



News Release

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WCRE THIRD QUARTER REPORT: SOUTHERN NEW JERSEY OFFICE LEASING REBOUNDS, STILL LAGS BEHIND 2015 LEVELS

Office Leasing Posts Strongest Quarter of the Year, Investments, Sales, and Philadelphia Remain Areas Of Strength

October 7, 2016 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its latest quarterly analysis that the Southern New Jersey office market has bounced back nicely from the slow-down in commercial leasing activity that began late last year. Office leasing totals for the third quarter were the strongest they have been all year, though they are still off from the same time last year. The investment and sales market continued its hot streak, and the city of Camden is seeing progress from the Grow New Jersey program.

“The Brexit vote was something of a shock to the system during the second quarter, but this region showed its resilience and the strength of its fundamentals,” said Jason Wolf, founder and managing principal of WCRE. “The upcoming election means more uncertainty in the near term, but the overall tone is one of cautious optimism.”

There were approximately 365,224 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester), which represents an incredible improvement of 44 percent compared with the second quarter of the year. The quarter saw a slight decrease in prospecting, with about 225,000 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 195,000 square feet of total activity. Overall market vacancy dropped as well, with Camden County leading the way.

Other office market highlights from the report:

- Overall vacancy in the market is now approximately 10.65%.
- 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 several 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.
- On the sales and investment side, about 416,050 square feet of properties worth a total of more than \$52 million were traded.

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:

- Philadelphia and the surrounding suburbs continue on an upward trajectory in terms of construction for multi-family and repositioning of older Class B/C assets to core Class A properties. Despite these trends, we are witnessing some hesitation from the banking community regarding the viability of these extraordinarily high pricing levels. With thousands of units either under construction or slated for development in the Philadelphia region, the question regarding rental rates and vacancy levels is coming to the forefront of many deals.
- Aramark signed a lease at 2400 Market Street in Philadelphia for a new headquarters. The 280,000+/- square foot space will be state-of-the-art with unparalleled views of the Schuylkill River. This international entity looked elsewhere in the region for space but chose to remain in Center City, which bodes well for the future of the market.
- Five Below chose the Lits Building for its new Center City headquarters. The company also plans on leasing 180,000 square feet of office space and 15,000 square feet of retail space at 701 Market Street.
- Strong demand continues in the industrial market, as evidenced by increasing prices and rental rates. Though much of the institutional activity appears to be in central Pennsylvania and the Lehigh Valley, pricing for non-institutional assets, especially in Philadelphia and the surrounding counties, is stronger than ever.

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

- Overall retail sales and spending dropped again, although restaurants, grocery stores, and clothing stores did post modest gains for the third quarter. Interestingly, consumer confidence grew at the same time, hitting a post-recession high.
- Retail vacancy in Camden County stood at 11 percent, with average rents in the range of \$12.20/sf NNN. This is a slight increase in both vacancy rates and average rents.
- Retail vacancy in Burlington County stood at 10.2 percent, with average rents in the range of \$13.15/sf NNN. This is a notable drop in vacancy, while rents stayed essentially unchanged.
- Retail vacancy in Gloucester County stood at 6.9 percent, with average rents in the range of \$12.01/sf NNN. This represented an uptick in vacancy with rents unchanged.

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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