

# Sitar–Rutgers

## Regional Report

James W. Hughes and Joseph J. Seneca, editors

### Economic History Revisited: New Uncertainties

By James W. Hughes and Joseph J. Seneca

In the last *Sitar-Rutgers Regional Report*, we proclaimed that the New Jersey economy had a breakout year in 2004 and that our economic stars, after several difficult years, were finally in full alignment. However, it looks like our astrological reading was faulty and that we spoke too soon. Recently released payroll employment revisions have significantly reduced last year's employment growth. While the state's 2004 economic performance was still positive and marked the fourth straight year of improvement, it was nowhere near "breakout" status. For the first time in six years, the state's job growth

fell behind that of the nation. A brief discussion of rebenchmarking is necessary to explain our new "lite" version of the economic outlook.

#### Rebenchmarking Yields Reduced Scale Growth

Every March, the New Jersey Department of Labor releases rebenchmarked monthly payroll employment data for the preceding four years. Payroll employment estimates are made each month during a calendar year based on a *sample* of approximately 7,000 employers (*continued, next page*)

### Industrial Sites Scarce

By Joseph Nitti, President, Industrial Division, and Linda Tanaka, Director of Research

With more than 720,000,000 square feet of industrial space, New Jersey ranks as the third-largest industrial market in the nation. As the focus of the state's economy has changed from manufacturing to service-oriented industries, our industrial sites have shifted to warehouse and distribution centers. Because this segment of the commercial real estate market plays such a major role not only in the local economy and planning but also in the economy of the nation as a whole, it is important to regularly assess the state of the industrial market.

Although New Jersey provides an ideal location, its distribution and warehouse facilities have not been insulated from increasing and near-record-high vacancy rates. Similar to the trend in the commercial office market, the area's industrial

market has shown vacancy rates higher than the historical average, while companies seeking properties for sale are paying ever-increasing prices for fewer available sites.

Warehouse sites in the southern portion of the state are desirable for because they offer state-of-the-art facilities as well as easier access to the southern and midwestern regions of the United States. However, the large run-up in oil prices is increasing the appeal of sites with easy access to ports and air and rail transportation. This is evidenced by the recent availability rates for the four largest industrial clusters within the state. While the higher vacancy reported in the Exit 8A market reflects newly delivered space, Newark clearly has a more competitive market. It is in Newark, however, that the shortage of land is taking its toll. (*continued, p. 12*)

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## 2 History, *continued*

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derived from unemployment insurance records. These estimates are then subsequently revised at the completion of the calendar year based on *universe*, or benchmark, count of employment derived from over 230,000 New Jersey employers. This year, revisions of the monthly sample estimates back to January 2000 based on a new 2004 benchmark were announced in March 2005.

The new rebenchmarked data scaled back 2004's (December 2003 to December 2004) employment growth by 29,600 jobs or 39 percent! So, instead of having gained a robust 75,900 jobs in 2004 (before data revisions), New Jersey added only a modest 46,300 jobs (after data revisions). Previously, the state's 2004 employment increase was 50 percent above long-term trend growth (50,000 jobs per year). However, the revised data indicate that 2004's employment increase was below long-term trend growth. A year ago we had actually projected a 75,000-job increase for 2004, and so we spent most of January and February trumpeting the fact that we had finally nailed the forecast. Thus, we have not been a pair of happy economists since the revised data were released, but, then again, economists are notoriously an unhappy lot.

It should also be pointed out that the United States' rebenchmarked data lowered the nation's total employment increase in 2004 by only 59,000 jobs or 2.6 percent (based on data for December 2003 to December 2004). Thus, New Jersey accounted for half the decrease in the nation's growth (29,600 jobs out of 59,000 jobs), although the state accounts for only 3 percent of the nation's total employment base.

### New Jersey Lag

The state no longer is one of the leaders in employment growth—instead, we lag the nation. New Jersey is the ninth-largest state economy as measured by total employment. That would be New Jersey's expected ranking in absolute job growth if the state matched the nation in employment growth.

However, instead of ranking 5th among the 50 states in total job growth in 2004 (before data revisions), the state ranked 13th (after data revisions). And where before the revisions New Jersey stood as regional dynamo, the state now lags both New York (ranked 6th in total job growth) and Pennsylvania (ranked 11th) in total absolute employment growth. In 2004, for the first time in five years, the nation's job growth rate (1.7 percent) eclipsed that of New Jersey (1.2 percent). Moreover, this comparison may actually understate our lag.

The state's leading employment growth sector in 2004 was government. Government accounted for 32.4 percent—nearly one third—of all the jobs gained in 2004. That compares with only 6.7 percent for the nation as a whole. In contrast, private-sector employment lagged badly in New Jersey (Table 1). We ranked 21st among the states in absolute private-sector employment growth, adding 31,300 private-sector jobs in 2004. In contrast, New York ranked 5th, adding 82,000 private sector jobs (nearly triple that of New Jersey), while Pennsylvania ranked 10th, adding 49,000 private-sector jobs (nearly double that of New Jersey).

Thus, after years of trailing New Jersey, New York and Pennsylvania have now moved ahead of us in the national employment-growth rankings. Based on the initial employment data, we proclaimed New Jersey as the regional economic locomotive. Based on the new revised data, we are the regional economic caboose. If the analysis shifts to rates of growth instead of absolute growth, the state's lagging position is even more apparent. New Jersey ranked 31st among the 50 states in the rate of growth of total employment in 2004, and 41st among the 50 states in the rate of growth of private-sector employment (Table 2). Moreover, we still have not gotten back to the private-sector employment peak of December 2000. There are still fewer private-sector jobs today in New Jersey than we had more than four years ago, due largely to the loss of 89,600

**TABLE 1**  
**Total Nonfarm Private Sector Employment**  
**Absolute Change, December 2003 to December 2004**  
*(Seasonally Adjusted, Numbers in Thousands)*

	<b>December 2003</b>	<b>December 2004</b>	<b>Absolute Change</b>		<b>December 2003</b>	<b>December 2004</b>	<b>Absolute Change</b>
<b>1 California</b>	11,996.7	12,264.7	268.0	<b>26 Illinois</b>	4,950.8	4,974.5	523.7
<b>2 Florida</b>	6,265.1	6,531.8	266.7	<b>27 Iowa</b>	1,200.1	1,218.4	18.3
<b>3 Texas</b>	7,753.7	7,865.9	112.2	<b>28 Kansas</b>	1,062.3	1,080.2	17.9
<b>4 Virginia</b>	2,883.4	2,967.6	84.2	<b>29 Hawaii</b>	453.4	471.1	17.7
<b>5 New York</b>	6,921.5	7,003.0	81.5	<b>30 Oklahoma</b>	1,161.8	1,177.5	15.7
<b>6 Arizona</b>	1,932.0	2,009.2	77.2	<b>31 New Mexico</b>	585.3	598.9	13.6
<b>7 Nevada</b>	977.6	1,046.2	68.6	<b>32 Montana</b>	318.0	331.5	13.5
<b>8 North Carolina</b>	3,149.1	3,206.2	57.1	<b>33 Kentucky</b>	1,481.1	1,494.5	13.4
<b>9 Washington</b>	2,148.0	2,197.7	49.7	<b>34 Idaho</b>	463.0	476.2	13.2
<b>10 Pennsylvania</b>	4,870.5	4,919.8	49.3	<b>35 New Hampshire</b>	530.9	541.9	11.0
<b>11 Maryland</b>	2,035.6	2,079.3	43.7	<b>36 Arkansas</b>	951.7	962.5	10.8
<b>12 Colorado</b>	1,798.3	1,841.4	43.1	<b>37 Nebraska</b>	756.6	766.2	9.6
<b>13 Georgia</b>	3,220.6	3,263.1	42.5	<b>38 Delaware</b>	361.2	370.4	9.2
<b>14 Oregon</b>	1,303.2	1,344.8	41.6	<b>39 West Virginia</b>	587.4	594.2	6.8
<b>15 Indiana</b>	2,477.5	2,518.4	40.9	<b>40 Mississippi</b>	878.9	884.7	5.8
<b>16 Minnesota</b>	2,247.4	2,285.9	38.5	<b>41 South Dakota</b>	305.0	309.8	4.8
<b>17 Tennessee</b>	2,267.4	2,303.8	36.4	<b>42 Maine</b>	506.1	510.8	4.7
<b>18 Alabama</b>	1,519.3	1,554.5	35.2	<b>43 Rhode Island</b>	420.5	424.9	4.4
<b>19 Ohio</b>	4,585.0	4,617.2	32.2	<b>44 Wyoming</b>	188.9	193.2	4.3
<b>20 Missouri</b>	2,246.4	2,278.4	32.0	<b>45 Vermont</b>	249.6	253.7	4.1
<b>21 New Jersey</b>	3,360.1	3,391.4	31.3	<b>46 North Dakota</b>	259.2	263.1	3.9
<b>22 Wisconsin</b>	2,369.1	2,399.8	30.7	<b>47 Alaska</b>	219.7	223.2	3.5
<b>23 Utah</b>	886.8	916.7	29.9	<b>48 South Carolina</b>	1,485.7	1,488.9	3.2
<b>24 Massachusetts</b>	2,758.0	2,782.9	24.9	<b>49 Louisiana</b>	1,535.5	1,535.5	0.0
<b>25 Connecticut</b>	1,397.9	1,422.6	24.7	<b>50 Michigan</b>	3,717.5	3,698.8	(18.7)

*Based on the initial employment data, we proclaimed New Jersey as the regional economic locomotive. Based on the new revised data, we are the regional economic caboose.*

Source: U.S. Bureau of Labor Statistics

Note: Totals calculated as total nonfarm employment less government employment for each state.

## 4 History, *continued*

*There are still fewer private-sector jobs today in New Jersey than we had more than four years ago, due largely to the loss of 89,600 manufacturing jobs between July 2002 and March 2005.*

**TABLE 2**  
**Total Nonfarm Private Sector Employment**  
**Percentage Change, December 2003 to December 2004**  
*(Seasonally Adjusted, Numbers in Thousands)*

	<b>December 2003</b>	<b>December 2004</b>	<b>Percentage Change</b>		<b>December 2003</b>	<b>December 2004</b>	<b>Percentage Change</b>
<b>1 Nevada</b>	977.6	1,046.2	7.0%	<b>26 Alaska</b>	219.7	223.2	1.6%
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<b>9 Idaho</b>	463.0	476.2	2.9	<b>34 Wisconsin</b>	2,369.1	2,399.8	1.3
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<b>25 Tennessee</b>	2,267.4	2,303.8	1.6	<b>50 Michigan</b>	3,717.5	3,698.8	(0.5)

Source: U.S. Bureau of Labor Statistics

Note: Totals calculated as total nonfarm employment less government employment for each state.

**TABLE 3: New Jersey Nonfarm Payroll Employment  
December 2004 to March 2005**  
(Seasonally Adjusted, Numbers in Thousands)

	December 2004	March 2005	Change: 2004 to 2005	
			Number	Percent
NONFARM EMPLOYMENT	4,032.2	4,036.8	4.6	0.1%
TOTAL PRIVATE SECTOR	3,391.4	3,396.1	4.7	0.1
GOODS PRODUCING	508.9	500.1	(8.8)	-1.7
Natural Resources and Mining	1.6	1.4	(0.2)	-12.5
Construction	170.3	166.3	(4.0)	-2.3
Manufacturing	337.0	332.4	(4.6)	-1.4
PRIVATE SERVICE-PROVIDING	2,882.5	2,896.0	13.5	0.5
Trade, Transportation, and Utilities	878.1	885.9	7.8	0.9
Information	97.2	96.8	(0.4)	-0.4
Financial Activities	280.8	281.0	0.2	0.1
Professional and Business Services	585.0	583.3	(1.7)	-0.3
Education and Health Services	553.2	558.2	5.0	0.9
Leisure and Hospitality	332.6	332.7	0.1	0.0
Other Services	155.9	158.1	2.2	1.4
GOVERNMENT	640.8	640.7	(0.1)	0.0

*Source:* New Jersey Department of Labor  
*Note:* North American Industrial Classification (NAICS) employment sectors.

*It has been a mini roller coaster employment ride so far this year.*

manufacturing jobs between July 2002 and March 2005.

Nevertheless, despite 2004's modest employment gains, the year did mark the third straight year of economic improvement. In 2001, the state lost 34,000 jobs. In 2002, a small improvement was registered as employment losses were reduced to 18,000 jobs. In 2003, the balance sheet finally turned positive as the state gained 13,000 jobs. Finally, in 2004, we had continued improvement (+46,000 jobs). This upward trend seemed to bode well for further improvement in 2005.

### A Less Sanguine Outlook

Unfortunately, the state's economy appeared to weaken during the first quarter of 2005, putting this trend toward growth in jeopardy (Table 3). It has been a mini roller coaster employment ride so far this year. The state initially faltered at the gate, experiencing a loss of 1,700 jobs in January. It bounced back with a robust gain of 6,700 jobs in February, only to lose 400 jobs in March. In total, the first quarter registered a gain of 4,600 jobs, which translates into an equivalent annual growth of 18,400 jobs. While better than a job loss, this would be considerably below the (*continued, p. 11*)

# Despite Sluggish Economy, Signs of Market Strength Emerge

By Linda Tanaka

**W**hile the economic picture is not quite as rosy as had been anticipated, the trend toward modest economic improvement in the region has been sufficient to move the commercial office market in the right direction.

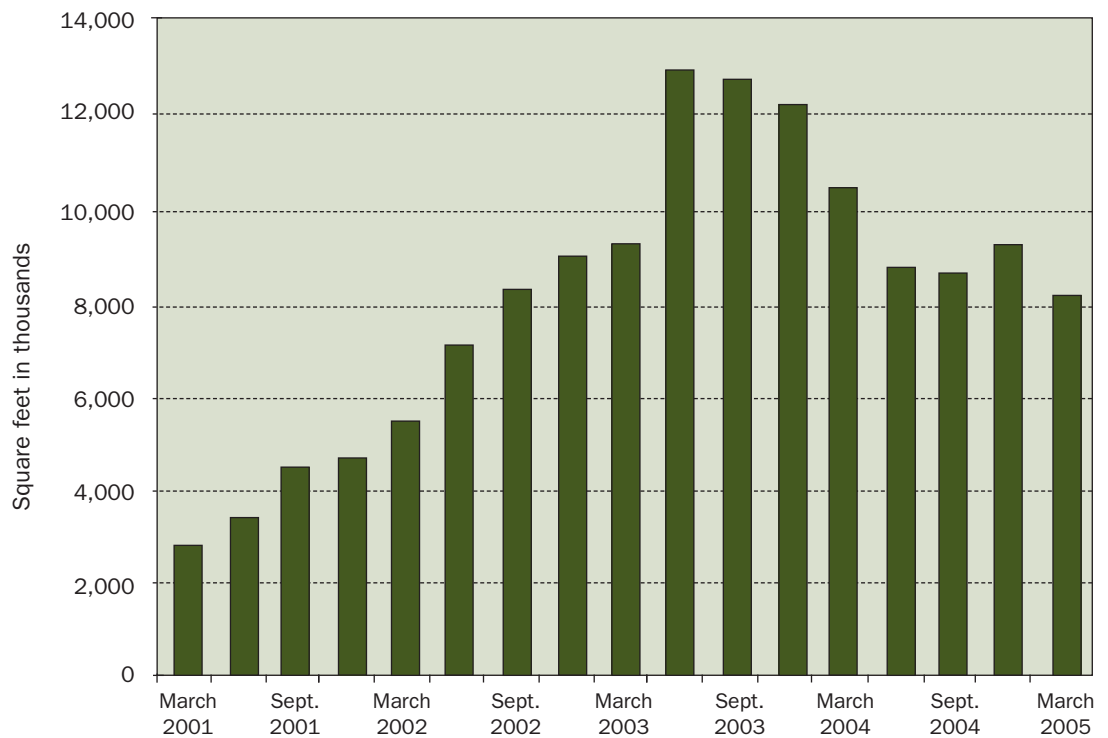
Overall vacancies are holding, remaining just below historically high rates. Unfortunately, the projections for near-term employment growth projections are not strongly positive. Therefore, it seems quite likely that office vacancies will, for the

foreseeable future, remain at a level slightly favorable to tenants. A bright spot is that available sublease space is declining. Last year, sublease space doubled availability in some markets. Much of that space has been absorbed, and today, sublease space composes a smaller share of total available space. This indicates a stronger commercial office market than the state has seen for some time.

The change is evident in the 180-degree swing in net absorption over the past three months. Over the

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New Jersey Office Market:  
Total Available Sublease Space



three-month period, net absorption has moved from negative 1,019,536 square feet to positive 1,511,178 square feet. Available sublease space topped out at nearly 11 million square feet last quarter. However, over the past three months, much of that space has been absorbed. Current levels of 8.3 million square feet put this class of available space back to 2002 levels.

A close-up look at the Class “A” space tells a similar story. The gap between direct availability and

total availability appears to be closing, while overall, the rates are close to but less than historic highs. At the close of the first quarter, the direct vacancy rate is 19.6 percent and the total vacancy rate is 25.6 percent, signifying about 7 million square feet in sublease space. Compare that figure with the sublease figure of a year ago, when leased but vacant Class “A” space amounted to almost 9 million square feet.

Economic growth, construction restraint, and availability of the right type of product at the right

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### Northern and Central New Jersey Class “A” Office Market First Quarter 2005

County	Buildings	Total Inventory	Direct		Total (Direct + Sublet)		Average Asking Rent	1st Qtr. Net Absorption
			Available Space	Vacancy Rate	Available Space	Vacancy Rate		
Bergen	78	12,820,636	1,990,126	15.5%	3,041,728	23.7%	\$28.93	(131,640)
Essex	60	14,744,202	2,266,133	15.4%	2,688,299	18.2%	\$27.40	31,904
Hudson	50	19,556,553	1,755,355	9.0%	3,494,198	17.9%	\$29.20	410,917
Hunterdon	6	696,791	248,799	35.7%	296,526	42.6%	\$25.62	(44,012)
Mercer	72	7,592,793	1,101,645	14.5%	1,232,874	16.2%	\$30.03	88,573
Middlesex	109	15,516,144	4,015,546	25.9%	4,904,928	31.6%	\$25.91	(36,244)
Monmouth	50	5,744,984	726,066	12.6%	778,866	13.6%	\$27.33	(10,981)
Morris	129	19,097,323	5,264,640	27.6%	6,104,231	32.0%	\$27.29	106,335
Passaic	16	2,041,375	491,071	24.1%	511,939	25.1%	\$24.09	1,666
Somerset	102	15,373,440	4,571,312	29.7%	5,790,525	37.7%	\$26.92	836,975
Union	29	3,795,684	499,954	13.2%	1,044,516	27.5%	\$28.91	60,911
<b>TOTAL</b>	<b>701</b>	<b>116,979,925</b>	<b>22,930,647</b>	<b>19.6%</b>	<b>29,888,630</b>	<b>25.6%</b>	<b>\$27.23</b>	<b>1,314,404</b>
Central NJ	362	48,023,045	10,914,5231	22.7%	13,751,709	28.6%	\$26.98	939,234
Northern NJ	339	68,956,880	12,016,124	17.4%	16,136,921	23.4%	\$27.70	375,170

\*Includes all office buildings, 10,000 square feet and greater. Does not include owner-occupied facilities.

## 8 Signs, *continued*

*Economic growth, construction restraint, and availability of the right type of product at the right time have combined to make Monmouth County, once again, one of the best commercial markets in the state.*

time have combined to make Monmouth County, once again, one of the best commercial markets in the state. Here, the vacancy rate for directly available space is down to 11.1 percent and the total vacancy rate is down to 12.3 percent. Asking rents remain attractively priced, averaging \$22.38 per square foot. While net absorption over the past quarter was not terribly significant (33,475 square feet), the vacancy rates here are closest to normal market conditions. Availability of Class “A” space in Monmouth County is similarly below that of the region as a whole. Direct availability is 12.6 percent and total availability is 13.6 percent. The average asking rent is \$27.33 per square foot. Recent significant transactions in Monmouth County include Vonage’s signing for 260,000 square feet in Holmdel.

Passaic County is also showing moderate improvements. Vacancies are down from the previous quarter; the direct vacancy rate decreased from 17.0 percent to 14.6 percent, and the total vacancy rate decreased from 17.7 percent to 15.0 percent. Asking rents are up to \$24.17 per square foot. Also of note is the turnaround in net absorption. Over the past three months, net absorption moved from negative 67,280 square feet to positive 233,085 square feet. Unfortunately, Passaic County’s Class “A” space is more abundant. The county’s direct vacancy rate is 24.1 percent, and the total vacancy rate is slightly higher at 25.1 percent. Recent significant transactions in Passaic County include Valley National Bank’s move into a 60,000 square-foot facility on Route 23 in Wayne.

In Mercer County, vacancy rates of 13.6 percent for direct space and 14.8 percent for total space are below the average rates for the region. However, the past quarter shows a substantial increase in direct availabilities. Over this time frame, the direct vacancy rate has increased 20 percent, resulting in 2.3 million square feet of untaken space. With total available space at 2.5 million square feet, sublease space is an insignificant factor in this market. Asking

rents, which average \$25.51 per square foot, are slightly higher than the average asking rent in the region as a whole.

Even with net positive absorption of nearly 89,000 square feet, Mercer County’s Class “A” availability increased significantly over the preceding three months. Directly available office space increased from 718,281 square feet to 1,101,645 square feet. At the same time, the average asking rent increased to \$30.03 per square foot.

Hudson County showed some improvement in available space over the past quarter. The county has worked its way down to vacancy rates of 10.2 percent for directly available space and 17.3 percent for total space. Net absorption for the market was positive 406,168 for the first quarter. However, this is one of the last remaining markets with significant amounts of sublease space available. Furthermore, it is one of the few markets that did not see a decline in available sublease space over the past year or two.

The amount of unfilled Class “A” space in Hudson County declined during the first three months of this year. In fact, directly available Class “A” space is relatively nonexistent—the vacancy rate is 9.0 percent. However, indirectly available office space defines this market at a rate (17.9 percent) that is nearly double the direct rate.

The prime waterfront market continues to attract A-list companies. Societe Generale Group signed a lease for 91,000 square feet at Newport Office Center, and Ameritrade Services Company moved into a 36,000-square-foot facility in Plaza 5, Harborside Financial Center.

Essex County, with vacancy rates on the lower end for the region, shows little change from the previous quarter. The direct vacancy rate, at 13.9 percent is unchanged from December 2004, while the total vacancy rate is down two-tenths of a percent to 15.6 percent. A net total of nearly 31,000 square feet of space has been absorbed during this time frame. Although that is not a substantial amount, it is a

positive change nevertheless. Still, the average asking rent has risen slightly to \$24.97 per square foot. Similar conditions are noted for the county's Class "A" space. Availability rates are unchanged from three months ago, and the average asking rent is up slightly to \$27.40 per square foot.

Somerset County continues to lead the area in available office space; the vacancy rates are 26.7 percent for directly available space and 32.9 percent for total office space. Class "A" space is even more plentiful in the county, with rates of 29.7 percent and

37.7 percent for directly available space and total office space, respectively. However, the situation seems to be improving. Verizon has announced that it will purchase the AT&T building. Phillips Van Heusen Corporation will lease 163,000 square feet in Bridgewater, and Citigroup has moved into the Warren Corporate Center. With these and other transactions, a net total of nearly 900,000 square feet was taken off the market over the past three months, helping to push down availability rates. Sublease availability, a large factor in this market, is down

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### Northern and Central New Jersey Total Office Market First Quarter 2005

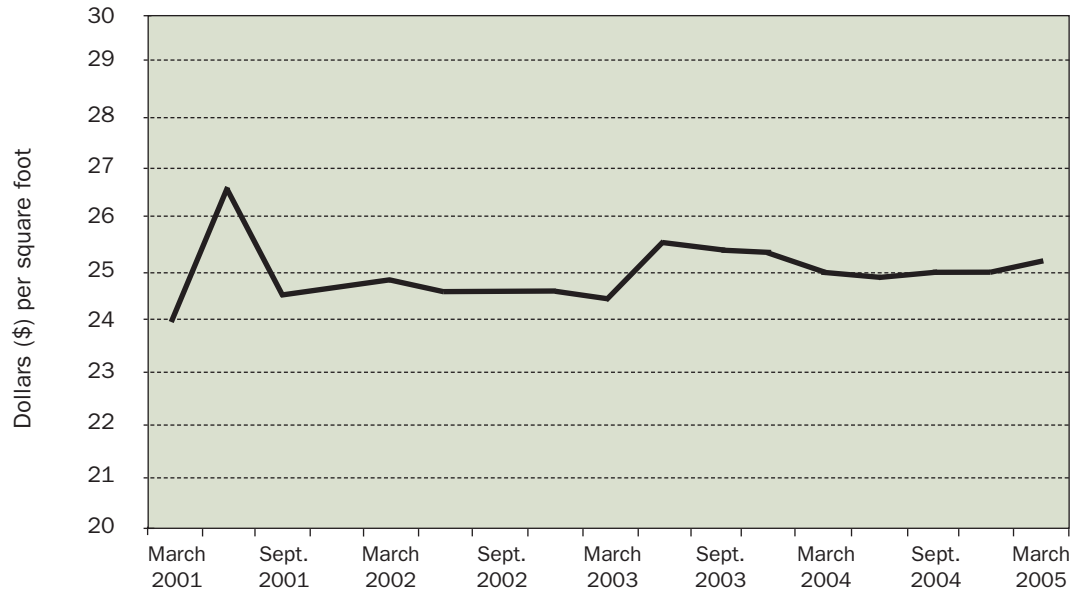
County	Buildings	Total Inventory	Direct		Total (Direct + Sublet)		Average Asking Rent	1st Qtr. Net Absorption
			Available Space	Vacancy Rate	Available Space	Vacancy Rate		
Bergen	576	30,090,166	4,456,129	14.8%	5,884,276	19.6%	\$25.96	(203,540)
Essex	391	28,330,550	3,933,596	13.9%	4,410,742	15.6%	\$24.97	30,952
Hudson	164	24,890,386	2,534,522	10.2%	4,308,973	17.3%	\$24.75	406,168
Hunterdon	44	1,569,592	322,451	20.5%	383,191	24.4%	\$24.20	(56,294)
Mercer	350	17,005,370	2,319,907	13.6%	2,522,582	14.8%	\$25.51	84,720
Middlesex	450	26,129,776	5,332,874	20.4%	6,733,391	25.8%	\$24.17	(81,191)
Monmouth	399	14,535,165	1,607,193	11.1%	1,788,801	12.3%	\$22.38	33,475
Morris	435	29,203,995	6,549,366	22.4%	7,469,847	25.6%	\$26.32	110,064
Passaic	165	7,054,302	1,032,666	14.6%	1,060,932	15.0%	\$24.17	233,085
Somerset	275	20,514,251	5,486,975	26.7%	6,753,460	32.9%	\$25.87	869,633
Union	299	11,229,680	1,450,095	12.9%	2,000,219	17.8%	\$22.22	84,106
<b>TOTAL</b>	<b>3,548</b>	<b>210,553,233</b>	<b>35,025,774</b>	<b>16.6%</b>	<b>43,316,414</b>	<b>20.6%</b>	<b>\$25.17</b>	<b>1,511,178</b>
Central NJ	1,773	89,414,242	16,197,044	18.1%	19,798,453	22.1%	\$24.59	990,743
Northern NJ	1,775	121,138,991	18,828,730	15.5%	23,517,961	19.4%	\$25.59	520,435

\*Includes all office buildings, 10,000 square feet and greater. Does not include owner-occupied facilities.

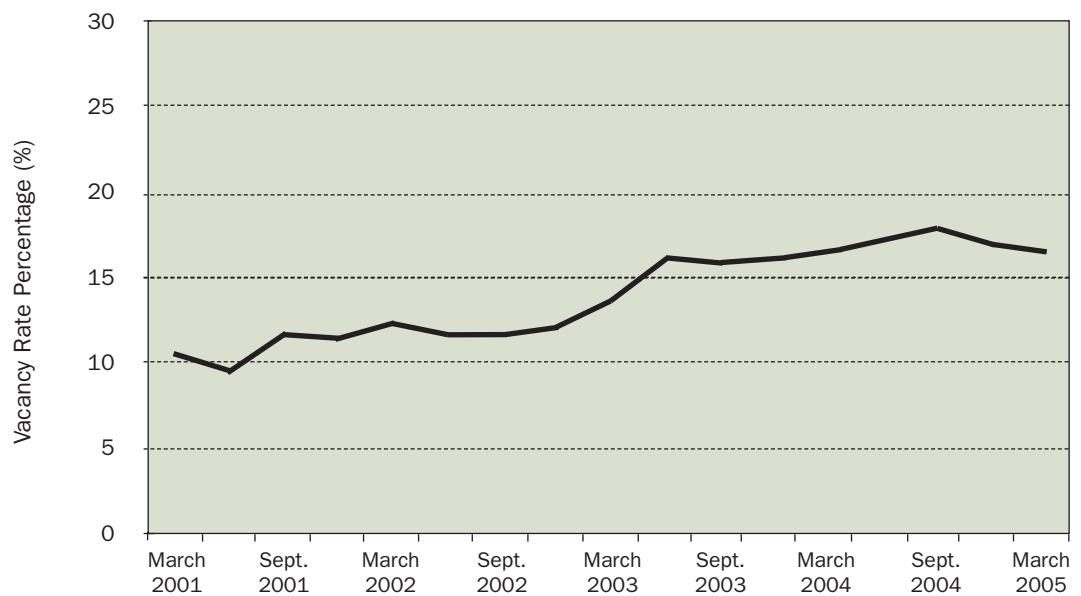
## 10 Signs, *continued*

*New Jersey's commercial market has seen several encouraging developments, including . . . the absence of a significant increase in vacancy rates, steady or slightly increased asking rents, and a decrease in the amount of time vacant space remains on the market.*

### New Jersey Office Market: Average Asking Rents



### New Jersey Office Market: Direct Vacancy Rates



significantly from nearly 2 million square feet a year ago to 1.3 million square feet today. The average asking rent remains strong at \$25.87 per square foot, a few cents higher than a year ago.

Availabilities in Middlesex County remain near the highs reported last quarter. The vacancy rate for direct available space is 20.4 percent and the total vacancy rate is 25.8 percent. Rents are averaging \$24.17 per square foot. Over the past three months, more space was put on the market than taken off, resulting in net absorption of negative 81,191. Middlesex County's Class "A" office vacancies remain high as well. The direct availability rate is 25.9 percent and the total availability rate is 31.6 percent. Here, Health Net Inc. moved into a 42,000-square-foot facility in Old Bridge, and PNC will add 128,000 square feet to its offices in East Brunswick.

New Jersey's commercial market has seen several encouraging developments, including the absorption of large amounts of previously available sublease space, limited speculative development, the absence

of a significant increase in vacancy rates, steady or slightly increased asking rents, and a decrease in the amount of time vacant space remains on the market. These factors signify a healthy or soon-to-be healthy office market. However, a completely healthy office market requires a growing economy, or at least confidence that one exists. The state's economic outlook, though improving, has not been as robust as anticipated. To compound this, the commercial market has traditionally lagged economic conditions by about six months—although this time around the improvement of the market seems to have preceded economic improvements—and the amount of office space allotted per employee has been declining. Thus, a quicker, bigger economic rebound would be required to substantially affect the office market in the near term. Such a recovery does not appear to be on the horizon. Commercial real estate market conditions signal that the market is ripe for a turnaround, while economic indicators advise that the state will have to wait a little longer for the economic turnaround to occur. ■

*Thus, a quicker, bigger economic rebound would be required to substantially affect the office market in the near term.*

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## History, *continued*

anemic pace of 2004, when employment growth totaled 46,300 jobs, or 63 percent below the state's long-term trend growth of 50,000 jobs per year. The first quarter's economic picture, then, is not very pretty, although one bright spot is that all of the growth was in the private sector.

The slower pace of employment increase is particularly worrisome for New Jersey's office markets. The two most important employment sectors linked to office space are financial activities and professional and business services. In the first

quarter of 2005, financial activities gained 200 jobs while professional and business services lost 1,700 jobs. The vigorous employment growth needed to significantly lower the state's office vacancy rates has certainly not yet arrived.

Our new outlook is that New Jersey will be fortunate in 2005 to match long-term trend growth of 50,000 jobs per year. The baseline expectation for 2005 is for modest, below-trend growth. A scenario of vigorous employment growth sharply boosting office demand remains elusive. ■

## 12 Industrial, *continued*

### New Jersey Industrial Centers: Vacancy Rates and Asking Rents

Industrial Center	Total Vacancy Rate	Average Asking Rent
Meadowlands	11.4%	\$7.15
Newark	7.7%	\$5.32
Exit 10	11.2%	\$6.32
Exit 8A	16.2%	\$5.49

As a result of the conditions described above, the industrial market is experiencing the following:

- Increased urban brownfield reclamation and progressive redevelopment of existing industrial facilities in the mature markets of Newark and the Meadowlands
- A rush to lock up any remaining land or usable sites near the airport or seaports
- Increased investment in port facilities to reduce congestion and promote efficiencies
- Creative redevelopment and adaptive reuse of older facilities in prime locations
- Shifts in port volume as shippers try to avoid congested ports and those with real or perceived labor union problems

Forthcoming issues will address these and other aspects of the industrial market in greater detail. ■

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