

NEWS RELEASE

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- Mid-Year Economic Roundup attendees told recovery is a "lazy U"
- State is lauded for recent business initiatives, "but more has to be done"

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NAIOP NJ PANEL: ECONOMIC REBOUND REMAINS SLOW, BUT NEW JERSEY'S BUSINESS IMAGE IS UP

WEST ORANGE, N.J., June 22, 2011 – Co-moderator Richard Marchisio of Lee & Associates described the panel assembled for NAIOP New Jersey's Mid-Year Economic Roundup as, "a cross-section of our industry," and they collectively delivered a message of an economy still struggling to rebound, but a state, New Jersey, that has vastly polished its image as a place to do business. The event was held at Mayfair Farms in West Orange.

On the subject of the economy, "we are cautiously optimistic," said Reginald Ross, director of forecasting for Jones Lang LaSalle Americas. He characterized the ongoing economic cycle graphically as a "lazy U," with a steep decline on the left side of the "U" followed by a gradual rise on the right side. "The near term is positive, according to the indicators, but we don't expect anything ground-breaking," he said.

The general consensus was that a genuine upswing will be more evident in 24-36 months. Ross, for one, predicted that for New Jersey, the upswing would be more vigorous around the state's urban hubs.

Describing the recent recession as a "perfect storm," co-moderator Andrew Houston of Cassidy Turley led the discussion to the eye of that storm—the financial sector. As far as how the banking community is doing now, "we have to figure out the common definition of lending," said Thomas Geisel, president and CEO of Sun National Bank. "We are still lending but not as before," he said, specifically citing "extreme pressure from the regulators and politicians.

"Where is the capital and where will it be in five years?" he asked. "We don't believe the capital will be available as in the past, and it will be more expensive. Because of the regulators, the banks are going deep into real estate portfolios."

"There is a lot of money on the sidelines," Ross said, pointing to "reasonable" six

percent and seven percent cap rates. And in general, "New Jersey doesn't look so bad. The market here is positioned reasonably well."

With the market so positioned from an investment standpoint, New Jersey's burnished image is beginning to have an effect, panelists agreed. "With the advent of the Christie administration, we have seen the most significant upgrade in decades," said Dennis Donovan, principal of Wadley Donovan Gutshaw Consulting, a corporate site location firm. "Our sense is that our clients recognize that New Jersey is finally serious about business."

Pointing to such factors as the improvement in the regulatory climate, extension of incentives, the single sales corporate income tax, the red tape review committee, and more, "we are seeing tangible results," Donovan said. "More needs to be done, but what has happened so far augers well."

As one possible improvement, "we would like the New Jersey EDA and the state's financial institutions to help enhance cap rates," Ross said. "We would also like to see a mandate that companies getting incentives from the state have to buy in New Jersey and hire New Jersey residents. That's what is going to get us out of this."

Donovan offered three "musts" to sustain the momentum that has been generated at the state level: "Pass the 2012 budget as is; repeal all state regulations that exceed federal regulations; and gradually reduce both personal and corporate income taxes to six percent."

For real estate in particular, panelists agreed that space usage has changed on the side of caution since the recession, offering a potential stumbling block to backfilling the space emptied by the downturn. Marchisio noted that companies "are using less space and fewer employees." Donovan conceded as well that "the amount of office space per employee is shrinking."

What business sectors are likely to boost the recovery for New Jersey? "Logistics," said Donovan, citing the state's port facilities as a catalyst and perhaps even manufacturing—such specialized areas as packaging and specialty chemicals in particular. He also sees potential growth in data centers and back offices. But noting competition from such states as Pennsylvania, "New Jersey must capture a greater share of regional operations."

"We are also seeing significant interest in reverse investment in New Jersey," he said. "Companies from Brazil, India, and China are investigating the opportunities."

For Ross, bright sectors include technology, particularly IT, and healthcare, for which New Jersey "is particularly well-positioned."

For the near term, however "the next 12 months will be flat," Geisel predicted. "They will be 'bumpy' flat, with one step forward and one step back. But momentum comes from attitude—how people perceive conditions and act on them," he concluded. "With the right attitude, we could see a more consistent move up, even in 12-24 months." ###

[About NAIOP NJ](#)

PHOTO CAPTION: NAIOP New Jersey, the commercial real estate development association, held a Mid-Year Economic Roundup. (l to r) Andrew Houston, co-moderator, Cassidy Turley; Thomas Geisel, Sun National Bank; Dennis Donovan, Wadley Donovan Gutshaw Consulting; Reginald Ross, Jones Lang LaSalle Americas; and co-moderator Richard Marchisio, Lee & Associates