

# Fall 2016

## Bergen County, New Jersey Report



97 Linden Avenue, Elmwood Park - NAI Hanson represented the seller

# Bergen County, New Jersey Fall 2016 Office Report

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The 3rd quarter office market in North Jersey continues to be a buyer's market as a confluence of four continuing events dominate market fundamentals pushing cap rates higher and sales per square foot lower. These four items, in no specific order, are due to the overabundance of legacy suburban B office buildings built in the 1970's and 1980's that were located off of various interstates and state highways away from public transportation options and suburban downtowns.

It must be said that there is a certain deniability component on the part of many office owners as much of this legacy space was considered "A" or "B+" office space in a different economic cycle 10-years ago. Secondly, the post-recession economy of 2009-2012 spawned the first major default/workout cycle since the S&L crisis of the late 1980's and early 1990's, which is still ongoing and should last into 2018/2019 and has materially changed the space needs of companies.

Perhaps the greatest effect on suburban office from a macro perspective in North Jersey is that office rents over a 28 year period are either unchanged or lower while operating expenses have increased 2.5-3 times over this same period putting downward pressure on net operating income.

Lastly, is the current sales environment where the historical stake holders in suburban office such as Pension Funds, REITS and private operators have become large net sellers of suburban markets as they reallocate their portfolios to CBD office in major markets, industrial and multi-family.

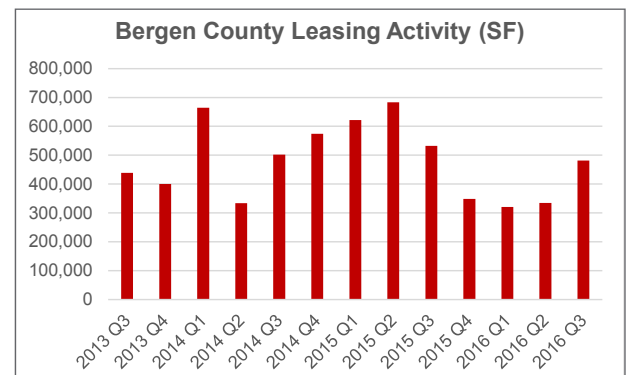
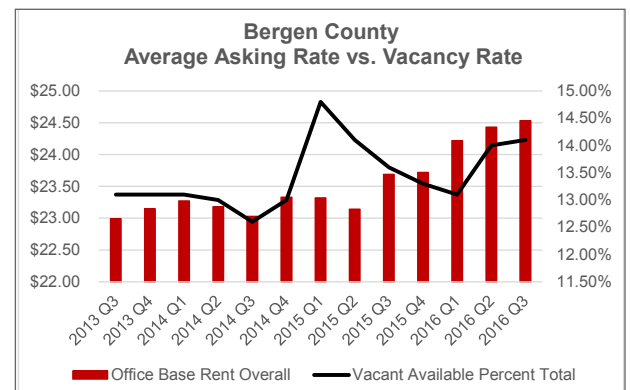
In our local market, we have seen such large office owners as Hartz Mountain and Mack-Cali sell, demolish or give back to lenders millions of square feet of suburban office. In the case of Hartz, they had over 10 million square feet of office in 2005. They now have 3 million square feet of office. This is a post-recession effect of the new economy, spawned by technological innovation as well as the needs and wants of the millennial workforce and their desire to embrace new urbanism. Millennials want work to reflect a lifestyle where the landscape embraces walkability, access to rail oriented mass transit, sustainability, health clubs and multiple food-drink options near where they live.

Going forward, it will take a public/private collaboration on the part of the various city, town, county and state government entities along with office owners to identify adaptive re-use and repurposing of these assets that can maintain or increase the real estate tax base while creating the kind of economic activity that increases jobs and brings our cities and towns back to life. By reducing the supply of legacy/functionally obsolescent office buildings, there will be an improvement in the supply-demand fundamentals for the remaining building stock that should have the net effect of stabilizing occupancy and improving the operating economics of these buildings.

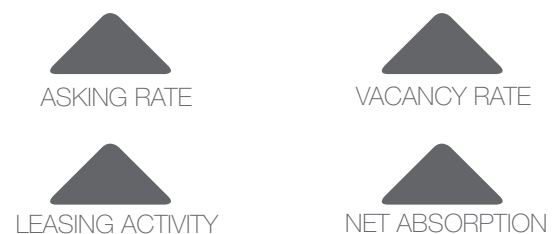
Class A&B



99 Bauer Drive, Oakland



## Trends for Fall'16



Trends compared to Summer'16

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## Submarket Clusters

### **Bergen North**

- North 17 Corridor
- North Central Bergen
- Palisades
- Upper Parkway
- Western Bergen

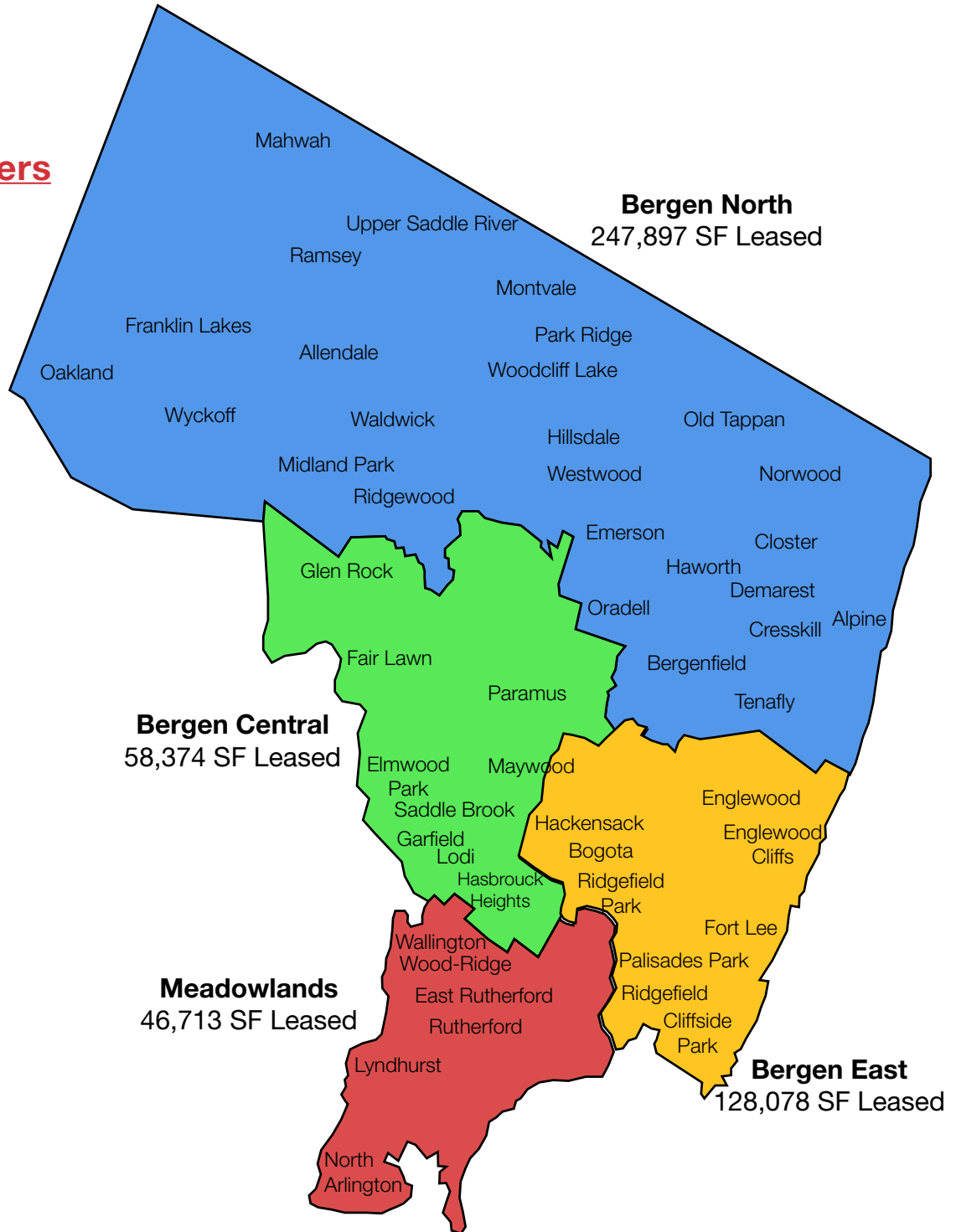
### **Bergen Central**

- Route 208 Corridor
- Route 4/17
- Route 46 Corridor

### **Bergen East**

- GW Bridge
- Hackensack
- Teaneck/Ridgefield

### **Meadowlands**



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Class A&B

## A Point to Consider:

Across the country, millennials are driving many changes to the office sector landscape. Their penchant for transit-oriented developments generates many challenges for the landlords in northern New Jersey's suburban markets. In these communities, it continues to be a tenant's market. Whether you are a landlord interested in selling an asset or a corporation looking for another location, please feel free to contact us to discuss how you can benefit from the current opportunities in the market.

## Submarket Overview:

Submarket	Total RBA SF	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption SF	Total SF Leased	Average Asking Rate PSF
Bergen County Overall	<b>32,335,006</b>	<b>4,564,168</b>	<b>14.1%</b>	<b>13,150</b>	<b>481,062</b>	<b>\$24.53</b>
Bergen North	11,270,966	1,585,911	14.1%	43,237	247,897	\$24.27
Bergen East	9,972,454	1,224,041	12.3%	-9,268	128,078	\$24.67
Bergen Central	7,728,316	1,115,840	14.4%	-38,581	58,374	\$24.67
Meadowlands	3,793,070	661,373	17.4%	-5,235	46,713	\$23.69

## Lease Transactions:

Tenant	Address	Size (SF)	Submarket
Jaguar Land Rover	10 Sharp Plaza, Mahwah	147,000	Bergen North
PFK O'Connor Davies	300 Tice Boulevard, Woodcliff Lake	41,529	Bergen North
Comprehensive Behavioral Healthcare, Inc.	25 East Salem Street, Hackensack	24,000	Bergen East

## Sale Transactions:

Address	Size (SF)	Price	Buyer	Seller
115-117 W Century Road, Paramus	300,260	\$35,200,000	Onyx Equities JV Garrison Investment Group	Cornerstone Real Estate Advisers
99 Bauer Drive, Oakland*	20,000	\$2,350,000	WSJ, II, LLC	99 Bauer Drive, LLC
97 Linden Avenue, Elmwood Park*	13,740	\$1,912,500	Pinnacle MRI Group	Kensington Associates LLC

\*NAI Hanson transaction