

Northern New Jersey Office Market

Outlook Improving as NJ Reopens

Tenant activity is steadily picking up in the Northern New Jersey office market as companies reopen workplaces following the lifting of COVID-19 restrictions in June. While the demand outlook is improving, current conditions continue to favor tenants with availability at a record-high of 26.4%, up 50 basis points from last quarter. The market recorded its sixth consecutive quarter of negative net absorption as more than 900,000 square feet of new sublease space became available over the past three months. Asking rents remain stable averaging \$30.01/SF, but many landlords are offering tenants increased concession packages.

Resilient Sectors Drive Demand

Tenants in the technology, life sciences, healthcare and education sectors, which fared relatively well during the pandemic, dominated recent activity. In the largest new lease of the quarter, WebMD took 101,000 square feet at 2 Gateway Center in Newark. The online portal for health news is relocating its headquarters from New York City. This is the largest new tenant to land at Gateway Center since Onyx Equities purchased the complex two years ago and began its renovation project. The WebMD lease contributed to positive absorption in Newark, lowering availability from 27.1% to 26.7%.

Current Conditions

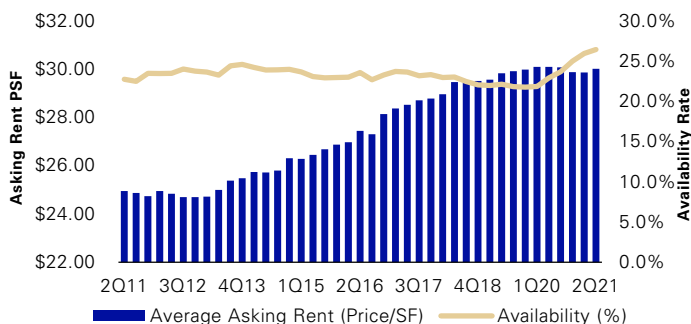
- Activity is steadily picking up and the office leasing outlook is improving, though fundamentals continue to favor tenants.
- Tenants in industries resilient through the pandemic signed long-term leases.
- Sublease availability increased again during the quarter, but some tenants are starting to take space off the market as they reopen.

Market Summary

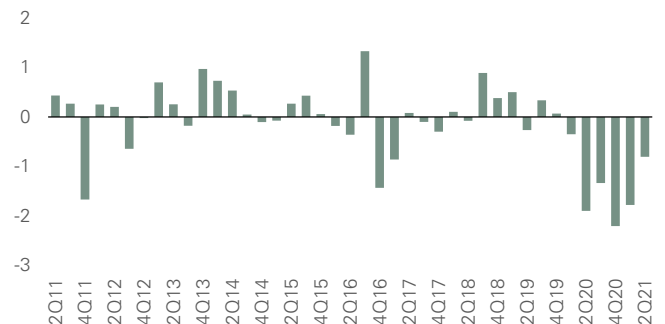
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	167.3M	167.3M	167.3M	↔
Availability Rate	26.4%	25.9%	22.9%	↔
Quarterly Net Absorption (SF)	-804,639	-1,773,466	-1,894,564	↔
Average Asking Rent / SF	\$30.01	\$29.86	\$30.09	↓
Under Construction (SF)	121,000	298,000	165,000	↔
Deliveries	177,000	0	0	↔

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



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Infinity BiologiX signed the second-largest new lease of the quarter, committing to 98,000 square feet at 30 Knightsbridge Road in Piscataway. The growing life sciences company has been partnering with nearby Rutgers University to create a COVID-19 saliva test. The lease contributed to the 139,164 square feet of positive net absorption in the Piscataway/I-287 submarket, which was the highest recorded by any submarket in Northern New Jersey during the quarter. A notable lease renewal also took place with Atlantic Health System for 537,000 square feet at 435, 465 and 475 South Street in Morristown. This transaction included an expansion of 32,000 square feet at 465 South Street.

Sublease Availability May Be Peaking

There is currently 9.0 million square feet of sublease space on the market, up from 8.1 million square feet last quarter. This represents a 65.2% increase since the beginning of 2020. During the second quarter, several notable blocks of sublease space became available, including a 215,000-square-foot space listed by Allergan at 5 Giralda Farms in Madison, which represents half of the space that the pharma giant leased in 2016. Additional sublease space became available from IQVIA at 77 Corporate Drive in Bridgewater, totaling 116,000 square feet, and from Ingersoll-Rand at 1467 Route 31 South in Annandale, totaling 105,000 square feet. Thomson Reuters also placed 80,000 square feet on the market for sublease at 121 River Street in Hoboken.

Sublease availability is expected to decline as leasing activity picks up due to tenants reoccupying offices and companies starting to take space off the market.

During the second quarter, Citibank withdrew 138,000 square feet of sublease space at 480 Washington Boulevard in Jersey City, while Dun & Bradstreet backfilled 69,000 square feet at 101 JFK Parkway in Short Hills. Leasing activity should also drive sublease availability lower, helped by the fact that more than 80% of the sublease inventory is located within Class A buildings that benefit from the flight-to-quality trend. During second-quarter 2021, Apprentice.io and Score subleased Class A spaces along the Hudson Waterfront at 101 Hudson Street in Jersey City and 121 River Street in Hoboken, committing to 32,000 and 22,000 square feet, respectively.

Prominent Buildings Trade

More than \$700 million in office sales transactions closed since the beginning of April, in line with the five-year quarterly average. Totaling \$255 million, the sale of Mack-Cali's four-building complex on JFK Parkway in Short Hills to the Birch Group was the quarter's largest trade. The Short Hills/Route 24 submarket commands the highest office rents in New Jersey, with Class A asking rents currently averaging \$51.59/SF.

In another sizable transaction, Vision Real Estate Partners and Rubenstein Partners sold 100 and 200 Warren Corporate Center to Mirabaud Group. The 318,000-square-foot property had been renovated and fully leased to Everest Reinsurance Co. in 2019. Also, KBS sold its 630,000-square-foot Woodbridge Corporate Plaza for \$88 million to Northeast Capital Group. KBS owned the six-building complex, which is more than 90% leased to 64 tenants, for more than 15 years.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Atlantic Health System	435/465/475 South Street	Morristown Area	Renewal/Expansion	536,662
WebMD	2 Gateway Center	Newark	Direct Lease	101,117
Infinity BiologiX	30 Knightsbridge Road	Piscataway/I-287 South	Direct Lease	97,991
Qualcomm	500 Somerset Corporate Boulevard	Somerset/I-78	Lease Renewal	95,579
Apprentice.io	101 Hudson Street	Hudson Waterfront	Sublease	31,960

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
51, 101, 103 and 150 JFK Parkway	Short Hills/Route 24	\$255,000,000	\$302	843,300
100-200 Warren Corporate Center Drive	Somerset/I-78	\$150,250,000	\$472	318,247
Woodbridge Corporate Plaza	Metropark/GSP	\$88,000,000	\$140	629,195
River Centre	Monmouth	\$84,000,000	\$126	668,107

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Submarket Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)
Northern NJ	98,692,954	121,000	26.6%	-463,948	-1,748,097	\$35.26	\$24.41
Bergen Central	9,290,591	0	19.5%	39,511	18,057	\$32.32	\$24.58
Bergen East	4,863,951	0	19.6%	-118,430	-93,772	\$33.30	\$27.38
Bergen North	4,916,777	0	35.0%	-104,174	-124,713	\$27.24	\$22.54
Essex West/I-280	4,492,158	0	27.5%	-20,713	-15,944	\$27.14	\$24.63
Hudson Waterfront	21,266,852	0	23.6%	-96,408	-342,925	\$44.91	\$41.44
Meadowlands	5,456,004	0	25.1%	-25,852	59,887	\$30.69	\$25.40
Morris West/I-80	1,451,078	0	19.8%	17,244	20,176	\$24.70	\$18.89
Morristown Area	12,102,884	121,000	30.3%	-371,670	-622,997	\$32.80	\$25.98
Newark	12,480,029	0	26.7%	50,850	-428,953	\$34.68	\$24.65
Parsippany/Route 10	12,809,085	0	35.7%	37,925	-334,192	\$30.74	\$23.00
Route 46/Wayne	7,768,521	0	23.7%	14,783	21,423	\$25.60	\$20.32
Short Hills/Route 24	1,795,024	0	23.6%	112,986	95,856	\$51.59	\$32.20
Central NJ	68,584,660	0	26.2%	-340,691	-830,008	\$31.07	\$23.10
Hunterdon/I-78	2,610,155	0	48.9%	-88,707	7,139	\$20.00	\$17.91
MetroPark/GSP	6,150,359	0	17.9%	-4,993	40,696	\$36.41	\$28.97
Monmouth	10,292,815	0	20.6%	40,021	-18,805	\$31.65	\$21.53
Piscataway/I-287 South	9,221,516	0	24.6%	139,164	174,837	\$22.44	\$20.02
Princeton Area	17,807,601	0	23.8%	-97,246	-502,575	\$32.56	\$24.15
Route 18/8A Middlesex	2,864,079	0	17.9%	-15,170	36,730	\$30.52	\$24.52
Somerset/I-78	16,533,212	0	34.3%	-189,763	-455,779	\$32.03	\$23.97
Union Area	3,104,923	0	24.8%	-123,997	-112,251	\$31.54	\$25.19
Northern/Central NJ	167,277,614	121,000	26.4%	-804,639	-2,578,105	\$33.85	\$23.82

RESEARCH Q2 2021

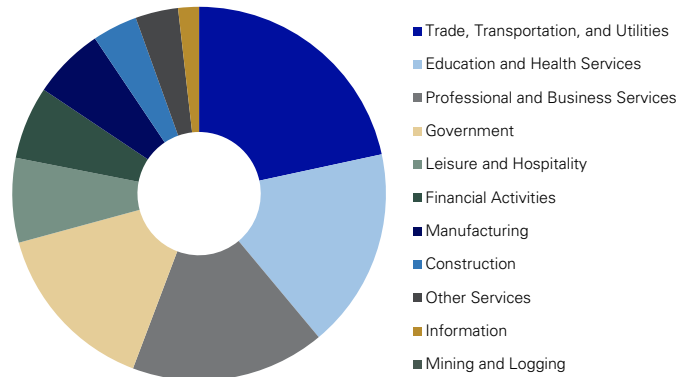
Economic Conditions

New Jersey's labor market experienced notable gains over the past quarter. Total employment is up 3.5% from three months ago and is now 95.0% recovered to its pre-pandemic level. The sectors that comprise the bulk of demand for office space, financial activities and professional services, saw job gains over the past year of 3.7% and 7.4%, respectively.

More than 70% of adults in New Jersey are now fully vaccinated against COVID-19, increasing optimism for a full economic recovery to take hold, which includes additional reboarding of offices. The recently enacted EmERGE incentives program, which began accepting applications in May, is expected to stimulate job growth, which should support demand for office space across Northern New Jersey going forward.

Employment By Industry

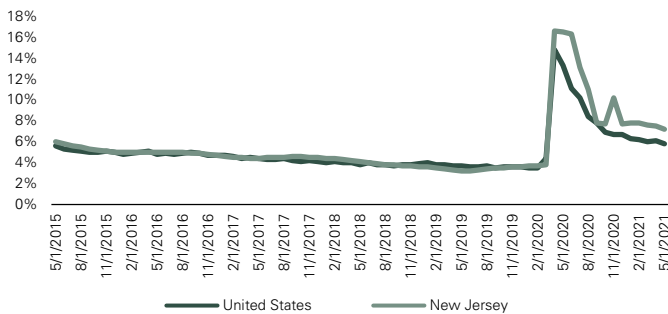
NEW JERSEY, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

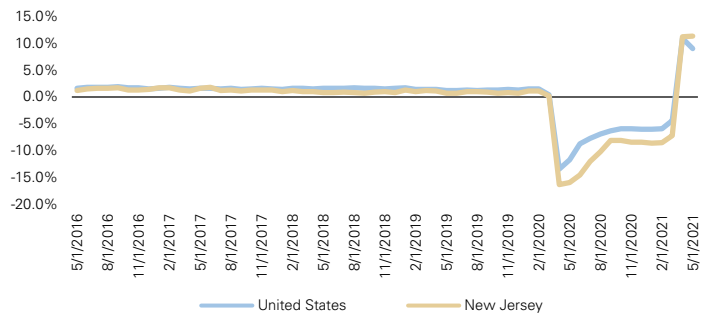
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, NJDLWD

Payroll Employment

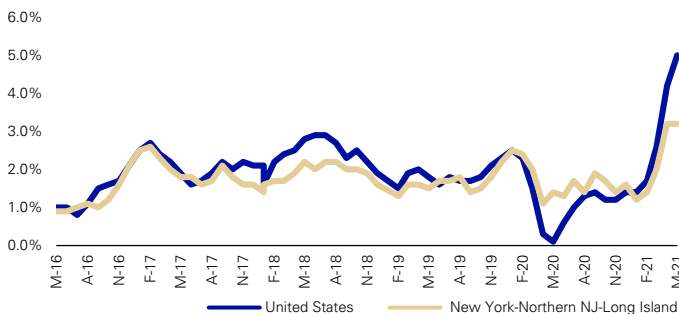
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

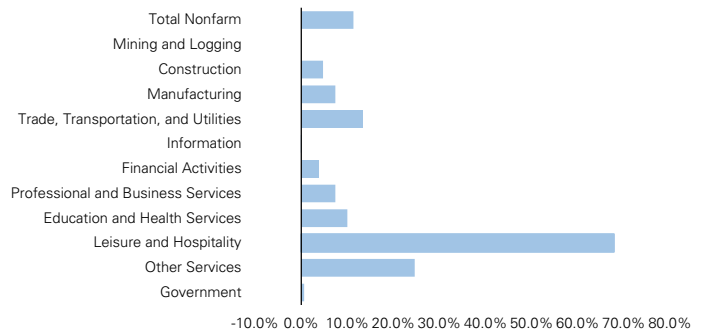
ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

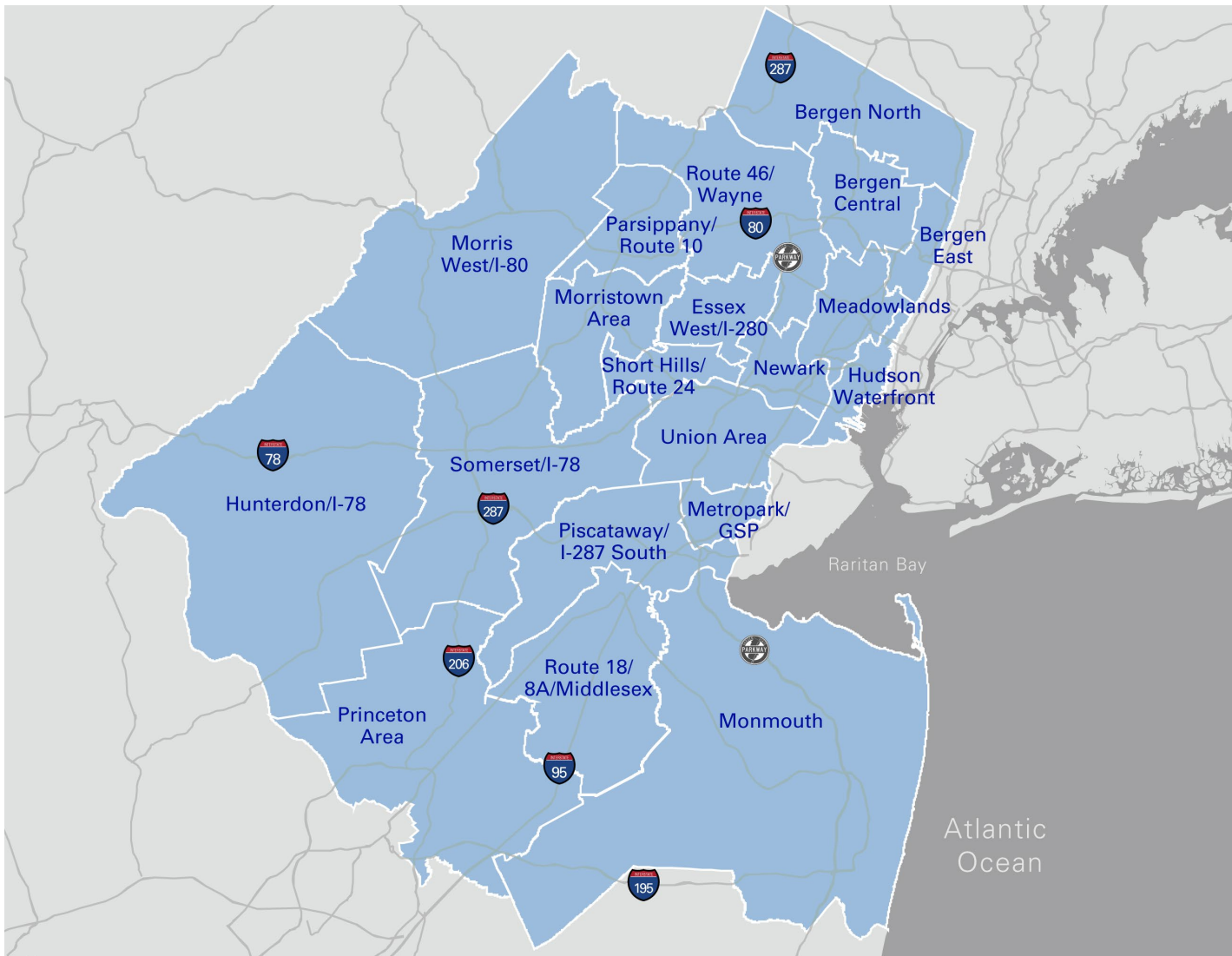
Employment Growth By Industry

NJ, MAY 2021, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.

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