

Office Market Trends Southern New Jersey

Grubb & Ellis Research
Second Quarter 2006



Low Vacancy Spurs Development

Executive Summary

Southern New Jersey's office leasing market continued to ride the demand momentum of past quarters as shown when the area recorded 98,000 square feet. As employment growth in the second quarter led locally-based companies to expand into more space, year-to-date absorption was boosted to 192,363 square feet for absorption in 2Q06. The Cherry Hill submarket was the area's most active, recording an impressive 96,199 square feet of positive demand. Growth in the submarket was mainly attributable to Stone & Webster which expanded into a total of 76,922 square feet of space at 3 Executive Campus. Consequently, overall vacancy in Cherry Hill decreased 2.5 percentage points over the previous quarter, settling at 12.7 percent at the end of 2Q06. The overall vacancy for Southern New Jersey fell to 11.0 percent; the tightening market continued to boost landlord confidence and area effective rents were bolstered accordingly. For example, Class A full-service asking rents increased by \$0.63 to \$23.93 per square foot per year while overall full-service asking inched up \$0.11 to \$19.67 per square foot per year in the second quarter. Meanwhile, armed with ebbing vacancy, developers continued to break ground on speculative office projects throughout Southern New Jersey, the most notable being Trefoil Properties' 87,677 square foot office building at 1200 Howard Boulevard. By the close of the second quarter the Southern New Jersey office construction pipeline contained nearly 200,000 square feet of new product.

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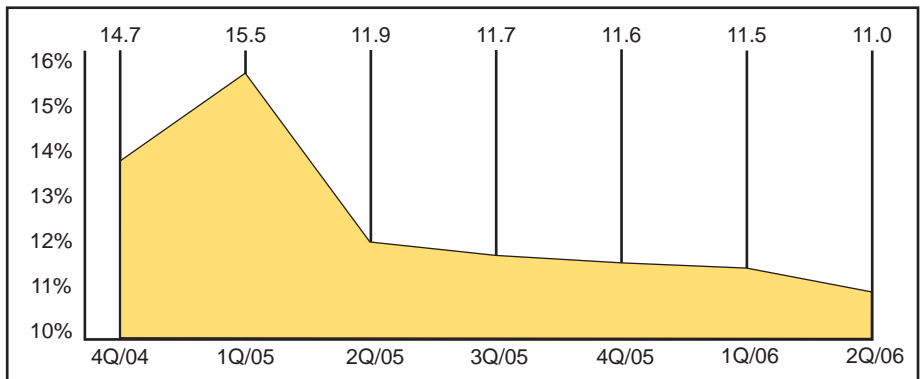
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Southern New Jersey Office Market Trends

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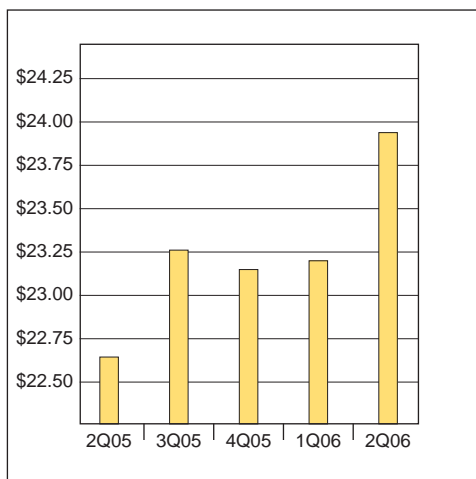
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Office Vacancy Rate*
* All Classes of Space

Office Market Trends Second Quarter 2006

“The tide has turned and Southern New Jersey is now experiencing additional development.”



**Southern New Jersey
Class A Asking Rents**

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Market Overview

With the majority of the submarkets contributing to the market-wide growth, the Cherry Hill submarket outperformed all others, compliments of Stone & Webster along with Santilli & Thomason taking prime space at 1909 E. Marlton Pike. Of note, the Internal Revenue Service renewed their 24,176 square feet of space at 57 Haddonfield Road. The Mount Laurel submarket finished 2Q06 on a strong note, posting 23,136 square feet of positive absorption as the area welcomed 7-Eleven, Inc. into 11,300 square feet at 2000 Crawford Place. Despite Mount Laurel posting gains in the second quarter, Lockheed Martin plans to vacate over 40,000 square feet of space in the third quarter, so unless the space is backfilled, the submarket will be left with a large block of available space. Meanwhile, the Marlton submarket featured a quarterly gain compliments of two major leases inked in the second quarter. First, after moving into 47,121 square feet of space at 40 Lake Center in the first quarter, Indy Mac Bank signed on for an additional 14,601 square feet of space at 40 Lake Center with intentions to occupy in the third quarter. Second, and in a coup for the Lake Center Executive Park, Paychex signed for 32,600 square feet of space at 50 Lake Center. Paychex will move into their new premises once the Class A building is completed in the third quarter.

On the construction side, while the abundance of vacant space in the market forced developers to hold off on new office projects in the past, the market has turned and Southern New Jersey is now experiencing increased development activity. Recently, the 87,621 square foot building located at 1200 Howard Boulevard broke ground and is underway. Once completed, the three-story Class A building will be located just off of Route 73. The highly anticipated Class A project, 50 Lake Center, a four-story premier office building situated in the Marlton submarket, is slated to be completed early in the third quarter. As a further indication of the tightening market, 50 Lake Center, a twin to Lake Center IV, already has tenants committed to two-thirds of the building. Keystone Property Group's newest Jersey project, Executive Park at East Gate, will result in the full transformation of a 115,000 square foot one-story building into a Class A office property. Renovations are underway for completion by year end including, new façade, new windows, new building systems and all new site work. This project will be one of the premier office buildings in the Mt. Laurel sub-market and is expected to be 40% leased prior to the completion of the renovations.

Deeper in the pipeline, Liberty Property Trust announced it will be creating a new Class A office development in Mount Laurel. The complex, which will include four office buildings, will be called Liberty Walk at East Gate and will include a mix of new and existing buildings. Once completed, Liberty Walk will boost the Class A inventory by over 225,000 square feet as well as being one of Southern New Jerseys first “green buildings” constructed with environmentally-friendly materials.

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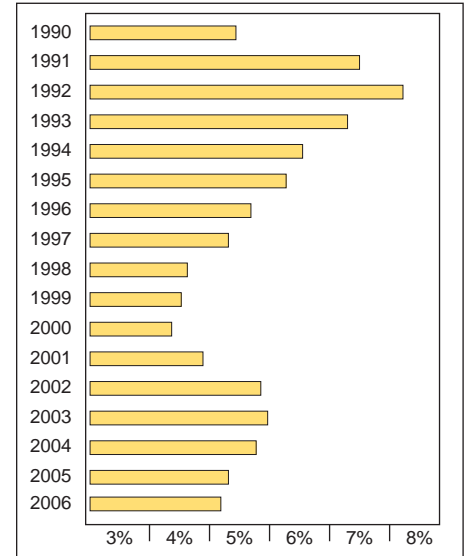
Opportunities and Challenges

The U.S. economy continued to strengthen in the first quarter, with the Gross Domestic Product surging 5.6 percent annually, as well as strengthening employment estimates, which show that for the last four months New Jersey continued to create new jobs. The New Jersey Department of Labor and Workforce Development reported that non-farm payrolls rose by an additional 6,900 jobs with the professional and business services sectors creating 500 new jobs in June. As advancements in employment stack up and office development continues, expect the office leasing market to carry its positive energy level through the final months of 2006, giving further opportunities to landlords. As the demand continues to outpace supply, especially, in the Class A sector, expect to see owners push rental rates upwards.

Forecast

Looking into the final half of 2006, it is likely that Southern New Jersey will attain positive growth as the local economy moves steadily forward and in particular as new development projects are completed and added to the office inventory. While it might be premature to declare that landlords hold the all the aces, the Southern New Jersey office market is close to equilibrium and as such, expect to see some landlords claim more of an upper hand.

“Southern New Jersey will attain positive growth as the local economy moves steadily forward...”



**Southern New Jersey
Unemployment Count**

Major Transactions

Grubb & Ellis is pleased to announce that it represented the following companies in office transactions during the second quarter of 2006:

Investment Sale
Two Executive Center Associates, LP
 Two Executive Campus
 2370 Route 70, Cherry Hill, NJ
 Grubb & Ellis Representative:
Anne Klein

Investment Sale
Lake Center IV, LLC
 40 Lake Center Executive Park
 Marlton, NJ
 Grubb & Ellis Representatives:
Joe Sklencar, Sr., David Dolan & Carl Neilson

Lease Expansion
Executive Campus, LLC
 Three Executive Campus
 Cherry Hill, NJ
 Grubb & Ellis Representatives:
Joe Sklencar, Sr., David Dolan & Joe Sklencar, Jr.

Investment Sale
Liberty Property Trust and SJS Realty Management
 3000 East Lincoln Drive
 Marlton, NJ
 Grubb & Ellis Representatives:
Joe Sklencar, Sr., David Dolan & Carl Neilson

Direct Lease
Opus East, LLC
 50 Lake Center Executive Park
 Marlton, NJ
 Grubb & Ellis Representatives:
Joe Sklencar, Sr., David Dolan & Joe Sklencar Jr.

User Sale
Verizon New Jersey, Inc.
 713 Marsh Avenue
 Monroe Township, NJ
 Grubb & Ellis Representatives:
Scott Martin & Anne Klein

Office Market Snapshot Southern New Jersey Second Quarter 2006

| By Submarket (All Classes) | Total SF(1) | Vacant SF(4) | Vacant % | Net Absorption | | Under Construction(2) | Asking Rent(3) | |
|--------------------------------------|-------------------|------------------|--------------|----------------|----------------|--------------------------|----------------|-------------------------------|
| | | | | Current Qtr. | Year-to-date | | Class A | Class B |
| Cherry Hill | 3,827,025 | 484,451 | 12.7% | 96,169 | 192,344 | - | \$23.30 | \$19.58 |
| Collingswood/Westmont/Pennsauken | 1,326,545 | 126,591 | 9.5% | (14,362) | 27,034 | - | \$24.75 | \$19.73 |
| Marlton | 2,527,607 | 177,466 | 7.0% | 13,442 | 68,459 | 87,500 | \$24.11 | \$20.98 |
| Moorestown/Delran/Burlington | 2,081,409 | 265,946 | 12.8% | (11,057) | (42,598) | - | - | \$19.06 |
| Mount Laurel | 5,866,342 | 671,858 | 11.5% | 23,136 | (55,860) | 110,922 | \$24.79 | \$18.07 |
| Voorhees/Gibbsboro | 1,501,674 | 159,883 | 10.6% | (8,422) | 2,984 | - | \$23.25 | \$21.41 |
| Totals | 17,130,602 | 1,886,195 | 11.0% | 98,906 | 192,363 | 208,422 | \$23.93 | \$19.48 |
| By Class (All Submarkets) | | | | | | | | |
| | | | | | | | | Available for Sublease |
| Class A | 4,745,639 | 407,936 | 8.6% | 17,512 | 55,674 | 185,122 | - | 100,425 |
| Class B | 7,274,231 | 944,780 | 13.0% | 84,174 | 129,336 | 23,300 | - | 235,755 |
| Class C | 5,110,732 | 533,479 | 10.4% | (2,780) | 7,353 | - | - | 50,316 |
| Totals | 17,130,602 | 1,886,195 | 11.0% | 98,906 | 192,363 | 208,422 | - | 386,496 |

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Construction Second Quarter 2006

| | New Speculative Development | | | | New Build-to-Suit Development | | |
|--------------|-----------------------------|--------------|--------------------|----------------|-------------------------------|--------------------|---------------|
| | Under Construction | Preleased | Completed This Qtr | Completed YTD | Under Construction | Completed This Qtr | Completed YTD |
| Suburban | 208,422 | 18.0% | - | 170,000 | - | - | - |
| Total | 208,422 | 18.0% | - | 170,000 | - | - | - |

Office Market Terms and Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.