



Easing restrictions, renewals spark strongest demand in three quarters

As vaccination rates rise and COVID-19 cases drop, the ease in pandemic restrictions has led some occupiers to execute return-to-office plans, resulting in steady increases in physical occupancy. Hints of normalcy unleashed some pent-up demand (caused by delayed leasing decisions during the pandemic), contributing to an 11.6% quarterly increase in leasing activity. With 1.9 million square feet (msf) leased, the second quarter was the strongest since Q3 2020, and leasing activity is up 46.6% over the past year. Renewals and expansions accounted for the majority of transactions, representing 62.8% of volume. Among largest leases signed were Atlantic Health System's 553,000-sf renewal and expansion at 435, 465 and 475 South Street in the Morris submarket and QualCare, Inc.'s 145,430-sf renewal at 30 Knightsbridge Road in the Middlesex submarket. Another bright spot for the market was WebMd's 101,117-sf lease at 2 Gateway Center in Newark's Urban Essex submarket. The health information provider is relocating from Manhattan, bringing 600 to 700 jobs to the market.

Supply-demand imbalance causes availability to soar

Despite an increase in leasing activity, recent demand has not yet offset rising supply. Overall availability increased 80 basis point (bps) to 26.7%, marking the eighth-consecutive quarterly increase, and is up 290 bps over the past year. Availability continues to be significantly impacted by sublease supply, which has swelled by 35.5% over the year to reach 7.9 msf and now represents 19.8% of all available space, up from 16.6% a year ago. Over the same period, direct available space increased by a more modest 9.0% (32.1 msf). Recent sublet additions include 215,000 sf from Allergan in the Morris submarket at 5 Giralda Farms in Madison, 122,000 sf from Ralph Lauren in the Wayne submarket at 100 Metro Boulevard in Nutley, 121,000 sf from LG in the East Bergen submarket at 111 Sylvan Avenue in Englewood Cliff, and 118,000 sf from Eisai in the West Bergen submarket at 155 Tice Boulevard in Woodcliff Lake.

Overall asking rents hold firm despite increasing availability

Even as availability increased, asking rents saw little change over the quarter, now at \$29.26 per square foot (psf). Class A rents also held flat at \$30.23 psf. The Wayne submarket saw the largest increase in asking rates, up 4.3% over the quarter to \$23.14 psf, while the Suburban Essex submarket dipped 6.6% to \$27.43, the largest drop in the market. While landlords have held firm on asking rents, concessions on long-term leases have increased with tenant improvement allowance averaging in the mid \$60s and free rent averaging 12 to 15 months.

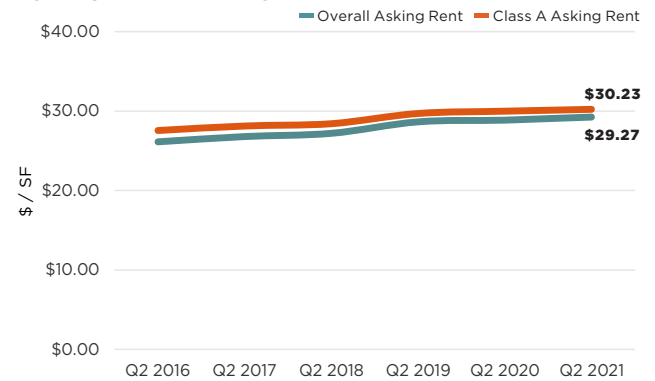
Outlook

- Additional pent-up demand could lead to increased leasing activity in the near-term, particularly from the Pharmaceutical and Life Science industries
- Northern New Jersey may experience long-term shifts in fundamentals as some occupiers lean into hybrid or blended models, making conditions even more favorable for occupiers
- Asking rents will continue to remain significantly below nearby Manhattan, allowing the market to remain an affordable alternative for cost-conscious occupiers

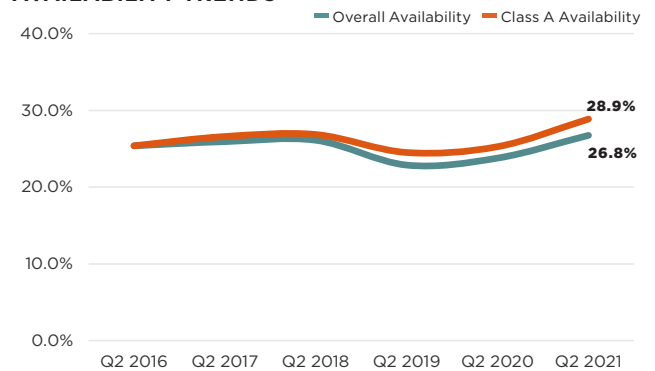
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	148.4 MSF	149.5 MSF	▲
Availability Rate	23.8%	26.8%	▲
Asking Rental Rate	\$28.87	\$29.27	▲
Class A Asking Rental Rate	\$29.99	\$30.23	▲
Quarterly Leasing Activity	1.3 MSF	1.9 MSF	▲

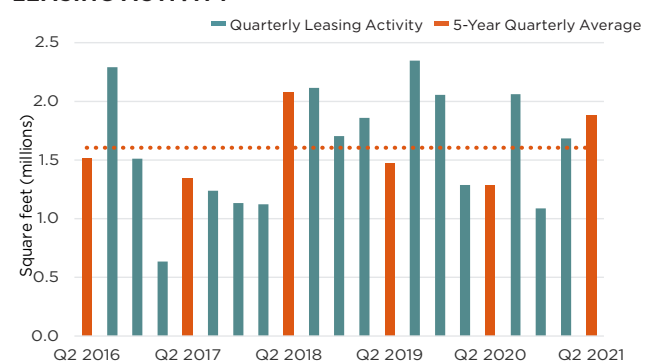
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

74.1%

of major transactions were **renewal** transactions by square footage

49.5%

of large transactions occurred in the **Morris** submarket by square footage

62.1%

Healthcare sector tenants represented 62.1% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Atlantic Health System	533,000	435, 465 & 475 South Street	Renewal	Morris	Healthcare
QualCare, Inc.	145,430	30 Knightsbridge Road	Renewal	Middlesex	Healthcare
WebMD	101,117	2 Gateway Center	New Location	Urban Essex	TAMI
Infinity Biologix	97,948	30 Knightsbridge Road	New Location	Middlesex	Pharmaceuticals
Qualcomm	95,579	500 Somerset Corporate Boulevard	Renewal	I-78	TAMI
Michael Kors	43,353	1 Meadowlands Plaza	Renewal	Meadowlands	Retail
Managed Healthcare Associates	39,060	25 Vreeland Road	Renewal and Expansion	Morris	Healthcare
HSBC	38,736	545 Washington Boulevard	Renewal	Waterfront	Financial Services
Apprentice.IO	31,960	101 Hudson Street	Relocation	Waterfront	TAMI
Signify	28,675	400 Crossing Boulevard	New Location	I-78	Manufacturing

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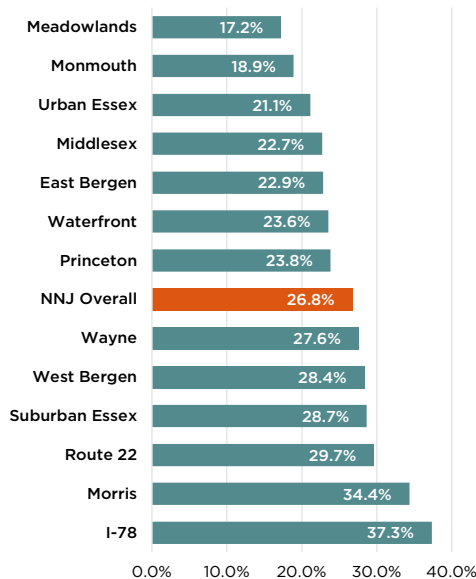
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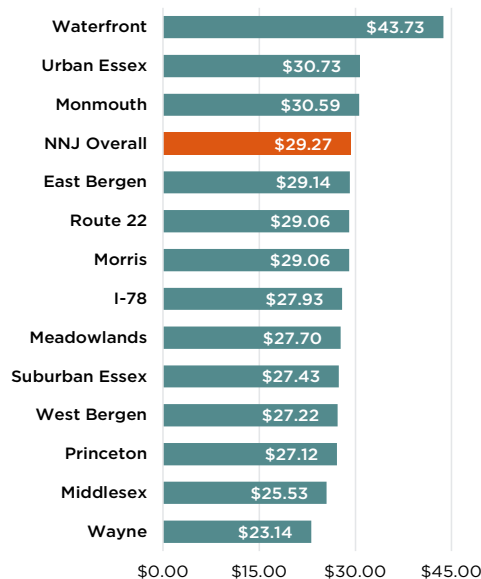
AVAILABILITY RATE COMPARISON

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 (psf). 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.

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