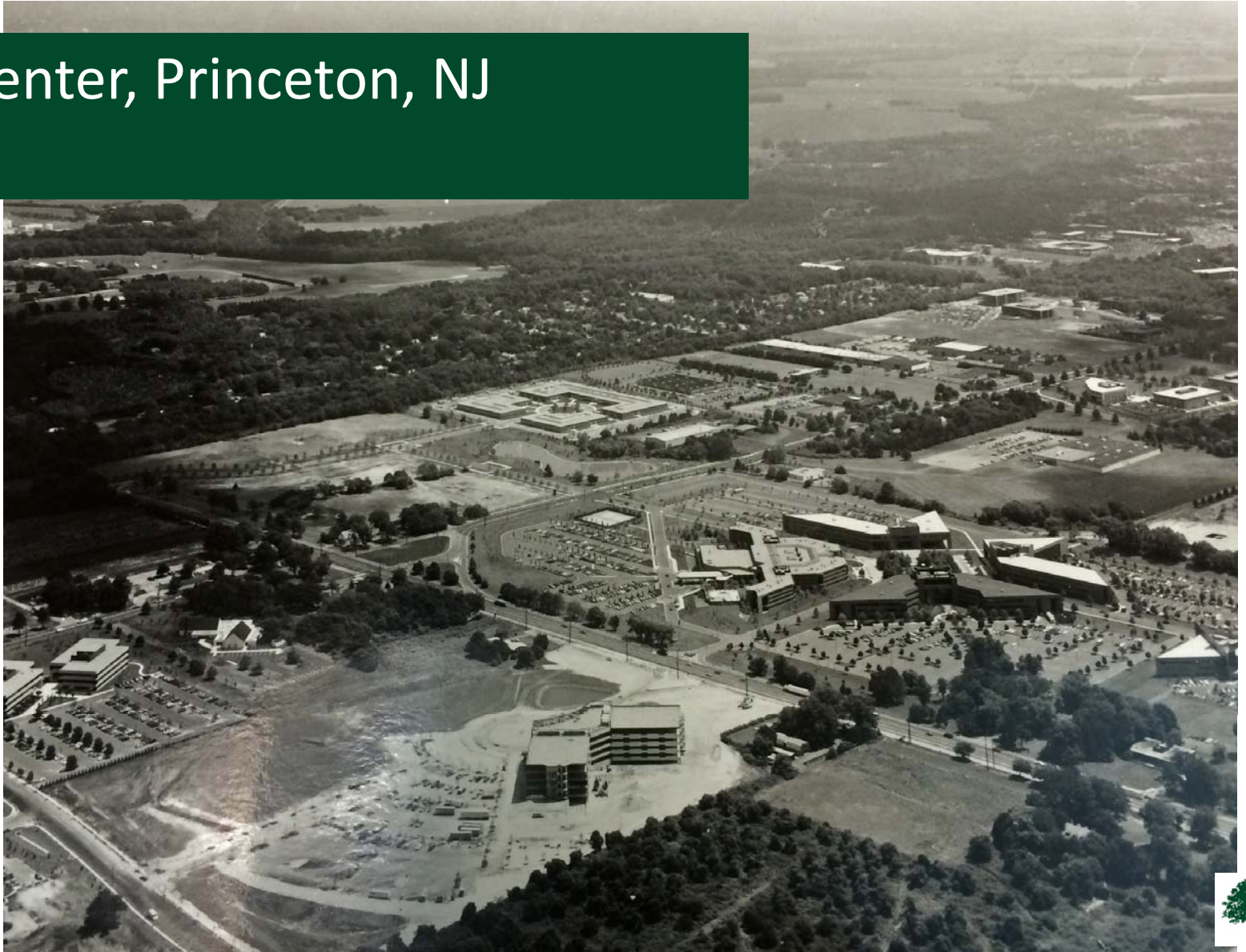


Princeton Area Commercial Real Estate Market Drivers: Then & Now

Presented by: Sab Russo, President, Mercer Oak Realty



Carnegie Center, Princeton, NJ 1987



1992

2001

2009

The Three Cycles

- Over Leveraged Bust
- Dot Com Crash
- Financial Meltdown

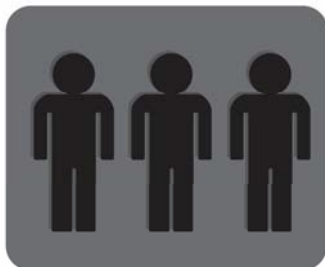
The Four Drivers



✓ Regulation &
Tax Policy



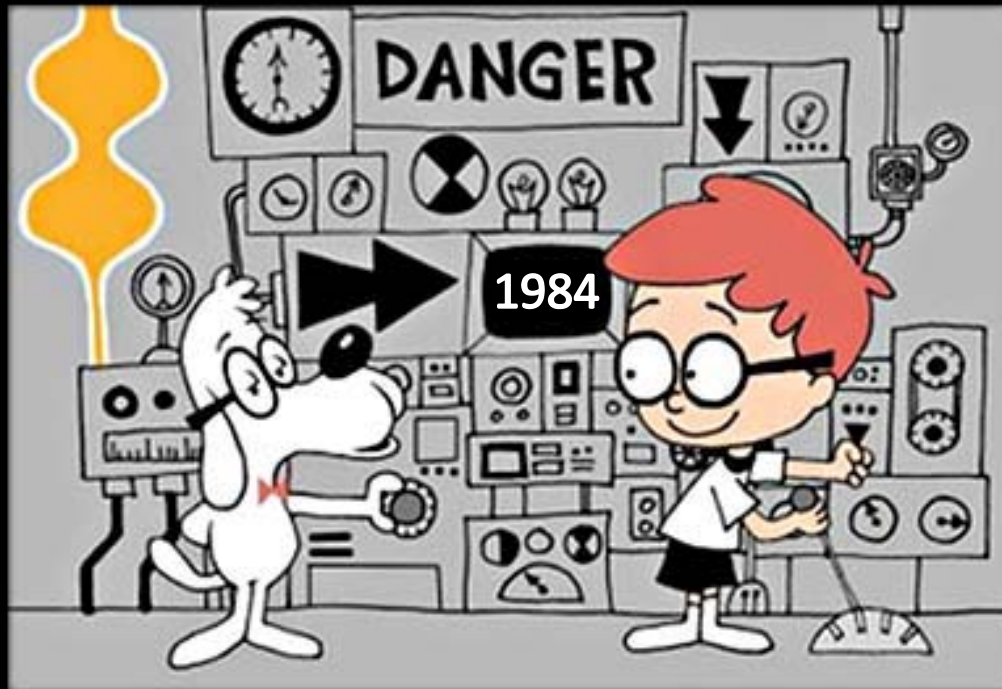
✓ Credit/Interest
Rates



✓ Demographic Shift/
Job Creation



✓ Construction



1984 - 1991



- ✓ Reagan Tax Cut
- ✓ Tax laws disallow passive RE losses



- ✓ Non-recourse loans



- ✓ Baby boomers hit work force



- ✓ Spec market explodes

1992 - 1994

Over Leveraged Bust

- Chronic over supply
- Savings & Loan Crisis
- RTC: Bottomfeeders
- Corporate downsizing

1995 - 2000



✓ Clinton Tax Cut



✓ NASDAQ at 5,000



✓ Phantom demand: Dot
Coms gobble up space



✓ Demand-driven spec
market growth

2001 - 2003

Dot Com Crash

- Avalanche of sublease space
- Rates drop 10-15%
- Construction slumps
- Direct vacancy stays firm

2004 - 2008



✓ Bush Tax Cut



✓ CMBS provide artificial liquidity



✓ Economic expansion



✓ Spec market surges

2009 - 2010

Financial Meltdown

- Subprime mortgage crisis
- Credit markets lock up
- “Dead Calm”

2011 - Today



✓ Dodd-Frank



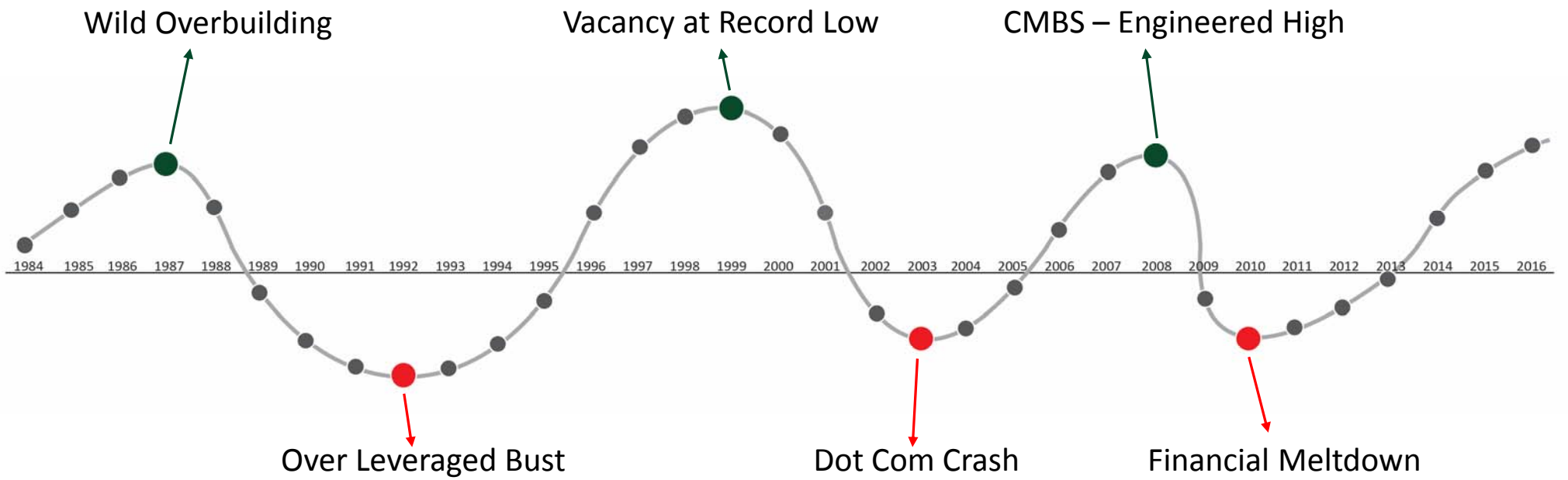
✓ Quantitative Easing 1 & 2
✓ CMBS/Receivers/Special Servicers



✓ Workspace redefined



✓ Build-to-Suit construction



Carnegie Center,
Princeton, NJ
Current



Get MOR info on the Princeton CRE Market

www.merceroak.com

The screenshot shows the merceroak.com/marketour website. On the left is a navigation menu with 'MARKETOUR' logo, 'BUILDINGS' (checked), and 'MARKETS'. Below the menu are 'CONTACT US' and 'BACK TO MOR' buttons. The main content area is titled 'BUILDINGS' and shows '296 OF 296 DISPLAYED'. A list of buildings includes: Princeton Pike Office Park 1-6 (Lawrenceville, NJ), Princeton Professional Park (Princeton, NJ), Princeton Ridge (South Brunswick, NJ), Princeton Service Center (Princeton, NJ), Princeton South-Building 100 (Ewing, NJ), and Princeton South-Building 200 (Ewing, NJ). The selected building, 'PRINCETON SOUTH- BUILDING 200', is shown with a photo and details: '200 PrincetonSouth Corporate Center | Ewing, NJ 08628'. Below the photo is a 'SEARCH NEAR THIS BUILDING.' button and a table of statistics: Area: Route One Corridor, Submarket: Route 1 South / I-95, Year Built: 2007, Type: Multiple Story, Floors: 4, Total SF: 153,639. On the right is a map of the Princeton area with building icons.



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