

# MARKETBEAT

## CENTRAL NEW JERSEY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q09

### ECONOMY

The national unemployment rate is still on the rise. According to recent reports, the United States employment rate crept up to 9.8% in September from 9.7% in August. In August, New Jersey's unemployment rate registered 9.7%, a 0.4 of a percentage point increase since July. With a continued oversupply of inventory and diminished demand, the Central New Jersey market is attempting to gain its footage and rebound from a previously dismal forecast. Job growth, being the key indicator of improved market fundamentals, is expected to get a boost from the current local governmental incentive programs which are primarily geared towards job creation.

### OVERVIEW

Despite a fair amount of leasing activity, there were several mid to large size blocks of space delivered to the market this quarter, virtually unchanging the overall vacancy rate since last quarter. The vacancy rate, currently 20.7%, still represents the highest peak in Central New Jersey since year-end 2004. The vacancy rate in the class A market, currently 24.4%, dipped by 0.6 of a percentage point since last quarter and is 1.8% higher than it was a year ago.

Though the overall weighted average asking rental rate increased slightly to \$23.47 per square foot/year (psf/yr) this quarter from \$23.45 psf/yr last quarter; it declined by \$1.30 psf/yr in the last 12 months. The class A overall weighted average asking rental rate, currently \$24.89 psf/yr increased by \$0.05 psf/yr since last quarter, yet still remains \$2.74 psf/yr lower than last year at this time. With a generous supply of inventory in this market, tenants now have the advantage, and some landlords, eager to secure credit tenants, are offering flexibility in pricing.

Leasing activity in this market reflects a 1.1 million square foot (msf) year-over-year decline. The most notable new lease this quarter was executed by GAIN Capital Holdings, Inc. The provider of over-the-counter foreign exchange (forex) services to active self-directed retail traders secured approximately 45,000 square feet (sf) at Bedminster One in Bedminster. The company relocated from 550 Hills Drive in Bedminster. In Warren Township, Verizon Wireless expanded into an additional 37,476 sf at 20 Independence Boulevard, where the company now occupies approximately 75,000 sf. Renewal activity remained steady this quarter. Contract biotechnology and pharmaceutical research firm, PharmaNet Development Group, Inc., extended its 121,990-sf lease at 504 Carnegie Center in West Windsor for an additional 10 years. At 550 Hills Drive in Bedminster, NPS Pharmaceuticals, Inc. recommitted to its 33,000-sf lease and at Raritan Plaza I in Edison; while Camp, Dresser & McKee, Inc. expanded by 9,279 sf, now occupying 32,408 sf.

Year-to-date, there have been 417,100 sf of deliveries in this market, of which 297,100 sf were build-to-suit. FMC Corporation's two built-to-suit buildings located at 701 and 801 PrincetonSouth Corporate Center (totaling 110,100 sf), were completed this quarter. However, there is no pre-leasing activity for the four speculative buildings totaling nearly 340,000 sf currently under construction, including MetroTop Plaza II, a 253,000-sf building that will be centered in the heart of Metropark. Also in Metropark, Hampshire Global Partners has received planning board approval to move forward with Phase 1 of Centra, which will be the redevelopment of 186 Wood Avenue South in Edison, the former Siemens building.

Investment activity was highlighted by the three building mixed-use sale of Edison Towne Corporate Centre in Edison. A portion of the sale included 2147 Route 27, a 250,000-sf office building. The portfolio was acquired by The Morris Companies from Starwood Heller, LLC for an undisclosed sum.

### FORECAST

Market fundamentals will likely stagger through the year-end with leasing velocity maintaining its leisurely pace. It is likely that some businesses will continue to focus on resolving internal fiscal issues, while still postponing any relocations or expansions, but anticipated that others will take advantage of the current incentive programs being offered to improve the overall real estate market.

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### BEAT ON THE STREET

"Despite the current market conditions, market has maintained a reasonable position through the third quarter, in part due to life sciences activity. New Jersey has remained competitive with lease completions such as the retention and expansion of the inVentiv HQ in Somerset, Mylan Laboratories in Liberty Corner, and Bausch & Lomb in Madison. One of the key attributes to these successes is the strong life sciences labor pool in the state."

-John Cahill, Associate

### ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	1.7%
Regional			
Unemployment	6.8%	8.8%	10.1%
Employment Growth	-0.52%	-2.47%	-0.20%

Source: Moody's | Economy.com  
\*regional data used is on a state level

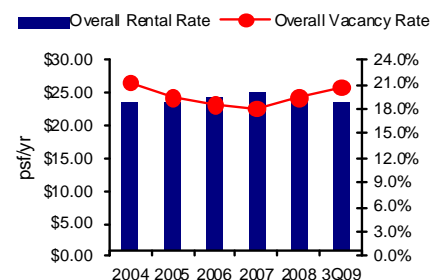
### MARKET FORECAST

**LEASING ACTIVITY** still slow, is not expected to improve overall vacancy rates as long as tenants continue shedding significant space. ↓

**OVERALL RENTS** are likely to remain fairly flat through the year-end 2009 and the first half of 2010 until tenant demand for direct space increases. ↔

**BUILD-TO-SUIT CONSTRUCTION** activity will temper until developers secure credit tenants willing to anchor a property. ↓

### RENTAL RATE VS. VACANCY RATE OVERALL



### MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Class A Gross Rental Rate*
Hunterdon County	1,439,544	30	29.4%	29.4%	54,767	0	0	38,119	\$21.64
Mercer County	14,004,905	194	13.5%	12.8%	336,114	0	230,100	52,396	\$34.24
Middlesex County	24,219,525	258	21.4%	19.0%	477,296	253,000	0	(899,208)	\$25.50
Monmouth County	11,418,130	193	26.7%	25.6%	153,834	40,000	0	(181,050)	\$18.27
Somerset County	15,636,416	163	25.3%	18.8%	559,334	0		(467,600)	\$26.83
Union County	7,382,015	146	11.4%	9.9%	113,157	46,576	187,000	19,544	\$28.46
<b>Selected Submarkets</b>									
I-78 Corridor	14,014,895	149	20.7%	13.9%	386,734	0	187,000	(139,758)	\$28.04
Somerset Upper 287	4,347,004	35	38.8%	36.2%	89,853	0	0	(149,239)	\$24.25
Princeton/Route 1	12,620,191	161	13.8%	13.0%	304,413	0	110,100	N/A	\$36.18
Woodbridge/Edison	8,149,340	82	19.0%	17.6%	312,861	253,000	0	(245,808)	\$32.51
Middlesex Upper 287	6,520,614	61	22.3%	17.2%	40,189	0	0	(238,358)	\$22.04
<b>Central NJ Total</b>	<b>74,100,535</b>	<b>984</b>	<b>20.7%</b>	<b>18.1%</b>	<b>1,694,502</b>	<b>339,576</b>	<b>417,100</b>	<b>(1,437,799)</b>	<b>\$24.77</b>

\* Rental rates reflect \$psf/year

### MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
Bedminster One/135 US Highway 202/206	Route 78 Corridor	GAIN Capital Holdings, Inc.	45,000	A
20 Independence Boulevard	Route 78 Corridor	Verizon Wireless	37,476	A
5006 Belmar Boulevard	Monmouth County	Palisades Safety and Insurance Management Corp.	26,683	B
499 Thornall Street	Woodbridge/Edison Market	Capital One	25,000	A
20 Commerce Drive	Clark & Cranford Market	Fazio, Mannuzza, Roche, Tankel, Lapiusa, LLC	19,500	A
SIGNIFICANT 3Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
Edison Towne Corporate Centre	Woodbridge/Edison	The Morris Companies	250,000	Portfolio Sale
535 Mountain Avenue	Union Route 78 Corridor	HT Mountain Avenue LLC	150,000	\$5,675,000
SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
701 & 801 PrincetonSouth Corporate	Mercer Route 295 Corridor	FMC Corporation	110,100	9/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
MetroTop Plaza II/115 Wood Avenue South	Woodbridge/Edison	N/A	253,000	5/10
Claremont Corporate Center/535 Springfield Avenue	Union Route 78 Corridor	N/A	46,576	11/09

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



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