



Southern New Jersey Office Market

Despite Increase in Overall Vacancy, Sublease Volume Slows

The Southern New Jersey office market continues to face issues related to COVID-19 and the Delta variant. Economic uncertainty is causing many tenants to delay decisions on their real estate needs. Activity in the market is slowly increasing but has not yet returned to pre-COVID-19 levels. We expect this trend to continue as employers become more comfortable with returning to the office, which is not likely to occur until early 2022. Some long-term leases are being signed; however, larger national tenants tend to be on the sideline as much as possible waiting for conditions to improve. On the plus side, landlords are holding steady on their asking rental rates, although they are improving overall deal economics through increased concessions, especially for longer-term transactions.

The overall vacancy rate increased to 18.9%, up from 18.2% in the previous quarter, and 320 basis points higher than a year ago when the rate was 15.7%. Most of the additional space this quarter was direct, rather than sublease, which was the trend during the first half of 2021. The amount of available sublease space expanded by only 0.6% quarter-over-quarter, after increasing by 8.2% during the first six months of the year. Average asking rental rates grew to \$18.96/SF, a 0.1% uptick from the second quarter; still down from a year ago by 9.3%, when the rate was at \$20.90/SF. Quarterly absorption was -66,945 square feet; an improvement from the second quarter's -101,987 square feet.

Current Conditions

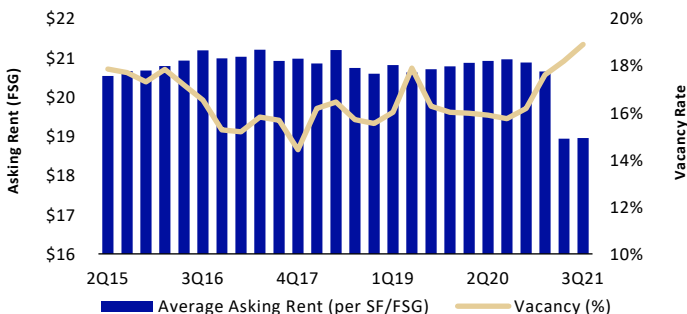
- Vacancy climbed to 18.9% in the third quarter of the year, up 70 basis points from the second quarter of 2021.
- Average asking rents for all classes remained fairly level from the previous quarter. Increasing slightly to \$18.96 per-square-foot.
- Sublease volume increased marginally to 953,476 square feet in the third quarter, a 0.6% increase since the second quarter.

Market Summary

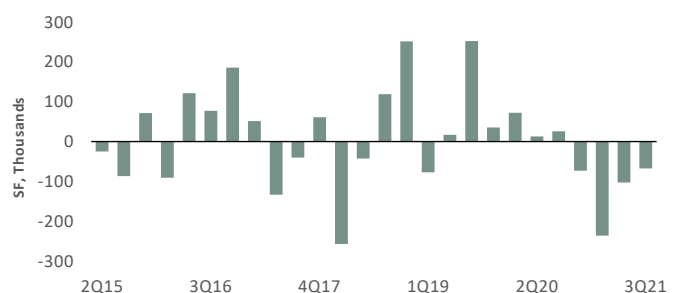
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	16.8M	16.8M	16.8M	→
Vacancy Rate	18.9%	18.2%	15.7%	↑
Quarterly Net Absorption (SF)	(66,945)	(101,987)	8,928	↓
Average Asking Rent/SF	\$18.96	\$18.94	\$20.90	↓
Under Construction (SF)	0.0	0.0	0.0	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q3 2021

While leasing velocity remains slow, there were some notable leases signed during the third quarter. The largest was by Edmund Optics for 27,812 square feet at 101 Woodcrest Road in Cherry Hill. In the Marlton submarket, WestRock signed for 14,449 square feet of space at 10 Stow Road. In Mount Laurel, AnnieMac Home Mortgage renewed its lease at 700 East Gate Drive for 12,410 square feet and First Children leased 11,350 square feet at 11000 Commerce Parkway. In Voorhees, CH Robinson leased 5,849 square feet at 220 Laurel Road in the Voorhees Town Center.

As the Southern New Jersey office market closes out the year, expect a rise in vacancy but not at the pace experienced during the first half of the year. Rents are anticipated to remain flat as landlords remain firm in their asking rates but they will be more flexible with other concessions on longer-term leases. Negative absorption is projected to climb at a slower pace in the fourth quarter, ending the year in negative

territory.

Owners of certain single-story properties face leasing challenges and are well-aware that demand for industrial space is robust, particularly in Burlington County, where a limited number of new options exist in smaller sizes. Consequently, we may see some office to flex/warehouse conversions over the next couple of quarters. With the retail sector's occupancy struggles, property owners are reevaluating their options to utilize this unoccupied space and there could also be an uptick in retail-to-medical office conversions similar to what occurred at the former Sears store in the Moorestown Mall where the 165,000-square-foot facility was repurposed by Cooper University Health Care.

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Cherry Hill	3,658,936	-	21.9%	33,660	-85,679	\$23.33	\$20.20	\$20.43
Marlton	2,481,145	-	18.0%	14,133	25,917	\$24.90	\$15.13	\$18.65
Moorestown	1,047,939	-	17.5%	2,958	25,906	\$25.25	\$19.92	\$21.30
Mount Laurel	5,886,235	-	19.3%	-36,568	-261,712	\$21.01	\$16.19	\$17.79
Pennsauken/Camden	2,442,317	-	9.6%	-1,072	3,758	\$27.90	\$15.15	\$18.24
Voorhees/Gibbsboro	1,336,748	-	28.3%	-80,056	-112,330	\$26.25	\$17.17	\$17.75
Market	16,853,320	-	18.9%	-66,945	-404,140	\$23.11	\$17.46	\$18.96

Select Lease/User Transactions				
Tenant	Submarket	Building	Type	Square Feet
Edmund Optics	Cherry Hill	101 Woodcrest Road	New Lease	27,812
WestRock	Marlton	10 Stow Road	New Lease	14,449
AnnieMac Home Mortgage	Mount Laurel	700 East Gate Drive	Renewal	12,410
First Children	Mount Laurel	11000 Commerce Parkway	New Lease	11,350

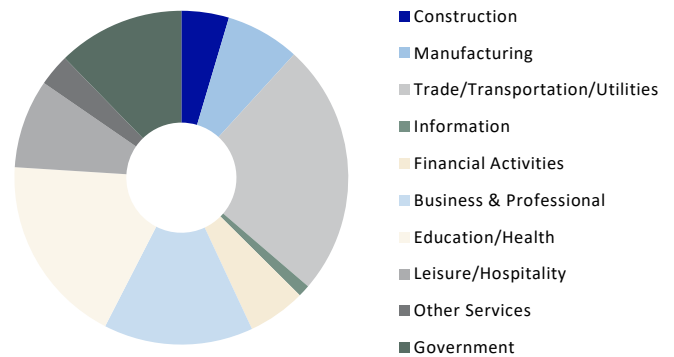
Economic Conditions

The unemployment rate for the Camden, New Jersey, metropolitan division declined from 7.9% in June to 6.7% in August. Payroll employment increased by 0.4% in August. Comparatively, a year ago, a decline of 7.6% was reported. The leisure and hospitality (+26.4%), business and professional services (+5.6%) and education and healthcare (+5.4%) sectors all experienced the largest gains over the past 12 months of all industries tracked in the Camden, New Jersey, metropolitan division.

The economic outlook for the remainder of the year and into early 2022 looks promising compared to the past several quarters. Large employers who are still remote are likely to make a return to the office in early 2022, which will spur additional growth in some sectors that are currently lagging behind. Expect payroll employment to increase and unemployment to decline further over the next six months.

Employment by Industry

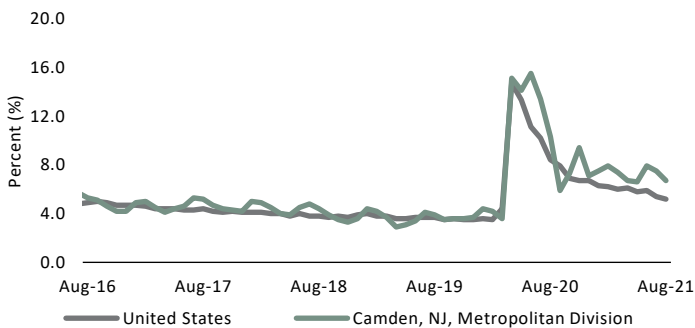
CAMDEN, NJ METROPOLITAN DIVISION, 2021 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics, August 2021.

Unemployment Rate

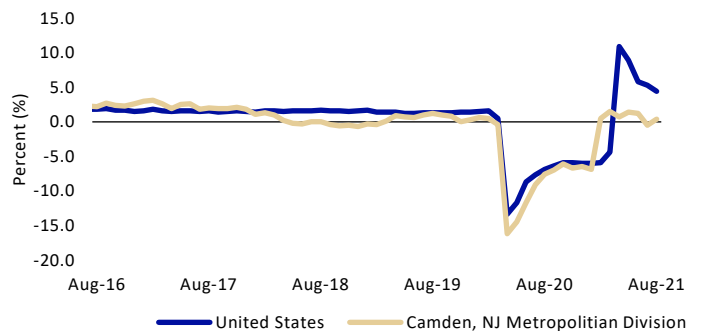
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, August 2021.

Payroll Employment (Total Nonfarm)

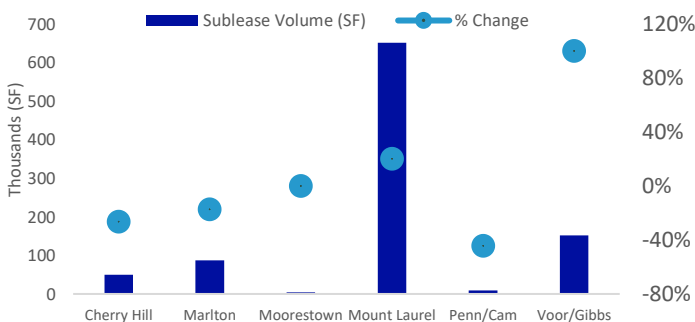
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, August 2021.

New Jersey Market Sublease Analysis

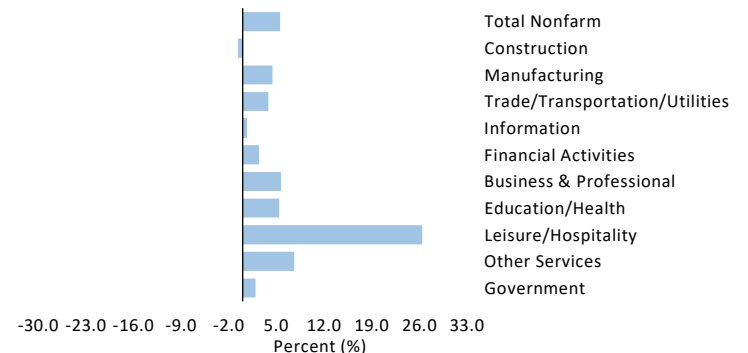
SQUARE FEET AND 12-MONTH % CHANGE, 2Q21



Source: Newmark Research, August 2021.

Employment Growth by Industry, August 2021

CAMDEN, NJ METRO DIVISION, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, August 2021.

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