

NEW JERSEY OFFICE MARKET

Yardi® Matrix

Market Analysis

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Slow Growth in the Garden State



New Jersey's office market faced both challenges and successes in 2018. While transaction volume dropped almost 50% compared to 2017, leasing activity picked up in a few key submarkets. The metro added just shy of 100,000 new jobs in the 12 months ending in November, and the state's unemployment rate dropped to a historic low of 4.0%. A number of major companies signed new or expanded existing leases in the market, leading the professional and business services sector to realize gains of 21,000 jobs.

Office development remained slow across the market, with 325,000 square feet delivered in 2018, though more than half a million square feet is anticipated to come online by year's end. While low in absolute terms, the pipeline is significantly more robust than it was in 2017, when no major office projects were added. The average vacancy for office space, now topping 20%, has effectively pumped the brakes on most new development activity, as the market finds its footing.

Despite some discouraging metrics, key markets bucked the wider market trends. With close proximity to Manhattan, the Hudson Waterfront South submarket continued to experience strong demand for modern, well-amenitized space. TD Ameritrade signed for more than 200,000 square feet of new space, while other major employers, including Sumitomo Corp. and First Data, are expanding existing leases. Upscale suburban areas also fared well, with properties in the Millburn submarket commanding the highest asking prices across the metro, at nearly \$47 per square foot.