

# MARKETBEAT OFFICE SNAPSHOT



## CENTRAL NEW JERSEY

A Cushman & Wakefield Research Publication

Q4 2011



### ECONOMIC OVERVIEW

The gradual recovery of the state economy resulted in a successful year for the Central New Jersey market. While the unemployment rate remains at 9.1%, 0.5 percentage points higher than the national average, the

Department of Labor and Workforce Development reports that the state's private sector employers have added over 51,700 jobs in 2011. In November, private sector employment increased by 10,400, with significant gains in trade, transportation and utilities (+9,900) financial activities (+1,700), and hospitality (+1,700), and modest gains in professional and business services (+800) and information (+400). In Central New Jersey, these gains have translated into a healthy real estate market with rapidly rising leasing activity.

### LEASING & SALES ACTIVITY

Leasing activity increased dramatically in 2011, rising higher than in pre-recession years. This is largely the result of several leases in the pharmaceutical industry, especially Novo Nordisk's transaction at 800 Scudders Mill Road in Plainsboro, where the company took 475,000 square feet (sf) of class A space while the building undergoes a \$215-million renovation. In three years, Novo Nordisk will occupy an additional 100,000 sf with the option to expand into the remaining space in the 770,000-sf building. In the first half of 2011, medical research company LifeCell Corporation leased 117,937 sf of class B space at 95 Corporate Drive in Bridgewater. Celgene, another pharmaceutical corporation, also had strong leasing activity this year, renewing and expanding into 104,323 sf at 33 Technology Drive in Warren and leasing 77,566 sf at 300 Connell Drive in Berkeley Heights. Several significant renewals occurred throughout the year, including Verizon Wireless at 30 Independence Boulevard in Warren (210,312 sf), PNC Bank at 2 Tower Center in East Brunswick (131,363 sf), and Qualcomm Flarion Technologies at 500 Somerset Corporate Boulevard in Bridgewater (125,472 sf).

Sales activity was modest in 2011, with 822,062 sf being sold. It lagged behind that of 2010 by 68.2%, though it must be noted that 2010 was an exceptional year that was bolstered by an 817,972-sf sale to Northwestern Mutual Life Insurance Company. The most notable sale of 2011 occurred at 333 Thornall Street in Edison, where TA Associates purchased the 196,128-sf building for \$42.1 million. The Silverman Group also made a large deal by purchasing the 197,475-sf space at 110 Allen Road in Bernards Township for \$23.25 million.

### VACANCY & RENTAL RATES

With the large increase in leasing activity, vacancy rates have started to fall. The overall vacancy rate has dropped 1.4 percentage points to 19.8% since the end of 2010, and class A vacancy has dropped 1.7 percentage points to 22.3%. Direct average asking rental rates have risen to \$23.54 per square foot (psf), up \$0.27 psf since 2010 and

\$0.63 psf since mid-year 2011. Class A direct average asking rental rates have risen an impressive \$0.96 psf since mid-year 2011 to \$25.20 psf. The case for Central New Jersey's recuperation made by these market indicators is reinforced by the start of construction on a 250,000-sf headquarters campus for Church & Dwight at 100 PrincetonSouth Corporate Center in Ewing during the fourth quarter.

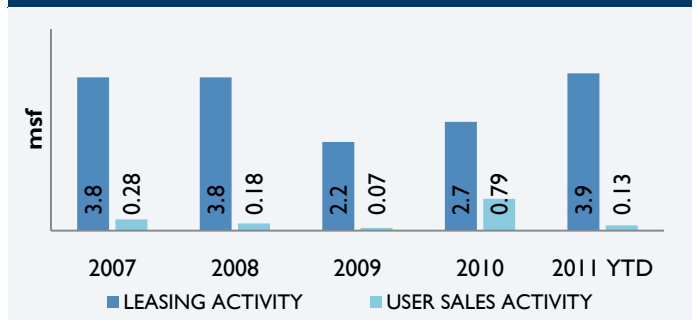
### OUTLOOK

Central New Jersey appears to have turned the corner towards recovery. Rental rates are gradually increasing, and vacancy rates are modestly but steadily decreasing. Although leasing activity is not expected to have a dramatic increase in 2012, it is expected to maintain its current pace, and availabilities will become more valuable as vacancy rates continue to lower slowly.

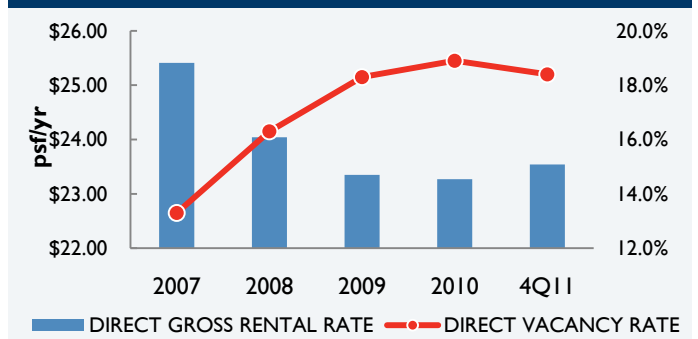
### STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.2%	19.8%	-1.4pp	▼
Direct Asking Rents (psf/yr)	\$23.27	\$23.54	1.16%	▲
YTD Leasing Activity (sf)	2,718,405	3,898,332	43.4%	◄►

### OVERALL OCCUPIER ACTIVITY



### DIRECT RENTAL VS. DIRECT VACANCY RATES



## 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	25.1%	24.5%	10,800	0	0	(24,067)	(24,067)	\$19.05	\$15.22
Mercer County	14,004,905	13.3%	12.7%	675,184	338,000	0	(7,733)	(4,650)	\$26.75	\$32.68
Middlesex County	24,570,007	20.3%	18.6%	1,527,902	0	0	863,822	840,708	\$26.75	\$24.74
Monmouth County	11,466,363	28.0%	27.7%	257,541	0	0	60,861	60,861	\$19.75	\$18.31
Somerset County	17,281,092	22.4%	19.3%	972,909	0	229,057	(384,606)	(124,003)	\$26.71	\$31.06
Union County	7,576,111	11.5%	10.5%	453,996	0	0	76,875	105,471	\$24.75	\$26.14
<b>SELECTED SUBMARKETS</b>										
I-78 Corridor	15,698,142	19.1%	16.5%	1,003,458	0	229,057	(151,700)	(155,377)	\$28.42	\$31.45
Somerset Upper 287	4,338,359	31.2%	27.6%	194,211	0	0	(150,337)	(152,117)	\$21.11	\$24.01
Princeton/Route 1	13,385,181	12.9%	11.8%	1,352,247	88,000	0	N/A	N/A	\$26.98	\$33.52
Woodbridge/Edison	8,477,160	21.4%	20.1%	696,178	0	0	190,780	204,916	\$26.92	\$30.41
Middlesex Upper 287	6,520,614	21.2%	18.7%	77,790	0	0	2,415	12,170	\$17.65	\$20.38
<b>CENTRAL NJ TOTAL</b>	<b>76,337,783</b>	<b>19.8%</b>	<b>18.4%</b>	<b>3,898,332</b>	<b>338,000</b>	<b>229,057</b>	<b>585,152</b>	<b>850,541</b>	<b>\$23.49</b>	<b>\$25.20</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS		SUBMARKET	TENANT/BUYER	CLASS	SQUARE FEET
800 Scudders Mill Road, Plainsboro		Middlesex South/8A	Novo Nordisk	Office –Class A	475,000
95 Corporate Drive, Bridgewater		Somerset Route 78	LifeCell Corporation	Office –Class B	117,937
33 Technology Drive, Warren Township		Somerset Route 78	Celgene	Office –Class B	104,323
300 Connell Drive, Berkeley Heights		Union Route 78	Celgene	Office –Class A	77,566
100 Overlook Center, West Windsor		Princeton	Corelab Partners	Office –Class A	58,807
SIGNIFICANT 2011 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
333 Thornall Street, Edison		Woodbridge/Edison	TA Associates	\$42,100,000	196,128
110 Allen Road, Bernards Township		Somerset Route 78	Silverman Group	\$23,250,000	197,475
1 Deforest Avenue, Summit		Union Route 23	Normandy Real Estate Partners	\$6,000,000	60,100
200 Milik Street, Carteret		Arthur Kill Region	Hampshire Companies	\$5,890,000	150,000
4559 Route 9 North, Howell		Monmouth County	Township of Howell	\$5,265,000	94,000
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
58 Mount Bethel Road, Warren Township		Somerset Route 78	N/A	3Q11	25,000
55 Corporate Drive-Bldg IV, Bridgewater		Somerset Route 78	Sanofi Aventis	4Q11	204,057
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
300 & 400 PrincetonSouth Corporate, Ewing Township		Mercer Route 295	Church & Dwight	4Q12	250,000
300 Carnegie Center, Princeton		Princeton	Hilton Realty	4Q12	88,000