

MARKETBEAT

NEW JERSEY INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q10

ECONOMY

The recent two-year downward shift in the economy affected multiple industries, more specifically the industrial sector. According to the New Jersey Department of Labor and Workforce Development, New Jersey job growth in February increased by 3,700 jobs, while the unemployment rate declined by 0.1 of a percentage point to 9.8%. New Jersey is home to approximately 10,003 manufacturers employing nearly 433,545 workers. However, employment losses occurred in manufacturing (-1,000) while manufacturing employment was lower in both the durable (-200) and nondurable (-800) categories. Despite these losses in manufacturing, smaller over-the-month gains were evident in trade, transportation and utilities (+400) and construction (+400).

OVERVIEW

To begin the year, fundamentals proved to be fairly robust in this market. First quarter 2010 new leasing activity in Northern and Central New Jersey, experienced an 11.0% year-over-year increase, recording nearly 2.6 million square feet (msf). The bulk of leasing occurred within Bergen and Middlesex Counties where a combined total of 1.63 msf occurred. Direct triple net weighted average asking rental rates remained flat since year-end 2009, currently \$6.02 per square foot (psf).

To start the year, the Lower 287 Corridor experienced significant leasing activity. The most notable lease occurred at 1500 Rahway Avenue in Avenel where Merit Group (aka Five Star) secured the entire 324,000-square foot (sf) property. In Edison, Factory Direct of Edison (Ashley Furniture), leased 232,291 sf at 3003 Woodbridge Avenue, while Beaulieu of America Inc, signed on for a full property lease at 260 Meadow Road in Edison. The carpet producer was previously a tenant of Heller Industrial Parks, Inc. and its new lease encompasses a \$2-million five-year term. Further north, Production Resource Group took the entire 203,771-sf building at 915 Secaucus Road in Secaucus and at 251-259 Kapkowski Road in Elizabeth, Exel Logistics leased 130,205 sf.

Construction activity is primarily centered around data centers; where Russo Development is taking on a few of the more significant projects in the state. The largest built-to-suit project under construction is located at 1700 MacArthur Boulevard in Mahwah and will house a 400,000-sf data center for the New York Stock Exchange. In Clifton, a 285,000-sf data center for Credit Suisse is being constructed on the former Automatic Data Processing Inc. (ADP) building located at 201 Main Avenue, which was demolished back in 2008.

FORECAST

Looking ahead, market rents will remain flat over the next several quarters, with minimal increase, if any. Specific industries, primarily retail, shipping and logistics will continue to keep leasing activity alive in areas such as Exit 8A and the Port Region; which have proven to be the nucleus of activity in the Northern and Central portion of the state. An uptick in renewal activity is expected as tenants continue looking to restructure leases in order to take advantage of low market rental rates.

BEAT ON THE STREET

"Inventory is increasing, but we are seeing more users who are taking advantage of a buyers (tenant) market. In the near future, when we experience the onset of job growth, the real estate market will accelerate dramatically."

-Donald P. Eisen, Executive Managing Director


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%


Regional	2009	2010F	2011F
Unemployment	10.0%	10.3%	10.1%
Employment Growth	-1.0%	-0.8%	1.3%

Source: Moody's | Economy.com

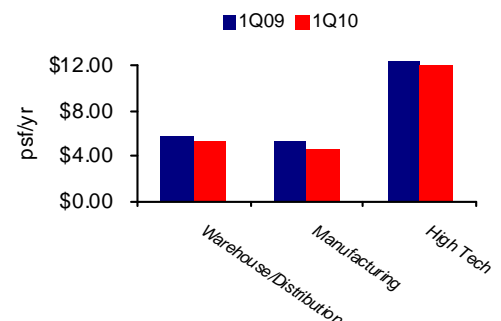
MARKET FORECAST

LEASING ACTIVITY surpassed the totals recorded last year at this time and is expected to improve slowly as the year continues. 

MARKET RENTS declined minimally from year-end 2009 and will remain flat throughout the year. 

CONSTRUCTION: Though an oversupply exists, recent activity shows an uptick in the approval of high-technology building construction. 

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 DIRECT ABSORPTION	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
									HT	MF	OS***	W/D
Bergen County	85,248,784	1,289	12.0%	359,268	400,000	0	(1,305,962)	(1,254,345)	\$10.65	\$6.65	N/A	\$6.14
Essex County	44,342,282	656	7.1%	52,326	0	0	(156,173)	(156,173)	\$9.56	\$4.95	N/A	\$5.86
Hudson County	68,856,829	519	10.3%	306,771	0	0	(782,246)	(832,246)	\$17.11	\$3.71	N/A	\$6.06
Morris County	42,532,503	471	13.7%	137,217	0	0	(460,475)	(183,432)	\$8.76	\$5.45	N/A	\$6.68
Passaic County	37,340,472	455	8.7%	88,929	285,000	0	(190,762)	(180,669)	\$9.41	\$3.94	N/A	\$5.78
Northern NJ Total	278,320,870	3,390	10.6%	944,511	685,000	0	(2,895,618)	(2,606,865)	\$9.89	\$5.03	N/A	\$6.15
Mercer County	25,712,628	236	21.3%	35,293	0	0	(1,854)	(1,854)	\$20.64	\$7.50	N/A	\$4.32
Middlesex County	194,524,359	1,607	11.8%	1,268,923	150,000	0	(1,651,311)	(1,641,600)	\$13.91	\$3.94	N/A	\$4.54
Monmouth County	13,947,242	186	8.3%	43,125	0	0	(65,296)	(65,296)	\$11.59	\$6.27	N/A	\$6.90
Somerset County	32,956,290	397	10.6%	109,952	66,000	0	(169,649)	(159,999)	\$12.56	\$5.57	N/A	\$4.97
Union County	57,128,125	651	10.6%	182,183	0	0	(76,690)	(83,779)	\$9.42	\$4.09	N/A	\$5.08
Central NJ Total	324,268,644	3,077	12.1%	1,639,476	216,000	0	(1,964,800)	(1,952,528)	\$14.11	\$4.26	N/A	\$4.65
TOTAL	602,589,514	6,467	11.4%	2,583,987	901,000	0	(4,860,418)	(4,559,393)	\$12.13	\$4.69	N/A	\$5.32

*Rental rates reflect \$psf/year

**New Jersey industrial inventory has been revised to reflect a new benchmark of the total size of the market. This benchmark replaces the estimated inventory used in past reports with a more accurate actual count of space.

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

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

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
1500 Rahway Avenue	Lower 287 Corridor	Merit Group (Five Star) Factory Direct of Edison (Ashley Furniture)	324,000	Warehouse/Distribution
3003 Woodbridge Avenue	Lower 287 Corridor	Furniture	232,291	Warehouse/Distribution
915 Secaucus Road	Hudson-Meadowlands Region	Production Resource Group	203,771	Warehouse/Distribution
251-259 Kapkowski Road	Elizabeth Market	Exel Logistics	130,205	Warehouse/Distribution
260 Meadow Road	Lower 287 Corridor	Beaulieu of America Inc.	122,301	Warehouse/Distribution

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1135 Springfield Road	Clark & Cranford Market	Restaurant Depot	125,000	\$8,500,000
10 & 19 Railroad Avenue	Route 17 No & GSP N Corridor	Capital Hardware	97,247	\$3,500,000
71 Riverview Drive	Passaic-Suburban Region	Perfect 10 LLC	65,000	\$4,800,000
130 Belmont Drive	Raritan & Somerville Market	Core Properties LLC	50,176	\$3,036,000
33 New Bridge Road	Route 4 East Corridor	New Bridge Management LLC	44,000	\$3,500,000

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1700 MacArthur Boulevard	Route 17 No & GSP N Corridor	New York Stock Exchange	400,000	8/10
201 Main Avenue	Clifton & Paterson Market	Credit Suisse	285,000	5/11
6 Corporate Place	Middle N-Upper 287 Corridor	N/A	90,000	4/10



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