



NJ - North/Central

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The positive economic news from the end of 2011 seems to have continued into 2012. Job gains continued, and the service sector grew at the fastest rate in a year. Corporate profits are strong, personal income is growing, car sales are up, and the stock market climbed to over 13,000 points. Consumer spending remains flat however, as rising gas and oil prices and Europe's financial troubles could still derail the economic recovery. These concerns continue to crimp New Jersey's office market, resulting in a dramatic slowdown in class A leasing and a continuation of negative net absorption. However, stability in class B space and class A sublets may be forming a foundation for future growth.

Market Trends

Class A Office

- Negative net absorption is driving vacancy up from 16.1% to 16.5%.
- Total negative net absorption of 629,000 SF resulting mostly from a direct negative of 538,677 SF. The past four quarters averaged 200,000 SF.
- The number of transactions dropped significantly, from 259 to 198.
- Rental rates for sublease space increased from \$21.09 to \$22.02, possibly the result of occupiers becoming more optimistic and perhaps having a need for the space.

Class B Office

- The vacancy rate was unchanged at 15.9%.
- The percentage of inventory being marketed decreased from 19.1% to 18.8%, the first decrease in two years.
- There was a significant decrease in negative net absorption to almost zero.
- The sublet discount on direct space decreased from 16.8% to 15.2%.

Industrial

- Since the resurgent leasing activity levels of 2010, the Industrial market seems to have stabilized.
- Vacancy remained unchanged at 9.2%.
- The average rental rate remained unchanged at \$5.20 SF.

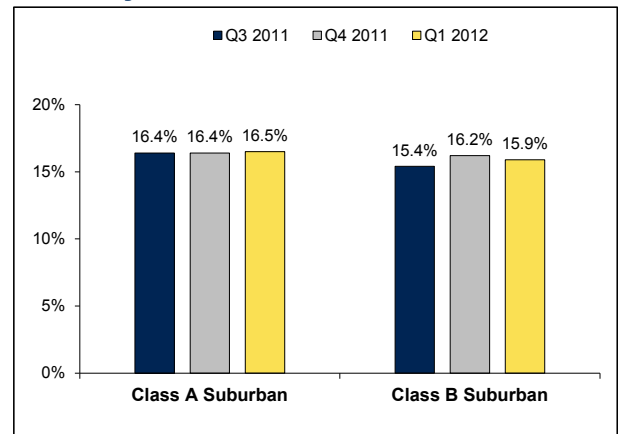
Tenant's Perspective

With expectations that New Jersey may not reach 2007 employment levels until as late as 2016, the slow climb will produce smaller tenant concessions and increased rental rates. As the foundation for meaningful absorption is being laid, it may be time to consider future needs.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Woodmont Industrial	729,000	Industrial	Sale
TYC/Genera Corp.	239,000	Industrial	Lease
Pearson	200,000	Office	Lease
Cole RE Investments	173,146	Office	Sale
Angelo, Gordon & Co.	99,000	Office	Sale
The TriZetto Group	67,763	Office	Lease
Reproductive Medicine Assoc.	62,250	Office	Sale
Greenbaum Rowe Smith & Davis	52,723	Office	Lease
Savient Pharma.	48,469	Office	Lease
Spencer Savings Bank	40,000	Office	Lease

Vacancy Rate



Average Rental Rates

Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$26.52	\$26.31	\$26.66
Class B Office	\$21.27	\$21.11	\$21.07

