



## Market Sound Bites: July 2015

### In The News

- Compared to Prior Cycle, Slow Growth in Banks' Commercial Property Lending 7/8/2015
- CCIM Members Report Lower Cap Rates and Higher Rents for Retail Transactions 7/7/2015
- 15 Years of Economic Growth—And Not 7/7/2015
- How Will the Internet of Things Change Industry? 6/30/2015

### A Positive Drive for Commercial Real Estate

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There is a lot of optimism in the air surrounding commercial real estate. I recently attended a state market event put on by the New Jersey CRE. This confirmed what I have been hearing from many of my clients, that the market is strong in most segments.

Supply is low in retail. One thing driving the activity is space being taken by typically nontraditional retail users, such as urgent care and children's play zones. The retail investor market is also hot right now. The average investor is being pushed out in many cases by 1031 money, and the cap rates are being pushed down to sub-five percent in some cases.

Industrial is also seeing supply issues. The interchanges along the New Jersey Turnpike are seeing more activity. One developer said he would not be surprised to see a lot of new construction at Exit 8A. The discussion focused on how many spec buildings would be going up. The term spec-to-suit was used, an idea where a developer would start construction and then finish it to the user's specifications.

Out of the four major segments of commercial real estate in New Jersey, it seems multi-family is getting the most attention. There has been a lot said about the lifestyles of millennials. They want to live and work within close proximity to mass transit and prefer to rent over own. This has led to increased new construction of multi-family units to serve this growing demographic. In areas like Hoboken, we are seeing cap rates in the 4's, again this is pushed by institutional and 1031 money. We have seen a trend of typical office owners starting to shift to multi-family, as well.

Office is the laggard of the four segments. We are seeing growth in more urban areas with access to rail lines. As I stated before, millennials are driving many segments of the market and office is no different. Office buildings with access to mass transit are seeing lower vacancies and are capturing higher rents. While this has been the trend, we are finally seeing the suburban office markets beginning to recover. As supply and prices drive people away from the aforementioned urban areas, we are seeing many companies heading back to the suburbs.

Overall, the commercial real estate market in New Jersey is doing very well.

