Market Review & Outlook

Review: Rents Continue Growth

Jersey City and Hoboken once again captured demand that outpaced many other New Jersey locations. Class A leasing in the Hudson Waterfront approached 2.0 msf for the second year in a row. Newark, in contrast, struggled to gain traction. Effective rent was 15% to 25% lower for leases completed in higher-caliber suburban office parks, including several 100,000-sf-plus transactions.

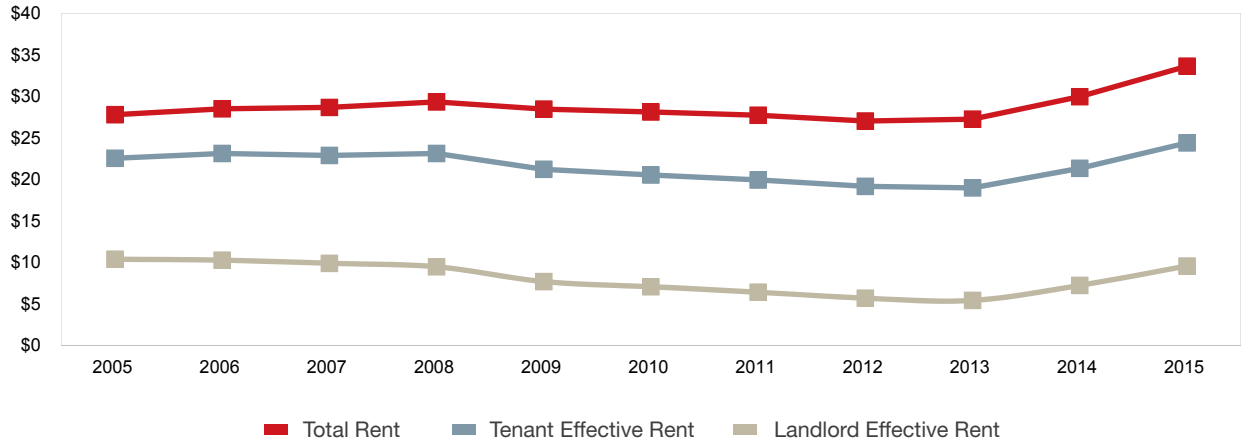
	2015	% Change
Net Rent	$19.23	20.2
Operating Expenses	9.10	4.0
Real Estate Taxes	3.35	3.1
Tenant Electricity	1.95	0.0
Total Rent	33.63	12.3
Amortized Concessions	-9.25	7.2
Tenant Effective Rent	**24.38**	**14.3**
Landlord Effective Rent	**9.56**	**32.3**

Outlook: More Restrained Increase in 2016

Most of the largest lease requirements have been fulfilled. Tenants located in Manhattan do not have as much urgency to rush space-use decisions. Those choosing to move some or all operations to New Jersey stand to capture lofty concessions, though. Elevated availability will curb rental rate growth in most of suburban New Jersey, and keep effective rents in the low $20.00 range in most locations.

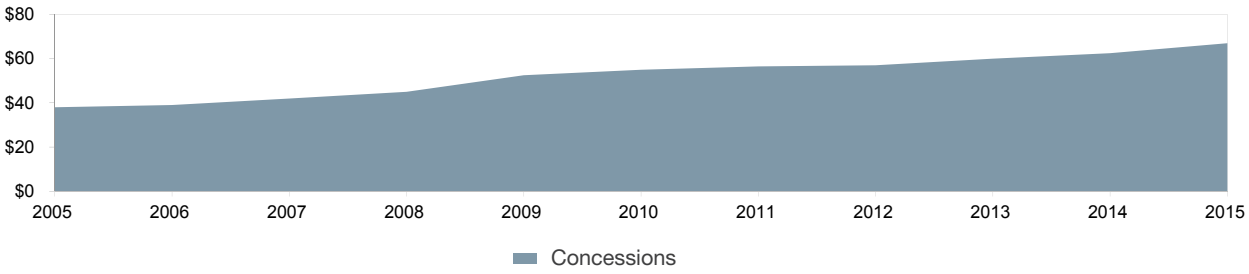
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Rent Trends



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Total Rent	$27.78	$28.49	$28.66	$29.32	$28.45	$28.11	$27.72	$27.02	$27.25	$29.95	$33.63	12.3%	3.7%	1.9%
Tenant Effective Rent	$22.54	$23.11	$22.87	$23.11	$21.21	$20.52	$19.92	$19.15	$18.97	$21.33	$24.38	14.3%	3.5%	0.8%
Landlord Effective Rent	$10.37	$10.26	$9.88	$9.46	$7.68	$7.05	$6.41	$5.68	$5.41	$7.23	$9.56	32.3%	6.3%	-0.8%

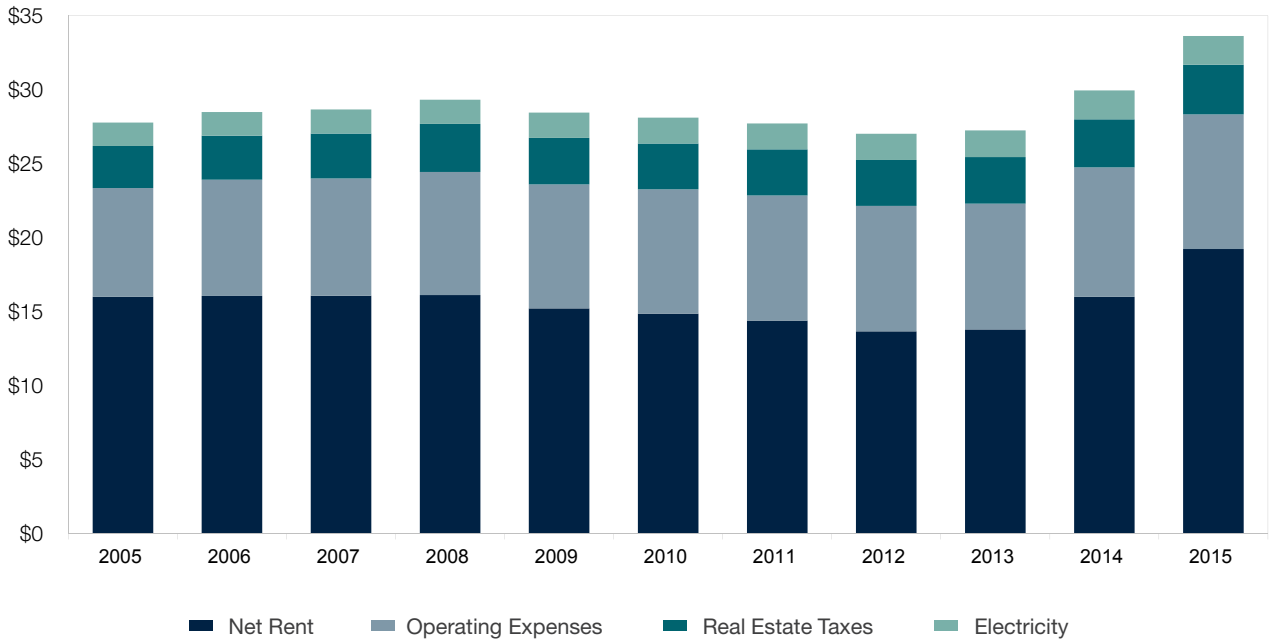
*All numbers in this report are based on larger long-term direct leases signed in higher-caliber Class A properties located in Jersey City, Hoboken and Newark during 2015.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Concessions	$38.00	$39.00	$41.94	$45.00	$52.50	$55.00	$56.50	$57.00	$60.00	$62.50	$67.00	7.2%	4.0%	5.8%
Concession/Rent Ratio^	18.9%	18.9%	20.2%	21.2%	25.5%	27.0%	28.1%	29.1%	30.4%	28.8%	27.5%	-1.3		

^Equals amortized concessions as a percentage of total rent.

Total rent rose for the third straight year and registered its first significant jump in more than a decade as leasing along the Hudson Waterfront dominated activity. Total rent jumped by 12.3% to $33.63. Net rent rose by 20.2%, from $16.00 to $19.23. Operating expenses (+4.0%) and real estate taxes (+3.1%) increased but tenant electric was unchanged. Concessions rose but were essentially flat relative to the increase in net rent. Tenant effective rent jumped by 14.3% to $24.38, a new peak. Landlord effective rent spiked by $32.3% to $9.56, but was still below its most recent peak of $10.85 in 2004.



												Average Annual Change		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015	2010-2015	2005-2015
Net Rent	$16.00	$16.06	$16.08	$16.12	$15.22	$14.87	$14.40	$13.67	$13.80	$16.00	$19.23	20.2%	5.3%	1.9%
Operating Expenses	$7.35	$7.86	$7.92	$8.32	$8.38	$8.40	$8.45	$8.48	$8.50	$8.75	$9.10	4.0%	1.6%	2.2%
Real Estate Taxes	$2.85	$2.97	$3.04	$3.25	$3.14	$3.09	$3.12	$3.10	$3.15	$3.25	$3.35	3.1%	1.6%	1.6%
Electricity	$1.58	$1.60	$1.62	$1.63	$1.71	$1.75	$1.75	$1.77	$1.80	$1.95	$1.95	0.0%	2.2%	2.1%
Total Rent	**$27.78**	**$28.49**	**$28.66**	**$29.32**	**$28.45**	**$28.11**	**$27.72**	**$27.02**	**$27.25**	**$29.95**	**$33.63**	**12.3%**	**3.7%**	**1.9%**

Lease Terms/Concessions

Review: Concessions Stable

Despite a strong year of leasing, most landlords kept concessions at a high level as tenants still have extensive options across the entire market. Space has tightened in Jersey City and select suburban office parks. Some of the flexibility seen in prior years has dropped off slightly but landlords remain eager to secure long-term leases.

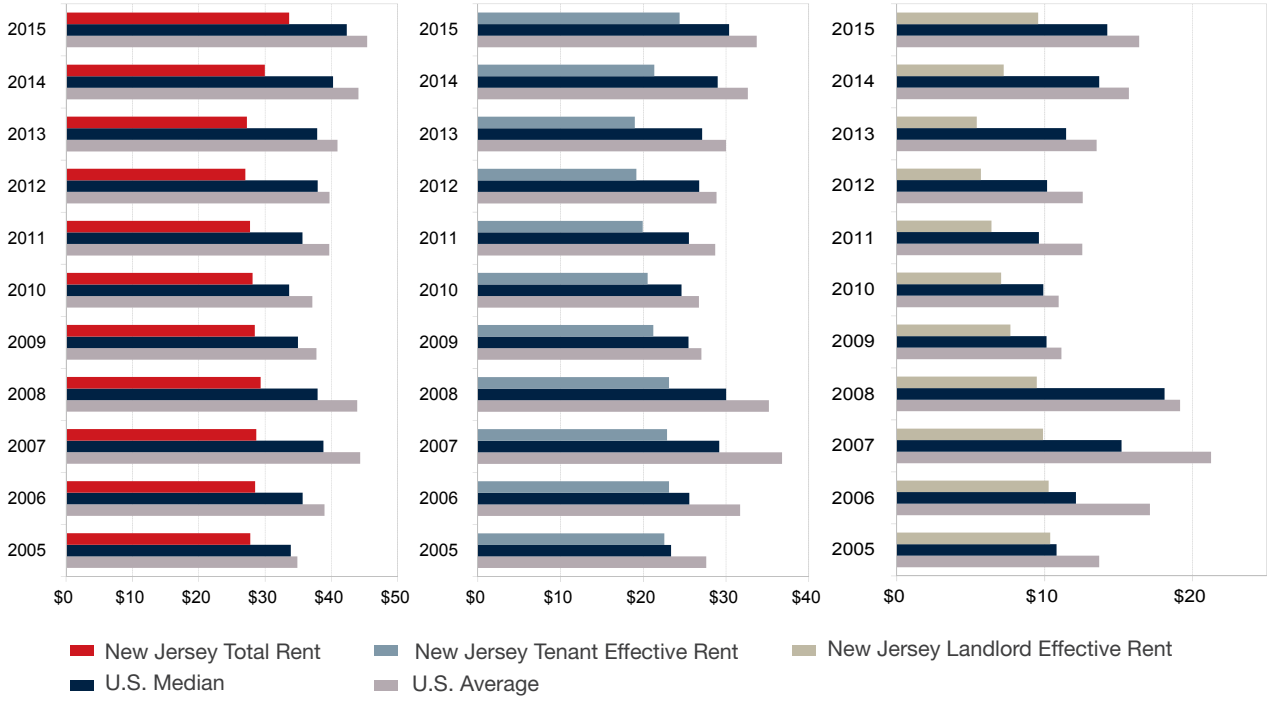
Leases Under 50,000 sf	
Average Term:	5-10 years
Free Rent:	6-9 months
Tenant Improvements:	$35.00-$45.00/sf

Leases Over 50,000 sf	
Average Term:	10-15 years
Free Rent:	6-9 months
Tenant Improvements:	$45.00-$55.00/sf

Outlook: Little Change in Concessions

A few landlords who have achieved the highest occupancy may pull back slightly on concessions. The market still has too much excess supply for most landlords to have a great deal of leverage. Additionally, leasing is likely to slow as the year progresses.

Local & U.S. Historical Rent Trends



Total Rent^

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Jersey	$27.78	$28.49	$28.66	$29.32	$28.45	$28.11	$27.72	$27.02	$27.25	$29.95	$33.63
U.S Median	$33.88	$35.66	$38.79	$37.92	$34.95	$33.63	$35.65	$37.93	$37.85	$40.24	$42.32
U.S Average	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Tenant Effective Rent

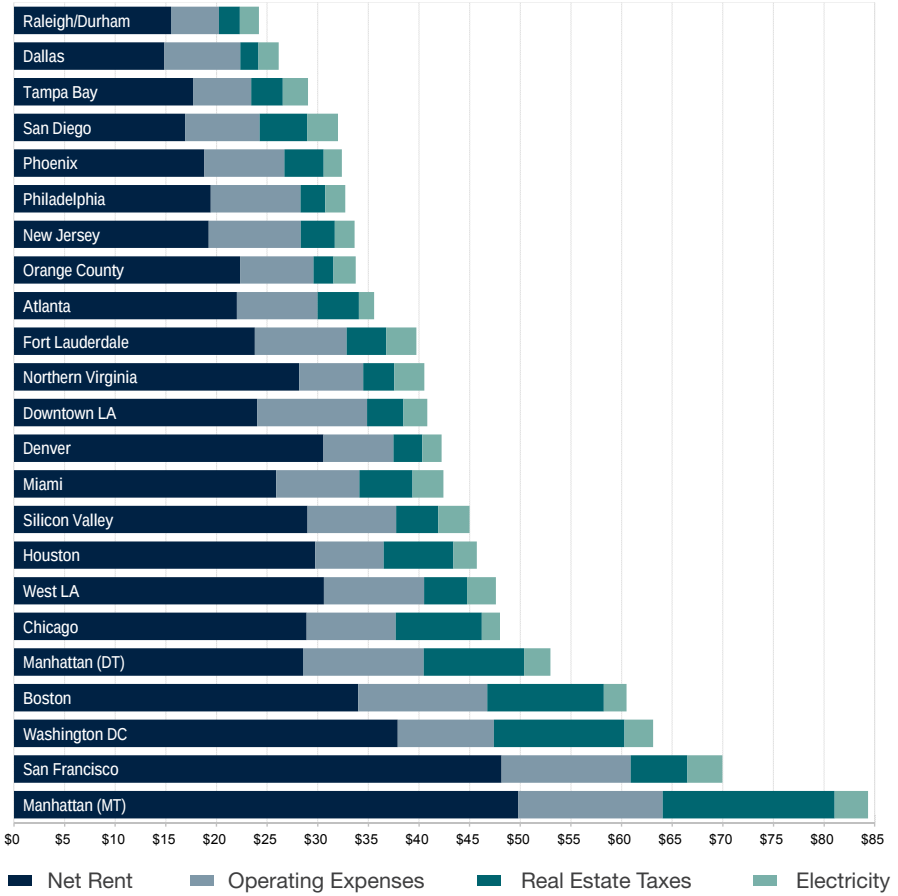
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Jersey	$22.54	$23.11	$22.87	$23.11	$21.21	$20.52	$19.92	$19.15	$18.97	$21.33	$24.38
U.S Median	$23.34	$25.55	$29.18	$30.01	$25.45	$24.61	$25.51	$26.75	$27.11	$28.99	$30.36
U.S Average	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70

Landlord Effective Rent

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Jersey	$10.37	$10.26	$9.88	$9.46	$7.68	$7.05	$6.41	$5.68	$5.41	$7.23	$9.56
U.S Median	$10.80	$12.11	$15.19	$18.10	$10.12	$9.90	$9.60	$10.16	$11.44	$13.69	$14.23
U.S Average	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

^ All rents are unweighted. See National SERI for weighted averages.

Rent Components



Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. All numbers in this report are based on larger long-term direct leases signed in higher-caliber Class A properties located in Jersey City, Hoboken and Newark during 2015.

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Glossary

Concessions: Includes the tenant improvement allowance plus the value of the rental rate abatement. Amortized concessions are amortized over the average market lease term, using beginning-of-period payments.

Landlord Effective Rent: An estimate of rent received from a tenant less related expenses.

Net Rent: The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses: Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes: Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent: An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.

Tenant Electricity: Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent: The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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