

NORTHERN & CENTRAL NEW JERSEY

LEASING MARKET REPORT



Industrial Sector Positioned to Lead New Jersey to Recovery

Market indicators remained virtually unchanged during 4Q11 for the Northern and Central New Jersey industrial market. Statistically, the overall vacancy rate inched up from 9.2% to 9.3% for the quarter while the average asking rent increased by three cents to \$5.60 per square foot, triple net vs. a vacancy rate of 9.1% and average asking rent of \$5.63 NNN in 4th quarter, 2010.

The market continues to be fueled by the large consumer population and its access to Manhattan, as well as distribution from the ports which is always relied upon due to its location between Boston and Washington, DC. Large blocks again are becoming scarcer, even in some of the historically weaker markets, which is always a good sign. Rents have seemingly bottomed out, as they are not projected to be reduced much further and in some stronger markets, are beginning to rise. To lure tenants, significant free rent concessions still exist instead of cash allowances, which avoid the owner having to access their capital sources for tenant improvement funds.

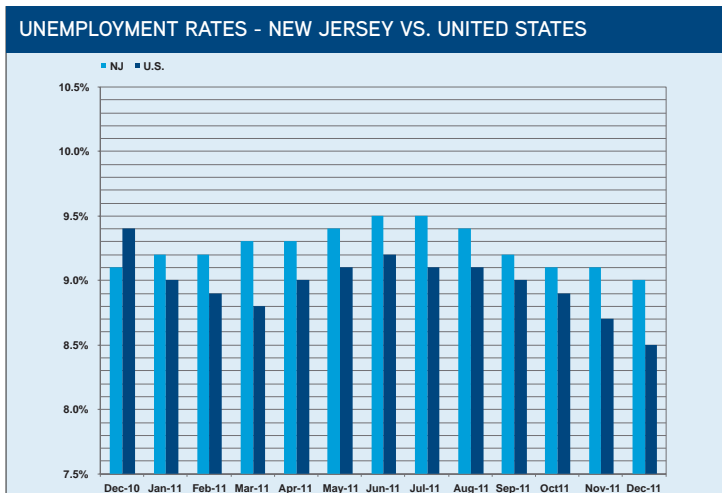
Moving forward, New Jersey is well positioned to rebound greatly from this recent economic slowdown. Food manufacturers and distributors are drivers in this market. FreshDirect, the upscale internet grocer presently located in Queens, NY has been targeted by New Jersey. The attraction in bringing the grocer here is the 2,000 to 3,000 jobs they will bring to the state. In addition, New Jersey is competing more effectively with Pennsylvania for new industrial leases. There is a concern in that industrial real estate in and around the port of New York/New Jersey is at high risk due to the E.U. debt crisis. Still, the feeling is that the industrial sector will lead the state back to recovery and stabilization.



MARKET INDICATORS

	3Q11	4Q11
VACANCY	↓	↑
NET ABSORPTION	↑	↓
CONSTRUCTION	↓	↑
RENTAL RATE	↓	↑

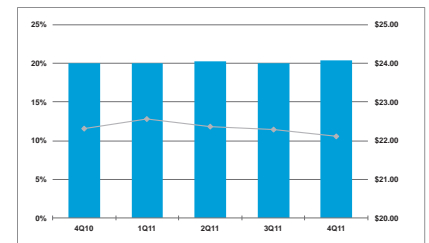
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NEW JERSEY OVERALL

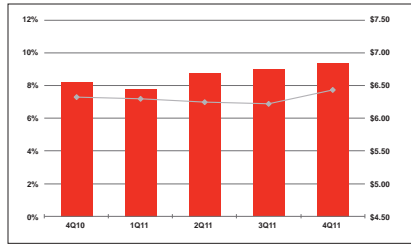
■ Vacancy Rate vs. ↗ Average Asking Rent



NORTHERN NEW JERSEY

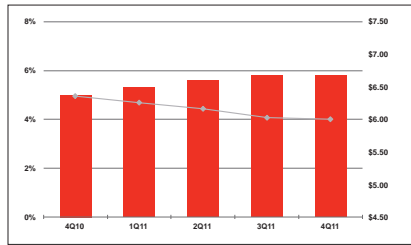
BERGEN COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



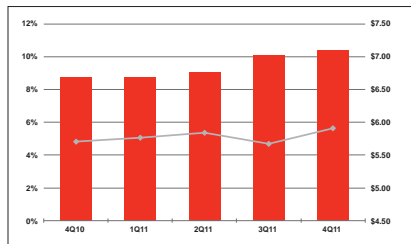
ESSEX COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



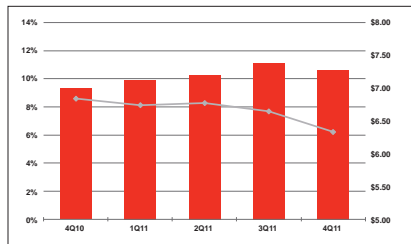
HUDSON COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



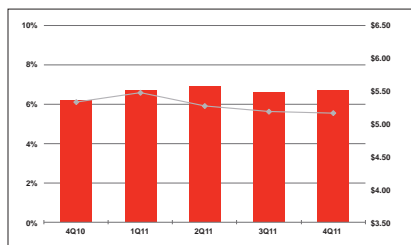
MORRIS COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



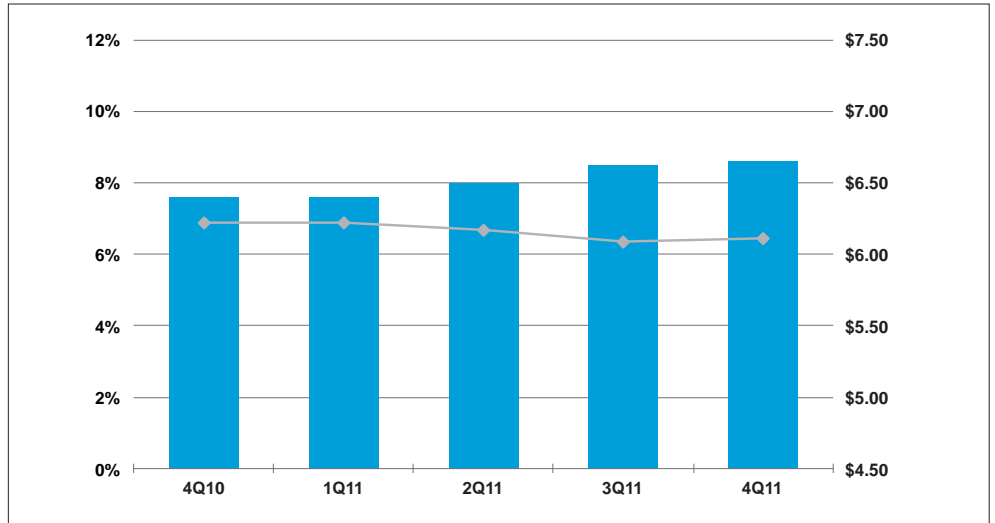
PASSAIC COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



NORTHERN NEW JERSEY

■ Vacancy Rate vs. ◆ Average Asking Rent



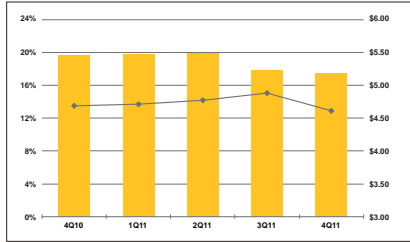
RECENT LEASE ACTIVITY

TENANT	ADDRESS	CITY	COUNTY	SQ. FT.
Bed Bath & Beyond	1 N Enterprise Aveue	Secaucus	Bergen	164,125
Federal Express	Dowd Avenue	Newark	Essex	152,000
DHL	10 Enterprise Avenue N	Secaucus	Hudson	125,000
SupplyOne	1200 Madison Avenue	Paterson	Passaic	106,521
Sun Taiyang	65 Oxford Drive	Moonachie	Bergen	95,542
Fillo Foods	10 Fairway Court	Northvale	Bergen	85,000
PSE&G	440 Eagle Rock Avenue	Roseland	Essex	84,564
Cambridge Silversmith	30 Hook Mountain Road	Pine Brook	Morris	37,000
PPI Time Zero Inc.	11 Madison Road	Fairfield	Essex	30,000
Activu Corporation	301 Roundhill Drive	Rockaway	Morris	24,000

CENTRAL NEW JERSEY

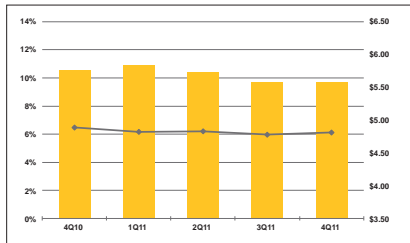
MERCER COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



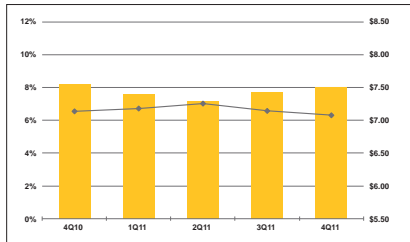
MIDDLESEX COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



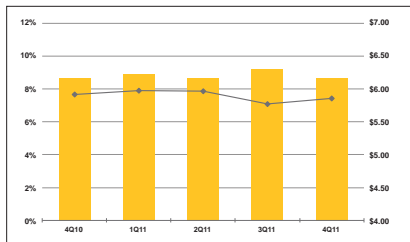
MONMOUTH COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



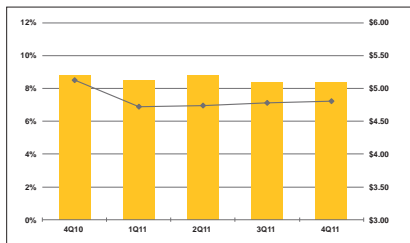
SOMERSET COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



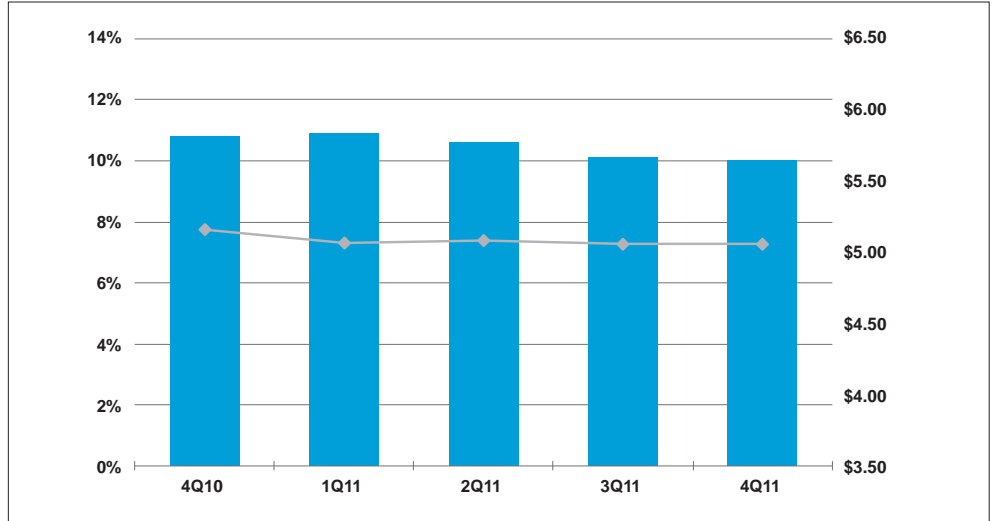
UNION COUNTY

■ Vacancy Rate vs. ◆ Average Asking Rent



CENTRAL NEW JERSEY

■ Vacancy Rate vs. ◆ Average Asking Rent



RECENT LEASE ACTIVITY

TENANT	ADDRESS	CITY	COUNTY	SQ. FT.
Garden and Pet	1100 Cranbury South River Road	South Brunswick	Middlesex	340,900
Cooper Electric Supply	1 Matrix Drive	Monroe	Middlesex	259,369
Propack Data Corp	11 Commerce Court W	Cranbury	Middlesex	225,220
United Distribution	1150 King Georges Road	Edison	Middlesex	153,922
Bunzl Northeast	Perth Amboy Business Park	Perth Amboy	Middlesex	132,410
Duro Bag	620 Division Street	Elizabeth	Union	123,495
L'Oreal	160 Herrod Boulevard	South Brunswick	Middlesex	120,500
Mystic Logistics	8 Nicholas Court	South Brunswick	Middlesex	85,000
Pacific Logistics	111 Interstate Boulevard	South Brunswick	Middlesex	85,000
Tricor Braun	111 Interstate Boulevard	South Brunswick	Middlesex	83,000

NORTHERN NEW JERSEY

For the third consecutive quarter, the Northern New Jersey industrial market reported lower occupancy levels. Limited leasing activity resulted in a negative net absorption of 458,119 square feet for the quarter, increasing vacancy rates to 8.6%. This is a full point higher than the vacancy level of 7.6% a year ago. While markets such as the Meadowlands and at Port Newark are performing well, outer markets away from the New Jersey Turnpike, such as the I-80 Corridor in Morris County, are struggling to maintain improving occupancy levels. In addition, older properties which remain vacant are difficult to lease, causing landlords to consider making investing in upgrades or redeveloping to a better use. Asking rents for warehouse space have seemingly bottomed out in Northern New Jersey. For the quarter, the average asking rent increased from \$6.09 to \$6.11 per square foot, triple net, but was still lower than \$6.22 a year ago.

CENTRAL NEW JERSEY

Spearheaded by submarkets along the New Jersey Turnpike, Central New Jersey finished the year strong. As of 4Q11, the overall vacancy rate for the region is 10.0%, compared to 10.1% the previous quarter and 10.8% a year ago. The Exit 8A submarket is strengthening as the overall vacancy rate has dropped to 12.3% from 13.7% a year ago. While the vacancy rate is higher than the average for the region, it is much lower than its peak of 17.2% as of 1Q10. Absorbing nearly one million square feet of inventory at Exit 8A was Synnex Corporation (600,000 square feet) and Garden & Pet (340,900 square feet). The largest individual sale in NJ also occurred at Exit 8A where Exeter Property Group acquired an 887,000 SF property from First Industrial/UBS Bank for \$80 million (\$91/sf). The property is currently fully occupied by Pearson Education under a long term lease, expiring in 2022. Asking rents remained unchanged during the quarter, averaging \$5.06 per square foot, triple net.

UPDATE		4Q10	1Q11	2Q11	3Q11	4Q11	Last Year	Last Qtr	
NORTHERN NEW JERSEY									
Vacancy Rate (%)	Total	7.6%	7.6%	8.0%	8.5%	8.6%	1.0	0.1	pp
	Industrial	7.5%	7.6%	7.9%	8.4%	8.5%	1.0	0.1	pp
	Flex	8.7%	8.8%	10.0%	10.3%	11.3%	2.6	1.0	pp
Asking Rental Rate	Total	\$6.22	\$6.22	\$6.17	\$6.09	\$6.11	-1.8%	0.3%	
	Industrial	\$5.93	\$5.92	\$5.85	\$5.83	\$5.86	-1.2%	0.5%	
	Flex	\$10.89	\$10.69	\$10.39	\$10.23	\$10.45	-4.0%	2.2%	
Absorption (Qtr)	Total	714,726	244,904	-1,097,221	-1,185,157	-458,119	-164.1%	-61.3%	

CENTRAL NEW JERSEY									
Vacancy Rate (%)	Total	10.8%	10.9%	10.6%	10.1%	10.0%	-0.8	-0.1	pp
	Industrial	10.5%	10.6%	10.3%	9.6%	9.5%	-1.0	-0.1	pp
	Flex	15.5%	15.4%	16.0%	16.6%	17.1%	1.6	0.5	pp
Asking Rental Rate	Total	\$5.16	\$5.07	\$5.08	\$5.06	\$5.06	-1.9%	0.0%	
	Industrial	\$4.66	\$4.47	\$4.46	\$4.42	\$4.41	-5.4%	-0.2%	
	Flex	\$11.90	\$11.97	\$11.99	\$11.79	\$11.58	-2.7%	-1.8%	
Absorption (Qtr)	Total	2,308,626	-1,443,830	1,157,328	1,959,024	275,981	-88.0%	85.9%	

NORTHERN & CENTRAL NEW JERSEY									
Vacancy Rate (%)	Total	9.1%	9.3%	9.3%	9.2%	9.3%	0.2	0.1	pp
	Industrial	8.9%	9.0%	9.1%	9.0%	9.0%	0.1	0.0	pp
	Flex	12.3%	12.5%	13.1%	13.8%	14.4%	2.1	0.6	pp
Asking Rental Rate	Total	\$5.63	\$5.61	\$5.62	\$5.57	\$5.60	-0.5%	0.5%	
	Industrial	\$5.23	\$5.16	\$5.15	\$5.13	\$5.18	-1.0%	1.0%	
	Flex	\$11.49	\$11.37	\$11.26	\$11.11	\$11.14	-3.0%	0.3%	
Absorption (Qtr)	Total	3,023,352	-1,198,926	60,107	773,867	-182,138	-106.0%	123.5%	

pp: percentage points

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Accelerating success.