

The Record

October 10, 2006

Office vacancy rate shrinks



DANIELLE P. RICHARDS/STAFF PHOTOGRAPHER

H.D. Smith, the nation's fourth-largest drug wholesaler, recently moved its North Jersey distribution operations to this building in Kearny.

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Waterfront properties lead the way

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As giant corporate tenants like Citibank snap up office space, vacancy rates have dropped in North Jersey, Cushman & Wakefield reported Monday.

The North Jersey office vacancy rate in the third quarter of 2006 was 17 percent, down from almost 19 percent in the same period a year ago. All told, the North Jersey office market absorbed al-

most 1 million net square feet during the quarter.

The Jersey City waterfront, the liveliest office market in the state, led the way. In the biggest lease transaction of the quarter – in fact, the biggest of the year so far – Citibank sublet more than 300,000 square feet from UBS at the Newport VII building.

Also on the waterfront, Deutsche Bank took an additional 200,000 square feet at its location at Harborside Financial Center I, a Mack-Cali building.

In Clifton, Hoffmann-La Roche leased more than 70,000 square feet at 1255 Broad Street.

Gualberto Medina, executive managing director for Cushman & Wakefield's New Jersey operations, said the demand for North Jersey space is partly a spillover from Manhattan, where

creating a glut on the market.

Conditions have improved slowly as job growth has been mediocre. Office rents in the third quarter were \$26.62 in North Jersey, compared with \$26.23 a year earlier.

New Jersey's warehouse and industrial markets were strong during the third quarter, Medina said. H.D. Smith of Springfield, Ill., the nation's fourth-largest drug wholesaler, recently moved its North Jersey distribution operations from Carlstadt to a new 211,000-square-foot building in Kearny.

A total of nearly 2 million square feet of warehouse space was completed in the state during the third quarter, Medina said. Most of that new space is along the New Jersey Turnpike in Middlesex and Mercer counties.

The North Jersey office market

	3Q '05	3Q '06
Total vacancy	18.7%	17.0%
Rent per square foot	\$26.23	\$26.62

Source: Cushman & Wakefield

space has tightened.

As recently as 2002, New Jersey had vacancy rates topping 20 percent. After Lucent and AT&T laid off thousands of workers early in the decade, they offered large amounts of space for sublet,

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