

MARKETBEAT OFFICE SNAPSHOT



CENTRAL NEW JERSEY

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

Unemployment in the Garden State continued to decline through November, dropping to 6.4%, the lowest rate seen since October 2008. Private sector job growth was seen in six of the nine industry sectors in November, with the most substantial gains made in construction (+5,200), trade, transportation, and utilities (+3,300), and professional and business services (+2,200). Since the recessionary low in February 2010, employment has increased by 153,200 jobs.

MARKET REMAINS STABLE BUT UNIMPRESSIVE

The fourth quarter surpassed the anemic activity of 3Q by a narrow margin, and as a result, annual demand saw a dramatic decrease, falling 25.1% from 2013. Despite this, for the fourth consecutive year, new leasing activity surpassed 3.0 msf. The Princeton/Route 1 Corridor, I-78 Corridor, and Woodbridge/Edison submarkets comprised the bulk of activity, with these three submarkets alone accounting for 64.0% of new leasing. However, small deals continued to drive new activity, with transactions of 10,000 sf or less accounting for 57.3% of quarterly leasing. The largest transaction of Q4 occurred in the Princeton/Route 1 Corridor, where Blackrock expanded by 67,000 sf at 1 University Square. Meanwhile, after a tepid Q3 in Woodbridge/Edison, deal volume bounced back with over 170,000 sf leased in the final months of the year. Five transactions occurred in the submarket in excess of 10,000 sf, including a 31,500-sf sublease by Helsinn Therapeutics within Metropark. The four largest renewals of the quarter occurred along the I-78 Corridor: Avaya (67,600 sf), Aptalis Pharma (64,550-sf renewal/expansion), Elliott Management (40,000 sf), and Oracle (33,555 sf).

After falling during Q3, direct net absorption rose back into the green during 4Q, bringing the annual total to 736,238 sf. The addition of 261,500 sf of space at the former Merrill Lynch campus in the Princeton/Route 1 Corridor and 115,000 sf at Bridgewater Hills Corporate Center in the I-78 Corridor kept vacancy from improving further. In spite of these two large new availabilities and a slower than average Q4 of leasing, CNJ saw a nominal decline in vacancy since last quarter (-0.2 pp) to a current 18.1%. Quarter over quarter, CNJ saw its direct average rate remain steady at \$24.48 per square feet (psf). While class A direct rents followed a similar trend, the leasing of several high quality mid-sized spaces in the highly desirable Princeton/Route 1 Corridor and Metropark areas contributed to a modest slide, with the average falling slightly to \$29.21 psf.

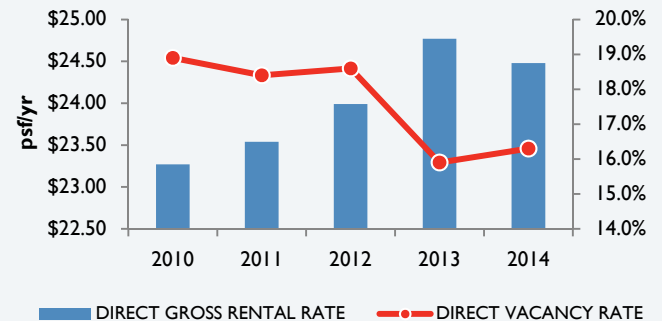
OUTLOOK

Though leasing velocity slowed in the latter half of the year, activity in Central New Jersey remains healthy in many market segments, and annual absorption for 2014 remained positive. Looking forward, several substantial availabilities are slated to come online in the Woodbridge/Edison market in 2015. However, a multitude of tenants of all sizes remain in the market, including some large tenants, indicating that demand in the coming year should be healthy enough to offset space dispositions.

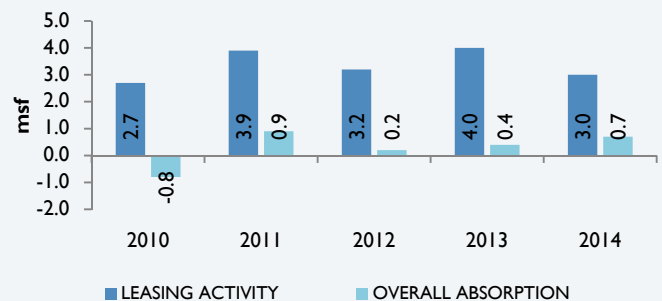
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.8%	18.1%	0.3 pp	▼
Direct Asking Rents (psf/yr)	\$24.77	\$24.48	-1.2%	▲
YTD Leasing Activity (sf)	4,013,416	3,006,295	-25.1%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL ABSORPTION



CENTRAL NEW JERSEY

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Hunterdon County	1,439,305	19.1%	19.1%	9,539	0	0	(16,206)	(16,206)	\$21.63	\$19.27
Mercer County	16,473,689	13.9%	12.9%	501,716	130,000	121,868	(5,961)	43,205	\$26.53	\$32.46
Middlesex County	24,137,527	17.4%	16.3%	1,210,678	0	0	620,475	714,927	\$22.95	\$29.05
Monmouth County	10,675,525	13.3%	13.0%	291,513	0	00	72,048	105,208	\$22.12	\$26.72
Somerset County	16,944,111	27.3%	22.6%	702,238	0	00	(27,719)	(279,317)	\$25.09	\$29.67
Union County	7,707,285	15.0%	13.7%	290,611	28,000	0	93,601	172,035	\$24.00	\$26.84
TOTALS	77,377,442	18.1%	16.3%	3,006,295	158,000	121,868	736,238	739,852	\$24.14	\$29.21
SELECTED SUBMARKETS										
I-78 Corridor	15,150,828	22.4%	17.3%	627,720	0	0	(24,908)	(195,702)	\$26.79	\$30.75
Upper 287 Corridor	10,668,232	25.0%	23.3%	302,865	0	0	244,456	262,803	\$18.58	\$22.95
Princeton/Route I	15,426,678	14.9%	13.7%	737,029	130,000	121,868	77,797	125,238	\$26.39	\$31.96
Woodbridge/Edison	8,719,160	15.9%	14.1%	557,815	0	0	162,832	204,568	\$26.66	\$31.91

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
100 College Road West, Plainsboro	Princeton/Rt. I Corridor	Sandoz, Inc.	A	154,000
750 College Road East, Plainsboro	Princeton/Rt. I Corridor	TRAC Intermodal	A	80,273
I University Square Drive, West Windsor	Princeton/Rt. I Corridor	Blackrock, Inc.	A	67,531
270 Davidson Avenue, Somerset	Upper 287 Corridor	Parker, Ibrahim & Berg	B	67,531
131 Morristown Road, Basking Ridge	I-78 Corridor	United Healthcare	A	56,387
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
55 Corporate Drive, Bridgewater	I-78 Corridor	American Realty Capital Trust	\$252,400,000 / \$343	736,572
300 Davidson Avenue, Franklin Township	Upper 287 Corridor	Software House International	\$12,400,000 / \$30	414,486
1700, 1750, 1800 Merrill Lynch Drive, Hopewell	Princeton/Rt. I Corridor	American Real Estate Partners	\$28,600,000 / \$89	321,809
99 Wood Avenue South, Woodbridge	Woodbridge/Edison	TA Associates	\$60,300,000 / \$223	271,000
2147 Route 27 South, Edison	Woodbridge/Edison	Edison 27 LLC	\$6,800,000 / \$27	250,000
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
21 Roszel Road, Princeton	Princeton/Rt. I Corridor	Hill Wallack, LLP	Q4 2014	62,500
200 Clocktower Drive, Hamilton Township	Princeton/Rt. I Corridor	N/A	Q4 2014	59,368
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
804 Carnegie Center, Princeton	Princeton/Rt. I Corridor	NRG Energy	Q1 2016	130,000
466 Springfield Avenue, Summit	Union Rt. 24 Corridor	Speculative	Q1 2015	28,000