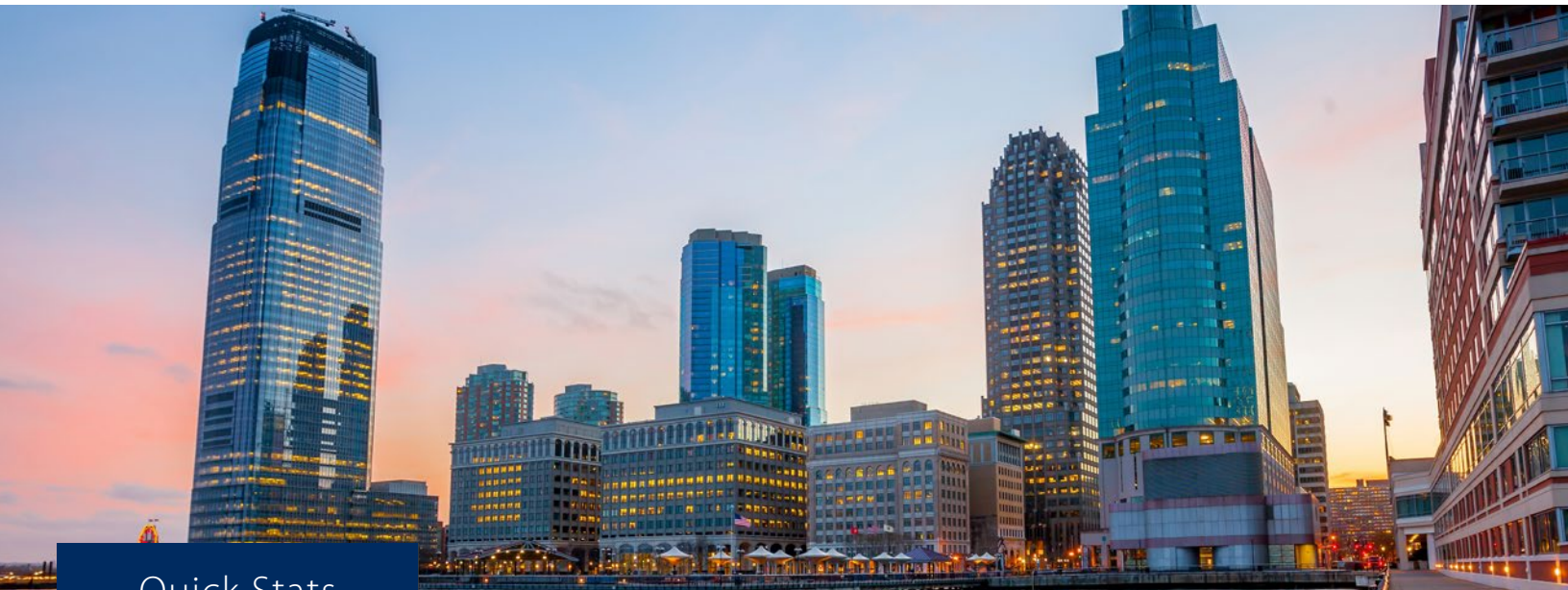


# New Jersey



## Quick Stats

**3.4%** ↑

New Jersey's unemployment rate (National rate 3.5%).

**13.1%** ↓

Overall vacancy rate.

**\$30.23** ↑

Average Market Rent.

**2.7 M** ↑

12 month absorption (SF).

### Vacancy Rate continues to drop as rents increase

There was a 120-basis point drop in the vacancy rate since the fourth quarter of 2018, from 14.3 percent to 13.1 percent, while market rents rose \$.13 year over year to \$30.23/SF. Net absorption continued its hot streak, posting a positive number for the seventh-straight quarter.

### Birch Group acquires former American Standard manufacturing site

The Birch Group announced that it acquired the American Metro Center located in Hamilton. The three-property, 488,429 square foot office complex was sold by Meritage Properties for \$84.7 million (173.41/SF). At the time of sale, the former American Standard manufacturing site was 84.3 percent leased.

### 77 Corporate Drive purchased by Legacy Investing LLC

77 Corporate Drive in Bridgewater was sold for \$47.5 million (\$231.21/ SF) by Senior Housing Property Trust. The 205,439-square-foot property is part of a 300-acre office park adjacent to Route 287. The purchase of the property by Legacy Investing LLC comes on the heels of the 102,792-square-foot sublease by IQVIA in the third quarter of 2019.

### Welch's Fruit Snacks' maker leased old Hertz HQ

Promotion in Motion leased 110,945 square feet at 225 Brae Boulevard in Park Ridge. The class A property used to serve as the global headquarter for Hertz Corporation, prior to their relocation to Florida. The confectionery company known for brands such

**110,945 SF**  
LEASED BY PROMOTION  
IN MOTION

as Welch's Fruit Snacks, Sour Jacks, Toggi Fine European Wafers and Sun-Maid Chocolate Raisins is currently headquartered at 25 Commerce Drive in Allendale where they occupy 29,715 square feet. Promotion in Motion has been expanding its footprint in the state, breaking ground on an 80,000 square foot expansion in Somerset earlier in 2019. The candy company is expected to move into its new headquarters during the second quarter of 2020.

### DSV Air & Sea leases 97,500 SF in Iselin

Danish transport and logistics company, DSV Air & Sea announced that they have leased 97,500 square feet at 200 Wood Avenue South in Iselin. The logistics company currently occupies 52,626 square feet at 100 Walnut Avenue in Clark and is expected to move to their new location during the first quarter of 2021. This new lease comes after DSV's market-changing \$4.6 billion acquisition of rival Panalpina Welttransport Holding earlier in 2019.

### Market Spotlight: Warren - Blueprint for the office market in 2020

If one were to ask the majority of real estate professionals who specialize in the New Jersey office market to describe the current office stock in one word, you would hear words like "dated" or "old". If you would ask those same professionals what is the one thing tenants are looking for in their new space, "amenities" would be number one on the board. It was this line of thinking that inspired Vision Real Estate Partners and Rubenstein Partners as they made plans to upgrade Warren Corporate Center in Warren, New Jersey after they purchased it in 2016.

The Warren Corporate Center is a five-property campus that totals over 820,000 square feet. The 170-acre property used to

act as the headquarters to Lucent Technologies. When Vision and Rubenstein purchased the building park for \$136 million it was eighty percent occupied by Citi Bank and was ripe for an upgrade and amenities.

Taking inspiration from Vison's success of creating an amenity-filled campus at The Crossings at Jefferson Park in Parsippany, the partnership decided to execute a similar plan at Warren Corporate Center. In 2018 Vison and Rubenstein opened Warren Hill, a stand-alone 20,000 square foot amenity building. This new structure anchored an array of new amenities such as a full-court basketball court, conference center, café, walking paths, and outdoor seating space. These amenities turned the campus into a collegiate atmosphere that was perfect for collaboration and success.

In 2019, all of the work and money that Vison and Rubenstein invested started to pay a dividend when Everest Reinsurance announced that they would lease 315,264 square feet at the Warren Corporate Center.

The reinsurance company will be occupying both 100 and 200 Warren Corporate Center Drive. Everest pointed to the vast number and quality of amenities as a major factor in their decision to relocate their headquarters to Warren Corporate Center. Everest is looking to move into their new space during the first quarter of 2021.

While three of five buildings are still looking for tenants (507,374 sf available), Vison and Rubenstein's decision to invest in creating high-quality amenities is a case study of what owners will need to consider as they continue to try to attract large tenants to their properties in New Jersey.



## Market Data Points

### New Jersey

Indicator	Q4 19	Q4 18
Vacancy	13.1%	14.3%
Rent	\$30.23	\$30.10

### Northern New Jersey

Indicator	Q4 19	Q4 18
Vacancy	14.3%	15.3%
Rent	\$31.56	\$31.44

### Central New Jersey

Indicator	Q4 19	Q4 18
Vacancy	11.3%	13.1%
Rent	\$28.42	\$28.29

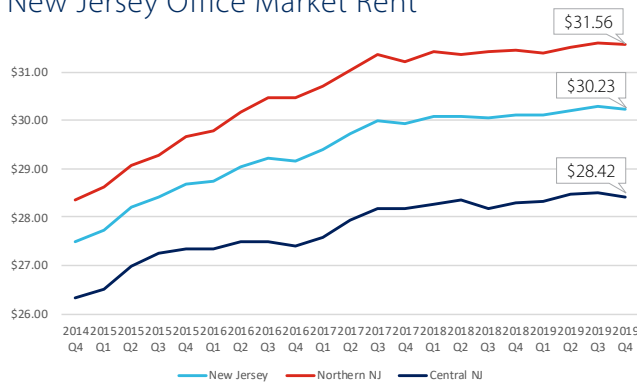
## Select Office Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
American Metro Center, Halmilton ( 3 Properties)	Princeton South/ Central New Jersey	Lincoln Equities	Birch Group	\$84,700,000	\$173.40	488,463
77 Corporate Drive, Bridgewater	Route 78 East Central New Jersey	Senior Housing Property Trust	Legacy Investing	\$47,500,000	\$231.21	205,439
5 Wood Hollow Road, Parsippany	Parsippany/ Northern New Jersey	Mack-Cali Realty	PAG Investments	\$29,250,000	\$88.47	330,631

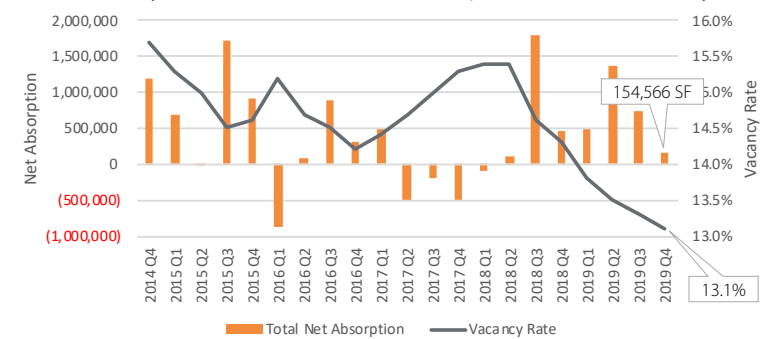
## Select Office Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
Pershing/ Bank of New York	95 Columbus Drive, Jersey City	Hudson Waterfront/ Northern New Jersey	Renewal	410,000
Promotion in Motion	225 Brae Boulevard, Park Ridge	Bergen North/ Northern New Jersey	Direct	110,945
DSV Panalpina	200 Wood Avenue South, Iselin	North Edison Woodbridge/ Central New Jersey	Direct	97,500

## New Jersey Office Market Rent



## New Jersey Office Total Net Absorption and Vacancy Rate



## Trends to Watch



A new wave of private owners might provide desperately needed capital improvements to an aging office stock



The emergence of AI both in the workplace and by landlords is expected to increase efficiency

## Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q4 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent Class A	Market Rent Class B
Bergen Central	6,872,726	832,015	51,180	12.9%	(52,621)	101,189	-	\$34.31	\$25.73
Bergen East	9,270,109	743,111	52,792	8.6%	52,481	25,684	411,750	\$34.82	\$25.82
Bergen North	9,160,534	815,485	55,066	9.5%	61,459	(47,124)	-	\$33.91	\$25.46
Hudson Waterfront	21,881,952	2,879,149	273,480	14.4%	334,085	424,064	125,000	\$42.07	\$36.49
Meadowlands	6,306,611	839,093	45,386	14.0%	53,075	(119,915)	250,000	\$34.79	\$28.23
Morristown Region	10,984,411	1,256,326	122,547	12.6%	196,314	451,118	-	\$32.69	\$25.88
Newark/ Urban Essex	18,216,838	2,579,627	68,913	14.5%	14,720	616,896	165,000	\$31.14	\$26.67
Northwest Frontier	353,408	14,935	0	4.2%	-	20,103	-	-	\$22.46
Parsippany	16,581,831	3,341,883	438,517	22.8%	(80,621)	131,018	64,000	\$29.18	\$24.99
Short Hills/ Millburn	2,926,241	95,844	13,842	3.7%	(29,625)	25,998	-	\$39.59	\$28.95
Suburban Essex/ Rt 280	10,610,608	972,771	41,910	9.6%	(17,054)	182,447	-	\$26.23	\$23.10
Wayne/ Paterson	6,009,862	681,300	2,410	11.4%	(6,527)	225,292	-	\$32.90	\$28.02
Western Morris	3,090,791	1,298,522	12,356	42.4%	13,372	7,419	-	\$26.27	\$20.59
Northern New Jersey	122,265,922	16,350,061	1,178,399	14.3%	539,058	2,044,189	1,054,000	\$34.08	\$26.38
Brunswick/South Edison	12,994,989	1,504,763	43,155	11.9%	(2,495)	106,406	60,000	\$33.68	\$25.35
Hunterdon Cluster	4,651,562	256,993	122,060	8.1%	99,559	92,821	-	\$26.78	\$22.26
Monmouth	11,727,718	1,080,334	127,279	10.3%	(47,577)	172,308	48,412	\$33.81	\$25.60
North Edison/ Woodbridge	6,226,436	838,229	32,385	14.0%	(3,506)	(31,116)	-	\$38.36	\$28.33
Princeton North	1,950,983	272,946	39,799	16.0%	7,940	58,579	-	\$28.80	\$25.54
Princeton South	17,303,248	1,210,185	196,859	8.1%	253,685	627,028	-	\$31.39	\$23.89
Route 22 West	5,368,710	258,907	467,748	13.5%	1,258	110,633	-	\$26.64	\$20.64
Route 287	9,510,644	1,195,487	128,660	13.9%	3,410	(21,832)	-	\$23.09	\$21.95
Route 78 East	16,188,844	1,781,475	211,027	12.3%	(713,401)	(547,492)	-	\$28.42	\$24.27
Union	4,464,808	434,819	20,682	10.2%	16,635	119,274	205,111	\$27.50	\$23.13
Central NJ	90,387,942	8,834,138	1,389,654	11.3%	(384,492)	686,609	313,523	\$30.57	\$24.12
New Jersey	212,653,864	25,184,199	2,568,053	13.1%	154,566	2,730,798	1,265,273	\$32.62	\$25.41

# New Jersey Economy



## Unemployment slightly rises as more people enter the workforce

As of November 2019, New Jersey's seasonally adjusted unemployment rate rose 30 basis points since September of this year. The unemployment rate is now 3.4 percent and remains 10 basis points lower than the national rate of 3.5 percent. The uptick in unemployment was caused by more individuals entering the workforce and actively looking for jobs. Since September 2019, about 53,000 new people entered the workforce.

## American Dream finally opens with high hopes it brings a boom to the economy

During the fourth quarter of 2019, American Dream Meadowlands finally opened its doors (kind of). The on-again-off-again megamall project (~3m sf) that was first proposed in 2003 executed their first two stages of their four-stage opening. On October 25th they opened the Nickelodeon Amusement Park and ice-skating rink, and on December 5th, they opened Big Snow American Dream ski slope, the first indoor snow park in North America. The remaining two stages of the opening, including a water park, over 450 retail stores, and over 100 eateries are expected to be completed by the end of the first quarter of 2020.

This megamall is anticipated to create a boost to the New Jersey economy through a variety of ways including, a projected 16,000 jobs to the area, sales taxes, and tourism. But this expected boom came at a very steep price. While there is no exact number, experts have estimated that more than \$1 billion

could be dependent upon the success or failure of American Dream through local tax incentives, state-owned land, and transportation upgrades.

The project has had an effect on other malls in the state that are looking to compete with the behemoth in the Meadowlands. Westfield Garden State Plaza in Paramus, one of the largest malls in the state, announced that it will be turning itself into a mixed-use town center. They are expecting to have parks, transit centers, stores, restaurants, and apartments. This transformation is expected to be completed by 2022. The Monmouth Mall in Eatontown near the Jersey Shore is also looking to redevelop themselves into a more "experiential" mall with more dining, entertainment, medical, and apartments. Other malls in the state that are undergoing changes include the Willowbrook Mall, Paramus Park Mall, and Rockaway Townsquare.

American Dream has also had an effect on the decision-making process of other "experiential" tenants such as bowling alleys, movie theaters, and amusement centers. Retail professionals are finding that these types of users are taking a "wait and see" approach. They are trying to determine if the high density of entertainment providers at the megamall monopolize the entertainment seeking clientele.

Everyone from real estate professionals to politicians to the taxpayers will be keeping a close eye on the self-described "style and entertainment destination" to see if American Dream is successful and if they rise to their own lofty expectation to become a worldwide destination and compete with attractions like Disney World.