

MARKETBEAT



CENTRAL NEW JERSEY OFFICE REPORT

3Q11

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

Overview

The Central New Jersey office market continued to improve this quarter. The New Jersey Department of Labor and Workforce Development announced that the state saw a modest reduction in unemployment from July to August, lowering from 9.5% to 9.4%. An August labor strike affected 7,000 Verizon employees who have since returned to work. After the state accounted for these employees; total employment in New Jersey declined by 100 jobs during August. Leasing far exceeds the activity of the recent past, both in the size and quantity of transactions.

Leasing & Sales Activity

Leasing activity continues to increase at higher rates than last year. Leases for the first nine months of 2011 totaled 2.9 million square feet (msf), exceeding the activity at this time last year by 58% and the 2010 year-end total of 2.7 msf by over 7%. The largest transaction of the year was Novo Nordisk's acquisition of a 770,000-square foot (sf) class A building at 800 Scudders Mill Road in Plainsboro. Initially, the company will occupy 475,000 sf while the space undergoes a \$215-million renovation. Another 150,000 sf will be occupied in three years, and Novo Nordisk has the option to assume occupancy of the remaining space at any time. The company will relocate its headquarters from 100 College Road West in Princeton in the largest leasing transaction in Central New Jersey since 2005. Another notable lease occurred at 500 Somerset Corporate Boulevard in Bridgewater, where Qualcomm Flarion Technologies, Inc. renewed its 125,472-sf space.

Sales activity remains slow in Central New Jersey. Three sales occurred during the quarter, the largest by the Silverman Group, which purchased 110 Allen Road in Bernards Township for \$23.2 million.

Vacancy & Rental Rates

The overall vacancy rate continues to remain slightly lower than it was last year, decreasing to 21.8%, down 1.2 percentage points from September 2010. Large blocks of space became available this quarter in the Somerset Route 78 Corridor in particular: 155,000 sf of space at 300 Somerset Corporate Boulevard where subleases for ImClone Systems Incorporated and Advanced Health Media expired, and 80,032 sf at 106 Allen Road in Bernards Township that Celgene Corporation left in its relocation to 33 Technology Drive in Warren Township.

After remaining flat for over a year, the overall asking rent rose to \$23.61 per square foot (psf), increasing \$0.75 psf since last quarter. The direct average rental rate also increased, rising \$0.80 psf to \$23.70 psf. Little movement occurred for class A spaces, where the overall rent is currently \$25.27 psf; however, this number is up 4.2% from the level reported at the start of 2010.

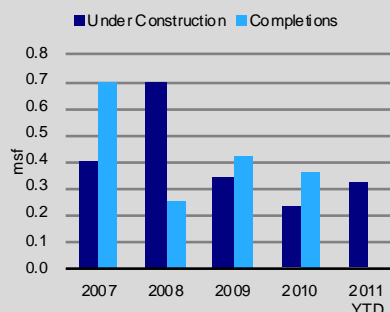
Outlook

Central New Jersey continues its recovery, as indicated by the stabilized overall vacancy rate and rising asking rents. Activity by pharmaceutical firms has increased throughout 2011 and has set the tone for the market, specifically in the I-78 Corridor, where such companies are attracted to high-quality class A product. The lease and complete renovation of the Novo Nordisk space in the Princeton Forrestal Center may serve as a spearhead for a potential rise in both leasing activity and employment in Central New Jersey.

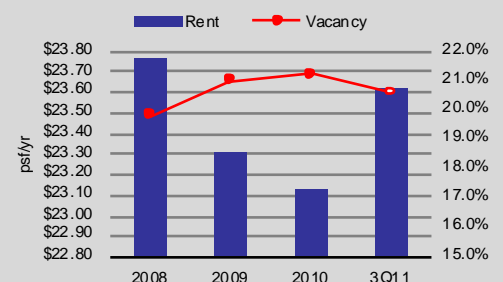
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	21.8%	20.6%	-1.2 pp	▼
Direct Asking Rents	\$23.27	\$23.70	1.8%	▲
YTD Leasing Activity (sf)	1,841,971	2,910,098	58.0%	◄►

Under Construction vs. Completions



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Class A Gross Rental Rate*
Hunterdon County	1,439,305	24.1%	23.5%	10,800	0	0	(9,332)	(9,332)	\$19.24	\$15.18
Mercer County	14,004,905	13.5%	13.0%	378,426	88,000	0	(126,410)	(135,132)	\$26.46	\$32.45
Middlesex County	24,570,007	21.2%	19.6%	1,236,275	0	0	662,274	624,531	\$22.84	\$25.27
Monmouth County	11,466,363	28.3%	28.1%	199,980	0	0	21,236	20,411	\$19.82	\$18.31
Somerset County	17,052,035	24.2%	20.4%	705,562	229,057	0	(747,889)	(638,612)	\$26.75	\$30.91
Union County	7,576,111	11.4%	10.5%	379,055	0	0	56,768	113,666	\$24.70	\$26.18
Selected Submarkets										
I-78 Corridor	15,469,085	20.8%	17.5%	787,292	229,057	0	(484,927)	(327,726)	\$28.53	\$31.51
Somerset Upper 287	4,338,359	31.5%	27.9%	143,847	0	0	(164,841)	(168,071)	\$21.14	\$23.91
Princeton/Route 1	12,620,191	14.1%	13.0%	547,547	0	0	N/A	N/A	\$26.93	\$33.36
Woodbridge/Edison	8,477,160	22.8%	21.3%	388,261	0	0	81,571	90,336	\$27.48	\$30.92
Middlesex Upper 287	6,520,614	21.3%	18.8%	60,586	0	0	(5,849)	3,906	\$17.72	\$20.34
CENTRAL NJ TOTAL	76,108,726	20.6%	19.0%	2,910,098	317,057	0	(143,353)	(24,468)	\$23.61	\$25.38

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
800 Scudders Mill Road	Middlesex South/8A	Novo Nordisk Qualcomm Flarion	475,000	A
500 Somerset Corporate Boulevard	Somerset Route 78 Corridor	Technologies, Inc.*	125,472	A
100 Overlook Center	Princeton	Corelab Partners	58,807	A

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
110 Allen Road	Somerset Route 78 Corridor	Silverman Group	197,475	\$23,250,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
----------	-----------	--------------	-------------	-----------------

N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
55 Corporate Drive - Bldg 4	Somerset Route 78 Corridor	Sanofi-Aventis	204,057	4Q11
300 Carnegie Center	Princeton	N/A	88,000	4Q12
1 Deforest Avenue	Union Route 24	N/A	60,100	2Q12
58 Mount Bethel Road	Somerset Route 78 Corridor	N/A	25,000	4Q11

