



News Release

One Holtec Drive | Suite G100
Marlton, NJ 08053
P 856 857 6300 | F 856 283 3950
www.wolfcre.com

FOR IMMEDIATE RELEASE

Contact: Andrew Becker
Phone: 856.449.5220
Email: andrew.becker@wolfcre.com

WCRE THIRD QUARTER 2023 REPORT: SOUTHERN NEW JERSEY & PHILLY MARKETS TAKE A HIT, AS THE BROADER ECONOMY ENDURES

Economic Growth Remains Robust, but Rising Interest Rates Weigh Down Commercial Real Estate

October 11, 2023 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its analysis of the third quarter that the commercial real estate sector has begun to feel the effects of the effort to rein in inflation. While the broader economy has powered through, CRE is facing a decline in property valuations and persistently high interest rates. This has translated into a slowdown in deal activity, especially compared to the pace of late 2021 into the first half of 2022.

“This quarter, we have seen much of the rest of the economy keep rolling ahead, while the CRE market reacts to the impact of the Fed’s anti-inflation measures,” said Jason Wolf, founder and managing principal of WCRE. “Fundamentals have weakened somewhat, and while there may be slight improvements in vacancy or rent growth in some areas, broadly the market is treading water, largely as a result of rising interest rates and tightening credit.”

In the second quarter there were approximately 262,028 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester). This is an increase of about 20 percent over the previous quarter. New tenant leases comprised approximately 112,044 square feet, or about 43% of all deals for the three counties. 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 14.9 percent, a modest improvement over the previous quarter.
- The sales market was remarkably active, with 1,679,924 square feet sold. This is a multiple of the previous quarter.
- Nearly 2000 office leases have been completed over the last year in Philadelphia, but only 11 of them have been for spaces of at least 50,000 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 third quarter in Pennsylvania include:

- Philadelphia's office leasing market is faring better than similar markets, but there is still a long road ahead. The area's office vacancy rate of 11% for Q3 is up a few ticks from the previous quarter, but it is still the second lowest among the top 15 markets.
- The industrial sector in Philadelphia rebounded in Q3 from a slight dip in Q2, and it still leads all sectors. Over the past 12 months, industrial saw net absorption of 7.5 million square feet even as 20.2 million new SF was delivered to the market. Rent growth dropped nearly two points, to 9.5%.
- Retail has shown particular resiliency in the region, especially in the suburbs. Average retail net absorption in Philadelphia grew again, to 1.3 million square feet for the 12 months just concluded. Retail vacancy for Philadelphia held steady at 4.3% 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 6.3 percent, while average rents inched up, to \$16.36/sf NNN.
- Burlington County retail vacancy improved to 6.5 percent, while average rents dropped slightly, to the range of \$15.90/sf NNN.
- Gloucester County retail vacancy continued its rollercoaster ride, now dropping almost a point and a half, to 9.3 percent, with average rents moving up, to \$18.22/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.

Learn more about WCRE online at www.wolfcre.com, on Twitter & Instagram @WCRE1, and on Facebook at Wolf Commercial Real Estate, LLC. Visit our blog pages at www.southjerseyofficespace.com, www.southjerseyindustrialspace.com, www.southjerseymedicalspace.com, www.southjerseyretailspace.com, www.phillyofficespace.com, www.phillyindustrialspace.com, www.phillymedicalsace.com and www.phillyretailspace.com.

###