

# MARKETBEAT OFFICE SNAPSHOT



## NORTHERN NEW JERSEY A Cushman & Wakefield Research Publication

Q4 2014



### ECONOMIC OVERVIEW

New Jersey's unemployment rate fell to 6.4%, its lowest level since October 2008. The private sector has added over 153,000 new jobs since the recessionary low in February 2010 and 6,300 jobs in November alone. The construction, trade, transportation, and utilities, and professional and business services sectors led the way during November in terms of jobs added in the state.

### SUBSTANTIAL SPACE SHEDS DRIVE VACANCY UPWARD

Northern New Jersey recorded a 1.2 percentage point spike in overall vacancy during Q4 due in large part to large blocks of space coming online at Pearson Education's former HQ in Bergen County (471,000 sf), 70 Hudson Street (438,000 sf) in the Hudson Waterfront, and 374,000 sf at 340 Mount Kemble Avenue in Morristown. Also pushing the rate higher were five blocks of space between 50,000-100,000 sf, most of which were concentrated in Bergen County. In turn, Bergen County saw a 2.8 percentage point swell in vacancy to an all-time high (19.7%). Year-to-date, NNJ posted -439,473 sf of overall net absorption, with three of the four quarters finishing in the red. Recent announcements by Hertz and Mercedes to leave Bergen County could cause the rate to surge further.

Since Q3, the NNJ class A direct average asking rental rate fell by 2.6% due to an abundance of product coming online in Bergen County priced below the average, coupled with higher priced space leasing up in the Waterfront.

### Q4 DEMAND SLOWS BUT THE WATERFRONT SHINES

Quarterly leasing activity slowed by 17.4% compared to Q3 with just under 1.2 million square feet (msf) leased in NNJ. Despite this, NNJ finished the year with more than 5.0 msf of new leases signed, a substantial improvement over last year. Of the Q4 total, the Hudson Waterfront accounted for 41.0% of the volume. State incentive-driven deals such as Charles Komar & Son's 159,000-sf relocation from NYC in Q4 propelled the submarket to record its highest annual total in 13 years. Meanwhile, demand was tepid in Morris County which experienced its lowest quarterly total of leasing since Q1 2009. Meanwhile, Q4 saw three significant renewals completed. ISO Insurance recommitted to its 391,000 sf space in Jersey City, Prudential opted to remain in over 290,000 sf of its current space at 2 and 3 Gateway Center in Newark, and Novartis renewed its lease at 200 Kimball Drive in Parsippany (153,000 sf).

### OUTLOOK

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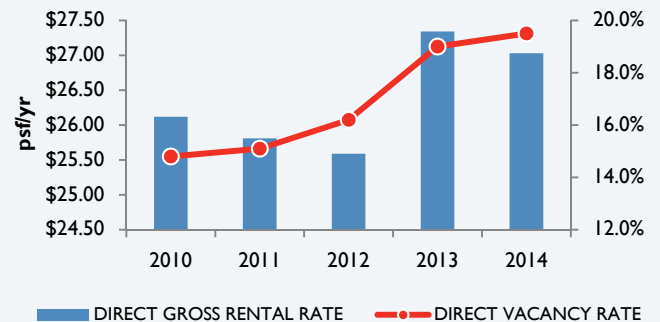
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Leasing should pick up somewhat during the first quarter of 2015 with some notable deals in the immediate pipeline, keeping NNJ occupancy levels in most segments from declining further in the short term. However, large space dispositions are looming in some market segments including Newark where Prudential will shed an additional 230,000 sf + at Gateway Center in Newark once construction is finished on their new headquarters nearby. Despite the expected healthy demand, NNJ could see available space as a whole edge higher in the near future due in large part to the aforementioned dispositions. The state hopes to continue to attract companies from other states with attractive incentive packages to help bolster the office market and state economy.

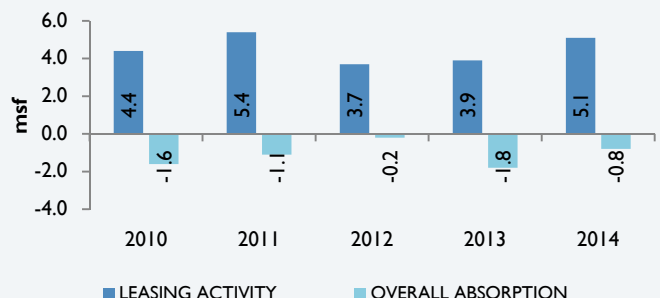
### STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.0%	21.5%	0.5 pp	▼
Direct Asking Rents (psf/yr)	\$27.34	\$27.03	-1.1%	◄
YTD Leasing Activity (sf)	3,869,995	5,084,832	31.4%	◄

### DIRECT RENTAL VS. VACANCY RATES



### LEASING ACTIVITY VS. OVERALL ABSORPTION



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## NORTHERN NEW JERSEY

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Bergen County	26,078,329	19.7%	17.8%	1,235,758	0	0	16,572	(310,301)	\$24.17	\$25.35
Essex County	24,834,880	19.0%	17.8%	672,682	765,000	0	103,613	56,064	\$25.85	\$28.73
Hudson County	24,820,806	15.0%	14.0%	1,631,805	0	507,842	93,782	301,003	\$34.29	\$36.26
Morris County	30,082,898	29.6%	25.9%	1,402,828	100,000	0	(432,441)	(301,997)	\$26.13	\$29.51
Passaic County	5,020,196	26.5%	25.4%	141,759	0	0	(137,608)	(184,242)	\$21.88	\$25.33
<b>TOTALS</b>	<b>110,837,109</b>	<b>21.5%</b>	<b>19.5%</b>	<b>5,084,832</b>	<b>865,000</b>	<b>507,842</b>	<b>(356,082)</b>	<b>(766,357)</b>	<b>\$26.65</b>	<b>\$29.69</b>
<b>SELECTED SUBMARKETS</b>										
Essex Rt. 280 Corr.	7,727,164	19.6%	17.5%	306,436	0	0	108,220	(37,801)	\$27.26	\$27.85
Hudson Waterfront	21,508,197	13.7%	12.9%	1,443,717	0	507,842	14,681	287,933	\$37.90	\$38.77
Morristown	5,437,039	25.5%	18.8%	238,478	0	0	(244,621)	(233,031)	\$27.28	\$27.84
Newark	14,013,230	18.4%	17.8%	184,795	750,000	0	(32,097)	50,203	\$26.42	\$32.21
Parsippany	13,011,532	27.9%	23.7%	567,578	0	0	(183,677)	(44,193)	\$24.72	\$30.70

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
480 Washington Boulevard, Jersey City	Hudson Waterfront	JP Morgan Chase	A	226,249
30 Hudson Street, Jersey City	Hudson Waterfront	Royal Bank of Canada	A	206,817
90 Hudson Street, Jersey City	Hudson Waterfront	Charles Komar & Sons	A	159,141
2 Giralda Farms, Madison	Morris Route 10/24	Intervet	A	146,366
11 Waterview Boulevard, Parsippany	Parsippany	Merck	A	120,000
461 From Road, Paramus	Bergen Route 4 East	United Water	A	116,360
SIGNIFICANT 2014 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Portfolio: 300 Interpace Parkway & Upper Pond Road, Parsippany	Parsippany	Brookwood Financial Partners LP	\$82,400,000 / \$154	533,926
3 Gateway Center, Newark	Newark	Rugby Realty Co. Inc.	\$42,000,000 / \$80	528,039
5 Giralda Farms, Madison	Morris Rt. 10/24 Corridor	Lincoln Equities/Lakestar Properties	\$30,000,000 / \$61	463,435
500 Plaza Drive, Secaucus	Meadowlands	Marcus Partners/Prudential Real Estate Investors	\$69,000,000 / \$155	445,730
1 Meadowlands Plaza, East Rutherford	Meadowlands	Vision Properties	\$108,700,000 / \$257	422,220
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
221 River Street, Hoboken	Hudson Waterfront	Pearson Education	Q4 2014	507,842
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
699 Broad Street, Newark	Newark	Prudential Insurance	Q2 2015	750,000
140 Park Avenue, Florham Park	Morris Rt. 10/24 Corridor	Summit Medical Group	Q1 2015	100,000