

Central Bergen Fall '15 Class A & B Office Report

Is the global property market overheating? Low interest rates have been one of the driving forces in commercial real estate properties' appeal to investors. The demand has driven values to record highs, causing concern that the current rate of growth is not sustainable.

Global economic uncertainties, geo-political tensions and the economic strength of the U.S. are all capturing the attention of investors. U.S. property values are breaking records after a five-year recovery from the financial crisis.

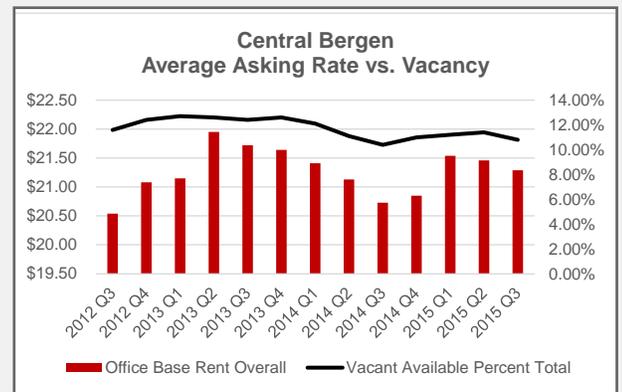
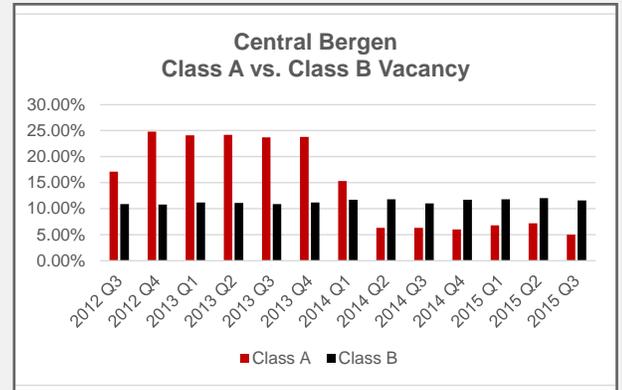
For the New Jersey office market, investor capital is being directed into well located, value-add office assets. Investors are putting money into major renovations here (lobbies, elevators, common areas, café) and repositioning them into the markets.

But while some submarkets saw strong leasing activity (Hudson Waterfront, Parsippany and the I-78 corridor), the Class B and C, multi-tenanted office buildings, as well as single-tenant behemoths continue to struggle. Suburban, single-tenant buildings specifically hold little appeal for corporations trying to attract top talent. Bergen County alone has over 1,000,000 sf of this type of space. This is a concern because it can be difficult and expensive to convert a single-tenanted office building to a multi-tenanted one. The high retrofit cost, among other issues, makes them ripe for conversion to a mixed-use development.

Historically speaking, Class A office space leads the charge in a market recovery. This appears to hold true today, however, not at the accelerated rate of past economic recoveries. Given that much of the Northern and Central NJ office market inventory was built in the 1980's, landlords for these older generation office buildings will continue to find it difficult to attract tenants, regardless of whether they are in a Central Business District (CBD) or suburban location.

To be considered a top choice among corporations seeking office space, it is essential that landlords recognize current office building trends and consider taking risks with new office concepts, thereby staying ahead of the curve.

Class A & B
Office



Trends for Fall '15

▲
NET ABSORPTION

▼
VACANCY RATE

▲
LEASING

▼
ASKING RATES

Numbers are compared to the previous quarter.

Significant Lease Transactions



Ridgefield Park
111,684 sf



Saddle River
105,958 sf



Paramus
73,978 sf

Significant Sale Transactions



Midland Park
Sold for \$295 psf



Paramus
Sold for \$170 psf



Rochelle Park
Sold for \$127 psf

Available Properties for Sale



Englewood Cliffs
56,500 sf



River Edge
16,400 sf



Ridgewood
9,100 sf

Please feel free to contact us if you would like any or all of the following:

- Additional information on the current office leasing environment.
- Additional information on the properties featured here or any available property in the Northern NJ area.
- To meet with us to determine how we can assist you with your real estate needs.

Cheryl A. Bozzelli

201 488 5800 x176 • cbozzelli@naihanson.com

Judy A. Troiano, CCIM, CIPS

201 488 5800 x154 • jtroiano@naihanson.com

235 Moore Street
Hackensack, NJ 07601
201 488 5800
naihanson.com

1140 Parsippany Blvd
Parsippany, NJ 07054
973 463 1011