

MARKETBEAT



NORTHERN NEW JERSEY OFFICE REPORT

3Q11

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Overview

New Jersey's uptrend in employment for 2011 continued through the third quarter. According to the New Jersey Department of Labor and Workforce Development, the state's unemployment rate lowered in August to 9.4%, 0.1 percentage point lower than in July. Public sector employment was up by 4,200 in August while the private sector reported the loss of 11,300 jobs over the month, including 7,000 Verizon employees involved in a labor strike who have since returned to work. Industries that reported job losses include leisure and hospitality (-4,400) and professional and business services (-1,600). Industries which saw an increase in employment include automotive repair, personal care services, and religious, professional, and grant making organizations (+2,400), as well as education and health services (+900).

Leasing & Sales Activity

Leasing activity continues to remain steady throughout 2011, aided by several significant renewals. Medco Health Solutions, Inc. renewed its 77,262-square foot (sf) class C space at 19-00 Pollitt Drive in Fair Lawn. Law firm Bressler, Amery, & Ross, PC, tenants at 325 Columbia Turnpike in Florham Park for 23 years, expanded by 20,000 sf and now occupy a total of 70,614 sf. The largest new lease of the quarter occurred in Bergen County, where Phibro Animal Health leased 44,204 sf of space to relocate its headquarters from 65 Challenger Road in Ridgefield Park to 300 Frank W. Burr Boulevard in Teaneck. In Morris Township, medical specialists Atlantic Health Systems, Inc. signed a new lease at 465 South Street.

Sales transactions remain steady, but still lag behind the 2010 total. The largest sale of the quarter occurred in Parsippany when Morris Corporate Center III Acquisition LLC purchased a 540,000-sf three-building package from TIAA-CREF at 400 Interpace Parkway for \$109.9 million. The property, located within a premier corporate campus, was 85% leased at the time of the sale.

Vacancy & Rental Rates

With 19.0 msf of available space on the market in Northern New Jersey, the current overall vacancy rate of 17.8% increased by 0.5 percentage points since last quarter. Eleven spaces over 20,000 sf came onto the market during the current quarter, including 67,000 sf at Montville East Corporate Center in Pine Brook, which were previously occupied by Dish Network. At 2 Gateway Center in Newark, 45,000 sf of class A space were also added to the market.

Overall asking rental rate has remained steady, dropping only \$0.04 per square foot (psf) to \$25.49 psf. However, the class A market in Northern New Jersey continues to show signs of increased demand, especially in the Hudson Waterfront market where average asking rental rates are \$33.65 psf.

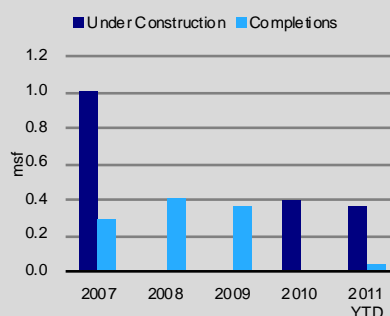
Outlook

Activity in Northern New Jersey continues to remain consistent, without much growth or significant new activity. The Green at Florham Park, a 325,000-sf build-to-suit for BASF Americas Corporation, is expected to be completed in June 2012. As the economy improves and confidence in the market is restored, expect at least some large, creditworthy companies to consider new construction.

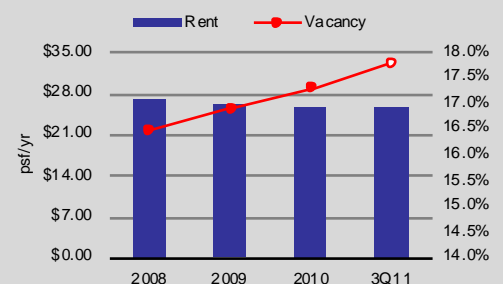
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	17.2%	17.8%	0.6 pp	▼
Direct Asking Rents	\$26.03	\$26.01	-0.1%	▲
YTD Leasing Activity (sf)	3,161,247	3,497,447	10.6%	◀▶

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*
Bergen County	26,173,684	18.9%	16.7%	971,500	0	0	(303,148)	(401,999)	\$26.51	\$28.16
Essex County	23,699,270	16.4%	15.1%	400,083	32,000	0	(125,206)	(167,292)	\$24.53	\$27.77
Hudson County	23,738,849	10.1%	7.3%	924,098	0	0	94,046	237,158	\$28.10	\$33.95
Morris County	28,536,955	23.9%	20.1%	1,031,903	325,000	30,000	(547,225)	(769,212)	\$25.10	\$29.09
Passaic County	5,156,196	20.0%	19.5%	169,863	0	0	71,363	66,490	\$22.01	\$24.97
Selected Submarkets										
Meadowlands	7,052,622	23.9%	20.5%	408,052	0	0	(73,513)	(52,624)	\$25.25	\$29.33
Parsippany	12,408,930	24.2%	18.0%	456,031	0	0	(268,851)	(506,336)	\$23.99	\$29.17
Hudson Waterfront	20,311,534	6.6%	4.5%	795,392	0	0	300,290	439,017	\$31.50	\$33.65
Newark	13,528,389	16.9%	15.1%	193,261	32,000	0	(11,085)	(67,932)	\$23.83	\$27.94
NORTHERN NJ TOTAL	107,304,954	17.8%	15.3%	3,497,447	357,000	30,000	(810,170)	(1,034,855)	\$25.49	\$28.78

* Rental rates reflect asking \$psf/year.

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
19-00 Pollitt Drive	Bergen Route 208 Corridor	Medco Health Solutions, Inc.*	77,262	C
325 Columbia Turnpike	Morris Route 10/24	Bressler, Amery, & Ross, PC *	70,614	A
300 Frank W. Burr Boulevard	Bergen Route 4 East Corridor	Phibro Animal Health	44,204	A

* Renewal/Expansion

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
400 Interpace Parkway	Parsippany	Morris Corporate Center III Acquisition LLC	540,000	\$109,900,000
2 Journal Square at Kennedy Boulevard	Hudson Waterfront Region	GAIA Real Estate Fund	320,282	\$77,900,000
400 Sylvan Avenue	GW Bridge Market	55 Dreamland LLC	42,726	\$6,750,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOIATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
180 Park Avenue	Morris Route 10/24	BASF	325,000	2Q12
535 Martin Luther King Boulevard	Newark	N/A	32,000	4Q11



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