

Real Estate



Christina Mazza

Gil Medina, executive managing director of Cushman & Wakefield of New Jersey, who moderated the panel discussion, says despite rising vacancies and lower rental rates, 'the recession is not as bad as it seems.'

Looking past threat posed by commercial mortgages

Loan maturity worries don't concern panel of experts upbeat about '10

BY EVELYN LEE

IN THE FACE of rising vacancies and declining rental rates, commercial real estate executives in New Jersey remain upbeat about the industry's prospects in 2010, dismissing fears that maturing commercial mortgages could wreak further havoc on the economy.

"Developers have to be optimistic," said Robert Lieb, chairman and chief executive of Clifton's **Mountain Development Corp.**, speaking on a panel of industry executives at an Association for Corporate Growth New Jersey event in the Iselin section of Woodbridge last week. "There's a lot of opportu-

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nity out there." He noted that despite the credit squeeze, his company was prepared to make new acquisitions this year, and had maintained relationships with regional banks such as M&T Bank. "As a small company, we can turn on a dime," he said.

Micky Landis, senior vice president and New Jersey regional manager of real estate investment trust **Boston Properties**, said "most REITs have been stockpiling cash," with his own company having amassed some \$2 billion to \$3 billion in cash. "Opportunities are getting better while the economy is getting better," said Landis, who also spoke on the panel.

Lieb, whose company owns office, industrial and retail properties, acknowledged the noticeable vacancies along the state's shopping corridors, calling New Jersey "over-retailed." However, "the core of New Jersey is not the highway retail that you see" and "is still very strong." Bad retail assets, meanwhile, "will be absorbed — it's all a matter of price," he said.

Gil Medina, executive managing director of commercial real estate brokerage **Cushman & Wakefield of New Jersey Inc.**, said, "The recession is not as bad as it seems." Although more than \$2 trillion in commercial mortgages are expected to come due between now and 2013, the maturing of those loans is unlikely to be a repeat of the residential subprime mortgage crisis, he said. While housing is worth about \$21 trillion nationally, U.S. commercial real estate is worth about \$6.8 trillion, said Medina, who moderated the discussion. "The order of magnitude is very different," he said.

But although the executives were generally optimistic in their outlook for 2010, the troubles affecting commercial real estate are still far from over, they said. Jeff Milanaik, president of Edison-based **Heller Industrial Parks**, was concerned about how long the economic recovery would take. "What is going to be growth in this state?" he said. "It looks like losing less is the new more."

Another panelist, Sandy Monaghan, senior vice president at Parsippany-based **SJP Properties**, said most leasing activity in 2010 would result from tenants playing "musical chairs." Given the limited job growth expected this year, "there will be no real benefit to the development world in 2010, just [tenants] trading places," he said. Also, while rental rates have declined and may have hit bottom, if a wave of distressed real estate sales were to take place, those rents may still fall further, Monaghan said.

And even with the availability of alternative forms of capital — which are more expensive, but also more accessible, than bank capital — a surge in property trades isn't likely to happen, said Glen Fishman, CEO of **P&F Management Co. LLC**, a Hillside-based real estate investor and developer.

"A lot of property will be sort of frozen," he said. "Until underwriting rules change, a lot of product is stuck." ♦

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