THIRD QUARTER 2023

RAISING THE BAR

New Jersey's Flight To Quality Trend

NEW JERSEY

CUSHMAN & WAKEFIELD

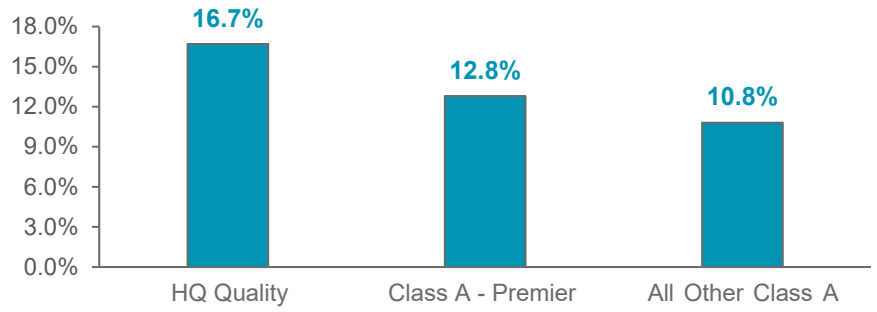
FLIGHT TO QUALITY

As businesses reassess their office requirements, there has been a noticeable surge in interest in New Jersey's headquarters quality (HQ Quality) buildings. Recent occupier demand strongly favors spaces within top-tier buildings characterized by their superior quality, efficient layout, prime location, and comprehensive access to amenities.

CLASS A DEMAND BY TIER

New Leasing as % of Inventory

2021 – Q3 2023

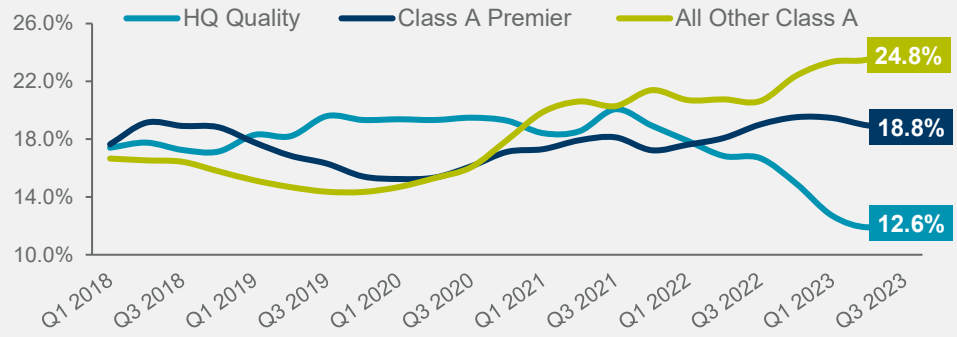


	HQ Quality	Class A - Premier	All Other Class A
Inventory Size	24,493,876	23,655,708	55,460,850
Leasing Activity	4,082,920	3,018,985	5,982,994
Net Absorption	395,048	(947,437)	(3,983,690)

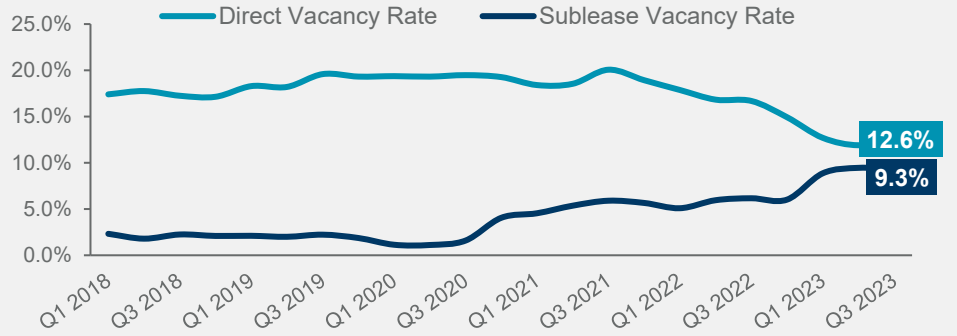
The flight to quality trend is evident in New Jersey's office market, with 16.7% of the HQ Quality inventory leased since 2021, surpassing rates of 12.8% for Class A – Premier and 10.8% for the remaining Class A segment. Consequently, HQ Quality buildings recorded positive net absorption during this period, in contrast to occupancy losses observed in other inventory segments.

Newly vacant sublease space led to a convergence between direct and sublet vacancy rates in HQ Quality buildings. Despite this, the direct vacancy rate demonstrated improvement, dropping to 12.6% from its peak at 20.1% in Q3 2021, signaling a post-COVID trend toward occupancy gains.

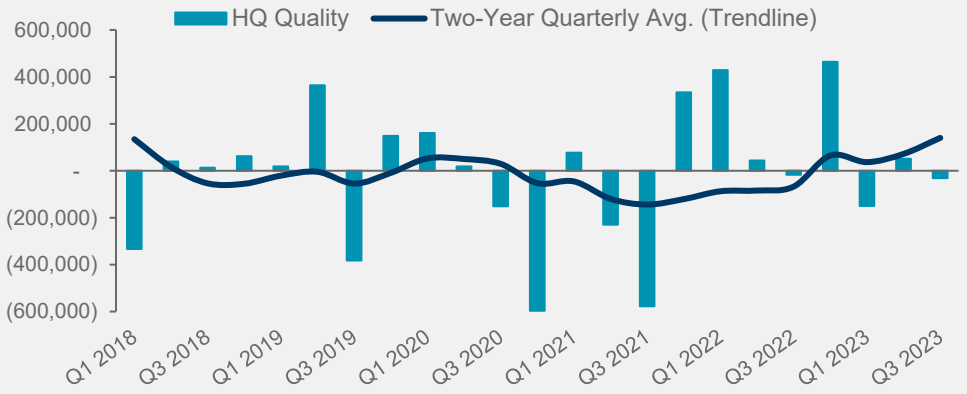
DIRECT VACANCY RATE BY TIER



HQ QUALITY VACANCY RATE OVERVIEW



HQ QUALITY NET ABSORPTION



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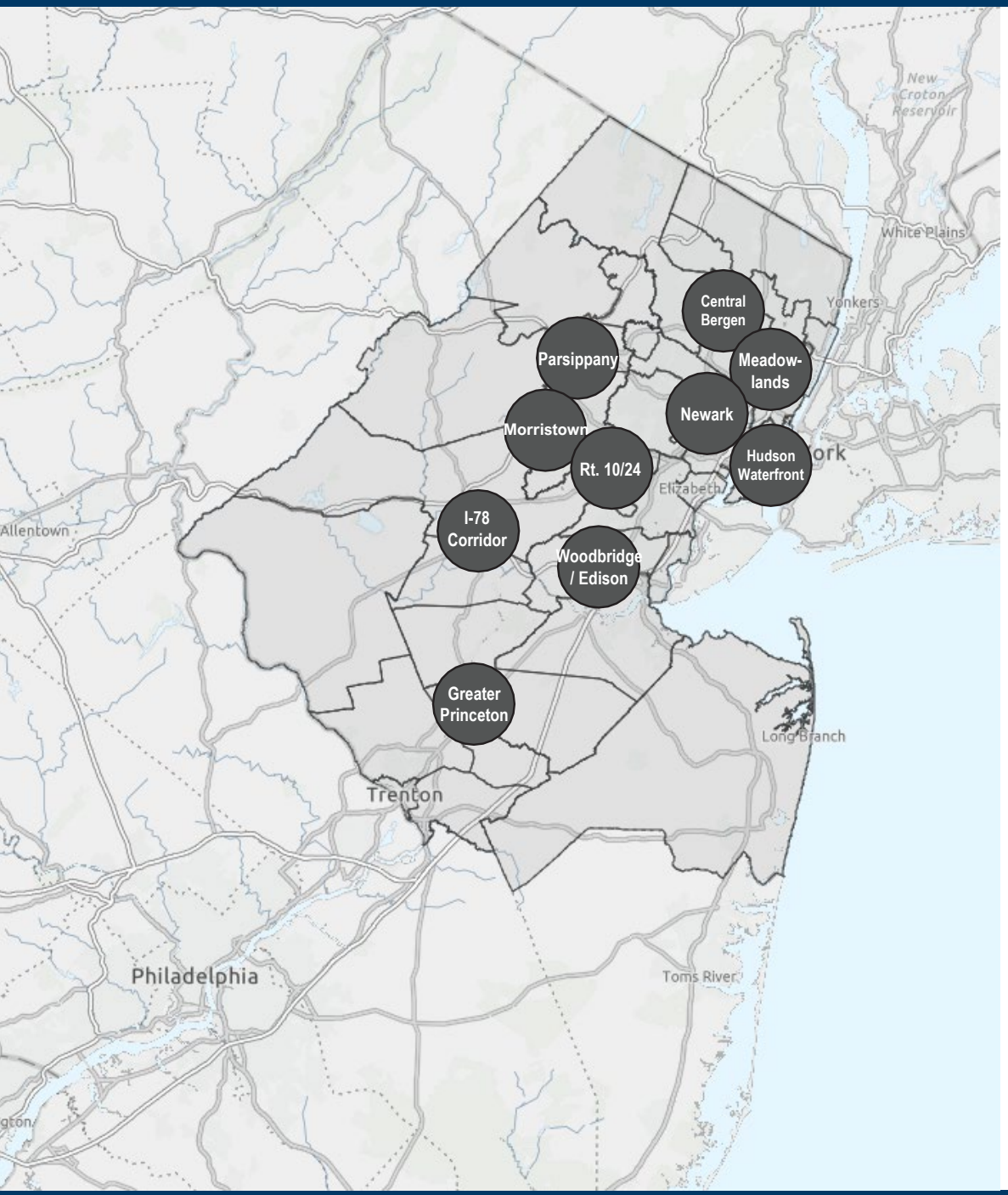

Core Submarket Overview
Direct Vacancy Rate

	HQ QUALITY	PREMIER CLASS A	ALL OTHER CLASS A
Central Bergen	14.3%	14.2%	10.0%
Meadowlands	4.2%	20.7%	18.5%
Hudson Waterfront	12.3%	23.6%	25.5%
Newark	20.9%	27.7%	20.0%
Parsippany	11.6%	25.0%	35.7%
Morristown	9.3%	7.7%	25.2%
Route 10/24	3.9%	19.3%	26.7%
Woodbridge/Edison	11.9%	33.8%	19.1%
I-78 Corridor	8.2%	10.0%	31.5%
Greater Princeton	20.4%	10.8%	17.2%

Core Submarket Overview
Average Asking Rent

	HQ QUALITY	PREMIER CLASS A	ALL OTHER CLASS A
Central Bergen	$36.01	$30.97	$28.63
Meadowlands	$38.00	$32.41	$26.96
Hudson Waterfront	$46.83	$46.68	$41.08
Newark	$37.27	$36.16	$30.80
Parsippany	$32.30	$30.98	$27.97
Morristown	$45.00	$39.95	$28.52
Route 10/24	-	$32.25	$28.31
Woodbridge/Edison	$44.75	$40.83	$33.10
I-78 Corridor	$38.50	$33.00	$25.87
Greater Princeton	$33.92	$30.06	$30.89

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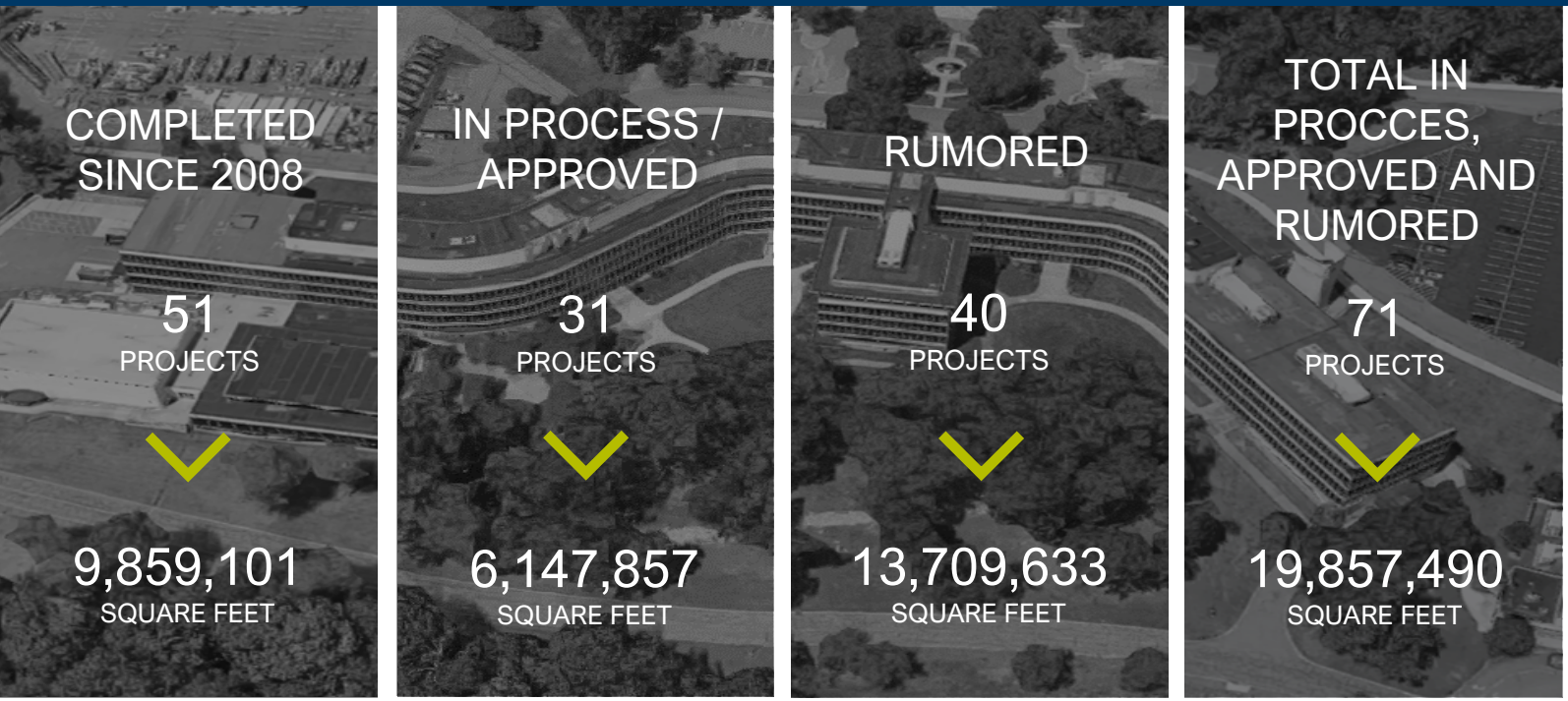
Office Conversions in New Jersey

NEW JERSEY



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Tenant relocations to HQ Quality office buildings have resulted in a surplus of older office spaces matured for revitalization. Repurposing these outdated office properties for alternative uses presents an opportunity to accelerate the recovery of the office sector.

Ongoing transformations include the conversion of Lanidex Plaza into the expansive PARQ multifamily development and The District at 1515, both located in Parsippany. Additionally, there's a noticeable shift towards repurposing office spaces into industrial facilities, exemplified by projects at 10 Constitution Avenue in Piscataway and 1290 Wall Street West in Lyndhurst. Collectively, there are currently 71 projects in the pipeline, amounting to 19.9 million square feet designated for approved or potential redevelopment endeavors.

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of $10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

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