

Northern New Jersey

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

The flat real estate market in Northern New Jersey continued through the second quarter with vacancy rates and rental rates almost unchanged from Q1. The reluctance of the business community to initiate significant capital and labor investments seems to reflect an uncertainty that the economy has truly turned the corner. In addition, the state-wide reaction to the aggressive budget-cutting initiatives of the new Governor is decidedly mixed. Although leasing activity has increased somewhat in both the office and industrial sectors, these transactions have predominantly involved renewals and extensions as existing tenants take advantage of low market rates. The real estate market's return to health requires significant private sector business expansion. The key indicator for true economic recovery will be consistent positive job growth and declining unemployment.

Market Trends

- Landlords are focused on tenant retention at almost all costs.
- The bulk of current leasing activity is comprised of lease renewals and extensions.
- Many landlords are now willing to do short-term extensions in anticipation of a better market in 2012 and beyond.
- More landlords are receptive to blend and extend leases for credit-worthy tenants, restructuring existing lease terms in return for an early lease extension.
- Financing of tenant improvements has become a serious challenge to many landlords with maturing debt which is nearly impossible to replace.

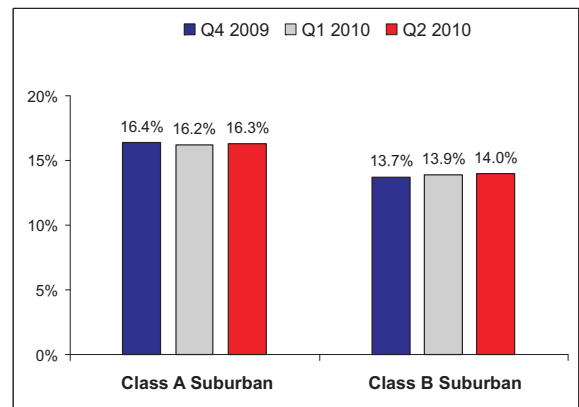
Tenant's Perspective

New Jersey continues to be a tenant's market. Current conditions offer credit-worthy tenants the leverage to proactively negotiate with landlords, many of whom are stretched to the limit. It also may be an opportune time for tenants to consider buying key real estate assets when appropriate.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
BASF	325,000	Office	Lease
Watson Pharma.	148,700	Office	Lease
Medco Health Services	142,500	Office	Lease
Bergen Cty. Comm. College	125,786	Office	Sale
Quest Diagnostics	107,843	Office	Lease
Nuvasive	65,000	Office	Lease
ITT	55,467	Office	Lease
Parsons Brinckerhoff	46,000	Office	Lease
Affiliated Computer Sys.	43,882	Office	Lease
Advantage Sales & Marketing	37,000	Office	Lease

Vacancy Rate



Average Rental Rates

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$26.46	\$26.23	\$26.65
Class B Office	\$21.26	\$21.27	\$21.47

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