

MARKETBEAT



NORTHERN NEW JERSEY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

1Q09

ECONOMY

Typically a thriving office market, Northern New Jersey is showing signs of economic contraction. Companies under pressure from economic ambiguity are looking to potentially consolidate space, which in turn, could mean additional future job loss for those industries. The New Jersey Department of Labor indicated that the state lost an estimated 17,200 nonfarm jobs in March, all within the private sector. Contributing to this loss was the professional and business services industry's loss of 4,600 jobs. The unemployment rate rose by 1.0 percentage point, from 7.3% in January to 8.3% in March.

Although monetary emergency assistance is still being distributed to the auto, insurance and financial industries; banks are slowly beginning to repay the funds they were given in the original \$700 billion government bailout. It is believed that some of these banks, citing that they do not require further assistance, may frown upon the idea of having to abide by new imposed governmental regulations. In a time where immediate financial stability seems impossible, the actions by these financial institutions have the potential of promoting the sentiment of a rebounding economy; essentially creating a blurred sense of security for some.

OVERVIEW

Overall weighted average asking rental rates, currently \$26.45 per square foot (psf), declined during the first quarter of 2009, posting a lower total than year-end 2008 when asking rents registered \$26.91 psf. Many landlords have chosen to offer more flexibility to tenants, no longer quoting rental rates, instead marketing space as negotiable. Overall vacancy rates, now 16.3%, have dropped minimally since year-end 2008, only a 0.2 percentage point dip. However, it is expected that a large portion of shadow space will potentially be delivered to the market later this year, increasing the vacancy rates throughout the state.

Highlighting the largest new deal this year, Verizon leased 153,000 square feet (sf) at 290 West Mount Pleasant Avenue in Livingston where it will house a new customer service and call center. This lease will represent a consolidation from their offices in Madison and Scotch Plains, encompassing approximately 950 employees. In another major consolidation, The Children's Place took 119,979 sf at 500 Plaza Drive in Secaucus. The company will be giving back its' short-term space at 1 Meadowlands Plaza in East Rutherford and has terminated their leases at 2 Emerson Lane and 915 Secaucus Road in Secaucus. Leading independent research firm, Eisai Medical Research Inc. procured two new deals this year. The larger of the two deals occurred at 155 Tice Boulevard in Woodcliff Lake, where the tenant will now occupy the entire 118,000 sf building for eighteen years and six months. The supplementary deal occurred at 300 Tice Boulevard, where Eisai Medical Research Inc. leased 41,000 sf of the former JP Morgan Chase space. In Newark, IDT Corporation will be temporarily relocating from 520 Broad Street to 75,000 sf at 550 Broad Street. Recently, law firm, Saiber, LLC, signed on for 57,571 sf, relocating from One Gateway in Newark to 18 Columbia Turnpike in Florham Park. Cushman & Wakefield, Inc. of New Jersey represented both sides of the transaction.

Year-over-year sales activity exhibited a tremendous decline, totaling only 51.0% of totals posted last year at this time. In East Rutherford, ING Clarion Partners sold One Meadowlands Plaza, a 422,220-sf building to CB Richard Ellis Investors for \$61.0 million, approximately half of the price ING Clarion Partners purchased the property for in 2005.

FORECAST

Investment activity remains unchanged. Owners continue re-evaluating their existing assets. Fearing that the market will continue to decline, some investors are willing to sell now and take a financial hit while others are willing to hold onto their assets until the market recovers; essentially seeking fair value for their properties.

BEAT ON THE STREET

"The overall commercial landscape continues to show signs of decline as vacancy rates begin to rise in some submarkets and asking rental rates decline. Tenants are taking advantage of the weakened economy by seeking early renewals and loftier concessions for their existing space requirements."

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	6.8%	8.8%	10.1%
Employment Growth	-4.13%	-3.8%	-1.05%

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

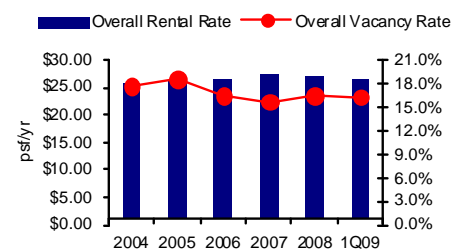
MARKET FORECAST

NEW LEASING ACTIVITY Despite some major leases, the majority of tenants remain hesitant to expand or relocate and will continue seeking aggressive renewals terms. ↓

ABSORPTION is expected to remain flat through 2009, as more space is potentially delivered to the market. ↓

CONSTRUCTION: Activity will continue to soften until the demand for new space increases. ↓

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*
Bergen County	26,098,126	361	16.5%	14.5%	387,412	0	0	6,186	\$29.51
Essex County	23,230,360	212	13.4%	12.3%	294,489	0	0	(10,681)	\$29.86
Hudson County	23,399,388	101	9.8%	5.8%	293,796	0	0	191	\$36.62
Morris County	27,663,847	289	23.3%	18.6%	164,852	13,688	350,000	20,299	\$30.17
Passaic County	5,138,119	76	20.8%	20.4%	44,138	0	0	(946)	\$20.25
Selected Submarkets									
Meadowlands	7,002,372	60	21.0%	20.1%	189,881	0	0	121,531	\$29.29
Parsippany	12,185,916	113	22.5%	16.1%	69,067	0	350,000	101,708	\$31.13
Hudson Waterfront	20,121,066	76	8.3%	3.9%	146,191	0	0	(120,369)	\$36.62
Newark	13,092,042	56	13.8%	12.9%	106,377	0	0	(2,144)	\$33.05
Northern NJ Total	105,529,840	1039	16.3%	13.5%	1,184,687	13,688	350,000	15,049	\$29.45

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
290 West Mount Pleasant Avenue	Essex Route 280 Corridor	Verizon	153,000	A
500 Plaza Drive	Hudson Meadowlands	The Children's Place	119,979	A
155 Tice Boulevard	Bergen Route 17 /GSP North	Eisai Medical Research Inc.	118,100	B
550 Broad Street	Newark	IDT Corporation	75,000	B
18 Columbia Turnpike	Morris Route 10/24	Saiber, LLC	57,571	A
300 Tice Boulevard	Bergen Route 17 /GSP North	Eisai Medical Research Inc.	41,000	A

SIGNIFICANT 1Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
1 Meadowlands Plaza	Bergen Meadowlands	CB Richard Ellis Investors	422,220	\$61,000,000
85 Harristown Road	Bergen Route 208 Corridor	Hampshire Partners Fund VII	48,000	\$3,086,000

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Sylvan Way	Parsippany	Wyndham Worldwide	250,000	3/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
330 Changebridge Road/Montville Office Plaza- Building B	Morris Route 23	N/A	13,688	6/09

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

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