

# HVS Market Pulse: Northern New Jersey's "Pharm" Country

January 3, 2017 / By Kim Lindell



Somerset County, which dates back to its agricultural roots in 1688 and is now one of the world's foremost pharmaceutical industry centers, still maintains its historical rustic presence. The county, however, along with those of Middlesex and Morris in northern New Jersey, is undergoing a surge in office space and mixed-use development, and this is producing a new wealth of hotel demand for the area.

Northern New Jersey's hotel market and submarkets have benefitted from major corporate expansions over the past several years, which have brought a substantial rise in corporate lodging demand. This HVS Market Pulse report details the area's major economic entities and office-space expansions and their impact on the local lodging market.

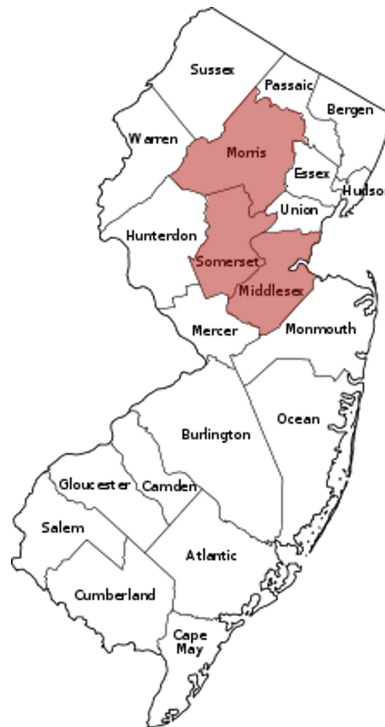
## A Diversity of Major Demand Generators

Somerset County's proximity to New York City brings the benefit of additional travelers through the area, especially those generated by consumer services. Yet while continuing to draw from New York City's roaring economic engine, the economy of northern New Jersey boasts many of its own economic cornerstones and major hotel demand generators. Fortune 500 mega-companies including Verizon, Pfizer, Johnson & Johnson, GlaxoSmithKline, MetLife, and AT&T are the most prominent pillars of the greater northern New Jersey economy and continue to produce high volumes of commercial room nights for local hotels.

Employers in the fields of biotechnology, health care, and pharmaceuticals are deeply entrenched in Somerset, Morris, and Middlesex Counties. These counties have long been preferred destinations for pharmaceutical and healthcare corporations because of the presence of an educated workforce and the nearby Newark International Airport.

Hotel demand generators in Middlesex County include the shipping and distribution companies in Raritan Center and the Technology Centre of New Jersey, which was established by the New Jersey Economic Development Authority as a high-tech business park. The Technology Centre's 75-acre campus, located in a research-and-development (R&D) corridor between Princeton University and Rutgers University, was designed to meet the needs of emerging R&D companies in the advanced materials, biosciences, communications, and microelectronics industries.

Also in Middlesex County, Robert Wood Johnson University Hospital (RWJUH) is a 610-bed academic medical center affiliated with Rutgers, The State University of New Jersey. *U.S. News & World Report* ranks the hospital as one of the best in America for its cancer and pediatric urology specialties. Construction began on a seven-story



### Summary

Hotel markets across Somerset, Morris, and Middlesex Counties in northern New Jersey have realized a rise in commercial lodging demand, the result of corporate relocations from New York City and local company expansions.

[Comments](#)

### FILED UNDER CATEGORIES

- Development & Construction
- Valuations & Market Studies
- Travel & Tourism
- Economic Trends and Cycles
- United States
- New Jersey
- North America

parking garage topped with two stories of medical office space in early 2014, and the hospital was approved for an additional tower to house new intensive-care units, operating rooms, private patient bedrooms, and a pavilion.

In the past year, three major corporations have announced plans to move to Somerset County. Just this summer, Linde Americas, one of the world's largest gas and engineering companies, relocated into the Somerset Corporate Center. Daiichi Sankyo, the second-largest pharmaceutical company in Japan, is in the process of moving its headquarters to the former Avaya headquarters in Basking Ridge, and employees are expected to begin to transition to the new building in 2017. In addition, Nestle Health Science announced its move to the former Sanofi U.S. Research and Development Campus in Bridgewater. A \$250-million makeover of this property is anticipated to begin next year.

## Transforming Office Space into “Metro Burbs”

---

According to REIS, the greater northern New Jersey market offers over 100 million square feet of office space. Northern New Jersey, which has always been a bedroom community for New York City, continues to offer tax incentives and lower rents to entice Manhattan office tenants to set up shop over the state line. The area's office space offers Class-A features similar to the office buildings of New York City, though with more space at considerably lower prices.

Most recently, developers have been seeking to transform vacant suburban office parks in northern New Jersey into attractive mixed-use developments. A prime example of this repositioning can be seen in Somerset County, where the redevelopment of the New Jersey Center of Excellence is planned to include 400 luxury residences, restaurants, a wellness center, a grocery store, entertainment venues, shops, and outdoor recreation.



In Morris County, the Mack-Cali Realty Group recently acquired a vacant 150,000-square-foot, three-story, Class-A office building. The scope of the renovations is expected to include a full-service fitness center, a business-class conference center, and numerous dining options.

The potential gain for northern New Jersey hotels from these office-space opportunities and mixed-use developments comes in part in the form of better average rates, as the spaces should draw higher-rated clientele. These developments should also reinforce the market's strong foundation of commercial demand.

## Outlook

---

Pharmaceutical and healthcare companies, many belonging to the Fortune 500, underpin the economy of northern New Jersey, which is going through a period of growth. The strength of the area's office market also continues to attract high-rated, long-term tenants.

Hotel occupancy in the market is anticipated to remain stable, with RevPAR and average rate gains supported by the area's high level of corporate demand. With the local economy expected to continue to grow, the outlook for the northern New Jersey hotel market remains positive.

## About **Kim Lindell**



Kim Lindell, a Vice President with HVS Philadelphia, got her start in hospitality as an intern with the Courtyard by Marriott at the University of Delaware, where she created a feasibility study for a hypothetical hotel in Santa Barbara, California, including a SWOT analysis, sales and marketing campaigns, and hotel design. She went on to work in food and beverage roles at the Westin Gaslamp Quarter hotel in San Diego, Caffè Gelato Restaurant & Catering in Newark, and Big Fish Restaurant Group, where she served as Manager for the company's Riverfront and Glen Mills restaurants. Kim earned a BS in Hotel, Restaurant, and Institutional Management from the University of Delaware. For more information, contact Kim at +1 (302) 229-4346 or [\[email protected\]](#).