



## Demand picked up in the fourth quarter with large transactions driving activity

The presence of the Omicron variant has postponed return to work dates for many companies in the Northern New Jersey office market, however, the delay did not stop tenants from thinking about their future real estate needs. Upcoming lease expirations and a desire to act on quality space drove leasing activity in Q4 2021 to 2.3 million square feet (msf), its highest level in nine quarters and a 56.0% increase from last quarter. The five largest leases accounted for 42.1% of all demand this quarter, anchored by major commitments from Fiserv and Party City. Fiserv signed for 428,000 square feet (sf) in Berkeley Heights, the market's largest new lease in two years, while Party City consolidated its headquarters into 209,000 sf in Woodcliff Lake. Both companies received tax credits from the state as part of their commitments. Valley Bank also signed for 119,000 sf at a new development in Morristown.

## Sublease space keeping availability high despite increase in leasing activity

The uptick in leasing activity was counterbalanced by new space hitting the market, causing market availability to drop 10 basis points (bps) over the quarter to 26.4%, 90 bps higher than one year ago. Both direct and sublease supply decreased from the third quarter, but direct supply is flat from a year ago while sublease space is up 27.0% in that span. Only two sublet additions greater than 50,000 sf hit the market this quarter, in a sign that the influx of sublease space may be easing. In the fourth quarter, sublet space accounted for 20.6% of available space, compared to just 7.0% of transactions signed. Overall asking rents in the market were roughly flat, increasing \$0.07 to \$29.76 per square foot (psf).

## Amazon's 11th hour withdrawal dampened momentum on the Waterfront

While the suburban submarkets benefited from some significant transactions, leasing in the Waterfront submarket decreased 33.1% from last quarter to 137,905 sf. This marked the fifth consecutive quarter that leasing in the submarket tracked below 200,000 sf. Jersey City was poised to secure one of the largest new leases in Northern New Jersey since the onset of the pandemic with a commitment from Amazon. The e-commerce giant was close to finalizing a deal for nearly 400,00 sf at Harborside 1 and 3, but backed out late in negotiations. The setback leaves Waterfront submarket availability up 80 bps from a year ago at 23.8%.

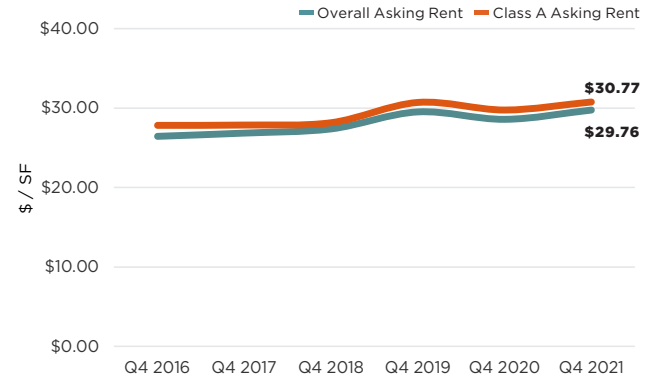
### Outlook

- With New Jersey's industrial market continuing to gain steam, non-competitive office buildings, especially those outside office parks, will see more interest from developers looking to demolish or repurpose them to a new highest-and-best use
- Concessions will continue to rise significantly, as owners face ever-increasing pressure while trying to preserve face rents
- Market demand faces an uncertain start to 2022 as the new Omicron wave causes delays in return-to-office plans and real estate strategy decisions

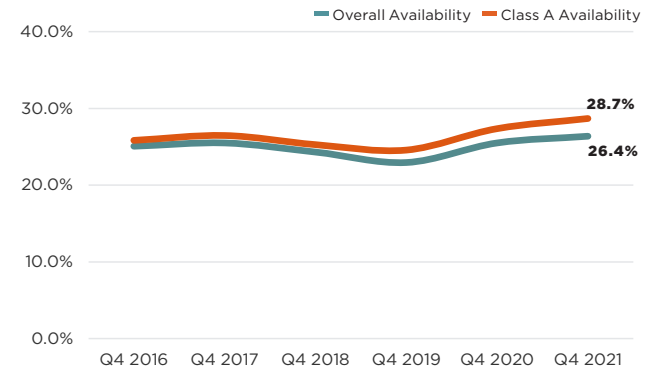
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	147.7 MSF	<b>149.8 MSF</b>	▲
Availability Rate	25.5%	<b>26.4%</b>	▲
Asking Rental Rate	\$28.59	<b>\$29.76</b>	▲
Class A Asking Rental Rate	\$29.76	<b>\$30.77</b>	▲
Quarterly Leasing Activity	1.1 MSF	<b>2.3 MSF</b>	▲

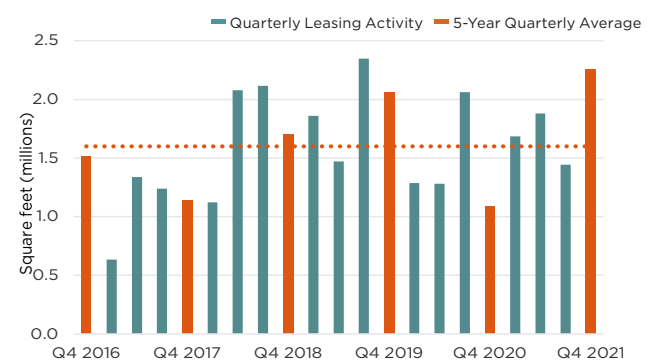
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

42.9%

of major transactions were **new location** transactions by square footage

35.3%

of large transactions occurred in the **I-78** submarket by square footage

35.3%

**TAMI** sector tenants represented 35.3% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Fiserv	428,000	100 Connell Drive	New Location	I-78	TAMI
Party City	208,911	100 Tice Boulevard	Relocation	West Bergen	Retail
Valley National Bank	119,350	52-74 Speedwell Avenue	Relocation	Morris	Financial Services
Chiesa Shahinian & Giantomasi P.C.	109,000	105 Eisenhower Parkway	Relocation	Suburban Essex	Legal Services
Lummus Technology	83,706	1515 Broad Street	Restructure	Wayne	Energy and Utilities
Summit Medical Group	70,549	17-17 Route 208	New Location	West Bergen	Healthcare
Henkel	58,000	10 Finderne Avenue	Renewal	Middlesex	Retail
Englewood Health	48,880	910 Sylvan Avenue	New Location	East Bergen	Healthcare
The Conti Group	43,608	2045 Lincoln Highway	Relocation	Middlesex	Engineering
Conduent Inc.	42,988	300 American Metro Boulevard	New Location	Princeton	Professional Services

Source Savills Research

For more information, please contact us:

**Savills**  
The Meadows  
201 Route 17 North,  
Suite 902  
Rutherford, NJ 07070  
+1 201 556 9700

**Gregg K. Najarian**  
Vice Chairman  
gnajarian@savills.us

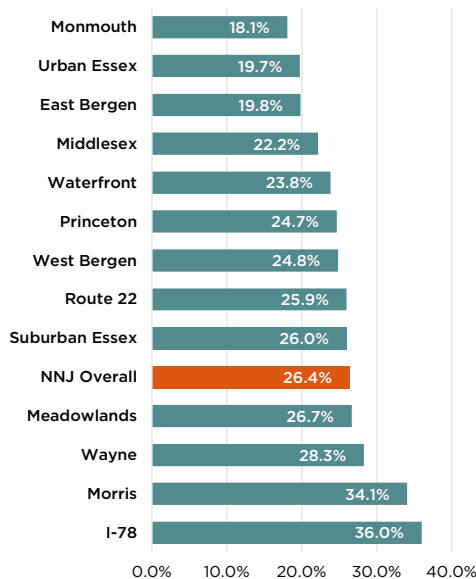
**Lesley Kamnitzer**  
Senior Research Manager  
lkamnitzer@savills.us  
**Matthew Schreck**  
Senior Research Analyst  
mschreck@savills.us

**About Savills Inc.**  
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

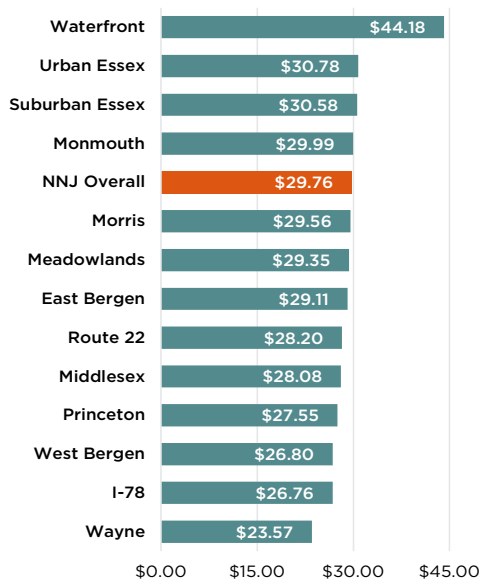
AVAILABILITY RATE COMPARISON

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.

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.

Copyright © 2022 Savills

