



Demand dips in the third quarter but year-to-date leasing still ahead of 2020 levels

Rising concerns over the spread of the COVID-19 Delta variant resulted in some employers delaying their office re-opening plans and real estate decisions. However, the announcement by the federal government of a vaccine mandate for businesses with over 100 employees will slow the spread of the virus and allow the economy to move forward. After rising in the second quarter, Northern New Jersey leasing activity declined 23.1%, quarter over quarter, to 1.4 million square feet (msf). Still, year-to-date leasing activity is up 7.7% compared to this time in 2020. A majority of third-quarter leasing activity was centered around the Morris (503,149 sf), I-78 (183,357 sf), West Bergen (136,721 sf) and Waterfront (127,908 sf) submarkets. Notable lease transactions included Cigna's relocation to 196,693 sf at 115 Tabor Road, Remarkable Foods Inc.'s new lease of 103,931 sf at 399 Jefferson Road and Samsung's 84,213-sf renewal at 105 Challenger Road.

Despite weaker demand, availability decreases

Availability decreased over the quarter for the first time since the start of the COVID-19 pandemic, despite weaker demand. Availability dropped 20 basis points (bps) from a quarter ago to 26.5% in Q3 2021, aided by a lack of new inventory. Availability is still 130 bps higher than reported in Q3 2020, but this could be the start of a gradual downward trend if vaccination rates continue to rise and major tenants move forward with return-to-office plans. The submarkets recording the largest quarterly declines in availability included Route 22 (-380 bps), Middlesex (-240 bps), Urban Essex (-150 bps) and West Bergen (-150 bps). The wave of sublet space coming on the market has not abated — sublet availability increased 20 bps from the prior quarter to 5.5%.

Class A rates ticking up as tenants gravitate to premium space

Northern New Jersey's average asking rental rate increased 1.4% from the second quarter and 2.7% from a year ago to \$29.69 per square foot (psf). The wave of availability is just starting to crest, but rents are slowly creeping up with a continued flight to quality. Class A asking rents rose 1.8% on the quarter to \$30.77 psf, as nearly 80% of quarterly leasing activity occurred in Class A spaces. The submarkets with the largest quarterly growth in rents include Suburban Essex (9.3%), Middlesex (4.4%) and Meadowlands (4.1%).

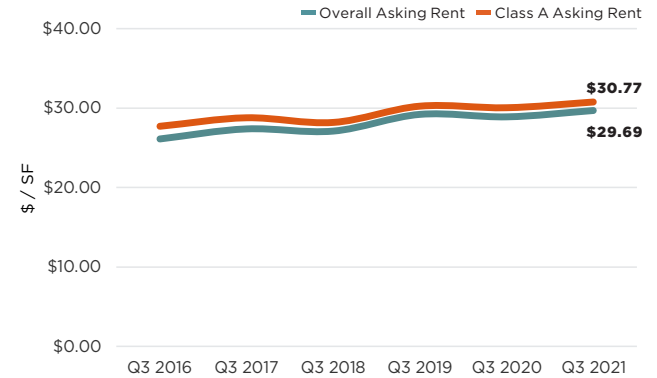
Outlook

- Tenant flight to quality will drive leasing demand in Northern New Jersey; older spaces may attract redevelopment interest for other use cases, which would further skew the mix to Class A and drive rents up
- Asking rents will remain significantly below nearby Manhattan, allowing the market to remain an affordable alternative for cost-conscious occupiers
- If office occupiers favor blended or hybrid working models going forward, Northern New Jersey is a viable lower-cost alternative with hybrid workers more willing to commute from a larger radius on a part-time basis

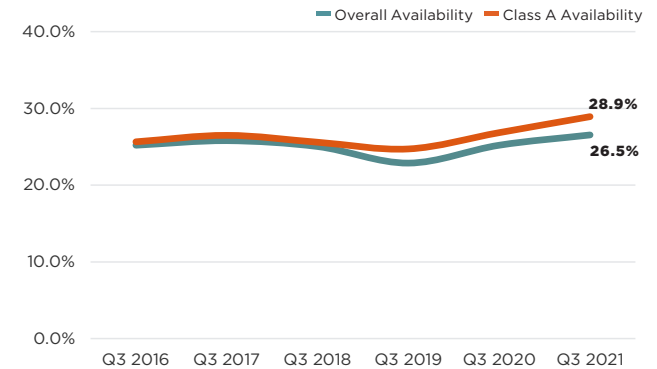
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	148.2 MSF	149.5 MSF	▲
Availability Rate	25.2%	26.5%	▲
Asking Rental Rate	\$28.90	\$29.69	▲
Class A Asking Rental Rate	\$30.04	\$30.77	▲
Quarterly Leasing Activity	2.1 MSF	1.4 MSF	▼

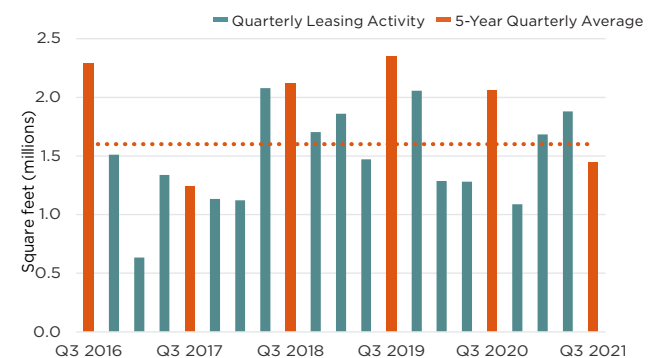
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

31.3%

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

58.6%

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

37.4%

Healthcare sector tenants represented 37.4% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Cigna	196,693	115 Tabor Road	Relocation	Morris	Healthcare
Remarkable Foods Inc.	103,931	399 Jefferson Road	New Location	Morris	Retail
Samsung Electronics America, Inc	84,213	105 Challenger Road	Renewal	East Bergen	Retail
United Health Services	64,753	131 Morristown Road	Extension	I-78	Healthcare
ProSight Specialty Insurance	61,833	412 Mount Kemble Avenue	Restructure	Morris	Financial Services
ROAR	50,000	200 Hudson Street	Renewal	Waterfront	Personal Services
BetMGM, LLC	49,043	200 Hudson Street	New Location	Waterfront	Personal Services
Spencer Savings Bank	41,499	611 River Drive	Renewal	West Bergen	Financial Services
Summit Financial Resources	25,000	4 Campus Drive	Renewal	Morris	Financial Services
WSP	22,000	350 Mount Kemble Avenue	Relocation	Morris	Engineering

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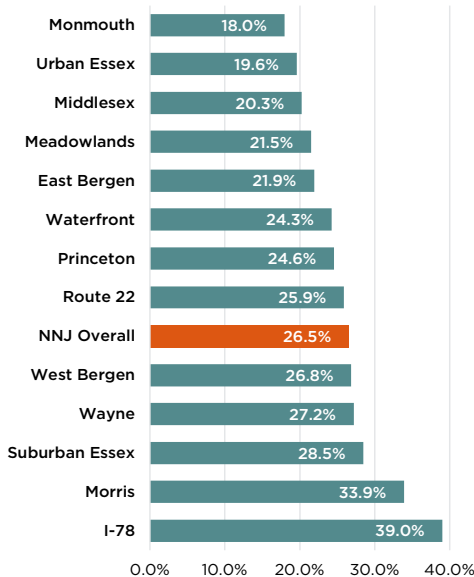
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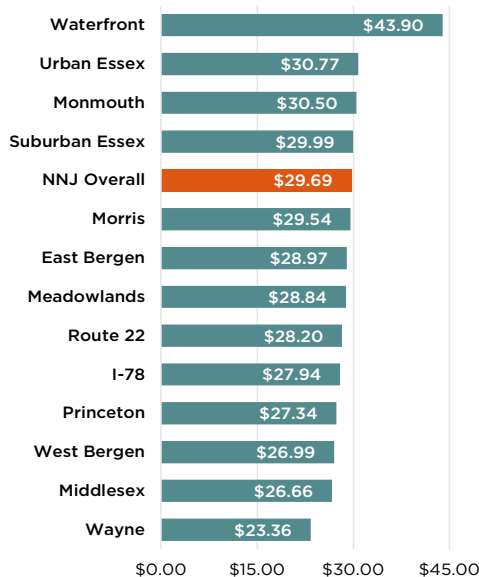
AVAILABILITY RATE COMPARISON

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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