

M James E. Hanson

Economic Overview

Throughout 2023 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—inflation has eased, and job growth continues to outpace expectations.

After reaching a high of over 9.0% in June 2022, inflation has hovered in the 3.0% range for the last few months. The job market continues to perform remarkably well, with the unemployment rate hovering between 3.5% and 3.9% for much of the last two years. Possible headwinds facing the economy heading into 2024 include a decrease in consumer spending, a slowing job market and any further geopolitical issues.

The New Jersey unemployment rate rose sharply in 2023 after remaining at or below the national average for much of 2022. At the beginning of 2023, the unemployment rate was 3.4%, but surpassed 4.5% as the year ended. New Jersey's labor force keeps growing, however, with the state adding more than 90,000 jobs in 2023. Healthcare and social assistance, government, and leisure and hospitality had the most job gains, while business and professional services industry had the most losses.

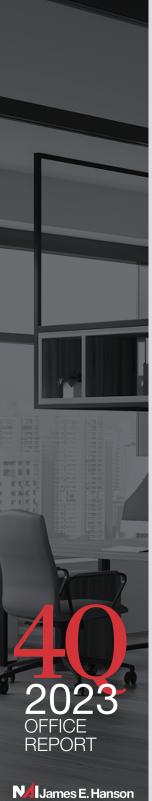
Market Overview

Many of the overall trends that characterized the New Jersey Office Market during the early part of the year, continued as the fourth quarter drew to a close. Overall, vacancy moved higher and asking rents saw little movement, but (yet) some bright spots continued to emerged. Overall, the A 'Flight to Quality" has helped sustain leasing activity as tenants in Class B and C properties seek to upgrade their occupancy. Employers are also seeking highly amenitized properties in prime locations to in an attempt to satisfy employee preferences. Space in Class B &C properties that have been vacated by tenants moving up to Class A assets are finding some traction by a mired of various users including educational, quasi-medical and non-profit tenants relocating from retail and industrial spaces alike.

One of the most constant trends emerging in the NJ office market is the growth of medical service providers, who are looking for well-located office properties with large parking areas.

While changes in average asking rents have been minimal, there is continued pressure on landlords to offer generous concession packages, including longer periods of free rent and higher TI allowances in order to stay competitive. As the cost of construction has continued to move upward, rental rates remain high to offset the rising costs. Lastly, The availability of high-quality, longer-term sublease space is another complicated factor for landlords trying to compete for tenants.





Market Pricing

Overall average asking rents were down by 4.3% from the close of 2022, finishing at \$26.31 per square foot. Class A rates closed 2023 at \$27.11 per square foot, down from \$28.31 at the same time last year.



\$26.31 PSFAsking Rental Rate



4.3% Decrease versus 40 2022

Asking rents have remained somewhat stable despite a challenging environment. Prices remain highest in the Hudson Waterfront submarket, with Class A rates averaging nearly \$37.00 per square foot. While changes in asking rents tend to lag the market, generous concession packages have influenced net effective rents.

Vacancy, Absorption & Leasing

4Q2023 vs.4Q2022



27.0% Vacancy Rate





-3.7MSF Absorption

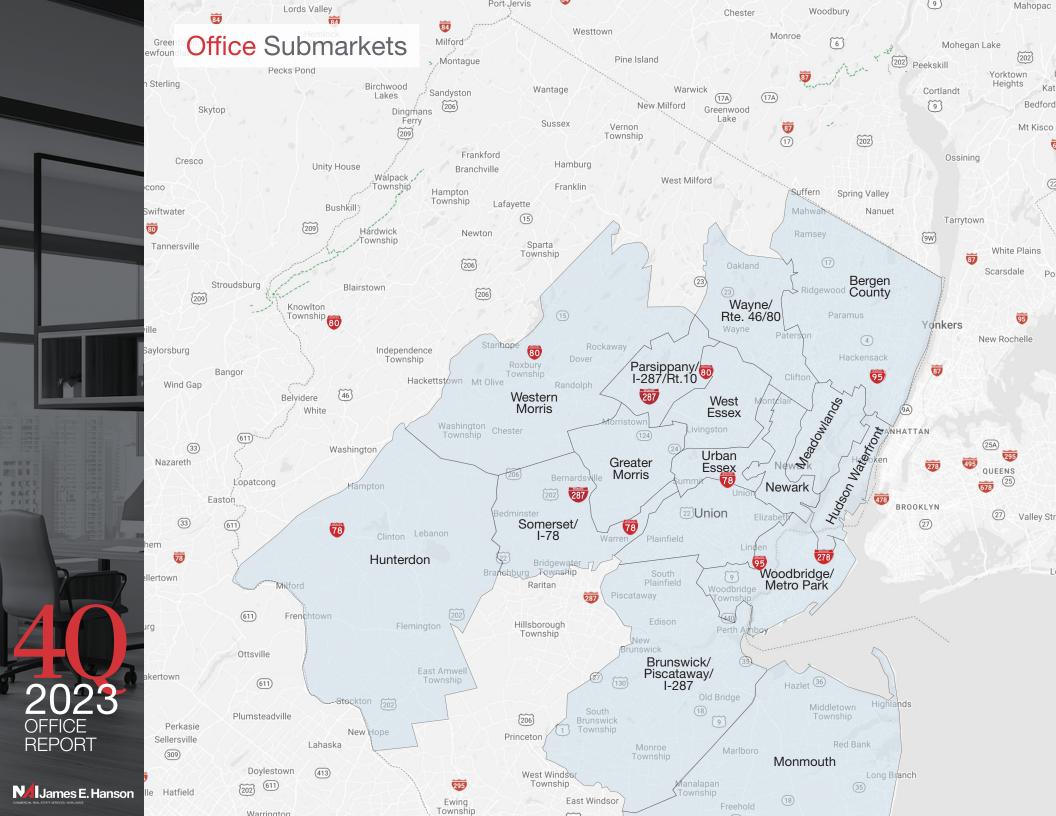




5.1M SFLeasing Activity



Total leasing activity measured 5.1 million square feet during the year but is off by more than 2.0 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.





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	140,688,409	38,053,060	27.0%	(3,751,204)	5,153,612	\$26.31
Bergen County	18,928,320	3,500,874	18.5%	(324,081)	871,567	\$24.80
Brunswick/Piscataway/I-287	14,643,656	4,474,708	30.6%	(195,669)	518,390	\$23.39
Hudson Waterfront	18,754,390	5,564,018	29.7%	(1,087,586)	461,435	\$36.74
Hunterdon	2,893,668	1,811,664	62.6%	(5,775)	36,287	\$15.47
Meadowlands	6,319,161	1,048,976	16.6%	(231,600)	141,034	\$27.27
Greater Morris	8,813,763	1,852,185	21.0%	(335,265)	295,902	\$28.02
Monmouth	6,780,487	1,472,751	21.7%	(70,322)	434,747	\$21.20
Morris West/I-80	993,131	293,315	29.5%	115,873	92,273	\$22.94
Newark	8,373,427	2,106,490	25.2%	(397,309)	190,414	\$28.48
Urban Essex	3,100,011	858,994	27.7%	(1,246)	132,469	\$23.45
Parsippany/I-287/Rt. 10	14,046,757	4,285,967	30.5%	(70,178)	472,485	\$21.73
Somerset/I-78	12,776,819	4,695,784	36.8%	(138,950)	516,751	\$26.32
Union	4,486,968	1,382,421	30.8%	(415,177)	129,805	\$22.96
Wayne/Rt. 80	3,139,118	696,737	22.2%	(67,967)	81,891	\$18.74
West Essex/Rt. 24	9,447,131	2,806,774	29.7%	(397,236)	304,841	\$26.86
Woodbridge/Metro Park	7,191,602	1,201,402	16.7%	(128,716)	473,321	\$34.68

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	109,616,184	30,393,867	27.7%	(2,384,053)	3,668,509	\$27.11
Bergen County	13,589,871	2,587,550	19.0%	(194,393)	522,865	\$24.89
Brunswick/Piscataway/I-287	10,411,364	3,197,548	30.7%	(16,081)	443,652	\$23.96
Hudson Waterfront	16,822,135	5,031,099	29.9%	(1,086,738)	402,032	\$36.91
Hunterdon	2,173,883	1,456,249	67.0%	(3,647)	11,121	\$14.71
Meadowlands	4,820,282	776,538	16.1%	(146,685)	102,390	\$29.11
Greater Morris	7,728,344	1,560,474	20.2%	(260,901)	259,654	\$28.61
Monmouth	5,062,947	1,011,073	20.0%	42,584	272,601	\$22.17
Morris West/I-80	703,595	236,894	33.7%	113,700	74,286	\$23.94
Newark	6,561,846	1,802,104	27.5%	(331,586)	149,013	\$28.37
Urban Essex	2,659,893	791,357	29.8%	(3,443)	120,004	\$23.72
Parsippany/I-287/Rt. 10	10,376,274	3,319,633	32.0%	35,255	340,474	\$22.02
Somerset/I-78	10,402,300	3,762,918	36.2%	(25,716)	352,998	\$27.00
Union	2,659,893	791,357	29.8%	18,512	60,366	\$23.72
Wayne/Rt. 80	2,366,902	577,093	24.4%	(64,175)	72,191	\$18.99
West Essex/Rt. 24	7,186,525	2,432,581	33.8%	(323,187)	174,767	\$27.93
Woodbridge/Metro Park	6,090,130	1,059,399	17.4%	(137,552)	310,095	\$36.12

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



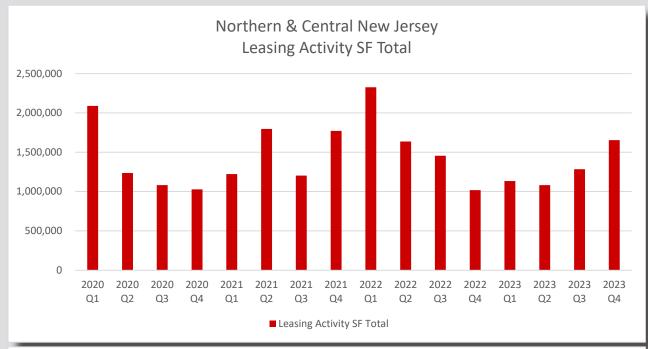
Market Statistics

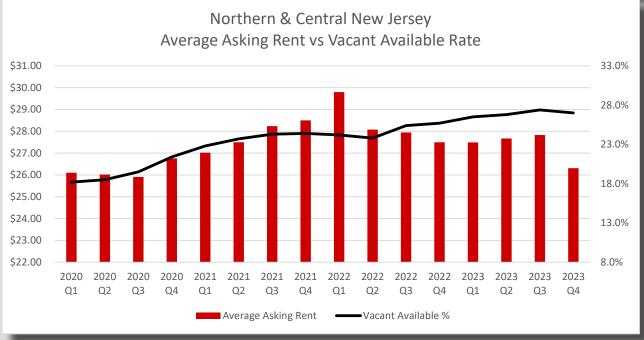
CLASS B	Total RBA	Total Vacant Available SF	Total Vacant Available %	Total Net Absorption	Total SF Leased	Average Asking Rate
Overall Class B	31,072,225	7,659,193	24.6%	(1,367,151)	1,485,103	\$23.12
Bergen County	5,338,449	913,324	17.1%	(129,688)	348,702	\$24.56
Brunswick/Piscataway/I-287	4,232,292	1,277,160	30.2%	(179,588)	74,738	\$21.98
Hudson Waterfront	1,932,255	532,919	27.6%	(848)	59,403	\$35.11
Hunterdon	719,785	355,415	49.4%	(2,128)	25,166	\$18.56
Meadowlands	1,498,879	272,438	18.2%	(84,915)	38,644	\$22.03
Greater Morris	1,085,419	291,711	26.9%	(74,364)	36,248	\$24.88
Monmouth	1,717,540	461,678	26.9%	(112,906)	162,146	\$19.08
Morris West/I-80	289,536	56,421	19.5%	2,173	17,987	\$18.73
Newark	1,811,581	304,386	16.8%	(65,723)	41,401	\$29.13
Urban Essex	440,118	67,637	15.4%	2,197	12,465	\$20.23
Parsippany/I-287/Rt. 10	3,670,483	966,334	26.3%	(105,433)	132,011	\$20.72
Somerset/I-78	2,374,519	932,866	39.3%	(113,234)	163,753	\$23.56
Union	1,827,075	591,064	32.4%	(433,689)	69,439	\$21.95
Wayne/Rt. 80	772,216	119,644	15.5%	(3,792)	9,700	\$17.51
West Essex/Rt. 24	2,260,606	374,193	16.6%	(74,049)	130,074	\$19.87
Woodbridge/Metro Park	1,101,472	142,003	12.9%	8,836	163,226	\$23.92

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



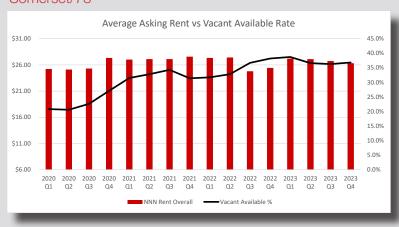
Brunswick/Piscataway



Parsippany 287



Somerset/78





Top Transactions

Top Sale Transactions

1,886,800 SF (3 Bldgs.)

Harborside Plaza, Jersey City Price: \$420,000,000 Buyer: 601W Companies Seller: Veris Residential

120,000 SF (6 Bldgs.)

1090 King Georges Post Rd, Edison Price: \$49,750,000 Buyer: Federal Business Centers Seller: Denholtz Associates

245,364 SF

135 Greene Street, Jersey City Price: \$46,000,000 Buyer: American Equity Partners Seller: Veris Residential

256,000 SF

169 Lackawanna Ave., Parsippany Price: \$25,000,000 Buyer: F Greek Development Seller: RVI Group

Top LEASE Transactions

547,962 SF

525 Washington Blvd. Jersey City Tenant: Bank of America (Renewal & Expansion)

360,000 SF

Helix Project, New Brunswick Tenant: Nokia Bell Labs

128,296 SF

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

73,272 SF

340 Mount Kemble Ave., Morristown (Sublease)
Tenant: Marcum LLP



2023 NAI Hanson Office Transactions Transactions Woodbury Monroe 319,000+ SF Leased/Sold Peekskill \$60±MM Transaction Value Newton Tannersville White Plains Albrightsville Stroudsburg Blairstown Yonkers Wayne Orsip@ny-Troy 209 (46) Montcrair Palmerton Morristown 00 Nazareth (206) Garden Cit **New York** Easton Elizoeth Valley Stream 78 Allentown Bridgewater 78 Edison 476 East Quakertown (35) (36) Brunswick Middletown (202) Township -Princeton Monroe Red Bank Township Doylestown Freehold ttstown Lansdale REPORT Tranton M James E. Hanson



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195 North Street, Suite 100 • Teterboro, NJ 07608 | 201 488 5800

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