

Economic Data

Regional Data – Morris County

Morris County is in the central portion of the northern New Jersey region. The county is bounded on the west by Warren County, on the north by Sussex and Passaic Counties, on the east by Essex and Union Counties, and on the south by Somerset and Hunterdon Counties.

Land Size	Land	460.18 square miles
	Water	21.45 square miles
Number of Municipalities		39
Population	2000:	470,212
	2010:	492,276
	2020:	494,225 (estimated)
Population Density	2020:	1,026 persons per square mile
Per Capita Income	2005:	\$43,009
	2013:	\$48,814
	2017:	\$55,234
Median Age	2005:	39.5 years
	2010:	41.3 years
	2018:	42.7 years
Total Housing Units	2005:	182,328
	2010:	189,842
	2018:	194,282
Building Permits Issued, New Residential Construction:	2009:	613
	2010:	579
	2011:	547
	2012:	878
	2013:	1,665
	2014:	1,591
	2015:	2,262
	2016:	1,695
	2017:	1,648
	2018:	1,589
	2019:	1,542
	2020:	1,150 (through November)
County Seat:		Morristown
Form of Government:		Board of Chosen Freeholders

Municipal Data – Town of Morristown

The Town of Morristown is located in the eastern section of the County of Morris. It is surrounded by Morris Township along all borders.

Land Size:	Land: 2.94 square miles Water: 0.06 square miles
Population:	2000 18,544 2010 18,324 2018 19,145 (Estimate)
Population Density	2018 6,381 persons per square mile
Per Capita Income	2009: \$37,300 2018: \$56,606
Median Age	2009: 35.9 years 2013: 34.8 years
Total Housing Units (2010)	8,172
Building Permits Issued, New Residential Construction:	2009 16 2010 4 2011 6 2012 18 2013 298 2014 212 2015 209 2016 262 2017 274 2018 64 2019 62 2020 75 (through September)
Form of Government:	Mayor Council, Optional Municipal Charter Law, 1950

Regional Overview

State

The State of New Jersey is located on the northeastern coast of the contiguous United States. It is bordered to the north and east by the State of New York, to the southeast by the Atlantic Ocean, to the southwest by the State of Delaware, and to the west by the State of Pennsylvania. In total, New Jersey has 21 counties and 565 municipalities, and 22 cities. Its largest city is Newark, and its state capital is Trenton. Although it is the fourth smallest state, it is the most densely populated state in the country. Most of the State is in either the New York or Philadelphia metropolitan area.

Morris County

Morris County is in the northern section of the State of New Jersey. It consists of 39 municipalities. Parsippany-Troy Hills Township is the largest municipality in the County. The county seat is Morristown. The Bureau of Economic Analysis ranked the county as having the 16th-highest per capita income of all 3,113 counties in the United States (and the second highest in New Jersey) as of 2009. The county rises in elevation and relief from east to west, with only the more developed eastern suburbs in the Passaic River valley being relatively level. Several major highways provide access through the County including Interstates 80, 280 and 287, U.S. Routes 46, 202 and 206, and Routes 10, 15, 23, 24 and 124. NJ Transit also provides rail service with Morris County via its Morris & Essex Lines and Montclair-Boonton Line to Hoboken Terminal and to New York City via its Midtown Direct service.

Morristown

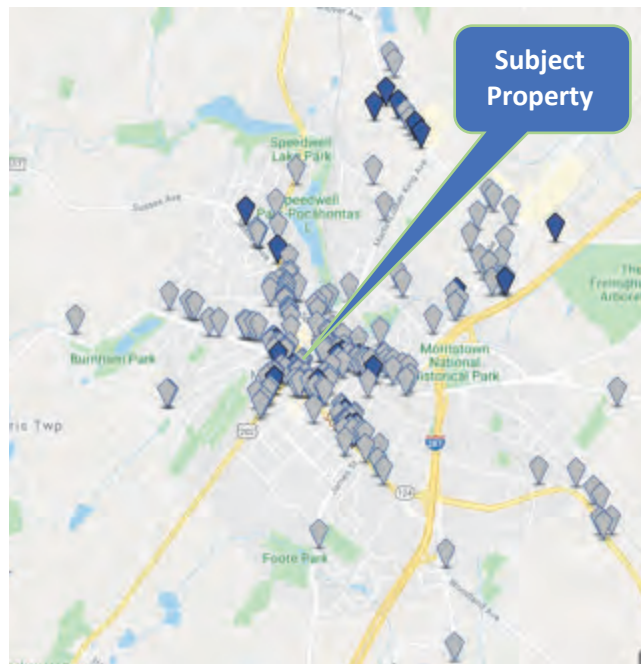
The Town of Morristown is located at the southern portion of Morris County. Morristown Medical Center is Morristown's largest employer with roughly 5,500 employees. There is a passenger rail station on the NJ Transit Dover line in walking distance from the subject property. "The Green" is a park at the center of town, which is flanked by offices, retail, residential and institutional uses. Headquarter's plaza is a mixed-use, primarily office property centrally located in Morristown. Interstate 287 is a main highway providing access to Morristown via two exits. Overall, properties in Morristown are generally in average to good condition. There has been new construction in Morristown over the past five years including mixed-use retail and residential, multi-family residential, and townhouse developments.

Market Analysis⁵

Retail Market - Morristown

The subject property's primary market area is Morristown and the secondary market area is Morris Township and nearby municipalities, generally to the east. The map below shows retail property results when selecting Morristown, NJ in Costar's location search. The map shows the dispersion of properties in the survey. The subject property is most similar to a retail or office property. Therefore, the retail property market was researched and analyzed in this section and the office market is also analyzed in the next section.

There are 223 retail properties included in the results of this survey. Morristown is a mature and built-up market with a lack of vacant land. There is no reported construction activity in this market segment; however, there is a new commercial component of the mixed-use property located at 190 South Street, as shown in the comparable sale section.



Key metrics in this survey are on the following pages.

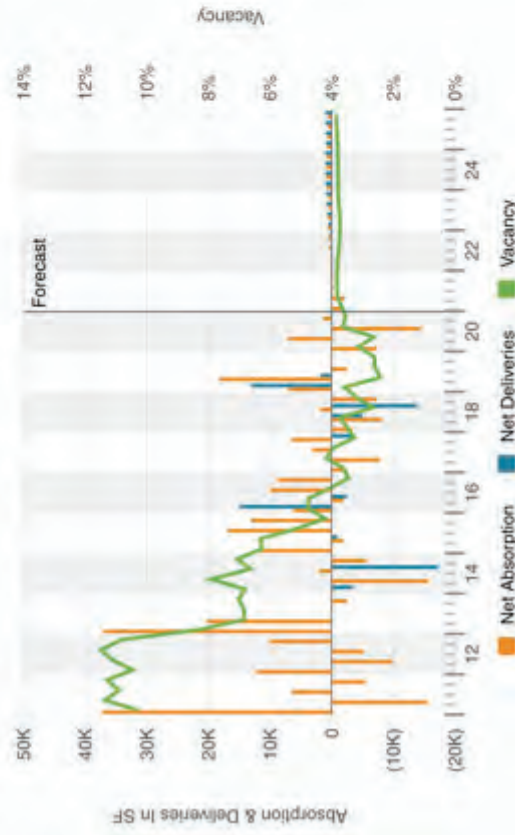
⁵ The data in this section is based on information compiled by Helix Real Estate, LLC using CoStar Property, a commercial property database. The information in this section is not guaranteed though it is deemed reliable to determine market trends.

Appraisal Report
 1 Morris Street, Block 4801, Lot 31, Morristown, Morris County, New Jersey

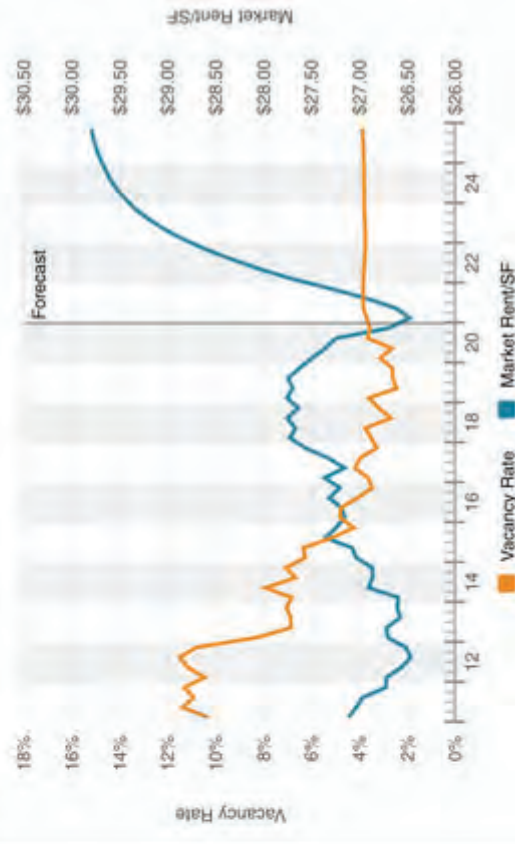
INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE	MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
1.4M	0	(9.1K)	3.5%	\$26.59	\$234	6.9%
Price Period 1.1M	Price Period 0	Price Period 14.7K	Price Period 2.9%	Price Period \$27.55	Price Period \$240	Price Period 6.8%

Availability		Inventory		Sales Past Year		Demand	
Vacant SF	50.5K	Existing Buildings	197	Asking Price Per SF	\$238	12 Mo Net Absorp % of Inventory	-0.6%
Sublet SF	1.1K	Under Construction Avg SF	-	Sale to Asking Price Differential	-2.4%	12 Mo Leased SF	14.3K
Availability Ratio	4.1%	12 Mo Demolished SF	0	Sales Volume	\$4.6M	Months on Market	7.0
Available SF	58.3K	12 Mo Occupancy % at Delivery	0	Properties Sold	10	Months to Lease	-
Available Asking Rent/SF	\$30.41	12 Mo Construction Starts SF	0	Months to Sale	15.8	Months Vacant	-
Occupancy Rate	96.5%	12 Mo Delivered SF	0	For Sale Listings	4	24 Mo Lease Renewal Rate	86.9%
Percent Leased Rate	96.5%	12 Mo Avg Delivered SF	-	Total For Sale SF	15.1K	Population Growth 5 Yrs	0.3%

Net Absorption, Net Deliveries & Vacancy



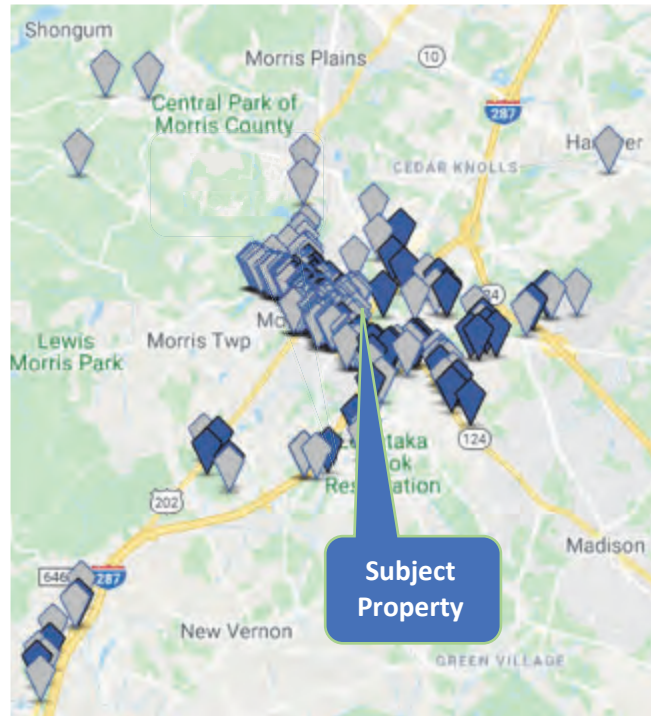
Vacancy & Market Rent Per SF



Office Market - Morristown

The subject property's primary market area is Morristown and the secondary market area is Morris Township and nearby municipalities generally to the east. The map below shows office property results when selecting Morristown, NJ in Costar's location search. The map shows the dispersion of properties in the survey. The subject property is similar to an office property.

There are 282 office properties included in the results of this survey. Morristown is a mature and built-up market with a lack of vacant land. M Station East and West is a mixed-use redevelopment project of a former retail site at 66 Morris Street, Morristown, NJ. Construction began in December 2020 on M Station East, a 121,000 sf, six-story building with ground floor retail. There will be a structured parking deck at the rear of the property and future development of a seven-story, 253,000-sf building with ground floor retail known as M Station West.



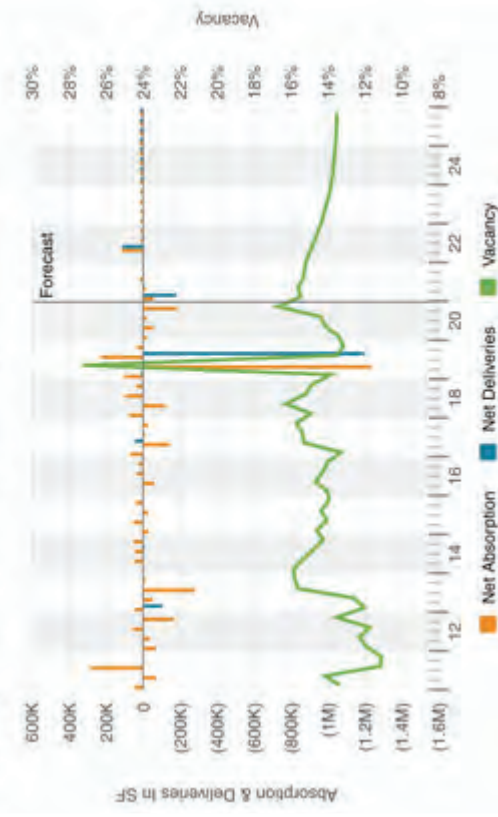
Key metrics in this survey are on the following pages.

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 1 Morris Street, Block 4801, Lot 31, Morristown, Morris County, New Jersey

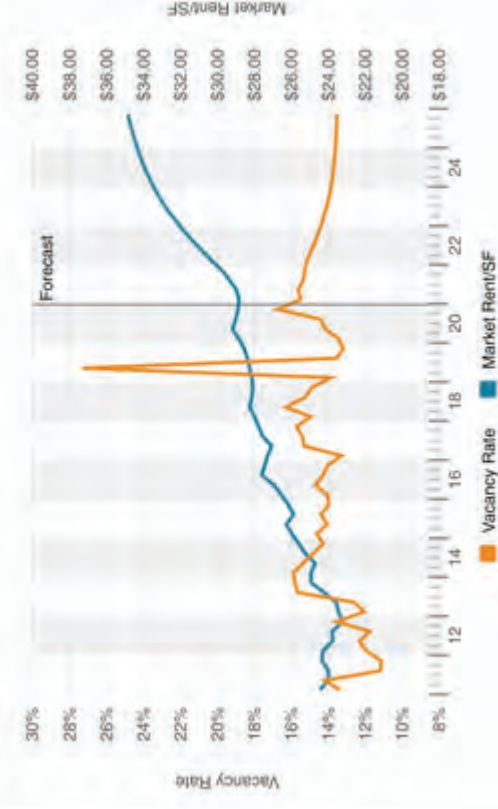
INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE	MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
7.8M	121K	(297K)	15.1%	\$28.88	\$192	7.9%
Prior Period 8M	Prior Period 2.5K	Prior Period (844K)	Prior Period 13.3%	Prior Period \$26.88	Prior Period \$194	Prior Period 7.6%

Availability	Inventory	Sales Past Year	Demand
Vacant SF	Existing Buildings	Asking Price Per SF	12 Mo Net Absorp % of Inventory
Sublet SF	Under Construction Avg SF	Sale to Asking Price Differential	12 Mo Leased SF
Availability Rate	12 Mo Demolished SF	Sales Volume	Months on Market
Available SF	12 Mo Occupancy % at Delivery	Properties Sold	Months to Lease
Available Asking Rent/SF	12 Mo Construction Starts SF	Months to Sale	Months Vacant
Occupancy Rate	12 Mo Delivered SF	For Sale Listings	24 Mo Lease Renewal Rate
Percent Leased Rate	12 Mo Avg Delivered SF	Total For Sale SF	Population Growth 5 Yrs
1.2M	263	\$205	-3.7%
288K	121K	-7.5%	18K
21.6%	182K	\$52.8M	13.2
1.7M	39.4%	5	15.5
\$31.31	121K	24.4	5.7
84.9%	2.4K	10	52.3%
96.5%	1.7K	72.1K	0.3%

Net Absorption, Net Deliveries & Vacancy



Vacancy & Market Rent Per SF



Supply

The subject is in a mature and built-up area with a lack of vacant land available. New construction and development is achieved through the redevelopment of improved properties. There is no current retail and some office construction activity in Morristown and the immediate area. The local supply of retail and office properties is not anticipated to change significantly over the next several years.

Demand

The retail and office property trend is downsizing of tenant spaces due to increased demand of internet-based retail and the increasing ability and trend of employees working from home. Retail demand is strong based on a low overall vacancy rates. Market rents are anticipated to dip temporarily as a result and response to the pandemic. The retail market is anticipated to bounce back as the pandemic eases and the population is vaccinated. Morristown is an attractive area, a regional center to do business, and is surrounded by municipalities composed of many high wage earners. There is greater office demand for owner occupied properties than in larger, multi-tenant office buildings. These investment-oriented office properties generally have a stabilized vacancy rate of 15%. The pandemic is anticipated to soften the office market further due to many employers' downsizing of their office footprint after understanding that many employees can effectively work from home. However, demand for office properties is strong in the Morristown area as evidenced by the premium for office space in this area as compared to the region.

Conclusion

With a flat retail supply, increasing office supply, and softening demand, vacancy is anticipated to increase in the next few years within both the office and retail markets. Retail vacancy is already low. Anticipated increases and vacancy and decline of rental rates are anticipated to rebound in 2021, or 2022 at the latest in the retail market segment. The office market will be more challenged in the short to medium term. However, positive signs within the office market are the desirability of the area and the rents and sale prices achieved in the local market. The subject property is in an area with good disposable incomes and for this reason it is our opinion that this market area will not be significantly impacted in the long term.

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