

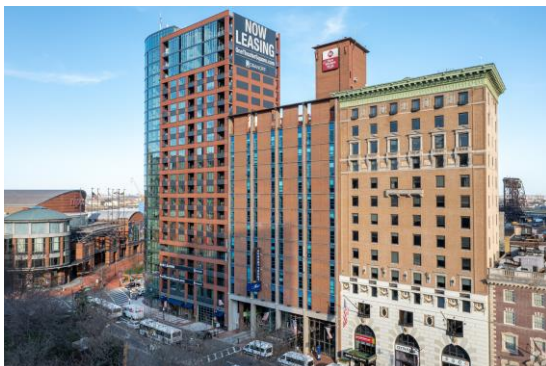
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## Downtown Newark Real Estate Report Fourth Quarter, 2021



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## **About This Report**

The Newark Downtown District has provided this report to share downtown real estate trends, findings, development projects, and comprehensive insights with the district's community, businesses, and stakeholders. This report will be updated quarterly and available on [www.downtownnewark.com](http://www.downtownnewark.com).



# Newark Downtown District

## About the NDD:

The Newark Downtown District (NDD), Newark's special improvement district (SID) of the central business area, is a privately funded 501(c)(3) non-profit organization, dedicated to enhancing cleanliness, safety, and beautification in Downtown Newark, while preserving and enriching culture, commerce, and community.

NDD works hard to enrich the quality of life for those who live, labor, and leisure in Newark by providing supplemental cleaning and quality of life services, as well as physical improvements, marketing, and event programs. These efforts make downtown Newark attractive to residents, businesses, students, tourists, and shoppers.

The NDD is funded through a special assessment on district commercial and residential properties, and is overseen by a Board of Trustees consisting of business and property owners within the District, representatives of non-profit organizations, as well as municipal officials and staff.

*The NDD defines downtown Newark as the area generally bounded by I280 to the north, the Passaic River and the New Jersey Transit and AMTRAK rail to the east, Franklin Street and Hill Street to the south, and University Avenue to the west. The adjacent map shows the specific boundaries as defined by the NDD. Property statistics in this report represent properties in the NDD special improvement district.*



## Executive Summary:

Overall, Newark's downtown real estate fundamentals have started to bounce back from the pandemic. However, office vacancy remains high and is being driven by companies putting sublet space on the market. In 2021, sublet space increased to 3.5% of total vacancy, which is well above pre-pandemic levels of 0.4%-0.5%. Companies began calling employees back to the office in 2021 but ongoing pandemic concerns have pushed the call back into 2022. Given the increased adoption of work from home (WFH) practices, the new normal is yet to be determined as employers will likely adjust space needs to a higher level of WFH.

Multifamily is a notable standout where the vacancy rate has dropped to 4.6% in the fourth quarter of 2021. A wave of deliveries prior to the pandemic drove vacancy up but demand has been strong now with the easing of quarantine measures.

### Newark Downtown Real Estate Operating Statistics

Property	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	YOY* Chg
<b>Office Vacancy</b>	14.9%	14.2%	14.2%	14.6%	13.8%	16.7%	16.6%	15.9%	15.9%	2.1%
<b>Retail Vacancy</b>	7.4%	8.0%	9.4%	9.8%	10.1%	10.7%	9.5%	8.4%	8.8%	-1.3%
<b>Multifamily Vacancy</b>	16.3%	12.9%	10.1%	11.1%	10.7%	12.7%	8.5%	4.7%	4.6%	-6.1%
<b>Hospitality RevPar Chg**</b>	3%	-53%	-75%	-67%	-60%	5%	142%	150%	129%	NM

Source: CoStar. \*Year-Over-Year (YOY) \*\* Change in revenue per available room. RevPar monthly as of the quarter's end.

### 2021 Leasing Highlights

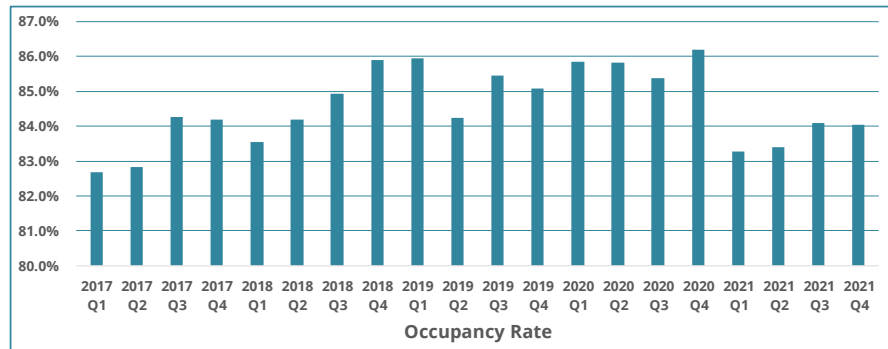
- HAX to locate its US headquarters in downtown Newark and lease 60,000 square feet of space.
- Internet Brands - WebMD's parent company - leased over 100,000 square feet of space at Onyx Equities' Gateway Two. Separately, Onyx announced leases for nine restaurants for Gateway Newark.

### Development Focus

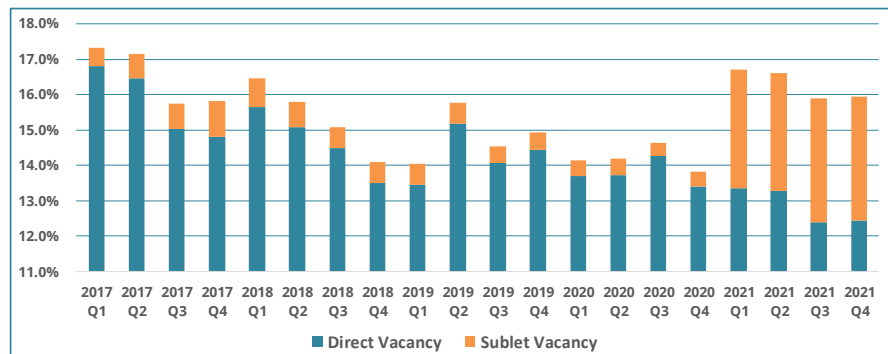
- Plans are in for the 22-story tower called 22 Fulton in close proximity to the NJPAC and Atlantic Street light rail stations.
- Newark's Central Planning Board approved Newark Waterfront Association's 25-story tower located in the City's Riverfront Development Plan across from the NJPAC light rail station.

## Office: Quarterly Operating Metrics

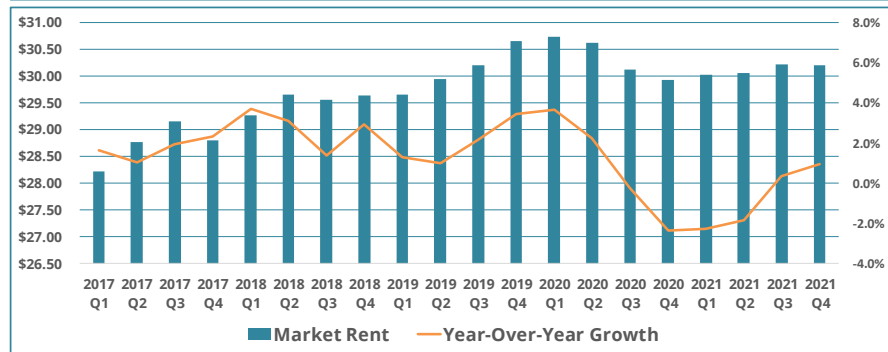
The downtown office occupancy rate declined to 84.1% in the fourth quarter of 2021 versus 85.1% in the fourth quarter of 2019, prior to the beginning of the pandemic.



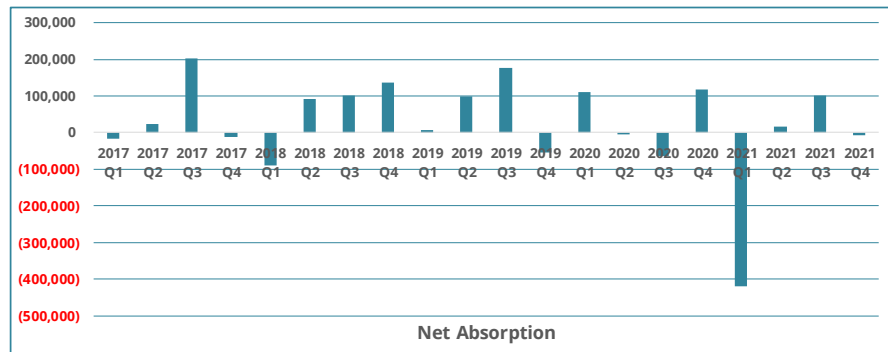
Companies seeking to sublet space have driven the increase in vacancy where space available to sublet increased dramatically in 2021.



Market rents have held up well at \$30.21 per square foot in the fourth quarter of 2019 versus \$30.66 per square foot in the fourth quarter of 2019.



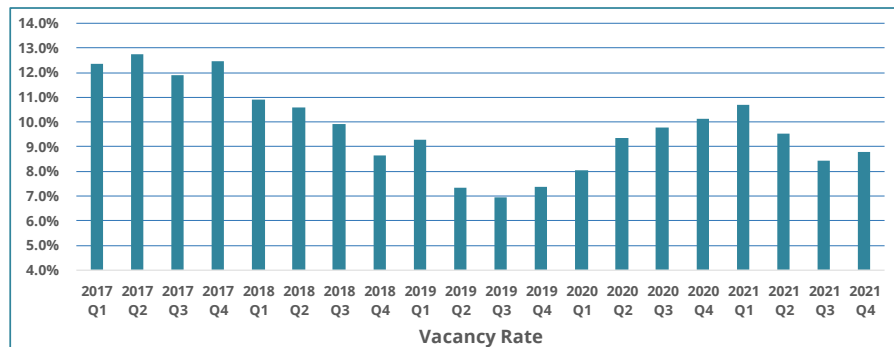
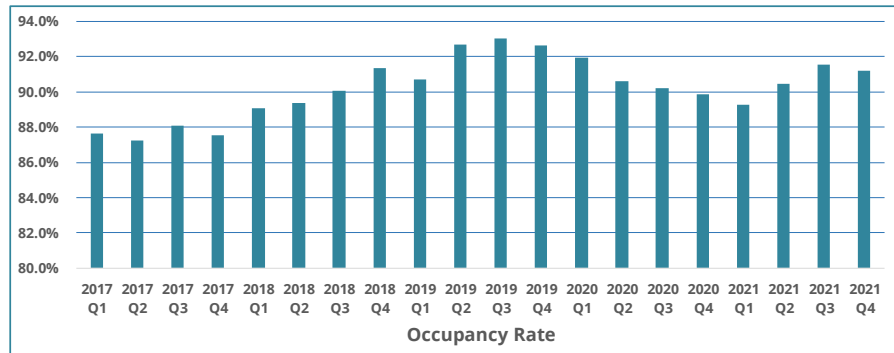
Finally, absorption has been choppy since the fourth quarter of 2019. The first quarter of 2021 saw over 400,000 square feet come to market, which drove up vacancy.



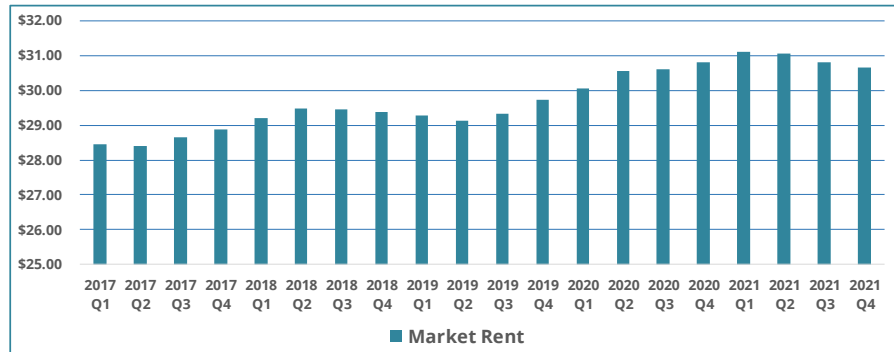
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

## Retail: Quarterly Operating Metrics

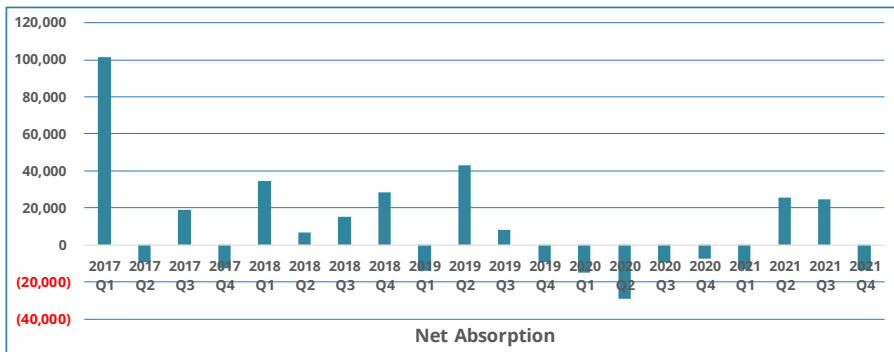
Newark downtown retail occupancy of 91.2% in fourth quarter of 2021 remains below pre-pandemic levels of 92.6% in the fourth quarter of 2019 but began to recover from a bottom of 89.3% in the first quarter of 2021.



Market rents have strengthened to \$30.65 per square foot in the fourth quarter of 2021 from \$29.72 per square foot in the fourth quarter of 2019.



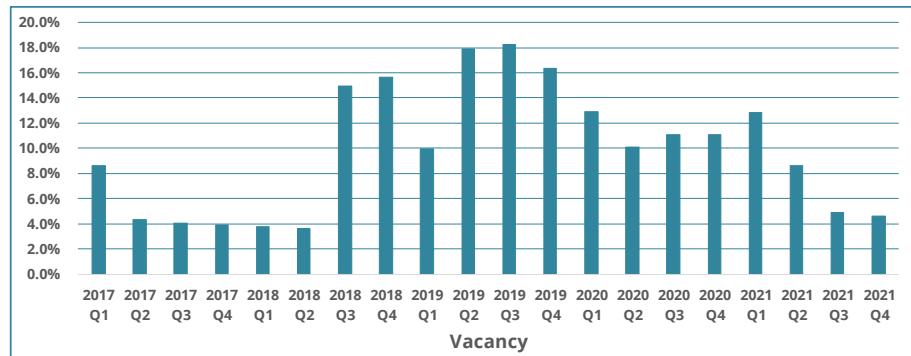
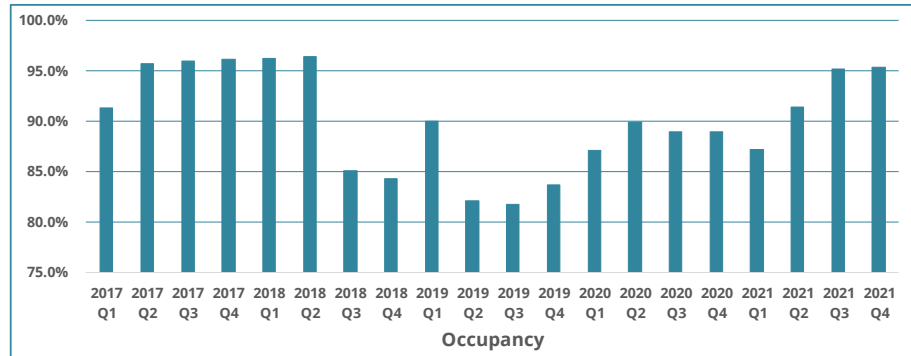
After six quarters of negative absorption, absorption improved in second quarter and third quarter of 2021 but rolled over again in the fourth quarter of 2021.



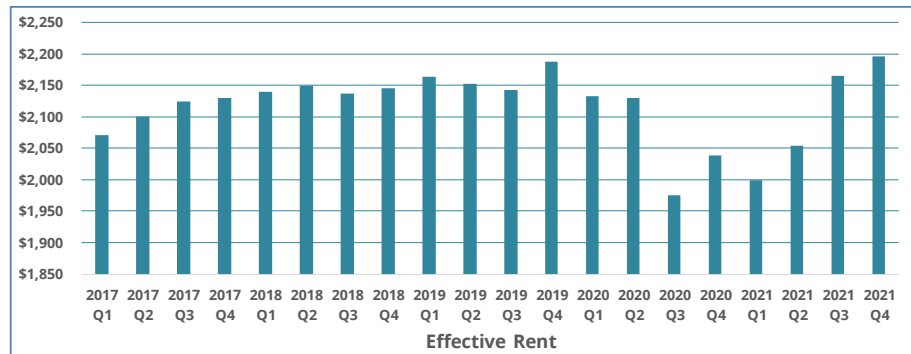
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

## Multifamily: Quarterly Operating Metrics

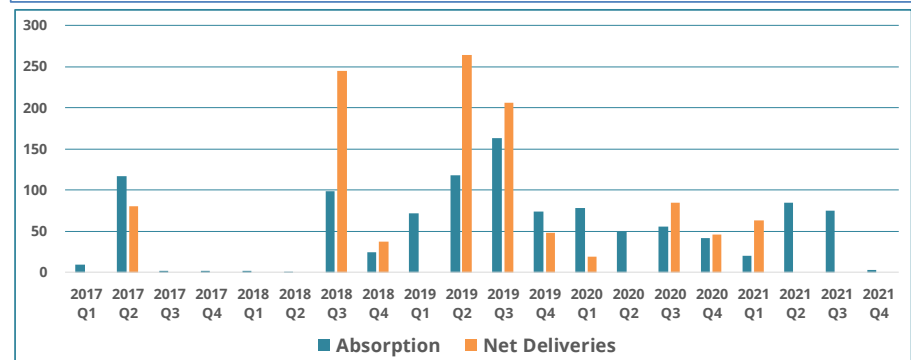
*Prior to the beginning of the pandemic, deliveries drove down multifamily occupancy to 83.7% in the fourth quarter of 2019, which rebounded strongly to 95.4% in the fourth quarter of 2021.*



*Effective rents strengthened to \$2,184 per unit per month in the fourth quarter of 2021 from \$2,183 in the fourth quarter of 2019.*



*Development deliveries prior to the pandemic drove up vacancy, but were quickly absorbed in 2021.*

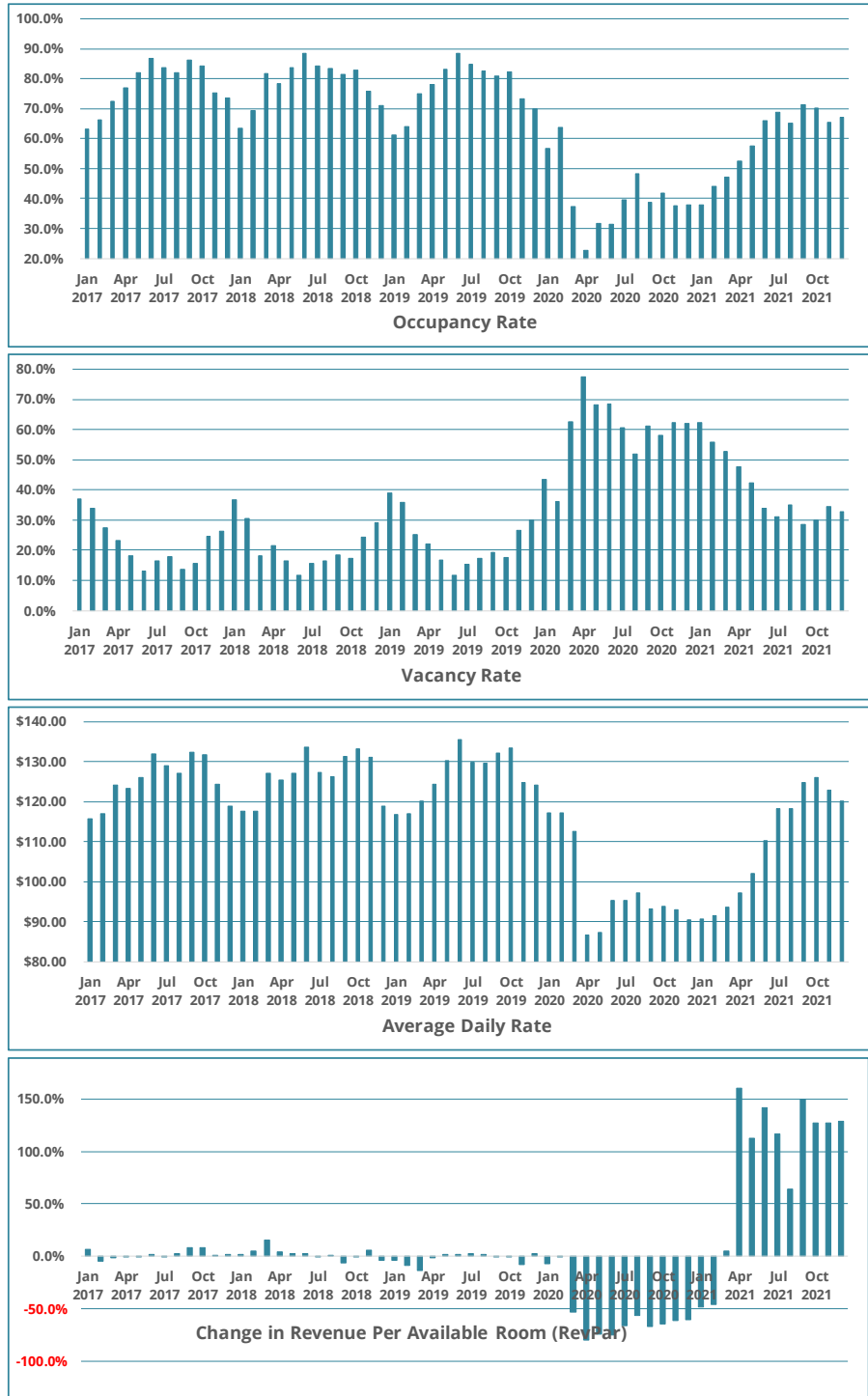


Absorption is space leased. Deliveries drove vacancy during the pre-pandemic period.

## Hospitality: Quarterly Operating Metrics

The pandemic materially impacted downtown Newark hospitality operating fundamentals. However, the sector began to recover in 2021, while not to pre-pandemic levels. Occupancy was 67.1% in December 2021 versus 70.0% in December 2019.

Average daily rate was \$120.13 in December 2021 versus \$124.20 in December 2019. CoStar data reflect total beds of 17,267 in December 2021 versus 20,491 in December 2019.



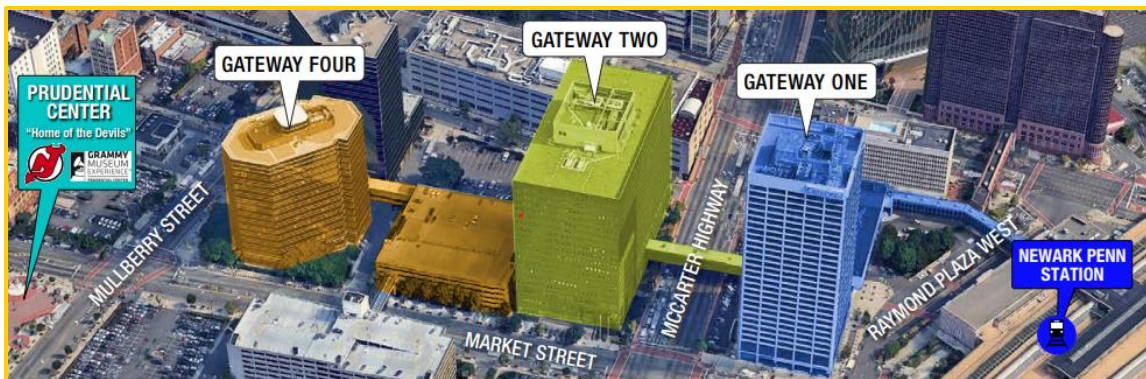


## 2021 Leasing Highlights

[HAX](#) is set to locate in downtown Newark. Governor Phil Murphy announced that the [New Jersey Economic Development Authority \(NJEDA\)](#) and Princeton-based venture capital firm SOSV intend to form a new entity (HAX LLC) to bring SOSV's venture capital startup program to downtown Newark. The entity intends to lease approximately 60,000 square feet of space as early as the spring of 2022 and locate approximately 200 employees. The NJEDA will invest \$25 million in HAX LLC with the commitment that HAX will match the funding in 100 startup entities.

[Internet Brands](#) has leased over 100,000 square feet of office space at [Onyx Equity's](#) Gateway Two building. It plans to operate several of its Internet Brands businesses including its WebMD business in Newark. Bringing an Internet-based tenant to its [Gateway](#) buildings enhances the tenant base for Onyx as the development is undergoing pedestrian improvements to provide upgraded access and amenities to downtown Newark and Newark Penn Station.

In a separate announcement, Onyx reported nine restaurant users have leased space at the Junction - the pedestrian walkway corridor currently under renovation and scheduled to open shortly that is a component of Gateway Newark. The Junction connects Onyx's three Gateway buildings and provides a climate-controlled indoor walkway from Newark Penn Station to Mulberry Street. The restaurants include Brooklyn Dumpling Shop, Chip City Cookies, Farinella, Fresh & Co., The Brookdale, Greek from Greece Bakery & Cafe, Serafina, 375-degree Chicken & Fries, and MokBar. Onyx has one additional restaurant space that it will lease to a Newark based operator at no upfront cost to the operator.



## **NJPAC Development Focus**

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Newark has seen a concentration of development activity in the vicinity of the [New Jersey Performing Arts Center](#) (NJPAC). Completed projects include the 264-unit [Walker House](#) located at 541 Broad Street, the 169-unit [50 Rector Park](#) located at 50 Rector Street; and the 245-unit [One Theatre Square](#) located at 2 Center Street. Two additional developments are in the works in the NJPAC vicinity. See page 11 for a map of the projects.

### **930 McCarter Highway**

In September, Newark's Central Planning Board approved Newark Waterfront Association's 333-unit 25-story 930 McCarter Highway project located at 930 McCarter Highway. This project is located adjacent to the NJPAC light rail station and within the City's [River Redevelopment Plan](#), which is under construction. The City of Newark retained 50 feet of property along the Passaic River as a component of the Plan. Newark Waterfront Association is affiliated with [Boraie Development](#), which also developed 50 Rector Park. In addition to 333 residential units with 20% percent targeted for affordable housing, the development includes 3,750 square feet of ground-level retail space, 240 parking spaces in a parking deck, and 108 bicycle storage spaces.

The project promises to tie in to the Passaic riverfront and anchor the riverfront development in the north side of downtown Newark. It includes a walkway of pavers around the base of the building that promises to provide direct access to the waterfront park. The developer hopes to attract a restaurant user in the retail space that would offer diners access to the waterfront park and to entertainment at NJPAC directly across from McCarter Highway.

### **22 Fulton**

In December, the Central Planning Board approved Ten Park Place Associates' application to develop a 22-story residential tower principally on what is now a parking lot. The entity is affiliated with Newark-based [Berger Organization](#). The entire project stretches from 16 to 32 Fulton Street and is one block north of NJPAC. The development plans include 396 residential units with a component targeted for affordable housing, 4,800 square feet of retail space, and 106 parking spaces.

## NJPAC Development Focus - Continued

### NJPAC'S Development Project

In June, NJPAC announced plans to develop a [neighborhood on its 6.1-acre parcel](#) that is a component of the NJPAC grounds. The project will include an extension of Mulberry Street designed to be a central pedestrian-friendly corridor.

On the one side, the corridor will include two five- or six-story buildings with ground-floor retail, restaurants, and entertainment businesses. On the other side, along Center Street, a high-rise multifamily tower is planned. Finally, the project includes 24 townhomes. All told, it includes approximately 350 rental units with 20% targeted for affordable housing.

CoStar's data illustrates strength in the downtown Newark multifamily market. The already undertaken and planned multifamily developments in the NJPAC area are one concentration in the downtown. A second concentration is a wider swath of the downtown includes the Newark Penn Station vicinity, [Prudential Center](#), and vicinity of [Teachers Village](#) located on Halsey Street and William Street.

