

NEWS RELEASE

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DCA'S GRIFA: WE HAVE MADE PROGRESS IN CHANGING THE CULTURE IN GOVERNMENT

State Official, Panel of CEOs Discuss Broad Range of Key Issues at NAIOP New Jersey Chapter Meeting

NEW BRUNSWICK, N.J., Sept. 28, 2011 – State government's approach to business is being changed by the administration of Gov. Chris Christie, but the economic environment is not yet cooperating in terms of its impact on commercial real estate. That was the message delivered by top New Jersey officials and a panel of CEOs at the September Chapter Meeting of the New Jersey Chapter of NAIOP, the commercial real estate development association.

Noting that Gov. Christie had "brought a lot of energy" to his office nearly two years ago, "Gov. Christie was going to turn Trenton upside down," said Lori Grifa, commissioner of the Department of Community Affairs (DCA). "We have made progress, trying to apply some new metrics, but change doesn't come without great pain."

With a goal of improving economic development and quality of life for New Jerseyans, "we are focusing our priorities differently now," Grifa told attendees at The Heldrich in New Brunswick. "At DCA, we are trying to remind our staff who they serve—the citizens, taxpayers and businesses of New Jersey." For business, that means everything from less red tape, to implementing predictability for permitting, to increasing accountability, to "something as simple as returning a phone call in a timely fashion.

"We are also here tonight to celebrate a positive—our professional relationship with NAIOP New Jersey to tweak how we define 'minor work' under the uniform construction code," Grifa said. "NAIOP is a strong and mobilizing force. Change is coming, and we urge you to participate.

"The state is committed to changing the culture of the business environment," she said.

A panel of commercial real estate CEOs, moderated by Mark Yeager of MRY Associates LLC, addressed other overlying issues impacting commercial real estate—beginning with the economy. "How have you changed your strategy as a

response to this economic cycle?" Yeager asked Jerry Sweeney of Brandywine Realty Trust.

Responding that his publicly-held company, primarily focused on office properties, hasn't really changed its strategy compared to previous cycles, "this cycle has been long, deep, and uncertain," Sweeney admitted. "We have been very focused on financial stability, the corporate bottom line, and aggressive leasing of our properties."

Careful top-to-bottom portfolio analysis is part of the regimen for Brandywine, and in terms of the "bottom 25%" of properties in his company's portfolio, "we have been aggressively redeveloping, joint venturing or, if necessary, selling," Sweeney said.

On the industrial side, asked about the pending improvements to raise the Bayonne Bridge, aimed at making the ports of Newark and Elizabeth more accessible to the new generation of super ships, and how it might impact the regional marketplace, Alex Klatskin of Forsgate Industrial Partners suggested the possibility of a "bigger boom" for Pennsylvania than other parts of the multi-state region. But in any case, "raising the bridge will have a great regional effect, and consumers in the New York City metropolitan area are still driving industrial demand in the region," said Klatskin, who also serves as chairman of NAIOP Corporate.

"NAIOP New Jersey remains very supportive of the Bayonne Bridge project being completed on time so that the post-Panamax vessels will use our port," said Michael G. McGuinness, the chapter's CEO. "The project is a crucial element in keeping our ports competitive, and ultimately in the continued growth and strength of New Jersey's industrial real estate market."

One sector termed a "bright spot" is multifamily/apartments, said Eric Witmond of Woodmont Properties. He termed that trend an off-shoot of a "flight to quality," driven by low cap rates and the fact that multifamily properties provide a "steady, reliable income" compared to the stock market.

Witmond did suggest, however, that "we haven't seen the downtown rebirth that we've been looking for," especially related to mixed-use developments. "The future of New Jersey is getting downtown rebirth in the state's cities. And I do feel that it will happen."

On the subject of the state's economic development climate, referenced earlier by Commissioner Grifa, "we are pleased with New Jersey's new approach," Sweeney said. "It's all about job creation, stability, predictability and sustainability, and while New Jersey has a lot of ground to make up, it is clearly moving in the right direction. There is no reason why New Jersey can't be as competitive as Texas, or Northern Virginia. Political will is a big factor."

On the local level, asked if municipalities are more welcoming of projects now than previously, "it is still difficult, but they are more receptive," Witmond said. "Many of the state's municipalities are really starting to 'get it.'"

On the subject of COAH and its impact on commercial development in New Jersey, "it has been the biggest deterrent to getting projects done," Witmond said. "But that's going to change dramatically," he concluded, noting that COAH and its regulations have been folded into the Department of Community Affairs with a new approach to facilitating development.

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PHOTO CAPTION: A panel of CEOs discussed a broad range of key issues at the September Chapter Meeting of the New Jersey Chapter of NAIOP. Left to right are: Mark Yeager of MRY Associates LLC; Alex Klatskin of Forsgate Industrial Partners; Eric Witmond of Woodmont Properties; and Jerry Sweeney of Brandywine Realty Trust.