Upper Parkway Summer 2016
Office Report
The Upper Parkway consists of Montvale, Park Ridge and Woodcliff Lake. Several key statistics of this submarket are highlighted below:

<table>
<thead>
<tr>
<th>Existing Inventory</th>
<th># of Buildings</th>
<th>Total Availability</th>
<th>Availability Rate</th>
<th>Quoted Rental Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>2,632,069 SF</td>
<td>19</td>
<td>769,775 SF</td>
<td>29.2%</td>
</tr>
<tr>
<td>Class B</td>
<td>2,270,242 SF</td>
<td>41</td>
<td>473,905 SF</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

Submarket Clusters
- Bergen Central: Route 208 Corridor
- Bergen East: GW Bridge
- Bergen North: Route 4/17
- Meadowlands:

- Route 208 Corridor
- Route 4/17
- Route 46 Corridor
## Available Properties

### Upper Parkway Submarket

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>14 Philips Parkway, Montvale</th>
<th>225 Brae Boulevard, Park Ridge</th>
<th>305 W. Grand Avenue, Montvale</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLASS</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>BUILDING RBA</td>
<td>38,000 sf</td>
<td>226,000 sf</td>
<td>30,300 sf</td>
</tr>
<tr>
<td>AVAILABLE SPACE</td>
<td>4,500 sf</td>
<td>75,000 sf - 226,000 sf</td>
<td>12,654 sf</td>
</tr>
<tr>
<td>MAX CONTIGUOUS</td>
<td>4,500 sf</td>
<td>226,000 sf</td>
<td>9,985 sf</td>
</tr>
<tr>
<td>OCCUPANCY RATE</td>
<td>88%</td>
<td>100%</td>
<td>58%</td>
</tr>
<tr>
<td>NOTES</td>
<td>Owner occupied</td>
<td>Sold June 2016 for $60.18 psf</td>
<td>Medical office building</td>
</tr>
</tbody>
</table>

### Notes

- 135 Chestnut Ridge Road, Montvale*:
  - CLASS: B
  - BUILDING RBA: 66,150 sf
  - AVAILABLE SPACE: 4,747 sf - 30,937 sf
  - MAX CONTIGUOUS: 16,982 sf
  - OCCUPANCY RATE: 79%
  - NOTES: Energy Star

- 305 W. Grand Avenue, Montvale*:
  - CLASS: B
  - BUILDING RBA: 66,150 sf
  - AVAILABLE SPACE: 4,747 sf - 30,937 sf
  - MAX CONTIGUOUS: 16,982 sf
  - OCCUPANCY RATE: 79%
  - NOTES: Energy Star

- 225 Brae Boulevard, Park Ridge:
  - CLASS: A
  - BUILDING RBA: 226,000 sf
  - AVAILABLE SPACE: 75,000 sf - 226,000 sf
  - MAX CONTIGUOUS: 226,000 sf
  - OCCUPANCY RATE: 100%
  - NOTES: Sold June 2016 for $60.18 psf

*NAI Hanson property for lease.
We’ve temporarily turned our Quarterly Office Market Report into a “Multifamily Mention” of sorts. Multifamily has arguably been the most heated segment of commercial real estate for the past few years, so much so that we felt it made sense for us to discuss it here. There are several connections to the office leasing and sales sector but we’ll touch on just a few:

- Many office buildings have traded in the Upper Parkway since 2014 - there have been 14 of them - with more on the way.
- Millennials have changed what we think of as an appealing work landscape and have an almost myopic attraction to urban centers. This is leaving many suburban office building owners at a great disadvantage.
- With a focus on efficiencies, corporations are shrinking their square footage allocations on a per person basis.
- Technology has further reduced the need for office space.

Let’s begin with what we feel is an obvious question or two. “If the office segment in the suburbs is so bad, why are people buying office buildings here?” And, “What are the buyers of these office buildings going to do with them?”

The first question can be answered with one word - opportunity. Regarding the second question, it appears many of them do not plan to go for a use variance – at least not yet. Others, however, will or hope to convert their asset(s) to either mixed use (1 Mercedes Drive), multifamily (1 Sony Drive) or medical (225 Summit Ave). Still others have only recently approached the town council for a discussion of a conversion of their current asset to multifamily.

Millennials have significantly changed what we think of as ‘normal’, especially as it pertains to where and how we work. For starters, they insist on a quality of life (QoL) element and with that comes the demand for proximity to mass-transit, as well as commute times shorter than what their parents unquestioningly endured.

According to one Upper Parkway multifamily owner we spoke with, most of the residents within his development are millennials - young professionals who, he said, commute to places like Harrison, Jersey City and Hoboken. By train, this is a brief 20-minute commute. Far less appealing to them is the one-hour or so commute to NYC.

This QoL demand, together with millennials’ starting salaries, crippling student debt and lackluster view of owning a home, has led many developers to feel the time is ripe for repositioning office buildings. Add to this the fact that, nationwide, Northern New Jersey has one of the lowest multifamily vacancy rates in the country (<3%) and you can see why they are keen to acquire whatever scarce vacant land exists here or acquire and repurpose vacant office properties.

As mentioned in previous office reports, in less than 10 years, allocation of square footage within office buildings has dropped by 50%. That’s a huge change in any corporation’s footprint. Advances in technology are changing this allocation further still.

Footprints, technology, mass-transit, quality of life; these are changes to our world that seem, on the face of it, easy to absorb and accept. Having said that, we will leave you with one last thought…Generation Z. Generation Z’s oldest member is barely out of high school yet by 2020 they will account for 40% of all consumers. They are fast on the heels of millennials and are coming to us with ideals of their own. What does this mean? Our work and life landscape is going to change yet again!