

## ABSORPTION PERCENTAGE BY INDUSTRY

Industry	2001	2002	2003	2004	2005	2006	2007	2008	12/09
Bio/Pharmaceutical/Energy	28.00%	7.24%	14.9%	24.7%	30.76%	34.03%	32.0%	21.00%	24.95%
Internet/Software/Electronic/Fiber	45.00%	14.57%	3.7%	10.6%	23.02%	(-1.3%)	20.88%	12.00%	20.00%
Business Services/Legal/Finance	46.81%	70.58%	71.36%	49.4%	42.92%	41.00%	32.0%	32.00%	36.00%
Government/Education/Non-Profit	0.00%	1.415%	1.04%	7.5%	8.06%	9.10%	8.27%	25.00%	7.00%
Medical	0.02%	3.16%	8.0%	7.3%	2.55%	12.5%	10.34%	4.00%	9.00%

The Greater Princeton Area experienced the highest growth in the Business Services Category, as financials went down then rebounded in the second half of the year, (36.61%). The Bio/Pharma sector reported a respectful 25% of the growth (24.95%). Internet software and electronics also showed a greater market share of 20% (20.33%) and medical moved up to 9%, from 4% in 2008. Government, Education and Non-Profits reduced to 7%, from 25% in 2008. The average transaction size reduced to 7,788 square feet, 17% down from 2008. We anticipate, based on a slower rate of development and slowly increasing demand, that the absorption rate will be neutral to positive for full year 2010.

**Business Services, Legal, Finance:** This sector accounted for 36%, which is up from 32% during 2008. The financial markets are experiencing a major contraction due to the deepening subprime dilemma, bad car loans, and increasing default on credit cards. This has reversed followed by a stabilization in the second half of the year, as major financial institutions hire in certain areas which will be needed in any recovery. The service industry, particularly architects, providers of consumables and law firms, have repositioned themselves via severe layoffs. Blackrock's recently purchased Barclays Global Investors became the largest asset manager in the world. Blackrock has 550,000 square feet in Princeton and has been rumored to be leasing the remaining space at University Square (220,000 square feet), which is a major contraction of their current space. A significant transaction was the recent signing of Axis Insurance, at University Square, leading the way for a successful lease up in 2010.

**Bio, Pharmaceutical, Energy:** Pharmaceutical companies continue to change their strategies by looking for faster ways to deliver new blockbuster drugs to the market. This sector was up in growth to 25% compared to 21% in 2008. BMS, a long time Princeton company, has shed three facilities including Montgomery (68,000 SF), Hamilton (27,000 SF), and Nassau Park (80,000 SF). Sandoz has added 20,000 square feet to create a total of 80,000 square feet at Carnegie Center. Pfizer's purchase of Wyeth has added their 350,000 square foot research facility to the market in South Brunswick. Large pharma will continue to invest large sums of money into research companies, which so far have created mixed results, but could benefit the Princeton technology market. Two notable transactions in this field are the expansion of J&J, at 23 Orchard Road, by 50,000 square feet and the Otsuka transaction (67,000) at One University Square, which is a Japanese pharmaceutical company working with Bristol Myers Squibb.

**Medical:** Growth in the medical industry came back from a slow year jumping to 11%, from only 4% in 2008. This followed the recent start of the two hospital locations, Capital Health and University Medical Center of Princeton.

**Internet, Software, Electronic & Fiber:** This category finished the year of 2009 up to 20% net absorption from only 12% in 2008. Major transactions in this category are Comcast, who leased an additional 30,000 square feet at 1100 Cornwall Road, Nixsun, who subleased 30,000 square feet from BMS, and left their assembly computer operation at 1100 Cornwall and Stealth Microwave, which expanded to 20,000 square feet from 6,000 square feet at 1014 Whitehead Road in Ewing Township.

**Education, Government, Non-Profit:** The education, government expansion stopped and lowered from 25% to 7.02% in growth. Princeton University, who expanded over the last two years, has recently started looking at early retirement packages for employees; this is due to the decrease in endowments. The Federal government will increase in size, which may trickle down to New Jersey and is active with several GSA transactions exploring the market. State office leases are being consolidated into Trenton, back filling 300,000 square feet of empty desks. These units are coming from Bordentown (39,000 sq ft), and Hamilton (40,000 sq ft and 50,000 sq ft), reversing a trend that began in the late 70's of decentralizing and relocating employees in the surrounding suburbs. Non-profit expansion has come to a slow end as donations have fallen due to lost net worth in the financial markets.

## ABSORPTION LEVELS 1997-2009

	Gross Absorp.	Net Absorp.	# of Trans.
1st Half 1997	1,517,627	861,837	81
2nd Half 1997	687,021	562,128	91
1st Half 1998	434,346	385,296	56
2nd Half 1998	1,007,642	727,172	55
1st Half 1999	729,881	537,231	84
2nd Half 1999	1,061,332	799,098	89
1st Half 2000	827,374	644,845	98
2nd Half 2000	911,119	817,883	80
1st Half 2001	652,266	545,966	70
2nd Half 2001	331,704	222,704	50
1st Half 2002	631,730	414,430	61
2nd Half 2002	351,017	173,072	49
1st Half 2003	533,538	408,978	56
2nd Half 2003	444,419	283,839	68
1st Half 2004	695,067	504,610	76
2nd Half 2004	683,586	471,411	87
1st Half 2005	619,008	581,008	82
2nd Half 2005	741,843	492,253	69
1st Half 2006	477,471	278,230	70
2nd Half 2006	670,596	282,811	75
1st Half 2007	384,635	300,065	85
2nd Half 2007	778,370	636,117	80
1st Half 2008	1,005,469	591,433	88
2nd Half 2008	652,109	559,225	87
1st Half 2009	615,931	408,031	62
2nd Half 2009	431,822	318,825	72

## AVERAGE SIZE TRANSACTIONS

	Gross Absorp.	Net Absorp.	# of Trans.	Gross Avg.	Net Avg.
1997	2,204,648	1,423,965	172	12,817	8,278
1998	1,441,988	1,112,468	111	12,990	10,022
1999	1,791,213	1,336,329	173	10,353	7,724
2000	1,738,493	1,462,728	178	9,766	8,217
2001	983,980	768,670	120	8,199	6,405
2002	982,747	587,502	110	8,934	5,286
2003	982,957	692,817	124	7,927	5,587
2004	1,378,653	976,021	163	8,458	5,988
2005	1,360,851	1,073,281	151	9,012	7,105
2006	1,148,067	561,041	145	7,917	3,869
2007	1,163,003	936,182	165	7,048	5,674
2008	1,637,578	1,150,658	175	9,358	6,575
2009	1,043,628	727,631	134	7,788	5,430