



New Jersey office market report

Q4 2023

**AVISON
YOUNG**

New Jersey office market trends

\$31.33

Average asking rent increases

Office asking rents have risen by 6.9% since the end of 2022. This surge can be linked to the enhanced availability of higher-class spaces re-entering the market, such as 647,000 square feet at 525 Washington Blvd., Jersey City, and 606,000 square feet at 225 Phillips Blvd., Ewing.

Quarterly and yearly, there has been an uptick in availability coupled with a decline in leasing activity. It is anticipated that asking rents will either plateau or decline in the coming period.

-2.8 msf

Annual net absorption experiences new low

In 2023, for the first time in the past two decades, every quarter experienced negative net absorption.

With employers undertaking right-sizing initiatives or embracing hybrid work environments, an increasing amount of space is being vacated, leading to reduced demand for leasing compared to previous trends.

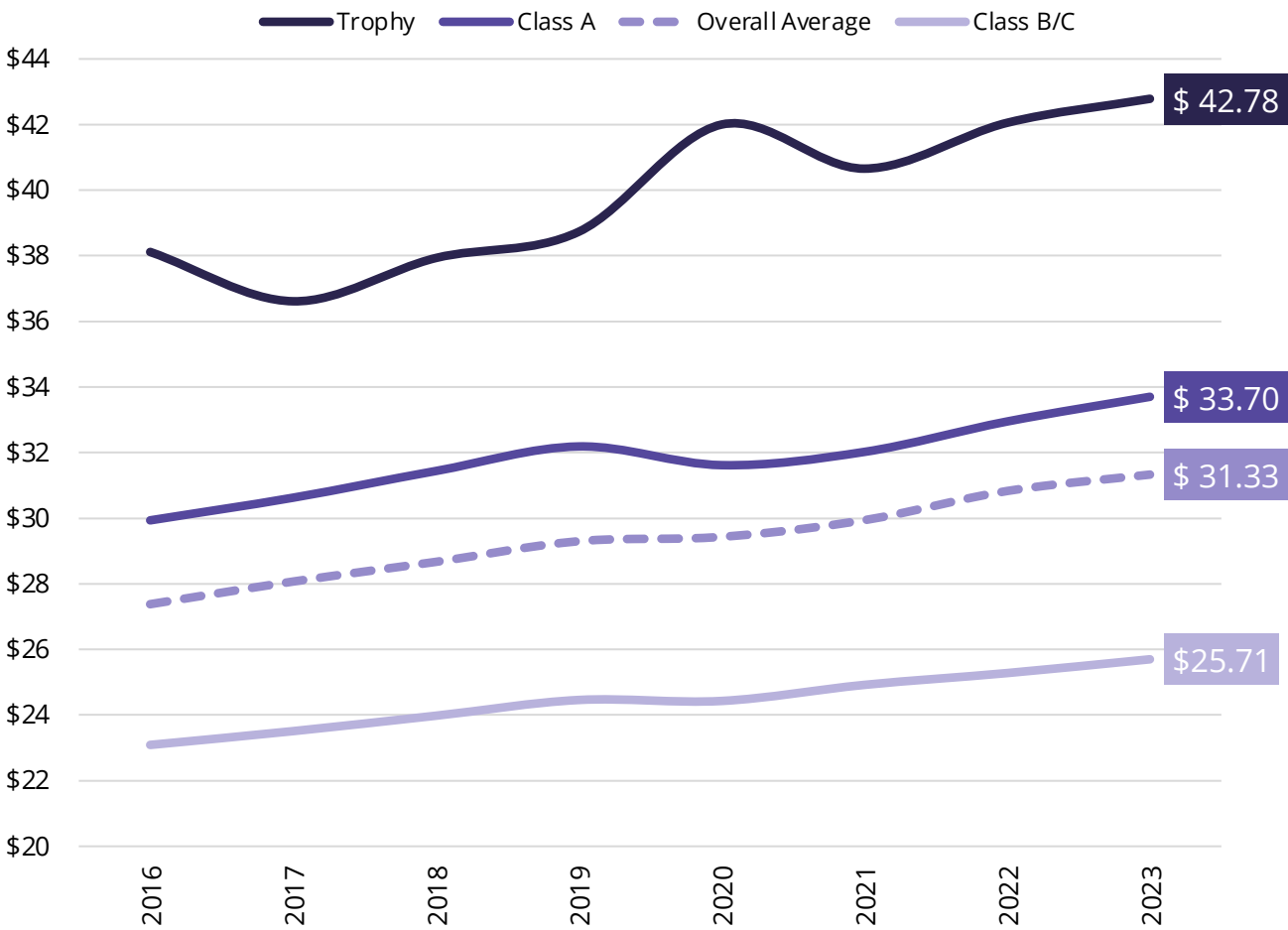
19.2%

Availability rate increases to decade high

Office availability has witnessed a quarter-over-quarter increase of 30 basis points (bps), indicating an ongoing transformation in the market landscape.

Year-over-year, there has been a 100 bps increase, underscoring the persistent trend of changing preferences in working environments and prolonged economic challenges.

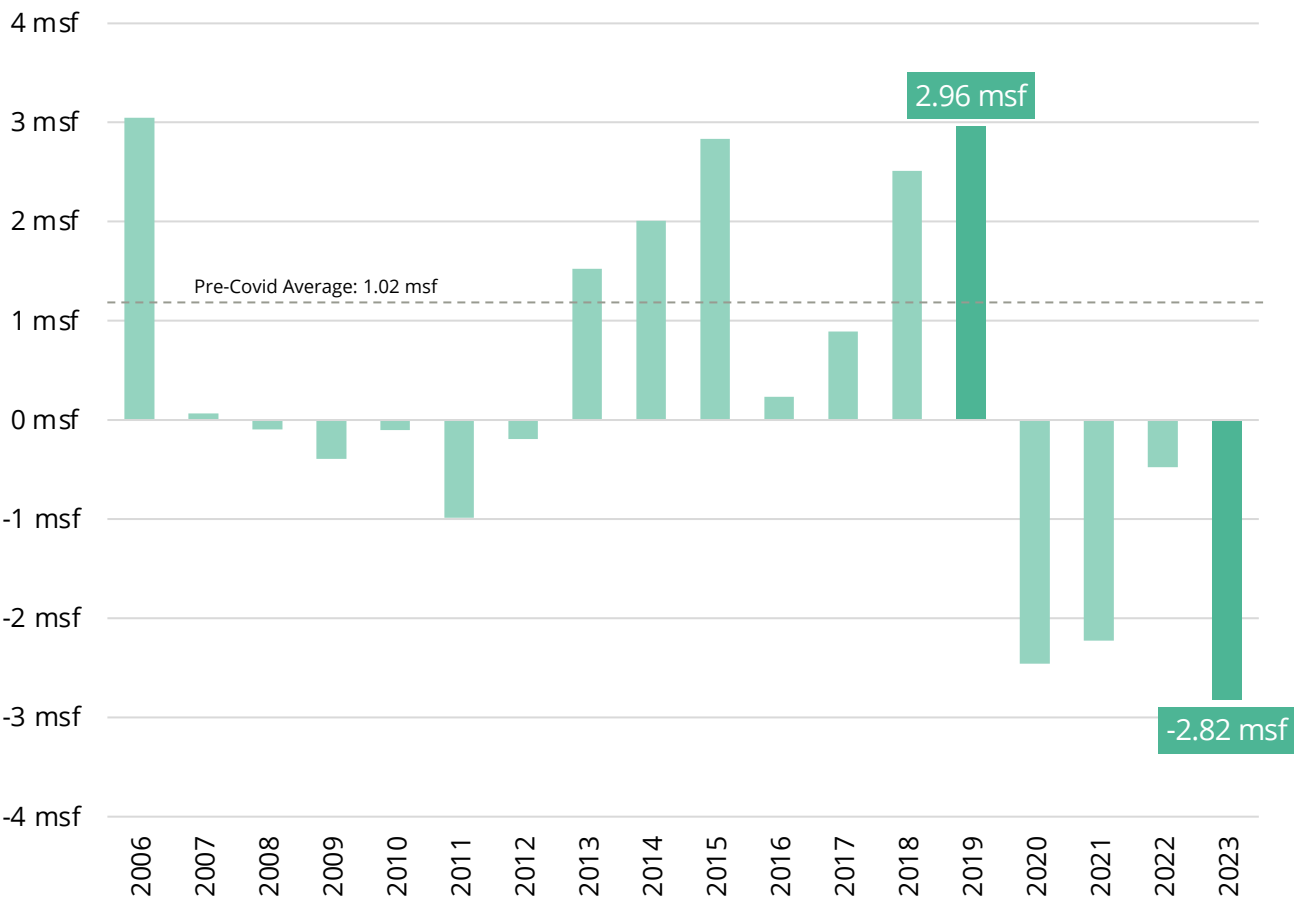
Asking rental rates



Office rents have experienced a 6.9% year-over-year increase.

This increase can be attributed to higher-class space becoming available.

Net absorption

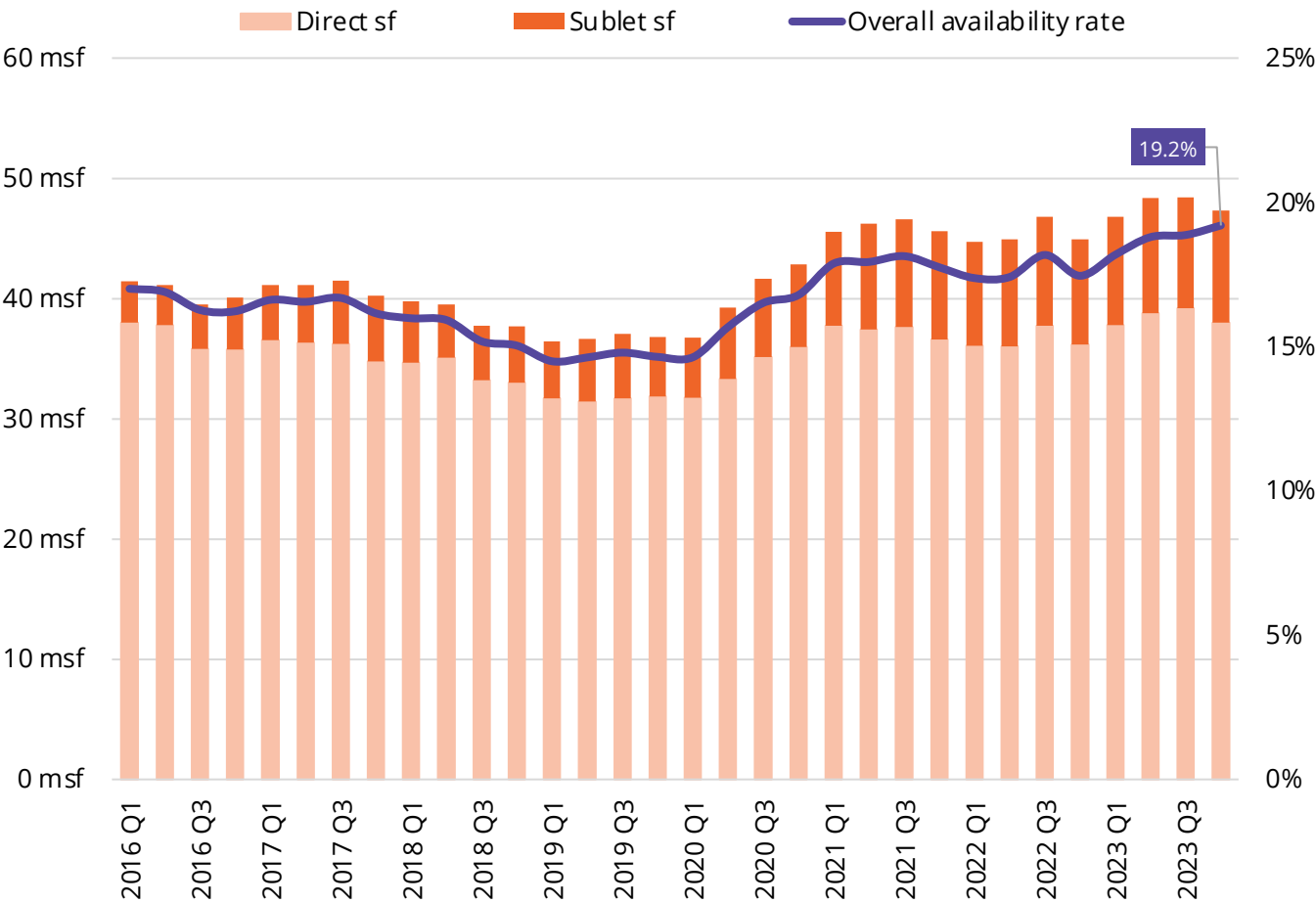


Negative net absorption in New Jersey has witnessed a significant year-over-year increase.

In 2023, for the first time in the last two decades, not a single quarter recorded positive net absorption.

Two major contributors to the negative absorption this quarter were 33 Washington St., Newark, with -335,000 square feet, and 525 Washington Blvd, Jersey City, with -211,000 square feet.

Available space



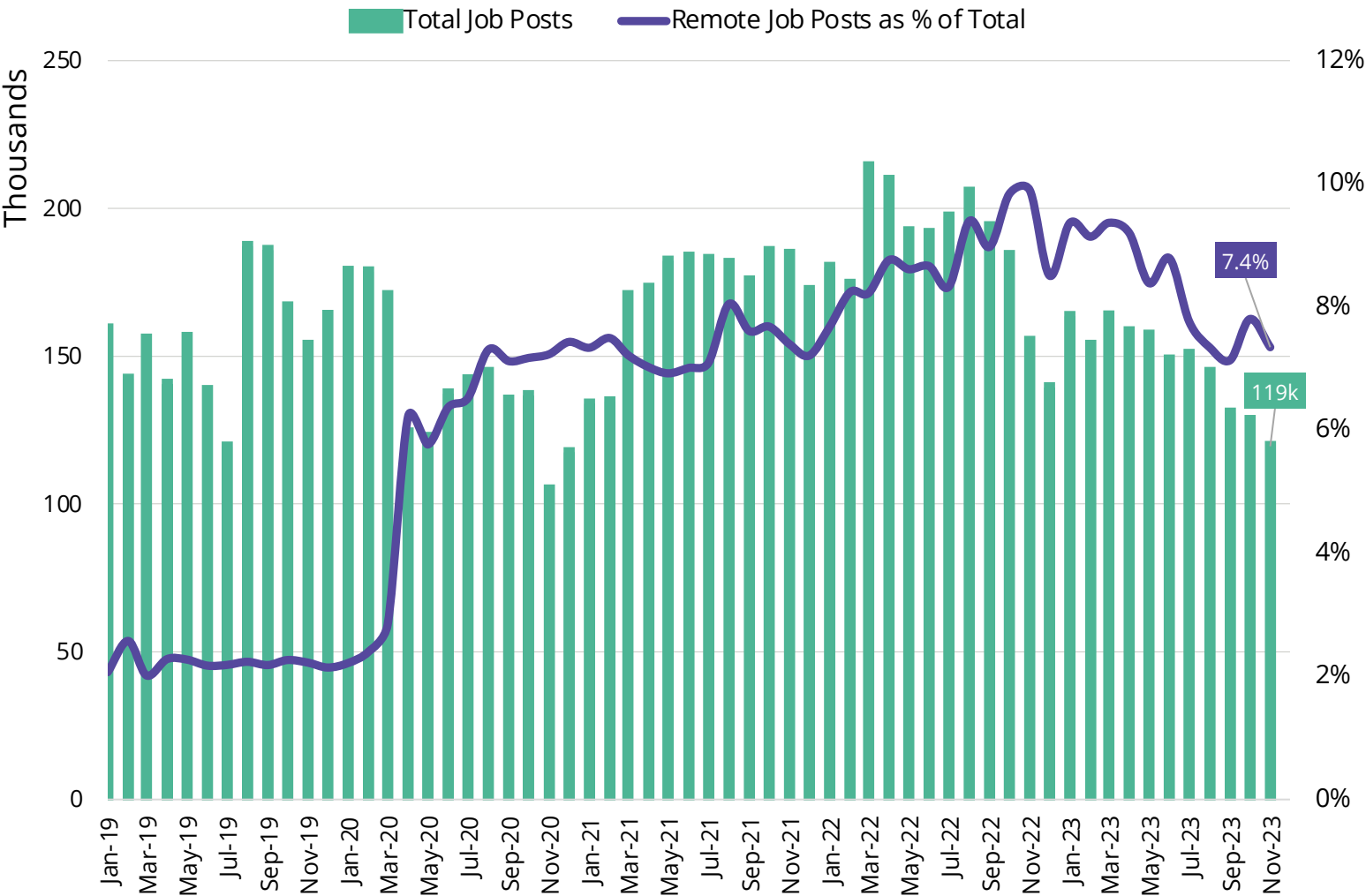
The overall office availability rate increased by 30 basis points (bps).

There is an additional 136,000 square feet of sublet space available compared to Q3.

New Jersey market indicators



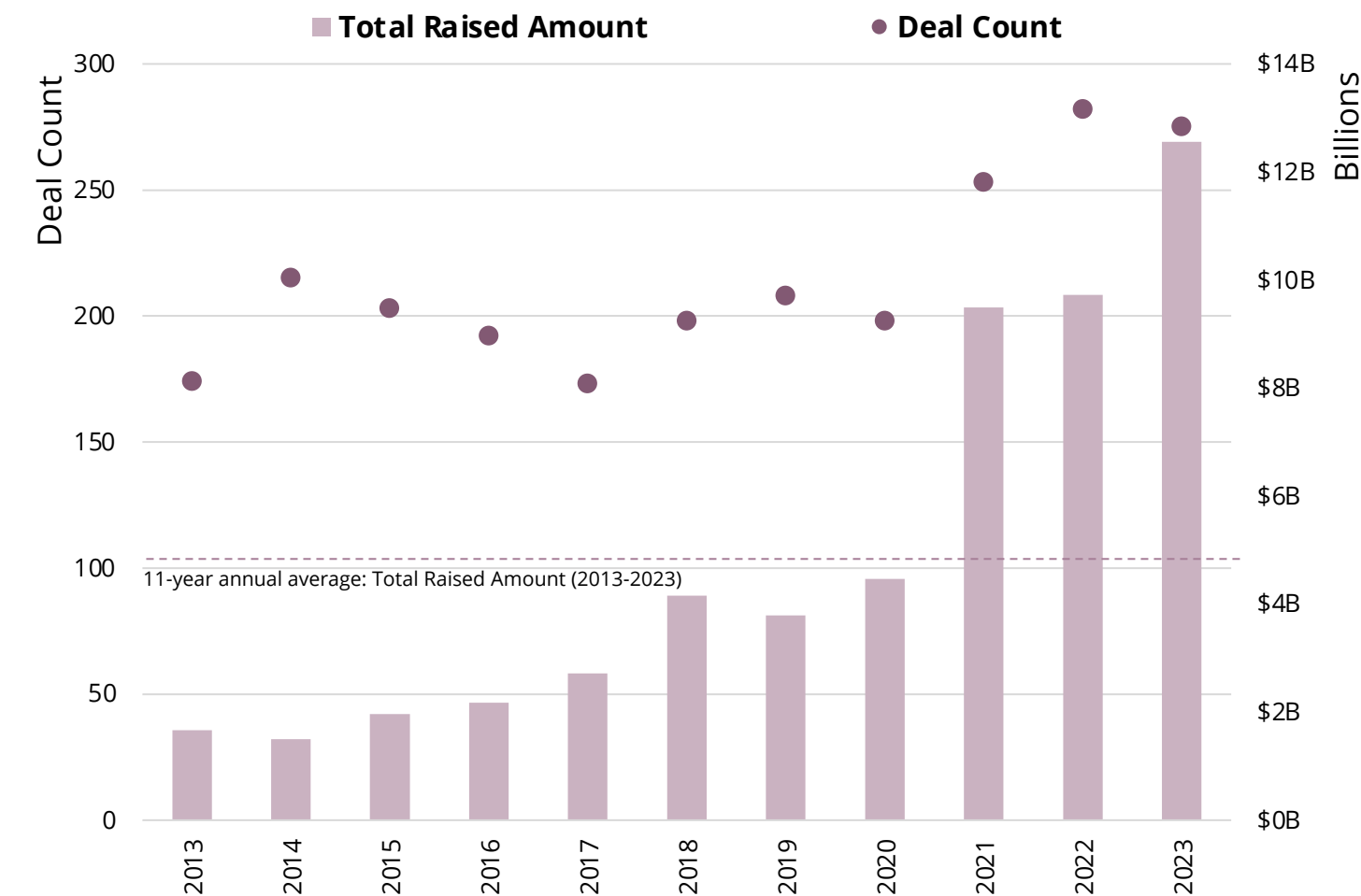
Job postings



As companies persist in optimizing their workplace sizes, there are fewer positions available, and a smaller portion of these roles offer full remote work.

Since July 1st, 2023, total job postings have decreased by 31,000. Among these job posts, only 7.4% are designated as fully remote positions.

Venture capital and private equity funding



Source: AVANT by Avison Young, Crunchbase
Note: funding includes grants, seed, series A-H, angel, equity crowdfunding, corporate round, private equity, product crowdfunding,

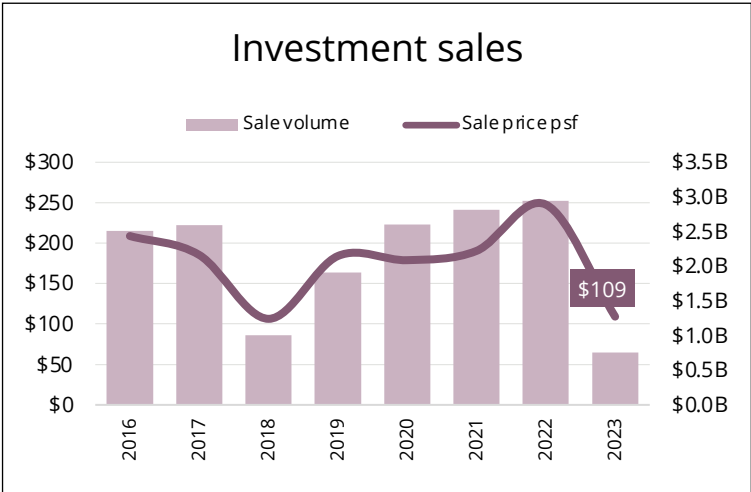
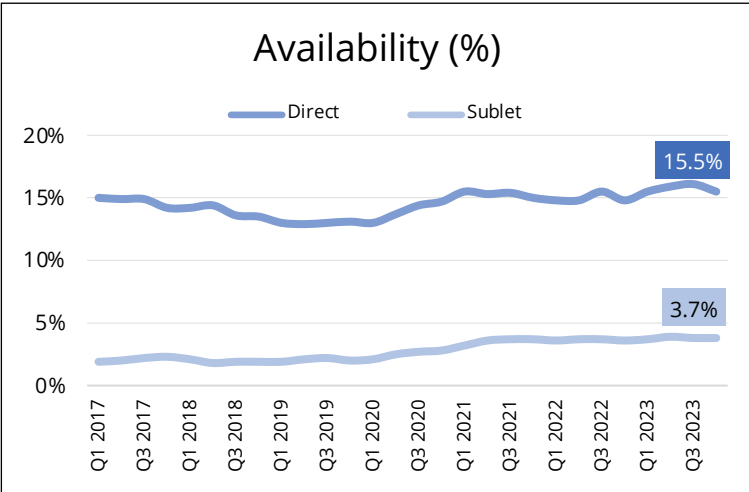
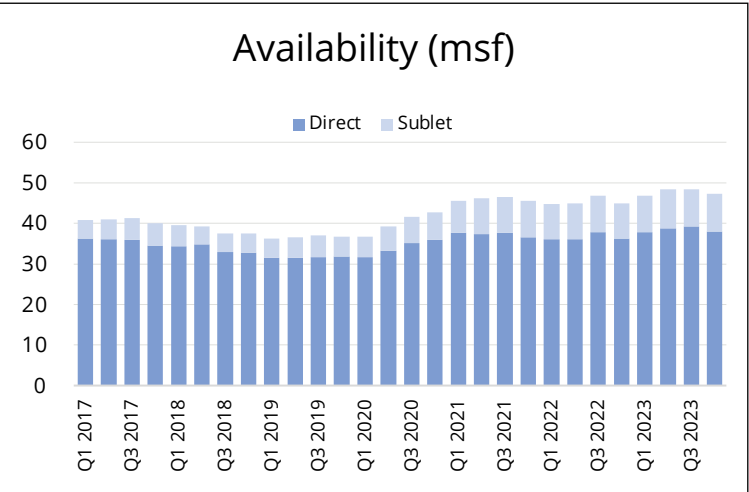
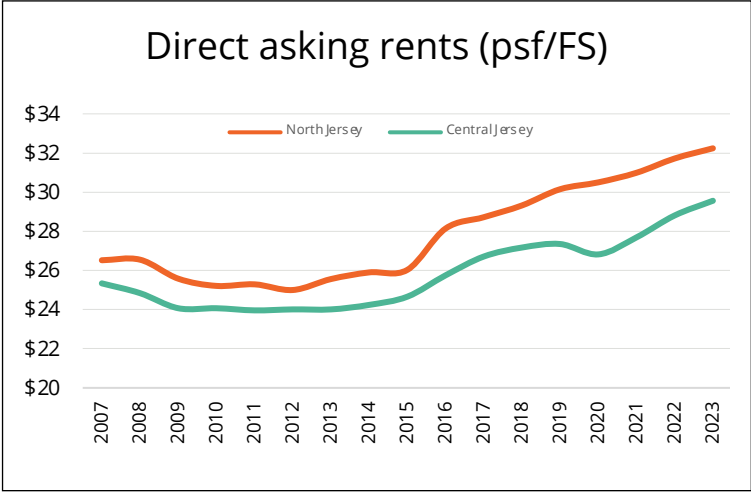
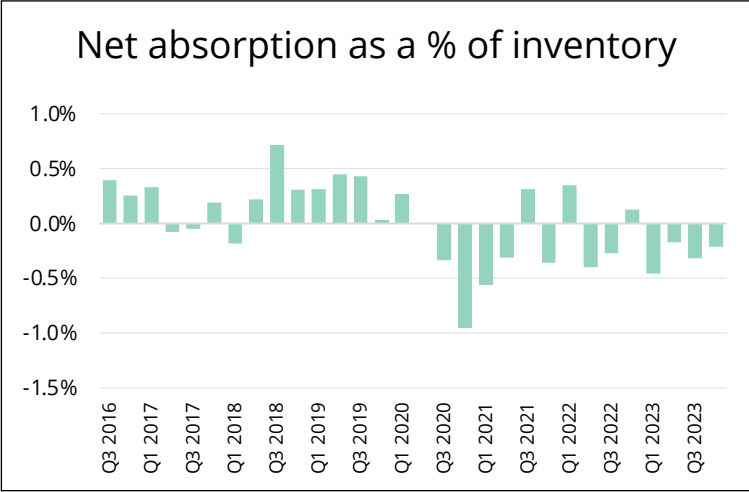
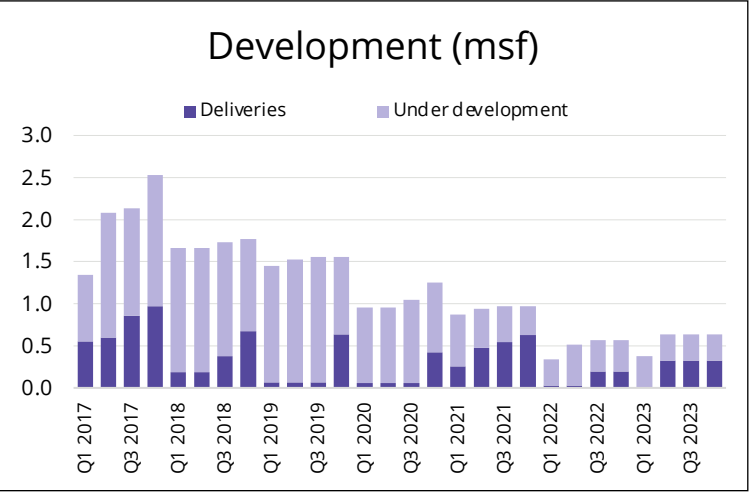
Historically, a surge in VC/PE funding has correlated with a heightened demand for office space. Nevertheless, the ongoing expansion of flexible working trends is challenging that historical pattern.

In 2023, VC/PE funding has experienced a noteworthy 30% increase. Notably, over one-third of this funding has been allocated to the tech sector, a field where office space requirements are increasingly influenced by the prevalence of flexible working arrangements.

Appendix



New Jersey office market indicators



New Jersey Q4 office market activity

Recent leasing activity

Tenant	Address	Submarket	Size (sf)	Transaction type	Lease type	Owner
Nokia	110 Plaza, Helix H-2, New Brunswick	Lower route 287	360,000	New	Direct	New Brunswick Development Corp.
Marcum	340 Mount Kemble Ave., Morristown	Morristown	73,272	New	Sublease	Onyx Equities
Jeffries	101 Hudson St., Jersey City	Waterfront	62,118	Renewal	Direct	The Birch Group
Sompo International	340 Mount Kemble Ave., Morristown	Morristown	53,456	New	Sublease	Onyx Equities

Recent sales activity

Buyer	Address	Building size (sf)	Sale price	Sale price psf	Seller	Comments
Crown Acquisitions	61 S Paramus Rd., Paramus	287,704	\$55,900,000	\$194.30	Onyx Equities	Investment into a top-performing office asset
Community Healthcare Associates	23 Main St., Holmdel	350,000	\$17,500,000	\$50	Veris Residential	Buyer plans conversion to residential
Greek Real Estate Partners	169 Lackawanna Ave., Parsippany	256,000	\$25,000,000	\$97.66	RVI America Insurance Co.	Buyer plans conversion to industrial

Top projects under development

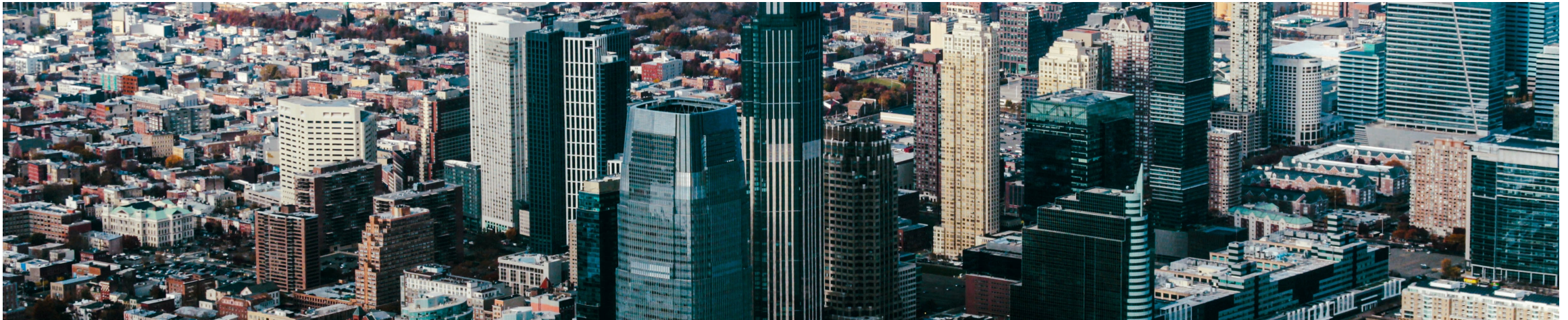
Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
110 Plaza – The Innovation+Technology Hub, New Brunswick	Lower Route 287	Jan. 2025	550,000	100%	New Brunswick Development Corp.
100 Morris St. – M Station West, Morristown	Morristown	March 2024	260,750	100%	SJP Properties
130 Bay St. – Arts & Power House Building, Jersey City	Waterfront	May 2024	149,787	9.9%	Kushner Companies

New Jersey office market stats

By Submarket	Existing Inventory	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Northern New Jersey	163,101,662	284,287	260,750	16.4%	4.2%	20.4%	(1,833,580)	(1.1%)	\$32.24
Central Bergen	10,398,846	0	0	11.3%	1.9%	13.3%	61,699	(0.6%)	\$28.49
Greater Parsippany	18,530,389	0	0	19.4%	5.8%	24.4%	285,160	1.5%	\$27.47
GSP/Route 3	3,973,224	0	0	10.0%	4.7%	14.6%	(113,518)	(2.9%)	\$32.94
GW Bridge	7,755,624	0	0	13.0%	2.4%	14.6%	107,287	1.4%	\$30.04
I-24 West Corridor	8,084,682	0	0	22.0%	5.9%	27.9%	(491,253)	(6.1%)	\$34.40
Meadowlands	6,152,116	0	0	18.6%	5.0%	23.6%	(150,459)	(2.4%)	\$31.97
Morristown	5,997,064	134,500	260,750	14.3%	4.6%	18.9%	194,855	3.2%	\$32.04
Newark	21,409,541	0	0	10.4%	3.5%	13.9%	(271,040)	(1.3%)	\$30.77
North Central Bergen	3,996,475	0	0	18.6%	5.4%	23.2%	(150,084)	(3.8%)	\$25.73
Route 17/North Corridor	5,338,711	0	0	5.3%	0.0%	5.3%	23,561	0.4%	\$27.03
Route 23/Wayne	8,546,719	0	0	12.8%	2.1%	14.9%	(28,237)	(0.3%)	\$24.06
Route 78 East	7,918,591	0	0	23.3%	1.1%	24.4%	(19,581)	(0.2%)	\$28.48
Route 78 West	14,811,425	0	0	12.0%	9.0%	20.8%	(6,549)	(0.0%)	\$27.12
Suburban West Essex	6,582,747	0	0	26.3%	0.2%	26.5%	(217,978)	(3.3%)	\$26.17
Sussex	780,865	0	0	0.0%	0.0%	0.0%	1,000	0.1%	***
Union	6,059,261	0	0	12.6%	1.0%	13.6%	(51,579)	(0.9%)	\$26.91
Waterfront	24,547,392	149,787	0	22.6%	6.0%	28.6%	(1,058,584)	(4.3%)	\$43.35
Western I-80 Corridor	2,217,990	0	0	16.1%	0.7%	16.8%	51,720	2.3%	\$22.29
Central New Jersey	81,358,015	40,000	52,000	13.3%	2.9%	16.1%	(981,621)	(1.2%)	\$29.56
Eastern Middlesex	827,303	0	0	16.8%	4.7%	21.5%	8,913.00	1.1%	\$24.63
Edison Woodbridge	9,827,050	0	0	19.8%	3.6%	23.4%	(128,678.00)	(1.3%)	\$37.89
Greater Monmouth	14,175,060	0	0	10.5%	1.6%	11.7%	(54,570.00)	(0.4%)	\$27.57
Hunterdon	4,722,341	0	0	33.9%	0.0%	33.9%	83,992.00	1.8%	\$26.01
Lower Route 287	14,172,358	0	0	10.2%	1.6%	11.8%	(104,647.00)	(0.7%)	\$24.61
Ocean County	2,455,000	40,000	52,000	7.7%	0.0%	7.7%	25,960.00	1.1%	\$28.53
South Middlesex	8,490,091	0	0	18.3%	3.1%	21.3%	(175,664.00)	(2.1%)	\$32.20
Trenton	26,176,651	0	0	12.7%	5.2%	17.9%	(675,875.00)	(2.6%)	\$28.86
Warren County	512,161	0	0	1.4%	8.4%	9.8%	38,948.00	7.6%	\$20.27
New Jersey Total	244,459,677	324,287	312,750	15.4%	3.8%	19.2%	(2,815,201)	(1.2%)	\$31.33

New Jersey office market stats by class

Class	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	8,248,302	0	0	15.8%	20.2%	36.0%	(136,885)	(1.66%)	\$42.78
Class A	121,654,208	284,287	260,750	19.1%	5.1%	24.2%	(2,182,535)	(1.79%)	\$33.69
Class B	83,670,324	40,000	52,000	13.7%	1.7%	15.3%	(422,956)	(0.51%)	\$26.31
Class C	30,331,777	0	0	6.4%	0.2%	6.6%	(136,885)	(0.24%)	\$23.06
Market total	244,459,677	324,287	312,750	15.4%	3.8%	19.2%	(2,815,201)	(1.15%)	\$31.33



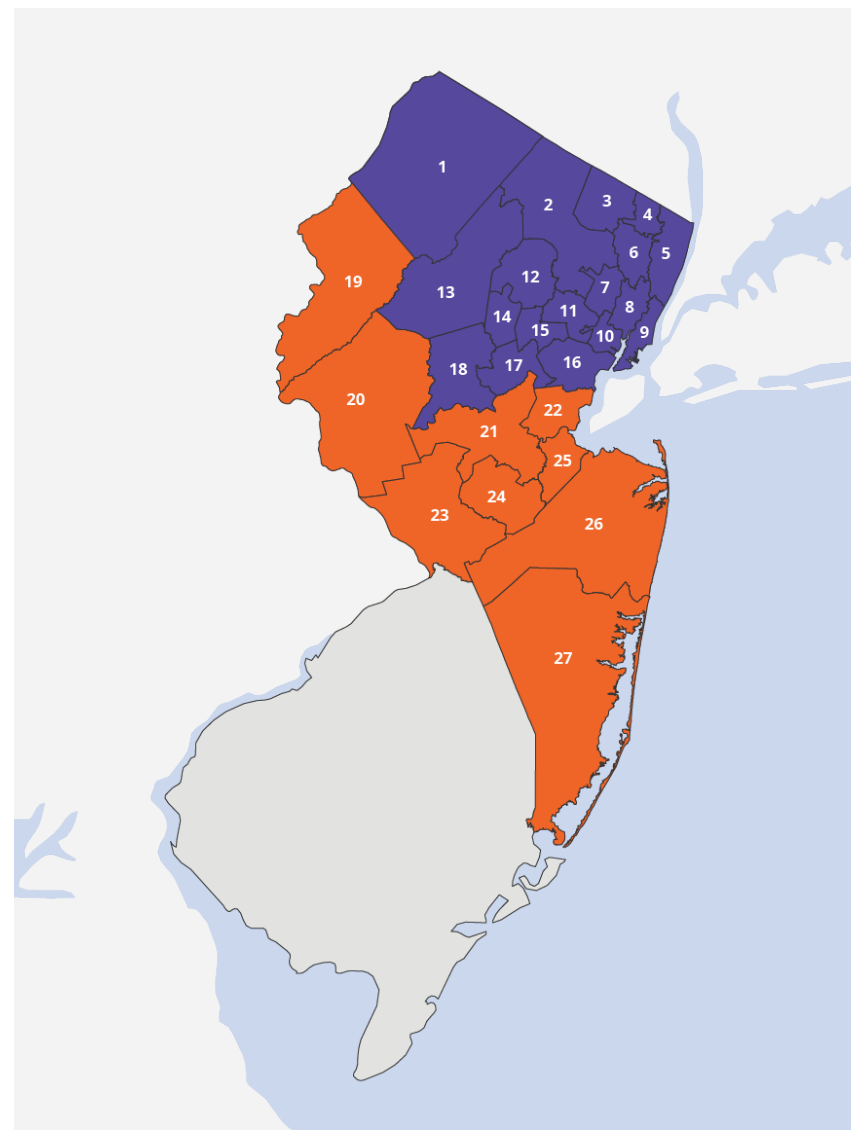
New Jersey submarket map

Northern New Jersey

1. Sussex
2. Route 23/Wayne
3. Route 17/North Corridor
4. North Central Bergen
5. GW Bridge
6. Central Bergen
7. GSP/Route 3
8. Meadowlands
9. Waterfront
10. Newark
11. Suburban West Essex
12. Greater Parsippany
13. Western I-80 Corridor
14. Morristown
15. I-24 West Corridor
16. Union
17. Route 78 East
18. Route 78 West

Central New Jersey

19. Warren County
20. Hunterdon
21. Lower Route 287
22. Edison Woodbridge
23. Trenton
24. South Middlesex
25. Eastern Middlesex
26. Greater Monmouth
27. Ocean County



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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