



Netflix To Bid for 300-Acre Parcel for Studio in New Jersey, Birthplace of the Film Industry

Rise of Streaming Services Has Created More Demand for Production Real Estate



Fort Monmouth in New Jersey has 298 acres up for sale, and streaming giant Netflix plans to bid on the parcel. (CoStar)

By Linda Moss CoStar News - October 27, 2021

New Jersey, the site of the first U.S. movie studio, may be on its way to becoming a hub for film and TV production again.

That's because West Coast video-streaming powerhouse Netflix has officially said it plans to bid on a nearly 300-acre parcel at a former U.S. Army base in the Garden State, where it would build a state-of-the-art studio.

Netflix, based in Los Gatos, California, confirmed it's interested in the so-called Mega Parcel at Fort Monmouth, land that the state of New Jersey recently put on the block. If the entertainment company in fact does come to New Jersey, it would be a win for Gov.

Phil Murphy, whose administration has focused on luring "Innovation Economy" businesses to the state, including TV and movie makers, with tax incentives.

The rise of streaming services — stand-alone brands such as Netflix and spin-offs from media giants like Walt Disney Co., Amazon, Apple and Discovery Communications — has created a voracious demand for TV and film production space to create original content. In fact, Netflix already has studio facilities in places like New Mexico and Brooklyn, New York. But that need for production sites comes as e-commerce is competing for industrial space, eating up warehouses and other facilities.

In New Jersey, that's playing out in the form of bids for the 289-acre parcel, which is located in Oceanport and Eatontown, being due Jan. 12. They are being solicited by the Fort Monmouth Economic Revitalization Authority, FMERA, which oversees development at the 1,126-acre former military installation. The site has been appraised at \$54 million, but would likely fetch much more than that.

"That's highly desirable real estate," said John Boyd Jr., a principal of relocation consultant Boyd Co. "This Fort Monmouth site is very, very attractive, because of the IT skill sets in the region, [and] obviously its proximity to Manhattan. And the real estate itself is really a crown jewel when you look at available industrial parks in the Northeast. And it's land in a very attractive environment. You have proximity to the coast line. Housing options that are diverse and desirable. You've got the new tax credit."

In the Los Angeles region, sound stages have consistently been about 95% occupied since 2015, a trend likely to continue, according to a September report by the brokerage JLL.

To help meet the demand, just last week King Street Capital Management, Canada's Alberta Investment Management Corp. and East End Studios announced they plan to spend up to \$500 million to acquire and develop sound stages in the Los Angeles region and other U.S. and international film centers.

Tax Breaks Back

New Jersey for several years didn't have a tax-incentive program in place to lure TV and movie production, after then-Gov. Chris Christie in 2015 suspended the initiative because of his anger over MTV's "Jersey Shore" hit show, which depicted youths drinking and carousing at the Garden State's beaches. But the tax incentives for the industry were reinstated three years ago by Murphy, and expanded earlier this year as part of an \$14.5 billion overhauled tax-incentive plan.



Even if its bid for the "Mega Parcel" at Fort Monmouth is chosen, Netflix's largest production facility would remain ABQ Studios in New Mexico. (Getty Images)

Still, there's lots of competition to draw TV and film producers from states that have aggressively courted the industry such as Georgia, New York, New Mexico and Louisiana. But Murphy has also proactively wooed the entertainment industry. In April, after Georgia passed a law criticized as restricting voter access, Murphy sent a letter to the major Hollywood studios — including Netflix — that touted New Jersey new tax incentives, which offer "a subsidy for brick-and-mortar studio development of up to 40%."

According to Boyd, "This is an example of New Jersey leveraging its diversity and inclusiveness for an economic development project. In the wake of the Georgia voting bill, Murphy was proactive and went out and approached Netflix."

The Garden State is having a good year so far in terms of TV and movies. Overall in-state production spending from film-making will exceed \$500 million this year, following "a very busy spring and summer and an unprecedented amount of production taking place this fall," according to the New Jersey Motion Picture and Television Commission.

In July, the *The Two River Times*, a local media outlet, reported that Netflix was eyeing Fort Monmouth as a site for a production facility. At the time, the governor's office and FMERA declined to comment. But on Tuesday, a week from the day voters will decide whether to re-elect Murphy, *The New York Times* reported that Netflix planned to bid on the Fort Monmouth parcel.

“America's first movie studio was in New Jersey, and today it's home to many talented people working in entertainment,” a Netflix spokeswoman said in an email to CoStar News on Wednesday. “Gov. Murphy and the state’s legislative leaders have created a business environment that's welcomed film and television production back to the state, and we're excited to submit our bid to transform Fort Monmouth into a state-of-the-art production facility.”

Murphy also issued a statement.

“New Jersey has become a leader in new, innovative industries from offshore wind to sports betting to film and digital media, and today's announcement by Netflix is another sign that companies around the world are taking notice,” he said.

Economic Development Trophy

If Netflix has the winning bid, “this will be the trophy on his [Murphy's] mantle in respect to economic development — the prestige of Netflix, the synergies with other sorts or skill sets related to IT, multimedia media production,” according to Boyd.

As a state agency, FMERA has to sell property through a competitive public bidding process and can't comment on any prospective bidders or the status of any potential bids, according to a spokeswoman for the authority.

“This is a unique development opportunity in the state,” the FMERA spokeswoman said in an email. “Until such time as the proposal period closes on Jan. 12, 2022, proposals are reviewed and scored by our evaluation committee, and our board endorses the proposed purchase and sale agreement and redevelopment agreement between FMERA and the selected potential purchaser, we cannot provide any additional insight or feedback with regard to what is being proposed for the Mega Parcel (following the receipt of bids), by any of the prospective bidders.”

Netflix has been in the news recently because of its oft-times cutting-edge programming. Its most-viewed show ever, “Squid Game,” is a Korean TV show that became a global hit. And the service's comedy special, “The Closer” by David Chappelle, sparked outrage from the LGBTQ community, and led to an employee walkout in protest.

Netflix's largest production facility, ABQ Studios, is in Albuquerque, New Mexico. The streaming service paid \$40 million for it in 2018, according to CoStar data, and said it planned to invest \$1 billion in the area. In December last year, Netflix vowed to expand and double that investment, by spending another \$1 billion.

The company has also recently acquired a 170,000-square-foot former steel factory in the Bushwick section of Brooklyn, which converted to sound stages. It is one of a number of production facilities now clustered in New York City, which include Silvercup Studios in Long Island City, Queens, and Steiner Studios at the Brooklyn Navy Yard.

New Jersey has also seen some recent development of TV and film production space, although on a much smaller scale. Cinelease Studios Caven Point in Jersey City and Palisade Stages in Kearny opened earlier this year, and 10 Basin Studios in Kearny will open its doors in November, according to the state film commission. Insight Equipment, a lighting and grip supplier, opened facilities in Secaucus and Carlstadt in July, and other developments are on the way including further expansion from Cinelease, the commission said.

The film industry has deep roots in New Jersey, starting with Thomas Edison and his facility in West Orange. Fort Lee is credited with being where the commercial U.S. film industry was born, with silent films such as "The Perils of Pauline" filmed on the Palisades, the cliffs of the "cliffhangers," on the Hudson River. Many studios, including Fox and Universal, got their start in Fort Lee.

Some marquee movies have been shot in the Garden State recently, including "The Many Saints of Newark," the prequel to HBO's series "The Sopranos," and Steven Spielberg's version of "West Side Story," scheduled for release in December.

TV shows and movies bring money into the state. Universal Television spent close to \$100 million in New Jersey while producing Season One of CBS's "The Equalizer," which stars Newark, New Jersey, native Queen Latifah, according to the state's film commission.

Netflix's real estate investments have gone beyond just production facilities. The streaming service has acquired three theaters, most recently one in the upscale Pacific Palisades in California.