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Experts: Slow recovery will affect redevelopment trends in N.J.

By Evelyn Lee

The long, slow road to economic recovery for New Jersey will have major implications for redevelopment projects in the state going forward, economic and housing experts said Friday.

“The recovery is not happening fully yet in New Jersey,” said **Joseph J. Seneca**, economics professor at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University, speaking at a workshop at the New Jersey Future Redevelopment Forum, in New Brunswick.

New Jersey is lagging the nation in many respects, with personal income rising 2.7 percent last year, comparing to the national average of 3.6 percent, and wages and salaries growing 1.7 percent, slower than the U.S. increase of 2.7 percent, he said.

The Garden State lost 245,000 jobs from February 2008 to January 2010, and is a long way from regaining those jobs, since even in good economic times, it has added an average of 23,000 jobs a year, he said.

Seneca also noted that with housing costs in the state 55 percent higher than the national median, “household income advantage in New Jersey has eroded significantly” over the years.

The lack of housing affordability in New Jersey helped the multifamily market improve “consistently and dramatically” last year, even with the expiration of the homebuyer tax credits, said **Jeffrey G. Otteau**, president of **Otteau Valuation Group**, an East Brunswick-based appraisal and consulting firm.

“We’re seeing a rush of new product coming to the market” in multifamily, which had been underbuilt in New Jersey for many years, Otteau said.

Jeffrey Otteau

In fact, apartment rentals currently are a bright spot for redevelopment in the state, and are expected to anchor many redevelopment projects in New Jersey in the future, he said.

But with the recovery of private-sector jobs lost during the recession expected to take a decade, demand for new office space “will be very slim,” Otteau said.

Meanwhile, “we’re still several years off for retail development to be feasible,” he said. Retail spending is expected to be far less than prior to the recession, partly because many baby boomers — who had been key drivers of retail spending in the past — are expected to reduce spending as they find they don’t have enough saved for retirement, he said.

Otteau saw real estate demand shifting to more walkable neighborhoods in the urban or inner-ring suburban communities, largely reflecting the preferences of younger buyers, those now aged 20 to 29, who are expected to generate a surge of housing demand in 2016 to 2018.

Real estate development and redevelopment are “no longer the field of dreams” they had been in the past, but will need to be based on the needs of the market, Otteau said, which will require planning and zoning in towns to occur after market analyses have been performed.

Otteau expected job creation to gain traction, foreclosure to accelerate, and construction financing to remain scarce in 2011, while the housing recovery will begin to pick up in 2012, as mortgage lending loosens. Then, 2013 to 2017 will be the time for “the construction phase to begin again for redevelopment,” he said.

Lori Grifa

During the second round of workshops at the forum, **Lori Grifa**, commissioner of the state Department of Community Affairs and chair of the New Jersey Meadowlands Commission, spoke about progress on the failed EnCap site in the Meadowlands.

“We’re getting to the final chapters in that book, and ready to put it back on the shelf,” she said.

The commission is planning to redevelop seven landfills that were part of the EnCap site, with the landfills in the Kingland Redevelopment Area expected to be capped by 2013, she said.

Redevelopment opportunities for the Kingsland landfills include warehouse and distribution facilities, data centers, recreational facilities, hotels, and restaurants, she said.

Requests for proposals are due to come out within the next few months, Grifa said.

Email Evelyn Lee at elee@njbiz.com