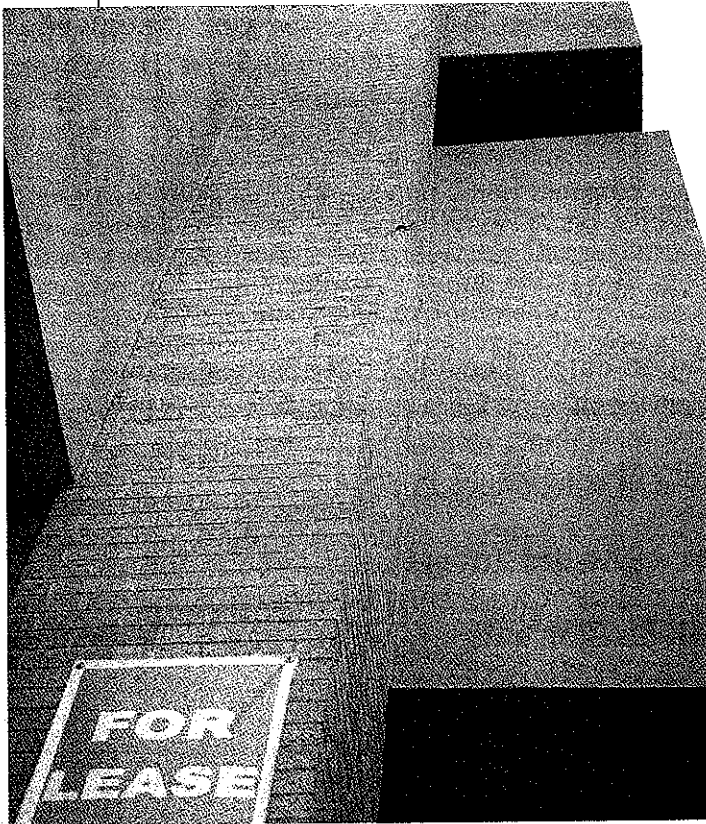


# Mid-Sized Entrepreneurial Firms Fuel Somerset Resurgence

By Robert Stark



Gradual absorption of space in the range of 2,000 to 10,000 square feet is expected to continue. These blocks of space are in demand among growing companies seeking to expand their operations and presence in Central New Jersey.

The I-287/I-78/NJ Turnpike corridor offers an ideal geographic location, proximate to major urban business centers in New York City and Philadelphia. Medical and pharmaceutical operations are among the industries establishing or expanding their roots in Somerset County.

One example of this trend is the leasing of 9,000 square feet for a medical center at 100 Franklin Square Drive in Somerset, a property of Illva Sarrono Corp. Vacancies at this property are rapidly being absorbed by medical and patient care tenants. The building's contemporary architecture and professionally landscaped grounds are complemented by marble quartzite and an aggregate façade with horizontal bronze thermosphere glass—a high-quality image that reflects the superior care rendered by the medical tenant base. Franklin Square One and properties like it are clearly emerging as vibrant contenders for key leasing deals.

## Tenants Value Amenities and On-Site Management Team

Today's commercial real estate tenants, regardless of industry, have highly sophisticated requirements. Curb appeal, like that of Illva Saronno's 80 Cottontail Lane in Somerset, is a high-priority, especially among professional, scientific and technical service businesses as well as health care and financial firms. The award-winning four-story, 87,500-square-foot Class-A building is a two-time recipient of the New Jersey Chapter of Building Owners and Managers Association's "Office Building of the Year" Award.

Features include a multi-story glass-enclosed atrium, full-service cafeteria services, on-site management, and state-of-the-art fiber optic hook-ups. Located directly off of I-287, with access to Routes 22, 78, 202, 20, the Garden State Parkway and NJ Turnpike, the property is nestled among leading corporate neighbors such as AT&T, Federal Express and Ortho Pharmaceuticals. The building, which offers full-floor occupancy of 21,875 square feet, is attracting mid-sized users because of its wide range of divisibility capabilities and open, expansive floor plan options.

**I**t has been said that in order to prepare for the future, we must be students of the past.

In 2007, Central New Jersey's commercial real estate office submarket was a tutorial in fortitude for veterans and newcomers alike. The migration of two large high-profile corporate tenants was compounded by a nationwide economic slump.

Despite low consumer confidence, declining job growth and a volatile housing market, mid-sized entrepreneurial firms emerged as the driving tenant force in Somerset County.

Although overall office vacancy rates edged slightly upward late this year, rental rates were on the rise and are expected to climb steadily throughout 2008. Overall vacancies in Somerset County in the third quarter were just under 25 percent, and direct average asking rental rates hovered around \$25 per square foot. At year-end, client inquiries continued to increase, with activity along the I-287 and I-78 corridors indicating the greatest promise.

In keeping with the entrepreneurial philosophy guiding these companies, tenants are seeking office product that is privately owned and managed by a hands-on multi-disciplinary team of real estate professionals. Organizations value immediate access to ownership and a rapid response to their growth needs with a "personal touch."

Furthermore, these businesses are aligning with leading owners/investors who can meet their comprehensive commercial real estate needs, now and well into the future. Service demands range from asset management capabilities and high-quality leasing and administration services to property management. Tenants are carefully hand-picking full-service commercial real estate providers who mirror their own business excellence and corporate social responsibility goals.

Meanwhile, last year's increased vacancy rates were compounded

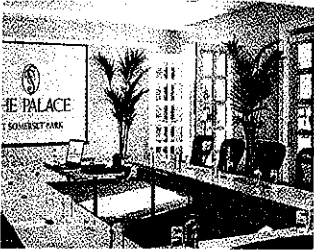
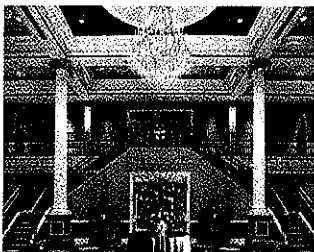
with more active subleasing involving short-term commitments and below-average rental rates. This activity hampered direct lease efforts of owners and developers. To counteract this in 2008, tenant retention is a high priority among landlords in Somerset County.

Currently, World's Fair Corporate Center, a 59,203-square-foot, three-story Class-A building, and the 16,500-square-foot Bridgewater Mews on Route 22—also Illva Saronno buildings—are 100 percent leased. Renewals this year and beyond will ensure the viability of these and other area properties while injecting commerce into the surrounding community. It is imperative that industry visionaries continue collaborating with members of various economic development organizations to enhance Somerset County's image as Central New Jersey's thriving hub of commerce.

Optimism and patience remain at the core of the county's 2008 commercial real estate forecast. Leasing activity is on the upswing, prospective new tenant inquiries are climbing and mid-sized entrepreneurial companies are gaining momentum.

With the upcoming 2008 presidential election in November, the economy is expected to rally, and projections indicate the housing/credit crunch will begin its own slow recovery. For those who have been on the tenant side of the commercial real estate business, as well as the building owner's side, the past tells us to remain agile and innovative. The future of Somerset County's office submarket shows tremendous promise. ▲

Robert Stark is Executive Vice President with Illva Saronno Corp. based in Somerset, N.J., a leading owner/investor/manager of commercial real estate properties throughout Central New Jersey.



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