



CENTRAL NEW JERSEY OFFICE

Market Tracker

*Arrows = Current Qtr Trend

▲ Vacancy
14.6%

▼ Net Absorption
-48,241 SF

▼ Asking Rent
\$23.44 SF

Central NJ Office Market Stable in the Fourth Quarter

The Central New Jersey office market remained stable in the fourth quarter after a strong recovery year. Closing out 2013 with a 14.6 percent vacancy rate, the market has shown marked improvements from the previous year's 15.7 percent vacancy rate. In 2013, positive net absorption was over 1.1 million square feet, a considerable improvement compared to the negative 484,740 square feet that occurred in 2012.

In the fourth quarter, Central New Jersey scored the year's largest office leasing transaction in the state, as Valeant Pharmaceuticals leased 310,000 square feet at 400 Somerset Corporate Boulevard in Bridgewater. Other large leases in Central New Jersey for the year included a 275,000 square foot renewal at 30 Knightsbridge Road in Piscataway by AT&T, a 75,000 square foot lease at 107 College Road East in Princeton by Dr. Reddy's Laboratories, a 45,000 square foot lease at 19 Roszel Road in Princeton (pictured above) by Hill Wallack, and a 40,000 square foot lease at 184 Liberty Corner Road in Warren by Fiserv.

Five out of seven submarkets in Central New Jersey posted positive absorption this quarter, with only the Princeton Area and Monmouth County recording negative absorption. Despite strong leasing activity, Princeton recorded 164,295 square feet of negative absorption, which can partially be attributed to 72,500 square feet at 400 Alexander Park and 43,731 square feet at 600 College Road East coming on the market. Overall, the slight downturn in the Central New Jersey office market in the fourth quarter can be attributed to decreased performance in Class B buildings, reflecting the on-going demand for higher quality properties. While the Central New Jersey office market posted 48,241 square feet of negative absorption in the fourth quarter, the Class A properties experienced 354,395 square feet of *positive* absorption, benefiting from the ongoing "flight to quality" trend. Throughout 2013, Class A properties consistently drove market improvements, posting an astounding 1,552,669 square feet of positive absorption.

The market will continue to meet the increased demand for Class A properties through new construction. In the fourth quarter there were 334,967 square feet under construction throughout Central New Jersey, with 314,442 square feet expected to be completed in 2014. In the Princeton Area alone, an 88,274 square foot building was delivered in the fourth quarter and construction began on two new properties totaling 97,000 square feet. All three buildings have been pre-leased, demonstrating the strong demand for new construction. As a further indication of strengthening market fundamentals, unemployment in Central New Jersey decreased 250 basis points, creating a favorable outlook for 2014.

Forecast

- Employment is expected to increase as we recover from a recession, particularly within service industries
- The Princeton Area submarket will likely recover as the demand for quality new construction continues to rise
- We believe that the economy will withstand the phasing out of quantitative easing in 2014 and we are projecting 2014 will be another growth year for New Jersey commercial markets

Economic Indicators

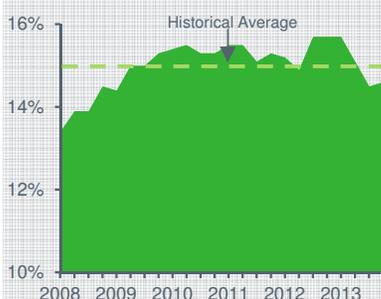
	Q4 13	Q4 12
Central NJ* Employment	1.397M	1.395M
Central NJ* Unemployment	6.0%	8.5%
U.S. Unemployment (Seasonally Adjusted)	7.2%	7.8%
U.S. CCI (Quarterly Avg.)	74.17	70.44

*Hunterdon, Mercer, Middlesex, Monmouth, Ocean & Somerset Counties (NJ DOL – Most recently available data)

Net Absorption



Vacancy Rates



Cassidy Turley Office Market Snapshot

Central New Jersey • Fourth Quarter • 2013

	TOTAL BLDGS	INVENTORY	DIRECT VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE
Featured Submarkets									
Brunswick/Piscataway/I-287	273	18,325,542	3,613,608	3,837,647	20.9%	53,097	241,253	50,000	\$20.97
I-78 West	61	2,117,996	505,208	505,208	23.9%	2,774	62,970	0	\$18.33
Monmouth County	386	15,421,359	2,123,789	2,183,563	14.2%	(17,612)	323,178	38,525	\$22.27
Ocean County	135	3,766,454	335,736	342,911	9.1%	12,618	21,156	149,442	\$21.99
Princeton Area	499	34,726,651	4,102,529	4,239,760	12.2%	(164,295)	408,801	97,000	\$25.63
Somerset/I-78	204	22,646,889	2,427,442	2,773,180	12.2%	281,948	223,785	0	\$24.48
Woodbridge/Edison	106	9,030,387	1,331,490	1,372,557	15.2%	130,218	283,478	0	\$24.53
Central NJ Market Totals									
Class A	412	60,266,725	8,080,151	8,599,608	14.3%	354,395	1,552,669	246,442	\$25.80
Class B	1,252	44,073,333	6,343,977	6,625,048	15.0%	(402,636)	(443,287)	88,525	\$20.75
CENTRAL NJ TOTAL	1,664	104,340,058	14,424,128	15,224,656	14.6%	(48,241)	1,109,382	334,967	\$23.44

- Data includes all Class A and B multi-tenant and single-user buildings at least 10,000 square feet in total rentable building area.
- Market statistics may vary from previous quarter as submarkets were re-evaluated and updated for accuracy

Key Lease Transactions Q4 13

PROPERTY	SIZE (SF)	TENANT	TRANSACTION TYPE	SUBMARKET
400 Somerset Corporate Boulevard	310,000	Valeant Pharmaceuticals International Inc.	Lease	Somerset/I-78
9 Roszel Road	79,000	Berlitz International, Inc.	Lease	Princeton Area
19 Roszel Road	45,000	Hill Wallack	Lease	Princeton Area
184 Liberty Corner Road	40,000	Fiserv	Lease	Somerset/I-78
10 Woodbridge Center Drive	26,623	Smart Tuition	Lease	Woodbridge/Edison

Key Sales Transactions Q4 13

PROPERTY	SIZE (SF)	SELLER/BUYER	PRICE	SUBMARKET
30 Independence Boulevard	210,504	Beacon Capital Partners/Griffin Capital Essential Asset REIT, Inc.	\$40,000,000	Somerset/I-78
636 Pierce Street*	108,336	Helmsley Enterprises/Digital Realty Trust	\$35,300,000	Somerset/I-78
900 US Highway 9 North	113,008	C-III Realty Services/Hotels Unlimited, Inc.	\$7,150,000	Brunswick/Piscataway/I-287

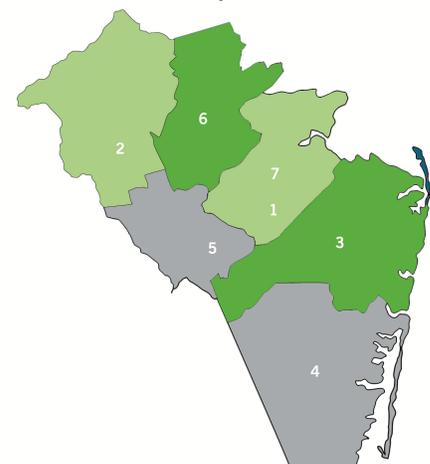
*Data Center

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Office Submarkets

Central New Jersey



1. Brunswick / Piscataway / I-287
2. I-78 West
3. Monmouth County
4. Ocean County
5. Princeton Area
6. Somerset / I-78
7. Woodbridge / Edison

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