



NJ – North/Central

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

There are many indications that the good national economic news this quarter may have been temporary. While the GDP increased to 3.25%, it was mostly due to inventory restocking. Although the national unemployment rate fell to 8.6%, about half the decline was due to individuals who withdrew from the workforce. According to a survey by the NJBIA, nearly twice as many NJ companies reported layoffs than hires in 2011, leaving the survey's current-employment indicator at a negative level for the fourth consecutive year. Continued layoffs and future uncertainties resulted in the lowest volume of office leasing in over 10 years, an increase in "stay-put" decisions and a continuation of negative absorption.

Market Trends

Class A Office

- Space leased (1,150,000 SF) was the lowest in over a decade.
- The sublet vacancy rate has remained fairly constant over the last two years.
- There was a slight decrease in total vacancy rate from 16.5% to 16.4%.
- The average rental rate decreased by \$0.20/SF.

Class B Office

- Total space leased (458,000 SF) was the lowest in 15 years.
- Total vacancy is 16.2%, the first time in over 15 years in which the rate is above 16%.
- The amount of marketed space continues to approach 20%.
- There was a negative total net absorption (437,000 SF), three times the amount in Q3 and the 12th consecutive negative quarter.

Industrial

- Vacancy decreased to 9.1% from 9.2% in Q3.
- The average rental rate increased to \$5.20 from \$5.13 in Q3, the first increase in three years.

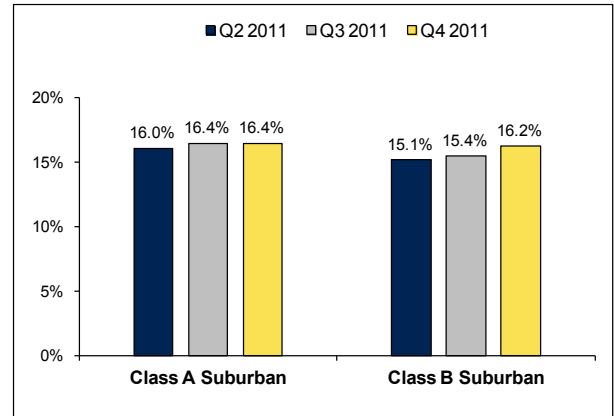
Tenant's Perspective

The NJBIA survey indicated that 72% of companies said that NJ is a good, fair or average place in which to build new or expanded facilities. The survey also indicated that employment outlook for 2012 is positive, with 86% planning to add or retain employees. Given the historical lag time between job creation and real estate demand, the weak market will continue for some time. Tenants should expect their representatives to take advantage by creating significant negotiating leverage through competitive processes.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
SHI International	420,000	Data Center	Lease
Deutsche Bank	204,515	Office	Lease
Wyndham Worldwide	203,000	Office	Lease
Realogy	170,000	Office	Lease
PNC Bank	131,363	Office	Lease
Ferring Pharma.	125,000	Office	Sale
Bosal, USA	103,000	Industrial	Lease
Maidenform	81,276	Office	Lease
Amicus Therapeutics	73,641	Laboratory	Lease
Bressler, Amery & Ross	70,674	Office	Lease

Vacancy Rate



Average Rental Rates

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$26.62	\$26.52	\$26.31
Class B Office	\$21.02	\$21.27	\$21.11

