2Q25

Southern New Jersey Office Market Overview

NEWMARK

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Market Observations

Economy

- The Greater Philadelphia economy continued its positive momentum, with the region's unemployment rate declining to 4.0% for the 12 months ending in May. This figure now matches the national average; notably, Greater Philadelphia has consistently maintained a lower unemployment rate than the U.S. over the past year. Additionally, annual nonfarm payroll employment rose by 1.3% during this period, extending a four-year streak of positive 12-month growth rates. These trends highlight the region's ongoing economic stability and resilience.
- Employment in the Camden metropolitan division — which includes Burlington, Camden, and Gloucester counties within the Philadelphia MSA— experienced a slight decline, decreasing by 20 basis points over the past 12 months ending in May. This modest decrease highlights localized employment fluctuations within the broader regional market.
- May 2025 was the first time that office-using employment had experienced growth since June of 2023. This growth was primarily driven by the Business & Professional industry, which grew by 0.4%. Overall, the total office-using employment consisted of approximately 778,500 employees, representing a 200-job increase.

Major Transactions

- In the first half of 2025, average lease sizes reached 3,679 SF, with approximately 26 leases exceeding this average. Notably, large leases were recorded across various industries and submarkets in Southern New Jersey during this period. For example, MRS BPO LLC and Regus signed for 26,500 SF and 15,190 SF in Marlton and Cherry Hill, respectively.
- In June, Newmark sold Moorestown Corporate Center for the owner, Keystone Property Trust, to Melrose Solomon Enterprises. The corporate center comprises three buildings totaling 222,823 square feet. The building was sold for approximately $17.6M, or $79/PSF.

Leasing Market Fundamentals

- During the second quarter of 2025, market occupancy rose by 20 basis points on a year-over-year basis, reaching 85%. This uptick reflects a modest but positive improvement in overall occupancy levels compared to the same period last year. Overall absorption was recorded at -26,421 square feet this quarter, but remains positive for the year at 78,565 square feet. Marlton and Moorestown led the market in space absorption this quarter, with Marlton absorbing 26,364 square feet and Moorestown close behind at 25,541 square feet. Several major tenants contributed to the positive absorption in these submarkets. Fox & Roach LP expanded its footprint by leasing an additional 4,700 square feet at 7000 E Lincoln Drive in Marlton. Meanwhile, Oxford Contracting Co. occupied 14,700 square feet at 5 Terri Lane in June.
- Southern New Jersey's average asking rent reached a record high of $21.53 per square foot in the fourth quarter of 2023 and has remained elevated, registering $21.33 per square foot this quarter. The market saw a pronounced surge in rental rates between the fourth quarter of 2022 and the first quarter of 2023, recording a quarterly increase of 250 basis points. Since that period, rent growth has stabilized, averaging a modest 48 basis points per quarter. This trend reflects a stable and consistent outlook for the region's office market, with sustained demand keeping rates near historic highs..
- At the close of the second quarter, total tenant demand— defined by the percentage of market space actively sought by tenants— stood at 1.5%. Although this represents a slight decrease from the previous quarter, it remains consistent with the recent eight-quarter average of 1.7%, indicating stable demand levels across the market.

Outlook

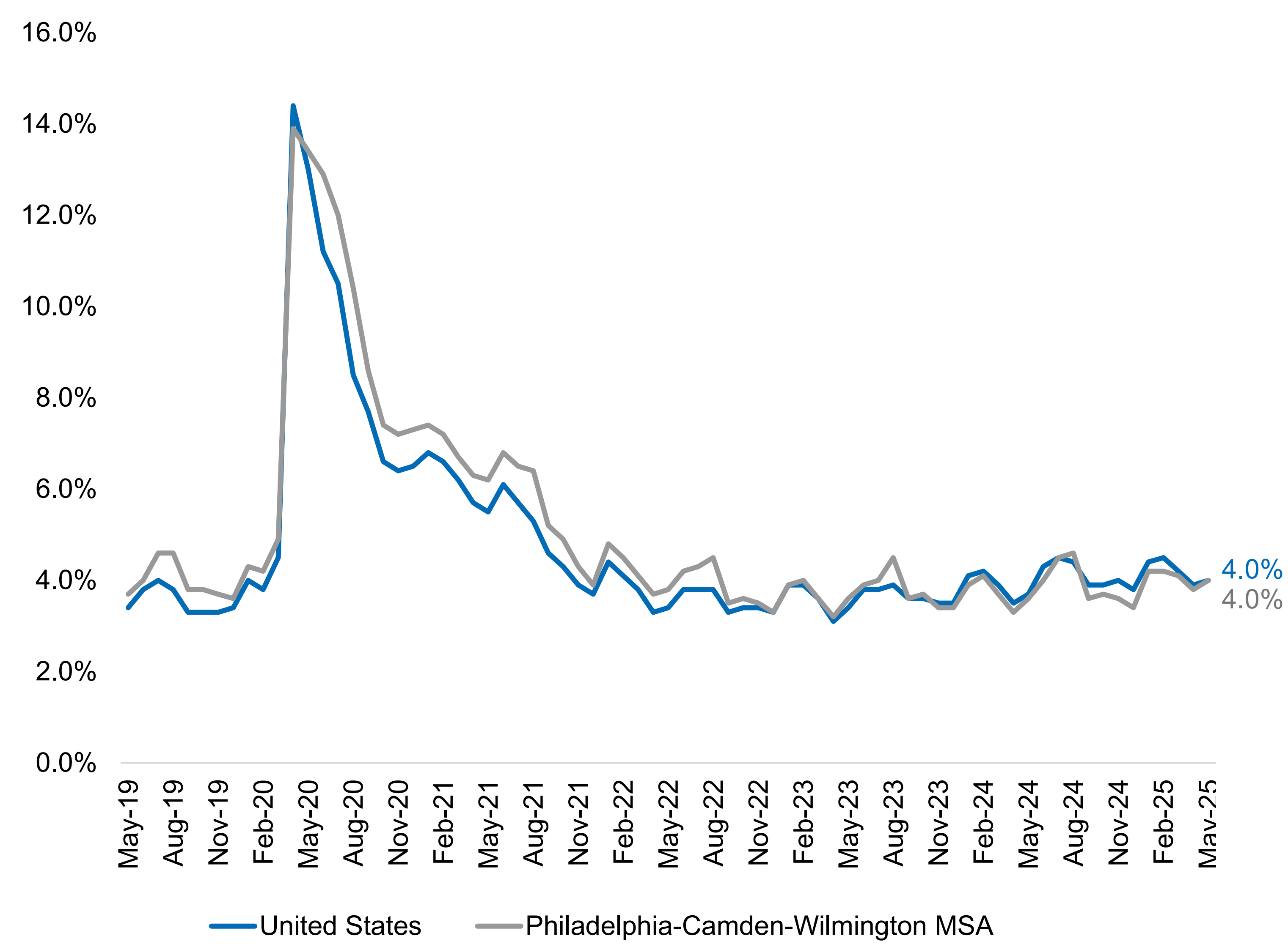
- The last significant new development in Southern New Jersey was completed in 2019. The ongoing lack of new projects in the construction pipeline has provided stability to the market, directly contributing to consistent vacancy rates over the past two years. Since the third quarter of 2022, vacancy rates have remained within 110 basis points of the long-term average of 15.6%. In the first quarter, the vacancy rate dropped to 14.7%, the lowest we have seen in recent history.
- Declining vacancy rates and positive quarterly absorption are encouraging indicators for the Southern New Jersey office market as the year progresses. These improvements can be partially attributed to an increasing trend toward a 5-day in-office work week, as demonstrated by leading employers such as Chase and JP Morgan. This shift suggests renewed confidence in office-based operations and points to a potential uptick in office demand as we move further into 2025.

Economy

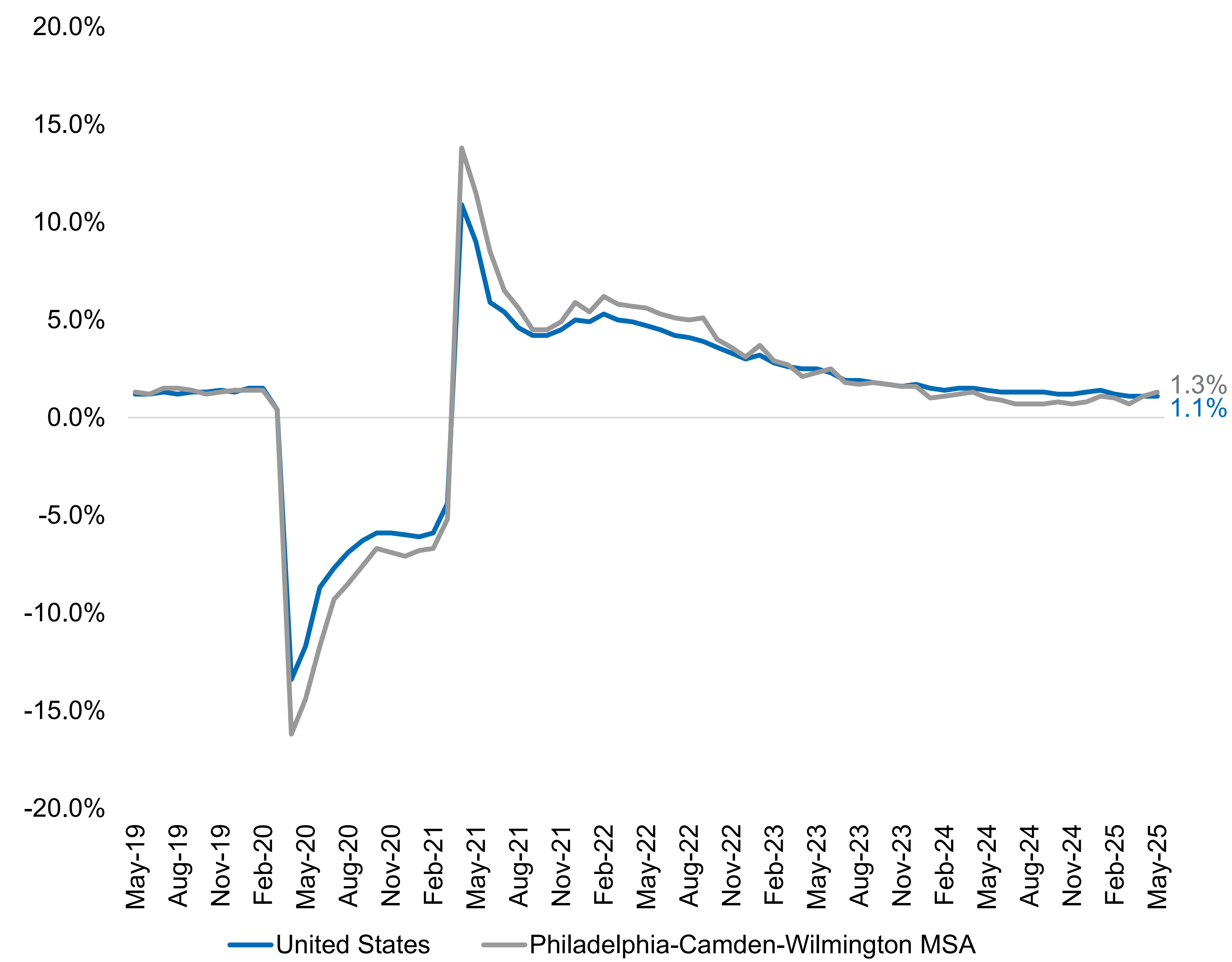
Philadelphia's Unemployment Rate Matches US Average

The Greater Philadelphia economy experienced a slight increase in unemployment for the 12 months ending in May and now matches the US unemployment rate after falling below the national average over the past year. Nonfarm payroll employment increased by 1.3% in May, representing a slight rise from the moderate growth observed in the latter half of 2024. 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

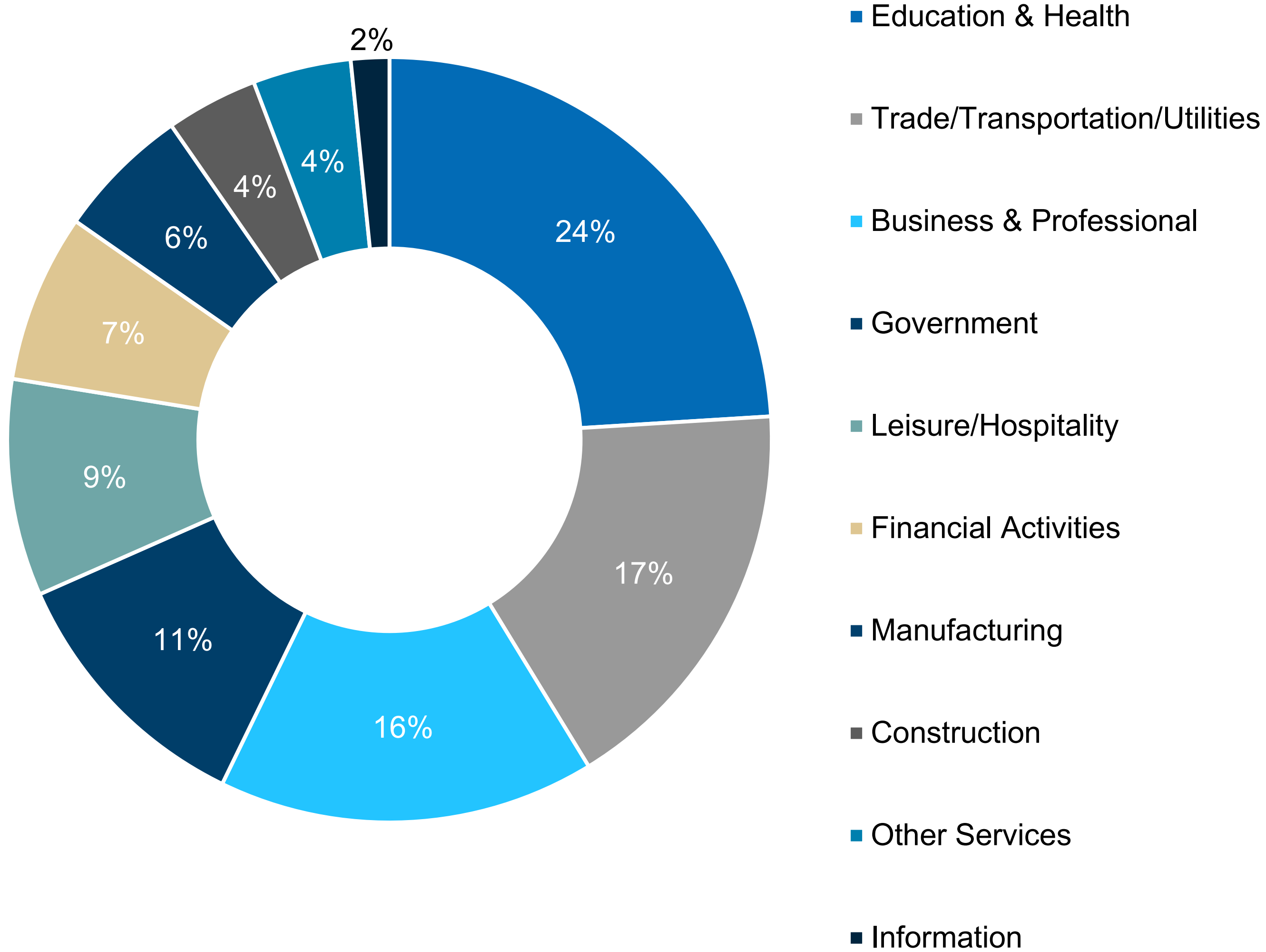


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

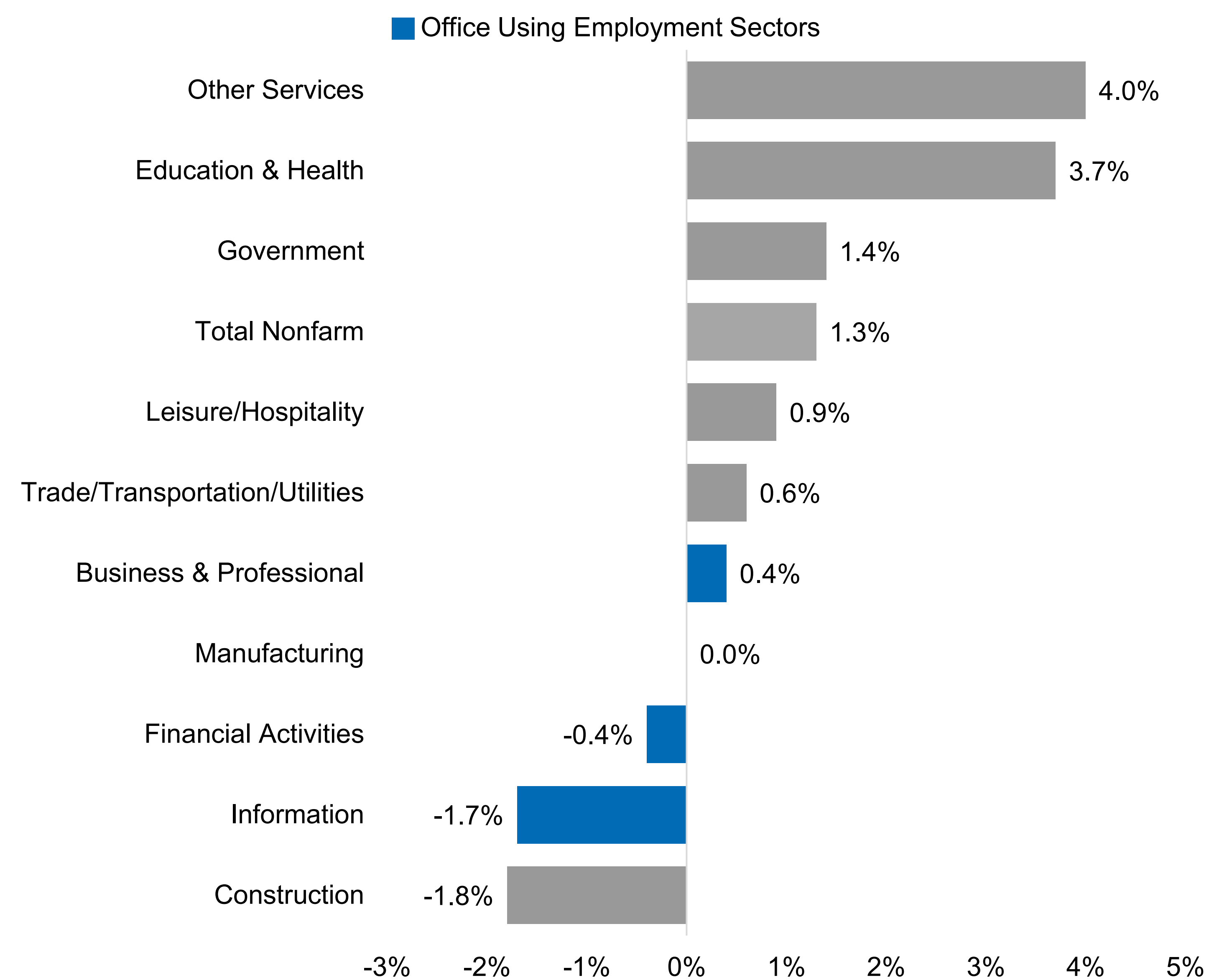
Office-Using Industries Decline While Healthcare And Education Continue To Grow

The Other Services, Education & Health, and Government sectors each grew by at least 140 basis points over the 12 months ending in May. The Other Services industry sector comprises 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 encouraging for the region's economy.

Employment by Industry, May 2025



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

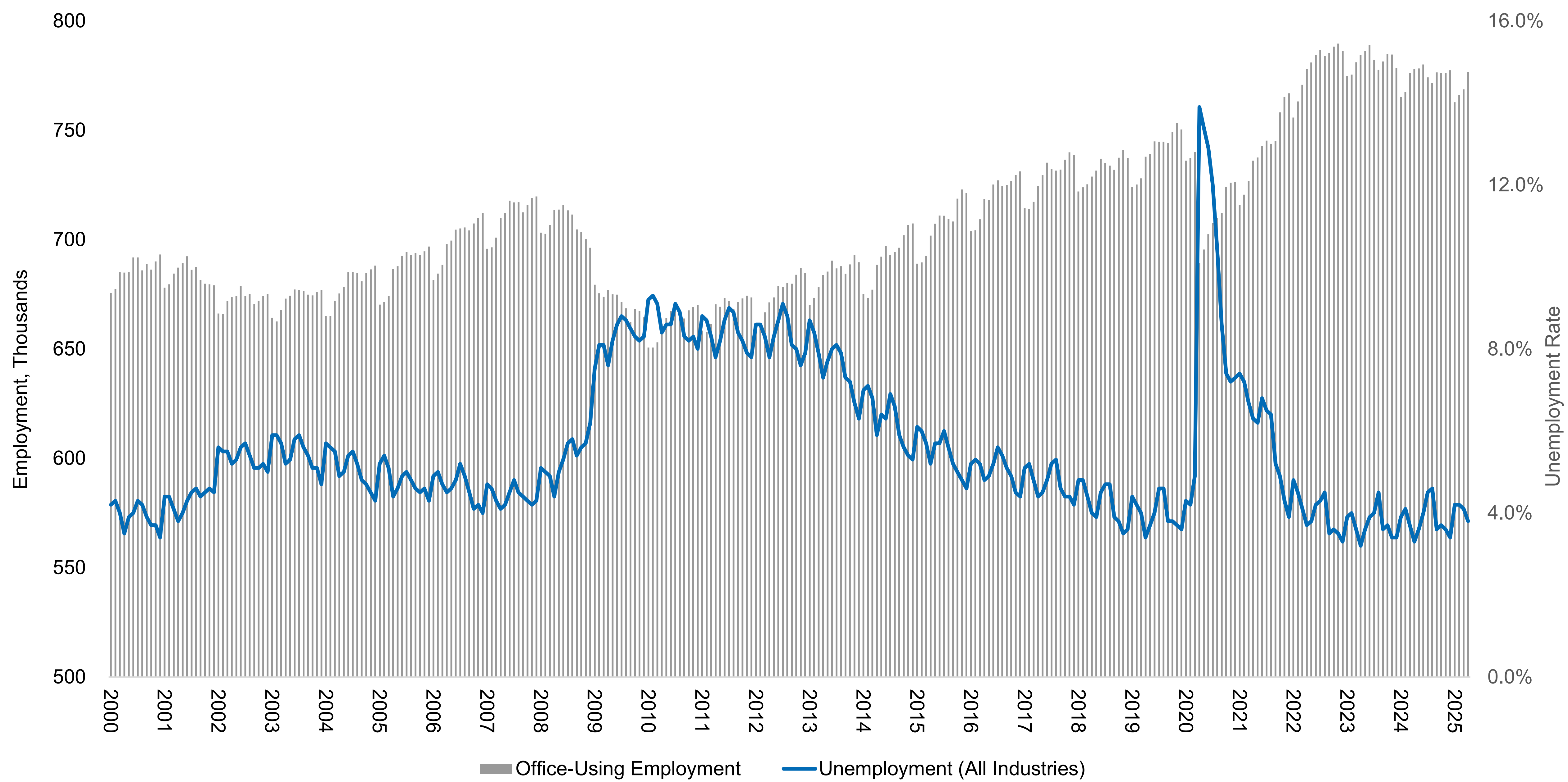


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Office-Using Employment Remains Steady

In May 2025, office-using employment saw a modest annual increase of 3 basis points. This slight growth was primarily fueled by the Business & Professional sector—the largest office-using industry—which posted a more substantial gain of approximately 40 basis points over the same period.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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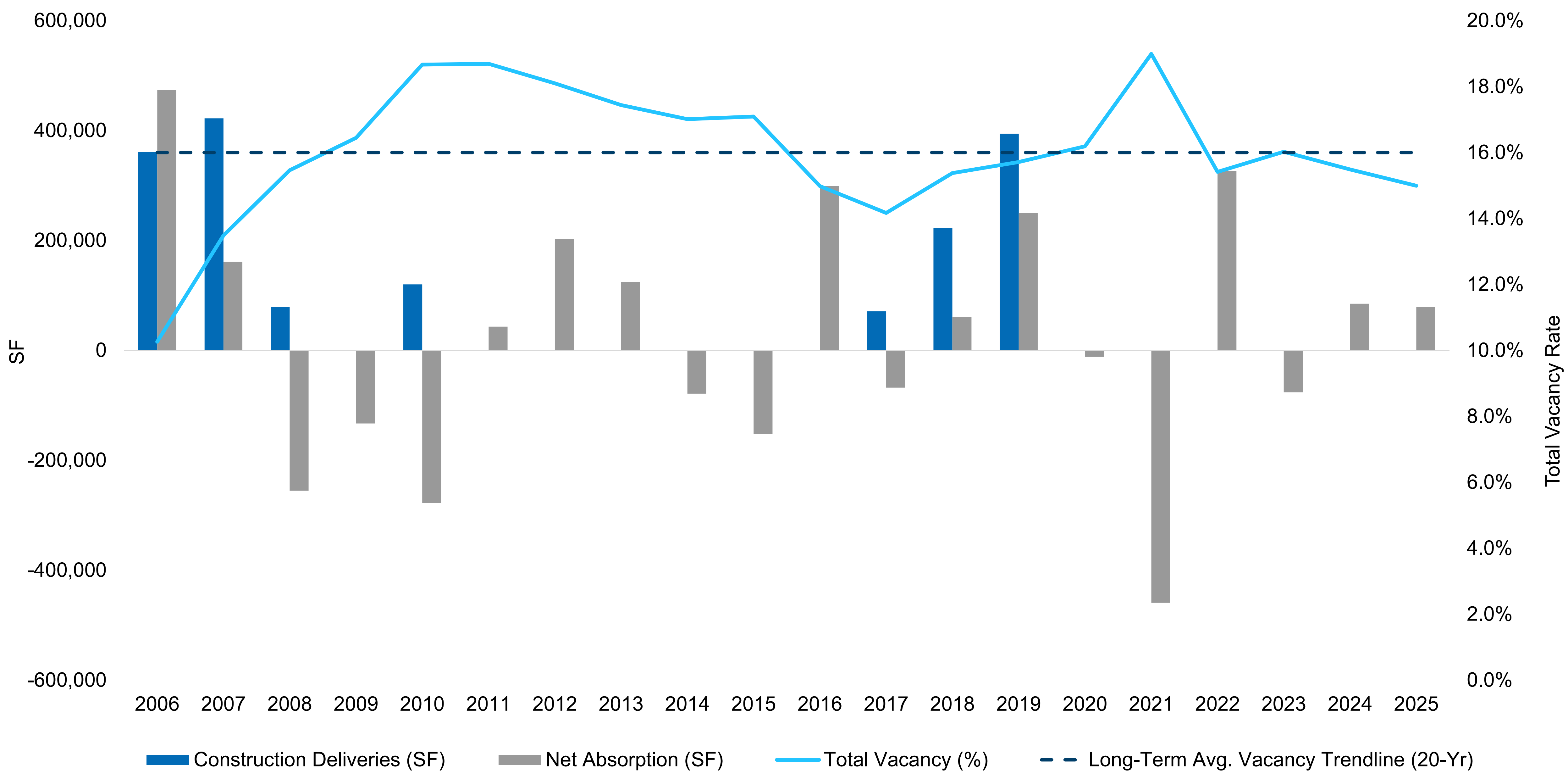
Leasing Market Fundamentals

Absorption Stays Positive In 2025

Southern New Jersey's office vacancy rate stood at 15.0% in the second quarter, representing a 20-basis-point decrease from the previous year and signaling ongoing market stabilization. Although the market experienced negative absorption of 26,421 square feet this quarter, the strong performance earlier in the year—highlighted by 104,984 square feet of positive absorption in the first quarter of 2025—has kept year-to-date absorption in positive territory. The combination of declining vacancy rates and net positive annual absorption underscores a strengthening office market and bodes well for continued improvement as the year progresses.

Historical Construction Deliveries, Net Absorption, and Vacancy

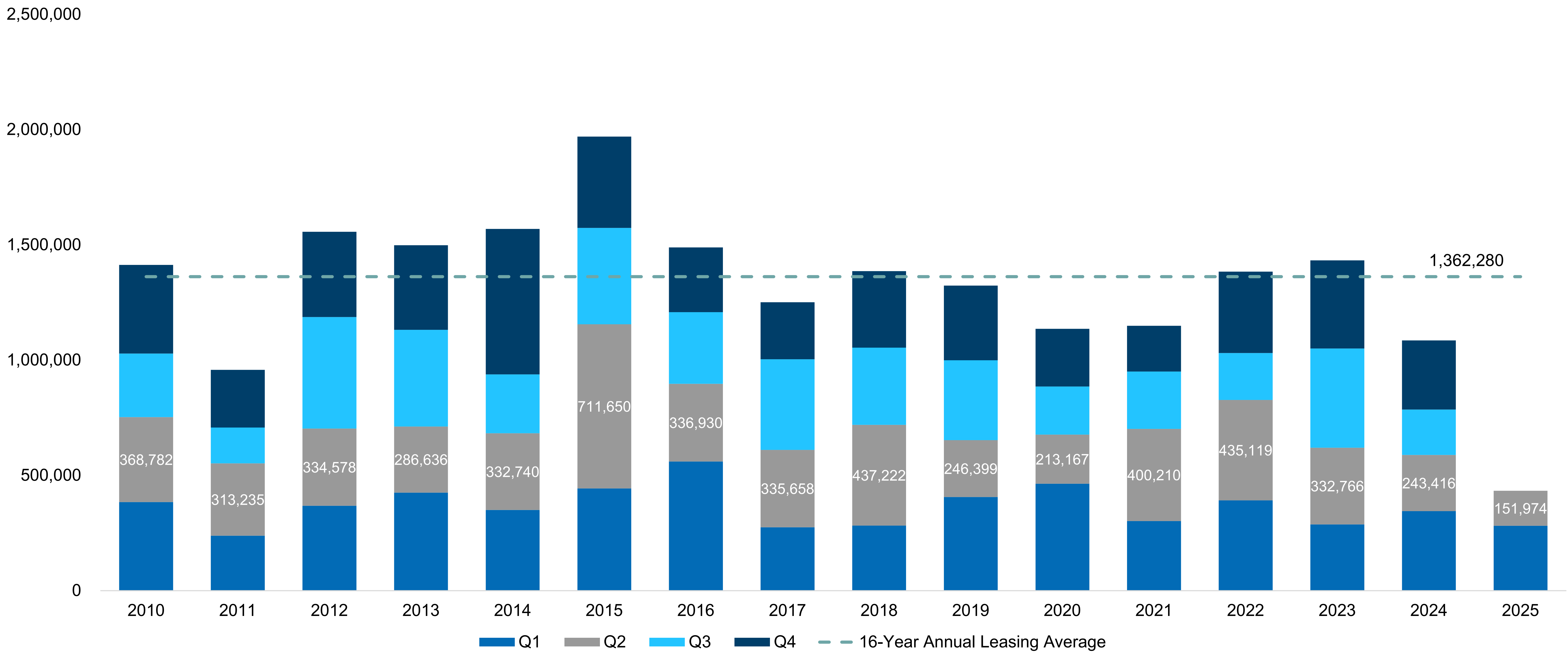


Source: Newmark Research

Leasing Volumes Are Modest But Activity Was Strong

Second-quarter leasing volumes reached 151,974 square feet, approximately 90,000 square feet less than in the second quarter of last year. Although lower than average, positive absorption and decreasing vacancy rates reflect healthy demand in the Southern New Jersey office market.

Total Leasing Activity (msf)

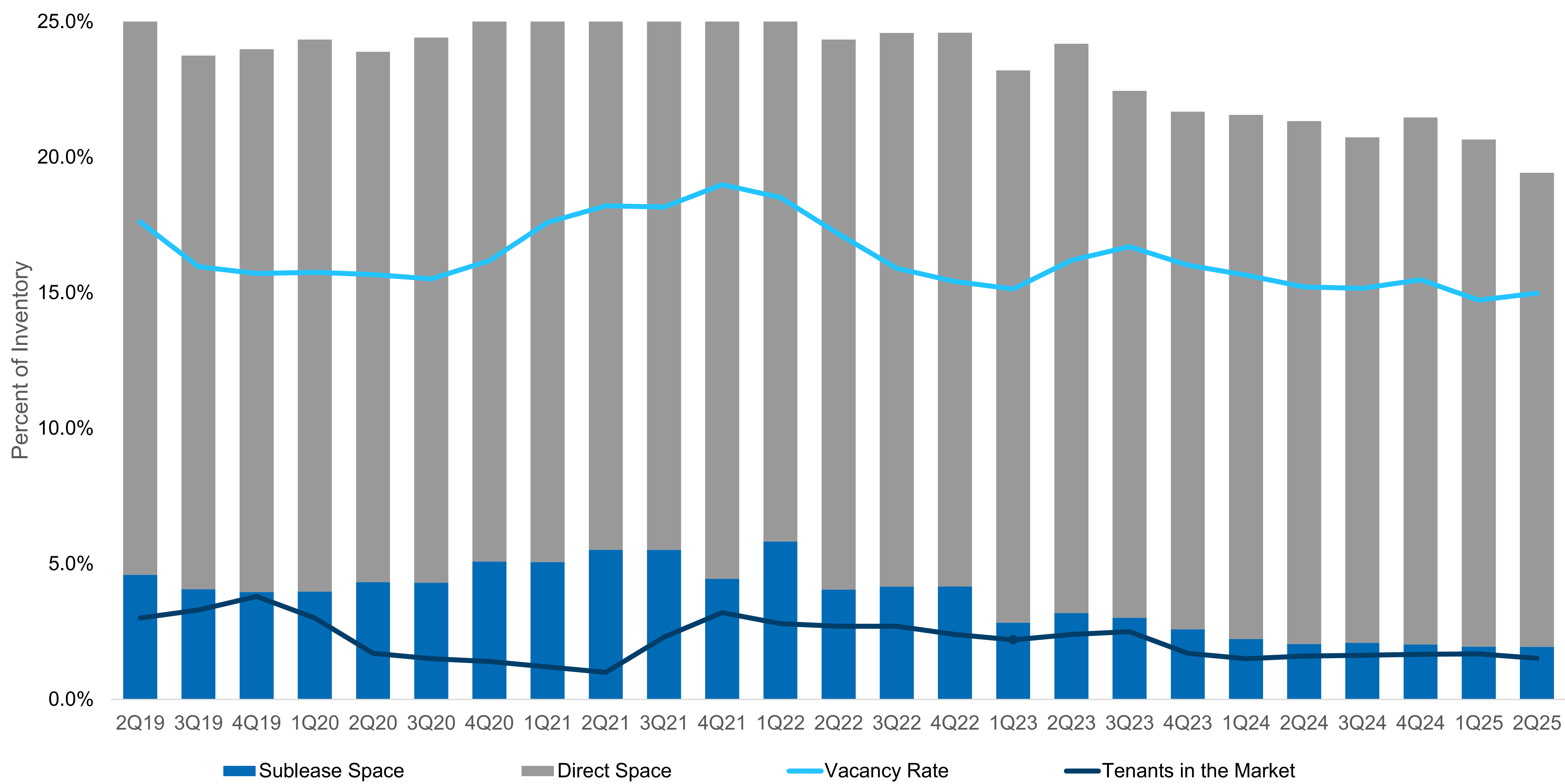


Source: Newmark Research, CoStar

Active User Demand Remains Historically Consistent

At the close of the second quarter, the percentage of active users relative to inventory declined to 1.5%, remaining near the eight-quarter average of 1.7%. Market demand is being driven by tenants seeking an average of more than 11,500 square feet of space. Notably, this quarter saw a few above-average-sized lease transactions, including MRS BPO LLC's sublease for 26,500 square feet in Marlton from Continuum Health Alliance, LLC.

Available Space and Tenant Demand as Percent of Overall Market

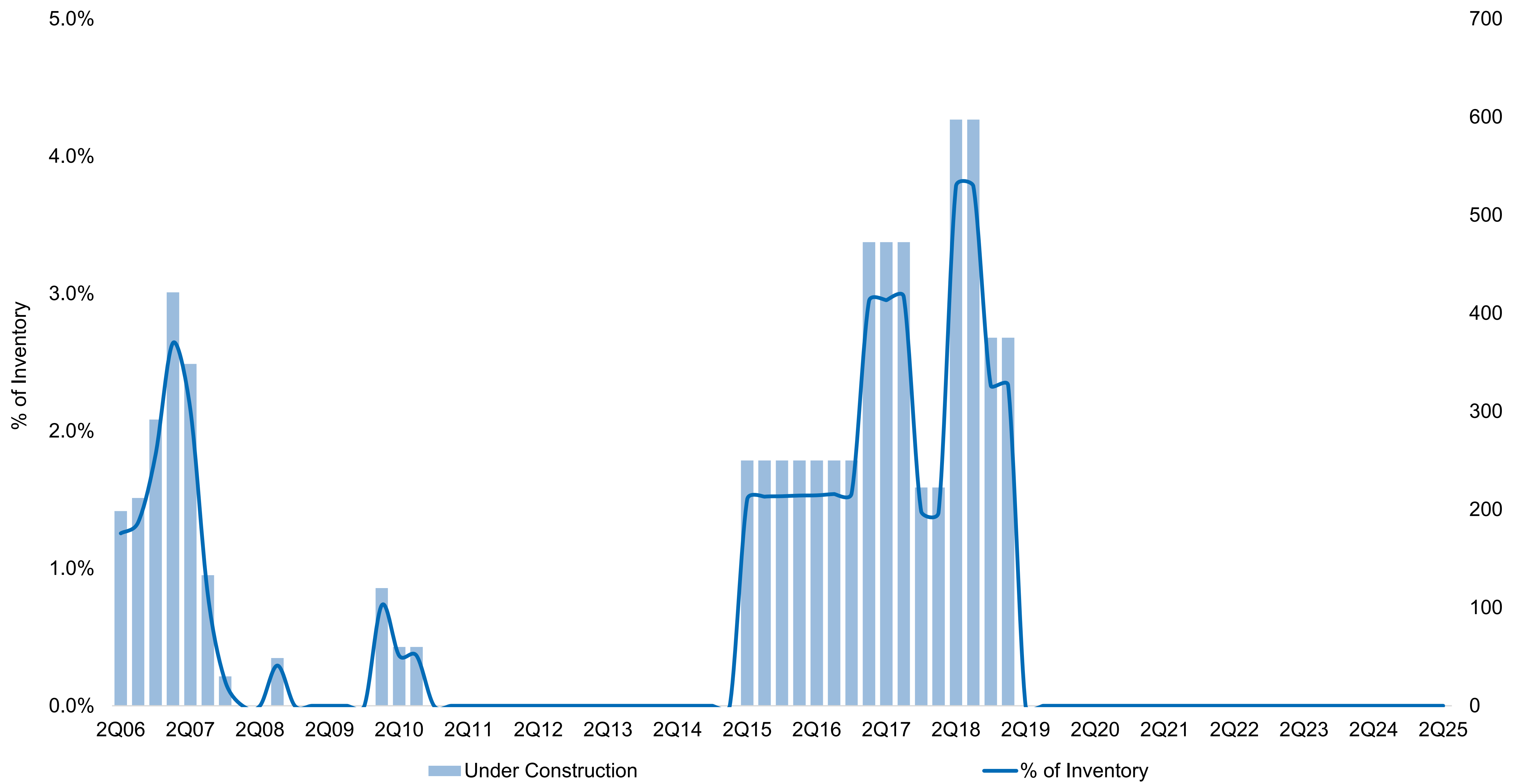


Source: Newmark Research

A Non-Existent Construction Pipeline Benefits The Market

The last new office delivery in Southern New Jersey occurred in 2019 at 2 Cooper Street in Camden. Presently, the absence of additional projects in the development pipeline is supporting market stability by preventing oversupply. For new construction to be feasible, market demand would need to increase enough to absorb an additional 200,000 to 300,000 square feet of office space, ensuring healthy occupancy and long-term viability for future projects.

Office Under Construction and % of Inventory

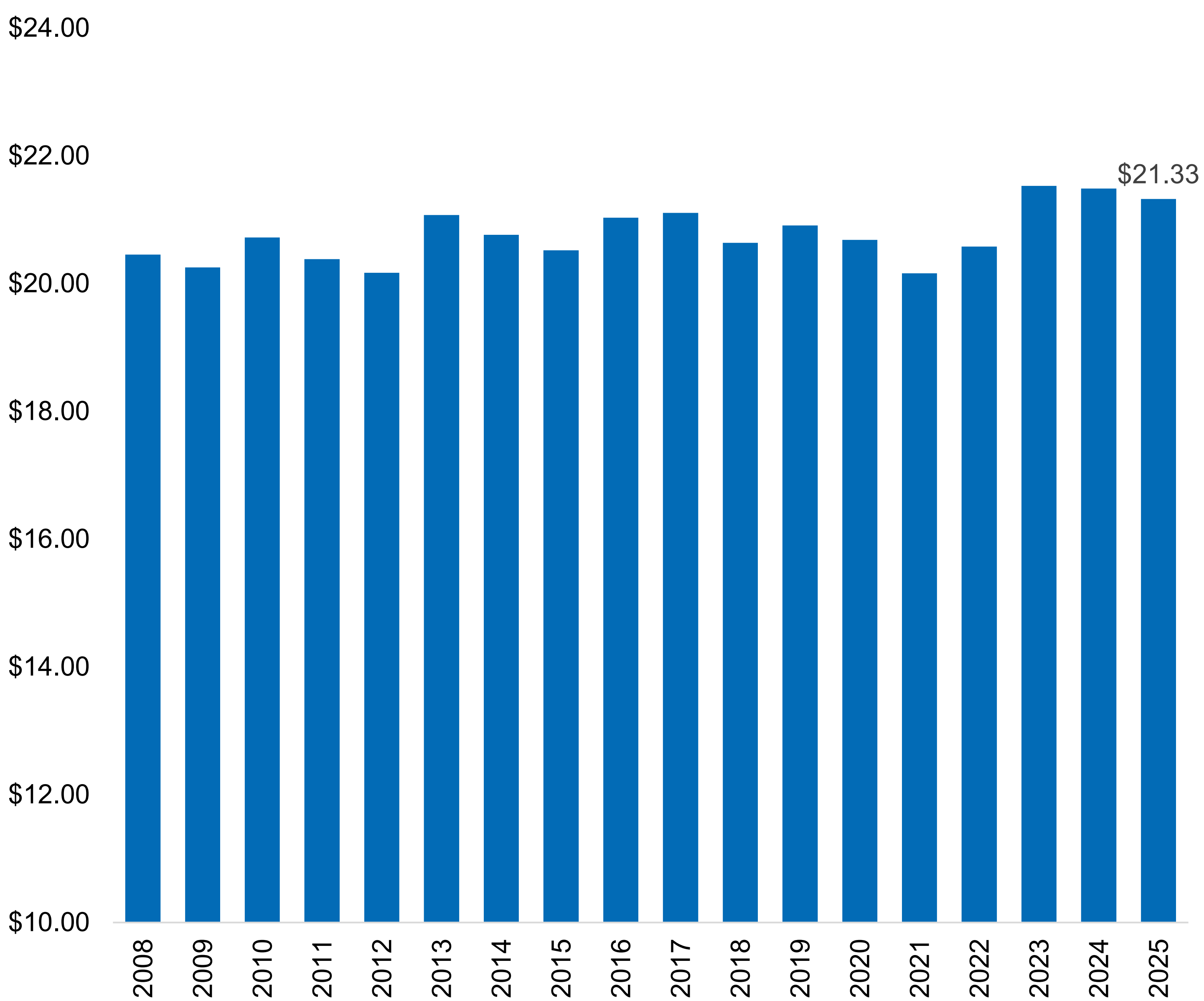


Source: Newmark Research, CoStar

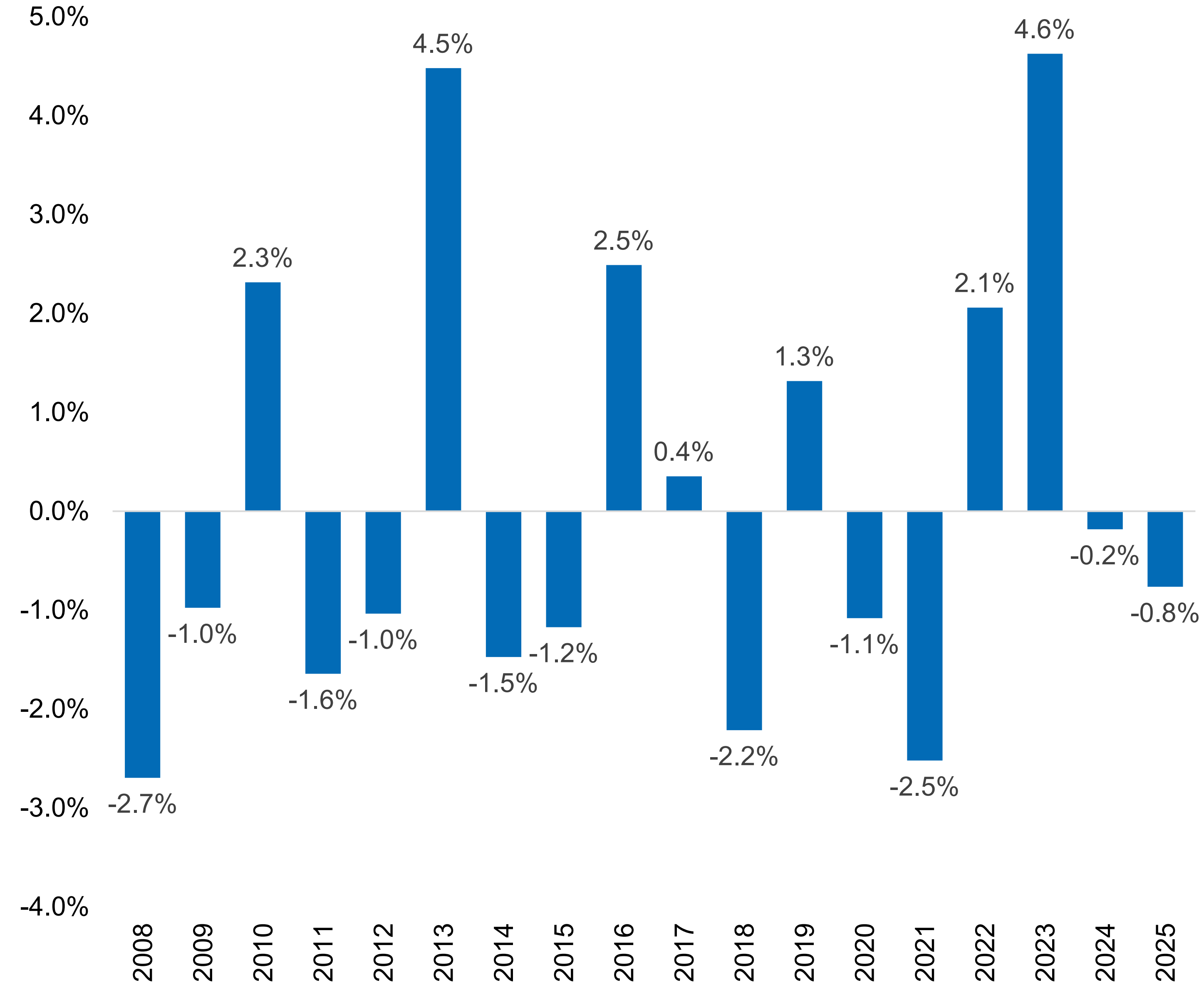
Rents Growth Continues To Stabilize

Average rents in Southern New Jersey have fully rebounded and now surpass pre-2020 levels. Following substantial year-over-year gains in both 2022 and 2023, at the end of the second quarter of 2025 asking rents averaged $21.33 per square foot—275 basis points above the 18-year historical average. Although rents remain elevated compared to long-term trends, they have moderated slightly, decreasing by 88 basis points year-over-year.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

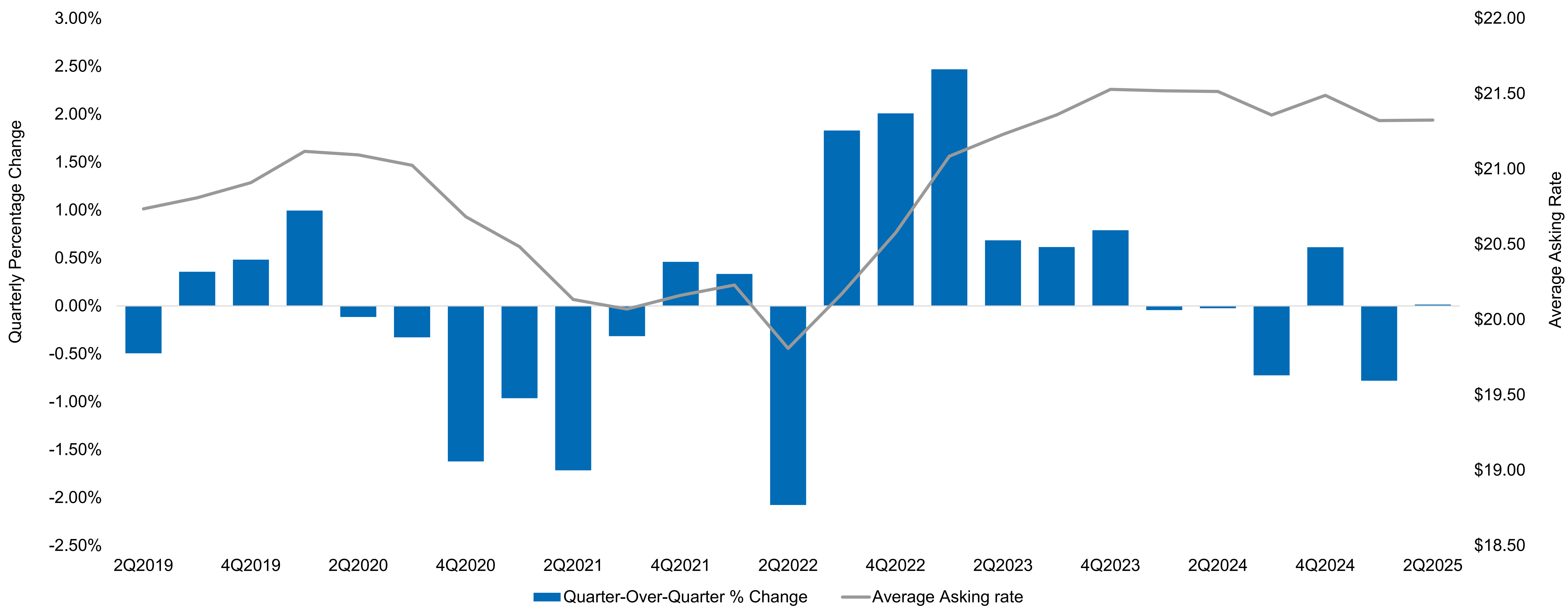


Source: Newmark Research

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

Southern New Jersey's average asking rate hit a record high of $21.53/SF in the fourth quarter of 2023 and has remained near that level, registering $21.33/SF in the second quarter of 2025. This peak was supported by an exceptional period of rent growth, with average quarterly increases of 250 basis points between the fourth quarter of 2022 and the first quarter of 2023. Since then, asking rents have stabilized, with quarter-over-quarter changes averaging just 48 basis points quarter-over-quarter, indicating a period of steady rate expectations in the market. However, there are signs that some landlords are proactively lowering rents to attract tenants and bolster occupancy levels, reflecting a strategic response to evolving market dynamics.

Historical Asking Rents and Quarter-Over-Quarter Performance

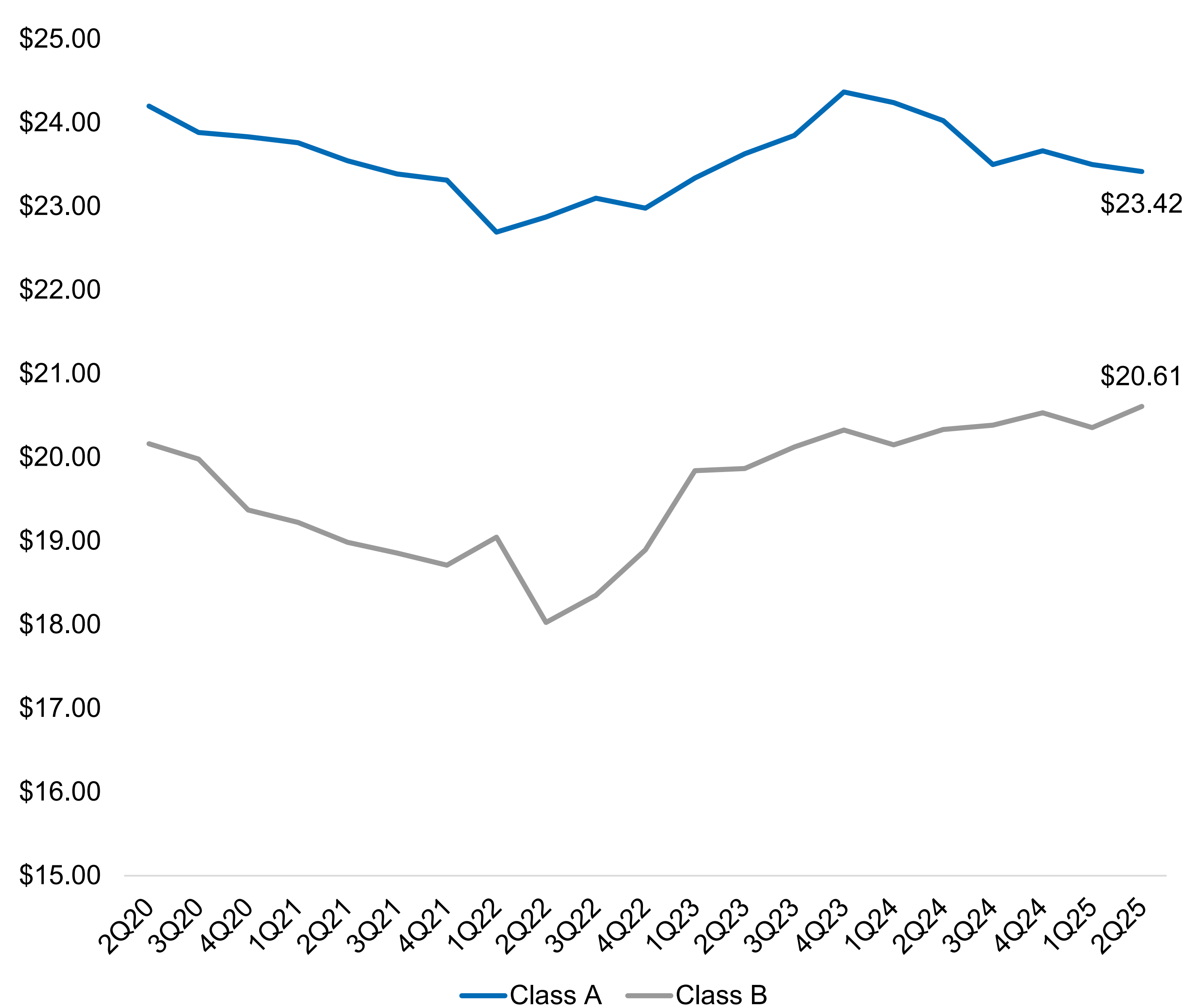


Source: Newmark Research

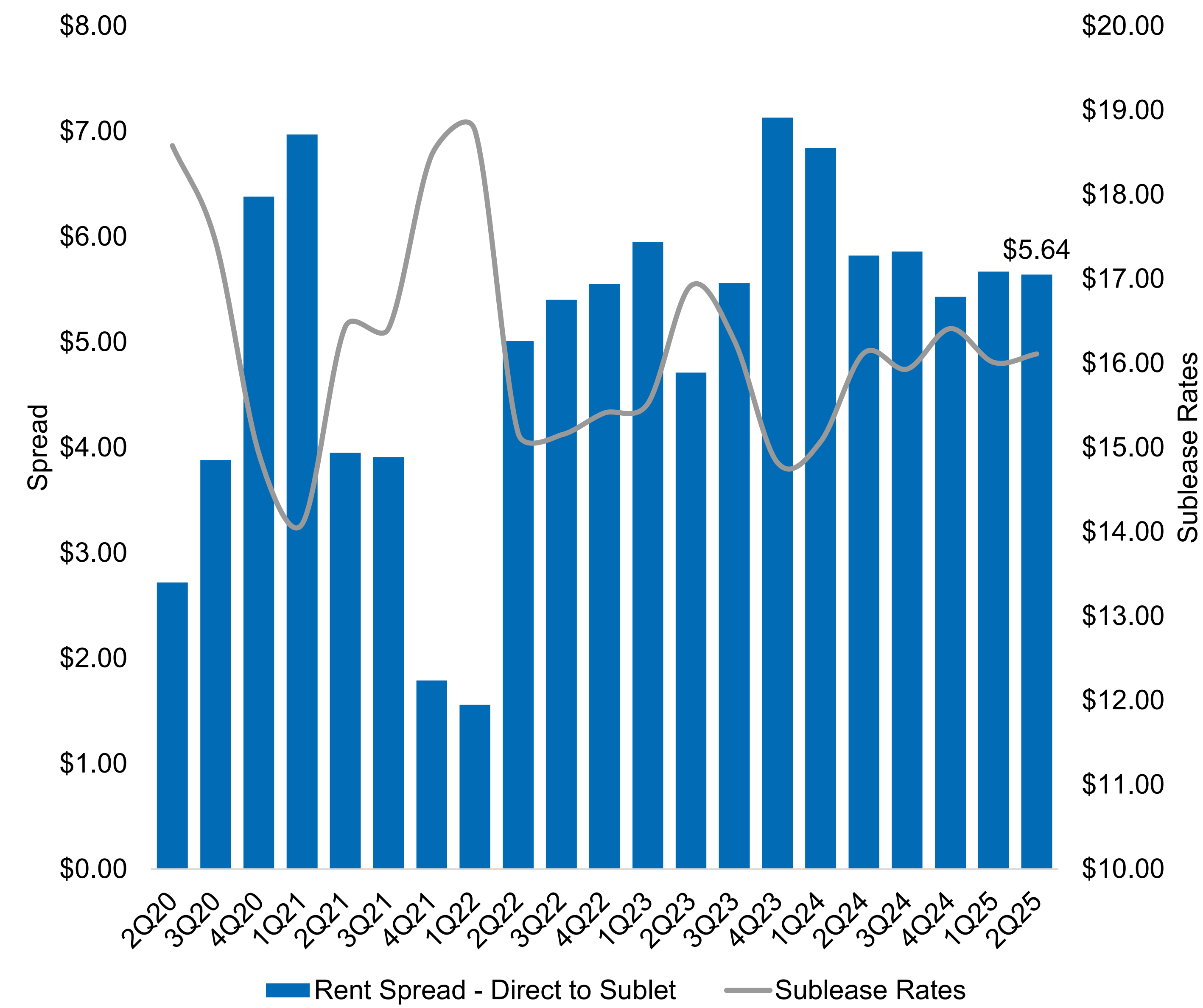
Spreads Shrink Between Class A And Class B Space

In the second quarter, Class A rents decreased by 40 basis points, while Class B rents increased by 130 basis points, resulting in a narrowing of the spread between Class A and B rents to $2.81/SF. This juxtaposition in rent growth follows a quarterly trend since the beginning of 2024. From the first quarter of 2024, Class A asking rents have decreased by an average of 66 basis points quarter-over-quarter, while Class B rents have risen by an average of 20 basis points during the same amount of time.

Class A and Class B Asking Rents



Sublease Rates



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	3,444,194	20.0%	817,917	108,540	23.7%	11,345	$21.96
Marlton	2,236,409	12.9%	333,163	59,374	14.9%	26,364	$21.41
Moorestown	1,047,939	17.5%	207,755	19,620	19.8%	25,541	$22.52
Mount Laurel	5,348,688	15.4%	934,845	77,999	17.5%	(98,426)	$20.74
Pennsauken/Camden	2,442,317	6.9%	219,857	18,310	9.0%	4,614	$19.02
Voorhees/Gibbsboro	1,352,533	16.6%	261,873	23,725	19.4%	4,141	$22.01
Southern New Jersey	**15,872,080**	**15.0%**	**2,775,410**	**307,568**	**17.5%**	**(26,421)**	**$21.33**

Source: Newmark Research

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