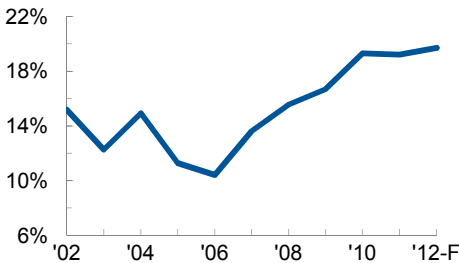
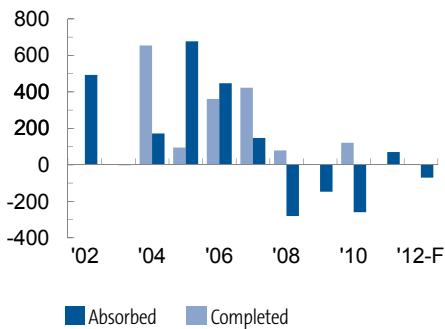


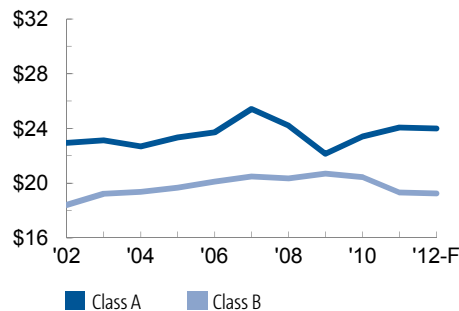
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
(\$/SF/Yr. Full Service)



Concerns Over the Federal Budget Loom Large

In 2011, the southern New Jersey office market posted its first yearly occupancy gains since 2007. The 70,000 square feet of tenancy growth this year only offset 10 percent of the losses suffered over the past three years, but were welcome in a market negatively impacted during the past recession from its exposure to the residential mortgage sector. Demand drivers shifted somewhat during 2011, but the past three-years' leader, the education & healthcare sector, remained the top occupancy gainer during the past 12 months. Rents remained soft and concessions were still readily available for tenants in the market.

From an investment standpoint, activity remained near 2010 levels, a year which witnessed the awakening of activity from its slumber. Sales volume was over \$40 million in 2011, around the same level of activity tallied in 2010. The largest sale of the year goes to Tequesta Properties which acquired two more properties in Marlton, increasing its holdings to six offices measuring nearly 500,000 square feet in total. Undoubtedly, Tequesta Properties practically defined the office investment market in Southern New Jersey over the past two years. REITs such as Brandywine Realty Trust have slowly begun to prune their southern New Jersey portfolio, shifting the focus from occupancy toward pricing. This should help to decelerate rental rate depreciation to some extent over the next year until stable demand appreciation returns.

2011 REVIEW

The past year marked a significant trend reversal in demand from the tenants in the financial sector. Having added nearly 400,000 square feet of vacancy to the market from the 2008 through 2010, financial firms shifted back to adding occupancy in 2011 on the

(CONTINUED ON PAGE 2)

KEY TRANSACTIONS FOR 2011

<p>Cooper Health System leased 61,140 SF at 3 Executive Campus Cherry Hill, NJ from *Executive Campus LLC</p>	<p>Mission Systems leased 110,000 SF at 121 Whittendale Dr Moorestown, NJ from Needleman Management Co.</p>	<p>Tequesta Properties purchased 30 Lake Center and Five Greentree Centre Marlton, NJ from Brandywine Realty Trust for \$22.8 Million</p>
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*Transaction Represented by Grubb & Ellis



OFFICE MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	19.3%	19.2%	19.7%
Class A Rental Rate ¹	\$23.42	\$24.07	\$24.00
Class B Rental Rate ¹	\$20.44	\$19.31	\$19.25
Net Absorption	(260,882)	69,360	(70,000)
Space Completed	120,000	-	-

1. Asking rate per square foot per year full service

(CONTINUED FROM PAGE 1)

order of nearly 60,000 square feet. Insurance related companies spear-headed absorption gains while PH&H's move into Midlantic Drive also accounted for growth. In spite of PH&H's real estate downsizing during the depth of the recession, the company maintains a significant presence in the region which could further shrink in 2012 given its recent turmoil of a credit downgrade along with an abrupt change in executive leadership.

The professional & business services sector also reversed a trend. Having added nearly 100,000 square feet of occupancy between 2008 and 2010, this sector retracted by 40,000 square feet in 2011. Tech related companies such as CSC and QAD inc. account for most of this retraction while engineering firms actually grew occupancy during the past year. Law firms held pat with no net change in occupancy.

The healthcare sector maintained its bearing of steady occupancy growth in 2011. The Rothman Institute acquired Three Greentree in Marlton while a few other medical firms further added to occupancy as well. DeVry accounts for the only education related firm to add to occupancy over the past year joining the ranks of ITT Tech, Harris School of Business and Lincoln Technical Institute who either entered the market or expanded in recent years.

From a lease perspective, new transactions averaged around six year terms, little change from the previous year, while net effective rents decreased somewhat. Free rent for new leases averaged around a half to one month per year of term. For renewals, average lease lengths were around four years while rent rates held steady. Free rent remained a constant at around one month per year of term.

2012 FORECAST

The southern New Jersey office market will brace itself for another year of occupancy losses in 2012 as the normal drivers will become stagnant while federal spending cuts

(CONTINUED ON PAGE 3)

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will most likely translate into negative absorption. REITs will continue to divest out of this market, affording existing landlords a less aggressive environment in which to ink leases. Rents overall should nudge downward slightly while lengths of leases enjoy modest increases.

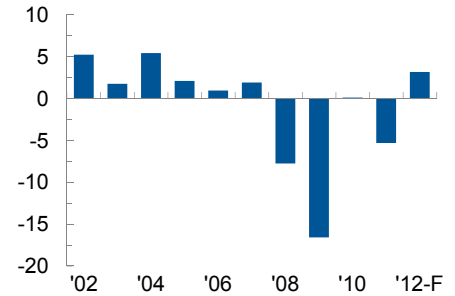
The tendency for the healthcare & education sector to add occupancy most likely ran its course in the near term. On the education side of the coin, additions of trade and secondary schools over the past three years saturated this market for any immediate growth by this sector in this market. While a charter school or two may come to market during 2012, the impact these transactions will have will be limited at best. As for health care, a planned consolidation by one of the bigger players in the market could result in additional vacancy added to the available supply of office space in southern New Jersey. Depending on where a few leases end up, there is a chance of a zero-sum impact on the market, but any occupancy growth from the health care sector is unexpected in 2012.

Further dampening recovery hopes in 2012 are government spending cuts on the federal level. The region boasts a significant Lockheed Martin presence as well as other government-contract driven companies that may experience profound revenue cuts in the coming months. Lockheed Martin alone leases over 600,000 square feet of space in the southern New Jersey market and owns a little more than 150,000 square feet. As such, space give-backs from these companies are expected in the coming year and will further add to oversupply.

From an ownership perspective, market share of REIT ownership in the region has steadily declined since 2009 and will most likely continue to shrink during 2012. As much as 800,000 square feet of space has already traded hands out of REITs and into private owners or users during the aforementioned time frame while further sales are expected in 2012 as REITs dispose of assets or choose to exit secondary markets in order to focus more on core asset types. For local owners, this comes as good news considering the aggressive lease terms offered to tenants with space requirement over the past few years by regional REITs.

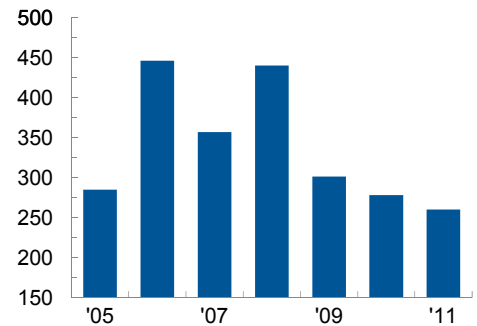
From a pricing perspective, further rent depreciation is expected, but should be modest considering the increase in private ownership. While demand retraction is expected to some extent during the next year, it should persist at a slower rate than in recent years. The amount of exposure this market had to financial and lending related companies during the credit crisis of late 2008 and early 2009 was significant. For new leases, terms are tending toward seven to eight years with one month of free rent generally agreed upon. For renewals, transactions should sign for four to five year terms with about a half of month of free rent per year of the agreement. Tenant improvement dollars are more available than during the worst part of the recession, but are not yet near pre-recessionary levels.

Annual Change in Non Farm Payrolls
Seasonally Adjusted, December to December
(in Thousands)



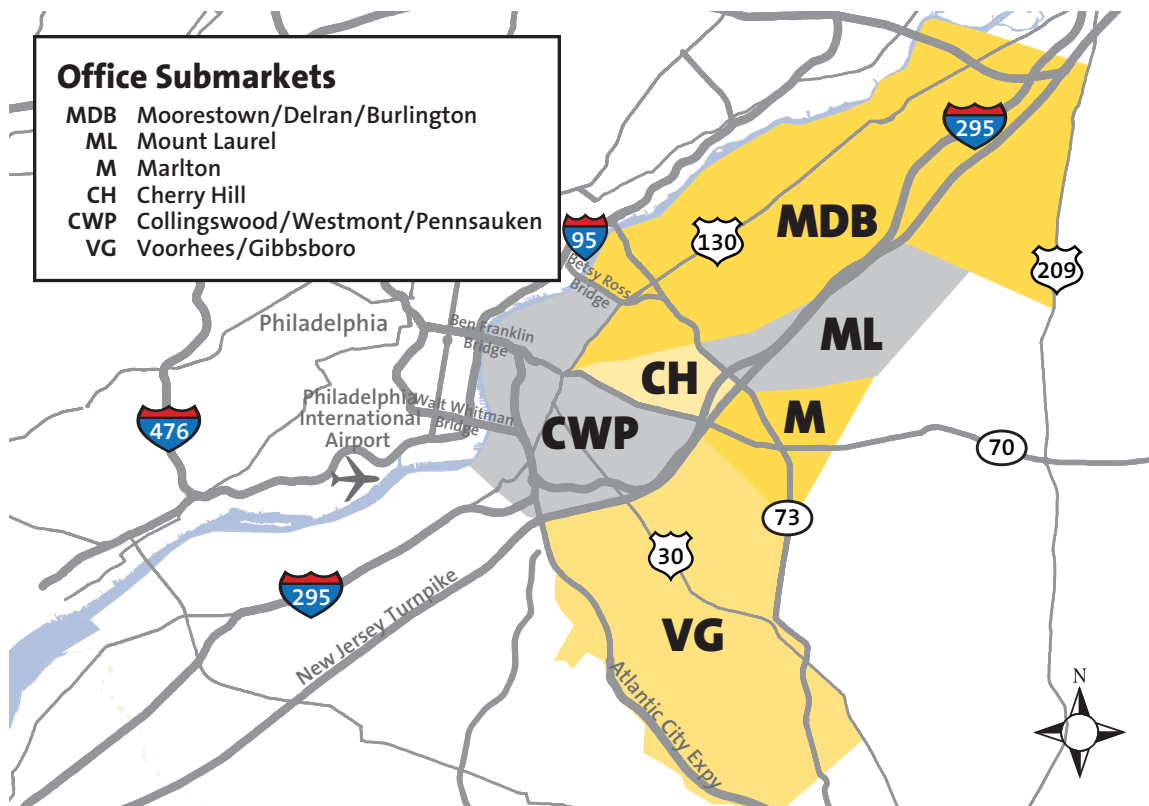
Source: Moody's Economy.com, Grubb & Ellis

Office Space Available for Sublease
(in Thousands)



By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		Class A	Class B
Cherry Hill	3,795,006	829,017	21.8%	26.1%	(6,838)	24,240	-	\$26.01	\$19.72
Collingswood/Westmont/Pennsauken	1,457,697	303,889	20.8%	21.9%	1,241	(1,029)	-	\$25.50	\$19.49
Marlton	2,531,977	399,705	15.8%	22.5%	20,319	(28,953)	-	\$25.92	\$19.58
Moorestown/Delran/Burlington	2,173,977	398,767	18.3%	21.3%	(23,624)	(17,684)	-	\$27.50	\$20.39
Mount Laurel	6,102,005	1,032,738	16.9%	21.3%	8,004	67,142	-	\$22.85	\$17.72
Voorhees/Gibbsboro	1,551,257	418,195	27.0%	27.9%	23,031	25,644	-	\$22.50	\$20.74
Suburban Total	17,611,919	3,382,311	19.2%	23.1%	22,133	69,360	-	\$24.07	\$19.31
Totals	17,611,919	3,382,311	19.2%	23.1%	22,133	69,360	-	\$24.07	\$19.31

By Class	Total SF	Vacant SF	Vacant %	Available %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	5,447,079	919,974	16.9%	20.5%	(3,522)	136,456	-	-	76,156
Class B	7,671,534	1,890,568	24.6%	29.2%	4,148	(146,456)	-	-	142,854
Class C	4,493,306	571,769	12.7%	16.0%	21,507	79,360	-	-	40,900
Totals	17,611,919	3,382,311	19.2%	23.1%	22,133	69,360	-	-	259,910



OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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