
4Q24

Northern New Jersey Office Market Overview



NEWMARK

Market Observations

Economy

- While the region’s labor market remains stable, employment growth has continued to slow, reflecting a downward trend. Year-over-year growth remains positive at 1.4%. New Jersey’s unemployment rate decreased by 10 basis points year-over-year to 4.6% in the fourth quarter, though it has remained above the national average of 4.2% since May 2023.
- Education and Health led all industries in Northern New Jersey with 6.9% annual job growth. However, office-occupying industries saw no year-over-year job gains, and the Information sector contracted by 4.9%.
- Recent trends indicate a 1.33% year-over-year decline in office-using employment, although total office-using jobs still exceed pre-pandemic levels. The financial sector may see gains in the coming quarters, as recent interest rate cuts could support employment growth.

Major Transactions

- CoreWeave’s 20-year lease for 280,736 SF at 11 Nest Drive in Kenilworth was the largest transaction of the fourth quarter of 2024.
- Amazon renewed their 129,259 SF lease for 3 years at 10 Exchange Place in Jersey City.
- The New Jersey Department of Children & Families renewed their 83,592 SF lease for 10 years at 153 Halsey Street in Newark.
- Tiffany & Co’s signed a new deal at 100 Bayer Boulevard in Whippany for 77,472 SF.

Leasing Market Fundamentals

- The Northern New Jersey office market experienced a 40-basis-point decrease in vacancy rates quarter-over-quarter, reaching 19.1%, driven by heightened leasing activity and increased tenant demand.
- Leasing activity surged in 2024, exceeding 2.4 MSF during the fourth quarter alone. This represents a 23.1% increase since 2020, marking the highest activity level in the past five years.
- Net absorption was a positive 752,262 SF in the fourth quarter of 2024, reflecting a tighter market as large block availabilities become increasingly scarce.
- Year-over-year, availability dropped by 2.0%, signaling positive momentum in the market. Sublease availability also continues to decline, reaching 4.2%, its lowest level since the first quarter of 2020.

Outlook

- Upcoming deliveries of new construction are expected to boost rent and occupancy levels in submarkets offering premier office spaces. Class A properties continue to lead the market, accounting for over 60% of total leasing activity.
- Office redevelopments and conversions will continue to help oversupply as overall inventory continues to contract quarter over quarter.
- The Hudson Waterfront is projected to experience sustained improvements in leasing activity and occupancy rates as prospective tenants evaluate relocation opportunities from Manhattan.
- The long-term market outlook remains positive and competitive, supported by robust economic fundamentals, elevated office-using employment, and a diversified labor pool.

1. Economy
2. Leasing Market Fundamentals

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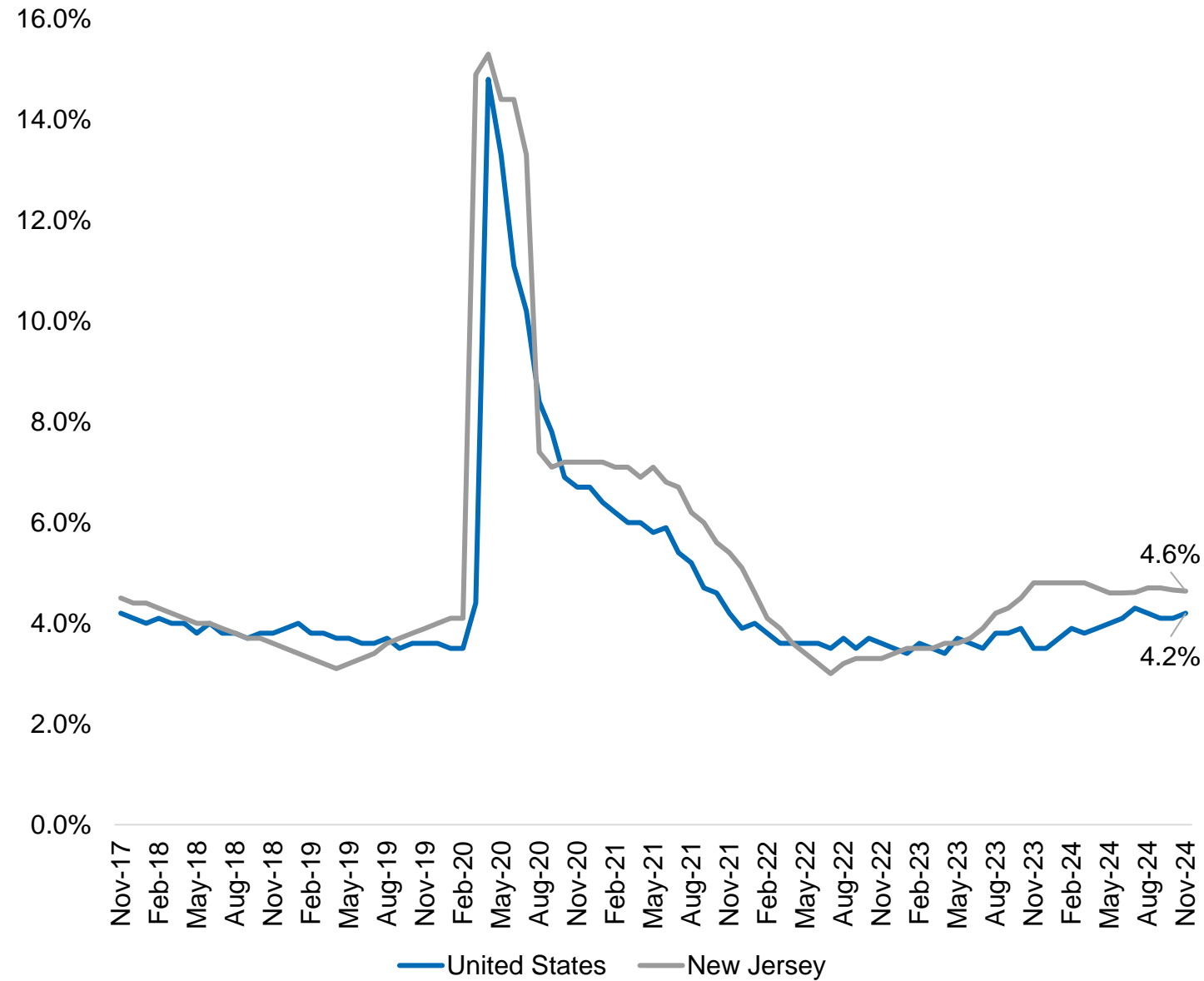
Economy



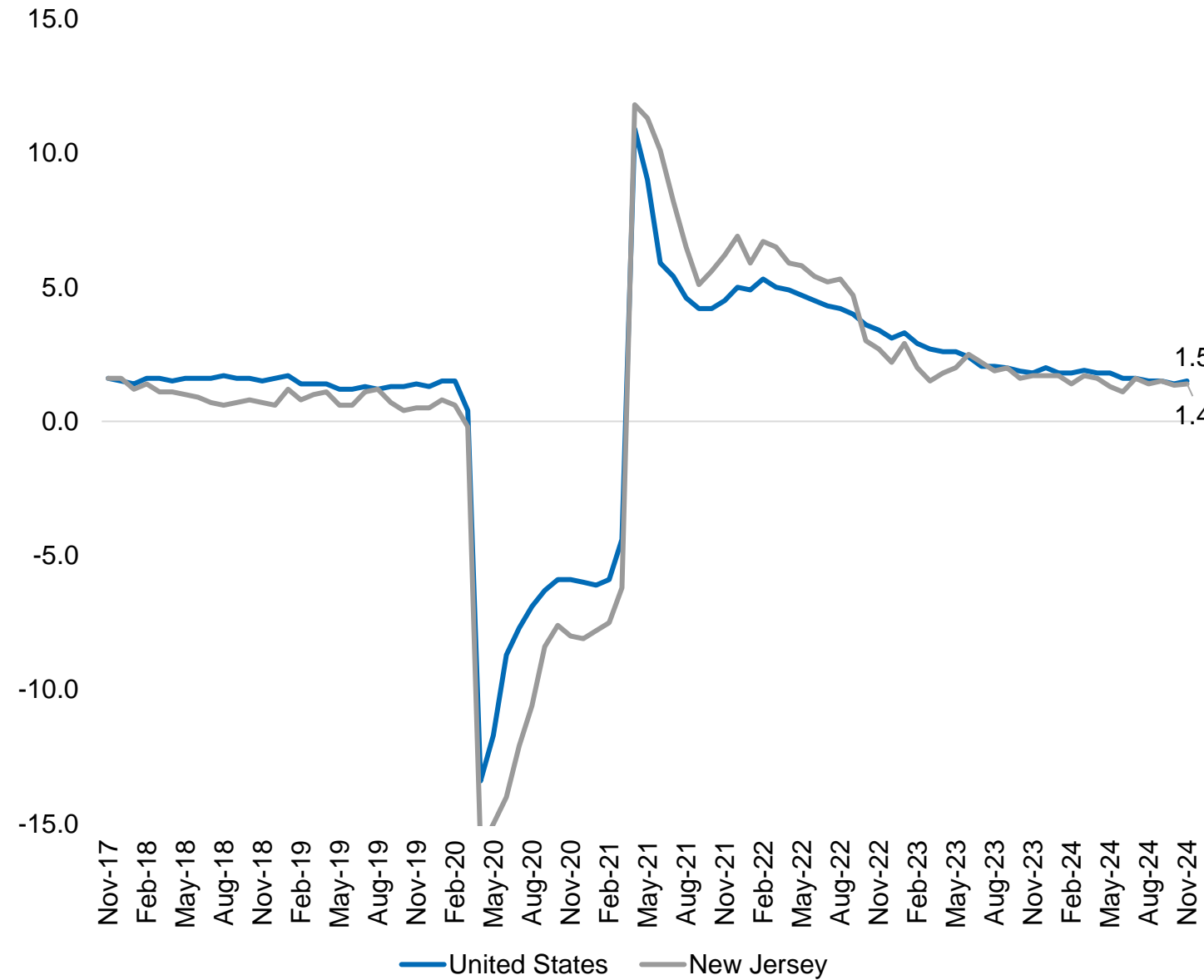
Metro Employment Trends Signal Slowing Economy

While the region's labor market remains stable, employment growth has slowed, continuing a downward trend. However, year-over-year growth remains positive at 1.4%. New Jersey's unemployment rate declined by 10 basis points year-over-year to 4.6% in the fourth quarter but has remained above the national average of 4.2% since May 2023.

Unemployment Rate, Seasonally Adjusted



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

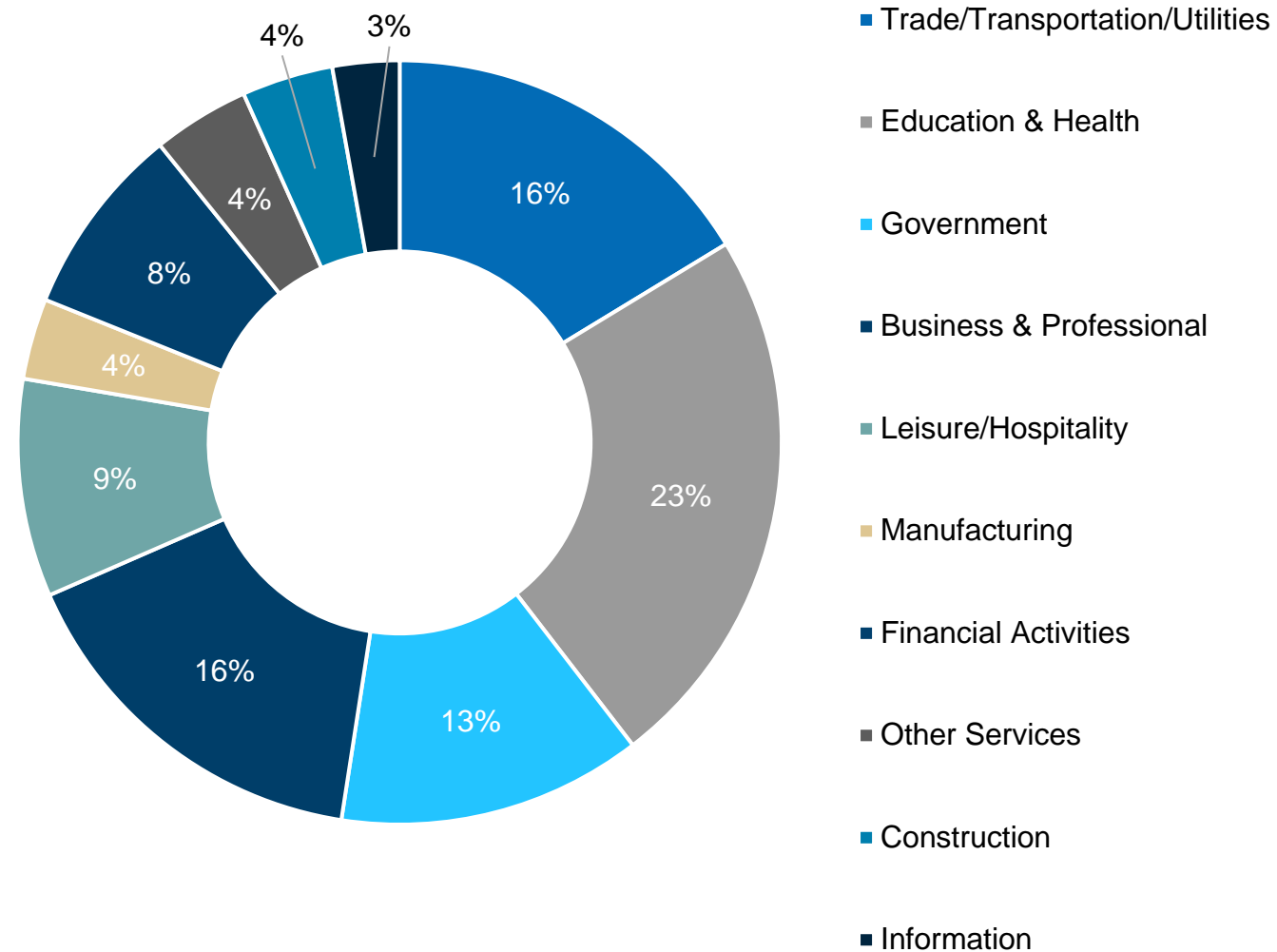


Source: U.S. Bureau of Labor Statistics, New Jersey

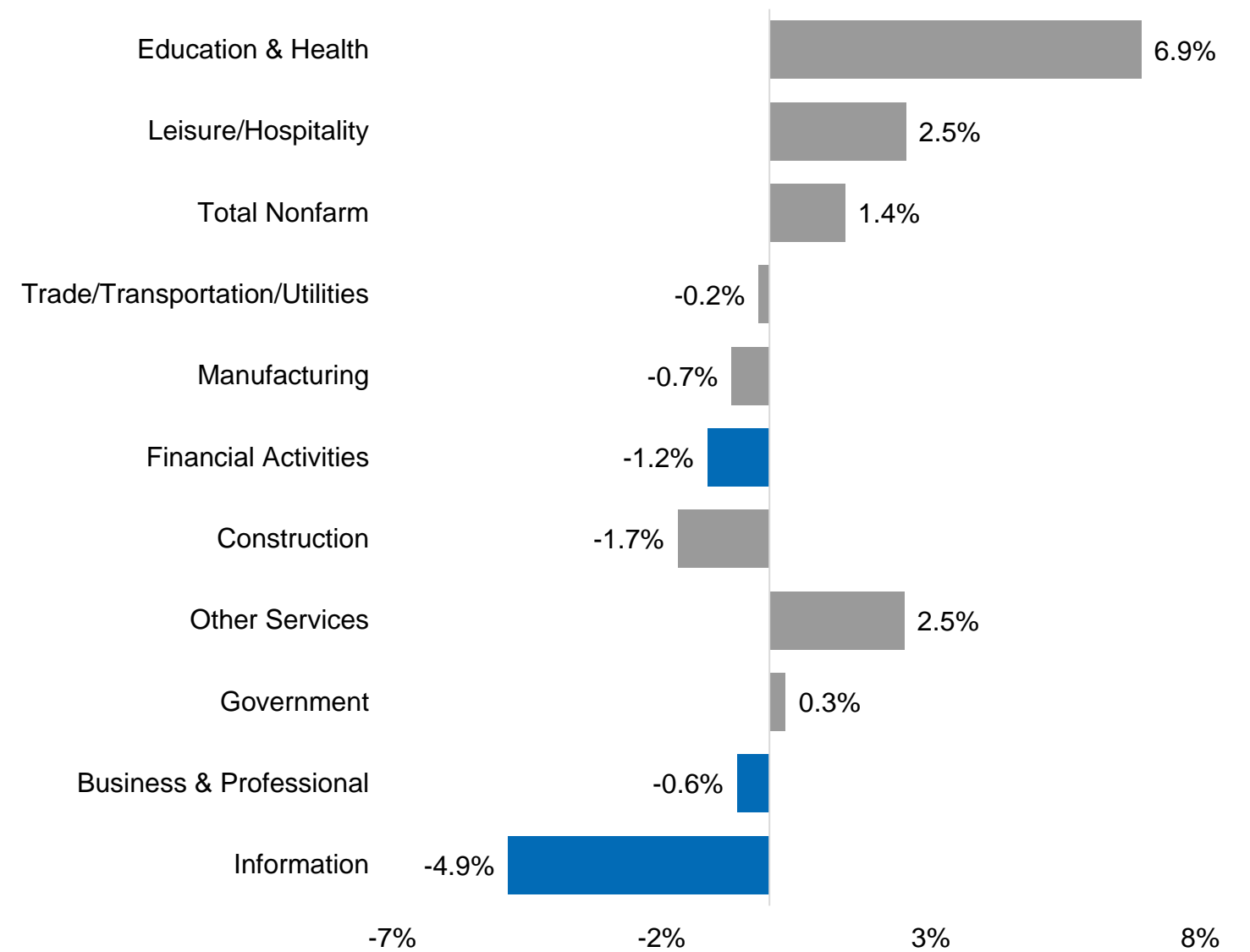
Office-Using Employment Lower

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

Employment by Industry, November 2024



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

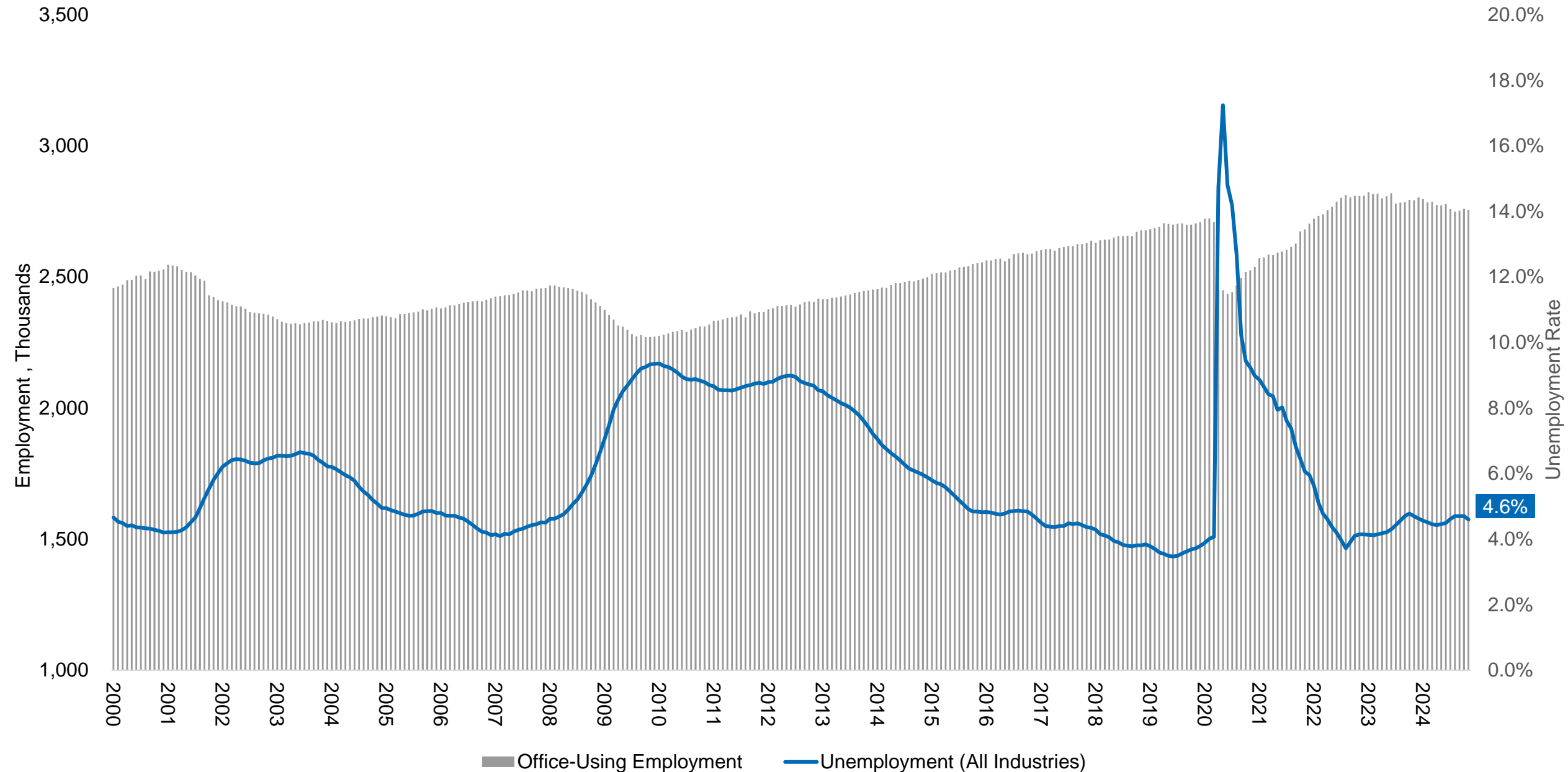


Source: U.S. Bureau of Labor Statistics, New Jersey

Overall Office-Using Employment Has Rebounded

Recent trends indicate a 1.33% year-over-year decline in office-using employment. Despite this, total office-using jobs remain above pre-pandemic levels. The financial sector is poised for potential gains in the coming quarters, supported by recent interest rate cuts that could stimulate employment growth.

Office-Using Employment* and Unemployment Across All Industries



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

Note: November 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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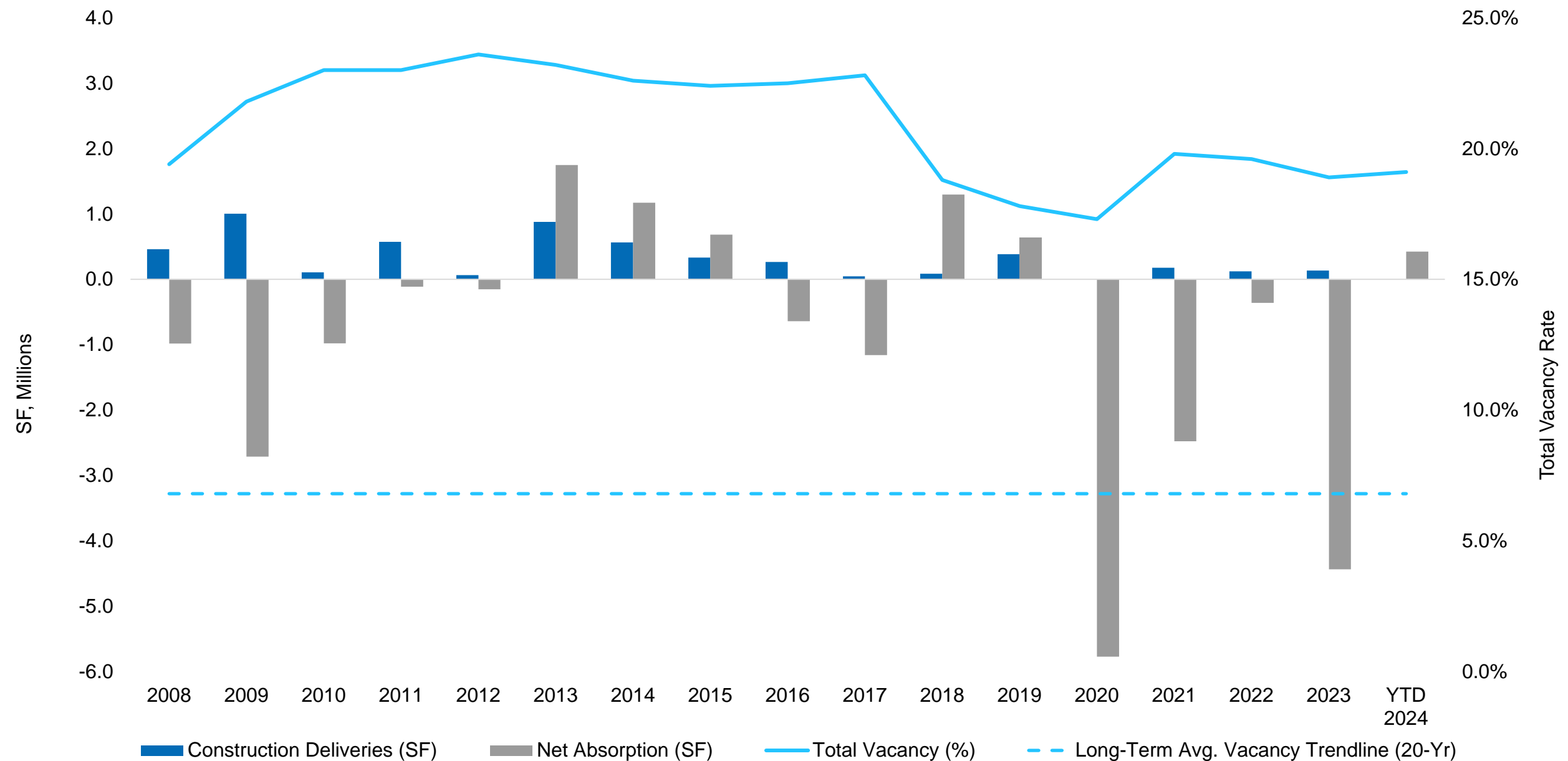
Leasing Market Fundamentals



Vacancy Shrinks As Net Absorption Positive

The Northern New Jersey office market experienced a 40-basis-point quarter-over-quarter decrease in vacancy rates, reaching 19.1%, driven by heightened leasing activity and tenant demand. Occupiers are increasingly gravitating toward newer, recently optimized buildings, with properties offering multiple amenities experiencing stronger leasing activity and rental rate growth. Net absorption was a positive 752,262 SF in the fourth quarter of 2024, reflecting a tightening market as large block availabilities become increasingly scarce.

Historical Construction Deliveries, Net Absorption, and Vacancy

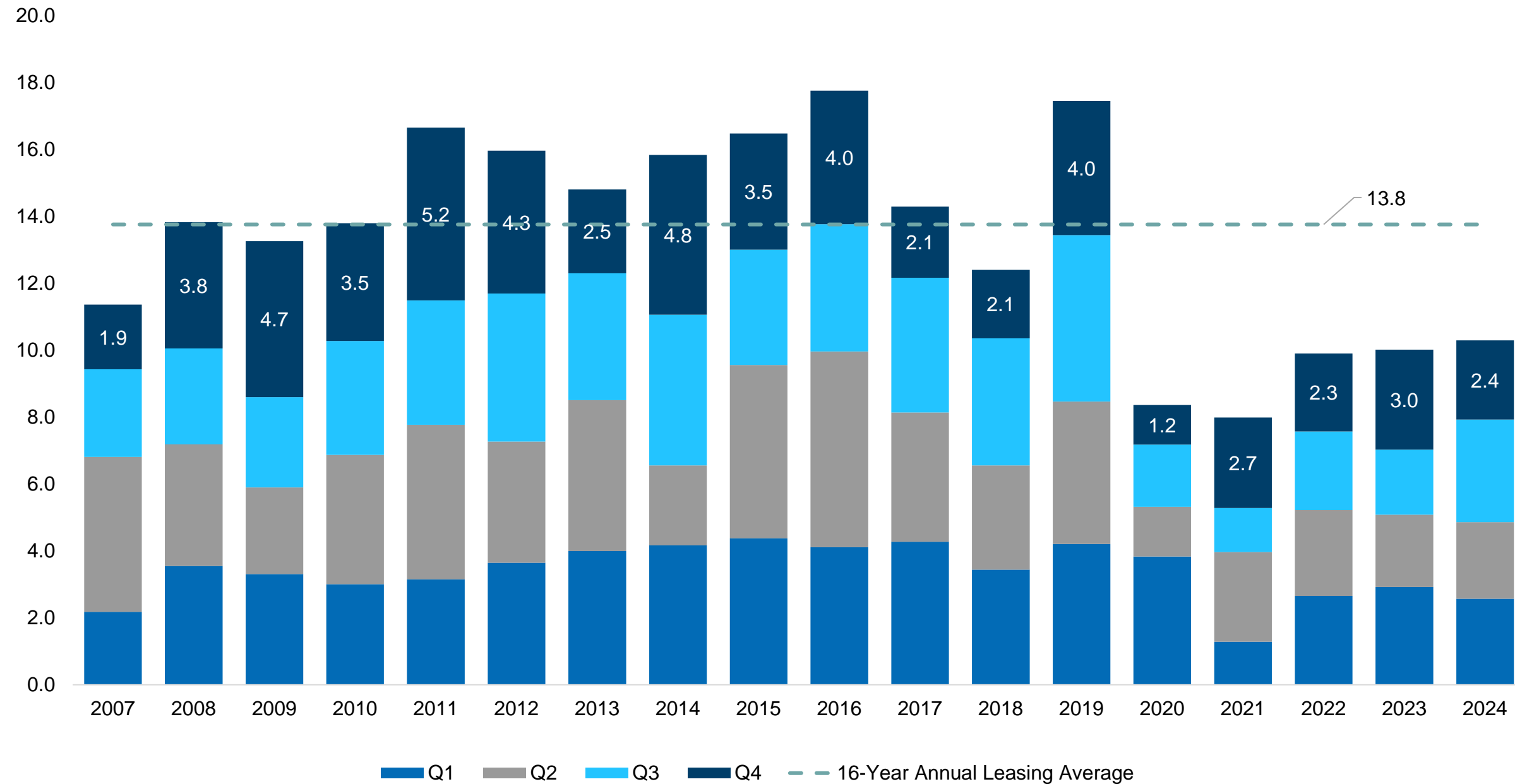


Source: Newmark Research

Leasing Activity Surges

Leasing activity surged throughout 2024, exceeding 2.4 MSF during the fourth quarter alone. This represents a 22.1% increase since 2020, marking the highest activity levels in the past five years. Class A assets continue to attract significant space commitments, exemplified by the New Jersey Department of Children and Families' 83,492 SF renewal at 153 Halsey Street in Newark. The average deal size during the fourth quarter reached 4,014 SF.

Total Leasing Activity (msf)

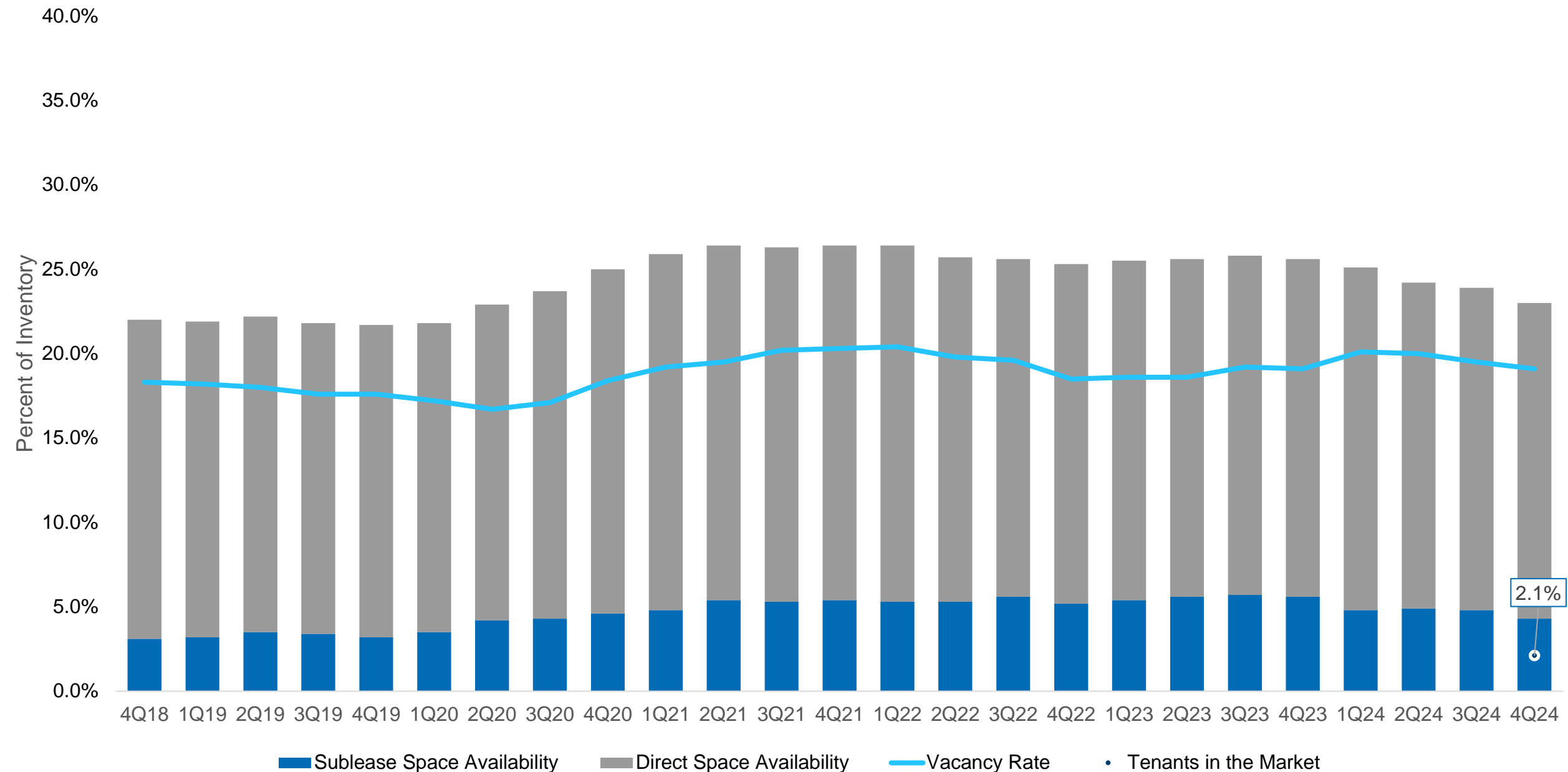


Source: Newmark Research, CoStar

Availability Declines To 5-Year Low

Availability decreased by 60 basis points quarter-over-quarter, reaching 23.2% in the fourth quarter of 2024. Year-over-year, availability dropped by 2.0%, reflecting positive momentum in the market. Sublease availability also continues to decline, now at 4.2%, its lowest level since the first quarter of 2020.

Available Space and Tenant Demand as Percent of Overall Market

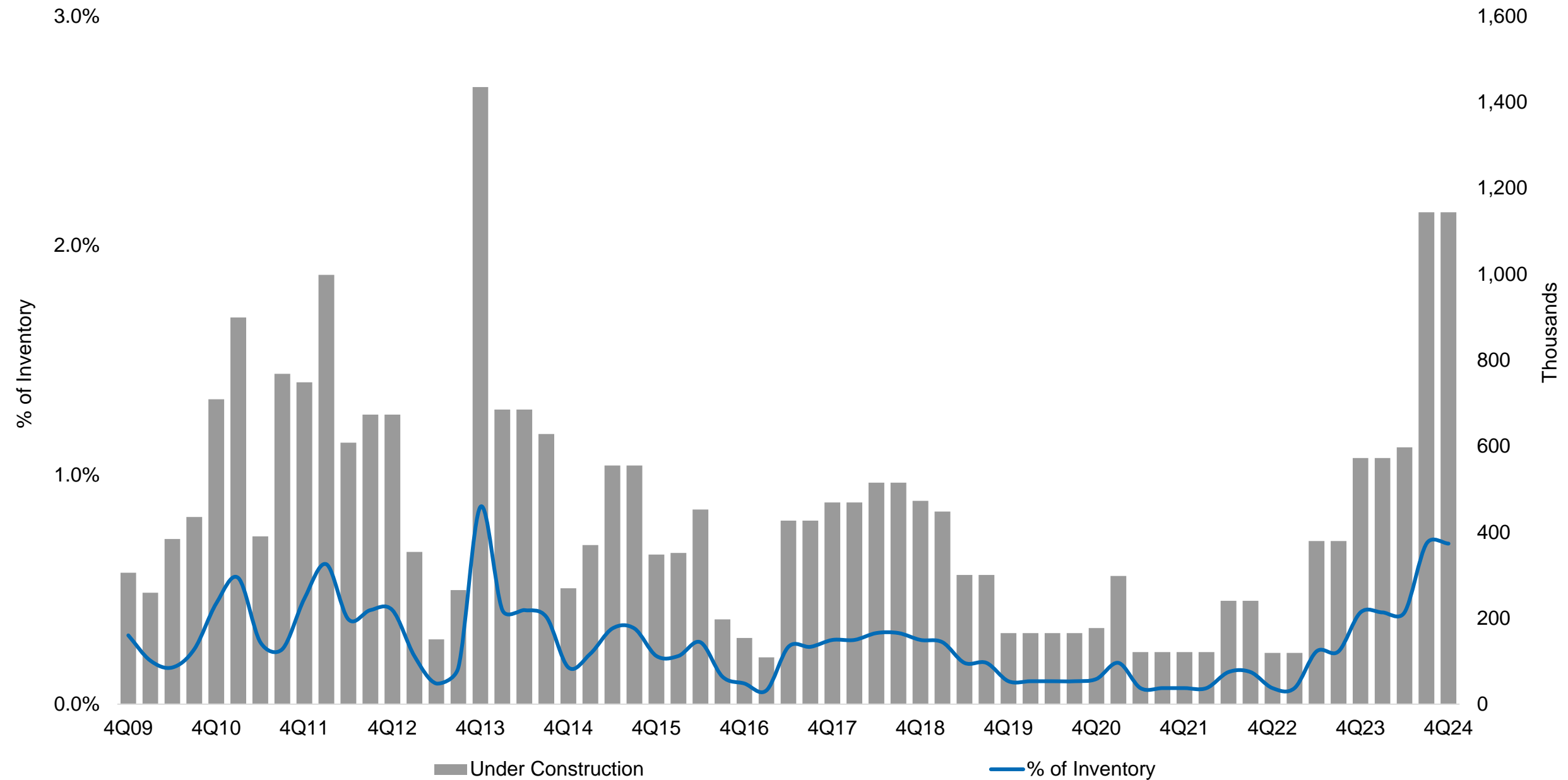


Source: Newmark Research

New Construction Increases

Under-construction volume remained steady at 1,143,787 SF in the fourth quarter of 2024, representing just 0.7% of the market's total inventory. Construction is advancing at Helix H-1 in New Brunswick, a 570,000-SF property slated for delivery in August 2025. Additionally, M Station West, a 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

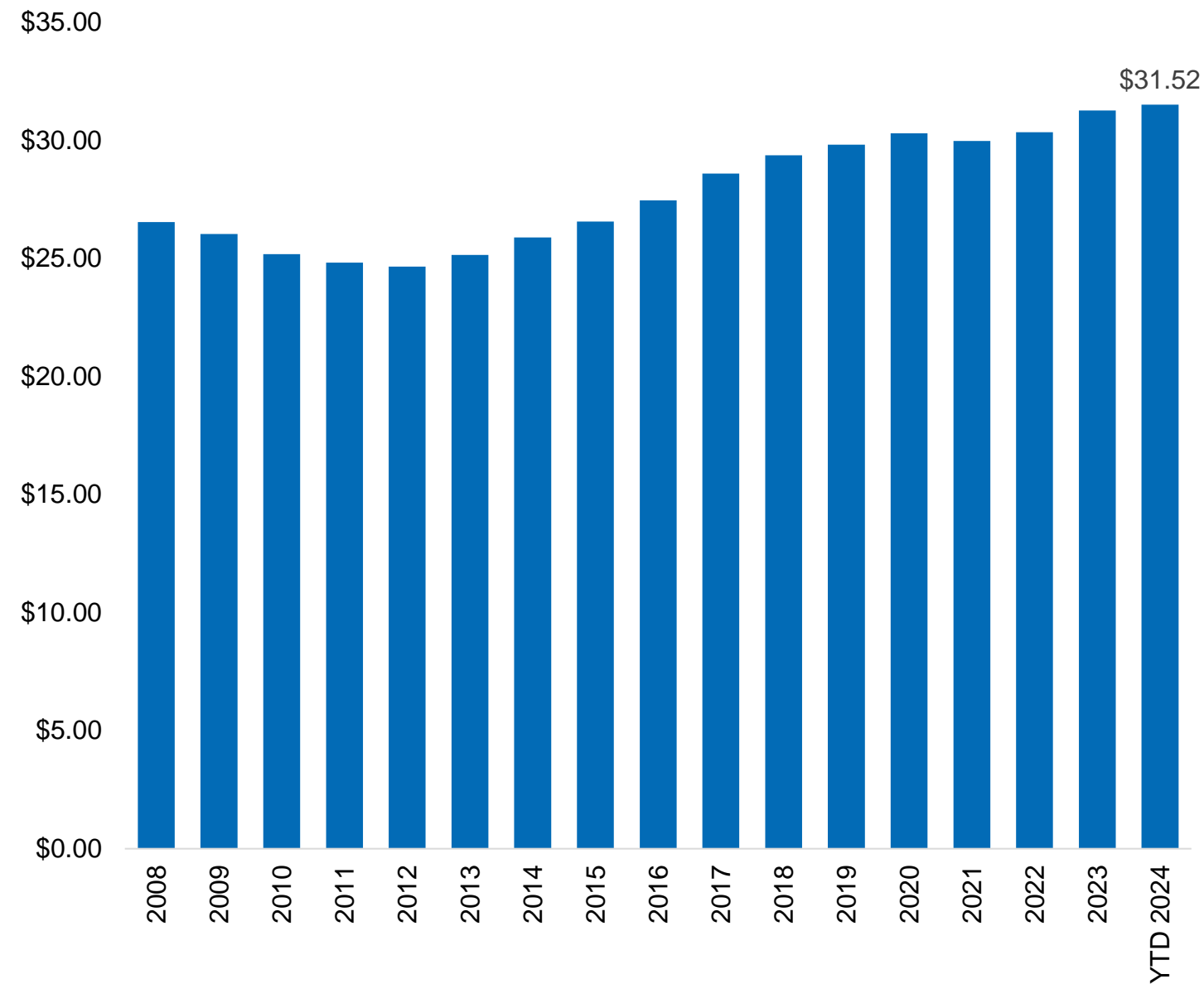


Source: Newmark Research, CoStar

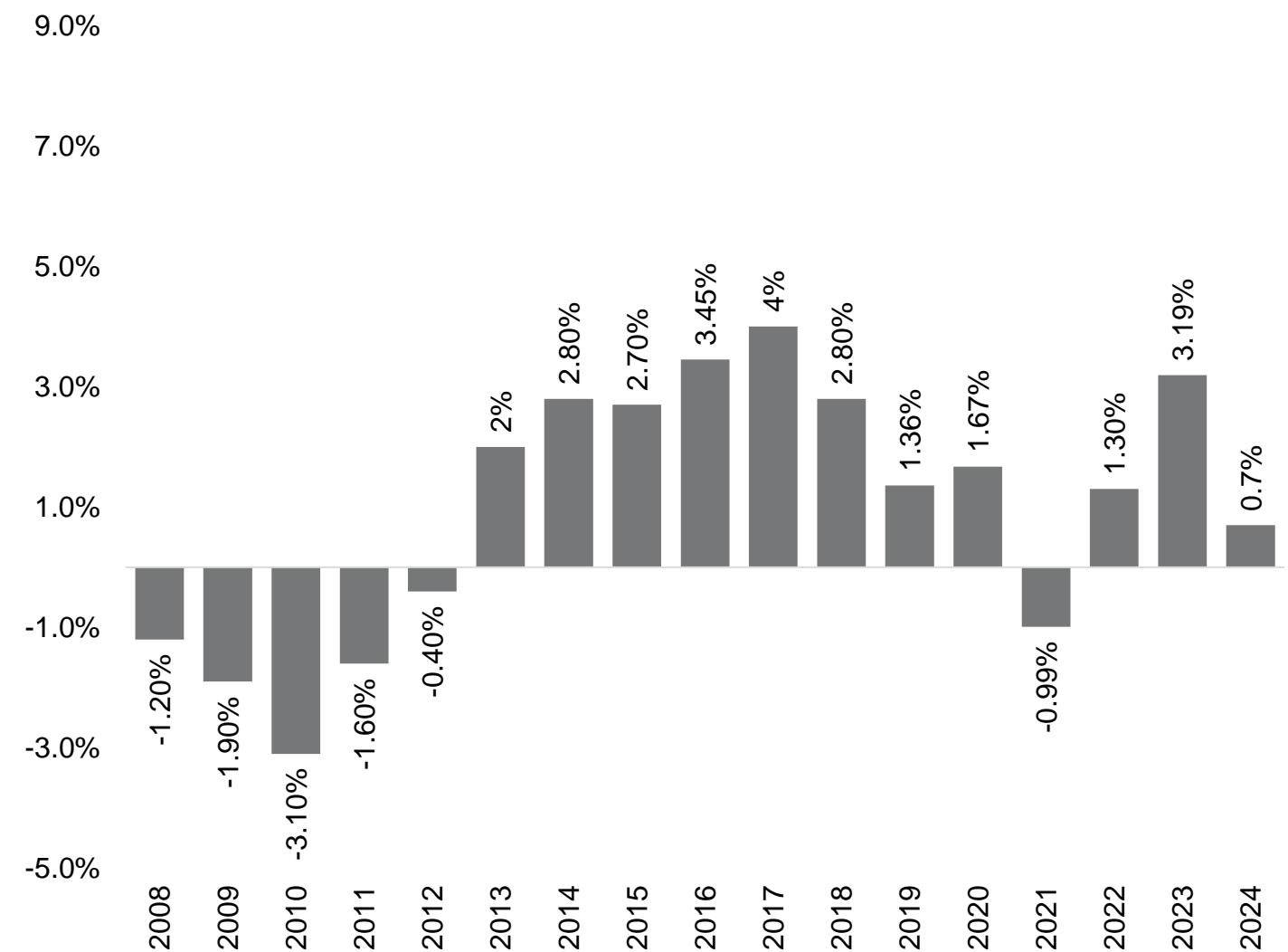
Asking Rents Modestly Increase

Overall asking rents averaged \$31.52/SF in the fourth quarter of 2024, reflecting a \$0.18/SF increase from the previous quarter. Year-over-year, rents saw minimal change, rising by 0.7%. Asking rents are expected to remain elevated, supported by increased tenant demand and improving leasing activity.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

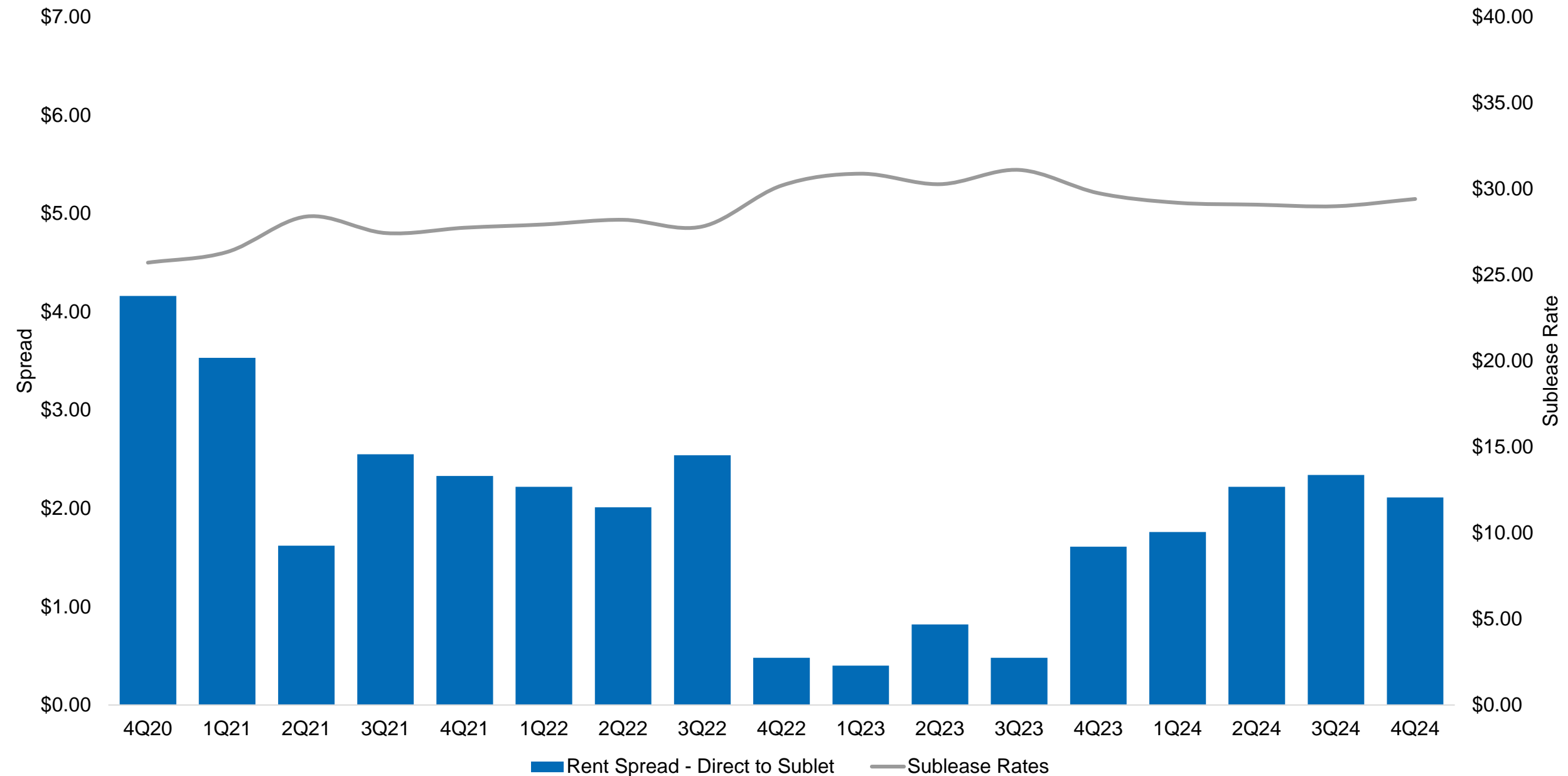


Source: Newmark Research, CoStar

Delta Between Direct & Sublease Rates Stabilizes

The influx of high-end space into the market during 2022 and 2023 narrowed rent spreads between direct and sublease spaces. Sublease rates have since stabilized, decreasing 1.1% year-over-year to \$29.41/SF in recent quarters.

Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

Leasing activity remained steady, exceeding 2.4 MSF in the fourth quarter of 2024, a 23.1% increase since 2020 and the highest level of activity in the past five years. Class A space dominated, accounting for 60% of the market's leasing activity by SF. Average lease sizes in Class A properties reached 8,834 SF, significantly larger than the overall market average of 4,014 SF.

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
CoreWeave	11 Nest Drive	Union Area	Direct New	280,000
<i>CoreWeave's 20-year, 280,736 SF deal at 11 Nest Drive in Kenilworth was the largest deal during the fourth quarter of 2024.</i>				
Amazon	10 Exchange Place	Hudson Waterfront	Direct Renewal	129,259
<i>Amazon renewed their 129,259 SF lease for 3 years at 10 Exchange Place in Jersey City.</i>				
New Jersey Department of Children & Families	153 Halsey Street	Newark	Direct Renewal	83,592
<i>New Jersey Department of Children & Families 83,592 SF renewed for 10 years at 153 Halsey Street in Newark.</i>				
Tiffany & Co	100 Bayer Boulevard	Parsippany/I-287/Ry.10	Direct New	77,472
<i>Tiffany & Co leased 77,472 SF at 100 Bayer Boulevard in Whippany.</i>				
JCP&L	115 Tabor Road	Morristown Area	Direct New	62,263
<i>JCP&L leased 62,263 SF at 115 Tabor Road in Morris Plains.</i>				

Submarket Stats Overview

Please reach out to your
Newmark business contact for this information

Class A Office Leasing

Please reach out to your
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