

Northern New Jersey

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Leasing activity had a healthy start to the year despite subdued demand from large tenants

Northern New Jersey leasing activity totaled 2.0 million square feet (msf) in Q1 2024, slightly outpacing the five-year quarterly average of 1.9 msf. However, this represents a decline of 15.7% from the previous quarter and 16.7% from Q1 2023. Since 2019, large transactions exceeding 100,000 square feet (sf) have accounted for 27.3% of leasing volume, a share which was further pronounced in the first and fourth quarters of 2023. In Q1 2023, five leases constituted an outsized 38.9% of activity, while in Q4 2023, two leases exceeding 350,000 sf accounted for 37.9%. In contrast, the first quarter of 2024 saw three such large leases totaling 400,000 sf, representing just 20.3% of activity, with increased demand from small to mid-sized tenants compensating for the shortfall.

Available direct space reached a ten-quarter high

The overall availability rate was unchanged from the previous quarter, at 25.6%, but remains 50 basis points (bps) higher than a year ago. Direct supply rose for the fifth consecutive quarter to 31.4 msf, a ten-quarter peak, while sublet supply decreased for the fourth consecutive quarter to 7.3 msf. Despite a 636,000-square-foot reduction in sublet supply over the quarter, sublet transactions only comprised 6.9% of total leasing activity, amounting to 140,000 sf. Several tenants withdrew their sublet space listings from the market for various reasons, including backfilling the space and a preference for tenants to be in newer product. While new suburban construction has been sporadic in recent years, BDP Holdings, and JLL, announced plans for a new 130,000-square-foot office building at 641 Bloomfield Avenue in Montclair. The Urban Essex submarket boasts a relatively low availability rate of 18.3%.

Overall asking rents remain flat... again

Average asking rents in the Northern New Jersey office market continue to show little movement. The average asking rents in both Class A and Class B & C product increased over the quarter by 0.3% to \$32.75 per square foot (psf) and 1.2% to \$24.42 psf, respectively. The increase in Class B & C available space led to a 0.3% decrease in asking rents over the quarter to \$31.51 psf.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	148.7 msf	150.5 msf	+1.8 msf
Availability Rate	25.1%	25.6%	+50 bps
Asking Rental Rate	\$31.57	\$31.51	-0.2%
Class A Asking Rental Rate	\$32.61	\$32.75	+0.4%
Quarterly Leasing Activity	2.4 msf	2.0 msf	-0.4 msf
Available Sublease Space	8.4 msf	7.3 msf	-1.1 msf

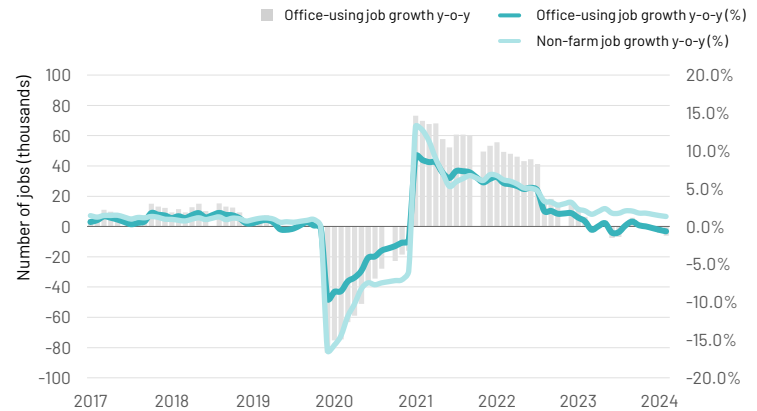
Outlook

01 Leasing activity by mid-sized firms may continue to pick up as tenants focus on right-sizing their real estate footprints

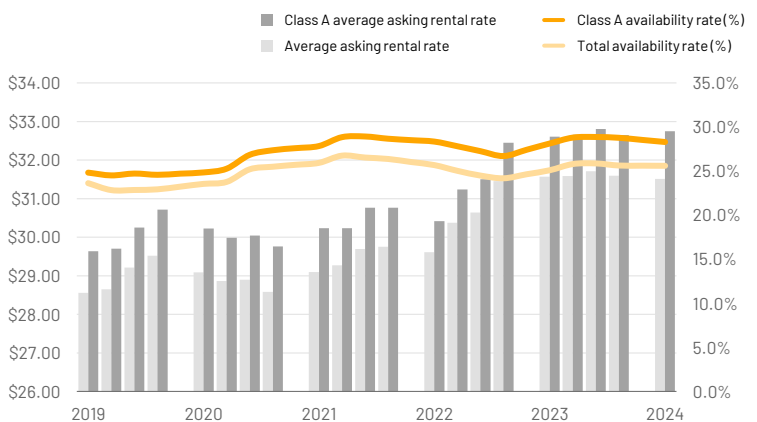
02 Mounting debt burdens could pose challenges for landlords lacking the capacity to pay off loans or refinance

03 Expect to see additional lease restructures in the quarters ahead as occupiers seek to leverage market conditions and tools like termination options to save on real estate costs

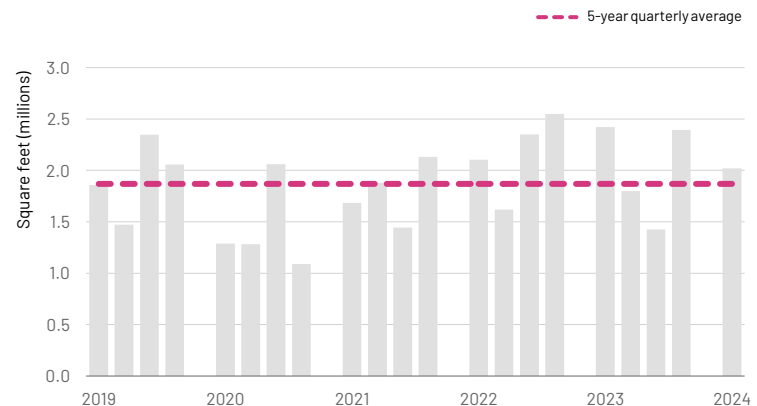
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

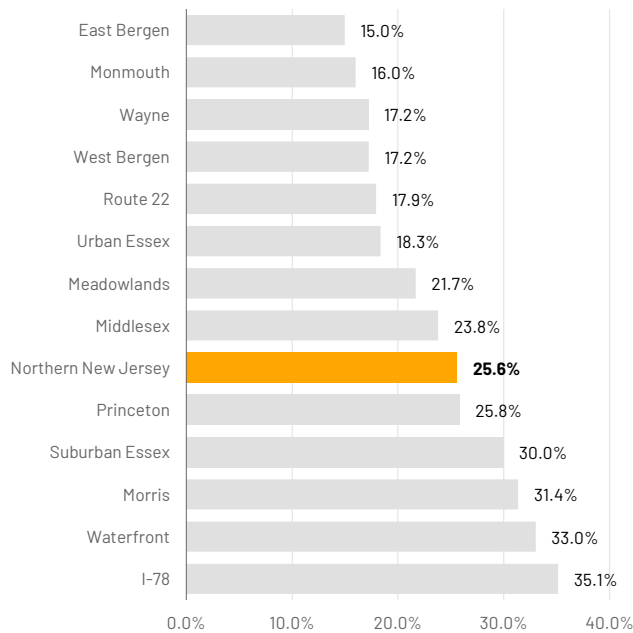
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Johnson & Johnson	● Pharmaceuticals	Middlesex	425 Hoes Lane	150,000	Sale-Leaseback
Genmab	● Pharmaceuticals	Princeton	777 Scudders Mill Road	135,000	Expansion
The Children's Place	● Retailers & Luxury Goods	Meadowlands	500 Plaza Drive	124,653	Restructure
Newell Brands	● Manufacturing	Waterfront	221 River Street	60,000	Renewal
AmTrust Financial Services, Inc	● Financial Services and Insurance	Waterfront	200 Hudson Street	58,962	Renewal
HNTB Corporation	● Architecture, Engineering and Construction	Morris	9 Entin Road	42,342	Expansion
Fujitsu General America	● Manufacturing	Morris	340 Changebridge Road	41,604	Renewal and Expansion
Steven & Les	● Legal Services	Princeton	510 Carnegie Center	40,000	Relocation
McKinsey & Company	● Business, Professional and Consulting Services	Urban Essex	110 Edison Place	35,855	Relocation
Bracco Diagnostics	● Healthcare	Princeton	510 Carnegie Center	34,000	Relocation

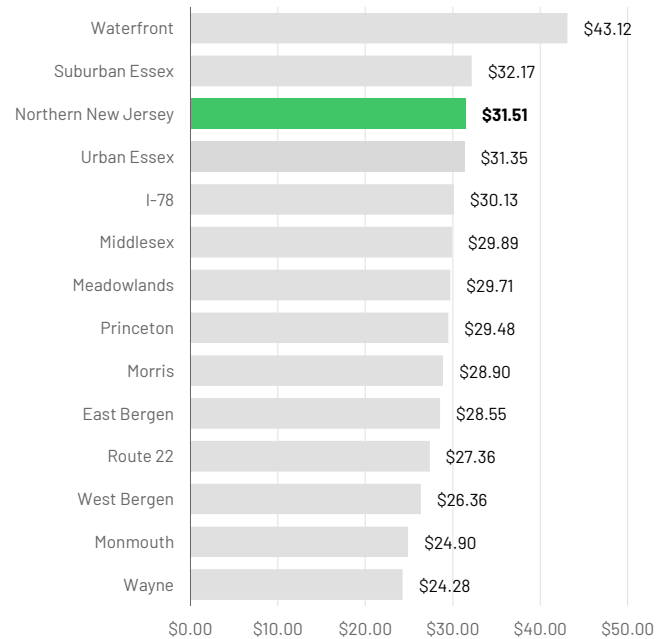
Availability Rate Comparison (%)

NORTHERN NEW JERSEY SUBMARKETS



Rental Rate Comparison (\$/sf)

NORTHERN NEW JERSEY SUBMARKETS



Northern New Jersey Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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