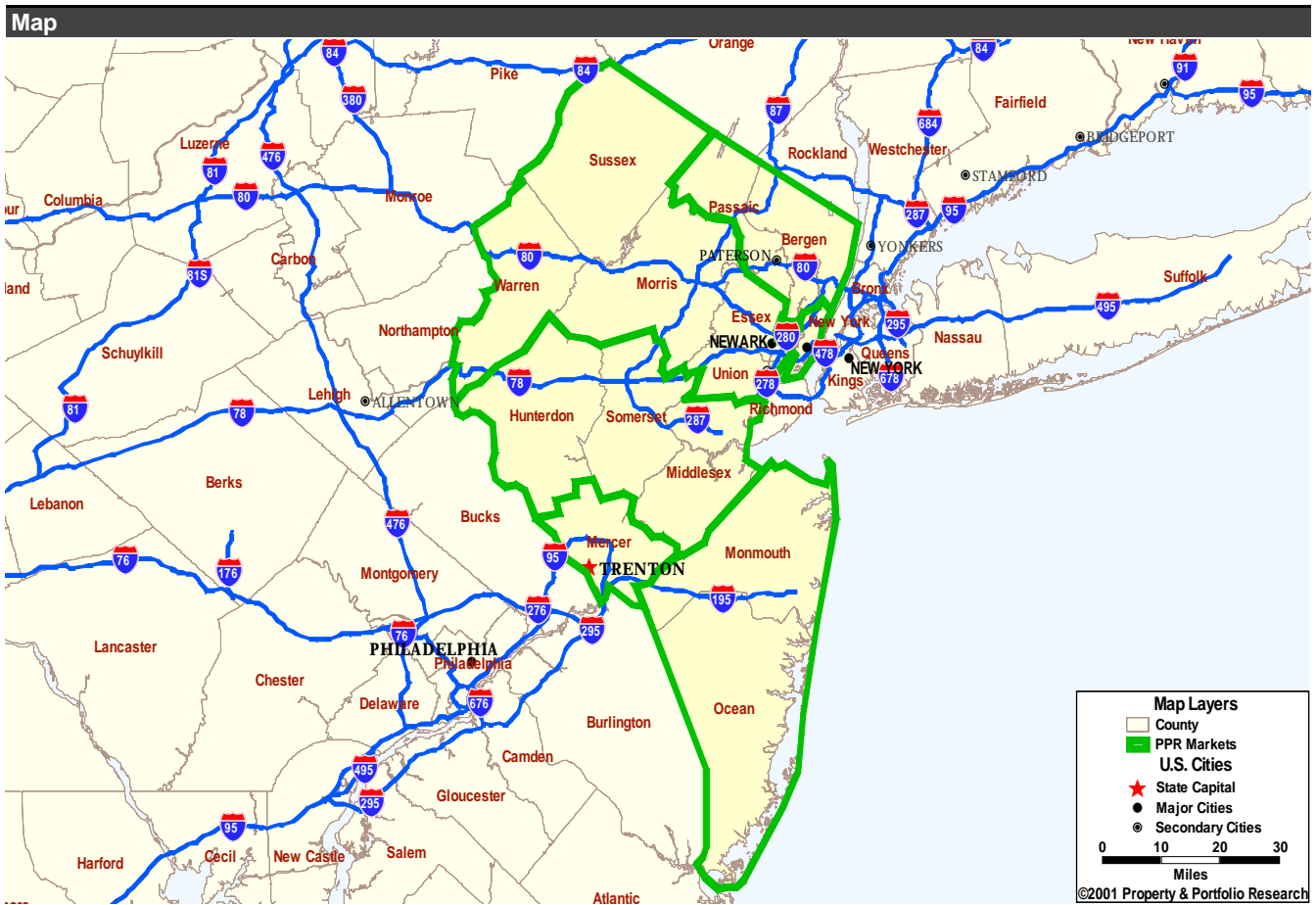


NORTHERN NEW JERSEY

Overview



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*	Net New Supply (000SF)**	Net Absorption (000SF)**
Apartment	↑ 4.0% 2.5% — [] — 7.0% 83:2 — [] — 92:3	↓ 3,557 -982 15,399 — [] — 86:3 86:3 — [] — 91:4	↓ 745 -2,557 14,737 — [] — 86:3 86:3 — [] — 86:3
Office	↑ 16.4% 7.6% — [] — 23.9% 82:1 — [] — 87:2	↑ 6,380 -74 9,553 — [] — 87:3 87:3 — [] — 83:1	↓ -239 -1,173 12,747 — [] — 88:3 88:3 — [] — 88:3
Retail	↑ 14.8% 5.3% — [] — 18.4% 87:1 — [] — 82:2	↔ 4,984 377 5,083 — [] — 01:3 01:3 — [] — 91:1	↓ -781 -1,959 7,174 — [] — 00:2 00:2 — [] — 00:2
Warehouse	↑ 9.8% 5.6% — [] — 13.3% 85:4 — [] — 92:2	↓ 4,618 267 6,216 — [] — 01:4 01:4 — [] — 90:2	↓ -398 -3,644 7,273 — [] — 85:4 85:4 — [] — 85:4
Hotel	↓ 63.6% 70.1% — [] — 58.6% 01:1 — [] — 91:4	↑ 3,384 -200 3,921 — [] — 87:1 87:1 — [] — 90:1	↓ -103 -1,435 1,828 — [] — 93:4 93:4 — [] — 93:4

*Occupancy for Hotels

**Apartment and Hotel data are in units.

NORTHERN NEW JERSEY

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON** – The Northern New Jersey economy is healthier than most and **total employment contracted by just 0.6% as of June, versus 1% nationally. Manufacturing remains the source of most local job losses** as the sector trimmed 22,000 jobs during the year ending in June. GM eliminated a shift at its Linden plant resulting in 1,100 jobs cuts and Ford may close its Edison plant in 2004, which employs 1,700. Lucent has also been steadily trimming its payroll here. **Avaya, a Basking Ridge-based Lucent spinoff, recently announced plans to cut 2,500 jobs.** In June, the FIRE sector was about 4,000 jobs larger than it was in June of 2001, but year-over-year growth has tapered in recent months indicating that the movement of some jobs back to Manhattan and the current downturn are having an impact here. **Pharmaceutical companies will continue to be an important part of the local economy,** but the proposed Pharmacia/Pfizer merger poses a future risk to employment.
- **APT** – **Job losses have weakened demand here,** but the comparatively mild local downturn has not had severe implications for landlords. Also supporting relatively healthy conditions in this market has been the fact that **construction activity is only a fraction of what this market experienced prior to the last recession.** Additionally, there was an influx in demand after September 11th as many lower Manhattan residents were displaced and others followed their jobs here. Going forward, however, **government rent subsidies will lure residents back to Manhattan.** Furthermore, major developments such as the 648-unit Liberty View Towers, which will be ready for occupancy early next year, may struggle to lease up given the decreased job base in lower Manhattan. Apartment vacancies are expected to linger at still-healthy 4% levels over the next two years before tightening in the outer years of the forecast.
- **OFF** – While the influx of demand last year from displaced Manhattan employers staved off a more dramatic collapse in this market, **conditions have deteriorated considerably.** This market's primary hurdle has been absorbing the **rash of sublease space from AT&T and Lucent,** but other employers such as Motorola, which put 254,000 SF on the market for sublease earlier this year, have also contributed to higher vacancies. Additionally, **many tenants leasing space have given back space in another location.** The FBI will vacate 160,000 SF in Newark when it moves into a new building, Aventis pulled out of 270,000 SF in Parsippany following its lease of 415,000 SF in Bridgewater, and Dun & Bradstreet leased 123,000 SF in Shorthills, but is leaving a larger space in Murray Hill. American Express vacated 150,000 SF of sublease space in Shorthills earlier this year and returned to Manhattan. The news has not been all bad in this market, however. Charles Schwab found two subtenants for nearly 270,000 SF of its space at Harborside X early this year. **Construction remains heavily focused on Hudson County.**
- **RET** – Economic vacancy rates in the local retail market have risen as job losses have stacked up. **Big-box expansion has propelled construction activity to levels far above those of the late 1980s** and completions have averaged roughly five million SF annually over the past three years. Construction is easing and completions are not expected to continue at that level over the forecast, but the likes of Wal-Mart, Lowe's, and IKEA all have projects in the pipeline and substantial levels of new supply are expected to come on line over the forecast. **Mills is looking to build at the Continental Arena site** should a new stadium in Newark come to fruition.
- **WHS** – Warehouse completions will not repeat the 6.2 million SF level of last year, but **substantial new space will come on line as new distribution facilities are built for large users such as Volkswagen and Pearson Education.** The exit 8A submarket remains the primary distribution hub in this market and developers continue to focus their activities here. **Northern New Jersey's importance as a regional distribution center has prevented vacancies from skyrocketing.** Tenant news has been mixed this year, but **space givebacks have outweighed leasing** by such firms as Vitamin Shoppe, Premier Warehousing, and Nestle Waters.
- **HOT** – **Hotel occupancies have deteriorated by nearly 10 percentage points from their peak of 70% in 2000. Development has surged despite rising vacancies. A 350-room Hyatt Regency recently completed at 2 Exchange Place in Jersey City.**

Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	6,764	288,644	0.5%	1.0%	0.9%	1.2%	0.5%	0.9%
Households	2,457	107,955	0.8%	1.3%	0.9%	1.3%	0.7%	1.1%
Median Household Income	\$60,821	\$44,924	6.4%	4.4%	3.1%	3.7%	3.6%	3.4%
Apartment-Renting Households	869	36,052	0.2%	1.7%	0.5%	0.5%	0.9%	1.2%
Real Retail Sales Per Capita	\$4,860	\$4,493	2.1%	1.5%	1.1%	1.8%	1.7%	1.5%

Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	1,086	1.1	4.0%	4.3%	3.6%	3.7%	2.5%	2.6%
Business Services	287	1.2	6.2%	6.6%	5.3%	6.2%	3.1%	3.1%
Other Services	799	1.0	3.4%	3.8%	3.0%	3.0%	2.3%	2.5%
Retail Trade	508	0.9	1.5%	2.5%	1.5%	2.0%	1.3%	1.6%
Government	475	0.9	0.7%	1.6%	0.5%	1.3%	0.2%	0.7%
Manufacturing	360	0.9	-3.3%	-0.6%	-2.2%	-0.6%	-0.1%	-0.3%
F.I.R.E.	236	1.3	3.3%	2.2%	2.3%	1.5%	0.4%	0.9%
Wholesale Trade	233	1.4	1.9%	1.3%	0.2%	1.4%	1.4%	1.2%
Trans., Comm., Util.	230	1.3	1.6%	1.1%	1.6%	2.0%	1.1%	1.0%
Construction	127	0.8	1.0%	1.4%	3.8%	4.2%	1.3%	0.6%
Mining	2	0.1	0.1%	-6.0%	2.2%	-1.6%	-2.4%	-1.2%
Total Employment	3,257	1.0	1.0%	1.9%	1.5%	2.0%	1.3%	1.4%
Office-Using Employment	902	1.2	3.2%	3.0%	3.0%	2.9%	1.9%	1.9%
Trucking/Warehouse Employment	283	1.3	1.8%	1.5%	0.2%	1.7%	0.8%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

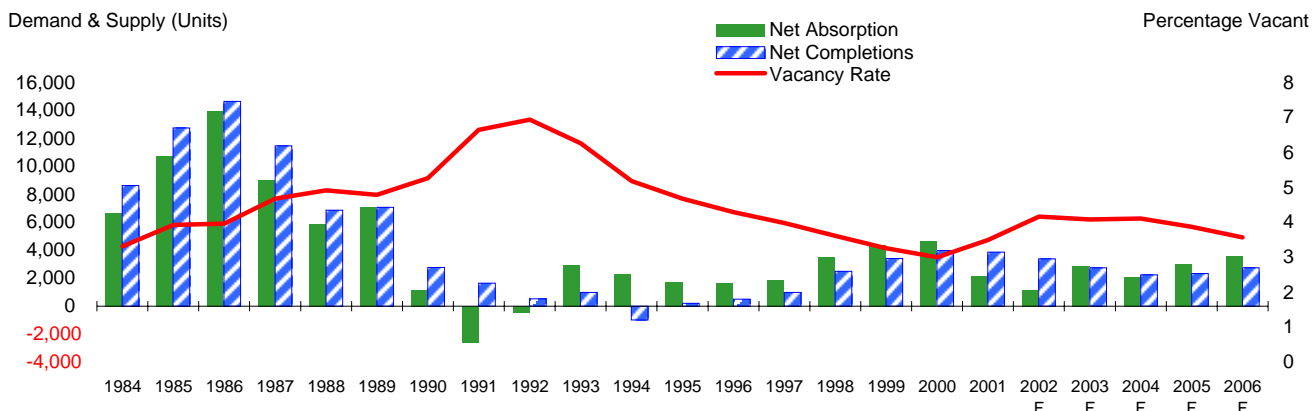
Employment Growth 6/02	Labor Force Growth 6/02	Unemployment Rate 6/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business Living	
-0.6%	1.9%	5.4%	0.9	1.9	117	116

Sources: PPR; Economy.com

NORTHERN NEW JERSEY

Apartment

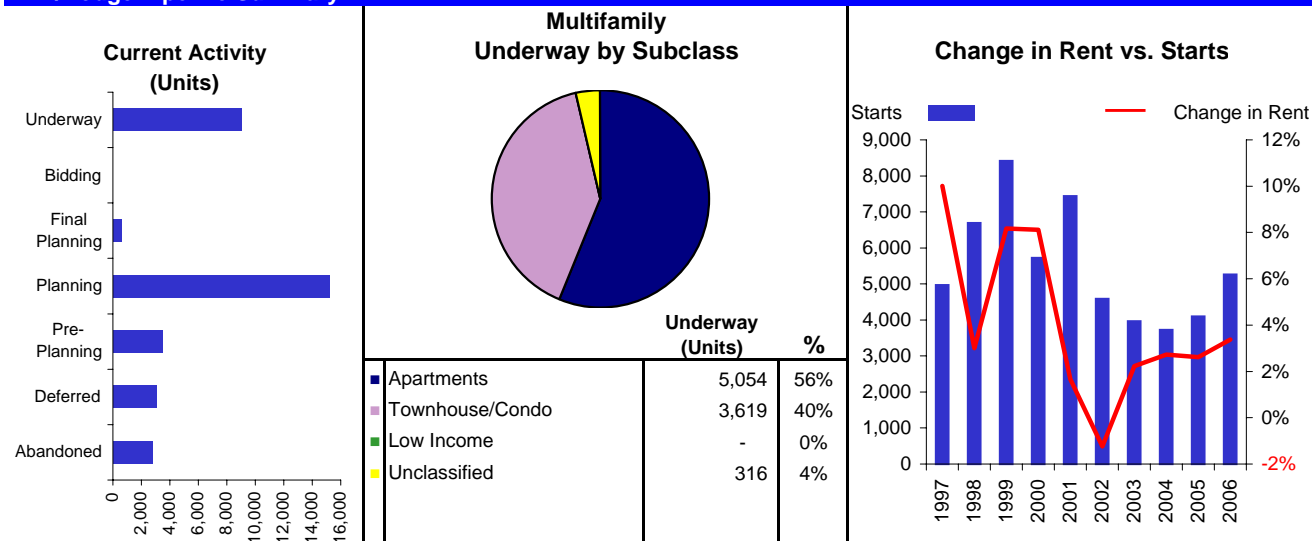
Supply, Demand, and Vacancy



Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	4.0%	3.6%	3.3%	3.0%	3.5%	4.2%	4.1%	4.1%	3.9%	3.6%
Apt. Net Absorption	1,880	3,515	4,389	4,660	2,185	1,159	2,869	2,077	3,026	3,629
% Growth	0.7%	1.2%	1.5%	1.6%	0.7%	0.4%	0.9%	0.7%	1.0%	1.2%
Multifamily Starts	4,965	6,687	8,418	5,719	7,434	4,582	3,963	3,725	4,095	5,257
% Change	101.7%	34.7%	25.9%	-32.1%	30.0%	-38.4%	-13.5%	-6.0%	9.9%	28.4%
Net Apt. Completions	990	2,493	3,419	3,987	3,881	3,387	2,745	2,258	2,332	2,742
Apt. Inventory	302,224	304,717	308,136	312,123	316,004	319,391	322,136	324,394	326,726	329,468
% Growth	0.3%	0.8%	1.1%	1.3%	1.2%	1.1%	0.9%	0.7%	0.7%	0.8%
Apt. Rent Index	110	113	123	133	135	133	136	140	143	148
% Change	10.0%	3.0%	8.2%	8.1%	1.7%	-1.2%	2.2%	2.7%	2.6%	3.4%

PPR/Dodge Pipeline Summary

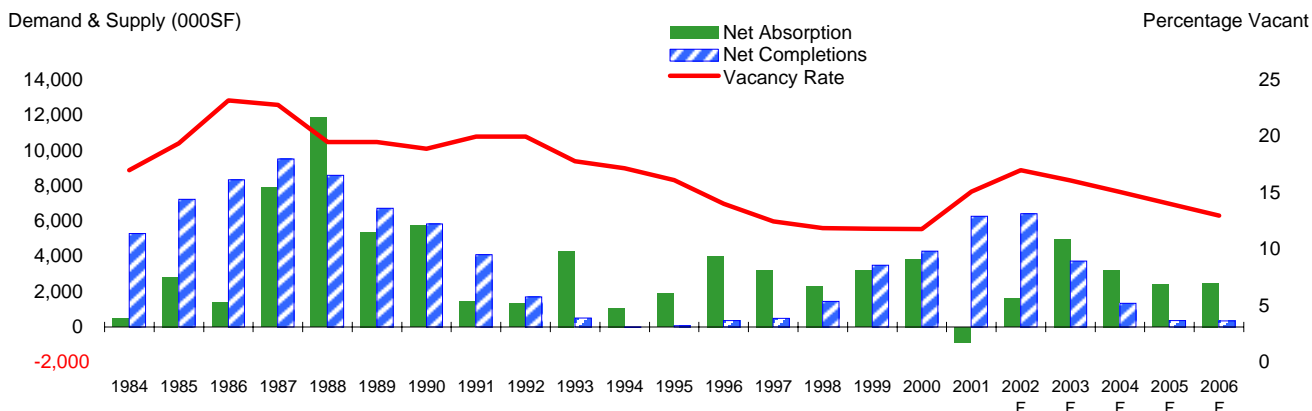


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORTHERN NEW JERSEY

Office

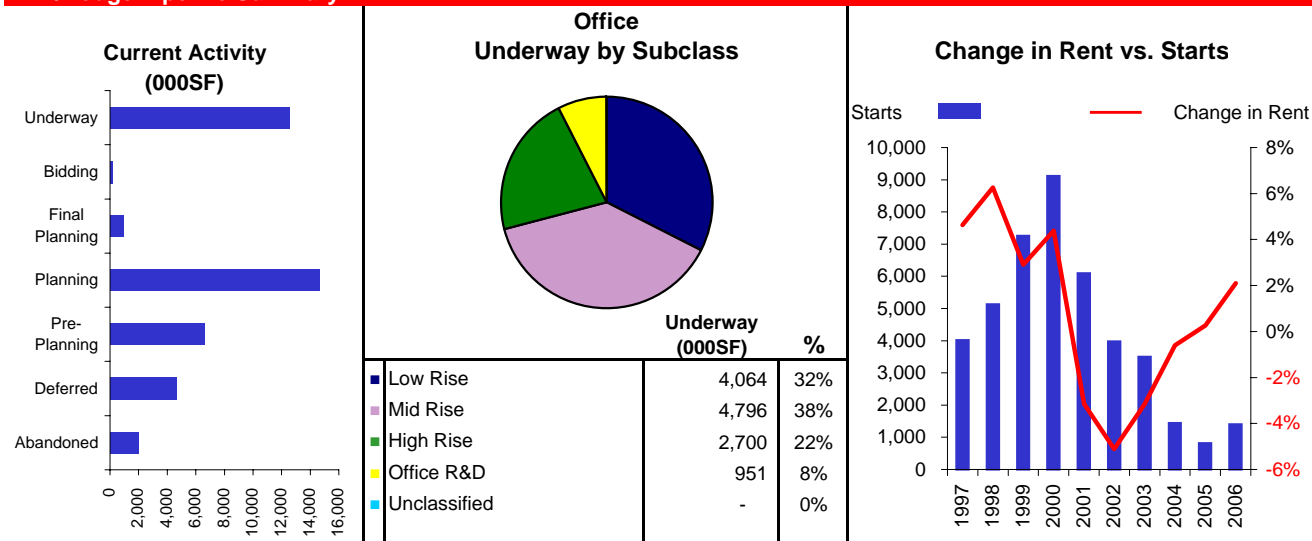
Supply, Demand, and Vacancy



Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	12.5%	11.9%	11.8%	11.8%	15.1%	17.0%	16.1%	15.1%	14.0%	13.0%
Net Absorption	3,231	2,318	3,182	3,844	-863	1,609	4,992	3,226	2,409	2,500
% Growth	2.1%	1.5%	2.0%	2.4%	-0.5%	1.0%	3.0%	1.9%	1.4%	1.4%
Starts	4,013	5,130	7,256	9,116	6,090	3,976	3,501	1,441	811	1,402
% Change	198.4%	27.8%	41.4%	25.6%	-33.2%	-34.7%	-12.0%	-58.8%	-43.8%	72.9%
Net Completions	492	1,448	3,497	4,300	6,269	6,419	3,741	1,335	358	348
Inventory	178,196	179,644	183,141	187,441	193,710	200,129	203,870	205,205	205,563	205,910
% Growth	0.3%	0.8%	1.9%	2.3%	3.3%	3.3%	1.9%	0.7%	0.2%	0.2%
Rent Index	105	111	114	119	116	110	106	106	106	108
% Change	4.6%	6.3%	2.9%	4.4%	-3.1%	-5.1%	-3.2%	-0.6%	0.3%	2.1%

PPR/Dodge Pipeline Summary

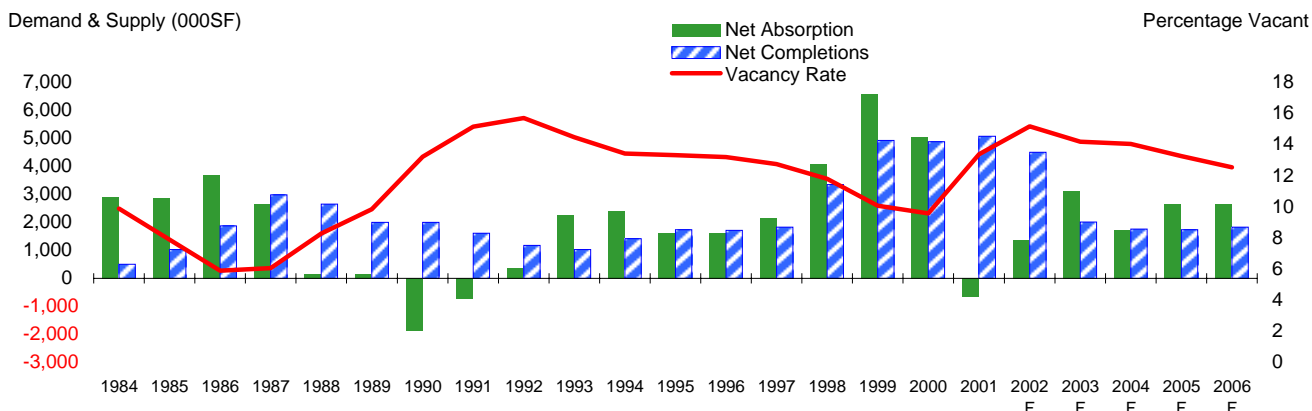


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORTHERN NEW JERSEY

Retail

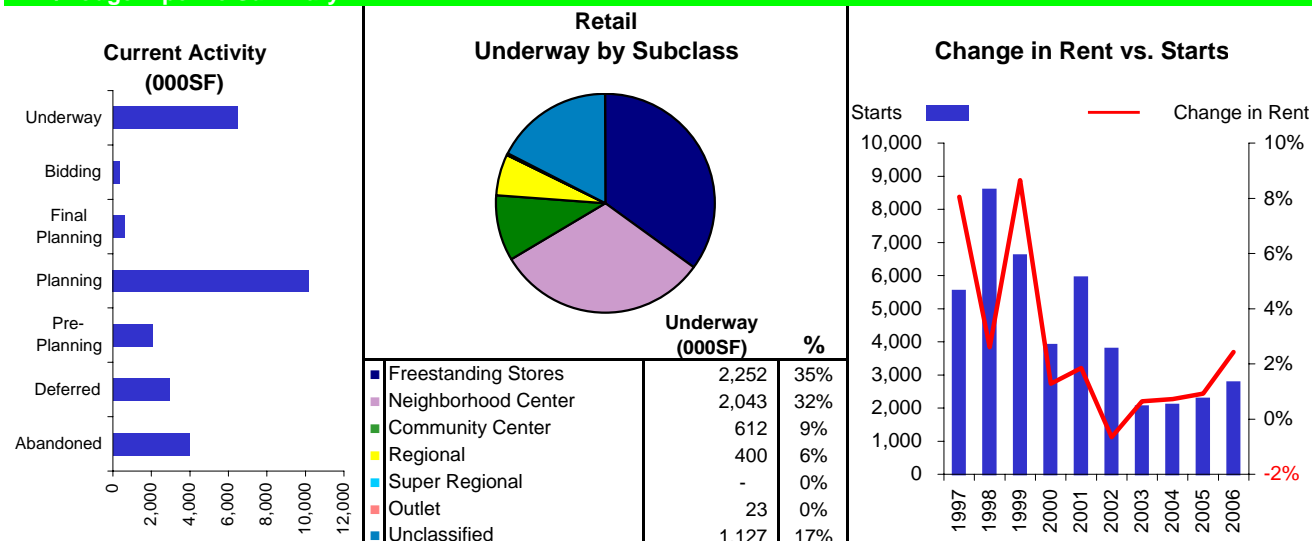
Supply, Demand, and Vacancy



Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	12.7%	11.8%	10.1%	9.6%	13.4%	15.2%	14.2%	14.0%	13.2%	12.5%
Net Absorption	2,136	4,087	6,561	5,020	-670	1,353	3,114	1,727	2,638	2,652
% Growth	2.1%	3.9%	6.0%	4.4%	-0.6%	1.1%	2.6%	1.4%	2.1%	2.1%
Starts	5,538	8,591	6,613	3,905	5,944	3,786	2,053	2,099	2,281	2,772
% Change	148.2%	55.1%	-23.0%	-40.9%	52.2%	-36.3%	-45.8%	2.2%	8.7%	21.5%
Net Completions	1,827	3,343	4,925	4,875	5,063	4,492	2,003	1,751	1,728	1,825
Inventory	119,663	123,006	127,931	132,806	137,869	142,361	144,364	146,115	147,843	149,669
% Growth	1.6%	2.8%	4.0%	3.8%	3.8%	3.3%	1.4%	1.2%	1.2%	1.2%
Rent Index	108	111	120	122	124	123	124	125	126	129
% Change	8.1%	2.6%	8.7%	1.3%	1.9%	-0.7%	0.6%	0.7%	0.9%	2.4%

PPR/Dodge Pipeline Summary

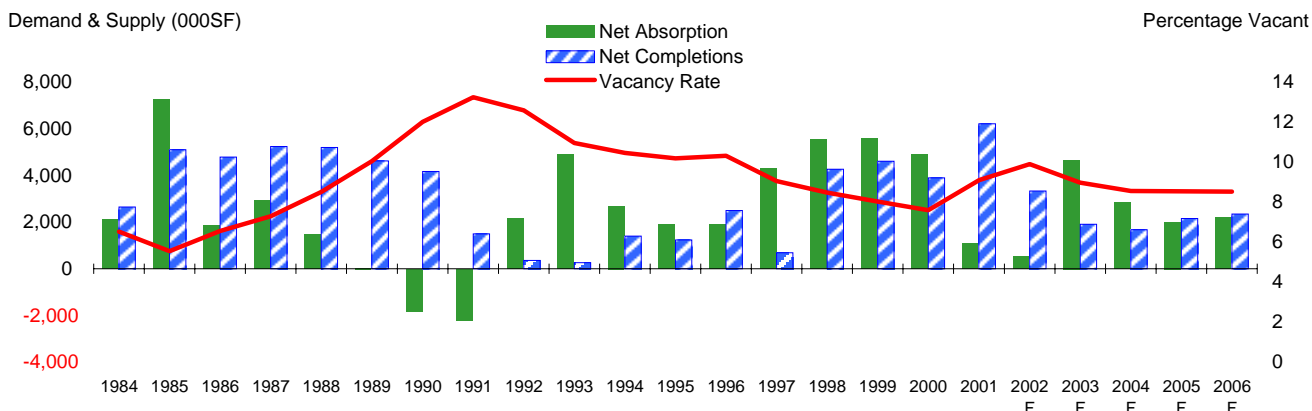


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORTHERN NEW JERSEY

Warehouse

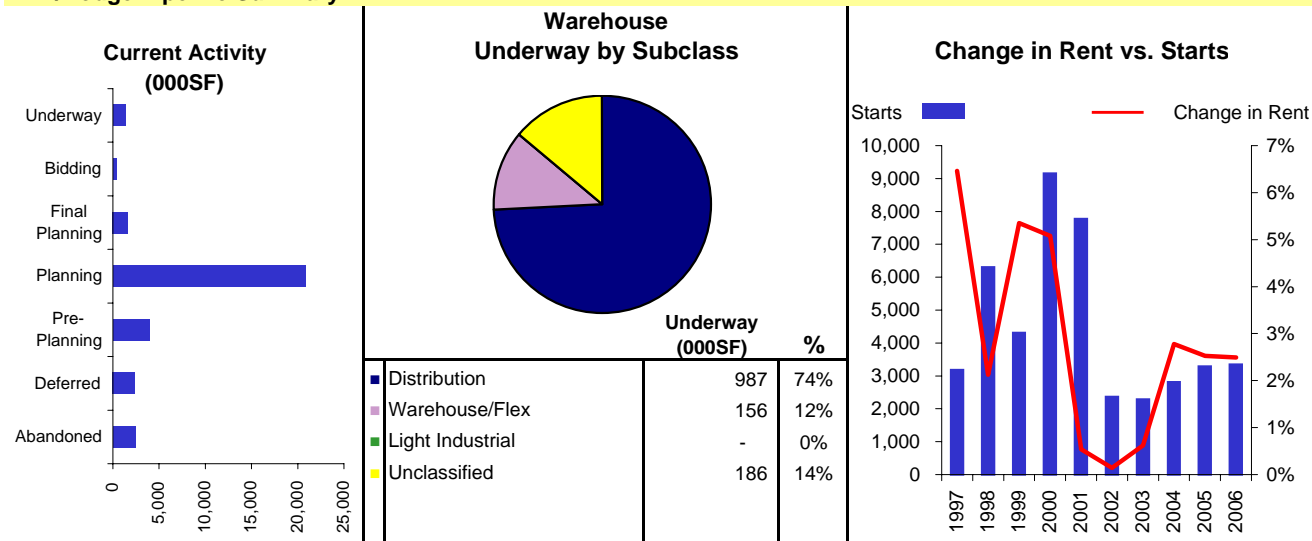
Supply, Demand, and Vacancy



Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	9.1%	8.5%	8.0%	7.6%	9.1%	9.9%	9.0%	8.6%	8.5%	8.5%
Net Absorption	4,284	5,563	5,600	4,886	1,092	515	4,667	2,827	2,013	2,211
% Growth	1.6%	2.1%	2.1%	1.8%	0.4%	0.2%	1.7%	1.0%	0.7%	0.8%
Starts	3,184	6,302	4,307	9,156	7,771	2,362	2,289	2,810	3,285	3,343
% Change	101.4%	98.0%	-31.7%	112.6%	-15.1%	-69.6%	-3.1%	22.8%	16.9%	1.8%
Net Completions	686	4,270	4,611	3,900	6,216	3,341	1,910	1,679	2,155	2,344
Inventory	291,120	295,389	300,000	303,900	310,116	313,457	315,368	317,046	319,201	321,545
% Growth	0.2%	1.5%	1.6%	1.3%	2.0%	1.1%	0.6%	0.5%	0.7%	0.7%
Rent Index	106	109	115	120	121	121	122	125	128	132
% Change	6.5%	2.1%	5.3%	5.1%	0.5%	0.1%	0.6%	2.8%	2.5%	2.5%

PPR/Dodge Pipeline Summary

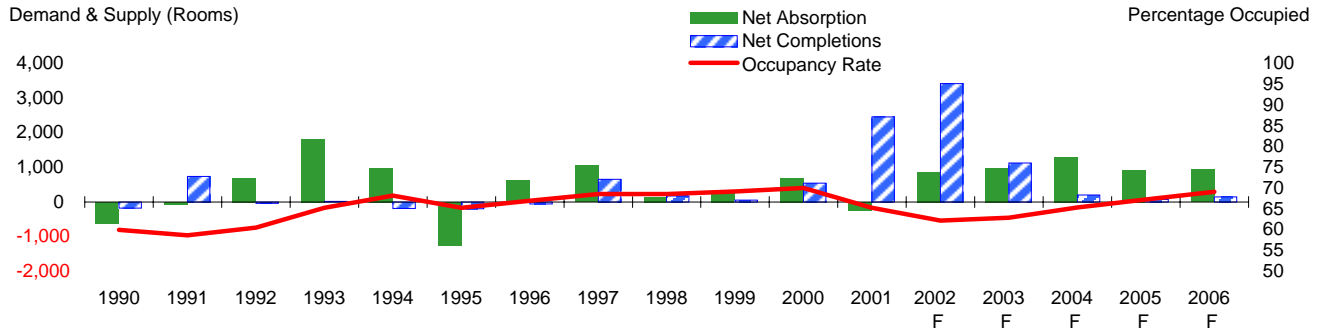


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NORTHERN NEW JERSEY

Hotel

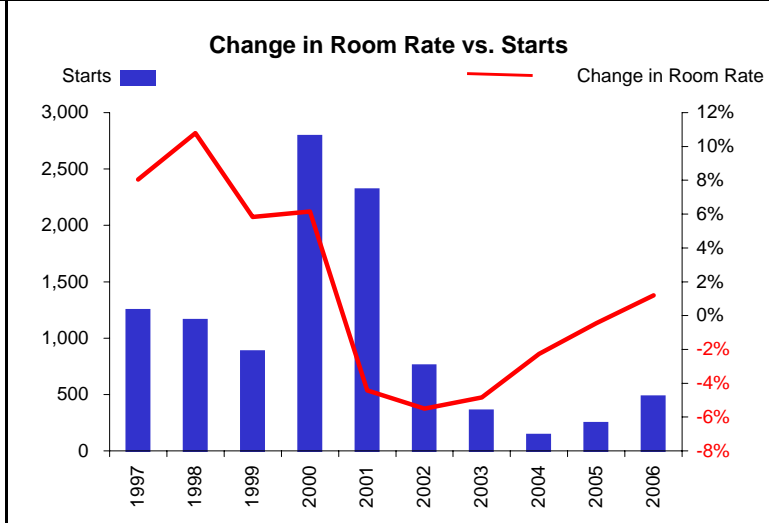
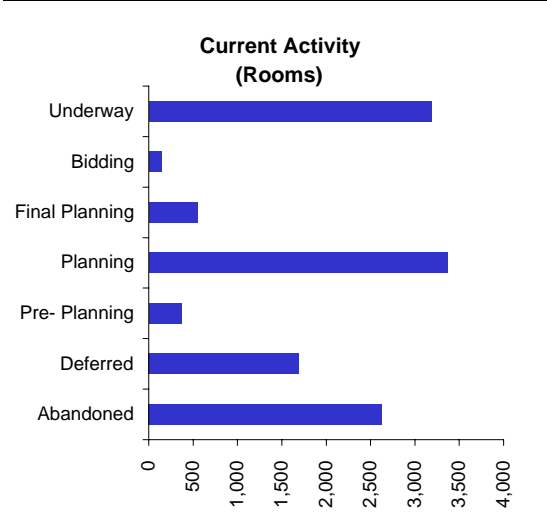
Supply, Demand, and Occupancy



Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	68.6%	68.6%	69.2%	70.0%	65.3%	62.2%	62.8%	65.4%	67.3%	69.1%
Net Absorption	1,049	132	261	700	-249	861	985	1,297	927	938
% Growth	4.2%	0.5%	1.0%	2.6%	-0.9%	3.2%	3.5%	4.5%	3.1%	3.0%
Starts	1,248	1,160	884	2,794	2,319	758	358	142	246	483
% Change	147.1%	-7.1%	-23.8%	216.1%	-17.0%	-67.3%	-52.8%	-60.3%	73.2%	96.3%
Net Completions	655	172	55	543	2,453	3,421	1,123	200	67	144
Inventory	38,295	38,467	38,522	39,065	41,518	44,938	46,061	46,261	46,329	46,473
% Growth	1.7%	0.4%	0.1%	1.4%	6.3%	8.2%	2.5%	0.4%	0.1%	0.3%
Room Rate Index	108	120	127	134	129	121	116	113	112	114
% Change	8.0%	10.8%	5.8%	6.1%	-4.4%	-5.5%	-4.8%	-2.3%	-0.5%	1.2%
RevPar Index	110	121	131	141	119	107	106	108	111	115
% Change	10.4%	9.3%	8.9%	7.4%	-16.0%	-9.3%	-1.1%	1.4%	2.6%	4.0%

PPR/Dodge Pipeline Summary

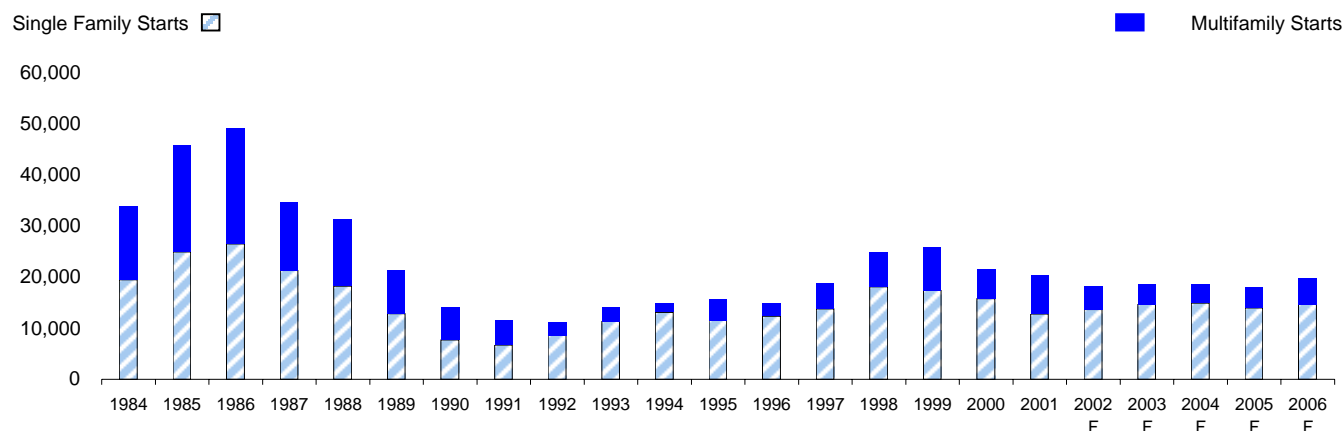


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

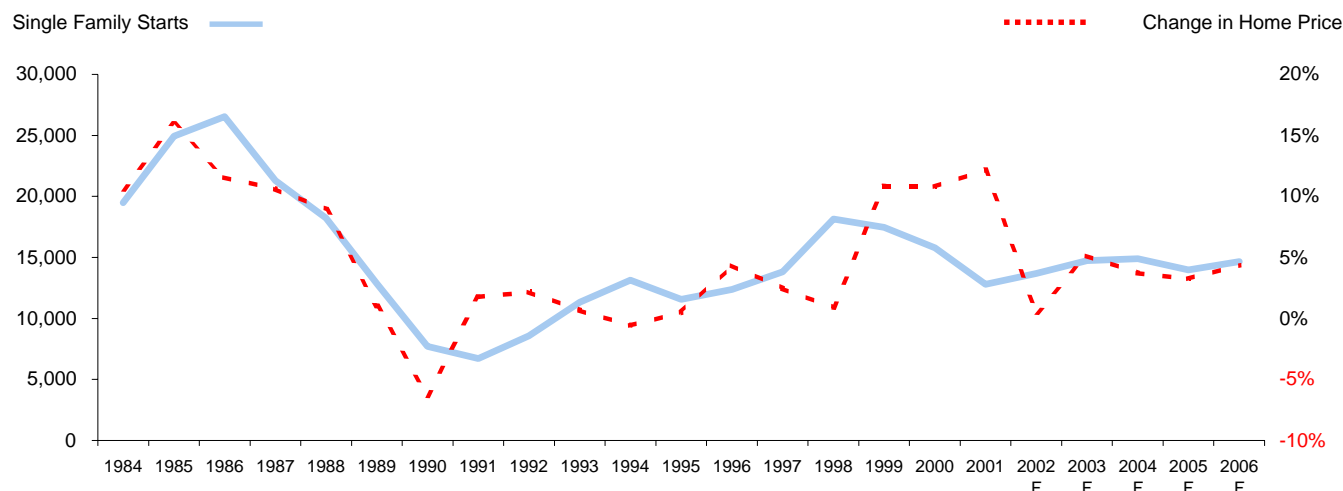
NORTHERN NEW JERSEY

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	13,814	18,137	17,456	15,791	12,803	13,681	14,746	14,901	13,981	14,663
% Change	11.6%	31.3%	-3.8%	-9.5%	-18.9%	6.9%	7.8%	1.0%	-6.2%	4.9%
Completions	13,240	16,147	18,633	16,121	13,888	13,219	14,245	15,224	14,058	14,474

Apartment Market Statistics

Multifamily Starts	4,965	6,687	8,418	5,719	7,434	4,582	3,963	3,725	4,095	5,257
% Change	101.7%	34.7%	25.9%	-32.1%	30.0%	-38.4%	-13.5%	-6.0%	9.9%	28.4%
Apartment Completions	990	2,493	3,419	3,987	3,881	3,387	2,745	2,258	2,332	2,742

Sources: PPR; McGraw-Hill Construction - Dodge

NORTHERN NEW JERSEY

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
New Brunswick Apartment Project	New Brunswick Middlesex	767	Planned	2/02	
Liberty View Towers	29 Hudson Street, Jersey City Hudson	648	Underway		3/03
333 River Street - "Block C"	River Road, Sinatra Drive, and Third and Fourth Street, Hoboken Hudson	526	Underway	1/02	6/03
Metropolis Towers	Jersey City, Jersey City Hudson	420	Underway	10/01	3/03
Avalon at Edgewater	Edgewater, Edgewater Bergen	408	Completed		6/02
Landings at Harborside	former naval reserve center in Perth Amboy, Perth Amboy Middlesex	400	Underway	9/01	12/02
Crystal Ridge Club at Watchung	Watchung/North Plainfield along Rt 22, Watchung Somerset	334	Underway	6/01	9/02
Promenade Apartments PH II	Edgewater Bergen	312	Planned		
Avalon at Freehold	Freehold Twnshp Monmouth	296	Completed	6/00	1/02
Cliffside Park Towne Center	Cliffside Park Bergen	220	Proposed		

NORTHERN NEW JERSEY

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
RCN/Bristol-Meyers Squibb site	Princeton Pike/Route I-95, Lawrenceville Mercer	1,500	Planned		
30 Hudson Street Goldman Sachs Campus Tenants: Goldman Sachs	30 Hudson St., Jersey City Hudson	1,300	Underway	12/00	3/03
Merrill Lynch campus	Hopewell, Trenton Mercer	1,200	Completed		6/02
Newport Office Center VII Tenants: PaineWebber	waterfront, Jersey City Hudson	1,200	Underway	3/01	9/02
"Block A" Office Building	Hoboken Waterfront - between 1st and 2nd Streets Hudson	1,100	Deferred		
Harborside Plaza 5 Tenants: Charles Schwab, Garban Intercapital	JC Waterfront, Jersey City Hudson	980	Underway	12/00	9/02
Newport Office Center V&VI Tenants: JP Morgan Chase	waterfront, Jersey City Hudson	804	Completed		3/02
Harborside X at Hrbrside Fin'l Cntr Tenants: Charles Schwab	waterfront, Jersey City Hudson	575	Underway	3/01	9/02
70 Hudson Street Tenants: Datek Online	waterfront, Jersey City Hudson	435	Completed		3/01
RCN campus Tenants: RCN	Princeton Pike and Rte. 295, Princeton Mercer	403	Proposed		

NORTHERN NEW JERSEY

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Meadowlands Mills	Meadowlands area of Bergen, Carlstadt Bergen	2,100	Proposed		
IKEA Retail Complex	NW quadrant of the Route 4 and Route 17 Intersection in Paramus Bergen	500	Planned		
Oceanfront Asbury	Asbury Park Monmouth County	450	Proposed		
Big-box Anchored Shopping Complex Tenants: in talks with Wal-Mart	Former Pacific Vegetable Oil International Site, Boonton Morris	190	Proposed		
Lowe's (Bricktown)	Route 70, Bricktown Ocean	160	Planned		
Gateway Center Ph. II w/ Wal Mart	Route 66, Neptune Monmouth	156	Cancelled		
Eatontown Lowe's	Route 35, Eatontown Monmouth	150	Planned		
Wal-Mart Sams Club Store #4744 JNT	81 International Dr S, Flanders MORRIS, NJ	132	Completed	7/01	3/02
Wal-Mart (Saddle Brook)	Saddle Brook Bergen	130	Planned		12/02
Kohl's Department Store	Hamilton Market Place, Hamilton Mercer	87	Underway	3/02	12/02

NORTHERN NEW JERSEY

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Heller Industrial Park addition	Mill Road in Edison, Exit 8A Middlesex	1,200	Completed	9/00	6/01
Seaman's Furniture Warehouse Tenants: Seaman's Furniture	Exit 7A, NE Business Park, Washington Township, Exit 7A Mercer	1,000	Completed		3/01
Volkswagen Distribution Facility	NE corner of Station Rd. and Route 130, Cranbury, Exit 8A Middlesex	928	Underway	1/02	9/02
Pearson Education Distribution Center	Cranbury, Exit 8A Middlesex	890	Underway		9/02
Matrix Warehouse/Distribution Facility	Exit 3A of I-195, Hamilton Township Mercer	660	Proposed		
CenterPoint Industrial Park	24 Englehard Drive, South Brunswick, Exit 8A Middlesex	528	Completed		9/01
350 Stark Road	350 Stark Road, Meadowlands Bergen	368	Underway	11/01	8/02
Lantis Eyewear build-to-suit Tenants: Lantis Eyewear	Secaucus, Secaucus Middlesex	339	Completed		9/01
Matrix Ind. Bldg in Perth Amboy	Perth Amboy, Perth Amboy Middlesex	240	Proposed		
1250 South River Road Tenants: Heidelberg USA	Cranbury, Exit 8A Middlesex	223	Completed	3/01	1/02

NORTHERN NEW JERSEY

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Ridgefield Park Motels & Hotels Theatres & Conference Cntrs	Challenger Rd, Ridgefield Park Bergen	539	Proposed		
Hotel	15 Washington St, Newark Essex	443	Cancelled		
Luxury Hotel	Washington Blvd and Sixth St, Jersey City Hudson	414	Deferred		
Heldrich Plaza Mix-Use Building	Livingston Ave, George, &, New Brunswick Middlesex	398	Planning	3/01	
Hyatt Regency Hotel / South Pier (NEGOTIATED)	2 Exchange Pl, Jersey City Hudson	350	Completed	2/01	7/02
Crystal Spring Marriott Hotel(250 Rooms)-Conference Cntr-Sp	Great Gorge, Hardyston Township Sussex	250	Cancelled		
Courtyard by Marriott Hotel with Pool	595 Martinsville Rd, Basking Ridge Somerset	235	Completed	7/00	1/02
Red Roof Inn and Studio 6 Hotels (220 Units)	263 Rte 46, Wayne Passaic	220	Planning		
Spring Hill Suites by Marriott Hotel/Pool	site to be announced, Rutherford Bergen	216	Deferred		
SpringHill Suites by Marriott Luxury Hotel (200 Rooms)	Highland Cross,, Rutherford Bergen	200	Planning		