



News Release

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WCRE FIRST QUARTER 2023 REPORT: SOUTHERN NEW JERSEY & PHILLY MARKETS IMPROVE MODERATELY, BUT FACE NEW HEADWINDS

Office Leasing Treads Water, Retail Stages a Comeback, Long-Mighty Industrial Sees Signs of Trouble

April 11, 2023 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its analysis of the first quarter that forces affecting the wider economy are affecting large swaths of commercial real estate, as well. The same high inflation, rising interest rates, and fear of a recession that caused a significant drop in leasing and sales volumes in Q4 were still at work as 2023 began. While office sales and leasing improved slightly from the lows of the previous quarter, industrial, though still strong, may be coming down from years of strong growth.

“There was good financial news in the first quarter, with the stock indexes going up, strong hiring, and fears of a recession easing somewhat, but the pressures of higher borrowing costs and persistent inflation continued to drag on CRE,” said Jason Wolf, founder and managing principal of WCRE.

In the first quarter there were approximately 252,720 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester). This is an increase of about 1.5 percent over the previous quarter, and still a double-digit decrease compared to Q3 2022. However, leasing dropped steadily through 2022, so an improvement of any amount is welcome news. New tenant leases comprised approximately 164,306 square feet, or about 65% of all deals for the three counties - both of which are increases. Prospecting remains on track, with a pipeline of approximately 400,000 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 16.2 percent, a slight increase over the previous quarter.
- The life sciences sector has become a strong player in the area’s office leasing market.
- Total cost and square feet of completed sales increased well above fourth quarter lows, with \$36,653,000 in completed sales comprising 207,740 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:

- With net absorption of negative 1.8 million SF for the past 12 months, Philadelphia's office leasing market is actually improving, though there is a long road ahead. The metro area's office vacancy rate of 10.6% for Q1 is the second lowest among the top 15 markets.
- The industrial sector in Philadelphia continues its incredible run. Over the past 12 months, the sector absorbed 10.3 million square feet even while some 16 million new SF was delivered to the market. Rents grew an average 12.5%.
- Retail has become an area of gathering strength in the region. Average retail net absorption in Philadelphia is strong, at 2 million square feet for the 12 months just concluded. Retail vacancy for Philadelphia improved slightly to 4.4% 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 7.6 percent, while average rents fell again, to \$15.54/sf NNN.
- Burlington County retail vacancy dropped to 7.1 percent, while average rents nearly a full dollar, to the range of \$16.06/sf NNN.
- Gloucester County improved more than a point, to 9.9 percent, with average rents dropping to \$16.97/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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