



Economic incentives drive Waterfront demand

Decelerating job growth hampers office market recovery

With recent Atlantic City casino closings producing thousands of job losses, the New Jersey employment market struggled to gain traction during the past year. According to a recent Rutgers University economic forecast, the state is expected to gain only 11,500 jobs in 2014 compared to 18,800 new jobs in 2013. The state isn't expected to reach its January 2008 peak of nearly 4.1 million jobs until mid-2017. Furthermore, New Jersey job growth lagged the rest of the nation. The state recovered less than one-half of the nearly 258,000 jobs lost from January 2008 to January 2011, while the U.S. recouped all jobs lost by May of this year.

New Jersey employment changes by year

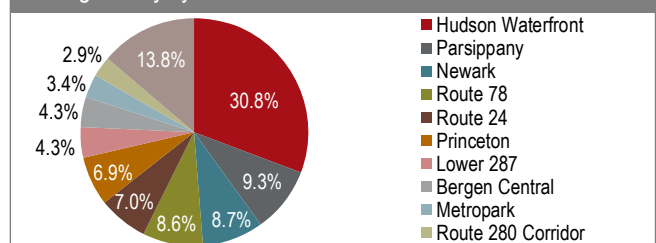


Source: R/ECON; BLS

Nearly one-third of office demand focused in Hudson Waterfront

The state's use of economic incentives to stimulate corporate investments guided the current course of the Hudson Waterfront submarket. Charles Komar & Sons, Forbes Media, JPMorgan Chase, RBC Capital Markets and Thomson Reuters were among the companies tapping these incentives during the past year. The overall vacancy rate subsequently retreated from 16.4 percent at year-end 2013 to less than 15.0 percent one year later, which represented the lowest vacancy rate in the state. Persistent demand for Class A space in proximity to Manhattan combined with a lack of new construction and competitive rental rates will maintain downward pressures on the Waterfront's vacancy rate.

Leasing activity by submarket in 2014

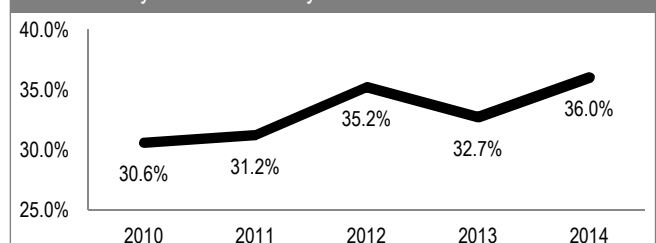


Source: JLL Research

Sluggish demand and additional vacancies impact Morris County

With much of the recent leasing activity focused in transit-oriented submarkets as companies sought locations in proximity to their younger workforces, large availabilities boosted the vacancy rate higher in suburban-centric Morris County. By year-end 2014, the Morris County Class A vacancy rate reached 36.0 percent, which was the highest level in more than five years. Contributing to this increase was 374,000 square feet marketed at 340 Mount Kemble Avenue in Morristown. New York Life Investment will be vacating 250,600 square feet at 169 Lackawanna Avenue in Parsippany, while a 154,750-square-foot building occupied by MetLife at 10 Park Avenue in Florham Park was available for lease.

Morris County Class A vacancy rate trends



Source: JLL Research

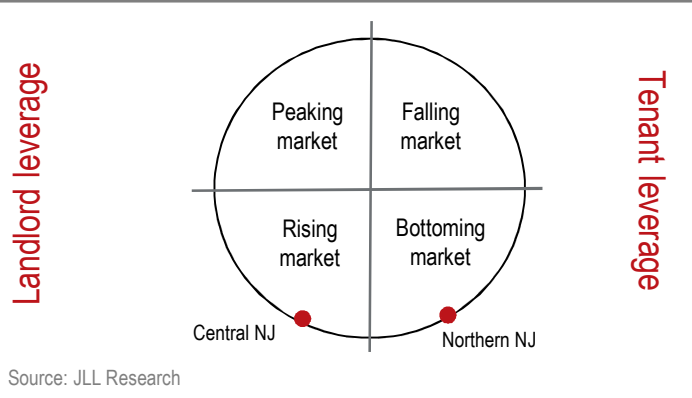
24.9%
Total vacancy

-114,226
YTD net absorption (s.f.)
53,906
Q4 2014 net absorption (s.f.)

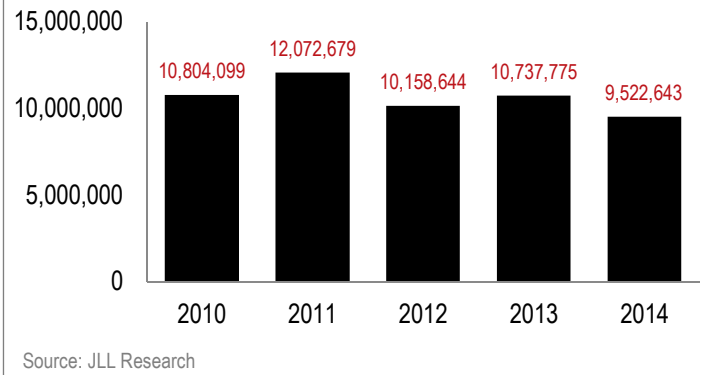
2.4%
12-month rent growth

93,700
Total under construction (s.f.)
46.4%
Total preleased

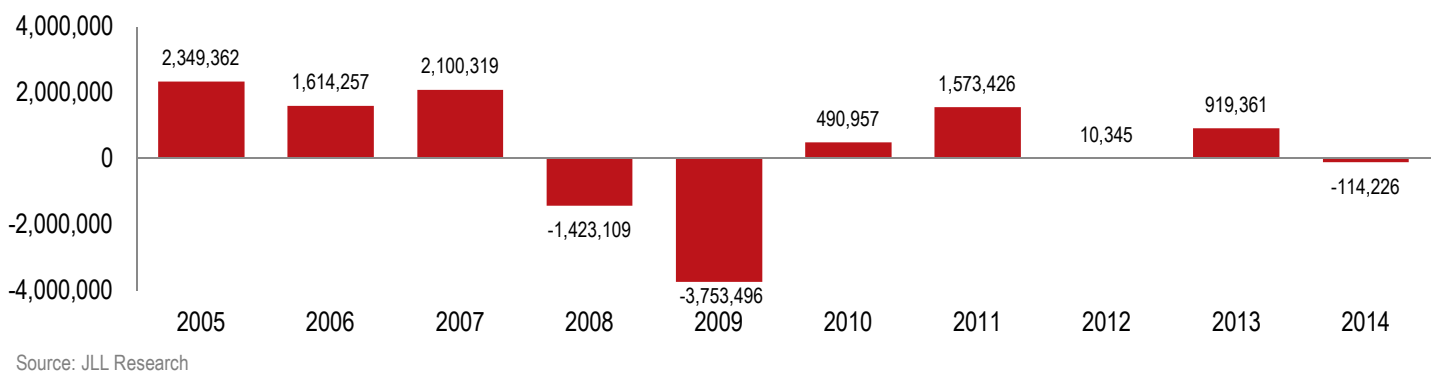
Current conditions – market and submarket



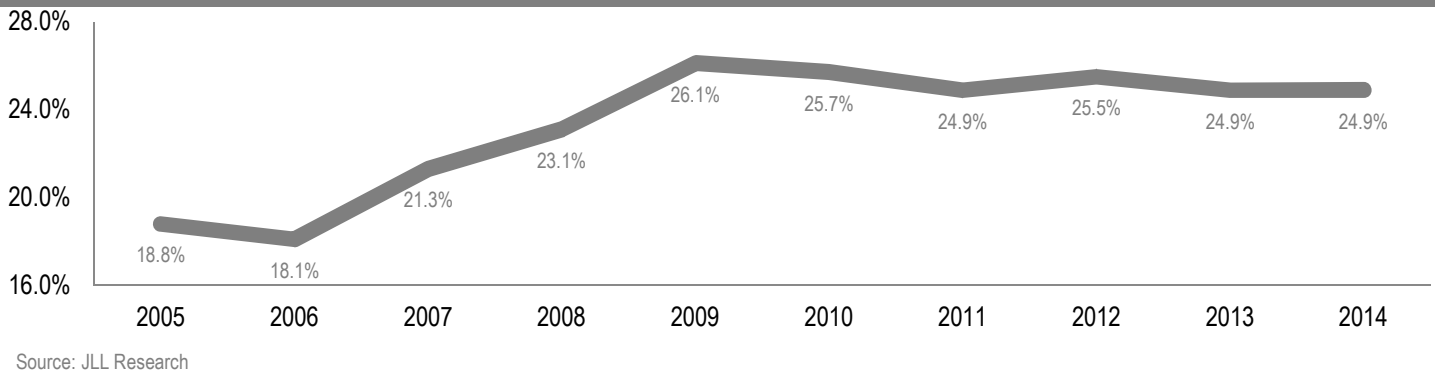
Historical leasing activity (s.f.)



Total net absorption (s.f.)



Total vacancy rate



Direct average asking rent (\$ p.s.f.)

