

20.9%

Vacancy Rate

YoY
Chg12-Mo.
Forecast**-805K**

Net Abs. YTD, SF

**\$28.34**

Asking Rent, PSF



(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q4 2023****1.5M**Central NJ
EmploymentYoY
Chg12-Mo.
Forecast**4.3%**Central NJ
Unemployment Rate**3.7%**U.S.
Unemployment Rate

Source: BLS

ECONOMY: Employment Grows in Central New Jersey

Employment in Central New Jersey (CNJ) rose in 2023, reaching 1.5 million jobs. The increase in total employment was mainly driven by the private sector, with four out of nine major private sector industries recording gains over the past month. Despite the strength in the region's employment numbers, the unemployment rate climbed by 130 basis points (bps) year-over-year (YOY) to 4.3%.

SUPPLY & PRICING: Average Asking Rents Increase Despite Climbing Vacancy

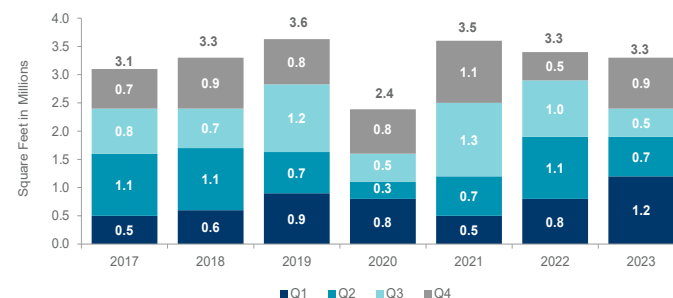
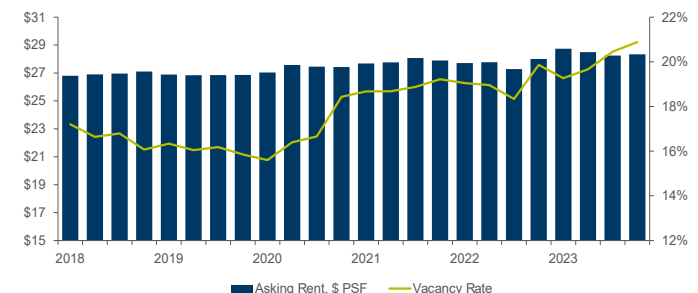
Momentum in CNJ slowed down in 2023, with newly vacant office space returning to the market in the second half of the year. The vacancy rate remained above the 20.0% mark for the second consecutive quarter at 20.9%, a 100-bps increase from the previous year. Ongoing occupancy losses contributed to negative net absorption of 335,176 square feet (sf) during the quarter, driving absorption for the year to negative 805,120 sf. The largest new block of space occurred in the Greater Princeton submarket, where LabCorp added 161,763 sf at 206 Carnegie Center. Despite this addition, sublease vacancy continued to constrict since peaking at 3.2 million square feet (msf) in the first quarter, closing 2023 at 3.0 msf.

At \$28.34 per square foot (psf), the average asking rent has stayed above \$28.00 psf for the fifth consecutive quarter due to the reintroduction of higher priced space into the market. The Class A average asking rent continued to improve, surpassing the \$33.00 psf mark finishing the year at \$33.06 psf. This increase was again led by the Woodbridge/Edison submarket, where the asking rate registered \$39.86 psf.

DEMAND: Flight-to-Quality Drives Demand

Leasing activity in Central New Jersey exhibited a significant resurgence in the fourth quarter ending the year on a strong note. Year-to-date leasing volume reached 3.3 msf, mirroring last year's total. Demand in the fourth quarter surged, with 910,912 sf of new leases signed. The standout transaction in CNJ was Nokia Bell Labs committing to a 360,000-sf build-to-suit at the HELIX project in New Brunswick. The Clark & Cranford submarket was a major driver of demand in CNJ, contributing 618,037 sf to this year's total leasing activity, accounting for nearly 19.0% of the market's overall leasing volume. Merck's substantial 523,333-sf sale/leaseback at 2000 Galloping Hill Road in Kenilworth played a pivotal role in bolstering demand within this submarket.

The flight-to-quality trend persisted, with 65.2% of new leasing activity in the year taking place in Class A buildings. The trend was further reflected as 70.7% of 2023's lease renewals occurred within Class A properties. This emphasizes the ongoing significance that tenants attribute to quality and stability within Central New Jersey's office market.

LEASING ACTIVITY BY QUARTER (2017- Q3 2023)**OVERALL VACANCY & ASKING RENT**

MARKETBEAT CENTRAL NEW JERSEY

Office Q4 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	1,675,037	4,488	57.2%	5,537	-11,643	25,268	0	\$15.79	\$14.93
Mercer County	16,686,645	2,610,215	831,768	20.6%	-246,903	-422,544	259,783	0	\$32.20	\$35.90
Middlesex County	23,248,711	3,940,341	777,338	20.3%	-133,794	-396,572	1,094,730	0	\$30.53	\$36.05
Monmouth County	12,081,460	933,762	184,291	9.3%	-2,147	3,890	391,980	0	\$26.33	\$33.26
Somerset County	17,990,726	3,617,000	1,123,172	26.4%	83,859	475,903	542,306	0	\$23.98	\$27.78
Union County	9,626,474	1,418,909	128,839	16.1%	-41,728	-454,154	971,667	0	\$28.38	\$37.09
CENTRAL NJ TOTALS	82,573,025	14,195,264	3,049,896	20.9%	-335,176	-805,120	3,285,734	0	\$28.34	\$33.06
SELECTED SUBMARKETS										
I-78 Corridor	16,592,706	3,096,596	1,061,189	25.1%	33,969	651,186	486,073	0	\$28.28	\$29.86
Greater Princeton	23,157,863	4,150,611	1,086,908	22.6%	-209,106	-393,051	444,811	0	\$30.48	\$34.68
Upper 287 Corridor	8,791,914	1,330,299	210,942	17.5%	-67,793	-294,389	149,913	0	\$21.10	\$24.25
Woodbridge/Edison	8,530,552	1,607,854	320,424	22.6%	-47,076	-314,787	400,149	0	\$36.00	\$39.86

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
110 Plaza - Phase 2	360,000	Nokia Bell Labs	New	The Brunswicks
757 Route 202/206	48,500	Senior Life	New	I-78 Corridor
650 Princeton Point	26,902	RXSense	New	Greater Princeton
475 Springfield Avenue	22,850	Simplicity Creative Group	New	Union Route 24 Corridor
200 Princeton South Corporate Center	20,000	Princeton Orthopedics	New	Greater Princeton

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
23 Main Street	350,000	Veris Residential, Inc. Community Healthcare Associates	\$17.5M / \$50
1 Rossmor Drive	38,238	Carpenter Realty Corp. Wyndham Hotels & Resorts	\$3.4M / \$89
3 AAA Drive	33,317	Cam Horizon LLC Serv Properties and Management	\$6.0M / \$179
30-40 Corbett Way	24,000	Sood Realty Trust Michael V. Paolino Jr	\$5.9M / \$246
1081 Route 22	23,610	Mid-Jersey Orthopaedics CY Rubin Realty	\$10.5 / \$445

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