

Office Market Trends Southern New Jersey

Grubb & Ellis Research

Third Quarter 2006



Vacancy Tightens, Construction Continues

Executive Summary

Ongoing local growth pushed the Southern New Jersey leasing market to finish the third quarter in the black with 28,159 square feet of positive demand, bolstering the year-to-date absorption total to 256,753 square feet. The Mount Laurel and Marlton submarkets each contributed to the overall expansion, recording a combined 75,561 square feet of positive absorption and helped drive down overall regional vacancy to 11.2 percent. Not surprisingly, Mount Laurel showed the greatest improvement in vacancy finishing the third quarter 1.2 percentage points below the mid-year level, resting at 10.3 percent. With the exception of Moorestown/Delran/Burlington and Cherry Hill, all of the Southern New Jersey submarkets saw stable or declining vacancy. In response to improved market fundamentals, landlords pushed rents upwards. Overall full-service rental rates inched up \$0.15 to \$19.78 per square foot per year, rising 4.7 percent over those quoted a year ago, with Class A rents growing \$0.40 or 1.7 percent during the same time period. Meanwhile, in terms of the supply pipeline, the 87,500 square foot building at 50 Lake Center Executive Park was completed and issued a certificate of occupancy in the third quarter. In Mount Laurel, work continues on two anticipated Class A projects, Liberty Walk at East Gate and 1200 Howard Drive.

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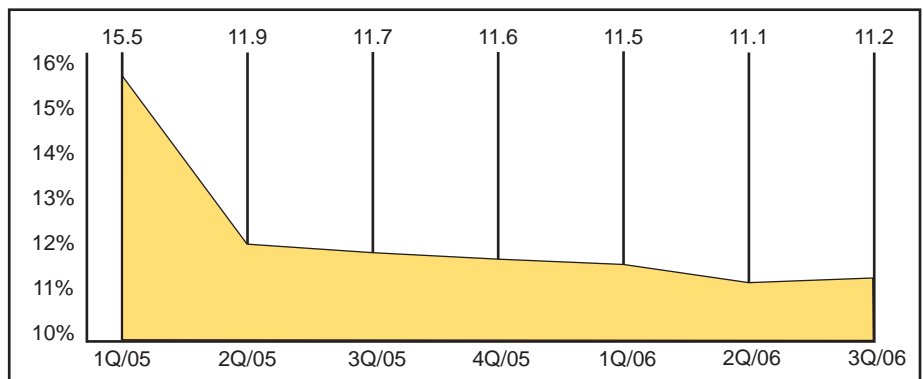
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Southern New Jersey Office Market Trends

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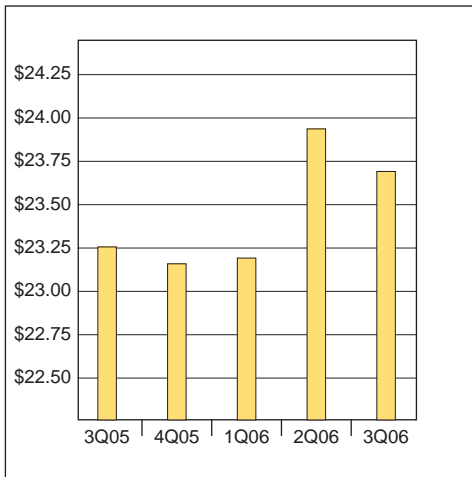


Office Vacancy Rate*

* All Classes of Space

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“Leading the area, Mount Laurel was Southern New Jersey’s most sought after submarket.”



**Southern New Jersey
Class A Asking Rents**

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Market Overview

Leading the area, Mount Laurel was Southern New Jersey’s most sought-after submarket in the third quarter with 64,933 square feet of positive absorption. Contributing to the growth was InterState Commercial Real Estate, which soaked up space at 14000 Horizon Drive. Marlton also featured a quarterly gain as Indy Mac expanded into an additional 14,601 square feet of space at 40 Lake Center, accounting for part of the submarket’s 10,628 square feet of positive growth during the period. Also in the submarket, Virtua Health signed on for 57,000 square feet of space at 50 Lake Center Executive Park. The company plans to use the space as its new headquarters and occupy the space early-2007. On the flip side of the demand coin, Moorestown/Delran/Burlington witnessed 39,528 square feet of red ink as several tenants left the submarket in the third quarter including 7-11 vacating 17,000 square feet of space at 6 Terri Lane. Local landlords lost leverage with Eastern Research vacating 11,900 square feet of space at 1247 Church Street in June 2006 with additional plans to empty more space in the first quarter.

Southern New Jersey’s office investment market performed at brisk pace through the first three quarters of the year as investors took advantage of the decreasing vacancy and stable rents. According to Real Capital Analytics, private, public and institutional investors have spent \$142 million in the past 12 months to acquire office assets in Southern New Jersey. Within the past year, sales prices on a per square foot basis have significantly gone up, signaling that desirable occupancies and attractive rents are becoming the primary price drivers. The most noteworthy sale of the third quarter involved a joint venture between Bergman Real Estate Group and NDC Capital Partners LLC paying \$22.3 million for the 170,000 square foot Colwick Business Center located at 53 – 57 Haddonfield Road. Meanwhile, capitalization rates in Southern New Jersey remained hovering in the 7.5 percent range and are unlikely to sway greatly in the face of long term interest rates.

Opportunities and Challenges

During the third quarter tenant demand motivated developers to break ground on speculative office projects. On an encouraging note to developers, the new 87,500 square foot Class A office building at 50 Lake Center Executive Park was completely spoken for, with Virtua Health Inc. and Paychex North America lined up to occupy the entire building early-2007. As Class A vacancy declined throughout the year, new speculative office development has likewise risen, specifically within the Marlton and Mount Laurel submarkets. Currently, Mount Laurel accounts for 110,992 square feet in the pipeline, consisting mainly of the 87,000 Class A project, Mount Laurel Corporate Park, located at 1200 Howard Boulevard. Looking ahead, expect work to continue on Liberty Walk at East Gate and Willingboro Town Center, adding at least 190,000 square feet of Class A space to the inventory once the projects are completed. Of interest in Mount Laurel, an internet-related business unit of Comcast Corporation is

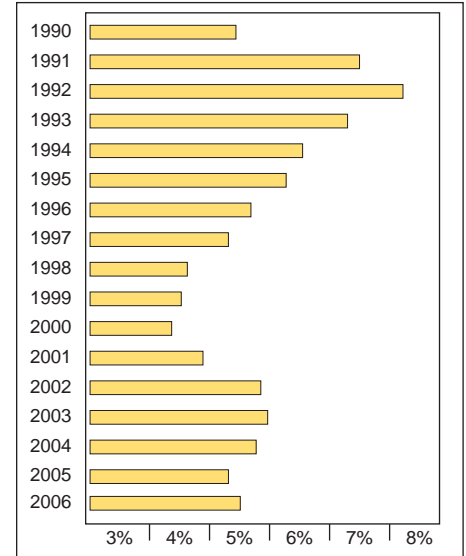
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committed to and expected to occupy 44,137 square feet of space at Executive Park at East Gate, the former home of Sunguard. The building is currently undergoing a complete redevelopment and transformation into Class A office product.

Forecast

Despite an illustrious past, Garden State Park underwent demolition and redevelopment work in the first half of 2004, and now all that remains of the original structure is the original 1942 gatehouse located off of Route 70. Underway is now a \$500 million redevelopment into a mixed-use town center expected to energize the community. Turnberry Associates has been successful in filling most of the 500,000 square feet of upscale retail space with anchors such as Wegmans and The Cheesecake Factory. The reborn property also offers upscale residential townhomes and condominiums as well as several build-to-suit office opportunities. Despite the success of the retail component which offers future tenants high-end amenities, it is unlikely that the Cherry Hill submarket office market fundamentals will be influenced by the project as the office developer is still not considering a speculative project nor expected to break ground for at least 15 months.

“During the third quarter, tenant demand motivated developers to break ground on speculative office projects.”



**Southern New Jersey
Unemployment Rate**

Major Transactions

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

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

Direct Lease
Borger, Jones & Keeley-Cain
 Cherry Hill Plaza at
 1415 Route 70, Cherry Hill, NJ
 Grubb & Ellis Representative:
Anne Klein

Direct Lease
Davis Enterprises
 501 Fellowship Road, Mount
 Laurel, NJ
 Grubb & Ellis Representatives:
**Joe Sklencar, Sr., David Dolan &
 Joe Sklencar, Jr.**

Lease Renewal
Gateway Business Park, LLC
 523 Fellowship Road,
 Mount Laurel, NJ
 Grubb & Ellis Representative:
Anne Klein

Direct Lease
Opus East, LLC & Virtua Health
 50 Lake Center Executive Park,
 Marlton, NJ
 Grubb & Ellis Representatives:
**Anne Klein, Jeff Tertel for
 Virtua Health**
**David Dolan, Joe Sklencar, Sr., Joe
 Sklencar, Jr. for Opus East**

Lease Renewal
**One Cherry Hill Corporation &
 GCP of Cherry Hill, LLC**
 One Cherry Hill @ 1 Mall Dr, Cherry
 Hill, NJ
 Grubb & Ellis Representative:
Anne Klein

Office Market Snapshot Southern New Jersey Third Quarter 2006

By Submarket (All Classes)	Total (1)	Vacant (2)	Net Absorption		Under Const. (3)	Asking Rent (4)		
	SF	SF	Vacant %	Current	Year To Date	SF	Class A	Class B
Cherry Hill	3,827,025	496,810	13.0%	(12,359)	179,985	0	\$23.73	\$20.28
Collingswood/Westmont/Pennsauken	1,326,545	118,993	9.0%	7,598	34,632	100,907	\$24.75	\$19.73
Marlton	2,615,107	254,338	9.7%	10,628	79,087	0	\$24.14	\$20.82
Moorestown/Delran/Burlington	2,045,177	285,843	14.0%	(39,528)	(45,895)	0		\$21.08
Mount Laurel	5,866,342	606,925	10.3%	64,933	9,073	110,922	\$23.12	\$18.07
Voorhees/Gibbsboro	1,501,674	162,996	10.9%	(3,113)	(129)	0	\$23.25	\$21.44
Totals	17,181,870	1,925,905	11.2%	28,159	28,159	211,829	\$23.67	\$19.97

By Class (All Submarkets)	Available for Sublease						
							Suburban
Class A	4,833,139	469,040	9.7%	26,396	82,070	188,529	65,894
Class B	7,237,999	915,007	12.6%	(6,458)	159,109	23,300	307,062
Class C	5,110,732	541,858	10.6%	8,221	15,574	-	78,116
Totals	17,181,870	1,925,905	11.2%	28,159	256,753	211,829	451,072

(1) Inventory includes multi-tenant and single-tenant buildings with at least 20,000 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 Third 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	211,829	11.8%	-	257,500	-	-	-
Total	211,829	11.8%	-	257,500	-	-	-

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.