



News Release

951 Route 73 North | Suite D
Marlton, NJ 08053
P 856 857 6300 | F 856 283 3950
www.wolfcre.com

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Contact: Andrew Becker
Phone: 856.449.5220
Email: andrew.becker@wolfcre.com

WCRE FOURTH QUARTER REPORT: AN OVERALL STRONG 2015 IN SOUTHERN NEW JERSEY ENDS WITH A NOTE OF CAUTION

Pace of Transactions Showed Signs of Slowing Down, But Investment Market Activity Provided Reasons to Stay Optimistic

January 12, 2016 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its latest quarterly analysis that the fourth quarter of 2015 saw the market tap the brakes a bit for the first time in an otherwise strong year in Southern New Jersey. The report noted that there were hints of a slow-down, even while the overall market still showed gradual improvement and expansion, and bellwether companies remained active.

The fourth quarter featured a mixed bag of results, some of which may have been caused by the Fed's recent decision to raise interest rates for the first time in nearly a decade, and/or by volatility in the financial markets. Positive news included several large leases and renewals above 40,000 SF, signs of increasing new construction for the first time in years, and new investors entering the market. In less encouraging news, there were approximately 384,906 square feet of new leases and renewals executed in the three counties surveyed, which represents a drop of +/- 20 percent compared with the fourth quarter of 2014. Along with a slower pace of transactions, there has been a drop in prospecting, with about 250,000 SF of lease deals in the pipeline and expected to close in the near term.

However, even with the drop in transactions, positive absorption continued, making up approximately 130,202 square feet of total activity. Vacancy rates continued to improve, as well.

"2015 was a strong year for our market, although we began to see more caution amid the optimism during the fourth quarter," said Jason Wolf, founder and managing principal of WCRE. "The question for 2016 will be whether our market has rebounded to a point where it can ride out some short-term changes and remain strong."

Other office market highlights from the report:

- Overall vacancy in the market continues to drop, and is now down to approximately 11.6%. This is a major improvement from a year ago.
- Average rents for Class A & B product continue to show strong support in the range of \$10.00-\$14.00/sf NNN or \$21.00-\$25.00/sf gross for the deals completed during the fourth quarter.
- All of the major private owners and REITS showed moderate leasing and prospect activity for the fourth quarter – with Burlington County vacancies tightening up, many larger vacancy opportunities are also shifting towards Camden County, which is not controlled by these ownership entities.

Last year WCRE expanded into southeastern Pennsylvania, and the firm's quarterly reports now include a section on transactions, rates, and news from Philadelphia and the suburbs. Highlights from the fourth quarter Pennsylvania section include:

- While Philadelphia remains one of the most affordable office markets, rents have been increasing due to rising demand from both users and investors. A record number of Class A office properties was traded during 2015, and investors will continue to concentrate on well located, well leased product. Class A office rents are finding support in the range of \$29.40/sf in the central business district and \$25/sf in the suburbs.
- Across all property types and locations, Philadelphia's retail market is quite strong and well positioned to maintain its strength. The retail market has seen stable asking rents overall, with sharply rising values for Center City. The King of Prussia Mall is expanding, and will be the largest shopping mall in the United States when the project is complete. The retail vacancy rate for community retail properties was at 5.8 percent for the fourth quarter, below the national average of 8.1 percent. The vacancy rate for neighborhood shopping centers was a bit higher at 9.3 percent, but that matched the national average for that sector.
- Philadelphia's industrial market had a strong 2015, but after record-setting positive absorption figures in the industrial market in 2014, 2015 was comparatively slow, with 149 industrial property sales totaling \$563 million. Still, this was enough volume to maintain stability in rental and vacancy rates, both of which are forecasted to improve as long as macroeconomic factors remain stable. Price per square-foot for industrial sales increased to \$41.47 in 2015, compared to \$39.75 in the prior year.

WCRE also reported on the Southern New Jersey retail market, noting mixed results there, as well. Highlights from the retail section of the report include:

- Overall retail vacancy in the tri-county area is hovering around 10.53%, marking an uptick from 2014, but still remarkable improvement from the end of 2012, when it was hovering in the 17-18% range.
- Class A retail product rental rates continue to show strong support in the range of \$30.00-\$40.00/sf NNN.
- The pace of retail sales growth in our area has slowed, but nationwide retail sales are up, sparking many planned expansions and store openings for 2016 and beyond.

The full report is available upon request.

About WCRE

WCRE is a full-service commercial real estate brokerage and advisory firm specializing in office, retail, medical, industrial and investment properties in Southern New Jersey and the Philadelphia region. We provide a complete range of real estate services to commercial property owners, companies, banks, commercial loan servicers, 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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