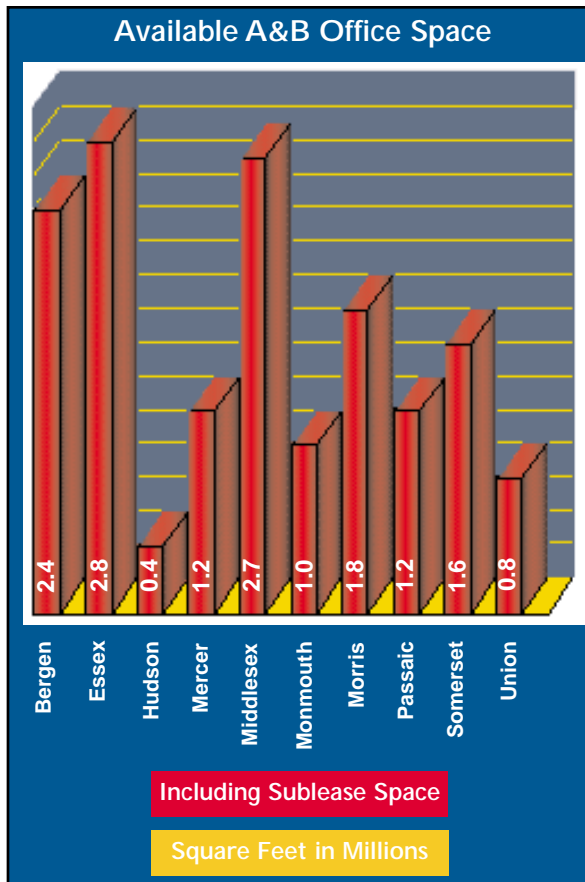


New Jersey Commercial Real Estate *Trendsletter*

NJ's Commercial Real Estate Market: Where Are We Going?

By David T. Houston, Jr., SIOR, CRE

Baseball is back. Warm weather is here, but a funny thing happened to the economy this spring as we rolled merrily into the longest continuous expansion in United States' economic history. All of a sudden, the NASDAQ and the Dow began to fluctuate wildly. People began to question the concept of buying stocks in companies at high multiples that had never made money, and they questioned how many good new ideas for e-commerce firms are really worth the millions that venture capitalists have been pouring into them.



Well, for one thing, the New Jersey market is not under priced or over supplied. Although investors have been throwing money at every new high tech IPO, real estate has been the investor's poor stepchild. New construction has been modest at best and while rental rates and sale prices have and continue to rise, they still remain modest in New Jersey when compared to where they were 20 years ago adjusted for inflation and for increases in operating expenses. Moreover, compared to Silicon Valley, Boston and other metropolitan areas, New Jersey's market conditions remain reasonably fundamentally sound from the standpoint of price and terms.

Perhaps we all came down to earth...a bit. What will it do to the commercial real estate market in New Jersey?

Colliers Houston & Co.

400 Glenpointe Centre W.
Teaneck, NJ 07666
(201) 692-8100
David T. Houston, Jr.
President

200 Cottontail Lane
Somerset, NJ 08873
(732) 868-5111
Michael G. Markey
Vice President

1140 Parsippany Blvd.
Parsippany, NJ 07054
(973) 335-5030
Howard Weinberg
Associate Vice President

THE OFFICE MARKET

(continued from cover page)

The office market continues to perk along. With unemployment under 4%, significant net absorption can only come from jobs moving from New York to the Hudson Waterfront. This they are continuing to do, not so much because of price, but because in New Jersey within 12 months they can build the type of product they can't find in New York City. These features include 40,000-50,000 square foot floors, 14 feet clear height or greater slab to slab, often column free, and available in large contiguous blocks convenient to public transportation.

As for the rest of the state, leasing will be brisk throughout the summer and fall, but net absorption will be relatively modest. There just are not enough unemployed people to create real net absorption.

With companies adapting to ever increasing change, however, firms will be looking to expand or contract in near record numbers, which will result in the vacancy remaining constant, rates continuing to rise, but more modestly, and the remaining new construction absorbed. It is a good time to be a landlord.

The one fly in the ointment is the dependence on the financial service sector on the Hudson Waterfront. A major market retreat which results in depressed earnings for the financial service sector could sharply impact this sub market which, unlike most of New Jersey, is heavily dependent on a single industry.

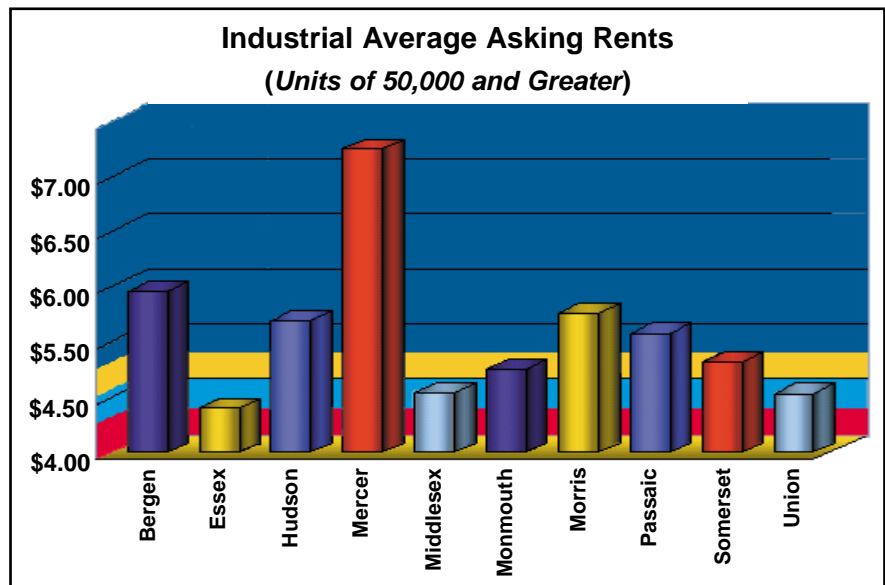
THE INDUSTRIAL MARKET

With extraordinarily limited new construction, except at Exit 8A of the Turnpike in South Brunswick, Monroe and Cranbury, over the last 15 years, the industrial market remains very tight. However,

except for the South Brunswick area, it also means that many of the features such as 32 foot clear ceilings and ESFR sprinkler systems don't exist in many areas of the state, not to mention the extra truck parking and doors required by today's distribution centers compared to yesterday's warehouses. The result is frustrated tenants who except at Exit 8A are finding it hard to find space, which meets their current needs. Normally, the solution would be a wave of new construction, but the lack of available industrial land in Northern New Jersey precludes this option.

Rental rates continue to increase with most markets in the state up \$10-\$15 per square foot per year since the New Year.

So, today's industrial tenants face a shortage of options. Leases are longer, credit concerns greater, and work letters less extensive. This market has been difficult for buyers and tenants, and especially difficult for third party logistic suppliers who prefer more flexible short term leases and who need attractive rents to make their contracts more profitable. Moreover, larger units are the scarcest commodity of all with users over 250,000 sf having very few options to lease and almost no choices to purchase.



Northern New Jersey

COLLIERS SELLS TAIWAN PLANT FOR JOHNSON & JOHNSON

Hsin Chu, Taiwan

Colliers Houston & Co. with its Colliers office in Taiwan, has sold a 101,658 square foot manufacturing plant for **Johnson & Johnson** in Hsin Chu near Taipei. **David Houston, SIOR**, from Colliers Houston & Co. and David Chang from Colliers International in Taiwan handled the transaction in which Cando, Ltd. purchased the facility.



JOHNSON & JOHNSON RETAINS COLLIERS IN AUSTRALIA

Sydney, Australia

Johnson & Johnson has retained Colliers to analyze and market its surplus property in Botany Bay near Sydney, Australia. **David Houston** of Colliers Houston in New Jersey and **John Kenny** of Colliers in Sydney will coordinate the effort.

BROCKWAY LEASES 56,000 SF IN ELIZABETH, NEW JERSEY

Elizabeth, NJ

Brockway Standard, Inc. has leased a 56,000 square foot industrial building at 860 Fairmount Avenue in Elizabeth from Fairmount Realty. Brockway will use the facility to store finished goods from its manufacturing at 570 Division Street. **David Houston** and **Scott Kupersmith** represented the landlord in this transaction.

KIEHL'S SINCE 1851

Fairfield, NJ

Howard Weinberg and **Matthew Turse** represented tenant, Kiehl's Since 1851, in a 40,832 square foot lease at 12 Daniel Road, Fairfield, New Jersey.

26,000 SF LEASED IN NEWARK

Newark, NJ

Scott Kupersmith represented **Liotta Trucking** in the lease of a 26,000 square foot industrial warehouse located at 329-333 Frelinghuysen Avenue, Newark, NJ

NEW CORPORATE HEADQUARTERS FOR MPE COMMUNICATIONS

Paramus, NJ

In the summer of 1999, Colliers Houston & Co. was retained to assist **MPE Communications** with their search for a new corporate headquarters. They were located in several outdated buildings in Fair Lawn and desired to consolidate all of their operations. In early 2000, **Marc Hirschinger** and **Mark Siegler** successfully negotiated a lease for 21,000 square feet of office space at 50 Eisenhower Drive, Paramus. MPE Communications is part of the Interpublic Group of Companies.

GMAC LEASE RENEWAL

East Hanover, NJ

Bill Kanter and **Mark Siegler** renewed **GMAC's** 23,320 square foot lease at 120 Eagle Rock Avenue, East Hanover, New Jersey from the owner, Lincoln Equities.

HORIZON COMMUNICATIONS EXPANSION

East Hanover, NJ

Marc Hirschinger and **Mark Siegler** were retained by **The Torre Lazur Healthcare Group** to assist in the search for an additional space for a subsidiary company, known as Horizon Communications. An adjacent unit of 6,000 square feet had just become available in their East Hanover Headquarters location. A new lease was negotiated and today, Horizon Communications occupies a total of 14,500 square feet. This was the 4th lease that Colliers Houston & Co. negotiated on their behalf.

1140 PARSIPPANY BOULEVARD, PARSIPPANY



TOTAL SIZE: ±23,000 sf
KNOWN AS: Boulevard Commons
SPACE AVAIL.: 4,013 rsf
RENTAL: \$23.00 psf + TE

Description: Two building complex, windows on 3 sides, management on site, adjacent to Routes 46, 80 and 287.

Contact: Bill Kanter @ 973-335-5030.

218 ROUTE 17 NORTH, ROCHELLE PARK



TOTAL SIZE: 91,190 sf / 5 floors
SPACE AVAIL.: 2,805 sf - 4th/2,074 sf - 2nd
RENTAL: \$22.00 psf + TE

Description: This facility is located near Routes 4 & 17. Atrium, covered parking & on-site security guard & management.

Contact: Hal Lichtenstein or Marc Hirschinger @ 201-692-8100.

Morris County Office Market Overview

David T. Houston, Jr., SIOR, CRE

The Morris County office market has been on a wild ride since the summer of 1994. Devastated by the recession, the market had a vacancy rate of more than 30% that summer, but since that period of time, absorption has been greater than any other market in New Jersey, including the waterfront. And this, despite significant amounts of new construction by SJP Properties, Gale and Wentworth, and other local developers, which has added almost 10,000,000 square feet to the market's office inventory this decade. In the last four years alone, more than 7,600,000 square feet of office transactions have been completed.

Vacant space, which reached 5,400,000 square feet at the end of 1994, has dropped to a low of 1,800,000 square feet despite substantial new completions! The vacancy rate, including sublet space is hovering around the 5% mark, with one sublet representing 340,000 square feet or nearly 20% of all vacant space. Rents have risen to the \$29-\$32 per square foot range for new construction, with available new space limited to a handful of buildings. Existing Class "A" space rents are now \$24-\$27 per square foot and in the better Class "B" buildings, market rents have risen from the \$15 range in 1994 to over \$20 today.

The reasons for the surge in activity are the excellent highway network as well as the proximity at key housing markets. Parsippany, at the confluence of Interstates 80, 280, and 287, as well as Routes 46 and 202 is the cross roads of this market. With the completion of NJ Route 24, which provides 25 minute access to Newark Airport and Interstate 287, which connects Morris County to northern Bergen County, a good location became even greater. Parsippany became a more convenient location for executives living in Franklin Lakes, Woodcliff Lake and other northern suburbs than even more traditional Bergen County locations like Route 4.

Will construction ruin the market? Not likely, since there is relatively little remaining land to be developed. The major future developments will be the former BASF site, Mazda Brook, and the remaining lands in the former Prudential campus, all of which are in Parsippany, as well as the former Exxon site in Florham Park, and the former Driver-Harris site in the same community and the Whippany Paper Board tract in Hanover. These developments will not all be undertaken in the same time frame, and given recent market demand, this additional space added over the next three to five years should not disturb the market but may tend to moderate future rates of increases in the level of market rents.

2 CORPORATE PLACE SOUTH, PISCATAWAY



TOTAL SIZE: 133,000 sf
KNOWN AS: 2 Corporate Place South
SPACE AVAIL.: Entire
RENTAL: \$18.50 Gross + TE

Description: One story, 133,000 sf headquarters caliber facility with over 5 per 1,000 parking and heavy power. The ability to serve as a data or call center, crash site, back office ops. or Hi-tech/R&D as well.

Contact: Charles Parmelli or Warren Searles @ 732-868-5111.

20 CORPORATE PLACE SOUTH, PISCATAWAY



TOTAL SIZE: 75,000 sf
KNOWN AS: 20 Corporate Place South
SPACE AVAIL.: ± 27,000 sf - 2nd floor
RENTAL: \$21.00 Gross + TE

Description: Two story 75,000 sf originally housed Digital, now occupied on the first floor by Compaq. Building has heavy power w/backup capability and a flexible floorplan for office, data/call center or Hi-tech/R&D space.

Contact: Charles Parmelli or Warren Searles @ 732-868-5111.

Central New Jersey

WE ARE PLEASED TO ANNOUNCE:

Michael G. Markey, a broker for some of New Jersey's largest industrial real estate transactions and an expert on the New Jersey Turnpike 8A market, has been named a Vice President of Colliers Houston & Co. Markey will maintain his post as Branch Manager of the Colliers Houston & Co.'s Somerset office.

Jonathan B. Tesser, SIOR, Vice President, has been appointed to represent Colliers Houston & Co. as their Colliers International Manager.

ORTHO-MCNEIL LEASES 100,000 SQUARE FEET

Somerset, NJ

Mike Markey and **Jon Tesser** represented **Ortho-McNeil Pharmaceutical**, tenant, in leasing 100,000 square feet at 100 Cottontail Lane, Somerset, New Jersey from Mack Companies.

SIEMENS FINANCIAL SERVICES COMPANY

Bridgewater, NJ

Stan Kurzweil, SIOR, exclusively represented **Siemens Financial Services Company**, formerly known as Siemens Credit Company, in leasing 62,000 square feet at Somerset Corporate Center, Building II, in Bridgewater, New Jersey. SJP Properties is the Landlord. This new office space is an expansion and relocation from Siemens' current offices in Bridgewater and Iselin, New Jersey.

SCHENKMAN & KUSHNER

South Brunswick, NJ

Mike Markey and **Jon Tesser** represented **Schenkman & Kushner**, landlord, in leasing 25,920 square feet at 21 Commerce Drive, South Brunswick, New Jersey to Integra Life Sciences.

ANOTHER DEAL FOR DHL

Port Chester, NJ

Stan Kurzweil, SIOR, exclusively represented **DHL Airways, Inc.** in leasing a service center requirement of 25,000 square feet in Port Chester, New York. Kurzweil has completed in excess of 15 transactions for DHL totalling 350,000 square feet.

GENERAL FLOOR LEASES SPACE

Edison, NJ

Jeff Furey represented **General Floor** in the lease of 10,000 square feet of industrial space located at 777 Durham Avenue, Edison, New Jersey from New Durham Associates.

RECRUITSOURCE AN E BUSINESS TO BUSINESS EXTRANET

Edison, NJ

RecruitSource, an E business to business extranet of employers and staffing organizations, leased 13,500 square feet of office space at Edison Square, 2035 Lincoln Highway, Edison, NJ. **Jeffrey Furey** and **Stan Kurzweil**, SIOR, represented RecruitSource in this office transaction.

OPTICAL NETWORKING FIRM

Piscataway, NJ

Photuris, a new company involved in the development of optical networking hardware, has leased 11,000 square feet of office and R&D space in 20 Corporate Place South at Corporate Park 287 in Piscataway, New Jersey. **Charles Parmelli** and **Warren Searles** represented the tenant. The Sudler Companies is the landlord.

SYCHIP'S NEW FACILITY

Warren, NJ

Warren Searles and **Charles Parmelli** represented **Sychip, Inc.** in the leasing of 7,168 square feet at 30 Technology Drive in Warren, New Jersey. This group is a spin-off of Lucent New Ventures Group, this facility will house SyChip's administration and R&D operations.

FANNIE MAE

Newark, NJ

Stan Kurzweil, SIOR, represented **Fannie Mae** in leasing 4,170 square feet at Gateway I, Newark, New Jersey. This office will be their Regional Headquarters in New Jersey.

MULTIPLEX

South Plainfield, NJ

Jeff Furey represented **Multiplex, Inc.** in the lease of 17,612 square feet of high-end flex space located at 116 Corporate Boulevard, South Plainfield, New Jersey from Principal Financial.

COLLIERS HOUSTON & CO. PROPERTY MANAGEMENT SERVICES

David E. Violette, CPA

NEW MANAGEMENT ASSIGNMENTS

The Colliers Houston & Co. Property Management division is pleased to announce their appointment as Property Managers for **G.E. Capital** for their warehouse facility located at One Matrix Drive in Cranbury, New Jersey. This is a 259,369 square foot facility and is currently 100% leased to Mitsubishi Electric and Sales Support Services, Inc. Michael Markey of Colliers Houston & Co. also represented Mitsubishi Electric in the lease transaction at this facility.

Colliers Houston & Co. Property Management was also appointed as Property Managers for two facilities located on Division Street in Elizabeth, New Jersey by **Division Street Partners and Fairmount Realty, LLC**. This manufacturing plant and warehouse is primarily a can manufacturing and distribution facility that is currently 100% leased to B-Way (formerly the Milton Can Co.).

Sylvan Corporate Center, a 140,000 square foot Class A office building located in the heart of one of New Jersey's most prominent corporate settings in Englewood Cliffs, has joined an impressive portfolio of Class A properties now managed by Colliers Houston & Co. Property Management. The project is currently 98% leased and has expansion capabilities for an adjoining 140,000 square feet.

Lawrence P. Arbore, RPA

CONSTRUCTION MANAGEMENT UPDATE

In an effort to provide seamless management services to all our building owners, the Property Management Division continually provides construction management services on an "as needed" basis. This has allowed us the ability to better serve all of our respective owners and new/existing tenants by providing an important value added service. By controlling all aspects of the construction through occupancy phases of tenancy, we maximize efficiencies for all of our owners and tenants on every project. Some of our recently completed projects were as follows:

- A 25,000 SF tenant fit-up project for Parson's Infrastructure and Technology for new offices located at Vantage Court, 200 Cottontail Lane, Somerset, New Jersey. Total project cost \$460,000.
- A 5,000 SF expansion tenant fit-up project for Actrade Capital, an existing 12,000 SF tenant also located at Vantage Court, 200 Cottontail Lane, Somerset, New Jersey. Total project cost \$75,000.
- A 2,000 SF tenant fit-up project for RnB Design, the newest tenant at Corporate Park III, located at 580 Howard Avenue, Somerset, New Jersey. Total project cost \$40,000.
- A 4,800 SF expansion tenant fit-up project for Concentrex, an existing 10,000 SF tenant located at 910 Sylvan Avenue, Englewood Cliffs, New Jersey. Total project cost \$40,000.

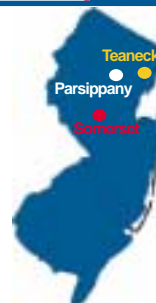
COLLIERS HOUSTON & CO. NEW JERSEY OFFICES

The Atrium

400 Glenpointe Centre W.
Teaneck, NJ 07666
 Tel: (201) 692-8100
 Fax: (201) 692-8113

1140 Parsippany Blvd.
Parsippany, NJ 07054
 Tel: (973) 335-5030
 Fax: (973) 335-9224

200 Cottontail Lane
Somerset, NJ 08873
 Tel: (732) 868-5111
 Fax: (732) 868-8055



Property Management
 200 Cottontail Lane
Somerset, NJ 08873
 Tel: (732) 868-0600
 Fax: (732) 868-0575

**Through Our Colliers
 Partners We Cover
 The World**



- **US \$870 million in revenue**
- **381 million sq. ft. under management**
- **Over 4,900 professionals**
- **40 shareholder firms**
- **52 countries**
- **248 offices worldwide**

**GLOBAL BREADTH
 LOCAL DEPTH**

**Worldwide
 Real Estate Services**

**Multi-city
 Assignments**

www.colliershouston.com