
1Q24

Northern New Jersey Office Market Overview



NEWMARK

Market Observations

Economy

- While the region’s labor market remains on relatively solid footing, the annual job growth rate has moved further away from the national average, continuing a downward trend year-over-year. The unemployment has increased to 4.8%, with New Jersey now trending above the rising national average of 4.2%.
- The number of office jobs has rebounded, surpassing pre-pandemic levels since the second quarter of 2021. There has been less growth in the office-using industries, except for the financial activities industries.
- Trade, Transportation, and Utilities along with Education & Health led all industries in regional annual job growth.

Major Transactions

- GenMab signed the largest deal of the first quarter, taking 135,000 SF at the Princeton Forrestal Innovation Park in Plainsboro. GenMab will be receiving up to \$8.4 million in tax credits through the NJEDA Emerge Program.
- The Children’s Place is consolidating their operations into a 124,653 SF space at 500 Plaza Drive in Secaucus.
- Newell Brands extended their sublease for five years while downsizing their footprint to 60,000 SF at 221 River Street in Hoboken.

Leasing Market Fundamentals

- The vacancy rate increased by 100 basis points to 20.1% in the first quarter of 2024, driven by an influx of large blocks of newly vacant space.
- Leasing activity in the first quarter of 2024 slowed, reaching 2.4 million SF; which is still 18.7% below the output from the first quarter of 2023. Class A assets continue to capture significant space commitments despite the impact of hybrid work.
- The under-construction pipeline remained at 572,147 SF during the first quarter of 2024, while construction is underway at M Station West in Morristown. The 260,000-SF property at 100 Morris St. is set to deliver in the second half of 2025.
- Absorption in the first quarter of 2024 totaled negative 776,304 SF.

Outlook

- Uncertainty persists in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will further impact leasing and investment activity.
- Availability will continue to increase throughout 2024 as tenant demand is reduced, much of this can be attributed to tenant consolidations and the downsizing shift seen in the market during the post-COVID era.
- Capital markets should see higher transaction volumes in 2024 as numerous cuts to interest rates are expected.
- Office to industrial and multifamily conversions for antiquated properties will continue to impact the office market, leading to the potential removal of large blocks of available space.

1. Economy
2. Leasing Market Fundamentals

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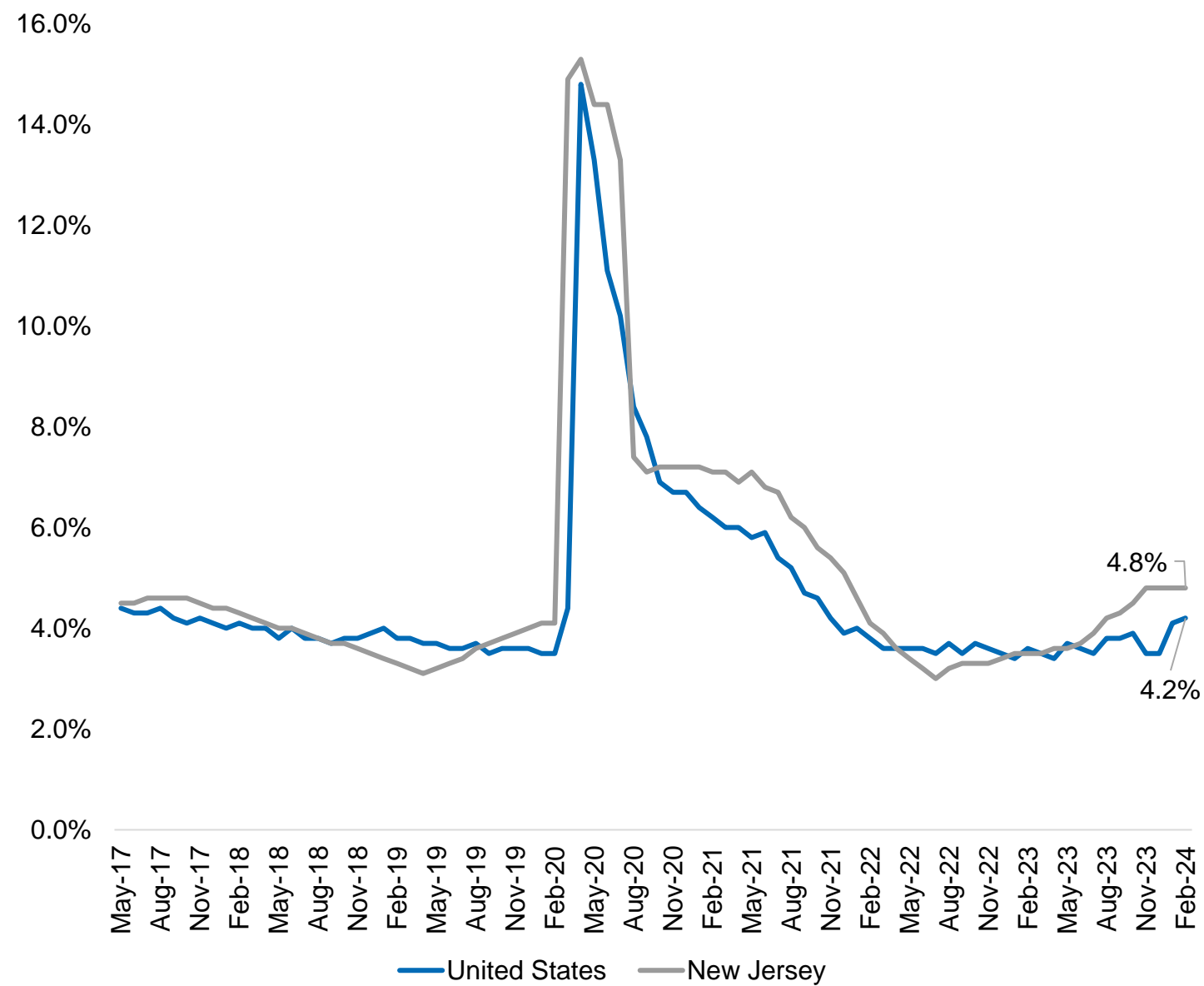
Economy



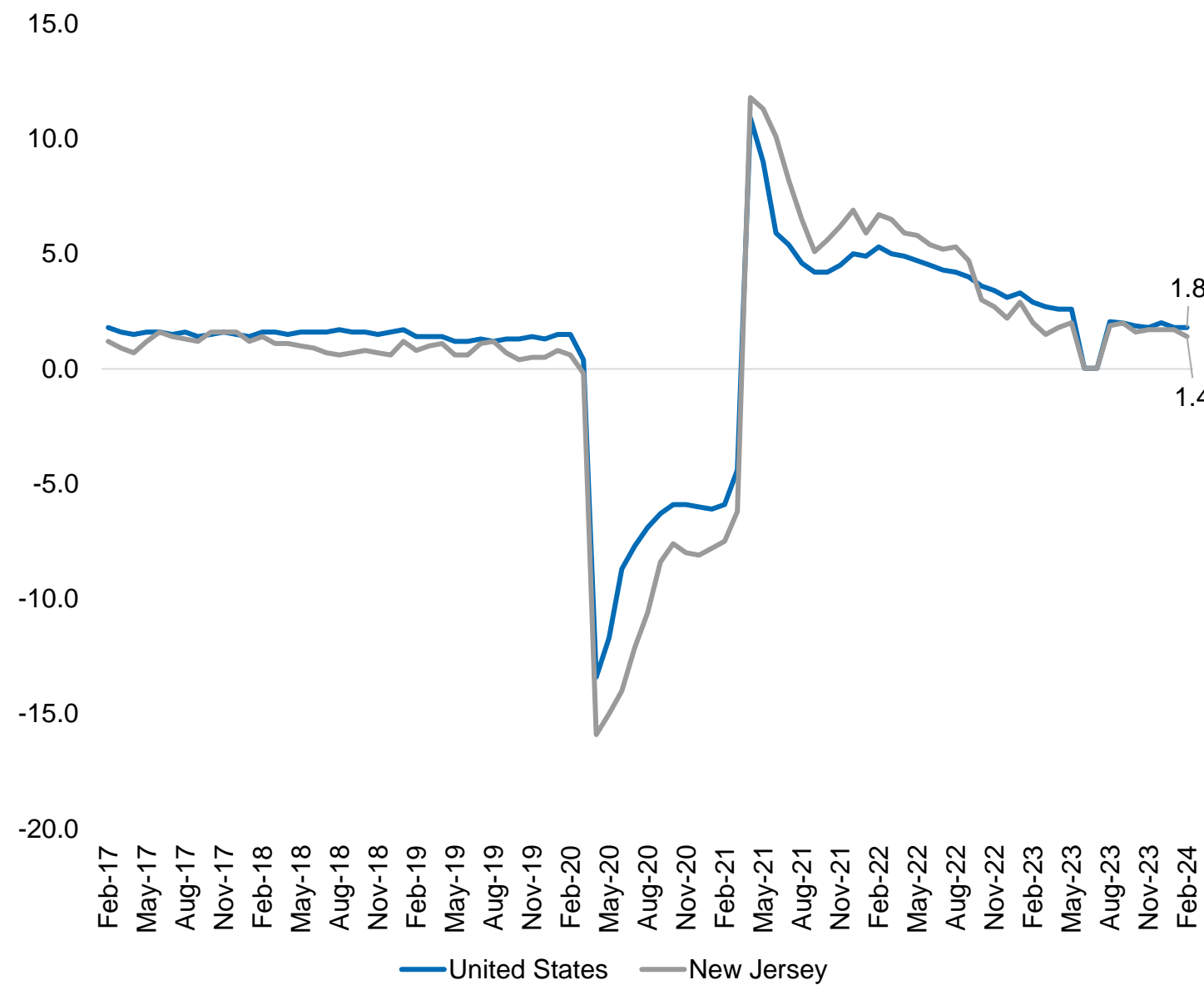
Metro Employment Trends Signal a Slowing Economy

While the region's labor market remains on relatively solid footing, the annual job growth rate has moved further away from the national average, continuing a downward trend year-over-year. The unemployment rate has increased to 4.8%, with New Jersey now trending above the rising national average of 4.2%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

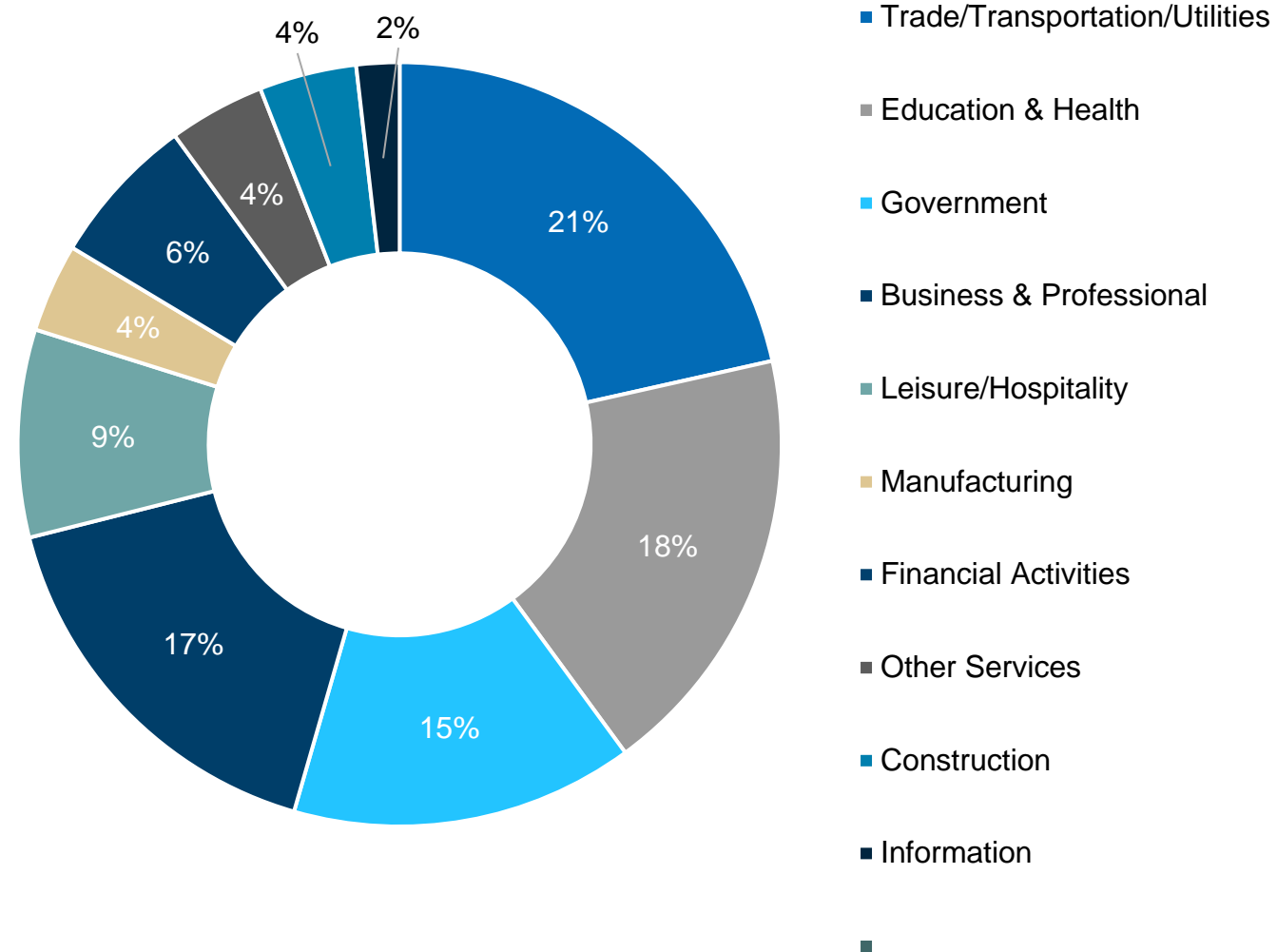


Source: U.S. Bureau of Labor Statistics, New Jersey

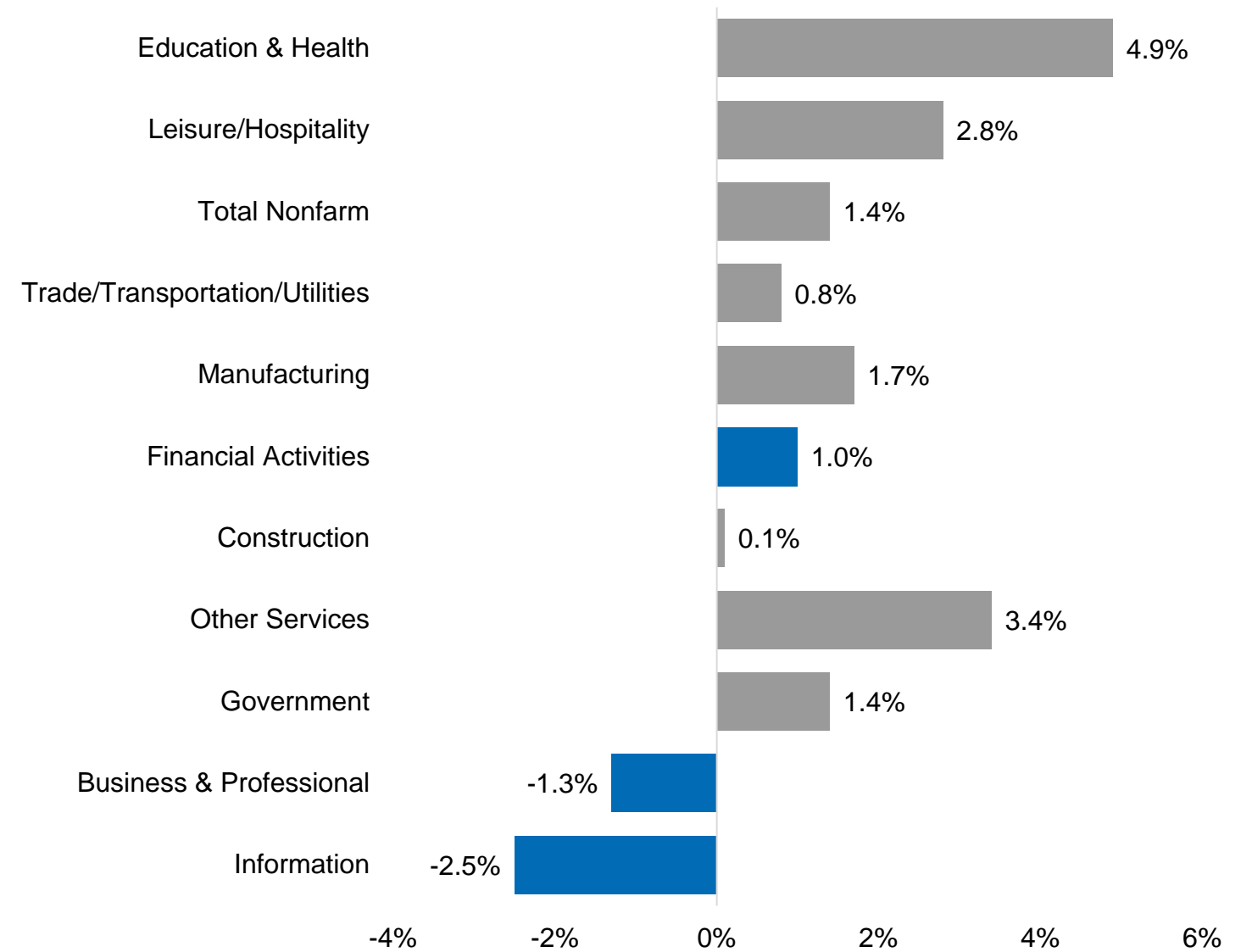
Job Growth Driven in Large Part by Services Still Making up for Pandemic Losses

Trade, Transportation, and Utilities led all industries in regional annual job growth. Office-occupying industries saw annual job gains only in the financial activities industries, while the information industry has seen continued layoffs.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

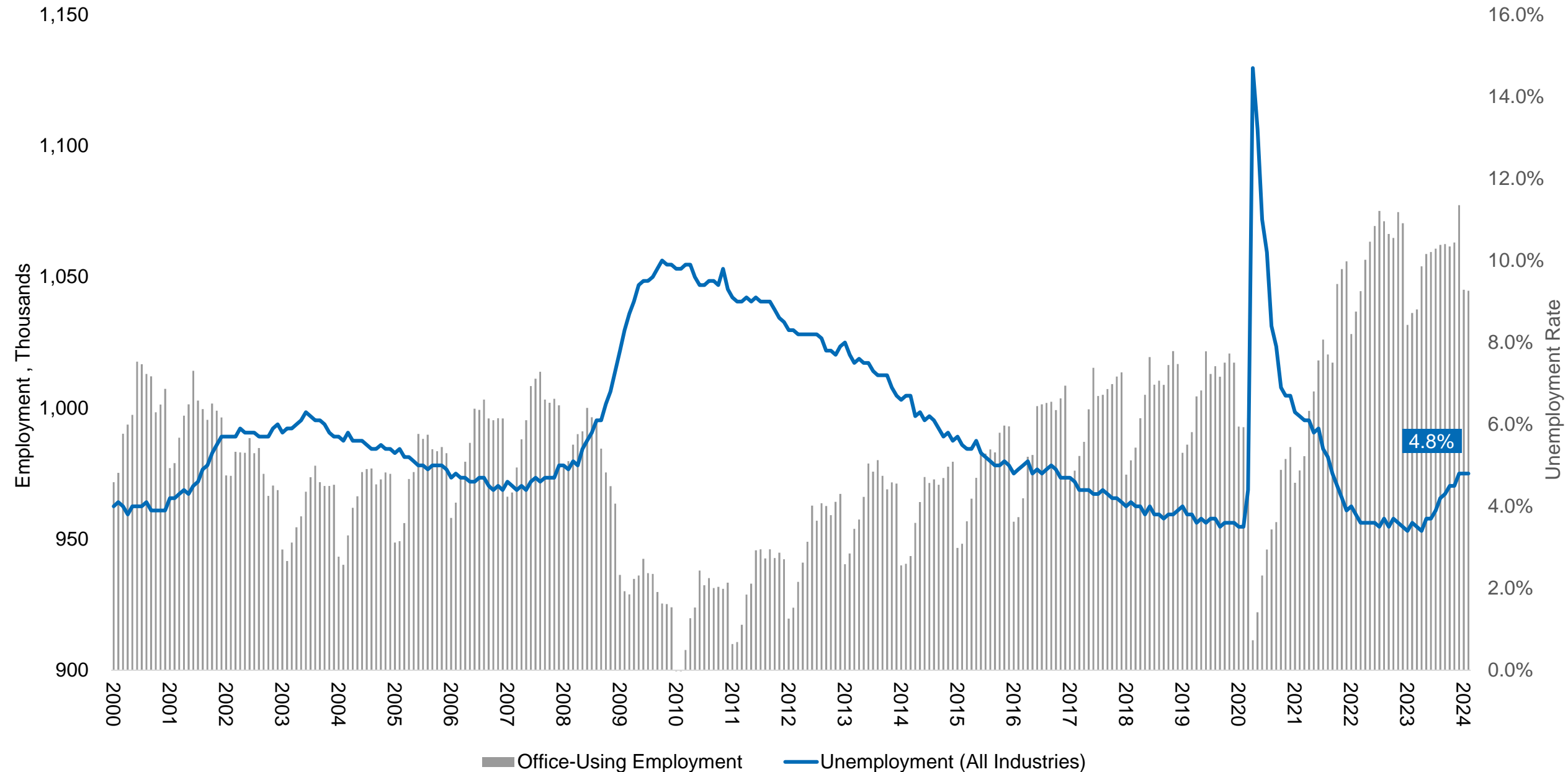


Source: U.S. Bureau of Labor Statistics, New Jersey

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded, surpassing pre-pandemic levels since the second quarter of 2021. Unemployment in New Jersey increased to 4.8% in February, while there has been less growth in the office-using industries, except for the financial activities industries.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, New Jersey

Note: January and February 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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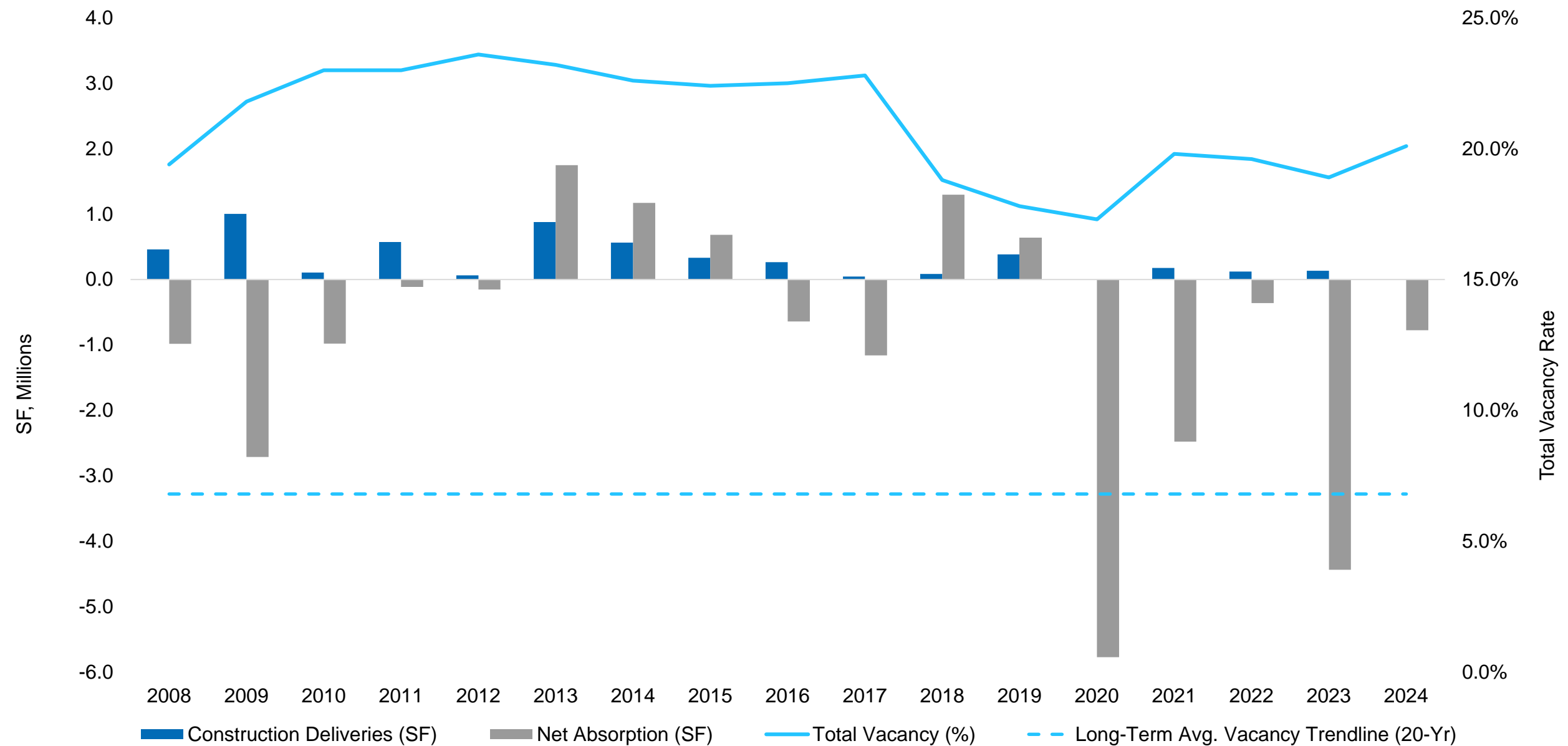
Leasing Market Fundamentals



Vacancy Reaches Record Level as Net Absorption Continues Negative

The vacancy rate increased by 100 basis points to 20.1% in the first quarter of 2024, driven by an influx of large blocks of newly vacant space. As a result of this, net absorption reached negative 776,000 SF during the first quarter of 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

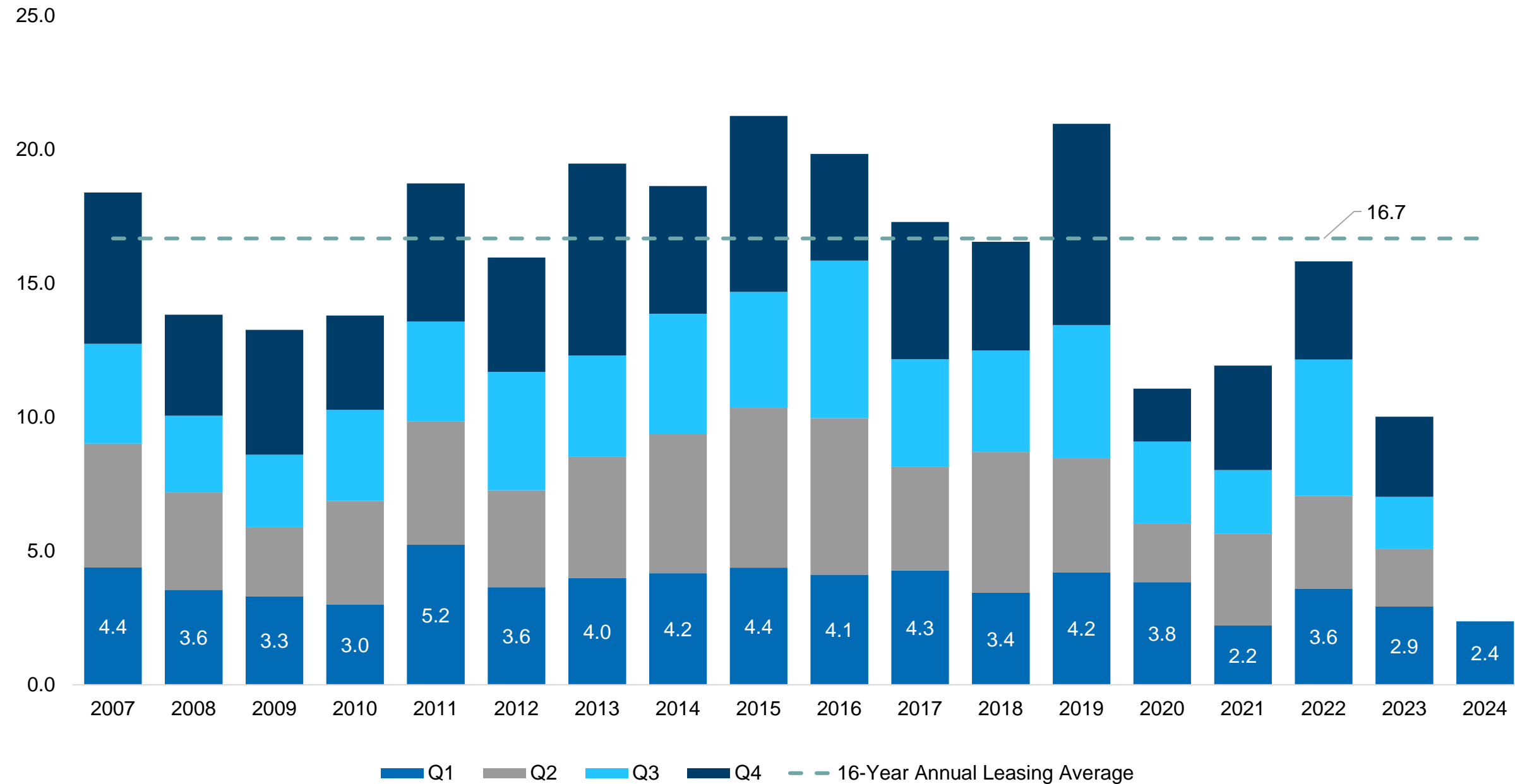


Source: Newmark Research

Leasing Activity Has Slowed

Leasing activity in the first quarter of 2024 slowed, reaching 2.4 million SF; which is still 18.7% below the output from the first quarter of 2023. There were only three deals that closed for more than 50,000 SF, compared to seven such deals during the prior quarter. Class A assets continue to capture significant space commitments despite the impact of hybrid work.

Total Leasing Activity (msf)

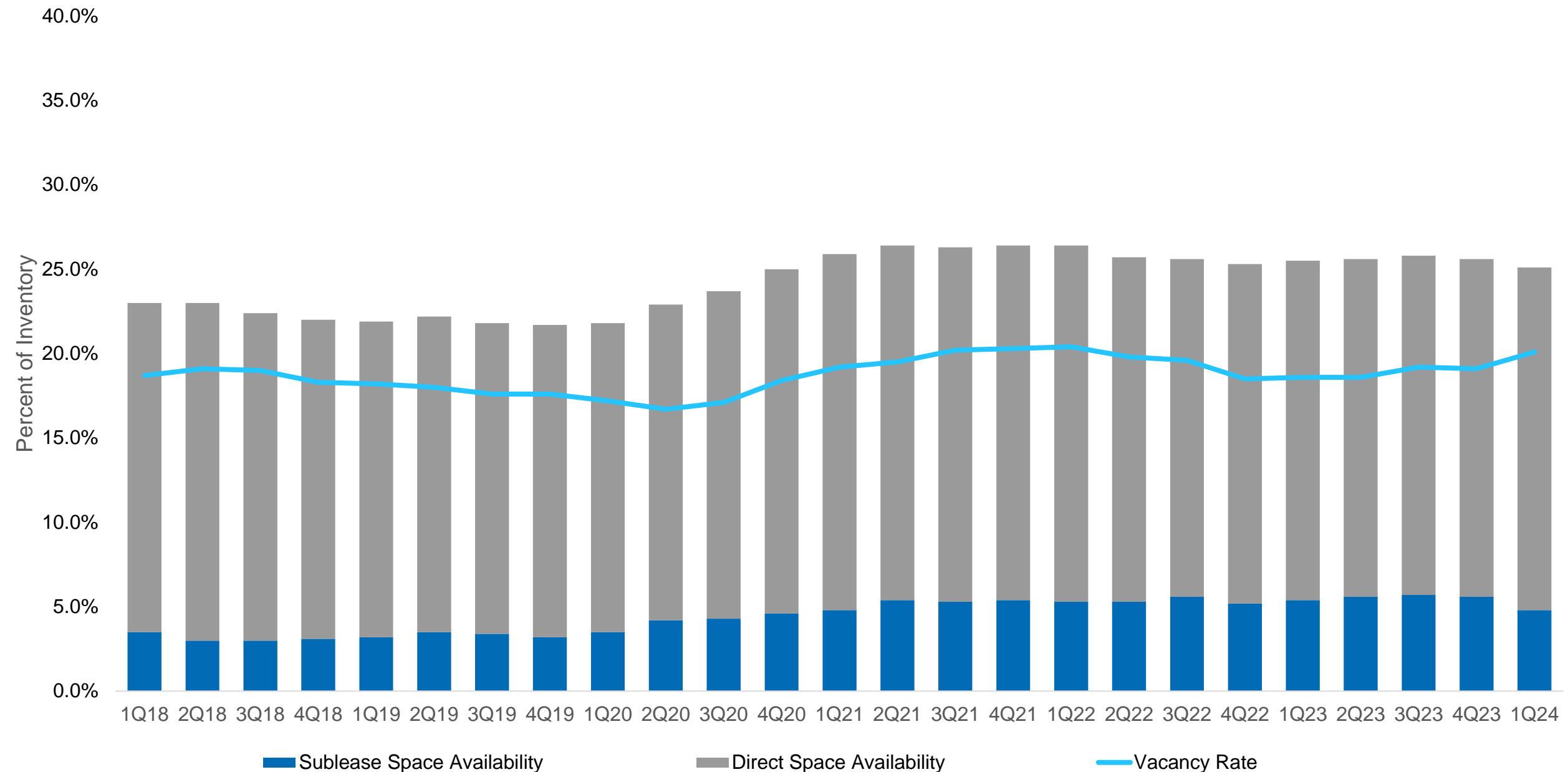


Source: Newmark Research, CoStar

Availability Continues High While Tenant Demand Is Muted

Availability remained high at 25.0% during the first quarter of 2024, an increase of 20 basis points from the same time last year. Availability will continue to increase throughout 2024 as tenant demand is reduced, much of this can be attributed to tenant consolidations and the downsizing shift seen in the market during the post-COVID era.

Available Space and Tenant Demand as Percent of Overall Market

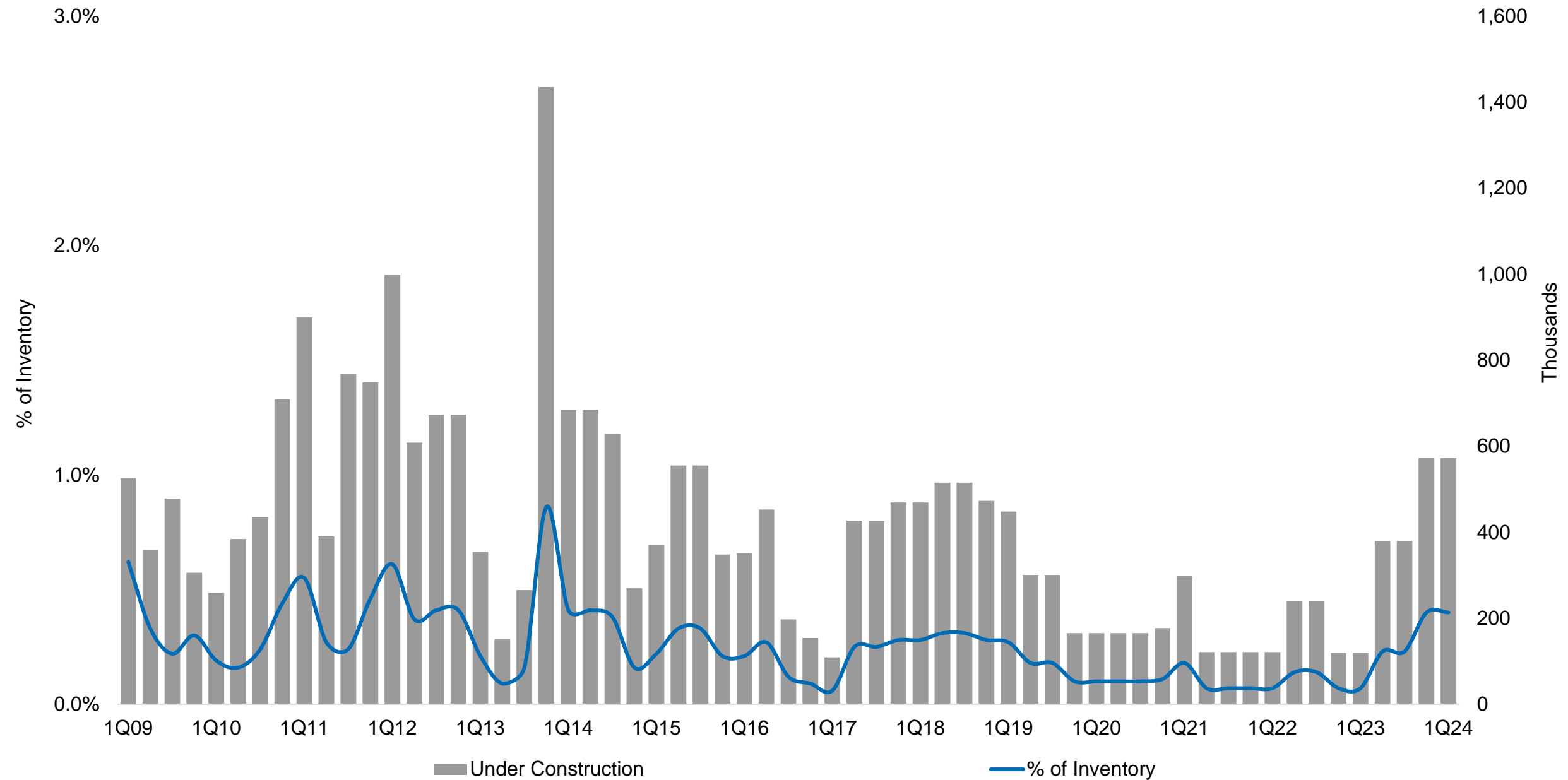


Source: Newmark Research

New Construction Increases

Under-construction volume remained at 572,147 SF during the first quarter of 2024. Construction is underway at M Station West in Morristown. The 260,000-SF property at 100 Morris St. is set to deliver in the second half of 2025 with Sanofi occupying the entire property.

Office Under Construction and % of Inventory

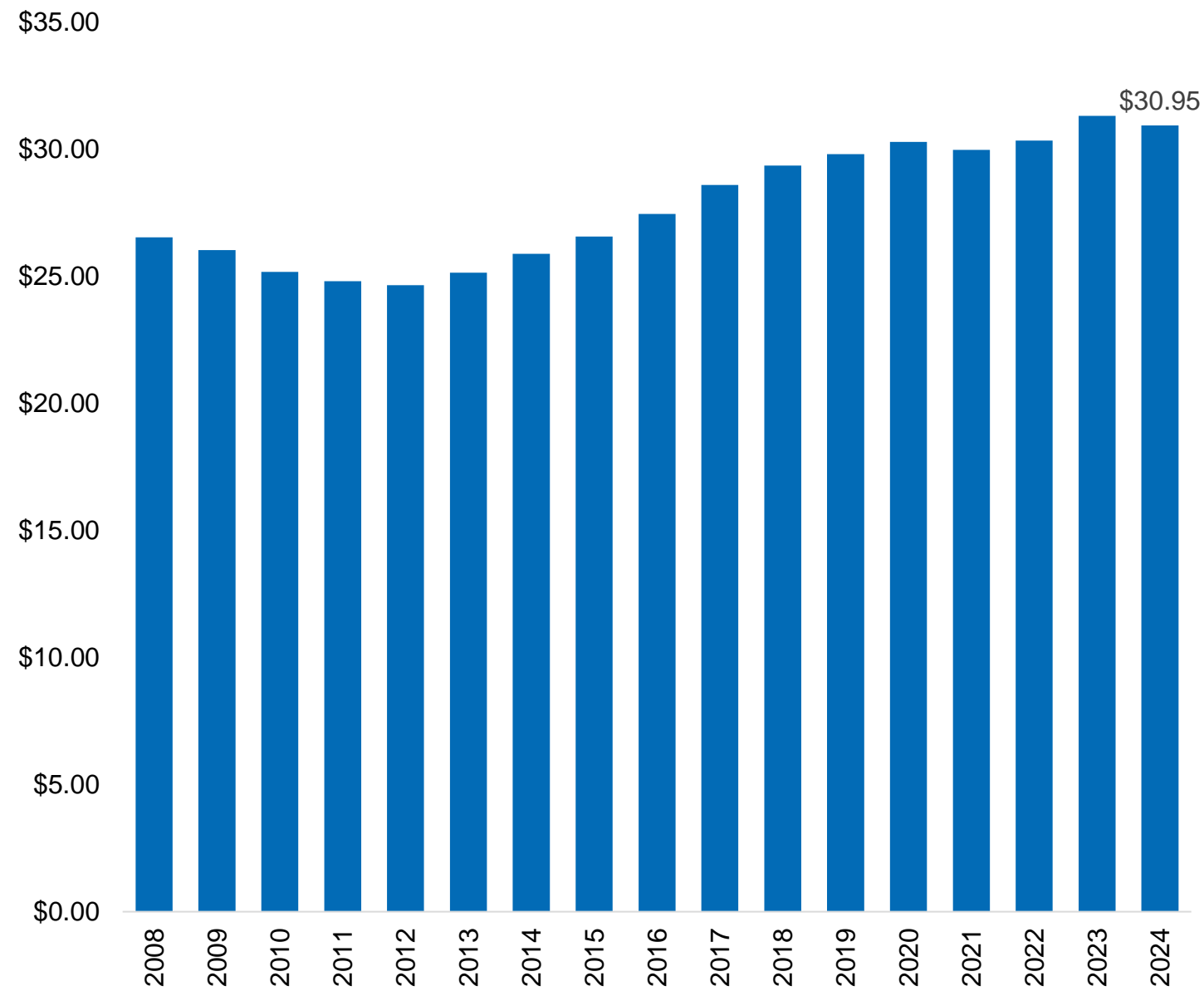


Source: Newmark Research, CoStar

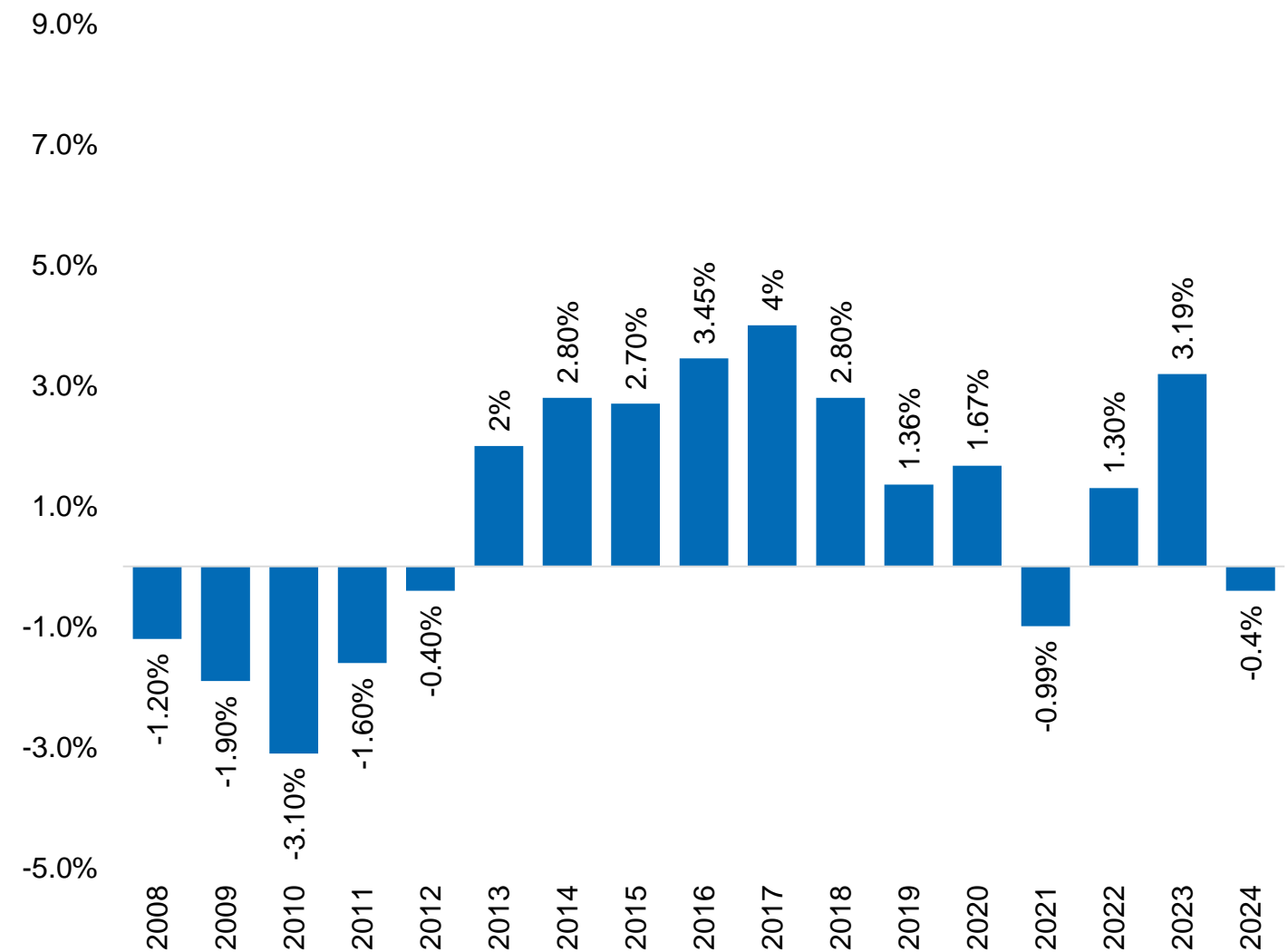
Rents Remain Stable

Overall asking rents decreased slightly to \$30.95/SF during the first quarter of 2024, while the year-over-year decrease was minimal, at 0.4%. It's expected that asking rents will continue to be stable throughout 2024, despite vacancy remaining persistently high.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

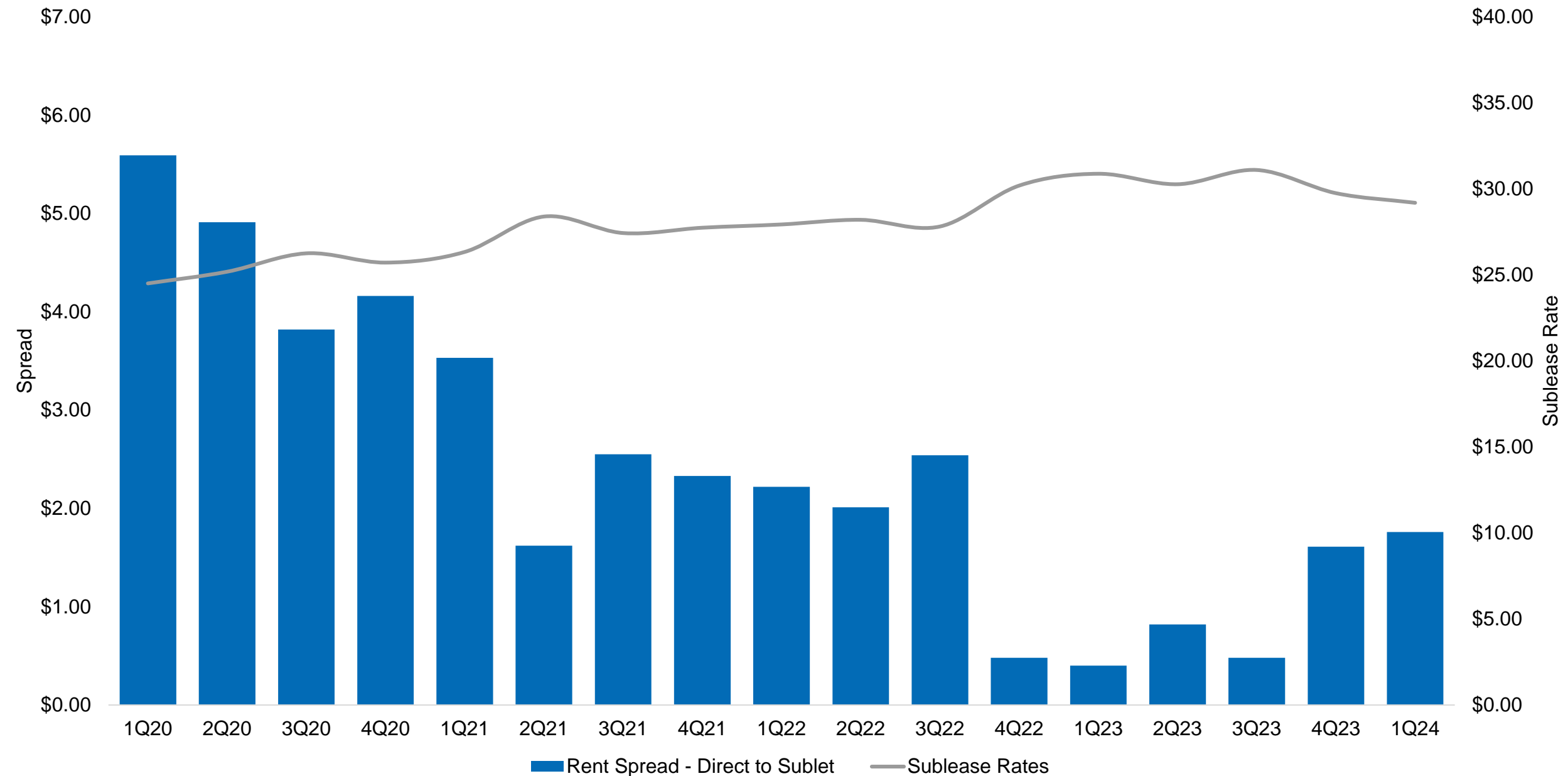


Source: Newmark Research, CoStar

Direct and Sublease Rates Delta Increases

The influx of high-end space to the market has caused rent spreads between direct and sublet space to compress throughout much of the past three years. Sublease space continues to remain attractive to certain tenants in the market, highlighted by large deals during the first quarter of 2024 from Newell Brands 60,000 SF renewal at 221 River Street in Hoboken and Victory Home Remodeling's 42,929 SF sublease at 101 Crawfords Corner Road in Holmdel.

Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

Leasing activity in the first quarter of 2024 reached 2.4 million SF, an 18.7%% decrease year-over-year. There were only three deals that closed for more than 50,000 SF, compared to seven such deals during the prior quarter.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
GenMab	777 Scudders Mill Road	Princeton Area	Direct New	135,000
<i>GenMab signed the largest deal of the first quarter expanding their footprint to 270,000 SF, while receiving up to \$8.4 million in tax credits through the NJEDA Emerge Program.</i>				
The Children's Place	500 Plaza Drive	Meadowlands	Direct Renewal	124,653
<i>The Children's Place is consolidating their operations into the 124,653 SF space at 500 Plaza Drive in Secaucus.</i>				
Newell Brands	221 River Street	Hudson Waterfront	Sublease Renewal	60,000
<i>Newell Brands extended their lease for five years while downsizing their footprint to 60,000 SF at 221 River Street in Hoboken.</i>				
Syneos Health	2 Research Way	Princeton Area	Direct New	43,865
<i>Syneos Health signed a ten-year lease for 43,865 SF at 2 Research Way in Princeton.</i>				
Victory Home Remodeling	101 Crawfords Corner Road	Monmouth	Sublease New	42,929
<i>Victory Home Remodeling's sublease is for 42,929 SF on the third floor at Bell Works.</i>				

Submarket Stats Overview

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