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G A T E W A Y R E G I O N A L Inside B U S I N E S S

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Urban centers and warehousing lead commercial real estate

By Rod Hirsch

The lifestyle and work habits of the millennial generation, those born between the early 1980s and early 2000s, continue to exert influence in the commercial real estate market. And while sluggish job growth in New Jersey continues to impact occupancy rates and building starts, there are some encouraging trends in some sectors.

Waterfront property in Jersey City continues to command top dollar, as does multi-family housing in urban centers, particularly alongside NJ Transit rail corridors.

Warehouse and distribution space is in demand and in short supply while Fortune 500 companies are shutting down their suburban corporate campuses in favor of office space in downtown locations.

Businesses large and small are relocating to urban areas to be closer to their workforce. In five years 50 percent of the workforce will be millennials, according to James Hughes, dean of the Edward Bloustein School of Planning and Public Policy at Rutgers University.

For example, last year Merck completed a massive relocation from its 500-acre corporate headquarters in Hunterdon County to a 100-acre campus in Kenilworth formerly home to Schering-Plough.

Millennials have shucked the conventional workplace. Instead of work cubicles and power lunches they prefer the mobility that comes with laptops and cell phones, preferring to telecommute. If necessary, they ride the train to work versus driving.

"Towns like Summit, Westfield and Fanwood are capitalizing on the rail corridor (in Union County)," said attorney Bruno Genova of Genova Burns LLC, a Newark law firm specializing in commercial real estate and redevelopment law. "They're transforming themselves into that 'work, live and play after five' environment, capitalizing on the assets that they have. That's what appeals to the millennials and baby boomers, too."

The shift in lifestyles will continue to help those towns flourish.

"As housing becomes more concentrated in downtown areas, that will translate into stronger retail and buying power and may stimulate small-scale office development in pre-existing spaces," Hughes said. "Summit is a real good example of repurposed buildings downtown and small scale office buildings."

At the same time, weak job growth – New Jersey ranked 45th in the nation last year, with 29,990 new jobs added to the workforce – continues to put a damper on the office sector, according to Hughes.

"Part of that weak performance is due to the closures of the casinos in Atlantic City," he explained. "But we're really not generating very many new office jobs and that is why the office sector is lagging."

"The job growth that we do have, the biggest components of that 29,900 are trade,

Warehousing is among the hottest sectors in commercial real estate in 2015. Standing inside the warehouse of Manhattan Comfort Furniture in Union is Ian Grusd (right) of GreenGate Capital and Scheur Lang of Manhattan Comfort. The furniture company relocated to Union County from Brooklyn with Grusd's assistance.



transportation and utilities. More than half, 15,500, are in those sectors (plus) warehousing, trucking and distribution and fulfillment centers.

"We are the third largest warehouse distribution market in the country behind Los Angeles/Long Beach and Chicago," Hughes added. "What we're seeing now in the warehouse sector is the growth of fulfillment centers, highly automated, labor-intensive facilities on steroids. It's pick, pack, get ready to ship. These centers are three to four times more labor-intensive than traditional warehouses. Sometimes they run two or three eight-hour shifts."

Hughes cited the Amazon warehouse at NJ Turnpike Exit 7A in Hightstown and the Peapod food distribution center in Jersey City, strategically located to ship fresh food into Manhattan.

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Transit Villages are paying off for towns

By Michael Daigle

Rahway is one of New Jersey's state-designated transit villages for one simple reason, according to Cindy Solomon, Rahway's director of planning and economic development.

"We're 35 minutes by train from both New York City and Trenton and served by both the Northeast Corridor and the North Jersey Coast line of New Jersey Transit," she said. "There's a train every 10 minutes."

"It's an important factor in planning and economic development of the city. New

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G A T E W A Y R E G I O N A L Inside B U S I N E S S

Urban centers and warehousing lead commercial real estate (Continued from page 1)

Accommodating demand for warehousing and distribution properties in New Jersey has been a challenge, according to Ian Grusd, managing principal at GreenGate Capital, a brokerage and management company.

"New Jersey's industrial vacancy rate has decreased almost 25 percent since 2010," Grusd said. "Last year 6.8 million square feet of new space was delivered to the market. Two-thirds of that was built on spec without a tenant in mind. That shows the confidence of the developers. They were able to bring the product to the market at the right time."

"Overall it's absolutely a sellers and landlord market," he continued. "The reason for the strong demand is interest rates continue to be low and businesses are more confident than they had been in the past."

"Limited inventory, pent up demand and low interest makes for an ideal situation for price appreciation," he added. "Appraisers aren't as gun shy as they were when we were in recession. Now they're appraising at contract prices."

Dormant brownfields, industrial tracts with longstanding environmental issues, are being remediated and redeveloped for modern warehouse and distribution space, according to Grusd.

"There is a lot of new construction on brownfields along the NJ Turnpike between exits 13A and 10, with some projects in Elizabeth, Carteret, Edison and further out on Route 287 into Piscataway, all Class A buildings with 32-foot ceilings, high-efficiency lighting and ample on-site parking for trailers," he said.

The warehouse and distribution facilities handle much of the cargo imported on container ships that unload in Port Elizabeth.

Genova agrees the demand is strong for these facilities.

"What we've been seeing is the market extending past exit 10 as far south as exits 7 and 6 for clients coming in that want a presence in the region," he said. "That's how strong the demand is. It's difficult to find space in Newark, Jersey City, Elizabeth. The demand is sizzling

hot."

The health care sector added 7,600 jobs last year and that is having some impact on the office space sector, according to Hughes.

"You see some activity in office space around medical facilities, doctors, labs," Hughes said. "They are consuming office space in the 1,500-5,000-square-foot range."

Dawn Arrabito, director of real estate in the East Rutherford office of Cushman & Wakefield, said mergers in the health care and pharmaceutical industries will continue to stir activity.

"It will be interesting to see what will happen with the overflow of product because of mergers," she said. "There's going to be an overlap of personnel, sharing services, duplicative space, some of which will be repositioned somehow, or discarded."

"The other thing I see happening is that there is just so much movement between the larger hospitals and individual medical groups and there are labs, dialysis centers popping up everywhere. For now, there is adequate inventory."

Another sector of the commercial real estate market showing signs of life is retail space, according to Grusd.

"The retail market surprisingly has improved," he said, despite e-commerce having a dramatic impact on traditional brick-and-mortar stores.

The vacancy rate for retail space in New Jersey has fallen to 5.6 percent, he said, a drop from 6.2 percent when the recession hit in 2008.

"In prime retail corridors you're seeing a lot more entrepreneurial demand," he said. "There's always a new concept when it comes to retail. You're seeing things like lifestyle and fitness centers moving into older supermarket spaces, no frills, inexpensive and cost effective."

A specialized sector showing growth is data centers used by banks and brokerage houses to handle transactions, in large part because of their proximity to New York City's financial district, according to Hughes.

Community Access Unlimited

Integration – Inclusion – Independence

This is the third in a series of three articles.

Recognizing that employment is key to enabling people to live independent and fulfilled lives within the community, employment services and training has long been a keystone of the foundation of Community Access Unlimited (CAU). The agency also partners with the business community to help place people with disabilities in positions that are well suited for the individual and fill the needs of the employer.

CAU is a social services agency supporting more than 6,000 people with disabilities throughout the state and youth served under the Department of Children and Families in Union County, enabling them to live independently at home or in the community through programs and services in the areas of housing, vocational and life-skills training, education, advocacy and recreation and in-home services.

People with disabilities account for 19.6 percent of the labor force participation, according to the U.S. Department of Labor. Yet the unemployment rate of people with disabilities is 11.9 percent versus 5.9 percent for people without disabilities, DOL reports.

"That is why employment training for people with disabilities is so important," said Sid Blanchard, CAU executive director. "It is also why we work directly with businesses to help them receive the benefits of employing people with disabilities."

Those benefits include certain tax incentives, including the Disabled Access Credit, the Barrier Removal Tax Credit and the Work Opportunity Credit.

In addition, according to AtWork!, an organization that serves as a conduit for employers and people with disabilities, other benefits include:

- Increased market share: Diversity in the workplace appeals to customers, especially customers with disabilities.
- Improved productivity: Effective job matching fits the employee's abilities to the employers' needs.
- Reduced turnover: Many repetitive or entry-level positions are well suited to people with disabilities.
- Improved morale: People with disabilities want to work and contribute and their positive attitudes are contagious.
- Higher retention: People with disabilities are reliable and dependable workers, with some of the

highest rates of retention of any employee group.

To prepare its members for employment, CAU provides vocational and employment training services at various levels.

CAU operates a traditional Day Program for those of its members needing pre-employment training, including basic employment readiness training, such as computer skills. Participants perform some light labor, such as shredding, mail services at a local hospital and volunteering for community programs such as Meals on Wheels.

CAU's Self-Directed Day Program combines a traditional adult day program and a supportive employment program. Participants work one-on-one with counselors to design their own schedule of daily activities, including employment. Outside businesses employing members of this program include Walmart and ShopRite.

The agency also operates a Supported Employment program, for both groups and individuals. Some participants work at CAU in the areas of food services, cleaning, security and general maintenance, working directly with a job coach. Those members who are best suited for outside employment work at different businesses or organizations throughout the community, including Target, ShopRite, the Swan Hotel and the Humane Society.

Additionally, CAU partners with the state Division of Vocational and Rehabilitation Services on referrals of people with disabilities looking for employment, providing pre-vocational services such as job development, resume writing and interviewing skills. Once a position has been found CAU provides onsite job training, addresses any accessibility needs and trains co-workers how to interact with the new hire.

"Employment brings financial stability and independence to people with disabilities," said Blanchard. "At the same time, employing people with disabilities brings an array of benefits to businesses. It's a win-win-win – for the employee, the employer and the community as a whole."

Any business interested in partnering with CAU on employment of people with disabilities should contact Fredia McKinnie at 908.354.3040, ext. 370.

To learn more about Community Access Unlimited visit www.caunj.org.