



Economic Overview

The U.S. economy remained remarkably resilient during the first half of the year despite the ongoing challenges of continuing high inflation and the unknowns of future interest rates. There were 209,000 jobs added in June, less than most

expectations. Although the labor market remains strong, there are subtle signs that the job market may be slowing. In May, the unemployment rate was 3.7%--reaching a seven-month high. The rate receded in June to 3.6%. With the concerns that the labor market may be easing, the Federal Reserve did not raise interest rates in June.

The economy of New Jersey mirrored national trends with the unemployment rate remaining in the 3.4-3.6% range through mid-year. The rate in New Jersey has historically reached a record high of 15.3% in May of 2020 and a record low of 3.0% in August of 2022.

Job gains over the last 12 months were in education and health services, leisure and hospitality, trade, transportation and utilities and manufacturing.

Market Overview

The NJ office overall vacancy rate has hovered in the 26.0% range for the last few quarters. Despite the minor fluctuations in the vacancy rate, the office market is still facing major headwinds, with an irregular 'return to office' for employees, rising interest rates and mounting layoffs in the tech, financial and other sectors. Many tenants currently in the market are looking to consolidate or reduce their footprints to accommodate hybrid work models, while landlords are offering more generous concession packages to attract occupiers.

Activity in the New Jersey office market is being sustained largely by a flight to quality as tenants look to take advantage of current market conditions and are moving from Class B properties to trophy and Class A assets. Well-located buildings with modern amenities are seeing the most interest from tenants. The availability of high-quality sublease space is further complicating pricing for landlords looking to capture or maintain tenants.





Market Pricing

Overall average asking rents finished the first half of the year at \$27.67 per square foot. Pricing has remained relatively stable since early 2021, hovering between \$27.00 and \$28.00. Pricing in Class A properties closed at \$28.83, while Class B rates are averaging just over \$24.00 per square foot.



\$27.67 PSFAsking Rental Rate



1.0% Decrease versus 20 2022

There is wide disparity in asking rents between submarkets, with the Hudson Waterfront averaging near \$40.00 per square foot and Hunterdon closing at just over \$13.00. While asking rates have been mostly stable, net effective rents have shifted as periods of free rent and tenant improvement allowances have risen.

Vacancy, Absorption & Leasing

2Q2023 vs.2Q2022



26.8% Vacancy Rate





-1.6MSF Absorption

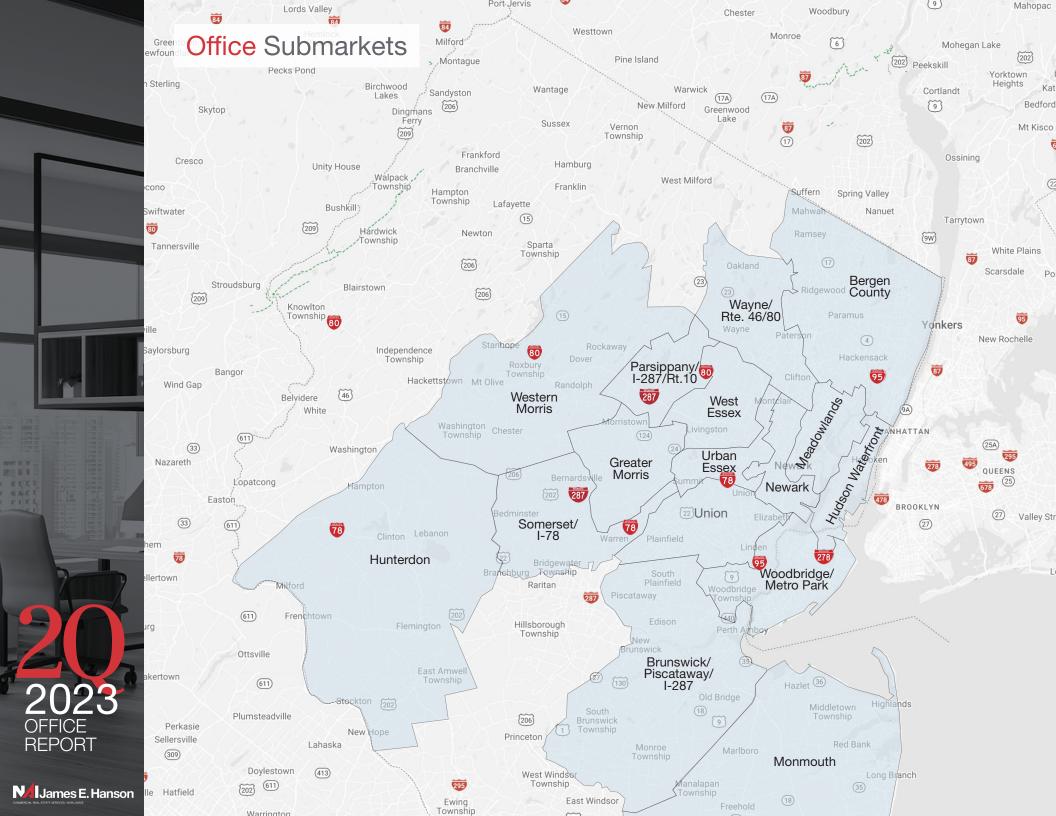




2.1M SFLeasing Activity



Total leasing activity measured 1.8 million square feet during through the first half of 2023 and was off considerably from the same time last year. Absorption levels remained in negative territory as the amount of space coming onto the market outpaced leasing activity. Sublease space continues to be a factor in the market with nearly 5.0 million square feet available.





Market Statistics

Class A & B	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	Total Aver- age Asking Rate
Overall Class A & B	108,557,939	29,095,493	26.8%	(2,166,905)	1,818,441	\$27.67
Bergen County	13,116,993	2,588,522	19.7%	(264,923)	305,770	\$25.33
Brunswick/Piscataway/I-287	10,079,756	3,149,036	31.2%	(120,321)	159,614	\$24.26
Hudson Waterfront	16,683,816	4,507,085	27.0%	(526,956)	180,521	\$39.98
Hunterdon	2,236,570	1,446,806	64.7%	(475)	22,890	\$13.03
Meadowlands	4,567,961	668,914	14.6%	(131,974)	27,999	\$27.83
Greater Morris	7,745,244	1,555,503	20.1%	(178,859)	141,140	\$28.88
Monmouth	5,736,609	1,011,349	17.6%	(45,921)	130,177	\$23.48
Morris West/I-80	742,377	265,765	35.8%	68,601	13,213	\$23.30
Newark	6,099,938	1,586,792	26.0%	(45,920)	46,540	\$29.81
Urban Essex	1,416,594	138,130	9.8%	(5,176)	37,612	\$25.50
Parsippany/I-287/Rt. 10	10,540,521	3,531,661	33.5%	(103,940)	125,649	\$24.51
Somerset/I-78	11,592,639	4,242,024	36.6%	(227,367)	173,792	\$27.11
Union	2,104,760	425,886	20.2%	(34,445)	32,931	\$24.90
Wayne/Rt. 80	2,440,423	644,829	26.4%	(93,186)	17,369	\$20.68
West Essex/Rt. 24	7,141,731	2,296,888	32.2%	(342,649)	176,226	\$27.87
Woodbridge/Metro Park	6,312,007	1,036,303	16.4%	(113,394)	226,998	\$29.11

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	78,947,294	21,996,467	27.9%	(1,089,270)	1,291,390	\$28.83
Bergen County	7,980,126	1,603,529	20.1%	(17,899)	191,512	\$25.99
Brunswick/Piscataway/I-287	5,966,473	1,925,442	32.3%	41,176	152,061	\$25.58
Hudson Waterfront	15,148,205	4,149,370	27.4%	(525,234)	152,094	\$40.38
Hunterdon	1,748,098	1,390,079	79.5%	(8,428)	12,200	\$12.82
Meadowlands	2,989,006	374,062	12.5%	(44,550)	20,464	\$29.85
Greater Morris	6,699,525	1,272,226	19.0%	(103,413)	99,218	\$29.80
Monmouth	3,402,567	486,469	14.3%	67,402	90,294	\$26.05
Morris West/I-80	414,059	200,674	48.5%	73,047	5,725	\$24.38
Newark	4,750,265	1,348,984	28.4%	(63,542)	11,336	\$29.43
Urban Essex	976,476	60,869	6.2%	2,251	37,612	\$29.95
Parsippany/I-287/Rt. 10	7,248,649	2,591,826	35.8%	(63,130)	51,805	\$25.87
Somerset/I-78	9,321,525	3,369,102	36.1%	(119,736)	144,438	\$28.19
Union	801,532	249,643	31.1%	5,628	16,227	\$26.33
Wayne/Rt. 80	1,508,979	515,767	34.2%	(87,706)	17,109	\$21.11
West Essex/Rt. 24	4,933,059	1,625,256	32.9%	(144,990)	102,017	\$28.65
Woodbridge/Metro Park	5,058,750	833,169	16.5%	(100,146)	187,278	\$28.25

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



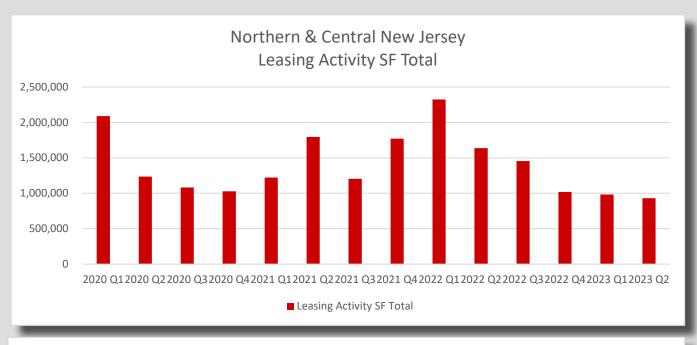
Market Statistics

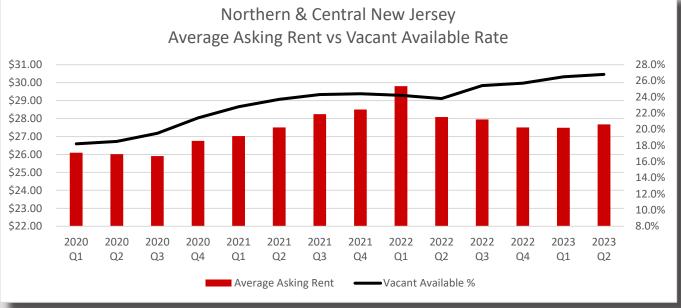
CLASS B	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class B	29,610,645	7,099,026	24.0%	(1,077,635)	527,051	\$24.08
Bergen County	5,136,867	984,993	19.2%	(247,024)	114,258	\$24.26
Brunswick/Piscataway/I-287	4,113,283	1,223,594	29.7%	(161,497)	7,553	\$22.19
Hudson Waterfront	1,535,611	357,715	23.3%	(1,722)	28,427	\$35.35
Hunterdon	488,472	56,727	11.6%	7,953	10,690	\$18.21
Meadowlands	1,578,955	294,852	18.7%	(87,424)	7,535	\$25.27
Greater Morris	1,045,719	283,277	27.1%	(75,446)	41,922	\$24.76
Monmouth	2,334,042	524,880	22.5%	(113,323)	39,883	\$21.10
Morris West/I-80	328,318	65,091	19.8%	(4,446)	7,488	\$19.96
Newark	1,349,673	237,808	17.6%	17,622	35,204	\$31.95
Urban Essex	440,118	77,261	17.6%	(7,427)	-	\$22.00
Parsippany/I-287/Rt. 10	3,291,872	939,835	28.6%	(40,810)	73,844	\$20.75
Somerset/I-78	2,271,114	872,922	38.4%	(107,631)	29,354	\$22.92
Union	1,303,228	176,243	13.5%	(40,073)	16,704	\$22.88
Wayne/Rt. 80	931,444	129,062	13.9%	(5,480)	260	\$18.95
West Essex/Rt. 24	2,208,672	671,632	30.4%	(197,659)	74,209	\$25.99
Woodbridge/Metro Park	1,253,257	203,134	16.2%	(13,248)	39,720	\$32.62

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

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Submarket Activity





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Submarket Activity

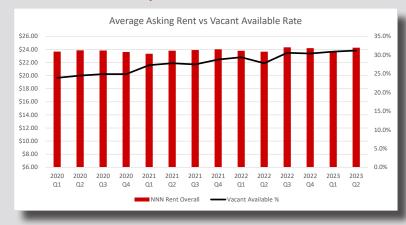
Hudson Waterfront



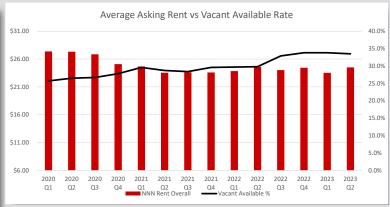
Bergen County



Brunswick/Piscataway

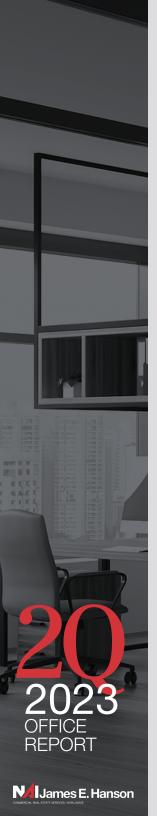


Parsippany 287



Somerset/78





Top Transactions

Top Sale Transactions

120,623 SF

10 Independence Blvd., Warren
Price: \$22,500
Buyer: Signature Acquisitions
Seller: David Elkouby, American Equity Partners

120,000 SF

161-163 Madison Ave., Morristown Price: \$21,500,000 Buyer: Pentaurus Real Estate Inv. Seller: Silverman Group

245,941 SF

100 Fidelity Plaza, N. Brunswick Price: \$14,840,000 Buyer: Seagis Property Group Seller: Satyakumar Bhavanasi

51,828 SF

909 Broad Street, Newark Price: \$13,257,500 Buyer: Benjamin Carson Seller: Goldman Sachs, RBH Group

Top LEASE Transactions

407,000 SF

2 Gateway, Newark Tenant: NJ Transit

131,000 SF

194 Wood Ave. S., Iselin Tenant: Wells Fargo

53,986 SF

305 Madison Ave., Morristown Tenant: Spisel

50,000 SF

440 Route 22 E., Bridgewater Tenant: Mallinckrodt

40,372 SF

1 Tower Center Blvd, East Brunswick Tenant: HCL



2022 NAI Hanson Office Transactions 58 Transactions uxedo Park 336,000+ SF-Leased/Sold West Milford Transaction Value Suffern Monsey Mahwah Nanuet Ramsey √Sparta Oakland Blairstown Ridgewood nship 80 Paramus **Yonkers** Rockaway Montclair White MANHATTAN Washington Newark Great Swamp National **New York** Refuge Bedminster Elizabeth Clinton Lebanon Warren Plainfield Branchburg Township South Plainfield Piscataway chtown Edison Hillsborough Perth Amboy Brunswick James E. Hanson

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