

Nontraditional markets in the spotlight at real estate panel

By [Joshua Burd](#), June 9, 2015 at 4:46 PM



A NAIOP New Jersey panel discussion focused on new sectors in real estate such as higher education. - (JOSHUA BURD)

For an event focused on real estate, the program touched on everything from health care and higher education to arts and entertainment.

But that was by design for NAIOP New Jersey, which sought to highlight how those sectors are now driving development in the Garden State. That was the focus of a panel discussion hosted Monday night by the industry organization, one that drew dozens of attendees to Maritime Parc in Jersey City.

The event highlighted entities beyond the traditional office, industrial, retail and residential users that have long fueled that real estate industry. Chief among them are institutions such as Rutgers University, which is the midst of a \$330 million, 800,000-square-foot redevelopment of its College Avenue campus in New Brunswick.

The first piece of the project for Rutgers, a 600-bed residential honors college, will open Aug. 15 and give way to other phases, such as a new academic building and apartments for students. Christopher Paladino of the New Brunswick Development Corp., or Devco, which is spearheading the development, said it's needed to "re-establish the center of the universe being New Brunswick" after many years of Rutgers expanding in suburban sites such as Piscataway.

For students, it was about transforming a tired campus into "the place that all of them had options to go" and giving them new housing opportunities, Paladino said. The project is also about attracting new companies to New Brunswick that could offer jobs to Rutgers' top students and keep them from leaving New Jersey after graduation.

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“We really think that it is a holistic approach,” said Paladino, Devco’s president. “We don’t even need to attract students from other parts of the country. If we kept the best students from New Jersey in our cities, it is going to pay a vast dividend to those cities and the real estate industry and culturally, in general.”

New Jersey City University President Sue Henderson echoed that message as she touted the school’s development pipeline on the west side of Jersey City. The school is involved with about \$400 million worth of projects that are planned or underway with developers, thanks to a 2009 state law that allows institutions to partner with the private sector on such projects.

Specifically, developers are planning facilities such as market-rate housing, new retailers and an academic building on land owned by NJCU, while paying the school under a long-term lease.

“The reason that’s so important to me and to my students is that I’d like to build that academic building without having those students have to pay for it,” Henderson said. “And it’s ... what not only New Jersey City University is doing, but other institutions around the state are doing.”

Monday’s event also focused largely on health care and wellness, a sector that’s seeing a major change in how it uses real estate. Another panelist, Jersey City Deputy Mayor Marcos Vigil, pointed to the recent conversion of a school building on Brunswick Street in the city, which has exercise studios on the upper floors and a preschool on the ground level.

“This is just commercial developers on their own, figuring out what the community is looking for,” Vigil said.

Meantime, Mark Sparta, executive vice president of Hackensack University Health Network, said changes in science and technology are moving many procedures from hospitals to outpatient settings.

“As we move through the next three to five years, it’s going to become readily apparent that hospitals are really no longer going to be centric to the delivery of health care,” said Sparta, who also serves as the organization’s chief population health officer. “More of it is moving out than coming back in.”

He also pointed to the pressure to cut health care costs under the Affordable Care Act, which has triggered a shift toward population and chronic disease management rather than simply treating patients when they’re sick. That also ties to making health care more widely available.

“We need to leverage technology to do that. We also need to move out into the communities to (reach out) to different populations in order to make the services they need more accessible,” Sparta said. “To that end, you see urgent care facilities popping up all over — some retail-ization of health care, if you will.”

That trend also includes the opening of fitness and wellness centers, such as the 117,000-square-foot facility HackensackUMC operates on Route 17 in Maywood.

Consolidation in the health care sector is also driving real estate decisions, Sparta said. That’s true for Hackensack’s pending merger with Meridian Health, which could lead to the need for new space beyond the walls of the hospital.

“Like the banking industry, it’s about scale,” Sparta said. “So the bigger we get, the more efficient, theoretically, we will get with centralizing a lot of the back-office locations, the administrative functions, (and) taking advantage of off-site locations for the administrative support functions of billing and human resources and all the nondirect patient-care activities that are take place.”