Industrial Trends Report—Fourth Quarter 2009
Northern and Central New Jersey

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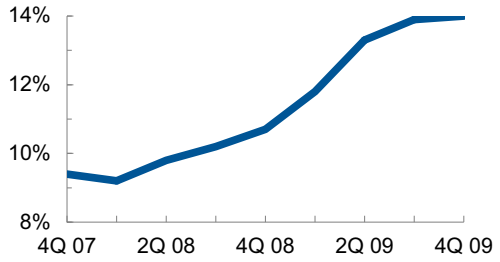
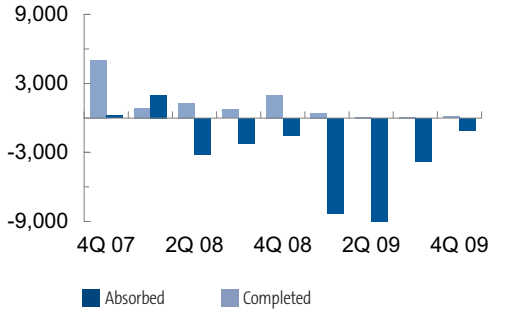
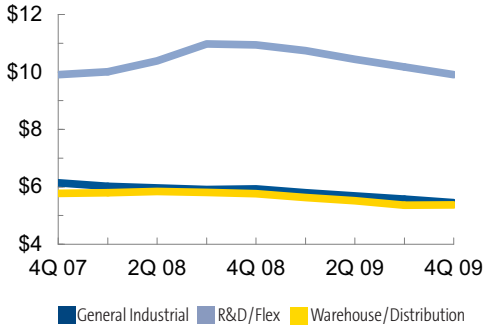
Availability Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr. Triple Net)



Consolidations Steer Market Throughout 2009

A look back at the road traveled by the Northern and Central New Jersey industrial market during the past year revealed a bumpy ride, as diminished demand and corporate downsizings were among the speed bumps and potholes that prevented the market from shifting to a higher gear. An unprecedented 22.2 million square feet of negative net absorption occurred in the Northern and Central New Jersey industrial market during 2009, which exceeded the 4.9 million square feet of negative absorption witnessed in 2008. Twenty-three out of the twenty-four Northern and Central New Jersey industrial submarkets reported negative absorption figures in 2009, with the Exit 7A submarket being the only market to post positive absorption. Furthermore, eight out of the twenty-three submarkets registered negative absorption figures in excess of 1 million square feet each, as industrial users consolidated their operations in response to the sluggish economic climate. More than 90.1 million square feet of direct and sublet space was being marketed in the industrial market at year-end 2009 compared to 69 million square feet available one year ago. The Northern and Central New Jersey overall industrial availability rate increased from less than 11 percent in 2008 to 14 percent by year-end 2009. The availability rate is now at the highest level since Grubb & Ellis began monitoring the industrial market in the mid 1990s.

While 22.2 million square feet of negative net absorption was recorded in the industrial market during 2009, a closer look revealed that quarterly absorption figures have actually been trending lower during the past year. Following a surging tide of availabilities that resulted in over 8 million square feet of negative absorption in each of the first two quarters of 2009, 3.8 million square feet of negative absorption occurred in the third quarter. Less than 1.1 million square feet of negative absorption took place during the final three months of 2009. The diminished volume of negative absorption could indicate that many industrial users have completed their consolidations. Absorption figures will need to be carefully monitored in the coming months to determine whether the lower volume of negative absorption was a temporary anomaly or an initial sign of stabilization within the Northern and Central New Jersey industrial market.

FORECAST

- Many industrial users are expected to focus on corporate restructurings and lease extensions rather than the pursuit of significant real estate expansions in 2010.
- Pockets of activity are likely to define the industrial market until sustained demand can overcome the additional space availabilities generated by consolidations.
- Industrial rents are anticipated to continue trending lower in response to the transitional market conditions.

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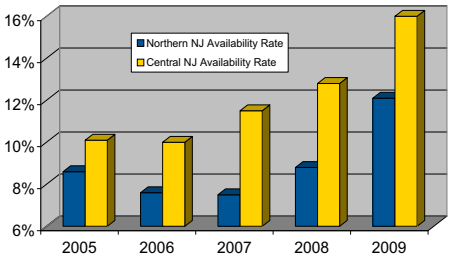
Market Assessment

Lease renewals and extensions continue to be a byproduct of the current market conditions. Companies with expiring leases are taking advantage of aggressive renewal terms proposed by landlords, rather than incurring the expenses and business disruptions associated with a real estate relocation. Landlords willing to address their tenants' needs and concerns have often been able to maintain stable tenant rosters despite the challenging real estate climate. During the fourth quarter, Grubb & Ellis represented De'Longhi in their renewal of 200,000 square feet at 20 and 30 Passaic Street in Wood-Ridge. In South Brunswick, Franco Apparel signed a long-term renewal involving 148,150 square feet of warehouse space at 200 Docks Corner Road, while Cary Compounds renewed its 66,360-square-foot lease at 5 Nicholas Court.

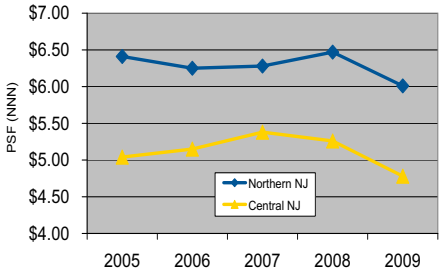
Northern and Central New Jersey Overall Availability Rate Trends



Meanwhile, additional space availabilities unleashed by corporate restructurings translated into nearly 510,000 square feet of negative net absorption in the Meadowlands submarket during the fourth quarter. This represented the largest volume of negative absorption in the Northern and Central New Jersey industrial market. The Meadowlands has posted negative absorption figures for the past seven consecutive quarters dating back to mid 2008. With the exception of the third quarter of 2008, more than 500,000 square feet of negative absorption occurred during each of these quarters, as diminished demand lost ground to a growing supply of available space. Since bottoming out below 9 percent in early 2008, the Meadowlands overall industrial availability rate has consistently trended higher during subsequent quarters. By year-end 2009, the industrial availability rate reached 15.4 percent.

Contributing to the negative absorption witnessed in the Meadowlands submarket during the fourth quarter was the availability of a 104,750-square-foot building at 33 Whelan Road in East Rutherford. In addition, Gift Box Corporation of America is marketing its 100,000-square-foot building at 305 Veterans Boulevard in Carlstadt for sale or lease, while Royal United is moving out of 95,540 square feet at 65 Oxford Drive in Moonachie. Nearly 12.1 million square feet of direct and sublet space was being marketed in the Meadowlands submarket at year-end 2009 compared to less than 8.7 million square feet available one short year ago.

Northern and Central New Jersey Average Asking Rental Rates



The Meadowlands industrial availability rate would have climbed even higher had it not been for limited leasing and sales activity occurring during the fourth quarter. In Carlstadt, Nishimoto Trading Company renewed and expanded into an additional 102,000 square feet at 602 Washington Avenue. Also in Carlstadt, Regal Wear purchased a 48,000-square-foot industrial building at 15 Triangle Boulevard for $3.6 million, or $75 per square foot. E&T Plastics Manufacturing acquired a 71,500-square-foot manufacturing facility at 200 Green Street in Teterboro for $5.9 million, or $82 per square foot.

Following more than 746,000 square feet of negative net absorption during the third quarter, a rebound in demand helped to erode these losses three months later in the Exit 10/Edison submarket. Increased real estate requirements led to more than 644,200 square feet being absorbed in the Exit 10/Edison submarket. A leading factor behind this positive absorption was Arizona Iced Tea's purchase of a 473,100-square-foot warehouse at 30 Clearview Road in Edison for $20.3 million, or $43 per square foot. Also in Edison, The Shekio Group leased 135,000 square feet at 108 Pierson Avenue, while Amstar

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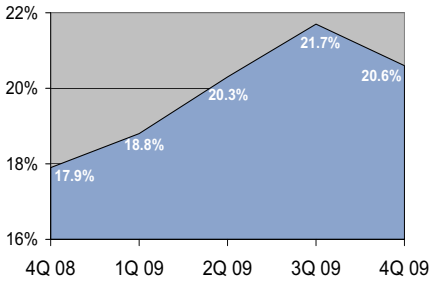
Logistics absorbed 135,000 square feet at 75 Carter Drive. Keefe Supply also signed a renewal involving 187,000 square feet at 231-399 Mill Road, which had been formerly marketed for lease. The Exit 10/Edison overall industrial availability rate retreated from nearly 14 percent in the third quarter to approximately 12.3 percent at year-end.

After trending higher for six consecutive quarters and approaching 22 percent in response to the one-two punch delivered by sluggish demand and large blocks availabilities, this streak came to an end during the fourth quarter of 2009 as the Exit 8A overall industrial availability rate retreated below 21 percent. An increased appetite for big-box warehouse space led to nearly 673,000 square feet being absorbed in the Exit 8A submarket, which represented the largest volume of positive absorption recorded in the Northern and Central New Jersey industrial market. Contributing to this absorption was G-III Apparel Group's decision to relocate its operations from 308 Herrod Boulevard into a 583,400-square-foot warehouse at 140 Docks Corner Road in South Brunswick, which had been vacant since being constructed in late 2008. In Monroe Township, Grubb & Ellis represented Dr. Jays.com in their leasing of 155,460 square feet at 17 South Middlesex Avenue. Also in Monroe Township, Vegan Thyme purchased a 100,500-square-foot building at 12 South Middlesex Avenue for $4.1 million, or $41 per square foot, while L.A. Enterprises absorbed 372,000 square feet at 1 Costco Way. New Journey Recycling also leased a 109,960-square-foot warehouse at 2 Progress Road in South Brunswick. Despite this uptick in demand, more than 12.3 million square feet remained available in the Exit 8A submarket, which represented the largest volume of space being marketed in the Northern and Central New Jersey industrial market.

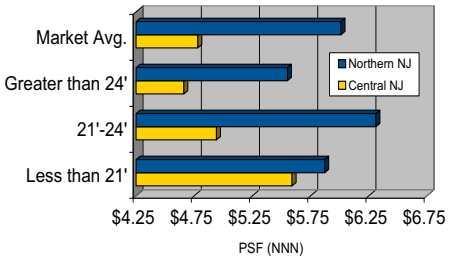
Exit 8A Submarket
Overall Availability Rate Trends



Forecast

The positive absorption and single digit availability rate that defined the Northern and Central New Jersey industrial market throughout much of the past decade rapidly faded in the rearview mirror during the past year, as companies reduced their real estate requirements in response to the challenging economic conditions. This led to an unprecedented 22.2 million square feet of negative net absorption in the industrial market during 2009. Pockets of activity, as witnessed recently in the Exit 10/Edison and Exit 8A submarkets, are likely to define the industrial market until sustained demand can overcome the additional space availabilities generated by corporate restructurings. Expanding real estate requirements, capable of offsetting the additional availabilities, will ultimately be needed to change the overall course of the industrial market in 2010.

Average Asking Rental Rates
by Ceiling Height



While cargo volume at Port New York/New Jersey was flat in 2008 for the first time in 15 years due to the slowdown in international trade, the Port is expected to remain a vital component of the state's economic engine. To take advantage of the inevitable rebound in global trade, the Port Authority has undertaken numerous infrastructure upgrades at the Port. However, one of the biggest challenges facing the Port in the coming years will be its inability to accommodate larger container ships due to the navigational limitations of the Bayonne Bridge's 151-foot clearance over the Kill van Kull channel. These ships are expected to begin arriving at the Port following the expansion of the Panama Canal in 2014. Among the potential solutions is building a new bridge to replace the 78-year-old span or constructing a tunnel linking Bayonne to Staten Island. The Port Authority recently authorized a $10 million engineering study to determine the best solution for the Bayonne Bridge's insufficient clearance height.

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By Submarket	Total SF	Available SF	Total Availability %	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT Industrial & Warehouse	ASKING RENT R&D/Flex
Northern NJ								
Central Bergen- East	14,240,753	1,596,364	11.2%	6,648	(432,643)	-	$6.71	$9.51
Central Bergen- West	16,449,076	2,003,849	12.2%	(67,052)	(271,989)	-	$5.18	$8.32
Hudson Waterfront	29,779,524	3,655,780	12.3%	20,900	(997,491)	-	$5.27	-
Meadowlands	78,294,713	12,068,977	15.4%	(509,740)	(3,378,299)	-	$6.46	$8.37
Morris East	26,689,647	5,165,868	19.4%	(293,956)	(1,777,139)	-	$6.63	$6.57
Morris West	17,072,905	2,637,743	15.4%	(6,302)	(414,435)	-	$5.78	$7.43
Newark Region	62,804,683	4,949,229	7.9%	(385,325)	(2,286,430)	-	$5.07	-
Northern Bergen	17,444,138	1,960,000	11.2%	(138,990)	(197,084)	-	$6.94	$9.38
Passaic/I-80/Route 3	54,287,045	4,785,827	8.8%	(155,945)	(540,725)	126,370	$5.45	$7.49
West Essex	19,954,383	2,018,572	10.1%	(141,914)	(602,271)	-	$6.80	$12.21
Northern NJ Subtotal	**337,016,867**	**40,842,209**	**12.1%**	**(1,671,676)**	**(10,898,506)**	**126,370**	**$6.01**	**$8.93**
Central NJ								
Exit 10/Edison	56,439,240	6,958,908	12.3%	644,242	(1,469,017)	31,784	$5.13	$8.73
Exit 12/Woodbridge	21,970,688	3,112,906	14.2%	(311,950)	(831,986)	-	$5.45	-
Exit 7A	5,782,093	3,050,731	52.8%	-	447,862	-	-	-
Exit 8A	59,853,592	12,330,013	20.6%	672,945	(1,701,158)	-	$3.94	$11.82
Exit 9/Brunswick	19,393,999	4,168,504	21.5%	(126,147)	(1,917,216)	-	$4.40	$7.49
Hunterdon	4,909,415	1,667,537	34.0%	(2,000)	(16,497)	-	$3.55	$8.34
Monmouth East	10,497,772	1,047,246	10.0%	(69,208)	(250,019)	-	$6.46	$9.66
Monmouth West	6,971,994	770,823	11.1%	265,013	(22,261)	-	$5.38	$8.90
Piscataway/I-287 South	41,365,988	5,787,112	14.0%	(150,870)	(1,576,988)	-	$5.27	$9.88
Princeton/I-295	12,624,024	2,008,070	15.9%	(170,079)	(269,932)	-	$4.46	$12.46
Route 22/Branchburg	9,275,011	1,144,128	12.3%	34,215	(16,625)	-	$4.82	$8.33
Route 22/Plainfield	2,319,141	425,488	18.3%	(36,000)	(185,000)	-	$3.17	-
Somerset/I-78 Corridor	2,434,074	434,998	17.9%	(14,200)	(82,662)	-	-	-
Union Area	52,268,935	6,361,308	12.2%	(162,138)	(3,390,157)	-	$5.69	$11.25
Central NJ Subtotal	**306,105,966**	**49,267,772**	**16.1%**	**573,823**	**(11,281,656)**	**31,784**	**$4.78**	**$10.16**
Totals	**643,122,833**	**90,109,981**	**14.0%**	**(1,097,853)**	**(22,180,162)**	**158,154**	**$5.39**	**$9.90**
By Property Type							**Asking Rent**	
General Industrial	248,006,999	26,901,602	10.8%	(1,412,415)	(9,748,274)	-	$5.45	
R&D/Flex	29,477,099	5,366,333	18.2%	(185,037)	(804,617)	126,370	$9.90	
Warehouse/Distribution	365,638,735	57,842,046	15.8%	499,599	(11,627,271)	31,784	$5.37	
Totals	**643,122,833**	**90,109,981**	**14.0%**	**(1,097,853)**	**(22,180,162)**	**158,154**	**$5.65**	

GRUBB & ELLIS NORTHERN AND CENTRAL NEW JERSEY OFFICE LOCATIONS

Fairfield Office
100 Passaic Avenue
Greenbrook Executive Center
Fairfield, NJ 07004
973.486.2500 main
973.486.2501 fax

Edison Office
105 Fieldcrest Avenue
Raritan Plaza III
Edison, NJ 08837
732.225.0433 main
732.225.6167 fax

INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses .

Availability: The availability rate is the amount of available space divided by the inventory and includes direct and sublease.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*