



# New Jersey office market report

Q1 2023

*Northern & Central New Jersey*

**AVISON  
YOUNG**

# New Jersey office market trends

**402,000 sf**

## **28% drop in deliveries compared to 8-year average**

401,787 sf of office product is set to deliver throughout 2023. The forthcoming stock, when compared to its previous 8-year annual average, represents a 28% drop in overall delivered square footage. Developer strategy has mostly transitioned from a speculative basis to a more risk-averse approach, only moving forward with projects that are pre-leased.

**-1.1 msf**

## **Net absorption reaffirms occupier desire to condense space**

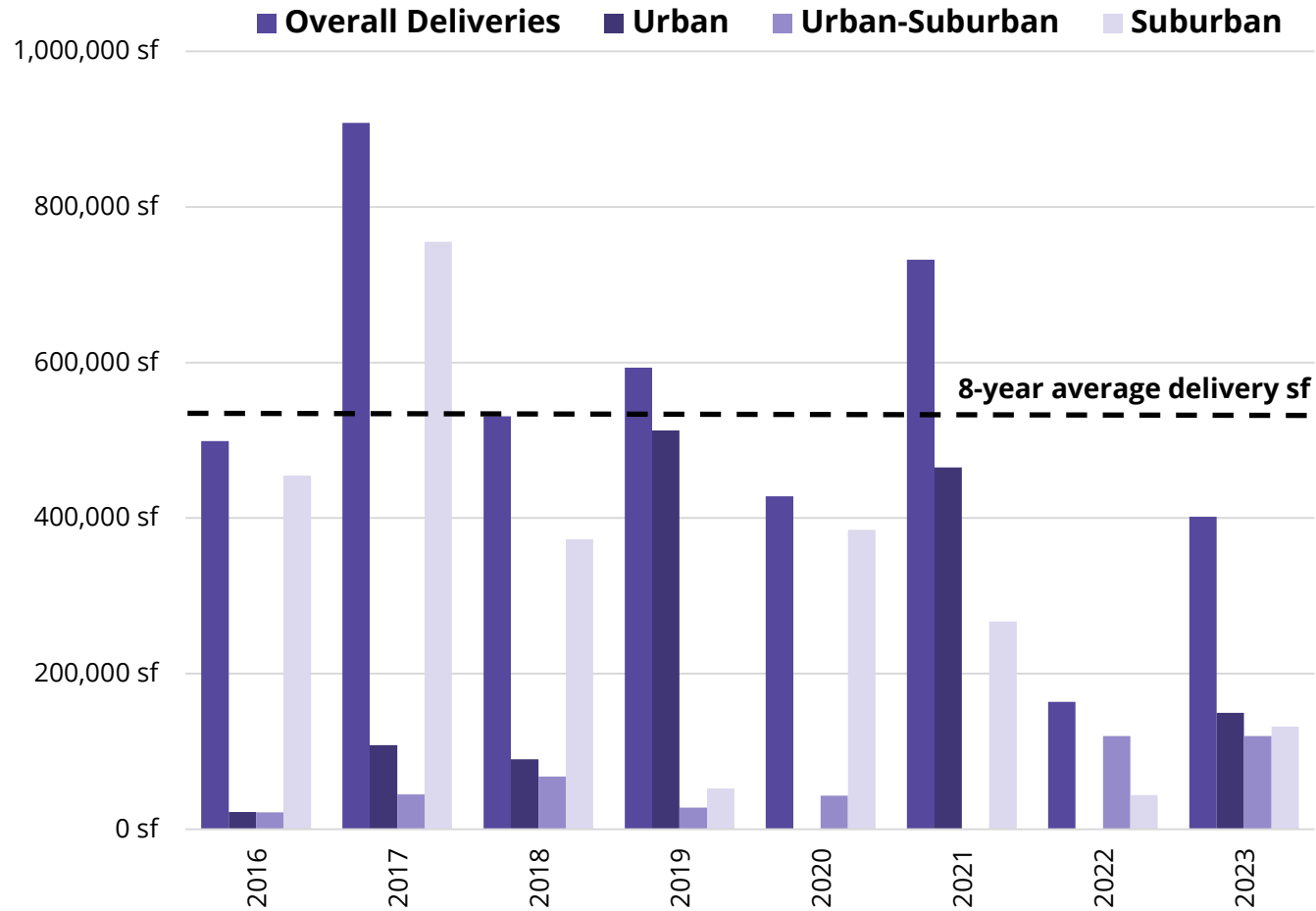
Negative net absorption represented 0.07% as a share of inventory in the first quarter of 2023. The market remains in favor of tenants, despite landlords holding rents largely steady. Often, companies opt to downsize space and more efficiently plan for condensed physical footprints as the market transitions in favor of the tenant.

**450,000 sf**

## **Healthcare occupiers lead the charge in leasing activity**

Nearly a half-million square feet has been leased in the first quarter of the year as healthcare-focused occupiers continue to drive leasing activity. New Jersey has been a fertile ground for medical innovation for 150 years, hosting many of the largest global healthcare companies within the state.

# 28% drop in deliveries compared to 8-year average



**A limited development pipeline displays a market with reduced speculative projects**

# Limited development pipeline

**6 properties**

under construction

**401,787 sf**

under construction

**0.16%**

share of office total inventory

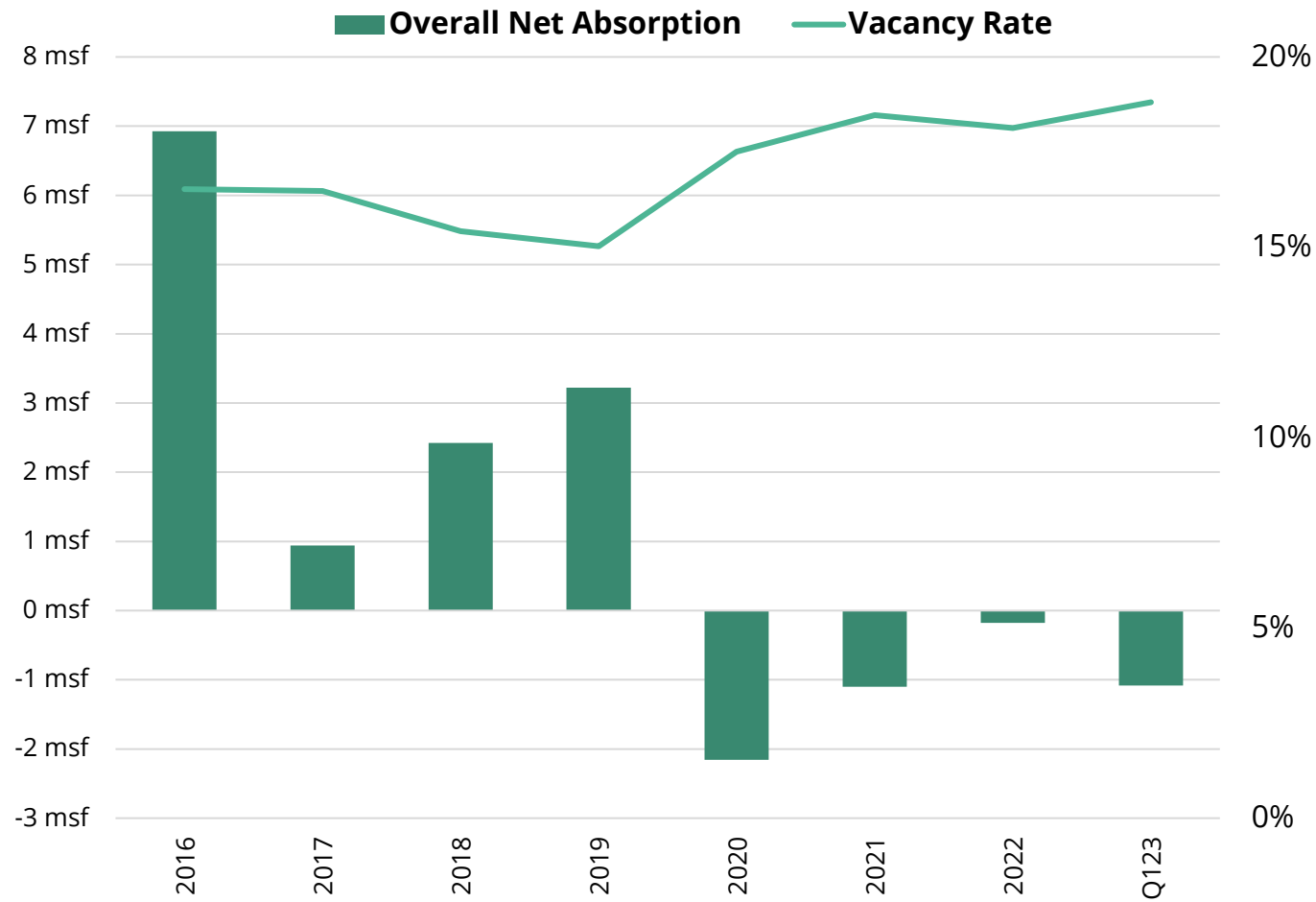
**1977**

average build date of NJ office product

Future Valley Bank training headquarters, office, & retail space in Morristown, NJ.

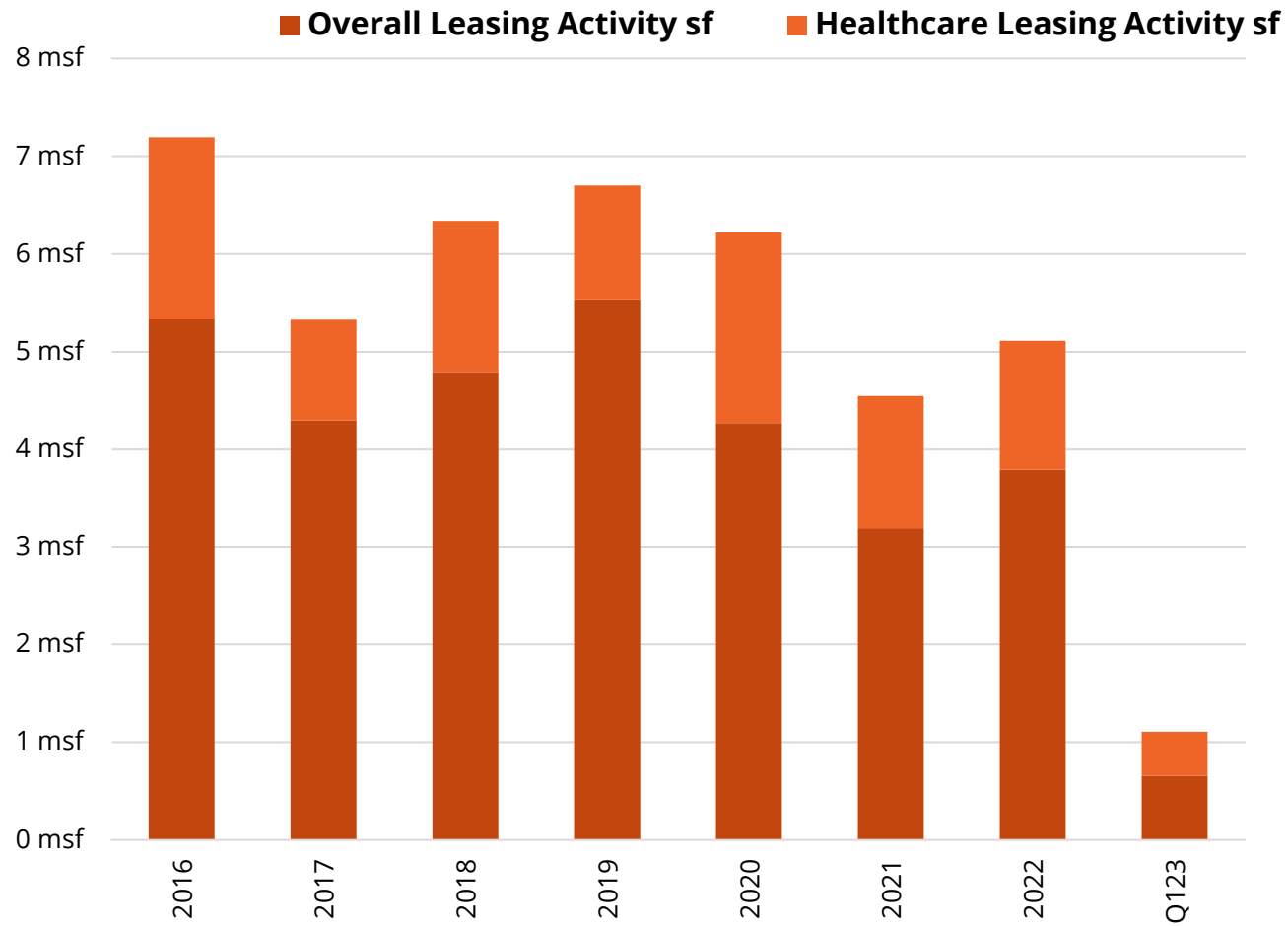


# Absorption turns negative, vacancy rates rise



**Absorption has been largely negative since 2020, as occupiers continue to vacate space and condense business operations**

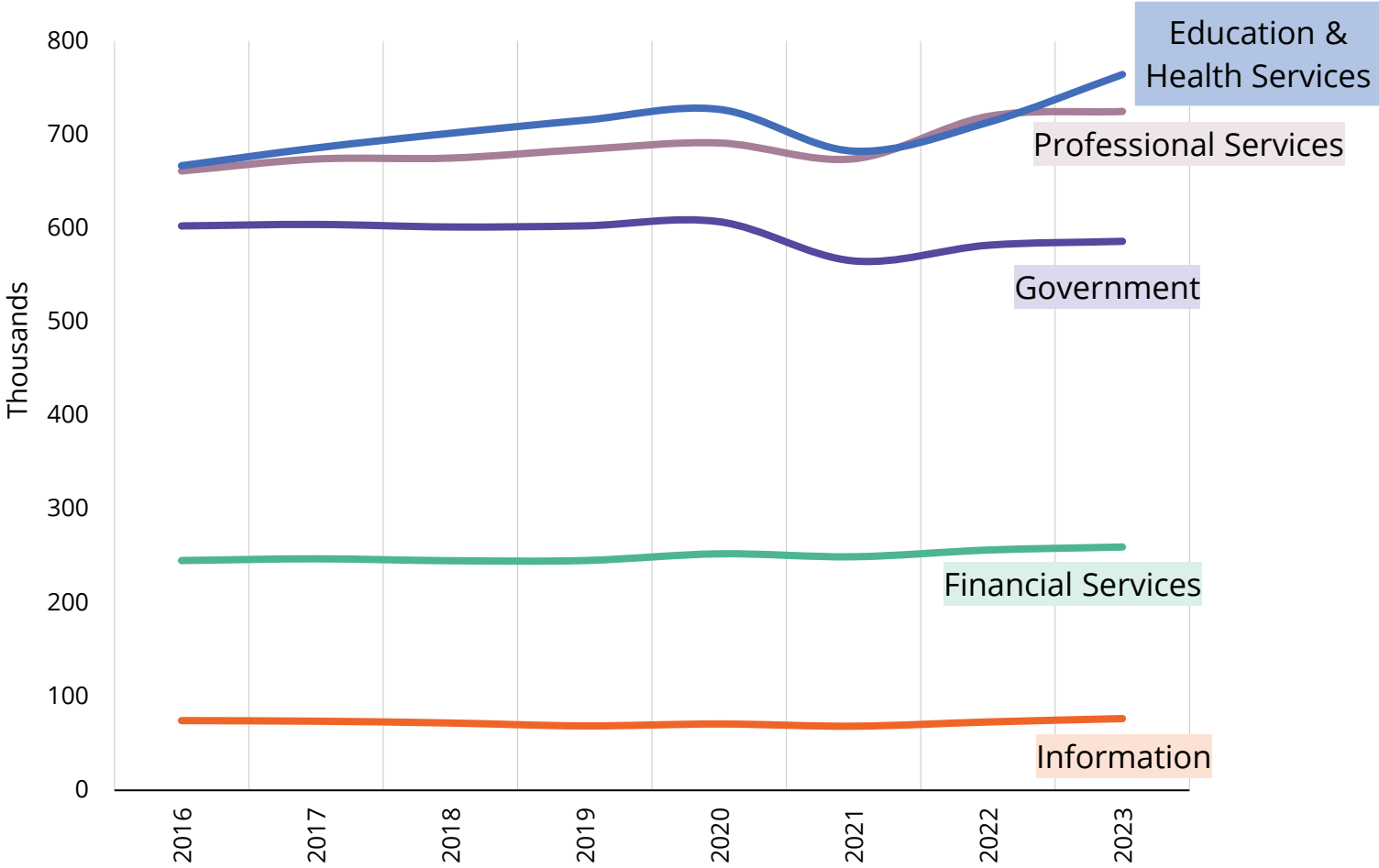
# Healthcare occupiers lead in leasing activity



\*Office space used by healthcare tenants

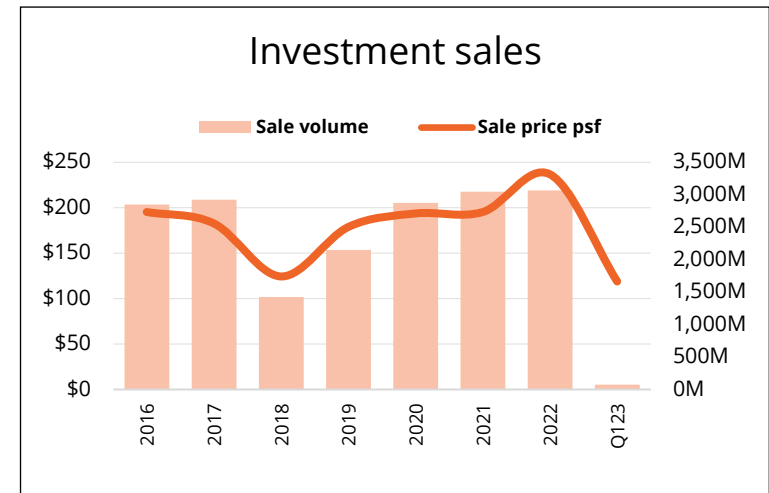
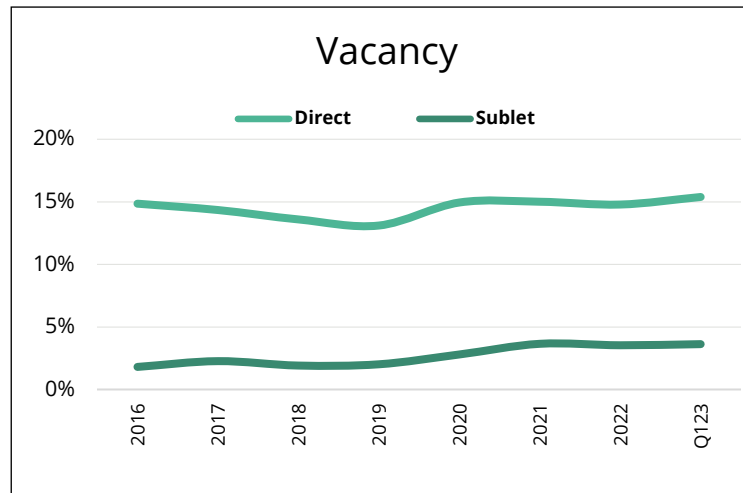
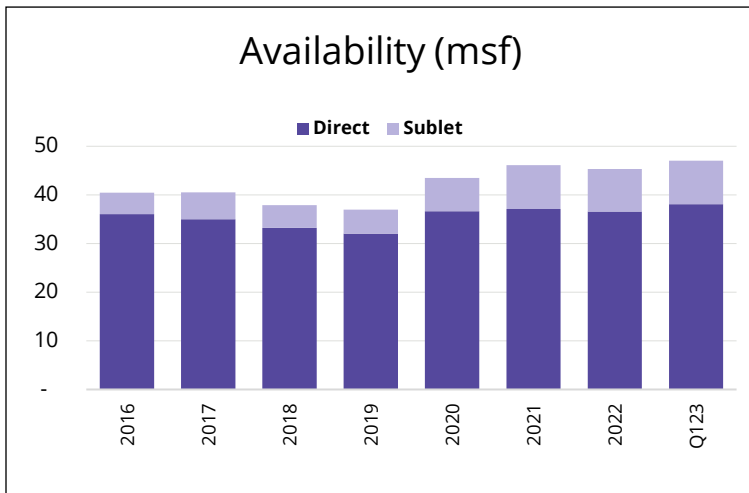
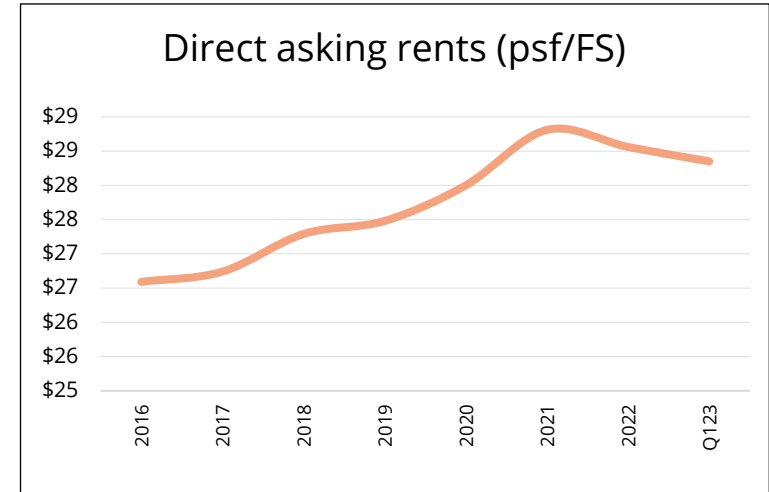
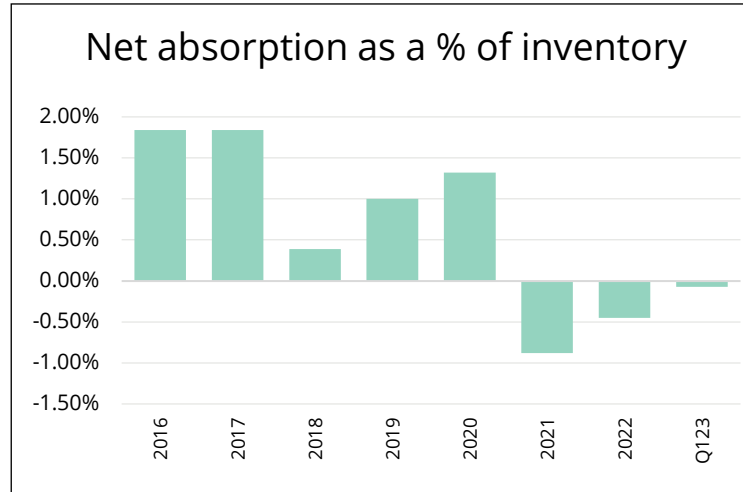
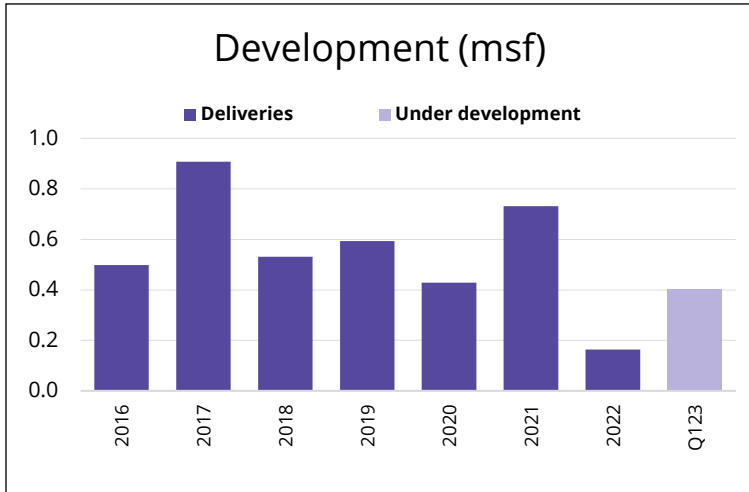
**Healthcare occupiers lead the charge in leasing activity, representing nearly half of overall statewide activity**

# Labor Statistics by sector



**Education and health services lead the charge in employment growth as other office sectors remain steady**

# New Jersey office market indicators





# New Jersey office market activity

## Quarterly leasing activity

Tenant name	Tenant Industry	Address	Size (sf)	Deal type	Lease type	Landlord
Sanofi Ventures	Healthcare	100 Morris Street, Morristown	260,000	Direct	New	SJP Properties
Wells Fargo	Wealth Management	194 S Wood Ave, Iselin	131,000	Direct	New	Opal Holdings
HCLTech	Informational Technology	1 Tower Center Blvd, East Brunswick	41,000	Direct	New	American Equity Partners
Hospital for Special Surgery	Healthcare	461 From Road, Paramus	40,062	Direct	New	The Birch Group

## Quarterly sales activity

Buyer	Address	Sale price	Sale price psf	Percent leased at sale	Seller
Adoni Property Group	131 Morristown Rd, Basking Ridge*	\$4,637,358	\$46	68%	UBS
Adoni Property Group	131 Morristown Rd, Basking Ridge*	\$4,795,204	\$42	0%	UBS
Ambassador Properties	1139 E Jersey St, Elizabeth	\$10,175,400	\$226	100%	Edron Realty
Kimberly Won	10 Constitution Ave, Piscataway	\$8,025,000	\$147	100%	Hear USA

\*Part of a portfolio sale

## Notable development

Address	Subtype	Delivery	Building size	Total available sf	Owner
130 Bay Street, Jersey City	Mixed-Use, Office/Ground Floor Retail	Q2	149,787	142,350	Kushner Companies
52 Speedwell Ave, Morristown	Office, Training HQ, Build-To-Suit	Q2	120,000	0	SJP Properties
1897 Lakewood Road, Toms River	Office	Q3	52,000	52,000	River Lake Holdings

# New Jersey office market stats by class

	Existing inventory sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2023)	Direct asking rent FS
Trophy	8,248,302	12.9%	9.6%	22.6%	-103,234	\$47.12
Class A	121,333,793	14.4%	3%	23.7%	-934,285	\$34.95
Class B	86,012,941	10.8%	0.9%	14.4%	47,599	\$27.85
Class C	30,977,991	6.2%	0.1%	6.5%	-99,756	\$23.22
<b>Market total</b>	<b>246,848,587</b>	<b>15.3%</b>	<b>3.6%</b>	<b>18.7%</b>	<b>-1,089,676</b>	<b>\$32.93</b>



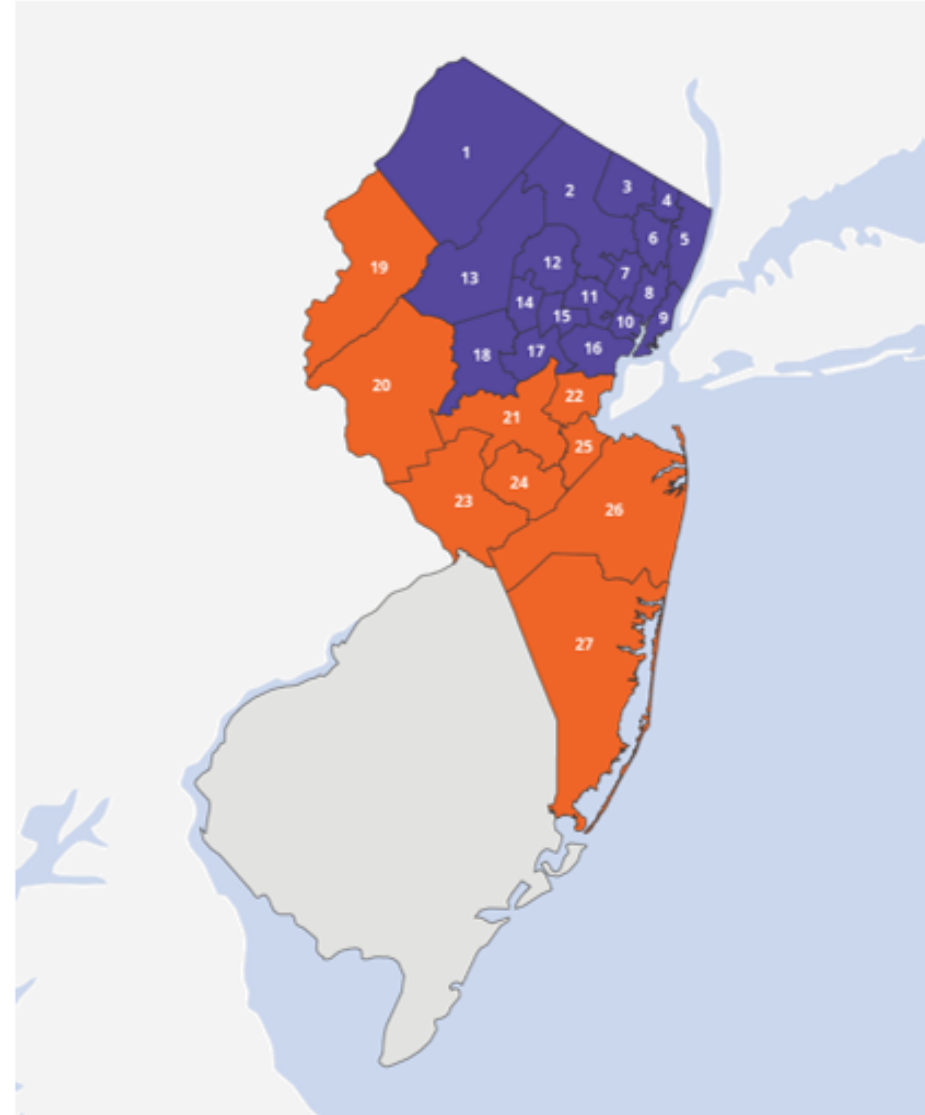
# New Jersey submarket map

## 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

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