



NORTHERN NEW JERSEY INDUSTRIAL

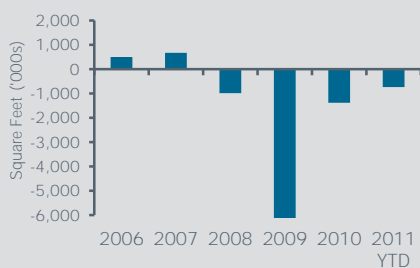
Economic Indicators

	Q3 11	Q3 10
Northern NJ* Employment	1.829M	1.799M
Northern NJ** Unemployment	9.2%	9.6%
U.S. Unemployment (Seasonally Adjusted)	9.1%	9.6%
U.S. CCI (Consumer Confidence Index)	49.93	50.94

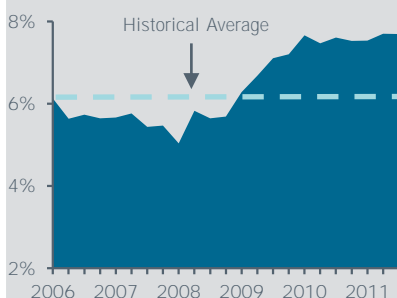
*Newark-Union/Bergen-Hudson-Passaic(NJ BLS)

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

Net Absorption



Vacancy Rates



Market Tracker

*Arrows = Current Qtr Trend

◀ Vacancy
7.7%

▲ Net Absorption
26,079 SF

▲ Deliveries
68,000 SF

▲ Asking Rent
\$5.63 NNN

Slow Road to Recovery

Northern New Jersey Industrial leasing activity slowed in the third quarter and the vacancy rate remained at 7.7% from the previous quarter. The vacancy rate has hovered between 7.5% and 7.7% since the first quarter of 2010. Net demand for industrial space was flat during the third quarter with a reported 26,079 SF, bringing the year to date performance to negative 727,094 SF. The industrial market appeared to be gathering momentum the first two quarters of 2011 with increased activity for both sales and leases in Northern New Jersey. Many firms that had put off expansion plans were back in the market. The third quarter created a loss of confidence, quite possibly due to the debt ceiling crisis in Congress followed by the volatility of the stock market. Deals that were near completion have been done or are still in the pipeline but the next wave of activity has been restricted until more of the uncertainty is lifted. Overall, activity in the market is sluggish and increased confidence is needed to attain positive demand, stabilize occupancy, and improve market fundamentals. After momentum is achieved, the slow road to recovery will continue.

The average asking rate continues to decline, although decreases are leveling off. The average asking rate fell by 1 cent over the quarter and 13 cents year over year, ending at \$5.63/SF in the third quarter. One 68,000 SF building was delivered this quarter at 165a Clinton Road in West Caldwell. Because vacant land in Northern New Jersey is sparse and vacancies are high, lack of new construction and limited deliveries will be a continued trend into 2012.

A few submarkets reported positive absorption in excess of 240,000 SF. The submarkets include Passaic (+318,838 SF), Hudson Waterfront (+312,236 SF), Central Bergen (+299,485 SF), and Port/Airport (+247,764 SF). Certain submarkets continue to outperform others and there is an increasing trend of tenants looking to expand from traditional markets in order to obtain high quality buildings at the same or lower pricing.

Looking at other market indicators, such as port activity, provides additional insight to industrial market recovery. The Port of New York and New Jersey reported an increase of both import and export traffic from January to August 2011. In comparison to January through August of 2010, imports have increased by 4.5% and exports have increased by 7.3%. However, the 2011 year-to-date percent of change is below the 14.9% increase in imports and 9.0% increase in exports from 2010. Additionally, a study by 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.

Forecast

- Obtaining financing continues to be challenging and often hinders the sale process of industrial buildings. Buyers with all cash, no financing contingency offers, remain at a distinct advantage in purchasing properties.
- Tenants are increasingly willing to expand from traditional markets seeking high quality buildings that can accommodate larger users.
- Newer, high-quality buildings will continue to drive demand and outperform older facilities.
- Landlord concessions, primarily free rent and tenant improvements, remain prevalent when negotiating new transactions and lease renewals.
- Asking prices will continue to stabilize.

Cassidy Turley Industrial Market Snapshot

Northern 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
Central Bergen	734	32,935,892	5,150	1,876,708	5.7%	299,485	310,027	0	\$6.51
Eastern Morris	520	30,721,274	142,049	3,076,429	10.0%	(420,579)	(724,215)	0	\$7.05
Hudson Waterfront	432	30,782,436	0	1,935,832	6.3%	312,236	129,275	0	\$5.74
Meadowlands	1,065	78,191,767	657,729	8,208,085	10.5%	(42,640)	(63,619)	0	\$5.54
Northern Bergen	389	18,965,081	108,600	1,724,612	9.1%	(201,332)	(603,774)	0	\$7.12
Passaic	1,256	58,816,911	25,300	3,520,147	6.0%	318,838	138,572	0	\$5.24
Port/Airport	593	45,528,581	0	1,663,933	3.7%	247,764	353,567	0	\$5.81
Union County	949	47,518,038	60,768	3,442,383	7.2%	187,800	381,452	0	\$4.54
West Essex	523	23,153,225	114,848	1,224,742	5.3%	(98,753)	(165,055)	0	\$7.58
Western NJ	362	20,302,394	616,131	2,508,833	12.4%	(96,636)	(40,117)	0	\$5.48
NORTHERN NJ TOTAL	7,115	424,953,969	1,317,940	32,693,366	7.7%	26,079	(727,094)	0	\$5.63

Asking rents converted to Triple Net

Key Lease Transactions Q3 11

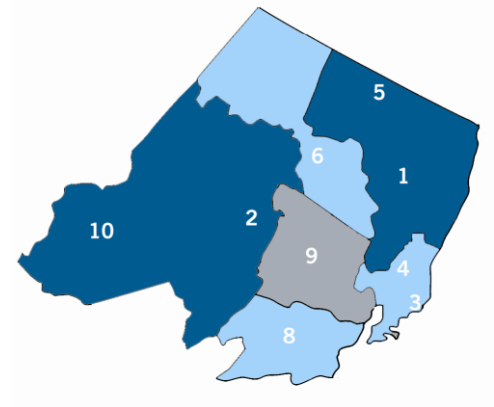
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
40 Western Road	260,000	Carville	Lease	Meadowlands
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2400 Bedle Place	148,275	Central Poly Bag Corporation	Lease	Union
925 Paterson Plank Road	125,800	Broadridge Financial Solutions	Lease	Meadowlands
1319 North Broad Street	105,000	Ferrarra Trucking	Lease	Union

Key Sales Transactions Q3 11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
7500 Westside Avenue	110,000	PNL Realty Co./ Ridge Auto Group	\$6,930,000	North Bergen
903 Castle Road	100,000	Maita Starr & Brody Realty Co./ David & Young Co.	\$5,555,000	Meadowlands
148 East 5 th Street	100,000	Muralo Company Inc./ Haddad Organization Ltd.	\$3,750,000	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

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