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Improved Infrastructure Will Expand New Jersey's Port District

The Port District of New Jersey, the busiest seaport in the Northeast and third-largest in North America, is undergoing a \$1.7-billion infrastructure expansion project to maximize speed, efficiency and inland access. Today's supercarriers of cargo containers are bringing record numbers of units and valued goods that will require warehouse and distribution centers. An intermodal system of rail, road, sea and air ensures that cargo is moved quicker and more efficiently, while lowering costs and shipping time. In addition, all-water services for Asian and European goods, via the Panama and Suez Canals, are creating terminal and distribution/warehouse demand of unprecedented scope.

These were some of the salient points made at a recent seminar, "The Future of the Port Region – Logistics, Transportation and Growth Challenges and Solutions," hosted by the New Jersey chapter of the National Association of Industrial and Office Properties. Sponsors included: Connell Foley, Maher Terminals, New Jersey Economic Development Authority (EDA), New York Shipping Association, Port Authority of New York and New Jersey, and Public Service Electric & Gas Company.

An integral part of the future for the Port District, said several speakers, is the Portfields Initiative, a joint project of the Port Authority of New York and New Jersey and the New Jersey EDA, which provides opportunities for private developers, communities and others to transform underutilized and Brownfield sites into productive warehousing and distribution centers. The Portfields Initiative identifies and helps advance to "shovel ready" status Brownfield and other underutilized sites – each able to accommodate at least 350,000 square feet of competitive, ocean or airfreight cargo distribution building space. Located in the Port District, the sites will have a minimum of 25 acres with easy access to major highways and port facilities. Site development issues must be resolvable and not cost-prohibited. They must have local governmental support as well.

The Portfields Initiative is spearheading an ambitious plan to construct an additional 8 million square feet of warehouse/distribution space throughout the Port District. These projects will have private sector developers and, in some cases, will have private/public sector partnerships of developers and public agencies, which are sponsoring projects. The Port Authority and EDA, according to Timothy J. Lizura, director of real estate at the EDA, are committed to providing financial, technical and other support to developers who build on Portfields sites. Financing and technical support are available for planning, pre-development, site investigation and cleanup, infrastructure costs, buildings and equipment and the reduction of energy costs.

Lizura said some 17 Portfields sites are under consideration for development within the Port Authority's district, which is 25 miles from the Statue of Liberty. Development of those sites will bring significant jobs, investment and economic activity to the Port District. Last year, the EDA closed nearly \$623.5 million in bonds, loans, loan guarantees and environmental assistance grants, more than double the prior year. This assistance supported new public/private investment of nearly \$1.1 billion to the state's economy. Lizura said the EDA executed 37 Business Employment Incentive Program (BEIP) grants in 2005, worth an estimated \$172.9 million over 10 years to companies planning to create more than 8,700 new jobs in the state and invest more than \$515 million in their projects.

Other panelists at the seminar included: Sam Crane, senior vice president/external affairs, Maher Terminals; Michael Francois, chief of real estate and development, Port Authority of NY & NJ; John Hummer, manager of freight institute and special projects, North Jersey Transportation Planning Authority; Frank Caccavo, executive director, Cushman & Wakefield of New Jersey; and Logan Smith, senior vice president of acquisitions and new business development at Aeroterm US, Inc. Tim Lizura of the EDA was moderator. About 120 real estate executives and officials attended the session at a South Kearny portside warehouse.

Sam Crane of Maher Terminals underscored the growing demands on the port region and terminal operators. Maher is the largest container terminal operator in the port and is consolidating its two former terminals

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into a single 605-acre complex, with a 463-acre terminal and over 10,000 feet of ship berth length and a 45 to 50-foot depth at dockside, plus 142 acres of adjacent rail service. The 60-year-old, family-owned firm recently signed a new 30-year lease with the Port Authority. It handles about 1.2 million containers annually from 21 carriers.

Maher has launched a \$400-million modernization program of doubling its terminal capacity and tripling its rail and wiring for speed. "Velocity is the name of the game," said Crane. It will handle six times its current traffic by 2040. He said Maher has been changing its business practices and now does 12 percent of its loading and unloading at night. IKEA, for example, shifted its importation of furnishings to nighttime. This alleviates traffic and allows for off-loading ships in timely fashion. Another change is more movement of its operation off the waterfront to inland sites. It has reduced free time (when shippers are not charged for containers on site), extended gate hours and expanded operations to six days a week. "Maher wants to make sure we don't become a warehouse," he said, explaining that all the property will be devoted to the movement of cargo, not storage.

The Port Authority's Michael Francois pointed out that the region's maritime and air transportation facilities are among the largest and most productive in the nation, supporting more than 300,000 jobs and \$17.8 billion in economic activity. He said to remain competitive, the cargo industry must have a modern warehousing/distribution network. The Portfields Initiative is a remedy. He said the agency is concentrating on five items with respect to the port: it is growing in volume and size; its transportation network is exceptional; it is the hub of the BoWash Corridor; it has environmental concerns; and it is improving security.

He said international cargo volumes in the Port District hit record levels in 2005. Containerized cargo volumes rose 7.6 percent to a new record high and the dollar volume of all cargo moving through the port exceeded \$132 billion for the first time, up 15.6 percent from 2004. Much of this he attributed to a 17 percent increase in trade with Far East Asia and a 15 percent increase in trade with Southeast Asia. He said all-water Asian cargo, particularly from China, the No. 1 importer, is very competitive. Congestion and labor problems on the West Coast has focused more attention and improved traffic on the Port District here. Shipments from Hong Kong usually take 22-23 days; from China, under 27 days.

ExpressRail, the Port Authority's rail terminal network in New Jersey, attained a new record, handling 303,032 containers last year, almost 7 percent more than in 2004. Francois said the Port Authority is spending \$60 million on increased security, from transportation personnel I.D. cards and new cargo searching programs to improved event response. He said a port security task force is studying ways to enhance port security and develop recommendations, due in September. A pilot test is under way to track the status of 25 cargo containers from their points of origin to their destinations.

Cushman & Wakefield's Frank Caccavo, a 23-year veteran of the industry who has handled more than 40 million square feet of transactions, said that Exit 8A is also a part of the warehouse. distribution of the port. He said land availability in the Port District is diminishing. He added that government regulation and delay has hindered development. "Timing is important to the real estate industry and we have got to turn around faster." He said the state needs more modern warehousing/distribution space, with more doors, higher clear ceilings of 36 feet or higher and more land for vehicle parking. He called for more State of New Jersey assistance in developing Brownfield sites. The Portfields Initiative is an example of public-private partnerships to develop the sites within the Port District. "We have to have more help from the DEP (Department of Environmental Protection) to turn the Brownfield's and Greenfield's to productive use," he said. "There has to be some help from the State of New Jersey on containing costs in rehabilitating Brownfield sites."

Hummer, of the North Jersey Transportation Planning Authority, said freight traffic will double in the next 25-year period and support services will grow as well. He said the coming growth will bring good and bad news. The increased volume will add to traffic woes, increase demand on warehouse sites and lead to higher operating costs. At the same time, it will heighten intermodal use and Smart Growth. "California is coming," he warned, speaking about its traffic problems and jammed port district. He said Governor Arnold Swartzengger has just called for a \$225-billion increase in infrastructure expenditures. New Jersey has to be pro-active in making its Port District competitive, he advised.