

MARKETBEAT

NORTHERN AND CENTRAL NEW JERSEY INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q09

ECONOMY

The New Jersey industrial market, although still struggling in this economy, is faring better than expected due to its proximity to port areas and major highways that stretch across the US. As of August 2009, the New Jersey unemployment rate increased to 9.7%, from 9.3% in July. According to the New Jersey Department of Labor and Statistics, the manufacturing industry was the leader in employment losses with a monthly loss of 2,400 jobs from July to August. Despite the decline of the manufacturing (MF) industry, the overall industrial market continues to hold its own primarily supported by high tech (HT) and warehouse/distribution (WD) market activity.

OVERVIEW

Though there are signs of steady activity in certain markets, landlords continue facing harsher realities as they are now forced to adjust rental rates to meet the reduced demand. The direct weighted average asking rental rate, currently \$6.23 per square foot per year (psf/yr) continues to decline, dropping by \$0.23 psf/yr since last quarter and \$0.41 psf/yr from a year ago. The overall vacancy rate, now 8.8%, increased by 0.2 of a percentage point since last quarter and is 1.6% higher since this time last year.

Leasing activity year-to-date registered 8.3 million square feet (msf) and is on pace to represent the lowest activity recorded over the past ten years. However, the current decline in asking rental rates has created incentive for some companies looking to capture the market at its current value over the long term. The most notable new deal was executed by direct mail and digital printing company, Princeton Fulfillment Solutions, LLC. The company leased 152,027 square feet (sf) at 14 Applegate Drive in Washington Township. In Carteret, supply chain management facilities company Graybar Electric Company, leased 136,250 sf at I-Port 12. The building was completed in 2007 and Graybar represents its first tenant. Headed into the Hudson Waterfront market, cabinet manufacturer Fabuwood Cabinetry secured 123,000 sf at 99 Caven Point Road in Jersey City.

Over 3.9 msf of sales transactions were recorded since the start of the year, representing nearly 39% of the 2008 total. Banks are beginning to loosen their grip on lending, but even when the economy rebounds, tighter restrictions will remain in place. The largest sale of the quarter occurred in Somerset at the 323,985-sf building known as 1 Heller Park Lane, where electronics retailer Sixth Avenue Electronics, Inc. continued its expansion. In the wake of retailer, Circuit City's bankruptcy filing, Sixth Avenue Electronics has been leasing and purchasing buildings recently vacated by the company.

FORECAST

Vacancy rates will continue to trend upward into the first half of 2010, with anticipated recovery beginning shortly thereafter. Tenants will also continue to take advantage of the reduced market fundamentals as rental rates continue to decrease into 2010.

BEAT ON THE STREET

“After a major dip in rental rates in 2008, the New Jersey industrial market is still in the midst of a further softening of market rents and prices. Our local market reports show anywhere from an 8% to 10% year-over-year decrease in average rates from 2008.”

Dan Frankel-Senior Managing Director

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	1.7%
Regional			
Unemployment	6.8%	8.8%	10.1%
Employment Growth	-0.52%	-2.47%	-0.20%

Source: Moody's | Economy.com
*regional data used is on a state level

MARKET FORECAST

LEASING ACTIVITY is currently at its lowest total in 10 years. Activity will continue to be slow moving into 2010.



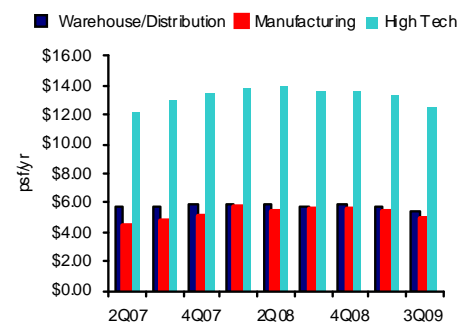
RENT: Warehouse/distribution rental rates will continue to decrease to reflect the current market conditions.



CONSTRUCTION: Currently there is 199,000 sf under construction, compared to over 2.0 msf at this time last year.



DIRECT RENTAL RATE COMPARISON



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY**	NO. OF BLDGS.	OVERALL VACANCY RATE***	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								HT	MF	OS****	W/D
Bergen County	121,253,048	1,283	7.6%	1,144,496	0	15,000	(1,390,748)	\$10.91	\$6.71	N/A	\$6.64
Essex County	69,864,026	654	4.8%	316,504	0	0	(698,146)	\$9.06	\$4.85	N/A	\$6.56
Hudson County	91,343,116	517	7.2%	933,258	0	0	(2,847,195)	\$16.95	\$3.75	N/A	\$6.12
Morris County	45,876,781	470	11.8%	488,796	0	27,248	(2,272,906)	\$9.02	\$5.34	N/A	\$6.33
Passaic County	46,181,410	454	7.0%	718,691	0	0	(848,643)	\$12.12	\$4.31	N/A	\$5.92
Northern NJ Total	374,518,381	3,378	7.4%	3,601,745	0	42,248	(8,057,638)	\$10.23	\$5.11	N/A	\$6.36
Mercer County	30,020,684	236	19.4%	725,211	0	0	(557,199)	\$19.52	\$5.43	N/A	\$4.37
Middlesex County	236,738,267	1,604	10.2%	3,078,306	199,000	999,483	(3,933,080)	\$14.60	\$4.12	N/A	\$4.85
Monmouth County	17,562,335	186	7.6%	75,082	0	50,000	(94,978)	\$11.83	\$6.27	N/A	\$5.88
Somerset County	44,001,371	396	7.1%	282,011	0	86,400	(882,217)	\$12.97	\$9.22	N/A	\$5.08
Union County	72,358,650	648	8.2%	540,021	0	385,000	(1,499,101)	\$12.68	\$4.75	N/A	\$5.22
Central NJ Total	400,681,307	3,070	10.1%	4,700,631	199,000	1,520,883	(6,966,575)	\$14.51	\$4.72	N/A	\$4.86
TOTAL	775,199,688	6,448	8.8%	8,302,376	199,000	1,563,131	(15,024,213)	\$12.55	\$4.95	N/A	\$5.48

*Rental rates reflect \$psf/year

Estimated Inventory *Estimated Vacancy Rate

***Office Services inventory does not exist within this market

HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
100-400 Nixon Lane	Lower 287 Corridor	Dotcom Distribution	400,000*	WD
14 Applegate Drive	Southern Region	Princeton Fulfillment Solutions, LLC.	152,057	WD
I-Port 12/8003 Industrial Avenue	Lower 287 Corridor	Graybar Electric Company	136,250	WD
99 Caven Point Road	Waterfront Region	Fabwood Cabinetry	123,000	WD
114-120 Northfield Avenue	Lower 287 Corridor	Exel Logistics	116,321	WD

SIGNIFICANT 3Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1 Heller Park Lane	Somerset-Upper 287 Corridor	Sixth Avenue Electronics, Inc.	323,985	\$13,850,000
2013 McCarter Highway	Newark Market	Rock Tenn Co.	180,000	\$8,000,000
194-204 North Twelfth Street	Newark Market	The Kislak Company	101,000	\$1,675,000

SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1299 West Edgar Road	Clark & Cranford	NA	385,000	7/09
Port Reading Business Park -Building 1	Lower 287 Corridor	Confidential	*252,776	9/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
6 Corporate Place	Middlesex Middle N-Upper 287 Corridor	NA	90,000	12/09

*Renewal/Expansion



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Cushman & Wakefield, Inc.
1 Meadowlands Plaza, 7th Fl.
East Rutherford, NJ 07073
(201) 935-4000

Please consider your environmental responsibility before printing this report.

*Market terms & definitions based on BOMA and NAIOP standards.

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2009 Cushman & Wakefield, Inc. All rights reserved.