MARKETBEAT

CENTRAL NEW JERSEY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD® Global Real Estate Solutions℠

2Q10

ECONOMY

The overall market, still somewhat colorless, is slowly moving towards an economic upgrade. After nearly three years of reduction, national non-farm employment grew for five consecutive months this year with + 431,000 in May, proving that numerous sectors are experiencing an upturn; which could potentially catalyze a fiscal rebound. According to preliminary industry survey results from Trenton-based industry trade association, BioNJ, a the number of biotechnology companies doing business in New Jersey continues its increase despite significant monetary challenges. Though pharmaceutical giants continue to merge, the focus now lies on the smaller biotech companies that have emerged and expanded, taking advantage of the many state incentives offered to them.

OVERVIEW

Central New Jersey is more fractured than its Northern counterpart. Year-over-year, the overall weighted average asking rent declined by $0.74 psf and currently registers $22.71 per square foot (psf); the lowest rate recorded since third quarter 1999. This market continues to struggle with the lease-up of surplus space. The overall vacancy rate, currently 21.8%, increased by 1.1% since second quarter 2009 and 0.8 of a percentage point from last quarter. Mid-sized blocks of space were delivered to the market in Union and Middlesex counties, respectively. Despite these space additions, there was significant progression in new leasing and activity increased by nearly 35.0% from totals recorded last quarter.

Two of the larger deals occurred within the Princeton submarket. In a consolidation shift, BlackRock, Inc. will be relocating from approximately 300,000 to 400,000 square feet (sf) it occupied at 800 Scudders in Plainsboro to 141,375 sf at 1 University Square Drive in West Windsor. In Lawrence Township, engineering firm, Parsons Brinckerhoff signed a 10.5 year 43,509-sf lease at 2000 Lenox Drive. At the forefront of renewal activity is Berlitz International's re-up of its existing 70,200-sf full-building lease at 400 Alexander Park in West Windsor and Telcordia Technologies, Inc's renewal of 47,857 sf at 331 Newman Springs Road in Middletown. Construction velocity still lags from previous years; however in Woodbridge, MetroTop Plaza II, the much anticipated 255,000-sf class A office building was recently completed and remains fully available for lease. There is 269,507 sf of product currently under construction. In Bridgewater, the 204,057-sf built-to-suit for Sanofi Aventis is underway and in Wall Township, two 20,000-sf buildings known as Executive Plaza (Buildings I and II) are expected to be completed later this summer.

To begin the year, Capital Markets maintained its momentum, recording 900,000 sf of transactions, nearly 90.0% of totals recorded last year at this time. Somerset County was home to the top three transactions this quarter. In Bernards Township, The Silverman Group acquired 150 Allen Road, a 191,319-sf class A property for $17.25 million. In Franklin Township, 220 Davidson Avenue (164,215 square feet) sold to NextBridge Group, while 265 Davidson Avenue (178,000 square feet) sold to Friendwell Property Investment Co. The Hampshire Companies added to its portfolio with the purchase of 150 Mount Bethel Road (106,000 sf) in Warren Township. Further South, in Woodbridge, The Hemisphere Group sold 100 Wood Avenue South a, 128,500-sf class A property to the Torsiello Organization, Inc. for $9.8 million.

FORECAST

The contraction in this market is fueled by an oversupply of inventory and insufficient demand. The recent depreciation of commercial property values continues to place financial pressure on Landlords. Until there is a significant upturn in the economy, regaining financial footing will prove to be challenging throughout the next several quarters.

BEAT ON THE STREET

"The Central New Jersey office market remains "sluggish" with select completed and pending transactions accounting for some positive momentum. Corporations continue to downsize and consolidate operations; though we are beginning to see companies spend capital dollars to achieve higher efficiencies in relocation scenarios."

-Joseph J. Sarno, Jr., *Executive Director*

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional *			
Unemployment	10.0%	9.9%	9.7%
Employment Growth	-1.0%	-0.3%	1.4%

Source: Moody's | Economy.com
*regional data used is on a state level

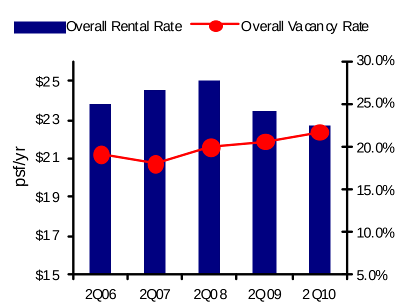
MARKET FORECAST

NEW LEASING ACTIVITY in some markets experienced an uptick and will remain stable throughout the second half of 2010.

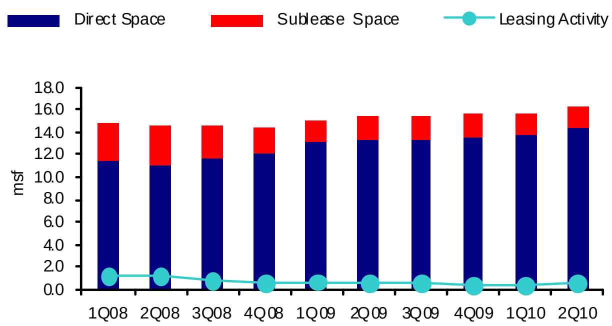
CORPORATIONS will continue seeking financially intelligent deal scenarios in the form of renewals or relocations.

CONSTRUCTION remains flat as developers continue to struggle with securing large tenants for proposed projects. However, this could fare well for the market, providing a chance for the absorption of existing space.

AVAILABLE SPACE TRENDS OVERALL VS. SUBLEASE



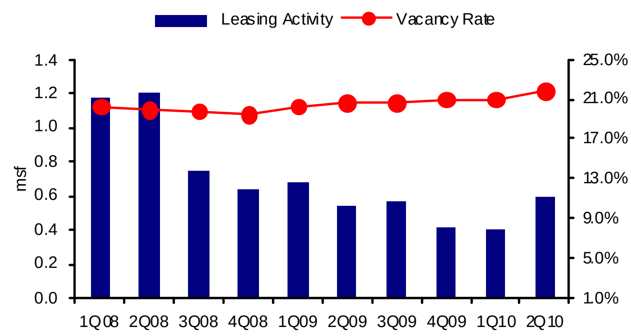
AVAILABLE SPACE TRENDS VS. LEASING ACTIVITY



- There was a steady decline and some modest fluctuation in leasing activity from second quarter 2008 through fourth quarter 2009. However, during the first half of this year, leasing activity improved by 300,000 sf from first quarter to second quarter, posting totals of 600,527 sf.

- Sublease space comprises 12.3% of total available product, the highest percentage since fourth quarter 2008. Direct space availability, currently 14.3 msf is at its highest peak in the last ten quarters.

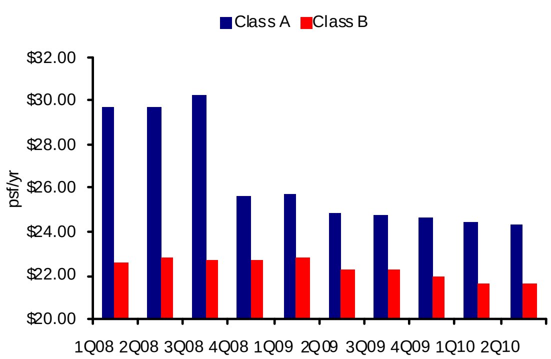
OVERALL LEASING ACTIVITY VS. VACANCY RATE



- Since fourth quarter 2008, the overall vacancy rate has not fallen below 20.0% and now continues to increase, reaching its highest peak this quarter at 21.8%. At 300-400 Connell Drive, approximately 166,000 sf became available this quarter and at 194 Wood Avenue South and additional 137,553 sf is now being marketed.

- The majority of leasing activity this quarter occurred in Mercer County (253,961 sf), Middlesex County (123,180 sf) and Somerset County (108,381 sf).

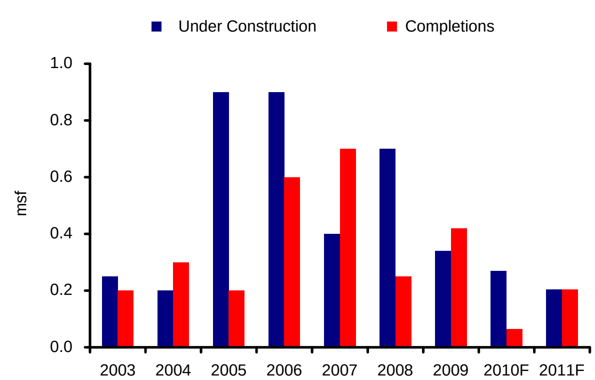
DIRECT RENTAL RATES CLASS A VS. CLASS B



- The class A direct weighted average asking rental rate declined by $1.38 psf since first quarter 2009 and currently rests at $24.31 psf; while the class B direct weighted average asking rental rate, currently $21.65 psf dipped by $1.21 psf from the same time frame.

- The depreciation of class A and B market values is primarily due to the continued addition of lower priced availabilities, which cause overall rental contraction in submarkets.

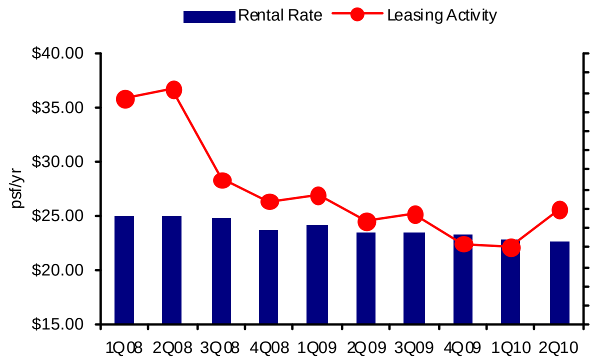
SF UNDER CONSTRUCTION VS. COMPLETIONS



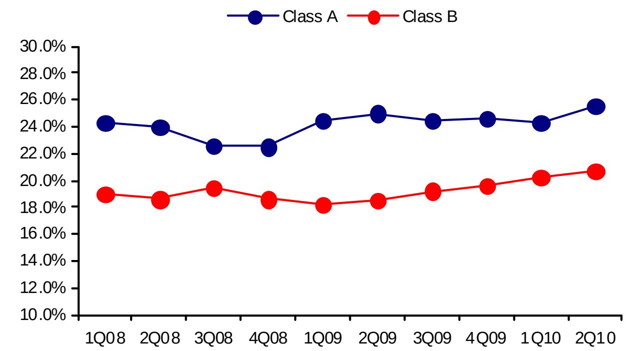
- A total of two projects totaling 300,765 were delivered during the first half of this year, on par with totals recorded at this time last year, yet still a staggering decline in activity from previous years.

- There are four projects totaling 269,507 sf currently under construction. Three are speculative with an expected delivery this summer. The 204,057 sf build-to-suit project for Sanofi-Aventis will be completed by year-end 2011.

OVERALL RENTAL RATE VS. LEASING ACTIVITY



OVERALL VACANCY RATES CLASS A VS. CLASS B



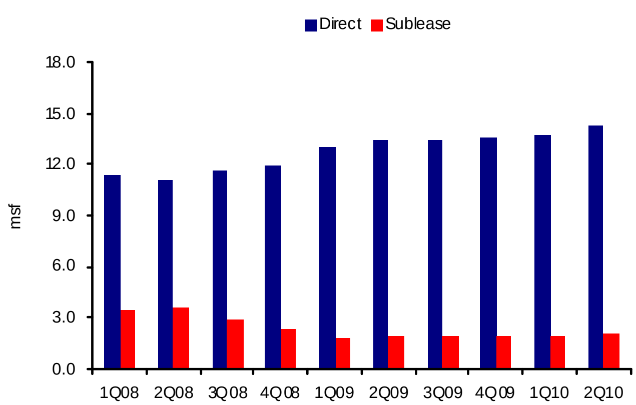
- During fourth quarter 2009 and first quarter 2010, leasing activity leveled off; however it has since improved registering approximately 600,527 sf this quarter. Some of the significant deals under 50,000 sf contributing to this increase include; Parsons Brinckerhoff (43,509 sf) at 2000 Lenox Drive in Lawrence Township, Boeing (35,103 sf) at 400 Connell Drive in Berkeley Heights and W.P.P. (34,332 sf) at 3 Mountainview Road in Warren Township.

- The overall weighted average asking rental rate, currently $22.71 psf, continues to trend downwards, declining by $2.31 psf from second quarter 2008.

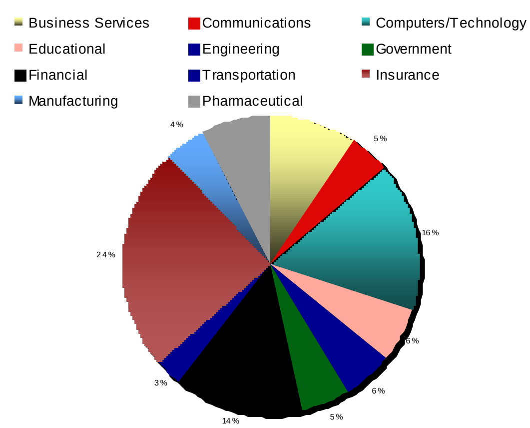
- The class A overall vacancy rate is now 1.5% higher than two years ago at this time and 0.5% higher than the total recorded at this same time last year. After dipping from third quarter 2008 to first quarter 2009, the class B vacancy rate is on an upsurge, reaching its highest recently recorded peak.

- Of the 7.9 msf of available class A space, 27.8% is located within Monmouth County (specifically within the Holmdel market), while 14.6% lies within Woodbridge/Edison. The Middlesex Upper 287 Corridor comprises most of the available class B space, with 905,745 sf msf currently being marketed.

AVAILABLE SPACE TRENDS
DIRECT VS. SUBLEASE



2010 YTD LEASING ACTIVITY 10,000 sf +
BY INDUSTRY



** Includes Renewals*

- In the last two and a half years, sublease space reached its peak of 3.65 msf during second quarter 2008, continuing its decline over the next few quarters and currently resting at 2.0 msf. The majority of sublease space is located throughout Somerset County (1.1 msf) and Middlesex County (516,212 sf).

- The majority of available direct space is located throughout Middlesex (5.1 msf), Monmouth (3.08 msf), Somerset (3.08 msf) counties.

- In Central New Jersey, 1.2 msf of leases 10,000 sf and greater were secured during the first half of the year. Renewals accounted for approximately 55.0% of this total.

- Insurance Services led the way in leasing activity accounting for 24.4% of all deals; followed by Computer/Technology (15.95%), Financial (13.95%) and Business Services (9.45%).

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MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Direct Wtd. Avg. Class A Gross Rental Rate*
Hunterdon County	1,439,544	30	29.7%	29.1%	8,448	0	0	4,407	4,407	$19.36
Mercer County	14,004,905	194	13.5%	12.6%	352,303	0	0	34,135	108,407	$33.49
Middlesex County	24,465,007	259	23.0%	20.9%	256,579	0	255,000	(304,040)	(324,003)	$24.75
Monmouth County	11,418,130	193	27.8%	27.0%	68,637	40,450	0	(78,034)	(34,962)	$18.14
Somerset County	15,660,713	164	26.7%	19.7%	197,720	229,057	0	(163,319)	(241,004)	$28.23
Union County	7,459,251	147	12.9%	11.0%	116,410	0	45,765	(171,038)	(208,367)	$30.30
Selected Submarkets										
I-78 Corridor	14,056,654	149	21.7%	14.1%	240,318	229,057	0	(162,260)	(269,591)	$29.16
Somerset Upper 287	4,361,013	36	39.6%	37.0%	34,627	0	0	(106,792)	(106,792)	$24.34
Princeton/Route 1	12,620,191	161	13.9%	12.7%	335,935	0	0	N/A	N/A	$34.89
Woodbridge/Edison	8,372,160	83	23.2%	21.8%	169,168	0	255,000	(209,620)	(234,682)	$30.68
Middlesex Upper 287	6,520,614	61	24.5%	17.5%	30,853	0	0	(40,009)	(36,948)	$21.09
Central NJ Total	74,447,550	987	21.8%	19.2%	1,000,097	269,507	300,765	(677,889)	(695,522)	$24.31

* Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
1 University Square Drive	Princeton	BlackRock, Inc.	141,375	A
2000 Lenox Drive	Mercer Route 295 Corridor	Parsons Brinckerhoff	43,509	A
400 Connell Drive	Union Route 78 Corridor	Boeing	35,103	A
3 Mountainview Road	Somerset Route 78 Corridor	W.P.P.	34,332	A
300 Connell Drive	Union Route 78 Corridor	Axis Financial Insurance Solutions	31,516	A

SIGNIFICANT 2Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
150 Allen Road	Somerset Route 78	The Silverman Group	191,319	$17,250,000
265 Davidson Avenue	Somerset Upper 287 Corridor	Friendwell Management, LLC	178,000	$9,050,000
220 Davidson Avenue	Somerset Upper 287 Corridor	Nextbridge Group, LLC	164,215	$5,275,000
100 Wood Avenue South	Woodbridge/Edison Market	Torsiello Organization, Inc.	128,500	$9,800,000

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
115 Wood Avenue South-MetroTop Plaza II	Woodbridge/Edison	N/A	255,000	5/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
55 Corporate Drive- Building IV	Somerset Route 78 Corridor	Sanofi-Aventis	204,057	12/11
186 Wood Avenue South- Centra	Woodbridge/Edison	N/A	106,500	N/A

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*Market terms & definitions based on BOMA and NAIOP standards.