

# Southern New Jersey Office Market Overview

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# Market Observations

## Economy

- The Greater Philadelphia economy saw a slight increase in unemployment for the 12 months ending in February but remains 30 basis points below the national unemployment rate. Annual nonfarm payroll employment increased by 90 basis points in the 12 months ending in February.
- Employment in the Camden metropolitan division, within the Philadelphia MSA that consists of Burlington County, Camden County, and Gloucester County, has decreased by 190 basis points over the past 12 months ending in February.
- In February, the annual percentage change in employment for office-using industries was -0.2%. Although there has been a consistent decrease in office-using employment recently, the rate at which we are decreasing slowed in February. On average over the last 12 months, office-using employment saw an annual decrease of 0.7%, 50 basis points higher than February of this year.

## Major Transactions

- Lease sizes in the first quarter of 2025 averaged 3,296 SF, though there were roughly 20 leases signed this quarter above that average. Notably, large leases were recorded across various industries and lease types in Southern New Jersey during this period. For example, the State of New Jersey and Regus signed for 68,870 SF and 15,190 SF in Camden County and Cherry Hill, respectively.
- TD Bank sold four of its office buildings throughout the Southern New Jersey market as a portfolio for a total of 255,708 SF. The buildings included 1701 Route 70, 1006 Astoria Boulevard, 9000-11000 Horizon Way, and 12000 Horizon Way. TD Bank is closing 38 branches across the country. Per the Philadelphia Business Journal, this is in response to the penalties relating to their issues with U.S. anti-money laundering controls.
- As older, non-class A office buildings lose popularity, owners are finding innovative ways to repurpose their properties. This trend has led to a surge in creative office building conversions across Southern New Jersey and the entire MSA. For instance, the 58,215 SF building at 304 W Route 38 was recently sold to Giant Fitness for approximately \$55.83/SF and will be renovated into a fitness center. These conversions highlight the evolving demographics of the South Jersey user base.



## Leasing Market Fundamentals

- In the first quarter of 2025, the market experienced a 40-basis-point quarterly increase in occupancy, clocking in at 85.1%. Overall absorption was 21,172 square feet. Voorhees/Gibbsboro and Pennsauken/Camden were the submarkets that absorbed the most space this quarter, totaling 73,253 SF and 71,732 SF, respectively.
- Southern New Jersey's average asking rate reached a record high of \$21.62/SF in the fourth quarter of 2023 and has stayed close to this peak at \$21.43/SF in the first quarter of 2025. Rents saw an unusually high quarterly growth rate of an average of 210 basis points between the third quarter of 2022 and the second quarter of 2023. Since then, rents have remained relatively stable, moving by an average of 60 basis points quarter-over-quarter, reflecting consistent expectations for asking rates in the Southern New Jersey office market.
- At the end of the first quarter, total tenant demand, measured by the total square feet of space that tenants in the market are looking for, was 1.7%, unchanged from the previous quarter..



## Outlook

- The last major delivery in Southern New Jersey occurred in 2019. The current absence of new pipeline development is benefiting the market and is directly linked to the stable vacancy rates seen over the past two years. Since the third quarter of 2022, vacancy rates have remained within 100 basis points of the long-term average of 15.5%. In the first quarter, the vacancy rate dropped to 14.9%, the lowest we have seen in recent history.
- Decreasing vacancy rates and positive quarterly absorption are promising signs for the Southern New Jersey office market as we head deeper into the year and can be partially credited to the growing support for a 5-day work week—evident in the practices of Chase and JP Morgan— which offers some promising indicators for a potential increase in office demand as we head deeper into 2025.
- Average rents in Southern New Jersey have fully recovered and now exceed pre-2020 levels, thanks to significant year-over-year increases in 2022 and 2023. Still, current evidence indicates that rent growth is beginning to moderate. Over the past four quarters, asking rents have shown minimal movement, remaining within \$0.10 of the four-quarter average.

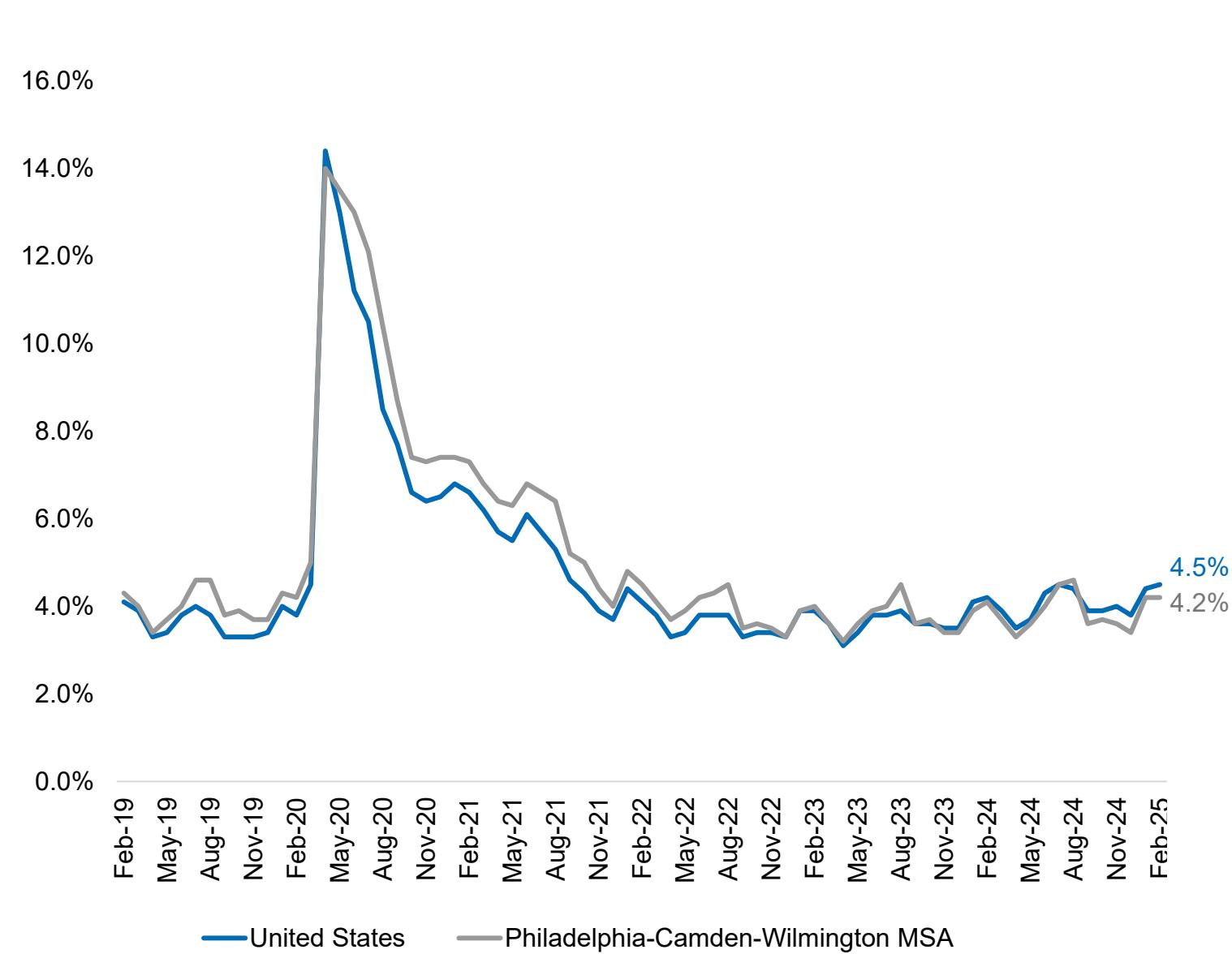
# Economy



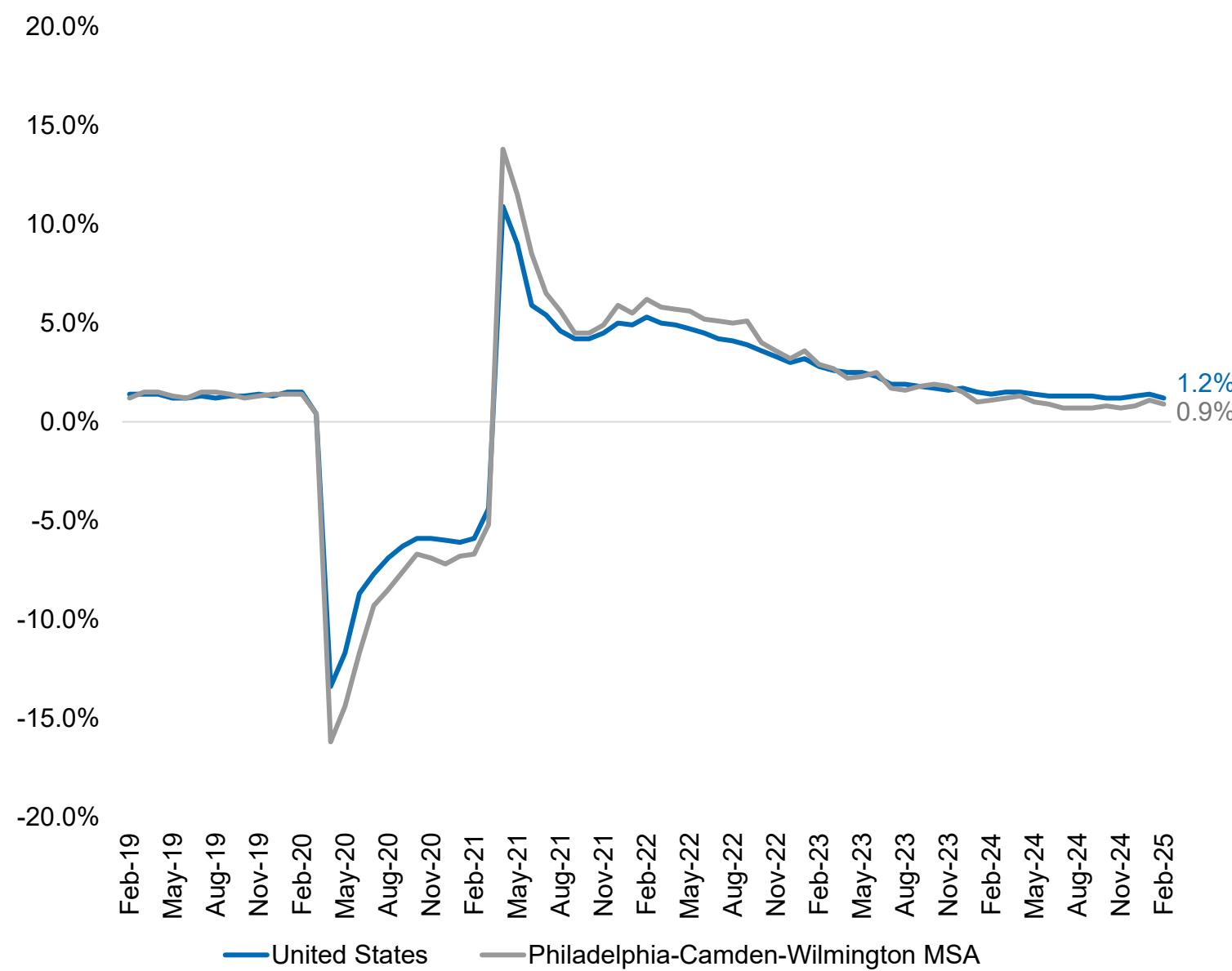
# Philadelphia's Unemployment Rate Remains Below US Average

The Greater Philadelphia economy saw a small increase in unemployment for the 12 months ending in February but remains 30 basis points below the national unemployment rate. Annual nonfarm payroll employment grew 0.9% in February. Greater Philadelphia's largest industry, Education and Health Services, continues to drive employment growth.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

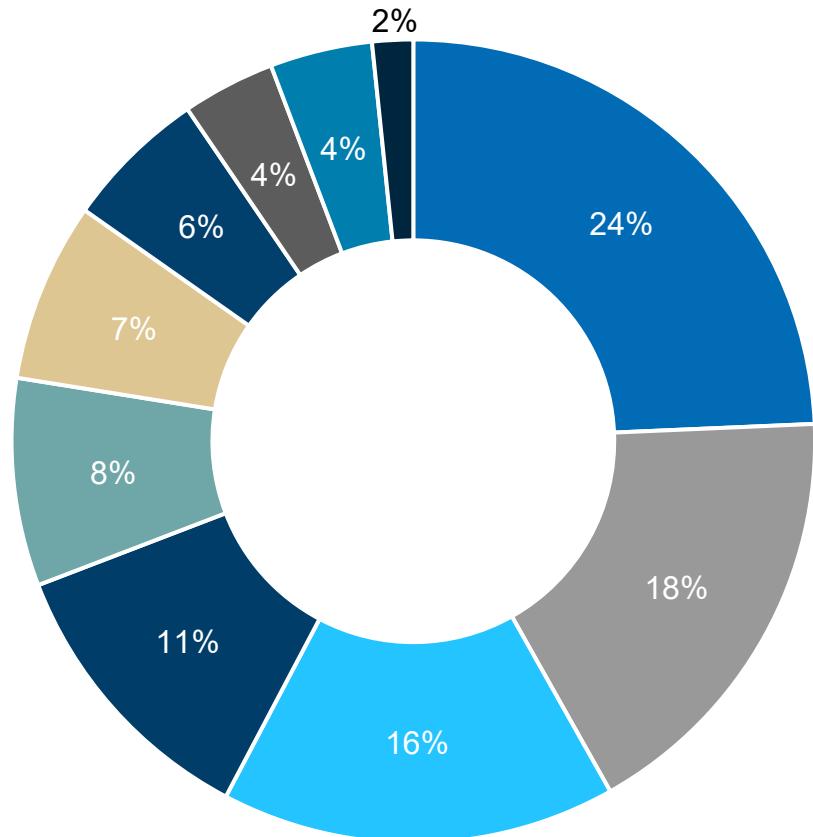


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

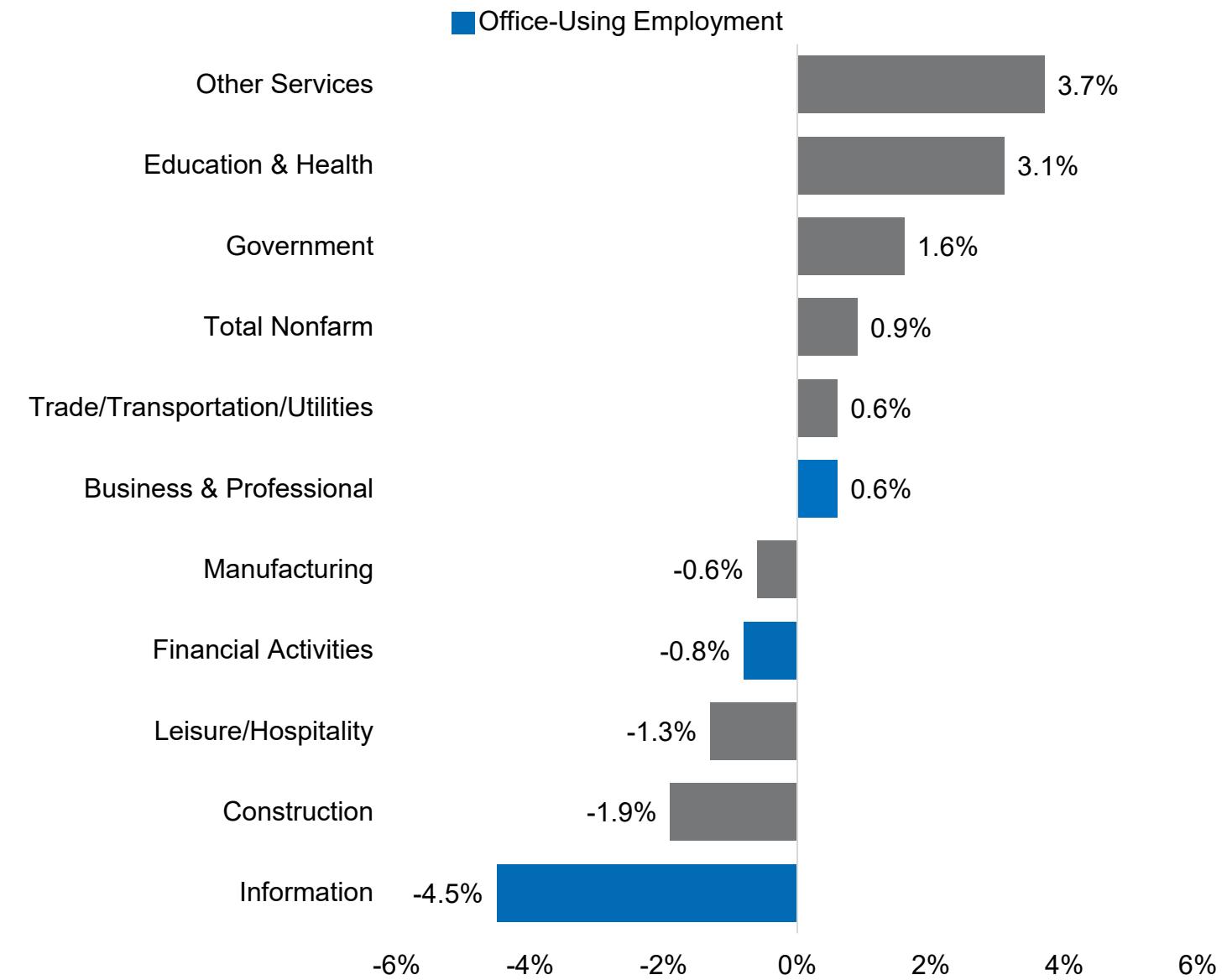
# Office-Using Industries Decline While Healthcare And Education Lead Job Growth

Other Services, Education & Health, and Government sectors each grew by at least 150 basis points for the 12 months ending in February. The Other Services industry sector is made up of establishments that do not fall into any other specific industry and tend not to be office-using employers. These top three growing sectors employ about 40% of Greater Philadelphia's labor force. Strong annual employment gains in these sectors are an encouraging sign for the region's economy.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

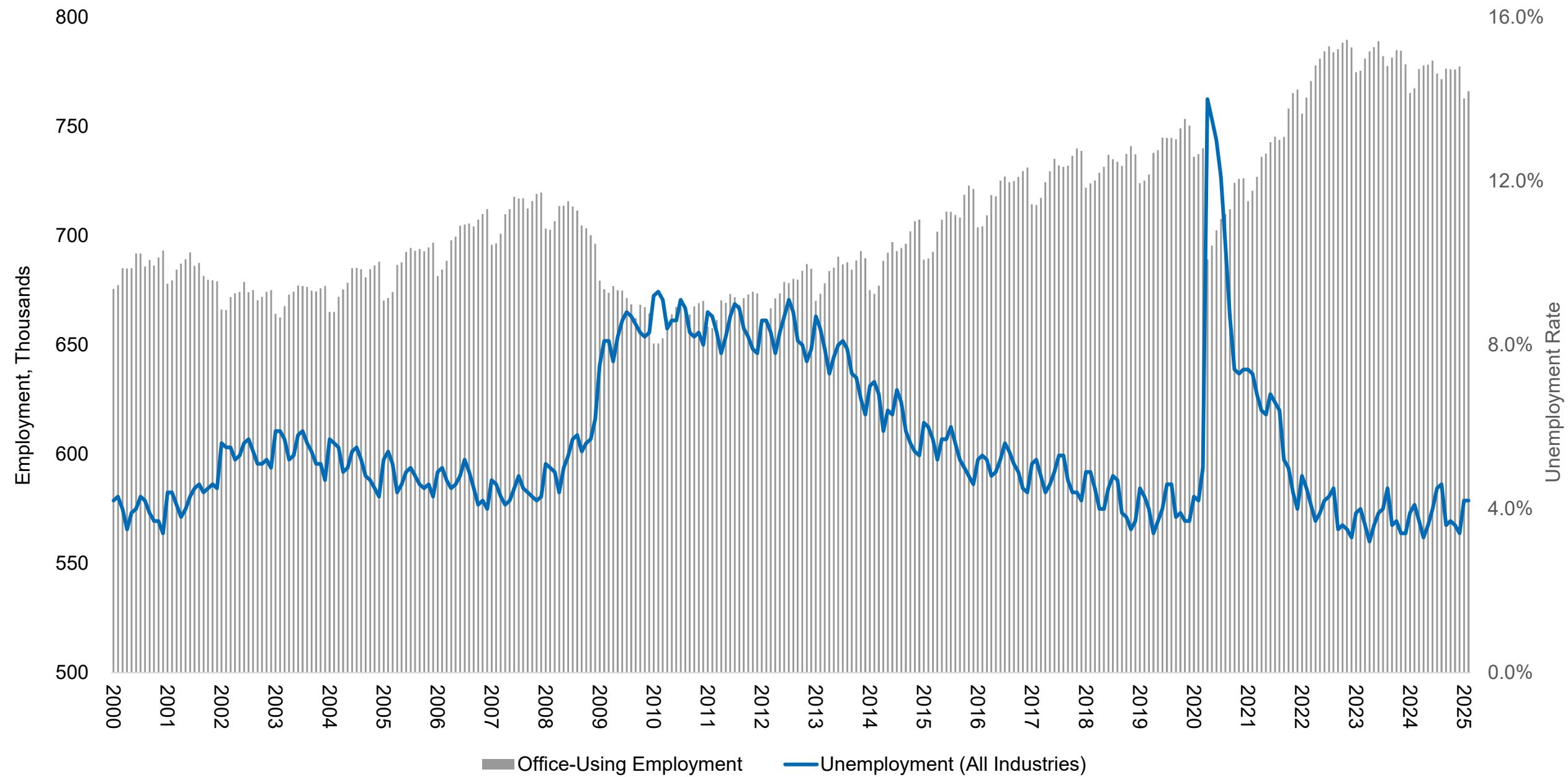


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

# Office-Using Employment Remains Steady In The Philadelphia MSA

In February 2025, the annual percentage change in office-using employment was -0.2%. Although there has been a consistent decrease in office-using employment recently, the rate at which we are decreasing slowed in February. On average over the last 12 months, office-using employment saw an annual decrease of 0.7%, 50 basis points higher than February of this year.

## Office-Using Employment\* and Unemployment Across All Industries

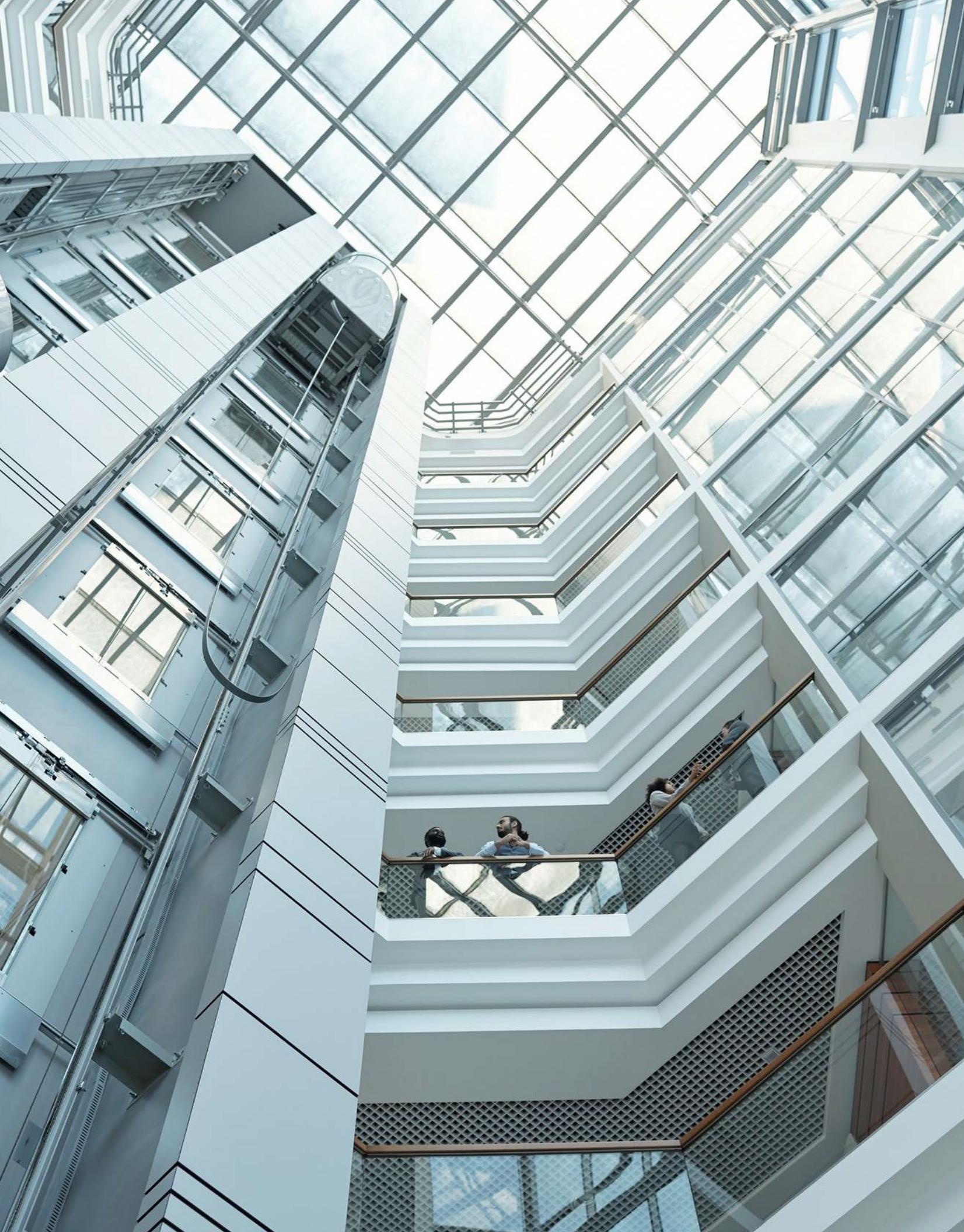


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Note: November 2024 data is preliminary.

\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

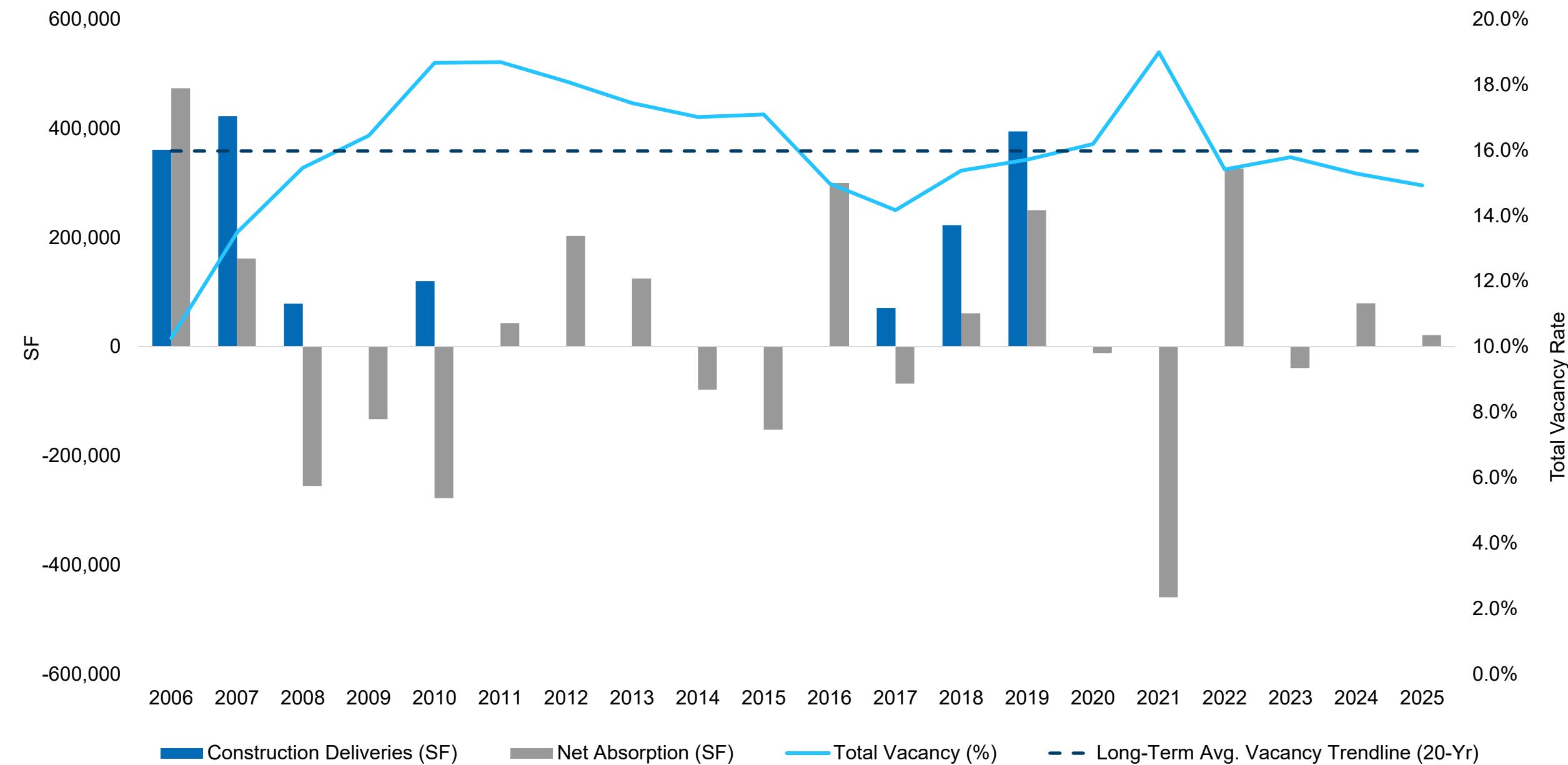
# Leasing Market Fundamentals



# Absorption Stays Positive In 2025

Southern New Jersey's first-quarter office vacancy rate registered 14.9%, a 40-basis-point decrease from last quarter and a 50-basis-point decrease from the previous year. This quarter, the Southern New Jersey office market absorbed roughly 21,000 SF of space. Decreasing vacancy rates and positive quarterly absorption are promising signs for the Southern New Jersey office market as we head deeper into the year.

## Historical Construction Deliveries, Net Absorption, and Vacancy

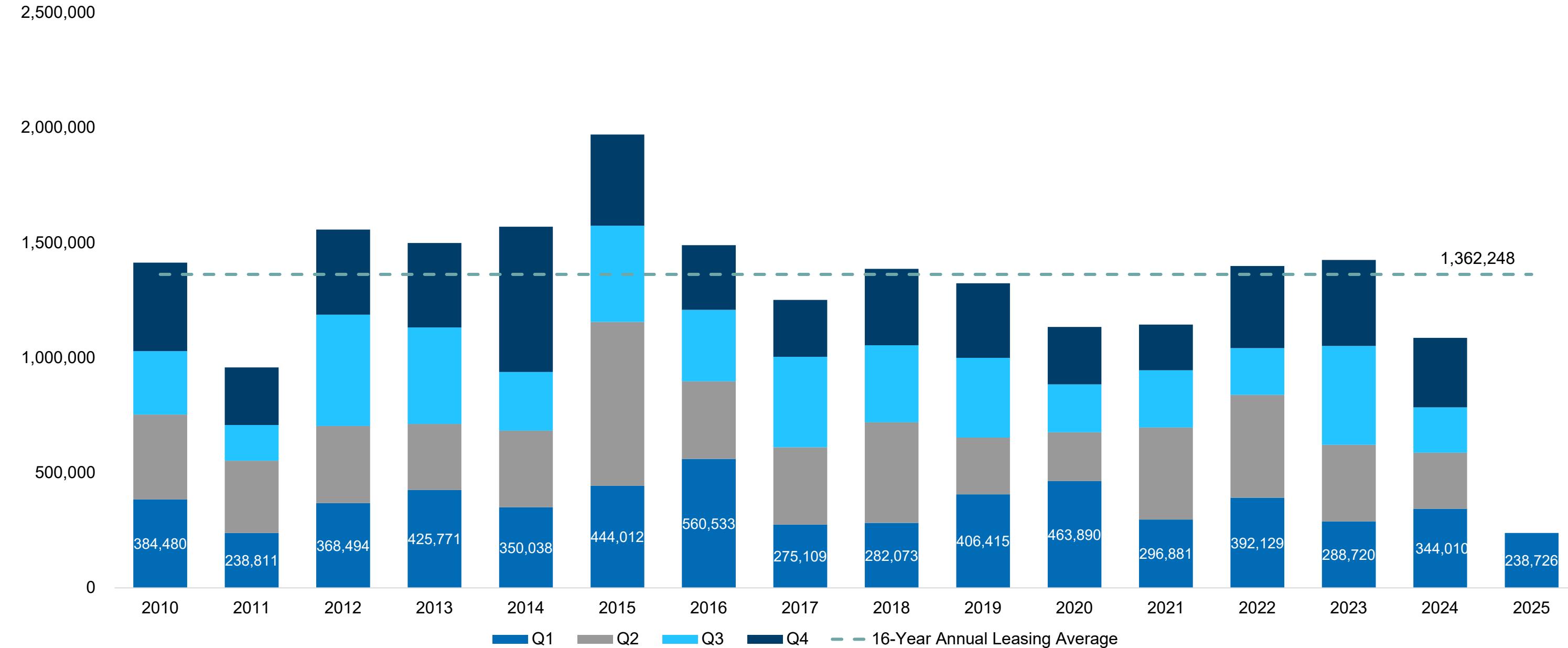


Source: Newmark Research

# Leasing Volumes Are Modest But Activity Was Strong

First-quarter leasing volumes reached 238,726 square feet, about 100,000 square feet less than in the first quarter of last year. Though lower than average, positive absorption and decreasing vacancy rates reflect healthy Southern New Jersey Office market demand.

## Total Leasing Activity (msf)

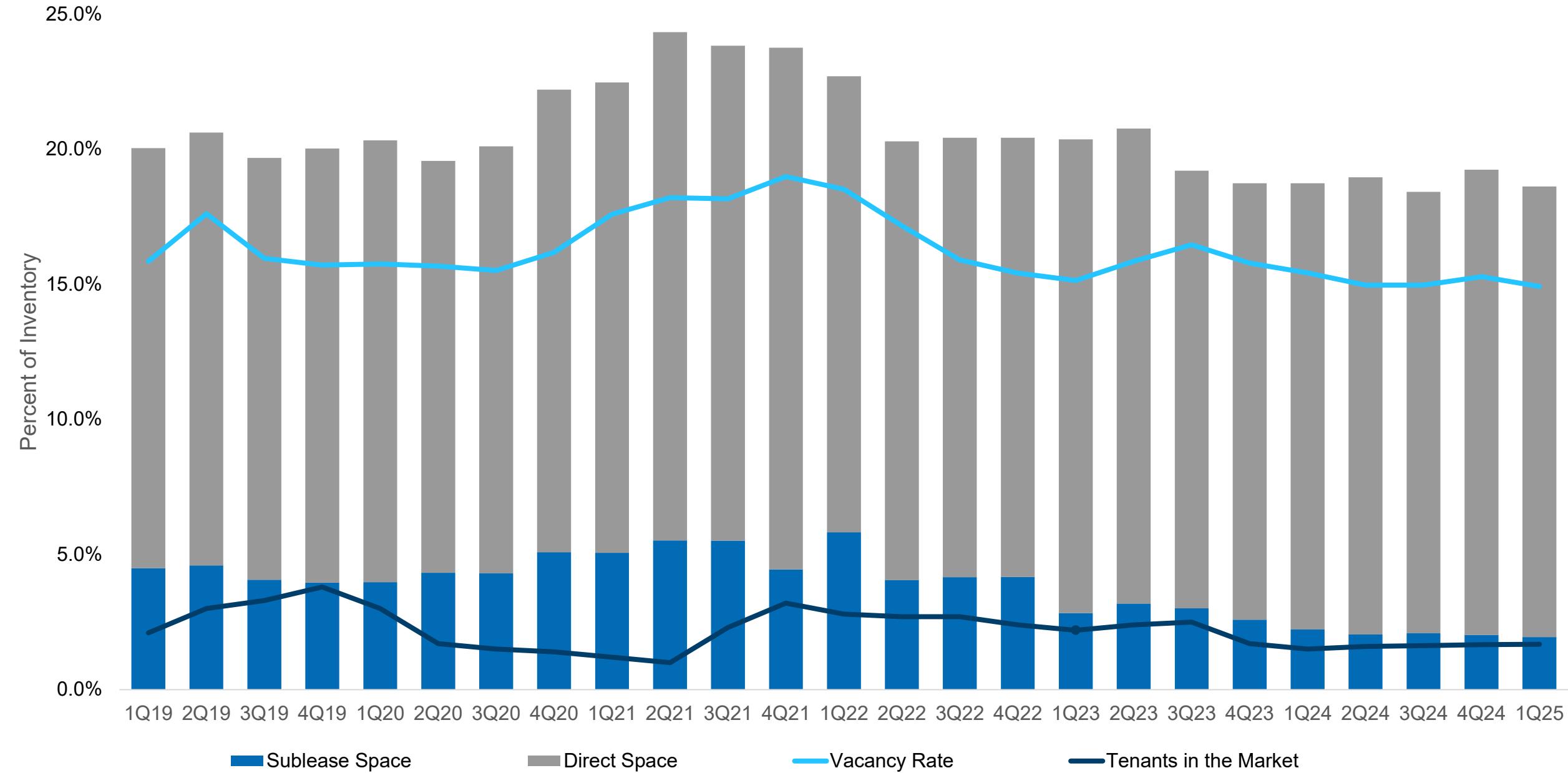


Source: Newmark Research, CoStar

# Active User Demand Remains Historically Constant

At the end of the first quarter, the percentage of active users in relation to inventory remained at 1.7%. Currently, tenants in the market are seeking an average of over 13,000 square feet of space. However, the fourth quarter featured several above-average-sized leases. Notably, the State of New Jersey signed a new lease for 68,870 SF in Camden.

Available Space and Tenant Demand as Percent of Overall Market

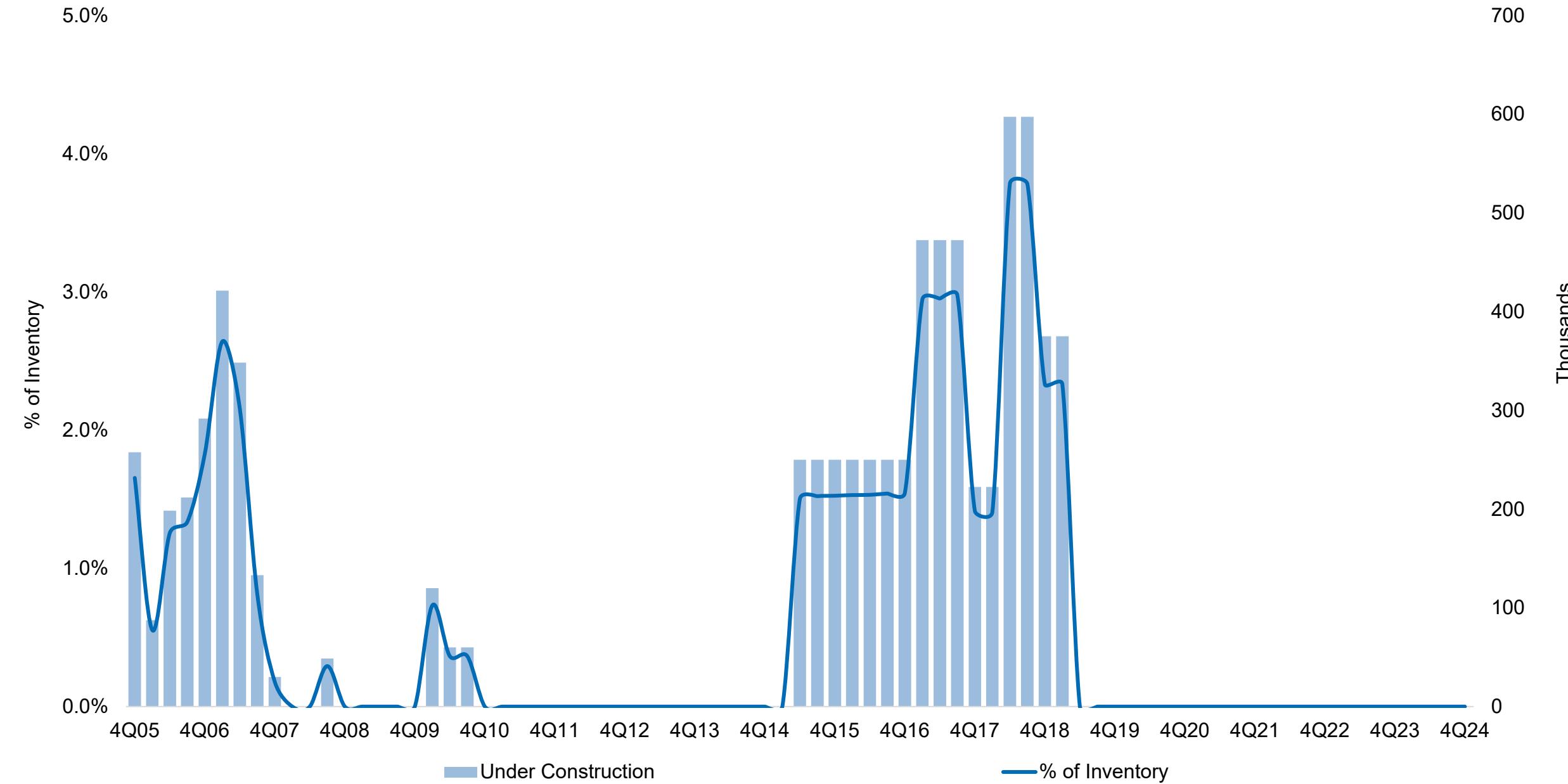


Source: Newmark Research

# A Non-Existent Construction Pipeline Benefits The Market

The last significant delivery in Southern New Jersey occurred in 2019 at 2 Cooper Street in Camden. Currently, the lack of a pipeline is benefiting the market. For new development to be viable, there must be sufficient demand to absorb an additional 200,000-300,000 square feet of office space. Additionally, further right-sizing and the elimination of obsolete spaces are essential prerequisites for any new development.

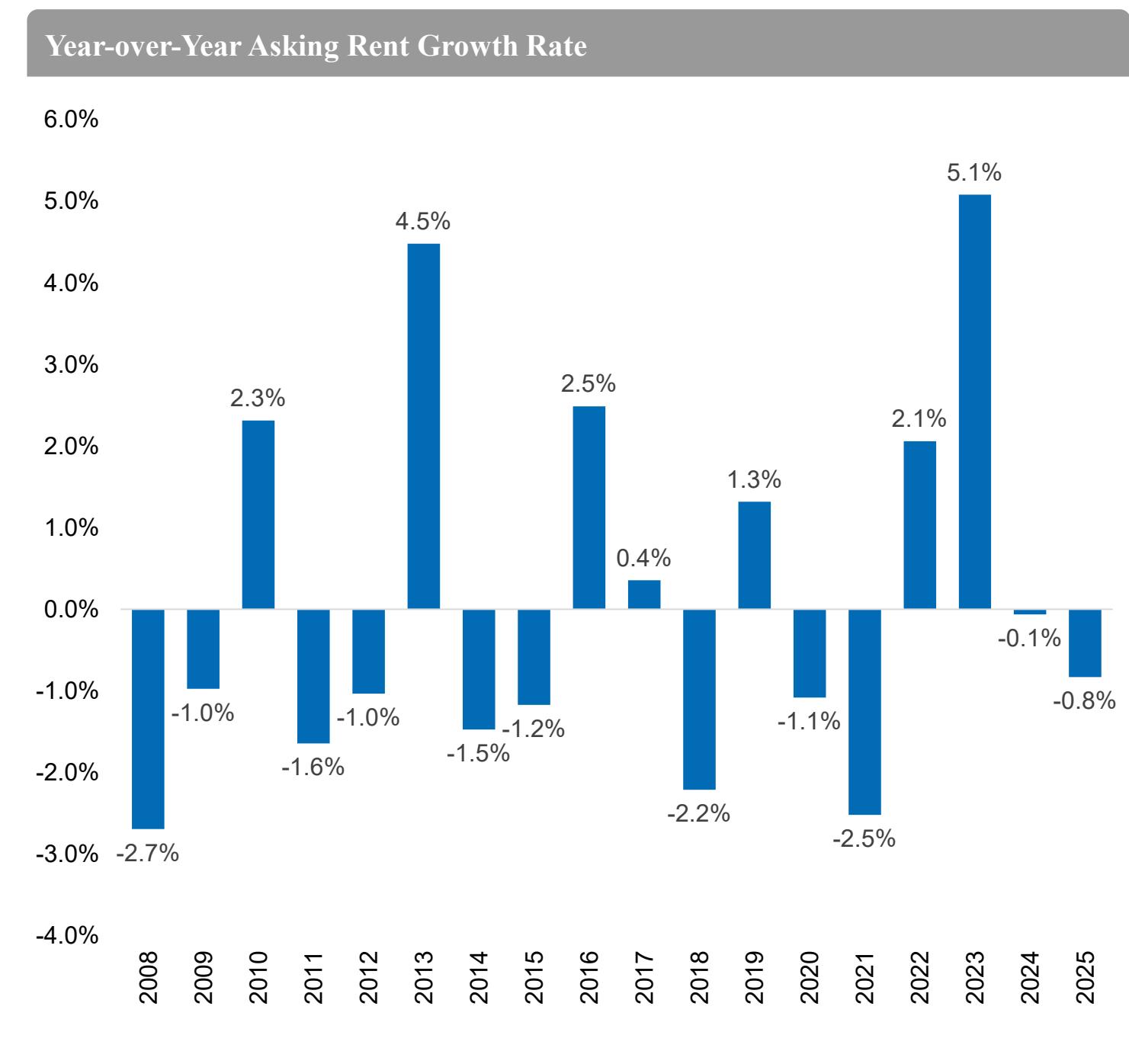
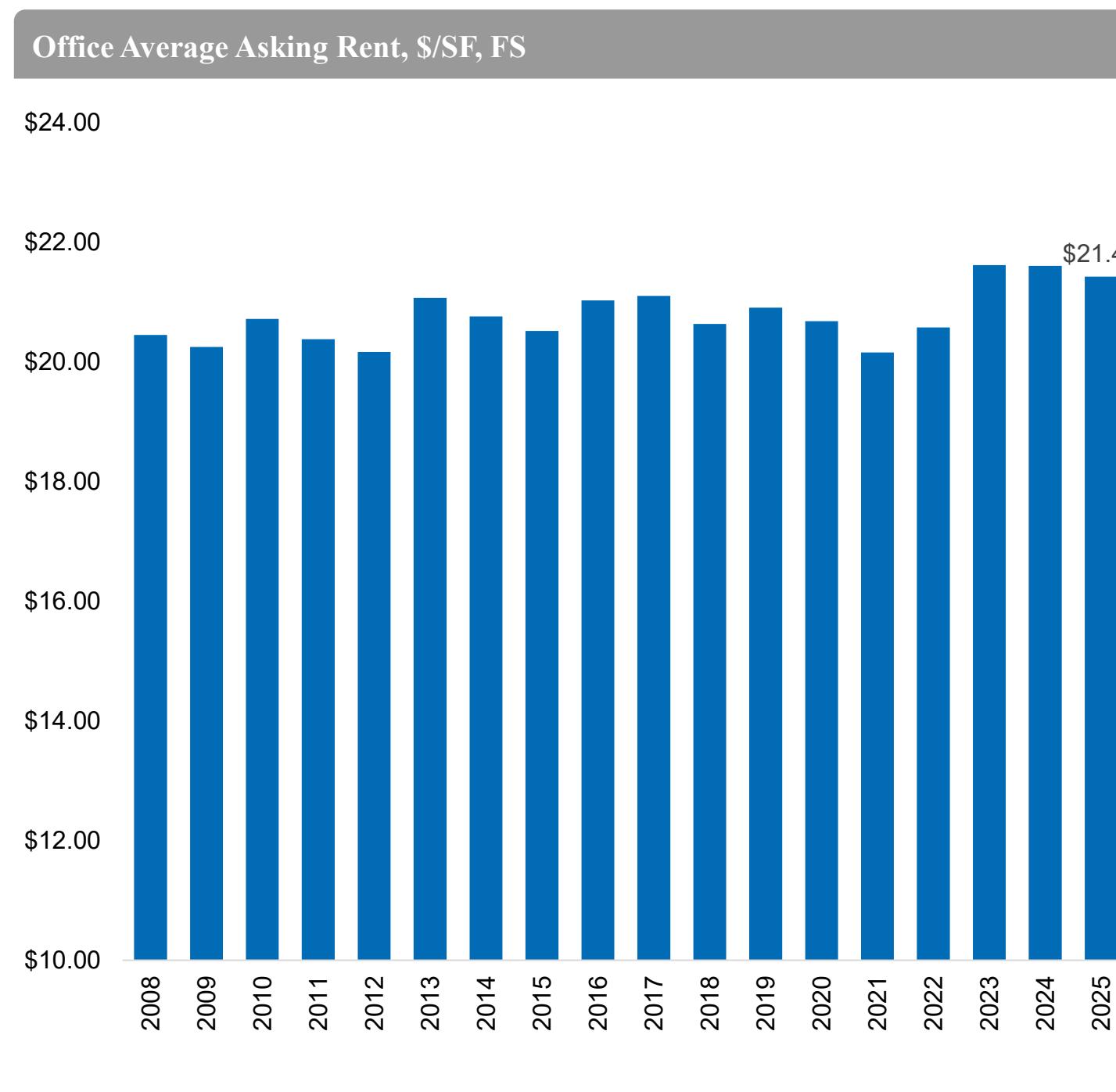
## Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

# Rents Remain Above The 18-Year Average

Average rents in Southern New Jersey have completely recovered and now exceed pre-2020 levels, thanks to significant year-over-year increases in 2022 and 2023. Asking rents averaged \$21.43 at the end of the first quarter of 2025, 311 basis points larger than the 18-year average. Despite remaining above the 18-year average, rents decreased by 80 basis points from the fourth quarter of 2024 to the first quarter of 2025, stabilizing after significant annual increases in 2022 and 2023.

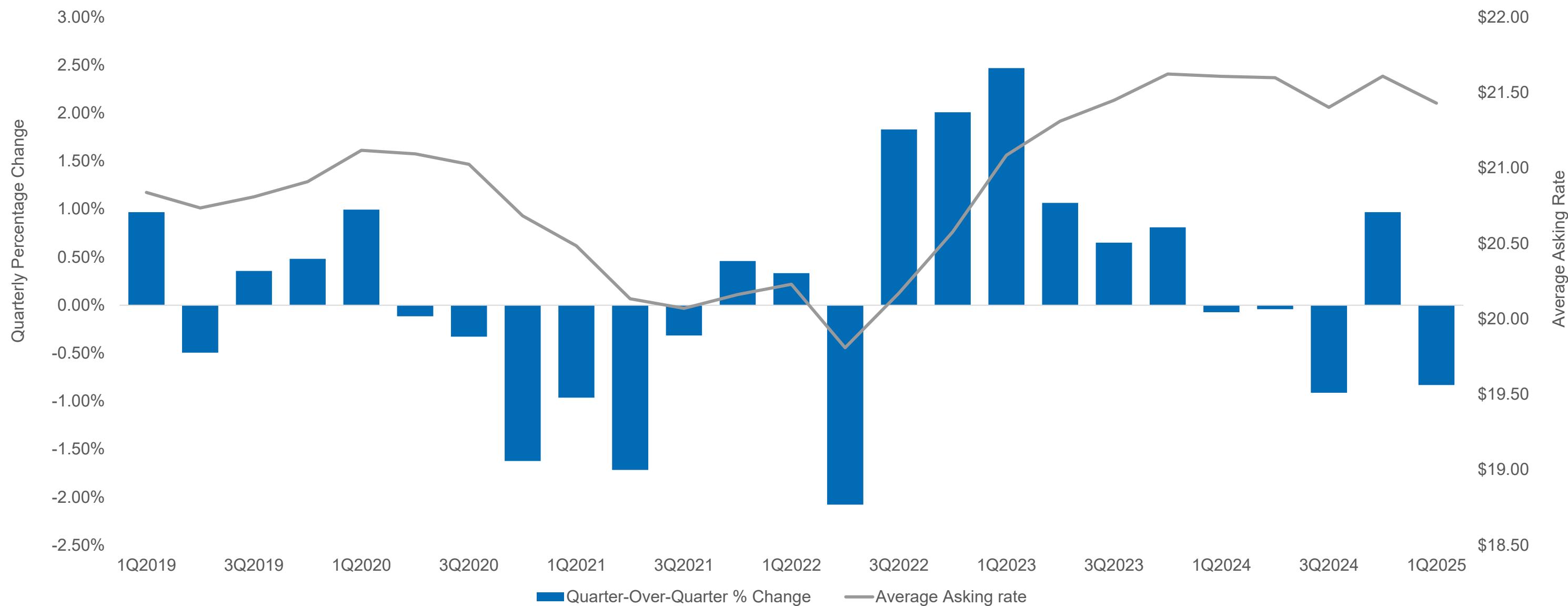


Source: Newmark Research

# Asking Rents See Slight Decline, But Remain Consistent In The Long-Term

Southern New Jersey's average asking rate reached a record high of \$21.62/SF in the fourth quarter of 2023 and has stayed close to this peak at \$21.43/SF in the first quarter of 2025. Rents saw an unusually high quarterly growth rate of an average of 210 basis points between the third quarter of 2022 and the second quarter of 2023. Since then, rents have remained relatively stable, moving by an average of 60 basis points quarter-over-quarter, reflecting consistent expectations for asking rates in the Southern New Jersey office market.

## Historical Asking Rents and Quarter-Over-Quarter Performance

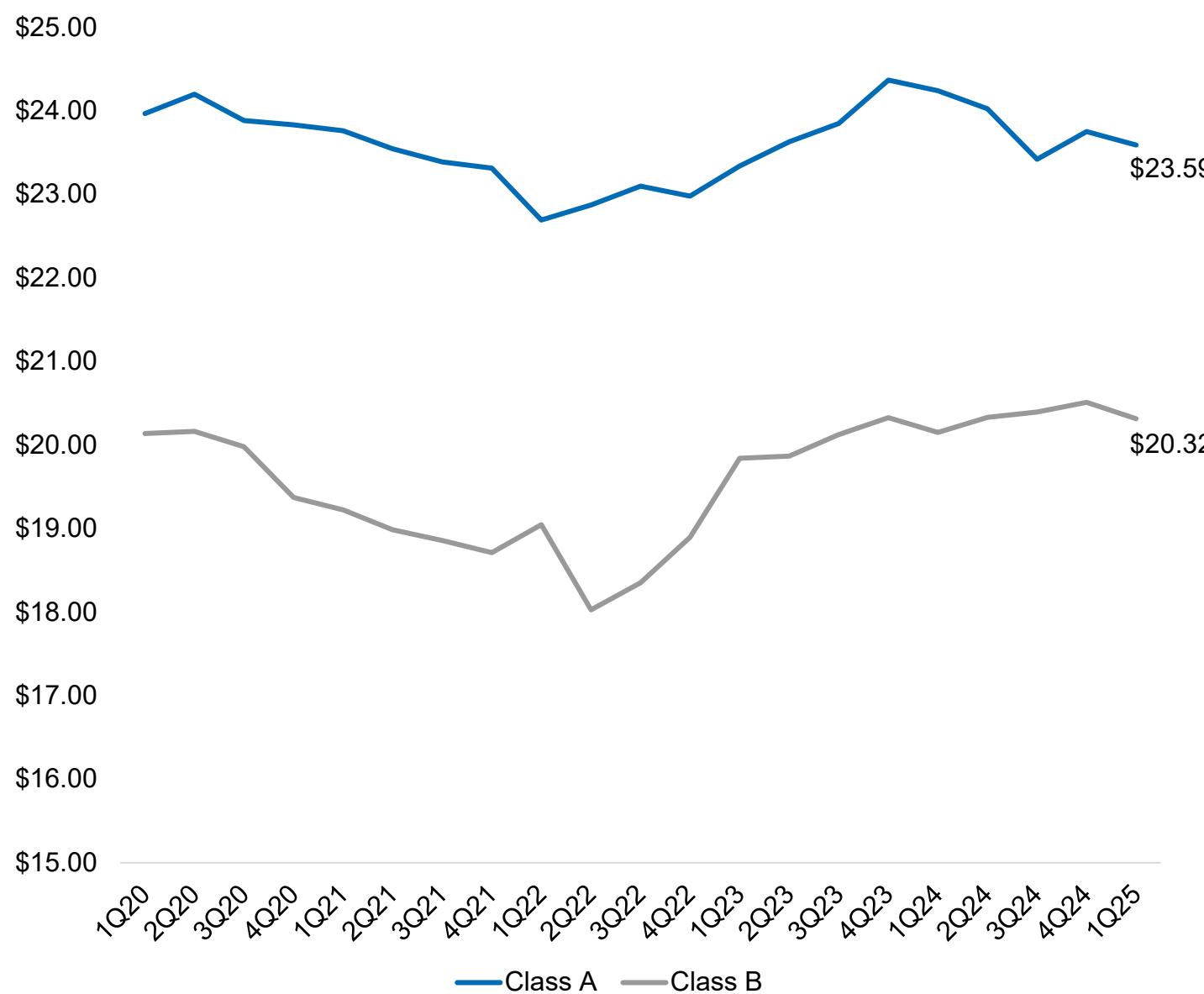


Source: Newmark Research

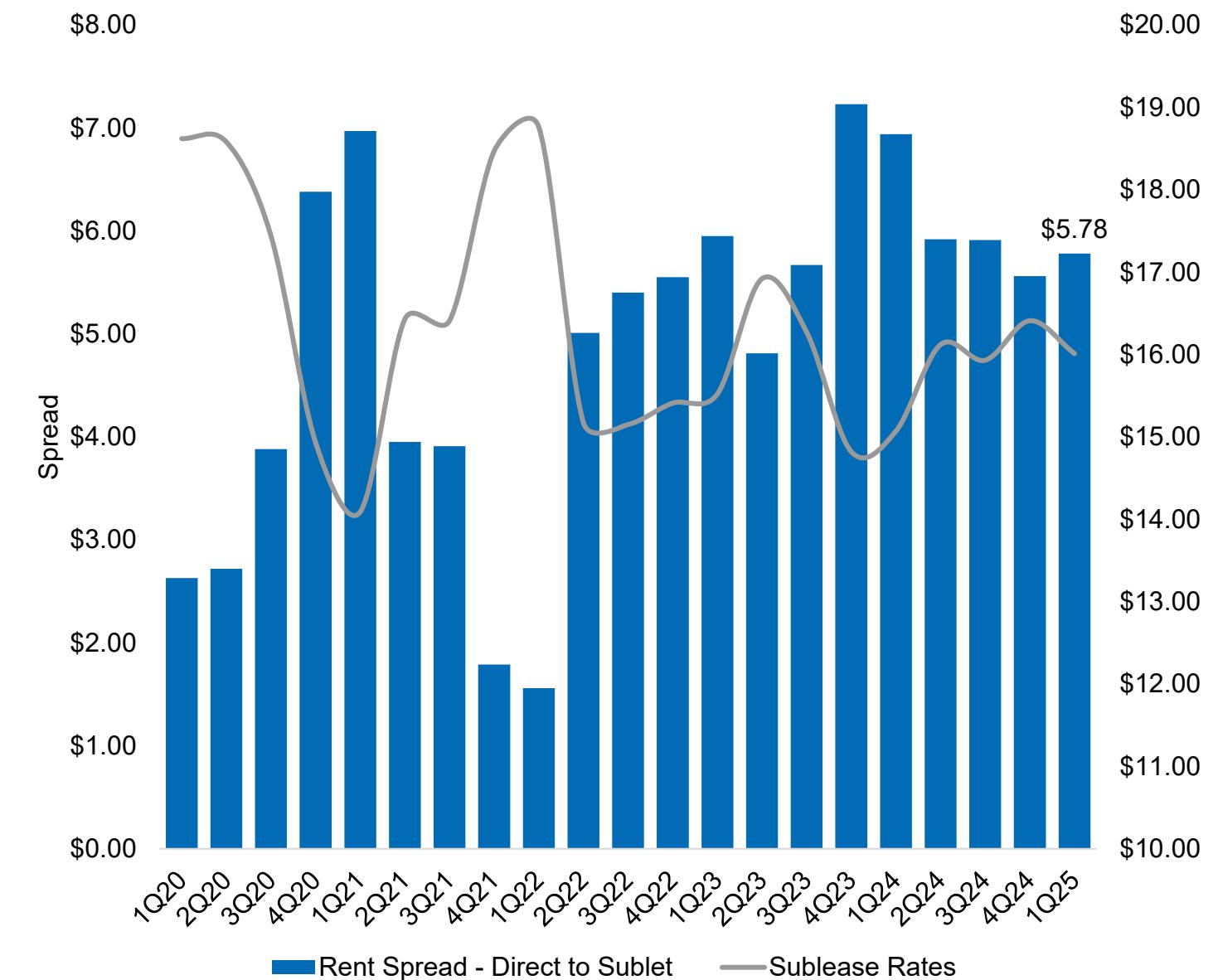
# Spreads Remain High Between Class A And Class B Space

Although rents decreased across all asset classes and types, there was a \$3.28/SF spread between Class A and Class B space in the first quarter. Class B asking rates also decreased at a higher rate (1%) than Class A rates (0.7%). The difference in quarterly growth, as well as large spreads for asking rates of Class A space compared to Class B space, further reflects occupiers' demand for high-quality space.

Class A and Class B Asking Rents



Sublease Rates



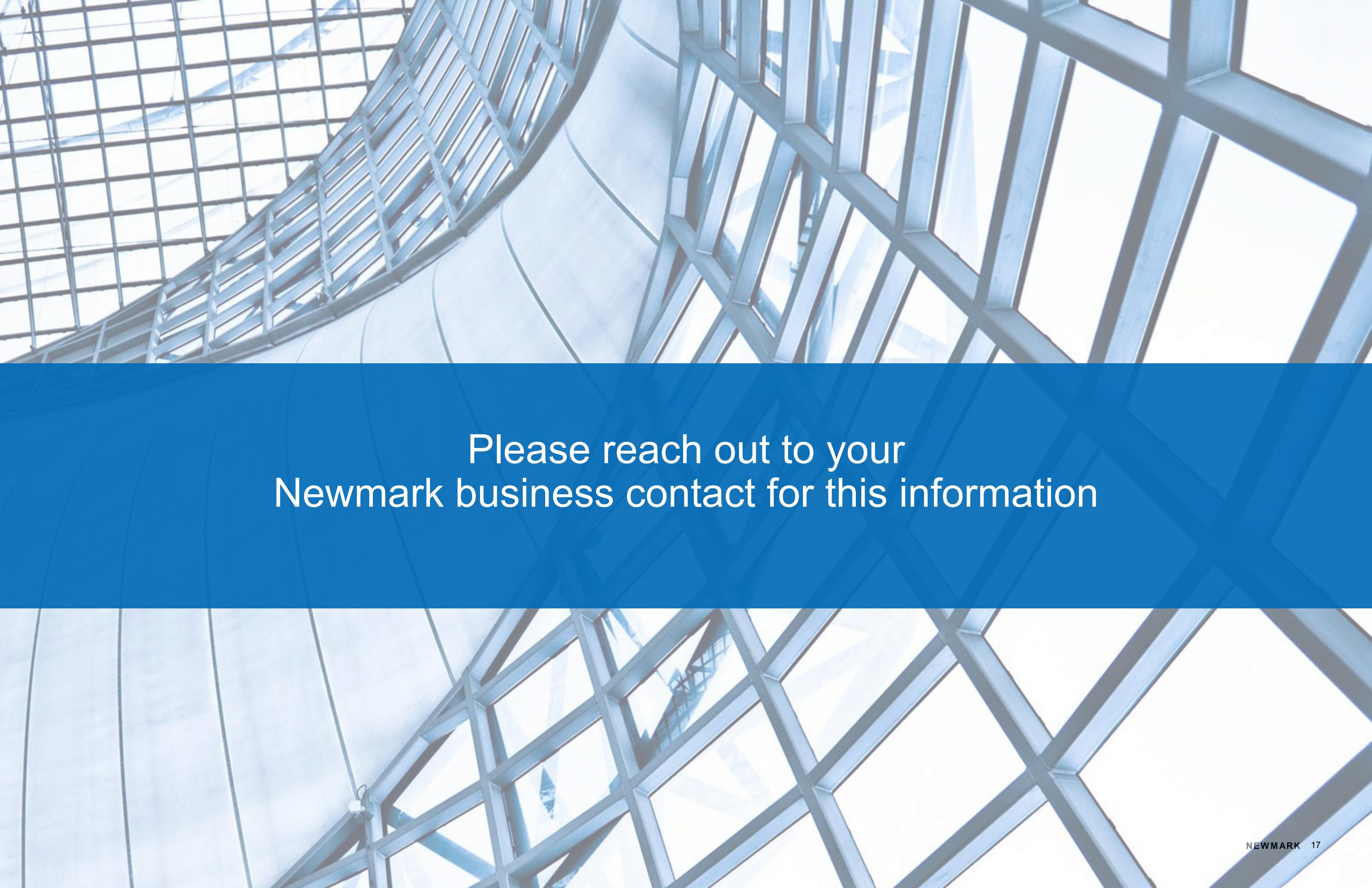
Source: Newmark Research, CoStar

# Office Building Being Converted Into Fitness Center

As older, non-class A office buildings continue to fall out of favor, owners have been thinking of creative ways to create the highest and best use for their sites. This has created a recent influx of creative office building conversions in Southern New Jersey and the entire MSA. A recent example is 304 W Route 38's conversion of office to fitness center. The 58,215 SF building was recently sold to Giant Fitness for approximately \$55.83/SF. The building will undergo renovations in the coming months to be owner-occupied as a fitness center. Conversions such as these reflect the changing demographics of the South Jersey user base.



Source: Newmark Research, Costar



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# Market Statistics



# Submarket Overview

## Submarket Statistics – All Classes

	Total Inventory (SF)	Total Vacancy Rate	Total Available (SF)	Sublease Available (SF)	Total Availability Rate	Qtr Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Cherry Hill	3,401,194	22.2%	804,945	108,540	23.7%	(123,643)	\$21.31
Marlton	2,236,409	14.7%	409,799	82,945	18.3%	(17,927)	\$22.12
Moorestown	1,047,939	20.0%	298,856	19,620	28.5%	3,467	\$21.02
Mount Laurel	5,348,688	13.5%	950,111	60,910	17.8%	14,290	\$21.53
Pennsauken/Camden	2,442,317	4.7%	154,793	12,607	6.3%	71,732	\$20.53
Voorhees/Gibbsboro	1,352,533	16.9%	328,799	23,725	24.3%	73,253	\$21.40
<b>Southern New Jersey</b>	<b>15,829,080</b>	<b>14.9%</b>	<b>2,947,303</b>	<b>308,347</b>	<b>18.6%</b>	<b>21,172</b>	<b>\$21.43</b>

Source: Newmark Research

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