



CENTRAL NEW JERSEY INDUSTRIAL

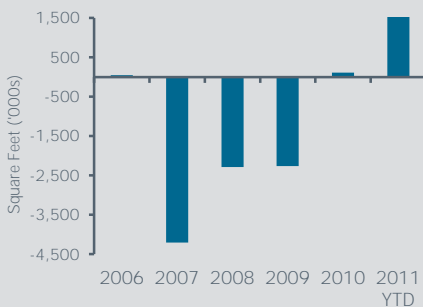
Economic Indicators

	Q3 11	Q3 10
Central NJ* Employment	1.211M	1.229M
Central NJ** Unemployment	7.8%	8.1%
U.S. Unemployment (Seasonally Adjusted)	9.1%	9.6%
U.S. CCI (Consumer Confidence Index)	49.93	50.94

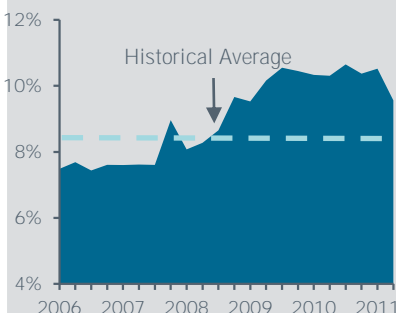
*Edison-New Brunswick/Trenton-Ewing (NJ BLS)

**Hunterdon, Mercer, Middlesex, Monmouth, Ocean & Somerset Counties (NJ BLS)

Net Absorption



Vacancy Rates



Market Tracker

*Arrows = Current Qtr Trend

▼ Vacancy
9.4%

▲ Net Absorption
308,979 SF

▲ Deliveries
244,856 SF

▼ Asking Rent
\$4.36 NNN

Industrial Market Gains Momentum

The Central New Jersey industrial market is moving in a positive direction with increased leasing velocity and declining vacancies. The vacancy rate fell to 9.4% in the third quarter from 9.6% in the previous quarter, marking two consecutive quarters of positive demand. The vacancy rate is now below double digits, which hasn't been the case since the first quarter of 2009. The Central New Jersey market appears to be on the road to recovery with an encouraging 2,556,682 SF of positive absorption year to date. On the heels of last quarter's impressive performance, industrial demand continues to improve in the market, especially among larger distribution facilities. Tenants in the market are actively pursuing the opportunity to upgrade and modernize their operation facilities, while locking in low rental rates and appealing landlord concessions.

The average asking rental rate fell by 8 cents over the quarter and 21 cents year over year, reported at \$4.36/SF in the third quarter. Following three quarters of no deliveries, 244,856 SF of warehouse space was delivered this quarter, primarily due to the completion of 60 Deans Rhode Hall Road in South Brunswick. The 227,000 SF Class A warehouse building is located in the Exit 8A submarket and will be occupied by Coca-Cola. This is one of the first deliveries year over year. The recent uptick in demand and increased leasing activity have encouraged speculative development, which is now being considered for the first time in years.

In the third quarter, the strongest absorption was reported in the Exit 8A Submarket with just under 800,000 SF of positive demand. One notable transaction in the Exit 8A Submarket was Synnex Corporation's 600,000 SF lease at 201 Middlesex Center Boulevard. Exit 7A also experienced an increase of demand with approximately 450,000 SF of positive absorption. Following last quarter's activity, which included Wakefern Food Corporation lease of 1,064,515 SF food distribution facility at 8003 Industrial Ave within the Exit 12 submarket, available space along the Turnpike corridor is tightening and vacancies are beginning to decline. As leasing velocity increases, the market will provide fewer opportunities for tenants, which should lead to an increase in rental rates and a drop in overall landlord concessions.

Forecast

- Vacancy rates along the Turnpike corridor will likely tick downward as activity among big box warehouses increases.
- As large building transactions occur in the market, considerations for spec products from Exit 10 to the Port submarkets are surfacing.
- A "flight-to-quality" trend will continue as tenants are looking to occupy Class A warehouse facilities.
- Tenants, who are not reliant on Port accessibility, are increasingly willing to expand from traditional markets seeking high quality buildings with value pricing that can accommodate larger users.
- Landlord concessions continue to be prevalent, with free rent and tenant improvements commonly offered in deal negotiations.

Cassidy Turley Industrial Market Snapshot

Central New Jersey • Third Quarter • 2011

FEATURED SUBMARKETS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RATE
Exit 7A	129	13,277,339	0	3,354,213	25.3%	446,507	1,026,774	0	\$4.15
Exit 8A	284	59,794,470	1,132,372	10,098,747	16.9%	799,584	1,438,349	0	\$3.65
Exit 9	288	21,821,779	726,626	2,345,288	10.7%	(120,718)	(1,008,400)	0	\$4.24
Exit 10	918	72,421,102	766,976	9,026,812	12.5%	(161,687)	(57,523)	0	\$4.66
Exit 12	213	17,393,992	358,241	1,294,831	7.4%	(98,469)	783,732	0	\$5.22
Monmouth County	497	20,263,764	4,200	1,530,919	7.6%	(132,341)	63,860	0	\$6.73
Ocean County	246	10,977,542	74,263	779,044	7.1%	(179,561)	77,982	0	\$6.49
Somerset County	441	27,802,411	29,515	1,986,516	7.1%	5,874	(51,072)	0	\$5.39
CENTRAL NJ TOTAL	3,329	277,690,429	2,003,370	26,212,971	9.4%	308,979	2,556,682	0	\$4.36

Key Lease Transactions Q3 11

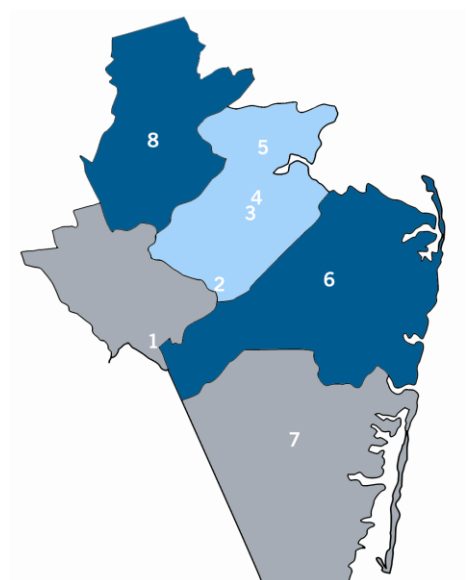
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
201 Middlesex Center Boulevard	600,000	Synnex Corporation	Lease	Exit 8A
16 Applegate Drive	101,844	WW Grainger	Lease	Exit 7A
399 Mill Road	75,148	Everlast	Lease	Exit 10

Key Sales Transactions Q3 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
110 Pomponio Avenue	51,512	AIC Ventures/ Pensyn Investment	\$3,389,090	Exit 10

Industrial Submarkets

Central New Jersey



- | | |
|------------|--------------------|
| 1. Exit 7A | 5. Exit 12 |
| 2. Exit 8A | 6. Monmouth County |
| 3. Exit 9 | 7. Ocean County |
| 4. Exit 10 | 8. Somerset County |

About Cassidy Turley

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