

Invest:

An in-depth review of the key issues facing North & Central Jersey's economy, featuring the exclusive insights of prominent business and political leaders.

North & Central Jersey | **2022**

Real Deal: Low Housing Inventory, Soaring Real Estate Prices are Creating a Hot Market

July 14, 2022



Warehouses are in demand but community-oriented retail locations also continue to thrive post-pandemic.

New Jersey is known for its highly developed pharma and life sciences companies and the strength of its manufacturing and financial services sectors. To be sure, these sectors and firms create a myriad of opportunities for the rapidly growing population and boost demand for commercial and residential real estate in both North and Central Jersey.

But just because large corporations came to the region, it doesn't mean everything is moving in the right direction. In fact, the state's unemployment rate in March 2022 was 4.2%, which is above the national unemployment rate of 3.6%. A slowdown in job growth and a surge in unemployment could lead to the cooling of the real estate market.

The sharp rise in mortgage rates is also putting pressure on the market. According to Zillow, New Jersey's 30-year fixed mortgage rate increased to 4.98% in May and the average 15-year fixed mortgage rate surged to 4.14%. On the positive side, the economic headwinds could assist the rental market, as younger talent might decide to put off homeownership and continue to rent until the environment improves.

■ Landscape

There's no doubt the North and Central Jersey housing market is red-hot right now. It helps that both commercial and residential real estate remain more affordable than in neighboring New York; thus, buyers and investors can find reasonably priced real estate developments that can be easily flipped for a profit. Moreover, possible regulatory changes in New York, which would prevent more than 1 million tenants from being evicted from their properties or seeing their rents raised without "good cause" are forcing landlords to re-evaluate their investment strategy in the Big Apple and set their sights on New Jersey, Gothamist reported. The North and Central Jersey region, given its prime location, could benefit.

The arrival of out-of-state investors has also pushed housing prices and rents to new heights. Home prices grew 12% in the state in 2020 and 15% in 2021, according to data from the Otteau Group. And although the supply is not as tight as in other states, potential buyers, remote workers and out-of-state employees are (...) (...) still engaging in bidding wars for competitive single-family homes.

Still, there are significant price differences across counties and neighborhoods. For instance, Rutgers University made several assessments using data from New Jersey Realtors and concluded that in North Jersey, Bergen County recorded the highest average prices for single-family homes, whereas Union County had the lowest. In Central Jersey, Monmouth County recorded the highest average prices for single-family homes, whereas Mercer registered the lowest average sales

prices during the same period. The data also show that counties where the prices have surged the most are the ones with lower median home prices. Accordingly, home values in Union and Mercer surged 11.1% and 15.6%, respectively, over 2020.

However, figures released by ATTOM show that several counties in North and Central New Jersey, such as Bergen, Essex, Hunterdon, Middlesex, Ocean, Passaic and Sussex are at risk for housing market troubles in 2022. According to the real estate data provider, the housing market could crash because investor profits and home affordability continue to decrease while inflation surges. ATTOM also ranks Sussex among the top 50 counties nationwide at risk for foreclosure. From ATTOM's perspective, Sussex County homes have a one in 709 shot of facing foreclosure.

On the commercial side, the market is thriving. For instance, cold storage, distribution centers, warehouses and last-mile facilities are in high demand in New Jersey; thus, prices are forecast to climb even in 2022. Data from Savills Research highlights that asking rents in Northern New Jersey's industrial market increased 23% in 2021 to reach an average rate of \$10.85 per square foot. Moreover, the vacancy rate for industrial space dropped to 2.3% at year-end, falling from 3.7% from a year ago.

High occupancy rates and increased demand for (...) (...) medical office buildings, research and development facilities and biolab spaces will push average asking commercial rents to new heights in North and Central New Jersey. A report from CBRE highlights that surging demand for new life sciences laboratory space is far outpacing speculative construction in the Garden State, with bioscience companies looking for approximately 800,000 square feet of space in the market.

In relation to multifamily developments, demand remains robust and 12,000 units will be completed in 2022, according to a report by Marcus & Millichap. As for the state's multifamily vacancy rate, this is expected to surge 30 basis points in 2022 to 4.5%.

■ Commercial market

In 2021, the Real Gross Domestic Product (GDP) of New Jersey increased to \$561.78 billion from \$535.79 billion in 2020, Statista reported. Moreover, between 2010 and 2020, the state gained 497,100 new residents, growing the population by 5.7%, according to data from the U.S. Census. Census data also shows the state is incredibly diverse, with only 55% of residents classified as "white alone."

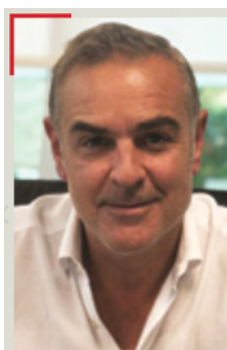
Naturally, population growth, economic development, migration and cultural sensitivity are key elements that impact urbanization and the real estate market. And altogether, they fuel the demand for commercial properties.

As corporations and high-earners are abandoning New York City for more welcoming states, North and Central New Jersey remain well-positioned to attract former Big Apple residents who are not yet ready to flock south. The privately-funded economic development organization, Choose New Jersey, highlights that moving to the Garden State comes with its own set of advantages, such as lower cost of living, a better quality of life and a more flexible workspace.

Choose New Jersey observes that a New York resident whose income in Manhattan reaches about \$100,000 after taxes would double their purchasing power in New

Jersey. The same logic applies even for companies who decide to relocate their offices from the Big Apple to New Jersey. By relocating in-person operations to New Jersey, businesses can lower their costs on workspace up to 70%.

According to Cushman & Wakefield Office Marketbeat Q2 2020 report, office space in Class-A buildings in New Jersey was \$36.78 per square foot in the north region, \$30.44 per square foot in the central and \$24.67 per square foot in the south of the state, whereas in Manhattan it reached \$81.59 per square foot and in Brooklyn \$59.18 per square foot.



Joe Forgione

Founder & Principal – JMF Properties

“We have a tremendous pipeline of future projects that are in entitlement. We are working closely with each of the host municipalities to get these projects approved and developed in a timely manner, because once completed, the benefit they can provide for a town is huge. Our Glen Ridge project for example, Clarus Glen Ridge, took seven years from the day I signed the contract and was producing \$87,000 in taxes but once our project stabilizes, that will grow to north of \$185,000. The sooner municipalities realize this, the sooner they will enjoy those ratables.”

To be sure, remote work has also revitalized commercial real estate in suburban areas and less densely populated cities. As millennials have more flexibility, they chase a more serene lifestyle away from the chaos of big cities. Naturally, it doesn't hurt that the higher-end units found in smaller cities are also more economical. As such, cities like Hackensack have experienced a revival during the pandemic. In fact, real estate developers have built modern multifamily properties and luxury rental buildings in downtown Hackensack for young professionals. The new housing units include more than 3,500 studio, one- and two-bedroom apartments, according to *New Jersey Monthly*. For instance, Hekemian & Co. developed The Current On River, a \$70 million six-story complex of 254 rental units. And the 15-story luxury complex The Brick, which is located at 150 Main St. has been inaugurated recently, while The Print House will be opened in Spring 2022.

As expected, the arrival of city-dwellers has revitalized the regional real estate market. From 2017- 2020, the median sale price of condos and townhouses surged 23%, to reach a median of \$225,000, as per data from the New Jersey Multiple Listing Service.

In Bayonne, Hudson County, Larken Associates and Gallium Real Estate have envisioned a development of 1,100 units. The Bayview Redevelopment Plan will include 55,000 square feet of retail space, residences, parks and public waterfront amenities. The commercial

real estate market in Bloomfield, Essex County is also red-hot right now. CHA Partners will inaugurate The Royal at Bloomfield Station in mid-2023. Real Estate NJ reports that the development will encompass 210 apartments, 14 two-story brownstone units for sale, 7,000 square feet of commercial space and a parking garage.

In Sayreville, a 6.5 million-square-foot mixed-use development that will cost \$2.5 billion is underway.

Riverton will encompass about 1.3 million-square-feet of retail entertainment space and about 2 million-square-feet of office space. Moreover, 2,000 residential units are also underway. Meanwhile, Somerville Station is still under construction, but the development is expected to include retail spaces, an apartment community and a unit community of for-sale townhomes.

As for the industrial real estate sector, Faropoint paid \$132.5 million to the Kushner Companies

for a 10-building industrial portfolio across Bergen and Morris Counties, The Real Deal reports.

And fueling new developments, the Federal Aviation Administration (FAA) approved the new passenger terminal for Trenton-Mercer Airport. And the non-profit organization Project Freedom commemorated the groundbreaking ceremony for the second complex in Hamilton, Mercer County. The development will include independent living homes for individuals with disabilities. (...)

**A New York
resident making
\$100,000 net annually
would double their
purchasing power in
New Jersey, according
to Choose New Jersey**

(...) North and Central New Jersey power brokers include Cushman & Wakefield, JLL, CBRE Group, JMF Properties, Kushner Real Estate Group, Camber Real Estate Partners, Onyx Equities and Boraie Development.

■ Office market

The pandemic hit the office market with a disruptive force and the North and Central New Jersey region was not spared. According to Avison Young's New Jersey 4Q 2021 market report, post-pandemic annualized leasing activity declined by 43.5% compared with the prior 20-year historical average. Nevertheless, closed deal volume has surged by 3.6% compared with 2020.

Direct vacancy and sublease availability rates have reached 18.6% in the fourth-quarter 2021. Meanwhile, the sublease market has reached 9.0 million square feet of vacant space, which represents 17.2% of the total available space. There was a slight improvement in first-quarter 2022, as office sublease availability reached 7.26 million square feet, as per CBRE data.

In relation to pricing trends, Avison Young highlights that base rents have fallen by 4.8% since 2019. To that end, the global commercial real estate firm shows that the nature of office space has changed during the pandemic, and rents have fallen because of a bump in demand.

Unsurprisingly, net absorption from 2020 to 2021 was negative, at -1.3%, totaling 3.5 million square feet. However, New Jersey experienced 1.29 million square feet of positive net absorption for the first-quarter of 2022, according to CBRE. On the positive side, from 2020 to 2021, sales volumes reached \$5.1 billion.

Surging demand for medical office buildings presents a unique opportunity for developers and investors. As such, 475,000-square-feet were under construction in the fourth-quarter 2021. Notable mentions include the medical office building in Marlboro on Willow Lane and the RWJBarnabas Health Family Care & Wellness that is being built at Monmouth Mall.

Developers in New Jersey have also set their sights on repurposing office buildings and transforming them into residential properties and industrial spaces. As such, CBRE mentions that roughly 8.6 million square feet of less competitive office space will be converted into residential spaces and industrial facilities. According to CBRE, 4.4 million square feet will be adapted to meet the needs of residential space, 2.3 million square feet will be redeveloped as industrial spaces and 340,000 square feet will be converted into mixed-use developments.

It's worth noting that the majority of the repurposing projects are located in the wealthier regions of the state which are near major transportation systems. For example, a former Parsippany office building which was near several heavily traveled routes will be transformed into a complex that will encompass retail spaces, green space and hundreds of housing units.

■ Investment

In 2021, individual investors had to fight off competition from institutional investors, asset management firms and hedge funds in the North and Central Jersey market. As

empty office buildings, distressed commercial buildings, vacant hospitality real estate assets and struggling malls have attracted investments from developers and investors who wanted to buy them at bargain prices and repurpose them as rental properties. For example, Black Lion Investment Group paid \$49.75 million for the ITC Crossing South power shopping mall located in Mt. Olive, New Jersey.

Elsewhere, institutional investors poured significant sums in build-to-rent properties and multifamily projects as apartment lease renewal rates climbed to new heights. In 2021, Northern New Jersey recorded its highest multifamily transaction volume at \$5.45 billion, according to Real Estate NJ. Some notable transactions (...)

**In 2021,
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(...) include the \$3.5 million sale of a multifamily building which encompasses residential units and retail spaces in Caldwell, Essex County. Elsewhere, the private equity real estate firm KABR Group paid \$49.6 million for the 138-unit building, 19 East located in Bayonne.

In this hot market, investors also noted distressed and damaged properties as these can be easily renovated and repurposed as affordable housing for workforce tenants. For instance, a real estate portfolio of nine multifamily buildings located throughout Hudson, Union, and Middlesex Counties was sold for \$6.8 million, Jersey Digs reported.

Additionally, foreign and out-of-state investors who couldn't afford the skyrocketing prices in New York have also turned their attention towards investment properties in New Jersey. In fact, the Garden State was among the top destinations of foreign buyers of U.S. commercial real estate for National Association of Real Estate commercial members, accounting for 5% of the market in 2021, down from 6% in 2020.

■ Residential performance

The mismatch between demand and supply pushed home prices higher in 2021, and the work-from-home revolution has reshaped property demands, creating "Zoom towns," while wreaking havoc in the commercial property market.

The suburban boom happened even because populated cities have become too expensive and their overvalued housing markets have pushed many professionals out of the city.

A survey by the New Jersey Society of CPAs (NJCPA) shows that 70% of certified public accountants have (...)

(...) recommended to their individual clients to leave the state because of the high cost of living. Moreover, 53% of CPAs have advised business clients to consider moving to lower-tax states.

Elsewhere, Neighborhoodscout highlights that Jersey City's real estate costs have skyrocketed, making properties in the metropolitan area among the most expensive in the country. As for the state, the median home value in New Jersey increased at the end of 2021, but home sales fell because of low inventory. An October 2021 NJ Realtors report highlights that the single family median sales price in the state was \$440,000, up 7.3% from October 2020. Meanwhile, townhouse-condo median sales price reached \$305,000, up 2.0% from a year prior. However, both closed sales and new listings were down in 2021.

Single family closed sales declined 22.1% to 7,601,

Foreclosures continue to plague the state, although U.S. foreclosures activity hit new lows in 2021. An analysis from ATTOM Data Solutions highlights that there were 151,153 properties with foreclosure filings in 2021, down 29% from 2020. However, New Jersey continues to struggle with high foreclosure rates, scoring the fifth-highest rate among all states in 2021 (0.19% of housing units), and the third-highest rate in the fourth-quarter (1 in every 1,288 units). Higher interest rates in 2022 could impact the foreclosure rate as investors and buyers will find it harder to finance their real estate investment.

■ Affordable housing

The pandemic has exacerbated the affordable housing crisis, impacting even demographics that in normal circumstances would be immune to real estate troubles. A Pew Research Center survey conducted in October 2021 shows that 49% of respondents said the availability of affordable housing in their local community is a major problem. The answer gains even more nuances when residents are divided in accordance with their community. For instance, 63% of urban respondents say the availability of affordable housing in their area is a major problem; 46% of suburban and 40% of rural residents had the same response.

In New Jersey, only 39 affordable and available rental homes exist for every 100 extremely low-income renter households. The national figure is 37 per 100, according to the New Jersey Monitor. Elsewhere, 73% of the state's poorest renter households spend more than half of their incomes on housing costs.

In response to the issue, Gov. Phil Murphy proposed to allocate \$305 million to construct over 3,300 affordable (...)

while townhouse-condo closed sales fell 13.4% to 2,552. At the same time, single family new listings declined 26.2% to 8,219, while townhouse-condo new listings fell 22.4% to 2,742.

Conversely, the U.S. broke records in home sales during the past year. According to the National Association of Realtors, U.S. existing home sales in 2021 grew 8.5% from 2020 to 6.12 million. This represents a 15-year high.

In relation to the multifamily market, rents have continued to climb, but apartment demand is normalizing because of high interest in suburban communities. For instance, Marcus & Millichap's Q3 2021 Northern New Jersey multifamily market report shows that apartment developments in suburban areas had a strong performance. As of mid-2021, vacancy in Union, Morris and Passaic counties were below the pre-pandemic norm, declining to 3.2%, 3.8% and 2.3%, respectively.

(...) housing units across 43 developments statewide. Some of the largest projects include: 240 units in Waterford Township, 190 units in Marlboro Township, 180 units in Harrison Township, 175 units in Union City and 158 units in Moorestown Township, according to Fair Share Housing and New Jersey Monitor. Murphy is also promoting a program that provides property tax relief to approximately 1.8 million homeowners and renters.

Like other states, New Jersey also offers subsidized housing for lower-income individuals, senior citizens and disabled residents. The Garden State has well-developed voucher programs and rent relief assistance schemes. Housing Choice Voucher (Section 8), VASH (veterans), NED (non-elderly-disabled), NED-2 (non-elderly disabled transitioning from an institution) and SRAP (state rental assistance program) are just some of these programs.

Meanwhile, developers have tried to tackle the affordable housing problem by building micro-apartments in strategic locations. For instance, a 122-unit, fully-furnished micro-apartment complex was built in Jersey City. The Nest is hoping to break the market with its affordable studios priced below \$1,300/month.

■ Rental trends

Boasting some of the most famous university campuses in the nation, New Jersey remains a robust rental market. In fact, college property is in high demand in the state and student housing vacancy rates have surged again after higher education institutions returned to in-person classes.

At the national level, the student housing sector

improved significantly during the 2021-2022 school year, according to Moody's. Vacancies for properties that rent by the unit fell 200 basis points, while for properties that rent by the bed, vacancies fell 500 basis points. Meanwhile, asking rents increased by 2.9% for properties that rent by the bed and 4.2% for properties that rent by the unit.

Overall, average rents in Jersey City continued to trend upward. As of May 1, 2022, the average rent for a one-bedroom apartment in Jersey City was \$2,754, according to Zumper. This is a 57% growth compared to 2020. Meanwhile, the average rent for a one-bedroom apartment grew by 2% compared to last month. Naturally, rents vary across the region, with The Waterfront (average rent for 1-bedroom is \$3,251) being the most expensive neighborhood to live in.

Amid the shortage of affordable housing and massive rent hikes, there is wide support across the nation for strategies that could diversify housing stock. A Zillow survey shows that residents in 16 U.S. metro areas support developing dwelling units, duplexes and triplexes in residential neighborhoods. According to Zillow, 73% of homeowners and 84% of renters were in favor of developing at least one of these "modest densification" options.

Among the groups surveyed, younger residents, renters, people of color and members of the LGBTQ+ community were more likely to support the construction of accessory dwelling units, duplexes and triplexes in residential neighborhoods.

Another important trend to watch out for in 2022 is the state of short-term vacation rentals and subsequent government crackdown in New Jersey. In 2019, nearly 70% of New Jersey City residents voted in favor of short-

■ Challenges

North and Central New Jersey's real estate investors had a stellar year. Demand for residential and commercial real estate remained strong despite unique challenges. Office leasing activity is still weak compared to pre-pandemic levels, but sales volume is slowly improving. Naturally, the hybrid work model and the return to office campaigns will further improve the office market outlook in 2022.

Meanwhile, interest in medical office buildings, research and development facilities and biolab spaces

term rental limits on companies like Airbnb. Initially, the San Francisco-based company engaged in a big-money battle with the city, but later it accepted the setback.

According to Chapter 255 of the Jersey City Code of Ordinance, short-term rentals in rent-controlled units are banned. Short-term rentals operated by tenants are also illegal. Meanwhile, property owners can rent their primary residence for a maximum of 60 days per calendar year, but they need to apply for a permit with the Division of Housing Preservation. In 2021, the short-term rental landscape changed even in Atlantic City. And the new regulations are making the entire process more lengthy and expensive for owners.

will intensify in 2022 and there's no sign that the trend will cool down with the end of the pandemic.

In the residential market, remote work has revitalized "Zoom towns" and the suburbs, where inventory remains tight and prices for single family units have soared. However, higher mortgage rates in 2022 and beyond could slow down the market. Moving forward, the region needs to expand the policies and programs that address the shortage of affordable housing.

■ Construction

The pandemic has created unique challenges and brought unprecedented changes to the construction industry. Not only did contractors have to incorporate new workplace safety protocols, but they also had to overcome materials shortages and supply chain issues. Additionally, the shortage of skilled construction workers has delayed projects and increased labor costs.

Prior to the COVID-19 crisis, 7.6 million workers worked in the construction industry in the U.S. But by early 2020, the industry already lost 1.1 million workers, according to the National Center for Construction Education & Research. But it's not all doom and gloom because the industry has added more jobs since mid-2020. Accordingly, the number of employed construction laborers in the U.S. has reached 7.4 million. A new report by the Home Builders Institute highlights that the industry needs to hire 740,000 new construction employees per year for the next three years to keep up with demand.

Meanwhile, the fight for climate justice and the race to net zero greenhouse gas emissions have reached the construction sector, thus building contractors and construction companies have adopted green technologies and sustainable practices.

■ Sector performance

According to researchers at Construction Coverage, only 151,000 workers are employed in construction in New Jersey. This represents 3.8% of wage and salary workers in the state. The data also shows that New Jersey has the third smallest share of employment in construction from all 50 states.

Equally important, the construction industry is a major contributor to the state's GDP. In 2021 alone, the construction sector added 16.2 billion chained 2012 U.S. dollars of value to the state GDP. It is expected that the number will grow in 2022 because of President Joe Biden's increased focus on major infrastructure projects.

At state level, seven projects are already underway while three new projects on routes 9, 27 and I-76 are being developed. The most noteworthy project costs

\$900 million and its scope is to construct a better junction between I-295 and 76 and Route 42.

Meanwhile, the number of residential and commercial construction projects is also growing in the state. Data from the U.S. Census Bureau shows that New Jersey had 4,179 new privately-owned housing units authorized by building permits in March 2022. And a total of 9,692 new privately-owned housing units approved for construction in this year through March 2022.

In regard to commercial construction projects, the warehouse construction sector is booming, New Jersey Spotlight News reported. But this brings increased scrutiny from advocacy groups and environmental organizations who are rejecting these developments. For example, Phillipsburg residents filed a lawsuit against their town council over their decision to allow the construction of a 510,000-square-foot "industrial building" downtown.

Naturally, these major construction projects require additional workforce, but the industry is already short-staffed and in need of qualified, skilled workers.

■ Financing trends

Homebuyers in New Jersey can buy or refinance a housing unit in need of renovation through FHA 203k renovation loans. The down-payment requirement for a 30-year fixed rate loan is 3.5% and borrowers can select between two types of loans: full and streamlined.

Developers have additional options for financing. For instance, they can approach real estate private equity firms and venture capitalists for financial backing. Canoe Brook Development has selected this route when it looked for funding to construct a multifamily development in northern New Jersey. According to Commercial Observer, Madison Realty Capital provided a \$65 million construction loan to Canoe Brook Development to develop a 220-unit project in Warren, NJ.

■ Residential construction trends

Despite rising material costs, delays, cancellations and a shortage of skilled construction workers, Northern and Central New Jersey remain a hotbed for construction activity. Millennials have become the fueling force behind the housing market boom in 2020, Business Insider reports. At age 30, only 42% of millennials are homeowners, compared to 48% of Gen Xers and 51% of Baby Boomers at the same age.

The arrival of this new generation in the housing market brings a myriad of opportunities for the construction industry. Green homes and eco-friendly residential buildings which have a limited impact on the environment have increased in popularity because

of this generational cohort. Meanwhile, their preference for cost-efficient, low-maintenance condos is well-documented. As such, construction companies and developers have developed sustainable communities which target millennials directly.

Niche ranks Hoboken and Edgewater as the best suburbs for young professionals in New Jersey. And developers have constructed various condos and townhomes communities there in recent years. For instance, Hoboken's historic Wonder Bread factory has been transformed into Wonder Lofts, a residential community which features 83 loft-style residences.

Another millennial-friendly development is the Journal Squared Tower 3 in Jersey City. According to New York Yimby, foundations are pressing for the 60-story residential skyscraper located in Journal Square. In addition, construction is underway at the third phase of Provost Square where a 33-story residential tower will be built. Furthermore, there's a plan to build a 28-story residential building at Hoboken Rail Yards. Meanwhile, Developer 216 Grand Street, LLC submitted plans to the Hoboken Planning Board for the construction of 22 dwelling units in two four-story buildings at Grand and Adams Streets. And in Edgewater, developers are building a 1,200 high-rise project on the site of the former Hess Oil Company refinery.

■ Commercial trends

High rents and low vacancies are fueling the multifamily construction industry. Various developments have popped up around North and Central New Jersey. Colliers' New Jersey Multifamily Q4 2021 report highlights that the Northern New Jersey construction pipeline is thriving at the closing of the year, with 28,597 units under construction, of which 18,367 units are expected to be delivered in 2022.

Some notable mentions include Jersey City, which had 7,903 units under construction in the fourth-quarter 2021. Meanwhile, Hoboken had 2,261 units under construction, Bergen County, 2553, Passaic and Sussex counties 784 units, Newark had 1921 units and Union County an additional 3,924 units. On the flip side, South Middlesex County has no units under construction, according to the Colliers report.

Office construction has slowed down during the pandemic. However, some notable projects have powered ahead. For example, construction is underway at the \$345 million Frank J. Guarini Justice Complex, which is being built at 595 Newark Avenue in Jersey City.

Robust demand for distribution and fulfillment centers, warehouses and industrial properties has accelerated the construction boom. Meanwhile, the (...)



(...) recent military intervention in Ukraine and subsequent sanctions against Russia will further exacerbate the warehouse space problem, as retailers will be forced to stockpile merchandise to avoid a new supply chain crisis. In this context, warehouse base rents in New Jersey increased by up to 40% year-over-year, to reach over \$12 per square foot, according to a recent CBRE report. With that being said, new warehouses are being constructed across the state.

For instance, JLL has arranged construction financing for a 150,917-square-foot speculative warehouse that will be built in Bogota, NJ. Rockefeller Group has purchased a 27.64-acre parcel on Route 206 to build a distribution center in Eastampton Township. Additionally, the Paterson board authorized the construction of a \$6 million distribution center in the city's 5th Ward.

In most cases, the logistics properties that are being constructed are smaller facilities. In fact, an Avison Young Q4 2021 report highlighted that approximately 51.5% of the square footage that is being developed in New Jersey are buildings less than 500,000 square feet. Naturally, large multi-story warehouses that could accommodate companies like Tesla and Amazon are difficult to build amid land limitations. However, "super bulk" distribution facilities will continue to be in demand in 2022. Accordingly, developers and construction companies need to plan ahead.

On a separate note, the Gateway Program is forecasted

to revitalize the entire Northeast Corridor. Two projects are already underway, which include the construction of a tunnel and tracks under the Hudson River and the replacement of the Portal Bridge.

In relation to the biggest construction companies, Colas Inc., China Construction America/Plaza Construction, RC Andersen LLC, Weeks Marine Inc and Ferreira Construction Co. Inc dominates the New Jersey market, according to Statista. New Jersey's Colas Inc. reported a record of almost \$2 billion in revenue in 2020, while China Construction America/Plaza Construction came in second with \$1 billion.

Robust demand for distribution and fulfillment centers, warehouses and industrial properties is fueling a construction boom

■ Looking ahead

Moving forward, the North and Central New Jersey real estate and construction industry will continue its upward trend. But global shipping bottlenecks will exacerbate the shortage of building materials. In addition, the labor mismatch and shortage of

qualified, skilled workers will remain one of the greatest challenges in the construction sector. According to the Associated Builders and Contractors (ABC), approximately 1.2 million construction workers will quit their jobs in 2022. Naturally, construction companies will need to focus on development opportunities for existing workers while investing in education and training programs.

On the positive side, the industry will continue to adapt to rapid marketplace change and embrace technology-reliant solutions and eco-friendly practices. ■