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Weichert Commercial Brokerage Inc. is the exclusive leasing agent for 38,000 square feet of industrial property located at One Donna Drive in Wood-Ridge.

A significant amount of strength seen

By Robert Wahlers
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Industrial real estate executives predicted the northern New Jersey marketplace will continue to rely on the strength of warehouse and distribution users to continue the sector's robust performance.

According to Gualberto "Gil" Medina, executive managing director of Cushman & Wakefield's New Jersey operations, signs of a strengthening New Jersey economy brought additional optimism to the industry as the second quarter of 2007 got under way. This included an unemployment rate that fell below the national average to 4.1 percent in February.

Anchored by a booming port region, steady demand for warehouse and distribution facilities persists throughout northern New Jersey as well as the central part of the state, Medina said.

"However, unlike the past two years, available space became more abundant in northern New Jersey, which added 1.9

million square feet, and decreased in central New Jersey by 3 million square feet," Medina said.

Medina said significant transactions in the northern part of the state included Fortunoff leasing 240,980 square feet in Bayonne. In North Bergen, Veeco leased 235,000 square feet, and Phoenix Warehouse leased 204,564 square feet in Jersey City.

In terms of new construction, the Pepsi Cola Bottling Group signed a build-to-suit deal for a 135,398-square-foot building within Russo Development's Saw Mill Park in Kearny, Medina said. Speculative projects that broke ground during the first quarter included IDI's 342,705-square-foot warehouse and distribution facility at 251-259 Kapkowski Road in Elizabeth.

David Fisher, regional senior vice-president and managing director for Weichert Commercial Brokerage Inc., said another significant planned development is AMB's 191,196-square-foot Liberty Logistics Center on Olive Street in Newark.

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"That was kind of a sleeper site, off the beaten track, but because it's within proximity to the ports, AMB should really benefit from the investment," Fisher said, noting that there are a number of other large projects in the pipeline.

"Although we had only about 55,000 square feet of new construction delivered in the first quarter this year, there is a minimum of 560,000 square feet of space currently under construction," Fisher said, with a majority in Bergen, Essex and Hudson counties.

A tighter supply compared to last year now has resulted in a dip in investment dollars, he added, though this has increased the average purchase price.

"There is not as much product available as there was last

year. In the first quarter of 2006, we saw \$360 million in sales volume, with 104 transactions," Fisher said. "In the first quarter of 2007, the total sales volume had dropped to \$132 million with 56 transactions."

The average purchase has "moved into the \$75 per square (foot) range, and when you reach that point, it becomes prohibitive for some investors," he said.

Fisher said though there are not necessarily lines of tenants waiting in the wings to be absorbed into buildings, the general feeling is that the next two quarters will be strong ones for industrial activity.

"One of the key features so far in the 2007 marketplace has been the negative absorption in northern New Jersey," Fisher said. "It's unusual, but some-

thing that shouldn't cause big concern. We also saw negative absorption in the first quarter of 2006 in the region, but then things turned around, going strongly positive in the second and third quarters before falling off in the fourth quarter of 2006."

Fisher attributed the negative absorption swings to factors such as companies consolidating their locations, softer rental rates in other submarkets and the shift from manufacturing into service industries.

"There's not as much need for labor," he said. "The tenancy has been for more product to be drop-shipped, so there's less of a need for the midsized, third-party warehouse space."

Another presence in the northern New Jersey market is Pantheon Properties Inc., which

also has brokered some long-term lease deals.

Recent examples include 3200 Liberty Ave. in North Bergen, where The Drape Kings renewed the lease on its 10,000-square-foot unit while expanding into additional space, committing to 16,000 square feet. At the same location, Pantheon inked a 20,000-square-foot renewal with Kadan Productions, a builder of sets for television commercial shoots, fashion shows and theater.

"North Bergen continues to attract and retain top-quality tenants that require prime manufacturing or distribution and office space within proximity of New York City and the entire tri-state area," said Zack Hitchcock, a Pantheon vice-president. ◀

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