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3Q24

# Northern New Jersey Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- The region’s labor market remains on solid footing, though employment growth has slowed, continuing a downward trend. Despite this, year-over-year worth remains positive at 1.5%. New Jersey’s unemployment rate increased by 40 basis points year over year to 4.7% in the third quarter. While this rise keeps New Jersey above the national average of 4.1%, which has been increasing since May 2023, the state remains competitive.
- Education & Health led all industries in annual job growth in Northern New Jersey at 6.9%. Office-occupying industries didn’t report any annual job gains, while the information industry reported contraction by 4.9% year over year.
- Recent trends have indicated a 1.23% year over year decline in office-using employment. The financial sector may benefit from the recent cuts to interest rates, potentially leading to an increase in employment over the upcoming quarters.

## Major Transactions

- JP Morgan Chase & Co’s 550,000 SF renewal and expansion at 545 Washington Boulevard in Jersey City was the largest deal during the third quarter.
- Samsung signed the one of the largest deals of the third quarter, securing 321,207 SF. They will be vacating their current location in Ridgefield Park and relocating their headquarters to Englewood Cliffs.
- Meanwhile, Unilever is downsizing from its 321,207 square foot headquarters at 700 Sylvan Avenue and will now occupy the entire 7th and 8th floors, along with most of the penthouse, at 111 River Street in Hoboken.

## Leasing Market Fundamentals

- The Northern New Jersey office market posted a positive net absorption of 612,496 SF during the third quarter of 2024, marking the first time in two years that net absorption has turned positive.
- Leasing activity in the market soared, reaching over 3.1 MSF during the third quarter of 2024. Third quarter activity increased 33.8% quarter over quarter and is comparatively higher than this same time last year, increasing by 58% annually. The average deal size was 4,154 SF during the third quarter of 2024, an average of 636 SF higher than the prior quarter.
- Overall asking rents stood at \$31.33/SF in Q3 2024, with a slight year-over-year increase of 0.2%. Asking rents are expected to remain elevated through the remainder of 2024, driven by increased tenant demand and improving leasing activity.

## Outlook

- Upcoming deliveries of new construction are expected to drive rent and occupancy increases in submarkets with premier office spaces. Class A properties continue to dominate, accounting for more than 60% of overall leasing activity.
- Following the Fed’s reduction in interest rates, investors are expected to focus on expansion efforts as economic conditions improve in the upcoming quarters.
- The Hudson Waterfront will see continued improvements to leasing activity and occupancy rates as prospective tenants examine the potential relocation from Manhattan.
- The long-term outlook is positive and competitive given the market’s strong economic fundamentals, driven by continued elevated office-using employment and a diversified labor pool.

1. Economy
2. Leasing Market Fundamentals



3Q24

# Economy

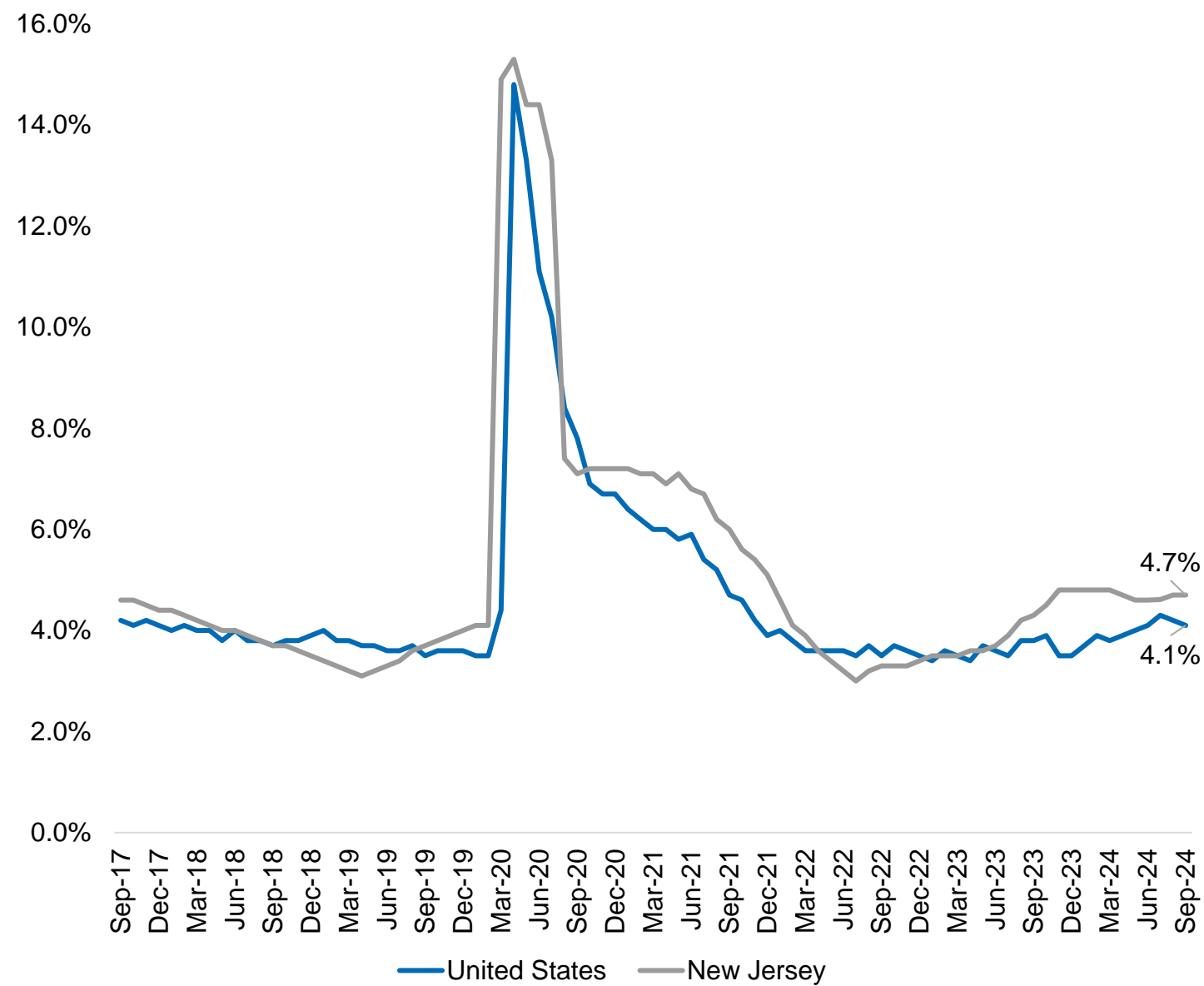




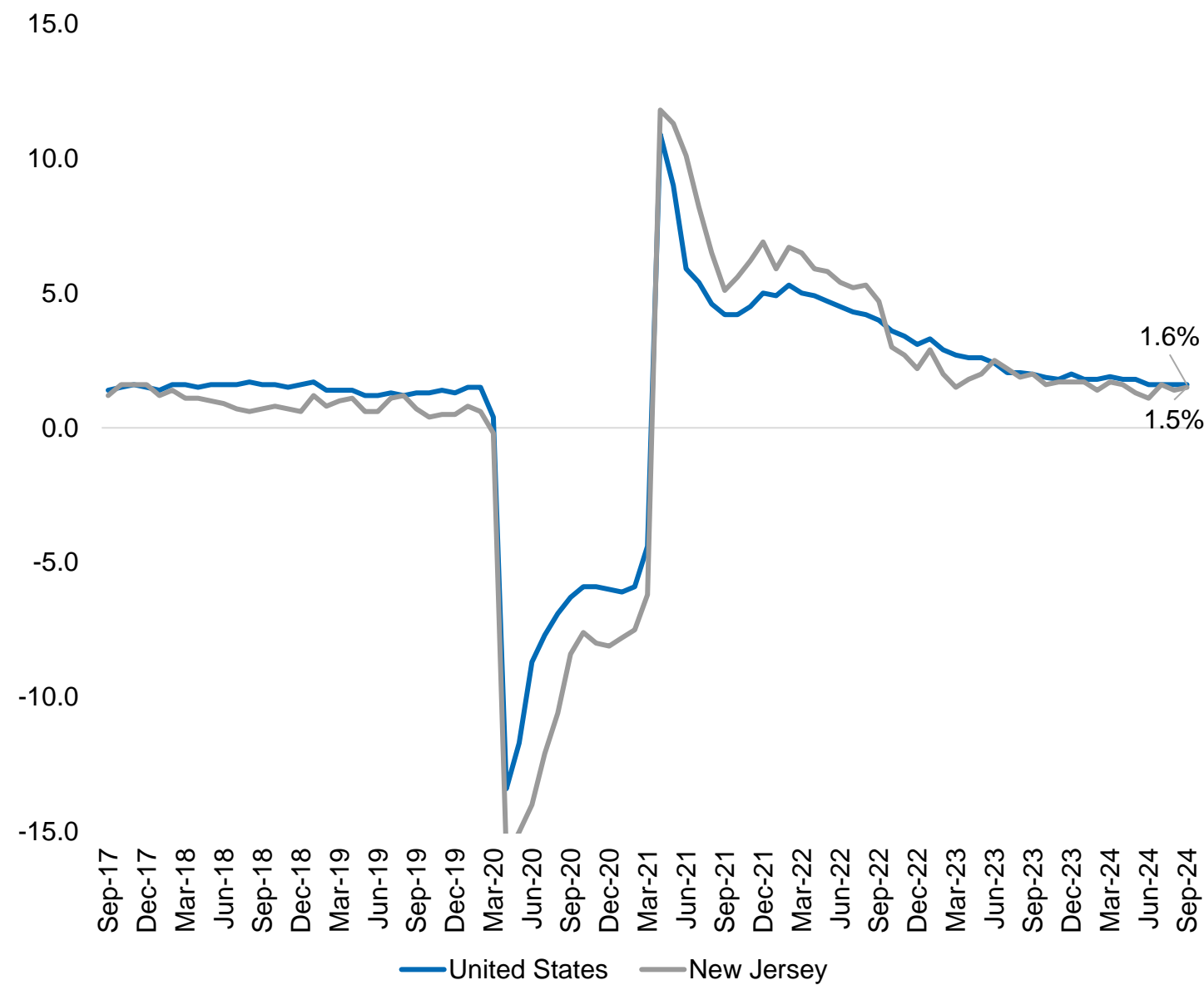
# Metro Employment Trends Signal a Slowing Economy

While the region’s labor market remains stable, employment growth has slowed, continuing a downward trend. Despite this, year-over-year growth remains positive at 1.5%. New Jersey’s unemployment rate increased by 40 basis points year-over-year to 4.7% in the third quarter. Even with this rise, the state’s unemployment rate has stayed above the national average of 4.1%, which has been increasing since May 2023..

**Unemployment Rate, Seasonally Adjusted**



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

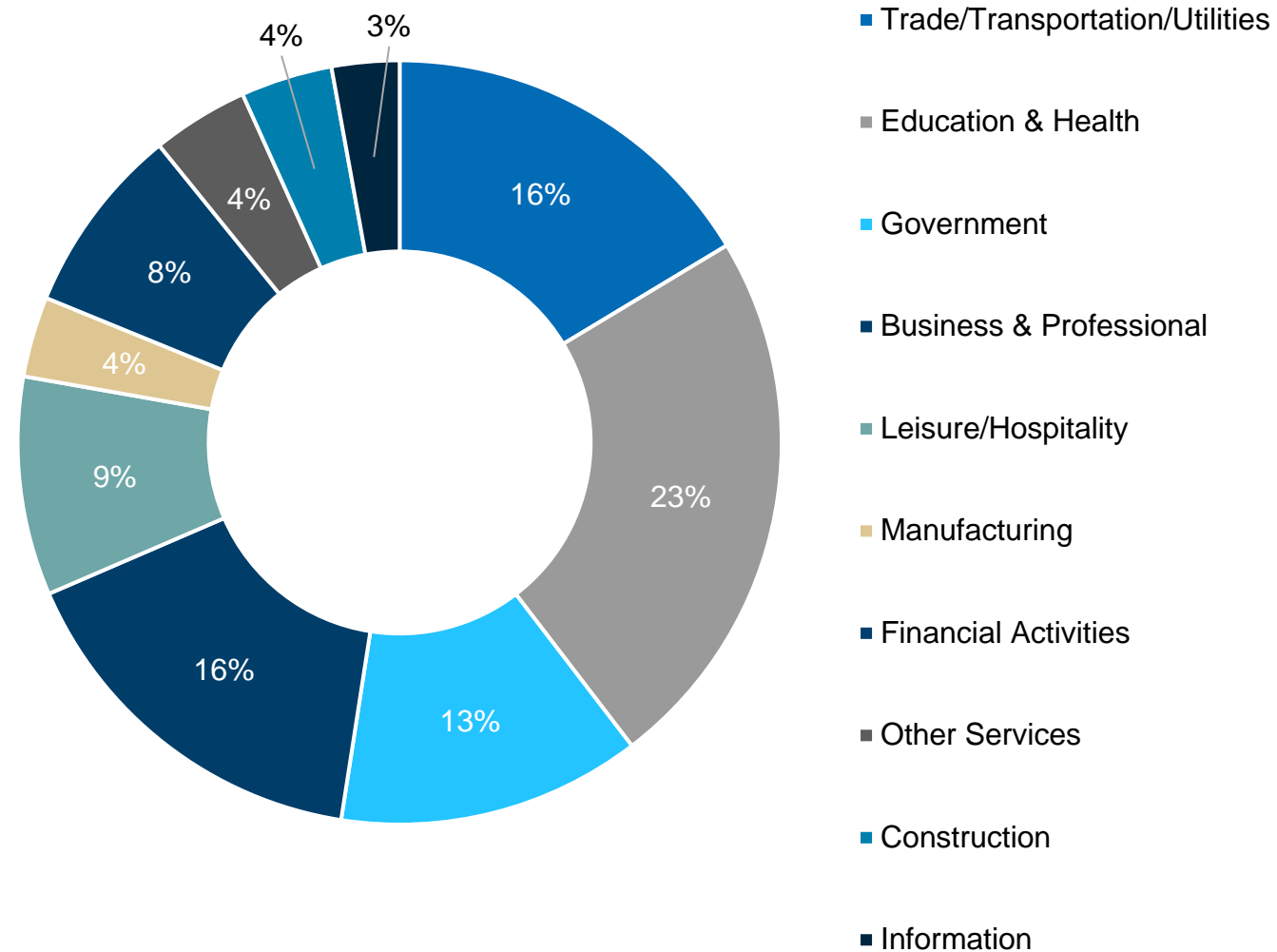


Source: U.S. Bureau of Labor Statistics, New Jersey

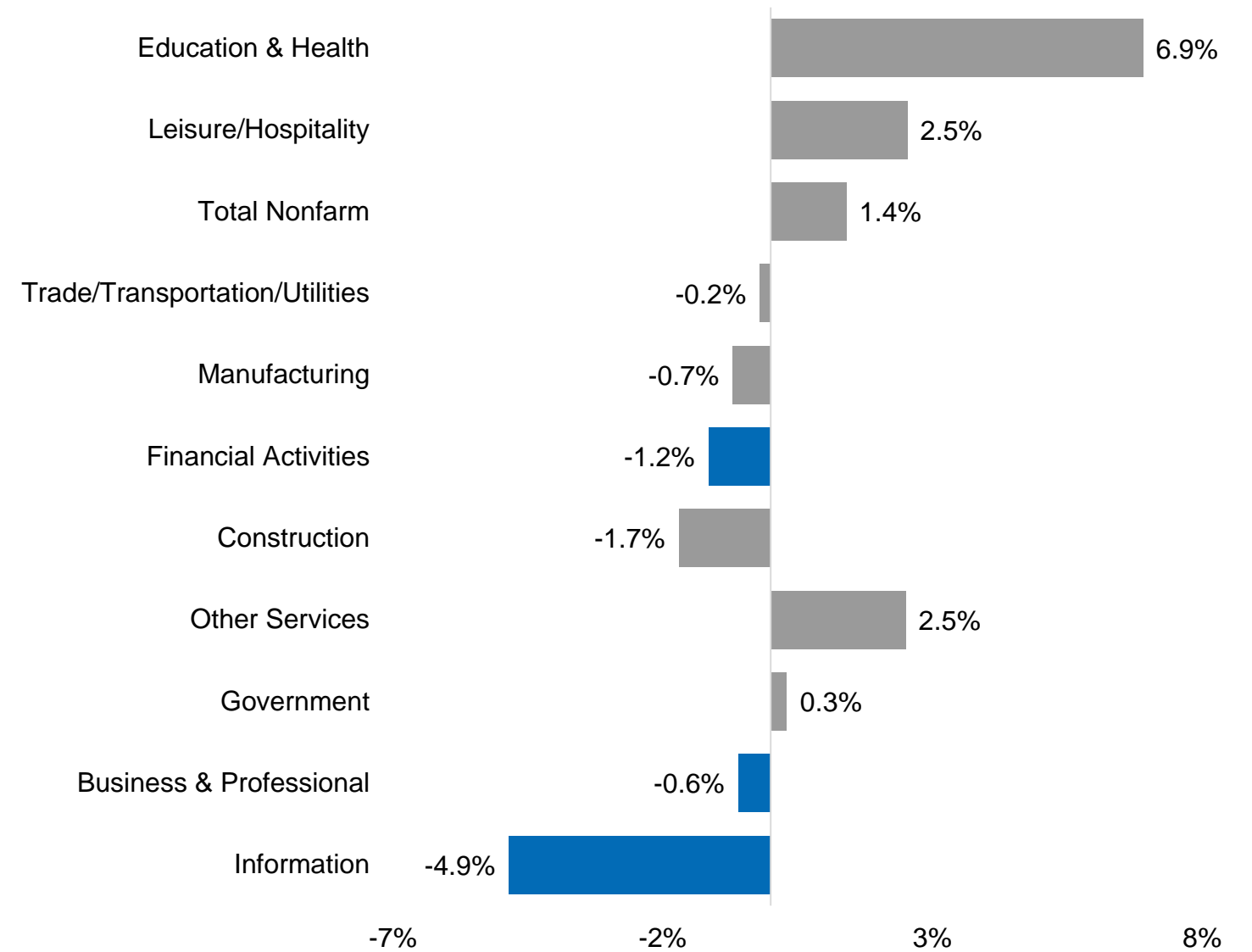
# Office-Using Employment Down from Last Year

Education & Health led all industries in Northern New Jersey with 6.9% annual job growth. However, office-occupying industries showed no job gains year over year, and the Information sector contracted by 4.9%.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

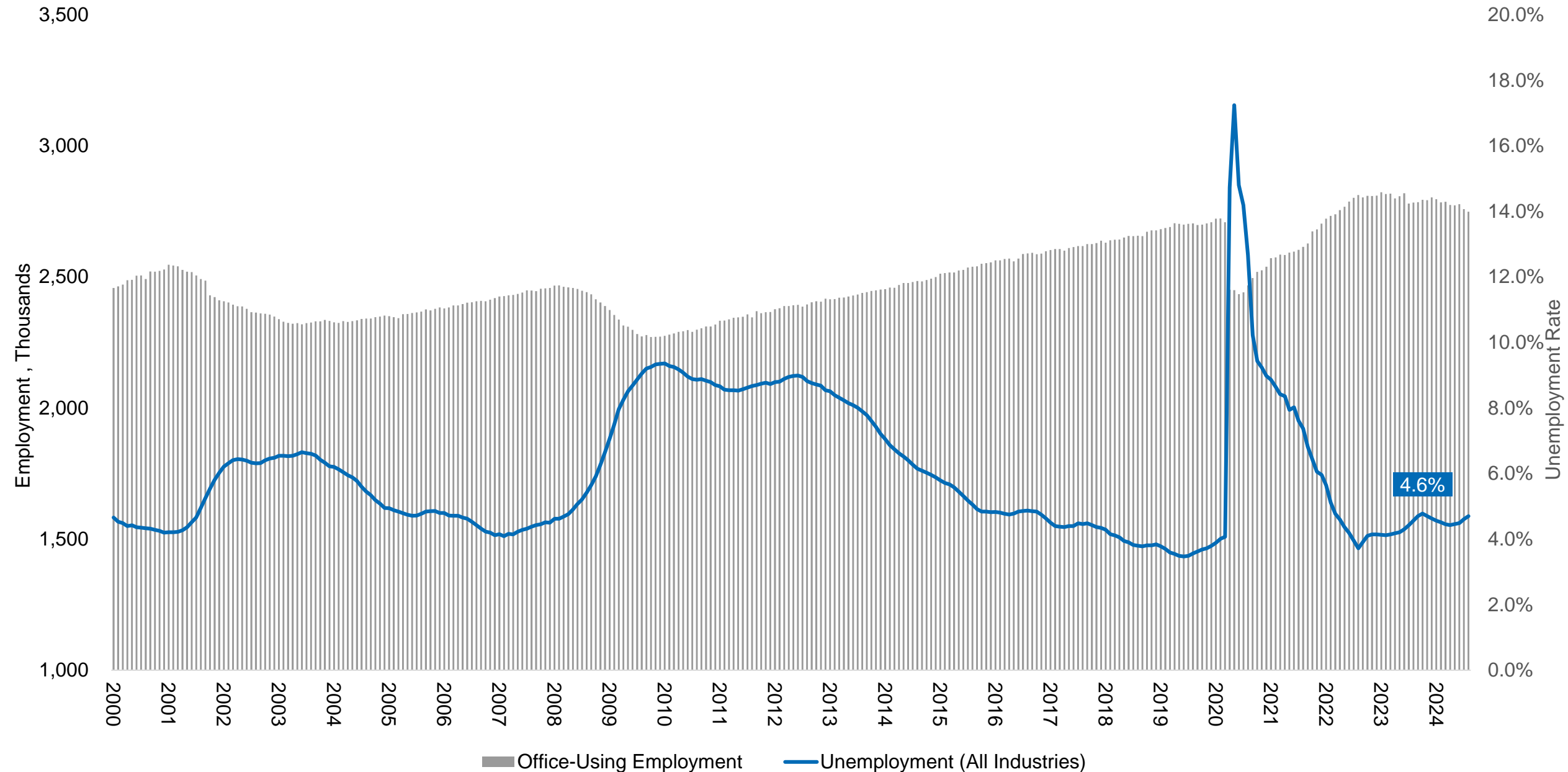


Source: U.S. Bureau of Labor Statistics, New Jersey

# Overall Office-Using Employment Has Rebounded

Recent trends show a 1.23% year-over-year decline in office-using employment. However, the financial sector may see gains in the coming quarters, as recent interest rate cuts could drive employment growth.

Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, New Jersey

Note: August 2024 data is preliminary.

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



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# Leasing Market Fundamentals

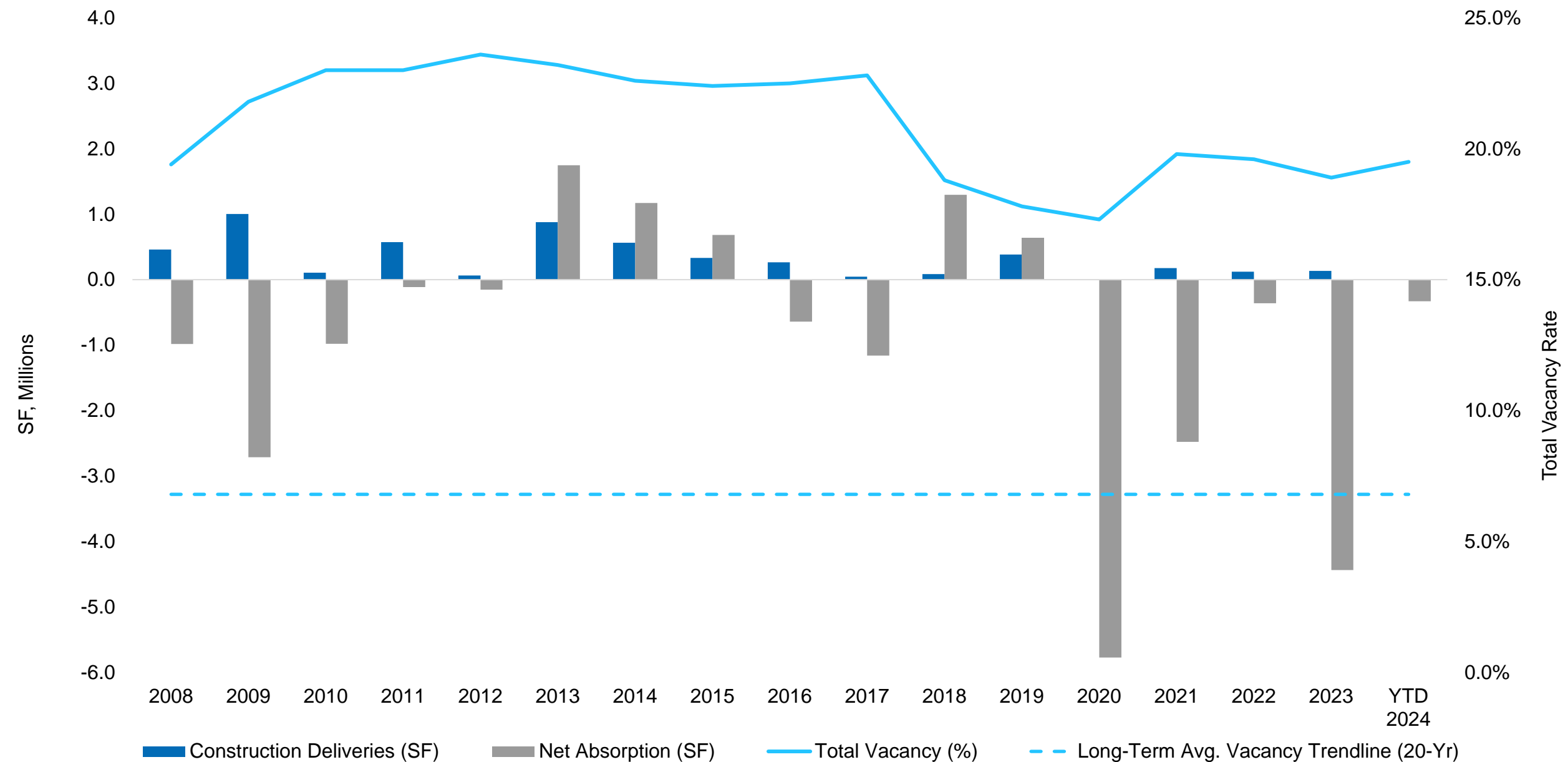




# Vacancy Shrinks as Net Absorption Comes in Positive

The Northern New Jersey office market posted positive net absorption of 612,496 SF in the third quarter of 2024, marking the first positive absorption in two years. The vacancy rate decreased by 50 basis points quarter-over-quarter, reaching 19.5%, driven by increased leasing activity and tenant demand. Occupiers continue to gravitate towards newer, recently optimized buildings, while properties with multiple amenities are seeing stronger leasing activity and rental rate growth.

## Historical Construction Deliveries, Net Absorption, and Vacancy

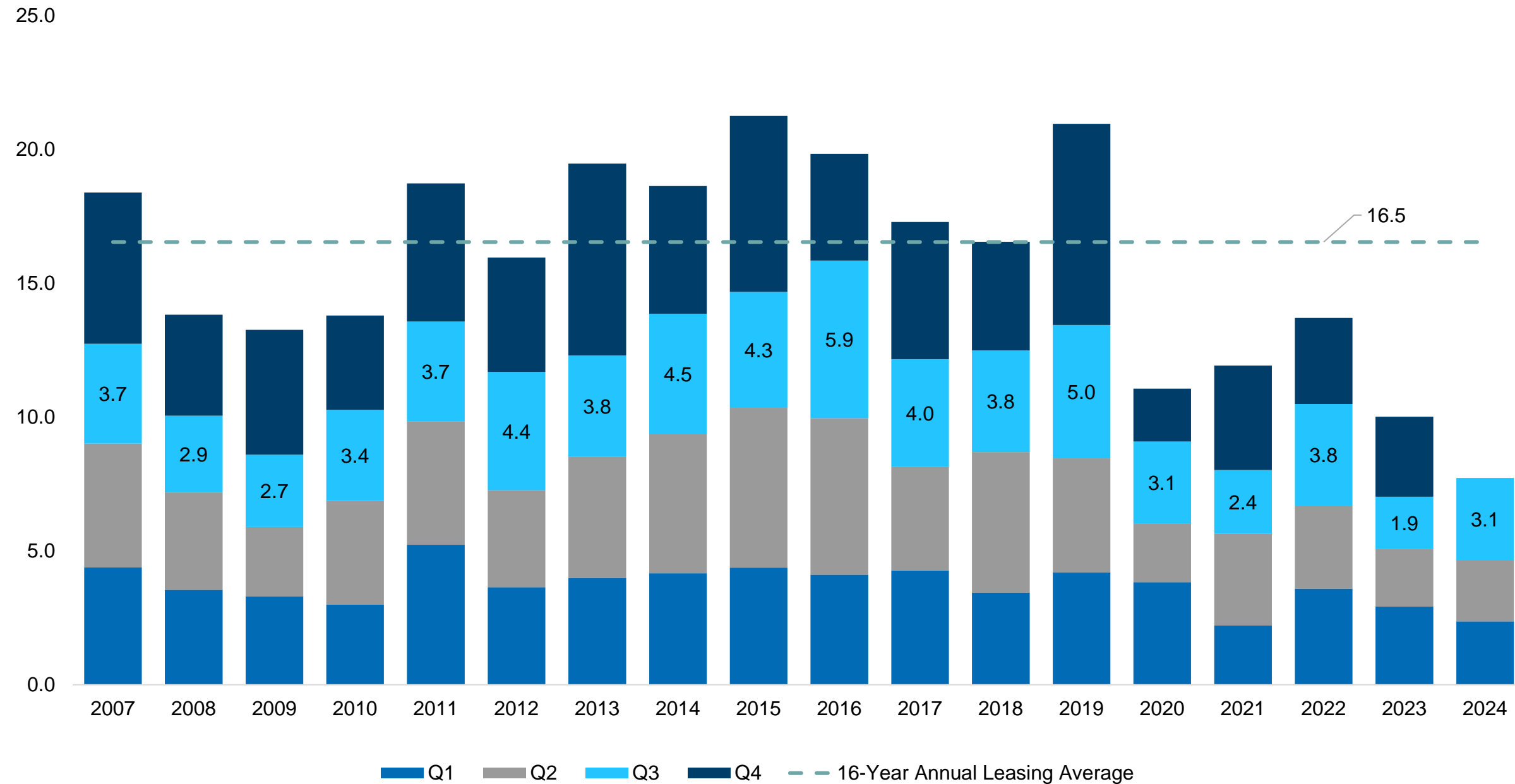


Source: Newmark Research

# Leasing Activity Surges

Leasing activity surged in the third quarter of 2024, surpassing 3.1 MSF. This marks a 33.8% increase quarter-over-quarter and a 58% rise year-over-year. The average deal size reached 4,154 SF, up by 636 SF from the previous quarter. Class A assets continue to secure significant space commitments, exemplified by Samsung's 321,207 SF deal at 700 Sylvan Avenue in Englewood Cliffs.

Total Leasing Activity (msf)



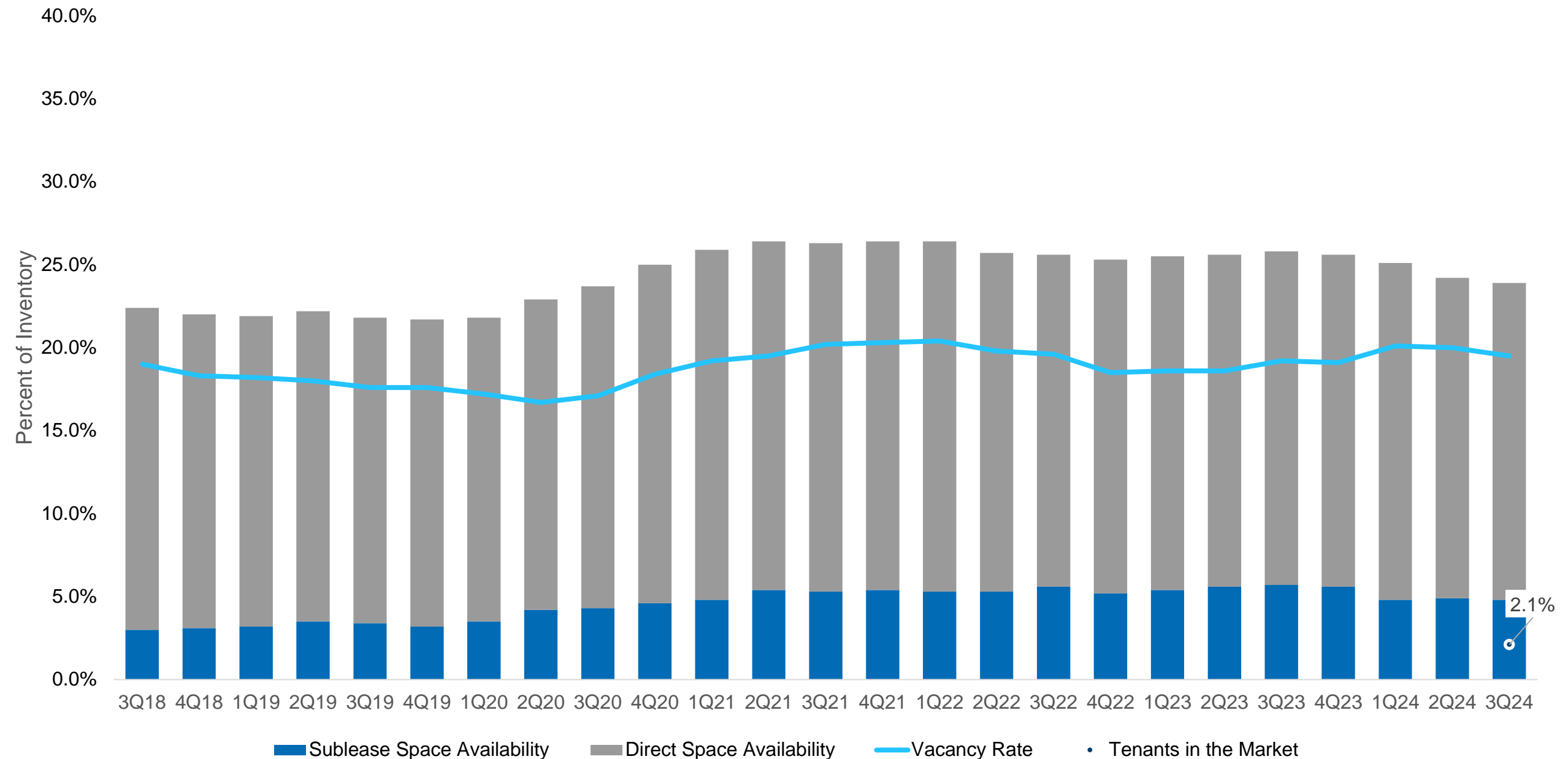
Source: Newmark Research, CoStar



# Availability Declines as Leasing Activity Improves

Availability decreased by 40 basis points quarter-over-quarter to 23.9% in the third quarter of 2024. Year-over-year, availability has dropped by 5.9%, signaling a market shift in the right direction. Sublease availability also continues to decline, now at 4.8%, down 90 basis points from its peak in the latter half of 2023.

Available Space and Tenant Demand as Percent of Overall Market

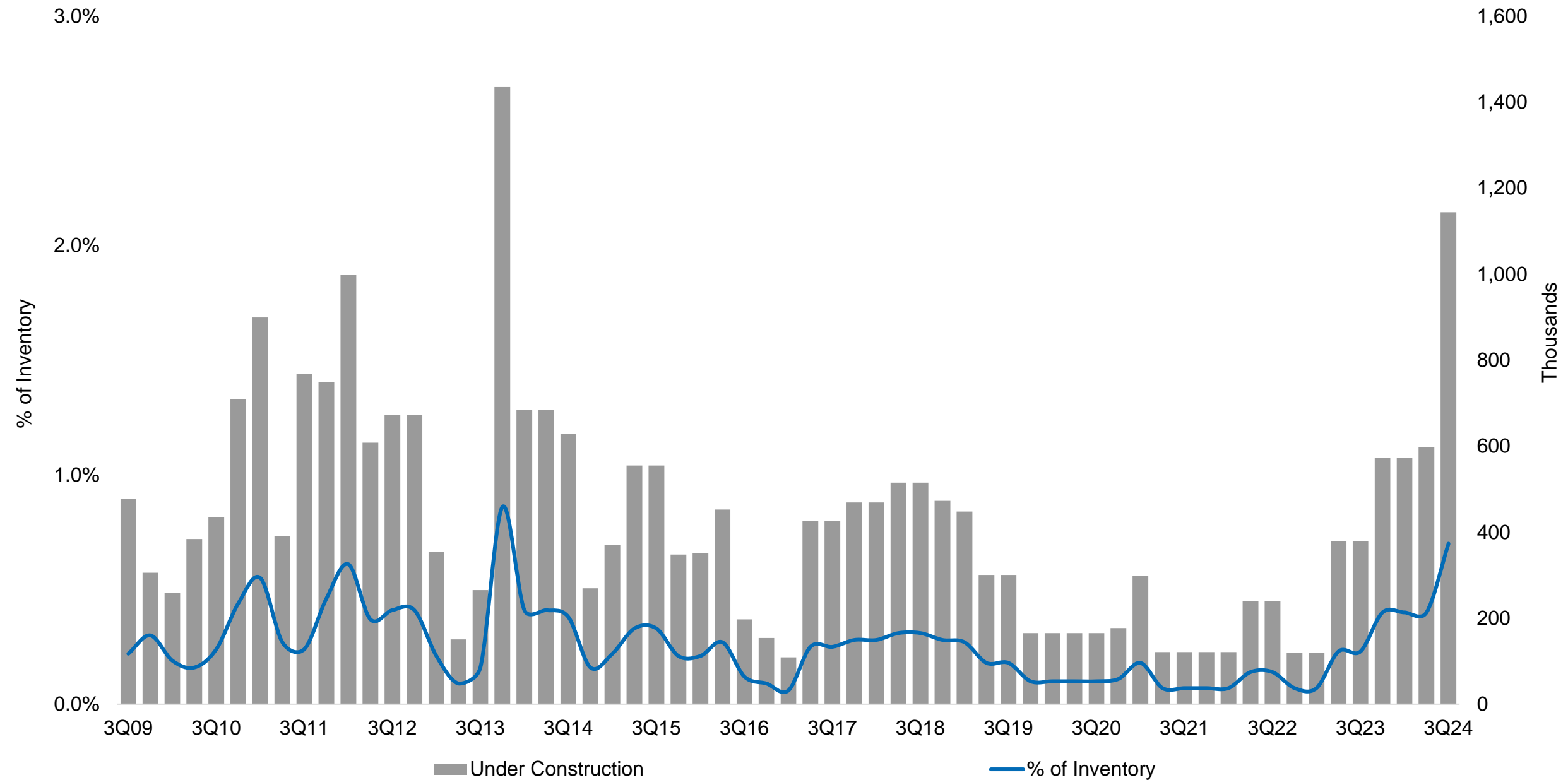


Source: Newmark Research

# New Construction Increases

Under-construction volume increased to 1,143,787 SF in the third quarter of 2024, with just 0.7% of the market's inventory currently under development. Construction is progressing at Helix H-1 in New Brunswick, a 570,000 SF property set to deliver in August 2025. Additionally, the 260,000 SF property at 100 Morris Street is scheduled for completion in the second half of 2025, with Sanofi set to occupy the entire building.

## Office Under Construction and % of Inventory



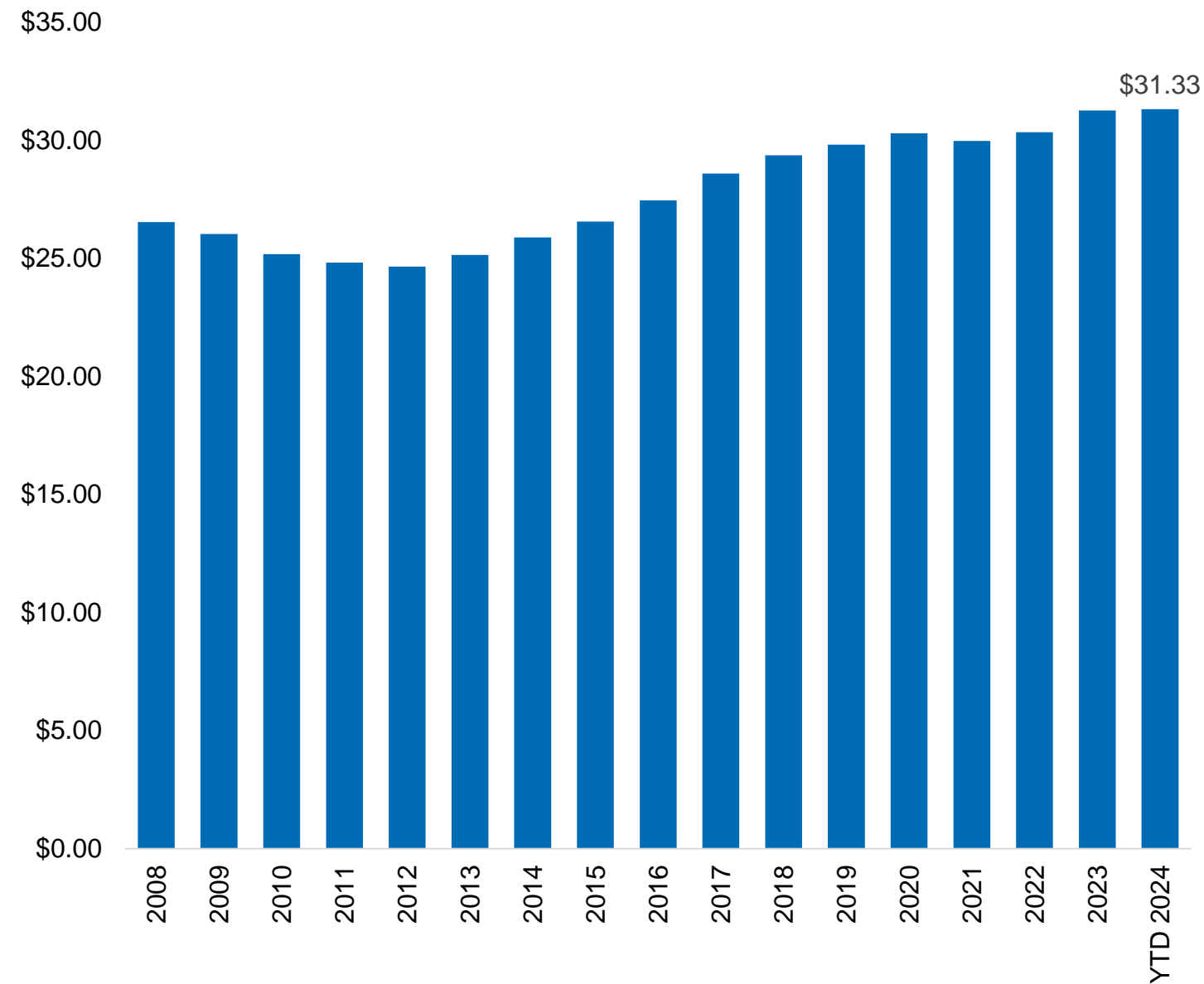
Source: Newmark Research, CoStar



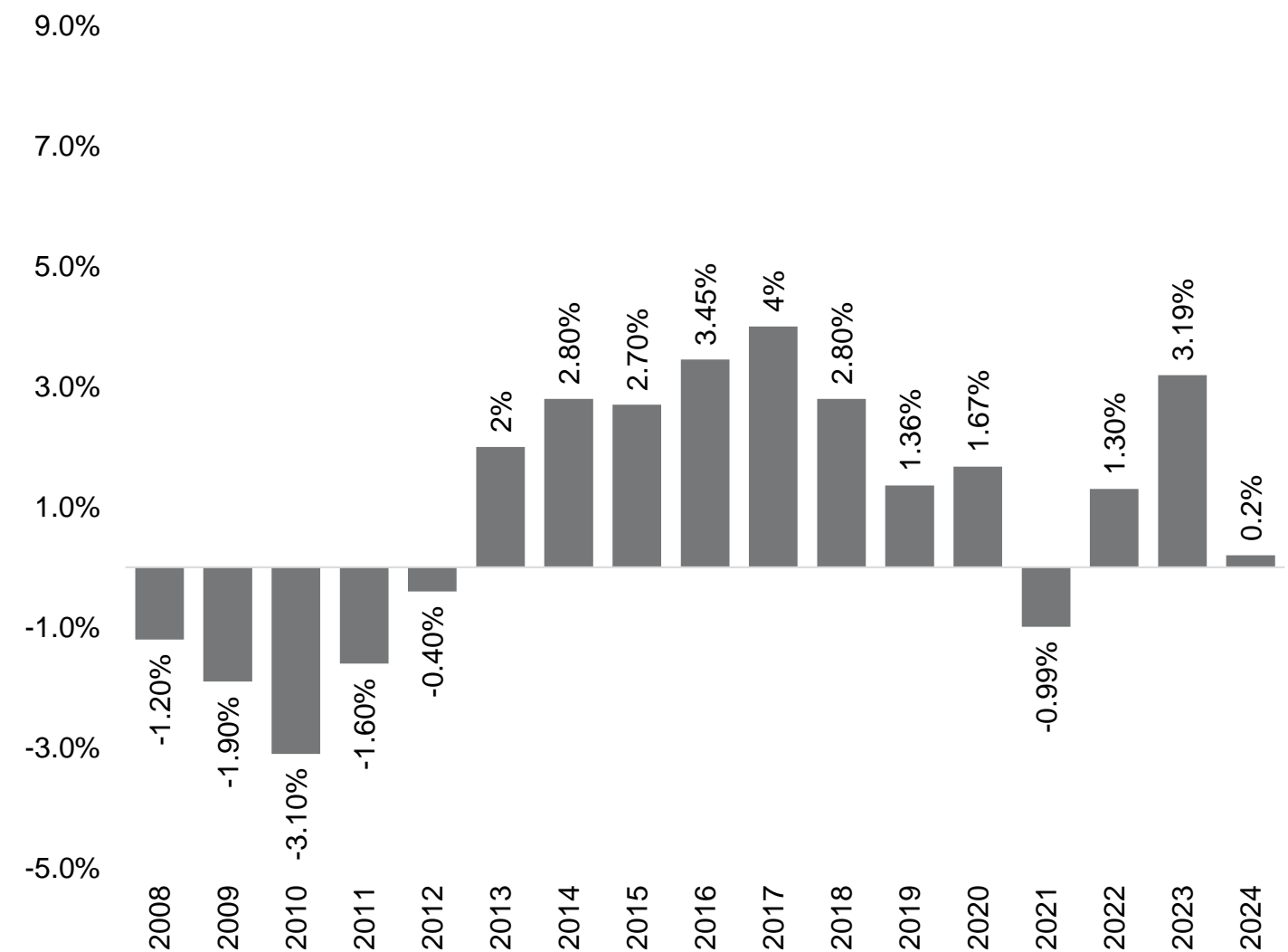
# Rents Remain Stable

Overall asking rents averaged \$31.33/SF in the third quarter of 2024, with a minimal year-over-year increase of 0.2%. Asking rents are expected to remain elevated through the remainder of 2024, driven by increased tenant demand and improving leasing activity.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

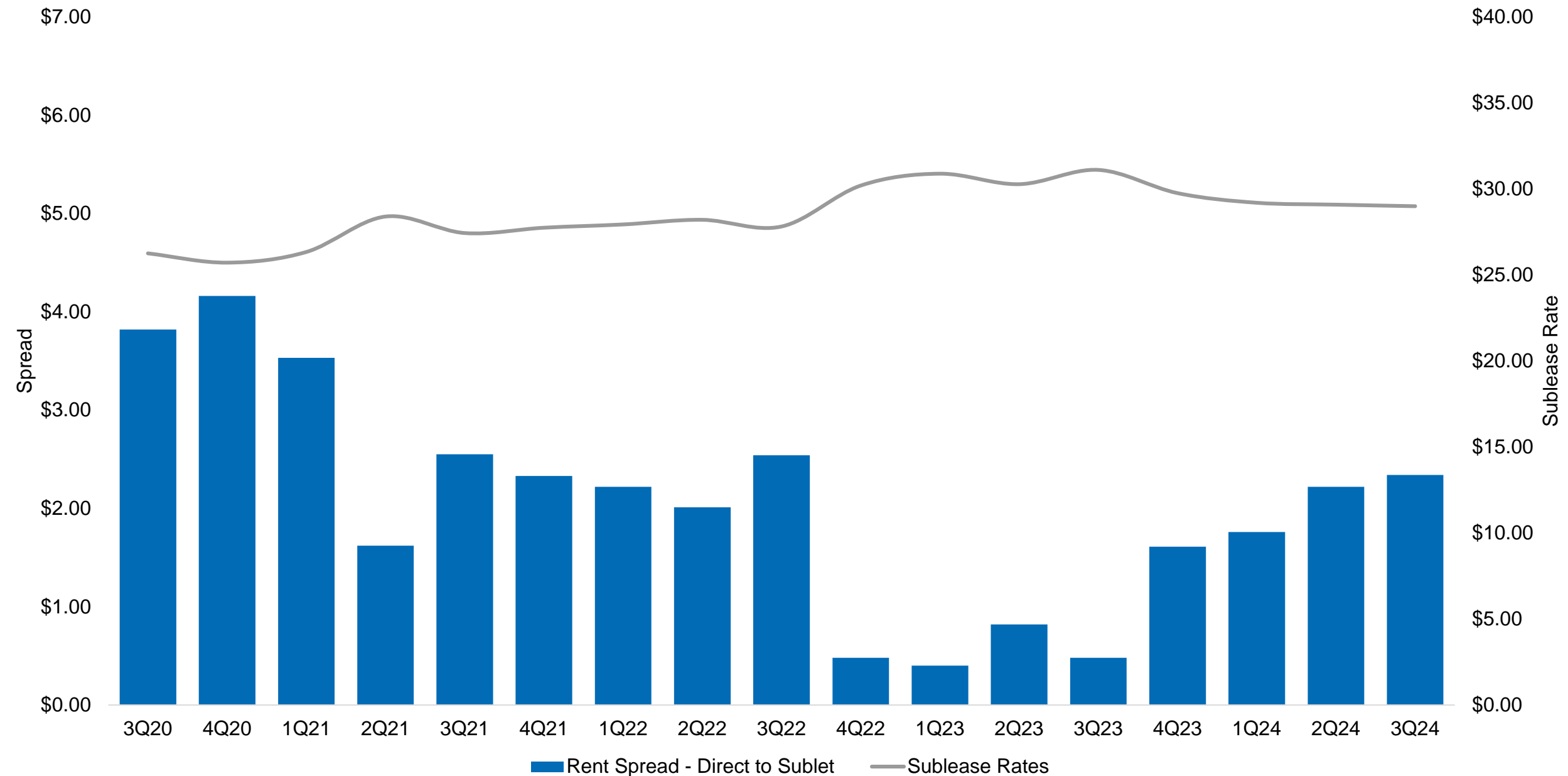


Source: Newmark Research, CoStar

# Direct and Sublease Rates Delta Increases

The influx of high-end space into the market caused rent spreads between direct and sublet spaces to narrow throughout 2022 and 2023. Sublease rates have stabilized in recent quarters, decreasing 6.8% year-over-year to \$28.99/SF.

## Sublease Rates



Source: Newmark Research, CoStar



# Notable Lease Transactions

Leasing activity soared, surpassing 3.1 MSF in the third quarter of 2024. Activity rose 33.8% quarter-over-quarter and 58% year-over-year. Class A space accounted for 62% of the market's leasing activity by SF, with average leases in Class A properties measuring 11,178 SF—significantly larger than the overall market average of 4,154 SF.

## Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
JPMorgan Chase & Co	545 Washington Boulevard	Hudson Waterfront	Renewal & Expansion	550,000
<i>JP Morgan Chase &amp; Co's 550,000 SF renewal and expansion at 545 Washington Boulevard in Jersey City was the largest deal during the third quarter.</i>				
Samsung	700 Sylvan Avenue	Bergen East	Direct New	321,207
<i>Samsung signed the one of the largest deals of the third quarter for 321,207 SF, they'll be vacating their existing location in Ridgefield Park and moving their headquarters to Englewood Cliffs.</i>				
Unilever	111 River Street	Hudson Waterfront	Direct New	111,000
<i>Unilever will be downsizing from their 321,207 SF headquarters at 700 Sylvan Avenue and occupying the entire 7<sup>th</sup> and 8<sup>th</sup> floor and most of the penthouse at 111 River Street in Hoboken.</i>				
Brother International	200 Crossing Boulevard	Somerset/I-78	Direct Renewal	78,828
<i>Brother International signed a 5-year lease for 78,828 SF on the fifth and sixth floor at Bridgewater Crossing.</i>				
Langan	300 Kimball Drive	Parsippany/I-287/Rt.10	Direct Renewal	48,152
<i>Langan renewed for 48,152 SF on the fourth floor.</i>				

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## Submarket Stats Overview

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## Class A Office Leasing

Please reach out to your  
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