

# Northern New Jersey Office Market

## Leasing Activity Rebounds in 4Q

Gradually improving demand in Northern New Jersey's office market during 2021 resulted in a series of large-block leases closing at year-end. Leasing activity amounted to 2.1 million square feet, the highest quarterly total in more than two years. However, this was offset by negative absorption in Parsippany, Princeton and MetroPark, keeping availability stable at 26.4% over the past three months. Average asking rents remained relatively unchanged at \$30.07/SF, although landlords are continuing to offer expanded tenant improvement allowances and rent abatements. The market's outlook is improving, but the spread of the Omicron variant is expected to further delay many return-to-office plans and temper demand in 2022.

### New Leasing Reaches Two-Year High

A flurry of large deals caused leasing activity to reach a pandemic-high during the fourth quarter of 2021. Valley National Bank signed a 119,350-square-foot lease for a built-to-suit in Morristown. Located at 123 Speedwell Ave., the property will serve as the company's headquarters. Law firm Chiesa Shahinian & Giantomasi also signed a major lease, taking 116,122 square feet at 105 Eisenhower Pkwy. in Roseland, causing availability in the Essex West/I-280 submarket to decline from 26.5% to 23.8% over the past three months.

### Current Conditions

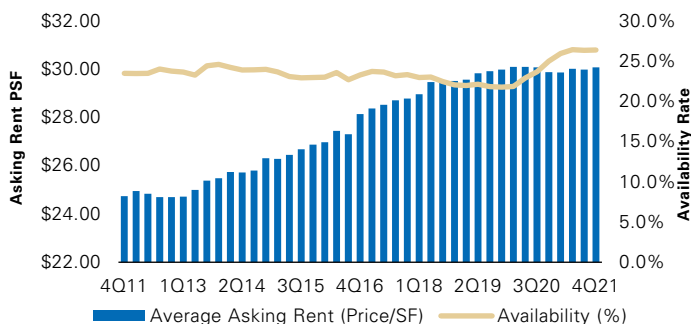
- Leasing demand regained momentum in 2021, resulting in several large space commitments at year-end.
- Availability is historically high but stabilized at 26.4% over the past six months.
- Office sales volume has remained constant through the pandemic, totaling \$2.8 billion in 2021, up from \$2.7 billion two years ago.

### Market Summary

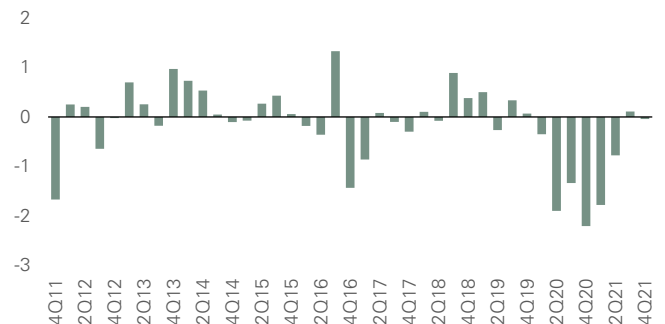
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	167.3M	167.3M	167.3M	↔
Availability Rate	26.4%	26.3%	25.0%	↔
Quarterly Net Absorption (SF)	-40,366	110,162	-2,200,889	↔
Average Asking Rent PSF	\$30.07	\$29.98	\$29.87	↓
Under Construction (SF)	121,000	121,000	177,000	↔
Deliveries	0	0	0	↔

### Market Analysis

#### ASKING RENT AND AVAILABILITY RATE



#### NET ABSORPTION



## RESEARCH Q4 2021

The largest transactions of the quarter were made official following approval of the first two Emerge awards in September. Fortune 500 fintech company Fiserv finalized its lease for 428,000 square feet at 100 Connell Dr. in Berkeley Heights, with the help of a \$109.0 million incentive. Party City completed its deal for 208,911 square feet at 100 Tice Blvd. in Woodcliff Lake, contributing to 224,480 square feet of positive net absorption in Bergen North over the quarter.

Healthcare and life sciences tenants, which have experienced fewer setbacks during the pandemic, were major drivers of leasing activity during the fourth quarter of 2021. In Bergen County, Summit Medical Group took 70,549 square feet at 17-17 Route North in Fair Lawn, while Englewood Health signed on for more than 50,000 square feet at 910 and 920 Sylvan Avenue in Englewood Cliffs. In addition, Hikma Pharmaceuticals leased 49,000 square feet at 33 Technology Dr. in Warren.

### Direct and Sublet Availability Hold Steady

An uptick in leasing and fewer large sublets listed over the past two quarters allowed overall availability to remain unchanged at 26.4%. The amount of sublease space on the market has stabilized at 9.0 million square feet; however, some submarkets fared worse than others at the end of the year. Negative absorption in the MetroPark/GSP submarket was caused by a 240,000-square-foot block listed direct at 170 Wood Ave. S. in Iselin. Most of this space is currently occupied by Siemens. In the Parsippany/Route 10 submarket, availability now stands at 37.1%, up from 33.1% one year ago. A full-building sublet totaling 106,680 square feet was recently listed with DSM at 45 Waterview Blvd. The Princeton area also saw more tenants give

back space, including 60,000 square feet listed direct at 600 College Rd., contributing to 709,000 square feet of negative annual absorption. New direct and sublet listings will continue to come online in 2022, but at a slower pace.

### Capital Markets Activity

Investors have sought the lower volatility of New Jersey's primarily suburban office market through the pandemic. Office sales volume in Northern New Jersey totaled \$2.8 billion during 2021, down from \$3.3 billion in 2020 but up slightly from \$2.7 billion in 2019. Prominent buildings traded hands during the fourth quarter, including 1000 Harbor Blvd. in Weehawken, which sold for \$219.0 million. The building is located at the entrance to the Lincoln Tunnel and spans 617,000 square feet. In another notable deal, 4 Gatehall Dr. in Parsippany, which was recently upgraded, was acquired for \$25.3 million by The Birch Group. The investment firm is also purchasing 101 Hudson St., a 1.2-million-square foot office tower in Jersey City, after acquiring several high-end buildings throughout the state over the past year.

### Omicron Clouds Outlook as Activity Picks Up

Conditions improved in 2021, with 7.5 million square feet of leasing volume over the year up 25.8% from 2020, although it remained down by 7.5% from 2019. Heading into 2022, the emergence of the Omicron variant is expected to weigh against the momentum generated during the second half of 2021. High vaccination rates, Emerge incentives and the strength of the healthcare and life sciences sectors will bolster demand in Northern New Jersey, keeping both direct and sublet availability relatively stable.

### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Fiserv	100 Connell Drive	Somerset/I-78	Direct Lease	428,000
Party City	100 Tice Boulevard	Bergen North	Direct Lease	208,911
Valley National Bank	123 Speedwell Avenue	Morristown Area	Direct Lease	119,350
Chiesa Shahinian & Giantomasi PC	105 Eisenhower Parkway	Essex West/I-280	Direct Lease	116,122
Summit Medical Group	17-17 Route 208 North	Bergen Central	Direct Lease	70,549

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1000 Harbor Boulevard	Weehawken	\$219,000,000	\$355	617,187
4 Gatehall Drive	Parsippany/Route 10	\$25,250,000	\$95	265,649
5 Becker Farm Road	Essex West/I-280	\$16,000,000	\$135	118,246
440 Route 22 East	Somerset/I-78	Undisclosed	Undisclosed	198,376

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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)
<b>Northern NJ</b>	<b>98,692,954</b>	<b>121,000</b>	<b>26.2%</b>	<b>361,641</b>	<b>-1,408,134</b>	<b>\$35.17</b>	<b>\$24.42</b>
Bergen Central	9,290,591	0	18.0%	142,468	160,758	\$33.00	\$25.11
Bergen East	4,863,951	0	19.1%	68,259	-69,633	\$32.74	\$27.82
Bergen North	4,916,777	0	33.5%	224,480	-51,836	\$27.00	\$22.60
Essex West/I-280	4,492,158	0	23.8%	122,483	148,832	\$27.67	\$24.63
Hudson Waterfront	21,266,852	0	23.4%	43,909	-286,285	\$44.64	\$41.77
Meadowlands	5,456,004	0	26.7%	-56,500	-28,048	\$30.38	\$25.16
Morris West/I-80	1,451,078	0	23.0%	-34,554	-26,475	\$24.58	\$19.61
Morristown Area	12,102,884	121,000	27.1%	-671	-238,763	\$32.49	\$25.82
Newark	12,480,029	0	27.1%	41,379	-473,069	\$34.65	\$24.56
Parsippany/Route 10	12,809,085	0	37.1%	-123,619	-519,542	\$31.20	\$22.84
Route 46/Wayne	7,768,521	0	26.1%	-66,931	-162,720	\$25.53	\$20.52
Short Hills/Route 24	1,795,024	0	21.2%	938	138,647	\$47.50	\$30.48
<b>Central NJ</b>	<b>68,584,660</b>	<b>0</b>	<b>26.5%</b>	<b>-402,007</b>	<b>-1,068,369</b>	<b>\$31.40</b>	<b>\$23.12</b>
Hunterdon/I-78	2,610,155	0	49.1%	-6,061	2,984	\$20.00	\$17.87
MetroPark/GSP	6,150,359	0	22.4%	-250,708	-235,284	\$37.38	\$29.65
Monmouth	10,292,815	0	19.9%	2,559	58,687	\$31.64	\$21.14
Piscataway/I-287 South	9,221,516	0	24.7%	-31,001	164,468	\$22.71	\$19.85
Princeton Area	17,807,601	0	25.0%	-131,281	-709,045	\$32.82	\$24.28
Route 18/8A Middlesex	2,864,079	0	17.8%	-19,871	39,947	\$30.60	\$25.02
Somerset/I-78	16,533,212	0	33.1%	30,489	-258,938	\$31.33	\$23.74
Union Area	3,104,923	0	25.5%	3,867	-131,188	\$31.67	\$25.23
<b>Northern/Central NJ</b>	<b>167,277,614</b>	<b>121,000</b>	<b>26.4%</b>	<b>-40,366</b>	<b>-2,476,503</b>	<b>\$33.92</b>	<b>\$23.82</b>

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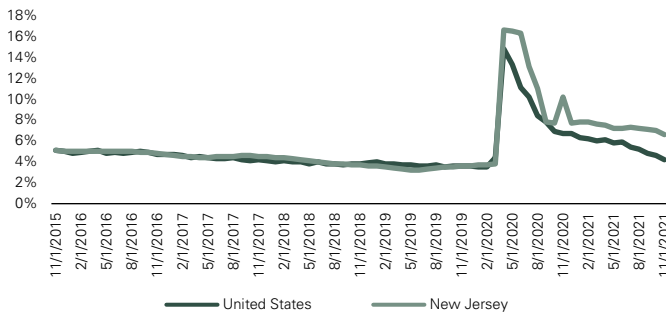
### Economic Conditions

New Jersey's labor market continued to recover in 2021, with total employment up 5.1% from one year ago. Unemployment stands at 6.6%, a sharp decline from the 10.2% rate seen this time last year. The price of goods increased dramatically this quarter, as regional CPI rose to 5.0%. Far from the 1.4% seen just a year ago, this corresponds with inflation increases seen across the country.

Costs of raw materials, such as lumber and steel, continued to increase rapidly. Additionally, labor shortages and supply chain delays have prolonged the completion of office space buildouts. Despite this, positive news came in the form of IIJA, Biden's infrastructure bill signed into law in November, which will allocate \$12.3 billion to New Jersey. Investment in transportation lines is a positive for office demand and will likely improve commuting times, as well as increase productivity for workers in the future.

### Unemployment Rate

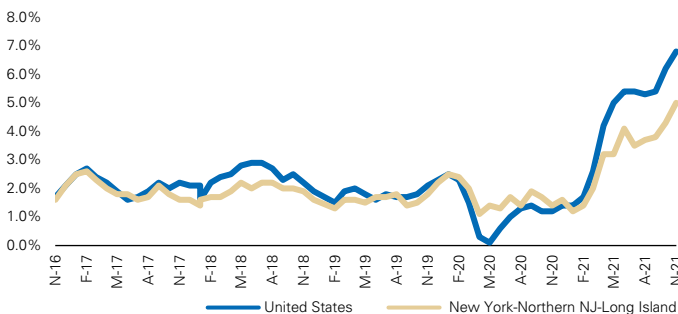
#### SEASONALLY ADJUSTED



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

### Consumer Price Index (CPI)

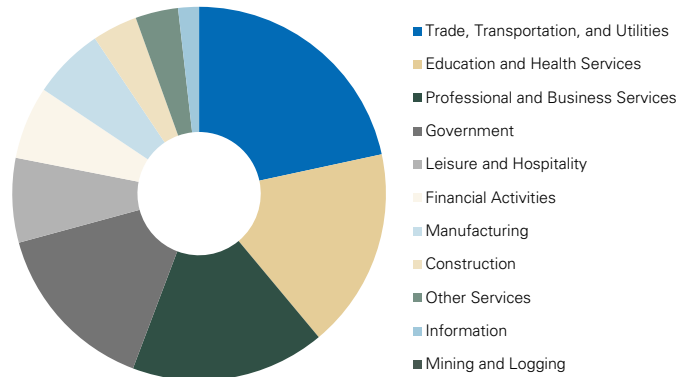
#### ALL ITEMS, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment By Industry

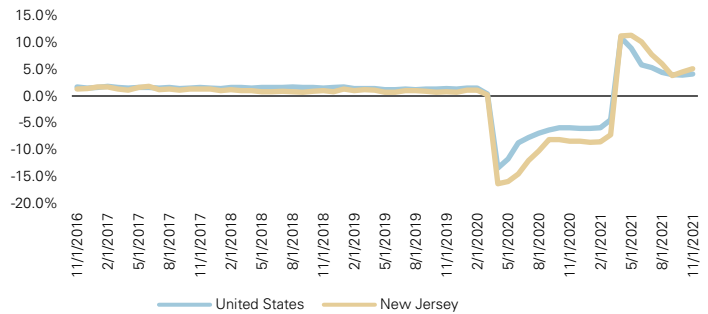
#### NEW JERSEY, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

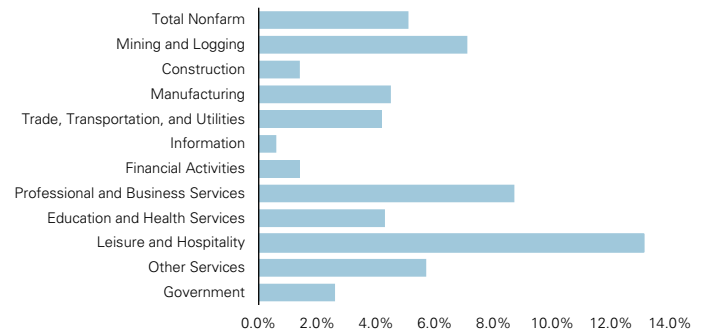
#### TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

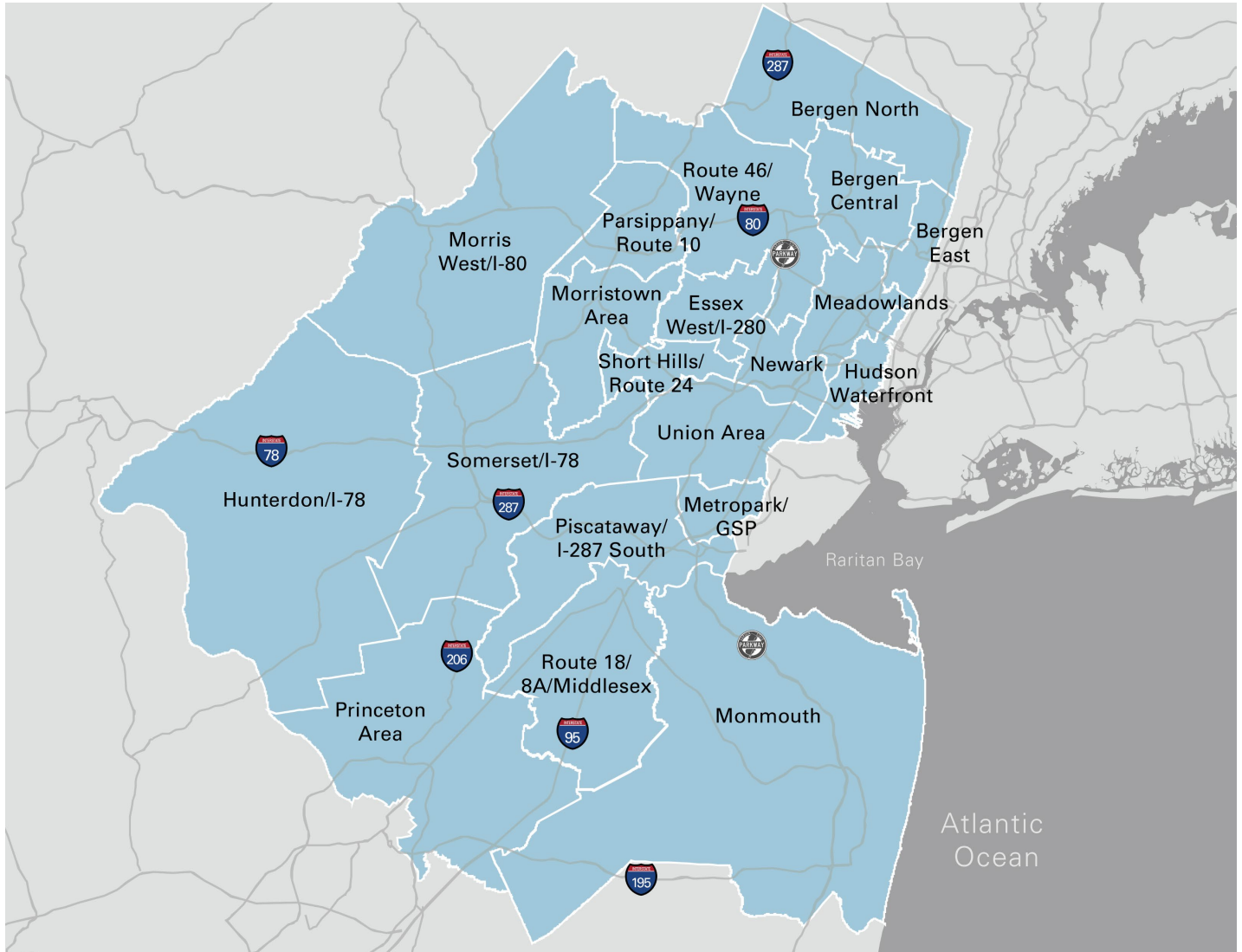
#### NJ, NOV 2021, 12-MO. % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

## RESEARCH Q4 2021

### Northern NJ Office Submarkets



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