

# MARKETBEAT

## CENTRAL NEW JERSEY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q10

### ECONOMY

Many economists, still on the fence, are hesitant to concur with the idea that the current fiscal tide is nearing its calm. Though the United States gained 162,000 new jobs in March, there is still a consistent pattern of job growth needed in order to truly tap this year as the start of true recovery mode. Companies need to expand, rather than consolidate and until these expectations are met, the economic crisis could linger longer than anticipated. Fortunately, some industries such as health (medical) and education have withstood the financial blows to the economy; which could potentially create a surge in job growth in this market because of its talented labor pool.

### OVERVIEW

Throughout the Central New Jersey office market, there are still some tears that need to be mended. Unlike the northern portion of the state, the overall vacancy rate in this market remained flat, registering 21.0%; while the overall weighted asking rental rate decreased by \$0.48 per square foot (psf) since 2009. Not since the third quarter of 2000 has the overall weighted average asking rental rate in this market fallen below \$23.00 psf. Mercer and Monmouth County each experienced a slight uptick in leasing activity since fourth quarter last year. However, overall leasing activity in this market is not only off the mark set last quarter, but also represents a 42.0% year-over-year decline.

The most significant new deal occurred at 110 Allen Road in Bernards Township where multinational pharmaceutical company, Celgene Corporation signed on for 42,743 square feet (sf) of sublease space. At 141 West Front Street in Red Bank, Booz Allen Hamilton secured 23,566 sf. In the Metropark market, downsizing was the trend for some tenants. In a relocation from 194 Wood Avenue South, Microsoft Corporation shed some space and leased 21,717 sf at 101 Wood Avenue South. The CSAV Agency renewed its existing lease at 99 Wood Avenue South, while downsizing by approximately 8,000 sf to 24,184 sf. The Prudential Insurance Company of America gave up some of its existing space and renewed at 200 Wood Avenue South. Further south, in the Princeton market, Phase Forward leased 15,243 sf at 104 Carnegie Center, while Wells Fargo Advisors signed on for 15,000 sf at 989 Lenox Drive.

Recorded construction activity in this market, currently just below 500,000 sf fares better than other markets where there is little or no activity. In Bridgewater, the 204,057-sf build-to-suit for Sanofi-Aventis is progressing at 55 Corporate Drive-Building IV. In Woodbridge, MetroTop Plaza II, a 253,000-sf speculative class A building is expected to be delivered by early Fall; while in Edison, the redevelopment and expansion of The Hampshire Companies 98,459-sf property now known as Centra Business Park (186 Wood Avenue South) broke ground in March.

### FORECAST

As long as the current economic trend continues to favor companies requiring new space for expansion or consolidation, existing tenants will seek to lock-in current market rate value over the long-term. The high vacancy rate which exists in some central markets has become the perfect arena for tenants to obtain “blend and extend” leases by way of early renewals and re-negotiation of existing lease terms. Most Landlords will continue offering this brand of flexibility to secure credit worthy tenants for the long-term, rather than lose money in re-marketing space to potential higher-risk tenants.

### BEAT ON THE STREET

“The recent acquisitions of Schering-Plough by Merck and Wyeth by Pfizer, will most likely create additional vacancies for lease and properties for sale throughout the New Jersey marketplace, specifically within the Life Sciences sector.”


—Christopher Kinum, Executive Director


### ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	10.0%	10.3%	10.1%
Employment Growth	-1.0%	-0.8%	1.3%

Source: Moody's | Economy.com

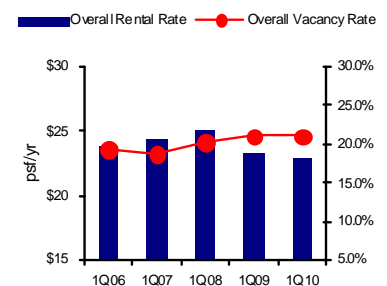
### MARKET FORECAST

**LEASING ACTIVITY** is still off the pace set last year at this time. However, expect some improvement in this market as the year progresses. 

**OVERALL VACANCY**, although currently flat, is not expected to decrease in the near future. Space will continue being added to the market due to corporate consolidations. 

**OVERALL RENTAL RATES**, though at the lowest in ten years, are not expected to decline, but rather remain flat until leasing activity increases. 

### OVERALL RENTAL VS. VACANCY RATES



### MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Direct Wtd. Avg. Class A Gross Rental Rate*
Hunterdon County	1,439,544	30	30.0%	29.4%	4,468	0	0	427	427	\$21.07
Mercer County	14,004,905	194	14.0%	13.0%	90,380	0	0	(40,381)	(24,715)	\$34.19
Middlesex County	24,206,507	258	21.5%	19.1%	131,655	253,000	0	(73,750)	(123,635)	\$23.99
Monmouth County	11,418,130	193	27.7%	26.9%	49,757	20,000	0	(54,447)	(21,808)	\$18.11
Somerset County	15,645,834	163	26.0%	20.1%	88,320	204,057	0	(169,834)	(142,509)	\$28.11
Union County	7,455,518	147	10.1%	8.8%	20,515	0	42,032	(18,229)	(12,098)	\$29.19
<b>Selected Submarkets</b>										
I-78 Corridor	14,055,784	149	19.7%	13.6%	88,481	204,057	0	(35,360)	1,965	\$29.45
Somerset Upper 287	4,347,004	35	40.0%	37.4%	5,763	0	0	(121,497)	(121,497)	\$24.22
Princeton/Route 1	12,620,191	161	14.9%	13.6%	92,833	0	0	N/A	N/A	\$35.62
Woodbridge/Edison	8,113,660	82	18.3%	16.5%	104,176	253,000	0	34,933	(25,947)	\$29.97
Middlesex Upper 287	6,520,614	61	21.8%	17.5%	12,828	0	0	(46,409)	(37,545)	\$21.76
<b>Central NJ Total</b>	<b>74,170,438</b>	<b>985</b>	<b>21.0%</b>	<b>18.5%</b>	<b>385,095</b>	<b>477,057</b>	<b>42,032</b>	<b>(356,214)</b>	<b>(324,338)</b>	<b>\$24.41</b>

\* Rental rates reflect \$psf/year

### MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
110 Allen Road	Somerset Route 78	Celgene Corporation	42,743	A
141 West Front Street	Monmouth County	Booz Allen Hamilton	23,566	A
101 Wood Avenue South	Woodbridge/Edison	Microsoft Corporation	21,717	A
104 Carnegie Center	Princeton	Phase Forward Incorporated	15,243	A
SIGNIFICANT 1Q10 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
2045 Lincoln Highway	Woodbridge/Edison	Conti Construction Group	66,130	\$3,400,000
SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
535 Springfield Avenue	Union Route 24 Corridor	N/A	42,032	2/10
SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
111 Wood Avenue South-MetroTop Plaza II	Woodbridge/Edison	N/A	253,000	9/10
55 Corporate Drive- Building IV	Somerset Route 78 Corridor	Sanofi-Aventis	204,057	12/10
186 Wood Avenue South- Centra	Woodbridge/Edison	N/A	106,500	N/A

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\*Market terms & definitions based on BOMA and NAIOP standards.

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