



4Q14 NEW JERSEY OFFICE MARKET

Newmark Grubb Knight Frank

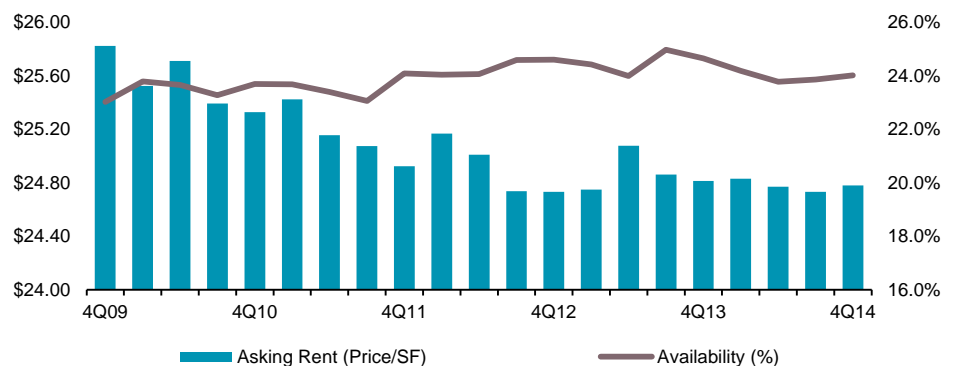
MARKET GROWTH IN 2014

The New Jersey office market experienced strong leasing activity in the fourth quarter of 2014; however, lingering shadow space that officially came on the market tempered the positive demand that resulted from sizable transactions executed this quarter. The availability rate in the fourth quarter remained stable at 24.0%, as the market closed with 177,545 square feet of negative net absorption. Despite the recent influx of new availabilities, a surge of leasing activity in the beginning of the year brought the 2014 annual net absorption total to over 1.1 million square feet. The New Jersey office market experienced positive momentum and increased activity this year, as tenants committed to new space and took advantage of NJEDA funding through the tax incentive programs.

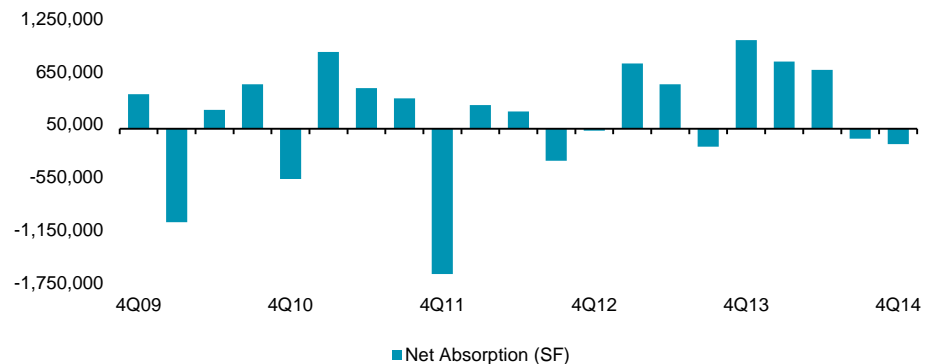
The Hudson Waterfront submarket captured the largest new lease transaction this quarter, as Charles Komar & Sons executed a 159,008 square-foot lease at 90 Hudson Street in Jersey City. The global retail apparel company was aided by NJEDA incentive funding. Charles Komar & Sons was awarded \$37.5 million in the transaction. The submarket recorded 252,108 square feet of negative net absorption in the fourth quarter, as Barclays decided against a renewal at 70 Hudson Street and 438,158 square feet hit the market. Despite the quarterly slowdown, the Hudson Waterfront produced 323,656 square feet of positive absorption for the year.

The Newark submarket also reported notable leasing and sales activity in the fourth quarter centered around 3 Gateway

Asking Rent and Availability



Absorption



Key Indicators

Total Inventory (SF)	164,889,957		
	4Q14	3Q14	4Q13
Asking Rent (Price/SF)	\$24.78	\$24.73	\$24.81
Availability Rate (%)	24.0%	23.9%	24.7%
Under Construction (SF)	62,500	570,342	627,342
	4Q14	3Q14	YTD
Net Absorption (SF)	-177,545	-113,264	1,140,292
Deliveries (SF)	507,842	57,000	564,842

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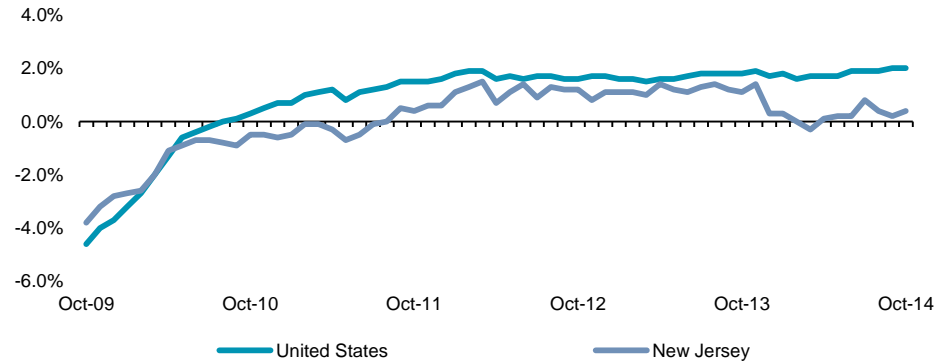
Center, which Rugby Realty acquired from Tahl Propp Equities. In the submarket's largest deal, Prudential renewed 160,008 square feet in the building. Prudential originally planned to vacate that space and consolidate in its new headquarters, which is currently under construction. However, the company underestimated its organic growth, which led to the decision to renew a portion of its existing space at 3 Gateway Center.

Although deliveries in recent years have been limited, 507,842 square feet was delivered in the fourth quarter at 221 River Street in Hoboken (Waterfront Corporate Center 3). The office complex is the new headquarters of Pearson Education, which pre-leased 206,413 square feet.

Looking ahead to 2015, market fundamentals will strengthen as employment growth spurs the creation of office-using jobs. Availability rates will tighten, which will lead to modest increases in average asking rates, particularly among Class A products. Urban transit hubs will capture the majority of demand from companies that want to offer employees optimal transportation access and a dynamic work/play environment.

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Prudential Insurance Company of America*	3 Gateway Center	Newark	160,008
Charles Komar & Sons	90 Hudson Street	Hudson Waterfront	159,141
Rutgers	33 Knightsbridge Road	Piscataway/I-287 South	86,951
Avaya	211 Mount Airy Road	Somerset/I-78	65,000
Greenberg Traurig, LLP	500 Campus Drive	Morristown Area	47,040

*Renewal

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
99 Wood Avenue South	Metropark/GSP	272,715	\$61,000,000	\$224
6 Sylvan Way	Parsippany/Rt. 10	212,467	\$47,300,000	\$223
3 Gateway Center	Newark CBD	579,000	\$42,000,000	\$73
45 Waterview Boulevard	Parsippany/Rt. 10	106,680	\$40,000,000	\$375
1500 Harbor Boulevard	Hudson Waterfront	200,000	\$15,500,000	\$78



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central NJ	62,579,921	62,500	21.6%	258,635	957,193	23.99	\$20.73	\$23.99
I-287/Route 22	5,727,644	0	26.2%	1,804	-48,336	21.19	\$20.88	\$21.19
Hunterdon/I-78	1,394,331	0	20.7%	-64,098	-53,170	20.99	-	\$20.99
Monmouth East/GSP	8,253,550	0	16.2%	37,754	271,498	21.75	\$23.68	\$21.75
Monmouth West	963,266	0	12.9%	246	-29,573	22.26	-	\$22.26
Piscataway/I-287 South	10,371,252	0	29.7%	104,286	392,256	19.15	\$14.29	\$19.15
Princeton Area	14,570,096	62,500	18.3%	49,698	208,730	27.08	\$21.71	\$27.08
Route 18/8A Middlesex	3,388,079	0	21.4%	22,942	-13,643	27.08	-	\$27.08
Somerset/I-78	8,904,421	0	23.5%	174,512	170,053	25.53	\$21.89	\$25.53
MetroPark/GSP	5,835,359	0	19.2%	-41,020	4,470	29.40	-	\$29.40
Union Area	3,171,923	0	18.6%	-27,489	54,908	21.43	-	\$21.43
Northern NJ	102,310,036	0	25.5%	-436,180	183,099	25.23	\$26.53	\$25.23
Bergen Central	9,773,118	0	19.0%	17,829	132,459	24.06	\$17.00	\$24.06
Bergen East	5,065,415	0	25.7%	3,667	46,134	27.32	\$29.00	\$27.32
Bergen North	5,534,692	0	28.7%	-51,921	-121,684	24.30	\$12.00	\$24.30
Hudson Waterfront	21,697,988	0	15.8%	-252,108	323,656	29.97	\$30.86	\$29.97
Meadowlands	5,586,902	0	23.8%	32,928	-111,869	24.61	\$13.00	\$24.61
Morris West/I-80	2,416,433	0	53.3%	1,958	101,489	19.60	-	\$19.60
Morristown Area	11,166,725	0	27.8%	-340,235	-44,588	24.69	\$21.25	\$24.56
Newark CBD	13,269,277	0	25.8%	192,695	274,013	26.09	\$15.00	\$26.09
Parsippany/Rt 10	14,234,573	0	36.7%	-167,777	-455,405	24.75	\$15.71	\$24.75
Route 46/Wayne	6,764,403	0	28.3%	144,684	71,691	21.53	-	\$21.53
Essex West/I-280	4,604,963	0	29.6%	-9,756	-50,413	26.48	-	\$26.48
Short Hills/I-24	2,195,547	0	11.9%	-8,144	17,616	33.61	\$37.00	\$33.61
New Jersey	164,889,957	62,500	24.0%	-177,545	1,140,292	24.78	\$24.17	\$24.78



New Jersey

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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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