northern New Jersey (NNJ) rose to 3.8% during the third quarter, reflecting a modest 40 basis points (bps) increase compared to the previous year. This uptick coincides with a broader monetary policy context, as the U.S. central bank has implemented 11 rate hikes since March 2022 to address inflation and moderate economic growth. In August, the statewide unemployment rate in New Jersey grew to 4.2%, a departure from its impressive low of 3.0% in August 2022. Despite this increase, the state added 67,300 nonfarm jobs over the past 12 months, led by robust growth in the education and health services sector and new jobs in the leisure and hospitality industry.

DEMAND: Leasing Activity Muted; However, Bright Spots Emerge

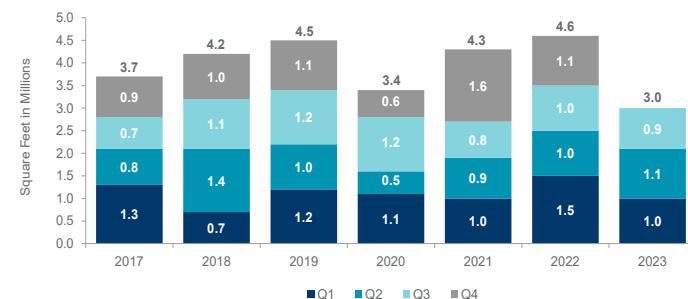
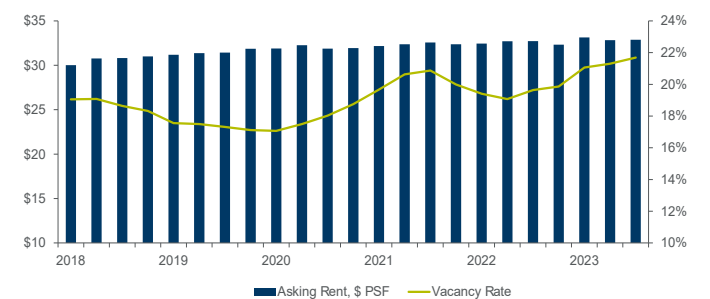
Quarterly leasing volume remained subdued during the third quarter, reaching its lowest total in two years. This was largely attributed to the downsizing trend and tenant consolidations, which have been prevalent in the post-COVID office market era. A glimmer of optimism emerged in the form of substantial expansions led by Sparc Group's renewal and expansion to 92,794 square feet (sf) in Lyndhurst, alongside Berkeley Insurance's expansion of 4,715 sf in Morristown, bringing their total occupancy to 42,633 sf.

New leasing activity totaled 864,161 sf, bringing the year-to-date (YTD) volume to 3.0 million square feet (msf)—down by 13.9% year-over-year (YOY). The flight-to-quality trend persisted, underscored by NJM Insurance Group's 51,226-sf relocation to 1 Sylvan Avenue in Parsippany, relocating from a nearby aging office facility. This migration towards contemporary offices resulted in vacancies within outdated properties, creating an opportunity for conversions, which can reduce the surplus office inventory within the state and accelerate the recovery of the office sector.

SUPPLY & PRICING: Vacancies Grew Amid Increasing Sublease Space

The vacancy rate continued to rise due to a lack of large new leases to reduce the vacancy rate significantly. This was compounded by the continual return of large blocks to the market, resulting in an extended period of stagnation and causing net absorption to remain negative for the fifth consecutive quarter. The top five blocks of newly vacant space alone returned more than 580,000 sf to the market, contributing to 310,102 sf of negative net absorption. As such, the vacancy rate increased by 40 bps quarter-over-quarter, reaching 21.7%.

There was a modest uptick in the average asking rent, up \$0.15 YOY to \$32.88 per square foot (psf), while Class A rents remained relatively flat at \$36.36 psf. The Hudson Waterfront and Newark submarkets achieved the highest Class A asking rents at \$45.13 psf and \$35.31 psf, respectively.

LEASING ACTIVITY BY QUARTER (2017-Q3 2023)

OVERALL VACANCY & ASKING RENT


MARKETBEAT NORTHERN NEW JERSEY

Office Q3 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	25,287,113	3,396,405	687,903	16.2%	903	-64,449	727,974	0	\$28.55	\$31.13
Essex County	25,804,660	3,865,779	916,673	18.5%	-242,672	-433,963	830,151	0	\$31.56	\$33.79
Hudson County	24,581,046	4,860,111	1,315,162	25.1%	-286,867	-1,075,937	321,503	0	\$42.76	\$43.86
Morris County	28,648,059	6,196,265	1,618,024	27.3%	280,074	-165,085	995,113	0	\$27.84	\$30.54
Passaic County	5,141,948	693,372	193,356	17.2%	-61,540	-91,575	85,224	80,000	\$23.70	N/A
NORTHERN NJ TOTALS	109,462,826	19,011,932	4,731,118	21.7%	-310,102	-1,831,009	2,959,965	80,000	\$32.88	\$36.36
SELECTED SUBMARKETS										
Meadowlands	6,358,647	1,041,888	357,813	22.0%	-25,651	-187,575	143,716	0	\$27.79	\$29.71
Essex Route 280 Corridor	7,564,652	1,467,418	37,285	19.9%	-147,103	-464,279	262,618	0	\$31.03	\$31.95
Newark	14,544,536	1,972,108	697,046	18.4%	-59,666	60,475	510,042	0	\$33.15	\$35.31
Hudson Waterfront	21,245,741	4,174,978	1,220,006	25.4%	-307,985	-986,439	250,159	0	\$44.76	\$45.13
Morristown	5,668,631	755,859	118,113	15.4%	109,445	345,858	494,624	0	\$31.34	\$32.31
Parsippany	12,214,541	3,262,802	1,003,918	34.9%	-25,046	-448,125	313,761	0	\$26.32	\$29.18
Route 10/24 Corridor	8,952,815	1,748,743	476,204	24.9%	211,271	-90,938	132,739	0	\$29.68	\$32.29

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
125 Chubb Avenue	92,794	Sparc Group	Expansion/Renewal*	Meadowlands
1 Sylvan Way	51,226	NJM Insurance Group	New Lease	Parsippany
412 Mount Kemble Avenue	42,633	Berkley Insurance	Expansion/Renewal*	Morristown
9 Entin Road	41,210	HNTB	Expansion/Renewal*	Parsippany
5 Giralda Farms	40,412	Stephen Gould	Sublease	Route 10/24 Market

*Renewal portion not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
135 Greene Street	245,364	Veris Residential American Equity Partners	\$46.0M / \$187
5 Paragon Drive	119,089	Nessel Development Exclusive Management	\$14.8M / \$124
303 Molnar Drive	12,500	Boffa Management IBT Local 560	\$2.0M / \$156

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