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Colliers

Research Report

New Jersey Office

Q2 2022

Accelerating success.

New Jersey Office

After a slow start to begin the year, leasing activity in New Jersey rebounded during the second quarter of 2022 to 2.8 million square feet (MSF). Activity was up 13.8% from the three-year pre-pandemic quarterly average of 2.5 MSF and helped turn net absorption positive this quarter. Demand was fueled by larger transactions and helped reduce the availability rate in the second quarter. However, the State continued to see the return of larger blocks of space to the supply, particularly in the Northern New Jersey (NNJ) market, which stalled any further positive movement in the State. The top three blocks of newly available space alone returned 410,000 SF to the market, leading to only 601,774 SF of positive net absorption, which kept the 22.2% availability rate from improving any further this quarter. The average asking rent increased slightly, up 1.4% year-over-year to \$29.32/SF as upward repricing resumed in newly updated buildings within transit-oriented submarkets.

Summary Statistics

	Q2 2022	Q1 2022	Q2 2021
Leasing Activity SF	2,822,770	2,256,268	2,283,054
Net Absorption SF	601,774	(29,566)	(766,248)
Availability Rate	22.2%	22.4%	22.7%
Average Asking Rent (\$/SF/YR)	\$29.32	\$29.29	\$28.90

*Source: Colliers

Large Transactions Help Lower Availability Rate, Turning Net Absorption Positive

Large transactions helped lower the availability rate this quarter for only the second time since the onset of the pandemic. The 2.8 MSF of leases were just enough to offset the accumulation of several new subleases and direct space that returned to the market. As such, the availability rate improved 20 basis points to 22.2% and net absorption was positive for the second time in three quarters, totaling 601,774 SF. Despite the progress this quarter, occupancy losses continue to stall improvement in the State, as larger blocks of space are added to the supply.

The total square footage of newly available subleases greater than 5,000 SF increased 53.0% to 831,737 SF, after having marked the lowest volume post-pandemic the previous quarter. The number of tenants that added space to the sublease market this quarter, also increased to 28. Newly available sublease additions averaged 29,705 SF during Q2 2022, compared to 20,167 SF last quarter and 40,743 SF the prior year, as smaller tenants continue to reexamine their occupancy requirements.

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Life Sciences Firms Drive Demand

The largest transactions this quarter occurred in the East I-78 submarket, where PTC Therapeutics relocated to a 361,718 SF space at 400/500 Warren Corporate Center, in Warren and Cellares signed a new lease for 118,208 SF at 95 Corporate Drive in Bridgewater. Two additional deals over 100,000 SF were completed this quarter with Morgan Stanley leasing space at 340 Mount Kemble Avenue in Morristown and Garden State Veterinary Hospital agreeing to terms at 100 Schulz Drive in Red Bank. New leases drove demand, as renewals made up 19.2% of all lease transactions. The largest renewal this quarter was signed by Ansell Healthcare Products which renewed their space at 111 Wood Avenue South in Iselin for 57,405 SF.

Life sciences companies continued to benefit the State, as the industry made up 28% of the total leasing activity this quarter. Aside from the PTC Therapeutics and Cellares deals, other notable transactions included Gilead Sciences' 96,392 SF lease at 369 Interpace Parkway in Parsippany, Kyowa's 78,464 SF lease at 510 Carnegie Center in Princeton, and Repligen Corporation's 57,485 SF renewal and expansion at 685 Route 202/206 in Bridgewater.

As was the case during the previous quarter, demand for modern, recently built-out plug-and-play space has continued to lure tenants, as the high cost of construction continues to increase, and newly built-out space remains on the market. Transactions underscoring this trend were Big Fish Media's 24,179 SF relocation into a space that was previously built-out by Fiserv at 101 Hudson Street in Jersey City, Orchard Yarn and Thread signing a 13,000 SF sublease at 125 Chubb Avenue in Lyndhurst, and Aadi Bioscience subleasing 10,615 SF at 2 Speedwell Avenue in Morristown.

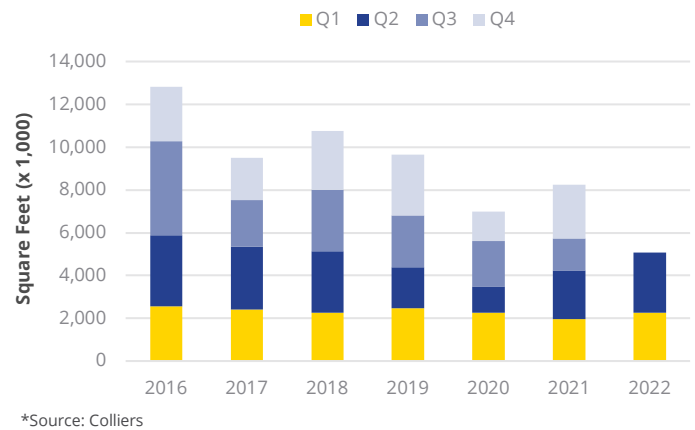
Adaptive Reuse Projects Reduce Office Inventory

At the end of Q2 2022, New Jersey's office inventory now stands at 198.1 MSF, as the market shed an additional four office buildings totaling over 700,000 SF. With the relentless demand for industrial space continuing to accelerate the adaptive reuse trend, three of these buildings are set to be redeveloped into industrial projects.

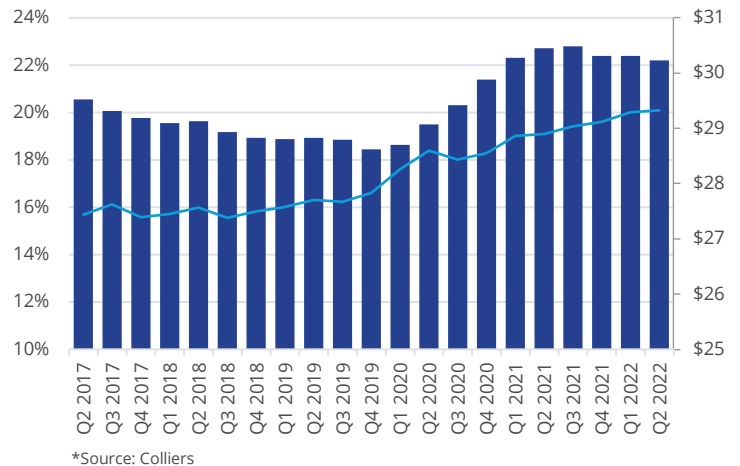
SJP Properties and Scotto Properties Break Ground

SJP Properties and Scotto Properties broke ground this quarter on Valley National Bank's new headquarters at 52-74 Speedwell Avenue in Morristown. Once completed in early 2023, Valley National Bank will occupy 119,350 SF. This follows on the heels of Deloitte's build-to-suit at 66 Morris Street M Station East which is set to complete later this year, and spans 121,000 SF.

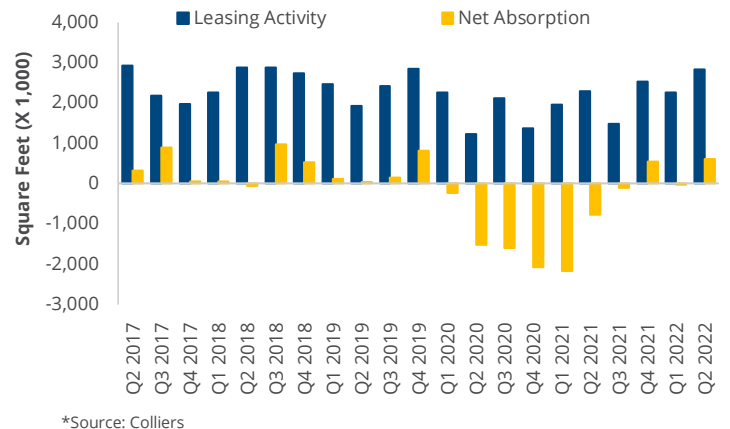
Overall Leasing Activity



Average Asking Rent vs. Availability Rate



Leasing Activity vs. Net Absorption



New Jersey Office

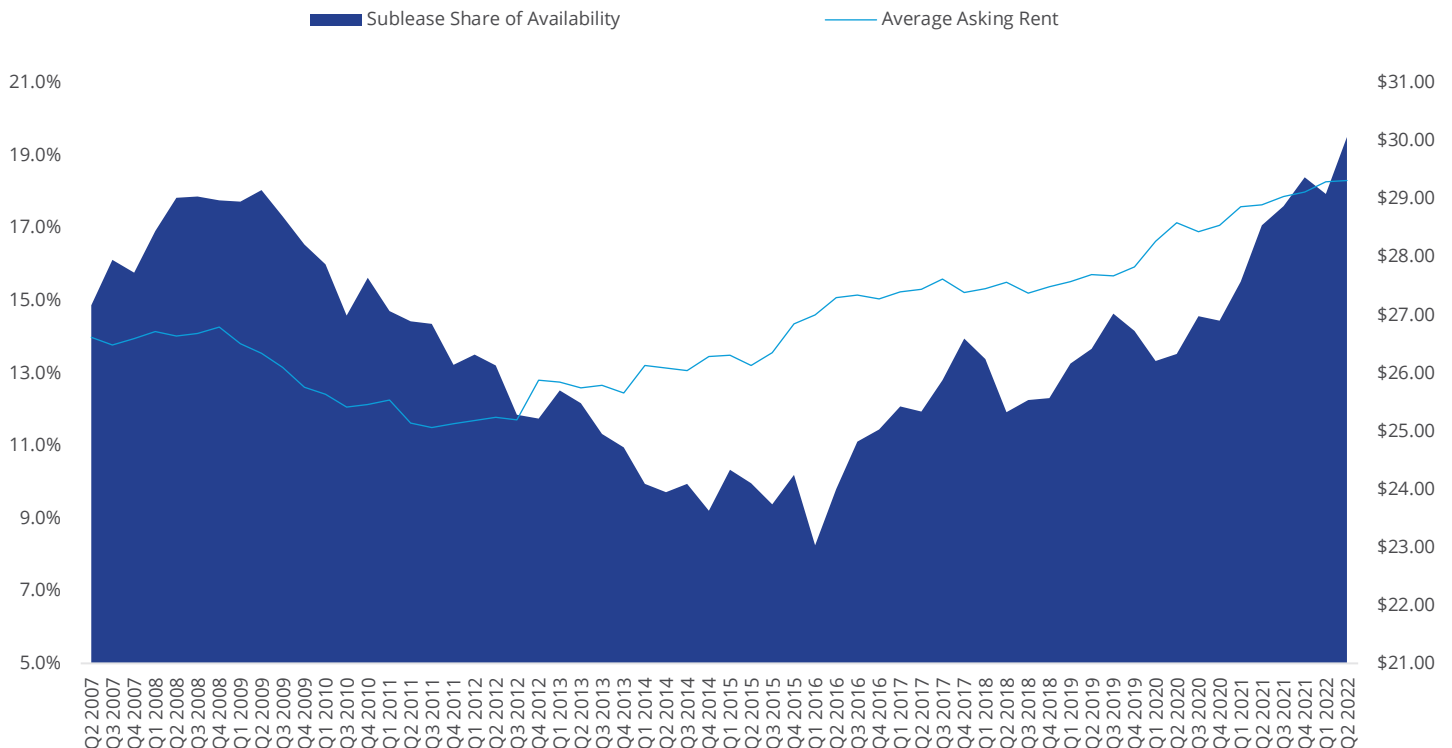
Sublease Availability

Sublease space continues to be monitored closely in New Jersey, as the volume of new subleases increased this quarter. The total amount of sublease space has now increased 61.7% over the last two years. The sublease share of the overall available space increased quarter-over-quarter to 19.5%, indicating the ratio may not have yet reached its peak, as the number of tenants that listed their space on the sublease market remains elevated. As such, newly available subleases averaged 29,705 SF during Q2 2022.

Significant Q2 2022 New Sublease Availabilities

Building Address	City	Sublease Available SF	Term
340 Mount Kemble Avenue	Morristown	200,000	4/30/2036
545 Washington Boulevard	Jersey City	115,741	12/31/2033
400 Interpace Parkway - Bldg. D	Parsippany	94,500	7/31/2030
121 River Street	Hoboken	41,453	4/30/2030
1325 Campus Parkway	Wall	35,972	2/28/2023
412 Mount Kemble Avenue	Morristown	32,555	5/30/2029
3096 Hamilton Blvd	South Plainfield	29,120	11/30/2031

*Source: Colliers



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Capital Markets

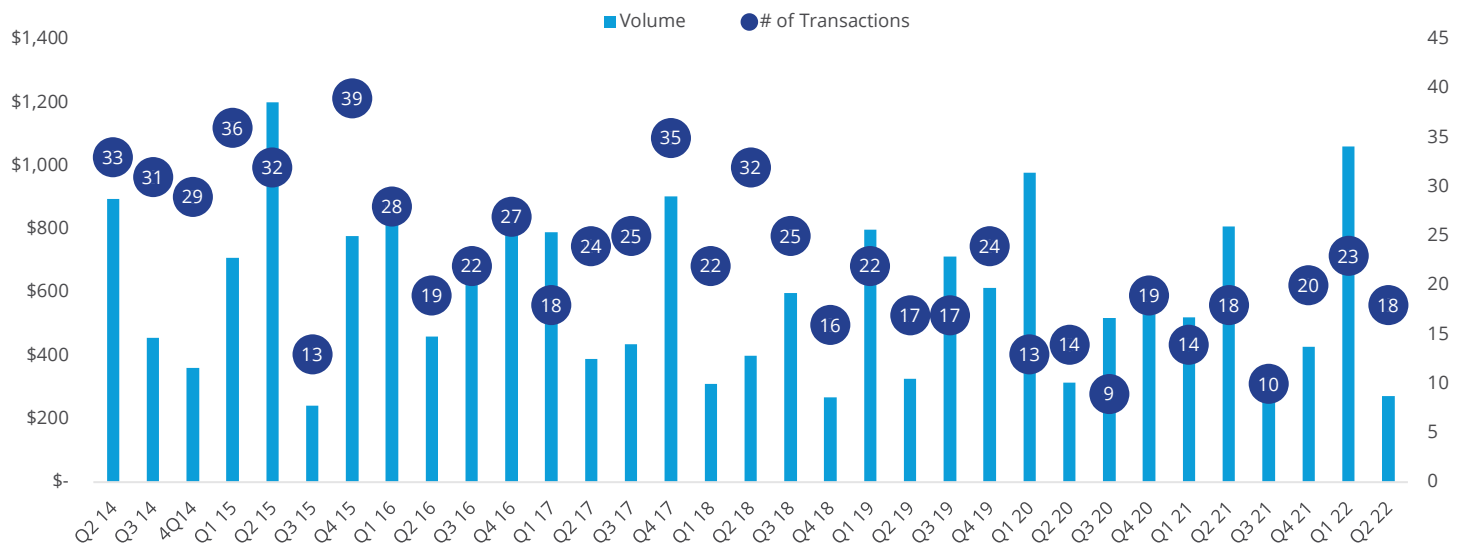
The majority of the sales volume can be attributed to one significant sale that closed during the second quarter. The top trade accounted for 47.8% of the total dollar amount traded, with the largest being the sale of 200 Metro Boulevard in Nutley. The 332,000 SF office tower was acquired by an affiliate of Cantor Fitzgerald & Company for \$131.7 million. Also notable was Maxim Properties acquisition of 700 US Highway 202/206 in Bridgewater for \$39,000,000 or \$271.08/SF and the acquiring of 25 Hanover Road in Florham Park by an undisclosed buyer. The two-building portfolio asset totaling 131,579 SF sold for \$24,500,000 or \$186.20/SF.

Unlike the previous quarter in which investors acquired well located office assets with high vacancy along major thoroughfares for redevelopment into industrial use, this quarter saw none. Instead, the top two assets traded in the second quarter demonstrated investors' continued interest in fully occupied, well located life sciences buildings. The sale of 200 Metro Boulevard in Nutley, on the ON3 Campus, comes on the heels of global pharmaceutical company, Eisai's, relocation of their headquarters to the property. Similarly, the noteworthy sale of 700 US Highway 202/206 in Bridgewater was supported by global biopharmaceutical company, Inmed, which has its headquarter operations there.

Select Q2 2022 Sale Transactions

Building Address, City	Building RBA	Buyer	Seller	Sale Price	Price PSF
200 Metro Boulevard, Nutley	332,000/ 1.44 Acres	Cantor Fitzgerald & Company	Prism Capital Partners	\$131.7M	\$388.43/SF \$1.7M Per Acre
700 US Highway 202/206, Bridgewater	143,869	Maxim Properties	EXT Exeter	\$39M	\$271.08
25 Hanover Road, Florham Park Portfolio	131,579	ACG Equities	The Silverman Group	\$24.5M	\$186.20
427-429 Bloomfield Avenue, Montclair	32,498	Daniel Knoll	Saxum Real Estate	\$18M	\$553.88

*Source: Colliers



*Source: Colliers, Based on sales of \$2.0 million and greater

New Jersey Office

Select Q2 2022 Lease Transactions

Tenant	Property Address	City	Submarket	Leased SF	Lease Type
PTC Therapeutics	400/500 Warren Corporate Center	Warren	East I-78	361,718	New Lease
Morgan Stanley	340 Mount Kemble Avenue	Morristown	Morristown	120,000	New Lease
Cellares Corporation	95 Corporate Drive	Bridgewater	East I-78	118,208	New Lease
Garden State Veterinary Hospital	100 Schulz Drive	Red Bank	Monmouth County	100,000	New Lease
Gilead Sciences	369 Interpace Parkway	Parsippany	Parsippany	96,392	New Lease
Kyowa	510 Carnegie Center	Princeton	Princeton	78,464	New Lease
Stark & Stark	100-300 American Metro Boulevard	Hamilton	Princeton	76,000	New Lease
Repligen Corporation	685 Route 202/206	Bridgewater	East I-78	57,485	Renewal/Expansion
Ansell Healthcare Products	111 Wood Avenue South	Iselin	Metropark	57,405	Renewal
Brach Eichler	101 Eisenhower Parkway	Roseland	I-280 Corridor	56,000	Renewal/Expansion

*Source: Colliers

Q2 2022 Quick Leasing Facts

Total Lease Volume	New	Renewal	Avg. Lease Size	Median Lease Size
2,822,770 SF	2,235,922 SF	586,848 SF	13,129 SF	5,300 SF

*Source: Colliers

Economic Indicators



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Increase from
Q4 2021



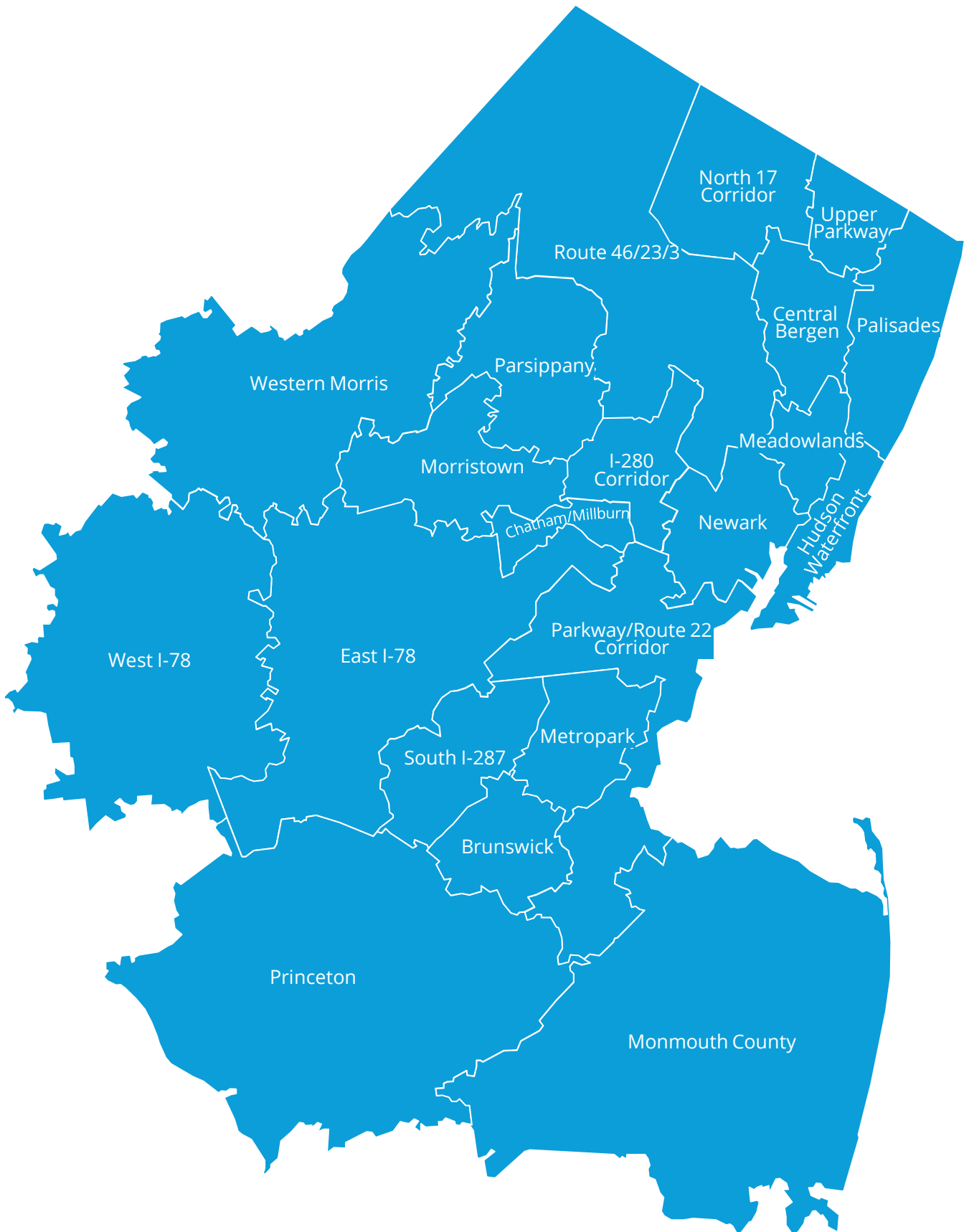
↓
Decrease from
May 2022



↓
Decrease from
April 2022

Source: U.S. Department of Commerce, The Conference Board, Bureau of Labor Statistics

New Jersey Office Submarkets



New Jersey Office Submarket Overview

Submarket	Stock	Total Inventory	Availability Rate (%)	Average Asking Rent (\$)	Leasing Activity (QTR.)	Net Absorption (QTR.)
Northern NJ						
Palisades	71	7,018,790	18.9%	\$30.54	29,567	(155,888)
Upper Parkway	46	3,828,891	20.2%	\$24.68	8,227	3,799
North 17 Corridor	40	4,723,950	18.6%	\$23.92	39,763	21,936
Central Bergen	99	8,917,206	17.8%	\$27.51	190,088	(38,188)
Route 46/23/3	110	8,688,485	23.5%	\$20.54	7,615	(8,104)
Hudson Waterfront	69	21,697,376	24.0%	\$43.29	63,095	(245,057)
Meadowlands	38	5,957,599	27.5%	\$27.34	62,810	(126,164)
Newark	49	15,497,293	16.2%	\$31.34	126,043	165,494
I-280 Corridor	49	6,388,053	15.5%	\$25.03	93,634	(28,500)
Parsippany	125	15,332,462	29.6%	\$26.91	265,768	101,103
Morristown	89	12,162,081	30.8%	\$29.46	249,325	(193,387)
Western Morris	16	1,171,695	32.6%	\$22.26	34,237	5,044
Chatham/Millburn	15	1,396,692	25.1%	\$42.67	3,558	(8,817)
Total NNJ	816	112,780,573	23.0%	\$30.94	1,173,730	(506,729)
Central NJ						
Parkway/Route 22 Corridor	43	2,690,753	24.7%	\$25.73	45,130	15,766
Metropark	57	7,717,246	20.8%	\$33.54	176,869	4,783
East I-78	162	23,197,414	23.6%	\$26.63	640,316	780,166
West I-78	27	3,637,003	33.2%	\$16.90	0	(53,563)
South I-287	73	8,805,887	18.2%	\$18.74	91,985	125,200
Brunswick's	24	3,095,043	12.7%	\$27.77	70,275	7,080
Monmouth County	117	9,975,865	16.4%	\$24.71	349,206	66,739
Princeton	279	26,180,903	20.3%	\$28.10	275,259	162,332
Total CNJ	782	85,300,114	21.0%	\$26.67	1,649,040	1,108,503
NJ Overall						
Class A	686	133,245,684	22.6%	\$32.21	2,119,627	253,972
Class B	743	57,363,540	22.6%	\$22.60	663,521	335,653
Class C	169	7,471,463	10.3%	\$17.77	39,622	12,149
Market Total	1,598	198,080,687	22.2%	\$29.32	2,822,770	601,774

*Source: Colliers

494 offices in 62 countries on 6 continents

United States: 158
Canada: 44
Latin America: 19
Asia Pacific: 39
Australia & New Zealand: 58
EMEA: 108



\$4.1 B

In revenue



2B

Square feet under management



17,000 +

Professionals

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