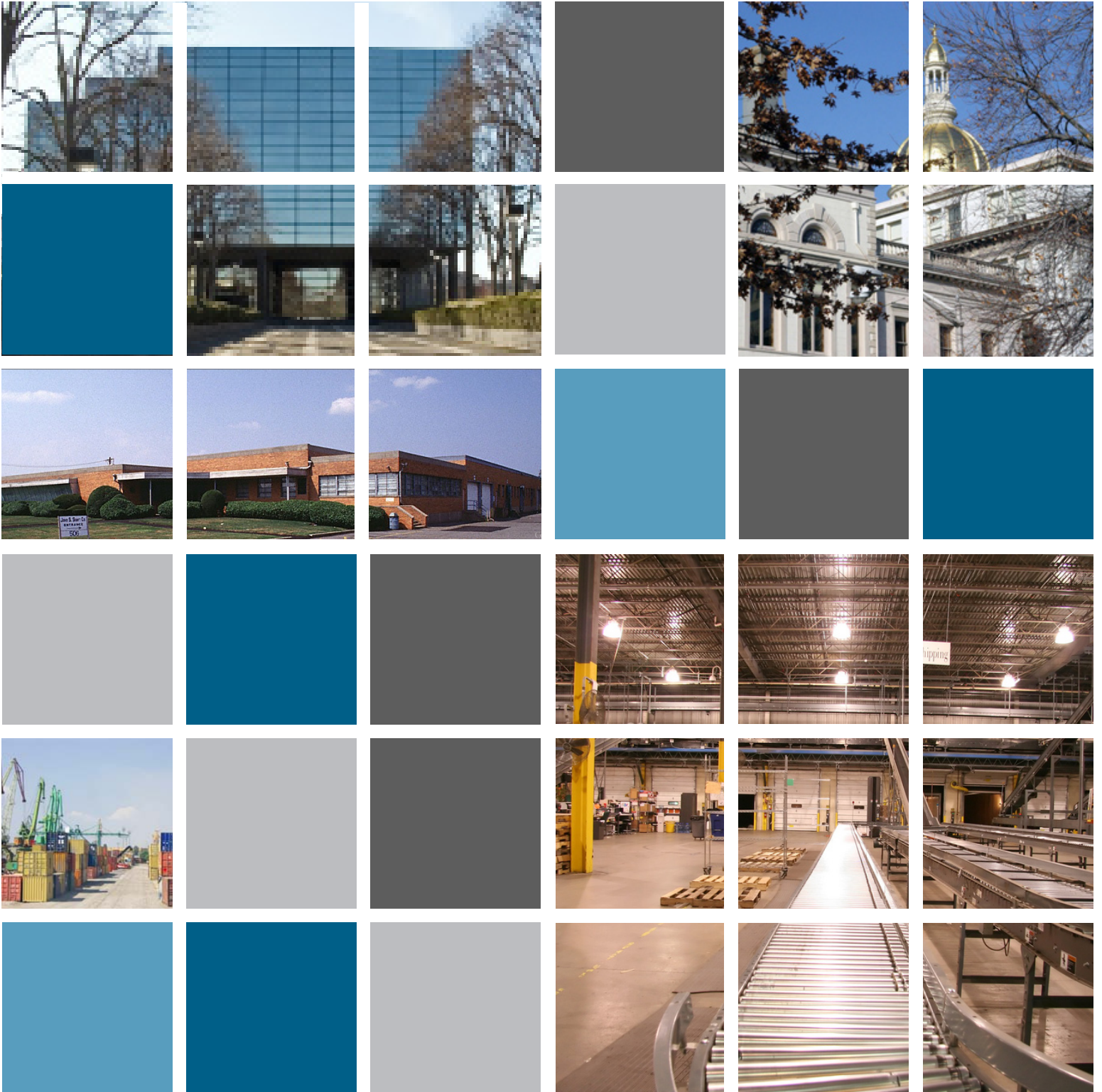


# NAI James E. Hanson

Market Update 2007



# Overview

## Market Update 2007



### 4<sup>TH</sup> QUARTER - OFFICE

Leasing activity for office space during the 4th quarter of 2007 was relatively slow in comparison to the rest of 2007. Of the top 40 leases, six of them were signed in the 4th quarter, but only three of them were new leases. The actual amount of office space available was virtually flat versus the 4th quarter of 2006. There was 23,384,812 sf available in 2007 versus 23,589,065 sf available in 2006.

### YEAR END

The office sector remained steady during 2007 as the vacancy rate averaged 12.5%, continuing the trend for the past 3 years of rates between 11-13%. The lack of new development most likely has contributed to this. At the end of 2007, there was only 400,000 square feet of vacant new construction.



The top offices leases for the year included 72,998 sf of space leased by The Medicines Company at the Chubb Institute in Parsippany, 160,047 sf leased by Deloitte & Touche LLP at 100 Kimball Drive in Parsippany and 155,050 sf leased by McCarter & English, LLP at the Gateway Center 4 in Newark. The top six sales from March-September 2007 were in Morris County with the largest being the 259,473 sf building at Rockaway 80 Corporate Center 1 in Rockaway, NJ. This building sold for over \$55 Million.

Interestingly enough, almost 40% (39.9%) of offices leases were for 2,500 sf or less\*. Approximately 25% of office leases were from finance, insurance and real estate companies.

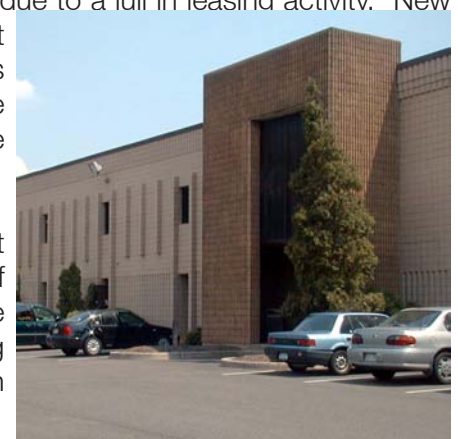
### 4<sup>TH</sup> QUARTER - INDUSTRIAL

The industrial market held its own in the 4<sup>th</sup> quarter of 2007, despite the mortgage crises, weak economy and the increasing costs of operating a business in Northern New Jersey. 40% of the top 10 leases and 70% of the top 10 new deliveries occurred during the 4<sup>th</sup> quarter. There was 3.39 million square feet of new industrial space delivered during this time. Regarding new construction, there were two sizable projects that broke ground during the 4<sup>th</sup> quarter of 2007. Crossroads Distribution Center in Orange County NY with 525,440 square feet underway and 400,246 square feet at Airport Road in the Union Market.

### YEAR END

2007 started out as a year of positive absorption, but flattened out in the 4th quarter due to a lull in leasing activity. New construction, however, continued with two new buildings totaling 925,000 square feet (see previous paragraph). "It's a challenging time for the industry in general", states W. Joshua Levering, SIOR, SVP. "The key issues for future viability are housing, the workforce, land availability and state government. We must continue to be proactive about market conditions and evaluate ourselves constantly."

Almost 25% of tenants leased between 10,000-24,999 sf with the 2<sup>nd</sup> highest user at 75,000 sf at 17.5%. There is a strong demand for large warehouses that are 100,000+sf with good access to the ports. There seems to be evidence of a trend emerging where developers are purchasing older industrial buildings of 60,000-100,000 sf and dividing them into smaller units of 5,000-10,000 sf to market them as condos for prices as high as \$160-200.



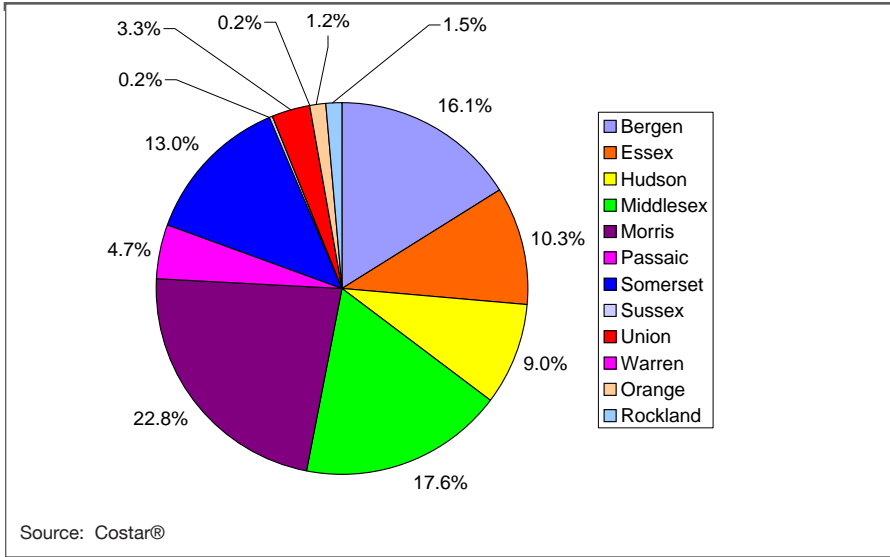
The warehouse market has changed in the last year and the shift has created a strong market in the tenant's favor. Tenants, particularly those with good credit, clearly have the advantage today. It is an excellent time to be a tenant in need of warehouse space in 2008.

inc. Mercer & Monmouth Counties

# Office

## Market Update 2007

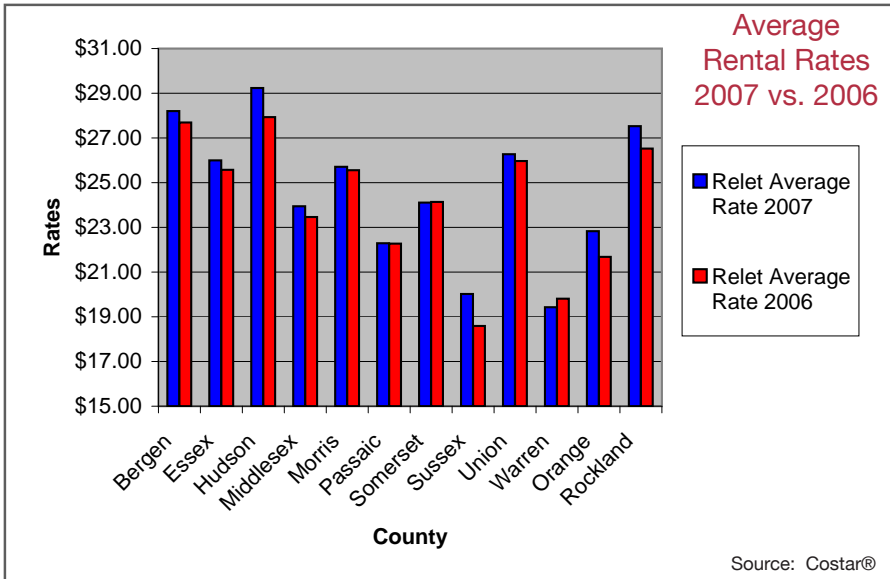
### 2007 Vacancy by County - Northern NJ/Southern NY



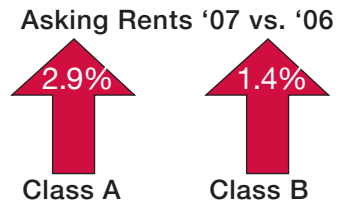
Overall, vacancy during the 4th quarter was at 11%, up 10% from 2006. The largest percentage of vacant space was in Passaic County with almost 21% vacancy. Class A vacancy was at 12.8% and Class B was slightly lower with vacancy at 9.5%.



The actual amount of office space available was virtually flat versus the 4th quarter of 2006 with 23,384,812 sf available in 2007 versus 23,589,065 sf available in 2006.



Rental rates for Office A & B increased only slightly (2.2%) in 2007 versus 2006 in the 4th quarter. They averaged \$28.03 for Class A and \$25.08 for Class B,



Hudson County continues to demand the highest rates at \$33.64, a 6.6% increase from 2006.

The least expensive rates for Class A space were in Passaic County with rates at \$22.50. Class B cheapest rents were in Sussex County with rates at \$18.59.

### Major Office Lease Transactions (4th Qtr)

Tenant	Square Feet	Building	City
Buck Consultants*	124,060	500 Plaza Drive Atrium 3	Secaucus
LGS Innovations LLC	68,080	15 Vreeland Road	Florham Park
KPMG*	57,204	530 Chestnut Ridge Road	Woodcliff Lake
Decotiis, FitzPatrick, Cole & Wisler, LLP	50,615	500 Frank W. Burr Boulevard	Teaneck
Horizon BCBS*	49,384	33 Washington Street	Newark

\*renewal

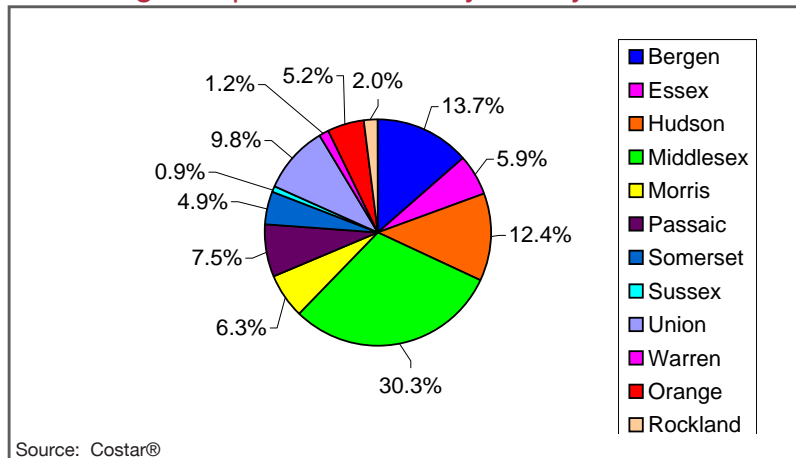
Source: Costar®

# Industrial

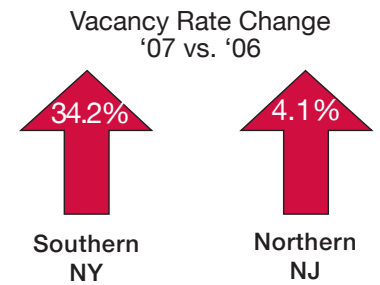
Market Update - 4th Quarter 2007



## Percentage of space available by county

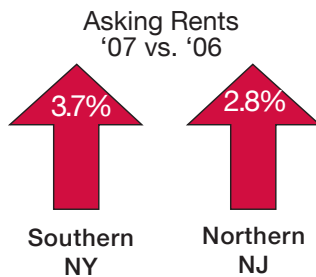
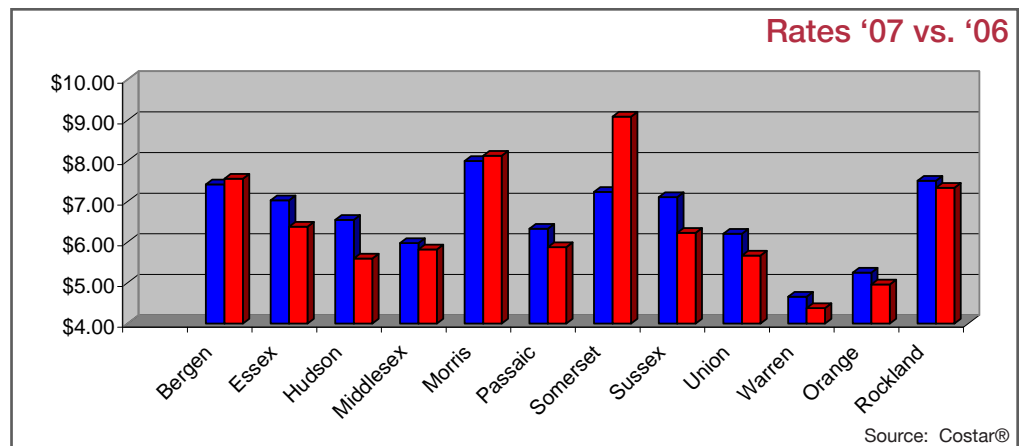


Middlesex County continues to have the largest amount of vacant square footage with over 15 Million square feet vacant (8.2% of its total RBA). Counties with decreasing vacancy rates were Essex, Warren and Passaic Counties. Passaic had the largest decrease vs. 2006 with a 16.9% decrease.



Average rental rates for all Northern New Jersey and Rockland & Orange Counties were at \$6.61 per square vs. \$6.42 per square foot in the 4th quarter of 2006. The largest rate increase was for Hudson County where rates increased 17% to \$6.55 versus \$5.60 in 2006. Somerset rates dropped \$1.85 per square foot, which represented a 20.4% decrease. Morris County now demands the highest rate per square foot at \$8.00.

## Rates '07 vs. '06



## Major Industrial Lease Transactions (4th Qtr)

Tenant	Square Feet	Building	City
US Food Service	452,500	Amboy Corporate Center – Bldg 1	Perth Amboy
Menlo Logistics	411,600	25 S. Middlesex Ave	Monroe
Fortunoff Co.	324,445	1500 Rahway Ave	Avenel
Distribution Management	242,000	145 Talmadge Road	Edison
Glendale Warehouse Co.	181,981	742 Old Post Road	Edison
Switch & Data, Inc	163,812	Sungard Datacenter	North Bergen
Rand Direct Inc	156,000	Sutton Kilmer Ind. Park – Bldg 3	Edison
Coaster Company	140,780	45 Stults Road	South Brunswick

Source: Costar®

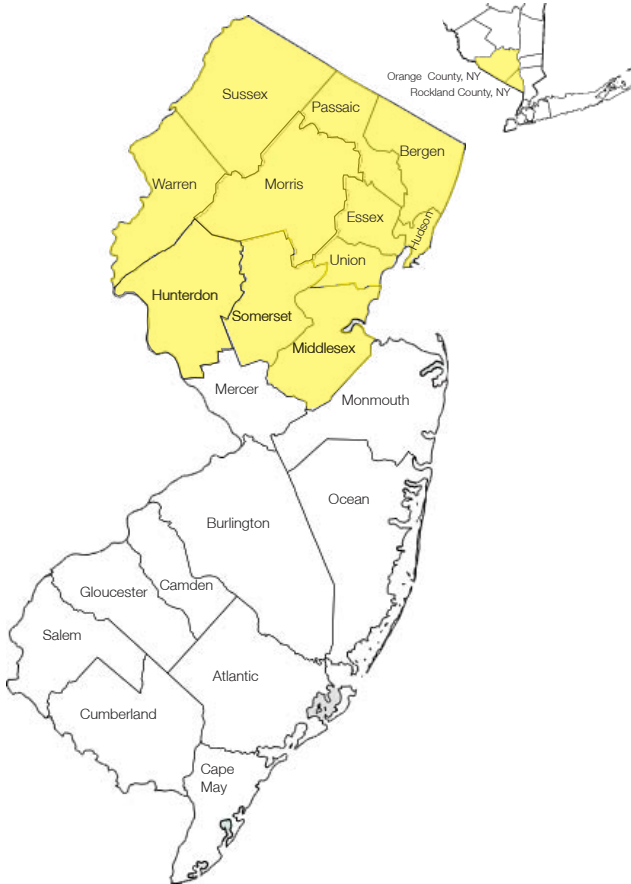
# NAI James E. Hanson

## Local and Global Coverage



NAI Hanson is also one of the original members of NAI Global, one of the world's largest commercial real estate services providers. Founded in 1978, NAI Global manages a network of 8,000 professionals and 375 offices in 55 countries, driving an annual transaction volume in excess of \$45 billion. NAI Global's extensive offerings include corporate real estate services, brokerage and leasing, property and facilities management, real estate investment and capital market services, due diligence and related consulting and advisory services.

### Local Coverage



### National Coverage



### International Coverage



Whether you need assistance locally, nationally or internationally, our affiliation with NAI Global allows us access to over 8,000 professionals in 375 offices in 55 countries worldwide.

# Our Listings

## at NAI James E. Hanson

Below are several of our new exclusive properties.  
For a complete list, please visit our website at [www.naihanson.com](http://www.naihanson.com)



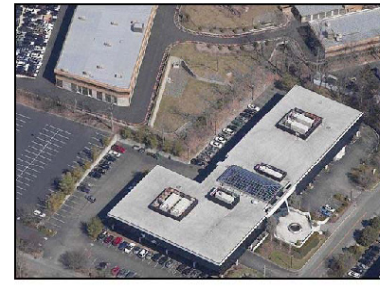
FOR SALE - 2,760 sf  
1054 Clifton Ave  
Clifton, NJ



FOR SALE - 37,260 sf  
30 Charabot Drive  
Orangeburg, NY



FOR SALE - 3,500 sf  
16 Greenwood Lake Turnpike  
Ringwood, NJ



FOR SALE - 8,900 sf  
21 Currie Ave  
Wallington, NJ



FOR LEASE - 20,000 sf  
135 Algonquin Parkway  
Whippany, NJ



FOR LEASE - 4,750 sf  
137 Central Ave  
Westfield, NJ



FOR SALE/LEASE - 26,565 sf  
34 Maple Ave  
Pine Brook, NJ



FOR SALE - 12,805 sf  
19-21 Fenwick Street  
Newark, NJ

NAI James E. Hanson is committed to providing the highest quality commercial real estate services in New Jersey and has been since it was founded 1955 by James E. Hanson. This commitment is illustrated by the quality of the people who work here, our ability to embrace new technology in the ever-changing industry of commercial real estate and the long-term relationships we have developed with our clients.

Our 25 year partnership with NAI Global allows us to offer our full service capabilities around the world. NAI Global is the premier network of independent commercial real estate firms and one of the largest commercial real estate service providers worldwide. We are a managed network of 8,000 professionals and 375 offices in 55 countries throughout the world.

NAI James E. Hanson's core services include:

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- Retail
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- Government Services
- Tenant Representation
- Land
- Property Management
- Logistics
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- Financing



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