
2Q24

Southern New Jersey Office Market Overview



NEWMARK

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Market Observations

Economy

- Employment in the Camden MSA has increased by 2.6% over the past 12 months, significantly outpacing the national 12-month growth rate of 1.7%. The Camden MSA's unemployment rate registered 4.4% as of May, having declined 60 basis points since the beginning of 2024.
- Job gains for the 12 months ending May 2024 were driven by the Education & Health, Construction, Leisure & Hospitality and Government sectors, which each grew more than 3%. These sectors collectively employ 45.9% of the Camden MSA's labor force.
- Office-using employment in the Camden MSA totaled approximately 119,100 jobs in May, only 600 jobs below the record set in June 2023.

Major Transactions

- Cherry Hill, one of the premier submarkets of Southern New Jersey, captured the largest leases of the quarter as well as the most leasing activity, including Signature Workspaces' lease of 11,251 square feet at 2000 Route 38.
- Lease sizes trended smaller in the first half of 2024, with the average size being 3,331 square feet during the second quarter. Despite this, there's an expectation for more significant leases in the near term, as the current average space requirement stands at 13,079 square feet.

Leasing Market Fundamentals

- In Q2 2024, the market saw a net decrease in occupancy with absorption totaling -10,635 square feet. The decline was predominantly in Class B and Class C offices, which recorded -36,805 and -9,671 square feet of absorption, respectively. The Class A market recorded positive absorption of 35,841 square feet during the quarter.
- Southern New Jersey's average asking rate reached a new all-time high of \$22.10/SF in the first quarter of 2024 and was essentially unchanged in the second quarter, registering \$22.07/SF. After seven consecutive quarters of positive quarter-over-quarter rent growth, the trend moderated in the second quarter with a slight 0.1% decline from the prior quarter. Still, rents remain at a healthy level close to an all-time high.
- At the end of the second quarter, total tenant demand as a percentage of inventory was 1.6%, ten basis points higher than the previous quarter.

Outlook

- The last major delivery in Southern New Jersey was in 2019, and the current lack of a pipeline is benefiting the market and keeping vacancy stable. Since the third quarter of 2022, vacancy has remained within 100 basis points of the long-term average of 15.8%.
- While demand has begun to moderate and lease sizes trended smaller during the first half of 2024, larger users remaining in the market for office space will translate into positive absorption later in the year.
- Average rents in Southern New Jersey have fully recovered and currently exceed pre-2020 levels due to substantial year-over-year increases in 2022 and 2023. Still, current evidence suggests rent growth is beginning to moderate. For the past three quarters, asking rents have shown little movement, remaining within \$0.03 of the current second-quarter average rate.

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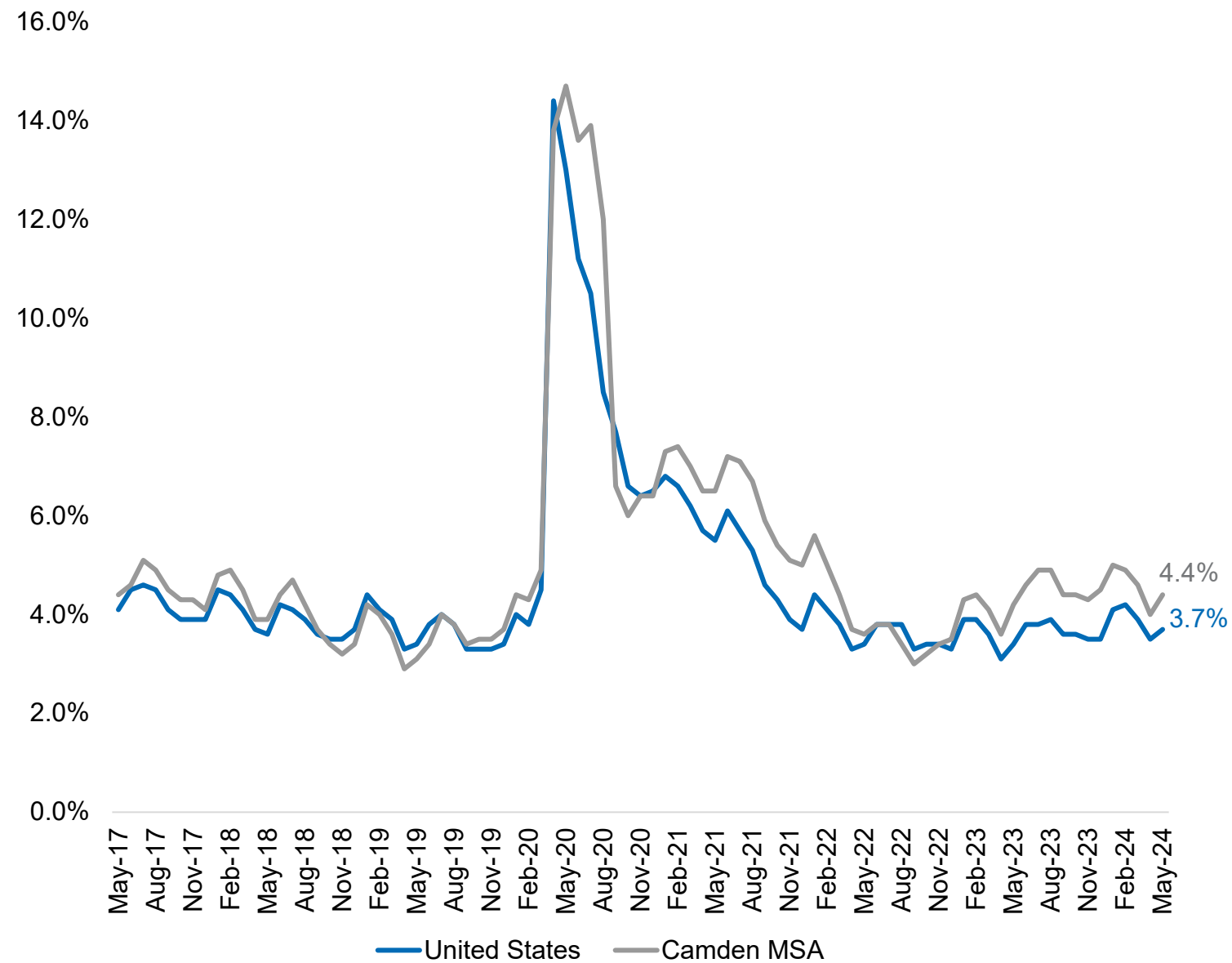
Economy



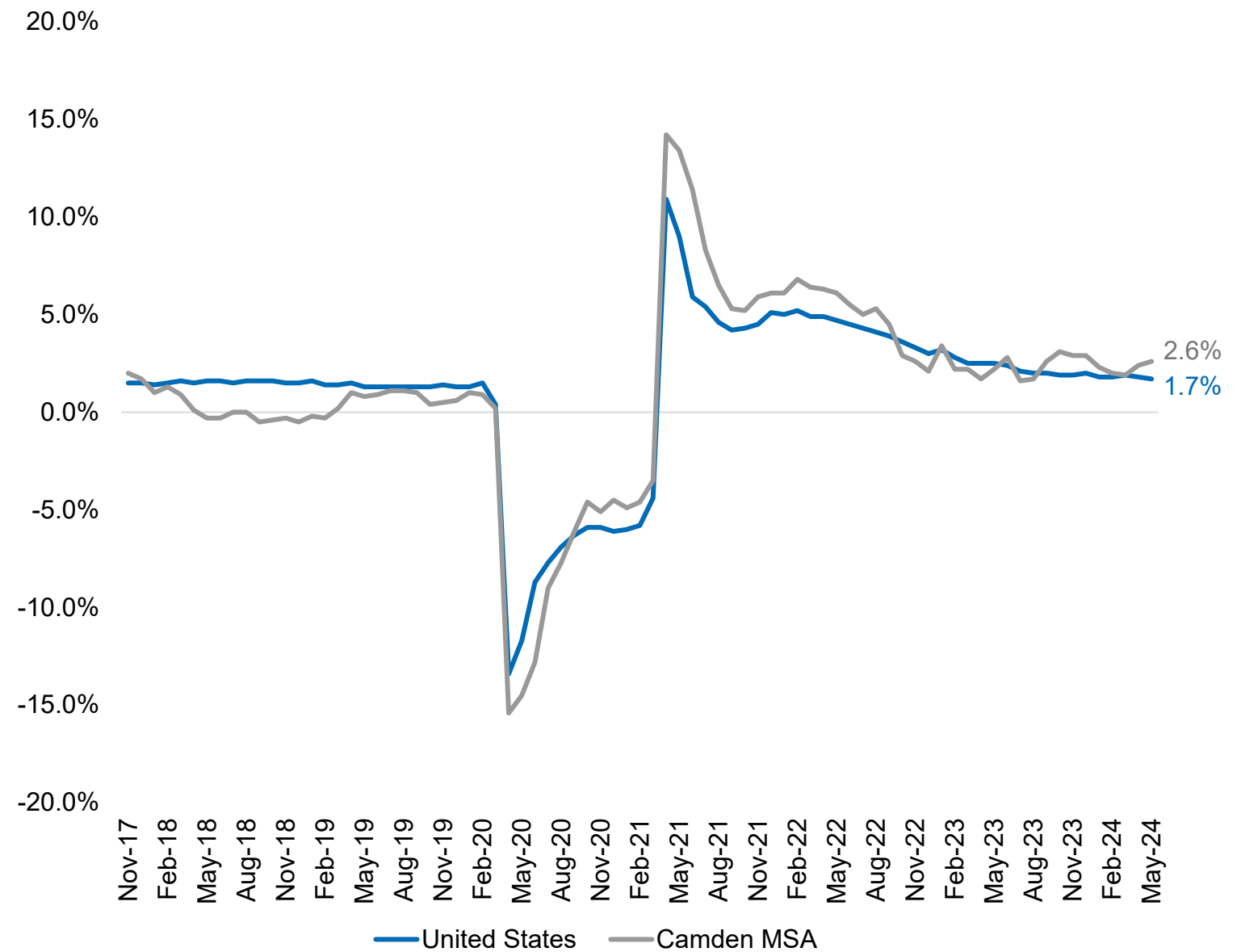
Regional Employment Growth Outpaces National Average

Employment in the Camden MSA has increased by 2.6% over the past 12 months, significantly outpacing the national 12-month growth rate of 1.7%. The Camden MSA's unemployment rate registered 4.4% as of May, having declined 60 basis points since the beginning of 2024. However, it remains 70 basis points higher than the national rate.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

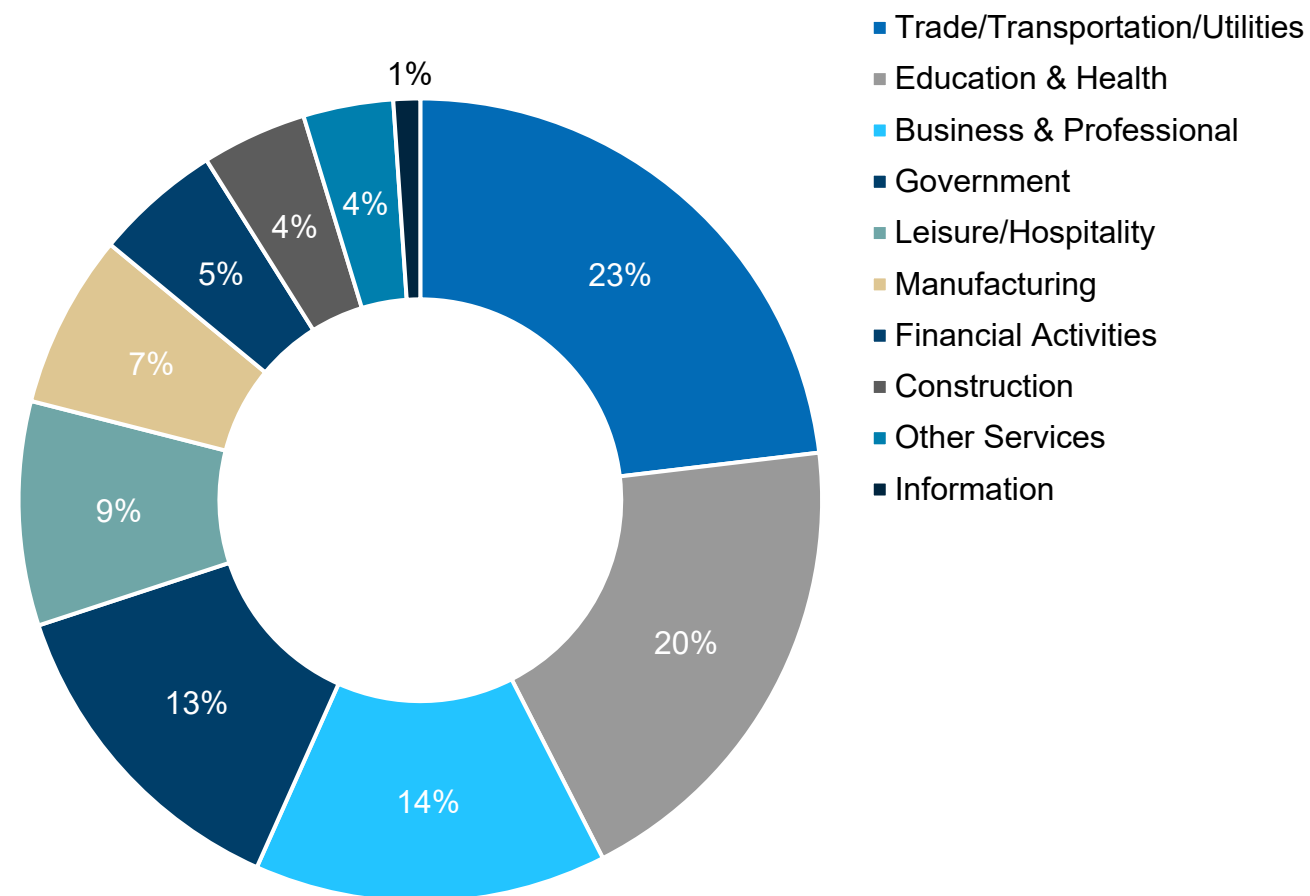


Source: U.S. Bureau of Labor Statistics, Camden Metro Division

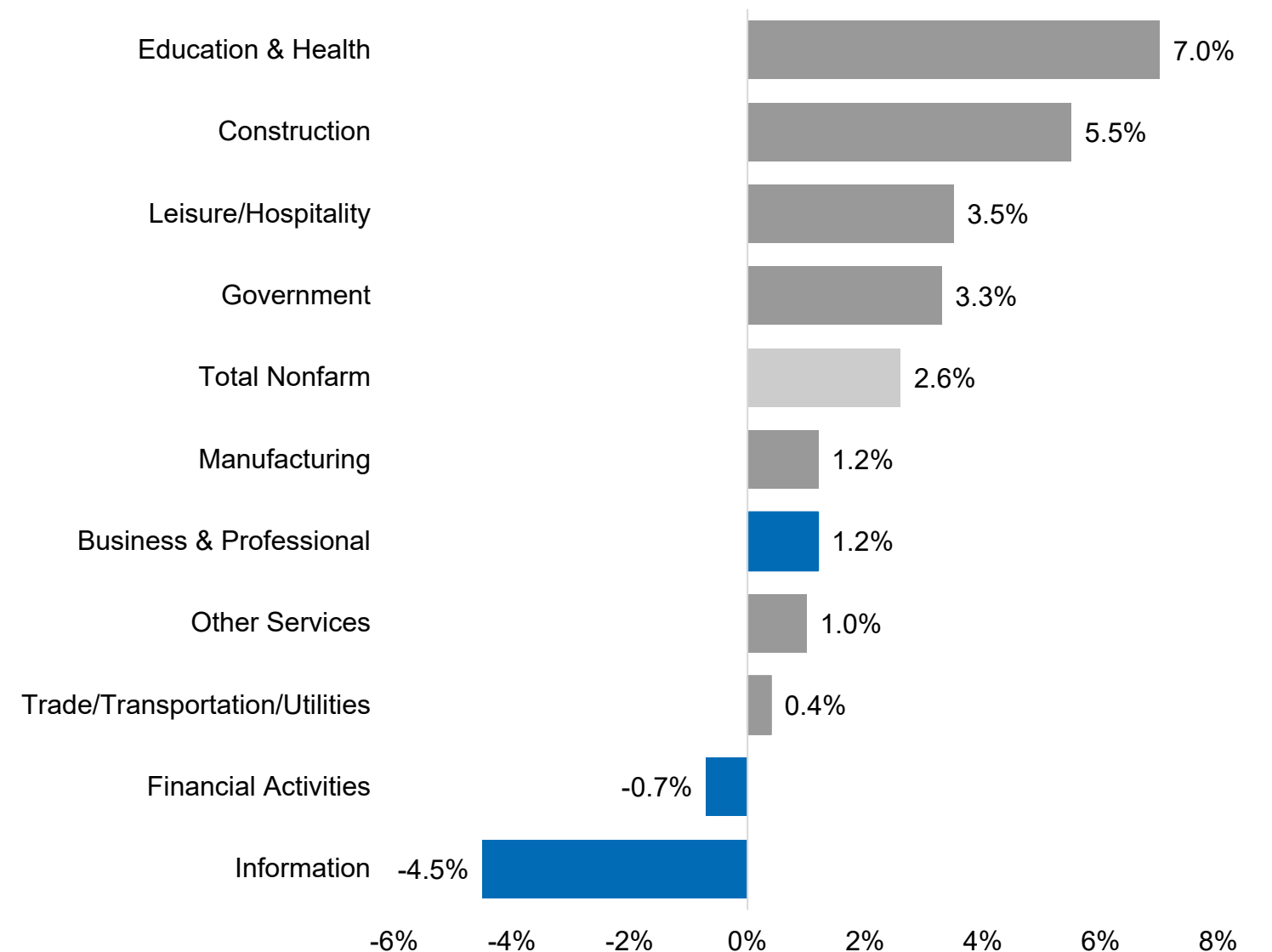
Job Growth Driven By Southern New Jersey's Largest Industries

Job gains for the 12 months ending May 2024 were driven by the Education & Health, Construction, Leisure & Hospitality and Government sectors, which each grew more than 3%. These sectors collectively employ 45.9% of the Camden MSA's labor force. Meanwhile, the two sectors that experienced job losses over these 12 months—Financial Activities and Information—account for only 6.2% of the regional labor force. Accordingly, the region as a whole grew a robust 2.6%.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

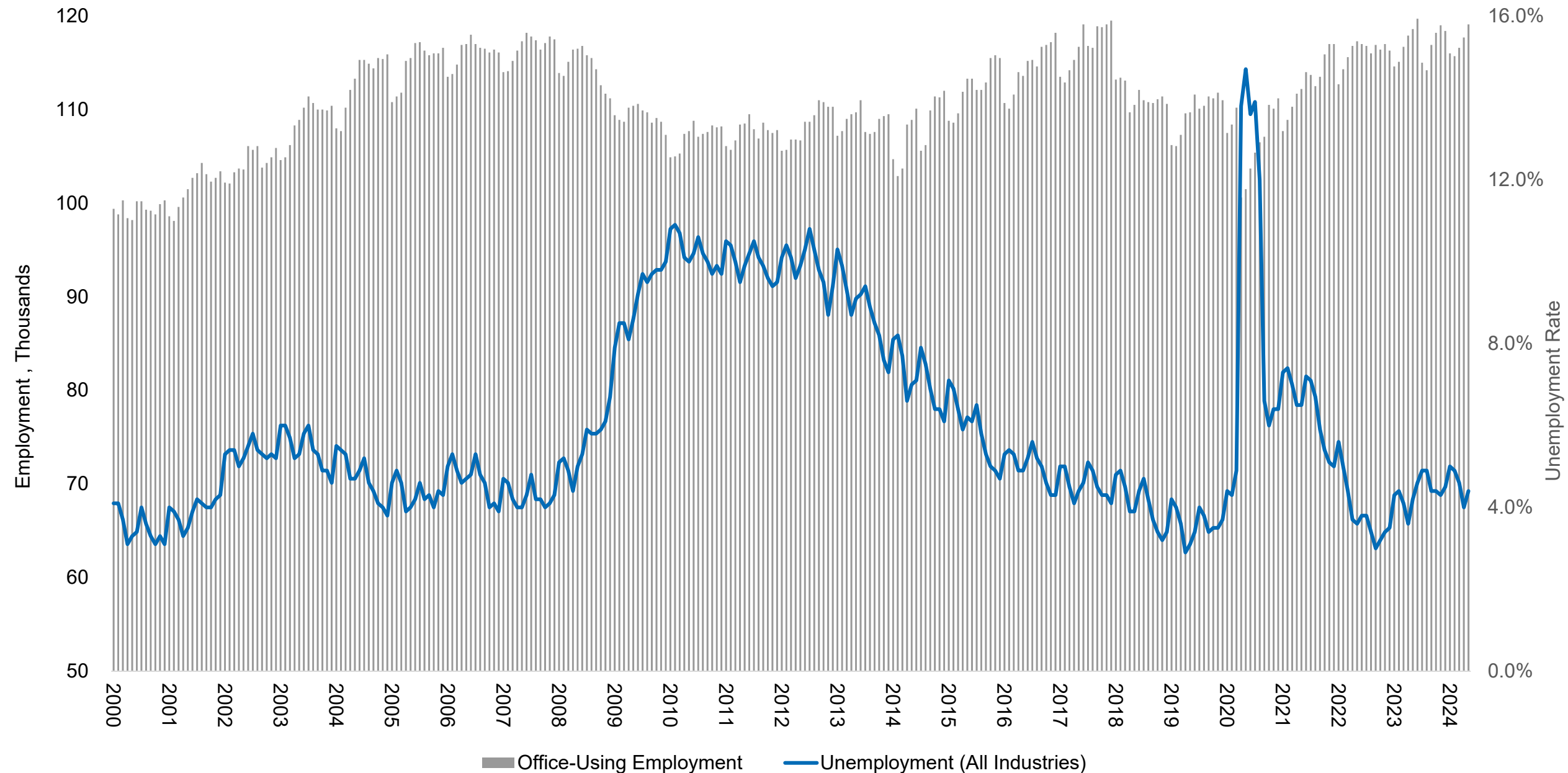


Source: U.S. Bureau of Labor Statistics, Camden Metro Division

Office-Using Employment Grows In Southern New Jersey

Office-using employment in the Camden MSA totaled approximately 119,100 jobs in May, only 600 jobs below the record set in June 2023. While the Financial Activities and Information sectors have experienced job losses for the 12 months ending in May, the region's largest office-using sector, Professional & Business Services, grew by 1.2%.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Camden Metro Division

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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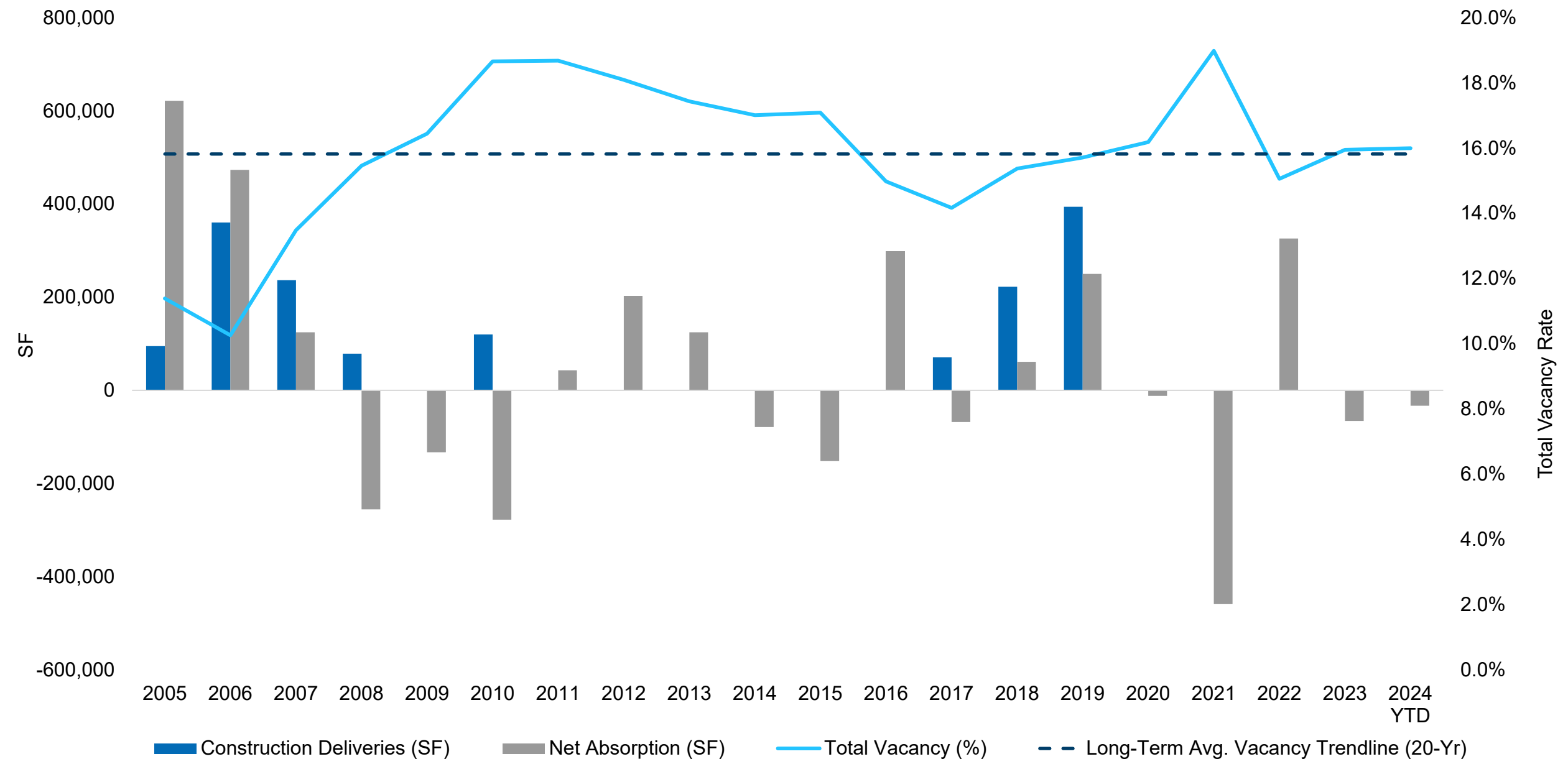
Leasing Market Fundamentals



Vacancy Edges Higher But Shows Signs Of Stabilization

Southern New Jersey's second-quarter office vacancy rate registered 16.0%, a slight increase of 10 basis points from the previous quarter and 20 basis points from a year ago. While Class A properties have generally retained occupancy, the rise in vacancy has been driven by occupancy declines in Class B and Class C properties. During the first half of 2024, absorption for Class A properties totaled 52,310 square feet, while Class B and Class C's totaled -85,331 square feet.

Historical Construction Deliveries, Net Absorption, and Vacancy

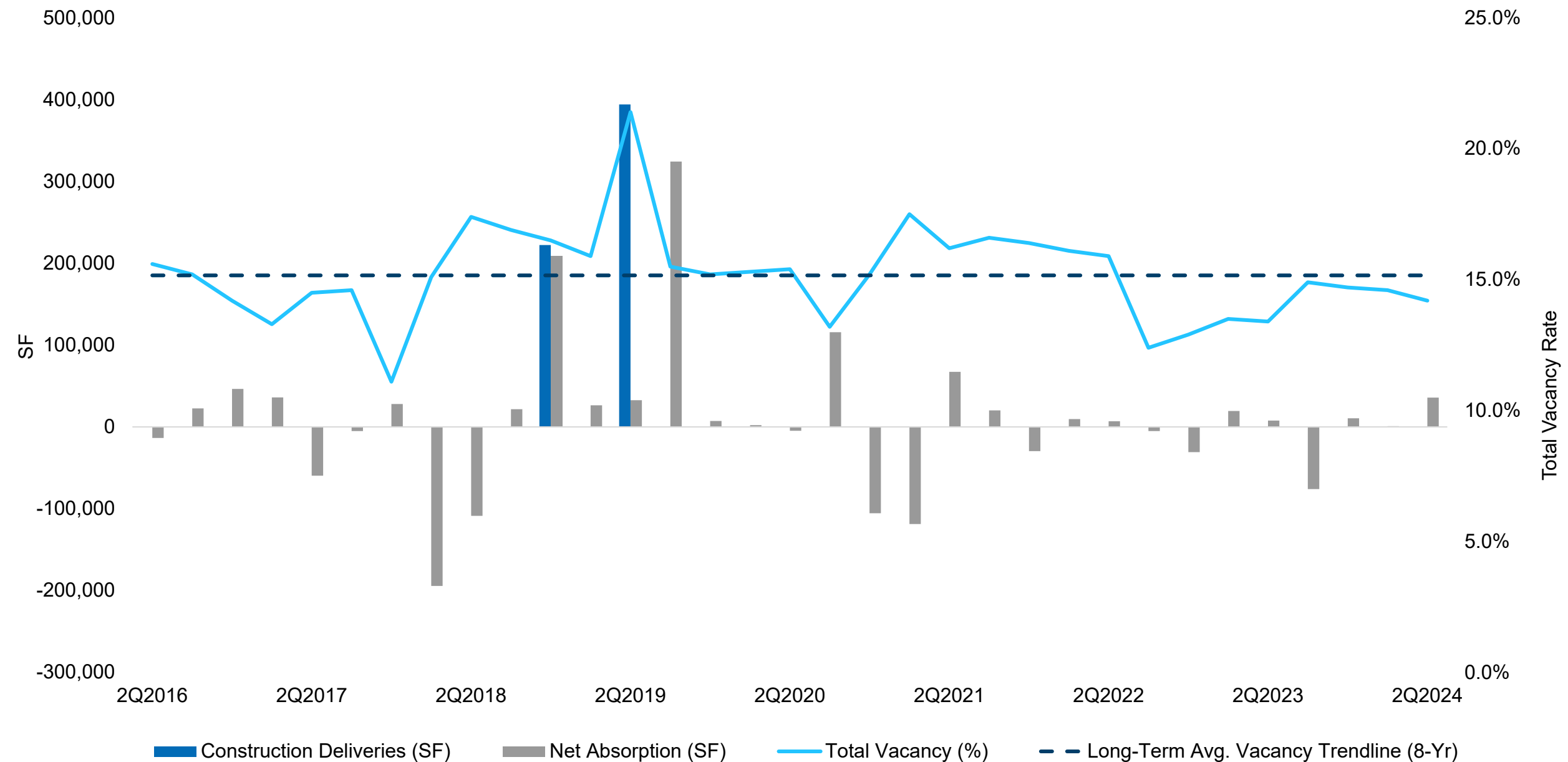


Source: Newmark Research

Class A Properties Continue To Outperform The Broader Market

During the second quarter of 2024, Southern New Jersey's Class A market continued to outperform the broader market, with moderate positive absorption marking the third consecutive quarter of declining vacancy. The Class A vacancy rate stood at 14.2%, 180 basis points lower than the overall market rate, and this gap has averaged 170 basis points since 2020. This represents a significant shift from the pre-2020 dynamics when the delta between Class A and the broader market averaged only 40 basis points from 2016 to 2019.

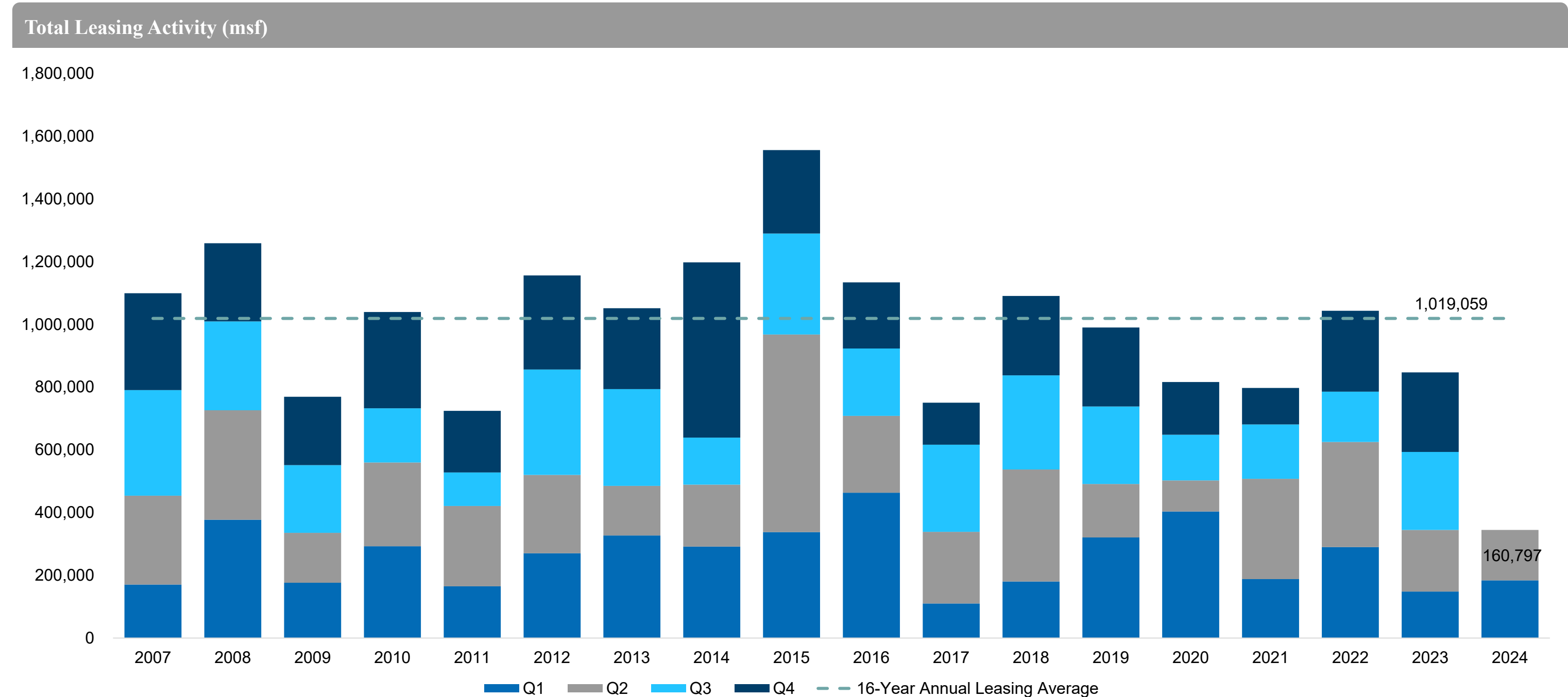
Historical Construction Deliveries, Net Absorption, and Vacancy For Class A Offices



Source: Newmark Research

Leasing Volumes Are Modest But Activity Was Strong

During the second quarter of 2024, leasing volume totaled approximately 160,000 square feet, 25% lower than the 2020-present average. Even with lower leasing volumes, activity remained healthy. According to leasing data from CoStar, approximately 57 leases were signed during the second quarter, with an average size of 3,331 square feet. The absence of significant transactions larger than 25,000 square feet resulted in overall volumes dipping below historical averages.

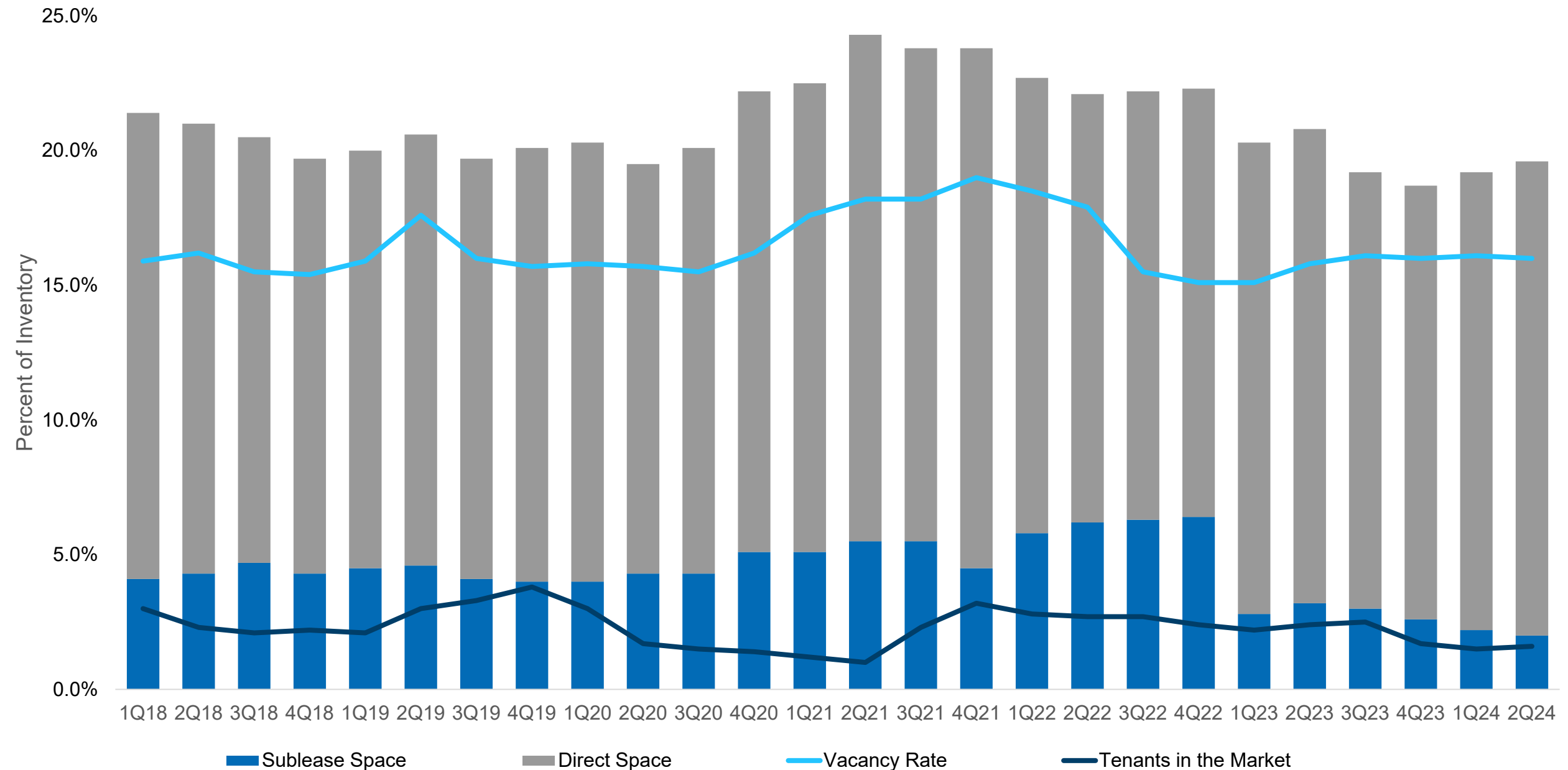


Source: Newmark Research, CoStar

Active User Demand Translates To Signed Leases In The First Quarter

At the end of the second quarter, total tenant demand as a percentage of inventory was 1.6%, 10 basis points higher than the previous quarter. While demand has begun to moderate, larger users remaining in the market for office space will translate into positive absorption later in the year.

Available Space and Tenant Demand as Percent of Overall Market

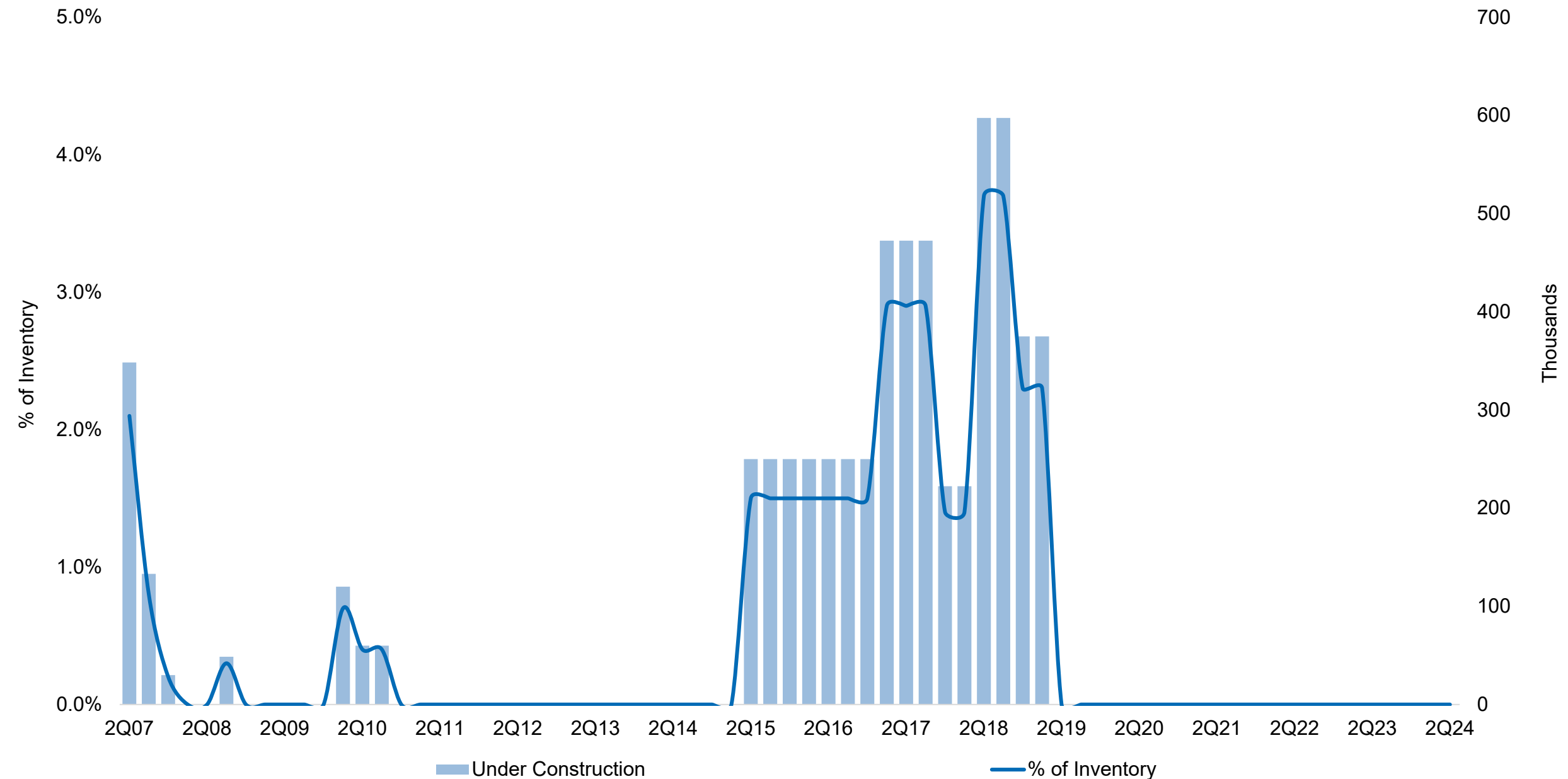


Source: Newmark Research

A Non-Existent Pipeline Provides Benefits To The Market

The last major delivery in Southern New Jersey was at 2 Cooper Street in Camden in 2019, and the current lack of a pipeline is benefiting the market. For new development to be feasible, demand needs to be strong enough to absorb an additional 200,000-300,000 square feet. Additionally, further right-sizing and the removal of obsolete spaces are necessary prerequisites for development.

Office Under Construction and % of Inventory

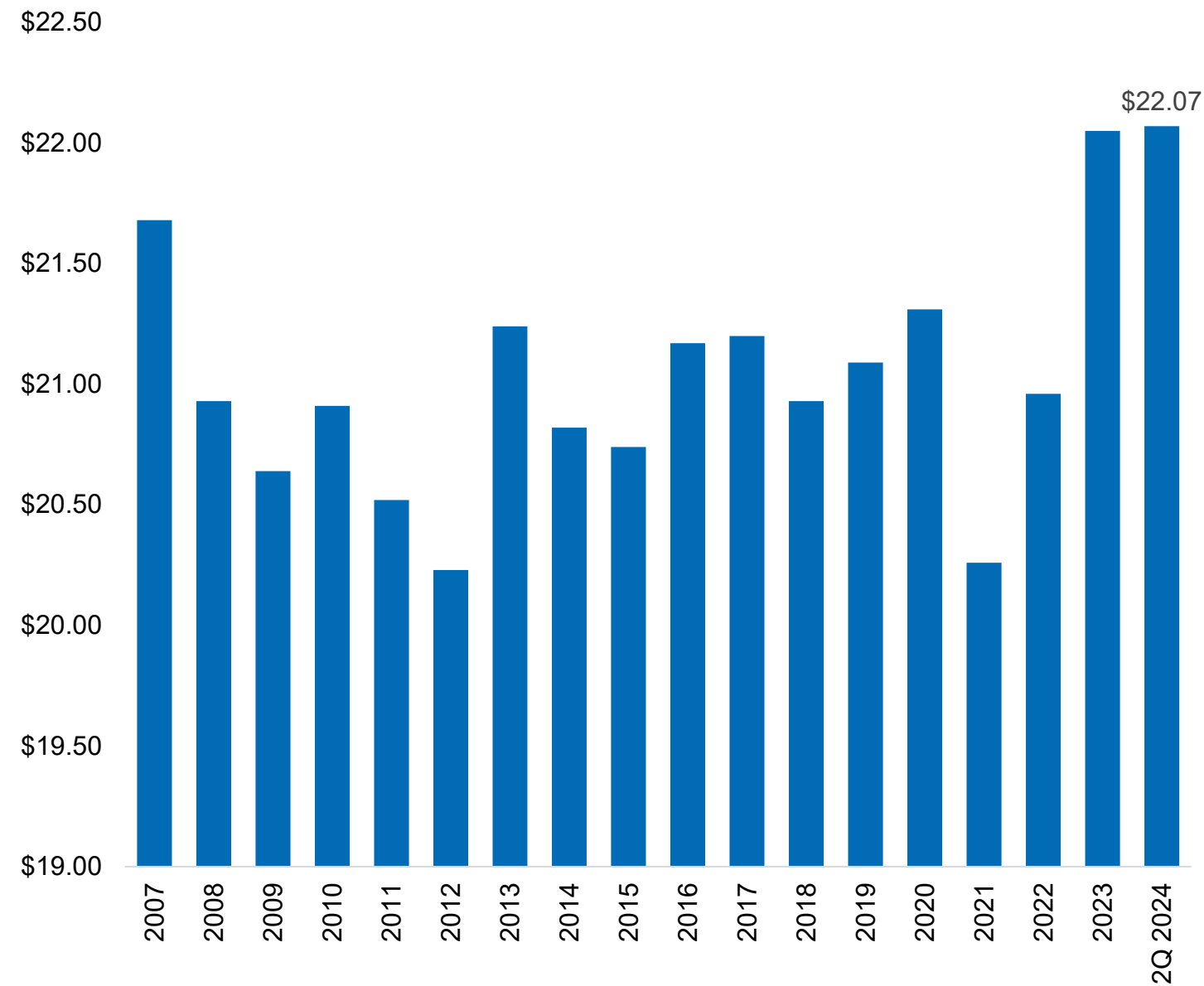


Source: Newmark Research, CoStar

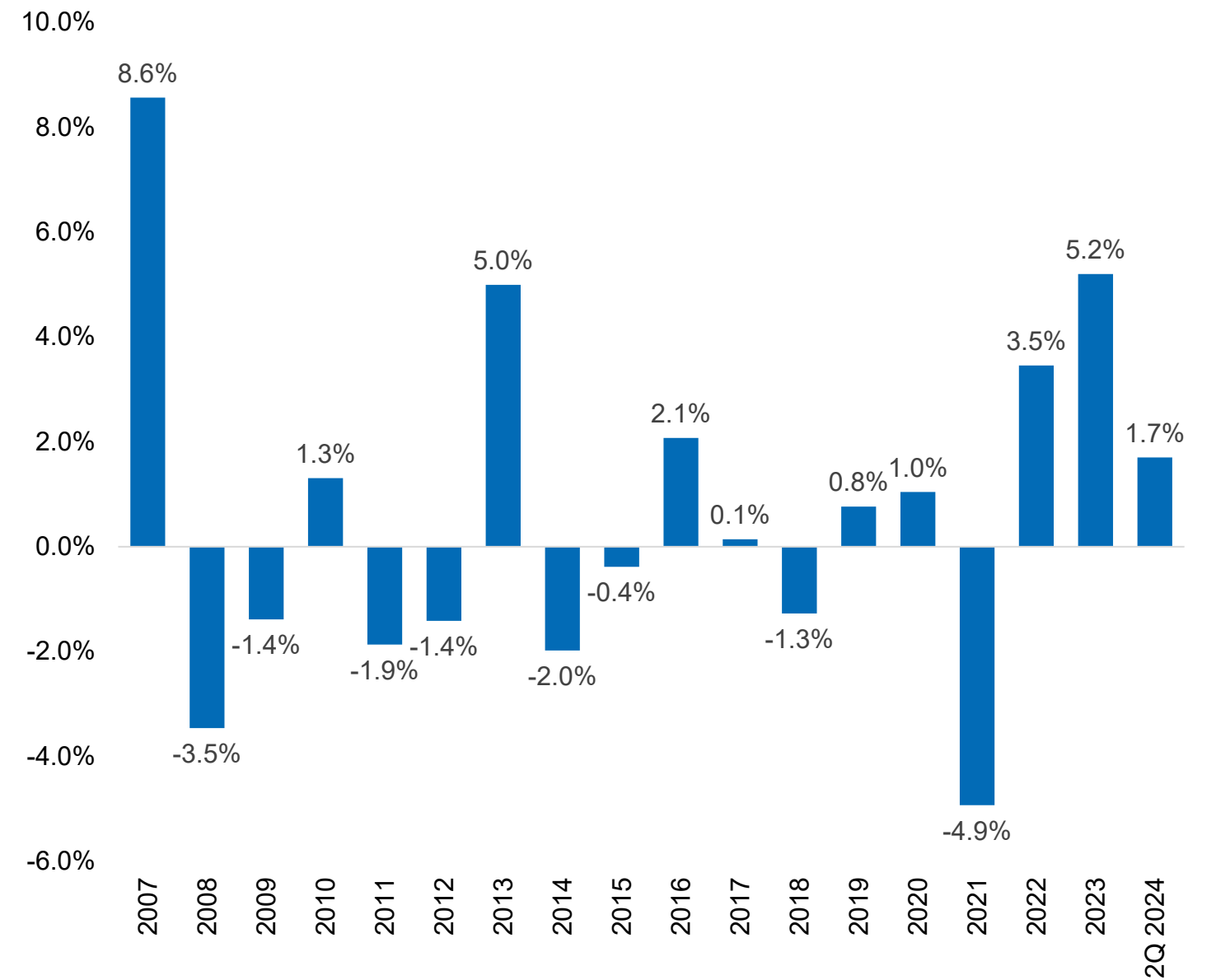
Rents Climb Upward But Moderation Is Evident

Average rents in Southern New Jersey have fully recovered and currently exceed pre-2020 levels due to substantial year-over-year increases in 2022 and 2023. Still, current evidence suggests rent growth is beginning to moderate. Asking rents averaged \$22.07 during the second quarter, essentially even with the previous quarter. For the past three quarters, asking rents have shown little movement, remaining within \$0.03 of the current second-quarter average rate.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

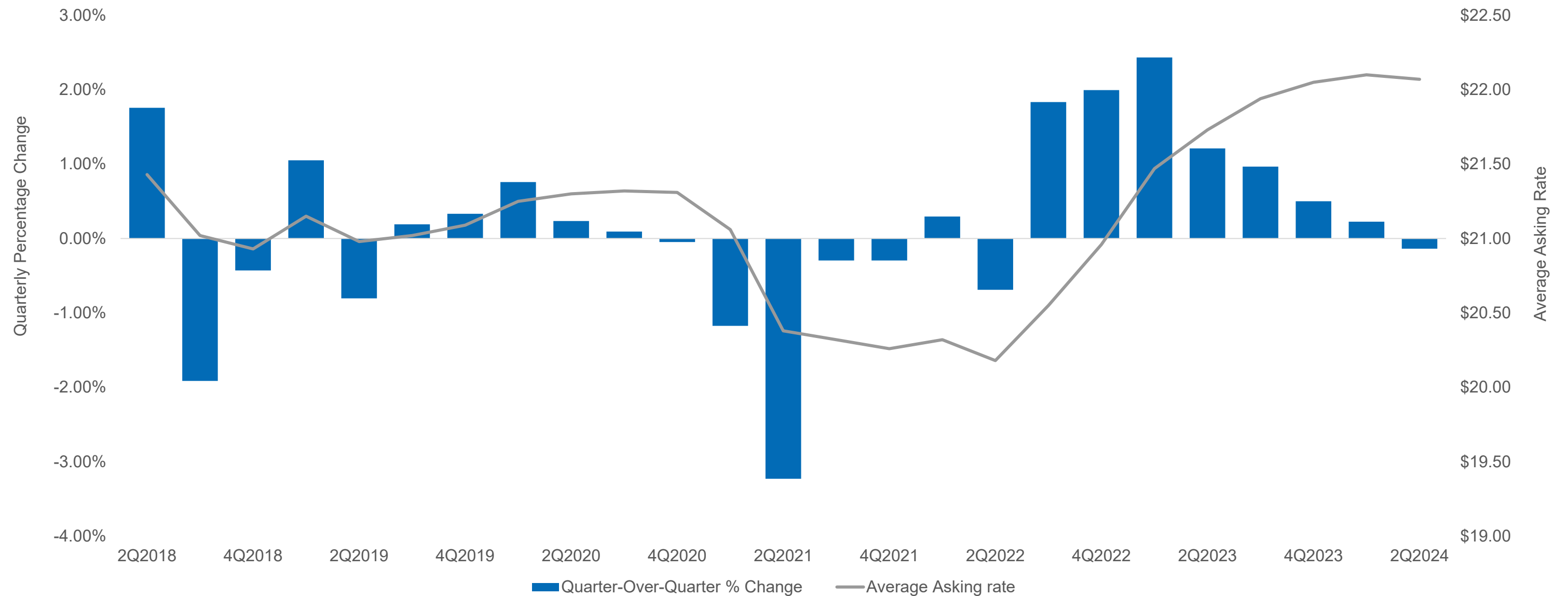


Source: Newmark Research

The Pace Of Asking Rate Increases Have Slowed

Southern New Jersey's average asking rate reached a new all-time high of \$22.10/SF in the first quarter of 2024 and was essentially unchanged in the second quarter, registering \$22.07/SF. After seven consecutive quarters of positive quarter-over-quarter rent growth, the trend moderated in the second quarter with a slight 0.1% decline from the prior quarter. Still, rents remain at a healthy level close to an all-time high.

Historical Asking Rents and Quarter-Over-Quarter Performance

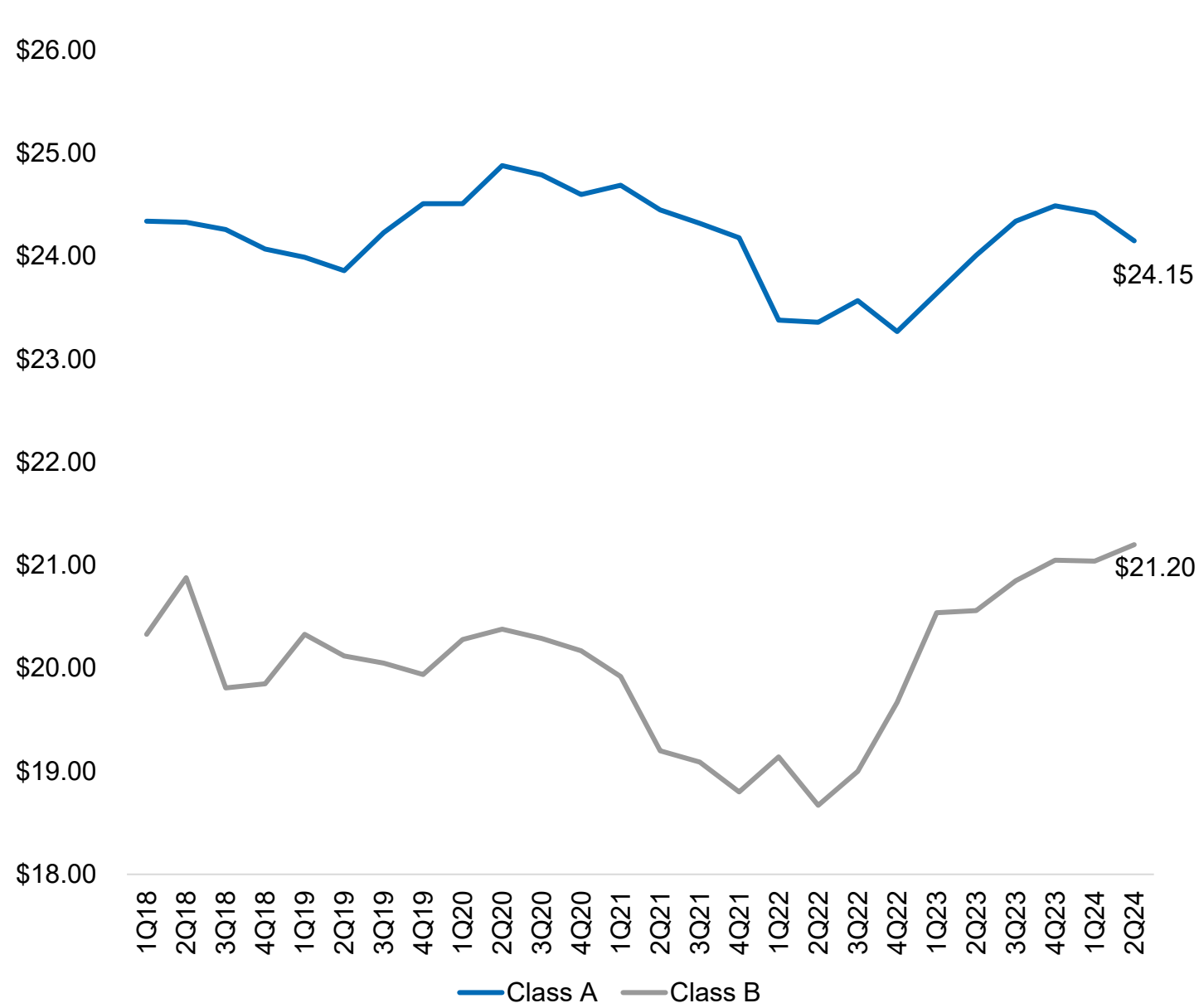


Source: Newmark Research

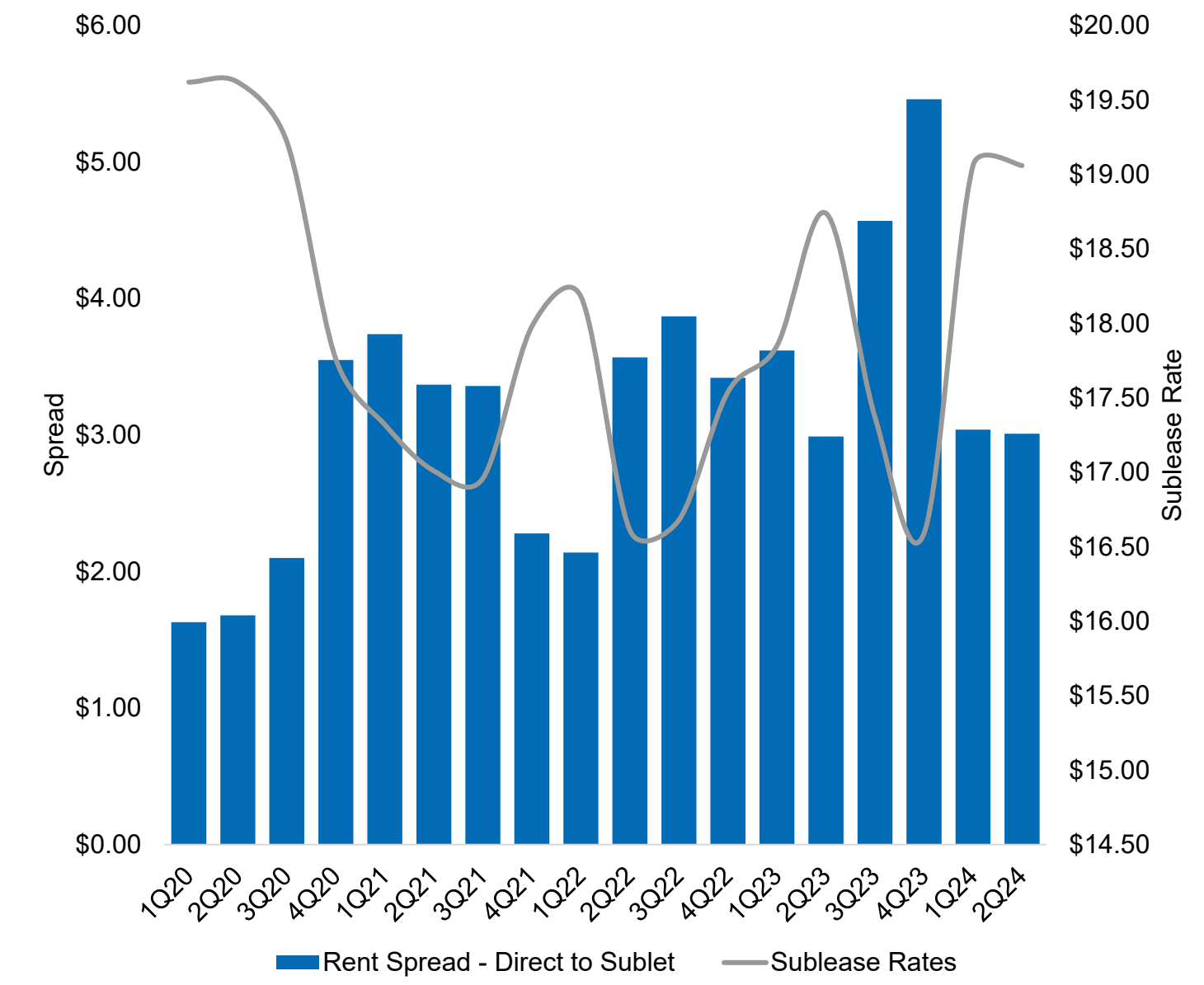
Class A Asking Rents Moderate while Class B Rents Increase

In contrast to leasing trends, Class B rents increased by 3.1% over the past year, while Class A rents declined from the prior quarter and grew by only 0.6% from a year ago. However, since asking rent averages are based on available space, higher-priced spaces getting leased and taken off the market may actually decrease the asking rent average. Sublease asking rents averaged \$19.06/SF during the second quarter, unchanged from the prior quarter and up 1.7% from a year ago.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Is Strong For Smaller Tenants

Lease sizes trended smaller in the first half of 2024, with the average size being 3,331 square feet during the second quarter. Cherry Hill, one of the premier submarkets of Southern New Jersey, captured the largest leases and leasing activity of the quarter.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Signature Workspace	2000 Route 38	Cherry Hill	Direct Lease	11,251
Children of America	1830 West Chapel Avenue	Cherry Hill	Direct Lease	10,000
Kremer Eye Center	1820 West Chapel Avenue	Cherry Hill	Direct Lease	7,128
Booster Enterprises	100 Dobbs Lane	Cherry Hill	Direct Lease	3,100
Vaugh Baio & Partners LLC	525 South Route 73	Mount Laurel	Direct Lease	3,000

Source: Newmark Research, CoStar

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Appendix





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