

April 2008

# 50<sup>th</sup> Annual Office/Industrial Review

By Jim Prior, Contributing Editor

To paraphrase Dickens, it is not the worst of times or the best of times for New Jersey's office/industrial market. It is a tale of two competing forces—a soured national economy and gutsy local industry. Amid a staggering economy, stagnating stock market, slumping housing starts and sales, increased credit scrutiny and a slowing job market, New Jersey's office market is surprisingly stable and its industrial sector is doing better than expected. A poll of leading brokers and developers for *New Jersey Business*'s 50<sup>th</sup> annual review reveals that the commercial realty market is holding its own, waiting for a spark from an economic recovery to ignite a flame of activity.

Caution is the catchphrase in today's office market. Gualberto "Gil" Medina, executive managing director of Cushman & Wakefield's New Jersey operations, East Rutherford, says "Slow economic growth is predicted for 2008 as job creation is expected to decline during the first half of the year. Office investors will approach opportunities with caution when seeking to acquire new property. However, landlords will continue





## Commercial Real Estate Market Holds Steady, Despite Troubles

to remain aggressive in seeking credit-worthy tenants."

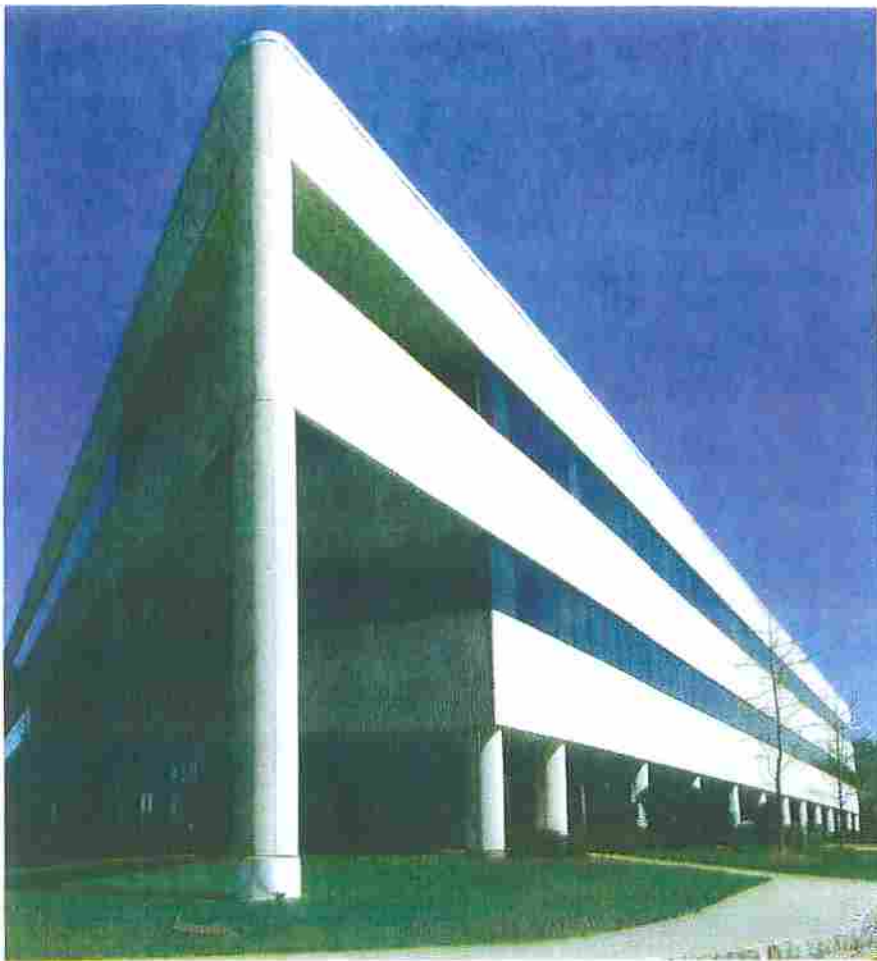
Mark Yeager, president of Gale Real Estate Services Company, a subsidiary of Mack-Cali Realty Corporation, Edison, says, "I expect new construction starts to be slow unless a building is being constructed as a build-to-suit. I believe the general market perception is that as a result of a very challenging U.S. economy at the present time, 2008 will be a challenging year for the suburban New Jersey office market."

Hariz Mountain Industries, which has been responsible for millions of square feet of office and warehouse/distribution facilities along the Hudson River in Jersey City and Weehawken, as well as Newark and other cities, is luring New York firms to the Mead-

owlands with billboard and print advertising which compares costs for a 100,000 square-foot office that would save them \$60 million, or 63 percent, by locating in New Jersey. "The market has responded enthusiastically to the campaign," says Emanuel Stern, president and COO. "It got brokers in New York and New Jersey talking - and our web traffic has increased considerably with people using our calculator. This is a good predictor of new leasing and, in fact, we are in discussions already with tenants for substantial office requirements. Manhattan tenants are being presented with renewals at \$75 per square foot for mediocre office space. They can locate in the Meadowlands for \$27 per square foot with dedicated parking."



In a great success story of Portfield redevelopment, Amloy Corporate Center, a 1.1-million square-foot complex of two buildings, is under construction on the former Grayson property, Perth Amboy, and has been pre-leased to U.S. Foodservice (462,000 square feet) and Best Buy (652,000 square feet). Colliers Houston & Co. is the exclusive broker for the complex while CB Richard Ellis signed up the two tenants.



Lincoln Property Company, in a joint venture with UBS Global Asset Management, is upgrading The 9 at Parsippany, a 3-story, 200,000 square-foot office at 9 Entin Road. Daicchi Sankyo, Inc. and El duPont de Nemours & Co. have signed for over 55,000 square feet.

On the industrial side, some brokers have expressed concern about the impact the housing slowdown will have on warehouse/distribution complexes. "Housing dropped 26 percent last year," observes David T. Houston, Jr. of Colliers Houston, Teaneck. "With less housing starts and sales, there is less demand for all the things that go into new homes. We're a distribution state. If people don't buy, then demand for warehouse and distribution slows." On the office side, Houston says the vacancy rate has been hovering around 13.1 percent for five years. He adds that only about 30,000 jobs were created last year, well below the average 40,000 or so leading up to the 2002 downturn. (Revised numbers from the NJ Department of Labor puts this number at just 4,700 private- and

public-sector jobs.) He would like to see job creation in the 80,000 range, as was the case in the mid-1990s.

Gov. Jon Corzine's plan to dramatically increase tolls on the New Jersey Turnpike and other toll roads would impact the trucking operations and all the distribution centers from Port Newark/Elizabeth down the Turnpike to the Port of Camden/Philadelphia. A six-axle tractor-trailer driven from the Delaware Memorial Bridge to the bustling Exit 8A now pays \$12.25 for a one-way trip. That would jump to \$45 by 2022.

Houston says monetization of the toll roads is a stop-gap, a bandage on a major wound. "We, as a state, owe \$115 billion; we are bankrupt. To monetize the roads will mean paying down \$1 billion to \$1.2 billion in debt service

a year. It would take a century to retire that debt. We have to turn the state's economy around. Some 70,000 people left the state last year. It used to be that you could not afford to die here because of the estate and other taxes. Now, you can't afford to live here either. New Jersey has to make its economy a little friendlier."

William C. Hanson, president of NAI James E. Hanson, Hackensack, believes normalcy has returned to the market. "Credit was too easy in recent years," Hanson says. "Now, there is sanity in the marketplace and that's good. There is money to be borrowed, under the right conditions. Credit has tightened on deals. Pricing has become more realistic."

Hanson recently opened a Parsippany office to better serve the bustling market there. Hanson and many other brokers say that the hot spots in the office market are the Jersey City-area waterfront, Newark and Parsippany. Princeton is often mentioned, with a caveat that there is an abundance of vacancies because of the unusually large number of speculative buildings put up in the past 18 months.

Jeffrey Schotz, executive managing officer of GVA Williams, Parsippany, is ebullient about the market. "2007 was another highly successful year for our firm," he enthuses. "In addition to achieving record leasing and sales volume, we expanded our team of experienced professionals."

Let's take a tour of the major developers and the office and industrial projects underway around the state, beginning with Jersey City.

### Jersey City

Mack-Cali Realty Corporation, Edison, by far the largest office developer in the state, is synonymous with the Gold Coast of Jersey City. It just signed National Union Fire Insurance Company

## Important Sales to Mention

Some office and industrial sales stand out across the state. Here are a few:

- Rockefeller Group Development Corp. and IDI have sold 324 Half Acre Road, a newly constructed (on spec) 690,000 square-foot distribution facility in the Rockefeller Foreign Trade Zone/BA in Cranbury (photo at right) to San Antonio-based US Industrial REIT II. Kuehne & Nagel, Inc., a logistics firm, leased 443,803 square feet. Cushman & Wakefield's Stan Danzig and Jules Nissim orchestrated the sale.
- The General Motors assembly plant, a 2.9-million square-foot facility on a 102-acre site along Route 1, Linden, has been sold to Duke Realty, which represented itself. CB Richard Ellis, led by Senior Managing Director Thomas Tucci, represented GM's interests.
- Newark's Military Park Building, 60 Park Place, has been acquired by The Berger Organization from Kushner Companies. Cushman & Wake-



324 Half Acre Road, which has been sold to US Industrial REIT II

field's Metropolitan Area Capital Markets Group arranged the sale.

- Mc Morgan & Company purchased the 208,601 square-foot 10 Waterview Boulevard, Parsippany, from Teacher's Insurance & Annuity (TIAA) for \$37.5 million, or \$179.7 per square foot.
- ING Clarion Partners acquired 34 Englehard Drive, a 203,000 square-foot industrial building in Monroe Township, which is fully leased to Berry Plastics Corporation.

(NUFIC), a subsidiary of AIG, to an additional 77,050 square feet at its 101 Hudson Street tower, bringing its total lease to 394,849 square feet in the 1.25-million square-foot, 42-story office tower. 101 Hudson is virtually leased up, as is more than 92 percent of Mack-Cali's portfolio. It owns some 294 buildings with 33.7 million square feet of office space in the Northeast; some 179 of those buildings and 23.4 million square feet are in New Jersey. It has properties across the state, from Parsippany and Paramus to East Brunswick and Princeton. Its flagship is Harborside Financial Center in Jersey City, a group of six buildings with 3.6 million square feet, retail and a Hyatt Regency Hotel.

Mitchell E. Hersh, president and CEO, says that the National Union deal "demonstrates our ability to build long-term relationships with high caliber businesses. AIG and its subsidiaries are among Mack-Cali's leading tenants and over the last dozen years they've continued to expand their space with us at 101 Hudson Street and other properties throughout our portfolio."

Mack-Cali has a 12 million square-foot land inventory, some 3.5 million of it along the Jersey City waterfront. Leases of Class A space in Jersey City are in the \$35 range, versus \$75 in Manhattan. Over \$100 per square-foot rentals in New York are not unheard. Construction costs are double in New York and land is virtually gone. The Gold Coast on this side of the Hudson offers PATH, trains, light rail and other modes of transportation. Hersh says he'll be ready to deliver new facilities when New York financial services and other firms decide to make major moves over the river.

LeFrak has been creating a \$10-billion city within Jersey City at Newport, which, when completed, will have 30,000 residents in 9,000 apartments, 2 million feet of retail and 7 million square feet of offices. Some 11 million square feet has been completed, creating 7,100

jobs. Eight office towers are up with 6 million square feet of offices. A ninth, NOC 9 (for Newport Office Center) is ready to go, says Richard LeFrak, president, as demand builds.

Just north of this area, **SJP Properties**, Parsippany, plans a third tower at Waterfront Corporate Center in Hoboken. It will have 550,000 square feet of offices and be similar to WCC I and WCC II, which have such tenants as John Wiley and Marsh & McLennan.

## Newark

There are numerous projects underway on either side of the Passaic River in Newark (Essex County) and Harrison (Hudson County) which will change the dynamic of the region over the next decade or so.

In Newark, the state's largest city, demolition work is ongoing at the former Westinghouse plant across from the Bears Stadium and adjacent to the North Broad railroad station. Anchoring the south end of the downtown, near Penn Station, is the new Prudential Arena. In between are renovated and upgraded office facilities. The new light-rail system connects it all.

Newark Mayor Cory Booker, in his recent "State of the City" address, outlined numerous projects underway or planned. "Despite our slowing economy, we are opening up the doors and inviting development that truly boosts our communities and reflects our values," Booker said. "We are succeeding in drawing new development to our city, which means hundreds and hundreds of brand new jobs."

**AMB Property Corp.** is finalizing a contract for 191,000 square feet of spec distribution/warehouse space which is now being completed on property across from the Anheuser-Busch brewery, near the airport. AMB, with New Jersey offices in East Rutherford, recently acquired the New Durham Industrial

Center, Edison, a 452,000 square-foot complex near Port Newark/Elizabeth, bringing its position in the New York/New Jersey market to 12.3 million square feet. AMB, headquartered in San Francisco, owns and operates 147.7 million square feet of industrial and warehouse/distribution property in 14 countries, serving 2,800 corporate customers. In our area, AMB recently revealed it leased over 3 million square feet, acquired 600,000 square feet and has over 700,000 square feet of buildings under development.

AMB and **Jones Lang LaSalle** report the leasing of 112,000 square

a 100,000 square-foot, four-story post-incubator facility, funded by the **New Jersey Economic Development Authority**.

Edward A. Rytter, executive director of the **Newark Real Estate Board**, says, "Since the mid-'90s, there has been an accumulation of positive developments that portend tremendous opportunities in and for the city. There have always been aspects of the city that were compelling reasons to be located here – transportation (air, train, sea and auto); education (Rutgers, NJIT, Seton Hall, UMDNJ and Essex Community College); and cultural (Newark Library, Sym-

**The Berger Organization** recently took over 100 percent ownership of the Military Park Building, 60 Park Place, from the Kushner Companies. Berger had been a minority owner in the 250,000 square-foot office tower. The firm plans upgrades and has space availabilities from 600 to 30,000 square feet. Berger owns and manages 10 Park Place, the former Fireman's Insurance Building and 50 Park Place, The Robert Treat Center office complex and the Robert Treat Hotel. In fact, Berger owns 1 million square feet of space, half of it on Park Place in Newark.



This is the first building, a 27,500 square-foot unit, in Advance Realty Group's planned 1.1-million square-foot Pictatinny Applied Research Campus at Pictatinny Arsenal, Dover, Morris County.

feet at 545 Madison Circle Drive in AMB's Highway 17 industrial park, East Rutherford, to Maggy London International, Ltd., a high-end women's clothing manufacturer.

In other Newark developments, **Summit Associates** and **Black Rock** have acquired the former Coca-Cola plant property on Delancey Street and plan two distribution centers. **Edison Properties** and **Lam Group** are building a 350-room hotel with 10,000 square feet of retail space and a conference center. Meanwhile, plans have been unveiled for a Digital Century Center at University Heights Science Park,

phony Hall, NJPAC). "

NJPACs recently announced plans for a mixed-use development at 2 Center Street will give even more emphasis to the city's rejuvenation. NJPAC has brought in **Dranoff Properties, Inc.**, Philadelphia, to develop a \$200-million high-rise project to include 250 residences, 20,000 square feet of retail and a parking garage for 750 cars. NJPAC President and CEO Lawrence P. Goldman says the project "moves us one major step closer to fulfilling NJPAC's mission-based destiny – to create a million-and-a-half square feet of high quality, mixed-use development around Theater Square."

Miles Berger, chairman and CEO, has launched a \$5-million renovation of 60 Park Place. He says, "We are contributing toward the on-going renaissance of this vital city. We look forward to continuing our track record for success by bringing the property to a new first-class level for tenants in 2008."

Among its vast holdings, **Matrix Development Group**, Cranbury, owns the 20-story Legal Center, at One Riverfront Center, Newark, with 411,000 square feet of offices. **Newmark Knight Frank** is marketing the 24/7 secured complex, which offers space from 3,000 to 100,000 square feet. It recently

# Statistically Speaking, A State Synopsis

*Here's what brokers are saying about the market:*

**Grubb & Ellis Company**, Fairfield, reports the office market in the past year has remained neutral, while new construction impacted the industrial market in Northern and Central New Jersey. "Throughout the past year, a recurring theme of the office market has been that any increase in demand was often being countered by additional availabilities," says Stephen Jenco, client services manager.

These conditions have caused the overall office availability rate to oscillate just below the 20 percent level, lacking any definite direction. Further evidence of the ongoing struggle taking place between supply and demand was seen during the final quarter of 2007. Grubb & Ellis says the exceptions to this have been the Hudson Waterfront and the Princeton sub-market, which registered absorption of 296,700 and 158,000 square feet, respectively.

**GVA Williams New Jersey**, Parsippany, reports the state experienced a relatively steady amount of office leasing activity in the fourth quarter of 2007, with the strongest sub-market being the Hudson Waterfront, Route 78 East and Parsippany. It says office vacancy was at 17.53 percent at the start of 2008, a decrease from 17.91 percent the prior quarter and 17.58 percent the prior year. It placed the statewide average asking rents at \$24.49 per square foot, an increase from \$23.95 a year earlier.

Matt Dolly, director of research and marketing, says, "Amid the reports of a struggling economy, lack of job growth, turbulent financial markets and the slumping housing market, the state's office market remarkably held its ground during 2007. The sales and leasing activity is about the same as it was the prior quarter; however, tenants are taking a more cautious approach to their decision making."

**CB Richard Ellis**, Saddle Brook, reports higher leasing activity in the industrial sector in the fourth quarter than the third. It says sales prices rose 41 cents per square foot from \$82.56 to \$82.97 over the quarter and \$11.39 over the past year from \$71.58 per square foot. "Growing prices may be attributed to the ongoing demand for quality industrial space from national and international companies seeking to own space in New Jersey's highly-coveted markets," says Thomas Tucci, senior managing director.

**Newmark Knight Frank (NKF)**, Rutherford, reports that the office market is stable, but sensitive to the regional and national economy in 2008. It reports the vacancy rate rose slightly to 16.9 percent in the fourth quarter from 16.6 percent in the third. Average asking rentals rose slowly, finishing the year at \$26.32 per square foot compared with \$26.13 the prior quarter. Development continues in the market as 319,000 square feet of new space came online in the final quarter. A total of 1.6 million square feet was delivered in 2007. Central New Jersey's vacancy rate for offices rose to 19 percent from 18.3 percent a year ago. Average asking rentals stood at \$25.43, up less than one percent from \$25.28 a year earlier.

**Cushman & Wakefield of New Jersey**, East Rutherford, sees the market as fairly stable in a tumultuous climate. While the office market holds its ground, the industrial market has softened modestly in 2008. Gualberto "Gil" Medina, executive managing director of New Jersey operations, says "Northern New Jersey sustained a robust year in leasing activity, especially along the Hudson Waterfront and in Parsippany. Totals mirrored last year, with 6.1 million square feet in completed transactions." Direct average rental rates rose to \$27.41 per square foot, up from \$27 in the third quarter and \$26.59 a year earlier.

opened the Riverfront Café on the lobby floor.

Nearby, **Advance Realty Group**, Bedminster, has opened "Gallery One," an art showroom, in the lower lobby of its One Gateway Center, a 468,919-square-foot office tower near Penn Station.

## **Harrison**

Across the river, in Harrison, Advance Realty has completed demolition of the last defunct manufacturing building on the 35-acre site for construction of the \$1-billion Harrison MetroCentre, the first phase of a transit village which will include 450,000 square feet of retail space, a cinema, fitness center, a 350-room hotel, 1,800 residential units and office space. Peter Coccoziello, president and CEO, says, "The project is one of the largest brownfield, mixed-use redevelopment villages anywhere in the state."

Part of the development includes the creation of the 25,000-seat Red Bull Park, due to open for the 2009 season of the New York Red Bulls major league soccer team. The tract is adjacent to I-80 and the PATH and railroad station.

Also part of the Harrison waterfront redevelopment, **Millennium Homes and Rosemont Properties** are developing 300 townhomes. All of the homes in the first section, Washington Square, have been sold as are half of those in the second section, Jefferson Square. In another development, Harrison Commons, a partnership of Applied Development Co. and The Pegasus Group, are creating 3,000 residences of various types.

Advance Realty, Bedminster, has a number of other projects underway, including the \$200-million, 1.1-million square-foot Picatinny Applied Research Campus (PARC) at Picatinny Arsenal, Dover, and Advance@Southgate. At Picatinny, two old buildings have been demolished and a new 27,500 square-foot flex-type building is being built for a summer opening. Phase 1 will feature development of some 150,000 square feet of office/lab space. A spokesman says tenant demand has been strong from government contractors, higher education institutions, communications, electronics and

---

*Continued on page 30*

*Continued from page 28*

The veteran broker says that in the months and years after President Dwight D. Eisenhower began the interstate highway system, he was out selling parcels near proposed intersections. "People thought I was crazy brokering land out in the farm fields of Clinton," he reflects. "But, I'd show them the maps of where the highways and intersections were going and I made some big sales."

He launched his own company in 1960 and he has records of plans, specifications, listing sheets and photos of property going back to that year. "When one of my sales people comes to me about a piece of land or building, I say 'Look in our files, there may be something.' In nine of 10 times, we have something on it. We have stuff the current owners don't even know about. It is helpful to know the history of the property."

He joined the Society of Industrial Realtors (SIRI), which is now the Society of Industrial & Office Realtors (SIOR), in the early days and learned a great deal and made lifelong associates. One was Frank Brown of Brown & Brown, who often testified as an expert court witness in real estate cases. When Gross was first called to bear witness, he asked Brown how he handled it. "I'll never forget it," says Gross. "He said, 'I answer a question and when they ask how do you know that to be true, I say, 'Because I said so.' Every time I testify, I think of his comment."

The industry has changed over the years, he says. "Commissions are different. When we would get a commission agreement, it lasted forever. I remember I had a commission that was going on over 25 years. I finally called Murray Weil (Murray Construction) and said I'm not going to take the referral again. I felt guilty." Gross says that prior to copiers, faxes, e-mails, cell phones and all the rest, the brokers, lawyers and experts had time to examine the documents. "I remember a guy sent me my first fax and while the document was coming out of the machine, he was on the phone asking me what I thought of it. I hadn't even read it yet. So, I think today's technologies reduce the time to analyze. In the old days, we had several days. Now, everything is instant."

*Continued from page 26*

homeland security-type firms.

The \$20-million transformation of 445 South Street from an obsolete building into Advance@Southgate is complete and ready for tenancy. The 320,000 square-foot building has a new entryway and two-story lobby and new facilities throughout, including a conference center, café, fitness center and covered parking.

Advance President Cocozziello reports the sale of three of its New Jersey office assets: Park Place campus in Florham Park; 310 Madison Avenue in Morris Township; and Branchburg Centre in Branchburg. Spanning more than a half-million square feet, the sale is part of Advance's strategy of disposing of assets that have achieved their investment potential and to deploy that capital into its pipeline of 15 current projects.

Gale Real Estate Services Company, a subsidiary of Mack-Cali, is now enclosing a speculative 100,000 square-foot One Jefferson Road in Parsippany. The municipality is one of the hot spots of office development in the state. This is the final building in the highly successful Center of Morris

County office park.

Parsippany Mayor Michael Luther says, "The commercial real estate market continues to flourish in Parsippany. Home to 15 *Fortune* 500 companies with more than 100 employees, and a total of 11.7 million square feet of commercial office space, we continue to be the third largest submarket in New Jersey after the Hudson Waterfront and Newark." Luther also notes, "Two of the largest leases within Northern and Central New Jersey were signed here with IMS Health leasing an entire 120,000 square-foot building at 11 Waterview Boulevard and Daichi Sankyo, which expanded its U.S. headquarter at 2 Hilton Court by adding an additional 97,876 square feet."

The Medicines Company leased 173,156 square feet of offices at 8 Sylvan Way, an existing 105,000 square-foot building which is being stripped to its steel and expanded by **The Hampshire Companies**. It is due to be ready in August. GVA Williams NJ President David Simon represented the tenant

CB Richard Ellis of Parsippany has recently been busy signing up tenants in Morris Corporate Center I and II, off I-80 and



Eisenhower Corporate Campus, with 385,000 square feet of offices in four interconnected buildings at the Route 10 Circle, Livingston, is being marketed by Eastman Management, Livingston, through The Garibaldi Group, Chatham.

Cherry Hill Road. Among them are: Towers Perrin, 28,000 square feet; JHP Pharma, 12,311 square feet; Generali Employee Benefits, 4,451 square feet; and DSP Clinical Research, 4,228 square feet. Morris Corporate Center is undergoing a \$5-million capital improvement.

Jones Lang LaSalle, with offices in Parsippany, Iselin and Hasbrouck Heights, is the exclusive leasing agent and property manager for Morris Corporate Center III, a 540,000 square foot office building at 400 Interpace Parkway at the same complex. Linda Aronson, director of operations at JLL, says, "Morris Corporate Center III is a trophy asset offering quality amenities, a desirable location and world class working environment." Owned by TIAA CREF, a division of Teachers Advisors, Inc., the building has 115,000 square feet of space available, including a 50,000 square-foot block on the third and fourth floors.

Lincoln Property Company (LPC) has in progress a capital improvement program at The 9 at Parsippany, a 3-story, 200,000 square-foot building at 9 Entin Road, Parsippany, owned by a joint venture of Lincoln Property and a fund advised by UBS Global Asset Management. It is in the Mack-Cali Business Center. Michael Taylor, senior vice president of LPC, says, "Our multi-faceted improvement program will add to the existing Class A environment." Extensive remodeling, from a new formal lobby to a new three-story atrium with skylight, was to be completed in March. In addition, Daiichi Sankyo, Inc. signed a long-term lease for 32,131 square feet and E. I. duPont de Nemours & Company signed for 23,383 square feet.

In other developments, Gale has been retained by sanofi-aventis to build a 200,000 square-foot building as an expansion of its North American headquarters at



Eastman Companies' Regent Park, the 160,000 square-foot, five-building facility located on Route 10, Livingston. The office complex is situated in a landscaped park-like setting and offers a host of amenities including an on-site day care center and café, and 24-hour access.

55 Corporate Drive, Bridgewater. The 3-building, 150-acre property, formerly owned by AT&T, was acquired in 2004 by a joint venture of Gale, SL Green Realty Corp. and Principal Real Estate Investors. Sanofi-aventis took occupancy there in mid-2006.

Rockefeller Group Development Corp. (RGDC) and its joint venture partner, The Gale Company, are creating an office and research park from the former 473-acre ExxonMobil Corp. property in Florham Park called the Florham Park Corporate Park. The property is adjacent to Gale's 1.1-million square-foot Park Avenue at Morris County corporate park and the 840,000 square-foot Rockefeller Corporate Park.

Rockefeller Group is involved in a series of Foreign Trade Zone (FTZ) parks, including the International Trade Center in Mount Olive Township, a 7-million square-foot business park that includes the New Jersey FTZ. RGDC is also developing a 2-million square-foot FTZ at Exit 8A of the NJ Turnpike in Cranbury. Rockefeller also plans a 350,000 square-foot office tower in Newark in partnership with Edison Properties. RGDC, in a joint venture deal with IDI, Atlanta, has developed the 680,740 square-foot 324 Half

Acre Road, Cranbury, and has leased 443,603 square feet of it to Kuehne+Nagel, Inc., an international logistics company.

Rockefeller Group and MCREalty (Morris Companies) partnered in the acquisition of a 40-acre site in the Meadowlands, off Exit 15X, which will have FTZ status and be able to handle a single or multi-tenant in one or two warehouse/distribution facilities up to 550,000 square feet.

Normandy Real Estate Partners, Morristown, reports two new leases completed at 20 Independence Boulevard, a 120,800 square-foot unit in the Somerset Hills Corporate Center, Warren: SIRVA Worldwide, Inc., 17,741 square feet; and Aeterna Zentaris, Inc., 10,741 square feet. Geoffrey Schubert, senior vice president at CB Richard Ellis, says major improvements have been made to the building on the highly-prized I-78 Corridor.

The Garibaldi Group/CORFAC International, Chatham, a real estate brokerage and consulting firm now in its ninth decade, recently shared the honor of having CORFAC named among the top 10 brokerage groups in the U.S. by *Real Estate Forum* magazine. It has been retained to market the Eisenhower Corporate Campus, a

4-building, 385,000 square-foot office complex in Livingston. Owned by Livingston Circle Associates, it is one of the largest blocks of available space in New Jersey. The complex, on a 33.5-acre property, is managed on-site by Eastman Companies, Livingston. Michael Schofel, a principal in Eastman Management, says, "Given the dynamics of the New York City office market, Eisenhower Corporate Campus is experiencing significant activity from corporations looking for cost-effective operations in New Jersey." The property is just off I-280 and minutes from I-287, I-80 and I-78.

Eastman Companies, Livingston, has a portfolio of more than 1.6 million square feet of office, retail and industrial space in Essex, Bergen and Burlington counties. It has purchased two Florham Park properties in Morris County – the 69,000 square-foot 23 Vreeland Road and the 59,000 square-foot 100 Passaic Avenue. Eastman already owned 83 Hanover Road. Peter Schofel, president, says it represents an important move by the firm. "Our ownership and hands-on management, for which we are well known, will surely benefit both the properties and our tenants," he says.

## Princeton

The Princeton market has seen about a million square feet of office space built in the past 18 months. In addition to RexCorp's 313,000 square-foot University Square in West Windsor, there are: Patrinely Group's 167,000 square-foot 1100 Campus Drive, Plainsboro; Hilton Realty's 140,000 square-foot 902 Carnegie Center, West Windsor; Opus East's 120,000 square-foot Princeton South Corporate Center; and Brandywine Realty's 75,000 square-foot 1200 Lenox Drive, Lawrenceville.

Steve Tolkash and Tom Romano, managing principals at New-

mark Knight Frank, Princeton, are bullish on the Princeton market, reporting a 502,000 square-foot absorption of space in 2007. "Most of that was in the second half of the year," says Tolkash. Tolkash and Romano, who work as an effective team in this highly competitive market, look for a positive absorption of 300,000 square feet in the second half of this year, barring some major sublease space put on the market.

Tolkash, who recently signed Novo Nordisk to lease the entire previously mentioned 1100 Campus Drive, says, "We are not seeing the softness in the market here that is being experienced up in the northern sector of the state. There is a fair amount of tenant activity in new and existing properties. We have had the most speculative office space come on market in the state. In a 20-million square-foot market, we added a million square feet in the past two years. By add-



The 3-building, 650,000 square-foot Continental Plaza, Hackensack, has been repositioned by Normandy Real Estate Partners and is being marketed by Newmark Knight Frank.

ing 5 percent to the market on a speculative basis, we increased vacancies by 5 percent. However, the market is doing well. The Hilton building is at 65 percent occupancy and the Opus 160,000 square-foot is 60 percent leased."

They say the new Class A buildings are commanding mid-\$30 lease rates. Some Class B older properties can be leased for as little as \$17 per square foot.

Vincent Marano, chief operating officer at **National Business**

Parks, who manages the College Park at Princeton Forrestal Center, the 815,000 square-foot office complex on Route 1, says the region, although not robust, is in reasonably sound shape. "Princeton has remained relatively stable for the past decade, with firms based here choosing to grow in place," he says. He notes, however, that new spec buildings in the area are suffering, with several still standing empty for nearly 18 months. "Overall, economic conditions

now in the late stages of discussions with *Fortune* 500 companies. Leasing of this 72,000 square-foot building would put College Park at 98 percent occupancy, which, by any measure, is impressive.

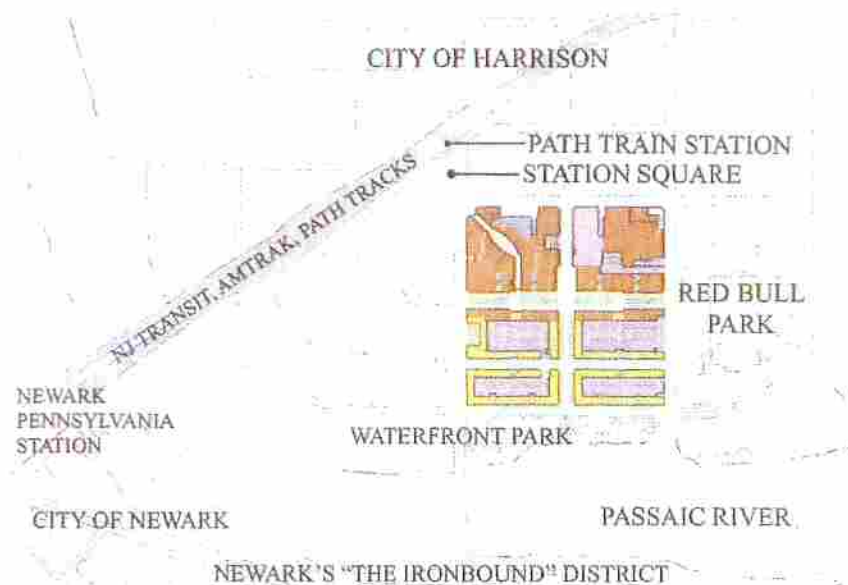
"The big question besetting many in New Jersey's commercial real estate industry is 'Does the state seem like an attractive place to do business?'" says Marano. "With high corporate taxes, 7 percent sales tax, 9 percent personal income tax and the nation's high-

will be build-to-suit.

In Perth Amboy, Colliers Houston & Co. has the exclusive listing on the Amboy Corporate Center, which marks the city's boldest move to develop as a first class business address. The 70-acre park is a great success story because it is a Portfield Redevelopment of the former Chevron Asphalt Refinery site. It was approved for 1.1 million square feet in new buildings of 614,500 and 517,000 square feet. CB Richard Ellis has completed two industrial leases at the new Center totaling 944,000 square feet. US Foodservice leased 452,000 square feet in Building 1 and Best Buy signed for 492,000 square feet in Building 2. The Center is under construction by The Morris Companies.

In Old Bridge, CB Richard Ellis recently completed a 46,229 square-foot lease at Parkway 120, a new 5-story, 211,800 square-foot office building at 90 Matawan Road, off Exit 120 of the Garden State Parkway. Vision Equities is the landlord; Fragomen, Del Rey, Bernsen & Loewy is the tenant. Sam Morreale, managing partner at Vision, says, "We acquired this building 18 months ago and over 70,000 square feet of leases have been completed."

Murray Construction Co., Inc., Millburn, is actively marketing 480 Red Hill Road, adjacent to Exit 114 of the Garden State Parkway in Middletown. The 285,000 square-foot office complex features a 4-story atrium lobby, new common areas, glass-enclosed elevators and other amenities. Jeffrey J. Siegel, executive vice president, says Murray spent over \$5 million on the upgrades. He says Murray's Centennial Park in Piscataway registered a substantial amount of leases in 2007 and he anticipates more of the same this year. He notes that the Route 202 corridor has attracted a number of biotech firms to the Murray Corporate



An overview of Advance Realty Group's \$1-billion Harrison MetroCentre. The first phase of this project will include 450,000 square feet of retail space, a cinema, fitness center, a 350-room hotel, 1,800 residential units and office space. The development also will include the 25,000-seat Red Bull Park, due to open for the 2009 season of the New York Red Bulls major league soccer team.

have not led to the creation of new jobs and a vibrant demand for new office space. Most notably, the newly-constructed buildings in Princeton with rents in the mid-\$30 per square foot range are still lacking tenants and are competing with older, well-located buildings where rents still remain in the mid- to upper-\$20 range.

"At College Park, we saw an uptick in leasing during the third quarter of 2007 and are currently operating at better than 95 percent occupancy," he advises. "Our primary leasing focus has been on 400 College Road East, where we are

est property tax, the state is losing its ability to attract and retain jobs. New Jersey's government must become more aggressive in creating programs that reduce the cost of doing business and living here."

Nevertheless, he and National Business Parks' parent, Lawrence Zirinsky Associates, remain bullish on Princeton and are moving ahead with two major new construction programs. They are: College Park 2, a 5-building, 345,000 square-foot complex; and College Park 3, a premier corporate center with four granite-faced buildings of 160,000 square feet each. Both

Center at Branchburg, including LifeCell and Roche Molecular Systems. It has available 67,000 square feet at Branchburg III and 147,536 square feet at Branchburg IV, when needed.

Byron Real Estate Co., Inc. is marketing Monmouth Park Corporate Center I in West Long Branch and Monmouth Park Corporate Center II in Oceanport. This combined 75-acre complex has more than 618,000 square feet of space and has another 120,000 square feet available for build-to-suit for office, research, assembly and warehouse use.

Pantheon Properties has been developing warehouse/distribution properties around Port Elizabeth and Newark sub-markets. Pantheon President Ken Cohen says the firm late last year entered into a \$400-million joint venture with Principal and has identified and purchased two industrial properties in the area.

Denholtz Associates, Rahway,



155 Chestnut Ridge Road at the Parkway Corporate Center, a Grubb & Ellis Property

reports that it closed 307 transactions totaling more than 1.3 million square feet last year. Kristine B. Hurlbut, vice president of leasing, says 2008 should be more of the same "based on the desirability of our asset locations, highly experienced operating team and strong capital position."

**Russo Development**, Hackensack, recently opened its Saw Mill Park development in Kearny with the debut of a newly completed 211,000 square-foot distribution center for H.D. Smith, the nation's fourth largest national pharmaceutical wholesaler, and a 135,900 square-foot warehouse /

distribution center for The Pepsi Bottling Group, the world's largest manufacturer and distributor of Pepsi-Cola beverages. Saw Mill Park, formerly a brownfield site remediated by Russo, marks the first completed redevelopment project in Kearny as well as the first within the New Jersey Meadowlands Commission District.

RexCorp Realty is the newly created private real estate company created by former key members of Reckson Associates


Realty Corp's senior management team. Its trophy portfolio includes: 51, 101 and 103 JFK Parkway in the Short Hills market, as well as several in the Route 24 Corridor, including One, Three and Seven Giralda Farms, and Giralda Farms Office Park, a 2-building, 451,431 square-foot complex with potential expansion to 1.25-million square feet of offices. Todd Rechler, president of New Jersey operations, says the company leased some 128,000 square feet of Class

A space last year and is optimistic for this year.

**Campbell Soup Company**, Camden, seeks to invest \$72 million in a new 80,000 square-foot employee services building with café, company store, offices and conference space at its World Headquarters within a city-designated Gateway Redevelopment Plan area. It would be the anchor for a 110-acre office park. Campbell would use 40 acres of that and would be named master developer of the park with some 500,000 square feet of offices for other corporations. The state, county and city would invest \$26 million in the infrastructure.

**Whitesell Construction Company**, Delran, has been actively developing three major projects in southern New Jersey: the 700-acre The Haines Center, Burlington/Florence, at Exit 6A of the New Jersey Turnpike; The Burlington County Business Center, Lumberton/Hainesport, at Routes 28 and 541; and Laurel Creek Corporate Center, Mount Laurel, at Exit 43, Route 295. The privately-owned company, since 1957, has developed some 200-plus structures with more than 16 million square feet in the Delaware Valley. It owns and manages some 9 million square feet of buildings.

Whitesell, which marked its 50<sup>th</sup> anniversary last year, reported it built a 720,000 square-foot facility in The Haines Center for Christmas Tree Shops and leased a 400,000 square-foot facility to Aptuit.

So, despite these trying times, New Jersey's office and industrial market seems to be surviving and, in some cases, thriving. Brokers and developers look for a pick-up in the commercial realty market in the second half of this year. Stay tuned. 

**BECKERMAN**  
PUBLIC RELATIONS