THE BLAU & BERG COMPANY

LOCAL EXPERTISE | GLOBAL REACH

Market Report

3rd Quarter 2015

830 Morris Turnpike, 2nd Floor, Short Hills, NJ 07078

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MARKET TRENDS
3Q15 | Northern & Central NJ

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Economy

- July: According to the Labor Department, the US labor markets continued its long march back from the recession with steady job–215,000. On average, employers have now added 235,000 jobs per month, over the past three months. Average earnings for the private sector workers rose five cents in July to $24.99.
- August: China's economic struggles have threatened to undermine the US economy. Oil opened below $40 per barrel and cheaper import costs sparked concerns about low inflation. The Fear Index VIX spiked above 50 in August, for the first time since 2009, when it hit a dizzying 80.
- September: State unemployment trended in a positive direction to 5.1%.
- The Federal Reserve kept interest rates unchanged amid worries about weak global growth.
- Unemployment headed below 5% and the ten year treasury fell below 2%.
- Growing uncertainty regarding the global outlook continued to be in stark contrast to the strengthening performance of the US economy.

Office

- A steady appetite to upgrade tenant space into class A facilities impacted the positive absorption in a few of the NJ markets. The Parsippany region, one of the principal winners this quarter, leased 125,445 SF at 10 Sylvan Way for Zoetis' global headquarters and Western World Insurance Group took 87,410 SF at 300 Kimball Drive.
- Despite the slow recovery, the asking rents have increased slightly due to steady job growth.
- According to the Bureau of Labor Statistics, the labor force was positive in the financial (0.5%), education & health services (2%), leisure & hospitality (2.3%) and other services (4%).
- The majority of leasing activity was contributed by the sectors in Life Sciences, Banking and Financial and Business Services.

Retail

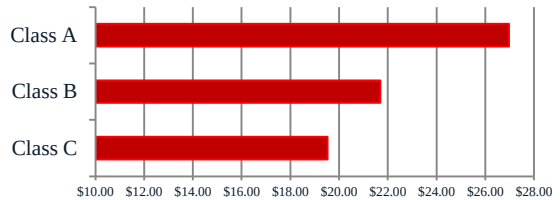
- The retail net absorption was moderate with a positive 799,863 SF and over the past four quarters, the market has seen an overall decrease in the vacancy rat, it is currently at 5.3%, reports Costar.

Industrial

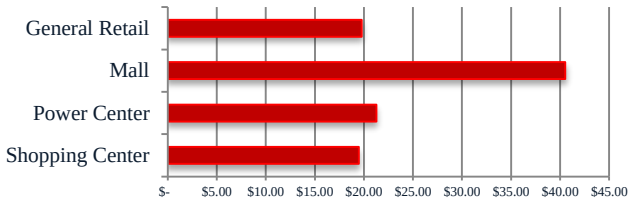
- The NJ Industrial market continues to strengthen as asking rents trended higher, sale prices improved and availability declined due to the tightening demand and increased urgency for space.
- The dwindling supply has acted as a catalyst for new development (2.36MSF), mainly on a speculative basis, demonstrating developers bullish position on the NJ industrial market.
- Total containers loads increased 7.6% year over year.
- E-Commerce continued to fuel the drive for demand, to date Amazon has over 3MSF in NJ.
- The American Dream Project received a tax break of $390M which is +/-20 % of the total project cost. The project includes 2.3MSF of retail space and +/-350KSF amusement space.

UNEMPLOYMENT RATE	July	Aug.	Sept.
NJ	5.9	5.7	5.6
U.S.	5.3	5.1	5.1

Office Market



Retail Market



AVERAGE ASKING RATES

INDUSTRIAL MARKET TRENDS

Leasing Rates	↑
Sale Prices	↑
Net Absorption	↑
Vacancy Levels	↓
Construction Activity	↑

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Sources: CoStar & Internal Research

MARKET TRENDS

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RETAIL MARKET TRENDS

VACANCY RATE
5.3%

ABSORPTION
+799,863 SF

AVERAGE ASKING RATES	
General Retail	$19.78 PSF
Mall	$40.52 PSF
Power Center	$21.27 PSF
Shopping Center	$19.50 PSF

LEASE SIGNINGS		
Saks Fifth Avenue	131,906 SF	American Dream Meadowlands
Lord & Taylor	119,605 SF	American Dream Meadowlands
Savron Self Storage	38,245 SF	77-79 Willowbrook Blvd

OFFICE MARKET TRENDS

VACANCY RATE
17%

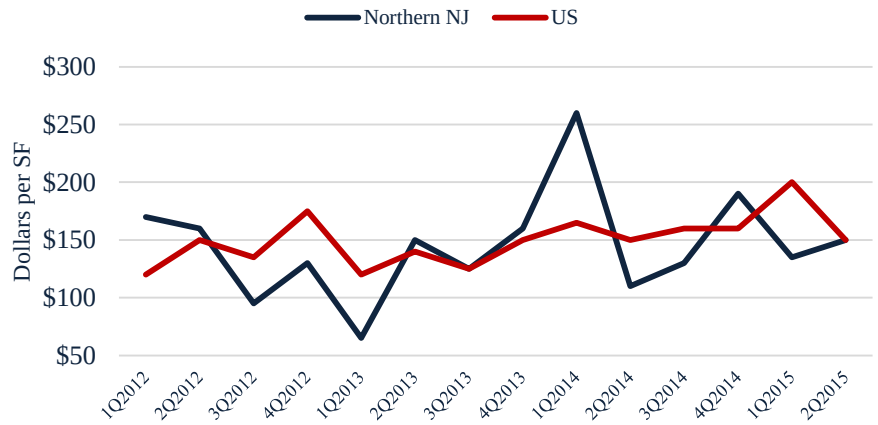
ABSORPTION
+2,311,491 SF

AVERAGE ASKING RATES	
Class A	$26.98 PSF
Class B	$21.70 PSF
Class C	$19.53 PSF

LEASE SIGNINGS		
Zoetis Services	125,591 SF	10 Sylvan Way, Parsippany
JPMorgan Chase	380,000 SF	Newport Office Center IV
Riker Danzig Scherer	99,000 SF	1 Speedwell Avenue, Morristown

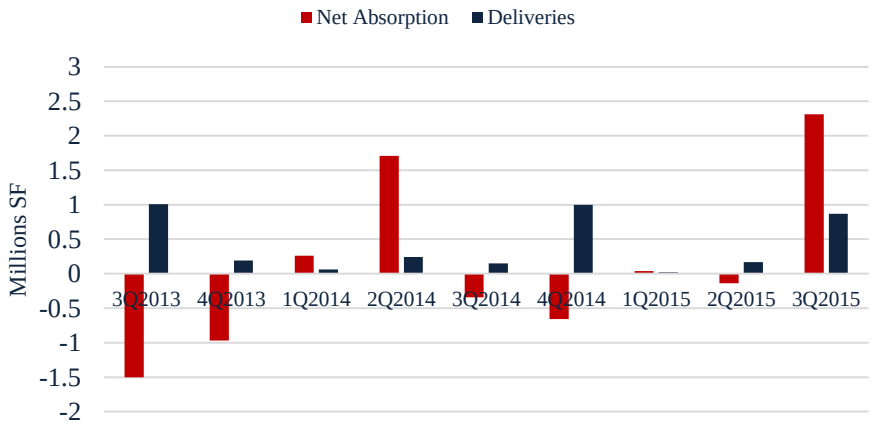
U.S. PRICE/SF COMPARISON

Based on Retail Building Sales of 15,000 SF and Larger



ABSORPTION & DELIVERIES

Past 9 Quarters



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MARKET TRENDS

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MARKET OVERVIEW

- **Industrial Space:** ±800MSF
- **Vacancy Rate:** ±7.0%
- **Net Absorption:** ±2.2MSF
- **Deliveries:** ±1.8MSF
- **Under Construction:** ±2.36MSF

DASHBOARD

▲ $6.03 PSF
Average Lease Rate

▲ $92.73PSF
Average Sale Price

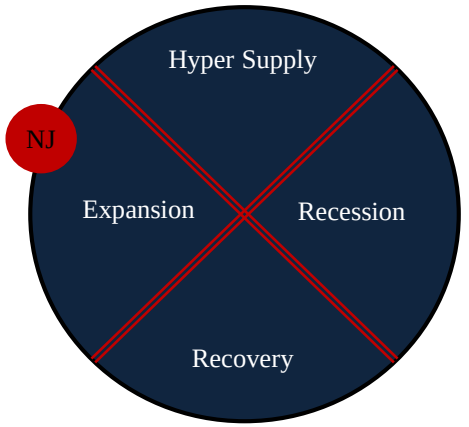
▼ 5.3% - 6.0%
Average Cap Rate Range

▼ 5.6%
NJ Unemployment Rate

OUTLOOK

- The warehouse sector is seeing big growth in rents, as demand remains high and supply continues to tighten.
- Demand for industrial space should remain strong for the next 12 to 18 months.
- Construction development is mostly speculative.
- The expansion of the Panama Canal, increased cargo volume and the shipping containers will only add to the higher demand for space.
- Money is readily available in the capital markets, including private equity and foreign investors eager to deploy capital in the industrial real estate markets. Cap rates continue to compress further for institutional grade facilities.

INDUSTRIAL CYCLE



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QUICK STATS

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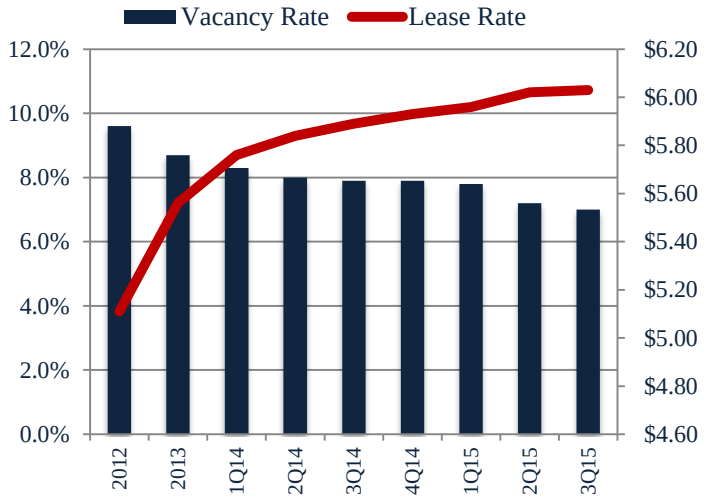
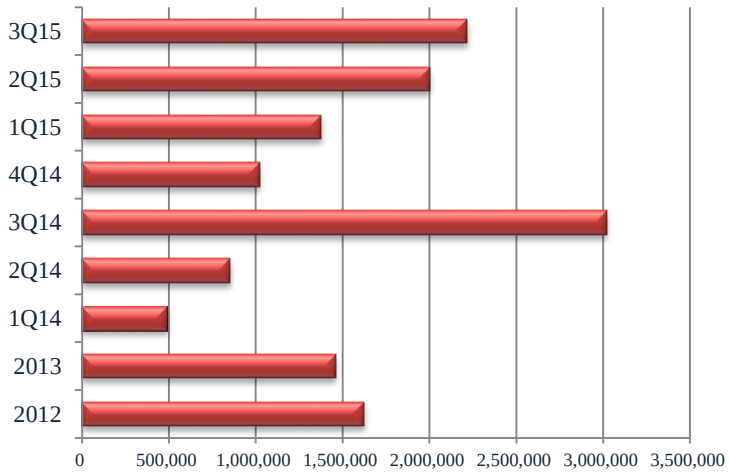
HISTORICAL VACANCY & LEASE RATES



HISTORICAL NET ABSORPTION



Industrial Market	Vacancy Rate (%)	Average Asking Lease Rate (PSF)	Average Asking Sale Price (PSF)	Net Absorption (SF) ±
Bergen County	6.8	$7.25	$115.00	52,563
Passaic County	6.6	$5.76	$85.00	194,295
Essex County	6.4	$6.41	$75.00	59,753
Morris County	8.4	$6.45	$80.00	130,067
Hudson County	7.8	$6.20	$120.00	109,260
Union County	8.5	$5.80	$86.00	49,003
Middlesex County	8.8	$5.51	$80.00	1,594,610
Somerset County	8.8	$5.33	$68.00	96,494
Sub Market				
West Essex	6.8	$7.41	$115.00	37,003
Meadowlands	7.0	$6.63	$120.00	102,000
Port/Airport	5.0	$6.50	$110.00	175,000
Exit 12	9.0	$6.49	$92.00	221,420
Exit 10	5.7	$6.15	$95.00	162,450
Exit 8A	5.4	$4.91	$85.00	516,946
Exit 7A	5.0	$4.44	$65.00	155,424
OVERALL	**7.0**	**6.03**	**92.73**	**2,216,688**

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MARKET TRENDS

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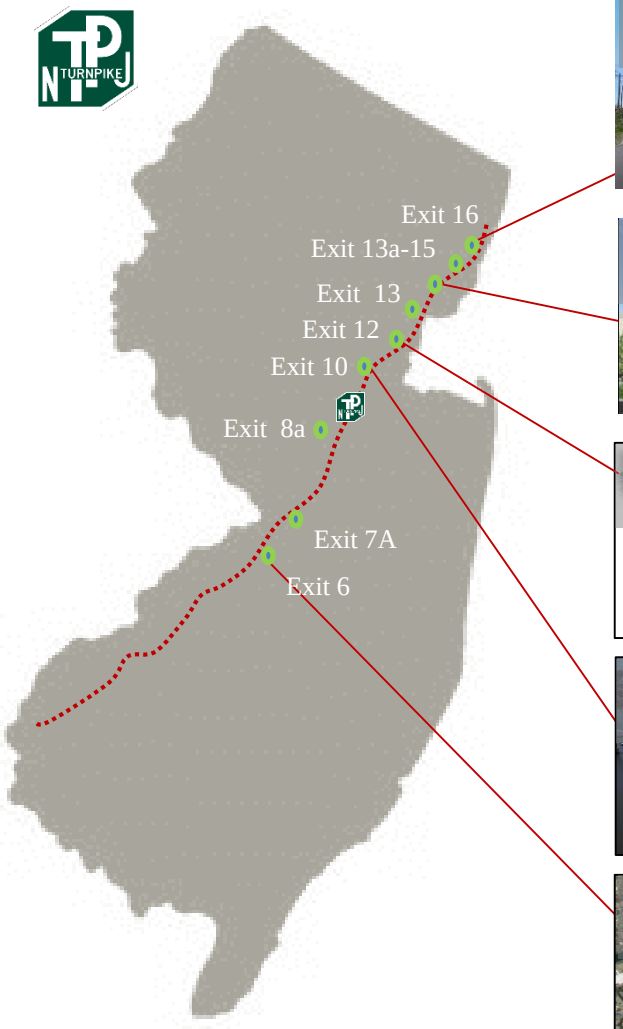

BIG BOX MARKETS	AVERAGE RENTAL RATE (PSF)
Exit 16-18: Meadowlands	$8.00
Exit 13A-15: Port	$8.50
Exit 13: Linden	$7.75
Exit 12: Carteret	$7.25
Exit 10: Edison	$6.75
Exit 8A: Cranbury	$5.25
Exit 7A: Robbinsville	$4.75
Exit 6: Burlington	$4.25

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TOP OF THE CHARTS

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TOP INDUSTRIAL SALES

Address	Submarket	Price (±)	Buyer
100 Porete Avenue	Meadowlands/Port	326K - $85 PSF	Home Dynamix LLC
41 Slater Drive	Passaic	180KSF - $125 PSF	Hampshire
1 Fitzgerald Avenue	Exit 8A	78KSF - $76 PSF	Cenveo Inc.

TOP INDUSTRIAL LEASES

Building	Submarket	SF	Tenant
1 Lladro Drive	Meadowlands	216,049	Office Star Products
630 Sullivan Road	Exit 13A	133,876	Mainfreight
380 Deans Rhode Hall Rd	Exit 8A	251,000	Everlast Logistics
Burlington Park	Exit 6A	450,000	American Hotel Registrry

TOP UNDER CONSTRUCTION PROJECTS

Submarket	Type-Tenancy	SF	Completion (approx)
Exit 14	Spec-Bridge	263,415	2Q16
Exit 13A	Spec-Elberon	90,000	2Q16
Exit 13A	Spec-Prologis	495,000	4Q16
Exit 13	Spec-Duke	495,000	3Q16

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PORT INFO

3Q15 | NJ/NY Import-Export

"The Blau & Berg Company has been committed to its clients' success since 1932; creating corporate real estate solutions through integrity, market knowledge and cutting-edge technology along with worldwide affiliates."

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May Year-To-Date	Import TEUs		Export TEUs		Total TEUs			Total Rail Lifts
	Loads	Empties	Loads	Empties	Loads	Empties	Total	
YTD Sept 2015:	2,443,750	16,723	1,046,732	1,320,005	3,490,482	1,336,728	4,827,210	391,757
YTD Sept 2014:	2,181,898	17,105	1,062,968	1,008,941	3,244,866	1,026,046	4,270,912	348,646
% Change	12%	-2.2%	-1.5%	30.8%	7.6%	30.3%	13%	12.4%

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