

3Q
2023
OFFICE
REPORT

Economic Overview



Earlier in the year there were fears that the U.S. economy would slip into recession given high inflation and a tight labor market, but the economy has remained resilient and is now poised for a “soft landing”. Moderation in job and wage growth are positive indicators and inflation is down significantly from the peak in June 2022. Throughout much of the third quarter the U.S. unemployment rate hovered between 3.5% and 3.8%. Job growth is strongest in health care, leisure and hospitality, social assistance and construction. Possible headwinds facing the economy during the last quarter of the year include a decrease in consumer spending, a slowing job market and further interest rate hikes.



After several months of remaining below the national unemployment rate, the New Jersey unemployment rate jumped to 4.2% at the end of the summer, from 3.0% one year ago. While the overall unemployment rate is up the Garden State is still at historically high numbers for both employers and workers according the NJ Department of Labor and Workforce Development. Job gains occurred in seven of the nine major private-sector categories, led by professional and business services and education and health care.

Market Overview

Overall trends remained the same in the New Jersey office market during the third quarter as the vacancy rate ticked up to 27.4%, from 25.4% at the same time last year. The office market has faced major obstacles over the last three years. The transition to hybrid work models has led to smaller square footage requirements for tenants currently in the market. Employers are seeking highly amenitized space in prime locations to satisfy workers’ preferences. As a result, activity is being sustained largely by a flight to quality as tenants look to upgrade their space from Class B properties to trophy and Class A assets. Space in Class B properties meanwhile is being leased by quasi-medical tenants coming from smaller retail and industrial spaces.

Fluctuations in average asking rents has been minimal but there is pressure on landlords to offer generous concession packages, including longer periods of free rent and higher TI allowances to stay competitive. The availability of high-quality sublease space is further challenging pricing for landlords looking to capture or maintain tenants.



Market Pricing

Overall average asking rents were nearly stationary year-over-year finishing the third quarter at \$27.83 per square foot. Pricing has been in the mid \$27.00-per square foot range for the last five quarters. Class A rates moved slightly higher on the year, closing at \$29.28, from \$28.31 last year.



\$27.83 PSF
Asking Rental Rate



.4%
Increase versus
3Q 2022

The highest priced submarket is the Hudson Waterfront where average Class A rates are still averaging over \$40.00 per square foot. While asking rates have been mostly stable, generous concession packages have influenced net effective rents as landlords try to attract tenants currently in the market.

Vacancy, Absorption & Leasing

3Q2023 vs.3Q2022



27.4%
Vacancy Rate



-1.1MSF
Absorption



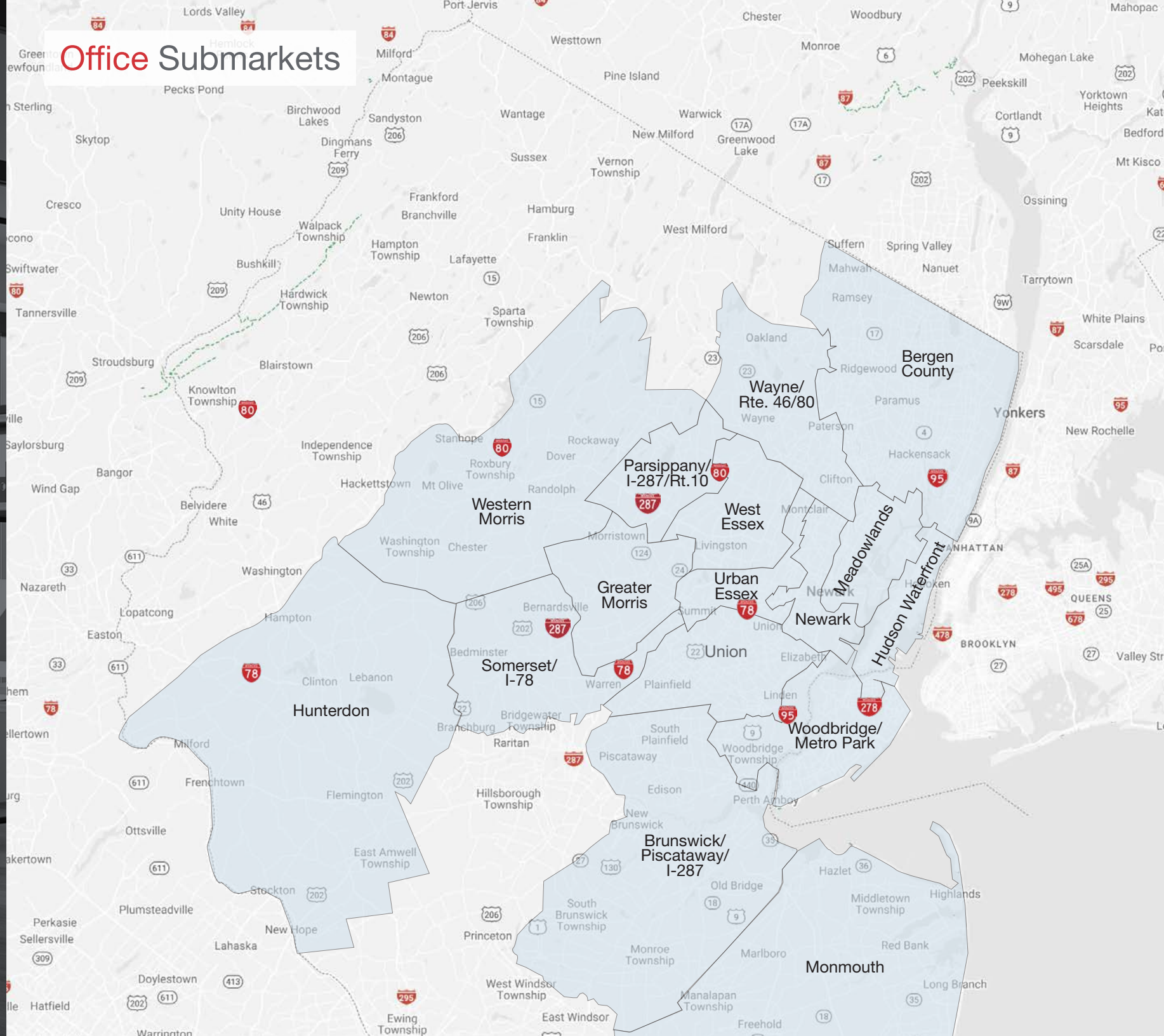
1.1M SF
Leasing Activity



Total leasing activity measured 3.2 million square feet during through the third quarter and is off from more than 5.0 million square feet over 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 4.6 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	Total Average Asking Rate
Overall Class A & B	107,207,370	29,328,781	27.4%	(3,109,800)	2,865,043	\$27.67
Bergen County	12,966,502	2,543,116	19.6%	(188,338)	490,950	\$25.33
Brunswick/Piscataway/I-287	10,181,663	3,189,780	31.3%	(167,385)	325,445	\$24.26
Hudson Waterfront	16,672,092	4,723,944	28.3%	(738,804)	254,694	\$39.98
Hunterdon	2,272,439	1,450,945	63.8%	7,386	33,811	\$13.03
Meadowlands	4,619,930	800,214	17.3%	(269,675)	38,023	\$27.83
Greater Morris	7,679,469	1,606,241	20.9%	(241,547)	172,851	\$28.88
Monmouth	5,177,380	967,891	18.7%	(52,185)	237,970	\$23.48
Morris West/I-80	703,595	256,607	36.5%	58,408	33,987	\$23.30
Newark	5,611,887	1,440,257	25.7%	(60,528)	112,797	\$29.81
Urban Essex	1,416,594	155,113	10.9%	(24,500)	66,151	\$25.50
Parsippany/I-287/Rt. 10	10,713,019	3,477,764	32.5%	(92,235)	174,796	\$24.51
Somerset/I-78	11,165,353	3,778,358	33.8%	(134,017)	328,830	\$27.11
Union	2,493,428	729,481	29.3%	(337,865)	53,107	\$24.90
Wayne/Rt. 80	2,371,869	659,608	27.8%	(135,766)	32,633	\$20.68
West Essex/Rt. 24	7,117,980	2,471,959	34.7%	(523,645)	250,265	\$27.87
Woodbridge/Metro Park	6,044,170	1,077,503	17.8%	(209,104)	258,733	\$29.11

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

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CLASS A	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class A	78,306,169	21,846,618	27.9%	(1,314,504)	2,007,982	\$27.72
Bergen County	8,051,293	1,656,989	20.6%	68,733	304,052	\$25.77
Brunswick/Piscataway/I-287	6,169,526	1,917,892	31.1%	72,942	278,195	\$25.71
Hudson Waterfront	15,121,788	4,377,831	29.0%	(729,726)	222,029	\$40.05
Hunterdon	1,748,098	1,382,834	79.1%	10,817	23,121	\$12.82
Meadowlands	2,993,977	432,564	14.4%	(102,852)	20,464	\$31.24
Greater Morris	6,633,750	1,256,604	18.9%	(105,135)	128,611	\$29.32
Monmouth	3,299,959	472,296	14.3%	77,686	157,459	\$24.84
Morris West/I-80	414,059	201,091	48.6%	54,952	23,403	\$24.30
Newark	4,300,265	1,173,364	27.3%	(58,564)	93,535	\$31.17
Urban Essex	976,476	80,129	8.2%	(19,350)	64,375	\$39.00
Parsippany/I-287/Rt. 10	7,462,885	2,506,459	33.6%	20,868	59,858	\$25.50
Somerset/I-78	9,061,086	2,953,776	32.6%	(18,822)	234,840	\$28.22
Union	828,272	248,893	30.0%	6,378	19,977	\$26.25
Wayne/Rt. 80	1,524,653	493,296	32.4%	(83,336)	32,373	\$19.40
West Essex/Rt. 24	4,929,169	1,824,310	37.0%	(319,225)	129,022	\$29.03
Woodbridge/Metro Park	4,790,913	868,290	18.1%	(189,870)	216,668	\$36.41

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

Market Statistics

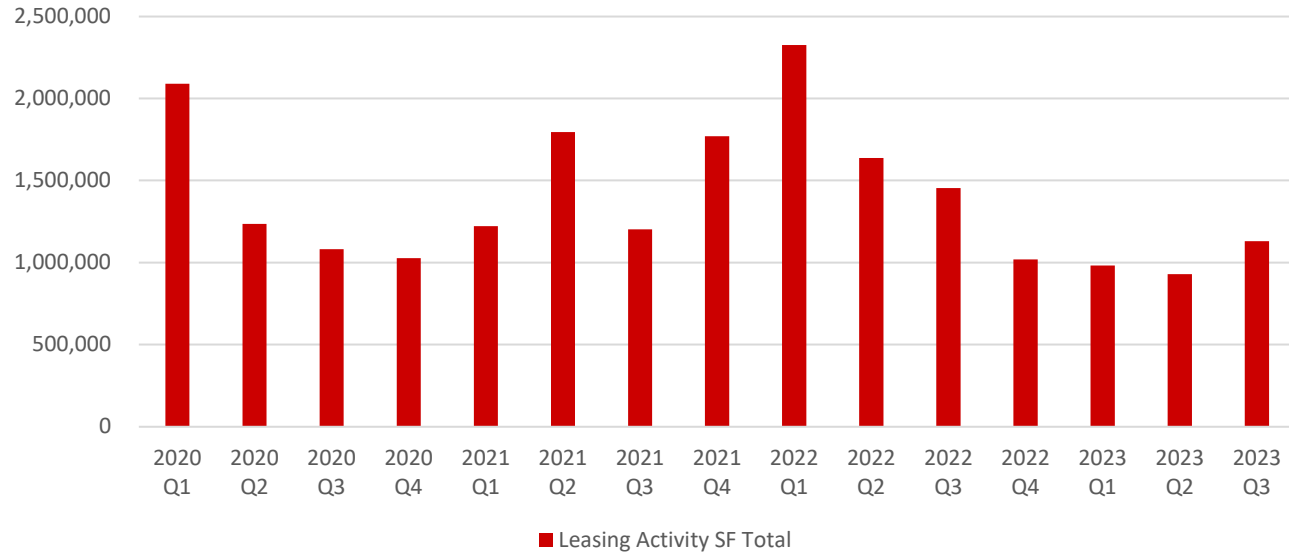
CLASS B	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class B	28,901,201	7,482,163	25.9%	(1,795,296)	857,061	\$24.08
Bergen County	4,915,209	886,127	18.0%	(257,071)	186,898	\$24.46
Brunswick/Piscataway/I-287	4,012,137	1,271,888	31.7%	(240,327)	47,250	\$22.29
Hudson Waterfront	1,550,304	346,113	22.3%	(9,078)	32,665	\$35.07
Hunterdon	524,341	68,111	13.0%	(3,431)	10,690	\$18.62
Meadowlands	1,625,953	367,650	22.6%	(166,823)	17,559	\$24.63
Greater Morris	1,045,719	349,637	33.4%	(136,412)	44,240	\$24.77
Monmouth	1,877,421	495,595	26.4%	(129,871)	80,511	\$18.83
Morris West/I-80	289,536	55,516	19.2%	3,456	10,584	\$20.44
Newark	1,311,622	266,893	20.3%	(1,964)	19,262	\$30.66
Urban Essex	440,118	74,984	17.0%	(5,150)	1,776	\$21.29
Parsippany/I-287/Rt. 10	3,250,134	971,305	29.9%	(113,103)	114,938	\$20.54
Somerset/I-78	2,104,267	824,582	39.2%	(115,195)	93,990	\$21.43
Union	1,665,156	480,588	28.9%	(344,243)	33,130	\$22.36
Wayne/Rt. 80	847,216	166,312	19.6%	(52,430)	260	\$19.25
West Essex/Rt. 24	2,188,811	647,649	29.6%	(204,420)	121,243	\$25.93
Woodbridge/Metro Park	1,253,257	209,213	16.7%	(19,234)	42,065	\$32.93

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

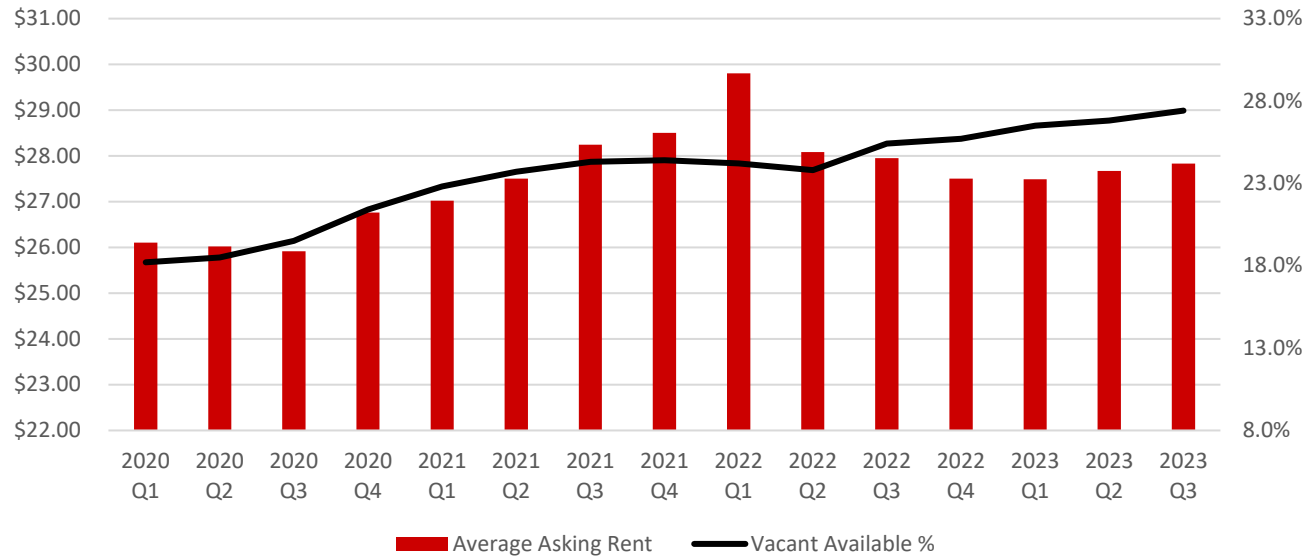
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Submarket Activity

Northern & Central New Jersey Leasing Activity SF Total



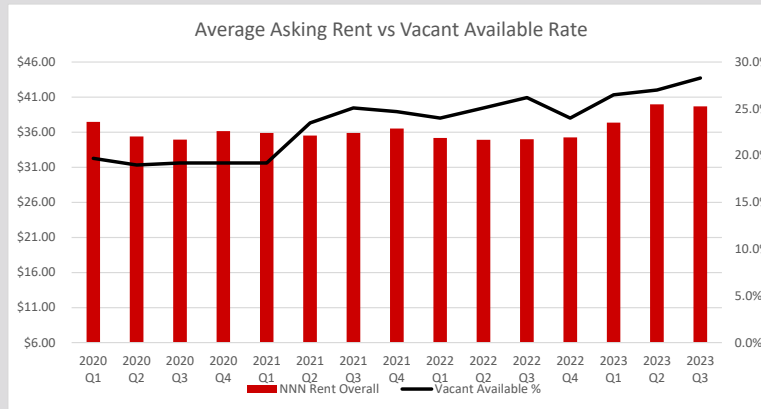
Northern & Central New Jersey Average Asking Rent vs Vacant Available Rate



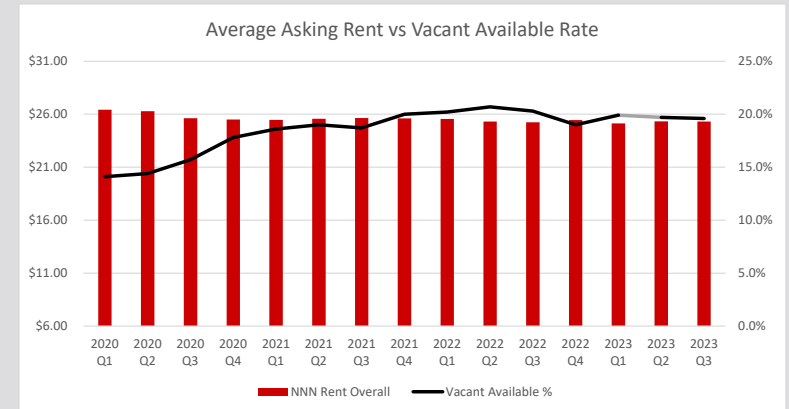
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Submarket Activity

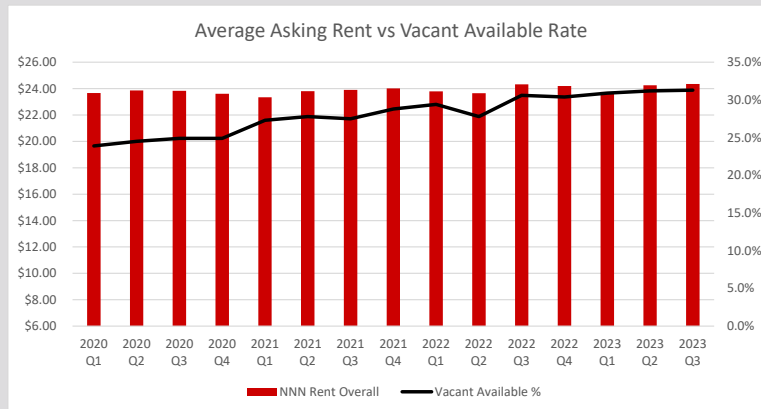
Hudson Waterfront



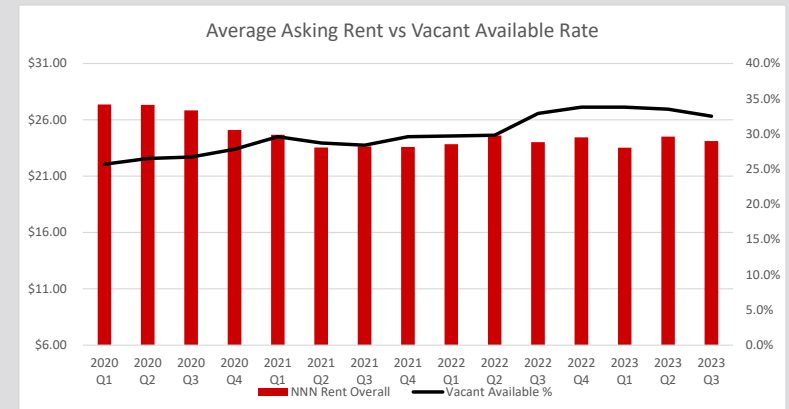
Bergen County



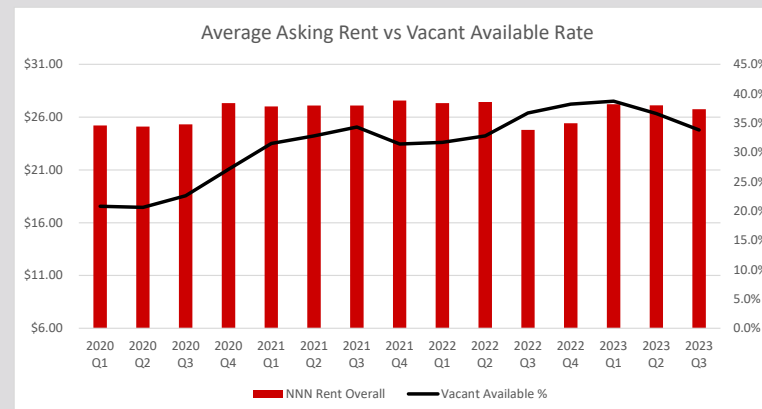
Brunswick/Piscataway



Parsippany 287



Somerset/78



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Top Transactions

Top Sale Transactions

120,000 SF (6 Bldgs.)
1090 King Georges Post Rd, Edison
\$49,750,000
Buyer: Federal Business Centers
Seller: BCE Associates, LP

119,089 SF
5 Paragon Drive, Montvale
\$14,700,000
Buyer: Exclusive Management
Seller: Nessel Development

30,000 SF
7 Audrey Place, Fairfield
\$5,973,333
Buyer: NM MW LP
Seller: Matthew Warren, Inc

13,136 SF
391 Valley Street, S. Orange
\$4,000,000
Buyer: Dana M. Kearny
Seller: SFC RE, LLC

Top LEASE Transactions

63,970 SF
5 Becker Farm Rd., Roseland
Tenant: Carella Byrne Law Firm

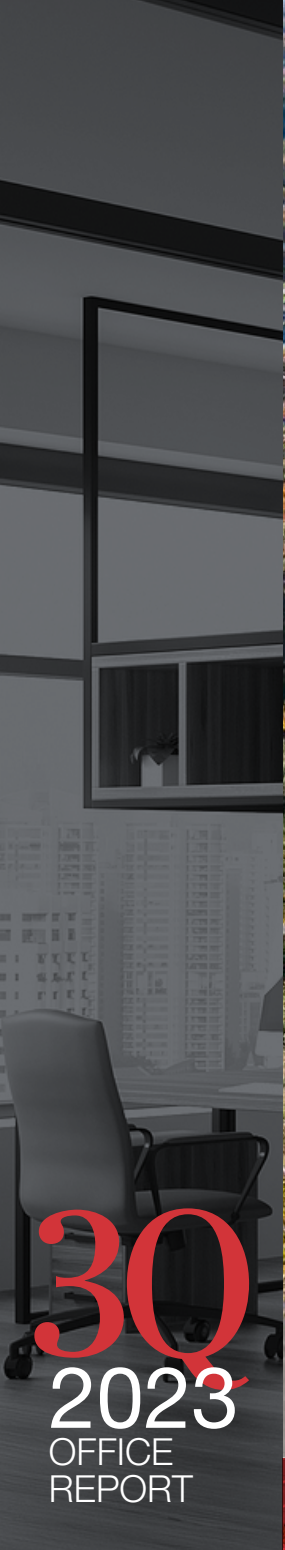
40,000 SF
Waterfront Corp. Ctr. III Hoboken
Tenant: Hain Celestial Group

29,000 SF
500 Frank W Burr Blvd. Teaneck
Tenant: Hanwha Vision America (Renewal/Expansion)

50,000 SF
440 Route 22 E., Bridgewater
Tenant: Mallinckrodt

24,422 SF
200 Broadacres Drive,
Bloomfield
Tenant: Dewberry (Renewal)

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