



CENTRAL NEW JERSEY OFFICE

Market Tracker

*Arrows = Current Qtr Trend

▼ Vacancy
16.4%

▲ Net Absorption
413,926 SF

▼ Deliveries
20,000 SF

▼ Asking Rent
\$23.35 SF

Positive Demand in Central New Jersey

The Central New Jersey office market is gaining momentum, reporting 413,926 SF of positive absorption in the third quarter. The vacancy rate decreased to 16.4% from 16.8% in the previous quarter. This is the first drop in vacancy, following six quarters where the rate hovered between 16.6% and 16.8%. This static period demonstrated that the market had stabilized, but was struggling to return to vacancy levels before the economic downturn. This quarter's positive demand is a welcome sign that market activity is improving and growing confidence among tenants is beginning to resurface. Class A space accounts for the majority of positive absorption with 363,953 SF, representing 88% of this quarter's positive demand. The average asking rental rate fell by 11 cents over the quarter but has increased 10 cents year over year, coming in at \$23.35/SF in the third quarter. Deliveries remain limited, with one 20,000 SF building delivered in the third quarter located at 1670 Route 34 in Wall.

The Princeton Area submarket continues to lead market activity in Central New Jersey with 798,453 SF of positive absorption in the third quarter and 911,177 SF year to date. Life sciences companies are a prominent driver of demand in the area, as the location is a hub for pharmaceutical companies and headquarters. A few significant transactions occurred this quarter in the Princeton Area submarket. The most notable was Danish pharmaceutical company Novo Nordisk, and a joint venture between Ivy Equities, LCOR, and Intercontinental Real Estate Corporation announced a \$215 million project to redevelop a 770,000 SF building located at 800 Scudders Mill Road. This deal marks the largest office transaction in New Jersey year to date. In addition, Church & Dwight announced that they would be building two 125,000 SF buildings in Ewing for their new headquarters, aided by \$13.5 million in government assistance.

Employment in New Jersey fell by 7,100 jobs in August primarily due to the Verizon labor strike which accounted for 7,000 employees. Omitting the effect of the strike, total employment declined by 100 jobs. The New Jersey preliminary unemployment rate was recorded at 9.4%, decreasing from 9.5% in July. The New Jersey unemployment rate remains above the national rate of 9.1%. According to preliminary estimates in August, overall New Jersey employment in private sector businesses was down by 11,300 jobs (4,300 after taking into account the 7,000 from the Verizon strike), whereas public sector employment was up by 4,200 jobs. Although the unemployment rate has maintained the progress attained after hitting a peak of 9.8% in January of 2010, the state's employment situation appears to currently be in a holding pattern. A significant boost in employment figures is needed to restore confidence strengthen market fundamentals.

Forecast

- "Flight to quality" transactions will continue to occur as many tenants are electing to take advantage of favorable market conditions. Class A office space will continue to reflect the majority of positive demand.
- Life Sciences companies will continue to be prevalent among leasing activity and serve as a primary driver for growth, particularly in Somerset County which is a hub for the pharmaceutical industry.
- Older generation buildings will most likely need facility upgrades and added amenities in order to retain tenants and attract new ones.
- Data centers continue to gain demand and will be a focal point in the market. Proximity to Manhattan and relatively low utility and development costs position New Jersey as a prime location for this specialized property type.
- Companies will continue to consolidate operations in an effort to function more efficiently.

Economic Indicators

	Q3 11	Q3 10
Central NJ* Employment	1.211M	1.229M
Central NJ** Unemployment	7.8%	8.1%
U.S. Unemployment (Seasonally Adjusted)	9.1%	9.6%
U.S. CCI (Consumer Confidence Index)	49.93	50.94

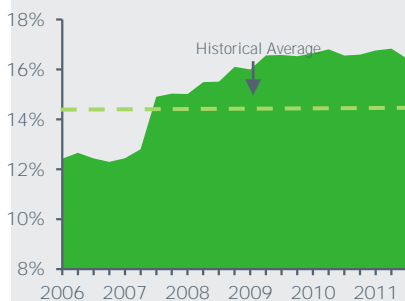
*Edison-New Brunswick/Trenton-Ewing (NJ BLS)

**Hunterdon, Mercer, Middlesex, Monmouth, Ocean & Somerset Counties (NJ BLS)

Net Absorption



Vacancy Rates



Cassidy Turley Office Market Snapshot

Central New Jersey • Third Quarter • 2011

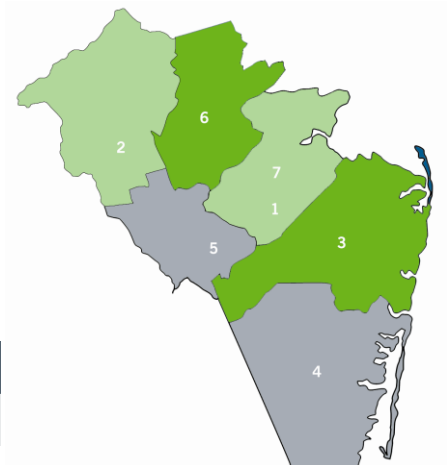
	TOTAL BLDGS	INVENTORY	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE
Featured Submarkets									
Brunswick/Piscataway/I-287	384	18,535,257	433,952	3,700,905	20.0%	25,635	(269,143)	0	\$21.40
I-78 West	120	4,043,876	8,492	579,091	14.3%	(30,363)	(93,855)	0	\$19.31
Monmouth County	602	17,018,055	49,906	2,323,658	13.7%	(3,012)	30,847	0	\$22.60
Ocean County	212	3,958,797	1,250	520,738	13.2%	(34,546)	(106,889)	0	\$21.98
Princeton Area	676	34,716,443	230,526	4,456,331	12.8%	798,453	911,177	0	\$25.35
Somerset/I-78	309	24,074,363	203,732	2,594,032	10.8%	(165,163)	27,975	0	\$24.69
Woodbridge/Edison	171	9,925,899	71,272	2,155,781	21.7%	(64,491)	(12,837)	0	\$27.37
Central NJ Market Totals									
Class A	403	60,685,841	715,913	9,650,565	15.9%	363,953	344,786	0	\$25.91
Class B	1,206	43,273,825	265,020	7,427,193	17.2%	49,973	(189,690)	0	\$20.30
CENTRAL NJ TOTAL	1,609	103,959,666	980,933	17,077,758	16.4%	413,926	155,096	0	\$23.35

Key Lease Transactions Q3 11

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
800 Scudders Mill Road	770,000	Novo Nordisk	Lease	Princeton Area
95 Corporate Drive	122,000	LifeCell Corporation	Lease	Somerset/ I-78
222 Mount Airy Road	24,500	New Jersey Guaranty Association	Renewal	Somerset/I-78
485 Route 1 South	18,928	BNP Paribas	Renewal	Woodbridge/Edison

Office Submarkets

Central New Jersey



1. Brunswick / Piscataway / I-287
2. I-78 West
3. Monmouth County
4. Ocean County
5. Princeton Area
6. Somerset / I-78
7. Woodbridge / Edison

Key Sales Transactions Q3 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
110 Allen Road	201,781	Silverman Group/ TA Realty	\$24,000,000	Somerset/ I-78
200 Princeton South	153,639	Wells Fargo/ Rubenstein Partners	\$20,112,124	Princeton Area
100 Princeton South	113,730	Wells Fargo/ Rubenstein Partners	\$14,887,833	Princeton Area

About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with over 3,200 professionals in 60 offices nationwide. The firm completed transactions valued over \$17 billion in 2010, manages over 430 million square feet on behalf of private, institutional and corporate clients and supports over 25,700 domestic corporate services locations. Cassidy Turley serves owners, investors and occupiers with a full spectrum of integrated commercial real estate services—including capital markets, corporate services, project leasing, property management, project and development services, and tenant representation. Outside of North America, Cassidy Turley has served the international needs of its clients since 1985. In 2010, the firm enhanced its global service delivery through its partnership with GVA. The firm recently ranked in the Top 10 on the Lipsey Co.'s Commercial Real Estate Top Brands Survey, and was ranked #1 by Real Estate Alert for Office Sales in 3 of the Top 6 Markets. Please visit www.cassidyturley.com for more information about the company.

Michelle Clifford
Research Analyst

395 West Passaic Street
Suite 205
Rochelle Park, NJ 07662
T 201.518.7520
F 201.518.7521

The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

Copyright © 2011 Cassidy Turley.
All rights reserved.