



News Release

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WCRE FIRST QUARTER REPORT: SOUTHERN NEW JERSEY & PHILLY CRE MARKETS SEE MODERATE GAINS AMID TAX REFORM OPTIMISM AND FINANCIAL MARKET SHAKINESS

April 10, 2018 – Marlton, NJ – Commercial real estate brokerage WCRE reported in its latest quarterly analysis that the Southern New Jersey market is in largely good shape, with moderate gains in leasing activity and strong fundamentals. The firm believes the market may be poised to take off as benefits of the new tax law begin to reverberate in personal and corporate checkbooks.

“Our market appears to have picked up steam, with a healthy pace of business growth and continuing new investment,” said Jason Wolf, founder and managing principal of WCRE. “Despite corrections ending a long winning streak in the financial markets, the benefits of the new tax law should shore up commercial real estate, especially industrial and office demand.”

There were approximately 272,550 square feet of new leases and renewals executed in the three counties surveyed (Burlington, Camden and Gloucester), which was a gain of 23 percent over the previous quarter. Leasing picked up, and the sales market stayed active, with about 1.63 million square feet on the market or under agreement and an additional 320,691 square feet trading hands. The sales figure is a 36 percent increase over the previous quarter.

New leasing activity accounted for approximately 77.2% percent of all deals. Overall, net absorption for the quarter was in the range of approximately 105,250 square feet. Both of these figures represent large increases over the fourth quarter.

Other office market highlights from the report:

- Overall vacancy in the market is now approximately 11.2 percent, which is more than a full point higher than the previous quarter. This may be attributed to large blocks of space returning to the market.
- Average rents for Class A & B product continue to show strong support in the range of \$10.00-\$14.50/sf NNN or \$20.00-\$24.50/sf gross for the deals completed during the quarter. These averages have stayed within this range for most of this year.
- Vacancy in Camden County improved steadily last year but jumped nearly a point to 12.5 percent for the quarter.
- Burlington County vacancy was at 9.9 percent, which was also higher than the fourth quarter.

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 first quarter in Pennsylvania include:

- Philadelphia's office market saw a decrease in vacancy in the Central Business District during 2017 and Q1 2018, as demand for office space continues to be strong. Still, we see increasing employment and new construction, both of which bode well for continued strength.
- Comcast's second office tower, the Comcast Innovation and Technology Center, is a 59-story (1,121 feet), LEED Platinum certified skyscraper developed by Liberty Property Trust. The development, positioned in the heart of the CBD, will also include a Four Seasons Hotel. The project is estimated to cost \$1.2 billion, is expected to be the tallest building in the United States outside of New York and Chicago, and will be the largest private development project in the history of Pennsylvania. Net of the hotel, the property is planned for 1,336,682 SF of office space. Comcast has signed a 20-year lease for 98% of the building, with the remainder available for lease. However, Comcast may fill the remaining space themselves.
- At 2400 Market Street, the new Aramark Headquarters is utilizing the former Philadelphia Market Design Center and will comprise the entirety of floors 5-9 on a long-term lease. Thus, the expansion (new inventory) is effectively 100% pre-leased. Estimated delivery is early 2018.
- The Philadelphia Planning Commission has approved zoning changes to an area west of 30th Street Station, where Brandywine Realty Trust and Drexel University plan their Schuylkill Yards redevelopment project, a 14-acre district of labs, offices, residences and shopping. There is not a definitive timeline for the project. According to Brandywine, the master plan will comprise a total buildout of 2.8 million square feet of office, 1.6 million SF of residential, 247,000 SF hotel, 1 million SF of lab, and 132,000 SF of retail space. This reflects the bulk of proposed inventory in the Center City submarket.
- Developer Oliver Tyrone Pulver Corp. is proposing a 38-story office tower on a long-empty lot east of City Hall at 1301 Market Street. It will comprise 841,750 SF upon completion if developed once a lead tenant is secured. The tower would tentatively open in 2020.
- Demand for multi-family product is demonstrating significant growth, with nearly 2,800 units recently completed, 1,250 units under construction, and 3,200 units proposed in the PA suburbs. Within the Center City market, there are 2,200 units under construction with an additional 6,300 units proposed. Market participants are questioning whether these units will continue to be absorbed. Many high-end apartment complexes are facing concessions and compression in rental rates.
- Quarter-over-quarter, industrial vacancy in Southeastern Pennsylvania was flat at 6.8%. The market's largest yearly occupancy gains were recorded in Bucks County, where positive absorption totaled 709,530 square feet, and Delaware County, where 233,633 square feet was absorbed. The year's largest moves were Almo and Amazon occupying 300,000 and 104,000 square feet of warehouse space along Cabot Boulevard in Bucks County in the second quarter.
- Philadelphia County recorded 169,134 square feet in negative yearly absorption. The increased demand for warehouse and distribution space from e-commerce firms has focused on larger scale properties and newer buildings, both of which are in low supply. E-commerce and logistics warehouses may require anywhere between a few hundred thousand square feet to over 1 million square feet, but the tightness of Philadelphia's industrial market means that many companies are starting to look outside the city to fulfill their space needs.

WCRE also reports on the Southern New Jersey and Philadelphia retail market. The first quarter saw a continuation of the unfortunate trend of legacy brands such as Toys R Us and Sears closing stores and/or filing for bankruptcy protection. However, there was good development news in the region, with several healthcare, entertainment, and retail projects receiving approval. Other highlights from the retail section of the report include:

- Retail vacancy in Camden County stood at 8.4 percent, with average rents in the range of \$13.75/sf NNN.
- Retail vacancy in Burlington County stood at 10.4 percent, with average rents in the range of \$14.24/sf NNN.
- Retail vacancy in Gloucester County stood at 7.0 percent, with average rents in the range of \$14.83/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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