



# New Jersey

# Office Market Report

Q1 2024

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**AVISON  
YOUNG**

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# New Jersey office market trends

**\$31.66<sub>+TE</sub>**

**average asking rent increases**

Office asking rents have risen by 0.57% since the end of 2023. This increase is linked to the flight-to-quality trend which is occurring mostly in New Jersey suburban and urban transit hubs such as Morristown and Summit.

As occupiers solidify their return-to-work policies they will be looking to take advantage of the available higher-class space mostly located in transit hubs such as Morristown and Summit which offer a robust environment for employees.

**1.82 msf**

**of leasing activity**

Approximately 43 office leases with square footage greater than 10,000 sf were signed in Q1 2024.

Total leasing volume for this quarter has been the third largest amount since 2017, indicating a strong start to the year. Occupiers have been looking to take advantage of terms which are favorable to them whilst landlords look to lock in tenants in a post-COVID landscape.

**19.1%**

**availability rate**

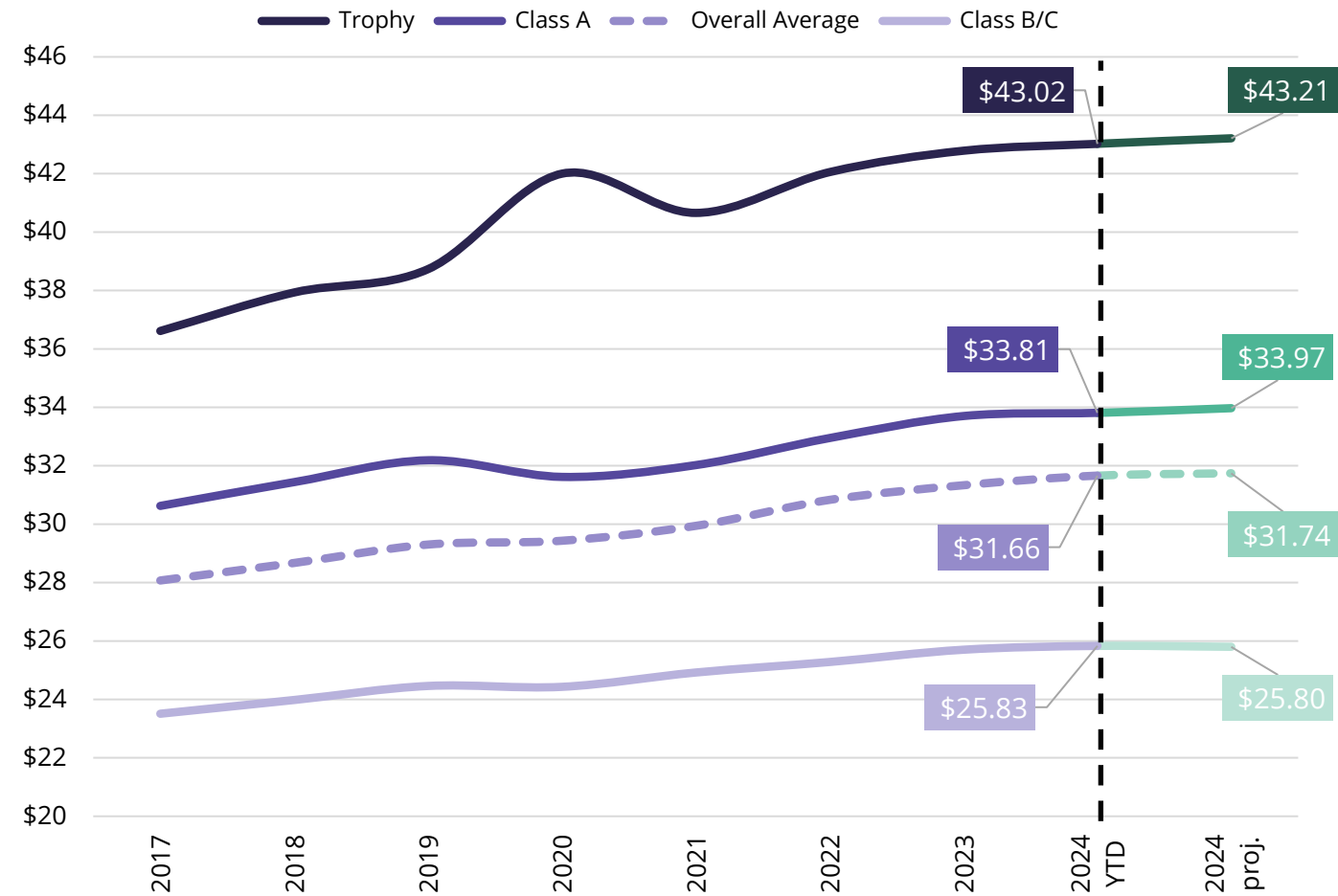
Office availability witnessed a quarter-over-quarter decrease of 10 basis points (bps), indicating a diversion from the trend of increasing availability.

There is an additional 1.14 million square feet (msf) of direct space available, while sublet space has decreased by 1.18 msf.

However, year-over-year there has been a 110-bps increase in the availability rate, from 18% to 19.1%; underscoring the continued trend of preference toward hybrid work environments.



# Asking rental rates



The average office asking rent has increased by \$0.18 quarter-over-quarter to \$31.66.

As the flight to quality in suburban and urban transit hubs continues it is likely these high-quality office spaces will bring a slight increase to the overall average asking rent throughout the remainder of 2024.

# Leasing activity

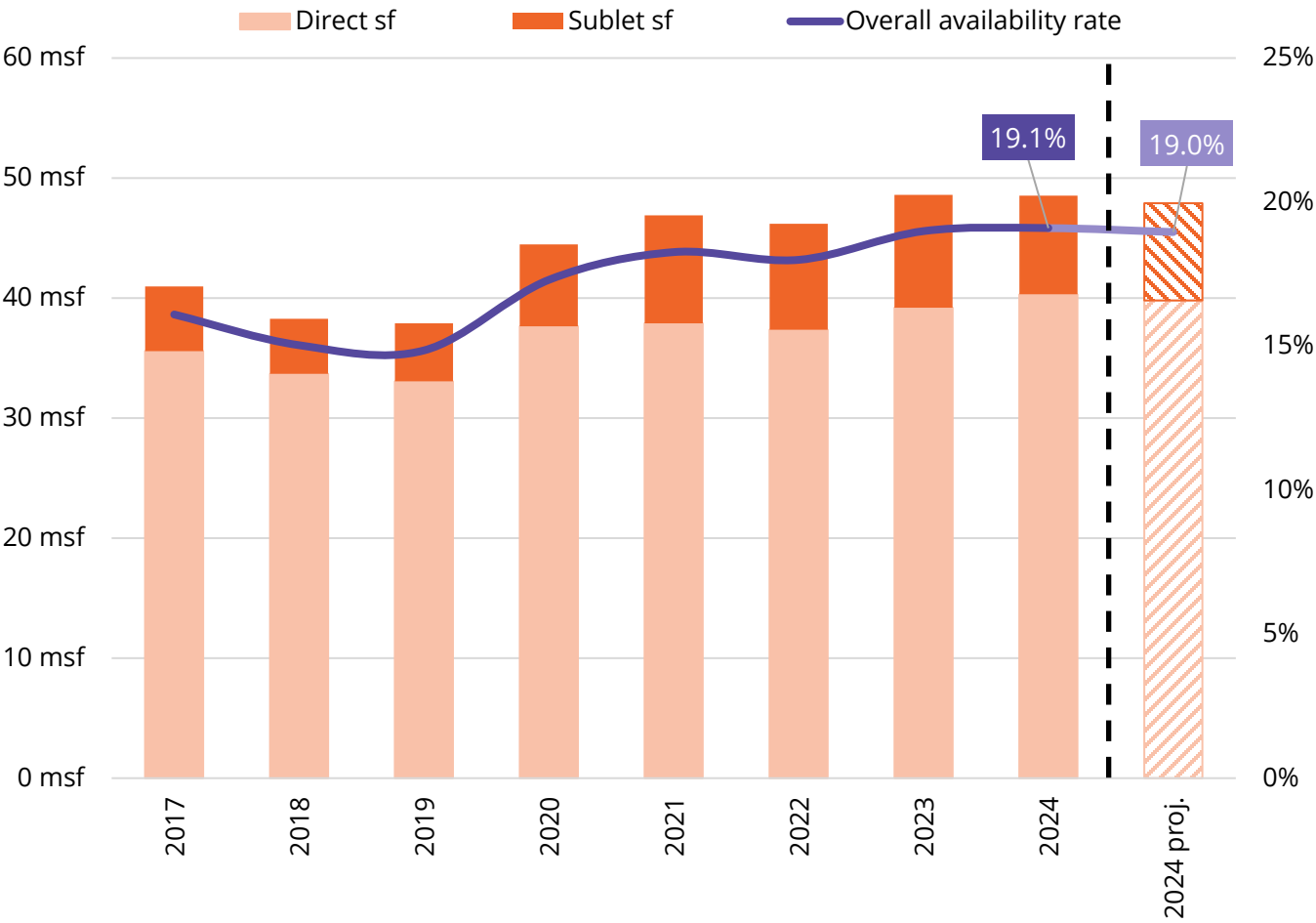


Year-over-year leasing activity has increased by 246,142 sf.

Compared to the average historical Q1 leasing activity that occurred between 2017 and 2023, Q1 2024 beat the 7-year first quarter average by 143,394 sf.

It is projected that there will be an additional 4.34 msf of leasing activity through the end of 2024.

# Available space



The overall office availability rate decreased by 10 bps this past quarter to 19.09%.

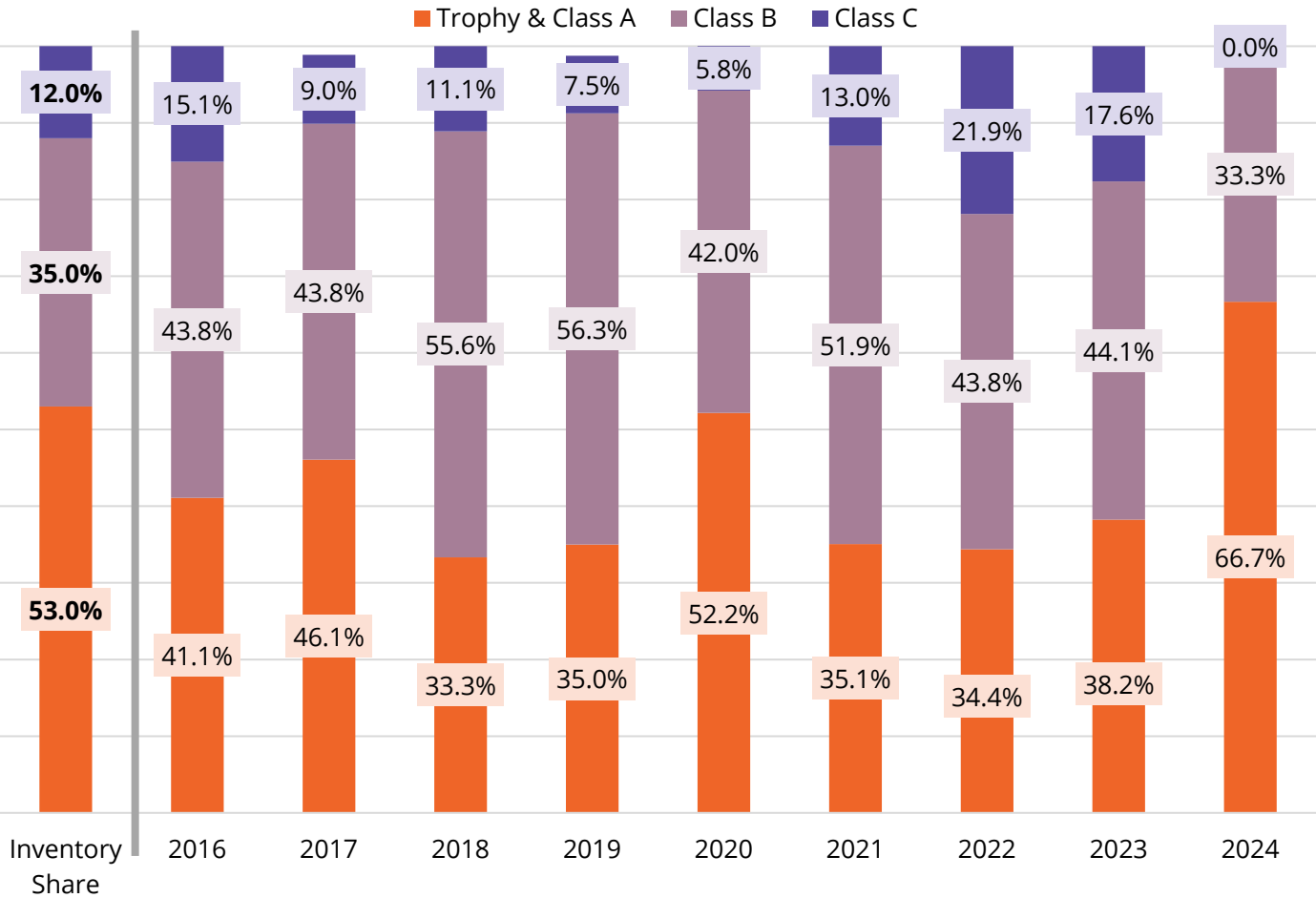
During Q1 2024 there was an additional 1.14 msf of direct space available, while sublet space has decreased by 1.18 msf.

It is projected that the availability rate will slightly decrease through the end of 2024 as occupiers look to fill higher-class space.

# New Jersey Occupier Indicators



# Transaction activity by asset class



Trophy and Class A properties have accounted for a 66.7% of demand in Q1 2024, well above historical averages.

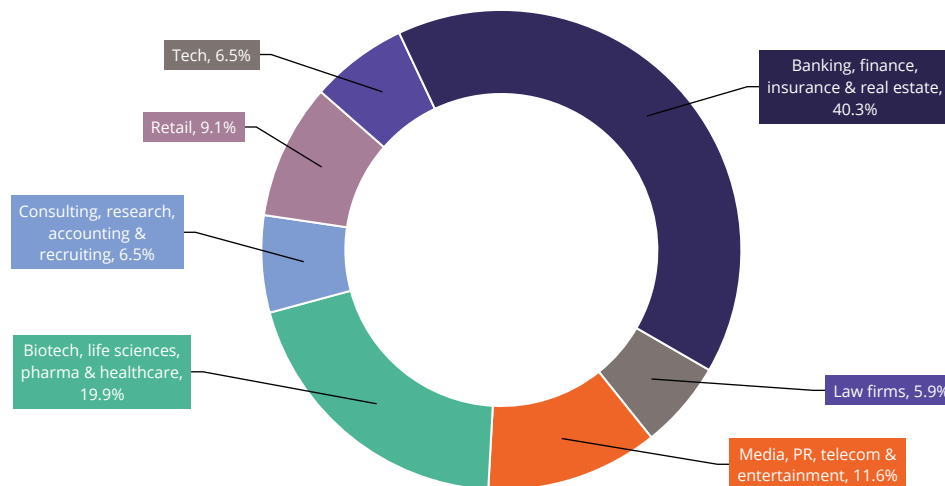
This aligns with the sentiment that there is a “flight-to-quality” as occupiers look to lease better quality space.

Trophy properties represent the top 10% of the New Jersey office market in terms of rents, build date and amenities.  
Source: AVANT by Avison Young, CoStar

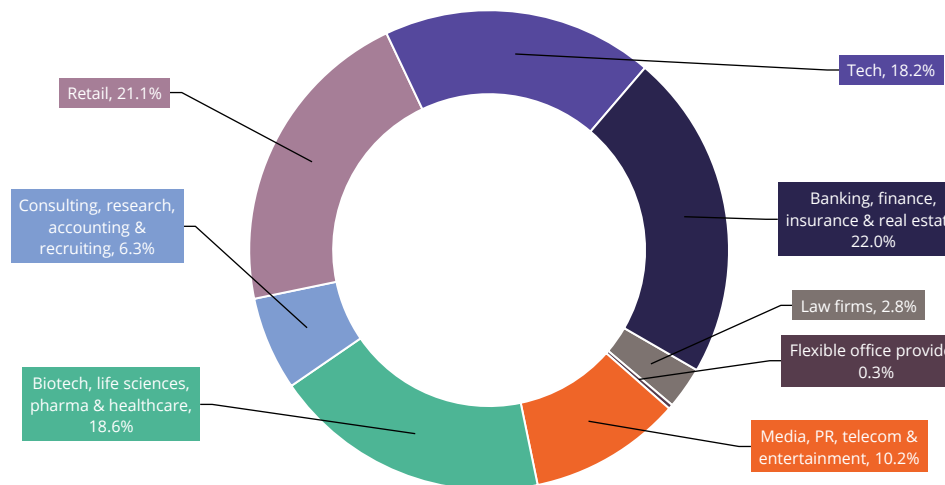


# Leasing activity share by office-using industry

Pre-COVID:  
2018 –  
March 2020



Post-COVID:  
April 2020 -  
Present



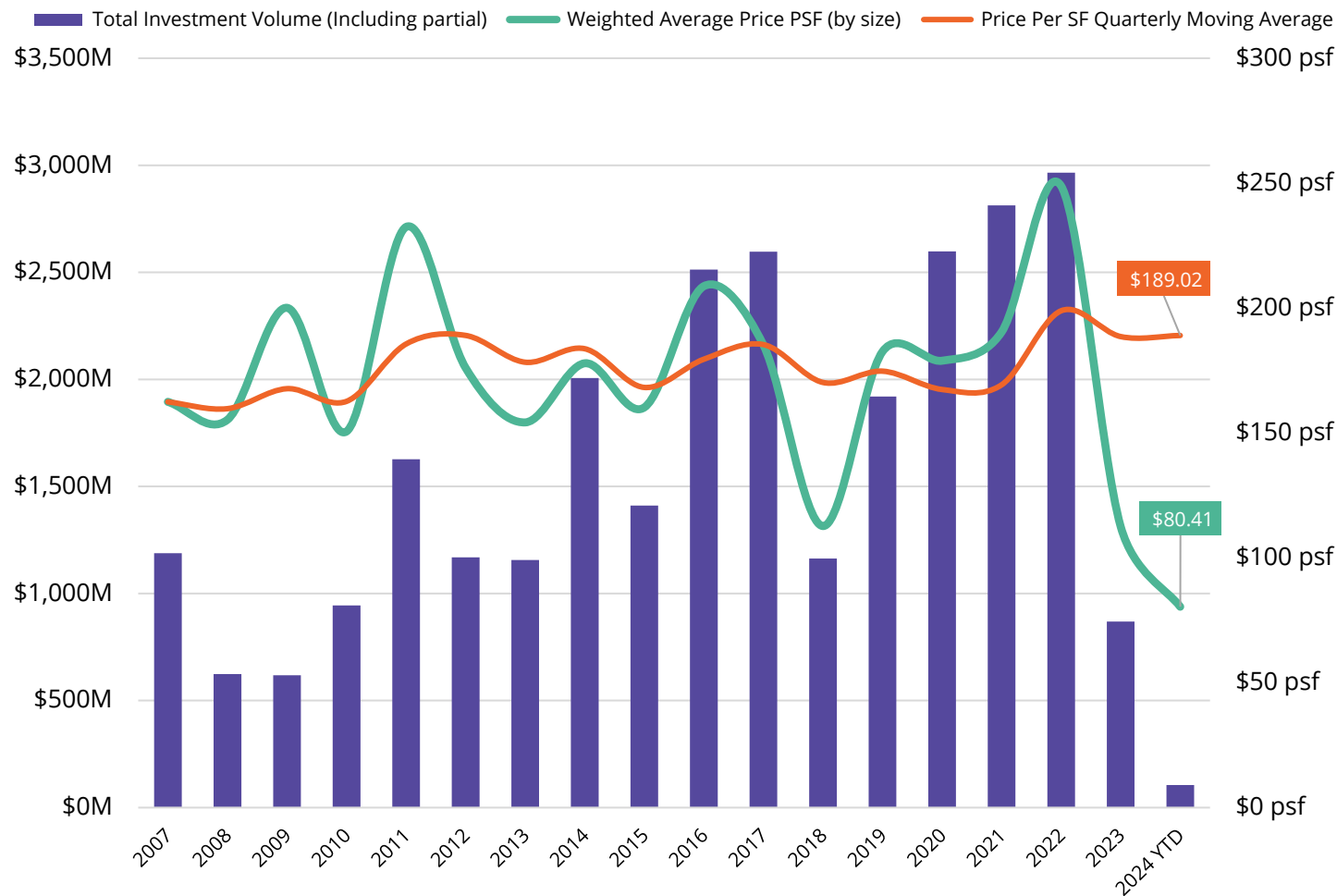
When comparing pre-COVID to post-COVID periods; Biotech, life sciences, pharma & healthcare and Consulting, research & accounting experienced consistent leasing activity.

Tech and Retail experienced a 11.7% and 12.0% increase in leasing activity, respectively.

Banking, finance, insurance & real estate saw the largest decrease in office leasing activity by 18.3% from 40.3% of activity to 22.0%.



# Investment sales

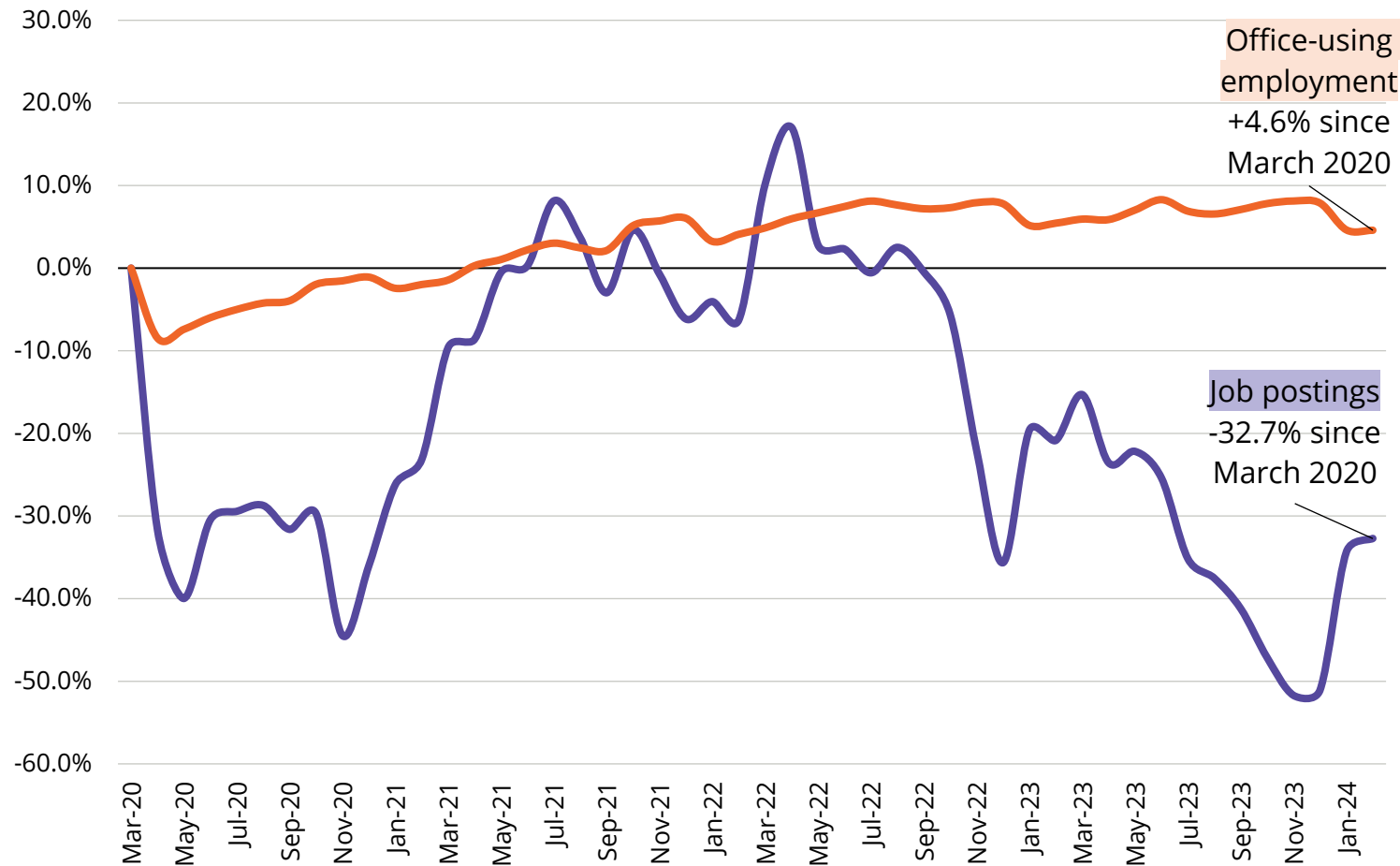


Investment sales volume is still lagging in the first quarter of 2024 with \$104 million in investment sales volume.

This remains consistent with Q1 of 2023 which saw only \$84.75 million in investment volume.

As return-to-work strategies are solidified, and supply-demand dynamics stabilize, it is likely that investors with dry powder will be looking to take advantage and reinvest in office properties.

# Office-using employment and job postings



Employment for office-using positions is 4.6% higher than observed in March 2020, the onset of the COVID-19 pandemic.

However, job postings sit 32.7% below the levels recorded in March 2020.

This suggests a potential increase in the future unemployment rate.

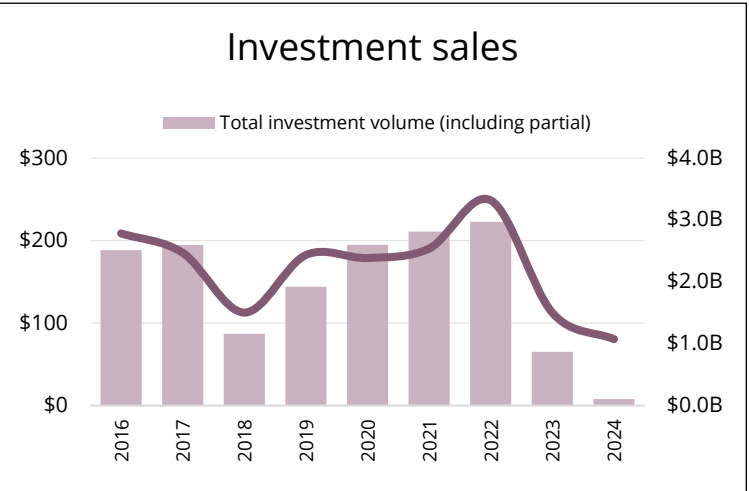
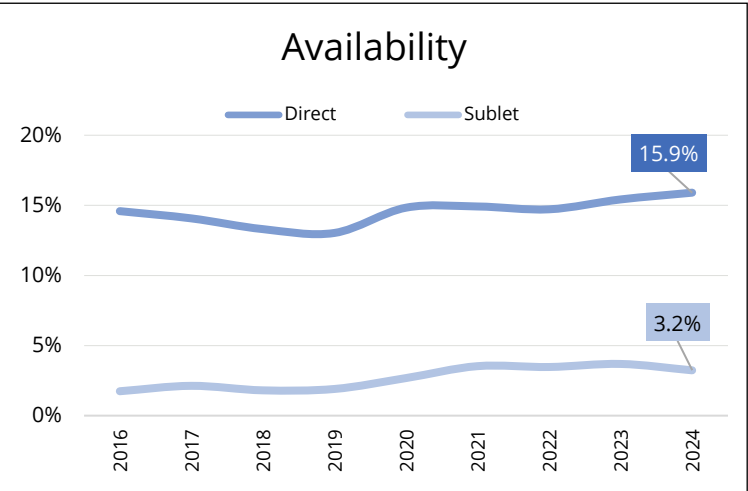
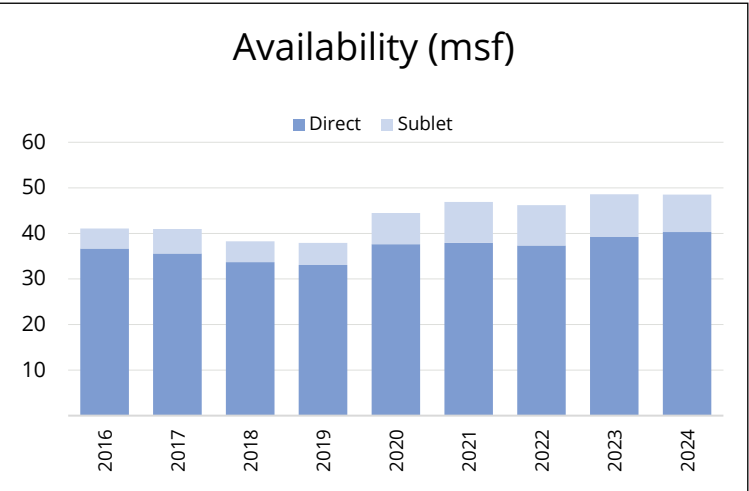
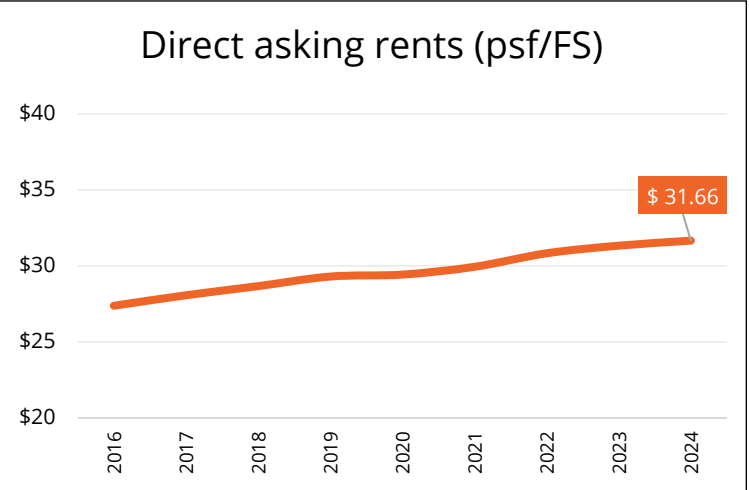
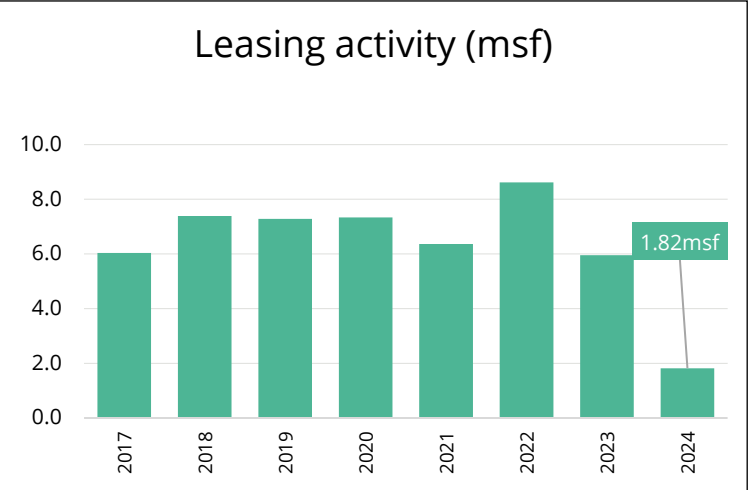
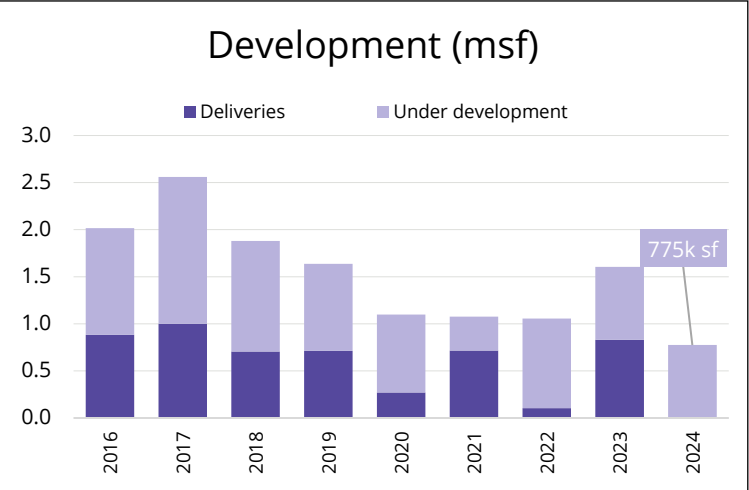


# Appendix





# New Jersey office market indicators



# New Jersey office market activity

## Quarterly leasing activity

Tenant name	Tenant Industry	Address	Size (sf)	Deal type	Owner
Children’s Place	Retail	500 Plaza Dr., Secaucus, NJ	124,653	Renewal	Manulife US REIT
Victory Home Remodeling	Contractor	101 Crawfords Corner Rd., Holmdel, NJ	42,929	Sublease	Somerset Development
Newell Brands	Consumer Goods	221 River St., Hoboken, NJ	40,000	Direct/New	Mitsui Fudosan America   SJP Properties

## Quarterly sales activity

Buyer	Address	Sale price	Percent leased at sale	Seller	Status/Notes
601W Companies	185 Hudson St., Jersey City, NJ (Harborside 5)	\$85,000,000	47%	Veris Residential	Veris Residential completed final sale of office holdings as it converts to residential owner.
Marotta Scientific	20 Waterview Blvd., Parsippany, NJ	\$14,750,000	90%	Vision Real Estate Partners	Owner-occupier, leased 50k sf prior to purchase
Venture Net Properties	425 Hoes Ln., Piscataway, NJ	\$5,000,000	100%	Johnson & Johnson	Investment

## Top projects under development

Address	Subtype	Delivery	Building Size (sf)	Status	% Preleased	Owner
100 Morris St., Morristown, NJ (M Station West)	Office	Q2 2025	260,750	Under construction	100%	SJP Properties
1600 Avenue of the States, Lakewood, NJ	Office	Q3 2025	228,000	Under construction	54%	Chopp Holdings

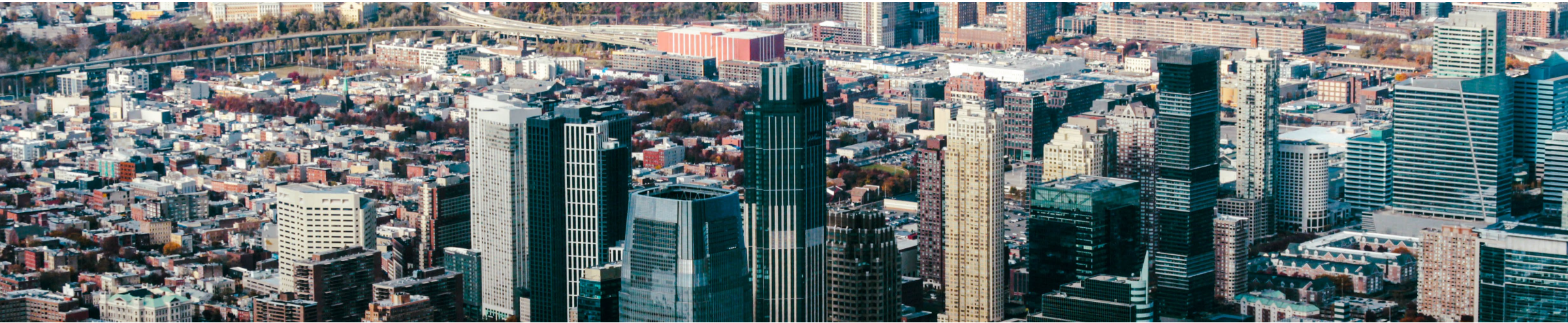
# New Jersey office market stats

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
<b>Northern New Jersey</b>	<b>171,503,190</b>	<b>0</b>	<b>420,537</b>	<b>16.3%</b>	<b>3.3%</b>	<b>19.6%</b>	<b>(1,607,229)</b>	<b>(0.9%)</b>	<b>\$31.97</b>
Central Bergen	10,417,359	0	0	11.7%	1.8%	13.5%	10,965	0.1%	\$27.31
Greater Parsippany	18,685,192	0	0	20.7%	4.9%	25.6%	(572,934)	(3.1%)	\$28.66
GSP/Route 3	3,986,224	0	0	9.3%	4.2%	13.4%	14,090	0.4%	\$29.33
GW Bridge	7,789,124	0	0	12.8%	2.3%	14.2%	50,389	0.6%	\$30.13
I-24 West Corridor	7,998,289	0	0	21.7%	5.4%	27.1%	(316,342)	(4.0%)	\$35.65
Meadowlands	6,209,114	0	0	17.3%	4.1%	21.4%	(58,564)	(0.9%)	\$30.66
Morristown	6,011,094	0	260,750	14.1%	3.4%	17.5%	66,680	1.1%	\$29.72
Newark	21,409,541	0	0	10.7%	3.6%	14.3%	(139,744)	(0.7%)	\$30.50
North Central Bergen	3,996,475	0	0	17.7%	5.6%	23.3%	(52,760)	(1.3%)	\$26.48
Orange/Rockland	7,788,639	0	0	10.4%	0.7%	11.1%	36,948	0.5%	\$21.43
Route 17 North Corridor	5,399,431	0	0	4.7%	0.0%	4.7%	17,574	0.3%	\$28.64
Route 23/Wayne	8,546,719	0	0	12.6%	2.1%	14.7%	(21,034)	(0.2%)	\$22.59
Route 78 East	7,946,518	0	0	23.5%	1.0%	24.2%	19,554	0.2%	\$28.18
Route 78 West	14,826,522	0	0	17.4%	4.4%	21.6%	(514,085)	(3.5%)	\$27.92
Suburban West Essex	6,593,747	0	0	26.3%	0.2%	26.5%	(9,064)	(0.1%)	\$27.96
Sussex	791,963	0	10,000	0.2%	0.0%	0.2%	(1,369)	(0.2%)	\$25.09
Union	6,302,561	0	0	12.0%	1.1%	13.1%	(14,884)	(0.2%)	\$27.64
Waterfront	24,634,688	0	149,787	22.3%	5.3%	27.6%	(167,679)	(0.7%)	\$44.51
Western I-80 Corridor	2,169,990	0	0	16.0%	0.7%	16.7%	45,030	2.1%	\$25.67
<b>Central New Jersey</b>	<b>81,174,439</b>	<b>0</b>	<b>354,500</b>	<b>15.1%</b>	<b>3.1%</b>	<b>18.2%</b>	<b>(767,735)</b>	<b>(0.9%)</b>	<b>\$31.03</b>
Eastern Middlesex	827,303	0	0	14.9%	0.4%	15.3%	149.00	0.0%	\$20.43
Edison/ Woodbridge	10,216,234	0	0	19.0%	3.2%	22.2%	4,648.00	0.0%	\$37.50
Greater Monmouth	14,208,280	0	34,500	10.5%	2.1%	12.6%	(62,656.00)	(0.4%)	\$29.15
Hunterdon	4,692,341	0	0	31.7%	0.0%	31.7%	210,603.00	4.5%	\$28.41
Lower Route 287	13,997,412	0	0	12.5%	2.0%	14.5%	(351,739.00)	(2.5%)	\$24.33
Ocean County	2,541,620	0	320,000	13.3%	0.0%	13.3%	17,824.00	0.7%	\$29.40
South Middlesex	8,490,091	0	0	16.5%	2.5%	19.0%	12,687.00	0.1%	\$31.31
Trenton	25,688,997	0	0	14.2%	5.2%	19.4%	(577,955.00)	(2.2%)	\$29.88
Warren County	512,161	0	0	1.1%	4.5%	5.6%	(21,296.00)	(4.2%)	**
<b>New Jersey Total</b>	<b>252,677,629</b>	<b>0</b>	<b>775,037</b>	<b>15.9%</b>	<b>3.2%</b>	<b>19.1%</b>	<b>(2,374,964)</b>	<b>(0.9%)</b>	<b>\$31.66</b>



# New Jersey office market stats by class

Class	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Average Asking Rent (FS)
Trophy	17,366,629	0	228,000	19.6%	6.4%	26.0%	\$42.78
Class A	113,658,827	0	450,537	19.8%	4.7%	24.5%	\$32.46
Class B	89,316,854	0	96,500	13.6%	1.8%	15.3%	\$27.72
Class C	32,335,319	0	0	6.5%	0.2%	6.7%	\$24.98
Market total	252,677,629	0	775,037	15.9%	3.2%	19.1%	\$31.66



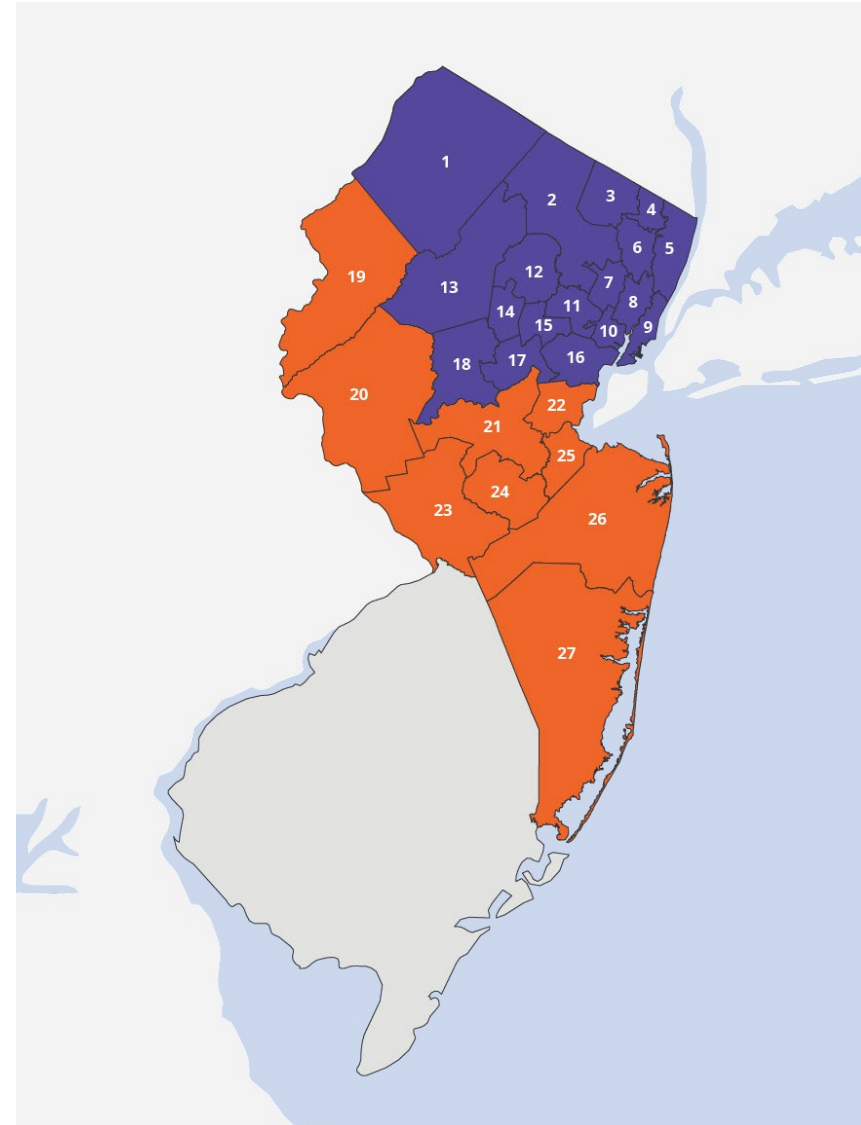
# New Jersey Office submarket map

## 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)
- **Full Service (FS):** is defined as a base rent plus utilities with the landlord being responsible for all other expenses. This is often defined as full service plus tenant electric (TE)

## 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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