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News Release

FOR IMMEDIATE RELEASE

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WCRE FIRST QUARTER 2024 REPORT: SOUTHERN NEW JERSEY & PHILLY MARKETS LOOK TO BUILD ON LAST YEAR'S SURPRISING RESILIENCY

*A Soft Landing Seems More Likely than Before, but Higher Interest Rates Remain a Challenge, and
Industrial Faces its First Headwinds in Years*

April 11, 2024 – Marlton, NJ – Wolf Commercial Real Estate (WCRE | CORFAC International), a leading provider of commercial real estate services, reported in its analysis of the first quarter that 2024 offers promising prospects for a strong year in the market. Positive indicators that emerged last year, including an unexpectedly strong labor market and moderated inflation, continued into 2024, increasing the likelihood that the US can avoid a recession. This resiliency in the broader economy has translated into strength in some CRE sectors.

“While higher interest rates have impacted prices and transaction volume, economic growth appears to be keeping demand for commercial real estate strong,” said Jason Wolf, founder and managing principal of WCRE. “We expect that when rates begin to come down later this year, that will spur transaction activity and provide clarity to property valuations.”

In the first quarter of 2024, approximately 418,476 square feet of new leases and renewals were executed. This was an increase of more than 40% over the previous quarter, and it was dominated by renewals and expansions. New tenant leases accounted for approximately 90,000 square feet, or approximately 22% of all deals, while renewals and expansions made up about 328,476 square feet. 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, which represents a major improvement from Q4. The office sector continues to face challenges brought on by the pandemic.
- The quarter saw \$21,422,000 in completed sales, comprising 206,500 square feet of space. Both are less than half of the totals from Q4. Approximately 2,276,217 square feet of commercial space was actively listed or under agreement.

- 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 first quarter in Pennsylvania include:

- Philadelphia's office market is faring better than most major cities but is still struggling. The metro's office vacancy rate was 11% for Q1, unchanged for the third quarter in a row. It is the second lowest vacancy rate among the top 15 markets.
- The industrial sector in Philadelphia has been a runaway success for a few years, but dipped in Q1, possibly a victim of its own success. Over the past 12 months, industrial saw net absorption of 6.6 million square feet even as new deliveries (20.3 million SF) continued to rise. Demand is strong, but off from peak levels seen in 2021, and new supply has outpaced demand for the last year and a half.
- Retail has shown particular resiliency in the region, especially in the suburbs. Retail vacancy for Philadelphia held steady at 4.2% for the quarter, the third in a row at this level. Average retail net absorption in Philadelphia fell by more than half over the last 12 months, to 515,000 square feet for the 12 months just concluded. But it remains not far off the three-year average of 710,000 square feet. Over the past three years, cumulative absorption has reached 3.6 million square feet.

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

- Retail vacancy in Camden County dropped substantially to 5.6 percent from 8.7 percent, while average rents inched up, to \$16.57/sf NNN.
- Burlington County retail vacancy improved a full point, to 5.9 percent, while average rents fell slightly to the range of \$16.04/sf NNN.
- Gloucester County retail vacancy dropped slightly, to 9.7 percent, with average rents decreased to \$17.88/sf NNN.

The full report is available upon request.

About WCRE

WCRE is a full-service commercial real estate brokerage, advisory and property management firm specializing in office, retail, medical, industrial and investment properties in Southern New Jersey, Greater Philadelphia and New York Metro areas. 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.wolfcree.com, on Twitter & Instagram @WCRE1, and on Facebook at Wolf Commercial Real Estate, LLC.

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