



News Release

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WCRE SECOND QUARTER 2023 REPORT: SOUTHERN NEW JERSEY & PHILLY MARKETS SEE MIXED RESULTS

Key Indicators Show Signs of Trouble, Yet the Metro is Outperforming Peer Markets

July 12, 2023 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its analysis of the second quarter that the measures taken to bring inflation under control have significantly impacted the commercial real estate sector, too. Inflation has been trending downward, but higher interest rates, tighter credit, and continuing worry about a possible recession have left their mark. Although office sales improved significantly over the previous quarter, leasing has dropped, and there is still far too much available space. Industrial, though still strong, is showing hints of vulnerability after years of runaway growth.

“This quarter, there was plenty of news for both the glass-half-full and the glass-half-empty schools of thought.” said Jason Wolf, founder and managing principal of WCRE. “For example, office leasing dropped, but the metro area was still second in vacancy and availability among all the top markets, showing relative strength.”

In the second quarter there were approximately 213,173 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester). This is a decrease of about 15.6 percent over the previous quarter. The slight quarter-over-quarter increase posted in Q1 may have been an exception, as leasing activity dropped steadily during 2022. New tenant leases comprised approximately 98,649 square feet, or about 46% of all deals for the three counties - both of which are increases. Prospecting remains on track, with a pipeline of approximately 350,000 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 area’s office leasing market, though faring better than most other top metro areas, is still reeling, at an all-time high of 49.2 million SF available for lease in the second quarter.
- Total cost and square feet of completed sales increased significantly over Q1, with \$37,552,400, in completed sales comprising 263,584 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 include a section on transactions, rates, and news from Philadelphia and the suburbs. Highlights from the second quarter in Pennsylvania include:

- Despite net absorption of negative 2.8 million SF for the past 12 months, Philadelphia's office leasing market faces a long road ahead. Still, the metro area's office vacancy rate of 10.7% for Q2 is the second lowest among the top 15 markets.
- The industrial sector in Philadelphia has shown signs that it may begin to cool off, but it's been on such a hot streak that it still leads all sectors. Over the past 12 months, industrial saw net absorption of 6.9 million square feet even as 16.7 million new SF was delivered to the market. Rent growth dropped but was still a healthy 11.4%.
- Retail has shown particular resiliency in the region, especially in the suburbs. Average retail net absorption in Philadelphia stood at 1 million square feet for the 12 months just concluded. Retail vacancy for Philadelphia held steady at 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 6.6 percent, while average rents jumped, to \$16.18/sf NNN.
- Burlington County retail vacancy stayed essentially unchanged, at 7.2 percent, while average rents ticked up a few cents, to the range of \$16.12/sf NNN.
- Gloucester County retail vacancy, after improving more than a point from Q4 to Q1, is back up to 10.7 percent, with average rents jumping more than a dollar, to \$18.05/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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