



Market Tracker

*Arrows = Current Qtr Trend

▲ Vacancy
14.9%

▼ Net Absorption
(220,107) SF

▼ Deliveries
0 SF

▼ Asking Rent
\$24.70 SF

Office Market Faces Sluggish Demand

The Northern New Jersey office market coped with lackluster demand in the fourth quarter netting 220,107 SF of negative absorption, bringing the vacancy rate to 14.9% from 14.8% in the third quarter. The fourth quarter continued the market trends evident throughout 2011, which were decreasing demand and flight to quality movement. In the fourth quarter Class B space reported 214,676 SF of negative absorption, representing 98% of this quarter's negative demand. Looking at the entire year, Class B space represented 987,460 SF of negative net absorption whereas Class A space recorded 32,285 SF of positive absorption. The average asking rental rate fell by \$0.10 over the quarter and by \$0.79 year over year, ending the year at \$24.70/SF. Considering the historically high vacancy and unemployment rates, demand for office space will return to Northern New Jersey, albeit slowly, when market fundamentals show significant and continuous improvement. Aided by extremely limited new construction and deliveries, asking rates should also begin to level off in 2012.

The submarkets that demonstrated the strongest leasing and sale activity for 2011 were the Morristown and Hudson Waterfront submarkets. The Morristown submarket reported over 66,000 SF of positive net absorption for the quarter and over 377,000 SF for the year. In Q4, Realogy, the parent company of real estate firms such as Century 21, ERA, Coldwell Banker, Sotheby's, etc, announced that they will occupy 270,000 SF at 175 Park Avenue in Madison, which is currently under renovation. Upon completion, the Class A building will be LEED Silver Certified. Realogy will be vacating and consolidating their current operations of 377,000 SF located at 1 Campus Drive in Parsippany. Although leasing activity in the Hudson Waterfront slowed slightly in Q4, annual net absorption was recorded at over 310,000 SF in 2011. One of the most notable sales this quarter was of 10 Exchange Place to the Canadian based global real estate firm, Manulife Financial Corp. from Invesco. The 750,000 SF fully leased, Class A trophy building was acquired for \$285 million or \$380 per square foot. Also in Jersey City, the 1,061,000 SF Newport Tower located at 525 Washington Boulevard was acquired by a joint venture between Betnall Kennedy and Multi-Employer Property Trust from Brookfield Asset Management for \$377.5 million or \$355 per square foot.

According to preliminary estimates, employment in New Jersey increased by 10,300 jobs in November and 51,700 private sector jobs since January. However the state's unemployment rate remains unchanged at 9.1% over the month as more people are returning to the labor force. Private sector employment increased by 10,400 jobs, whereas public sector employment decreased by 100 jobs from the prior month. Sizable increases in job gains can be attributed to the trade, transportation, and utilities sector (+9,900 jobs) which is inclusive of more than expected seasonal hiring in retail trade (+7,800 jobs). These increases demonstrate growing consumer confidence in the state as retail sales and hiring improved throughout the holiday shopping season.

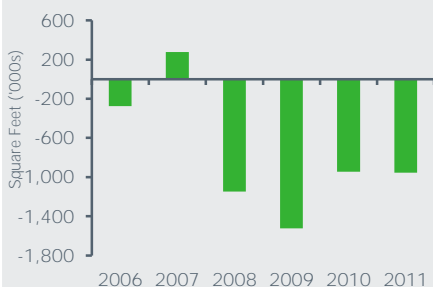
Economic Indicators

	Q4 11	Q4 10
Northern NJ* Employment	1.865M	1.853M
Northern NJ** Unemployment	8.9%	9.1%
U.S. Unemployment (Seasonally Adjusted)	8.6%	9.6%
U.S. CCI (Consumer Confidence Index)	53.53	57.05

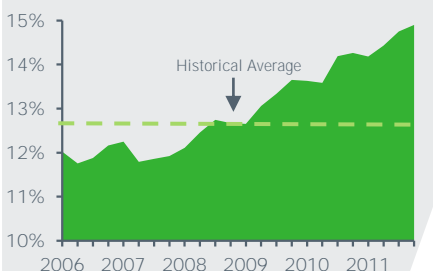
*Newark-Union/Bergen-Hudson-Passaic(NJ BLS)

**Bergen, Essex, Hudson, Morris, Passaic, & Union Counties (NJ BLS)

Net Absorption



Vacancy Rates



Forecast

- Class B office space will continue to reflect the majority of negative absorption.
- Top performing metro submarkets will capture the majority of demand and remain a target for corporate office locations. Metro areas will recover the fastest, with surrounding submarkets following after.
- Vacancy rates and rental rates will begin to stabilize in 2012 as demand slowly returns to the market.
- With historically high unemployment rates, the recovery in New Jersey Market will be slow throughout 2012; however, market fundamentals will likely stabilize and provide the foundation for growth for 2013.

Cassidy Turley Office Market Snapshot

Northern New Jersey • Fourth Quarter • 2011

	TOTAL BLDGS	INVENTORY	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE
Featured Submarkets									
Bergen Central	319	12,681,417	309,551	2,068,604	16.3%	(12,769)	(87,137)	0	\$23.19
Bergen East	206	8,918,032	29,067	1,757,931	19.7%	49,594	81,813	0	\$28.40
Bergen North	166	10,203,302	84,401	1,116,154	10.9%	4,290	(204,758)	0	\$23.64
Hudson Waterfront	183	23,505,547	153,395	1,546,825	6.6%	(5,845)	310,222	0	\$28.81
Meadowlands	88	6,772,383	252,080	1,443,482	21.3%	38,292	(99,162)	0	\$25.05
Morristown	159	12,901,284	149,666	1,341,989	10.4%	66,873	377,057	0	\$29.21
Newark	81	16,397,589	148,506	2,312,907	14.1%	(152,366)	(387,771)	0	\$25.16
Parsippany	226	18,323,160	718,429	3,901,784	21.3%	(57,217)	(727,736)	0	\$21.18
Passaic/Routes 23 & 46	158	8,173,730	71,198	1,858,525	22.7%	(12,756)	(267,261)	0	\$22.50
Suburban Essex/ I-280	234	12,367,287	131,580	2,211,150	17.9%	(48,292)	(161,806)	0	\$24.36
Western Morris	139	3,902,285	12,781	1,310,775	33.6%	41,673	(28,249)	0	\$21.28
Northern NJ Market Totals									
Class A	451	90,333,724	1,625,663	13,322,133	14.7%	(5,431)	32,285	0	\$26.74
Class B	1,237	57,420,242	471,579	8,693,159	15.1%	(214,676)	(987,460)	0	\$22.26
NORTHERN NJ TOTAL	1,688	147,753,966	2,097,242	22,015,292	14.9%	(220,107)	(955,175)	0	\$24.70

Key Lease Transactions Q4 11

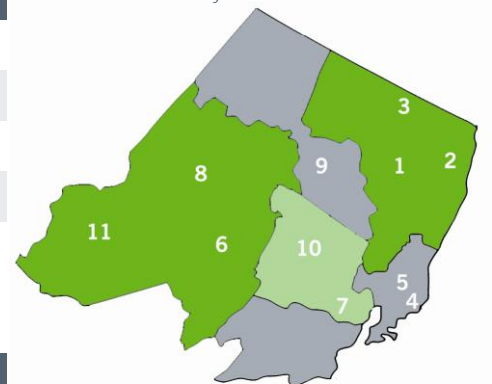
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
105 Challenger Road	37,000	Enopi Daekyo USA, Inc.	Lease	Bergen East
1 Meadowlands Plaza	27,792	MWW Group, Inc.	Lease/Renewal	Meadowlands
300 Interpace Parkway	26,787	Farmer's Insurance	Lease	Parsippany
445 South Street	21,604	Arch Reinsurance	Lease	Morristown
10 Waterview Boulevard	15,299	EverBank Commercial Finance, Inc.	Lease	Parsippany

Key Sales Transactions Q4 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
525 Washington Boulevard	1,061,000	Brookfield Asset Management/ Betnal Kennedy and Multi-Employer Property Trust	\$377,500,000	Hudson Waterfront
10 Exchange Place	696,876	Invesco Real Estate/ Manulife Financial Corporation	\$285,000,000	Hudson Waterfront
1 Meadowlands Plaza	422,470	CB Richard Ellis Investors/ KBS Realty Advisors	\$104,900,000	Meadowlands

Office Submarkets

Northern New Jersey



1. Bergen Central
2. Bergen East
3. Bergen North
4. Hudson Waterfront
5. Meadowlands
6. Morristown
7. Newark
8. Parsippany
9. Passaic/Routes 23 & 46
10. Suburban Essex / I-280
11. Western Morris

About Cassidy Turley

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