



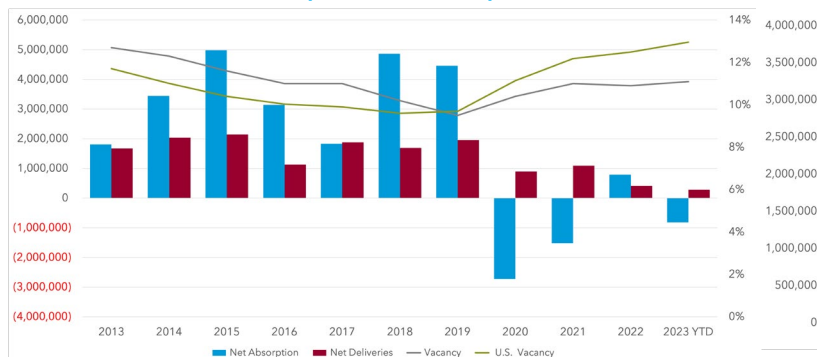
OFFICE MARKET OVERVIEW

MICHAEL MALMSTONE, *Director of Research and Valuation*

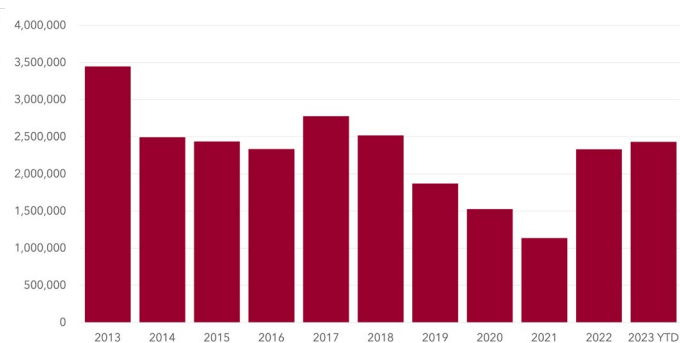
Q1 leasing velocity slowed by 33% to 2.2MM SF, 65% of the 5-year average. Lease-up time remained flat at 9.6 months. Vacant and available space grew 20 bps each to 11.1% and 14.7% respectively. Rental rates grew \$0.27 PSF QoQ and \$0.45 PSF YoY, to \$27.92 PSF gross. Net absorption clocked (817k) SF, down 31% QoQ and the lowest since Q1 2021. Unemployment rose 20 bps to 3.5% in February versus November. Sales volume dropped 77% to \$215MM, the lowest in 11 years. Pricing fell 39% to \$118 PSF while cap rates compressed 20 bps to 7.2%. 2.4MM SF is under construction. 17.6MM SF is approved, 1.1MM SF being medical. A handful of larger 100k+ SF buildings are slated for conversion to industrial and multi-family.

MARKET INDICATORS	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
▼ Qtrly Net Absorption SF	(816,664)	(621,151)	837,028	(279,447)	852,193
▲ Vacancy Rate	11.1%	10.9%	10.7%	10.9%	10.8%
▲ Avg GRS Asking Rate PSF	\$27.92	\$27.65	\$27.69	\$27.59	\$27.47
▲ SF Under Construction	2,431,595	2,331,868	2,310,543	2,318,933	2,263,820
▲ Inventory SF	421,375,395	421,094,022	421,051,147	420,887,147	420,744,383

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
2000 Galloping Hill Road Kenilworth, NJ	393,000 SF	\$31,613,490 \$80.44 PSF	Onyx Equities/Machine Investment Grp Merck	Class B
131 Morristown Road, Bldgs A & B Basking Ridge, NJ	216,573 SF	\$9,432,562 \$43.55 PSF	Adoni Property Group UBS Asset Management	Class A
10 Independence Boulevard Warren, NJ	120,623 SF	\$22,000,000 \$182.39 PSF	Signature Acquisitions American Equity Partners, Inc.	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
100 Morris Street Morristown, NJ	260,000 SF	SJP Properties	Sanofi	Pharmaceuticals
331 Newman Springs Road Red Bank, NJ	40,420 SF	Crown Acquisitions/Par-amount Realty Services	LifeTime Fitness	Fitness Center Operator
101 John F Kennedy Parkway Short Hills, NJ	34,640 SF	The Birch Group	Virtu Financial	Finance

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