



NORTHERN NEW JERSEY INDUSTRIAL

Market Tracker

*Arrows = Current Qtr Trend

▲ Vacancy
7.9%

▼ Net Absorption
(460,347) SF

▲ Deliveries
261,016 SF

▲ Asking Rent
\$5.66 NNN

Northern New Jersey Awaits Growth in Demand

Northern New Jersey Industrial leasing activity remained sluggish in the fourth quarter as the vacancy rate rose slightly to 7.9% with negative 460,367 SF of net absorption. Expansion plans by many companies have been recently tempered due to uncertainty of market growth. The speed of recovery in NJ will largely depend on the recovery in the U.S Economy. As consumer confidence, consumer spending, and GDP growth improves, companies will become more lucrative and begin to increase hiring. This will translate to local expansion of operations and decreasing vacancies in the market. In 2012, the market should expect modest occupancy growth and rental rate improvement.

A positive sign of future market improvement is that the average asking rate rose in the fourth quarter to \$5.66/SF from \$5.62/SF in the previous quarter. This indicates that asking prices have bottomed out and landlords and tenants are closing the gap between perceived market values. There were two buildings delivered this quarter totaling 261,016 SF. The buildings include 120 Central Avenue in Kearny (189,540 SF) and 140 State Street in Moonachie (71,476 SF), which is 100% leased to Macy's Parade Studio. There is still not enough demand to justify spec development, therefore new construction will remain sparse in 2012 which will encourage tenants to look at existing space to suit their needs.

Submarkets around the Port held up well during 2011 and captured a high percentage of demand in the market. The Port/Airport submarket maintains the lowest vacancy rate in Northern New Jersey of 3.8% and reported over 280,000 SF of positive absorption in 2011. Union County was the best performer in the fourth quarter with over 109,000 SF of positive absorption bringing the total net absorption to 470,498 for the year. A noteworthy transaction this quarter includes the full building lease of 197,815 SF at 1441 Chestnut Avenue in Hillside.

The Port of New York and New Jersey, a primary driver of industrial demand in the market, reported an increase of both import and export traffic from January to November 2011. In comparison to January through November of 2010, imports have increased by 4.0% and exports have increased by 6.7%. The New York Shipping Association and New York Maritime recently reported that 279,200 jobs are generated by the port's activity and there has been a 3.5% increase in jobs since 2008, which have now exceeded pre-recession levels. Additionally, the Port of NY and NJ "Raise the Roadway" initiative will raise the Bayonne Bridge and provide necessary clearance to accommodate the bigger, more efficient vessels that will be utilized once the Panama Canal expansion is complete in 2014. The larger vessels will produce "dramatically lower per slot shipping-cost savings that flow through the supply chain and ultimately result in lower consumer prices"—The Port of NY/NJ. Growing demand for U.S exports will fuel expansion by warehouse users and generate job growth in the area.

Economic Indicators

	Q4 11	Q4 10
Northern NJ* Employment	1.865M	1.853M
Northern NJ** Unemployment	8.9%	9.1%
U.S. Unemployment (Seasonally Adjusted)	8.6%	9.6%
U.S. CCI (Consumer Confidence Index)	53.53	57.05

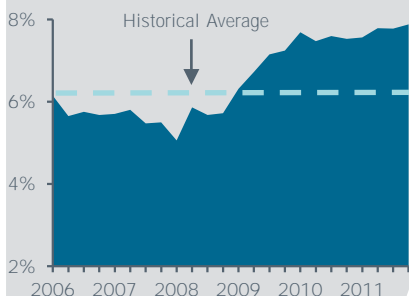
*Newark-Union/Bergen-Hudson-Passaic(NJ BLS)

**Bergen, Essex, Hudson, Morris, Passaic, & Union Counties (NJ BLS)

Net Absorption



Vacancy Rates



Forecast

- The technology sector will continue to be prevalent among leasing activity.
- Newer, high-quality buildings will continue to capture the majority of demand and outperform older facilities.
- Asking prices will continue to stabilize.
- Growing demand for U.S exports will fuel expansion by warehouse users and generate job growth.

Cassidy Turley Industrial Market Snapshot

Northern New Jersey • Fourth Quarter • 2011

FEATURED SUBMARKETS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE
Central Bergen	732	32,692,269	6,884	2,048,017	6.3%	(140,995)	134,718	0	\$7.24
Eastern Morris	519	30,473,890	146,949	3,110,000	10.2%	(84,921)	(747,386)	0	\$6.77
Hudson Waterfront	434	30,892,501	32,430	1,953,449	6.3%	(12,517)	116,058	0	\$5.94
Meadowlands	1,066	78,189,126	631,326	8,378,115	10.7%	(216,948)	(514,425)	0	\$5.71
Northern Bergen	388	18,756,664	108,600	1,767,792	9.4%	(6,601)	(658,588)	0	\$7.18
Passaic	1,267	58,949,206	116,325	3,704,436	6.3%	(152,689)	(14,217)	0	\$5.23
Port/Airport	591	45,414,581	0	1,736,538	3.8%	(72,605)	280,962	0	\$5.75
Union County	953	47,596,767	155,068	3,352,837	7.0%	109,356	470,498	0	\$4.54
West Essex	523	23,145,655	99,399	1,162,186	5.0%	88,668	(102,499)	0	\$7.55
Western NJ	365	20,360,410	639,702	2,614,744	12.8%	(93,911)	(139,828)	0	\$4.90
NORTHERN NJ TOTAL	7,135	425,288,520	1,493,143	33,511,639	7.9%	(460,347)	(1,534,759)	0	\$5.66

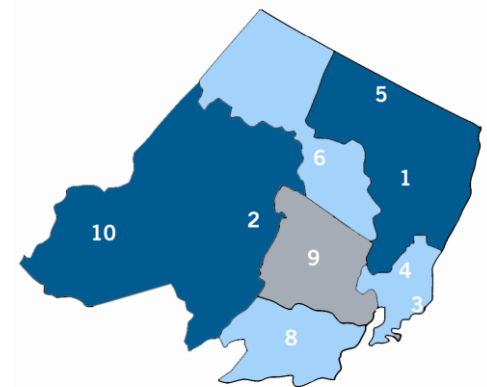
Asking rents converted to Triple Net

Key Lease Transactions Q4 11

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1441 Chestnut Avenue	197,815	N/A	Lease	Union
65 Oxford Drive	95,542	Sun Taiyang Inc.	Lease	Meadowlands
10 Fairway Court	85,441	Fillo Factory	Lease	Northern Bergen
2100 91 st Street	80,000	WalMart	Lease	Meadowlands
355 Chestnut Street	79,466	Phoenix Aromas & Essential Oils Inc.	Lease	Northern Bergen
151 West Side Avenue	60,000	Nippon Express	Lease	Hudson Waterfront

Industrial Submarkets

Northern New Jersey



1. Central Bergen
2. Eastern Morris
3. Hudson Waterfront
4. Meadowlands
5. Northern Bergen
6. Passaic
7. Port/Airport
8. Union County
9. West Essex
10. Western NJ

Key Sales Transactions Q4 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
1 Clifton Boulevard	160,000	Clifton Properties of NJ/ Twin Industries LLC	\$5,150,000	Passaic
620 Division Street	155,875	Hayward Manufacturing Inc./ Terreno Realty Corporation	\$10,400,000	Union
60 McClellan Street	117,419	Versa Capital Management Inc./ Damascus Bakery	\$3,500,000	Port/ Airport

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