

NEW JERSEY OFFICE MARKET

Yardi® Matrix

Market Analysis

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Office Sector Makes Strides



Despite the steady out-migration of businesses and residents to warmer and cheaper locales, and the long-term oversupply of inventory, **New Jersey's office market has remained resilient.** Buoyed by the healthy economy, the metro added almost 100,000 jobs in the 12 months ending in May, and the unemployment rate hit a 10-year low of 4.4% in June. Two of the sectors that fuel the office real estate market—professional and business services and financial activities—led the way in job growth, adding a combined **23,800 office-using jobs** in the metro between May 2017 and May 2018. The state government has helped to attract and retain companies such as Mars Wrigley Confectionery, Integra LifeSciences and Ralph Lauren by offering **tax incentives** through the **Grow NJ Assistance Program.**

New Jersey's **office vacancy rate** has declined in recent years, but remained at **18.2%** as of June. Development activity has been extremely tepid since 2013—when roughly 2 million square feet came online—and **no major office project** was completed last year. New construction either is a build-to-suit or has an environmental component. In some cases, office space is being redeveloped into housing or other uses.

More than 2.5 million square feet traded for \$118.9 million in the second quarter, but sales volume has declined by 32% year-over-year. Suburban office has regained some luster with investors because of its higher yields, but **deal flow remains weak.**