



News Release

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WCRE SECOND QUARTER REPORT: OFFICE LEASING TAKES A NOTICEABLE DIP, BUT INVESTMENT AND SALES REMAIN AREAS OF STRENGTH

Retailers Lose Ground to Online Stores while the Industrial market has stayed strong

July 11, 2016 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its latest quarterly analysis that the slow-down in leasing activity that began late last year may have been the beginning of a trend. Office leasing totals were down significantly compared to the same period last year, and were lower than the already slower first quarter. Mixed with this bad news were positive signs in the continued high level of activity in the investment and sales market, and in an uptick in leasing in Cherry Hill and Voorhees. Overall, caution and uncertainty seem to be guiding factors.

“Several unknowns began influencing the markets during the second quarter – from the possible impact of the Brexit vote to the coming U.S. presidential election,” said Jason Wolf, founder and managing principal of WCRE. “Businesses are trying to figure out how their plans may be impacted by the uncertainties, but we still believe the overall outlook is still strong.”

There were approximately 252,121 square feet of new leases and renewals executed in the three counties surveyed, which represents a drop of +/- 23 percent compared with the first quarter of the year. The quarter saw an increase in prospecting, with about 250,000 SF of lease deals in the pipeline and expected to close in the near term. Still, the trend of positive absorption continued – and improved over the previous quarter – making up approximately 206,000 square feet of total activity. Vacancy rates posted slight increases, but several large assets changed hands as owners repositioned and new investors entered our market.

Other office market highlights from the report:

- Overall vacancy in the market is now approximately 11.85%.
- Average rents for Class A & B product continue to show strong support in the range of \$10.00-\$14.00/sf NNN or \$20.00-\$24.00/sf gross for the deals completed during the 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 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 higher for the first time in more than a year, coming in at 4.9 percent. Like the national economic recovery, the New Jersey recovery appears to be experiencing a slight pause.

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 second quarter in Pennsylvania include:

- Although not as pronounced as other “gateway markets”, the Philadelphia CBD office market is attracting attention from international institutional investors. Notable investments include the Korean Investment Fund’s acquisition of Cira Square at 2970 Market Street for \$354 million from Brandywine Realty Trust and 1700 Market Street from Shorenstein Properties for \$195 million. Other transactions in progress are commanding all-time-low capitalization rates from some Middle East equity investors.
- Beyond the CBD, the suburban market has been extremely active, including Saint Gobain’s Headquarters facility which sold for \$123 million at a sub-6% capitalization rate. Additionally, Liberty Property Trust announced a plan to redevelop in the City of Camden, which includes a master plan involving 1.75 million SF of office, parking garages, hotel, and apartments.
- There has been a flurry of favorable retail activity in the regional market in 2016. Some major projects include PREIT’s sale of three core CBD retail properties to Post Brothers for \$45 million at a sub-4% capitalization rate, RIOCan REIT’s announcement to sell 49 retail properties located throughout the Northeast, with many in the Philadelphia region, for \$1.9 billion. In addition to these core assets, there is significant development of net leased properties, including Wawa/Sheetz/Royal Farms convenience stores, as well as a variety of other retailers. Finally, retail is filling in many of the ground floor spaces of multi-use properties and commanding some of the all-time highest rental rates seen thus far.
- The industrial market is still experiencing strong activity, with increases in pricing and rental rates. One of the most significant transactions of the second quarter was the Target E-Commerce Distribution Center in York, PA, which fetched \$60 million or \$76/SF. While the appetite for core Class A assets continues to be strong, pricing for multi-tenanted flex assets is demonstrating great appeal and marketability.

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 sales and spending dropped during the second quarter, after an already underwhelming performance in the first quarter.
- Retail vacancy in Camden County stood at 10.5 percent, with average rents in the range of \$11.89/sf NNN.
- Retail vacancy in Burlington County stood at 14.8 percent, with average rents in the range of \$12.21/sf NNN.
- Retail vacancy in Gloucester County stood at 6.4 percent, with average rents in the range of \$12.00/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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