



Market Tracker

*Arrows = Current Qtr Trend

▲ Vacancy
14.5%

▼ Net Absorption
(339,408) SF

▼ Deliveries
30,000 SF

▼ Asking Rent
\$24.83 FS

Tepid Demand

The Northern New Jersey office market ended the third quarter with a vacancy rate of 14.5%, slightly increasing from 14.3% at the end of the second quarter. This marks two consecutive quarters of decreasing demand and historically high vacancy rates. Office market activity slowed in the third quarter resulting in 339,408 SF of negative absorption. Continuing the trend from last quarter, Class B space continues to account for the majority of negative absorption with -311,937 SF, representing 92% of this quarter's negative demand. The "flight to quality" trend demonstrates that tenants are taking advantage of opportunities to upgrade to high quality buildings with more amenities, while maintaining their bottom line. Overall, demand in Northern New Jersey will struggle to gain meaningful momentum until there is a significant improvement with unemployment and job creation.

The average asking rental rate fell by 11 cents over the quarter and by 71 cents year over year, coming in at \$24.83/SF in the third quarter. Decreases in average asking rates have tapered off, however, the current rate remains below annual average of \$25.22/SF and the "historical average" over the past ten years of \$26.23/SF. With limited deliveries, asking rates should continue to level off for the remainder of 2011 and into 2012. One 30,000 SF building was delivered this quarter in Newark located at 92 Ferry Street.

Although many submarkets are struggling with higher vacancies, the Hudson Waterfront submarket continues to lead office market activity with 120,344 SF of positive absorption in the third quarter and 324,971 SF year to date. With the lowest vacancy rate in Northern New Jersey, the Hudson Waterfront remains an attractive alternative location for New York companies looking to lower operational costs while maintaining optimum commuting accessibility. One of the most notable transactions in this submarket was the sale of 2 Journal Square in Jersey City. The 324,912 SF building was sold by Hartz Mountain Industries to a joint venture between Phoenix Insurance and Menora Mivtachim for \$78 million or \$240 per square foot. The 9 story Class A building is 100% occupied and fully leased to Broadridge Financial Solutions Incorporated, an affiliate of the payroll and human resources firm ADP.

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, and 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.

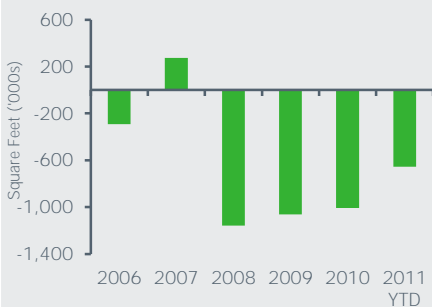
Economic Indicators

	Q3 11	Q3 10
Northern NJ* Employment	1.829M	1.799M
Northern NJ** Unemployment	9.2%	9.6%
U.S. Unemployment (Seasonally Adjusted)	9.1%	9.6%
U.S. CCI (Consumer Confidence Index)	49.93	50.94

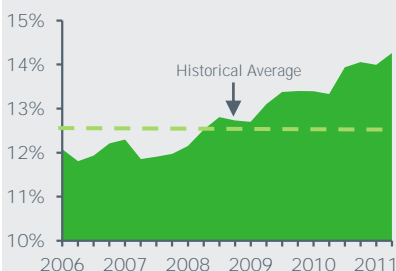
*Newark-Union/Bergen-Hudson-Passaic(NJ BLS)

**Bergen, Essex, Hudson, Morris, Passaic, & Union Counties (NJ BLS)

Net Absorption



Vacancy Rates



Forecast

- "Flight to quality" transactions will continue to occur in the office sector as many tenants are electing to take advantage of favorable market conditions. Class B office space will continue to reflect the majority of negative absorption.
- Older generation buildings will most likely need facility upgrades and added amenities in order to retain tenants and attract new ones.
- Companies will continue to consolidate operations in an effort to function more efficiently.
- A high percentage of tenants who are making lateral moves within submarkets will impede increases in average rental rates.
- Lease extensions and early renewals will continue to be favorable options for tenants.

Cassidy Turley Office Market Snapshot

Northern 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									
Bergen Central	323	12,785,061	309,964	2,074,991	16.2%	(45,761)	(77,201)	0	\$23.19
Bergen East	203	8,900,252	27,285	1,849,666	20.8%	95,967	(12,722)	0	\$28.53
Bergen North	165	10,195,044	131,313	1,119,944	11.0%	33,757	(209,048)	0	\$23.90
Hudson Waterfront	182	23,242,947	338,874	1,528,976	6.6%	120,344	324,971	0	\$28.73
Meadowlands	87	6,764,557	241,418	1,490,618	22.0%	(182,282)	(137,889)	0	\$25.23
Morristown	159	12,870,031	134,732	1,381,337	10.7%	163,607	354,270	0	\$28.71
Newark	80	16,238,188	142,506	2,132,592	13.1%	(97,027)	(239,256)	0	\$25.06
Parsippany	224	18,187,139	705,696	3,834,517	21.1%	(363,553)	(670,369)	0	\$21.65
Passaic/Routes 23 & 46	157	8,140,109	87,838	1,738,901	21.4%	(189,105)	(315,537)	0	\$23.41
Suburban Essex/ I-280	233	12,513,659	128,350	1,919,584	15.3%	(21,408)	(113,214)	0	\$24.73
Western Morris	139	3,900,600	31,190	1,344,172	34.5%	21,691	(62,446)	0	\$21.49
Northern NJ Market Totals									
Class A	451	89,818,199	1,827,020	12,707,170	14.1%	(27,471)	224,336	0	\$27.11
Class B	1,235	57,492,675	479,645	8,637,217	15.0%	(311,937)	(878,482)	0	\$22.41
NORTHERN NJ TOTAL	1,686	147,310,874	2,306,665	21,344,387	14.5%	(339,408)	(654,146)	0	\$24.83

Key Lease Transactions Q3 11

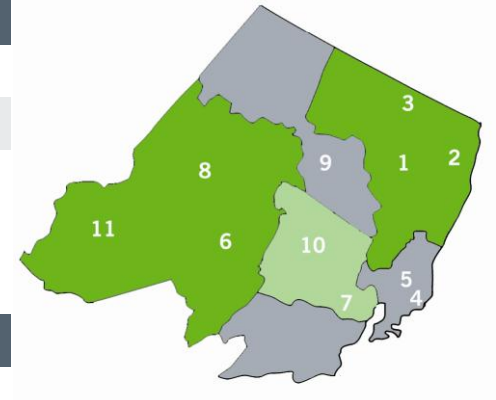
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2 Gatehall Drive	204,515	Deutsche Bank	Renewal	Parsippany
611 River Drive	22,905	AGFA	Lease	Bergen Central
400 Frank W Burr Boulevard	13,822	Hackensack University Medical	Lease	Bergen East

Key Sales Transactions Q3 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
400 Interpace Parkway	524,000	TIAA-CREF/ JP Morgan	\$108,833,333	Parsippany
2 Journal Square	324,600	Hartz Mountain Industries/ Gaia Rel Estate Holdings, The Phoenix Holdings, Menorah Mivtachim Holdings	\$78,000,000	Hudson Waterfront

Office Submarkets

Northern New Jersey



1. Bergen Central
2. Bergen East
3. Bergen North
4. Hudson Waterfront
5. Meadowlands
6. Morristown
7. Newark
8. Parsippany
9. Passaic/Routes 23 & 46
10. Suburban Essex / I-280
11. Western Morris

About Cassidy Turley

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