

CENTRAL NEW JERSEY

By Greg Brown, NAI Dileo-Bram & Co.

Non-institutional market stays hot

Central New Jersey has seen a significant increase in demand for industrial assets under 100,000 s/f. Coming out of the last economic recession, industrial real estate values have returned to pre-recession values or even exceeded them. Industrial real estate, particularly the well located assets in New Jersey, are some of the most sought after real estate in today's market. Let's cover 2 reasons why:



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Lack of inventory. When you talk about a lack of inventory, demand outpaces supply. The increase to the demand side has largely been driven by 2 factors- increases in consumer spending and specifically the increase in e-commerce. New Jersey has long benefited from its close proximity to major ports, New

Marcus & Millichap completes sale of mixed-use building



13-15 North Union Ave.

ELMWOOD PARK, NJ — Marcus & Millichap announced the sale of 6,000 s/f mixed-use property located in Cranford, NJ for \$2,258,800, according to Brian Hosey, regional manager of the firm's New Jersey office.

Marcus & Millichap had the listing to market the property on behalf of the seller, a private investor. Michael Lombardi, investment specialist of Marcus & Millichap's New Jersey office, secured and represented the buyer, a private investor.

The subject property is located at 13-15 North Union Ave. in Cranford, NJ. The three-story recently renovated property is made up of six two-bedroom apartments and one large commercial space on the ground floor. This property offers investors to own an asset in one of the most desirable areas in Union County. ■

York City and a road network enabling quick access to the major population centers in the Northeast. When e-commerce consumers demand products in hours, not days or weeks, those e-retailers need to be close to the city. This has produced tremendous rent growth in Northern New Jersey and is now migrating south. Overall consumer spending increases the demand for warehouse space as well. There is a need to store and distribute all goods- not just the ones purchased on Amazon or Boxed.com.

On the supply side, speculative

development has been slow to catch up to demand. This is normal in real estate cycles as real estate development reacts to demand - it does not predict it. This is particularly true of the non-institutional assets (those we will arbitrarily describe as under 100,000 s/f for this article). The spec development that has occurred ranges between several hundred thousand s/f up to one million s/f each, and is specifically targeting large distribution clients, principally e-retailers. There has been negligible spec development in all of New Jersey targeting small to mid-size

tenants.

Owner/User competition. Unlike institutional level owners, investors of smaller sized properties have to compete with the tenants themselves. Long standing small to mid-size businesses who understand their long term space needs, are taking advantage of the low interest rate environment for owner occupied properties and are looking to create value in owning their real estate. Typically buyers looking to purchase real estate for their own account (as opposed to pure investors) can pay higher prices for property. As

long as interest rates remain low, this will continue. Investors in the institutional sized asset class are not as likely to compete with business owners looking to buy real estate for their own use.

In summary, demand is high, debt is cheap and we believe we are at or near the peak of this cycle. Owners of industrial real estate in New Jersey should seriously evaluate their positions and consider selling and taking advantage of this market.

Greg Brown is Managing Director at NAI Dileo-Bram & Co. ■

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