

SOUTHERN NEW JERSEY OFFICE MARKET

Triad1828 Centre Delivers, Camden Construction Pipeline Empties

In the second quarter of 2019, the 394,164-square-foot Triad1828 Centre delivered in Camden's waterfront, closing the years-long chapter on office development driven by large state-sponsored tax incentives. The completed office tower, the largest building by rentable square feet in the city of Camden, is the new headquarters of The Michaels Organization, Conner Strong & Buckelew, and NFI. The latter of the three companies occupied approximately 91,000 SF in the building upon delivery, with the others to follow in third-quarter 2019. NFI's move from space in Voorhees to Camden yielded net positive absorption that helped the Southern New Jersey office market realize 46,220 SF of net absorption in 2Q19. Despite the positive figure, the vacancy rate grew to 17.3%, inclusive of the vacant space yet to be occupied at Triad1828 Centre. The vacancy rate will taper in the second half of the year as The Michaels Organization and Conner Strong & Buckelew occupy the new HQ. Conner Strong's former space at 40 Lake Center Drive is set to be backfilled by Freedom Mortgage, the building's owner.

While the aforementioned new office completion took center stage in market activity this quarter, there was notable movement elsewhere in the market as well; the Cherry Hill submarket accumulated nearly 33,000 SF of new occupancy following Avnet's relocation to 20,000 SF at 951 Haddonfield Road, and IPS Engineering's move in to 12,318 SF at 111 Woodcrest Road, among others. This quarter also saw a continuation of smaller, new-to-market tenants signing for office space locally, such as California-based start-up Clutter, which occupied 4,800 SF at 8 E Stow Road, and Maryland-based MaxSent, taking 2,075 SF at 139 Gaither Drive.

Capital markets activity in the Southern New Jersey office sector picked up in the second quarter. \$62.7M in office sales volume closed in the past three months, a significant uptick from a quiet start to the year (\$13.7M in sales volume closed in 1Q19). The largest sale was Lippincott Center, fully leased by Virtua Health, which sold to Apex Financial Advisors for \$32M. 7000 and 6000 Lincoln Drive were also among the office properties that traded hands this quarter, the latter of which is being considered for adaptive reuse into a restaurant. This reimagining of the space will provide the Route 73 corridor with an additional attractive retail option and improve office submarket vacancy by removing an uncompetitive office building from the inventory.

CURRENT CONDITIONS

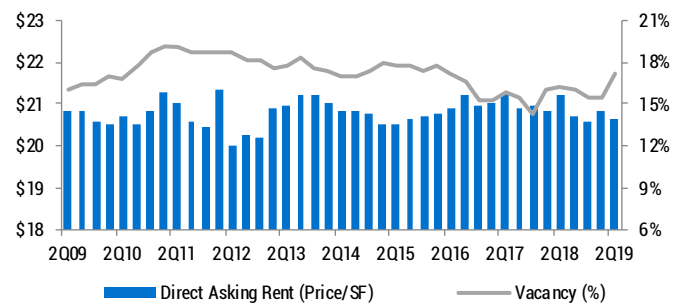
The last office construction precipitated by Camden tax incentives, Triad1828 Centre, completed and was partially occupied in 2Q19.

Market rents fluctuated, dropping to \$20.63/SF in Q2 2019, but remain stable in larger historical context.

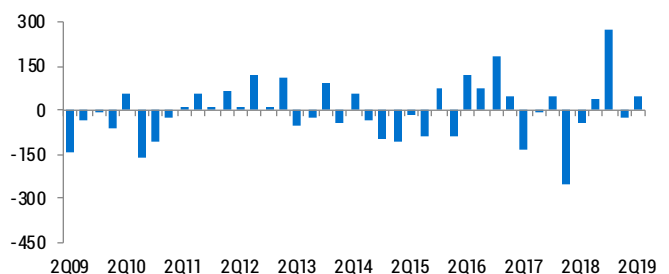
\$62.7M in office sales closed this quarter in Southern New Jersey

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	16.4 MSF	16.1 MSF	↓
Vacancy Rate	17.3%	15.6%	16.2%	↓
Quarterly Net Absorption	46,220	-23,200	-42,034	↑
Average Asking Rent	\$20.63	\$20.86	\$21.20	↓
Under Construction	0.0 MSF	0.4 MSF	0.6 MSF	↔
Deliveries	0.4 MSF	0.0 MSF	0.0 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	-	15.8 %	32,639	-23,697	\$24.12	\$21.72	\$21.26
Marlton	2,458,346	-	17.9 %	-20,309	-28,347	\$26.62	\$18.49	\$20.31
Moorestown	1,085,091	-	8.7 %	4,345	23,088	-	\$21.18	\$21.19
Mount Laurel	5,946,204	-	16.4 %	-16,210	-1,973	\$22.62	\$19.10	\$20.61
Pennsauken/Camden	2,403,055	-	21.0 %	93,358	93,358	-	\$16.00	\$18.11
Voorhees/Gibbsboro	1,263,660	-	24.5 %	-47,603	-39,411	\$26.25	\$19.97	\$20.72
Market Totals	16,767,292	-	17.3 %	46,220	23,018	\$23.86	\$19.79	\$20.63

SELECT LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
BAE Systems	124 Gaither Drive	Mount Laurel	Renewal	18,437
Ceteris	112 W Park Dr	Mount Laurel	Direct	13,144
Five Mac's	8 E Stow Rd	Marlton	Renewal	9,801

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price (\$)	Price/Square Foot	Square Feet
301 & 303 Lippincott	Marlton	\$32.0 M	\$193	165,742
Colwick Business Center	Cherry Hill	\$17.4 M	\$102	171,215
1020 Laurel Oak Road	Voorhees/Gibbsboro	\$7.3 M	\$130	56,196

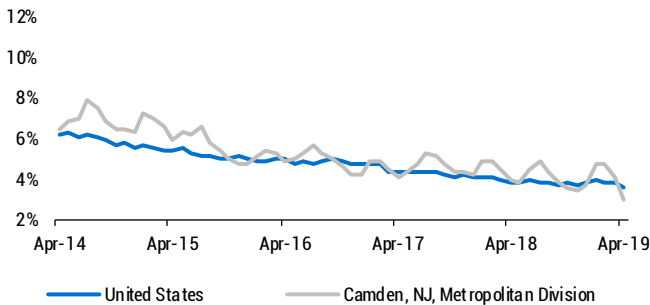
ECONOMIC CONDITIONS

Unemployment in the Camden Metropolitan division dwindled to 3.0% in preliminary 2Q19 findings, well below the 3.6% rate charted for the United States. The largest year-over-year growth in local employment was witnessed in the construction sector: 2,700 new jobs were added, driven by the ongoing construction of warehouse and multifamily product in the region.

Multifamily development is essential to activating a live-work-play dynamic in the market. The immense success of Haddon Town Center, a 252-unit multifamily development that delivered in late 2017, speaks to the demand for housing with exceptional transportation and strong retail access. Davis Enterprises recently obtained approvals to build 144 apartments on Fellowship Road in the Mount Laurel office submarket. New housing stock, coupled with the dense retail environment, recently enriched by the opening of new grocery stores and a Topgolf, and excellent accessibility to the Turnpike and the region's most concentrated nexus of office inventory, will likely prove advantageous in growing the live-work-play appeal of Southern New Jersey.

UNEMPLOYMENT RATE

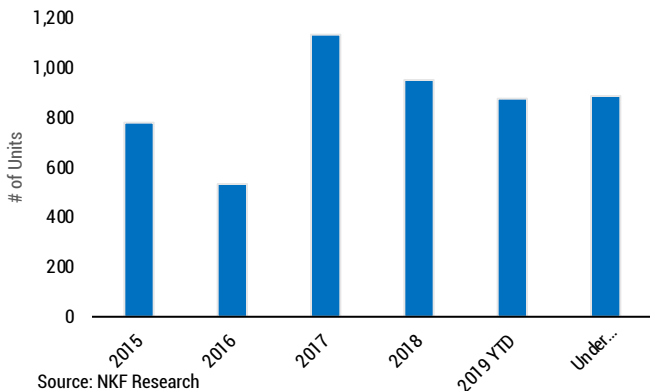
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

MULTIFAMILY DELIVERIES

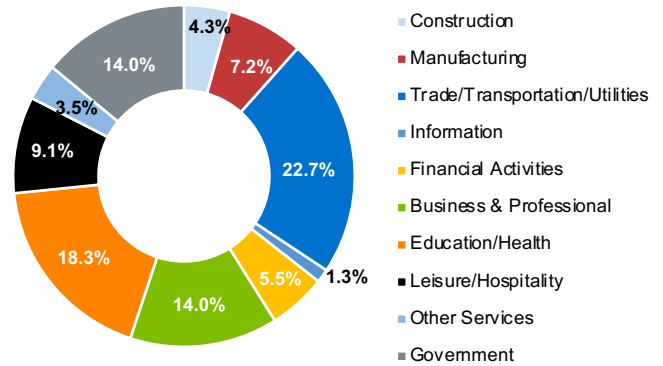
Burlington, Camden and Gloucester Counties, 5+ Units



Source: NKF Research

EMPLOYMENT BY INDUSTRY

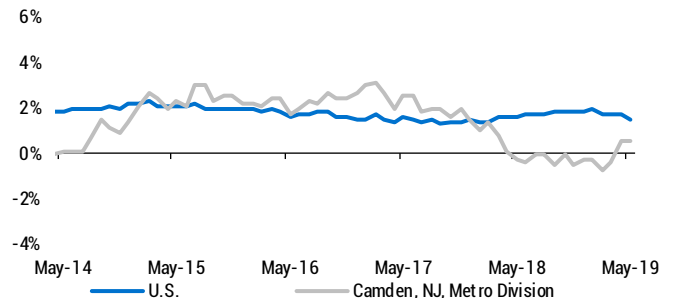
Camden, NJ Metropolitan Division, 2018 Annual Average



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

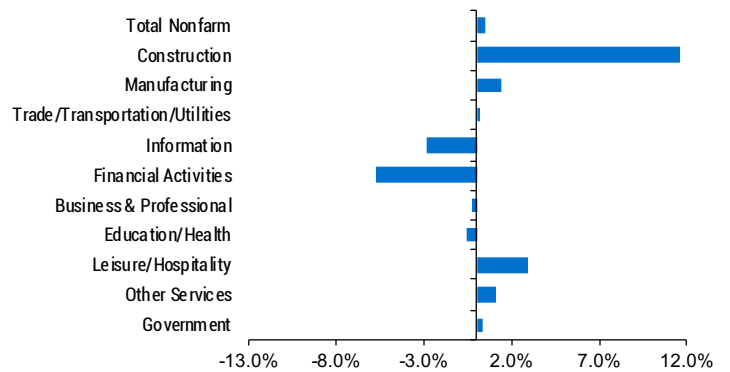
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



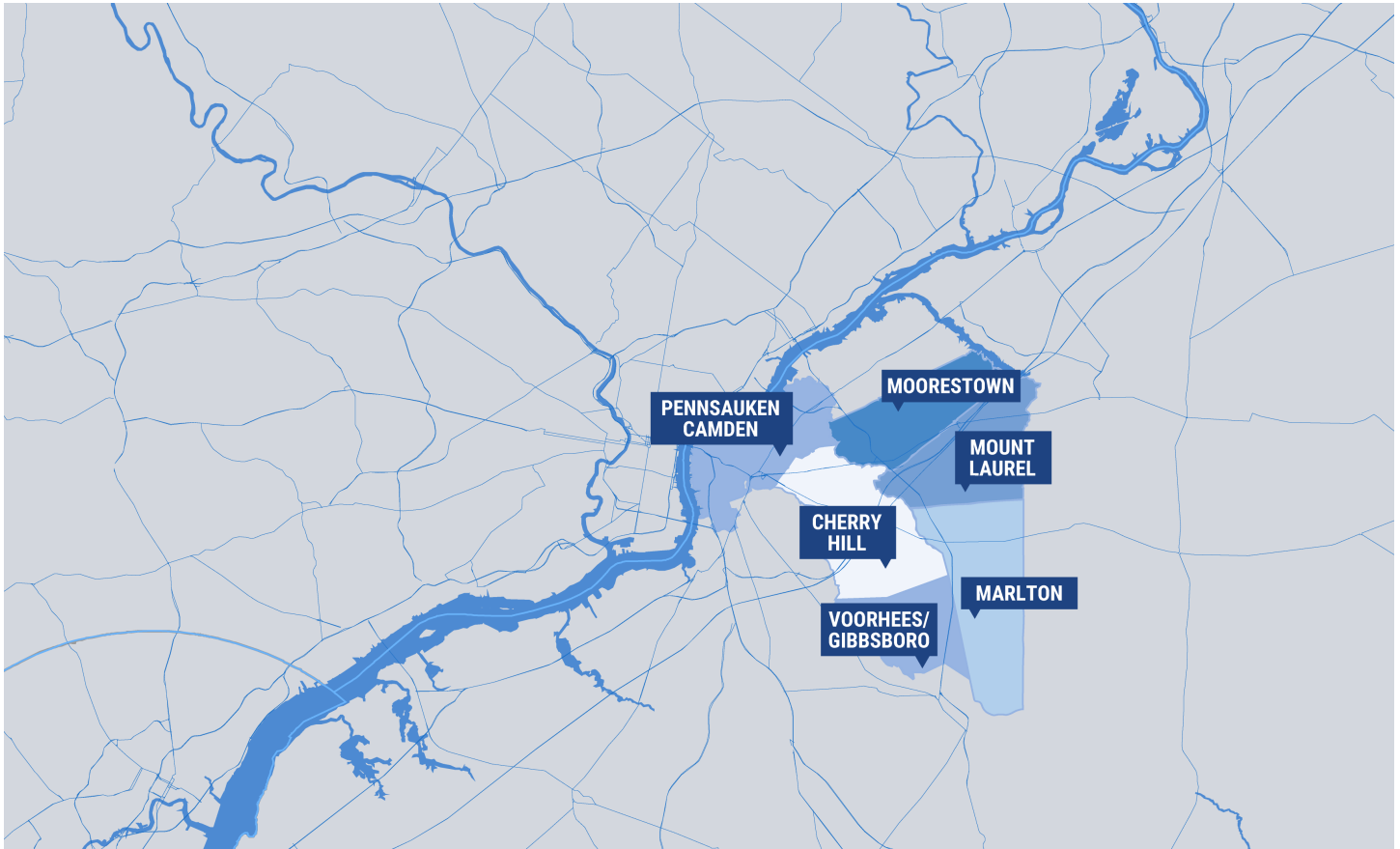
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Camden, NJ Metropolitan Division, May 2019, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

**LISA DENIGHT**

Research Manager

215.246.2725

lisa.denight@ngkf.com

ANGELO BRUTICO

Research Analyst

610.755.6969

angelo.brutico@ngkf.com

Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Knight Frank Research Reports are available at www.ngkf.com/research

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Knight Frank (NKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.