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2Q24

# Northern New Jersey Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- While the region’s labor market remains on relatively solid footing, the market’s employment growth has slowed, continuing a downward trend while still reporting positive growth of 1.6% year over year. With an unemployment rate of 4.6%, New Jersey has remained above the rising national average of 4.0% since May of 2023.
- The number of office jobs has rebounded, surpassing pre-pandemic levels since the second quarter of 2021, increasing by 0.5% year over year in May 2024. Unemployment has remained stable with employment decreases in the information and financial activities industries.
- Education & Health led all industries in annual job growth in Northern New Jersey at 4.8%. Office-occupying industries didn’t report any annual job gains, with the information industry reporting contraction by 4.7%.

## Major Transactions

- Fidelity Investments’ renewal at 499 Washington Boulevard for 184,341 SF was the largest deal during the second quarter of 2024.
- Regeneron signed the largest deal of the second quarter for 157,546 SF, they’ll be vacating their existing location at 110 Allen Road in Basking Ridge during the third quarter of 2025.
- NJIT plans to relocate administrative offices with their 74,356 SF sublease of Class A space at 494 Broad Street in Newark.

## Leasing Market Fundamentals

- Vacancy rates have remained elevated due to older office buildings sitting vacant while occupiers continue a flight to quality towards newer and recently optimized buildings.
- Leasing activity in the market improved, reaching 2.5 MSF during the second quarter of 2024 and increasing by 13.6% year over year. However, this is still comparatively lower than quarterly activity reported over the last 17 years.
- Class A assets continue to capture significant space commitments, highlighted by Fidelity Investments 184,341 SF renewal at 499 Washington Boulevard and Regeneron’s 157,546 SF deal at 300 Warren Corporate Center Drive
- Overall asking rents were \$31.30/SF during the second quarter of 2024, while the year over year decrease was minimal, at 0.6%. It’s expected that asking rents will continue to be elevated throughout 2024 even with softening tenant demand, as landlords offer more attractive concessions.

## Outlook

- Economic headwinds will continue to impact the Northern New Jersey office market throughout 2024.
- A shrinking under construction pipeline should lead to rent and occupancy increases in submarkets with premier office space.
- Investment activity in office space will remain low due to the lofty cost of debt and continued elevated inflation.
- 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

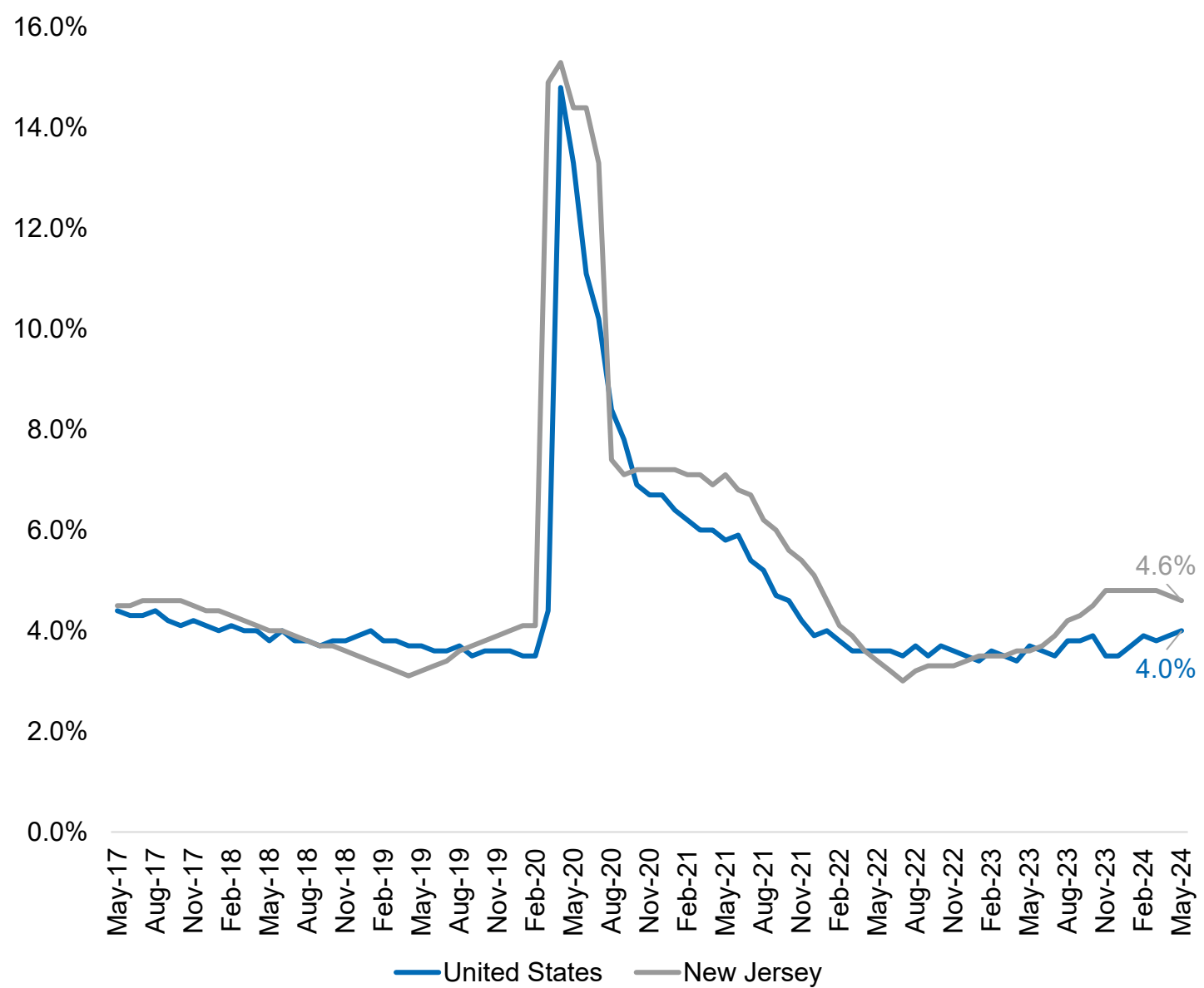




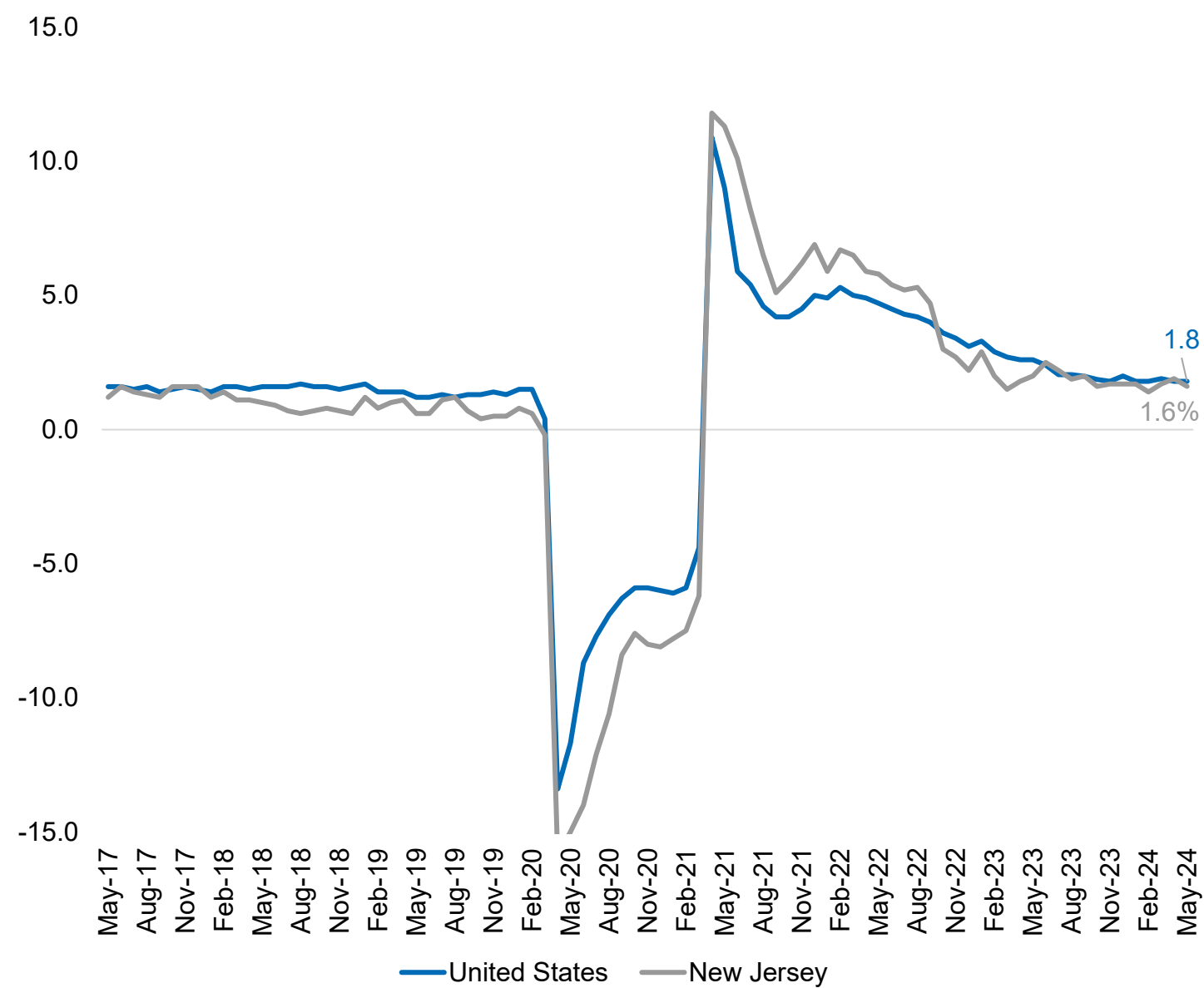
# Metro Employment Trends Signal a Slowing Economy

While the region’s labor market remains on relatively solid footing, the market’s employment growth has slowed, continuing a downward trend while still reporting positive growth of 1.6% year over year. With an unemployment rate of 4.6%, New Jersey has remained above the rising national average of 4.0% since May of 2023.

Unemployment Rate, Seasonally Adjusted



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

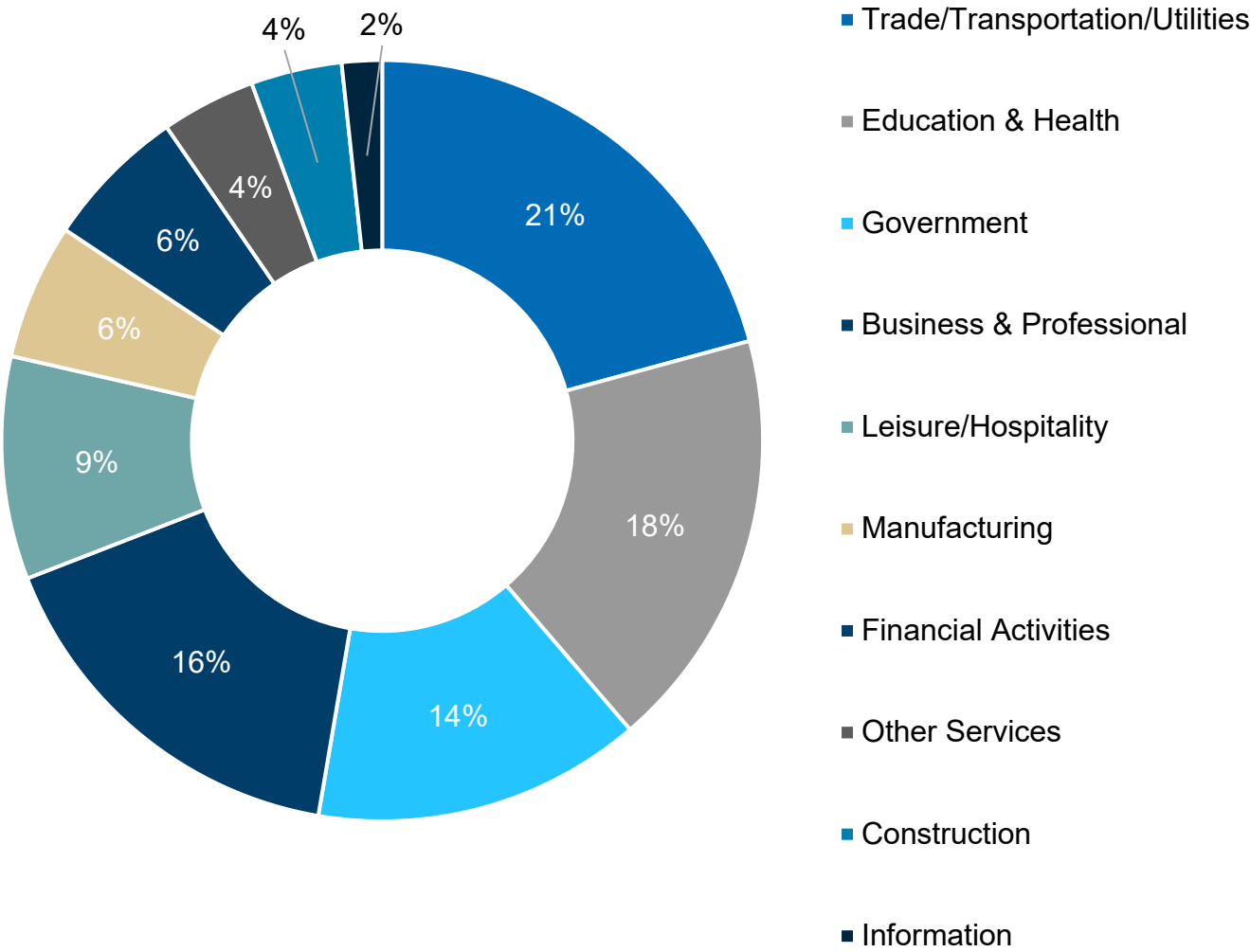


Source: U.S. Bureau of Labor Statistics, New Jersey

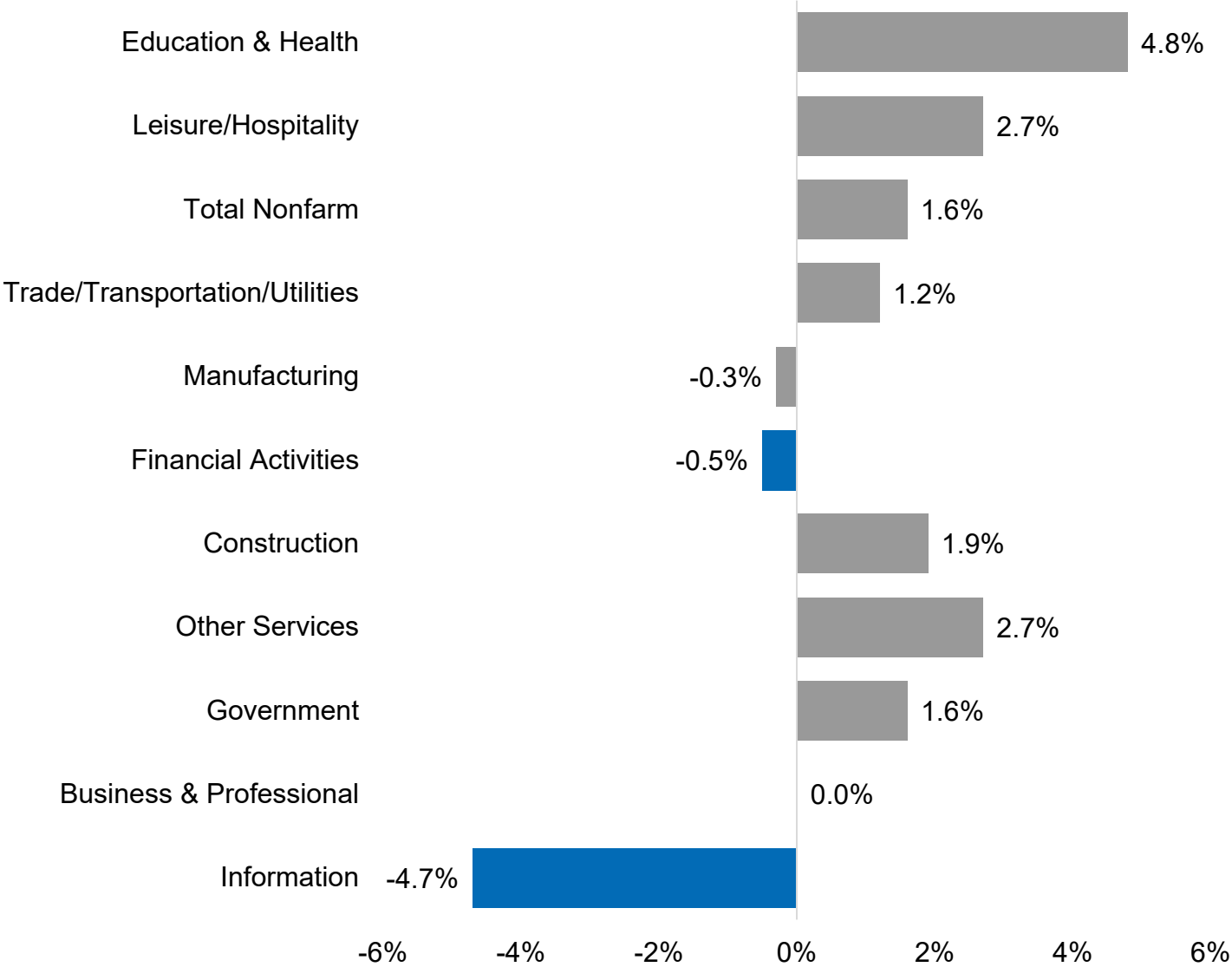
# Employment Growth Continues for Most Sectors

Education & Health led all industries in annual job growth in Northern New Jersey at 4.8%. Office-occupying industries didn't report any annual job gains, while the information industry reported contraction by 4.7%.

Employment by Industry, May 2024



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

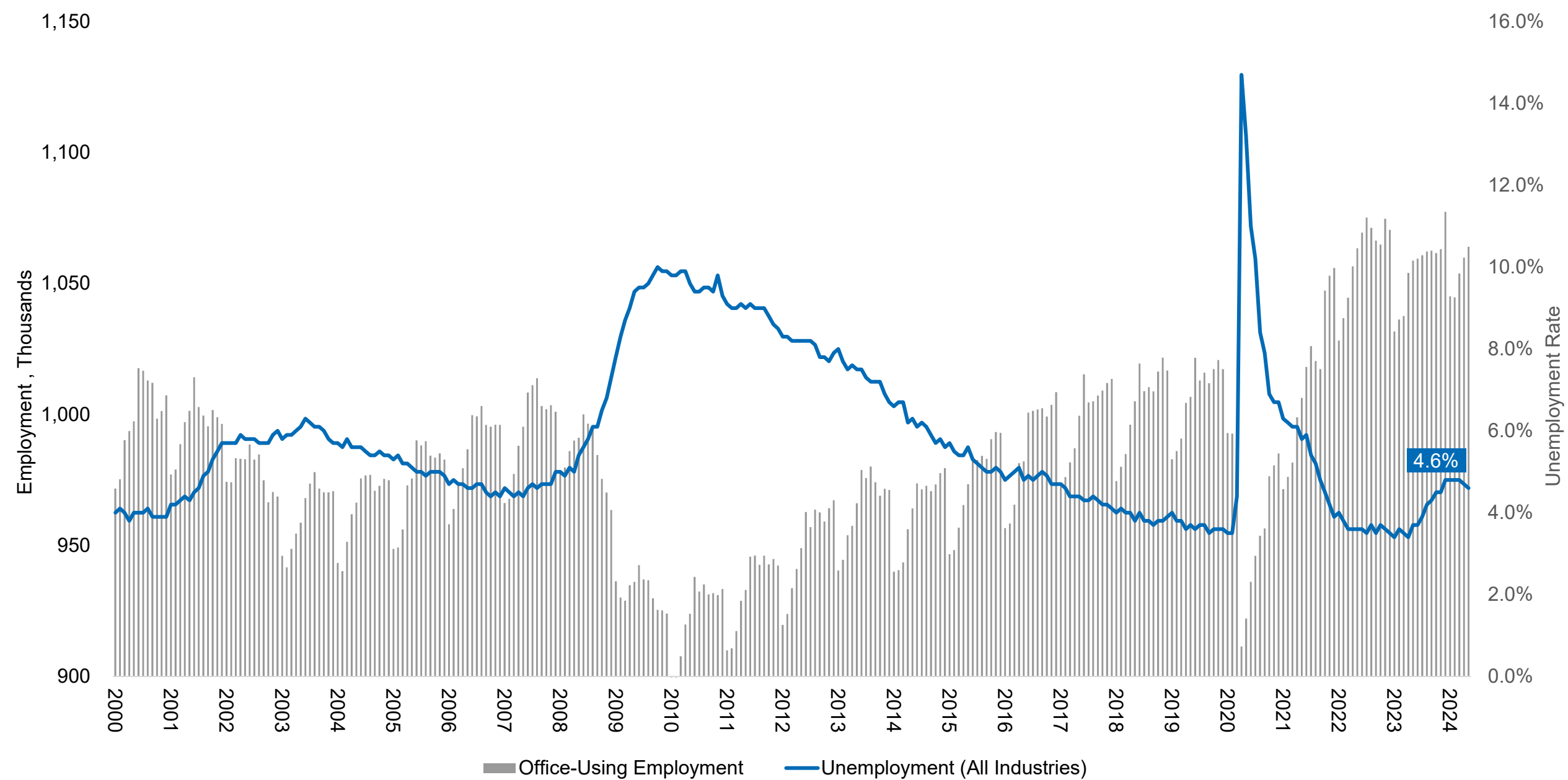


Source: U.S. Bureau of Labor Statistics, New Jersey

# Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded, surpassing pre-pandemic levels since the second quarter of 2021, increasing by 0.5% year over year in May 2024. Unemployment has remained stable with employment decreases in the information and financial activities industries.

Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, New Jersey  
Note: April and May 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

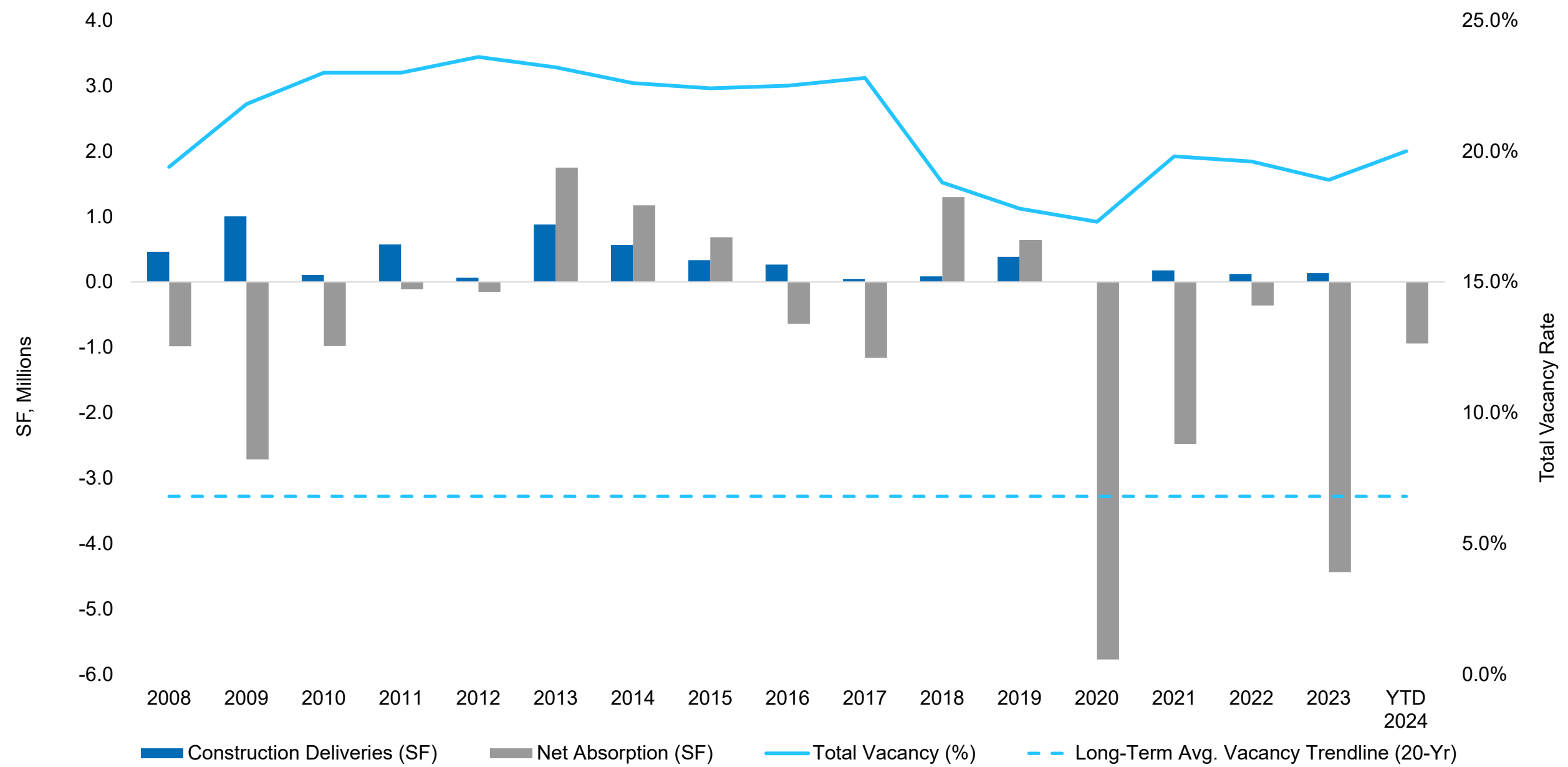




# Vacancy Remains Elevated as Net Absorption Flattens

The vacancy rate in Northern New Jersey decreased by 10 basis points to 20.0% in the second quarter of 2024 as office occupancies have slowed in the market since the onset of the pandemic. Vacancy rates have remained elevated due to older office buildings sitting vacant while occupiers continue a flight to quality towards newer and recently optimized buildings. During the second quarter of 2024, the rate of space added to the market slowed compared with the last few years, with a negative net absorption of 163,412 SF.

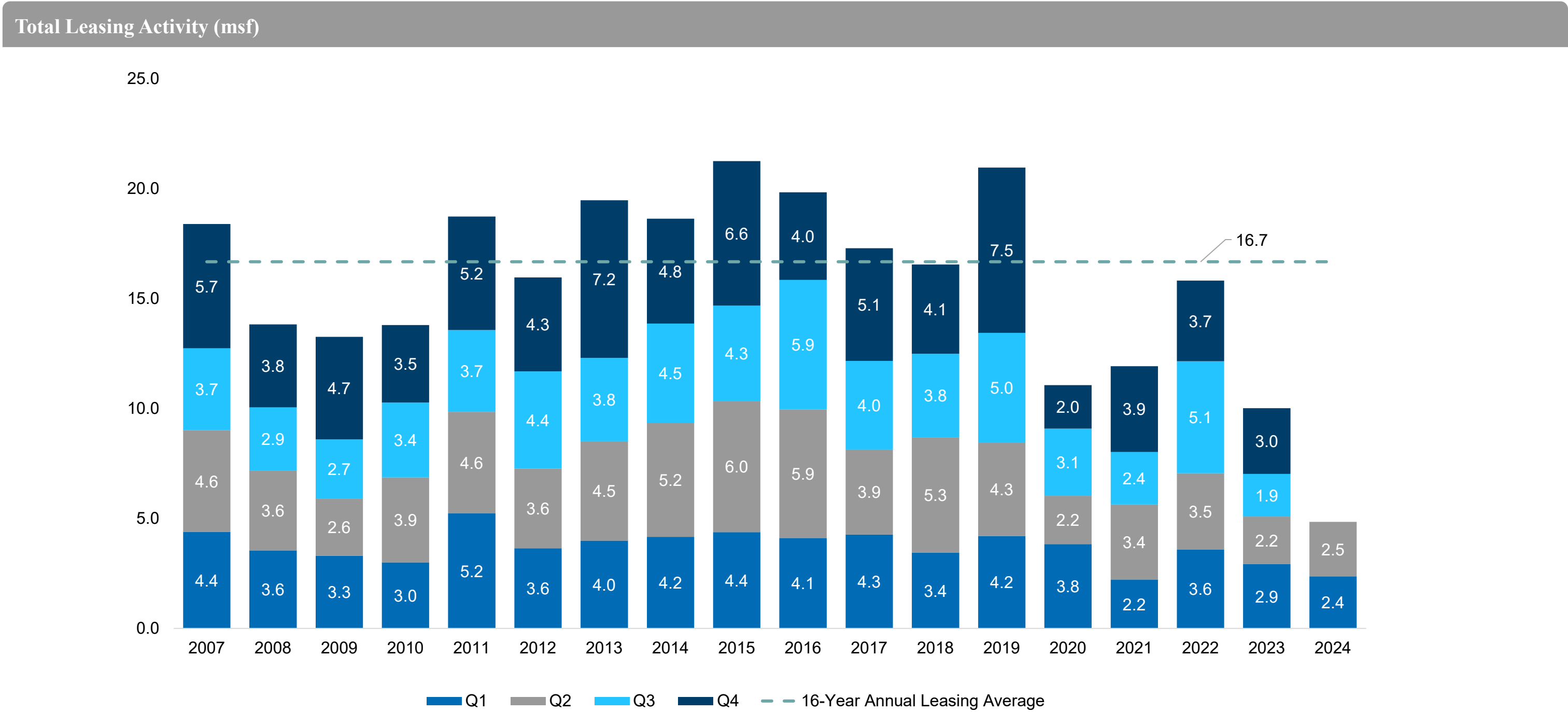
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Leasing Activity Improves

Leasing activity in the market improved, reaching 2.5 MSF during the second quarter of 2024 and increasing by 13.6% year over year. However, this is still comparatively lower than quarterly activity reported over the last 17 years. The average deal size was 3,518 SF during the second quarter of 2024, an average of 67 SF lower than the prior quarter. Class A assets continue to capture significant space commitments, highlighted by Fidelity Investments 184,341 SF renewal at 499 Washington Boulevard and Regeneron’s 157,546 SF deal at 300 Warren Corporate Center Drive.



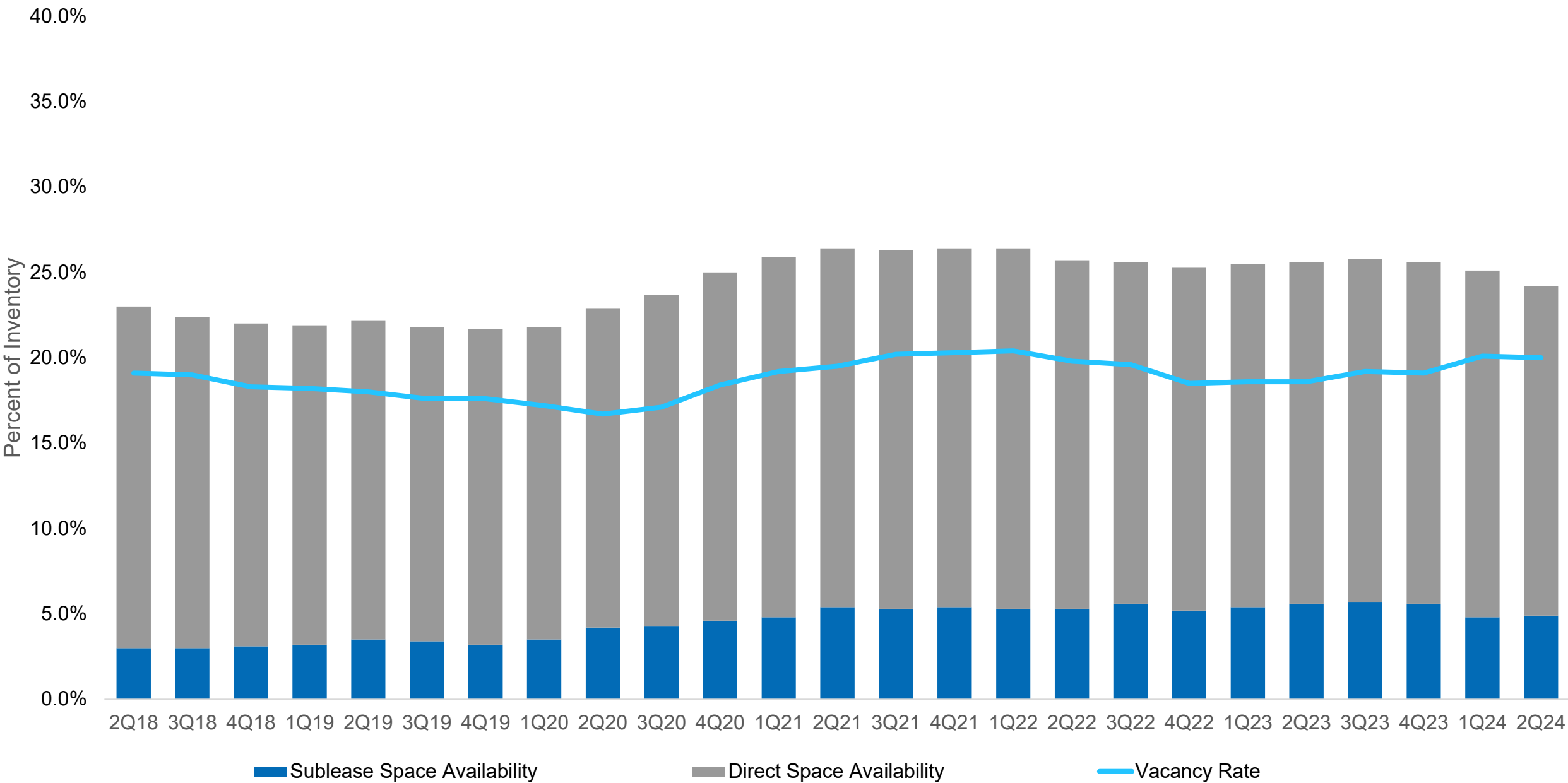
Source: Newmark Research, CoStar



# Availability Declines While Tenant Demand Is Muted

Availability decreased 80 basis points quarter over quarter to 24.2% during the second quarter of 2024. Sublease availability continues to remain elevated at 4.9% but has declined 80 basis points since the peak in the latter half of 2023. Due to decreased demand, along with increased tenant consolidations and downsizing among tenants, availability is anticipated to remain high throughout the remainder of 2024.

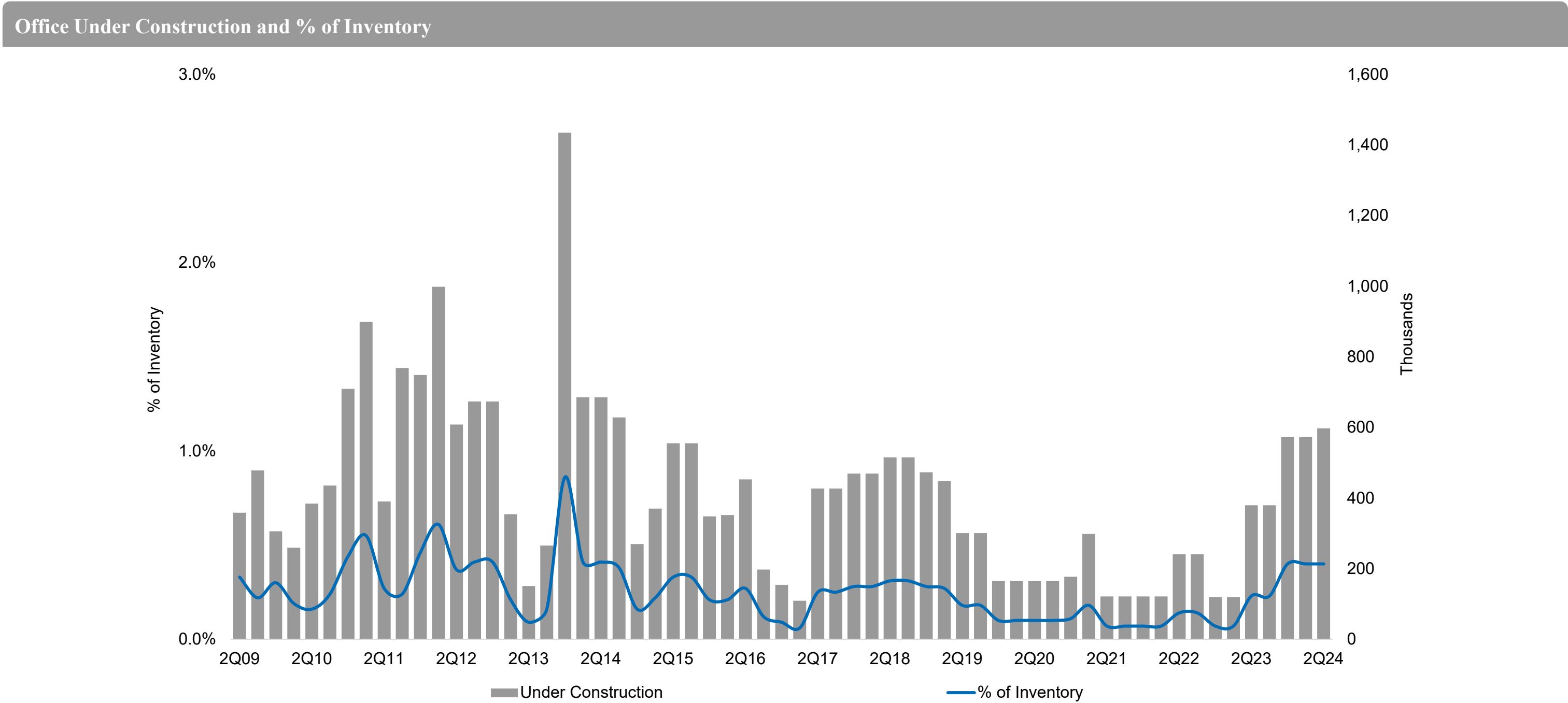
Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

# New Construction Increases

Under-construction volume increased at 597,147 SF during the second quarter of 2024, with only 0.4% of the market's inventory currently under construction. 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.



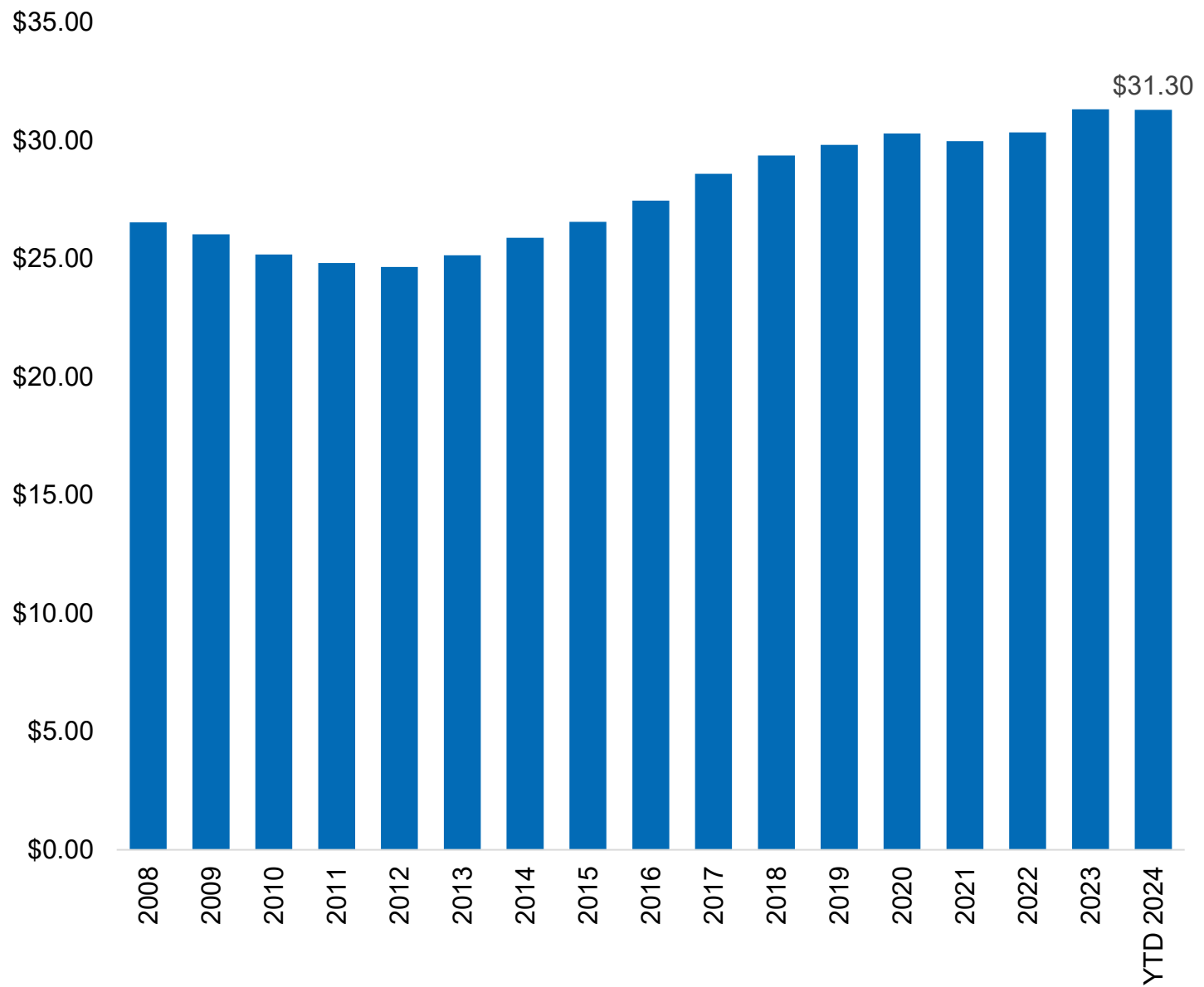
Source: Newmark Research, CoStar



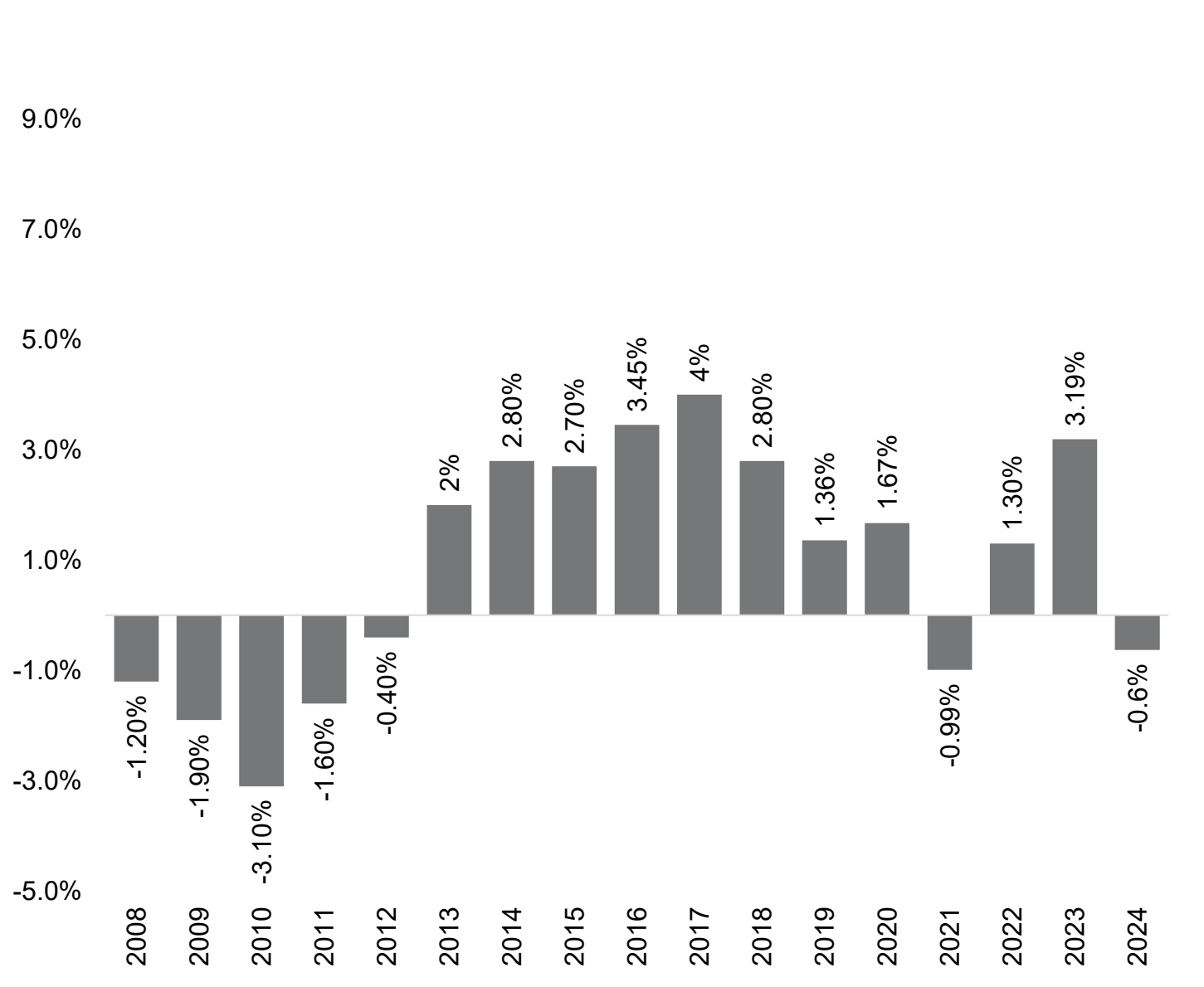
# Rents Remain Stable

Overall asking rents were \$31.30/SF during the second quarter of 2024, while the year over year decrease was minimal, at 0.6%. It's expected that asking rents will continue to be elevated throughout 2024 even with a softening tenant demand, as landlords offer more attractive concessions.

Office Average Asking Rent, \$/SF, FS



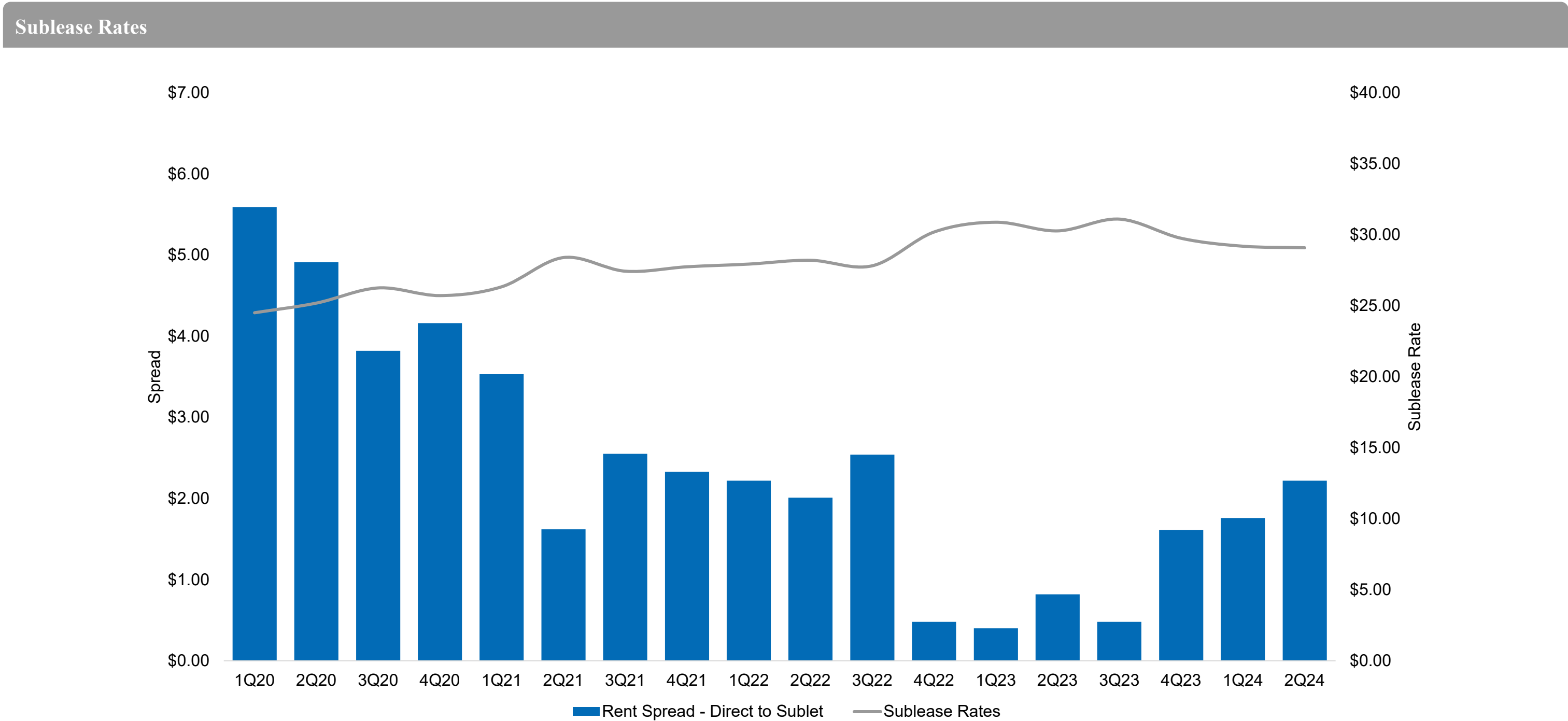
Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

# Direct and Sublease Rates Delta Increases

The influx of high-end space to the market caused rent spreads between direct and sublet space to compress throughout 2022 and 2023. Sublease rates have flattened in recent quarters, decreasing 3.9% year over year to \$29.08. Sublease space remains attractive to some prospective tenants in the market, highlighted by NJIT’s 74,356 SF deal at 494 Broad Street in Newark during the second quarter of 2024.



Source: Newmark Research, CoStar



# Notable Lease Transactions

Leasing activity in the second quarter of 2024 reached 2.5 million SF, a 4.2% increase quarter over quarter. The flight to quality continues to remain a trend as class A space accounted for 55% of the markets leasing activity by SF. Average leases in Class A spaces were 9,846 SF, continuing to remain larger than the average market deal size of 3,518 SF.

Notable 2Q24 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Fidelity Investments	499 Washington Boulevard	Hudson Waterfront	Direct Renewal	184,341
Fidelity Investments' renewal at 499 Washington Boulevard for 184,341 SF was the largest deal during the second quarter of 2024.				
Regeneron	300 Warren Corporate Center Drive	Somerset/I-78	Direct New	157,546
Regeneron leased 157,546 SF, they'll be vacating their existing location at 110 Allen Road in Basking Ridge during the third quarter of 2025.				
New Jersey Institute of Technology	494 Broad Street	Newark CBD	Sublease New	74,356
NJIT plans to relocate administrative offices with their 74,356 SF sublease of Class A space at 494 Broad Street in Newark.				
Day Pitney	8 Sylvan Way	Parsippany/I-287/Rt.10	Direct New	55,000
Day Pitney signed a 15-year lease for 55,000 SF at 8 Sylvan Way in Parsippany.				
Christ Hospital	1 Journal Square	Hudson Waterfront	Direct New	40,043
Christ Hospital will be partially occupying the first and second floors at 1 Journal Square in Jersey City.				

Source: Newmark Research

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## Submarket Stats Overview

Please reach out to your  
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