

Golden Triangle Visioning Study

Preliminary Real Estate Market Analysis

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Preliminary Real Estate Market Analysis

I. Executive Summary

The purpose of our preliminary market study was to examine the Golden Triangle area of Cherry Hill to assess current real estate market conditions and to examine the viability of future projects. The study analyzed both commercial and residential real estate from a local and regional basis. Although the study is being conducted within a snapshot of time, we tried to incorporate a long term perspective into our analysis.

The current economic conditions have drastically changed the real estate market for both residential and commercial properties. The residential sector has been in a downturn for over two years and recently has come under additional pressure. Cherry Hill single family home sales volume has decreased (-38%) and days on market have increased (78%) for the preceding five year period. Commercial properties had experienced record sales and leasing volume from 2005 – 2008, however since Q2 2008 there has been a dramatic slowdown. Office and industrial tenants have been affected equally, but the retail sector has been particularly weak. Currently, we are at or above supply due to a 11.09 % vacancy rate across product types within the Golden Triangle Area. These figures, along with current economic conditions, make it difficult to assess the feasibility of any additional commercial or residential construction.

Specifically, within the Golden Triangle there is a mix of success and failure among projects. The Garden State Park retail development has been tremendously successful, however the residential portion has been slow to absorb. Older projects such as the Garden State Pavilions have experienced large vacancies, which can be attributed in part to the Garden State Park. The Executive Office Park has some large vacancies that are anticipated to increase, but the large corporate headquarters such as Subaru and Lockheed Martin are still very successful. However, for a long range plan, the Golden Triangle should be a desirable and viable market when we return to normalcy, due to its proximity to major cities, positive demographics, and relatively moderate cost of living.

Key issues affecting market:

- Garden State Park: The commercial portion has proved to be very successful (approaching 95% occupancy), while the residential portion should offer the region enough supply for the foreseeable future
- General Economic Conditions – Timeline for viability of new development is uncertain
- Garden State Pavilions - Large retail vacancies
- Potential for future redevelopment of Garden State Pavilions; office or residential
- Executive Campus – Large block of office spaces available and additional upcoming move-out

- Western Corridor Redevelopment - General condition and image affecting the gateway to the Golden Triangle
- Retaining key tenants: Campbell Soups, Subaru, Lockheed Martin, Cooper Hospital, State of New Jersey, and Camden County
- Minimal infill residential development opportunities and various commercial opportunities

A. Southern New Jersey: Commercial Real Estate Market

1. Market Overview

The Southern New Jersey market is located in the Philadelphia Metropolitan Statistical Area. This market consists of Burlington, Camden, and Gloucester Counties. As of yearend 2008, Southern New Jersey was comprised of over 10,000 buildings and 246,000, 000 SF. The highest concentrations of commercial properties are found within the densely populated areas of Northern Camden County and Southern Burlington County. The Three M Market (Marlton, Mt Laurel, and Moorestown) area surrounding Exit 4 of the NJ Turnpike and Exit 36 of 295 serves as one major submarket and Cherry Hill surrounding Route 70 and Route 295 is considered the other large submarket. Both areas are considered strong regional and super regional locations across all product types; office, industrial, and retail. The area serves as home to many national and regional companies because of the educated workforce and central location between Washington DC and New York City. Additionally, in Gloucester County the area surrounding the 3,000-acre Pureland Industrial complex (Exit 10- 295) continues to draw many multi-national industrial/distribution companies to serve as their East Coast distribution hub. The strength of the regional transportation network, proximity to major cities, positive demographics, and relatively moderate cost of living continue to drive companies to Southern New Jersey.

2. Current Market Conditions

The commercial market across all product types has experienced increased vacancy over the immediate six to nine months, but historically has shown resilience compared to other highly cyclical regions of the country. South Jersey and Philadelphia have a balanced economic base anchored by Healthcare, Defense, and Professional Services. The average vacancy rate across product type is 9.33%. We can expect vacancy rates to continue to rise over the preceding years. Particular attention is needed in evaluating the retail sector because of rapidly decreasing consumer spending and decreasing net worth due to housing and stock market declines. The "Big Box" retailer and other national retail tenants have been extremely cautious in opening new stores and in many instances are closing locations. The office and industrial markets are also experiencing increased vacancy rates due to decrease in professional service fees and decrease in manufacturing and shipping. However, the strong regional location, lack of speculative construction, and diverse economic base should help smooth the economic downturn over the coming 12-24 months and help South Jersey remain a viable commercial location over a 10-20 year period.

3. Commercial Market Statistics:

The commercial market can be classified into three primary product types; office, retail, and industrial/flex. Market statistics are defined by: overall size, vacancy, and lease pricing.

Table 1: Q4 2008: South Jersey Commercial Real Estate Summary

Type	# of Blds	Total SF	SF Vacant	Vacancy Rate	Rental Rates
Office	2,903	39,665,316	4,919,146	12.40%	\$ 17.82
Retail	4,629	73,520,739	5,419,447	7.37%	\$ 14.40
Industrial/Flex	2,870	133,638,855	10,989,133	8.22%	\$ 4.80
Total	10,402	246,824,910	21,327,726	9.33%	

B. Golden Triangle Commercial Real Estate

1. Market Overview

The area is comprised mostly of office and retail complexes, surrounded by secondary owner-occupied buildings. It is a strong regional location within 10 minutes of Downtown Philadelphia and is specifically located in the North Camden County Submarket. It is flanked by Route 70 to the south and Route 38 to the north. Current vacancy rates are slightly above normal mostly due to a few large vacancies at the Garden State Pavilions project and a few large blocks of office space in Executive Campus. Further, the Executive Campus just lost a major tenant (Stone & Weber 90,000 SF) and some uncertainty exists if Campbell Soups will remain when their corporate facility is completed in Camden. Currently, both the office and retail market seems to be at or above necessary supply levels for the foreseeable future. If additional large demand for office space were to surface, it could be absorbed on a built-to-suit basis at the Garden State Corporate Center.

2. Commercial Market Statistics

The commercial market can be classified into three primary product types; office, retail, and industrial/flex. Market statistics are defined by: overall size, vacancy, and lease pricing.

Table 2: Golden Triangle: Overall Commercial Market Summary

Type	# of Blds	Total SF	SF Vacant	Vacancy Rate	Rental Rates
Office	24	1,486,844	149,785	10.10%	\$18.41/fs
Retail	51	1,328,928	202,818	15.30%	\$20.00 /nnn
Industrial/Flex	27	399,224	4,000	1.00%	\$7.50/nnn
Total	102	3,214,996	356,603	11.09%	

3. Current Development Projects

The only substantial development project in the study is the Garden State Park site. The first two commercial phases (MarketPlace: 530,000 SF and Townplace: 285,000 SF) of the project have been extremely successful retail developments that are approaching 95 % occupancy. They have drawn a high-end tenant mix including; Wegmans, Barnes & Noble, The Cheesecake Factory, Brio, Talbot's, Coldwater Creek, J. Jill, and McCormick & Schmick's.

4. Future Development/Redevelopment Opportunities

There are four identifiable development parcels within the study of substantial size.

a) Garden State Corporate Park:

This approved office development of five buildings consists of a total of +/- one million SF. The project is located on the South West side of the Garden State Park, but the project is controlled by a different entity (Turnberry Associates) than the developer of the existing site. Due to current economic conditions and excess office supply, there are no signs of construction commencing in the near future. It would be very unlikely to commence construction unless a substantial tenant was pursuing a built-to-suit project.

b) Garden State Pavilions:

Existing regional shopping center that has experienced large vacancy due to the strong competition from the Garden State Racetrack redevelopment, poor orientation, and two anchor tenants (Home Depot and Old Navy) vacating the center. The center is located on Route 70 at a strong intersection of Cornell Ave and provides great regional access and visibility. There is market potential for a mixed use project at the site or potential reconfiguration of buildings. There certainly could be demand for a large office tenant or more remotely for a residential portion to be incorporated into the design. The development plans would have to be sensitive to existing tenants and the associated costs of relocation. The most critical tenant in the center is Shop Rite which draws a large customer base from the immediate area and employs a large number of local residents. Additionally, grade level access to connect the site to the Garden State Park would be critical in its future success because of the ability to bypass Route 70.

c) Penn Gaming Outparcel of Garden State Park:

Approved five acre site for off track betting location. The most recent news regarding the site was that they would not be pursuing the location and the site could be potential available for development. It would serve as a complementary piece to the Garden State Park site for additional retail, hotel, or office uses.

d) Lee's Stone

The site is an underutilized piece of land that is approximately 13 acres in size on the westbound side of Route 70. It is already included in the phase II western redevelopment zone, however the site could have some development restrictions due to the wetlands located on the rear of the site. The

site is located directly next to the Cherry Hill Executive Campus and in the future could serve as additional office or retail uses.

5. Key commercial properties:

Garden State Park

Garden State Pavilions

Cherry Hill Executive Campus

Lee's Stone: Underutilized Ground

6. Major Tenants

Subaru

Lockheed Martin

Campbell Soups

State of New Jersey

Camden County

Cooper Hospital

C. Cherry Hill: Residential Real Estate

1. Market Overview

The residential real estate market of Cherry Hill Township was analyzed on a summary level and then detailed, in relation to the Golden Triangle neighborhoods. National and locally the residential market was moderately increasing annually from 2000 – 2004 and then we saw a rapid run-up in pricing from 2005-2007. In compiling our data for analysis, we used a five year period from February 2004 to February 2009 to capture the full range of the market. The three most important data points, (Total Sales Volume, Average Days on Market, Average Sales Price) were summarized on a five year monthly basis for Cherry Hill Township Single Family Homes and can be found in Tables (3-5) on page 10. The residential market is very seasonal with the peak occurring in June/July and low occurring in December/January. Data points were compared in the peak month of June. This is reflected in the following graphs. The summary is as follows; Sales Volume: June 2004 (\$39,168,888) compared to June 2008 (\$24,285,841), Days on Market: June 2004 (40) to June 2008 (71), Average Sales Price: June 2004 (\$259,396) to June 2008 (\$285,715). We can see that Sales Volume has decreased substantially (-38%), Days on Market increased (78%), and Average Sales Price actually increased 10% from 2004, but is down (-12%) from peak June 2006. From the data we can conclude that Cherry Hill has not been immune to the national downturn in the housing market, but overall has held up better than many distressed markets around the country such as Florida, Nevada, and California where in some counties average pricing is down over 50%.

D. Golden Triangle Residential Real Estate

1. Market Overview

The Golden Triangle is mostly comprised of 20-40 year old single family properties (2-3 bedrooms), with the exception of the new housing stock being added at the Garden State Park. The Race Track project consists of multiple phases which are detailed below. Currently, the general economic conditions have drastically affected the absorption rate of the new construction. However, Cherry Hill and the surrounding areas are currently approaching complete build-out and there will be very little new construction or competing developments of this scope. The timeline of the economy changing cannot be predicted, however the unique qualities of the site, positive area demographics, and strong regional location should ultimately make the site very successful.



Figure 1: Garden State Park Overall Community Layout

2. Current Development Projects

The Garden State Park is the only site of substantial size that is currently being developed for residential uses. The following are the projects that are active:

Plaza Grande (Garden State Park) - 608 Active Adult Community built by DR Horton

Park Place (Garden State Park) - 240 Townhomes 120 Condos built by Edgewood Properties

Village Place (Garden State Park)- 523 Luxury Apartments and 90 Senior Apartments by Edgewood Properties

3. Future Development/Redevelopment Opportunities

Mixed use – The Village Place (Garden State Park) is an approved development consisting of 523 Luxury Apartments and 90 Senior Apartments and is part of the mixed use development project at the race track.

Infill - There are very few small infill parcels that could be subdivided to support standalone single family homes, but nothing of substantive size that would allow a major subdivision.

Redevelopment - The only residential redevelopment site within the study is the Garden State Pavilions site. The viability of this project has many external factors that would make it a difficult project to undertake.

4. Recent Market Activity

Data was compiled from current active listings for sale and properties that have sold within the last year for the major neighborhoods in the study; Kenilworth, Woodland, Park Place, and Plaza Grande.

Kenilworth- 9 units for sale ranging from: \$185,000 – \$325,000 between 3-4 bedrooms. 5 buildings have sold in the last year from \$180,000 - \$257,000 all three bedrooms with between 1-2 bathrooms.

Woodland – 3 units for sale from: \$179,000 - \$395,000 between 3-4 bedrooms. 1 property has sold in the last year for \$225,000 with 4 bedrooms and 2 baths

Park Place: - 1 two-bedroom condo for sale \$179,000 and three units have sold from \$138,000 – \$190,000 with 1 or two bedrooms

Plaza Grande: - 7 units for sale ranging from \$259,900 - \$369,900 with 2 bedrooms. 22 properties sold from \$189,000 - \$426,000

**Table 3: Five Year
Monthly
Average Sales Price
(Source:TrendMLS)**

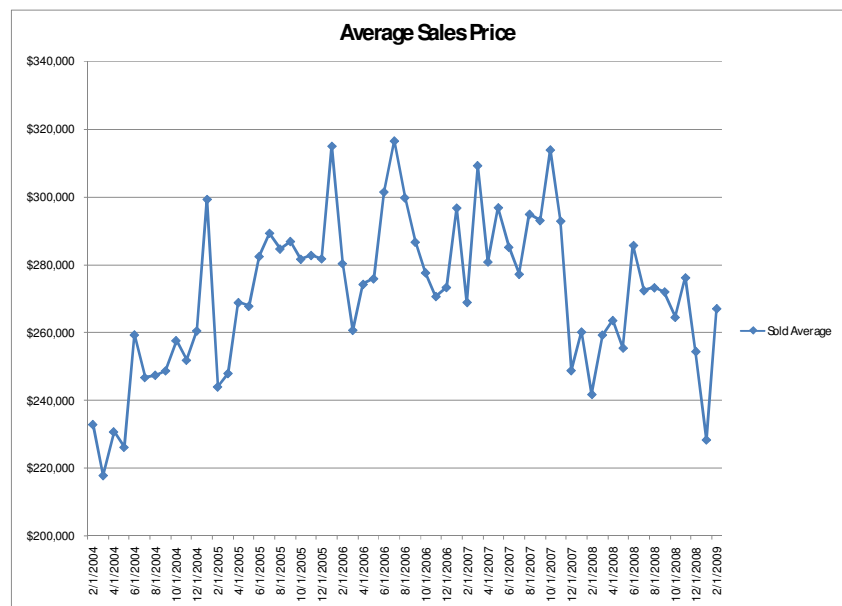




Table 4: Five Year Monthly Total Sales Volume (Source:TrendMLS)

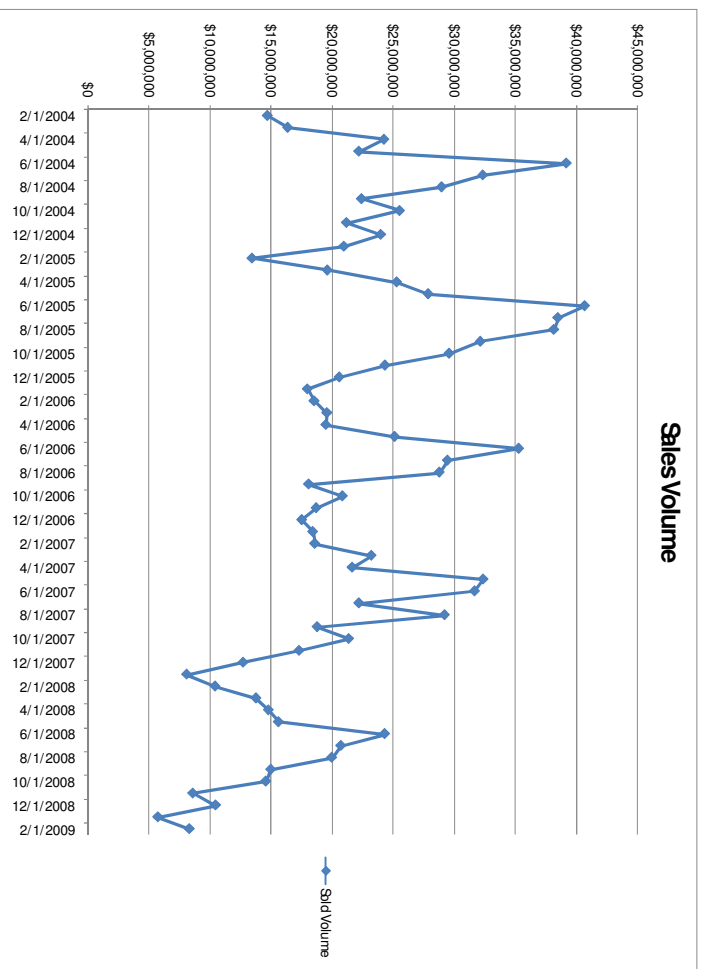


Table 5: Five Year Monthly Average Days on Market (Source:TrendMLS)

