

22.2%
Vacancy RateYoY
Chg12-Mo.
Forecast-2.2M
YTD Net Abs., SF\$32.72
Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2023

1.7M

Northern NJ
EmploymentYoY
Chg12-Mo.
Forecast

4.1%

Northern NJ
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: New Jersey Unemployment Rate Rises Steadily Throughout 2023

During the fourth quarter, the unemployment rate in Northern New Jersey (NNJ) rose to 4.1%, marking a 60-basis point (bp) increase compared to the previous year. Meanwhile, the statewide unemployment rate climbed from 3.4% in January to 4.7% in November, surpassing the national rate of 3.7%. Despite these shifts, the state managed to create 57,000 nonfarm jobs over the past 12 months, as reported by the New Jersey Department of Labor. The education and health services sector emerged as the leaders in annual job gains, adding 37,200 jobs. Conversely, sectors sensitive to macroeconomic policies, such as business and financial services sectors, faced job contractions. The prevailing market uncertainty prompted cautious hiring strategies among employers, resulting in a combined contraction of 6,700 jobs across these industries.

DEMAND: Leasing Activity Surges amid Large-Scale Transactions

Northern New Jersey witnessed a notable surge in new leasing activity, marking a robust closure to the year. At 1.3 million square feet (msf), new demand reached its highest quarterly figure since the first quarter of 2022 and was up by 20.7% from the two-year quarterly average of 1.1 msf. Moreover, there was a notable uptick in substantial leases and renewals exceeding 50,000 square feet (sf), with seven such transactions occurring in the fourth quarter, a noteworthy rise from the two recorded last quarter and three from the previous year. The most significant transaction involved Bank of America renewing and expanding to 547,962 sf in Jersey City.

Demand for modern, newly constructed, plug-and-play space exhibited an upswing this quarter, propelled by the increased cost of construction materials and the surplus of new sublease space. Leading this trend were recent subleases totaling nearly 125,000 sf at 340 Mount Kemble Avenue, involving Marcum and Sompo International. Additional noteworthy transactions included Citrin Cooperman's 29,145-sf sublease in Florham Park and Abra Health Group's 24,908-sf transaction in Secaucus.

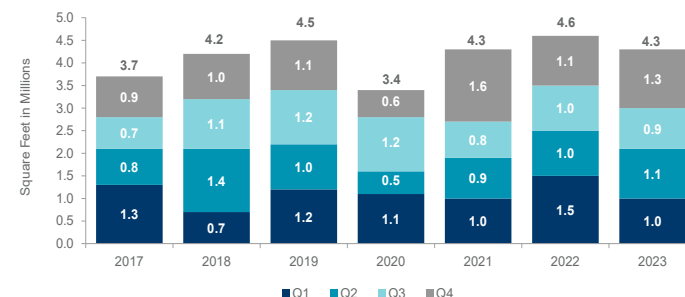
These transactions serve as a testament not only to tenants reaffirming their commitment to office space despite the lingering impacts of the pandemic, but also to the persistent demand for top-tier office space.

SUPPLY & PRICING: Vacancy Rate Increases Amid Ongoing Occupancy Losses

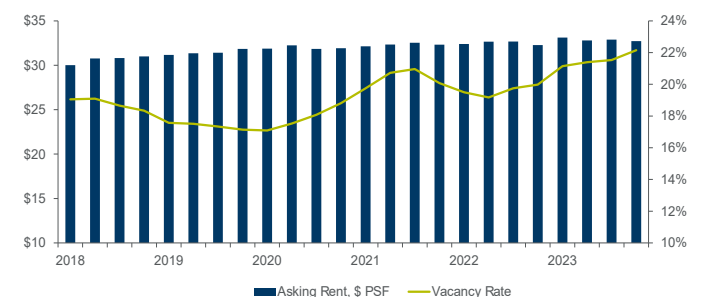
While leasing activity showed notable improvement, its direct influence on vacancy and absorption figures was limited. As such, net absorption remained negative this quarter at 678,395 sf, contributing to a total of negative 2.2 msf in 2023. These occupancy losses resulted in a 70-bp increase in the vacancy rate from the previous quarter, now standing at 22.2%

There was a modest uptick in the average asking rent, rising by 1.4% year-over-year to \$32.72 per square foot (psf), while Class A rents climbed by 1.9% from last year to \$36.31 psf.

LEASING ACTIVITY BY QUARTER (2017-Q3 2023)



OVERALL VACANCY & ASKING RENT



MARKETBEAT NORTHERN NEW JERSEY

Office Q4 2023



CUSHMAN &
WAKEFIELD

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	25,286,780	3,506,436	685,293	16.6%	-127,197	-131,239	973,106	0	\$28.73	\$31.36
Essex County	25,804,660	4,145,553	965,624	19.8%	-368,216	-740,590	1,011,308	0	\$32.06	\$34.65
Hudson County	24,582,146	4,985,128	1,388,997	25.9%	-276,828	-1,256,811	883,766	0	\$42.95	\$44.13
Morris County	28,667,614	6,178,024	1,485,262	26.7%	122,870	44,103	1,342,706	260,000	\$27.52	\$30.12
Passaic County	5,071,948	718,112	177,844	17.7%	-29,024	-116,244	99,111	80,000	\$23.78	N/A
NORTHERN NJ TOTALS	109,413,148	19,533,253	4,703,020	22.2%	-678,395	-2,200,781	4,309,997	340,000	\$32.72	\$36.31
SELECTED SUBMARKETS										
Meadowlands	6,358,647	1,051,262	304,806	21.3%	16,922	-142,091	237,962	0	\$28.40	\$30.92
Essex Route 280 Corridor	7,564,652	1,498,253	42,378	20.4%	-44,288	-482,009	299,412	0	\$31.21	\$32.56
Newark	14,544,536	2,219,994	741,007	20.4%	-297,287	-231,372	585,698	0	\$32.69	\$35.35
Hudson Waterfront	21,246,841	4,326,881	1,293,841	26.5%	-298,298	-1,194,199	754,416	0	\$44.78	\$45.26
Morristown	5,689,590	777,559	108,365	15.6%	-27,630	341,854	644,113	260,000	\$31.51	\$32.26
Parsippany	12,211,630	3,287,008	886,034	34.2%	79,052	-363,476	391,778	0	\$25.91	\$28.54
Route 10/24 Corridor	8,952,959	1,644,190	471,074	23.6%	81,129	21,111	247,534	0	\$29.33	\$32.61

*Leasing activity does not include renewals

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
525 Washington Boulevard	547,962	Bank of America	Expansion/Renewal*	Hudson Waterfront
340 Mount Kemble Avenue	72,478	Marcum LLP	Sublease	Morristown
210 Hudson Street	56,922	Arch Insurance Group	Renewal*	Hudson Waterfront
445 South Street	54,376	Marsh McLennan	Renewal*	Morristown
570 Broad Street	52,500	Newark Educators Community Charter School	New Lease	Newark

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF
61 South Paramus Road	287,704	Onyx Equities/DRA Advisors Crown Acquisitions	\$55.9M / \$194
169 Lackawanna Avenue	256,000	RVI America Insurance Greek Real Estate Partners	\$25.0M / \$98

JOHN OBEID

Senior Research Manager, New Jersey

Tel: +1 201 351 0885

john.obeid@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com