



Southern New Jersey Office Market

The Office Market Commences the Year with an Uptick in Vacancy

The first quarter of 2021 marks a year since most office tenants across the nation pivoted to remote-work strategies due to the COVID-19 pandemic. Vaccine distribution has accelerated since the start of the year, yet the health threat persists and occupancy of leased office space in the Southern New Jersey office market remains low. However, with light at the end of the tunnel, large occupiers are considering when to bring employees back to the office and how much space might be needed to accommodate them. As these decisions are made, net absorption data shows some occupiers are coming down on the side of needing less overall office space.

In the first quarter, the Southern New Jersey office market shed a net 235,208 square feet of space, pushing vacancy up to 17.6%. Contributing to the total were several companies that put space up for sublease, either in a partial or permanent move to remote working; these included Blue Cross at 250 Century Parkway and AAA at 1400 Howard Boulevard. Overall sublease volume remained elevated at approximately 880,000 square feet,

Current Conditions

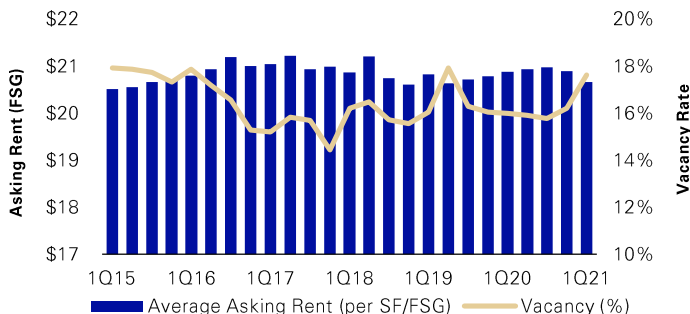
- Vacancy climbed to 17.6% in the first quarter of the year, a full 1.6 percentage points higher than pre-pandemic levels.
- Average asking rents softened from \$20.88/SF to \$20.65/SF quarter over quarter
- Sublease volume was stable yet elevated at approximately 880,000 SF, as some sublease terms expired and became direct availabilities

Market Summary

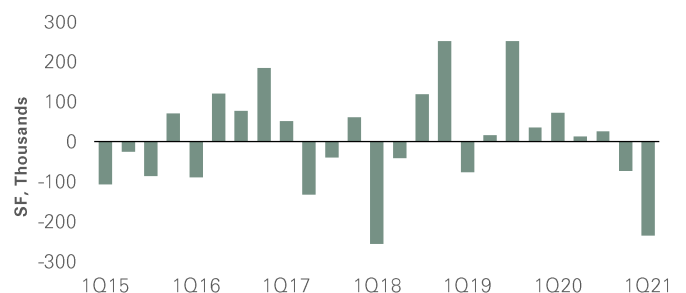
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	16.8M	16.8M	16.8M	→
Vacancy Rate	17.6%	16.2%	16.0%	↑
Quarterly Net Absorption (SF)	(235,208)	(72,804)	71,859	↓
Average Asking Rent/SF	\$20.65	\$20.88	\$20.87	↓
Under Construction (SF)	0.0	0.0	0.0	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2021

yet remained stable quarter-over-quarter; new space additions were offset by some sublease terms expiring. Market participants indicated that some tenants with space requirements are showing interest in available subleases. Time will tell if this interest translates into a sustained wave of transaction activity, defraying the high volume of sublease space on the market.

Overall transaction activity across the market continued to be muted, although it gathered more steam as the quarter progressed. The most notable new lease signed was by Archer, which will relocate from Haddonfield into the 75,000-square-foot office at 1025 Laurel Oak Road in Voorhees. The law firm will maintain its size in the move; furthermore, the referenced building in Haddonfield is being explored as a candidate for adaptive reuse upon Archer's relocation.

Looking forward, the Southern New Jersey office market has a challenging road ahead to full recovery. The number of large-block office availabilities on the market has grown substantially over the past year, yet there are limited large occupiers in the market for new requirements or relocations. This supply/demand imbalance will likely continue to have a dampening effect on office asking rents, which softened slightly quarter-over-quarter to an average of \$20.65/SF. Yet, there is still room for optimism: while Southern New Jersey historically relies on organic growth, over the past few years, the region has seen an influx of smaller new-to-market users, drawn by stalwart employment sectors like healthcare, and also by emerging industry concentrations in the region, like sports betting. There are numerous small to midsize new-to-market firms currently evaluating options in the market, which should in aggregate help backfill existing vacancies.

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cherry Hill	3,610,936	-	19.1 %	-24,941	-24,941	\$23.01	\$21.19	\$20.97
Marlton	2,481,145	-	19.8 %	-18,732	-18,732	\$26.03	\$17.55	\$20.44
Moorestown	1,047,939	-	18.6 %	13,921	13,921	\$25.25	\$20.72	\$21.79
Mount Laurel	5,886,235	-	18.0 %	-184,098	-184,098	\$23.75	\$19.02	\$20.57
Pennsauken/Camden	2,442,317	-	10.3 %	-13,337	-13,337	\$27.65	\$15.15	\$19.32
Voorhees/Gibbsboro	1,336,748	-	20.5 %	-8,021	-8,021	\$26.25	\$20.03	\$20.41
Market	16,805,320	-	17.6 %	-235,208	-235,208	\$24.48	\$19.48	\$20.65

Select Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Archer	Voorhees/Gibbsboro	1025 Laurel Oak Rd	New/Relocation	75,000
Acteon	Mount Laurel	124 Gaither Rd	Renewal/Expansion	23,817
NetQuest	Mount Laurel	523 Fellowship Rd	Renewal	15,016

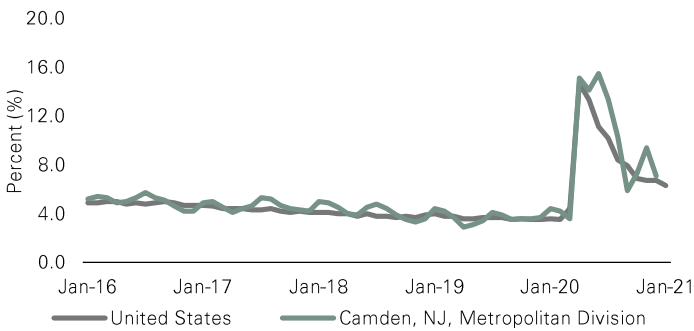
Economic Conditions

Preliminary first-quarter employment data for the Camden, NJ Metropolitan Division was representative of the struggle facing not just the region but the whole country, as fallout from a stronger wave of COVID-19 outpaced vaccine distribution efforts in late 2020 into early 2021. All local sectors of employment save financial services faced job losses from December 2020 to January 2021. Financial services – a bedrock of traditionally-office-using employment – saw a modest recovery of 400 jobs.

The economic outlook became progressively brighter from the start to the close of the first quarter. By March, federal stimulus payments were made to struggling households and at least 21% of the total U.S. population received at least one vaccine dose. The economy is set to improve significantly in 2021, with national and regional office markets likely to follow.

Unemployment Rate

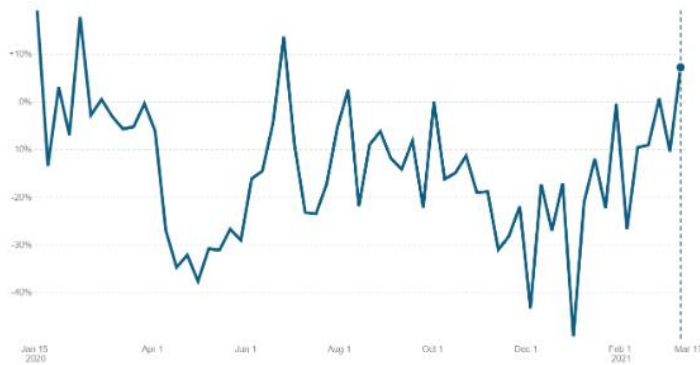
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, March 2021.

New Jersey Job Postings

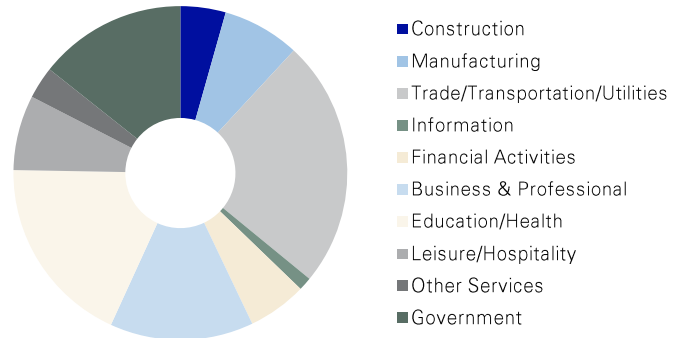
Percent Change



Source: Newmark Research, March 2021.

Employment by Industry

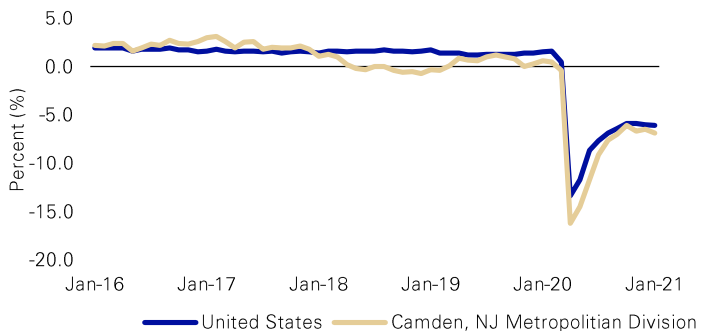
CAMDEN, NJ METROPOLITAN DIVISION, 2020 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics, March 2021.

Payroll Employment (Total Nonfarm)

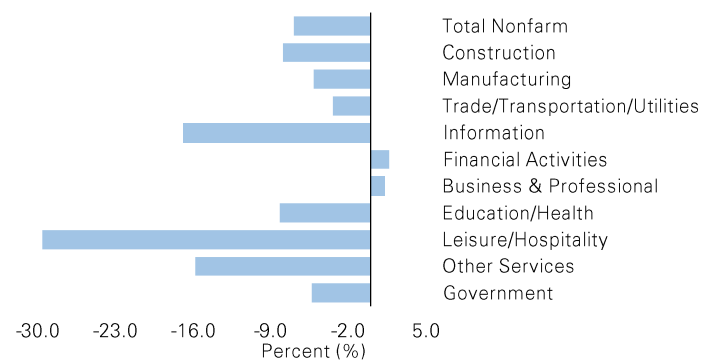
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

Employment Growth by Industry, January 2021

CAMDEN, NJ METRO DIVISION, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

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