

MARKETBEAT

OFFICE SNAPSHOT



NORTHERN NEW JERSEY

A Cushman & Wakefield Research Publication

Q4 2011



ECONOMIC OVERVIEW

The New Jersey economy is showing some signs that a gradual recovery is underway, and this has slowly begun to translate into positive real estate activity in the office market. In the month of November, the state's unemployment rate remained steady at 9.1%, still above the national rate of 8.6%. Despite this unchanged rate, the Department of Labor and Workforce Development reports that November saw a sharp gain of 10,400 private sector jobs. Employers have added approximately 52,000 jobs throughout 2011, and it is expected that the office market will soon improve as confidence in the economy is regained.

LEASING & SALES ACTIVITY

The office market in Northern New Jersey experienced an increased amount of activity in 2011. Leasing activity is the highest it has been since pre-recession, totaling 5.45 million square feet (msf) and exceeding 2010 transactions by 24.7%. Leading this activity was Realty's fourth quarter 280,700-sf lease at 175 Park Avenue in Madison; the real estate company will relocate its headquarters from its current location in Parsippany. Textbook publisher Pearson Education committed to moving from Upper Saddle Brook to a 206,413-sf space in a proposed building on River Street in Hoboken. The largest renewals of 2011 took place at 95 Greene Street, Jersey City and 2 Gateway Hall, Parsippany, where Bank of America and Deutsche Bank kept 225,000 sf and 204,515 sf respectively.

In addition to lease transactions, investment sales activity was also strong throughout 2011. The fourth quarter saw several high-quality product sales, including a record-breaking transaction. Multi-Employer Property Trust purchased the Newport Office Tower, a 1.06-msf class A building at 525 Washington Boulevard in Jersey City, for \$377.5 million. This represented the largest single-office sale in New Jersey history. Soon after, Manulife Real Estate made its first deal in the tri-state area when it purchased 10 Exchange Place, a 696,876-sf property also in Jersey City, for \$285 million from Invesco Real Estate. In East Rutherford, the 422,200-sf 1 Meadowlands Plaza was purchased for \$104.9 million by KBS Real Estate Investment Trust II. Several significant investment sales also occurred earlier in the year, notably 70 & 90 Hudson Street, which total 827,328 sf and were purchased by CB Richard Investors for \$310 million; before being surpassed by the Newport Office Tower sale, this represented the highest per square foot sale transaction in state history.

VACANCY & RENTAL RATES

Despite increased market activity, overall vacancy rates have risen 0.6 percentage points to 17.9% since 2010. Direct average asking rental rates have also slightly worsened, dropping \$0.31 per square foot (psf) since 2010 to \$25.81 psf. While certain submarkets are performing exceptionally well—such as the Hudson Waterfront,

where the overall vacancy rate is 6.5% and the direct average asking rent is \$33.54 psf—several less productive regions weigh down the entire market. Multiple large blocks of space have also become available in 2011, including two sublease spaces in Morris County totaling 439,281 sf, which contributed to driving both the rental rate down and vacancy rate up.

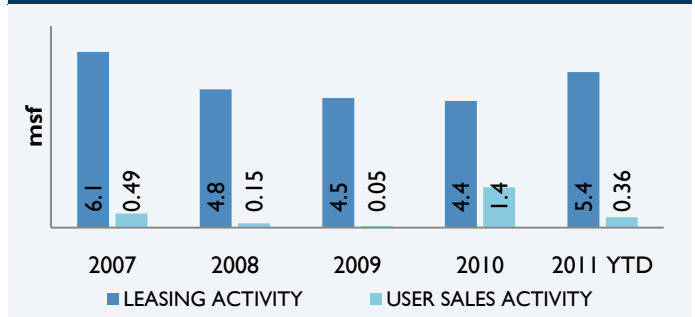
OUTLOOK

As the state's economy continues to stabilize and improve, real estate activity can be expected to follow suit. The rise in leasing activity from 2010 to 2011 demonstrates that this recovery has already begun in Northern New Jersey. Low rental rates will further motivate tenants looking for space, and vacancy rates should begin to gradually decline over time as a result.

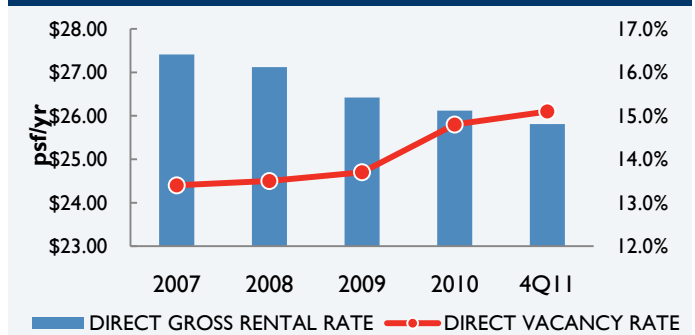
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.3%	19.9%	2.6pp	▼
Direct Asking Rents (psf/yr)	\$26.12	\$25.81	-1.2%	◄
YTD Leasing Activity (sf)	4,367,761	5,446,635	24.7%	▲

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. DIRECT VACANCY RATES



NORTHERN 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*
Bergen County	26,175,579	18.6%	16.3%	1,364,169	0	0	(141,874)	(287,671)	\$26.05	\$28.47
Essex County	23,699,270	16.7%	15.4%	545,269	0	0	(171,301)	(226,593)	\$24.43	\$27.48
Hudson County	23,824,849	9.9%	7.1%	1,403,979	0	0	137,137	285,071	\$28.14	\$34.18
Morris County	28,818,455	24.6%	19.6%	1,930,825	325,000	30,000	(435,757)	(1,030,617)	\$24.89	\$28.90
Passaic County	5,156,196	18.5%	18.5%	202,393	0	0	102,787	114,554	\$22.18	\$25.14
SELECTED SUBMARKETS										
Meadowlands	7,052,622	22.5%	19.1%	572,709	0	0	23,389	44,778	\$24.99	\$29.41
Parsippany	12,408,930	24.2%	17.9%	756,908	0	0	(234,048)	(505,335)	\$23.36	\$28.96
Hudson Waterfront	20,397,534	6.5%	4.4%	1,209,855	0	0	328,550	472,099	\$31.65	\$37.97
Newark	13,528,389	17.4%	15.6%	244,814	0	0	(78,844)	(129,291)	\$23.90	\$30.13
NORTHERN NJ TOTAL	107,674,349	17.9%	15.1%	5,446,635	325,000	30,000	(509,008)	(1,145,256)	\$25.27	\$28.82

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS				
	SUBMARKET	TENANT/BUYER	CLASS	SQUARE FEET
175 Park Avenue, Madison	Morris Route 10/24	Realogy	Office –Class B	280,700
Waterfront Corporate Plaza III, Hoboken	Hudson Waterfront	Pearson Education Inc.	Office –Class A	206,413
Sylvan Way, Parsippany	Parsippany	Wyndham Worldwide	Office –Class A	203,000
499 Washington Boulevard, Jersey City	Hudson Waterfront	Fidelity Real Estate Company	Office –Class A	185,440
200 Kimball Drive, Parsippany	Parsippany	Novartis Consumer Health	Office –Class A	153,734
299 Jefferson Road, Parsippany	Parsippany	Evonik DeGussa Corp.	Office –Class A	150,500
SIGNIFICANT 2011 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
525 Washington Boulevard, Jersey City	Hudson Waterfront	Multi-Employer Property Trust	\$377,500,000	1,061,000
70 & 90 Hudson Street, Jersey City	Hudson Waterfront	CBRE Investors	\$310,000,000	827,318
10 Exchange Place, Jersey City	Hudson Waterfront	Manulife Real Estate	\$285,000,000	696,876
400 Interpace Parkway, Parsippany	Parsippany	Morris Corporate Center III Acquisition LLC	\$109,900,000	540,000
1 Meadowlands Plaza, East Rutherford	Bergen Meadowlands	KBS Real Estate Investment Trust II	\$104,900,000	422,220
4 Gateway Center, Newark	Newark	David Werner Real Estate Inc.	\$81,575,000	328,915
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
1 Papermill Drive, Whippany	Morris Route 10/24	The Learning Experience	1Q11	30,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
The Green at Florham Park/180 Park Avenue, Florham Park	Morris Route 10/24	BASF	2Q12	325,000