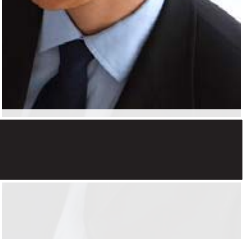
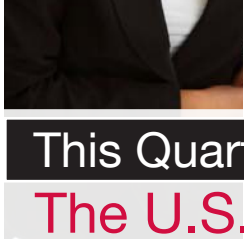
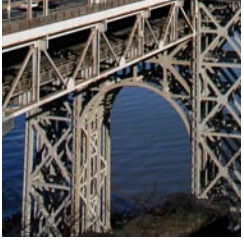
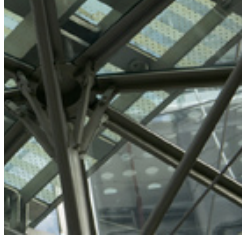
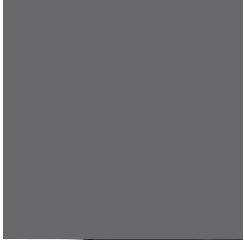


NAI JAMES E. HANSON

Northern New Jersey Market Report - Third Quarter 2009



This Quarter's Feature
The U.S. Economy



NAI James E. Hanson

Third Quarter 2009



In Touch with

Dr. Peter Linneman, PhD
Economist, NAI Global
Principal, Linneman Associates

Below are excerpts from Peter Linneman's briefing with Chief Economists on the Global Economic Outlook.

The U.S. economy is beginning to stabilize and investors are slowly coming out of their tortoise shells. As the U.S. begins recovery, things will slowly begin to look brighter for the rest of

the world. The current recession is the worst downturn in economic activity since the Great Depression, but barring more government "salvation" we have hit bottom.

It should be noted that without this disastrous "salvation," we would have bottomed in January 2009. Contrary to the mythological rhetoric and our current media, government interventions both lengthened and massively deepened the current super recession.



Employment is still falling, but at a declining rate. Early in 2009, monthly job declines were wiping out 500,000-700,000 jobs. In July, that number had diminished to about 250,000, but increased to 265,000 the next month. The unemployment rate stood at 9.7% in August, a year-over-year increase of 350 basis points. The brutal truth is that many more people are unemployed, and for longer, as a result of government interventions.



There are signs that **capital markets** are beginning to work. Quarter-over-quarter through the second quarter of 2009, yields on 10-year Treasuries have risen to 3.5%. We believe 10-year Treasury yields are still some 125 basis points too low. They have risen by 145 basis points as of mid-August 2009, from their low of 2.1% in December 2008. If all were normal, 10-year Treasury yields would be around 4.75-5%, where they hovered before October 2007. Nonetheless, we are reaching pre-TARP levels. The S&P 500 rose by 15% in the second quarter and by an estimated 12% in the third quarter. NAREIT's Equity REIT Total Index rose by 60% between March and August. We always believed that the logical progression for investors is short-term quality debt, long-term high

grade bonds, high quality cash flow stocks, high quality cash flow real estate, lesser cash flow assets, and finally into non-cash flow assets such as construction and development loans, venture capital and the like.

Residential mortgage delinquencies have risen among all products since lows in late 2005. "Sub-prime" mortgages experienced the sharpest increase in delinquencies over the past year, reaching more than double their 2006 levels, followed by sub-prime ARM and prime. Sub-prime ARM experienced a more modest 23% year-over-year increase in delinquency rates. Prime mortgage delinquency rates increased 45% over 2007 levels but moved only from 2.92%, to 4.26%. However, these delinquencies are highly concentrated in recession torn greater Ohio (Ohio plus 100 miles beyond the Ohio border) and the boom markets of south/central Florida, Arizona, Nevada and California. They remain at cyclical norms in the remainder of the country. It is difficult to assess how much of delinquencies today reflect a "why pay?" attitude versus hopelessly negative equity versus lost employment. Recent research suggests that all three forces are at work.

"Improved equity pricing is sparking renewed interest in REIT offerings."

Commercial mortgage delinquency rates have risen across the board, most visibly at banks and thrifts, and CMBS. Fannie Mae delinquencies rose from a mere 0.1%, to its current peak of 0.34%. Freddie Mac and Life Companies experienced increases, but remain low at 0.09% and 0.12%, respectively. Bank and thrifts delinquencies are much

NAI James E. Hanson

Third Quarter 2009



higher at 2.28% while CMBS reached 2.35% in August 2009. The increase in CMBS delinquencies partially reflects the rigid structure of these instruments, whereby the borrower must default in order to have services transferred to a special servicer who is empowered to negotiate.

Sales by retail stores have fallen year-over-year by 7.5% since the end of August 2008. Real auto-related sales have fallen by nearly 5.9% over the same period, buffered in part by the cash-for-clunkers program.

"The best news for the economy is that the U.S. housing market bottomed in February. "

Real **disposable personal income** has risen by a mere 1% between September 2008 and July 2009. Real wage income has fallen 3.4%, while interest/dividend income is down by 10% over this period. Real personal consumption expenditures are down by about 2% year-over-year through the second quarter of 2009. Real housing expenditures have been flat, while auto expenditures fell 15.3% over this period.

Real **personal expenditures** on gasoline rose by 1.1%, as reduced gasoline prices have encouraged greater auto usage. Service consumption has remained flat, with medical expenditures increasing by 1.7% year-over-year through the second quarter of 2009.

Meanwhile, **consumer credit** has fallen by roughly 1.8% as consumers have reduced durable goods consumption, paid down some debt and hoarded cash in the face of uncertainty.

The best news for the economy is that the U.S. housing market bottomed in February. Single family starts hit a very low bottom of roughly 355,000 units in January and February, increasing to 490,000. The inventory of homes held by builders for sale has fallen to 270,000 as new home production over the past year has been insufficient to replace the nearly 350,000 units destroyed each year. MLS home prices (which exclude sheriff sales) have risen nationally, and in almost every MSA, for the past six months. Thus, while many foreclosure sales in the weakest markets continue to drag down the Case-Shiller index, the preponderance of homes sold by resident owners has seen price rebounds. This sector's rebound over the next three to four years will be a powerful growth engine.

Multifamily starts (5+ units) have come to a virtual standstill at a mere 80,000 units in July, versus 20- and 40-year averages of about 260,000 and 368,000 units, respectively. This reflects the confluence of weak recessionary demand (as people double-up) and the shortage of construction financing. We anticipate that multifamily starts will remain weak until early 2010 in the face of continuing weak demand and little construction debt.

Since **consumer confidence** and household formations remain low, people continue doubling up with friends and family. Consumer confidence has nudged downward, largely due to increasing gasoline prices and government irregularity. The biggest negative in our forecast today versus last quarter is that oil prices have risen \$20 per barrel since April 2009. That translates into a loss of about 0.67% of GDP growth, or about 335,000 jobs that we anticipated being created but did not materialize as money was shipped abroad due to high oil prices. If oil prices stabilize or decline, **we expect consumer confidence to improve throughout the year as the housing market improves.**

The point is that when we do hit bottom (and we believe we were there in July 2009), there will be a far more robust pick-up than any of us can credibly forecast. We will rebound even in the absence of rules, though GDP and employment growth will be weaker than need be because the government continues to toss rules out the window.

To read this article in its entirety, please visit www.naihanson.com/flyers/linneman09.pdf.

NAI James E. Hanson

Northern NJ Office Report | Third Quarter 2009



'09 vs '08:

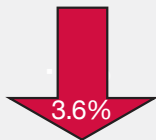
Office A
Vacancy



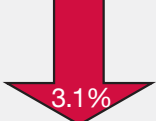
Office B
Vacancy



Office A
Rates



Office B
Rates



OVERVIEW FOR OFFICE A & B:

OFFICE A

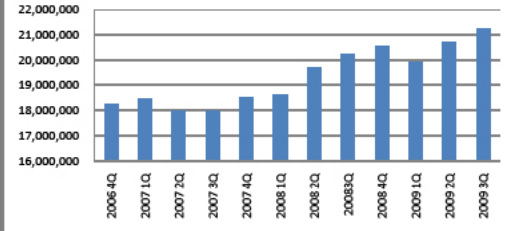
- Office A vacancy was at 16.3% in the 3rd quarter of 2009, up from a 15.6% vacancy in 2008.
- There was over 21.2 million sq. ft. of space available, an increase of 5.1% versus 2008.
- There was 1.1 million sq. ft. leased versus 2.0 in 2008, a decrease of almost 44%.
- Morris County continues to have the most space available with 5.2 million sq. ft. or 24.6% of all the counties' totals.
- The average lease rate was \$26.52, down 3.6% versus 2008 when rates were \$27.51.

OFFICE B

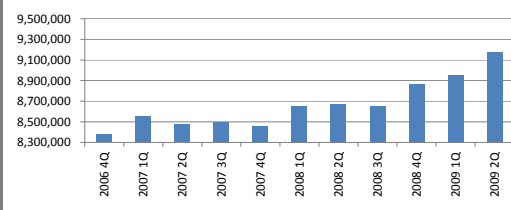
- Vacancy for office B was at 12.2% in the 3rd quarter, up from 11.2% in 2008.
- There was 772,612 more sq. ft. available in 2009 versus 2008.
- Rates decreased by 3.1% with a average rates of \$21.34.
- Middlesex County had the most space available with almost 2.3 million sq. ft. available, representing 24.3% of the total.
- Hudson County had the highest vacancy rate with 18% of its space vacant (825,124 sq. ft.), although they still demand the highest rates at \$27.33 per sq. ft.

Office Vacant Space

Office A Vacant Available Sq. Ft.

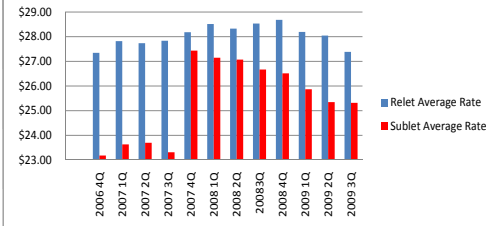


Office B Vacant Available Sq. Ft.

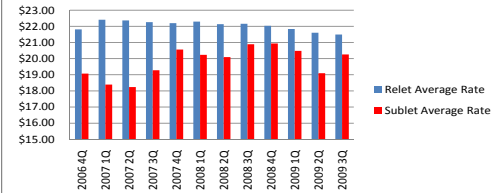


Office Average Rates

Office A Average Rates



Office B Average Rates



*Northern NJ Market includes Rockland and Orange County NY

Major Lease Transactions

Tenant	Size (SF)	Address	City
Savvis, Inc.	208,635	1919 Park Ave	Weehawken, NJ
Solix	56,230	30 Lanidex Plaza West	Parsippany, NJ
Gain Capital Holdings, Inc.	45,000	135 US Highway 202/206	Bedminster, NJ
The New York Internet Company, Inc.	40,565	999 Frontier Road	Bridgewater, NJ
Verizon Wireless	37,476	20 Independence Boulevard	Warren, NJ

Source: Costar 2009

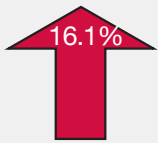
NAI James E. Hanson

Northern NJ Industrial Report | Third Quarter 2009



'09 vs. '08:

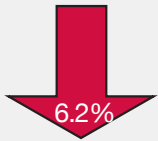
Ind. Direct
Vacancy



Ind. Sublet
Vacancy



Ind. Direct
Rates



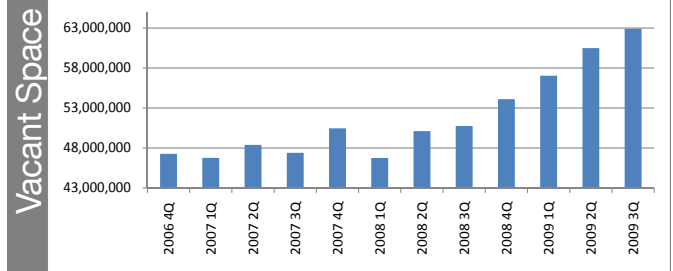
Ind. Sublease
Rates



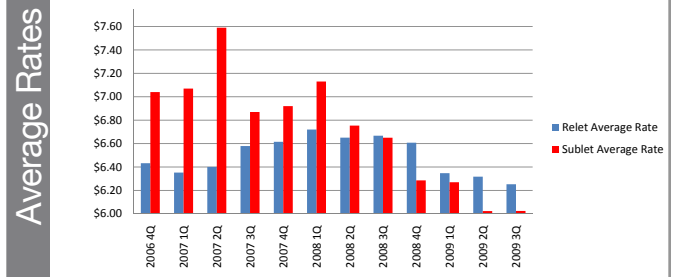
OVERVIEW FOR INDUSTRIAL:

- Overall vacancy during the 3rd quarter of 2009 was at 8.4%, compared to a vacancy rate of 6.8% in 2008.
- There was over 62.9 million sq. ft. of space available, an increase of 24% versus 2008.
- Middlesex County continues to have the most space available with over 19.5 million sq. ft. available, representing over 31% of the total available and 40% of the total sublet space available.
- During the 3rd quarter, 4 million sq. ft. of space was leased, versus 8.6 million in 2008, a decrease of 53%.
- Net absorption was negative 2.1 million sq. ft., with Bergen County contributing to 31% of the total with over -650,000 sq. ft.
- Hudson County had the largest percentage increase with over 42% more industrial space compared to the 3rd quarter of 2008.
- Average rates are down in all Northern NJ counties with rates at \$6.21 per sq. ft., a decrease of 6.6% versus last year when rates were \$6.65 per sq. ft.
- Average rates are the lowest they have been in the last three years.
- Sussex County experienced the largest decrease (20.5%) in rates with rates at \$5.42 per sq. ft.
- Rockland County's rates are the highest at \$7.61 per sq. ft. during the 3rd quarter. Their sublet rates were \$10.05 per sq. ft. (the highest) and their direct rates were at \$7.11 per sq. ft.

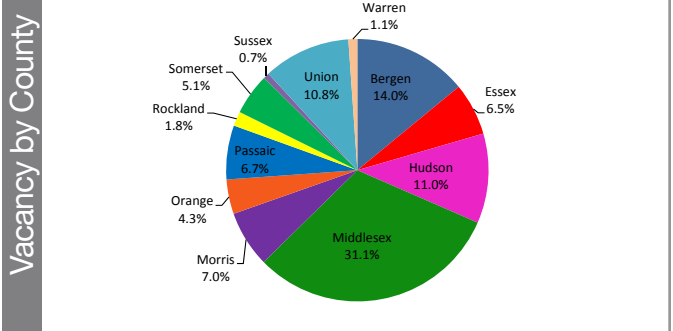
Total Vacant Available Sq. Ft.



Average Rates



Total Vacant Available 746,399,819 sf



Major Lease Transactions

Tenant	Size (SF)	Address	City
Graybar Electric*	136,250	8001 Industrial Ave (I-Port 12)	Carteret, NJ
Harmon	136,018	11 Taft Road	Totowa, NJ
Exel Logistics	116,321	114-120 Northfield Ave	Edison, NJ
Nishimoto Trading Co., Ltd.	102,000	602 Washington Ave	Carlstadt, NJ
99 Hook Road	96,286	99 Hook Road	Bayonne, NJ

*Tenant representation by NAI James E. Hanson

Source: Costar 2009

NAI Hanson News

Below are several of our new exclusive properties.
For a complete list, call 201-488-5800 visit www.naihanson.com

Congratulations to:

Ken Lundberg, SIOR

One of Real Estate
NJ's Commercial
Broker All-Stars!



5,000-10,000 sf

Retail for Lease
502 Route 46 West
Teterboro, NJ



2,500 sf Office for Lease
4 Hunter Street
Lodi, NJ



2 prime sites
19,520 sf & 19,860 sf

Prime Retail for Sale
Kennedy Boulevard
North Bergen/Union City, NJ



2,070 Retail/Office for Lease
619-645 Springfield Ave
Berkeley Heights, NJ



85,109 sf

Industrial Bldg. for Sale
60-80-100 Willow Street
East Rutherford, NJ



15,000 Office Bldg for Sale
58 Chambers Brook Road
Branchburg, NJ



4,000 sf Retail for Lease
600 Huyler Street
South Hackensack, NJ



25,000 sf

Industrial Building for Sale
1000 Valley Road
Long Hill (Gillette), NJ



27,380 sf Retail for Sale
945 Route 22 West
North Plainfield, NJ



Under Contract

Office Condo for Sale
271 Route 46
Fairfield, NJ



7,000 Office for Sale
3914-3916 Kennedy Blvd.
Union City, NJ



1,200 sf Office for Lease
264 South Street
Morristown, NJ



6,569 sf Office for Sublease
16-00 Route 208
Fair Lawn, NJ

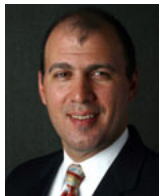


Church Facility for Sale
80 Grand Avenue
Hackensack, NJ



9,000 sf Industrial for Lease
55 Newburgh Road
Washington Township NJ

Welcome Aboard!



NAI James E. Hanson recently added another Vice President to their Parsippany office. Stephen Dadourian recently joined the firm and will be responsible for all facets of corporate service activities which include consultation, advisement, multi-market portfolio management, sale/leasing, real estate development, as well as investment sales and acquisitions. Prior to joining NAI Hanson, Dadourian was Vice-Chairman of the New York City NAI Global office. Over the course of his career, Dadourian has completed hundreds of noteworthy transactions in NYC and around the globe. Recent transactions include the sale-leaseback of the Tower Records flagship property in Manhattan on East 4th Street for over \$28 million and the sale of 85 West Broadway, a 56,000-square-foot development site in TriBeCa, which sold for over \$425 per square foot. Stephen can be reached at 973-463-1011 x168.

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:

- Industrial
- Office
- Retail
- Land
- Multi-Family
- Tenant Representation
- Investment
- Corporate Services
- Property Management
- Government Services
- Logistics
- Property Valuation
- Financing



Commercial Real Estate Services, Worldwide.

NJ Offices: Hackensack • 201 488 5800 | Parsippany • 973 463 1011 | Clark • 732 827 0100 | www.naihanson.com