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## Commercial future upbeat for region

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The prognosis for commercial development is healthy this year, market watchers say, especially for spaces for medical professionals.

At High Ridge Professional Campus in Gibbsboro, the first tenant will be a dentist, expected to open his doors in April. The developer is Gibraltar Construction Corp. of Gibbsboro, which is transforming the former High Ridge Ice Arena into a 38,000-square-foot cluster of offices.

Lee S. Babitt, CEO, said the widening of Haddonfield-Berlin Road significantly increased traffic volume on that byway, making it more attractive to businesses.

"We'd been watching that property for two years," he said. "Because it was an ice rink it has a clear span. It's wide open; anything can be done with it."

On the industrial property front, South Jersey vacancy rates are expected to remain in single digits, according to a market report by CB Richard Ellis. That's due, in part, to tenants who leased large blocks of space in 2007, such as International Paper, which signed a leased for 425,000 square feet at the Haines Industrial Center in Hainesport.

More than 390,000 square feet of office space was added to the South Jersey market in 2007, but leasing is sluggish. Ellis attributed that to shrinkage in the mortgage business.

A stagnant residential construction market has resulted in less competition for materials, a sharp contrast to the nationwide shortage amid the mass rebuilding after Hurricane Katrina in New Orleans. Prices on gypsum wallboard and lumber, in particular, spiked higher.

"Prices have settled down quite a bit and we're actually seeing some decline in the price of lumber," Babitt said. "We've also been able to pick up some very good project managers due to the slowdown in the residential market."

Still, commercial developers are tempering their optimism with caution.

According to the 22nd annual Global Market Report by Princeton-based NAI Global, the outlook for 2008 is clouded by uncertainty due to sub-prime debt problems, volatile credit markets and record high oil prices.

"Fears of a slowing U.S. economy and the credit crunch are clearly having an effect on investment real estate markets, even though commercial real estate fundamentals remain strong," said Jeffrey M. Finn, CEO. "However, we believe the slowdown in activity is only temporary as the credit markets sort themselves out and a new pricing equilibrium is established.

Babitt said Gibraltar's revenues were up 50 percent in 2007, pressed by increased demand for space by health-care professionals, medical imaging centers, financial services firms and law offices. He said the company hasn't been hindered by banks ratcheting up their lending standards.

"If you have good credit and a good project, banks are very motivated to lend," he said.

Gibraltar is investing \$3.5 million in upgrading the High Ridge property. Offices will be available either as condominiums, in which businesses buy their space in the center, or by leasing agreements.

"We feel confident looking ahead," Babitt said. "We understand the challenges of the market and we're prepared to meet them."

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