
3Q24

Southern New Jersey Office Market Overview



NEWMARK

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics

Market Observations

Economy

- The Greater Philadelphia economy saw a slight increase in unemployment for the 12 months ending in August and is 20 basis points above the national unemployment rate. Annual nonfarm payroll employment increased by 2.0% in August 2024, marking the fifth consecutive month of growth.
- Employment in the Camden metropolitan division, within the Philadelphia MSA that consists of Burlington County, Camden County, and Gloucester County, has increased by 2.7% over the past 12 months, significantly outpacing the national and Philadelphia MSA 12-month growth rates by 120 basis points and 70 basis points, respectively.
- In August 2024, the annual percentage change in office-using employment was 0.4%. In July, Greater Philadelphia experienced the first increase in the annual percentage change in 13 months. Total office-using employment was approximately 789,600, an increase of 12,000 jobs from the prior year.

Major Transactions

- Medical office building 230 Van Sciver Parkway in the Camden submarket sold in August for \$2.4M. The property is a single-tenant building currently fully occupied by DeVita Dialysis. Time Equities refinanced its debt in 51 Haddonfield Road, a class A office building in Cherry Hill, to a 7% fixed-rate loan of \$5.5M.
- Medical office building demand continues to grow, with almost 200K SF of medical office leases signed year-to-date. We expect continued growing demand for medical office space through the end of 2024 and into 2025.

Leasing Market Fundamentals

- In Q3 2024, the market saw an increase in occupancy of 0.2% between the second and third quarters, with absorption totaling 33,628 square feet. The increase was predominantly in Class A and Class C offices, which recorded 19,504 and 31,931 square feet of absorption, respectively. The Class B market recorded negative 17,807 square feet of absorption during the quarter.
- In the first quarter of 2024, the average asking rent in Southern New Jersey reached a record high of \$22.10 per square foot. By the third quarter, this figure remained relatively stable at \$21.90 per square foot. After experiencing seven consecutive quarters of positive rent growth, the trend slowed in the second quarter, showing a slight decline of 0.1% compared to the first quarter. Additionally, rents fell by 0.7% from the second to the third quarter, but they remain at a healthy level, close to the all-time high.
- At the end of the third quarter, total tenant demand as a percentage of inventory was 1.6%, unchanged from the previous quarter.

Outlook

- The last major delivery in Southern New Jersey was in 2019, and the current lack of a pipeline benefits the market and keeps vacancy stable. Since the third quarter of 2022, vacancy has remained within 100 basis points of the long-term average of 15.8% but fell below that average this quarter at 15.3%.
- While demand has begun to moderate and lease sizes trended smaller through 2024, larger users still seeking office space have contributed to positive absorption this quarter, and this trend is expected to continue at least to the end of the year.
- Average rents in Southern New Jersey have fully recovered and currently exceed pre-2020 levels due to substantial year-over-year increases in 2022 and 2023. Still, current evidence suggests rent growth is beginning to moderate. For the past four quarters, asking rents have shown little movement, remaining within \$0.13 of the current third-quarter average rate.

3Q24

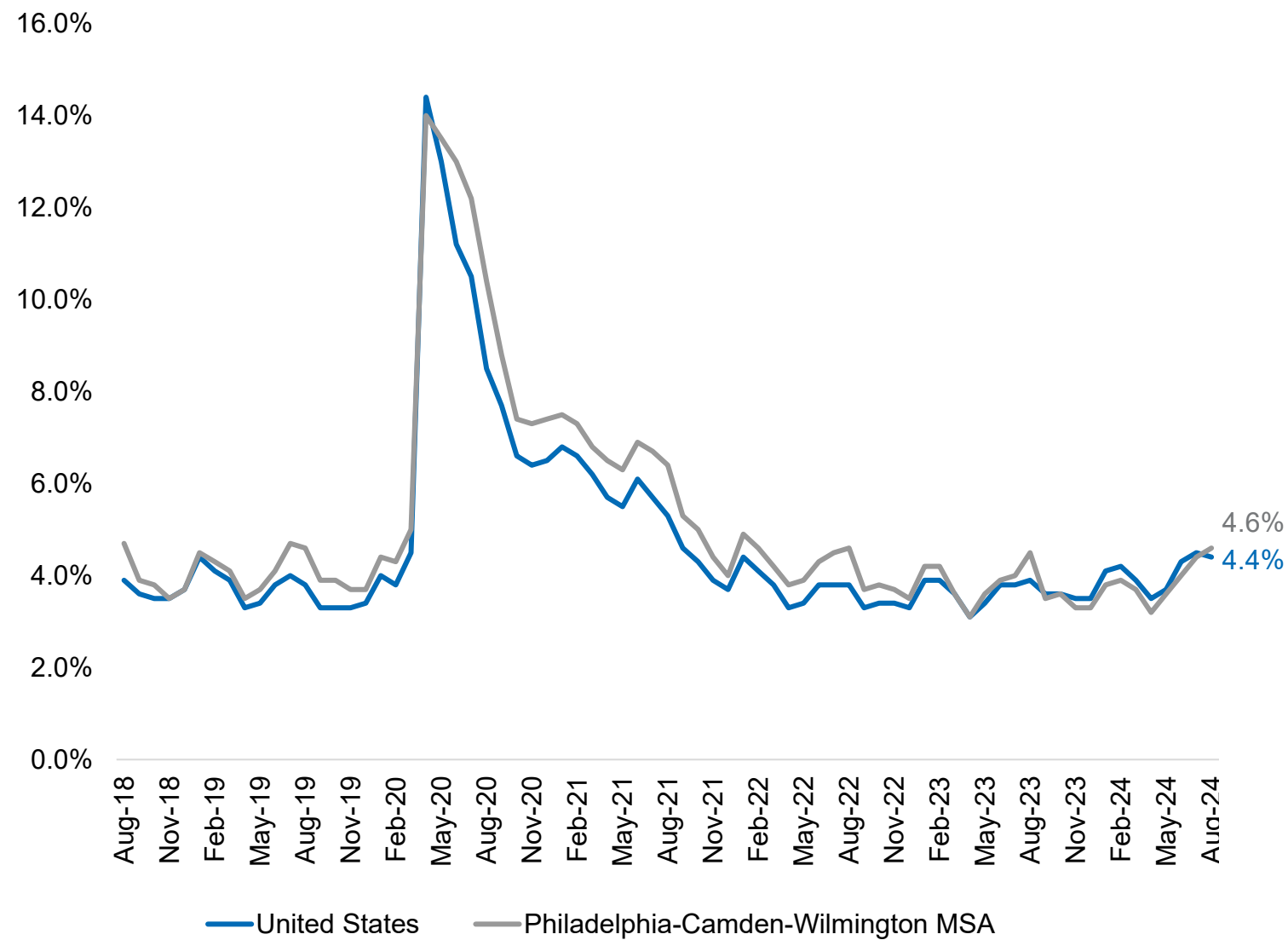
Economy



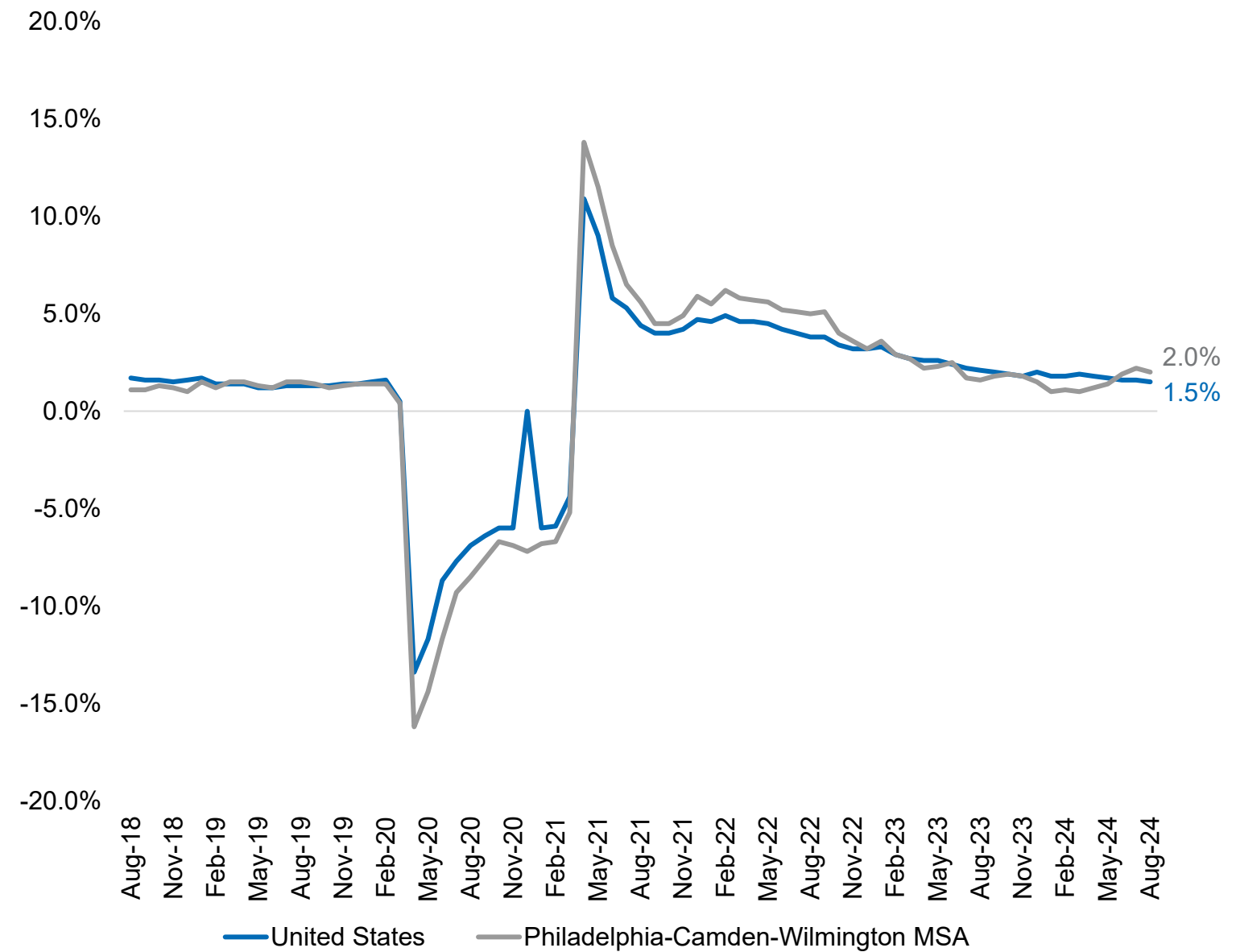
Greater Philadelphia Economy Remains Consistent

The Greater Philadelphia economy saw a small increase in unemployment for the 12 months ending in August and remains only 20 basis points below the national unemployment rate. Annual nonfarm payroll employment grew 2.0% in August, a slight uptick from the moderate growth recorded through the year's first four months. 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

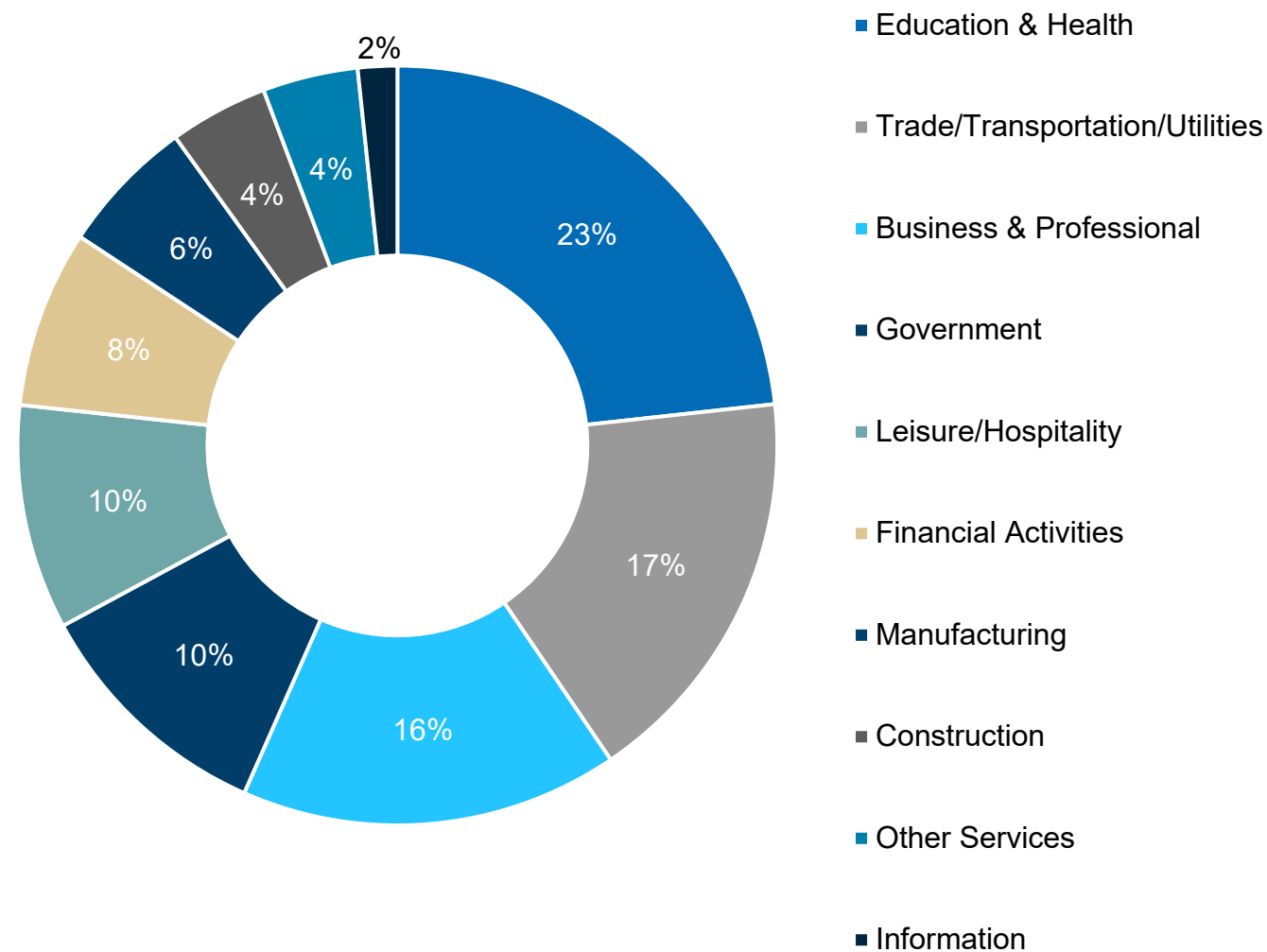


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

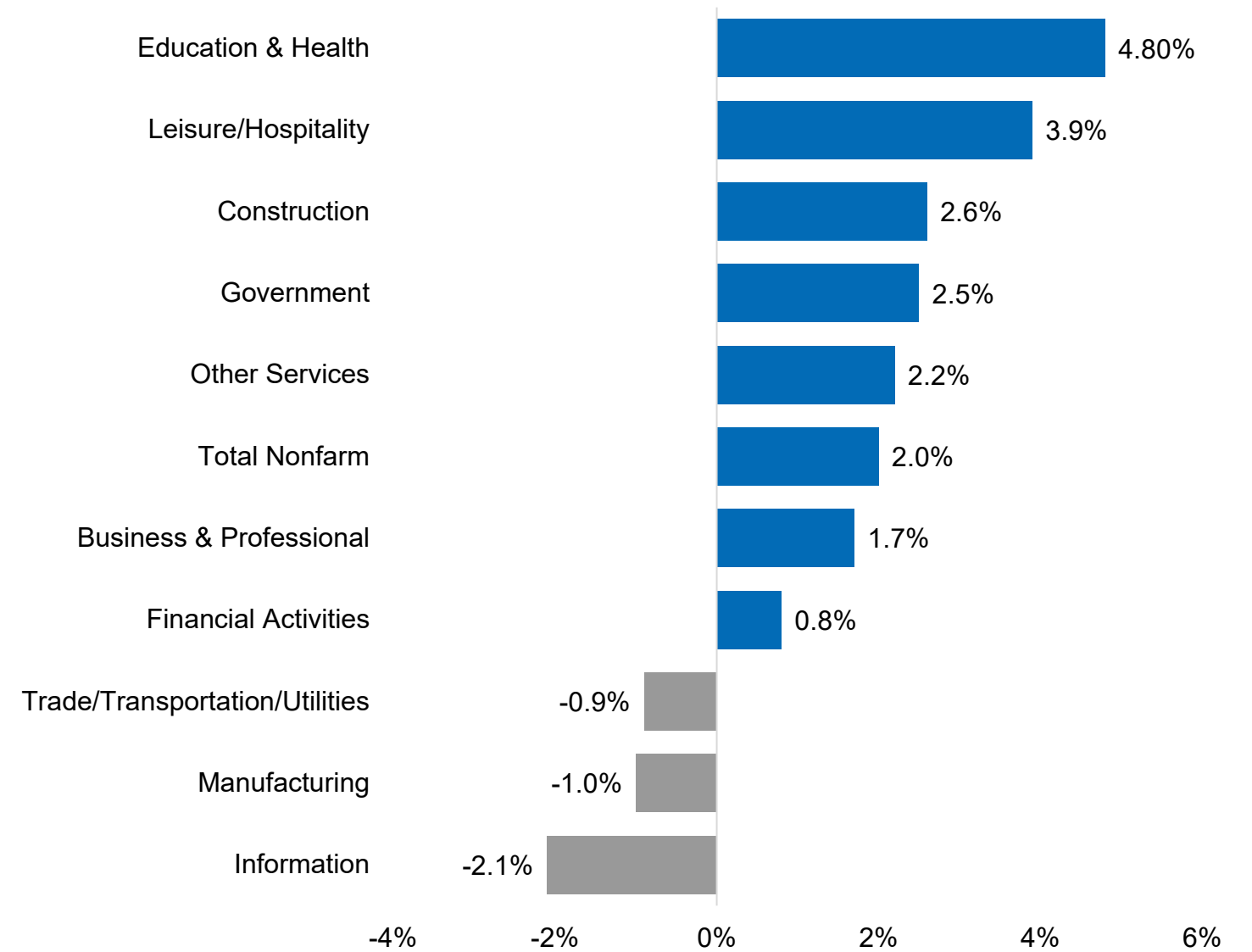
Office-Using Industries Decline While Healthcare And Education Lead The Way

The Education & Health Services, Leisure & Hospitality and Government sectors each grew by at least 2.5% for the 12 months ending in August. These sectors employ over 43% of Greater Philadelphia's labor force. Strong annual employment gains in these sectors are encouraging for the region's economy.

Employment by Industry, August 2024



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

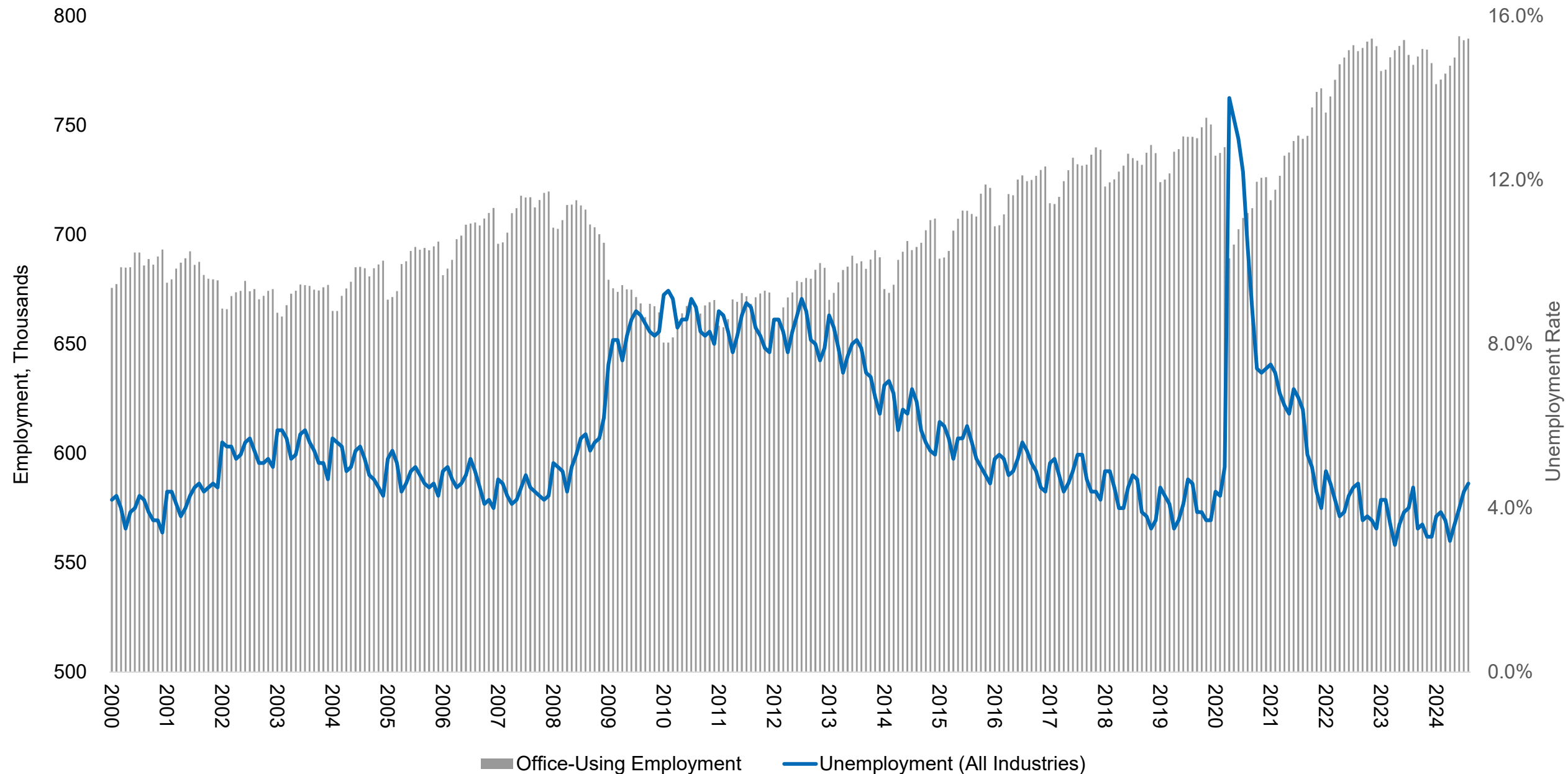


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Office-Using Employment Grows In Southern New Jersey

In August 2024, the annual percentage change in office-using employment was 1.5%. Despite a consistent decline, June marked the first increase at 0.2%, ending an 11-month streak of negative changes in office-using employment. Total office-using employment reached approximately 790,000 jobs, reflecting an increase of 12,000 jobs from the previous year.

Office-Using Employment* and Unemployment Across All Industries



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

Note: August 2024 data is preliminary.

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

3Q24

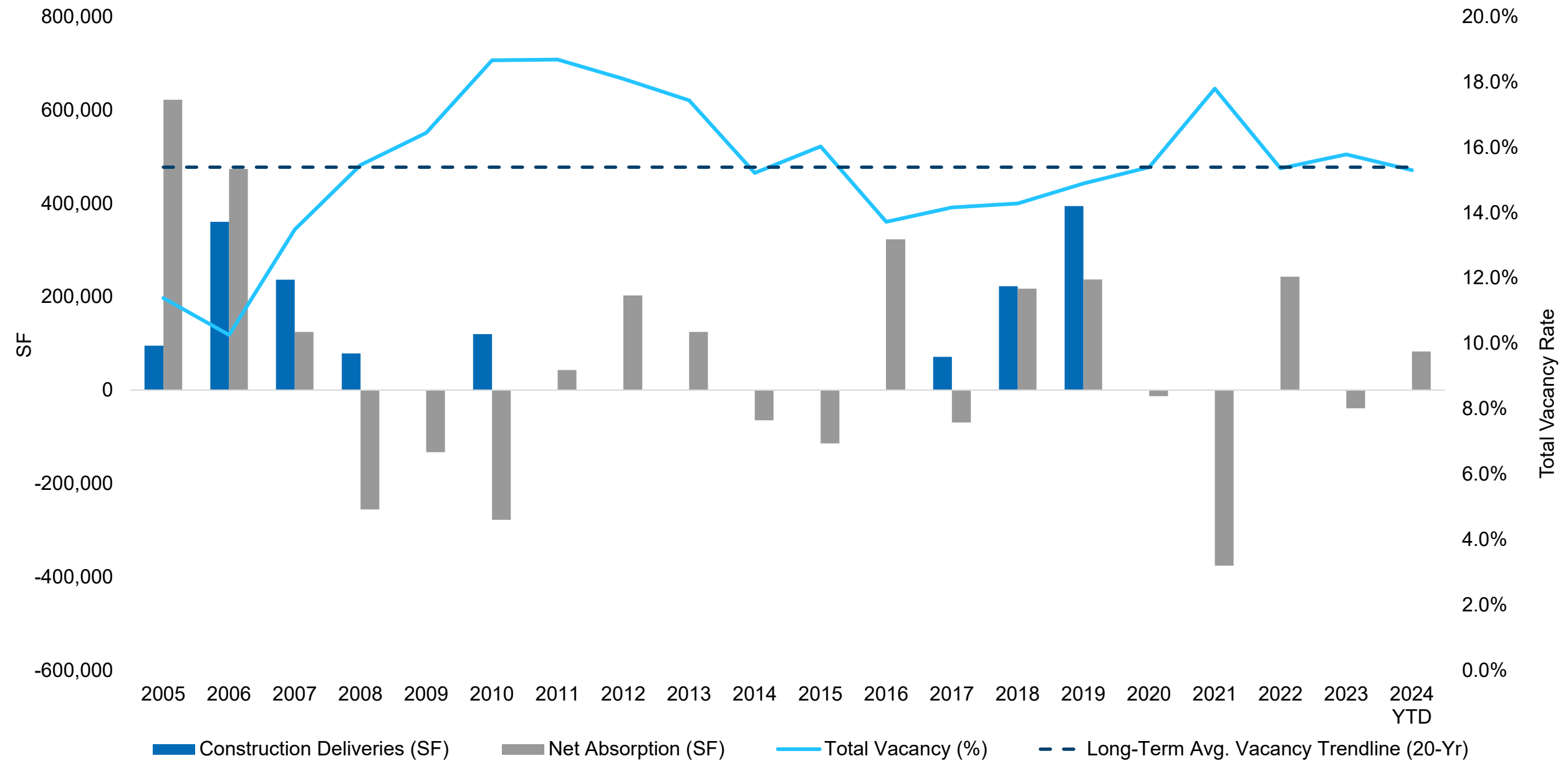
Leasing Market Fundamentals



Vacancy Declines By 50 Basis Points

Southern New Jersey's second-quarter office vacancy rate registered 15.3%, a slight decrease of 20 basis points from the previous quarter and 120 basis points from a year ago. While Class A properties have generally retained occupancy, the increase in vacancy has been driven by absorption declines in Class B and Class C properties. Through 2024, absorption for Class A properties totaled 99,754 square feet, while absorption for Class B and Class C properties totaled -17,009 square feet.

Historical Construction Deliveries, Net Absorption, and Vacancy

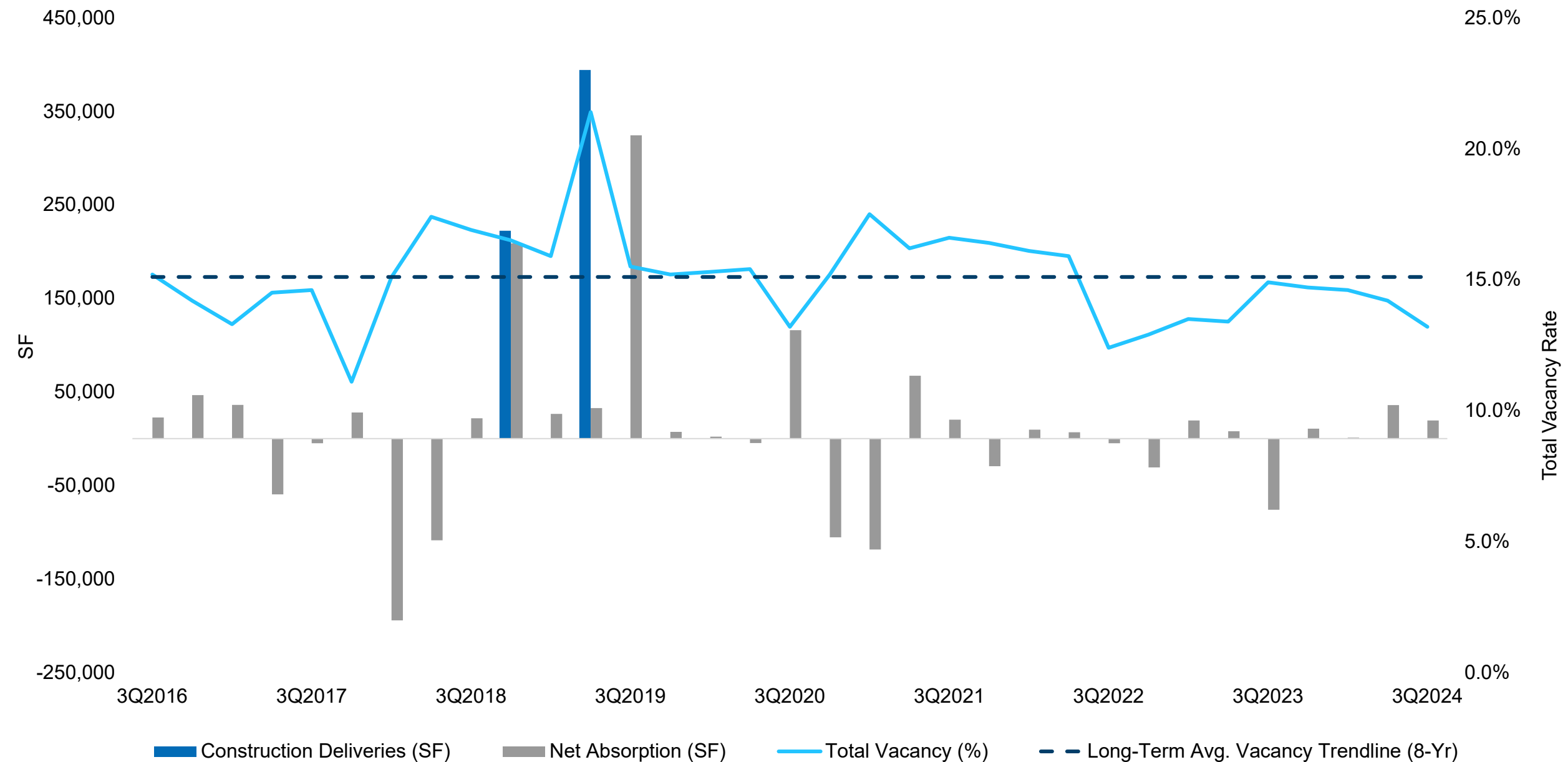


Source: Newmark Research

Class A Properties Continue To Outperform The Broader Market

During the third quarter of 2024, Southern New Jersey's Class A market continued to outperform the broader market, with moderate positive absorption marking the fourth consecutive quarter of declining vacancy. The Class A vacancy rate stood at 13.2%, which is 206 basis points lower than the overall market rate, and this gap has averaged 117 basis points since 2020. This represents a significant shift from the pre-2020 dynamics when the delta between Class A and the broader market averaged only 62 basis points from 2016 to 2019.

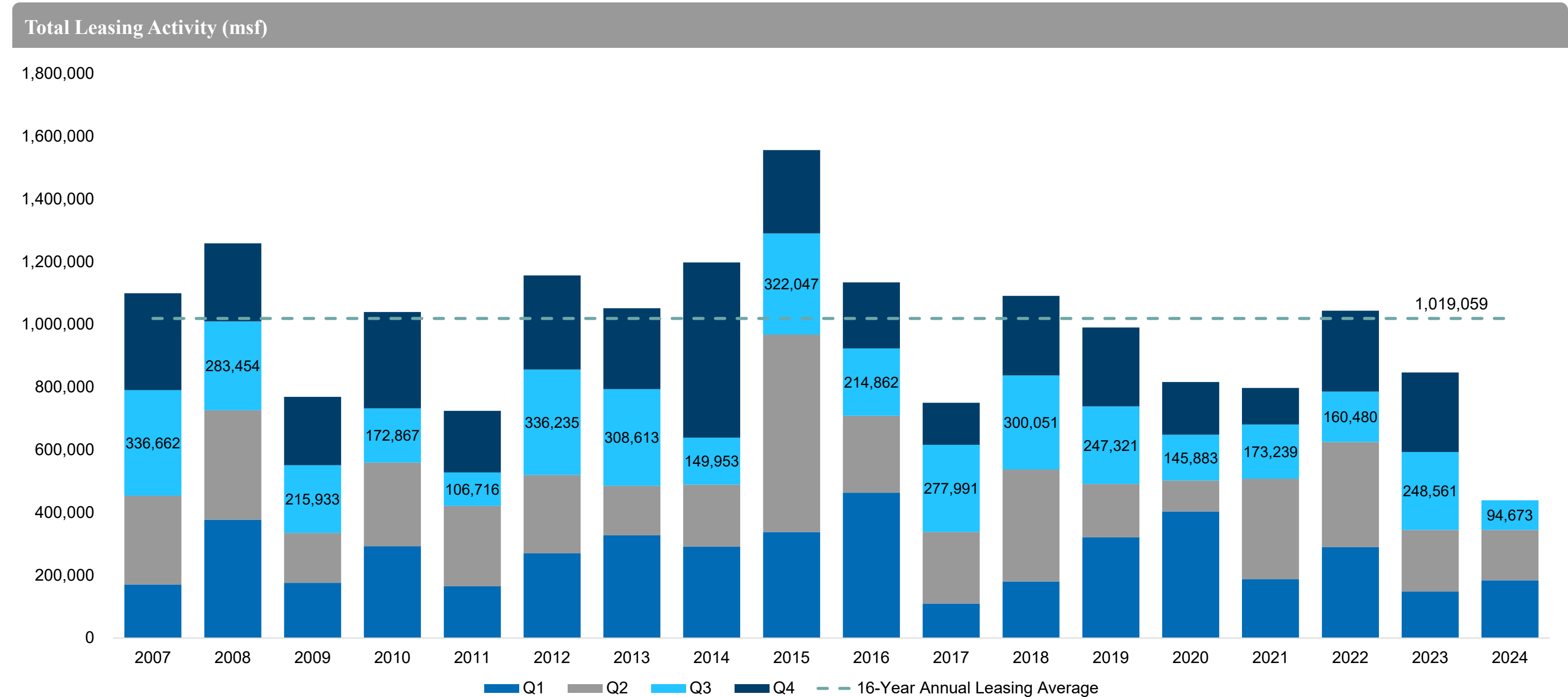
Historical Construction Deliveries, Net Absorption, and Vacancy For Class A Offices



Source: Newmark Research

Leasing Volumes Are Modest But Activity Was Strong

In the second quarter of 2024, leasing volumes totaled approximately 95,000 square feet, 42% lower than the 2020-present average. There were approximately 25 leases signed during the third quarter, with an average size of 4,089 square feet. The average deal size is getting smaller as tenants densify their footprint, contributing to smaller volumes year-to-date.

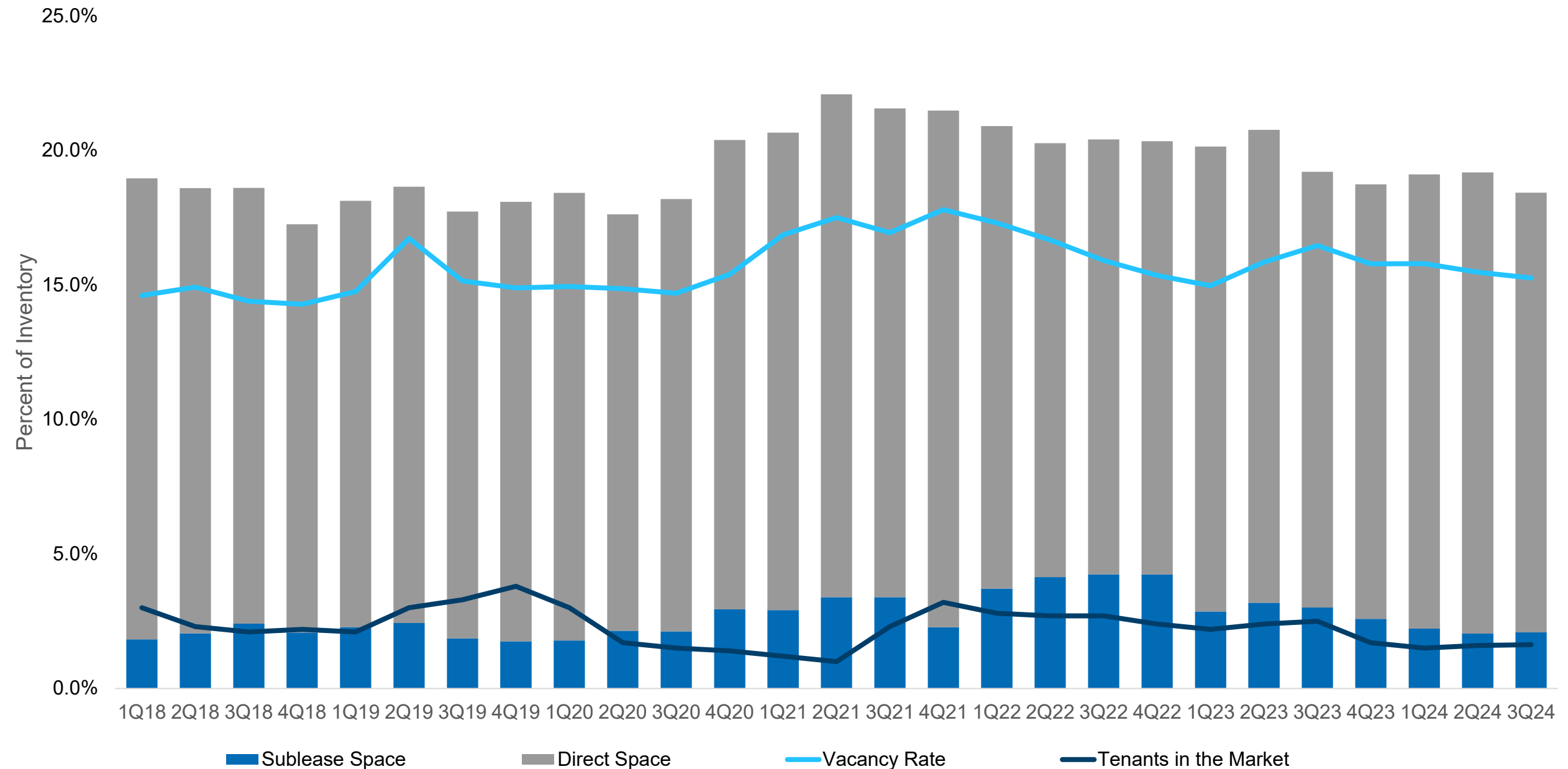


Source: Newmark Research, CoStar

Active User Demand Stays Consistent

At the end of the third quarter, the percentage of active users in relation to inventory remained steady at 1.6%. Tenants in the market are currently looking for an average of over 13,000 SF of space. Notably, multiple law firm users are seeking to gain a foothold in Southern New Jersey, such as Duane Morris and Stark & Stark, who both signed new leases earlier this year for 11,976 SF and 11,879 SF, respectively.

Available Space and Tenant Demand as Percent of Overall Market

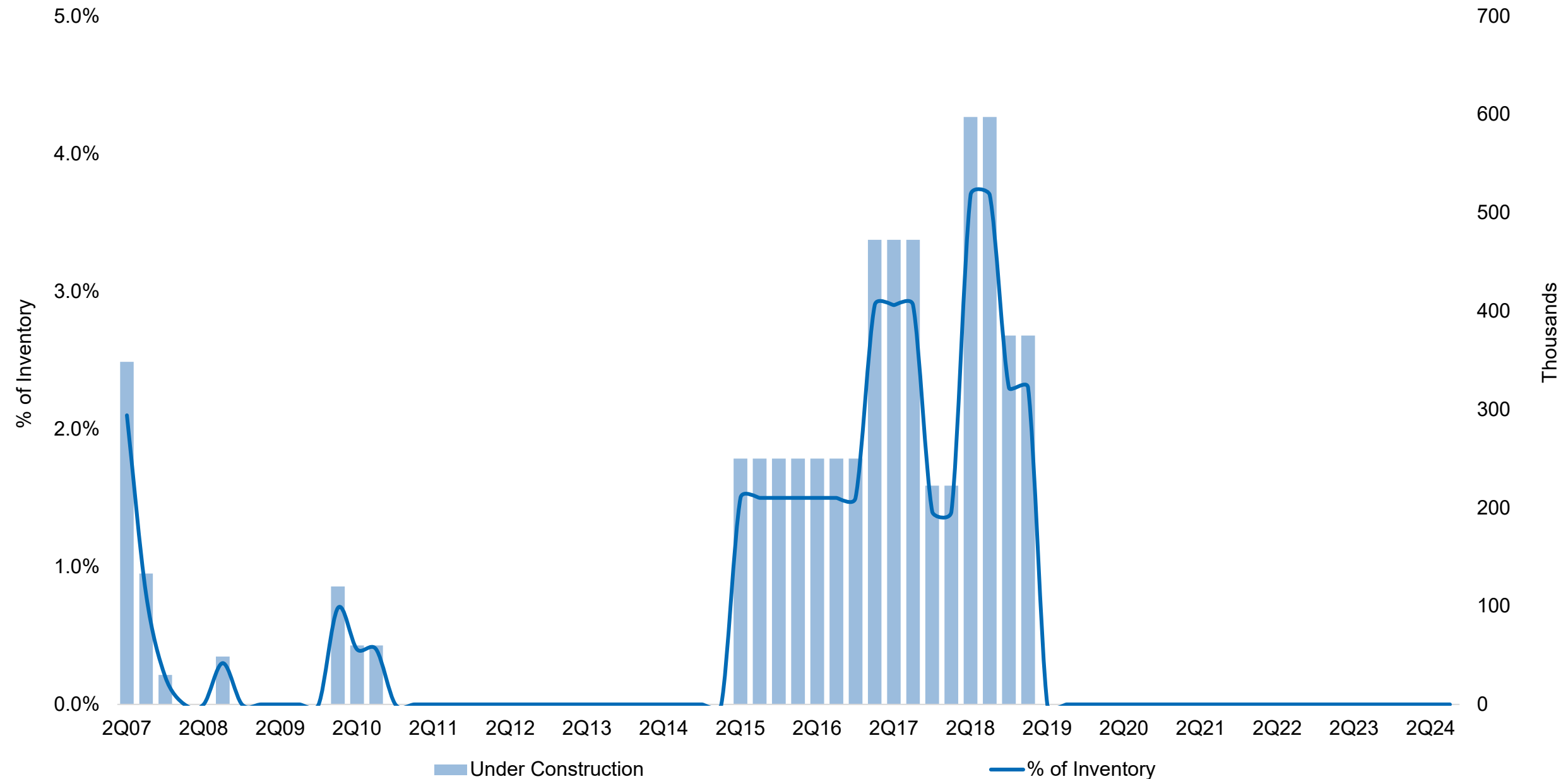


Source: Newmark Research

A Non-Existent Construction Pipeline Provides Benefits To The Market

The last major delivery in Southern New Jersey was at 2 Cooper Street in Camden in 2019, and the current lack of a pipeline is benefiting the market. For new development to be feasible, demand needs to be strong enough to absorb an additional 200,000-300,000 square feet. Additionally, further right-sizing and the removal of obsolete spaces are necessary prerequisites for development.

Office Under Construction and % of Inventory

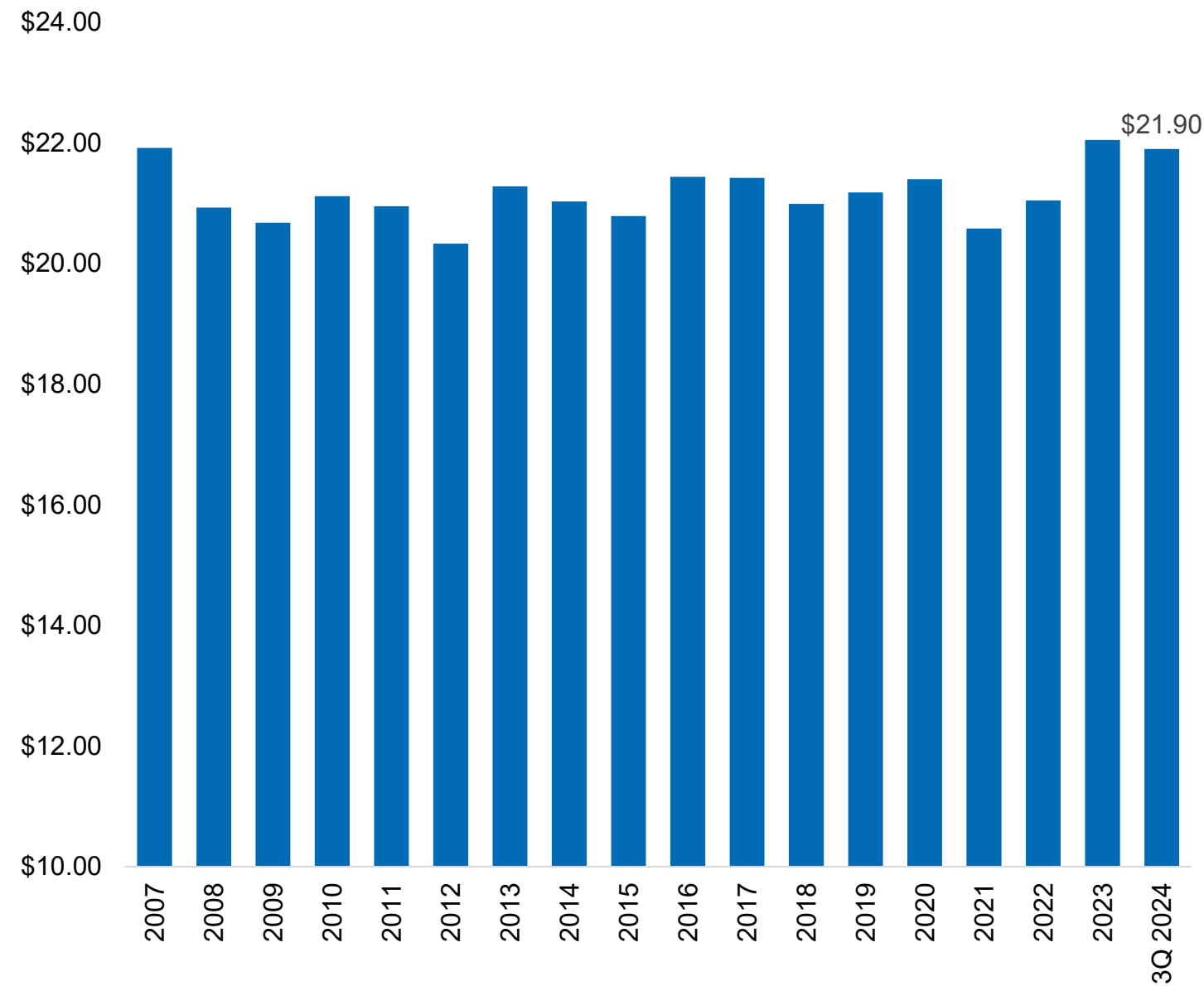


Source: Newmark Research, CoStar

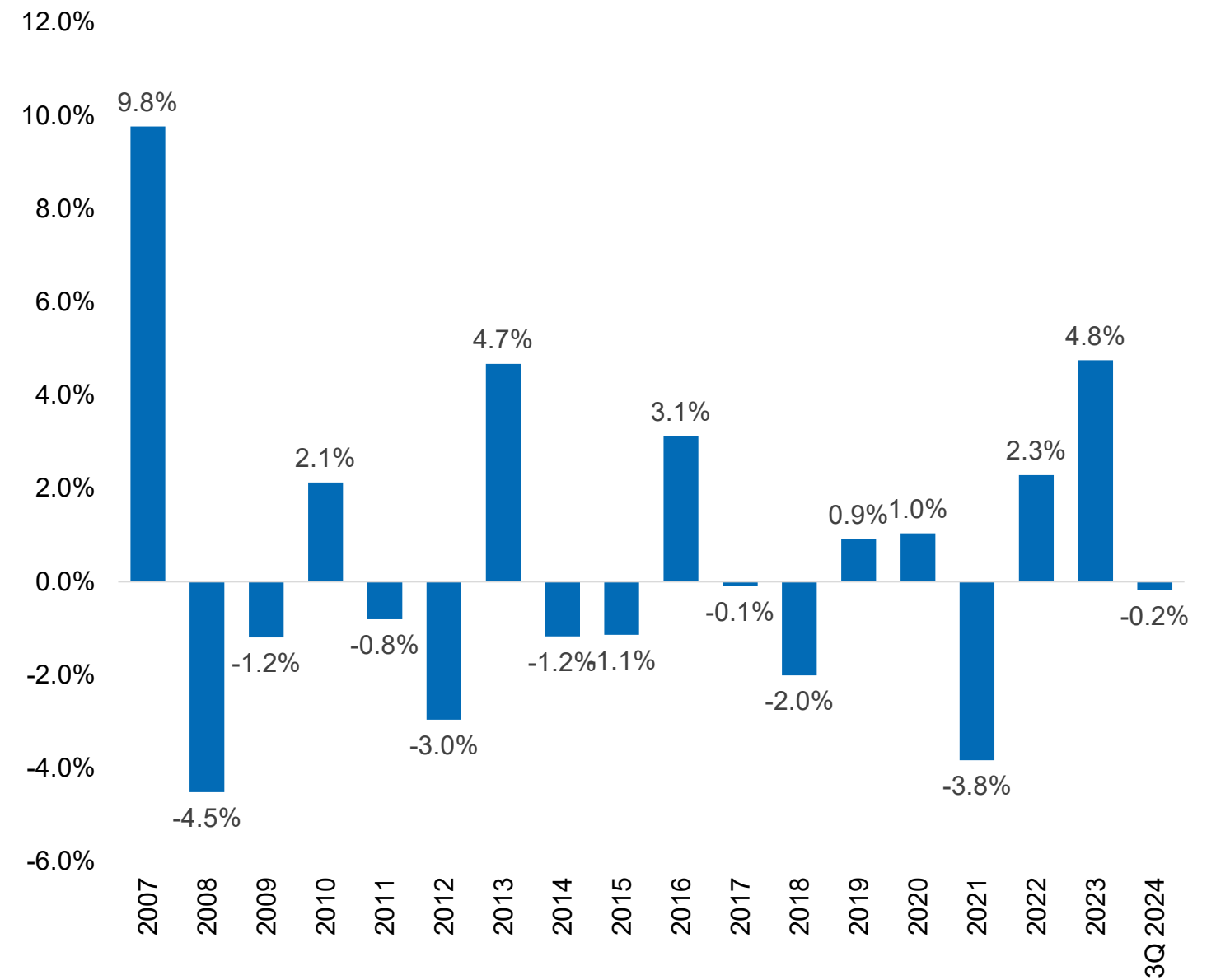
Rents Slightly Decline After Strong Rent Increases In Previous Quarters

Average rents in Southern New Jersey have fully recovered and currently exceed pre-2020 levels due to substantial year-over-year increases in 2022 and 2023. Asking rents averaged \$21.90 during the third quarter 2024, a small decline from the previous quarter. For the past four quarters, asking rents have shown little movement, remaining within \$0.13 of the current third-quarter average rate.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

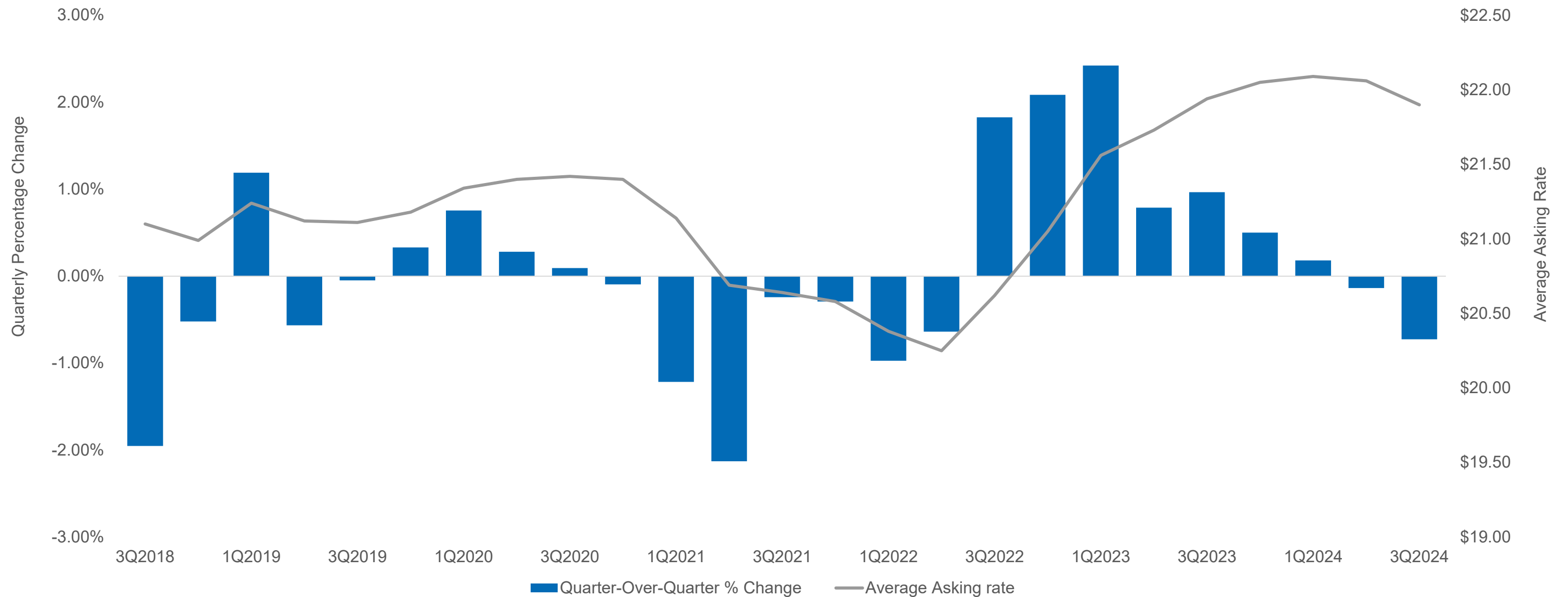


Source: Newmark Research

The Pace Of Asking Rate Increases Have Slowed

Southern New Jersey's average asking rate reached a new all-time high of \$22.09/SF in the first quarter of 2024 and remained healthy in the second and third quarters, registering \$22.07/SF and \$21.90, respectively. After seven consecutive quarters of positive rent growth, the trend moderated in the second quarter with a slight 0.1% decline from the prior quarter. Still, rents are at a healthy level, close to an all-time high.

Historical Asking Rents and Quarter-Over-Quarter Performance

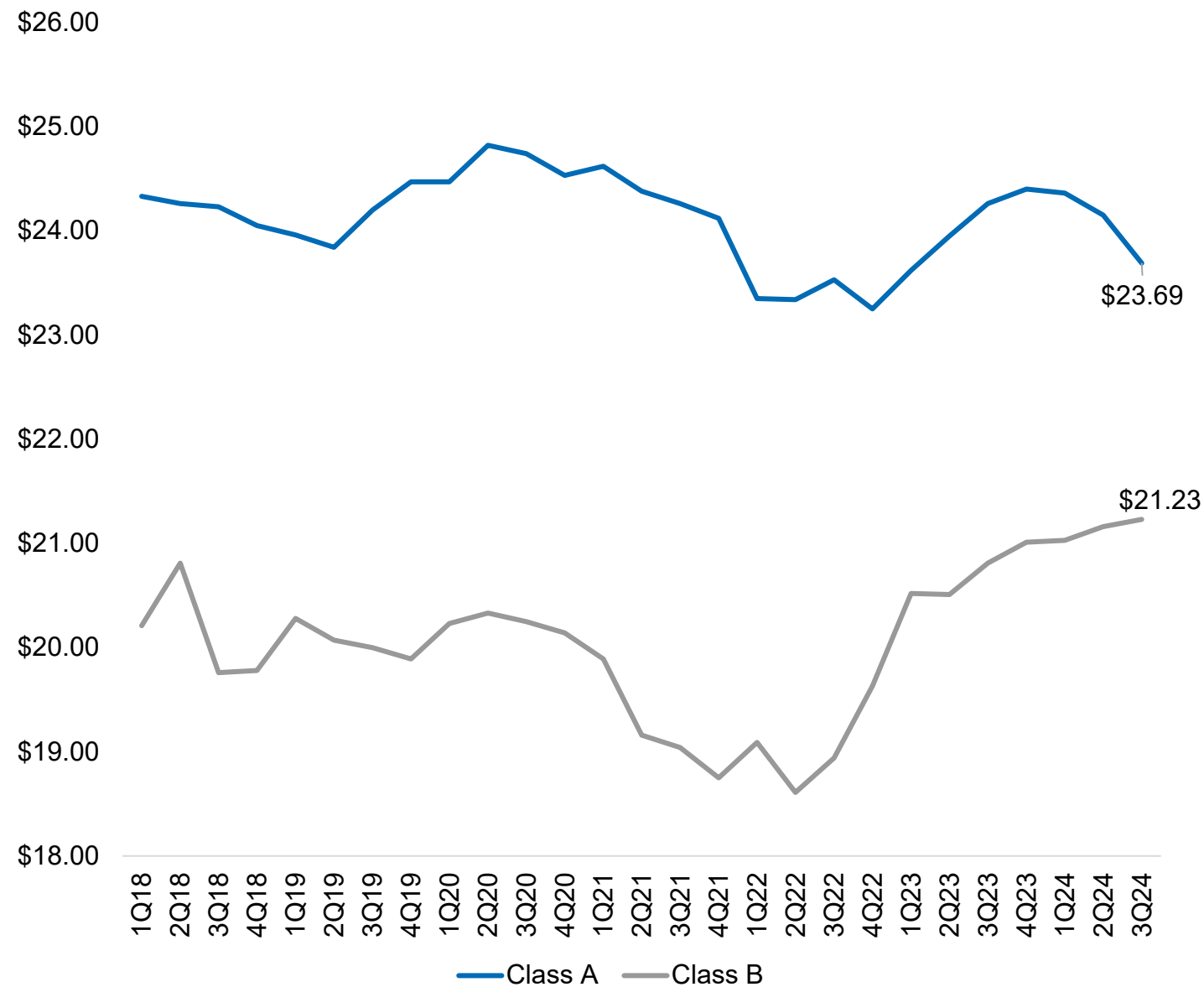


Source: Newmark Research

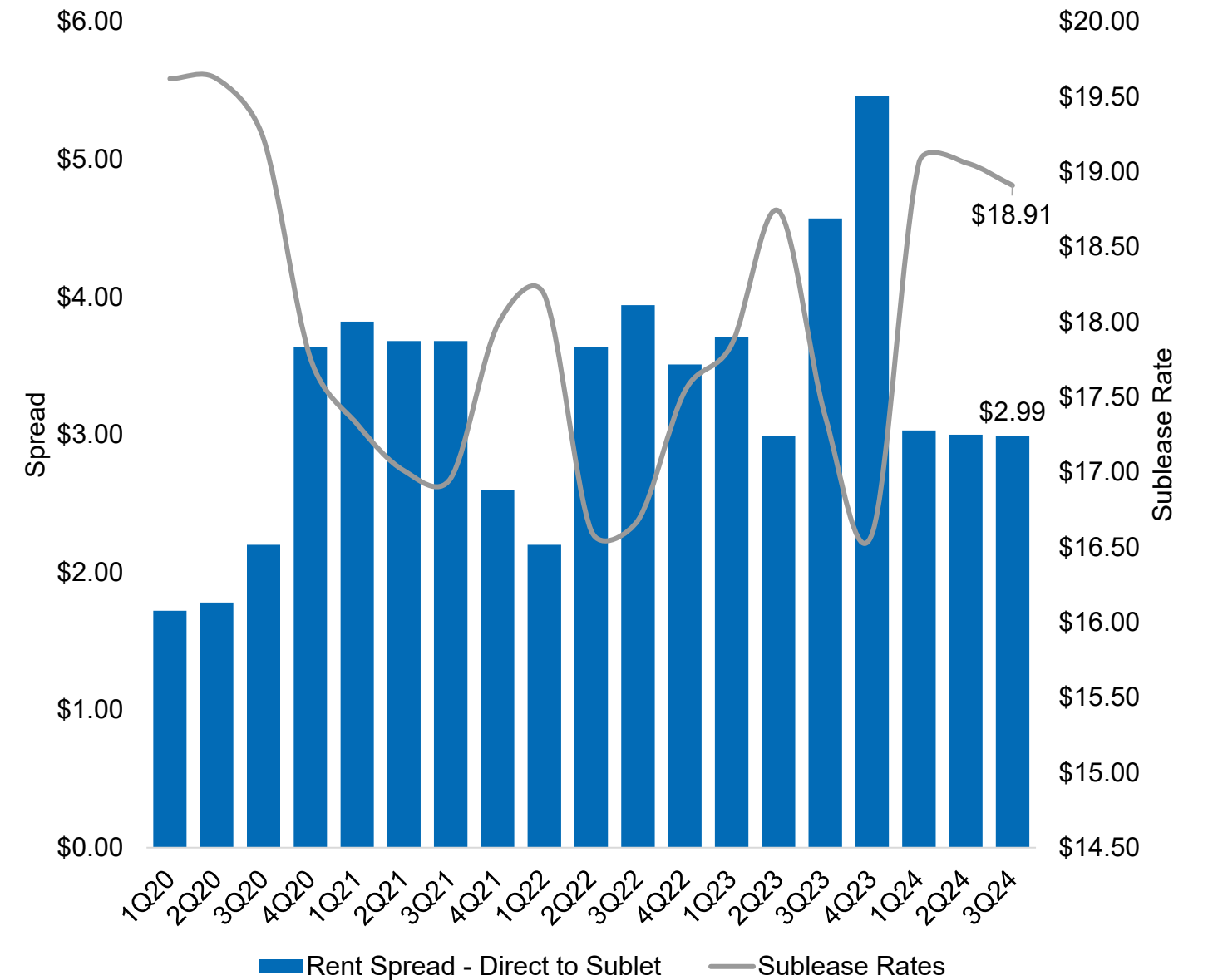
Class A Asking Rents Decline While Class B Rents Increase

Class B rents increased 200 basis points over the past year, while Class A rents declined 230 basis points from the prior quarter. However, since asking rent averages are based on available space, higher-priced spaces getting leased and taken off the market will decrease the average asking rent. Sublease asking rents averaged \$18.91/SF during the third quarter, down 8 basis points from the previous quarter but up 89 basis points from this time last year.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

3Q24

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	18.5%	765,770	107,882	22.2%	(24,099)	\$22.57
Marlton	2,236,409	13.3%	435,187	110,767	19.5%	25,709	\$22.55
Moorestown	1,047,939	22.3%	204,560	13,285	19.5%	9,176	\$22.72
Mount Laurel	5,348,688	13.5%	985,327	62,486	18.4%	(1,091)	\$21.33
Pennsauken/Camden	2,442,317	7.5%	148,981	12,607	6.1%	14,883	\$20.71
Voorhees/Gibbsboro	1,352,533	25.6%	385,884	23,725	28.5%	9,050	\$21.55
Southern New Jersey	15,872,080	15.3%	2,925,709	330,752	18.4%	33,628	\$21.90

For more information:

Marcus Lisse

Research Analyst

Greater Philadelphia Research

Marcus.Lisse@nmrk.com

Carolyn Bates

Director

Mid-Atlantic Research

Carolyn.Bates@nmrk.com

Southern New Jersey

40 Lake Center Executive Park

Ste 120

Marlton, NJ 08053

t 856-334-2100

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK