

## **NEWS RELEASE**

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### **COMMERCIAL REAL ESTATE: PUBLIC POLICY INITIATIVES, IMPROVING ECONOMY PROVIDE OPTIMISM FOR 2012**

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Jan. 16, 2012 – Our assessment moving into the New Year is that commercial real estate and the general economy in New Jersey are at the start of an upswing. New Jersey, especially with its pro-active governor and legislative support, is getting more attention from business – not only competing with other states, but other parts of the world.

In the overview, the industrial market started off slowly in 2011 but has gained momentum, and 2012 should be better. In anticipation of the Panama Canal's expansion, there will be greater interest in the Port of NY/NJ and a need for more space. There is substantial vacancy right now in industrial, but we expect that space will begin to fill as consumers start spending more.

The office market, too, has seen a lot of vacancy, but 2011 saw an improvement in net absorption, especially in the Central New Jersey market. Statewide, it is still a tenant's market, with an ongoing flight to quality. As the market improves, rents are expected to rise slightly later in 2012.

The mixed-use sector, driven by apartment rentals, has been strong. While there has not been much new construction, that could change as vacancy rates continue to decline, especially with new legislative policies that are incentivizing and spurring development in urban transit hubs and near train stations in general. We believe there will be some new construction in those areas, which will have a healthy impact on the state's economy.

On the subject of legislation and government policy, the past 12 months saw some positives for the commercial real estate sector and the economy in general, including the moratorium on the COAH non-residential development fee. We will continue to work with the legislature to develop a permanent and equitable funding source for affordable housing.

Another initiative making progress is the New Jersey Department of Community Affairs' Minor Work proposal to allow work typically done when a change of tenancy is taking place—tenant fit-ups—to occur more quickly by streamlining the inspection and review process. And the Time of Application Law was a major success in that now, development regulations in effect on the date of submission for an application for development will govern review of that application throughout the permitting process.

Finally, the Vertical General Development Permit Law was enacted, applying the same benefits of larger planned developments that in the past occupied many acres to vertical developments. What this law does is morph horizontal square footage into vertical floor area.

For 2012, there is more work to be done in the public policy arena. One critical initiative is the Grow New Jersey legislation, aimed at leveling the playing field by extending incentives in effect for development surrounding urban transit hubs to non-urban areas. This legislation, which is awaiting the Governor's signature, would take some of the money allocated for urban transit areas, and re-allocate it to non-urban transit areas so corporations looking to stay, expand or relocate to more suburban areas for operational reasons or requirements can benefit.

Another major legislative initiative that certainly has benefited the economy is the Permit Extension Act, which is critical to securing financing for the creation of jobs. An extension of the Act is moving in the legislature, and action is anticipated soon to enable developers or municipalities to take advantage of the current financing and low-interest-rate climate with permits already in place.

Still another key initiative for 2012 is Water Quality Management Planning legislation imposing a three-year moratorium on New Jersey DEP's ability to impose sewer bans based on outdated county and municipal plans. It is a complicated issue, but essentially the state is divided into several planning areas, and many of the plans have never been updated. In many instances, there are different policies from different government agencies that conflict with one another, crippling development. The goal is to enact legislation that will correct this problem.

One issue still to be addressed is identifying a stable and dedicated source of funding for the Transportation Trust Fund. Everyone is affected by that on a daily basis, and New Jersey could be doing a much better job of securing the future of our roadways. It is critical that there is a long-term commitment to funding for all types of transportation improvements. Otherwise, there is no way New Jersey can compete with other states in terms of transportation.

While there is legislative momentum as we begin 2012, and signs of economic improvement, no one should be lulled into a false sense of security. We must be relentless in demonstrating our commitment to economic development at all levels—

local, state, regional. Attracting new private-sector jobs and improving our business climate is all about cutting costs and providing certainty to business.

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