

MARKETBEAT

NORTHERN NEW JERSEY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q10

ECONOMY

The United States unemployment rate held steady at 9.7% for three consecutive months, while New Jersey, declined from 10.0% in December 2009, 9.9% in January to 9.8% in February. Though we are still in the midst of a recession, over the last few months, considerable changes in the structure of the overall economy transpired. After a long battle between opposing political parties, the Obama Administration successfully passed a history making healthcare reform plan. This plan is expected to provide an additional thirty-two million uninsured people with coverage, among other upgrades and provisions to existing health care programs. Large corporate financial institutions such as Citigroup are gearing up to gain footing again, loosening up governmental ties; while the stock market is showing moderate signs of upward movement. Despite these positive shifts, the major indicator for true national fiscal recovery will be a monthly trend in positive job growth and declining unemployment rates.

OVERVIEW

The overall vacancy rate, now 16.4%, declined by 0.5 of a percentage point since year-end 2009 and recorded the lowest rate since first quarter 2009, when the vacancy rate registered 16.3%. Despite this decrease in vacancy, the overall weighted average asking rental rate dropped by \$0.23 per square foot (psf) since last year to \$25.79 psf currently. To begin the year, leasing activity in most of the northern markets maintained some resiliency, with Morris County leading the way and Bergen County close on its heels.

The largest lease of the quarter was secured by Medco Health Services, Inc. The leading pharmacy benefit management company took the full 142,500 square foot (sf) building sublease at 225 Summit Avenue in Montvale from Teva Pharmaceuticals. In a relocation of its Information Services group from 435 South Street in Morris Township, the world's largest global provider of specialized transportation and logistics services United Parcel Service, leased 118,000 sf at 1655 Valley Road in Wayne. The shipping company is expected to receive state tax credits under the New Jersey's Business Retention and Relocation Assistance Act Grant program for opting to remain in the state.

In Morris Township, 445 South Street experienced sizeable leasing activity this quarter. Covanta Energy Corporation signed on for 104,839 sf, while Travelers Insurance Company secured 105,000 sf as part of a combined consolidation and relocation play from current locations in Parsippany & Morris Plains.

Sales activity this quarter increased dramatically since year-end 2009, recording more than a 70.0% increase. As part of a nationwide 19-building portfolio sale, Brookfield Asset Management purchased buildings A through E at 115 South Jefferson Road totaling 665,460 sf within the former Bear Stearns campus in Whippany. The largest single property sale occurred in Madison where The Hampshire Companies acquired 175 Park Avenue; a 224,680-sf asset from Verizon Communications, Inc. Verizon plans to stay at the property for another year before moving out.

FORECAST

As long as the vacancy rate continues to decline, the Northern New Jersey market, although still challenged, should eventually begin to incur some moderate new construction. More specifically these will be predominantly build-to-suit projects where the owners are guaranteed a long-term income stream based on above-recession -market pricing.

BEAT ON THE STREET


"Real estate is driven by two major forces; the general economy and capital markets. We are seeing signs that the economy is making positive strides. The March employment report indicated strong job growth and the numbers for November and December were revised upwards. In regards to the capital markets, they are settling down and while re-financing issues will continue to impact commercial real estate, we will weather the storm."


-Gualberto Medina, Executive Managing 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%

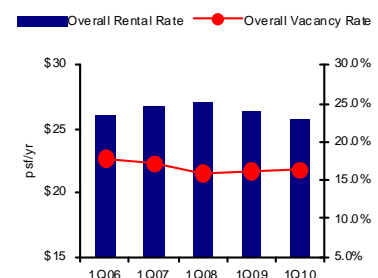
MARKET FORECAST

LEASING ACTIVITY during first quarter posted healthy totals and will likely continue this trend through 2010 with some significant deals rumored to be in the immediate pipeline. 

OVERALL ABSORPTION remains positive since fourth quarter 2009 and is expected to continue throughout the year. 

CONSTRUCTION: activity is stale with no significant completions expected this year. 

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*
Bergen County	26,157,484	364	17.5%	15.3%	372,472	0	0	(199,899)	(87,720)	\$29.84
Essex County	23,690,643	214	15.0%	13.4%	90,413	0	0	(12,304)	(26,482)	\$28.42
Hudson County	23,612,349	103	11.2%	7.0%	194,598	0	0	(78,485)	(3,206)	\$32.48
Morris County	28,303,441	298	21.0%	17.2%	391,782	0	0	139,771	118,722	\$29.44
Passaic County	5,156,196	76	17.3%	17.2%	125,878	0	0	99,677	99,677	\$24.92
Selected Submarkets										
Meadowlands	7,052,622	61	24.8%	21.5%	99,872	0	0	(74,614)	(87,921)	\$29.36
Parsippany	12,205,416	113	21.7%	15.7%	96,264	0	0	(99,710)	(33,870)	\$30.78
Hudson Waterfront	20,185,034	76	8.6%	4.6%	155,971	0	0	(28,893)	46,386	\$34.66
Newark	13,519,762	57	15.4%	13.4%	24,506	0	0	6,858	(7,700)	\$30.12
Northern NJ Total	106,920,113	1,055	16.4%	13.6%	1,175,143	0	0	(51,240)	100,991	\$29.55

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
225 Summit Avenue	Bergen Route 17 North	Medco Health Services, Inc.	142,500	A
1655 Valley Road	Suburban Passaic	United Parcel Service	118,000	A
1290 Wall Street West	Bergen Meadowlands	Quest Diagnostics, Inc.*	107,843	B
445 South Street	Morristown	Travelers Insurance Company	105,000	A
445 South Street	Morristown	Covanta Energy Corporation	104,839	A

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
115 South Jefferson Road-Bldgs A-E	Morris Route 10/24 Corridor	Brookfield Asset Management	665,460	Portfolio Sale
175 Park Avenue	Morris Route 10/24 Corridor	The Hampshire Companies	224,680	\$10,200,000
570 Broad Street	Newark	The GLC Group	214,000	\$5,200,000
20 Whippany Road	Morristown	Schindler Elevator Corp.	161,687	\$18,000,000

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

*Renewal/Expansion

For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Cushman & Wakefield, Inc.
1 Meadowlands Plaza, 7th Fl.
East Rutherford, NJ 07073
(201) 935-4000

Please consider your environmental responsibility before printing this report.

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

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2010 Cushman & Wakefield, Inc. All rights reserved.

