

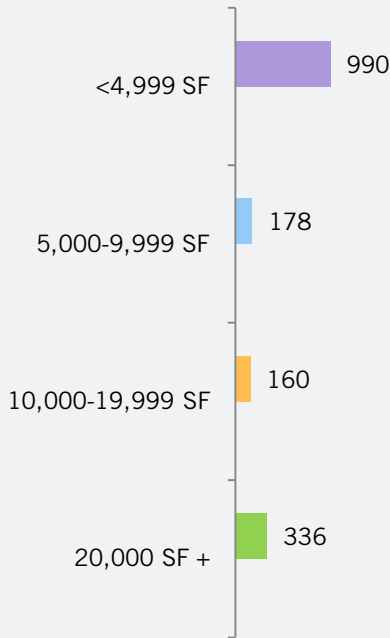
Office Market Report

New Jersey
Second Quarter 2010



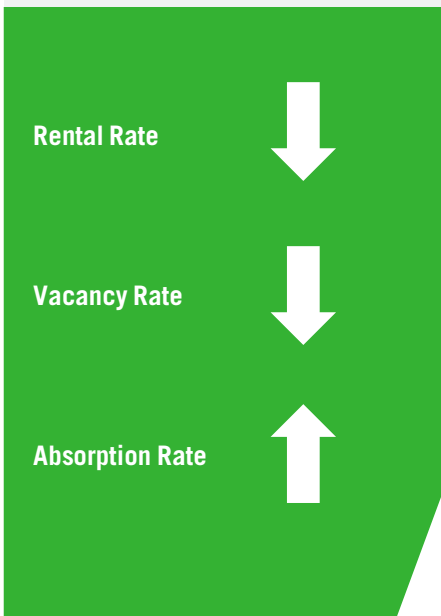
Northern NJ Office Market

Northern NJ Office



Units Available by SF

Market Size: 146.4 Million SF
Vacancy Rate: 13.2%



The Northern New Jersey office market consists of Bergen, Essex, Hudson, Morris, Passaic, and Union counties. With the close of the second quarter of 2010 there were 1,663 Class A and B office buildings accounted for with a total of 146,409,602 square feet in Northern New Jersey.

The vacancy rate was 13.2% in the second quarter, slightly decreasing from 13.3% in the first quarter. After peaking at 13.4% for the third and fourth quarters of 2009, the vacancy rate changed course resulting in positive absorption and declining vacancies for the past two quarters.

The Class A vacancy rate was 13.6% in the second quarter of 2010, falling from 13.9% in the previous quarter. This is the third consecutive quarter of declining vacancy. In contrast, the Class B rate was 12.6%, increasing from 12.4% in the previous quarter. The Class B rate in Northern New Jersey demonstrates a 1.6% increase year over year.

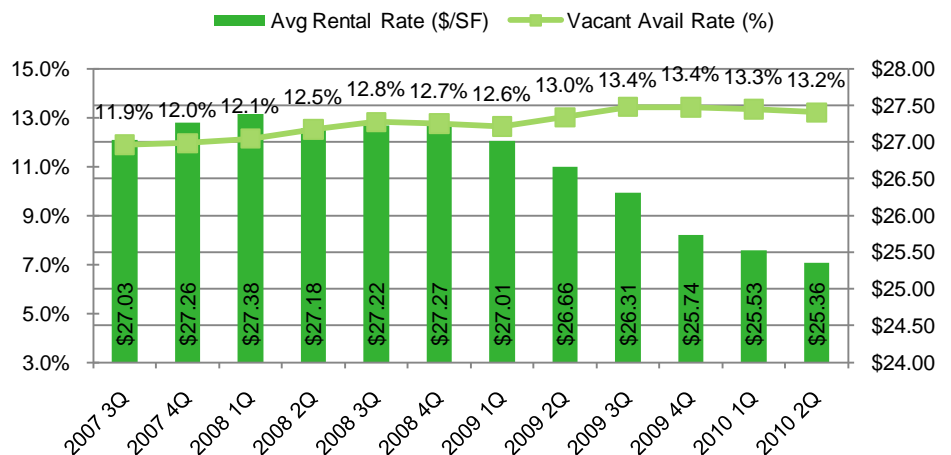
The average asking rental rate was \$25.36/SF in the second quarter of 2010. This reflects a decrease from the first quarter when the average asking rate was \$25.53/SF. Despite improving vacancy rates, the average asking rental rate continues to drop and is now at the lowest rate in over six years.

The Class A average asking rental rate was \$27.25/SF with the close of the second quarter of 2010. The average asking rental rate for Class B space was \$22.60/SF, increasing from \$22.35/SF in the first quarter.

In addition, the first quarter produced a positive absorption of 175,202 square feet. Lack of new construction and deliveries are allowing for existing space to be absorbed and are promoting stability in the market. Tenants seem to be more confident in committing to new space in order to secure more advantageous lease terms. Although fluctuations in the market are probable, this recent pattern of positive absorption and declining vacancy rates are indicators that the worst is behind us and the market appears to be on the rebound.

Unemployment Overview

The state's unemployment rate continues to be a focal point in the commercial market. A impactful recovery will hinge on the state's ability to jump start job creation. In the second quarter, the New Jersey unemployment rate decreased to 9.7% from 9.8% at the end of the first quarter. Even with this recent tick downward in unemployment, the state remains above the national rate of 9.5%. According to preliminary estimates, total nonfarm employment increased by 7,600 jobs in May. Public sector employment increased by 11,200 whereas private sector employment fell by 3,600. Following in suit with the previous quarter, higher demands for temporary workers and government workforce for the United States Census are an integral part in the public sector increase. The second quarter represents the peak of hiring for the census, therefore next quarter will be a better indicator of the degree of job recovery.

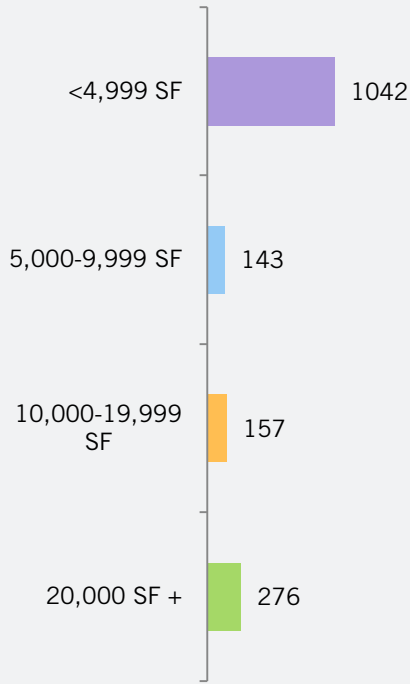


Submarket Comparison

Submarket	Total Inventory	Direct Available	Sublet Available	Total Available	Vacancy Rates	Net Absorption	Completions	Under Construction	Avg. Asking Rent
BERGEN CENTRAL									
A	5,446,196	670,644	262,897	933,541	17.1%	136,529	0	0	\$26.91
B	7,196,106	731,910	13,673	745,583	10.4%	(53,509)	0	0	\$21.99
TOTAL	12,642,302	1,402,554	276,570	1,679,124	13.3%	83,020	0	0	\$24.11
BERGEN EAST									
A	4,622,933	885,342	61,812	947,154	20.5%	3,064	0	0	\$32.41
B	4,461,385	839,859	18,469	858,328	19.2%	6,085	0	0	\$25.65
TOTAL	9,084,318	1,725,201	80,281	1,805,482	19.9%	9,149	0	0	\$29.09
BERGEN NORTH									
A	4,798,142	418,579	29,244	447,823	9.3%	(20,850)	0	0	\$27.27
B	5,067,916	375,311	51,942	427,253	8.4%	(20,458)	0	0	\$23.58
TOTAL	9,866,058	793,890	81,186	875,076	8.9%	(41,308)	0	0	\$25.37
HUDSON WATERFRONT									
A	19,132,010	630,982	593,927	1,224,909	6.4%	(37,340)	0	62,000	\$31.15
B	3,480,212	446,423	6,400	452,823	13.0%	(11,865)	0	62,001	\$28.59
TOTAL	22,612,222	1,077,405	600,327	1,677,732	7.4%	(49,205)	0	124,001	\$30.76
MEADOWLANDS									
A	4,516,046	948,979	205,236	1,154,215	25.6%	1,094	0	0	\$27.50
B	2,576,608	271,399	0	271,399	10.5%	3,392	0	0	\$21.75
TOTAL	7,092,654	1,220,378	205,236	1,425,614	20.1%	4,486	0	0	\$25.41
MORRISTOWN									
A	9,916,574	984,603	110,184	1,094,787	11.0%	13,343	0	62,226	\$27.20
B	3,323,173	296,860	25,039	321,899	9.7%	18,709	0	62,226	\$24.77
TOTAL	13,239,747	1,281,463	135,223	1,416,686	10.7%	32,052	0	124,452	\$26.59
NEWARK									
A	10,646,679	756,033	121,223	877,256	8.2%	5,796	0	0	\$23.98
B	5,005,680	1,049,984	0	1,049,984	21.0%	3,866	0	0	\$23.90
TOTAL	15,652,359	1,806,017	121,223	1,927,240	12.3%	9,662	0	0	\$23.95
PARSIPPANY									
A	11,918,147	1,672,710	490,975	2,163,685	18.2%	244,703	0	0	\$25.91
B	6,188,979	763,793	142,393	906,186	14.6%	27,224	0	0	\$21.28
TOTAL	18,107,126	2,436,503	633,368	3,069,871	17.0%	271,927	0	0	\$24.33
PASSAIC/ROUTES 23 & 46									
A	4,235,895	640,093	5,574	645,667	15.2%	8,288	25,800	0	\$25.03
B	3,926,120	854,974	11,472	866,446	22.1%	(48,752)	0	0	\$20.61
TOTAL	8,162,015	1,495,067	17,046	1,512,113	18.5%	(40,464)	25,800	0	\$22.90
SUBURBAN ESSEX / I-280									
A	7,305,133	863,027	103,359	966,386	13.2%	60,635	0	0	\$26.59
B	5,069,405	466,237	13,072	479,309	9.5%	(52,505)	0	0	\$21.97
TOTAL	12,374,538	1,329,264	116,431	1,445,695	11.7%	8,130	0	0	\$24.70
WESTERN MORRIS									
A	1,580,158	1,061,174	2,634	1,063,808	67.3%	1,894	0	0	\$27.94
B	2,071,041	161,725	7,500	169,225	8.2%	(25,822)	0	0	\$19.66
TOTAL	3,651,199	1,222,899	10,134	1,233,033	33.8%	(23,928)	0	0	\$23.24

Central NJ Office Market

Central NJ Office



Availability by Size

Market Size: 103.8 Million SF
Vacancy Rate: 16.5%

The Central New Jersey office market consists of Hunterdon, Mercer, Middlesex, Monmouth, Ocean, and Somerset counties. With the close of the second quarter of 2010 there were 1,618 Class A and B office buildings accounted for with a total of 103,894,564 square feet in Central New Jersey.

The vacancy rate for the second quarter of 2010 was 16.5%, slightly rising from 16.4% in the previous quarter. The vacancy rate in the Central New Jersey market has been fluctuating by 0.1% for the past five quarters. This trend demonstrates that the market is stabilizing and should create the foundation for recovery.

The vacancy rate for Class A buildings was 17.1% in the second quarter of 2010, increasing from 16.8% in the first quarter of 2010. In contrast, the Class B vacancy rate was 15.7%, holding steady at the same rate from the previous quarter.

The average asking rental rate was \$23.48/SF in the second quarter. This reflects a decrease from the first quarter when the average asking rate was \$23.69/SF. The average asking rate has been declining after hitting \$25.35/SF in the third quarter of 2008.

The average asking rental rate for Class A space was \$25.71/SF, declining from the first quarter's rate of \$25.87/SF. The average asking rate for Class B space was \$20.39, also falling from \$20.50 in the first quarter.

In addition, the second quarter produced a negative absorption of 141,697 SF. In comparison to the Northern New Jersey Market, the Central New Jersey Market has proven to be more susceptible to higher vacancies due to an oversupply of space and lack of demand. This quarter's negative absorption can be used as a gauge that the Central New Jersey market remains in a state of flux, although drastic changes in vacancy seem to be tapering off.

Unemployment Overview

The state's unemployment rate continues to be a focal point in the commercial market. A impactful recovery will hinge on the state's ability to jump start job creation. In the second quarter, the New Jersey unemployment rate decreased to 9.7% from 9.8% at the end of the first quarter. Even with this recent tick downward in unemployment, the state remains above the national rate of 9.5%. According to preliminary estimates, total nonfarm employment increased by 7,600 jobs in May. Public sector employment increased by 11,200 whereas private sector employment fell by 3,600. Following in suit with the previous quarter, higher demands for temporary workers and government workforce for the United States Census are an integral part in the public sector increase. The second quarter represents the peak of hiring for the census, therefore next quarter will be a better indicator of the degree of job recovery.

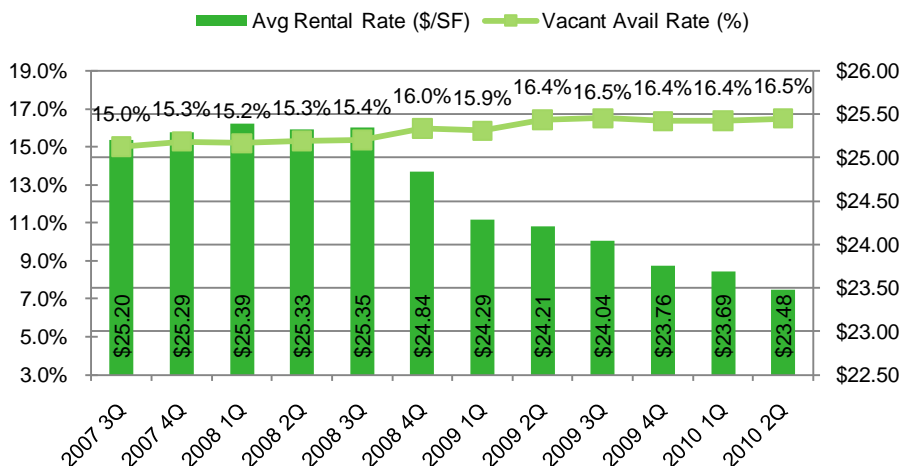
Rental Rate



Vacancy Rate



Absorption Rate



Submarket Comparison

Submarket	Total Inventory	Direct Available	Sublet Available	Total Available	Vacancy Rates	Net Absorption	Completions	Under Construction	Avg. Asking Rent
BRUNSWICK / PISCATAWAY / I-287									
A	9,662,543	2,589,747	125,682	2,715,429	28.1%	(55,892)	0	0	\$23.68
B	9,267,547	1,103,060	54,394	1,157,454	12.5%	57,794	0	0	\$19.39
TOTAL	18,930,090	3,692,807	180,076	3,872,883	20.5%	1,902	0	0	\$21.58
I-78 WEST									
A	2,038,391	322,662	8,492	331,154	16.2%	1,498	0	0	\$21.70
B	1,873,155	280,172	0	280,172	15.0%	13,946	0	0	\$18.80
TOTAL	3,911,546	602,834	8,492	611,326	15.6%	15,444	0	0	\$20.31
MONMOUTH COUNTY									
A	6,287,364	723,596	76,605	800,201	12.7%	4,020	0	0	\$26.68
B	10,956,242	1,360,231	16,111	1,376,342	12.6%	26,805	17,000	0	\$21.05
TOTAL	17,243,606	2,083,827	92,716	2,176,543	12.6%	30,825	17,000	0	\$23.10
OCEAN COUNTY									
A	721,393	76,375	0	76,375	10.6%	(23,848)	0	62,000	\$24.85
B	3,092,826	302,258	0	302,258	9.8%	(3,801)	0	62,001	\$23.30
TOTAL	3,814,219	378,633	0	378,633	9.9%	(27,649)	0	124,001	\$23.59
PRINCETON AREA									
A	21,001,555	3,155,276	178,424	3,333,700	15.9%	137,184	30,000	0	\$25.77
B	13,722,612	1,689,710	159,407	1,849,117	13.5%	13,065	5,000	0	\$21.88
TOTAL	34,724,167	4,844,986	337,831	5,182,817	14.9%	150,249	35,000	0	\$24.23
SOMERSET / I-78									
A	15,967,215	1,591,218	539,014	2,130,232	13.3%	(143,825)	45,765	62,226	\$26.68
B	8,505,233	457,182	0	457,182	5.4%	(65,149)	26,000	62,226	\$23.36
TOTAL	24,472,448	2,048,400	539,014	2,587,414	10.6%	(208,974)	71,765	124,452	\$25.53
WOODBRIIDGE / EDISON									
A	6,984,145	1,351,656	92,467	1,444,123	20.7%	(153,067)	0	0	\$28.49
B	2,749,036	356,934	0	356,934	13.0%	(5,832)	0	0	\$21.33
TOTAL	9,733,181	1,708,590	92,467	1,801,057	18.5%	(158,899)	0	0	\$26.47

NJ Market Highlights

MORRISTOWN SUBMARKET

In one of the biggest office deals in the state thus far this year, BASF Corporation announced that they will be moving their North American Headquarters to a planned 325,000 square foot office development at The Green in Florham Park. The chemical plant's headquarters will relocate in the same town to their new site off Park Avenue from their current location at 100 Campus Drive. BASF and Rockefeller Group Development Corporation broke ground in July and anticipate site completion by mid 2012. This move enables BASF to house the majority of their employees in a single location that offers Class A amenities and features. This deal is one of the largest build-to-suit transactions in New Jersey over the past few years.

MONMOUTH SUBMARKET

The U.S. Department of Defense recently announced their plans to close Fort Monmouth, which is approximately scheduled for Fall 2011. This has created uncertainty in the market due to an estimated loss of 5,000-6,000 direct jobs, as well as between 12,000 and 20,000 defense contractor jobs. Defense contractors supporting Fort Monmouth currently occupy 900,000 SF. On a positive note, conversations regarding bringing Veterans Affairs new procurement center to Monmouth county are in motion. The anticipated business and employment as a result of this contract should help to offset the impact of the Fort Monmouth closure.

MEADOWLANDS SUBMARKET

Fiber Media has signed a ten year data center lease for 32,610 SF at 200 Meadowlands Parkway in Secaucus. The 85,000 SF building, which was built in 1978, is owned by Willett Companies. The building offered a previously existing data center infrastructure, which made the move an advantageous and cost effective way to expand Fiber Media's presence.

Fiber Media owns and operates a network of data centers and offers data storage, management and business solutions. The location of the facility was appealing to the company based on its convenient location to New York City, access to both Newark and Teterboro airports, and updated building amenities. Fiber Media plans on utilizing the space as its data center hub for their telecommunication services.

PARSIPPANY SUBMARKET

Watson Pharmaceuticals signed a lease for a total of 148,708 SF at TIAA-CREF's 400 Interpace Parkway in Parsippany. Watson Pharmaceutical, whose headquarters is in Corona, California, entered the New Jersey market in 2000 when they acquired Schein Pharmaceuticals based in Florham Park. Requiring more office space for their operations, Watson Pharmaceutical decided to move from their current location at 360 Mt. Kemble Ave in Morristown. The pharmaceutical company plans to take a presence in two of the four buildings in the complex, specifically the entire Building A (116,511 SF) and one floor of the adjacent Building D (32,197 SF).

In October, the Economic Development Authority awarded Watson Pharmaceutical a Business Employment Incentive Program grant of approximately \$7.3 million to support their expansion in New Jersey. In addition, the company is receiving a \$290,000 allowance as a Business Retention and Relocation Assistance Grant for its retention of 200 jobs in the state.

NEWARK SUBMARKET

The Downtown Newark office building located at 3 Penn Plaza East has been sold to Horizon Blue Cross Blue Shield of New Jersey from Hartz Mountain Industries. The building consists of 21 stories, 700,000 SF of Class A office space, ground floor retail, and a five story, 400,000 SF parking garage. According to Real Capital Analytics, the office building traded for approximately \$145.8 million, or \$187 per SF. Horizon Blue Cross Blue Shield has occupied the building for the past 18 years and utilized their option to buy condition in their lease. The purchase allows for the health care provider to remain in their current location while creating significant cost savings. Approximately 3,000 of the company's 4,600 employees occupy the headquarters property. They will also maintain a satellite office located at 33 Washington Street. The purchase demonstrates Horizon Blue Cross Blue Shield's commitment to remain in Newark.

NJ OFFICE LEASING ACTIVITY (partial list)

TENANT	LOCATION	SUBMARKET	SF LEASED	OWNER
Black Rock Financial	1 University Square Drive	Princeton	137,344	RXR Realty
NuVasive Incorporated	117 West Century Road	Bergen Central	65,000	Cornerstone Realty Advisors LLC
ITT Space	1515 Broad Street	Suburban Essex	55,347	Hampshire Companies
Parsons Brinckerhoff	2000 Lenox Drive	Princeton	45,756	Brandywine Realty Trust
Affiliated Computer Systems	100 American Metro Boulevard	Princeton	43,882	Meritage Properties LLC
Nationwide	117 W Century Road	Bergen Central	41,498	Cornerstone Realty Advisors LLC
Boeing	400 Connell Drive	Somerset/ I-78	35,103	Connell Real Estate & Development Co.
The Panalpina Group	67 Park Place East	Morristown	33,000	RREEF America LLC
Axis	300 Connell Drive	Somerset/ I-78	31,516	Connell Real Estate & Development Co.
CSAV	99 Wood Ave South	Woodbridge/Edison	24,000	Cornerstone Real Estate Advisors LLC
Ono Pharmaceuticals	2000 Lenox Drive	Princeton	21,171	Brandywine Realty Trust
Lum, Drasco & Positan LLC	103 Eisenhower Parkway	Suburban Essex	19,379	Mack-Cali
Omni Eyecare	475 Prospect Avenue	Suburban Essex	19,000	Prism Capital Partners
Intrasphere Technologies	Harborside Plaza 10	Hudson Waterfront	18,500	iStar Financial
ADP Management Associates	325 Columbia Turnpike	Morristown	16,165	Mack-Cali

NJ OFFICE SALES ACTIVITY (partial list)

BUYER	LOCATION	SUBMARKET	SF	PRICE	\$/SF	SELLER
Pharmacia & Upjohn Company LLC	100 Route 206 North	Somerset/ I-78	518,000	\$23,000,000	\$45	Hamilton Associates Limited Partnership
Silverman Group	150 Allen Road	Somerset/ 1-78	191,319	\$17,250,000	\$90	TA Associates Realty
NBPE 220 LLC	220 Davidson Avenue	Brunswick/Piscataway/ I-287	162,206	\$5,280,000	\$33	Hartford Investment Management Company
CB Richard Ellis Realty Trust	225 Summit Avenue	Bergen North	142,500	\$40,600,000	\$285	Urdang and Associates
Bergen Community College	1280 Wall Street West	Meadowlands	130,000	\$13,850,000	\$106	Mack-Cali
Parkside Plaza Realty LLC	1600 Saint Georges Avenue	Union	33,000	\$4,200,000	\$127	Denholtz Associates
Desapio Properties	407,409,423,425 Main Street	Western Morris	21,559	\$3,000,000	\$140	Fulton Financial Corp. & Skylands Community Bank
Legend Properties Incorporated	8 Saddle Road	Parsippany	21,400	\$5,300,000	\$248	Gordon Morristown Mab Associates, LLC

SIGNIFICANT OFFICE PROJECTS UNDER CONSTRUCTION

DEVELOPER	LOCATION	SUBMARKET	SF	COMPLETION DATE
M&M Construction	855 Lehigh Avenue	Union	39,100	July 2010
Tower Associates Realty	535 Martin Luther King Boulevard	Newark	32,000	July 2010
Sofia Homes LLC	3692 State Route 27	Princeton	27,783	July 2010
CRC Communities Incorporated	58 Mount Bethel Road	Somerset	25,000	January 2011
The Hampshire Companies	345 Main Street	Morristown	19,692	July 2010

Investor Services

- Capital Markets
- Land Acquisition and Disposition
- Landlord Representation
- Owner/Occupier Sales
- Project and Development Services
- Property Management

Specialty Services

- Auction Services
- Distressed Asset Services
- Location Advisory and Incentives Practice
- Logistics/Multi-Modal
- Mission Critical Services
- Real Estate Tax Consulting/Appeal
- Receivership Services
- Sustainability Consulting
- Valuation Service

Occupier Services

- Corporate Services
- Land Acquisition and Disposition
- Owner/Occupier Sales
- Project and Development Services
- Strategic Consulting
- Tenant Representation

Practice Groups

- Automotive
- Food Facilities
- Healthcare
- Higher Education
- Hospitality
- Law Firm
- Life Sciences
- Not-for-Profit
- Retail

About Cassidy Turley

Cassidy Turley is a national team of dedicated commercial real estate professionals, delivering superior results for our clients for more than 100 years. We leverage our world-class expertise, our local market knowledge and our deep industry connections to deliver integrated, tailored solutions around the globe. Our team of professionals is dedicated to consistently delivering solutions that produce superior results and champion your business goals. We believe in face-to-face relationships and that hands-on problem solving is fundamental. We become your partner and advocate, and are passionate about achieving long-term success on your behalf. To get to know us better, visit www.cassidyturley.com.

Contact Information

Teaneck Office

400 Frank W. Burr Boulevard
Suite 36
Teaneck, NJ 07666
T 201.692.8100
F 201.692.8113

Parsippany Office

1160 Parsippany Boulevard
Suite 103
Parsippany, NJ 07054
T 973.335.5030
F 973.335.9224

Somerset Office

200 Cottontail Lane
Somerset, NJ 08873
T 732.868.5111
F 732.868.8055

Reproduction in whole or part of this document is permitted only with written consent of Cassidy Turley. Some of the data in this report has been gathered from third party sources, including CoStar and Real Capital Analytics, and has not been independently verified by Cassidy Turley. Cassidy Turley makes no warranties or representations as to the completeness or accuracy thereof.



If you prefer to receive this information via our environmentally friendly electronic mailing list fill out the form at

www.CassidyTurleyNJ.com/GoGreen

**Cassidy
Turley** / Commercial
Real Estate Services