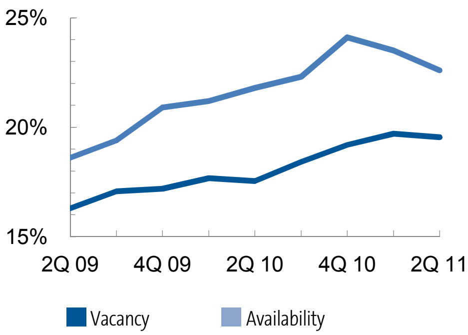
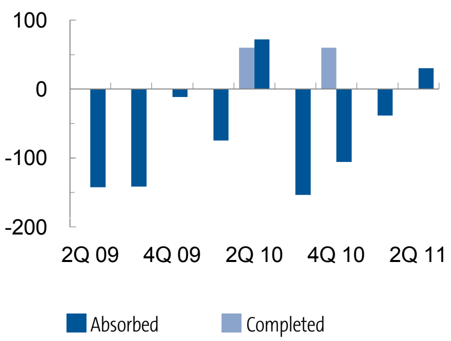
Office Trends Report—Second Quarter 2011
Southern New Jersey

GRUBB & ELLIS.
From Insight to Results

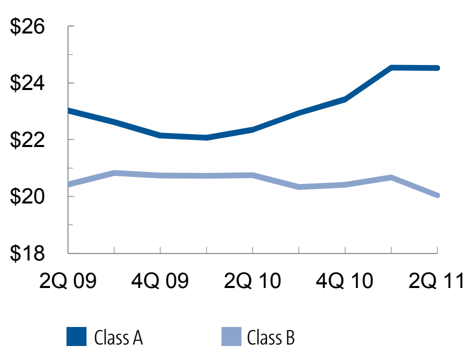
Vacancy & Availability Rates



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Full Service)



Trends Shift but Demand Still Elusive

As the first half of 2011 came to an end, 30,000 square feet of positive absorption in the southern New Jersey office market brought year-to-date totals near the zero mark. Vacancy still teeters just below the 20 percent mark, a high water mark for the past 10 years. Given the underwhelming pace of improvement in the labor market, a pronounced recovery in the market is not expected for the balance of 2011.

The southern New Jersey market experienced a few trend reversals this quarter as the composition of demand, both positive and negative, has shifted. Financial service providers, the main occupancy losers since the onset of the recession, account for nearly 100,000 square feet of positive absorption over the last four quarters. In contrast, the professional services sector, one that posted demand gains since 2008, has shown signs of weakening after shedding over 100,000 square feet of occupancy on a year-over-year basis. The education and healthcare sector, once claiming the top spot in demand growth since the beginning of the last recession, has contributed little in the past year. This is expected to change in the short-term as leases currently being negotiated have organic growth components.

Average asking rents for office space have moved downward only slightly since their peak in 2007. This is more of a strategic play by landlords than it is a testament to resiliency in pricing. While higher asking rents favor landlords during lease renewal negotiations, new leases are getting signed at a 15 to 25 percent discount below asking in order to fill vacancy. Free rent is still written into proposals in order to win deals, but at a lesser rate than was seen in 2009 and 2010. Average deal terms are around five years, up from four during the tail end of the recession, signaling that decision makers have become somewhat more confident in future revenue streams.

FORECAST

- Education & healthcare sector will return as demand driver in the short term.
- Rents will remain depressed at current levels for at least the remainder of the year.
- Vacancy will remain high for next few quarters but is not expected to rise significantly from current levels.

Grubb & Ellis Philadelphia
1735 Market St, Suite 4000, Philadelphia, PA 19103
www.grubb-ellis.com

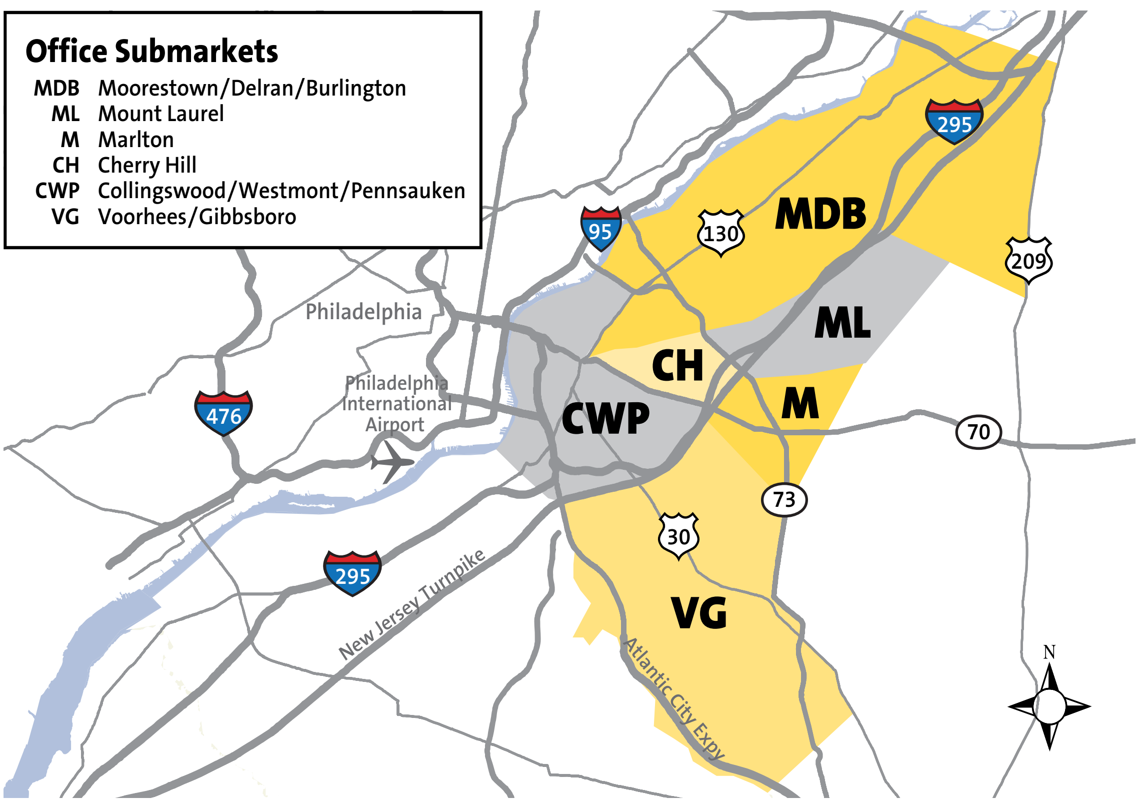
Prepared by:
Matthew Wright *Vice President*
Director of Research and Marketing
215.246.2725 • matthew.wright@grubb-ellis.com
Megan Carver *Marketing Manager*
610.879.4527 • megan.carver@grubb-ellis.com

Joseph Gibson *Senior Research Analyst*
610.879.4506 • joseph.gibson@grubb-ellis.com
Jason McKendry *Interactive Specialist II*
215.246.2710 • jason.mckendry@grubb-ellis.com

Office Trends Report—Second Quarter 2011
Southern New Jersey

By Submarket	Total SF	Vacant SF	Vacant %	Available	Net Absorption: Current	Net Absorption: Year To	Under Construction SF	Asking Rent: Class A	Asking Rent: Class B
Cherry Hill	3,795,006	854,756	22.5%	25.4%	13,551	(1,499)	-	$26.57	$20.38
Collingswood/Westmont/Pennsauken	1,457,697	293,983	20.2%	23.5%	(2,729)	(1,123)	-	-	$19.67
Marlton	2,531,977	409,268	16.2%	21.1%	(35,360)	(47,326)	-	$25.27	$19.71
Moorestown/Delran/Burlington	2,173,977	402,795	18.5%	20.7%	(24,649)	(21,712)	-	$26.71	$20.46
Mount Laurel	6,102,005	1,029,609	16.9%	20.3%	82,804	70,271	-	$23.46	$19.03
Voorhees/Gibbsboro	1,551,257	450,552	29.0%	28.9%	(3,433)	(6,713)	-	$22.50	$21.37
Totals	**17,611,919**	**3,440,963**	**19.5%**	**22.6%**	**30,184**	**(8,102)**	**-**	**$24.53**	**$20.04**

By Class	Total SF	Vacant SF	Vacant %	Available	Net Absorption: Current	Net Absorption: Year To	Under Construction SF	Available for Sublease
Class A	5,447,079	958,908	17.6%	20.0%	119,367	97,522	-	115,627
Class B	7,671,534	1,897,789	24.7%	27.9%	(107,647)	(163,677)	-	134,618
Class C	4,493,306	584,266	13.0%	16.6%	18,464	58,053	-	69,874
Totals	**17,611,919**	**3,440,963**	**19.5%**	**22.6%**	**30,184**	**(8,102)**	**-**	**320,119**



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.*