



News Release

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WCRE FOURTH QUARTER 2021 REPORT: MOMENTUM IN SOUTHERN NEW JERSEY & PHILLY MARKETS STYMIED BY SURGING OMICRON VARIANT

Industrial Continues Record-Breaking Run, While Return-to-Office Plans are Again Delayed

January 11, 2022 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its analysis of the fourth quarter that the post-pandemic recovery in the Southern New Jersey and Southeastern Pennsylvania markets was pushed off its track by the Omicron variant. While CRE seemed to rebound along with the broader economy during the spring and summer, the one-two punch of the Delta variant followed by the highly transmissible Omicron variant is dampening demand, increasing vacancy, and reverberating in several ways.

Before the variants emerged, Covid-19 cases had fallen to the lowest levels since the onset of the pandemic, and many businesses scheduled their official return-to-office plans to begin the week after Labor Day. Those plans were delayed by Delta, and delayed even further by Omicron. The effects of this shift are being felt throughout the economy.

“Industrial is on a tear, as it has been throughout the year. But the office and retail markets are pulling back and putting plans on hold while Omicron is rampant,” said Jason Wolf, founder and managing principal of WCRE. “The good news is that a strong pipeline remains intact, and owners report that their tenants are showing signs of stability and growth.”

In the fourth quarter there were approximately 322,881 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester), a substantial gain over the third quarter. New tenant leases comprised approximately 208,135 square feet, or about 65% of all deals for the three counties. These also represent double-digit percentage improvements over the third quarter.

Other office market highlights from the report:

- Overall vacancy in the market is now approximately 13.65 percent, nearly a full point above the previous quarter.
- The sales market maintained momentum, with 1,424,029 square feet actively on the market or under agreement.
- Completed sales improved during Q4, with \$39,471,750 in completed sales comprising 487,707 square feet.

- Average rents for Class A & B product remain unchanged, as they continue to show strong support in the range of \$10.00-\$15.00/sf NNN or \$20.00-\$25.00/sf gross for the deals completed during the quarter. These averages have hovered near this range for more than a year.

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 fourth quarter in Pennsylvania include:

- The vacancy rate in Philadelphia's office market remained unchanged in Q4, still at 10.3% after hovering near a 20-year low for months. The office leasing market began to recover in 2021, but is still 20% below the three-year average before the pandemic.
- As in many recent reports, the industrial sector in Philadelphia continued its impressive run, buoyed by its integral role in e-commerce. The last year saw a remarkable 15.2 million SF of net absorption and 12.6% rent growth. This is all the more impressive in a market that added 12.2 million square feet of new industrial space this year.
- Retail remains the sector most responsive to market conditions, but it has also proved to be the most adaptable. Average retail net absorption in Philadelphia went into a tailspin when the pandemic began, but for the 12 months just concluded, it is back in positive territory, at a healthy 1.3 million square feet.

WCRE also reports on the Southern New Jersey retail market. Highlights from the retail section of the report include:

- The Consumer Confidence Index rebounded in November and December, after dipping in Q3.
- Retail vacancy in Camden County posted a slight improvement to 10.1 percent, while average rents fell about 40 cents, in the range of \$11.43/sf NNN.
- Burlington County retail vacancy jumped to 9 percent in Q4, giving back improvements from the previous quarter. Average rents rose to the range of \$14.55/sf NNN.
- Gloucester County posted a decrease of more than three points, to 11.3 percent, building on a solid improvement in the previous quarter, with average rents jumping more than 10percent, to the range of \$15.50/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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