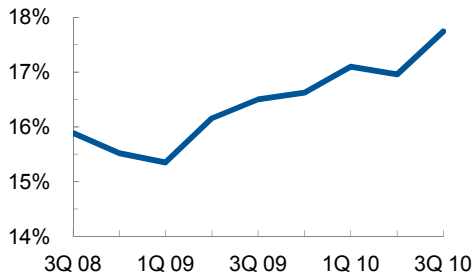


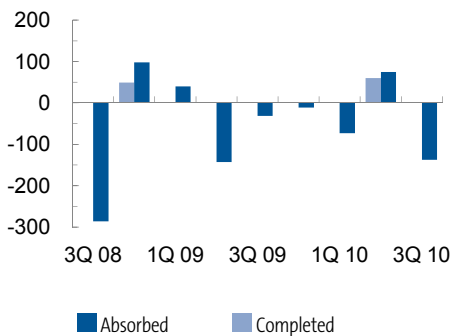


### Vacancy Rate



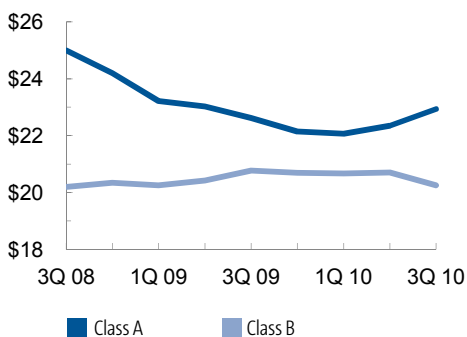
### Completions vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Yr. Full Service)



## Market Continues to Soften

Southern New Jersey's occupancy losses during the third quarter were completely unsurprising as ARI's exodus out of 170,000 square feet at Brandywine Realty Trust's assets on Midlantic Drive were expected for over a year now. Taking this contraction out of the picture, the rest of the market remained stable with renewals and zero-sum absorption relocations accounting for the bulk of the deal landscape. Regardless, vacancy continued its nearly uninterrupted ascent, gaining 70 basis points and settling at 17.7 percent by September's end. To many landlords' dismay, it appears as if the market is poised to post its third straight year of negative absorption, resulting primarily from the area's exposure to financial markets at the onset of this past recession. While employment loss associated with office demand apparently reached its nadir at the beginning of the year, a relatively lackluster performance in the financial activities and professional & business sectors is expected until late in 2011 according to Moody's Economy.com.

A few bright-side results from this past quarter's statistics are worth mentioning. First, sublease availabilities are at their lowest levels since well before the recession even started. Given this, future vacancy gains from floating "shadow space" in the market are not expected. Also, while year-over-year asking rents fell by 1.7 percent, the average over the past three quarters held relatively flat with future rent deterioration most likely modest. Gains in rents, though, are not expected anytime on the near horizon as nearly ¼ of the existing inventory is marked as available to the market.

From a development point of view, Edgewood Properties & JMP Holdings' project at Route 70 & Haddonfield Road in Cherry Hill comprises the total office construction activity in the market. Currently no office leases have signed at the completed first phase although Nordstrom's The Rack committed to the entire first floor. While speculative development seems risky given the current dearth of new demand in the area, murmurs of activity for some of the office portion at the site are passing through the rumor mill.

### FORECAST

- Future significant negative absorption is not expected soon, but neither is positive absorption.
- Rents will soon find a bottom where they will most likely stagnate over the next year or so.
- Minimal development in the area will do little to add to current supply strains.

# Office Trends Report—Third Quarter 2010

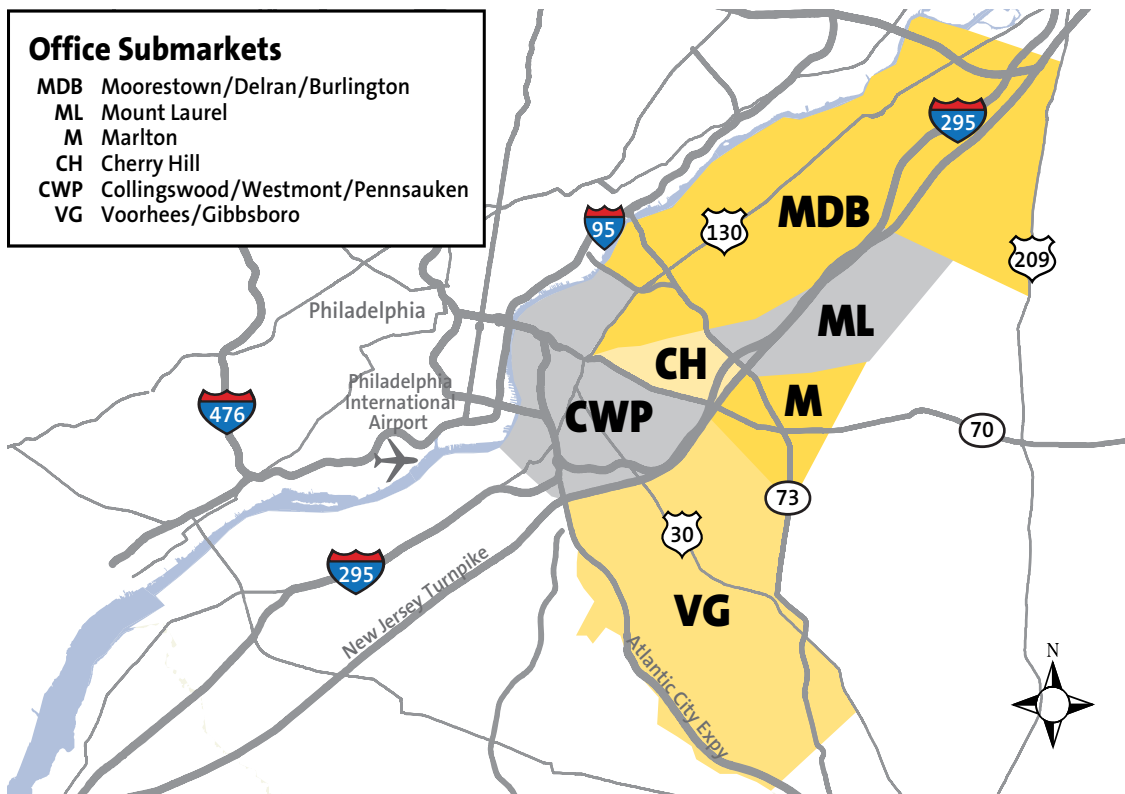
## Southern New Jersey



**GRUBB & ELLIS**  
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		Class A	Class B
Cherry Hill	3,741,455	754,248	20.2%	(12,466)	(71,757)	60,000	\$24.79	\$20.52
Collingswood/Westmont/Pennsauken	1,392,204	233,122	16.7%	(1,694)	(18,772)	-	-	\$20.03
Marlton	2,550,203	370,907	14.5%	(857)	67,087	-	\$23.15	\$19.47
Moorestown/Delran/Burlington	2,173,977	287,838	13.2%	8,259	67,896	-	\$26.13	\$21.49
Mount Laurel	6,127,683	1,086,803	17.7%	(126,177)	(155,987)	-	\$22.08	\$18.90
Voorhees/Gibbsboro	1,550,374	378,032	24.4%	(4,698)	(25,224)	-	\$21.00	\$21.08
<b>Totals</b>	<b>17,535,896</b>	<b>3,110,950</b>	<b>17.7%</b>	<b>(137,633)</b>	<b>(136,757)</b>	<b>60,000</b>	<b>\$22.93</b>	<b>\$20.26</b>

By Class	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
							CBD	Suburban
Class A	5,419,986	936,102	17.3%	(75,110)	(95,368)	60,000	-	74,067
Class B	7,586,452	1,496,913	19.7%	(64,102)	(12,912)	-	-	55,772
Class C	4,529,458	677,935	15.0%	1,579	(28,477)	-	-	76,070
<b>Totals</b>	<b>17,535,896</b>	<b>3,110,950</b>	<b>17.7%</b>	<b>(137,633)</b>	<b>(136,757)</b>	<b>60,000</b>	<b>-</b>	<b>205,909</b>



### OFFICE TERMS AND DEFINITIONS

**Total SF:** 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.

**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 and includes direct and sublease vacant. 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 full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

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

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