

THE WALL STREET JOURNAL.

NOVEMBER 02, 2015

On Jersey Waterfront, Offices Reimagined; Hugo Neu Corp. is converting a former shipyard into an eclectic mix of uses called Kearny Point

By Keiko Morris

After superstorm Sandy, the leaders of Hugo Neu Corp. could have played it safe when they were considering what to do with the company's 130-acre waterfront property in Kearny, N.J.

They could easily have razed the flood-damaged industrial buildings and put up new ones, but they didn't. Instead, they decided to take a risk, to transform the former shipyard site on the Hackensack River into a hive of eclectic businesses called Kearny Point.

Today, Hugo Neu sees its swath of land roughly 13 miles outside of Midtown Manhattan much like the riverside industrial redevelopments in Brooklyn and the Queens neighborhood of Long Island City: The company's plan calls for six of the property's 18 buildings to be converted into space for a gamut of tenants—from startups to artisans to light-manufacturing operations.

"The common wisdom was to demolish everything and start from scratch, but that creates very few jobs" said Steve Nislick, chief financial officer of Hugo Neu, a private company with interests in both recycling and real estate. "We were interested in really revitalizing South Kearny and bringing a much higher level of activity back to the site."

Three years after the hurricane, Hugo Neu is closing in on its first overhaul—the 207,000-square-foot Building 78 and industrial annex. The first floor of the four-story structure has been raised to 13 feet above sea level; there will be a cafe near the lobby, a terrace and solar panels on the roof and a storm-water collection system when work is completed, probably next spring.

The \$18 million price tag is being

financed by Hugo Neu; the other five buildings probably will cost more than \$150 million, Mr. Nislick said. The company will evaluate its financing options as it moves forward, he said.

For Hugo Neu, Building 78 is proving that demand is there. The company has leased about 70,000 square feet and is in talks to rent an additional 30,000.

Local real-estate brokers agree the demand for flexible office and industrial space exists, especially as more commercial properties are converted to residential space. But Hugo Neu's vision faces challenges in an area dominated by big-box warehouses, they said.

"They do need to create a sense of place," said David Bernhaut, vice chairman at real-estate-services firm Cushman & Wakefield. "You would need to have more retail and restaurant amenities."

Public transportation also is an issue. There is bus service from Newark Penn Station and Jersey City's Journal Square, Mr. Nislick said, but the company plans to supplement that service with a shuttle bus and is inquiring whether it can pay to improve sidewalks on the bridge between Kearny Point and Jersey City for pedestrians and bicyclists.

Among the new tenants and those considering Building 78 include an art-restoration business, a video-production company, a bakery and an artisanal vinegar manufacturer.

"Smaller tenants have very little opportunity," Mr. Nislick said, "but that's where the growth is and that's where the need is."

This month, Elizabeth Fitzpatrick is launching My Closet Concierge from 2,000 square feet on the second floor in Building 78. She said had looked at locations in Long Island City for her business, which will catalog, store and deliver customers' clothing

and accessories. The per-square-foot rents ranged from \$30 to \$40, she said; Building 78's average asking rent is \$14.50 a square foot, according to Hugo Neu.

For John Powell, Building 78 is on his short list of locations for his Chelsea Restoration Associates: The price is right and so are the aesthetics and amount of natural light. "I don't think there is going to be anywhere like it that we are going to find," said Mr. Powell.

Through both World War I and World War II, Federal Shipbuilding & Drydock Co. operated on the property. At one point, the shipyard even had dormitories and a hospital for its thousands of workers.

The Neu family purchased the land around the 1960s and used it for a ship-dismantling operation until the early 1980s, said Wendy Kelman Neu, chief executive of Hugo Neu. Afterward, Hugo Neu rented out the 18 buildings—mostly for warehouse distribution.

For the six buildings set to be rehabilitated, the company plans to apply for historic designation from the federal government.

"Now we're thinking of how to repurpose and modernize them and retain the historical nature of them," Ms. Neu said. "Obviously it's more complicated, much more expensive and much trickier, but at the end you are left with something that has meaningful value."

The town of Kearny made a 30-year tax-abatement agreement with Hugo Neu and approved a rezoning that would allow for broader commercial use of the property, according to Mayor Alberto Santos.

"It's an ambitious conversion," Mr. Santos said. "If it's successful, it is a game changer in how you treat these old industrial sites in New Jersey."

Write to Keiko Morris at Keiko.Morris@wsj.com

