

1Q
2024
OFFICE
REPORT

Economic Overview



The U.S. economy remained remarkably strong during the first few months of 2024. Job growth has exceeded expectations as the unemployment rate has been under 4.0%. Employment gains have largely been in health care, government, food services, transportation and warehousing. Inflation, meanwhile, has eased and is well below the peak reached in June 2022. Although talk of a recession has dissipated, inflation remains above the Federal Reserve's target of 2.0%. The Fed has recently signaled that there could be as many as three interest rate cuts in 2024. A prolonged period of higher rates could begin to temper sales and put more strain on businesses as well as households.



After remaining below the national average, New Jersey's unemployment rate surpassed the U.S. rate in 2023 and has since hovered near 5.0% so far in 2024. Despite the increase in the unemployment rate, New Jersey's labor force continues to grow. The state added jobs primarily in health care, social assistance, government and hospitality. The professional and business services sector, however, has contracted while the financial sector has remained flat. New Jersey has experienced rising unemployment coupled with continued worker shortages in some industries—a dynamic which is likely to face the national economy in the coming quarters.

Market Overview

Many of the trends that occurred at the end of 2023 continued into the first three months of 2024. A flight to quality has helped to sustain the market as active tenants look to upgrade their space by relocating to Class A and trophy properties. The flight to quality has resulted in more availability and increased pressure on Class B and C buildings. The number of renewals also increased during the quarter as landlords aggressively look to secure occupancy of existing tenants. Another factor influencing location decision is employee preference. As companies seek to have workers back in the office, they are looking for buildings that offer onsite amenities in prime locations with access to local area retail, restaurants and shopping.

Changes in average asking rents have been minimal, so in order to stay competitive, landlords are under pressure to offer generous concession packages, including longer periods of free rent and higher TI allowances. The abundance of high-quality sublease space continues to be another complicating factor for landlords. Many sublease offerings currently on the market are long-term leases and offer benefits such as existing furniture, phone systems and other upgrades.



Market Pricing

Overall average asking rents were up from \$29.30 at the end of 2023, to \$30.35 per square foot at the end of the first quarter. Class A rates closed the quarter at \$32.07, up from \$31.06 at the same time last year as higher priced sublease space pushed the rate higher year-over-year.



\$30.35 PSF
Asking Rental Rate

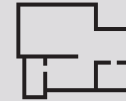


.3%
Increase versus
1Q 2023

Prices remain highest in the Hudson Waterfront submarket, with Class A rates averaging just over \$40.00 per square foot, closing the quarter at \$40.87, followed by the Woodbridge/Metro Park submarket at \$38.83.

Vacancy, Absorption & Leasing

1Q2024 vs.1Q2023



27.9%
Vacancy Rate



-1.7 MSF
Absorption



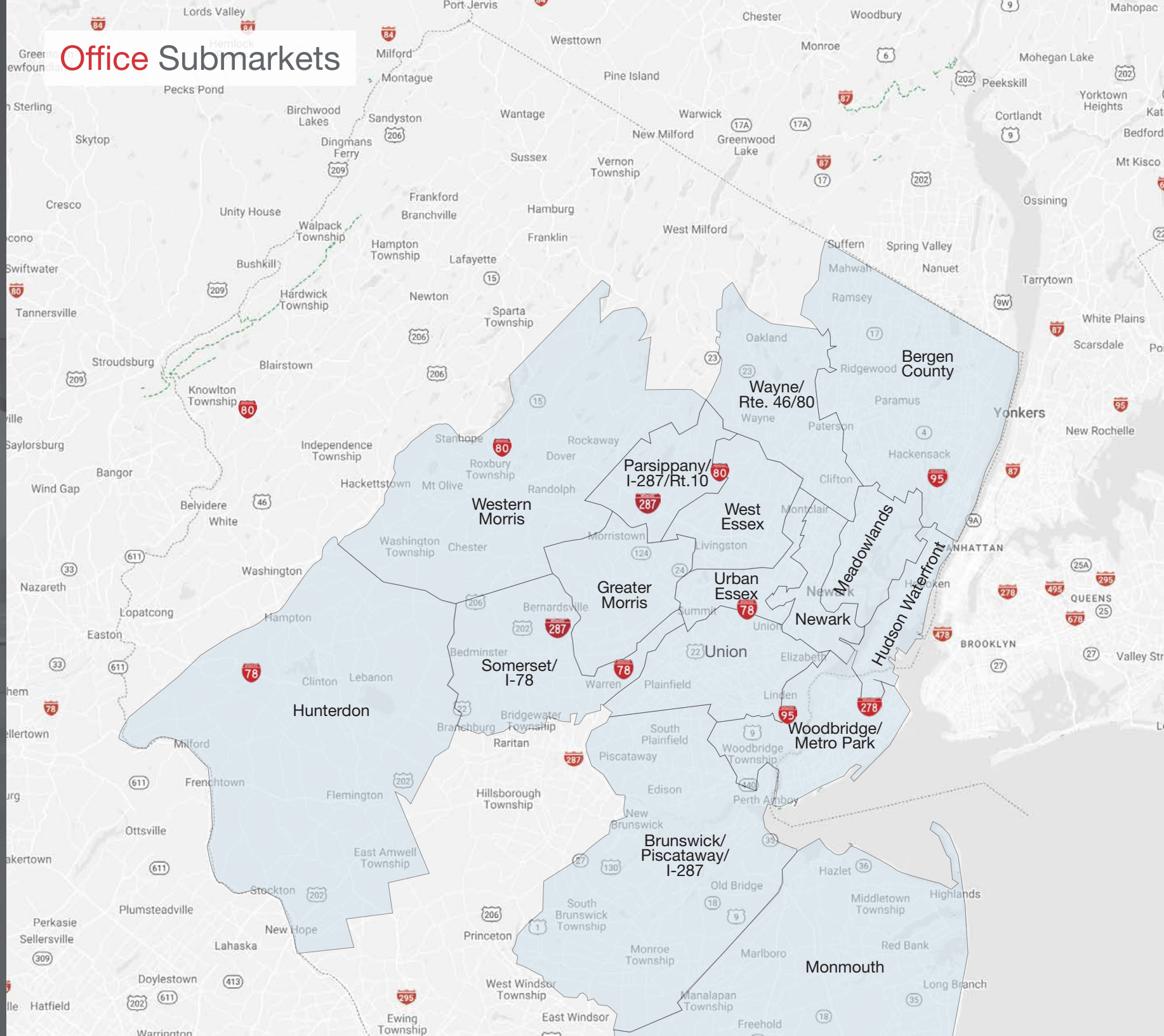
1.2 M SF
Leasing Activity



Total leasing activity measured 1.2 million square feet during the quarter and was up slightly from the same period last year. Absorption meanwhile remained in negative territory for the eighth straight quarter as the amount of space coming onto the market outpaced leasing activity. Sublease space continues to be a factor in the market with more than 4.3 million square feet available.

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Office Submarkets



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Market Statistics

Class A & B	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	Average Asking Rate
Overall Class A & B	111,000,374	30,998,573	27.9%	(1,784,792)	1,249,210	\$30.35
Bergen County	14,333,672	2,747,416	19.2%	(56,002)	142,365	\$26.97
Brunswick/Piscataway/I-287	10,855,092	3,529,801	32.5%	(324,019)	94,723	\$26.78
Hudson Waterfront	16,366,822	5,099,049	31.2%	(92,100)	153,921	\$40.26
Hunterdon	2,251,954	1,343,475	59.7%	3,403	28,247	\$24.03
Meadowlands	4,825,253	875,677	18.1%	(84,036)	106,749	\$30.21
Greater Morris	7,432,452	1,505,585	20.3%	20,997	85,389	\$31.09
Monmouth	5,458,213	984,379	18.0%	41,276	142,538	\$25.40
Morris West/I-80	818,595	233,342	28.5%	51,757	54,627	\$25.58
Newark	7,338,025	1,755,111	23.9%	(5,541)	57,547	\$30.97
Urban Essex	1,290,096	107,772	8.4%	(9,667)	12,533	\$25.58
Parsippany/I-287/Rt. 10	10,395,451	3,511,306	33.8%	(346,333)	116,658	\$27.03
Somerset/I-78	11,191,003	4,315,302	38.6%	(875,825)	117,979	\$30.09
Union	2,500,407	795,734	31.8%	(3,150)	22,198	\$26.10
Wayne/Rt. 80	2,366,902	617,525	26.1%	(30,932)	2,950	\$20.88
West Essex/Rt. 24	7,407,779	2,524,752	34.1%	(55,648)	64,838	\$30.17
Woodbridge/Metro Park	6,168,658	1,052,347	17.1%	(18,972)	45,948	\$36.93

Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

Market Statistics

CLASS A	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class A	77,482,620	22,566,629	29.1%	(1,483,781)	830,818	\$32.07
Bergen County	8,581,265	1,730,454	20.2%	(38,009)	75,533	\$27.45
Brunswick/Piscataway/I-287	6,270,490	1,994,432	31.8%	(66,366)	55,115	\$28.04
Hudson Waterfront	14,925,861	4,584,556	30.7%	(103,184)	141,443	\$40.87
Hunterdon	1,329,098	979,978	73.7%	856	24,475	\$25.09
Meadowlands	3,326,374	597,643	18.0%	(77,080)	93,074	\$32.50
Greater Morris	6,292,882	1,212,873	19.3%	23,194	67,568	\$32.07
Monmouth	3,460,863	483,178	14.0%	30,176	102,372	\$27.65
Morris West/I-80	414,059	178,924	43.2%	40,669	42,058	\$26.90
Newark	4,438,265	1,349,080	30.4%	20,636	22,540	\$31.07
Urban Essex	849,978	39,045	4.6%	(7,677)	10,183	\$29.29
Parsippany/I-287/Rt. 10	6,578,579	2,565,932	39.0%	(361,657)	2,124	\$28.88
Somerset/I-78	8,378,418	3,336,364	39.8%	(870,506)	104,805	\$30.94
Union	883,332	203,901	23.1%	(7,922)	10,107	\$28.99
Wayne/Rt. 80	1,594,686	498,000	31.2%	(31,762)	2,000	\$20.58
West Essex/Rt. 24	5,052,868	1,910,805	37.8%	(35,957)	34,840	\$31.56
Woodbridge/Metro Park	5,105,602	901,464	17.7%	808	42,581	\$38.83

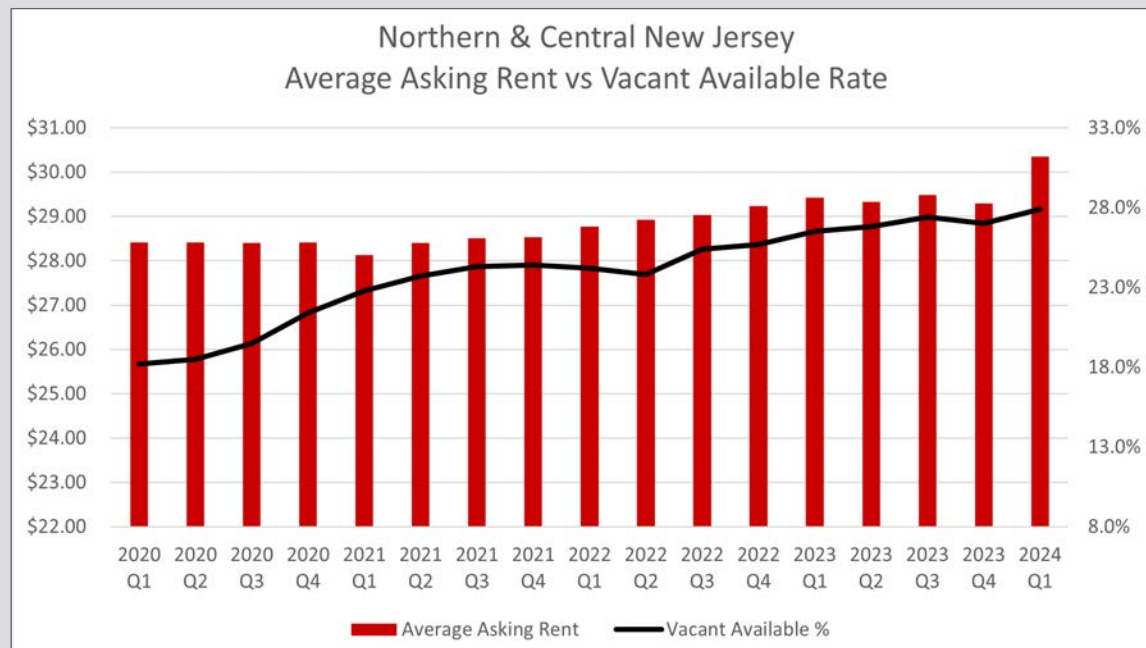
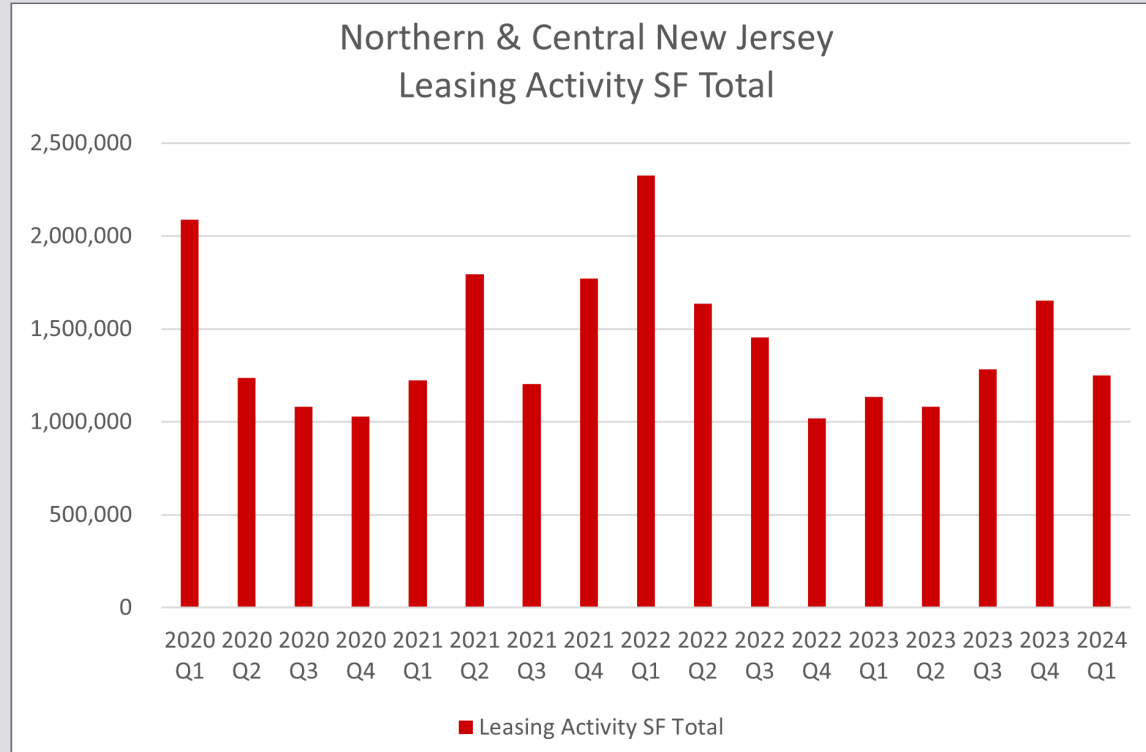
Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

Market Statistics

CLASS B	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class B	33,517,754	8,431,944	25.2%	(301,011)	418,392	\$25.76
Bergen County	5,752,407	1,016,962	17.7%	(17,993)	66,832	\$26.14
Brunswick/Piscataway/I-287	4,584,602	1,535,369	33.5%	(257,653)	39,608	\$25.14
Hudson Waterfront	1,440,961	514,493	35.7%	11,084	12,478	\$34.81
Hunterdon	922,856	363,497	39.4%	2,547	3,772	\$21.19
Meadowlands	1,498,879	278,034	18.5%	(6,956)	13,675	\$25.30
Greater Morris	1,139,570	292,712	25.7%	(2,197)	17,821	\$27.01
Monmouth	1,997,350	501,201	25.1%	11,100	40,166	\$23.24
Morris West/I-80	404,536	54,418	13.5%	11,088	12,569	\$21.22
Newark	2,899,760	406,031	14.0%	(26,177)	35,007	\$30.63
Urban Essex	440,118	68,727	15.6%	(1,990)	2,350	\$23.48
Parsippany/I-287/Rt. 10	3,816,872	945,374	24.8%	15,324	114,534	\$22.00
Somerset/I-78	2,812,585	978,938	34.8%	(5,319)	13,174	\$27.18
Union	1,617,075	591,833	36.6%	4,772	12,091	\$25.11
Wayne/Rt. 80	772,216	119,525	15.5%	830	950	\$22.11
West Essex/Rt. 24	2,354,911	613,947	26.1%	(19,691)	29,998	\$25.85
Woodbridge/Metro Park	1,063,056	150,883	14.2%	(19,780)	3,367	\$25.58

Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

Submarket Activity



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Submarket Activity

Hudson Waterfront



Bergen County



Brunswick/Piscataway



Parsippany 287



Somerset/78



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Top Sale Transactions



977,225 SF
5 Harborside Plaza
Jersey City

Price: \$85,000,000
Buyer: 601W Companies
Seller: Veris Residential



226,142 SF
20 Waterview Boulevard
Parsippany

Price: \$16,750,000
Buyer: Marotta
Seller: Vision RE Partners



210,000 SF
1085 Morris Avenue
Union

Price: \$28,000,000
Buyer: Kean University
Seller: Call Futures/John Kean



40,000 SF
115 Christopher Columbus Drive
Jersey City

Price: \$12,500,000
Buyer: Arlene Simpson
Seller: Hudson Equities

Top Lease Transactions



142,916 SF
100 Middlesex Turnpike
Iselin
Tenant: Hackensack Meridian Health



135,476 SF
777 Scudders Mill Road
Plainsboro
Tenant: Genmab



126,678 SF
300 Warren Corporate Center Drive
Bridgewater
Tenant: Regeneron



124,563 SF
500 Plaza Drive
Secaucus
Tenant: The Children's Place (Renewal)

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