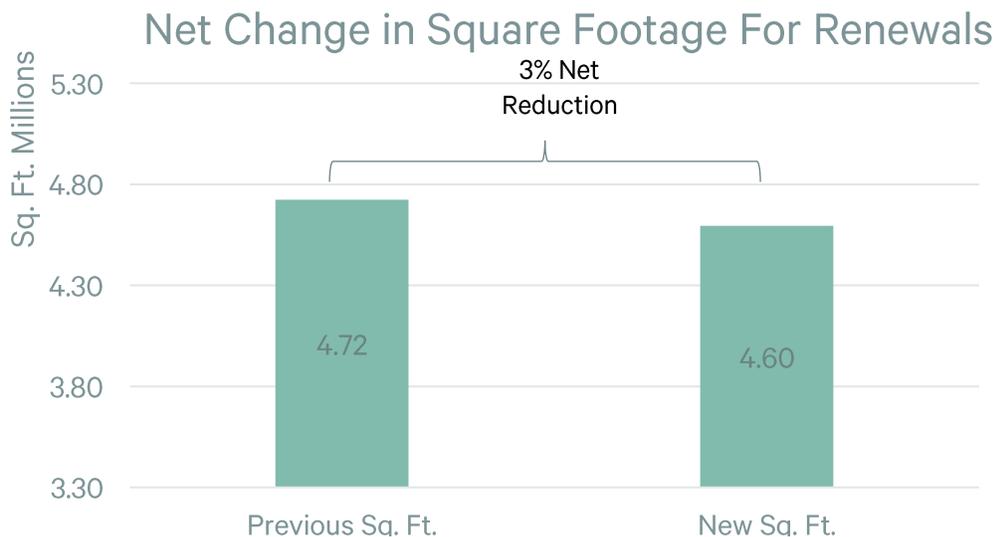


Most NJ Tenants Renewed For the Same Amount of Space Amid Uncertainty of Remote Work Impact

By Michael Slattery, & Michael Philibosian

Northern and Central New Jersey's office markets are in a state of discovery as tenants and owners grapple with economic headwinds, the impact of remote work, and creating an attractive workplace for employees. Landlords are investing capital so their assets are in the best position to attract and retain tenants in need of office space. Companies continue to assess how much space they will need due to remote work, for what duration and the characteristics a space must have to execute successful return-to-office plans for their workforce. Although there is not a definitive answer on the impact of remote work, an analysis of renewals in the Northern and Central New Jersey markets shed some light on how companies behaved over the past two years (May 2020 to June 2022). CBRE analyzed 97 large renewal deals (10,000 sq. ft. with term lengths longer than 2 years), and found that firms who were remaining at their current location saw a 3% net reduction in square footage.

FIGURE 1: Net Change in Square Footage For Renewals



Source: CBRE Research

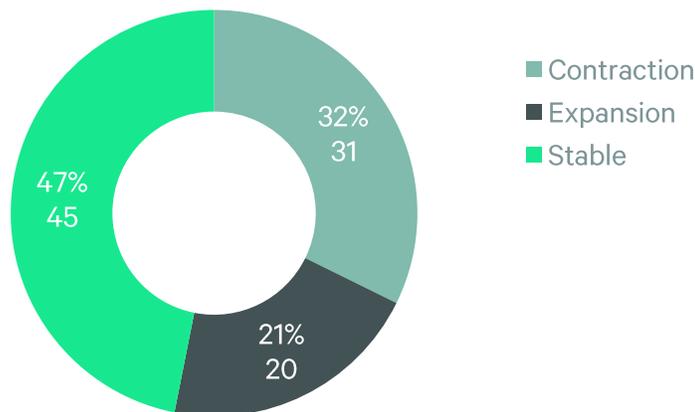
Includes all renewal deals 10,000 sq. ft. and larger with a term length longer than 2 years completed between May 2020 and June 2022

** A Renewal whose footage changed less than 1% was considered stable.

Nearly half—47%—of these large tenant renewals made no changes to their square footage. Of those 97 renewals, 31 (about a third) tenants contracted their space by 25%. Leading the reductions were law firms and insurance companies. However, only 21% of the tenants tracked had expanded their office space. Financial firms and health care related firms took on more space, the most of any industry and they were also among the larger transactions.

While the results of this renewal analysis indicate a relatively mild change for tenants' occupancy in New Jersey in response to remote work, it is admittedly not the full picture. This analysis examined the largest deals in the market whose results would impact the numbers the greatest, however the actions of tenants smaller than 10,000 sq. ft. are also important to New Jersey's office market. Additionally, relocations by existing tenants and new entrants/exits from the market are the other components needed for the full picture

FIGURE 2: Renewal Analysis of Northern and Central New Jersey



Source: CBRE Research

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Contacts

Michael Slattery
Associate Field Research Director
Michael.Slattery@cbre.com

Erica Morano
Senior Field Research Analyst
Erica.Morano@cbre.com

Michael Philipbosian
Research Data Analyst
Michael.Phibosian@cbre.com

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