



## News Release

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### FOR IMMEDIATE RELEASE

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## WCRE FIRST QUARTER REPORT: SEASONAL SLOW-DOWN, SHAKY FINANCIAL MARKETS TAKE TOLL ON SOUTHERN NEW JERSEY, BUT AREAS OF STRENGTH REMAIN

*Philadelphia Continues its Strengthening Trend*

**April 7, 2016 – Marlton, NJ** – Commercial real estate brokerage WCRE reported in its latest quarterly analysis that 2016 began much as 2015 ended: with Southern New Jersey commercial real estate growth slowing down somewhat. The report included some reasons to stay optimistic, such as continuing healthy activity levels among local bellwether industries, the ongoing decline in office vacancy rates, and signs of gradual business expansion.

“The first quarter was marked by volatility in the financial markets, which seemed to have stabilized by the end of the quarter,” said Jason Wolf, founder and managing principal of WCRE. “This uncertainty, coupled with the expected cyclical slow-down due to winter weather seem to have been a drag on our market, but we believe the overall outlook is still strong.”

There were approximately 326,533 square feet of new leases and renewals executed in the three counties surveyed, which represents a drop of +/- 30 percent compared with the first quarter of 2015. The quarter also saw a drop in prospecting, with about 200,000 SF of lease deals in the pipeline and expected to close in the near term. Still, the trend of positive absorption continued, making up approximately 146,532 square feet of total activity, up about ten percent over the previous quarter. Vacancy rates continued to improve, as well, and several large trophy assets changed hands as owners repositioned and new investors entered our market.

Other office market highlights from the report:

- Overall vacancy in the market continues to drop, and is now down to approximately 11.45%. This is a slight improvement over the previous quarter.
- 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 first quarter. This is essentially unchanged from the previous two quarters.
- All of the major private owners and REITS showed moderate leasing and prospect activity for the first 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.
- New Jersey’s unemployment rate moved lower for the 13th consecutive month, down to 4.3 percent. It is down by two full points over the past year and is now at the lowest level since August 2007.

WCRE has 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 first quarter Pennsylvania section include:

- The Philadelphia regional office market is continuing its positive trajectory from 2015 in terms of rental rate growth and decline in vacancy rates. While much of this is felt in the CBD core, some of the suburban markets are experiencing similar activity. Repositioning of older Class B product to Core Class A assets coupled with the strong investor appetite for value-add deals is anticipated to continue through 2016.
- Center City Philadelphia, specifically Market East, is experiencing a resurgence of activity including PREIT's "top-to-bottom" renovation at the Gallery at Market East. Rental rates in the CBD are at all-time highs while demand from both regional and national tenants continuing to flock to the market. In terms of the suburban markets, the appetite for core assets continues to be paramount from institutional investors with value-add plays on older center, similar to the office market. Target will be opening two of its TargetExpress-brand stores in Center City Philadelphia in the summer of 2016.
- The Philadelphia regional industrial market is strong, with large distribution facilities continuing to hold the greatest demand from institutional players. Rental rates continue to increase while vacancy rates are holding steady. There have been a variety of transactions, specifically in the expanded market area with prices fetching all time high levels. Planned improvements at Philadelphia's port over the next three years should provide continued demand for warehouse space.
- Philadelphia's expanding CBD is seeing new construction across all sectors. The Comcast Innovation and Technology Center and Cira South represent two of the largest office uses under construction. At 16<sup>th</sup> & Chestnut, the 700-room, dual-brand W/Element hotel has broken ground and is expected to open in 2017. Major mixed-use projects are planned for the long-vacant, block-long parcels at Broad and Washington. Several Market East projects are underway, and Drexel is planning to develop more than 6 million square feet in its University City Innovation Neighborhood.

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 and food establishment sales dropped during the first quarter, which is expected post-holiday season.
- Retail vacancy in Camden County stood at 11 percent, with average rents in the range of \$12.12/sf NNN.
- Retail vacancy in Burlington County stood at 14.8 percent, with average rents in the range of \$12.05/sf NNN.
- Retail vacancy in Gloucester County stood at 6.9 percent, with average rents in the range of \$11.52/sf NNN.

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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