

Hartz touts New Jersey office deals

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By **JAMES QUIRK**
STAFF WRITER

Hartz Mountain Industries, the largest private commercial real estate company in North Jersey, will introduce a billboard and print-advertising campaign this week that touts the potential cost savings in real estate here compared with Manhattan.

The ads ask, "Did You Leave \$60 Million in New York?" and are meant to show how any company in Manhattan can save 62 percent on rent by relocating to the New Jersey side of the Hudson River.

"We realized that maybe people don't know how big the savings between the two are," said Emanuel Stern, president and chief operating officer of Secaucus-based Hartz. "So we decided to take it upon ourselves to get this message out, and not wait for the industry to do it."

The ads are intended to prompt interested parties to go to a calculator on Hartz's Web site that breaks down the savings a Manhattan tenant would have by moving to the Meadowlands – where Hartz has half of its 38-million-square-foot portfolio.

Secaucus marketing firm Axiom Communications is handling the advertising effort. Among Axiom's clients are the Meadowlands Liberty Convention and Visitors Bureau. The two-month campaign is Hartz's largest ever and comes at a time when the difference between rents and vacancy rates in Manhattan and

North Jersey have never been wider. Brokers and industry experts have predicted that the mix of available space in North Jersey and the substantially lower rents in the region will be enough to lure large companies in a new wave of relocations and construction.

The exodus has yet to happen, however, and Stern hopes Hartz's new ad campaign changes that.

"I hope that the impact of this is that many people in New York who make real estate decisions for their companies, as they deal with upcoming lease renewals, understand what the cost of doing business there really is," said Stern.

According to Hartz's online calculator, the difference is substantial. The calculator asks a user to enter his company's rent per square foot in Manhattan, the amount of used square footage and the term of the lease.

Enter the average current rent for Class A office space -- \$82 per square foot – for 100,000 square feet of space on a 10-year lease, and Hartz calculates the user would save \$107 million over the life of the lease by relocating to the Meadowlands.

This isn't the first time Hartz has attempted to drum up sales in its own market.

The company touts itself as anticipating or triggering "the last three surges west of the Hudson" by building such projects as the sprawling Harmon Meadow and Harmon Cove shopping centers in Secaucus in the '80s and the Colgate Center in Jersey City in the following decade.

Gil Medina, executive managing director of Cushman & Wakefield's New Jersey operations, praised Hartz's ad campaign, calling it a well-timed effort "that points to a very obvious market condition."

Medina said his office just completed a study that shows 800 companies in Manhattan lease office space of 50,000 square feet or more.

Of this group, leases will end before 2011 for about 100 of them. The assumption within the industry is those companies with longer-term leases will be hit with the sticker shock of renewing when Manhattan rents are at an all-time high.

"Any intelligent, strategic company in New York City would then look at their opportunities and make a determination based on which aspects of their organization need to remain in New York," Medina said. "And they would be looking to New Jersey as one of the most viable options."

	Manhattan	Meadowlands
Rent per sq. ft.	\$55	\$37
Usable sq. ft.	100,000	100,000
Term of lease	10	10
Gross Rent with Increase	\$55,000,000	\$37,000,000
Concessions	\$3,370,472	\$0
Commercial Real Estate Tax Exclusion	\$417,500	\$119,877
Common Area Operating Exclusion	\$835,018	\$381,800
Electric	\$3,133,567	\$3,063,478
Water/Heat	\$5,330,000	\$0
Parking System	\$48,555	\$0
Cost	\$97,313,398	\$36,573,610
NJ Savings	62%	\$60,738,788

HARTZ

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Some Businesses Make a Fortune in NY
Others Waste One

Tale of the market tape

Rents and vacancy rates in North Jersey and Manhattan

North Jersey

Overall vacancy rate for Class A office space is 18.6 percent.

Average rent is \$29.93 per square foot.

Manhattan

Overall vacancy rate for Class A office space is 4.9 percent.

Average rent is \$84.13 per square foot.

Will the ad campaign work?

Andrew Somple, senior vice president of the Hackensack-based commercial real estate company NAI James E. Hanson, said it may cause some New York companies to consider North Jersey for the first time. But brokers here have long been stymied in explaining why more companies aren't coming to the area. Somple said the bottom line is many want to be in Manhattan, no matter what the cost.

Still, "North Jersey landlords should be sending collective thank-you's to Hartz Mountain," Somple said. "Whether or not it will work, I don't know – it's an inexact science. But I like the idea."

Stern declined to disclose how much Hartz plans to spend on its new ad campaign.

Hartz intends to post "a handful" of billboards at key bridge and tunnel points now through January, Stern said.

"I am curious to see what the reaction will be here," he said.

"I think it will be positive. I attended an industry function Thursday night, and I had a copy of the print ad in my back pocket. ... When I showed it to brokers, three or four of them said, 'Oh my God, it's about time somebody did this!' "

Source: Grubb & Ellis

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