

# Office Market Trends Southern New Jersey

Grubb & Ellis Research

Third Quarter 2008



## Class A Space Still In Demand

### Executive Summary

With significant contractions in the market from such firms like Cigna and Indy Mac, the market posted negative absorption for the third straight quarter. Having exposure to the current financial crisis plaguing the overall economy, the Southern New Jersey office market has seen a deterioration of market fundamentals as vacancy creeps nearer the 15 percent mark and rents continue to lose ground.

Developers have reacted to the current state of the market as only 34,000 square feet of space is coming out of the ground and on a built-to-suit basis at that. This is a 76 percent decrease from construction activity just one year ago.

The silver lining to all this is the Class A sector. In spite of all the bad news plaguing the area, tenants that are in the market are going to premier space which comes at an average 24.5 percent higher rent than Class B space. In fact, with Class B suffering negative absorption on the order of 235,000 square feet and Class C posting no significant positive absorption, Class A product type seems to be the only kind still performing well. Proof can be seen in rental rates which increased by \$0.09 this quarter, a 36 basis point increase since 2Q08. Furthermore, Class A vacancy dropped 176 basis points over the past three months to settle at 13.75 percent as of the end of September.

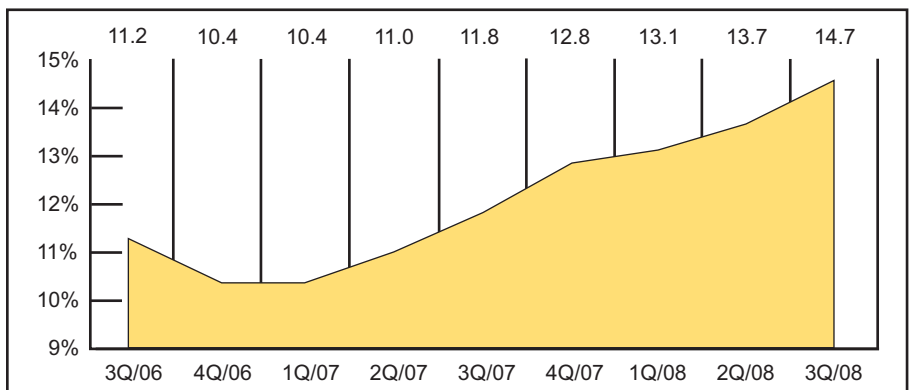
#### Southern New Jersey Office Market Trends

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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Southern New Jersey Third Quarter 2008

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B
Cherry Hill	3,741,073	381,138	10.2%	(32,491)	(101,804)	-	\$24.00	\$21.12
Collingswood/Westmont/Pennsauken	1,436,044	278,924	19.4%	1,262	(2,799)	-	\$27.50	\$21.73
Marlton	2,602,445	351,057	13.5%	(64,217)	(67,349)	-	\$24.89	\$20.38
Moorestown/Delran/Burlington	2,150,277	382,887	17.8%	23,500	25,837	-	\$25.81	\$19.13
Mount Laurel	6,473,892	931,705	14.4%	(2,738)	(33,319)	-	\$23.95	\$19.63
Voorhees/Gibbsboro	1,501,674	301,961	20.1%	(89,357)	(89,791)	34,006	\$23.25	\$21.47
<b>Totals</b>	<b>17,905,405</b>	<b>2,627,672</b>	<b>14.7%</b>	<b>(164,041)</b>	<b>(269,225)</b>	<b>34,006</b>	<b>\$24.32</b>	<b>\$20.46</b>

By Class (All Submarkets)	Available for Sublease							
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B
Class A	5,488,715	754,806	13.8%	68,783	45,876	34,006		297,486
Class B	7,693,229	1,402,943	18.2%	(235,544)	(294,668)	-		74,702
Class C	4,723,461	469,923	9.9%	2,720	(20,433)	-		74,634
<b>Totals</b>	<b>17,905,405</b>	<b>2,627,672</b>	<b>14.7%</b>	<b>(164,041)</b>	<b>(269,225)</b>	<b>34,006</b>		<b>446,822</b>

## Construction Third Quarter 2008

	New Speculative Development				New Build-to-Suit Development			
	Under Construction	Preleased	Completed This Qtr	Completed YTD	Under Construction	Preleased	Completed This Qtr	Completed YTD
Total	-	-	-	30,000	34,006	100%	-	-

## Major Transactions

**Liberty Property Trust**  
Sale of 160,000 Square Feet  
at 8, 9, 10, 12 & 14 Stow Road  
Marlton, NJ  
to **Claret Capital**

Grubb & Ellis is pleased to announce that it was awarded  
exclusive leasing and management agency for  
**8, 9, 10, 12 & 14 Stow Road**  
160,000 square feet of office buildings in Marlton, NJ  
by Claret Capital during the third quarter of 2008

## 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.