

INVESTMENT FORECAST

Office
Northern New Jersey Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Reinforced Demand Across Class Segments Aids Both Waterfront and Inland Offices

Leasing activity grows as firms refine their long-term space needs. The market's office vacancy is set to tighten further in 2025 following last year's decline — the first subsequent to 2019. Tenants were drawn to cost-effective suburban properties in Bergen and Morris counties in 2024, fueling the strongest Class B/C net absorption since before the pandemic. Major 2025 commitments, like Sanofi's 260,000-square-foot build-to-suit office in Morristown and Samsung's relocation to a larger facility in Englewood Cliffs, should sustain this momentum. In Jersey City, large renewals by Fidelity and Amazon, coupled with rising demand for premium office space, helped Hudson County achieve its strongest Class A net absorption since 2015. Leasing here should remain strong in 2025, driven by emerging lifestyle brands and tech firms securing 15,000-square-foot spaces, along with expanding legal tenants. Demand along the Hudson River may also rise if New York's congestion toll stays in place, prompting some firms to relocate, aided by New Jersey's \$500,000 incentive for companies establishing satellite offices in the state.

Rising tenant demand presents investment opportunities across quality tiers. After three years of declining local vacancy, investor activity in Morris County is expected to remain steady. Opportunistic buyers will likely continue targeting modern, high-vacancy properties with plans to improve occupancy, though tightening vacancy could create more opportunities to acquire well-leased assets. Institutional interest is likely to focus on premium office properties in urban areas like Jersey City, where Class A vacancy fell by nearly 200 basis points last year. Meanwhile, private investors seeking stable cash flows may focus on sub-50,000-square-foot buildings in close-in suburbs in Essex and Union counties, where Class B/C vacancy hit all-time lows of around 5 percent last year.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: Metro employers are set to add 15,000 workers this year, slightly surpassing 2024's total. Of these, 3,000 will be office-using roles, marking a rebound after significant declines last year.

425,000
sq. ft.



CONSTRUCTION: Following a record-low delivery slate in 2024, completions will rise modestly, but stay near historical lows. Notable additions are limited to Hudson and Morris counties.

-60 bps



VACANCY: Expectations for improved office-centric hiring helps vacancy decline this year. At 16 percent, the metro's rate will roughly align with its long-term average and stay below the national mean.

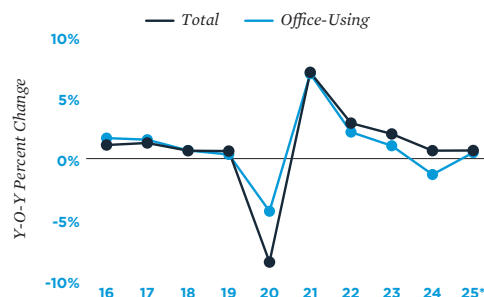
+1.3%



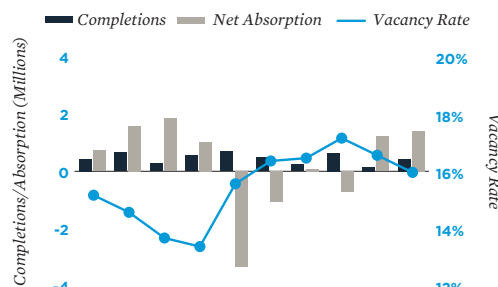
RENT: Declining vacancy will keep rent growth in line with the metro's long-term average, outpacing all major northeast markets. The mean asking rent will reach \$27.77 per square foot by year-end.

INVESTMENT: *Small business optimism at a six-year high may boost leasing at Class B/C properties. The metro's low-tier vacancy ranking fifth lowest of major U.S. markets at the end of last year may also attract investors.*

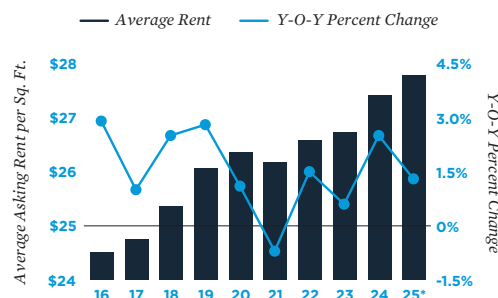
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

New Jersey Office:

Jim McGuckin

Senior Vice President, Regional Manager

250 Pehle Avenue, Suite 501

Saddle Brook, NJ 07663

Tel: (201) 742-6100 | jim.mcguccin@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.