

# MARKETBEAT

## NORTHERN AND CENTRAL NEW JERSEY INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q09

### ECONOMY

The New Jersey Industrial market has recently been marred with more lows than highs. The economic recession has prompted companies to redirect their objectives, which in turn resulted in massive budget and labor cuts. According to the New Jersey Department of Labor, the unemployment rate jumped to 8.3% in March from 7.3% in January. The state lost 17,200 jobs in total. Manufacturing continues to dip down with 3,700 jobs in the negative, along with a drop of 1,800 jobs in the trade, transportation, and utilities sector. A key indicator of how the market is performing is the Port Region which has reported flat growth for the first time since 1993. There was a slight decrease in the amount of containers unloaded at the docks (5,265,063), which is said to be a result of the economic downturn.

### OVERVIEW

Leasing activity recorded over 2.0 million square feet (msf), representing 30% of the total posted last year at a time when leasing activity surged, registering over 6.0 msf. However, several large transactions over 100,000 square feet (sf) occurred during this quarter. Activity was highlighted by the Jersey City market, where wholesale food merchants, Continental Coffee Company leased the entire 238,799-sf building at 112 Port Jersey Boulevard. Meanwhile, at 108 Industrial Drive, Star Snacks leased 154,000 sf for its warehousing needs.

As companies seek to cut costs by consolidating, more blocks of space are being delivered to the market at a faster pace than in previous quarters. Overall vacancy rates have increased 0.7% from year-end 2008 to a current 7.9%. Direct average asking weighted rental rates have started to drop as evidenced by the \$0.13 per square foot (psf) decrease from \$6.72 psf last year, to the current figure of \$6.59 psf. Although there is very little demand in the market, over 1.0 msf of new construction is set to be delivered this year. The only building completed so far this year was the 583,376-sf warehouse/distribution building located at 140 Docks Corner Road in South Brunswick and remains fully vacant. The property is also representative of the largest sale of the year; BlackRock Realty acquired the building from JG Petrucci Co. Inc. for \$42.5 million.

Despite the sluggish drive of the current economy, some investors who have the capital found it advantageous to purchase buildings at a discounted rate. However, the total sales documented are currently trailing by over 60% from last year. Sales activity this quarter registered 1.52 msf compared to an investment flood of 5.9 msf during the first quarter 2008.

### FORECAST

The days of big-box leasing are coming to a sharp halt as cracks in the economic foundation are being exposed. Renewal activity will prove to be vital for tenants as rental rates continue to decline. Sales activity will diminish and companies that have investment capital will hold onto their resources.

### BEAT ON THE STREET

"The industrial market conditions continue being challenged. On a daily basis, there is an influx of existing properties being delivered to the market for sublet, lease or sale. Brokers are now forced to compete in one big "lottery", all seeking limited live prospects for the abundance of vacant space."

Bonni Heller-Associate Director

### ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	6.8%	8.8%	10.1%
Employment Growth	-4.1%	-3.8%	-1.0%

Source: Moody's | Economy.com

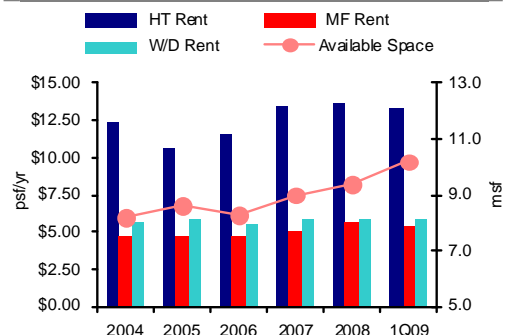
### MARKET FORECAST

**LEASING ACTIVITY:** renewals will play a major role this year as rents decline. Few significant deals will occur until there is evidence of an economic uptick. ↓

**INVESTMENT SALES:** a tighter financing climate will bring investment sales totals to levels as low as those prior to 2006. ↓

**CONSTRUCTION:** expect construction starts to continue waning as the tight hold on credit remains an issue for the foreseeable future. ↓

### DIRECT RENTAL RATES VS. AVAILABLE SPACE



### 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	121,238,048	1,278	7.6%	254,565	15,000	0	(701,902)	\$11.72	\$7.86	N/A	\$6.50
Essex County	69,864,026	651	4.1%	181,812	0	0	(157,776)	\$11.25	\$5.07	N/A	\$6.58
Hudson County	91,343,116	514	5.4%	443,761	0	0	(854,585)	\$16.95	\$4.05	N/A	\$6.40
Morris County	45,849,533	470	9.2%	129,610	0	0	(1,041,730)	\$9.50	\$5.88	N/A	\$6.95
Passaic County	46,181,410	449	6.9%	214,699	0	0	(703,770)	\$11.90	\$4.00	N/A	\$6.84
<b>Northern NJ Total</b>	<b>374,476,133</b>	<b>3,362</b>	<b>6.5%</b>	<b>1,224,447</b>	<b>15,000</b>	<b>0</b>	<b>(3,459,763)</b>	<b>\$11.10</b>	<b>\$5.54</b>	<b>N/A</b>	<b>\$6.59</b>
Mercer County	30,020,684	235	18.1%	11,000	0	0	(35,423)	\$19.86	\$5.43	N/A	\$4.53
Middlesex County	236,322,160	1,598	9.4%	504,011	553,107	583,376	(1,510,936)	\$15.50	\$5.14	N/A	\$5.40
Monmouth County	17,512,335	183	8.9%	11,000	0	0	(41,442)	\$12.14	\$6.00	N/A	\$6.49
Somerset County	43,914,971	394	7.3%	83,302	86,400	0	(943,034)	\$12.36	\$7.98	N/A	\$5.06
Union County	71,973,650	646	6.5%	185,568	385,000	0	(409,517)	\$13.01	\$4.97	N/A	\$5.72
<b>Central NJ Total</b>	<b>399,743,800</b>	<b>3,056</b>	<b>9.2%</b>	<b>794,881</b>	<b>1,024,507</b>	<b>583,376</b>	<b>(2,940,352)</b>	<b>\$14.89</b>	<b>\$5.26</b>	<b>N/A</b>	<b>\$5.31</b>
<b>TOTAL</b>	<b>774,219,933</b>	<b>6,418</b>	<b>7.9%</b>	<b>2,019,328</b>	<b>1,039,507</b>	<b>583,376</b>	<b>(6,400,115)</b>	<b>\$13.30</b>	<b>\$5.40</b>	<b>N/A</b>	<b>\$5.82</b>

\*\* Estimated Inventory

\*Rental rates reflect \$psf/year

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

### MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
112 Port Jersey Boulevard	Waterfront Region	Continental Coffee Company	238,799	Warehouse/Distribution
108 Industrial Drive	Waterfront Region	Star Snacks	154,000	Warehouse/Distribution
200 Middlesex Avenue	Lower 287 Corridor	Cargo Logistics	147,000	Warehouse/Distribution
50 Madison Road	Passaic-Suburban Region	Cervalis	126,370	Warehouse/Distribution

SIGNIFICANT 1Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
140 Docks Corner Road	Exit 8A Market	BlackRock Realty	583,376	\$42,500,000
259 Prospect Plains Road	Exit 8A Market	Matrix Development Group	347,000	\$11,500,000
500 Memorial Drive/400 Commons Way	Portfolio Sale	Baker Properties	231,133	\$19,500,000

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
140 Docks Corner Road	Exit 8A Market	N/A	583,376	1/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1299 West Edgar Road	Clark & Cranford	N/A	385,000	12/09
Port Reading Business Park- Building I	Lower 287 Corridor	N/A	252,776	9/09



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

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