

New Jersey



Quick Stats

3.8% ↓

New Jersey's unemployment rate (National rate 3.6%).

13.3% ↓

Overall vacancy rate.

\$29.64 ↑

Average Market Rent.

4.2 M ↑

12 month absorption (SF).

Vacancy rates drop as rents continue to rise

There was a 200-basis point drop in the vacancy rate since the second quarter of 2018, from 15.3 percent to 13.3 percent. The drop in vacancy rate helped to contribute to net absorption being positive for the fifth straight quarter and market rents rising \$.08 year-over-year to \$29.64. Rental rates have been rising over the past five years growing over 11.4% over that time. The rent growth has coincided with a drop in vacancy rate which has fallen 1250-basis points over the same period.

EDA's tax incentive helps keep Genmab in New Jersey

One of the largest deals this quarter was Genmab US Inc's lease at 777 Scudders Mill Road in Plainsboro. The 90,000 square foot lease at the former Bristol-Myers Squibb headquarters was aided by a 10-year, \$12.8 million tax incentive package by the EDA. The Copenhagen-based company will move

from its current location in West Windsor to Plainsboro and is expected to add 150 new jobs to their current 66 employees over the next three years. The EDA expects that keeping Genmab in New Jersey will generate a net benefit to the state of an estimated \$146.4 million over the next twenty years. As referenced in "Trends to Watch," the Grow NJ Program is in limbo which may make Genmab's incentive one of the last awarded.

\$12.8M

EDA TAX INCENTIVE PACKAGE RECEIVED

DeCotiss FitzPatrick, Cole & Gilbin move from Teaneck to Paramus

New Jersey-based law firm DeCotiss, FitzPatrick, Cole & Giblin LLP leased 42,000 square feet at the newly updated 61 South Paramus Road in Paramus. The sixty-plus attorney law firm will vacate its current headquarters, located at 500 Frank W. Burr Boulevard in Teaneck. DeCotiss, FitzPatrick, Cole & Giblin signed an eleven-year deal at

the Onyx Equities and Garrison owned property.

Signature Acquisitions purchases four-property portfolio from Gramercy Property Trust

Signature Acquisitions acquired a four-property portfolio from Gramercy Property Trust, which was purchased by Blackstone Real Estate Partners in 2018. The four properties are 100 Kimball Drive, 30 Lanidex Plaza, 6 Sylvan Way, all in Parsippany and 100 Tice Boulevard in Woodcliff Lake. The 652,676 square foot portfolio sold for \$96.6 million (\$143.41/SF) and is completely leased.



American Equity Partners plans upgrades to their newly acquired 1 Tower Center Boulevard

American Equity Partners acquired 1 Tower Center Boulevard in East Brunswick from Boston Properties for \$38 million (\$91.01/SF). The 23-story office tower was 39.0 percent leased at the time of sale, making it a unique value add opportunity. American Equity Partners has plans to redesign the lobby as well as upgrade the amenities in the property.

Market Spotlight - Hackensack - Bergen County Seat looking to reinvent themselves

In 2012 the city of Hackensack started a revitalization plan that has provided Hackensack the facelift it desperately needed. The city is located in Bergen County and serves as its county seat. While the area was packed with numerous demand drivers such as a major hospital and County courthouse, it was held back by a downtown characterized with narrow streets and outdated

inventory of multifamily properties. Since 2012 the city has had over a half a billion dollars in private investments to improve its multifamily inventory and the widening of Main Street to help benefit commerce. These recent upgrades and developments have assisted Hackensack in their goal of becoming the next "live, work and play" area of the state.

Hackensack is a mere 12 miles from New York City and has three train stations as well as a bus terminal, and great access to Route 4 on its northern border and Route 80 on its southern border. Many of its office users include medical, legal and local government-related companies, due to the city serving as home to Hackensack-Meridian Hospital and the Bergen County Court and Clerks office.

Since the redevelopment boom has started, Hackensack like many other towns and cities around the State has seen old obsolete office buildings be torn down and redeveloped into new multifamily properties. A few of the properties that have been converted include the previous Bergen County Record Property (which relocated to Woodland Park) and a former Bank of America building. The city has also created a performing arts center from an old Mason Lodge, as well as new parks, in an effort to enhance the downtown area of the city.

The city has remained ripe for further development, especially in its downtown area. The downtown area benefits from the aforementioned local redevelopment plan as well as being designated an "Opportunity Zone" by the Federal Opportunity Zone Program, which has designated a large swath of downtown Hackensack as such. It remains to be seen if this pre-Revolutionary War city is able to complete what it started seven years ago and transform itself into the next great municipality in the state.

Market Data Points

New Jersey

Indicator	Q2 19	Q2 18
Vacancy	13.3%	15.3%
Rent	\$29.64	\$29.56

Northern New Jersey

Indicator	Q2 19	Q2 18
Vacancy	14.6%	15.9%
Rent	\$30.96	\$30.86

Central New Jersey

Indicator	Q2 19	Q2 18
Vacancy	11.4%	14.4%
Rent	\$27.82	\$27.75

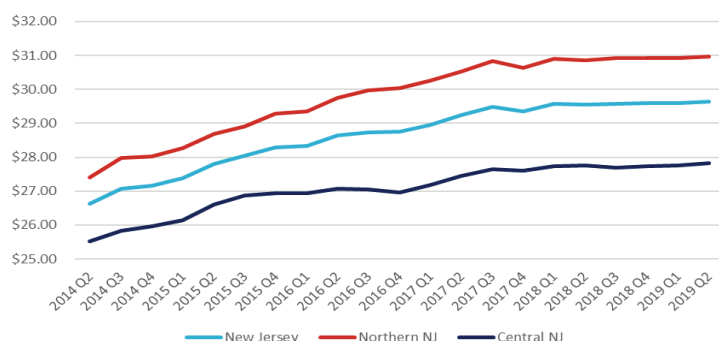
Select Office Sale Transactions

Building	Submarket/Market	Seller	Buyer	Sale Price	Price PSF	Size (SF)
100 Kimball Drive, Parsippany; 30 Lanidex Plaza West, Parsippany; 6 Sylvan Way, Parsippany & 100 Tice Boulevard, Woodcliff Lake	Northern New Jersey	Grammercy Property Trust	Signature Acquisitions	\$96,600,000	\$143.41	652,676
1 Tower Center Boulevard, East Brunswick	Brunswick/ South Edison / Central New Jersey	Boston Properties, Inc.	American Equity Partners, Inc.	\$38,000,000	\$91.01	417,534
155 Tice Boulevard, Woodcliff Lake	Bergen North / Northern New Jersey	Hartz Mountain Industries, Inc.	Sheila Properties, Inc.	\$36,000,000	\$304.85	118,092

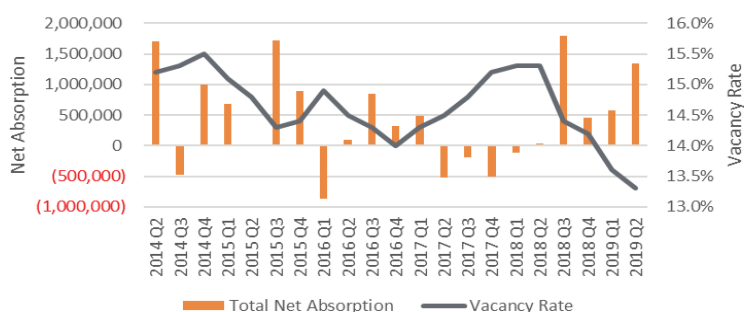
Select Office Lease Transactions

Tenant	Building	Submarket / Market	Type	Size (SF)
IBM	194 Wood Avenue South, Iselin	North Edison Woodbridge/ Central New Jersey	Renewal	153,394
Genmab US, Inc	777 Scudders Mill Road, Plainsboro	Brunswick/ South Edison / Central New Jersey	Direct	90,000
U.S. Immigration and Customs Enforcement	3 Gateway Center, Newark	Newark Urban Essex / Northern New Jersey	Direct	80,697

New Jersey Office Market Rent



New Jersey Office Total Net Absorption and Vacancy Rate



Trends to Watch



The uncertain status of the Grow NJ tax incentive program, a driver of significant tenants in the office market.



The effect of recent low-interest rates as companies look to reinvest and expand their businesses.

Market By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	Vacancy Rate (%)	Q2 19 Net Absorption	YTD Net Absorption	Current Under Construction (SF)	Market Rent Class A	Market Rent Class B
Bergen Central	6,806,944	960,682	46,639	14.8%	(101,762)	(9,594)	-	\$32.68	\$25.10
Bergen East	9,207,971	753,984	19,247	8.4%	59,877	53,024	360,000	\$33.78	\$25.79
Bergen North	9,155,534	885,166	55,066	10.3%	(99,978)	(140,648)	-	\$32.41	\$25.15
Hudson Waterfront	21,655,028	3,256,544	256,079	16.2%	187,193	(107,754)	125,000	\$41.10	\$34.91
Meadowlands	6,216,608	815,693	29,860	13.6%	86,057	(158,884)	90,000	\$31.42	\$27.18
Morristown Region	12,299,040	1,466,505	160,640	13.2%	(63,265)	(18,341)	-	\$32.55	\$24.49
Newark/ Urban Essex	18,337,020	2,590,579	67,213	14.5%	371,796	446,711	165,000	\$31.55	\$26.01
Northwest Frontier	353,408	17,405	0	4.9%	4,833	17,633	-	-	\$21.44
Parsippany	16,735,041	3,141,327	429,791	21.3%	272,566	341,141	64,000	\$29.54	\$23.46
Short Hills/ Millburn	2,927,183	86,255	66,793	5.2%	(12,679)	(31,005)	-	\$39.50	\$28.58
Suburban Essex/ Rt 280	10,960,738	997,774	49,167	9.6%	77,407	165,119	-	\$26.52	\$22.71
Wayne/ Paterson	5,951,455	644,657	12,715	11.0%	(4,751)	184,690	-	\$32.06	\$26.60
Western Morris	3,051,233	1,291,588	12,356	42.7%	(4,061)	(2,399)	-	\$27.81	\$20.04
Northern New Jersey	123,657,203	16,908,159	1,205,566	14.6%	773,233	739,693	804,000	\$33.45	\$25.55
Brunswick/South Edison	12,988,078	1,733,639	52,186	13.7%	109,345	140,826	60,000	\$32.45	\$24.12
Hunterdon Cluster	4,651,458	225,582	246,385	10.1%	14,139	1,187	-	\$27.31	\$21.56
Monmouth	11,398,017	937,307	112,411	9.2%	20,168	282,250	68,112	\$30.76	\$24.72
North Edison/ Woodbridge	6,224,693	829,083	39,154	13.9%	(15,030)	(28,520)	-	\$37.01	\$25.98
Princeton North	1,988,533	291,244	39,799	16.6%	19,389	16,114	-	\$29.65	\$25.30
Princeton South	17,448,176	1,318,763	380,213	9.7%	188,099	339,336	-	\$31.06	\$23.54
Route 22 West	5,330,710	252,573	468,570	13.5%	33,654	47,757	-	\$27.58	\$19.97
Route 287	9,490,444	1,183,050	132,416	13.9%	(44,458)	(47,660)	-	\$23.03	\$18.96
Route 78 East	16,077,637	1,526,384	42,158	9.8%	205,730	291,369	-	\$28.30	\$22.98
Union	4,446,927	438,419	17,150	10.2%	34,167	128,914	-	\$27.54	\$23.26
Central NJ	90,044,673	8,736,044	1,530,442	11.4%	565,203	1,171,573	128,112	\$30.00	\$23.34
New Jersey	213,710,876	25,644,203	2,736,008	13.3%	1,338,436	1,911,266	868,112	\$32.01	\$24.60

Note: In an effort to better reflect the market we have removed properties that we believe do not represent the market from our data set

New Jersey Economy



Unemployment rate drops once again, yet still trails the national average

As of May 2019, New Jersey's seasonally adjusted unemployment rate dropped for the second straight month to 3.8 percent, while dropping 40 basis points year over year. The total number of Nonfarm jobs has also increased by 45,900 to 4,193,800. New Jersey still trails the national unemployment rate by 20 basis points, which is 3.6 percent as of May 2019.

EDA Task Force delivers a scathing first report

On June 17th, 2019, Governor Murphy's Task Force on EDA Tax Incentives released their first report on New Jersey's Economic Development Authority's tax incentive program. The task force was created by the Governor via executive order in response to the Office of the State Comptroller January 2019 audit. The audit found that the program had "failed to comply with applicable statutes... and to implement key internal controls for monitoring the performance of tax-incentive beneficiaries." The Governor ordered this audit as one of his first acts as Governor in 2018 to assist lawmakers to determine whether or not the EDA's Tax Incentive Programs should be reauthorized when they were set to expire on July 1, 2019.

In their first report, the Task Force focused on the Grow NJ program, which is one of the two main tax incentive programs offered by the EDA. The Grow NJ program was created in 2012 by The Grow New Jersey Assistance Act and was subsequently amended and expanded in 2013 by The New Jersey Economic Opportunity Act of 2013. The program has undergone minor changes since 2013 but has maintained its basic structure. The Grow NJ program is designed to incentivize the creation and/or

the retention of jobs in the state of New Jersey. For a company to receive a tax incentive, they must show that without the tax incentive, jobs will either be eliminated or relocated outside of New Jersey. Companies are also required to make a minimum capital investment in a business facility, usually in the form of a new lease or construction of real estate.

A company that is looking to procure a tax incentive through the Grow NJ program must demonstrate that without the tax incentive it would not be prudent to have the facility in New Jersey. This is accomplished through a series of documents including a "Cost-Benefit Analysis" form which shows that added expense of the New Jersey location versus the out of state locations. The EDA then does an analysis to determine the size of the incentive by multiplying the number of jobs created and/or saved by a "base" amount between \$500 and \$5,000 per job. The "base" amount is preliminarily determined by the location of the project. Second, a statutorily defined bonus is added to the "base," established on the type of industry or job created.

At the heart of the program, the assessment of the tax-incentive award will "yield a net positive" to New Jersey. In laymen's terms, the question is, will the state collect more tax revenue from the company being in the state, in the form of property, sales and income tax versus the cost of the incentive. The goal of the program is at the very least to pay for itself in tax revenue.

The Task Force had two main findings in their first report:

I) Special Interests had a significant impact on the design of Grow NJ and its regulations. II) The EDA did not have adequate procedures and training to discover relevant information in the decision-making process.

Expounding on their findings, the Task Force found that law firms and lobbyists played a major role in the creation and expansion of the rules and regulations of the Grow NJ program to an unfair advantage to their clients. This was especially potent in the City of Camden where special rules were carved out just for projects in the city (and subsequently Atlantic City).

The Task Force also found that the EDA failed to provide adequate training and controls to ensure the necessary vetting required by the EDA could be done appropriately. These issues included an inconsistent understanding of job roles by EDA employees, a major lapse in basic applicant research and an overall lack of diligence and scrutiny necessary to properly vet companies and award incentive packages.

The Task Force provided numerous recommendations to remedy

some of the issues they highlighted, including suspending or terminating close to \$500 million of incentives that had been awarded.

Since the Task Force's report was released, the EDA has filed subpoenas requesting more information from a few companies mentioned in the report, concerning their eligibility to receive tax incentives. The state legislator also voted to renew the EDA program another year until July 1, 2020, a move that Governor Murphy promised to veto. The ultimate fate of the program remains to be determined. We will need to see if the Governor follows through with his veto promise and if the legislators will actually have enough votes to override it.

Click [here](#) to see the Task Force's first report.



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