

# Southern New Jersey Office Market

## Office Market experiences increase in overall vacancy and negative absorption

COVID-19 vaccine distribution accelerated during the first half of 2021, and mask restrictions were lifted. However employers in Southern New Jersey have not made final decisions of when to bring employees back to the office full-time and remote-work strategies remain in place for the most part. As a result, space occupancy remains down throughout the market. Available sublease space increased during the second quarter to 952,905 square feet (SF) available, a 29.0% increase from a year ago.

In the second quarter of 2021, the overall vacancy rate in the Southern New Jersey office market increased to 18.2%, up 60 basis points from the first quarter of 2021, and an increase from 15.7% experienced a year ago. Year-to-date negative overall absorption numbers increased further during the second quarter, climbing to negative 337,195 SF. Asking rental rates for all classes declined to \$18.94 per square foot (PSF), down 10.9% year-over-year. Much of the decline in asking rents was experienced in the class B sector, as class A rates only declined by 5.9% year-over-year. Class B rates declined by 14.0% over the past year to an average of \$17.42 PSF. New construction activity remains nonexistent, as developers wait for positive absorption and a substantial decrease in sublease availability.

### Current Conditions

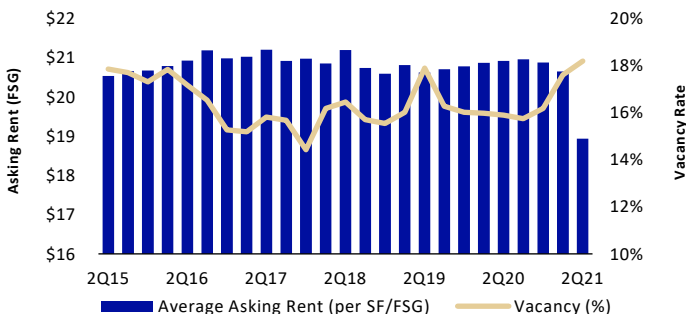
- Vacancy climbed to 18.2% in the second quarter of the year, up 60 basis points from the first quarter of 2021
- Average asking rents for all classes declined to an average of \$18.94 PSF, a 9.0% drop from last quarter.
- Sublease volume increased from 880,000 sf experienced in the first quarter of 2021 to 952,905 SF in the second quarter of 2021

### Market Summary

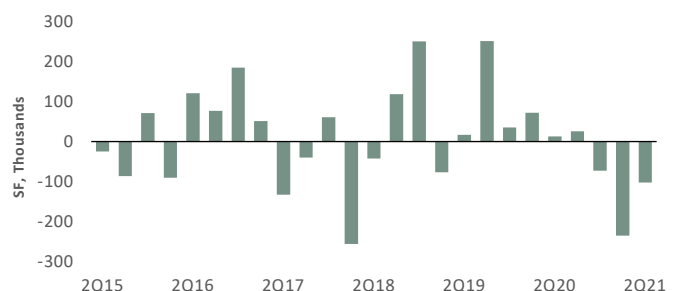
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	16.8M	16.8M	16.8M	→
Vacancy Rate	18.2%	17.6%	15.7%	↑
Quarterly Net Absorption (SF)	(101,987)	(235,208)	8,928	↓
Average Asking Rent/SF	\$18.94	\$20.65	\$20.90	↓
Under Construction (SF)	0.0	0.0	0.0	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH Q2 2021

Even though new leasing activity remains down throughout the market, there were some notable deal transactions closed during the second quarter. The largest renewal was by AMDOCS for 30,371 SF at 1025 Briggs Road in Mount Laurel. The largest new lease signed was by Urology Management Associates taking 11,230 SF of space at Two Executive Campus in Cherry Hill. Also in Cherry Hill, Kares Management, Inc. subleased 7,197 SF at Three Executive Campus. Additional leases signed in Southern New Jersey this quarter included, Fox & Roach LP leasing 6,490 SF at 7000 Lincoln Drive in Marlton and MAFCO taking 6,292 SF at 161 Gaither Drive in Mount Laurel.

On the office sales front, two buildings traded this quarter including the 49,300-square-foot building at 2059 Springdale Road in Cherry Hill. The building was sold by TD Bank for \$3.75 million to a user. The other was 400 Fellowship Road, a 42,000-square-foot building in Mount Laurel sold by Camelot Enterprises for \$3.15 million to South Jersey

Professional Offices, LLC, who will occupy half of the building.

Overall absorption numbers are expected to close out the year in the negative as more space is projected to come online by year's end, notably more available sublease space. With negative absorption expected to increase, the overall vacancy rate will continue to climb throughout the remainder of 2021. Direct asking rental rates are expected to remain stable for over the next 6-12 months after the recent decreases. Leasing activity will consist of some new sizable transactions, however renewals will continue to be most prevalent as companies buy time to evaluate future workplace strategies. New construction is not expected to begin anytime soon without substantial pre-leasing.

### 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	-	21.8%	-94,398	-119,339	\$23.30	\$20.02	\$20.31
Marlton	2,481,145	-	18.5%	30,516	11,784	\$24.92	\$15.13	\$18.70
Moorestown	1,047,939	-	17.8%	9,027	22,948	\$25.25	\$20.47	\$21.71
Mount Laurel	5,886,235	-	18.7%	-41,046	-225,144	\$21.30	\$15.79	\$17.56
Pennsauken/Camden	2,442,317	-	9.6%	18,167	4,830	\$27.69	\$15.15	\$18.76
Voorhees/Gibbsboro	1,336,748	-	22.3%	-24,253	-32,274	\$26.25	\$17.16	\$17.51
<b>Market</b>	<b>16,805,320</b>	<b>-</b>	<b>18.2%</b>	<b>-101,987</b>	<b>-337,195</b>	<b>\$23.31</b>	<b>\$17.42</b>	<b>\$18.94</b>

### Select Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
AMDOCS	Mount Laurel	1025 Briggs Road	Renewal	30,371
Urology Management Associates	Cherry Hill	Two Executive Campus	New Lease	11,230
Kares Management, Inc.	Cherry Hill	Three Executive Campus	Sublease	7,197

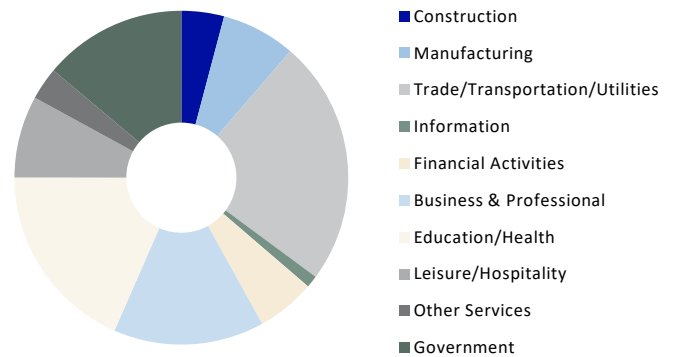
### Economic Conditions

After 11 consecutive months of negative job growth, the Camden, New Jersey Metropolitan Division experienced some positive gains over the past few months. After reaching a peak of 15.1% in April of 2020, the unemployment rate has declined steadily over the past year to a current rate of 6.7%. By comparison, the national unemployment rate sits at 6.1%, down from 14.7% in April 2020. While most industries have experienced negative job growth over the past 12 months, the financial services and business and professional services sector experienced positive growth, by 2.4% each.

The economic outlook for the remainder of 2021 is projected to be stronger than the first half of 2021. The unemployment rate is expected to decline further and total payroll employment to increase over that period. While certain industries will lag behind others in its recovery, expect the financial activities and business and professional services sector to remain stable over the next 6-12 months.

### Employment by Industry

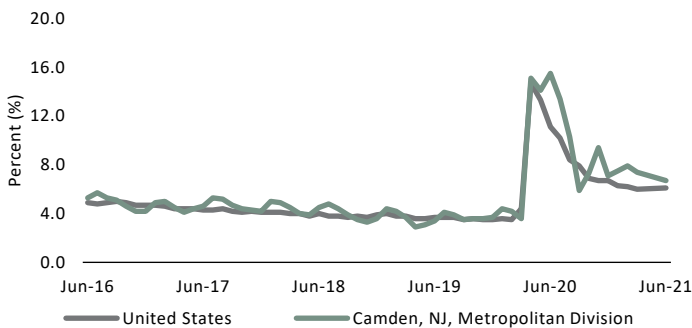
CAMDEN, NJ METROPOLITAN DIVISION, 2021 ANNUAL AVERAGE



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

### Unemployment Rate

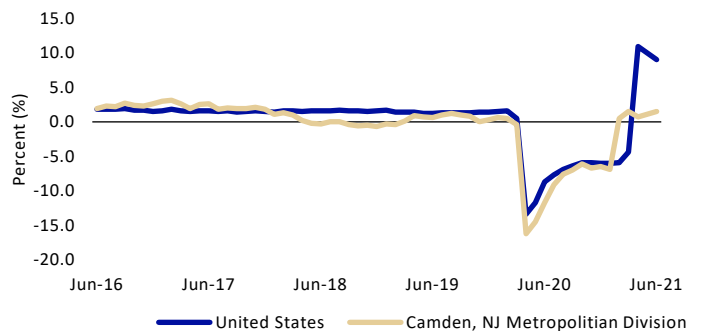
NOT SEASONALLY ADJUSTED



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

### Payroll Employment (Total Nonfarm)

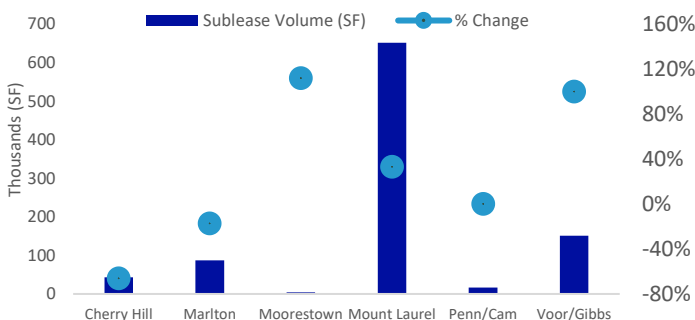
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

### New Jersey Market Sublease Analysis

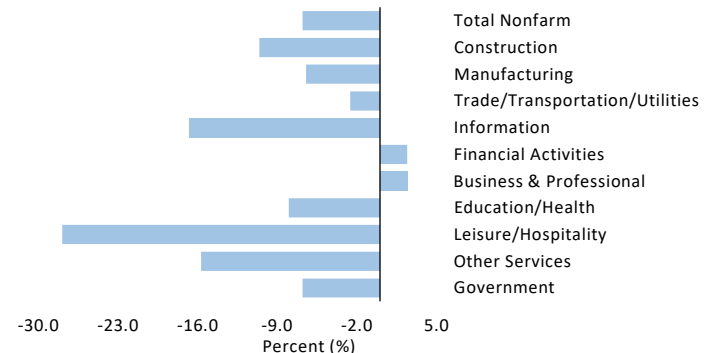
SQUARE FEET AND 12-MONTH % CHANGE, 2Q21



Source: Newmark Research, June 2021.

### Employment Growth by Industry, June 2021

CAMDEN, NJ METRO DIVISION, 12-MONTH % CHANGE



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

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