

CONNECTING REAL ESTATE IN THE NORTHEAST

# NORTHEAST REAL ESTATE BUSINESS

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Russo Development is constructing a two-building facility called Brookline Corporate Center, located at 1600 and 1700 MacArthur Boulevard in Mahwah, New Jersey.

## BRINGING IT ALL TOGETHER

*The Northeast market is alive with development along its distribution corridors.*

Dan Marcec

Developers across the Northeast are seeing the demand for new office and industrial projects, especially along major distribution corridors where tenants are looking for prime space to locate their operations. *Northeast Real Estate Business* recently conducted interviews with several developers covering a variety of office projects, industrial developments, as well as endeavors that include elements of both. The flourishing activity in these markets proves that this type of product continues to be a source of positive impact in the Northeast for the commercial real estate industry.

### PROLOGIS LOWER NAZARETH, PENNSYLVANIA

National developer ProLogis currently is underway on a massive industrial development called ProLogis Park 33, which is located at the intersection of Routes 33 and 248 in Lower Nazareth, Pennsylvania, on the eastern end of the Lehigh Valley industrial market. With its location on Route 33, the development has excellent access to Interstates 78 and 80, as well as Interstate 95 and the Pennsylvania

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Turnpike. With an equidistant commute to the area's two major population centers, New York City (80 miles) and Philadelphia (75 miles), the location will provide for excellent distribution throughout the eastern half of the United States, and there is a large labor pool in the region from which an employer can choose.

The project consists of two buildings encompassing more than 2 million total square feet. Building 1, which has broken ground and is being developed on a speculative basis, will encompass 930,000 square feet upon its completion in fall 2007. Building 2, currently being marketed on a build-to-suit basis, is expected to comprise 1.41 million square feet. The project is a modern facility similar to many that ProLogis is developing worldwide. It includes features such as 32-foot clear height ceilings, an ESFR sprinkler system, 50 by 50 column spacing and a 185-foot truck court with ample loading and trailer storage areas. The architect for the project is Ware Malcomb, led by Michael Bennett; Evans Engineering is the project engineer; and Steve Bonge, Tim Brogan and Pat McBride of Grubb & Ellis are handling the leasing.

"ProLogis Park 33 is unique because it's the first big-box warehouse developed in the western end of the Lehigh Valley/Allentown market, which has excellent access to the area's major highways," says George Hasencz, vice president for capital deployment in New Jersey and Pennsylvania with ProLogis. "This will allow its users to operate much more efficiently in getting their goods to and from their distribution centers quickly."

With the lack of available develop-

ment sites in the western portion of the Lehigh Valley industrial market, ProLogis Park 33 allows for a major distribution company (greater than 1 million square feet) to base its operations in a brand new, state-of-the-art facility with an excellent roadway system. Its location on the eastern side of the market also allows users to avoid the traffic congestion currently plaguing the western side of market.

"Aside from bringing jobs into the area, this project will have a minimal effect here," Hasencz says. "It helps add balance to the area neighborhoods, which already have a wide variety of residential and retail real estate."

## IDI, Inc. SOUTH BRUNSWICK, NEW JERSEY

Off Exit 8A of the New Jersey Turnpike in South Brunswick, IDI is developing Middlesex Center I, a 1.35 million-square-foot industrial distribution facility situated on Middlesex Center Boulevard. The speculative project is scheduled for completion in mid-December, and no tenants have yet been signed.

"Exit 8A on the New Jersey Turnpike is one of the most prolific locations in the United States for distribution type facilities, not only for its high demand from the tenant side, but also for the interest that buyers show for this market on the institutional side," says Frank Petkunas, vice president, regional development officer for IDI. Demand for distribution product on the Northeast run (Interstate 95 north and south) stems from these fundamental attributes of the region.

Several other elements make this

specific market an excellent location for a new distribution facility: the area exhibits the highest concentration of consumer wealth in the nation, the highest concentration of population in the nation, and it has convenient freight flow patterns due to the proximity of ports and numerous major arterial roadways. Stemming from these positive market attributes, it appears that anything along the New Jersey Turnpike could be successful. However, "the problem is," Petkunas notes, "that all points north of 8A are mature markets that do not offer land parcels large enough to build a facility like this one. Therefore, in order to accommodate the demand for a larger type of facility, you have to travel south on the Turnpike until such land becomes available."

The design of Middlesex Center I was influenced by the company's perception of contemporary tenant demand. According to Petkunas, tenants prefer new product because of the never-ending push by corporate America to gain a competitive advantage through logistics. "Logistics and supply chain design is one of the few ways a consumer product company can establish both a sustainable and non-replicable competitive advantage," he says. That implication carries with it the need for developers to tweak the system consistently; therefore, market demand is continually represented by the need for new locations, higher ceilings, different trailer parking requirements and other state-of-the-art amenities.

"Middlesex Corporate Center I will be successful for two reasons: first, it offers a size that is not readily available in other markets in New Jersey, this is mainly attributable to land constraints

throughout the region," Petkunas says. "Secondly, it offers an abundance of trailer parking that isn't available with buildings built during the last market cycle."

## RUSSO DEVELOPMENT MAHWAH, NEW JERSEY

Russo Development also is constructing a significant project in New Jersey, a two-building facility called Brookline Corporate Center, which is located at 1600 and 1700 MacArthur Boulevard in Mahwah. Situated strategically at the junction of Interstate 287/87 and Route 17, the facility is located in an exclusive corporate area in Bergen County, home to the MacArthur Boulevard corporate corridor, which includes companies such as the Stryker/Howmedica Research Center, United Parcel Service Data Center, Jaguar U.S. Headquarters, Datascope Headquarters and Research Center, and the Seiko U.S. Headquarters. This property is at a full interchange on Route 17 and is one of the largest remaining tracts of land to be developed in Northern Bergen County. The surrounding businesses and flexible zoning encourage a myriad of uses including office, corporate headquarters, data center or back office, pharmaceutical and lab space and flex/industrial product.

Brookline Corporate Center consists of both office and industrial space, encompassing 82,350 square feet in Building 1, and 233,440 square feet in Building 2. The project is build-to-suit, containing amenities such as 32-foot clear ceiling heights, ESFR sprinkler systems, masonry construction with brick veneer, a heavily landscaped



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park-line environment, multiple service providers and redundant power and telecommunication systems. Currently, the facility has full approvals to break ground, with the timeline for construction spanning approximately 1 year. Russo Development is undertaking general contracting and architecture in-house.

"This is a mature market that has not had a lot of new development in recent years, which will make Brookline Corporate Center truly unique," says Heather Malko, director of marketing for Russo Development. "This development has the ability to accommodate heavy power users including data centers, disaster recovery, research and development, and manufacturing. The site is ideal for users requiring reliable or redundant power, as this configuration would not rely on an offsite substation."

Given the lack of new development in the area, this project will present a company with the opportunity to be in a first class facility built to suit a client's specific requirement. The addition of such a tenant would provide a positive impact for the local market.

## LARKEN ASSOCIATES HILLSBOROUGH AND BRANCBURG, NEW JERSEY

Larken Associates currently is developing three separate projects in the New Jersey market. The first is called Hillsborough Business Center, which is located on Stryker Lane in Hillsborough. The industrial facility consists of 23 buildings encompassing a total of approximately 500,000 square feet. Nineteen of these buildings already have been completed, two were constructed very recently, and the last two will be online by spring 2007. More than 170 tenants already have signed on for the project, and while the company specializes in build-to-suit properties, it creates speculative space in order to accommodate tenants that need the ability to sign leases and move into new industrial space quickly.

Some of the special features and amenities provided at Hillsborough Business Center include separate utilities and entrances for each tenant, 20-foot clear ceiling heights, tailboard and/or drive-in, heavy floor load, an on-site fitness center, a day care and a self-storage facility. In addition, the property features a full wet sprinkler system throughout.

With easy access from all major high-

ways including interstates 287 and 78, and routes 22, 1 and 206, Hillsborough Business Center has been growing and developing over the past 20 years in conjunction with the area's expanding residential population. The center now

offers a variety of tenants, as well as services including office, warehouse, manufacturing and recreational uses.

"By developing long lasting business relationships with area brokers, as well as working with potential tenants

one on one to create adjustable tenant leases that offer them the ability to relocate to any one of our properties as their business evolves, changes or grows, we have been able to compete with the larger markets," say Larken

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Larken Associates recently completed The Courtyard at Amwell, a 14,038-square-foot built-to-suit medical office space in Hillsborough, New Jersey.

Associates professionals Melissa Nascimento, marketing director, and Victor Kelly and Rob Marek, both of whom hold the position of executive vice president of commercial sales.

Currently, Larken Associates is being opportunistic in undertaking two medical office projects in addition to finishing the Hillsborough Business Center. This property type is in high demand throughout the market, which has not seen much availability for investment in the medical office sector, as the area is crowded with leasing opportunities.

The Courtyard at Amwell, located at 491 Amwell Road in Hillsborough, and Branchburg Commons, located at 3322 Route 22 West in Branchburg, are examples of new product in this sector built specifically to meet this demand. Courtyard at Amwell was completed recently, offering built-to-suit medical office space throughout 14,038 square feet. Amenities on the property include large perimeter windows, professionally landscaped grounds, high-speed Internet, private entrance to suites, bathrooms, kitchenettes, and separate utilities for each tenant.

"This market has exhibited strong residential growth requiring additional medical and professional office space," say Nascimento, Kelly and Marek, all of whom contributed to the interview with *Northeast Real Estate Business*. "The speculative suites have been extremely popular with doctors looking to begin new practices with minimal fuss and client loss."

Branchburg Commons, a much larger development situated in a great location on heavily traveled Route 22 West, encompasses 116,500 square feet throughout three phases, already hous-

es 42 tenants, and includes some of the same amenities as the Courtyard at Amwell, including Internet, private entrances, bathrooms, kitchenettes and separate utilities. In addition, the property provides on-site day care, as well as fully furnished executive suites and on-site storage.

The property's campus-style single story building design and layout was heavily influenced by its residential surroundings, seen in the project's use of dormers, accent shutters and arches. Including both medical and professional office space, phases 1 and 2 of Branchburg Commons have been completed, and Phase 3 is expected to deliver in summer 2007.

"Branchburg Commons will be a success because it is the only project of its kind that allows all sized tenants in a concentrated area within a campus-style professional business setting," say Nascimento, Kelly and Marek.

## J.G. PETRUCCI BETHLEHEM, PENNSYLVANIA

Within the Lehigh Valley Industrial Park VI, located at 2801 Baglyos Circle in Bethlehem, J.G. Petrucci has developed a 52,500-square-foot speculative facility, which has been occupied as a new headquarters operation for Strahman Valves, Inc., a world-class, internationally-recognized manufacturer of sampling valves, drain valves, and custom industrial valves, as well as wash-down equipment used by the food, beverage, pharmaceutical, polymer, chemical, petrochemical and biotech industries. The project includes both industrial and office space, the latter of

which encompasses 18,000 square feet of the property, and was completed in July. Cerminara Architects and Iron Hill Construction Management Corporation also were instrumental in constructing the development.

The building has an upgraded electrical service with an extensive air and electrical distribution systems to support the fabrication and machining centers. In addition, the property includes a 12-ton bridge crane and the 18,000-square-foot office fit-out. The location and site conditions were the main drivers of the layout, and the visibility of the site influenced the design of the speculative building. Strahman Valves was the perfect fit for the building's location and layout.

"Originally, we were attracted to the site's access to major trade routes, visibility and a presence in one of the Lehigh Valley's premier industrial parks," says Megan Santucci, director of marketing for J.G. Petrucci. "Strahman Valves was looking for a developer with experience, a hands-on approach, and a reputation for completing projects on time and under budget."

A few illustrative statistics suggest further reasons why J.G. Petrucci chose the site: a population of 30 million is located within a 100-mile radius; within one day, distributors can reach one-third of the U.S. and one-half of the Canadian population; 38,000 net new jobs were created in the market between 1996 and 2005; 11 institutions of higher learning enrolling more than 48,000 students are in the immediate area; increasingly diverse business clusters focused on services and technology; and the region boasts an affordable cost of living, top-notch

public and private schools, and nationally-recognized hospitals and health care facilities.

According to August Percoco, president and CEO of Strahman Valves, Inc., the company's decision to relocate to the Lehigh Valley area from Florham Park, New Jersey, was based on several factors, including a large labor force with a strong work ethic, competitive land and construction costs, access to major highways, and a community that meets the needs of their growing company while offering an excellent environment in which to live and raise a family.

"Local and state economic development officials work with companies looking to relocate or expand, and are often able to offer valuable local and state incentives. The Lehigh Valley is a progressive, growing economy," says Santucci. "In this particular case, the Lehigh Valley Economic Development Corporation (LVEDC) secured a \$1.81 million financial package for Strahman Valves through the Pennsylvania Department of Community and Economic Development and the Governor's Action Team."

Strahman has hired 75 administrative and highly skilled trade employees and has the capability to expand its current operation, providing a great example of what the market is trying to achieve with the recruitment of high-paying manufacturing jobs to the Lehigh Valley. The company expects continued growth in the local area and in their global business. □



J.G. Petrucci has developed a 52,500-square-foot speculative facility within the Lehigh Valley Industrial Park VI for Strahman Valves.