



News Release

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WCRE FOURTH QUARTER 2022 REPORT: SOUTHERN NEW JERSEY & PHILLY MARKETS BUFFETED BY RAPID INTEREST RATE HIKES, INFLATION

Leasing and Sales are Down, and Some Deals in Progress are Disrupted

January 13, 2023 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its analysis of the fourth quarter that commercial real estate indicators, like much of the rest of the economy, performed poorly. Stubbornly high inflation, rising interest rates, a sagging stock market, and fear of a recession created a drag on leasing and sales in Q4. Despite a slowdown overall in CRE, the industrial sector remained strong, at 40% above pre-pandemic levels. Suburban retail also provided needed good news.

“Amid several forces weighing on CRE, much higher borrowing costs and the suddenness of the rate hikes especially caused havoc,” said Jason Wolf, founder and managing principal of WCRE. “Suburban retail, life sciences, and industrial remain strong, but across the market CRE had a tough quarter.”

In the fourth quarter there were approximately 248,831 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester). This is a 15 percent decrease from Q3. Leasing dropped steadily through 2022. New tenant leases comprised approximately 114,274 square feet, or about 45.9% of all deals for the three counties. Despite the slowdown in leasing, prospecting remains on track, with a pipeline of approximately 450,000 square feet of pending lease deals expected to close in the near term.

Other office market highlights from the report:

- Overall vacancy in the market is now approximately 15.80 percent, a slight increase over the previous quarter.
- Even with rapidly rising interest rates, the sales market stayed hot, with 1,994,264 square feet actively on the market or under agreement.
- Already down, total cost and square feet of completed sales dropped substantially in the fourth quarter, with \$15,870,000 in completed sales comprising 167,605 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 are essentially unchanged and 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:

- Philadelphia's office leasing market is still averaging 15% below the three-year average from before the pandemic, and net absorption was negative 2.2 million SF for the past 12 months. Still, these metrics represent vast improvement since the worst days of the pandemic. The metro area's office vacancy rate of 10.5% for Q4 is the second lowest among the top 15 markets.
- The industrial sector in Philadelphia continues its incredible run. Over the past 12 months, 15.7 million new square feet of inventory became available, and the sector saw 9 million square feet in net absorption. Rents grew an average 10.6%.
- 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 is strong but came in lower during Q4 at 1.6 million square feet for the 12 months just concluded. Retail vacancy for Philadelphia stood at 4.5% for the quarter.

WCRE also reports on the Southern New Jersey retail market. Retail highlights from the report include:

- Retail vacancy in Camden County posted another improvement, to 7.8 percent, while average rents fell somewhat to \$16.26/sf NNN.
- Burlington County retail vacancy rose almost three-quarters of a point in Q4, to 7.5 percent, while average rents jumped nearly 20% to the range of \$17.02/sf NNN.
- Gloucester County rose slightly, to 11.1 percent, with average rents essentially unchanged in the range of \$17.67/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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