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The Shot Heard Around the World

How a high-profile relocation project went from long shot to 'slam dunk' — and what that means for New Jersey.



Panasonic recently signed a lease to occupy about 250,000 sq. ft. (23,225 sq. m.) of a planned 410,000-sq.-ft. (38,089-sq.-m.) Class A office building in downtown Newark. The company is relocating its North American headquarters from Secaucus.

Photo courtesy of Brick City Development Corp.

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In basketball, there's no higher percentage shot than the slam dunk.

In corporate real estate, the closest thing to a slam dunk occurred when New Jersey overwhelmed competition from around the U.S. to retain the North American headquarters of **Panasonic**.

Armed with a US\$102.4-million Urban Transit Hub tax credit, New Jersey inked an historic corporate relocation deal on April 20 when the global electronics giant agreed to move its regional headquarters from Secaucus to Newark.



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According to insiders familiar with this deal, retaining Panasonic in the Garden State was anything but a sure shot when the site selection process began. If anything, it was more like a contested three-point attempt from half court.

"It was the best of times and the worst of times for New Jersey during the Panasonic courtship," says John H. Boyd, principal of The Boyd Company Inc., a national site selection consulting firm based in Princeton. "On the upside, Gov. Chris Christie proved that he could not only talk the talk on business climate issues, but he could walk the walk and get this important deal done for a state that has seen a significant migration of corporate investment and jobs to lower-cost and more business-friendly states over the past decade.

"It is one thing to prevail in the courtroom or deal with cantankerous teachers' unions, where Christie was in his element, but quite another thing to close a deal of this proportion in a corporate boardroom setting," Boyd says. "To his credit and to the credit of Lt. Gov. Kim Guadagno, a former county sheriff and a real behind-the-scenes star in all of this, this coveted corporate headquarters deal was done for the Garden State."

Panasonic will lease about 250,000 sq. ft. (23,225 sq. m.) of a planned 410,000-sq.-ft. (38,089-sq.-m.) Class A office building for 15 years at the intersection of Raymond Boulevard and McCarter Highway in downtown Newark, just blocks from the Newark Penn Station and within the Ironbound neighborhood. The rental rate is estimated at \$40 per sq. ft.

Panasonic will bring more than 1,000 jobs to Newark as part of the relocation, which will commence in late 2012. The new Two Riverfront Center is being developed by the Matrix Development Group, based in Cranbury, and SJP Properties of Parsippany.

The New Jersey Economic Development Authority estimates that the project will generate \$222.8 million in taxes and construction costs for Newark over the next 11 years.

Peter Fannon, vice president of technology policy for Panasonic, tells Site Selection that the deal would not have happened without Panasonic forming "a very successful partnership with the City of Newark and the State of New Jersey. They were both extremely aggressive in retaining our business in the state and bringing our business to the city."

Many Suitors Courted Panasonic

New York City, Chicago and Atlanta were all in the running for the project.

"There were many appealing offers from many places, including at least three locations that Panasonic already owns and controls in Georgia, Illinois and California," Fannon says. "When you add it all up, a move into the urban center with the benefits of the site and the City of Newark made it a slam dunk."

Those benefits were substantial, says Fannon. "It is at the nexus of two main roads. One is east-west and the other is north-south," he says. "It is close to Penn Station, Northern New Jersey's main transportation hub. Our Secaucus location is not served by rapid rail nearby. This is one of the prime motives for us — easy, efficient and inexpensive public transportation. This site is perfect for that. Panasonic's corporate goal is to continue to reduce our carbon footprint, and this location enables us to do that."

Fannon also likes the planned building's technical infrastructure. "A single high-rise building can be much more efficient than a sprawling campus," he notes. "Our goal is to seek LEED-Platinum certification for the building and to install as many of Panasonic's eco-friendly products as possible to showcase our strengths in energy efficiency and energy production."

Fannon says Panasonic "recognizes that the most efficient and most practical locations are urban locations. It makes sense to have the North American headquarters in an urban core like the Newark CBD. It is efficient economically and operationally. It is not a warehouse. It is not a storage facility. It is an operational headquarters."

He adds that the vast majority of Panasonic's existing work force in Secaucus will be able to commute to Newark. "It will be a big and positive shift to mass transit," he says. "We also believe that our move can help spur more development in Newark."

Staying close to key business allies was a must as well, the executive says. "We were able to stay in the New York metropolitan area where many of our business partners already reside," he says. "It would have been difficult to move out to the West Coast."

Local officials called the deal the culmination of a long process and a lot of hard work.

"Panasonic had a wide array of choices," says Newark Deputy Mayor Stefan Pryor. "The company has holdings across North America. It was involved in a rigorous site selection process. We were able to secure this major tenancy by selling Newark's assets, the new era that Newark is operating under, and the particular affinity for Panasonic."

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Helping close the deal was the fact that "we are one of the most infrastructure-rich cities in the country with our airport, rail lines and highways," Pryor says. "We have the largest international seaport on the Eastern Seaboard. Panasonic CEO Joe Taylor said our transportation network was a key factor. He even took the train to the lease signing."

Pryor credited New Jersey EDA Executive Director Carin Franzini, who has headed the agency since 1994, with keeping the deal together across two administrations. "Both governors were real partners in getting this deal done, and the new administration has stood very strongly in favor of this transaction," the deputy mayor says.

'Groundbreaking Year' for Brick City

Panasonic is not the only project bringing jobs to Newark. Some 25 active construction projects this year represent more than \$600 million in new building, Pryor says, adding that "we will probably hit \$1 billion this year. That is more than 1.5 million square feet [139,350 sq. m.] of space that is being built or renovated and over 2,200 permanent jobs being added to the city. These deals represent big increases in the rate base for the city.

"We are calling 2011 our Groundbreaking Year," he notes. "We are attracting the critical mass of users among industrial space occupants that otherwise might have considered other locations."

Lyneir Richardson, CEO of the Brick City Development Corp., the economic development arm of Newark, says Panasonic is just the tip of the iceberg.

"We have six shovel-ready sites that could become headquarters space," he says. "We have great incentives for encouraging office development. There are 50,000 students at colleges and universities within six blocks of our CBD, and downtown is only five minutes from the airport. Mayor Cory Booker has assembled a business-oriented team that is ready to work with business people and real estate people to get deals done. We are looking for good corporate citizens who want to be part of the Newark renaissance."

Newark officials found one of those companies on June 14 when they cut the ribbon to open the new **Manischewitz** corporate headquarters and manufacturing plant at 80 Avenue K in the Newark Industrial District.

The 200,000-sq.-ft. (18,580-sq.-m.) facility will have 190 employees working in food production, distribution and administrative jobs. Workers at the plant even baked the world's largest matzo — 25 ft. long and covering 82 sq. ft. — to commemorate the plant opening.

"Newark has historically been a center for Jewish heritage and culture, and we are proud that the largest producer of kosher products in the nation has decided to relocate its headquarters to our city," Mayor Booker said during the ceremony. "The arrival of Manischewitz demonstrates confidence in our city and our residents who will benefit from added job opportunities."

Manischewitz Co-CEO Paul Bensabat said, "It obviously made a lot of sense for us to consolidate our operations under one roof, and frankly, with the very pro-business attitude which the city of Newark demonstrated, it was a no-brainer to do that in Newark."

New Jersey has also seen its share of high-tech employers expand in the state of late, including such notable names **Bayer HealthCare**, **Equinix**, **Direct Edge**, **SunGard** and **NYSE Euronext**. Equinix invested \$260 million into a 340,000-sq.-ft. (31,586-sq.-m.) data center in Northern New Jersey, while NYSE Euronext commissioned the opening of a 400,000-sq.-ft. (37,160-sq.-m.) data center in Mahwah.

High-Growth Firms Find a Home

Don Katz, founder and CEO of **Audible.com**, says he knows why so many tech firms are choosing New Jersey: "There is a bursting entrepreneurial economy going on right here," he says. "Technology startups are choosing to locate here, and this is an incredible time for high-growth companies to base their operations in New Jersey."

Three years ago, Katz made the decision to move his firm from Wayne to Newark. "We needed easy access to Manhattan and Brooklyn, and we needed close access to New Jersey's technology corridor," says Katz, whose company is the world's leading provider of audio book downloads. "We needed access to employees in New York City, and we needed the actors and actresses who read the books for the audio recordings."

He adds that "Newark had tremendous transportation advantages and tremendous real estate cost advantages. We also moved to Newark as a purposeful desire to make our corporate culture part of an urban renaissance. We integrated that into every aspect of our company. This has become a fantastic success story, and it has been a fantastic experience for us. This is a very interesting place for high-growth, high-revenue, technology-driven companies."

Audible.com recently added 25,000 sq. ft. (2,323 sq. m.) to take its total footprint in Newark to 75,000 sq. ft. (6,968 sq. m.). The firm employs about 280 people in Newark, "and we are hiring very aggressively," Katz says. "Worldwide, we have about 375 employees."

The economic development office of Newark "definitely bent over backwards to be helpful and involved in our move and in our expansion," Katz adds. "The mayor would come by and talk to our people about what's going on in the city. He drew people in. There is a huge number of college students here, and we love the location."






Katz also points out that "tax breaks did not dictate this move. The taxation elements are helpful, but that is not the way we look at things. We look at quality of life and the things that make our employees happy. As a result, we are having our best years now."



Audible.com, the world's leading provider of audio book downloads, recently added 25,000 sq. ft. (2,323 sq. m.) to its downtown Newark headquarters.

Photo courtesy of Audible.com

E-mail your comments or inquiries directly to ron.starnier@conway.com

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