

MARKETBEAT INDUSTRIAL SNAPSHOT



NORTHERN & CENTRAL NJ A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

The Port of NY/NJ remains the major driving factor of the industrial market in the area. Through October the Port has seen more than 4.8 million loaded container TEU's, a 4.1% increase since one year ago. Meanwhile, online sales are projected to reach over \$300 billion for 2014, and are projected to climb to more than \$400 billion by 2017. Meanwhile, NJ continues to lag much of the nation in terms of job growth, with just 12,700 new private sector jobs added during the last year.

NET ABSORPTION REACHES RECENT HIGH

New Jersey's overall net absorption remained in the green with 2.1 MSF of space absorbed during Q4, bringing the YTD total for the state to 11.7 msf. This marked the highest amount of annual space gains in the state in recent history. This was driven by robust leasing during much of the year coupled with build-to-suit deliveries in some major market segments. Overall vacancy for NJ inched lower to 8.2% since Q3, with NNJ flat during that time at 7.5%. Meanwhile, CNJ fell 0.2 percentage points during Q4 due in large part to improving occupancy levels in the Exit 7A and the Upper 287 submarkets. Of the major submarkets along the turnpike, only the Port Region and Exit 7A saw improvements in vacancy. The W/D direct average rent inched higher by just \$0.04 psf during Q4 and 6.5% since a year ago. While NNJ experienced a slight up-tick during the quarter to \$6.21 psf for W/D space, CNJ saw its average edge marginally lower to \$4.89 psf.

New construction reached a high not seen since 2002 with more than 7.3 msf of industrial product built during 2014. Unlike during the last peak cycle, about half of the new developments were on built-to-suit. The Port and Lower 287 experienced the highest amount of new development during the year. Currently there are 3.1 msf under development in New Jersey slated to deliver during 2015.

2014 A ROBUST YEAR IN LEASING DESPITE Q4 DROP OFF

Q4 saw new leasing activity total 4.6 msf, a nine quarter low. However, demand was healthy enough for NJ to post its strongest year of leasing since 2011 with 23.0 msf of new deals closed. On the submarket level, the Meadowlands and Exit 8A each exceeded 4.0 msf of annual activity with Lower 287 recording just over 3.1 msf for the year. During Q4, Exit 8A was the most active submarket in NJ, posting just under 900,000 sf of activity. Large deals remained the driving force (52.7% of the quarterly total) behind deal volume with 12 leases executed in excess of 100,000 sf.

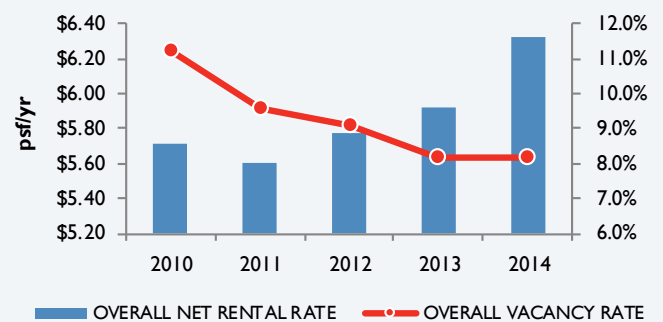
OUTLOOK

More than 3.0 msf of developments are anticipated to be completed during 2015, 85.0% of which is on a speculative basis. While demand is anticipated to remain healthy through 2015, vacancy could continue to remain relatively stable as spec construction and dispositions may offset leasing activity. Meanwhile, as quality space along the turnpike remains somewhat scarce, we foresee asking rents trending further upwards as strong competition for class A space persists and demand for class B space rises. As both online retail sales and manufacturing are expected to trend higher, the NJ Industrial market is poised to remain one of the healthiest markets in the nation due in large part to the Port of NY/NJ and its proximity to largest population concentration in the country.

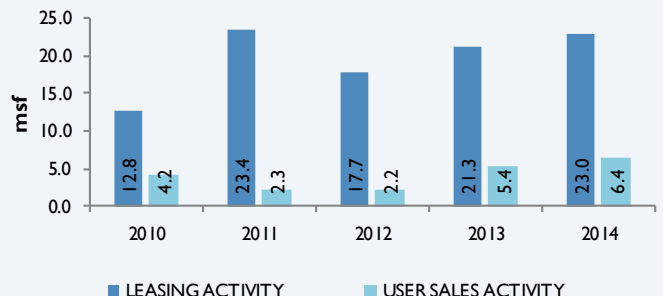
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.2%	8.2%	0 pp	▼
Direct Asking Rents (psf/yr)	\$5.99	\$6.44	7.5%	▲
YTD Leasing Activity (sf)	21,273,179	23,013,915	8.2%	↕

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



NORTHERN & CENTRAL NEW JERSEY												
SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
Bergen County	86,889,387	7.1%	2,498,078	1,267,286	151,500	0	540,867	452,570	\$10.67	\$6.62	N/A	\$6.50
Essex County	45,677,128	5.4%	1,035,604	382,452	0	350,000	558,500	398,500	\$10.28	\$4.55	N/A	\$6.45
Hudson County	72,942,755	9.3%	3,751,754	1,059,421	0	1,506,564	1,519,625	1,455,209	N/A	N/A	N/A	\$5.97
Morris County	42,889,321	10.1%	1,075,523	103,000	180,000	0	598,118	509,099	\$8.84	\$6.49	N/A	\$6.63
Passaic County	40,972,647	5.0%	789,668	895,905	0	0	672,118	723,314	\$10.99	\$5.45	N/A	\$5.81
NORTHERN NJ TOTAL	289,371,238	7.5%	9,150,627	3,708,064	331,500	1,856,564	3,889,228	3,538,692	\$10.14	\$5.50	N/A	\$6.28
Mercer County	27,872,488	5.9%	1,464,094	89,116	0	1,444,084	2,574,346	2,577,866	\$10.20	N/A	N/A	\$3.76
Middlesex County	198,076,405	8.6%	9,708,149	1,711,970	2,530,782	2,660,330	3,218,086	3,527,790	\$16.28	\$4.30	N/A	\$4.78
Monmouth County	13,957,312	2.7%	200,707	0	0	0	152,009	152,009	\$12.45	\$5.81	N/A	\$7.06
Somerset County	33,658,685	9.4%	872,301	185,000	0	0	271,897	451,012	\$10.85	\$4.34	N/A	\$3.84
Union County	56,524,527	12.1%	1,618,037	702,866	188,411	1,343,604	1,562,051	1,479,291	\$14.01	\$2.47	N/A	\$6.33
CENTRAL NJ TOTAL	330,089,417	8.8%	13,863,288	2,688,952	2,719,193	5,448,018	7,778,389	8,187,968	\$14.59	\$3.74	N/A	\$4.89
TOTALS	619,460,655	8.2%	23,013,915	6,397,016	3,050,693	7,304,582	11,667,617	11,726,660	\$12.67	\$4.42	N/A	\$5.60

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF= MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS				
SIGNIFICANT 2014 LEASE TRANSACTIONS				
SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET	
I Costco Way, Monroe	Exit 8A	Ozburn-Hessey Logistics	Warehouse/Distribution	611,320
50-100 Meadowlands Parkway, Secaucus	Meadowlands	Ferguson Plumbing	Warehouse/Distribution	450,318
200 Liberty Way, Cranbury	Exit 8A	Tyler Distribution Centers	Warehouse/Distribution	443,198
I Heller Park Lane, Somerset	Upper 287 Corridor	Promotion in Motion	Warehouse/Distribution	323,985
10 Knox Drive, Piscataway	Upper 287 Corridor	Software House International	Warehouse/Distribution	305,751
SIGNIFICANT 2014 SALE TRANSACTIONS				
SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET	
4000 Bordentown Avenue, Sayreville	The Brunswicks	Green Acre Realty Co.	\$24,000,000 / \$27	900,000
Sitex Northern New Jersey Portfolio	Multiple	L&B	\$90,455,925 / \$105	861,485
965 Cranbury South River Road, South Brunswick	Exit 8A	Matrix	\$11,000,000 / \$19	550,050
300-330 Fairfield Road, Fairfield	Suburban Essex	Stoltz Real Estate Partners	\$51,600,000 / \$124	417,159
I Emerson Lane, Secaucus	Meadowlands	Century 21 Department Stores	\$29,000,000 / \$85	340,000
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS				
SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET	
50 New Canton Way, Robbinsville	Exit 7A	Amazon	Q2 2014	1,039,000
Pulaski Distribution Center, Jersey City	Port Region	Imperial Bag & Paper/Peapod	Q1 2014	878,564
1005 W. Middlesex Avenue	Lower 287	Speculative	Q2 2014	737,620
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET	
Talmdge @ 27, Edison	Lower 287 Corridor	Speculative	Q1 2015	695,072
965 Cranbury South River Road, South Brunswick	Exit 8A	Speculative	Q1 2015	550,050