

Downtown Newark Real Estate Report First Quarter 2023



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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.

Cover Photo:

Four Corners – Broad Street & Market Street

Photos to the Left:

153 Halsey Street

23-31 Halsey Steet

289-301 Washington Street – First of three towers under construction for the Halo development ([link to site plans](#))

571 Broad Street – 46-story The Arc Tower development site ([link to site plans](#))

Newark Downtown District

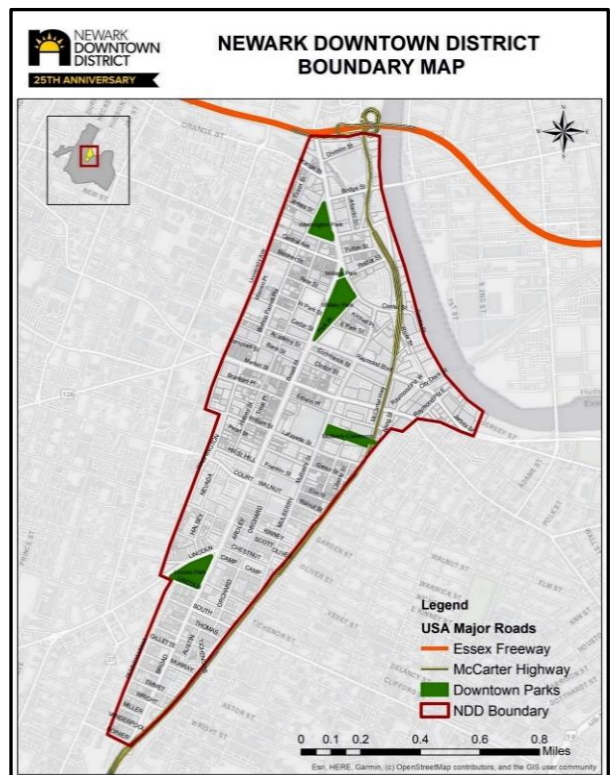
About the NDD:

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, horticulture, 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, Poinier Street to the south, and University Avenue, Washington Street, and Pennsylvania 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

Commercial real estate operating statistics that we track through CoStar showed stability in the first quarter of 2023 for downtown Newark. Highlights are as follows:

- Despite what we view as headwinds for office properties due to the shift to work from home, office occupancy increased 0.5% to 83.9% in the first quarter of 2023 in a sequential comparison
- Retail occupancy declined 0.1% to 90.0% in the quarter after a favorable comparison in the fourth quarter of 2022
- We have segmented multifamily properties into two categories: multifamily market rate and multifamily affordable since there are distinct differences in the operating performance of both asset classes. While multifamily market rate has seen new construction deliveries, occupancy increased 2.1% to 92.3% in the quarter reflecting lease up of new properties. Multifamily affordable remains substantially leased at 98.4%
- Finally, hospitality RevPar increased 24% for the month of February 2023 (latest available)

Newark Downtown Real Estate Operating Statistics

Property	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	YOY* Chg
Office Vacancy	86.0%	86.0%	85.5%	86.3%	83.2%	83.3%	84.2%	84.3%	83.9%	84.1%	84.0%	83.4%	83.9%	0.0%
Retail Vacancy	92.0%	90.6%	90.2%	89.9%	89.3%	90.5%	91.6%	91.7%	90.4%	88.7%	89.6%	90.1%	90.0%	-0.4%
Multifamily Market Vacancy	91.3%	93.4%	92.7%	92.6%	91.5%	94.3%	96.8%	96.9%	96.9%	96.5%	96.5%	90.2%	92.3%	-4.6%
Multifamily Affordable Vacancy	96.6%	96.9%	97.4%	97.8%	98.2%	98.5%	98.6%	98.6%	98.7%	98.6%	98.6%	98.5%	98.4%	-0.3%
Hospitality RevPar**	-53%	-75%	-67%	-60%	5%	142%	150%	129%	63%	48%	22%	12%	24%	NM

Source: CoStar; NDD. *Year-Over-Year (YOY). ** Revenue per available room. RevPar monthly as of the quarter's end except 2023 Q1 - February.

Downtown News

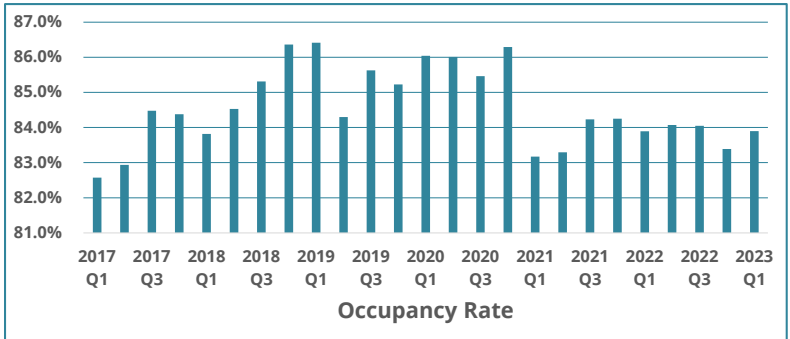
In the downtown news section, we highlight leasing and development activity surrounding Newark Penn Station and its interconnectivity to the office properties.

- New Jersey Transit announces that it is negotiating a 400,000 square foot 25-year lease at Onyx Equities's Gateway Two complex (the good news)
- It also announced that it is exiting its 1 & 2 Penn Plaza properties (the bad news)
- Matrix announced 37,000 square feet of leasing activity at One Riverfront Plaza bringing occupancy up to 85%
- Finally, the 370-unit ICONIQ 777 (777 McCarter Highway) is in pre-leasing and is set to open shortly

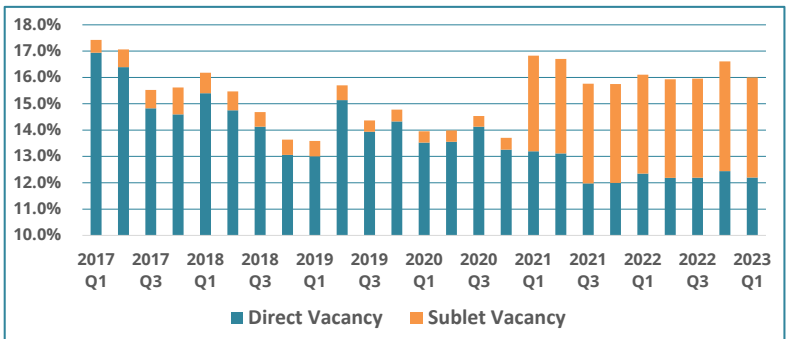
As employers have shifted to the hybrid model where the norm (more than the exception) is to offer employees a three day in office work week, Onyx's over \$50 million upgrade of the skybridges ([The Junction at Gateway](#)) along with the new "Jewel Box" entrance highlights the importance of offering amenities to tenants.

Downtown Office Statistics

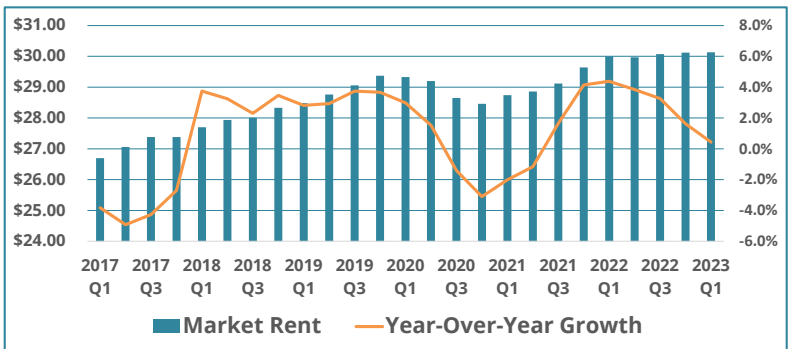
The downtown office occupancy rate increased 0.5% to 83.9% in the first quarter of 2023 from 83.4% in the fourth quarter of 2022. The gain came from both absorbed space in direct and sublet vacancy discussed next.



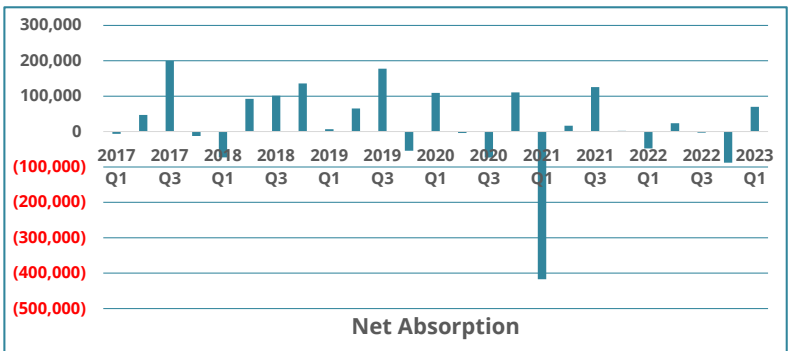
Direct vacancy declined to 0.2% to 12.2% in the first quarter of 2023 from 12.4% in the fourth quarter of 2022 and sublet vacancy declined 0.4% to 3.8% in the first quarter of 2023 from 4.2% in the fourth quarter of 2022.



Market rents of \$30.13 per square foot in the first quarter of 2023 were unchanged in a sequential comparison and increased 0.4% from \$30.00 per square foot in the first quarter of 2022 in a year-over-year comparison.



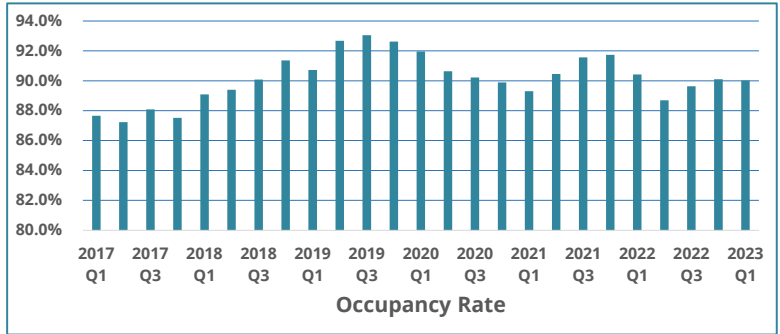
Net absorption totaled close to 70,000 square feet in the quarter.



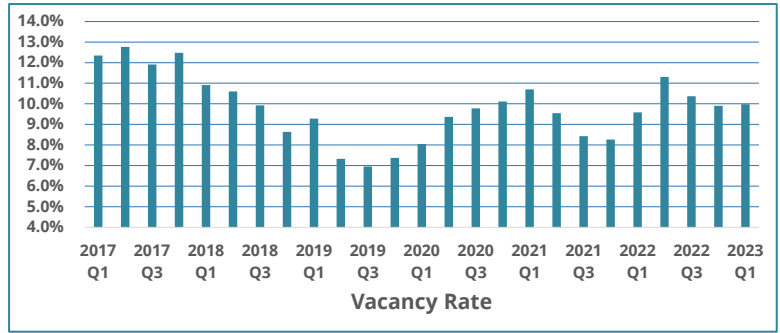
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

Downtown Retail Statistics

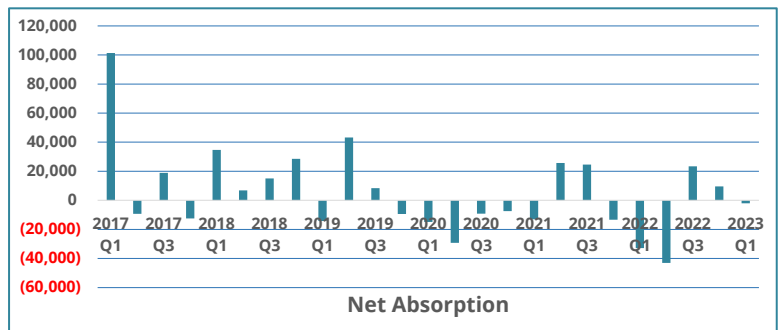
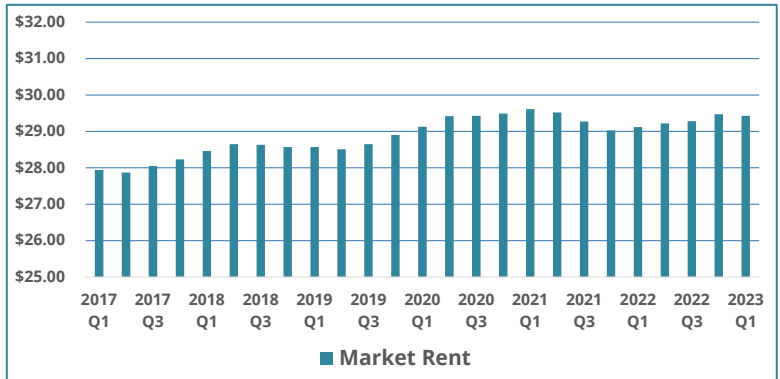
Retail occupancy declined 0.1% to 90.0% in the first quarter of 2023 from 90.1% in the fourth quarter of 2022.



Retail rents declined to \$29.43 per square foot in the first quarter of 2023 from \$29.47 per square foot in the fourth quarter of 2022 but increased 1.1% from \$29.12 per square foot in the fourth quarter of 2022 in a year-over-year comparison.



Negative absorption totals approximately 2,000 square feet reflecting the uptick in vacancy in the quarter.

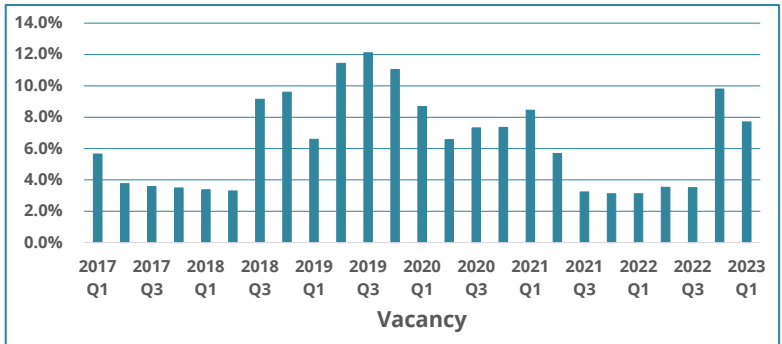
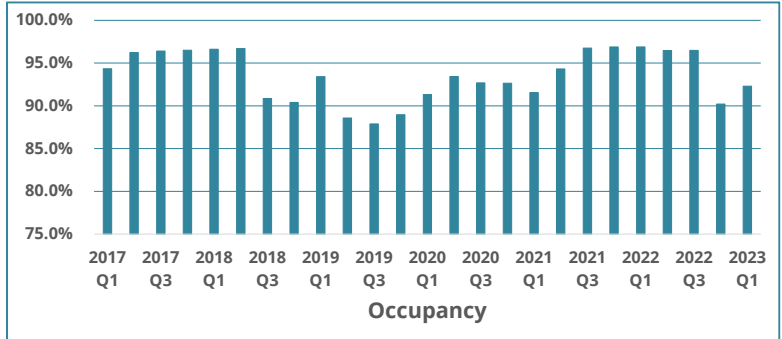


Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

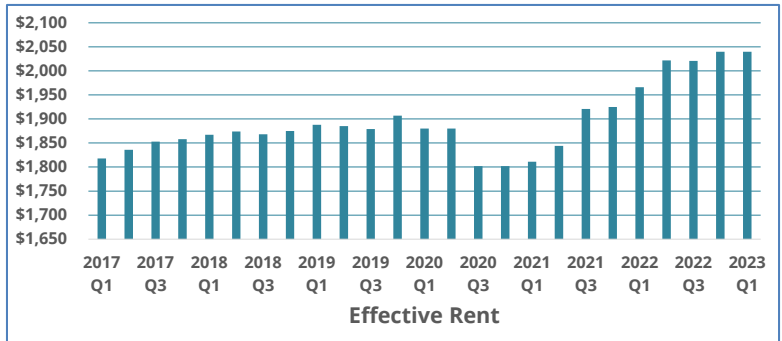
Downtown Multifamily Market Rate* Statistics

Downtown multifamily occupancy increased 2.1% to 92.3% in the first quarter of 2023 from 90.2% in the fourth quarter of 2022.

The delivery of the 250-unit Newark Urby reduced occupancy in the fourth quarter of 2022 and is leasing up with improved occupancy to note in the quarter.

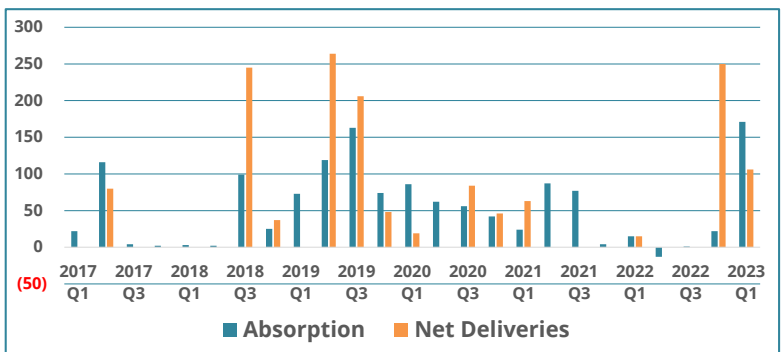


Effective rents per unit declined 1.9% to \$2,061 per unit in the first quarter of 2023 from \$2,101 in the fourth quarter of 2022 likely reflecting seasonality but also development deliveries as new supply pressures rents slightly.



Absorption totaled 171 units in the fourth quarter of 2023 and deliveries totaled 106 units reflecting absorption of new supply.

CoStar's data reflects the completion of 106-unit Indigo Residence that is in pre-leasing and is set to re-open shortly.

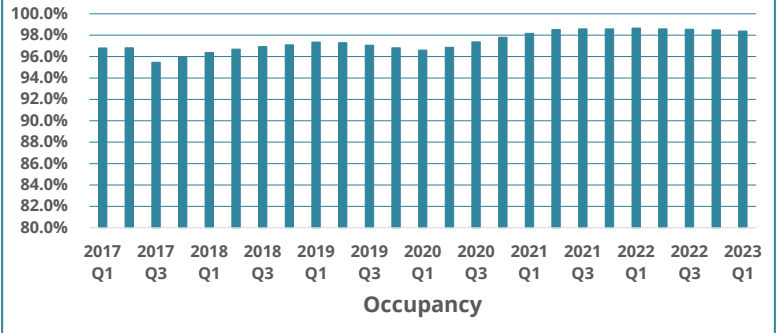


* We have segmented multifamily into market rate and market rate with affordable properties (versus affordable properties) to highlight operating statistics for properties that principally consist of market-rate units. We present CoStar's data for affordable properties next.

Absorption is space leased.

Downtown Multifamily Affordable* Statistics

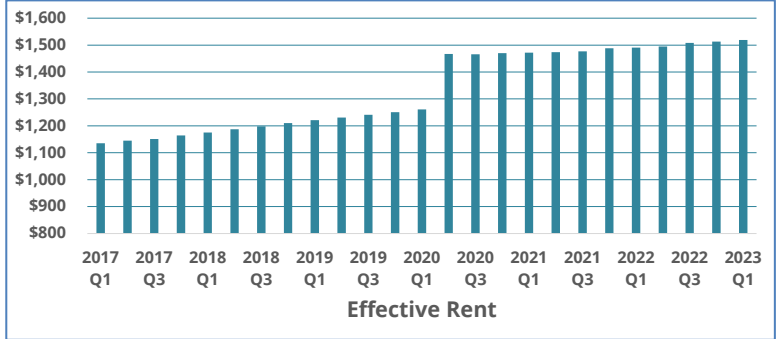
Downtown multifamily affordable occupancy decreased 0.1% to 98.4% in the first quarter of 2023 from 98.5% in the fourth quarter of 2022.



Downtown multifamily affordable vacancy increased 0.1% to 1.6% in the first quarter of 2023 from 1.5% in the fourth quarter of 2022. The vacancy rate remains very low reflecting affordable housing that is substantially leased.

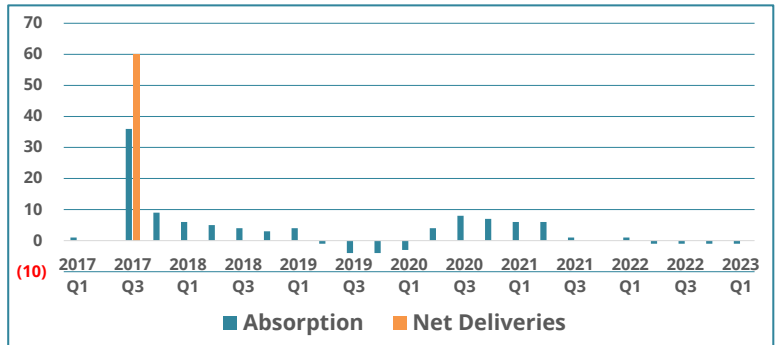


Effective rents increased 0.4% to \$1,519 per unit in the first quarter of 2023 from \$1,513 per unit in the fourth quarter of 2022.



Average effective rent for affordable housing units is 26.3% lower than average rent for market-rate apartment units of \$2,061 per unit.

Absorption has been negative at 1 unit for the last four quarters, which has pressured occupancy slightly. Separately, the NDD District has not seen a new 100% affordable rate unit come online since the third quarter of 2017 according to CoStar's database.



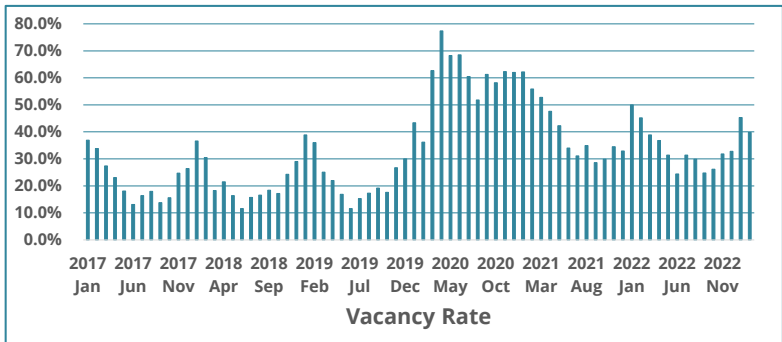
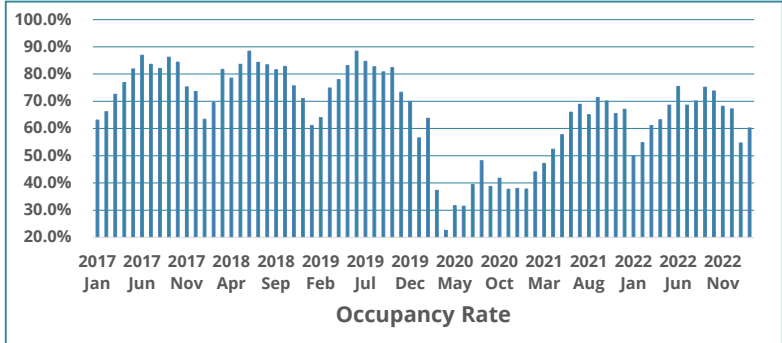
* We have segmented multifamily properties. Data on this page reflects 100% affordable housing properties.

Absorption is space leased.

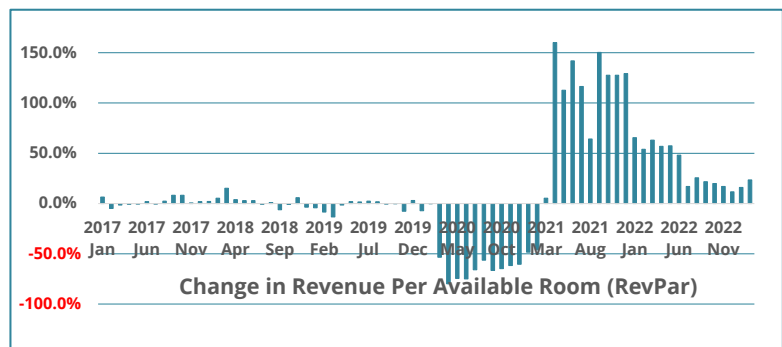
Downtown Hospitality Statistics

Occupancy totaled 60.2% in February 2023 (latest available) in the seasonally soft first quarter versus 67.2% for December 2022.

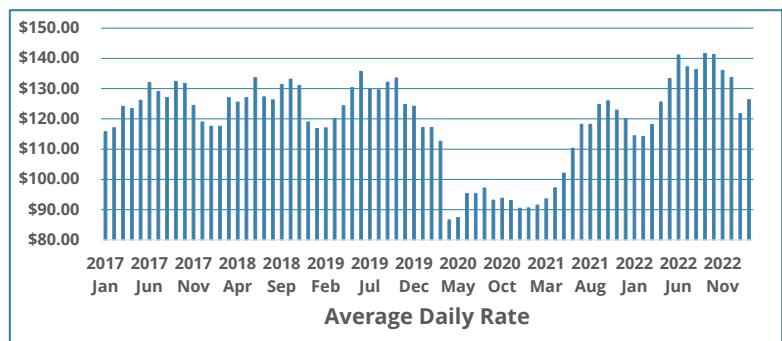
Occupancy increased 5.4% from 54.8% from February 2022 in a year-over-year comparison.



RevPar continues to trend positive and totaled 23.5% in February 2023.



Average daily rate totaled \$126.38 in February 2023 versus \$133.69 in December 2022. The sequential decline reflects first quarter seasonal softness.



Downtown News

NJ Transit Plans to Move to Gateway Two

New Jersey Transit announced at its February 2023 [board meeting](#) that it has entered a resolution to negotiate a 25-year 400,000 square foot lease at Onyx Equity's Gateway Two office tower. New Jersey Transit's current headquarters are adjacent to Penn Station along the Passaic River at 1 & 2 Penn Plaza and it intends to vacate its current headquarters. It owns the building and cited the high renovation costs to modernize the building as the reason for its decision to move and lease space at Gateway Two. An additional item to note from the board meeting is that Panasonic was in active negotiations with New Jersey Transit to move the headquarters to Two Riverfront Plaza – Panasonic's current headquarters in the downtown.

Matrix Announces Five Leases at One Riverfront Plaza

Matrix announced that it leased 37,000 square feet of space at its "Newark Legal Center". The spaces are leased to four law firms and one consulting firm bringing occupancy to One Riverfront Plaza to 85%. In addition, Matrix announced that food service provider "Café Margherita" will operate in the building's two-story lobby.

ICONIQ 777 (777 McCarter Hwy) is in Pre-Leasing and Will Open Shortly

Pre-leasing is underway at ICONIQ 777 located in the immediate vicinity to Newark Penn Station and Onyx's Gateway complex. The 33-story luxury apartment tower includes 370 units, which includes 20% affordable units complying with Newark's inclusionary zoning ordinance. It is the second apartment tower undertaken by Newark native Shaquille O'Neal and Boraie Development. Financing partners in the project include Goldman Sachs, Prudential Financial, Citibank, and Bridge Development Group. The amenity rich building includes a roof deck and lounge, fifth-story gym and outdoor pool, meeting rooms, onsite parking, and 24/7 concierge service.

In total, this real estate activity highlights the importance of its immediate vicinity to Newark Penn Station with convenient access throughout the metropolitan area as Newark transitions to a live/work/play community. Both Onyx's Gateway buildings and Matrix's One Riverfront Plaza are connected to Penn Station through its skybridges.

Downtown News (continued)

Both companies have invested in their assets offering amenities that appeal to the shift to the hybrid work model where employees no longer necessarily work in the office five days a week, which is becoming the new normal.

Onyx's apparent win of the 400,000 square foot New Jersey Transit lease illustrates that its \$50 million investment in improvements to the skybridges could pay off. We highlighted Onyx's construction project at Gateway and the interconnectivity to the Penn Station transit hub in a February 2022 report. Click [here](#) to access the report. Matrix's One Riverfront Plaza also appears to be benefiting from the upgrades at the skybridges.

