

---

## Downtown Newark Real Estate Report Fourth Quarter 2023



## Table of Contents



**Executive Summary**.....4

### Property Operating Metrics

Office.....5

Retail.....6

Multifamily.....7

Hospitality.....8

**Downtown News**.....9-10



### About This Report

The Newark Downtown District (NDD) 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).

### Cover Photo:

Intersection of Raymond Boulevard, Wayne Shorter Way, and Broad Street



### Photos to the Left:

- NDD 10<sup>th</sup> Annual Holiday Tree Lighting – 80 Park Place
- New Jersey Performing Arts Center (NJPAC) – One Center Street
- Riverfront Park at 930 McCarter Highway – Site of Boraie Development's [930 McCarter Highway](#) development

## Newark Downtown District

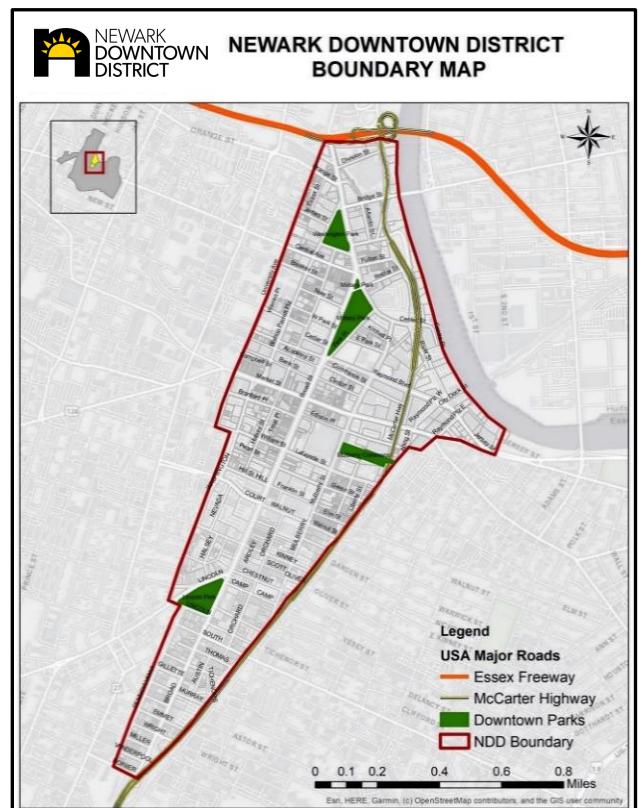
### About the NDD:

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 visitors.

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

We note improvement of the operating performance in three (retail, multifamily, and hospitality) of the four commercial real estate sectors in downtown Newark. The notable exception is office. Employers (and storefront businesses) continued to adjust to the hybrid work from home (WFH) business model in 2023, where office occupancy declined 2.8% to 80.6% in a year-over-year (YOY) comparison. As a result, office utilization has not recovered to pre-pandemic levels, resulting in employers rationalizing their office-space needs. This also has impacted foot traffic in the downtown, which is important for storefront businesses. However, we do note improvement in retail during the year where occupancy increased 0.6% to 90.7% as new businesses have opened. Multifamily is absorbing new supply where occupancy increased 1.8% to 92.0%. Finally, pent-up demand for travel and leisure fueled continued positive RevPar growth throughout the year, with 6% growth in November (latest available).

### Newark Downtown Real Estate Operating Statistics

Property	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	YOY* Chg
Office Occupancy	86.3%	83.2%	83.3%	84.2%	84.3%	83.9%	84.1%	84.0%	83.4%	83.9%	82.8%	81.0%	80.6%	-2.8%
Retail Occupancy	89.9%	89.3%	90.5%	91.6%	91.7%	90.4%	88.7%	89.6%	90.1%	90.0%	89.2%	91.7%	90.7%	0.6%
Multifamily Occupancy	92.6%	91.5%	94.3%	96.8%	96.9%	96.9%	96.5%	96.5%	90.2%	92.3%	87.6%	88.4%	92.0%	1.8%
Hospitality RevPar**	-60%	5%	142%	150%	129%	63%	48%	22%	12%	25%	16%	17%	6%	NM

Source: CoStar; NDD. \*Year-Over-Year (YOY) \*\* Revenue per available room. RevPar monthly as of the quarter's end except 2023 Q3 - November.

### Downtown News:

#### Newark Penn Station Office Location Attracts New & Retains Tenants

In November, global consulting firm McKinsey & Company was in the news with its decision to relocate to downtown Newark. The company has decided to consolidate its New Jersey offices to Ironside Newark located at 110 Edison Place, according to news sources. The state-of-the-art office building is located within a short walk to Newark Penn Station and is on Mulberry Commons – Newark’s newest downtown park.

New Jersey Transit’s decision to stay in the immediate vicinity to Penn Station was the other major lease in 2023. It will relocate its headquarters from 1&2 Penn Plaza to Gateway Two, and announced it has executed a 25-year lease for 407,000 square feet at the building. It is scheduled to move at the end of 2024 and will be a major anchor for Onyx’s Gateway Newark complex, which includes three office buildings. Both Ironside Newark and Gateway Newark represent owner investment in their properties to include amenities that office tenants are increasingly requiring.

## Downtown Office Statistics

Office occupancy declined 0.4% to 80.6% in the fourth quarter of 2023 from 81.0% in the third quarter of 2023 in a sequential comparison.

For the full year, occupancy declined 2.8% from 83.4% in the fourth quarter of 2022.

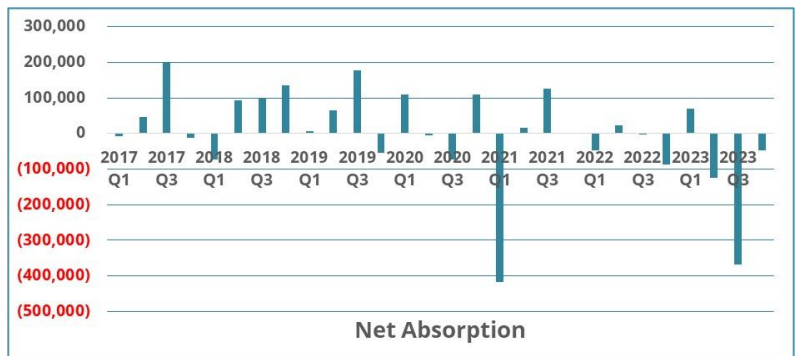
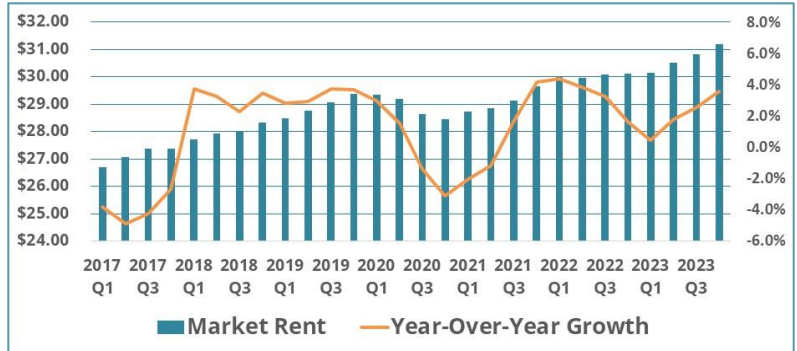
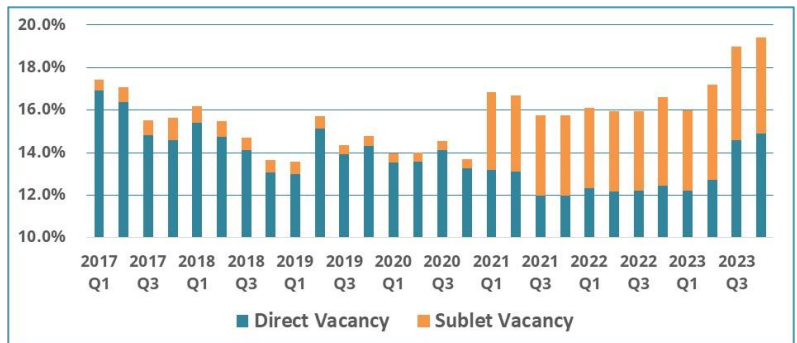
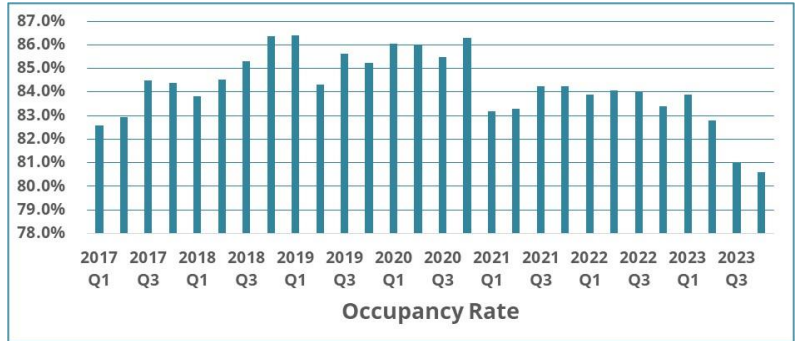
Direct vacancy increased 0.3% to 14.9% in the fourth quarter of 2023 from 14.6% in the third quarter of 2023 while sublet vacancy increased 0.1% to 4.5% in the fourth quarter of 2023 from 4.4% in the third quarter of 2023.

For the full year, vacancy increased 2.8% with direct vacancy increasing 2.5% from 12.4% in the fourth quarter of 2022. Sublet vacancy increased 0.3% from 4.2% in the fourth quarter of 2022.

Market rents increased 1.2% to \$31.20 per square foot in the fourth quarter of 2023 from \$30.83 per square foot in the third quarter of 2023.

For the full year, market rents increased 3.6% from \$30.12 per square foot in the fourth quarter of 2022.

Net absorption totaled approximately negative 47,000 square feet in the fourth quarter of 2023 and totaled approximately negative 470,000 square feet for full-year 2023.



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

## Downtown Retail Statistics

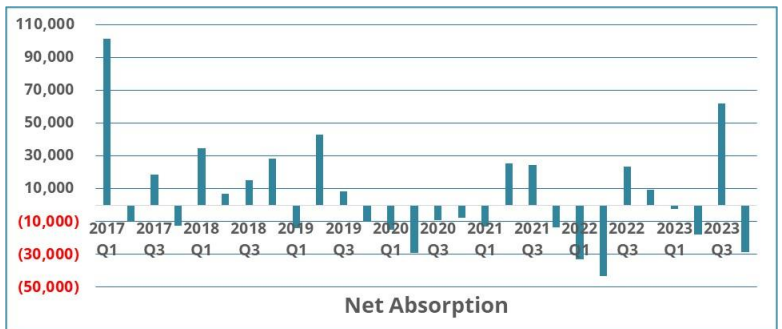
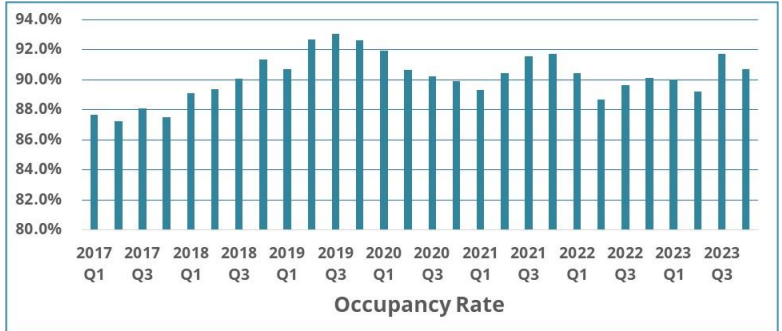
Retail occupancy declined 1.0% to 90.7% in the fourth quarter of 2023 from 91.7% in the third quarter of 2023.

For the full year, retail occupancy increased 0.6% from 90.1% in the fourth quarter of 2022. While the occupancy comparisons illustrate resilience in retail operating fundamentals, we note that occupancy has not recovered to the levels just before the pandemic started in the first quarter of 2020.

Retail market rents declined 3.9% to \$28.70 per square foot in the fourth quarter of 2023 from \$29.88 per square foot in the third quarter of 2023. For the full year, retail market rents declined 2.6% from \$29.47 per square foot in the fourth quarter of 2022.

The sequential weakness in both occupancy and rents is notable and warrants tracking in the coming quarters. CoStar's data set for retail operating fundamentals is of a limited size where small changes can be magnified in results.

Net absorption declined approximately 28,000 square feet in the fourth quarter of 2023. For the full year, net absorption increased approximately 14,000 square feet. We note one quarter of positive absorption in the third quarter and three of negative absorption.



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

## Downtown Multifamily Market Rate\* Statistics

Multifamily occupancy increased 3.6% to 92.0% the fourth quarter of 2023 from 88.4% in the third quarter of 2023. For the full year, occupancy increased 1.8% in the fourth quarter of 2023 from 90.2%.

CoStar's data includes the completion of the following apartment towers since the third quarter of 2022:

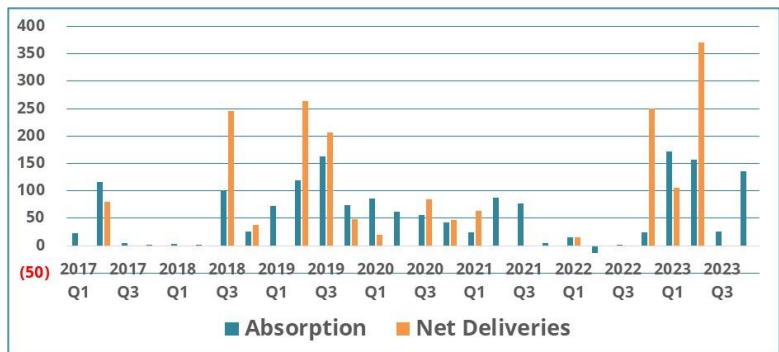
- The 250-unit Newark Urby;
- The 106-unit Indigo Residence and;
- The 370-unit ICONIQ 777

The projects have a total of 476 units in lease-up, which have affected the downtown occupancy and vacancy rates. We note that the projects are leasing but rents have been pressured as the year progressed in 2023.

Effective rents per unit declined 1.1% to \$2,168 per unit in the fourth quarter of 2023 from \$2,190 per unit in the third quarter of 2023. For the full year, effective rents increased 3.2% from \$2,101 per unit in the fourth quarter of 2022.

The inclusion of two development deliveries skewed rents higher in the second quarter of 2023 given their higher rents; however, we note softness in rents in the second half of 2023.

Absorption totaled 135 units in the quarter as projects continued to lease up.



Absorption is units leased.

\* Data reflect multifamily market rate and market rate with affordable properties (versus affordable properties) to highlight operating statistics for properties that principally consist of market-rate units.

## Downtown Hospitality Statistics

Hospitality occupancy moderated to 69.7% in November 2023 (latest available) from 80.7% in September 2023 in a typical seasonal pattern.

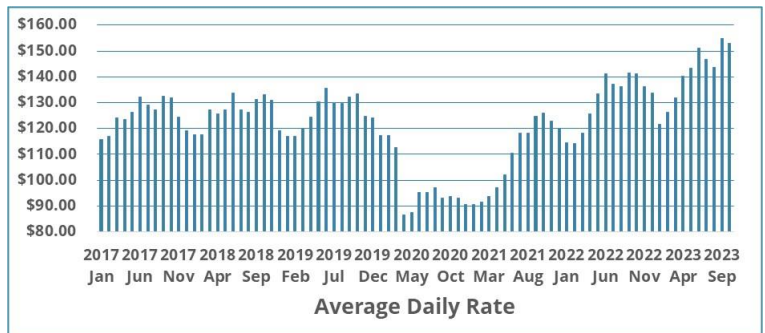
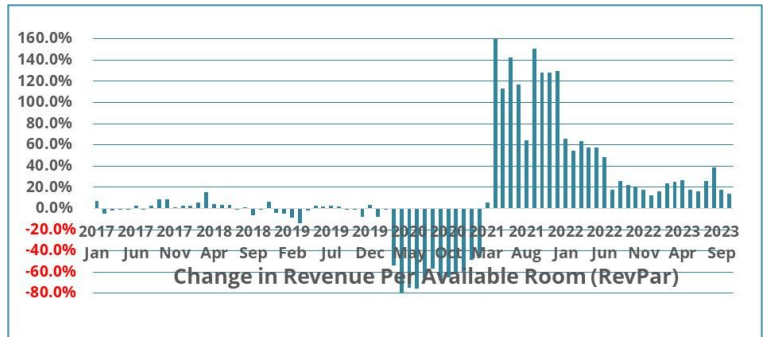
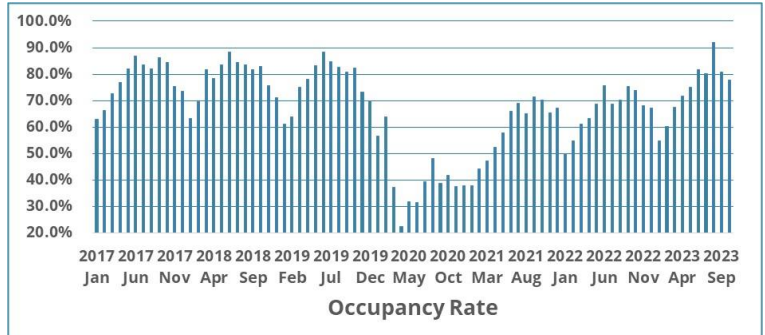
In a year-over-year comparison, occupancy increased 2.5% from 67.2% in November 2022.

We note the improved occupancy throughout the year as hospitality performed well in 2023.

RevPar continued to trend positive and totaled 5.8% in November 2023 versus 17.3% in September 2023.

Average daily rate totaled \$140.85 in November 2023 versus \$154.93 in September 2023.

In a year-over-year comparison, average daily rate increased 3.5% from \$136.06 in November 2022.





## Downtown News

---

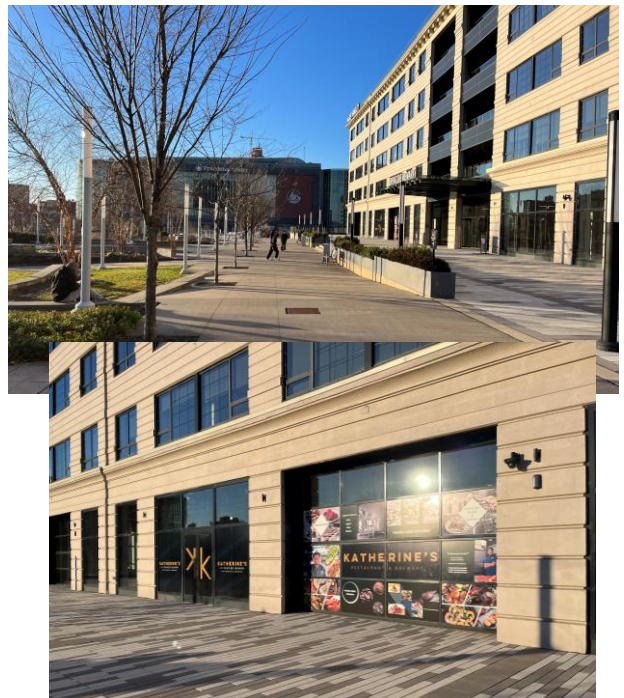
In one of two major office leases in 2023, [McKinsey & Company](#) plans to consolidate its offices in downtown Newark according to press articles. The company declined to comment on the specific location but did indicate that it will move to Newark. [Real Estate New Jersey](#) first reported the story and cited [Ironsides Newark](#) at 110 Edison Place (owned by Edison Properties) as the likely location, which is in the Newark Penn Station core office hub. McKinsey – a global management company – represents a significant new tenant to downtown Newark, adding to the companies that are choosing to locate and consolidate operations given Newark’s convenience and drive to add amenities to its central business district (CBD). Edison also leased the corner space at Ironsides Newark to Katherine’s Restaurant & Brewery owned by restaurateur Jason Wallace.

Ironsides Newark - renovated by Edison Properties in 2019 – is already the headquarters to Mars Wrigley. The property is at Mulberry Commons, Newark’s newest downtown park, and is in the immediate vicinity to Newark Penn Station. Phase two of the City of Newark’s Mulberry Commons project is to link a pedestrian bridge across the park to the Ironbound community and to open a new entrance to Penn Station with a new 49,000 train hall on Mulberry Commons – immediately adjacent to Ironsides Newark.



*Ironsides Newark at Mulberry Commons.*

*Corner space leased to Katherine’s Restaurant & Brewery.*



## Downtown News (continued)

---

Earlier in the year, the other major lease in downtown Newark was New Jersey Transit's 407,000 square foot 25-year lease to move its headquarters to Gateway Two. It is scheduled to move at the end of 2024 and will be a major anchor for the Onyx's [Gateway Newark](#) complex, which includes three office buildings. Onyx also invested significant capital in Gateway with upgrades to the skybridges (The Junction) and entrance, which were completed early in 2023. The renovation included a new food and beverage hall and additional amenities required by office space users in this changing office market.

Both Gateway Newark and Ironside Newark represent owner investment in their properties to include amenities to market their properties to tenants, which is almost required in this post-pandemic business environment.

There are a total of 50 office properties near Newark Penn Station with a total of 9.3 million square feet representing Newark's largest cluster of office properties in the CBD. Despite the positive leasing news in 2023, vacancy has increased 2.3% in this specific market to 20.7% in the fourth quarter of 2023 from 18.4% for the same period in 2022 according to CoStar data. McKensey indicated that it will consolidate out of its Jersey City and Summit office to Newark in the second half of 2024 and New Jersey Transit expects to move to Gateway Two in December. While we view this activity as significant positive for the downtown, the vacancy trend indicates that the overall market is not without its challenges.

*Newark's core office market at Penn Station including Onyx's Gateway Newark complex*

