

Northern New Jersey Office Market

Conditions Improve Steadily

Tenant leasing activity in the Northern New Jersey office market was steady throughout the first quarter of 2022. The availability rate showed little change, remaining at 26.3% for the past nine months. Asking rents remained stable, increasing by 1.0% to \$30.15/SF over the past year, while landlords continue to lure tenants with expanded concession packages. On March 7th, New Jersey's public health emergency was officially lifted, which is expected to coincide with a gradual return to the office; however, many employers will retain adopted remote and hybrid work strategies, delaying a full recovery.

Absorption Improves in Key Submarket

Notable transactions and fewer spaces listed along the Hudson Waterfront helped the submarket record 248,780 square feet of positive net absorption, its highest quarterly total in more than three years. During the first quarter of 2022, Collectors Holdings signed a 130,000-square-foot lease at Harborside 3 in Jersey City. The sports memorabilia authentication and grading company is relocating and expanding from its current location in Woodbridge. At 30 Montgomery St. in Jersey City, MALKA and BlueVine signed subleases totaling 35,000 square feet. In addition, Mitsubishi Tanabe Pharma renewed for 55,000 square feet at 525 Washington Blvd. in the Newport area of Jersey City.

Current Conditions

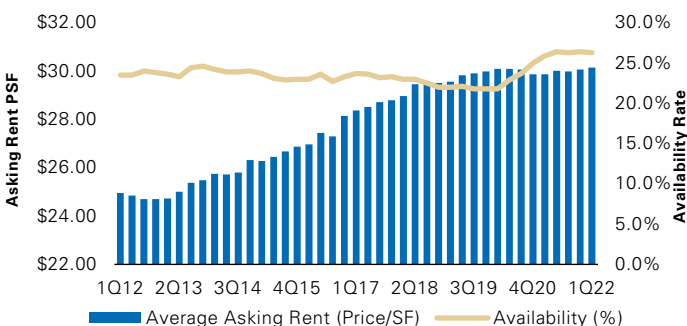
- Availability is elevated at 26.3% but has remained stable over the past nine months.
- Steady leasing activity along with fewer space additions caused sublease availability to tick down over the quarter.
- Companies are continuing to decrease their space needs amid prolonged remote work strategies.

Market Summary

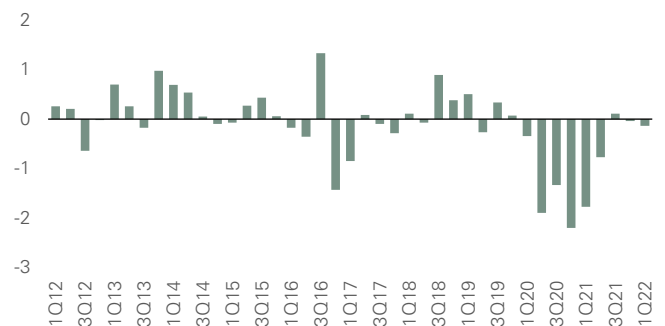
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	166.8M	167.3M	167.3M	↓
Availability Rate	26.3%	26.4%	25.9%	↔
Quarterly Net Absorption (SF)	-137,151	-40,366	-1,773,466	↔
Average Asking Rent PSF	\$30.15	\$30.07	\$29.86	↓
Under Construction (SF)	121,000	121,000	298,000	↔
Deliveries	0	0	0	↔

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



RESEARCH Q1 2022

The deal represents a 15,000-square-foot reduction of its space.

Tenants Downsizing

While long-term lease commitments are a positive sign, key tenants have consolidated space needs, which has kept availability elevated throughout the market. During the first quarter of 2022, Siemens leased 68,000 square feet at 200 Wood Ave. S. in MetroPark, a significant reduction in space from its previous location at the neighboring 170 Wood Ave. S. Kumon relocated and downsized from its space in Ridgefield Park, taking 21,651 square feet at 301 Route 17 North in Rutherford, while StockX cut its previous footprint in half, relocating and downsizing to 18,611 square feet in the Somerset/I-78 submarket. As the shedding of space continues, small and midsized deals are expected to chip away at the large block availabilities weighing down the market.

Sublease Space Declines

The combination of recent sublease transaction and the backfilling of space caused sublease availability to decline from 9.0 million square feet to 8.8 million square feet during the quarter. It remains elevated from 5.4 million square feet at the end of 2019. The largest reduction occurred in the Short Hills/I-24 submarket, where Fiserv inked a short-term sublease for 123,000 square feet. In the Bergen East submarket, Samsung North America subleased 56,000 square feet at 55 Challenger Rd. in Ridgefield Park. While the addition of sublease space slowed, there were some notable direct spaces that came online in Northern New Jersey during the quarter. In Monmouth, more

than 100,000 square feet was listed at 3600 State Route 66 in Neptune, causing availability to increase from 19.9% to 21.4%. In the Morristown area, 70,000 square feet became available on a direct basis at 180 Park Ave. in Florham Park, contributing to more than 200,000 square feet of negative net absorption in the submarket during the first three months of 2022.

Capital Markets Activity

The first quarter of 2022 saw sales volume increase to \$1.1 billion, the highest amount in two years, with the Hudson Waterfront accounting for more than half of this total. In the quarter's largest trade, a joint venture that included Vision Properties acquired 70 Hudson Street, a 12-story Class A tower in Jersey City for \$300.0 million. The sale followed the completion of a \$21.0-million renovation program. Also on the Waterfront, SJP Properties acquired 111 River St. in Hoboken for \$210.0 million, gaining back control of the complex it originally developed at Waterfront Corporate Center.

The pipeline of office buildings slated to be redeveloped into alternative uses, particularly industrial and multi-family, has increased substantially in recent months. Several high-vacancy buildings were sold for redevelopment during the first quarter of 2022, causing the inventory to shrink by more than 400,000 square feet. This trend, as well as landlords upgrading buildings to attract tenants, is expected to help keep availability stable over the next year.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Collectors Holdings	210 Hudson Street	Hudson Waterfront	Direct Lease	130,000
Fiserv	103 JFK Parkway	Short Hills/I-24	Sublease	123,000
Siemens	200 Wood Avenue South	MetroPark/GSP	Direct Lease	68,000
Samsung Electronics	55 Challenger Road	Bergen East	Sublease	57,783
Mitsubishi Tanabe Pharma	525 Washington Boulevard	Hudson Waterfront	Lease Renewal	55,379

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
70 Hudson Street	Hudson Waterfront	\$300,000,000	\$696	431,281
55 Corporate Drive	Somerset/I-78	\$261,000,000	\$387	674,340
111 River Street	Hudson Waterfront	\$210,000,000	\$371	566,215
15 Exchange Place	Hudson Waterfront	\$48,000,000	\$353	136,000

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Submarket Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)
Northern NJ	98,262,204	121,000	26.1%	-21,138	-21,138	\$34.98	\$24.58
Bergen Central	9,290,591	0	17.7%	26,116	26,116	\$32.63	\$25.07
Bergen East	4,863,951	0	18.7%	21,730	21,730	\$31.67	\$27.64
Bergen North	4,852,427	0	33.5%	22,922	22,922	\$26.33	\$22.58
Essex West/I-280	4,402,158	0	25.2%	-97,574	-97,574	\$28.03	\$25.63
Hudson Waterfront	21,266,852	0	22.2%	248,780	248,780	\$44.61	\$42.17
Meadowlands	5,456,004	0	26.0%	41,136	41,136	\$30.42	\$24.77
Morris West/I-80	1,451,078	0	23.3%	-4,338	-4,338	\$24.54	\$18.99
Morristown Area	12,057,884	121,000	28.9%	-201,072	-201,072	\$32.48	\$25.96
Newark	12,480,029	0	27.4%	-40,224	-40,224	\$35.16	\$24.56
Parsippany/Route 10	12,689,085	0	36.5%	3,569	3,569	\$31.27	\$23.18
Route 46/Wayne	7,657,121	0	25.5%	-33,626	-33,626	\$25.22	\$20.06
Short Hills/Route 24	1,795,024	0	21.7%	-8,557	-8,557	\$47.50	\$29.49
Central NJ	68,584,660	0	26.7%	-116,013	-116,013	\$31.60	\$23.10
Hunterdon/I-78	2,610,155	0	47.1%	51,931	51,931	\$20.00	\$17.37
MetroPark/GSP	6,150,359	0	20.4%	118,113	118,113	\$39.16	\$28.94
Monmouth	10,292,815	0	21.4%	-159,608	-159,608	\$31.70	\$21.16
Piscataway/I-287 South	9,221,516	0	25.3%	-57,376	-57,376	\$22.60	\$19.84
Princeton Area	17,807,601	0	25.1%	-15,644	-15,644	\$32.53	\$24.28
Route 18/8A Middlesex	2,864,079	0	18.2%	-9,984	-9,984	\$30.65	\$25.04
Somerset/I-78	16,533,212	0	33.4%	-63,937	-63,937	\$31.45	\$23.89
Union Area	3,104,923	0	24.8%	20,492	20,492	\$31.67	\$25.24
Northern/Central NJ	166,846,864	121,000	26.3%	-137,151	-137,151	\$33.85	\$23.90

RESEARCH Q1 2022

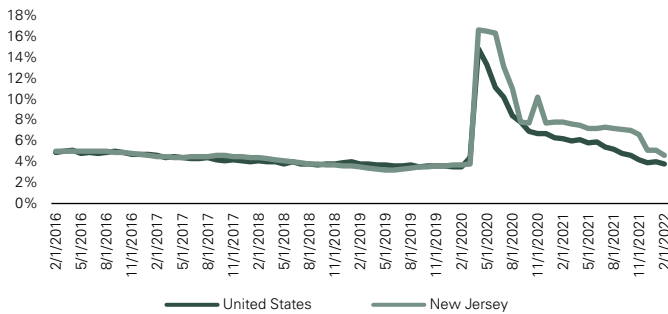
Economic Conditions

New Jersey's labor market is making strides towards recovery, with total employment up 5.5% from one year ago, bringing the unemployment rate down to 4.6%. While more people are back at work, inflation continues to rise to unprecedented levels. Regional CPI sits at 5.1%, up from 1.4% seen this time last year. Despite the annual spike, this remains below the national average of 7.9%, the highest point in nearly 40 years.

With the Omicron variant peaking in January, restrictions have been lifted across the country. Across many sectors, companies are slowly beginning to push for a return to the office. Meanwhile, construction material costs have increased by 28% since last year, with lumber, copper and steel seeing the largest increases. Coinciding with a worker shortage in the construction industry, office space buildouts in 2022 will be a challenge.

Unemployment Rate

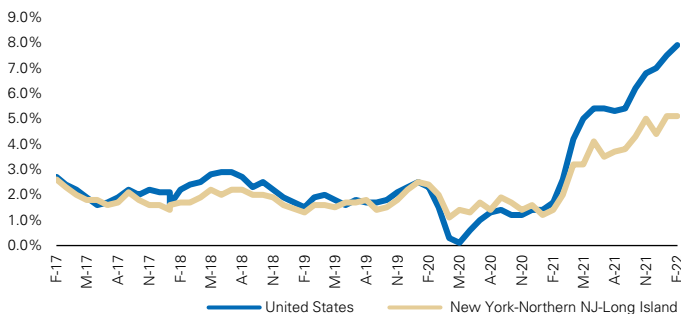
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

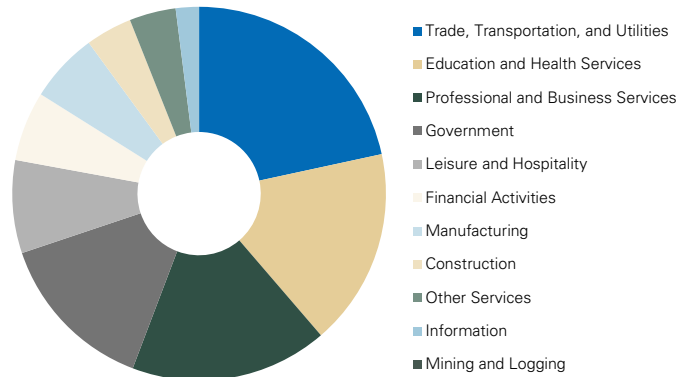
ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment By Industry

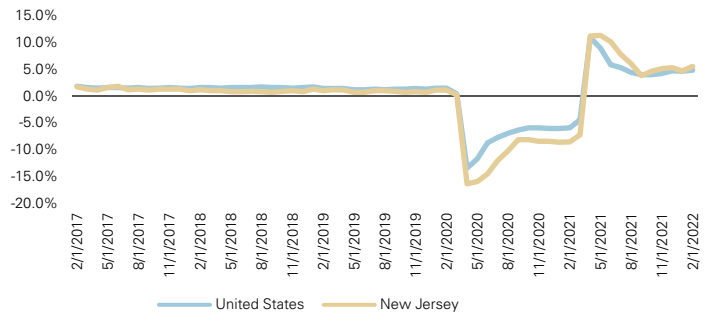
NEW JERSEY, ANNUAL AVERAGE 2021



Source: U.S. Bureau of Labor Statistics

Payroll Employment

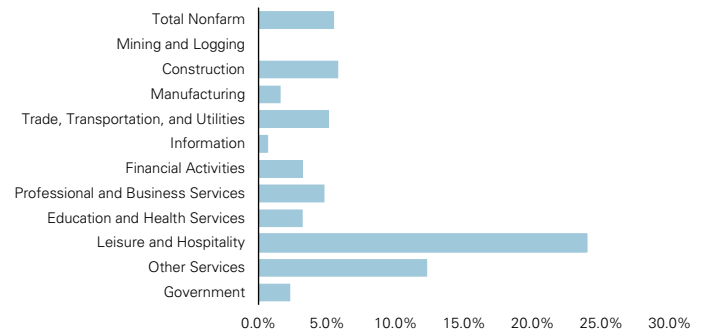
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NJ, FEB 2022, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Northern NJ Office Submarkets



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