



4Q11 NEW JERSEY OFFICE MARKET

Newmark Knight Frank

The New Jersey office market finished 2011 on a strong note with 240,090 square feet of positive absorption posted in the fourth quarter. The year-end net total for 2011 finished at negative 722,297 square feet. The availability rate at the end of the fourth quarter was 24.4%, essentially unchanged from the third quarter and an improvement on the 25.2% rate reported one year ago. Asking rents for office space in New Jersey averaged \$24.30/sf in the quarter, down from \$24.38/sf in the third quarter and \$24.52/sf one year ago. The outlook for new development began to look up with 893,525 square feet of new office space under construction at the end of the year, up from 567,233 square feet at the end of 2010.

In the fourth quarter, Somerset/I-78 posted the largest net absorption total of the New Jersey office submarkets at 243,574 square feet, although the year-end net total for the submarket remained negative at 104,184 square feet. The vacancy rate improved to 27.5%, compared to 27.9% in the third quarter and 30.1% one year ago. The average asking rent finished at \$25.26/sf compared to \$24.87/sf in the third quarter and \$25.44/sf one year ago.

Figure 1
Weighted Average Asking Rent & Availability



Figure 2
Net Absorption (SF)

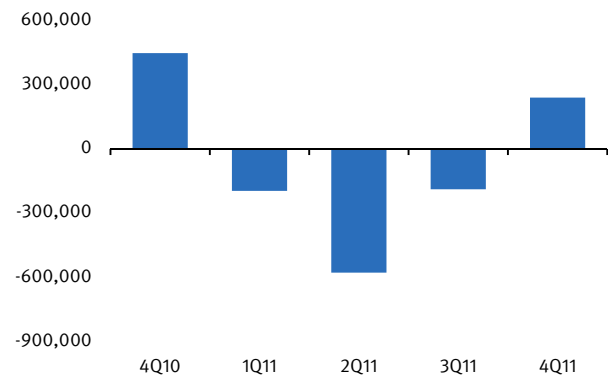


Figure 3
Newmark Knight Frank ModernTrax™ Forecast

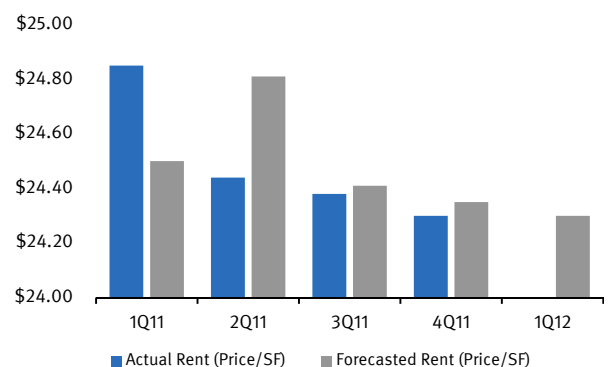


Table 1 Key Indicators		
Total Inventory (SF)		189,365,662
Average Asking Rent (Price/SF)	Total	\$24.30
	Direct	\$24.73
	Sublet	\$20.03
Availability Rate (%)	Total	24.4%
	Direct	21.4%
	Sublet	3.0%
Net Absorption (SF)	4Q11	240,090
	3Q11	-188,380
	2Q11	-577,893
Under Construction (SF)		893,525

Table 2 Year Over Year			
	4Q10	4Q11	% Change
Availability Rate (%)	25.2%	24.4%	-3.2%
Average Asking Rent (Price/SF)	\$24.52	\$24.30	-0.9%



The Bureau of Labor Statistics (BLS) reported that the unemployment rate for New Jersey was 9.1% in November 2011, essentially unchanged from October and lower than the 9.2% rate one year ago. Total nonfarm employment increased by 0.8% for the 12 months ending in November, indicating a gain of 29,100 jobs including 10,300 in the month of November alone. The Consumer Price Index (CPI) for the New York-New Jersey metropolitan area increased 3.0% in the 12 months ending in November 2011.

For the U.S. overall, the BLS reported that total nonfarm employment increased 1.2%, or 1.6 million jobs, in the 12 months ending November 2011. The unemployment rate was 8.6%, compared to 9.0% in October and 9.9% in November 2010. The CPI increased 3.4% for the 12 months ending in November.

Figure 4
Total Nonfarm Employment, 12-Month % Change

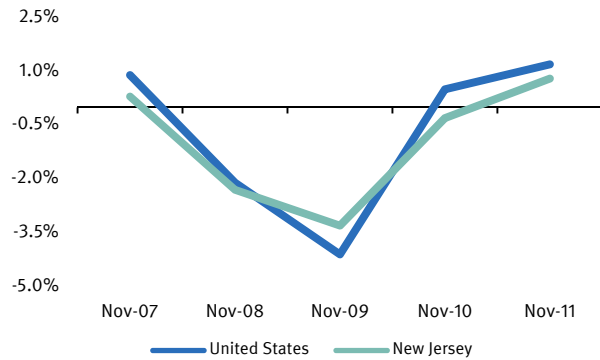


Figure 5
Consumer Price Index, 12-Month % Change

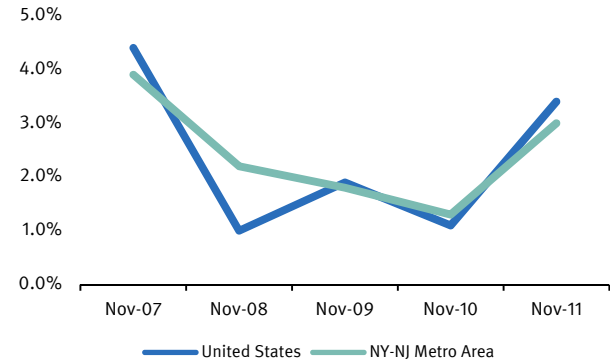


Figure 6
Unemployment Rate

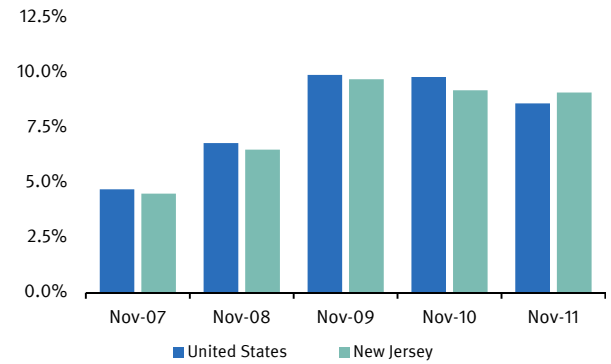


Table 3
Select Lease Transactions

Tenant	Address	Town	Square Feet
Realogy Operations	175 Park Ave	Madison	270,000
Dun & Bradstreet	101 John F Kennedy Pkwy	Short Hills	150,000
Prudential Insurance	7 Giralda Farms	Madison	94,000
Aeropostale	125 Chubb Ave	Lyndhurst	68,949
Trizetto Group	1085 Morris Ave	Union	67,763

Table 4
Select Sales Transactions

Address	Town	Square Feet	Sale Price	Price/SF
525 Washington Blvd	Jersey City	1,197,289	\$377,500,000	\$315
10 Exchange Pl	Jersey City	648,005	\$285,000,000	\$440
1 Meadowlands Plz	East Rutherford	421,317	\$104,900,000	\$249
30 Independence Blvd	Warren	210,524	\$35,000,000	\$166
56 Livingston Ave	Roseland	433,945	\$18,100,000	\$42



Table 5
Submarket Statistics

	Total Inventory (SF)	Qtrly Net Absorption (SF)	Direct Availability Rate	Sublet Availability Rate	Total Availability Rate	Direct Avg. Asking Rent (Price/SF)	Sublet Avg. Asking Rent (Price/SF)	Total Avg. Asking Rent (Price/SF)
Central NJ	79,517,674	293,436	23.0%	2.3%	25.2%	\$23.86	\$20.31	\$23.63
Brunswick/Piscataway	15,555,310	-33,095	25.8%	3.0%	28.7%	\$22.07	\$15.47	\$21.58
Hunterdon/I-78	1,745,309	-38,477	28.6%	0.6%	29.2%	\$19.86	\$10.00	\$19.54
Monmouth East	12,011,984	3,889	29.2%	0.9%	30.1%	\$20.26	\$26.88	\$20.37
Monmouth West	1,857,999	20,804	23.8%	0.1%	23.9%	\$23.74	NA	\$23.74
Ocean County	1,953,577	6,455	14.4%	0.0%	14.4%	\$22.70	NA	\$22.70
Princeton Area	24,366,131	23,685	17.6%	1.4%	19.0%	\$25.89	\$25.38	\$25.87
Somerset/I-78	15,915,401	243,574	22.8%	4.7%	27.5%	\$26.44	\$20.59	\$25.26
Woodbridge/Edison/Metropark	6,111,963	66,601	26.2%	2.1%	28.3%	\$29.18	\$23.78	\$29.03
Northern NJ	109,847,988	-53,346	20.3%	3.5%	23.8%	\$25.71	\$19.88	\$24.99
Bergen Central	6,648,545	4,988	19.8%	6.7%	26.5%	\$25.01	\$23.06	\$24.39
Bergen East	8,467,728	5,721	26.3%	1.0%	27.3%	\$27.43	\$17.23	\$27.29
Bergen North	7,028,084	31,658	17.0%	2.1%	19.1%	\$24.61	\$18.01	\$24.04
Hudson Waterfront	20,421,524	82,453	9.5%	2.0%	11.6%	\$29.28	\$34.87	\$29.43
Meadowlands	6,144,897	-29,407	25.5%	6.8%	32.2%	\$26.05	\$21.37	\$25.15
Morris/I-80	2,960,975	57,055	44.9%	4.2%	49.1%	\$20.84	\$18.33	\$20.52
Morristown Area	9,774,237	39,655	18.0%	5.0%	23.0%	\$30.22	\$22.93	\$29.80
Newark/Urban Essex	13,475,705	-205,789	14.8%	1.6%	16.5%	\$26.03	\$17.69	\$25.47
Parsippany/Rt 10	15,982,938	87,102	28.3%	7.0%	35.3%	\$22.56	\$18.89	\$21.47
Union	3,818,482	-30,121	14.5%	1.3%	15.8%	\$23.28	NA	\$23.28
Wayne/Woodland Park	7,761,412	-37,501	23.9%	1.7%	25.6%	\$23.99	\$16.32	\$23.88
West Essex	7,363,461	-59,160	28.1%	2.8%	30.9%	\$26.94	\$15.99	\$26.48
New Jersey	189,365,662	240,090	21.4%	3.0%	24.4%	\$24.73	\$20.03	\$24.30

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