

NKF PERSPECTIVES NORTHERN NEW JERSEY

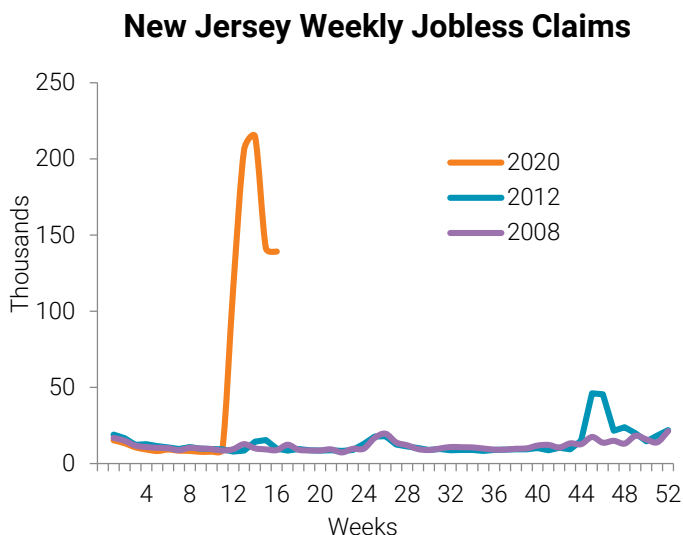
THE PATH FORWARD FOR THE NJ OFFICE MARKET

State-mandated social distancing measures have now been in effect in New Jersey for more than one month and the impacts on the economy and office market are becoming clearer. Tenant activity has slowed dramatically and many businesses are compromised, though some office occupiers are faring better than others. These include life sciences and technology firms, whose services are currently in great demand. Looking ahead to a gradual reopening for New Jersey, longstanding occupier trends, such as dense open floorplans and shared amenities, are expected to change.

JOBLESS CLAIMS SPIKE

Job losses over the past month have broken historic records. Many of the initial unemployment claims stemmed from retail and restaurant workers laid off in conjunction with business closures, though in more recent weeks white-collar office jobs are increasingly impacted as ripple effects are felt throughout the regional economy.

- 701,786 claims in past four weeks throughout New Jersey
- 137,281 claims in worst four weeks after Superstorm Sandy
- 87,643 claims in worst four weeks of Global Financial Crisis



KEY TAKEAWAYS

- The state’s essential businesses continue to hire even as new weekly jobless claims hit record numbers.
- Office tenants in the life sciences, healthcare and tech sectors are best positioned in the current environment.
- Trending occupier preferences for dense open concept offices and common amenities are expected to change.
- Northern New Jersey could benefit from NYC firms looking for suburban offices in the wake of the pandemic.

ESSENTIAL BUSINESSES ARE HIRING

The state’s COVID-19 jobs portal includes more than 56,000 open positions within 789 companies. These include Amazon, which is hiring for 3,400 positions throughout New Jersey as online sales spike with consumers staying at home, as well as numerous essential retailers. While many of the posted positions are not desk jobs, the continued hiring speaks to the financial health of businesses in certain industries—many of which occupy significant office space in Northern New Jersey. For example, Walmart eCommerce (Jet.com), which leases its corporate headquarters in Hoboken, has posted 1,000 positions. Meanwhile, DSV Global Transport and Logistics, which recently leased 97,000 square feet of office space in Metropark, is hiring for 150 positions.

Companies Currently Hiring in NJ

Company	Open Positions
FedEx	4,000
Amazon	3,400
Hackensack Meridian Health	3,000
UPS	1,696
ShopRite	1,450
CVS Health	1,100
Walmart eCommerce/Jet.com	1,000
Lowe’s	700
BAYADA Home Health Care	317
Holy Name Medical Center	200
Valley Health System	180
DSV Global Transport and Logistics	150
Amneal Pharmaceuticals	54

RESILIENT OFFICE OCCUPIERS

The companies currently hiring in New Jersey speak to the occupier types that are most likely to increase their space needs in the wake of the pandemic.

LIFE SCIENCES

Developing treatments and vaccines to combat the virus

Life sciences tenants make up the second largest share (16%) of recent leasing activity across Northern New Jersey. The state is home to 12 of the top 20 pharmaceutical companies in the world and more than 3,200 total life sciences firms.

HEALTHCARE

Providing medical services on the front lines

In the past three years, healthcare providers leased 1.7 million square feet of office space, often housing administrative staff. For example, Hackensack Meridian took 165,000 square feet in Metropark last month. Though, healthcare is not totally immune to this downturn given the ban on elective procedures.

TECHNOLOGY

Supporting connectivity for work and entertainment from home

Audible, the world’s largest producer of online audiobooks, is headquartered in Newark, where it recently expanded by 75,000 square feet. Meanwhile, Teaneck-based Cognizant provides IT and consulting services which are currently in great demand.

RETURNING TO A NEW NORMAL

When the stay-at-home order is lifted in New Jersey, businesses are unlikely to immediately return to normal operations and are expected to continue some level of social distancing based on the CDC guidelines for a phased reopening. Depending on the length of this new normal, **the following long-standing office market trends in Northern New Jersey will be disrupted.**

COMMON AREA AMENITIES

Demand for lounges, gyms and cafeterias, which have been top requirements of tenants in the market, may diminish especially if they end up being closed an extended period of time.

DENSE OPEN OFFICES

A preference for open concept office plans with high employee density is expected to reverse as companies look to practice social distancing.

URBANIZATION

Suburban offices, which have lost some appeal in recent years, may see renewed interest as companies in urban areas look to spread out and avoid mass transit.

While the ripple effects of business closures will weigh on Northern New Jersey office demand, they may be offset by a trend towards lower density as well as NYC firms looking for suburban offices in the wake of the pandemic.

Northern NJ Office Leasing By Industry
2017 to 2020



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MARK RUSSO

Research Manager
201.460.5114
mark.russo@ngkf.com

COLIN HYDE

Research Analyst
201.504.5134
colin.hyde@ngkf.com