

NAI JAMES E. HANSON

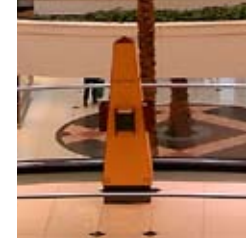
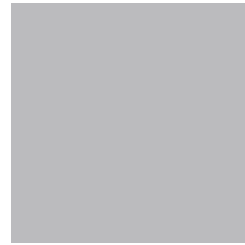
Northern New Jersey Market Report -Third Quarter 2010



Northern New Jersey Retail Overview



In **TOUCH**
with
Ron Fotiu





In TOUCH
with Ron Fotiu
Vice President
NAI James E. Hanson

As seen in
September's
issue of



How is the retail market in Northern New Jersey doing these days?

The retail market (in Northern NJ) has not changed that much versus 2009. The latest figures show the vacancy rate falling slightly from 5.9% to 5.8%, however, the 5.8 percent vacancy rates can be a bit misleading because the deals or leases that have transpired recently include concessions that wouldn't have been included in past years.



Vacancy rates were expected to exceed 10 percent in 2009 and 2010. Owners realize it is a tenant's market and they are making concessions they would not have considered in a stronger market. They are offering very aggressive short-term deals, lower rents, free rent and more tenant allowances with expectations that things will improve in the next few years.

How have these lower asking rates affected national and local retailers?

Average asking rates, which are currently at \$19.35 per sq. ft. are significantly lower than in previous years. Several national tenants, who in the past could not justify paying the high Northern New Jersey rates, have capitalized on the weak market and have opened stores in this area. Dick's Sporting Goods is one example. Several years ago I worked on a site selection for Dick's and they could not commit to any of the proposed sites due to the high asking lease rates.



The lower rates have also been favorable for several of the smaller franchises and dollar stores. These tenants have been able to secure locations because of lower rents and the fact that the stronger national tenants are now on hold.

Furthermore, landlords are breaking up larger units to accommodate some of the smaller tenants and making deals with lower tier tenants, which they would not have pursued in the past, thereby creating tenant mixes that were not originally planned at their centers. There are several users or retailers that could not compete with the national tenants 18 months ago, but that has changed significantly and we have seen second-tier tenants compete successfully for prime locations.

Has there been any changes in activity during the first 3 quarters of 2010 compared to prior years?

For the last 12 months, we at NAI James E. Hanson have seen more activity than the previous two years. We've received more calls and responses from our advertising and marketing of properties. The lower rental rates, down 25% from the highs of 2006, will most likely continue through 2011 or until the economy recovers, which could be longer.

"Landlords are making very aggressive short-term deals, with expectations that things will improve in the next few years."

Where do you see the retail market one year from now?

Rental rates have stabilized as the vacancy rates inch lower. We should begin to see an increase in asking rents over the next 12 months due to the increase in the number of retailers who have decided to capitalize on the market conditions and expand, combined with the increase in consumer confidence.

Northern New Jersey, specifically with the high retail corridors of Routes 4 & 17 in Bergen County, has experience

Retail Overview



quite a few changes in the past few years. What's happening now on these corridors?

In addition to Dick's opening in Paramus Towne Square on Route 17, Bloomingdale's recently opened an outlet in Paramus at the Bergen Town Center on Route 4. Lowe's will be opening a store on Route 4 in Paramus, as well as locations in Linden and Teterboro. Whole Foods and Trader Joe's also opened stores on Route 17 in Paramus during the last year. Like most national retailers, the supermarket chains appreciate the demographics found in Northern Jersey. Stop & Shop and Whole Foods are pursuing additional locations, as is Shop Rite, which will open a store in Wyckoff later this year at the Greenwood Avenue Shopping Center. Wegmans has also secured a location in the Paramus market.



Wal-Mart has also targeted Northern New Jersey. In the past, they found this market too expensive and had difficulty finding properties large enough to accommodate their footprints. However, they are looking at sites in our market at this time, specifically in the Paramus area.



The furniture store market has added a new major player with Ashley Furniture opening on Route 17 in Paramus in the former Levitz space. Fortunoff has also opened a backyard concept store on Route 17 in Paramus and are pursuing multiple location in Northern New Jersey.



The restaurant sector is also high on expansion in Northern New Jersey. Panera Bread, Five Guys Burgers and Fries, Chipotle and Taco Bell are just a few companies that have aggressive expansion plans for Northern New Jersey.

Health clubs are another example of a nontraditional or lower tier user that has capitalized on the weak retail market. Retro Fitness, a discount health club will open four stores in Bergen County alone. Locations in Fair Lawn, Hackensack and Paramus have recently opened, and Retro will open their 4th store later this year in Ramsey on Route 17 North. NAI James E. Hanson was involved in the negotiations on the Fair Lawn and Ramsey locations.

What do you predict the future is for the retail sector?

Because of the current state of the economy, we will continue to see vacancies; however, aggressive deal-making by the landlords will prevent rates from exceeding the 2010 vacancy rates. We are not out of the woods just yet, but with the amount of available space and how affordable the rent has become in Northern New Jersey, we should see the start of a rebound. If clients ask when I expect to see an improvement or recovery in the retail market, I tell them to follow the major economic indicators. They should watch the employment and consumer spending numbers, and they should look for any indications that consumer confidence is returning. If these indicators show signs of improvement in the next 12 months, combined with the large number of retailers who plan to expand and capitalize on the ability to make favorable deals, then we should see a lot of activity and absorption of space, especially in Northern New Jersey, where the demographics are so strong.

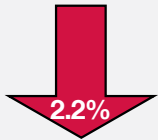
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Northern NJ* Office Report | Third Quarter 2010

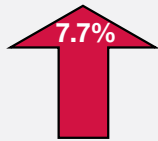


'10 vs '09:

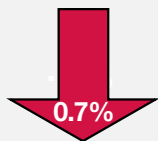
Office A
Vacancy



Office B
Vacancy



Office A
Rates



Office B
Rates



OVERVIEW FOR OFFICE A & B: 3rd Qtr. '10 vs. '09

OFFICE A

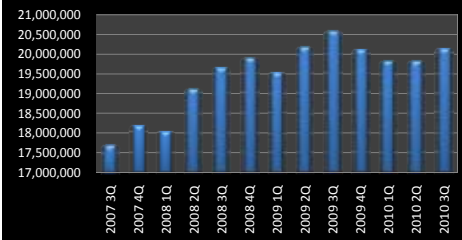
- Vacancy averaged 15.3%, a decrease from 15.7% in 2009.
- Net absorption was -529,511 sq. ft. vs. 123,842 sq. ft. in 2009.
- Average asking rates were \$26.44 per sq. ft., a decrease of .7% versus 2009 when rates were \$26.63 per sq. ft.
- There was 1.9 million sq. ft. leased (up 35.8%).
- Hudson County had the highest average asking rates at \$29.13 per sq. ft. with Middlesex County having the lowest rates at \$23.53 per sq. ft.
- Middlesex County continues to have the highest percent of vacant space with 20.7% of its space vacant. This is the largest percent of vacant space in over 15 years.
- Morris County had the most space available with over 4.4 million sq. ft. available,
- The most space leased, 520,799 sq. ft. was in Bergen County where asking rates were \$29.09 per sq. ft.

OFFICE B

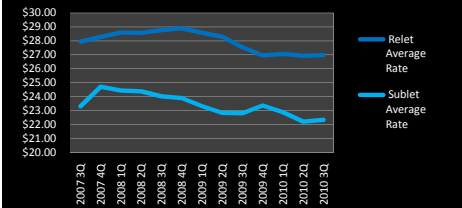
- Overall, vacancy increased from 11.9% to 12.7%, with over 11 million sq. ft. available.
- Bergen County continues to have the most space available (2.3 million sq. ft.).
- Overall, average asking rates were \$21.14 per sq. ft., a decrease of 2.9% vs. 2009 when rates were \$21.79.
- Net absorption was -118,674 sq. ft. The amount of sq. ft. leased was down 30.7% (440,357 sq. ft. vs. 636,289 sq. ft.)
- Hudson County continues to demand the highest rates with asking rates of \$25.78 per sq. ft.
- The most space leased was in Morris County, which leased 117,108 sq. ft. at \$21.51 per sq. ft.
- Essex County experienced seven consecutive quarters of negative absorption. It also has one of the highest vacancy rates at 14.8%.

Office A

Total Vacant Sq. Ft. Available

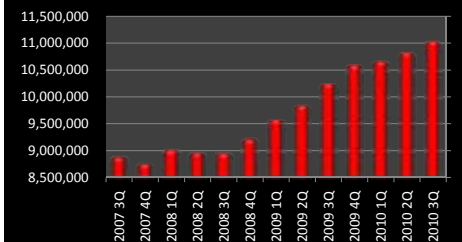


Average Asking Rates

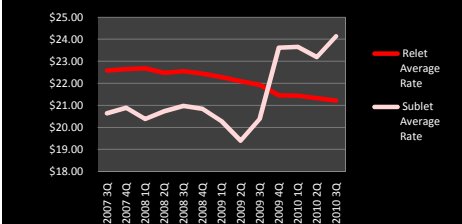


Office B

Total Vacant Available Sq. Ft.



Average Asking Rates



*Northern NJ Market includes Rockland and Orange County NY

Major Office Transactions

Tenant	Size (SF)	Address	
National Union Fire Insurance Co. (renewal)	232,465	101 Hudson Street	Jersey City
Advanced Health Media	123,080	420 Mountain Ave	Berkeley Heights
Frankel & Co.	23,516	34 Exchange Place	Jersey City
The Bank of Tokyo - Mitsubishi	24,607	34 Exchange Place	Jersey City
Northeast New Jersey Legal Services	12,000	190 Moore Street	Hackensack

Representation by NAI James E. Hanson

Source: Costar 2010

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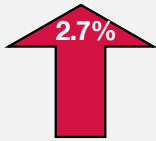
Northern NJ* Industrial Report | Third Quarter 2010



'10 vs. '09:

OVERVIEW FOR INDUSTRIAL: 3rd Qtr. '10 vs. '09

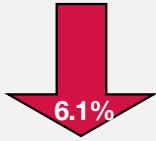
Ind. Direct Vacancy



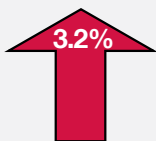
Ind. Sublet Vacancy



Ind. Direct Rates

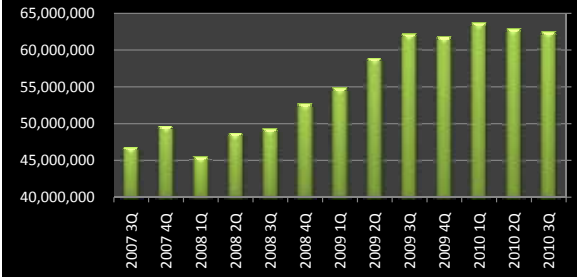


Ind. Sublet Rates

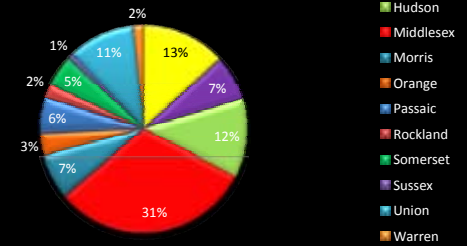


- There was over 62.3 million sq. ft. available in 2010, a .5% increase versus 2009.
- Overall, vacancy increased slightly to 8.4% vs. 8.3% in 2009
- Sussex County had the highest vacancy with 17.7% of it's 2.9 million sq. ft. vacant.
- Net absorption was 697,424 sq. ft. versus -3,093,941 in 2009.
- Average asking rates were \$5.87 per sq. ft., the lowest rates since the 2nd quarter of 2004 when average asking rates were a low \$5.85 per sq. ft.
- 24.9% less space was leased in 2010 with 5.4 million sq. ft. leased (vs. 7.2 million sq. ft. in 2009).
- Average asking rates decreased in all counties except Rockland County, where rates of \$8.43 per sq. ft. increased 10.7% (\$7.61 per sq. ft. in 2009). The lowest rates were in Warren County where they were \$4.70 per sq. ft.
- Of the 62.3 million sq. ft. available, Middlesex County represented 31.2% of the total with 19.4 million sq. ft. of vacant available space.
- Essex County leased 531,196 sq. ft., the most leased by this county since 2007 when it leased 562,112 sq. ft. during the 3rd quarter. They also experienced 10 consecutive quarters of negative absorption.
- Middlesex County leased the most space with over 2.5 million sq. ft. leased, representing 47% of the total spaced leased in Northern New Jersey during the 3rd quarter.

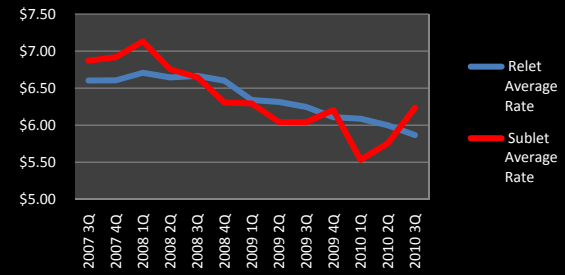
Total Vacant Available Sq. Ft.



Total Vacant Available by Sq. Ft. by County



Average Asking Rates



*Northern NJ Market includes Rockland and Orange County NY

Major Industrial Transactions

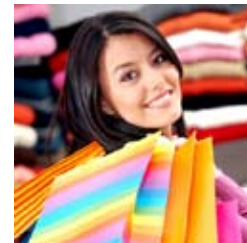
Tenant	Size (SF)	Address	City
Volkswagon of America	928,000	47-49 Station Road	Cranbury
MX Solar USA LLC	138,204	2301 Cottontail Lane	Somerset
Actavis Inc.	113,027	47 Brunswick Ave	Edison
Total Freight Systems, Corp.	30,120	340 Stiles Street	Linden
Greg Gallo & Tom Morfessis	25,000	97-105 West Shore Ave	Dumont

Representation by NAI James E. Hanson

Source: Costar 2010

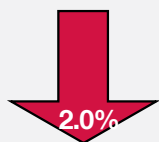
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Northern NJ* Retail Report | Third Quarter 2010

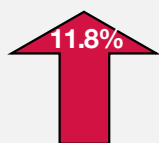


'10 vs '09:

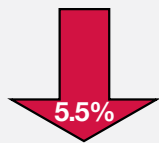
Retail Direct Vacancy



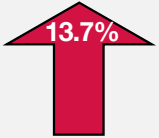
Retail Sublet Vacancy



Retail Direct Rates



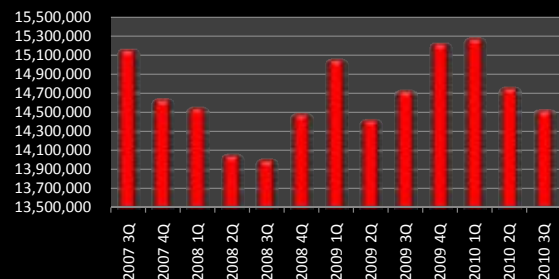
Retail Sublet Rates



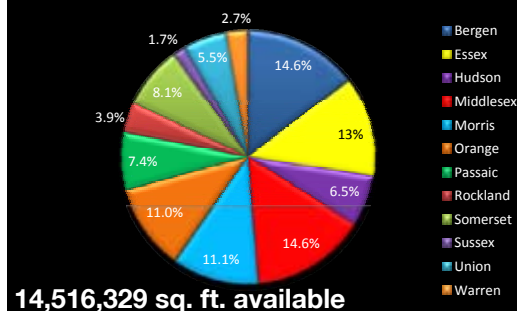
OVERVIEW FOR RETAIL: 3rd Qtr. '10 vs. '09

- Overall, retail experienced a 5.8% vacancy, which was relatively flat versus 2009, but down versus the 1st quarter of 2010 when it was at 6.1%.
- Net absorption was 853,863 sq. ft., with average asking rates at \$19.35 per sq. ft., the lowest since 2006 when they were 25% higher.
- There was 14.5 million sq. ft. of vacant space available, a slight decrease from the 14.7 million sq. ft. available in 2009.
- 932,250 sq. ft. was leased, down 4% versus 2009 when 971,190 sq. ft. was leased. Hudson County leased the most space with 277,333 sq. ft. leased.
- The highest average asking rates were in Bergen County where they were \$25.09 per sq. ft.
- Middlesex County had the most vacant space available with over 2.1 million sq. ft. available.
- Middlesex County experienced the highest net absorption with 586,837 sq. ft., the highest absorption for this county in at least the past 4 years.
- Orange County had the highest vacancy with 9.3% of their 15.9 million sq. ft. vacant.
- Orange County had the lowest rates, with average asking rates of \$12.81 per sq. ft., down from \$13.74 per sq. ft. in 2009.
- Rates decreased overall by 5.5%, but Union County was the one county that experienced rate increases. Their average asking rates were \$21.47 per sq. ft. versus \$21.07 in 2009, an slight increase of 1.9%.

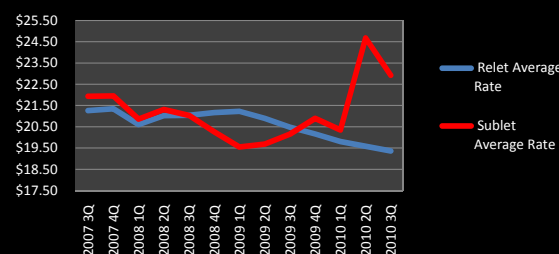
Total Vacant Available Sq. Ft.



Available Vacant Sq. Ft. by County



Average Asking Rates



*Northern NJ Market includes Rockland and Orange County NY

Major Retail Transactions

Tenant	Size (SF)	Address	City
Burlington Coat Factory	77,187	8101 Tonnelle Ave	North Bergen
PC Richard	45,759	519 Route 46	Totowa
LA Fitness	33,000	341 Route 18 South	East Brunswick
18 Farmers Market	15,000	253 Route 18 South	East Brunswick
Play All Day of NJ, Inc.	12,000	288 Lincoln Blvd	Middlesex

Source: Costar 2010

Featured Properties



OFFICE

OFFICE FOR LEASE - 28,601 sf
333 Route 46
Mountain Lakes, NJ



RETAIL

RETAIL FOR LEASE - 3,700 sf
438 Haledon Ave
Haledon, NJ



RETAIL

RETAIL FOR LEASE - 3,300 sf
508 Route 17 South
Carlstadt, NJ



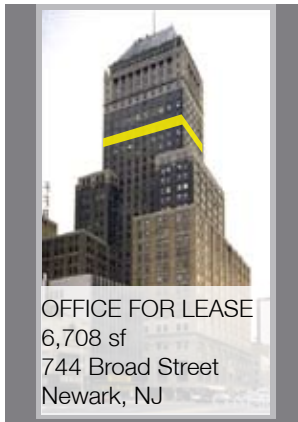
RETAIL

RETAIL FOR LEASE - 1,750 sf
35 Seminary Ave
Chester, NJ



RETAIL

RETAIL FOR SALE 8,200 sf
450 Springfield Ave
Berkeley Heights, NJ



OFFICE FOR LEASE
6,708 sf
744 Broad Street
Newark, NJ



INDUSTRIAL/FLEX

FOR LEASE - 72,000 sf
39 Robinson Road
Lodi, NJ



**INDUSTRIAL/FLEX
7,400 - 53,185 SF**

FOR SALE/LEASE
961 Route 10
Randolph, NJ



SALE/LEASE

FOR LEASE - 3,958 sf
430 Sand Shore Road
Mt. Olive, NJ - \$395K



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About NAI James E. Hanson

We are committed to providing the highest quality commercial real estate services in New Jersey and have been since we were founded in 1955 by James E. Hanson. Through our affiliation with NAI Global, we are part of a managed network of 5,000 professionals and 325 offices in 55 countries throughout the world. Our core services include:

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- Tenant Representation
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- Investment
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