

# Northern New Jersey

## Leasing starts 2022 on a strong note, particularly in the Waterfront submarket

Tenants in Northern New Jersey remained active in Q1, despite some lingering uncertainty in the market. The Omicron variant delayed some leasing commitments and return to office plans in the early part of Q1, but the quarter closed with a flurry of large leases along the Waterfront. Overall market leasing volume totaled 2.1 million square feet (msf) in Q1, a 25.0% increase from one year ago, and a higher level than the 1.9-msf pre-pandemic (2015-2019) five-year Q1 average. Waterfront submarket leasing volume totaled 574,111 sf – 27.3% of the market total – highlighted by several major commitments: Lord Abbett's relocation from 70 Hudson St to 30 Hudson St (178,107 sf), Collectors Universe Inc.'s new location at 210 Hudson St (130,419 sf), and Mitsubishi Tanabe Pharma's renewal at 525 Washington Street (55,379 sf). Suburban submarkets including East Bergen, I-78, and Monmouth posted lower leasing figures this quarter.

### Availability decreases to a five-quarter low

Availability decreased 20 basis points (bps) over the year to 25.7%, and available sublet supply decreased for the third consecutive quarter to 7.8 msf. Sublet supply now accounts for 20.4% of available space, compared with last quarter's peak of 20.6%. Class A availability stands at 28.4%, a 50 bps increase year-over-year, but a 40 bps decrease over the quarter. A dichotomy between older Class A space and the new or redeveloped Class A buildings is taking hold. The limited supply of new product is motivating tenants to act, while older product lingers on the market. In addition, corporate downsizings and right-sizings have added to the high availability in the market. In Q1 2022 Siemens leased 62,000 sf at 200 Wood Avenue S, leaving 110,000 sf behind at 170 Wood Avenue S, just one example of this developing trend. Average asking rents declined 0.5% on the quarter to \$29.61 per square foot (psf); despite the heightened activity in top-tier buildings, much of New Jersey's commodity stock remains unoccupied with downward pressure on asking and effective rents.

### Transaction activity heats up to start the year

Northern New Jersey office transaction volume topped \$1 billion in Q1, with average pricing per square foot reaching a record high of \$226 psf. Three of the quarter's prominent building trades occurred in the Waterfront submarket, mirroring the focus of leasing activity. A joint venture (JV) between Vision Properties, LLC and Hana Alternative Asset Management acquired 70 Hudson Street for \$300 million, and Hartz Mountain sold 15 Exchange Place, a 136,000-sf boutique office building also located in Jersey City, to American Equity Partners. In Hoboken, 111 River Street was purchased by SJP Properties in a JV with Weir Real Estate. SJP retook ownership of the 568,000-sf office tower it built in 2002 with a \$21 million purchase from Veris Residential (formerly Mack-Cali). The three-building office park at 55 Corporate Drive in Bridgeport topped the largest sales in the suburban submarkets. Obsolete office properties in the suburban submarkets could make for prime candidates for redevelopment as developers assess whether the highest and best use moving forward may not be for office.

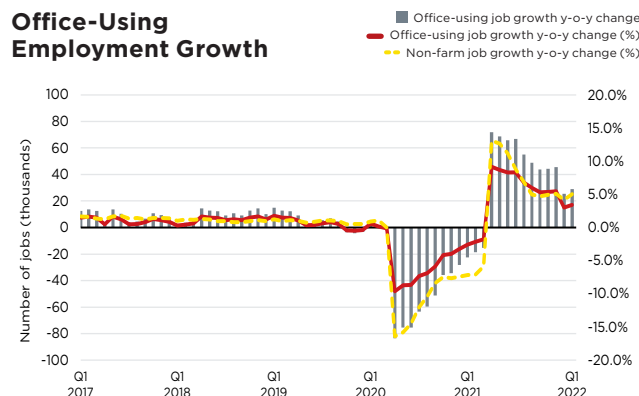
## Outlook

- Pent up demand will translate to higher leasing volume as the year progresses
- Expect landlords to remain aggressive as they look to attract and retain tenants
- Office to industrial redevelopment projects will continue as the region's tight industrial market and lack of land make some obsolete office properties attractive for developers

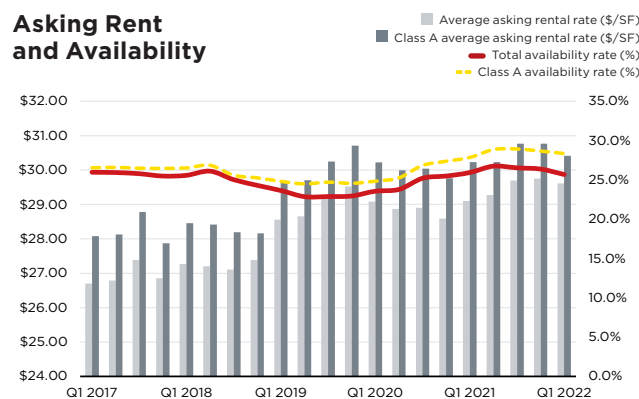
## Key Statistics

	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	149.1 MSF	149.7 MSF	▲
Availability Rate	25.9%	25.7%	▼
Asking Rental Rate	\$29.10	\$29.61	▲
Class A Asking Rental Rate	\$30.23	\$30.41	▲
Quarterly Leasing Activity	1.7 MSF	2.1 MSF	▲
Available Sublease Space	6.7 MSF	7.8 MSF	▲

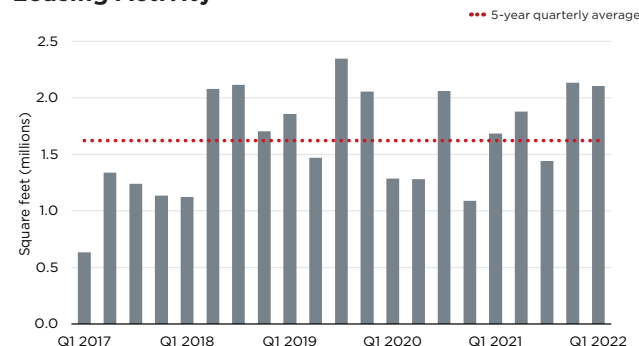
## Office-Using Employment Growth



## Asking Rent and Availability



## Leasing Activity



## By the Numbers

4.3%

Northern New Jersey unemployment rate, source BLS (as of Feb. 2022)

3.4%

Office-using employment growth year-over-year (as of Feb. 2022)

1.7 msf

Office space currently under construction

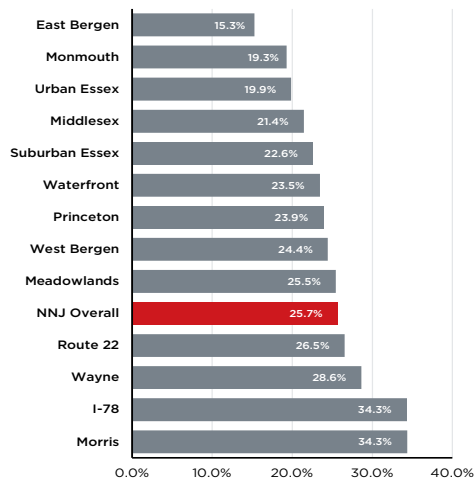
## Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Lord Abbett	178,107	30 Hudson Street	Relocation	Waterfront	Financial Services
Collectors Universe Inc	130,419	210 Hudson Street	New Location	Waterfront	TAMI
Fiserv	123,000	103 John F Kennedy Parkway	New Location	Suburban Essex	TAMI
Siemens	65,500	200 Wood Avenue S	New Location	Middlesex	Manufacturing
Samsung Electronics	57,783	55 Challenger Road	New Location	East Bergen	TAMI
Mitsubishi Tanabe Pharma	55,379	525 Washington Boulevard	Renewal	Waterfront	Pharmaceuticals
Johnson & Johnson	40,000	1800 American Boulevard	New Location	Princeton	Pharmaceuticals
Industrious	37,875	525 Washington Boulevard	New Location	Waterfront	Coworking
HDR Architecture	29,146	1800 American Boulevard	New Location	Princeton	Architecture
Robert Wood Johnson	25,584	194 Wood Avenue S	New Location	Middlesex	Non Profit

Source: Savills Research

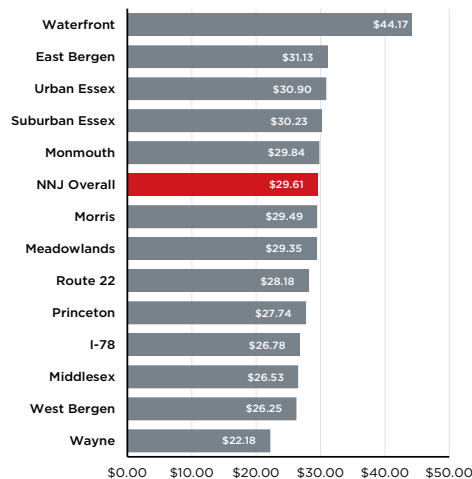
## Availability Rate Comparison (%)

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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