



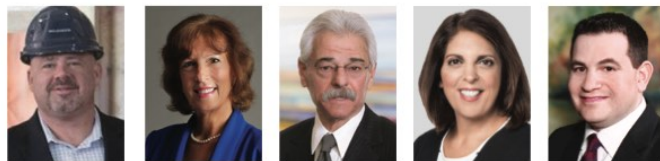
# 2019 MARKET FORECAST



What does the year 2019 have in store for New Jersey's commercial real estate market?

We recruited some of the most influential developers, professionals and thought leaders in New Jersey commercial real estate to give us their predictions for the year ahead.

You can find their insights and more in our special 2019 Market Forecast.



# REALESTATE<sup>NJ</sup> MARKET FORECAST



**EDWIN COHEN**  
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**PRISM**  
CAPITAL PARTNERS, LLC

Growing demand for state-of-the-art laboratory space is a “must watch” trend for 2019. Consider the first ground-up construction projects at Prism’s ON3 in Nutley and Clifton, which will expand the campus building footprint by approximately 35 percent. Quest Diagnostics has broken ground on a 250,000-square-foot, owner-occupied lab, which will be the largest in Quest’s network of major laboratory facilities across the country and will employ more than 1,100 people. Additionally, we are finalizing plans for a four-story, 150,000-square-foot speculative laboratory building at ON3. It will represent New Jersey’s first spec lab in recent history. We already have leased up approximately 500,000 square feet of existing lab space at ON3; with continued strong interest, additional inventory makes sense. Simply put, Governor Murphy’s vision of New Jersey becoming the destination of choice for innovative companies is coming to life at ON3 and throughout the state, with the promise of further momentum ahead.

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**THE BLAU & BERG COMPANY**

In the New Jersey market, we continue to see growth in industrial real estate thanks to ongoing demand from e-commerce, which has been driving the port and logistics market for the past few years now. The third-quarter vacancy rate dropped to 3.38 percent with the average asking base rent up 11 percent year over year to \$8.04. The Port Authority of New York and New Jersey witnessed a 5.2 percent increase in total TEUs year over year and rail lifts saw a 20.4 percent improvement. While initial concerns about the Fed rate increases had little to no effect on the current industrial market, continued increases may have had an unwelcomed response. Current indications from the Federal Open Market Committee is a more cautious approach to future increases. We can expect more of the same for the remainder of the fourth quarter 2018 and into the first, and even second quarter of 2019. Markets are too volatile to expand upon two quarters.

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**JOSE CRUZ**  
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Over the past year, we have seen continued strong interest in multifamily and industrial assets. Prices are holding steady, and cap rates are among the lowest we have observed, despite increases in interest rates and thinner buyer pools. Investors remain selective with regard to retail and office opportunities given that growth prospects have been limited. Despite this selectivity, Class A grocery-anchored retail and well-leased office are trading at premiums across the suburban New York area. In the coming 12 months, we expect to see more of a focus on streamlining building operations across product types as owners look for ways to drive income. We are watching carefully to see what happens with interest rates, property taxes and rent growth.

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Apartments still seem to be the most popular investment vehicle in New Jersey. There seems to be no satiating investor appetite for apartments, whether they are A, B or C quality or located in urban or suburban areas.

With the highest population density in the country but still considered “The Garden State,” New Jersey remains a popular place to live. The proximity of major towns — especially in the northern portion of the state — to Manhattan, provides for a continuous source of employment. And these are not just jobs but good jobs.

Vacancies remain low and rental growth, while having fallen off from the high of a few years ago, is steady. Real estate taxes, though, continue to be an issue and the volume of new construction and pending applications remain a concern. However, I believe conditions, overall, will enable the multifamily sector to remain a favored investment in 2019.

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# REALESTATE MARKET FORECAST



**JENNIFER MAZAWEY**  
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Overall, I believe we will see more focus on development in “Opportunity Zones,” resulting in new and different investors getting interested in real estate development. With new opportunities in cannabis production and sale, and consumers’ desire for immediacy, we will see continued drive for industrial development in 2019. From the land use perspective, we will need to be in tune with current zoning and understand the timing necessary to deliver approvals in those communities. There should be continuous dialogue with community leaders and planning staff, working together to find ways to partner and ensure continued strong development in New Jersey. On the incentives side, we await details of the state’s new gap-filling incentive programs, such as NJ Aspire, and expect they will have a positive impact. Celebrating our 30th anniversary in 2019, Genova Burns is happy to help our clients navigate the legal and political landscape of the market, as we continue to be at the intersection of law, government and business.

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**BRENDAN MURRAY**  
PRESIDENT



Building Sound Relationships & Structures

Hollister Construction Services focuses on three main areas when delivering projects for our clients — Budget, Schedule and Risk. These three areas are critical as they drive a project to success from the very beginning.

Consistent with our core value of Evolve and Grow, Hollister is constantly seeking out the use of technology to enhance the delivery experience for our clients. Hollister has been at the forefront of construction technology since we started nearly 15 years ago and 2019 will see a larger push in that area.

Our web-based project management software is universally applied to all of our projects through the use of Procore. We also use drone technology for site-work quantities, thermal imaging and construction documentation. Hollister will also continue to offer enhanced use of BIM and CADD for clash detection and coordination. The application of these and other technologies will define not only 2019 but continue long into the future. The emerging technologies, coupled with how we deliver will make 2019 very successful for Hollister and its partners.

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**BRYAN MURRAY**  
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In the 2019 New Jersey/New York Metro market, I believe we will continue to see a slower growth in the multi-residential sector; the drivers will be industrial and health care. The repurposing of retail buildings will slowly continue with an increase in demand for experiential shopping, entertainment and cuisine. The office/corporate campus market will continue to evolve, providing its users with ease of access to amenities such as restaurants, banks, cleaners and other “daily service” businesses. The “eat, work, live, play” trend stays relevant in 2019 — convenience, location and ease of access are paramount to this new and growing consumer base.

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**MATTHEW J. SCHILLER**  
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The Opportunity Zone program has stimulated significant interest from developers, investors and operators. In order to maximize the benefits of the act and obtain the 15 percent reduction on taxable gains that it affords, the capital gains must be invested into a qualified opportunity fund by December 31, 2019 and held through December 31, 2026. New Jersey has 169 designated Opportunity Zones, the most permitted by law. Because there is a limited 30-month schedule to develop/substantially improve properties under the program, and because of the numerous development and approval challenges presented by New Jersey’s land use regulatory scheme, qualified sites with development approvals will be at a premium. We are closely monitoring developments for further regulations and guidance from the Treasury Department in order to maximize the benefits for our clients. We also are following action out of Trenton to see whether New Jersey will conform the state’s tax regulations with the benefits of the program in order to help maximize investment opportunities in our state.

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# REALESTATE NJ MARKET FORECAST



**SEFI SILVERSTEIN, CPA**  
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From a tax perspective, real estate will be significantly impacted in 2019 due to the most substantive tax law changes over the past 30 years. The 100 percent immediate write-off of certain capital expenditures can benefit all markets and sectors. The 20 percent deduction for qualified business income to owners of pass-through entities eligible to claim the deduction will help bolster the real estate market even further. Preservation of the 1031 tax-deferred exchange rules (excluding personal property) was a welcome relief. And for those whereby a 1031 exchange is not an option, the new Qualified Opportunity Funds offer a viable alternative, while simultaneously helping to improve designated areas. The new limitation on personal mortgage interest deduction of \$750,000, along with the limitation on tax deductions to \$10,000, may have an impact to the apartment sector in high-cost cities, as renting may become more attractive than buying in these areas.

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**MICHAEL SOMMER**  
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**EDISON PROPERTIES**

Newark's real estate market has been on the rise for some time, but 2019 promises to bring the city more impressive growth than ever. Longtime stakeholders have been promoting its incomparable access to mass transit, exceptional institutions of higher education, superior dark fiber network and growing list of dining and cultural offerings for years, but the city's recent run of success and positive publicity have changed opinions throughout the country. Edison Properties is witnessing this notable transformation firsthand at Ironside Newark, as companies large and small are attracted to unique loft-style office space just steps from Newark Penn Station, the newly built Mulberry Commons Park and popular attractions such as the Prudential Center, NJPAC and the Ironbound. Talk of Newark's revitalization is hardly new in New Jersey, but under Mayor Baraka's leadership, the city is finally transforming into a true 24/7 destination with even greater expectations as we move into 2019.

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## INTERESTED IN ADVERTISING?

As the commercial real estate voice of New Jersey, Real Estate NJ reaches the top developers, investors and other professionals who service this booming industry. We provide the platform and the targeted, captive audience that will help you spread your message to your peers, generate new business and raise visibility in a highly competitive market.

Visit [www.RE-NJ.com](http://www.RE-NJ.com) to download our media kit to view the range of options in our monthly magazine, website and daily emails, including display advertising, sponsored content and custom e-blasts.

Contact your account executive to hear more about our opportunities for 2019 or email [advertising@re-nj.com](mailto:advertising@re-nj.com) to be connected with our sales team.



**GRETCHEN S. WILCOX**  
PRESIDENT/  
CEO AND  
FOUNDER



The demand in the New Jersey commercial real estate markets will remain strong in 2019, especially in the apartment and industrial sectors. In addition, there will be ground-up apartment and warehouse development opportunities for seasoned developers as well as activity to reposition office buildings. The spotlight will also be on properties located in Opportunity Zones. This being said, there is an element of uncertainty, not only in our political world, but with the interest rate market and the direction of cap rates.

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