

MARKETBEAT

NORTHERN & CENTRAL NJ INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q08

ECONOMY

The New Jersey industrial market continues to remain challenged. Rising gas costs and toll hikes have pushed manufacturing companies into less expensive markets such as Pennsylvania, where transportation costs are lower, yet still within close proximity to major thruways. The manufacturing industry no longer remains the “booming industry” it once was. According to the New Jersey Department of Labor, in August, manufacturing (-200) continued to decline. However, small gains in employment occurred in trade, transportation and utilities (+100) and construction (+100). Despite the state’s shrinking manufacturing market, there are talks of revitalization from companies and entrepreneurs alike who feel they can reap rewards from rehabilitating a falling industry.

OVERVIEW

Overall market fundamentals in New Jersey reveal an increase in overall vacancy rates. The current vacancy rate is 7.2%, an increase of 0.3 percentage points since last quarter. Direct average asking rental rates have declined slightly since last quarter, currently registering \$6.64 per square foot (psf). However, leasing activity has rebounded, and now totals 12.8 million square feet (msf) year-to-date; yet this is still well below the 17.6 msf posted at this time last year. Sales activity, although declining each quarter, surpassed the year-end 2007 totals of 8.5 msf, currently registering 10.1 msf year-to-date. The largest sale of the quarter occurred in Carteret, where Hampshire Partners Fund VII purchased the 299,625 square foot (sf) property at 2-8 Germak Drive.

In Central New Jersey, helping to rebound leasing activity this quarter, accounting and payroll software manufacturer, Check Mark Software, Inc., took the entire 226,034 sf building at 15 Thatcher Drive in South Brunswick. In West Caldwell, Vestcomm Mid-Atlantic leased 210,350 sf at 5 Henderson Drive, representing the biggest lease in Northern New Jersey.

The once-dominant Middlesex County, known for its “big box” product has seen 1.6 msf of construction completions so far this year, but demand remains weak. Vacancy rates for new completions and under construction average over 51%. New construction this quarter was marked by the completion of Amboy Corporate Center-Building 2 (517,000sf), which was pre-leased by Best Buy in 2007. Building 1 (614,500sf) is set for completion in the fall. There are five buildings that remain under construction in 2009. However, it is expected that construction velocity will decrease in the coming year as demand wanes.

FORECAST

Market turbulence will continue as the U.S. government tries to assuage the current financial recession within this country. However, the Port region, which has maintained record setting cargo shipments over the past two years, will continue to benefit from the increased international trade, thereby offsetting some of the economic trauma.

BEAT ON THE STREET

“In this uncertain economic climate, transactions are taking longer and in many instances companies are considering short-term renewals, rather than long-term commitments.”

—Steve Elman, Director

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.8%	2.0%	1.9%
CPI Growth	3.2%	2.9%	4.4%
Regional			
Unemployment	4.3%	4.2%	5.3%
Employment Growth	1.20%	-0.16%	-0.17%

Source: Moody’s | Economy.com

MARKET FORECAST

LEASING ACTIVITY: As economic uncertainty continues to plague the market, leasing velocity is expected to lessen through year-end.



SALES ACTIVITY has surpassed the 2007 total of 8.5 msf. However, investor activity may taper off as market confidence continues to decline.

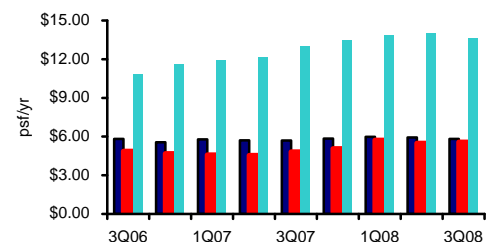


RENT: Warehouse/distribution rental rates are beginning to decrease as an oversupply of new construction hovers over Central New Jersey.



RENTAL RATE COMPARISON

■ Warehouse/Distribution ■ Manufacturing ■ High Tech



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	121,155,698	1,267	7.1%	1,778,791	97,350	0	(2,432,740)	\$12.13	\$6.78	N/A	\$6.64
Essex County	69,864,026	645	4.1%	773,457	0	191,196	(97,603)	\$11.22	\$5.88	N/A	\$6.51
Hudson County	91,343,116	508	5.0%	1,798,682	0	0	130,175	\$17.59	\$4.75	N/A	\$6.21
Morris County	45,822,533	465	7.6%	1,004,210	0	27,000	17,985	\$10.43	\$6.08	N/A	\$7.30
Passaic County	46,181,410	447	5.6%	500,918	0	22,000	198,220	\$13.02	\$5.02	N/A	\$6.68
Northern NJ Total	374,366,783	3,332	5.9%	5,856,058	97,350	240,196	(2,183,963)	\$11.66	\$6.01	N/A	\$6.61
Mercer County	30,020,684	235	17.5%	380,039	0	879,677	597,059	\$19.89	\$5.43	N/A	\$4.56
Middlesex County	235,070,284	1,592	8.7%	4,778,947	1,498,207	1,652,050	543,615	\$15.61	\$4.96	N/A	\$5.44
Monmouth County	17,512,335	181	8.1%	275,375	0	341,000	403,941	\$11.70	\$6.00	N/A	\$6.75
Somerset County	43,914,971	392	5.5%	845,057	86,400	0	(1,695)	\$11.69	\$6.48	N/A	\$4.96
Union County	71,973,650	641	5.9%	747,677	385,000	143,756	(87,812)	\$14.39	\$4.56	N/A	\$5.77
Central NJ Total	398,491,924	3,041	8.5%	7,027,095	1,969,607	3,016,483	1,455,108	\$14.76	\$4.91	N/A	\$5.35
TOTAL	772,858,707	6,373	7.2%	12,883,153	2,066,957	3,256,679	-728,855	\$13.59	\$5.57	N/A	\$5.82

*Rental rates reflect \$psf/year

**Estimated Inventory

Office Services inventory does not exist within this market

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

MARKET HIGHLIGHTS

SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
15 Thatcher Drive	Exit 8A Market	Check Mark Software, Inc.	226,034	Warehouse/Distribution
5 Henderson Drive	Essex-Suburban Region	Vestcom Mid-Atlantic	210,350	Warehouse/Distribution
4 Aurora Drive (Cranbury Business Park-Bldg 4)	Exit 8A Market	FTC Services, Inc.	166,400	Warehouse/Distribution
240 West Parkway	Route 23 Corridor	Strong Man Building Products Corp.	127,000	Warehouse/Distribution
350 Meadowlands Parkway	Hudson Meadowlands	PetraPort	120,000	Warehouse/Distribution

SIGNIFICANT 3Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2-8 Germak Drive	Lower 287 Corridor	Hampshire Partners Fund VII	299,625	N/A
19-29 Stults Road	Exit 8A Market	Kennedy International Inc.	190,000	\$11,000,000
900 Magnolia Avenue	Elizabeth Market	N/A	190,000	\$1,800,000
201 Mac Lane	Lower 287 Corridor	Federal Business Centers	160,000	\$12,600,000

SIGNIFICANT 3Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1051 Amboy Avenue-Building 2	The Arthur Kill Region	Best Buy	517,000	7/08
6 Paragon Way	Monmouth County	Lorillard Tobacco	71,000	8/08
469 Old Trenton Road-SdPark	Southern Region	N/A	65,975	7/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1051 Amboy Avenue-Building 1	The Arthur Kill Region	U.S. Food Service	614,500	10/08
140 Docks Corner Road	Exit 8A Market	N/A	583,376	3/09



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

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