

SOUTHERN NEW JERSEY OFFICE MARKET

QUIET DURING SHELTER-IN-PLACE, THE MARKET BEGINS TO STIR AS ECONOMY REOPENS

New Jersey was under a shelter-in-place mandate for nearly the entire duration of the second quarter of 2020, following the government response to the global pandemic. As a result, activity in the Southern New Jersey office market was muted over the past three months. The shelter-in-place mandate ended on June 9th, but New Jersey was among the states hardest hit by the initial coronavirus wave and in light of the ongoing health threat, some office tenants have elected to maintain some or all employees on an indefinite work-from-home schedule.

Very few office occupancies – or vacancies – occurred during the second quarter, and those that did transpire were by small-footprint tenants, such as Advanced Diagnostics Laboratory, which occupied 2,250 SF at 1030 Kings Highway in Cherry Hill, relocating from New Brunswick, New Jersey. There were no moves recorded by tenants over 10,000 SF. In all, the market accumulated just under 9,000 SF of positive absorption in the second quarter, and overall vacancy remained unchanged from the first quarter at 15.7%. However, multiple new leases signed during this period of market disruption, including the largest new lease of the quarter, a 20,218-square-foot new space for Virtua Health at 406 Lippincott Drive in the Marlton submarket. This was an especially encouraging transaction considering the economic blow dealt to the healthcare industry as elective health procedures were put on hold for nearly two months during the shelter-in-place mandate.

The outlook for the Southern New Jersey office market is evolving. Few sublease spaces were added to the market in the second quarter, but that may change in the quarters to come as tenants reevaluate space needs due to economic hardship or, find they need less space overall upon converting some of their workforce to permanent or periodic work-from-home status. Some prognosticators take a different view, believing social distancing in the workplace may mitigate an uptick in vacancy as companies expand their footprint to adhere to new re-boarding policies. In addition, the region benefits from a strong concentration of financial and medical tenancy, which may experience growth: the financial services sector has demonstrated more resiliency to job losses; indeed, the sector has seen an increase in work managing clients' myriad financial needs and processing new loans driven by national legislation. The medical sector, as evidenced by Virtua's lease this quarter, may continue to expand to meet an aging population's health needs in safe, accessible locations. COVID-19's long-term impact on office occupancy remains to be seen.

CURRENT CONDITIONS

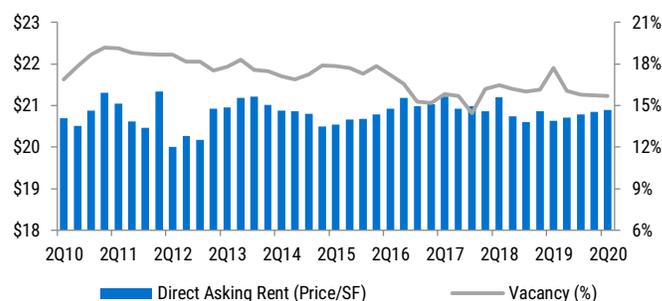
Overall net absorption for the second quarter totaled a positive 8,928 SF

Market rents increased nominally quarter-over-quarter to \$20.90/SF

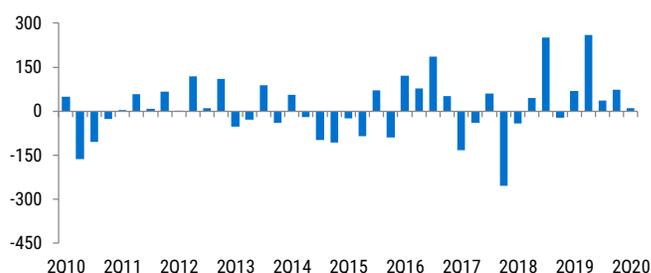
Market vacancy remained unchanged at 15.7%, quarter-over-quarter

MARKET ANALYSIS

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	16.8 MSF	16.8 MSF	16.7 MSF	↔
Vacancy Rate	15.7%	15.7%	17.1%	↑
Quarterly Net Absorption	8,928	71,859	69,532	↔
Average Asking Rent	\$20.90	\$20.85	\$20.63	↔
Under Construction	0.0 MSF	0.0 MSF	0.0 MSF	↔
Deliveries	0.0 MSF	0.0 MSF	0.4 MSF	↔

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	3,610,936	-	13.9 %	12,177	68,034	\$22.96	\$22.57	\$21.54
Marlton	2,481,145	-	20.4 %	873	-10,560	\$26.17	\$17.00	\$20.27
Moorestown	1,047,939	-	14.8 %	-535	-14,792	\$27.75	\$21.50	\$23.54
Mount Laurel	5,880,459	-	15.2 %	-8,639	56,024	\$23.51	\$18.56	\$20.43
Pennsauken/Camden	2,442,317	-	8.9 %	3,029	-4,946	\$29.75	\$15.19	\$18.16
Voorhees/Gibbsboro	1,336,748	-	27.1 %	2,023	-12,973	\$26.25	\$19.99	\$20.56
Market Totals	16,799,544	-	15.7 %	8,928	80,787	\$24.68	\$19.86	\$20.90

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Virtua Health	406 Lippincott Drive	Marlton	New/Relocation	20,218
Siemens	2000 Crawford Place	Mount Laurel	Renewal	10,966
General Dynamics Information Technology	3 Executive Campus	Cherry Hill	New/Relocation	5,971

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price (\$)	Price/Square Foot	Square Feet
Greentree North Corporate Center & 1001 Briggs Road (7-property portfolio)	Mount Laurel	\$14.85 million	\$60.29	246,316

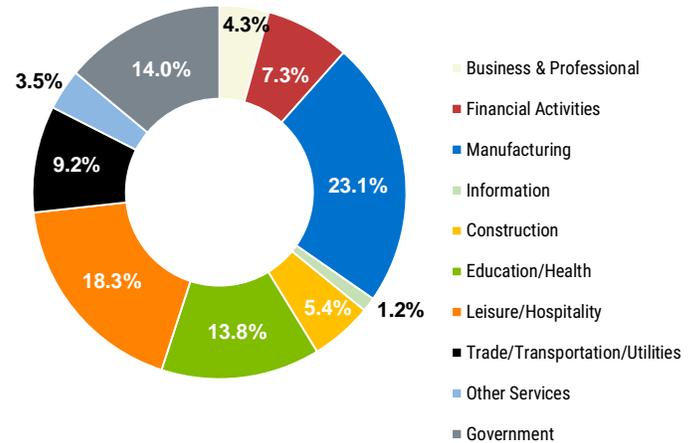
ECONOMIC CONDITIONS

The Camden Metro Division experienced unprecedented job losses in the second quarter of 2020 as the entire country entered into a pandemic-induced recession. Between February, pre-COVID-19, and April, nearly 83,000 jobs were lost in the Camden Metro, according to the Bureau of Labor Statistics. In May, however, there was a rebound in the form of 11,000 jobs regained, led primarily by the construction, leisure/hospitality and manufacturing sectors. Work on nonessential construction projects, suspended statewide in April, resumed in mid-May, leading to the reinstatement of furloughed or laid-off construction workers and a notable new manufacturing facility nearing completion in the City of Camden for ResinTech is bringing 265 jobs to the region, with a planned expansion to 400 employees. Most other sectors also experienced modest employment gains in May.

The job growth realized in May, along with sharply falling unemployment claims throughout the State of New Jersey, indicate that the worst losses are already behind the region, yet it will likely take years to recoup the number of jobs lost in the span of just a few months.

EMPLOYMENT BY INDUSTRY

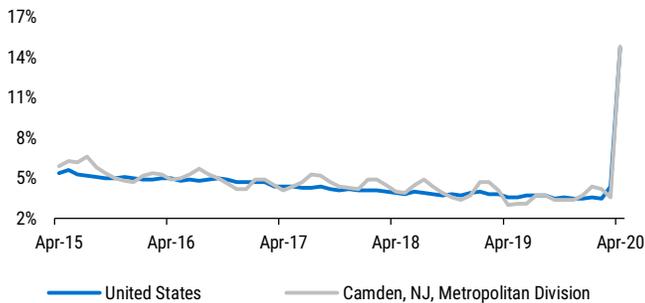
Camden, NJ Metropolitan Division, 2019 Annual Average



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

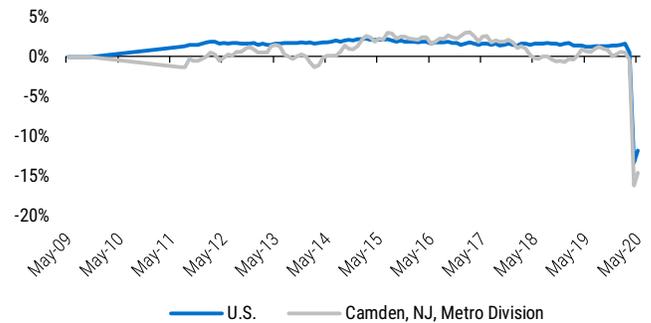
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

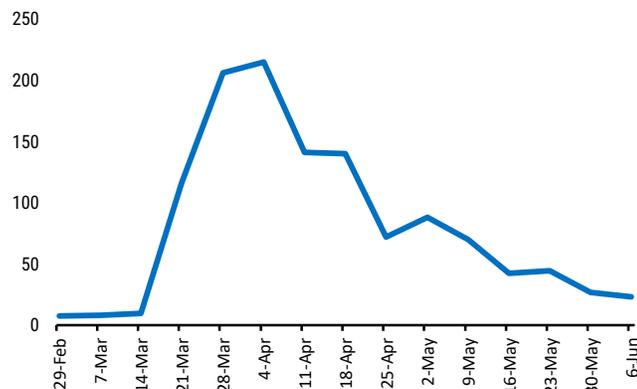
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

NEW UNEMPLOYMENT CLAIMS

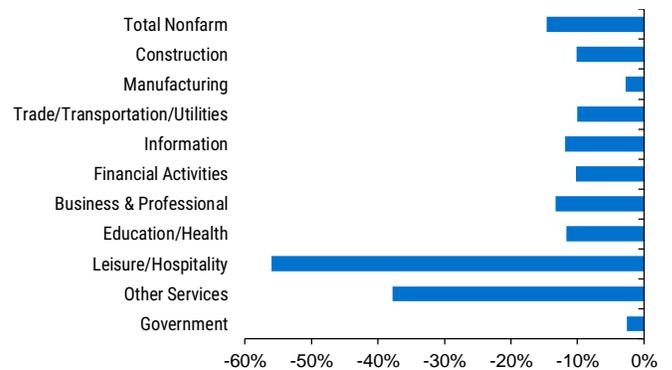
State of New Jersey, Thousands of Claims



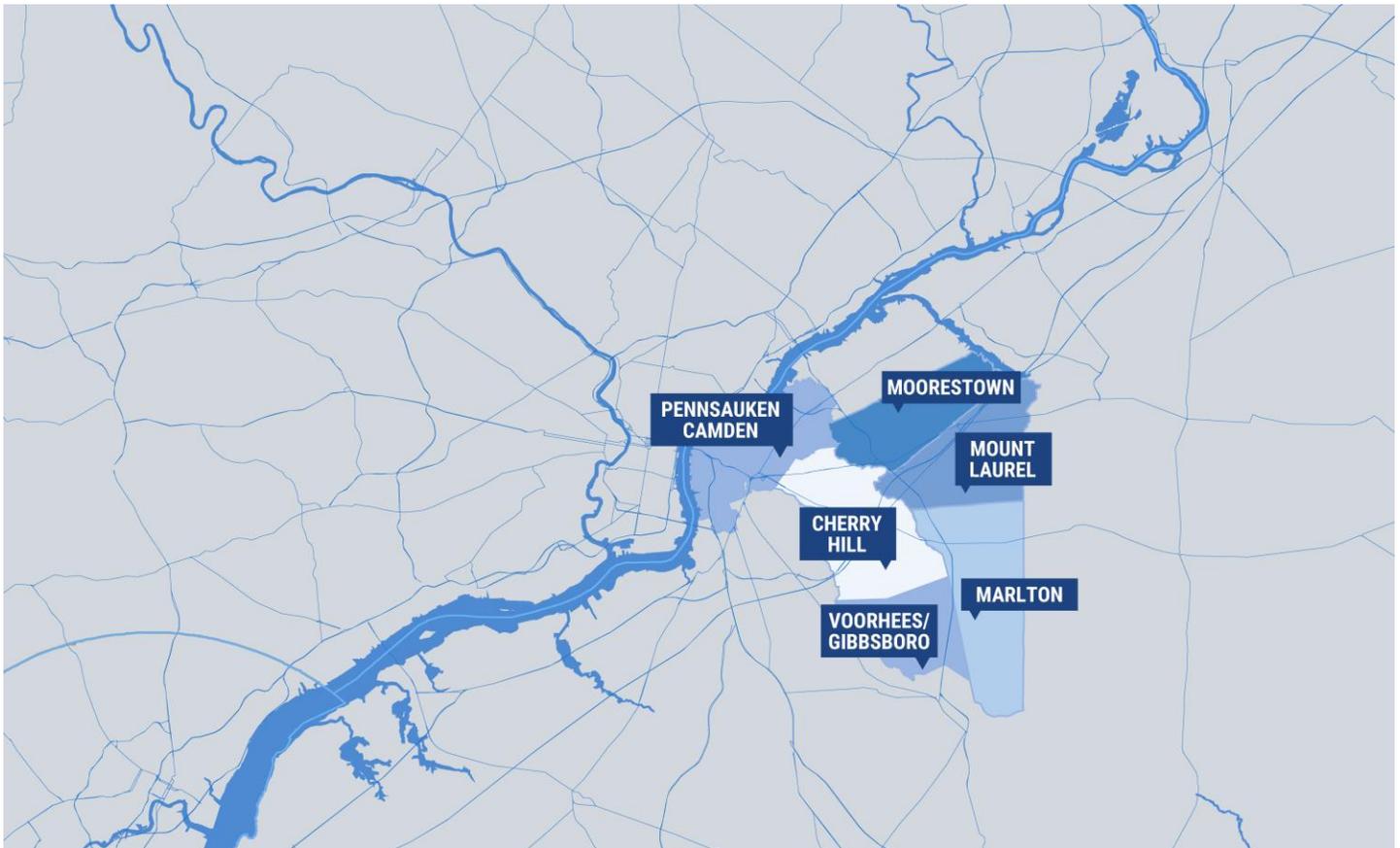
Source: NKF Research

EMPLOYMENT GROWTH BY INDUSTRY

Camden, NJ Metropolitan Division, May 2020, 12-Month % Change



Source: U.S. Bureau of Labor Statistics



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