



News Release

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FOR IMMEDIATE RELEASE

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REPORT: MIX OF POSITIVE INDICATORS, UNPREDICTABLE HEADLINES LEAD SOUTH JERSEY OFFICE MARKET TO SLOWER THIRD QUARTER

Despite Several Corporate Relocation Deals and a "Flight to Quality," WCRE Finds Overall Cautiousness and Slower Growth

October 3, 2012 – Voorhees, NJ – While cautious optimism was the tone of the second quarter in the local commercial real estate market, the third quarter was more about caution than optimism, Wolf Commercial Real Estate said in its latest quarterly analysis of Southern New Jersey, published this week. But those expecting better news can take solace in the fact that the firm found many positive trends, and even some of the bad news was either cyclical or expected.

WCRE's research, which includes snapshots of the office and retail markets, finds several positive indicators that kept the Southern New Jersey market active in the third quarter, just not with the same velocity it had in the second quarter. These include increased deal activity among large corporations – several of which were seeking new headquarters in the region, interest rates remaining near historic lows, and all REITs in the market performing better than in the previous quarter. This good news was tempered by factors that are causing some businesses and investors to stay on the sidelines a while longer.

"This extended period of very low interest rates coupled with low rental rates continues to encourage activity, but world events such as the slow recovery of the U.S. economy, the ongoing European financial crisis, and fears about what some are calling a "fiscal cliff" of tax increases and government spending cuts set for early next year will continue to influence the timing of real estate decisions," said Jason Wolf, founder and principal of WCRE.

"A slower summer period is the norm in commercial real estate, as is the practice of businesses holding off on major investments and other decisions shortly before a presidential election," Wolf said. "I believe we will see the market improve due to pent-up demand once we move past these cyclical events."

According to the WCRE office report, there were about 300,000sf in renewals and new lease transactions in Southern New Jersey during the quarter, with renewals comprising most of the transactions. This is down from more than 450,000sf in the second quarter. Other office market highlights from the report:

- Average rents for Class A & B product remained at the improved level they reached in the second quarter, continuing to show strong support in the range of \$10-\$14.00/sf NNN with an overall market average of \$11.00/sf NNN for the deals completed during the third quarter.

- Positive absorption for the third quarter was in the range of 106,000+/-sf of new deals and/or expansions. This represents a 15 percent decrease from the volume of positive absorption in the second quarter.
- Moorestown, Marlton and Mount Laurel continue to show strength, while a large share of the region's vacancies remain in Voorhees, Pennsauken, and the west side of Cherry Hill.
- There are several large office buildings and portfolio sales, along with other large transactions pending that are expected to close during the fourth quarter.
- Tenants continue to take advantage of low rental rates and are securing long-term lease commitments. The pattern of this flight to quality – upgrading to better locations and spaces – is expected to continue.

Retail market highlights from the report include:

- Overall retail space vacancy is still hovering in the 17-18% range, but the market has stabilized, and prime retail locations have very little vacancy.
- Average rents for Class A retail product continue to show strong support in the range of \$30-\$40.00/sf NNN. Class B product shows support in the range of \$15-\$23/sf NNN.
- Just as office tenants are doing, retailers are continuing to make the most of low interest rates and low rental rates to focus on quality and prime location.

The full report is available upon request.

About WCRE

WCRE is a full-service commercial real estate advisory firm specializing in office, retail, industrial and investment properties. We provide a complete range of real estate services to commercial property owners, companies, and investors seeking the highest quality of service, proven expertise, and a total commitment to client-focused relationships. Through our intensive focus on our clients' business goals, our commitment to the community, and our highly personal approach to client service, WCRE is creating a new culture and a higher standard. We go well beyond helping with property transactions and serve as a strategic partner invested in your long term growth and success.

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