MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Northern New Jersey

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Diverse Tenant Mix Provides Boost to Q3 Leasing in Suburbs Despite Economic Concerns

Northern New Jersey office leasing activity in Q3 2022 was 2.3 million square feet (msf), up 45.3% on quarter and 62.7% year-over-year. Despite an uncertain economy, the stronger leasing performance was fueled by active tenants across a diverse mix of industries, particularly in Morris which pushed leasing activity in that submarket up 60.7% over the quarter to 527,537 square feet (sf). Most notably Avis Budget Group renewed for 212,535 (the entire building) at 6 Sylvan Way. The manufacturing firm, Siemens Corp, committed to two locations for a total of 85,998 sf. TAMI tenants were also active. AT&T signed a lease to relocate to 230,000 square feet in Bedminster, Zelis Inc will relocate to 340 Mount Kimball Ave. (also in Morris) and HAX leased new space at 707 Broad St. Year-to-date office leasing volume of 6.1 msf is on track to surpass last year's 7.1 msf of activity.

Overall availability dips for the fifth straight quarter, asking rents climb to new high

Down for the fifth consecutive quarter, overall availability decreased 200 basis points (bps) from a year ago to 24.5%. The available sublet supply decreased by 1.0% from last quarter and sits at 8.0 msf. As a percentage of total available supply, it now accounts for 21.8%, down from the prior peak of 27.8% set in Q2 2022. The largest new addition of sublet space was 140,434 sf put on at 8 Sylvan Way in Morrris. Anticipate more sublease space coming on the market in the next few quarters. The overall Class A availability rate of 27.3% is down 160 bps year-over-year and down 50 bps on the quarter, largely attributable to moves from the likes of Siemens Corp to better quality space across the Morris submarket. Average asking rents rose 3.2% year-over-year and just 0.9% on the quarter to a new high of $30.64 per square foot (psf), as the increased pricing in Class A product continues to offset the declines in commodity space, much of which remains available.

Quality and stability keep Northern New Jersey office sales market active

Year-to-date through the end of Q3 2022, office sales volume came in slightly over $905 million (compared to $700 million at Q2 2022) for an average $172.91 psf for the total 250 transactions that closed. As such, volume is trending just under the $1.2 billion at the end of 2021. Despite higher interest rates and nationwide uncertainty around physical office occupancy rates, investors remain attracted to the quality and/or stability of real estate offered in suburban areas such as Northern New Jersey. Notable property trades include American Real Estate Partners' distressed sale of 477 Martinsville Road (Westgate), a 250,590 square foot high-quality Class A office building (recently vacated by Everest Reinsurance) in the I-78 submarket to real estate developer and investment management firm, Edgewood Properties for $10.7 million; and VRX Realty's sale of 6 Vreeland Road, a 58,000 square foot 100% leased office building in the Florham Park Business Center in Morris to Commercial Realty Group for $11.9 million.

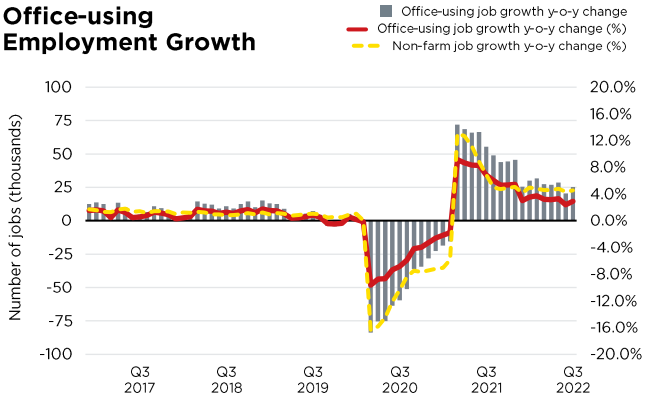
Outlook

- Expect office leasing activity in the Northern New Jersey market to grow more diverse, with data center users added to the mix
- Expect well-leased up, stabilized properties in established suburban markets to remain attractive to investors and potentially make up the majority of full-year trading activity
- Watch for available commodity space with expiring leases, as well as vacant, distressed properties to serve as ripe candidates for office-to-industrial or even residential conversions

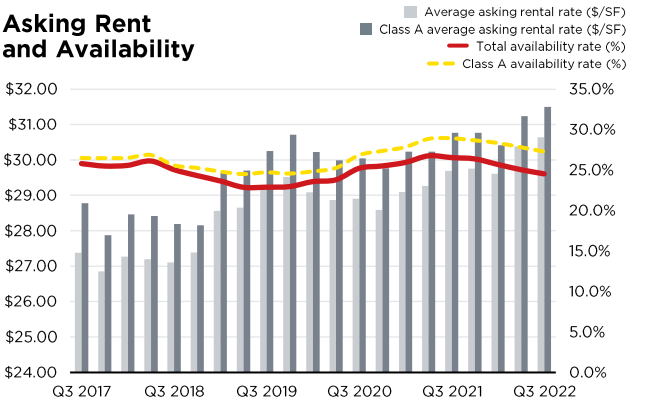
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	149.7 MSF	149.7 MSF	◀▶
Availability Rate	26.5%	24.5%	▼
Asking Rental Rate	$29.69	$30.64	▲
Class A Asking Rental Rate	$30.77	$31.50	▲
Quarterly Leasing Activity	1.4 MSF	2.3 MSF	▲
Available Sublease Space	8.1 MSF	8.0 MSF	▼

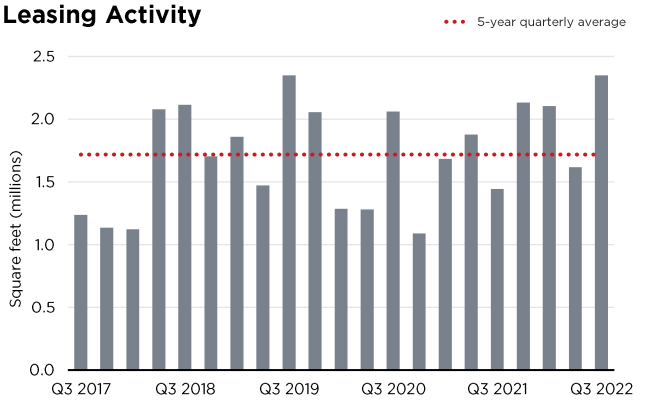
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.6%
Northern NJ unemployment rate (as of August 2022)

2.9%
Office-using employment growth year-over-year (as of Aug. 2022)

1.9 msf
Office space currently under construction

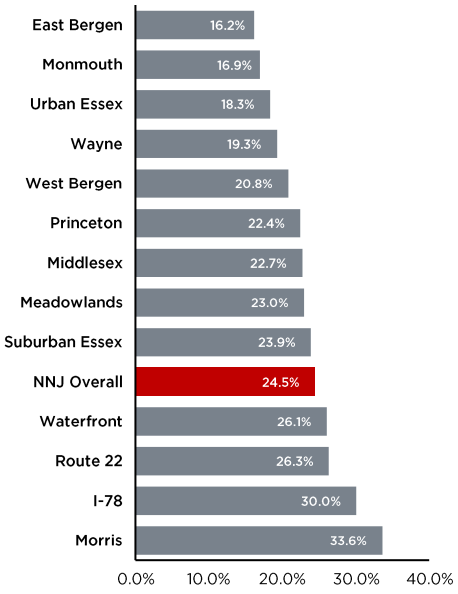
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
AT&T Corporation	230,000	1405 & 1425 Route 206	Relocation	I-78	TAMI
Avis Budget Group	212,535	6 Sylvan Way	Renewal	Morris	Transportation
Hackensack Meridian Health	120,000	650 From Rd	New Lease	West Bergen	Healthcare
K. Hovanian	69,000	90 Matawan Rd	New Lease	Middlesex	Construction, Engineering and Architecture
Traveler's Insurance	55,188	445 South St	Renewal	Morris	Financial Services and Insurance
Zelis Inc	53,295	340 Mount Kemble Ave	Relocation	Morris	TAMI
TSA	48,000	1085 Morris Ave	New	Route 22	Government
Siemens Corp	43,138	2 Gatehall Dr	New Lease	Morris	Manufacturing
Siemens Corp	42,860	412 Mount Kemble Ave	New Lease	Morris	Manufacturing
HAX	37,752	707 Broad St	New	Urban Essex	TAMI

Source: Savills Research

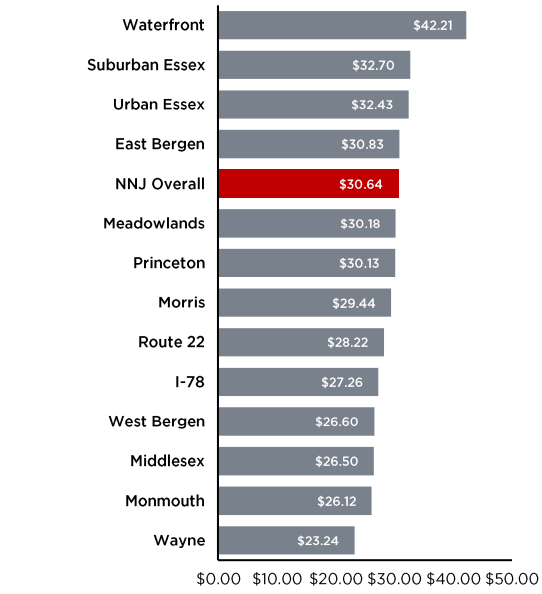
Availability Rate Comparison (%)

Northern New Jersey Submarkets



Rental Rate Comparison ($/SF)

Northern New Jersey Submarkets



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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