



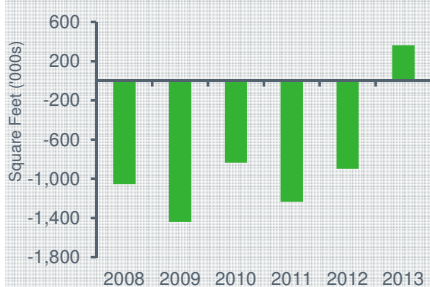
## NORTHERN NEW JERSEY OFFICE

### Economic Indicators

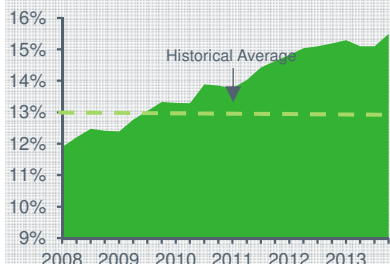
	Q4 13	Q4 12
Northern NJ* Employment	1.810M	1.806M
Northern NJ* Unemployment	6.7%	9.1%
U.S. Unemployment (Seasonally Adjusted)	7.2%	7.8%
U.S. CCI (Quarterly Avg.)	74.17	70.44

\*Bergen, Essex, Hudson, Morris, Passaic, & Union Counties (NJ DOL – Most recently available data)

### Net Absorption



### Vacancy Rates



### Market Tracker

\*Arrows = Current Qtr Trend

▲ Vacancy  
15.4%

▲ Net Absorption  
-249,445 SF

▲ Asking Rent  
\$25.21 SF

## Office Market Shows Improvement Over the Year

In the fourth quarter, market asking rents continued to rise to \$25.21, a reflection of the strengthening conditions in the Northern New Jersey office market. Despite experiencing negative absorption in the fourth quarter, the Northern New Jersey office market showed an overall improvement over the previous year, closing 2013 with 539,975 square feet of positive absorption, the highest recorded in the past five years. The vacancy rate decreased by 40 basis points from last year, a positive sign of things to come in 2014.

Large corporate relocations in the fourth quarter greatly impacted the Northern New Jersey office market. GAF purchased 1 Campus Drive in Parsippany for its new corporate headquarters, contributing to the 186,638 square feet of positive absorption achieved in the Parsippany submarket. Conversely, with Maersk looking to sell and relocate from its current headquarters at 2 Giralda Farms in Madison and the closing of Pfizer's sale of 5 Giralda Farms (following decision to relocate to 7 Giralda Farms in Q2), the Morristown submarket experienced a steep increase in available square footage. These two changes outpaced the leasing activity in the quarter and accounted for much of the 474,736 square feet of negative absorption in the Morristown submarket.

Despite experiencing negative absorption, leasing activity remained robust throughout the quarter with several large transactions recorded. The three largest leases for the quarter were a 78,000-square foot lease at 300 Kimball Drive in Parsippany by Fiserv, a 70,121-square-foot renewal at 180 Park Avenue in Florham Park by Novartis Pharmaceutical Corporation and the signing of a 56,472-square-foot lease at 3 ADP Boulevard in Roseland by Dish Network.

Combined with the leasing activity earlier in the year, the transactions in the fourth quarter helped achieve 539,975 square feet of positive absorption for 2013, a significant improvement over 2012. Other significant transactions throughout the year included a 105,135-square-foot lease at 4 Sylvan Way in Parsippany by T-Mobile in the third quarter, a 120,000-square-foot lease at 1 Giralda Farms in Madison by Pfizer in the second quarter and a 98,105-square-foot lease at 100 Campus Drive in Florham Park by Zoetis, Inc. in the first quarter. Sales activity was also strong, with the three largest sales for the quarter totaling \$91 million, demonstrating renewed investor confidence in the Northern New Jersey office market.

As seen by the various economic indicators used to measure market performance, the market has greatly improved over 2012. The improvements in the office market have been congruent with overall economic conditions. Hiring picked up in Northern New Jersey, with an increase in employment levels over the year as the unemployment rate decreased 240 basis points. Hiring also improved on a national level, with the unemployment rate declining to 7.2 percent from 7.8 percent in the fourth quarter of 2012. A good indication of a strengthening economy, the uptick in employment levels should help the office market continue to improve over the next six months.

## Forecast

- Private sector job growth coupled with a resurgence in corporate investment will lead to both declining vacancy and rising rental rates. These positive trends will lead to a thawing of the capital markets as suburban office markets come back into favor with both lenders and equity investors.
- We believe 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 across all asset classes.
- With numerous large requirements currently in negotiation in the Morristown submarket, the negative absorption during the fourth quarter will likely be reversed in 2014.

## Cassidy Turley Office Market Snapshot

Northern 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
<b>Featured Submarkets</b>									
Bergen Central	177	11,375,912	1,442,072	1,564,240	13.8%	17,835	82,198	32,504	\$24.40
Bergen East	108	7,043,568	1,320,668	1,345,688	19.1%	43,213	225,395	0	\$27.01
Bergen North	173	11,717,625	891,999	912,073	7.8%	(76,405)	40,726	0	\$23.48
Hudson Waterfront	120	23,558,507	2,070,293	2,240,750	9.5%	(3,553)	(16,870)	0	\$28.05
Meadowlands	61	6,741,132	1,377,545	1,397,327	20.7%	23,646	(176,034)	0	\$24.45
Morristown	121	13,398,018	1,911,526	2,049,876	15.3%	(474,736)	(145,056)	100,000	\$26.92
Newark	80	17,337,923	2,368,227	2,391,308	13.8%	42,710	(76,063)	750,000	\$27.41
Parsippany	197	18,861,079	3,863,712	4,212,172	22.3%	186,638	408,713	68,866	\$24.72
Passaic/Routes 23 & 46	119	7,902,362	1,846,463	1,865,667	23.6%	(84,962)	(54,441)	0	\$20.26
Short Hills/Millburn	66	4,146,245	294,644	296,044	7.1%	18,752	61,295	22,301	\$26.62
Suburban Essex/I-280	166	12,457,116	2,047,719	2,067,188	16.6%	3,592	121,346	0	\$27.98
Western Morris	81	3,494,451	1,427,647	1,438,716	41.2%	5,925	(1,149)	0	\$22.85
<b>Northern NJ Market Totals</b>									
Class A	457	92,259,783	14,596,021	15,249,160	16.5%	(84,585)	(254,911)	840,104	\$27.40
Class B	1,253	58,771,128	7,624,316	7,980,347	13.6%	(164,860)	794,886	133,567	\$22.12
<b>NORTHERN NJ TOTAL</b>	<b>1,710</b>	<b>151,023,111</b>	<b>22,220,337</b>	<b>23,229,507</b>	<b>15.4%</b>	<b>(249,445)</b>	<b>539,975</b>	<b>973,671</b>	<b>\$25.21</b>

- Data includes all Class A and B multi-tenant and single-user buildings at least 10,000 square feet in total rentable building area.
- Featured submarkets do not include Parkway Cranford Corridor, Passaic Urban Region, Route 22 East, Route 3/GSP, Sussex County, Upper Suburban Passaic, Urban Essex, and Warren County
- Market statistics may vary from previous quarter as submarkets were re-evaluated and updated for accuracy

### Key Lease Transactions Q4 13

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 Kimball Drive	78,000	Fiserv	Lease	Parsippany
180 Park Avenue	70,121	Novartis Pharmaceutical Corp.	Lease	Morristown
3 ADP Boulevard	56,472	Dish Network	Lease	Suburban Essex/I-280
1800 Valley Road	56,375	Haier America	Lease	Passaic/Routes 23 & 46
545 Washington Boulevard	38,736	VF Sportswear	Lease	Hudson Waterfront

### Key Sales Transactions Q4 13

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
100 Plaza Drive	265,000	Hartz Mountain Industries Inc./Harbor Group International	\$47,000,000	Meadowlands
1200 East Ridgewood Avenue	112,000	Hartz Mountain Industries Inc./The Society of the Valley Hospital Inc.	\$28,000,000	Bergen North
100 Challenger Road*	314,092	Hartz Mountain Industries Inc./KABR Real Estate Investment Partners LLC	\$16,000,000	Bergen East

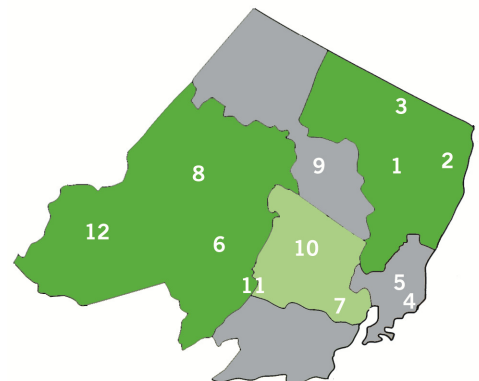
\* Portfolio sale of 2 properties (100 Challenger Rd and 65 Challenger Rd) for a total of 314,092 square feet

### About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with more than 3,800 professionals in more than 60 offices nationwide. With headquarters in Washington, DC, the company represents a wide range of clients—from small businesses to Fortune 500 companies, from local non-profits to major institutions. The firm completed transactions valued at \$22 billion in 2012, manages approximately 400 million square feet on behalf of institutional, corporate and private clients and supports more than 23,000 domestic corporate services locations. Cassidy Turley serves owners, investors and tenants with a full spectrum of integrated commercial real estate services—including capital markets, tenant representation, corporate services, project leasing, property management, project and development services, and research and consulting. Cassidy Turley enhances its global service delivery outside North America through a partnership with GVA, giving clients access to commercial real estate professionals in 65 international markets. Please visit [www.cassidyturley.com](http://www.cassidyturley.com) for more information about Cassidy Turley.

### Office Submarkets

Northern New Jersey



1. Bergen Central
2. Bergen East
3. Bergen North
4. Hudson Waterfront
5. Meadowlands
6. Morristown
7. Newark
8. Parsippany
9. Passaic/Routes 23 & 46
10. Suburban Essex / I-280
11. Short Hills/ Millburn
12. Western Morris

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