

Downtown Newark Real Estate Report Second 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 Photos:

- 301 Washington St development
- Halo development at 289-301 Washington St

Photos to the Left

- Southwest corner of Market St and Washington St - 94-106 Market St
- Northeast corner of Market St & Halsey St – 141-149 Market St
- Southwest corner of Washington St & Market St – 252-256 Washington St
- Metropolitan Building (pre-demolition) – 260-266 Washington St

Newark Downtown District

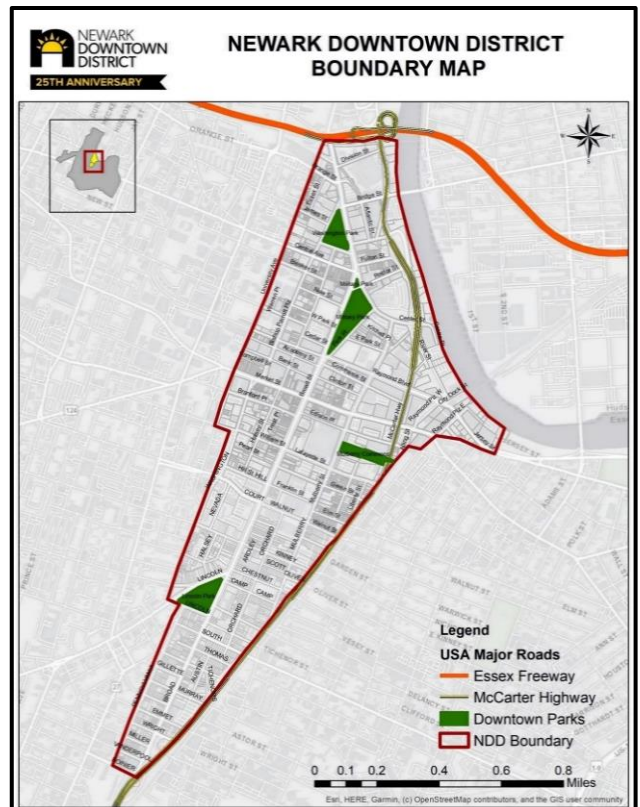
About the NDD:

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

Commercial real estate operating statistics are mixed in downtown Newark where both office and retail continue to be negatively affected by a lack of office workers with the employer shift to work from home (WFH). New supply has affected multifamily statistics with the delivery of 726 apartment units since the fourth quarter of 2022. Finally, we note continued improvement in hospitality operating fundamentals. Highlights are as follows:

- The downtown office occupancy rate declined 1.1% to 82.8% in the second quarter of 2023 from 83.9% in the first quarter of 2023
- Retail occupancy declined 0.8% to 89.2% in the second quarter of 2023 from 90.0% in the first quarter of 2023
- Multifamily occupancy declined 4.7% to 87.6% in the second quarter of 2023 from 92.2% in the first quarter of 2023
- Finally, hospitality RevPar increased 18% for the month of May 2023 (latest available)

Newark Downtown Real Estate Operating Statistics

Property	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	YOY* Chg
Office Occupancy	86.0%	85.5%	86.3%	83.2%	83.3%	84.2%	84.3%	83.9%	84.1%	84.0%	83.4%	83.9%	82.8%	-1.3%
Retail Occupancy	90.6%	90.2%	89.9%	89.3%	90.5%	91.6%	91.7%	90.4%	88.7%	89.6%	90.1%	90.0%	89.2%	0.5%
Multifamily Occupancy	93.4%	92.7%	92.6%	91.5%	94.3%	96.8%	96.9%	96.9%	96.5%	96.5%	90.2%	92.3%	87.6%	-8.9%
Hospitality RevPar**	-75%	-67%	-60%	5%	142%	150%	129%	63%	48%	22%	12%	25%	18%	NM

Source: CoStar; NDD. *Year-Over-Year (YOY). ** Revenue per available room. RevPar monthly as of the quarter's end except 2023 Q2 - May.

Development Activity Heats Up on Washington Street

Washington Street runs through the western portion of Newark's central business district. Development activity here is concentrated in a portion of the downtown south of Market Street where there are parcels and underutilized buildings suitable for new projects. Two projects broke ground in 2022 and two more moved forward in May of 2023.

- In May, Essex County broke ground on the 8-story 266,432 square foot Essex County Wynona Lipman Family Courts building located on Branford Place between Washington Street and University Street
- Also in May, the New Jersey Economic Development Authority (NJEDA) awarded up to \$49.8 million in tax credits to the Hanini Group's 22-story 207-unit development located on the corner of Washington Street and Branford Place
- Previously under construction is the eight-story 92-unit 303 Washington Street located on the corner of Washington Street and William Street
- And previously under construction is the 42-story 303-unit phase one of the Halo located on 289-301 Washington Street

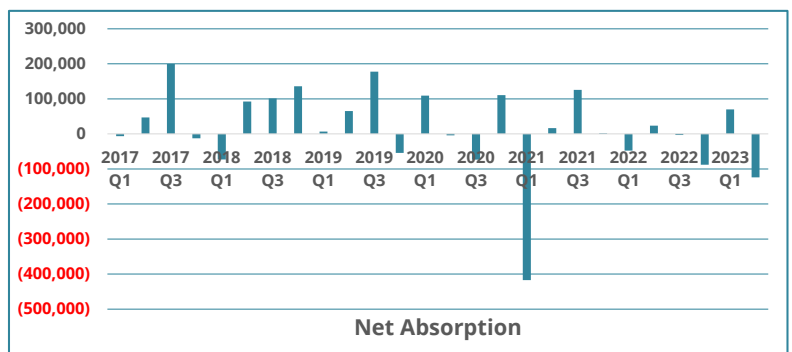
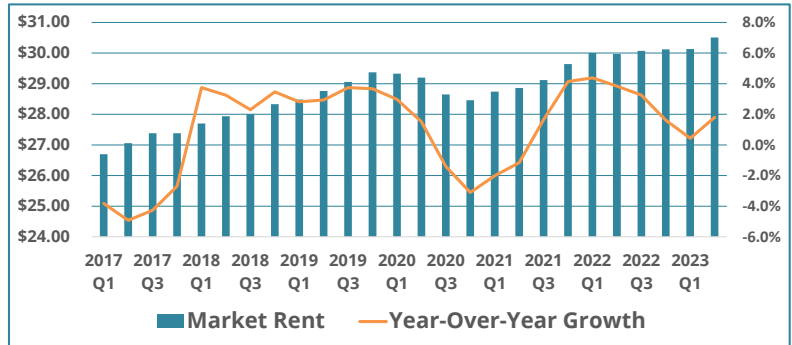
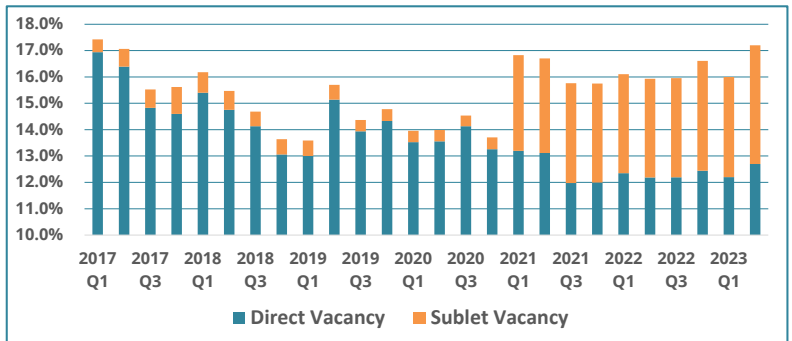
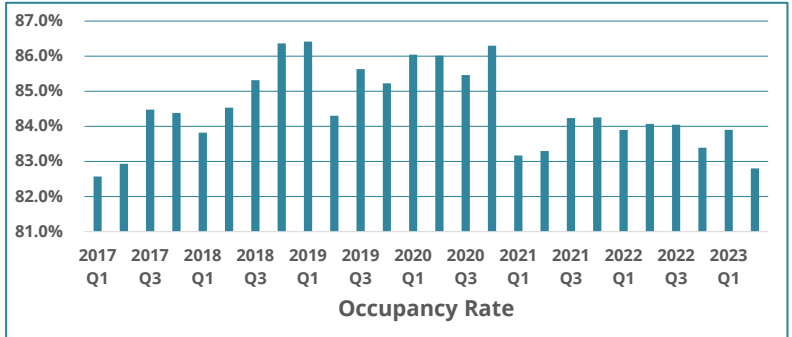
Downtown Office Statistics

We note general weakness in office fundamentals in the second quarter of 2023. The downtown office occupancy rate declined 1.1% to 82.8% in the second quarter of 2023 from 83.9% in the first quarter of 2023. The decline came from both an increase in direct and sublet vacancy discussed next.

Direct vacancy increased to 0.5% to 12.7% in the second quarter of 2023 from 12.2% in the first quarter of 2023. Sublet vacancy increased 0.7% to 4.5% in the second quarter of 2023 from 3.8% in the first quarter of 2023.

Market rents increased 1.3% to \$30.51 per square foot in the second quarter of 2023 in a sequential quarter comparison and increased 1.8% from \$30.12 per square foot in the second quarter of 2022 in a year-over-year comparison.

Net absorption declined over 124,000 square feet in the second quarter as companies gave up space and put space on the market to sublet.

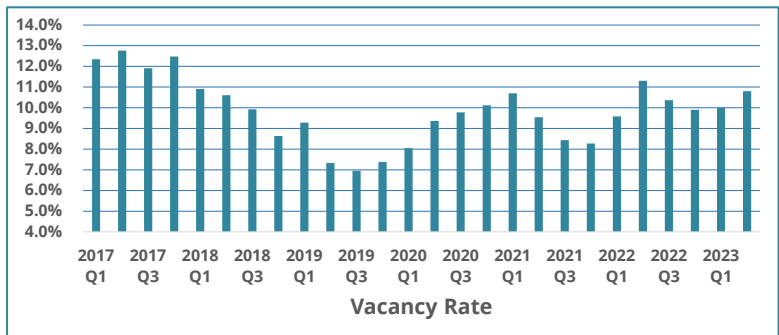
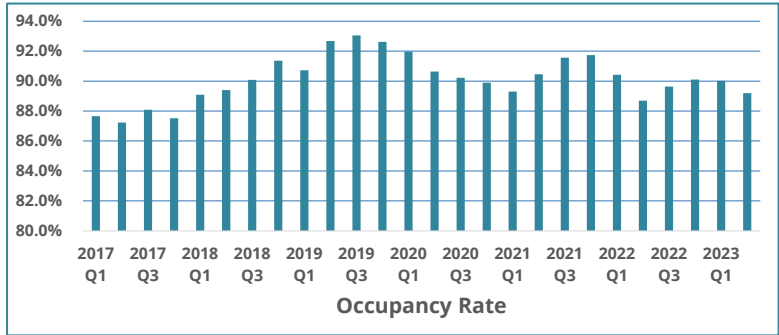


Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

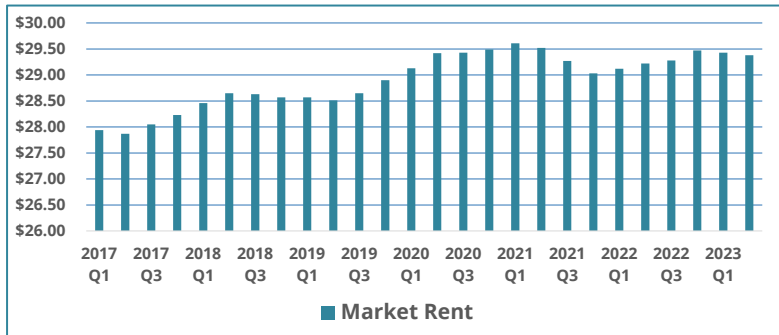
Downtown Retail Statistics

We also note general weakness in retail fundamentals in the second quarter of 2023.

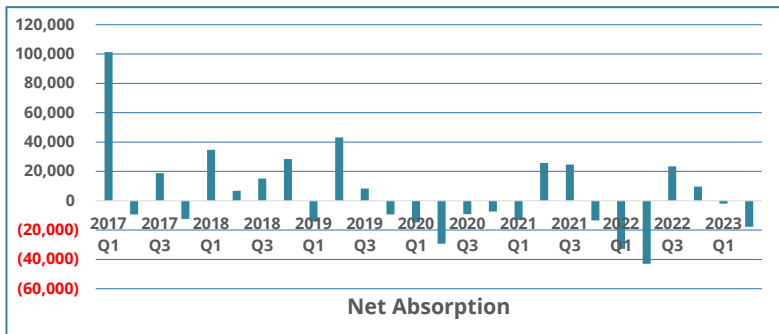
Retail occupancy declined 0.8% to 89.2% in the second quarter of 2023 from 90.0% in the first quarter of 2023.



Retail rents declined to \$29.38 per square foot in the second quarter of 2023 from \$29.43 per square foot in the first quarter of 2023.



Negative absorption totaled close to 18,000 square feet reflecting the increase in vacancy in the second quarter.



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

Downtown Multifamily Market Rate* Statistics

Downtown multifamily occupancy declined 4.7% to 87.6% in the second quarter of 2023 from 92.2% in the first quarter of 2023.

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

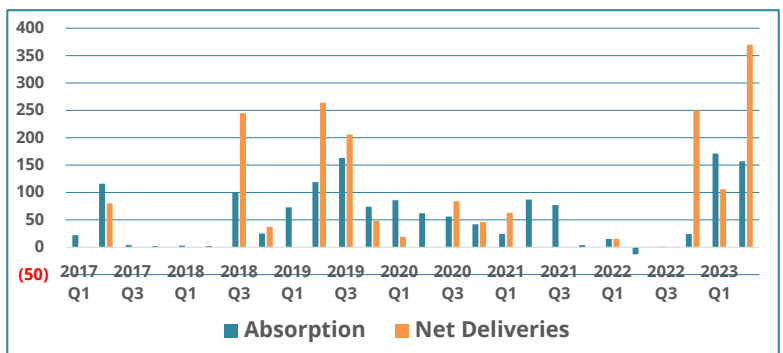
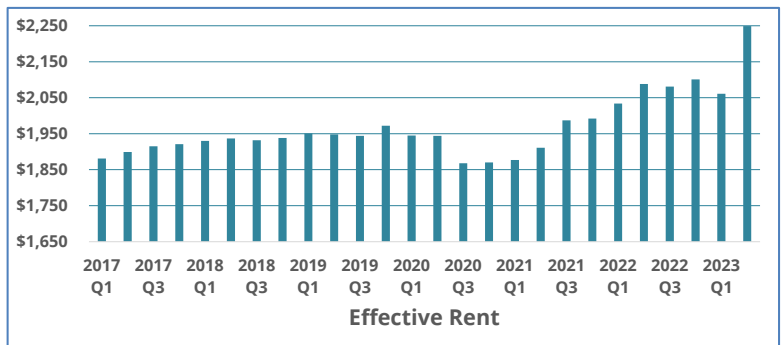
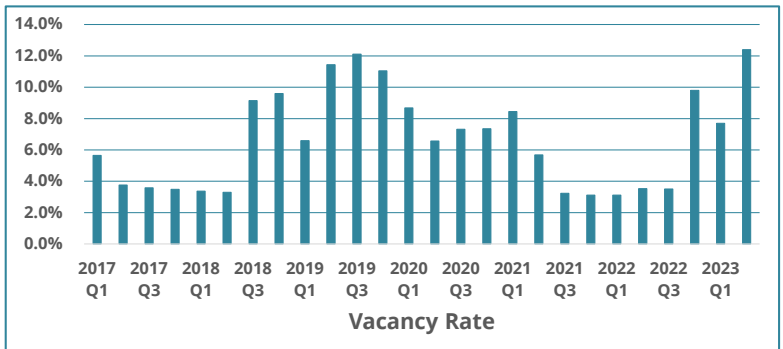
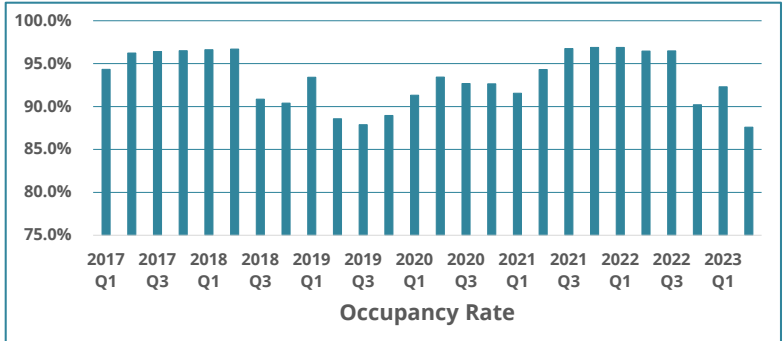
- the 250-unit Newark Urby;
- the 106-unit Indigo Residence, and;
- the 370-unit ICONIQ 777

The projects are in lease up and have affected the downtown occupancy and vacancy rates.

Effective rents per unit increased 9.1% to \$2,249 per unit in the second quarter of 2023 from \$2,061 per unit in the first quarter of 2023.

CoStar's results for the second quarter of 2023 include both the ICONIQ 777 and Indigo Residence rents for the first time. If we exclude these properties, rents per unit increased 2.8% to \$2,119 per unit in the second quarter of 2023.

Absorption totaled 157 units in the first quarter of 2023 and deliveries totaled 370 units.



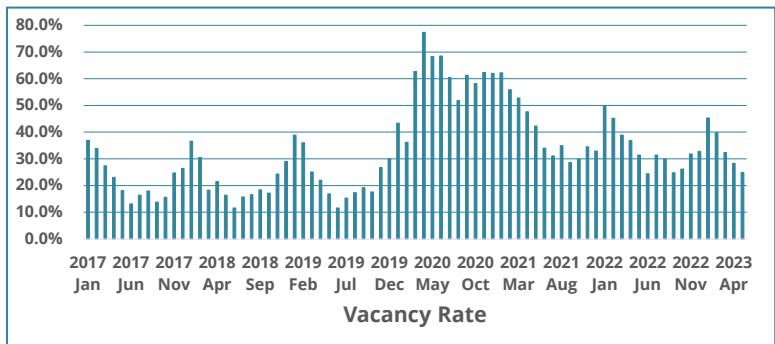
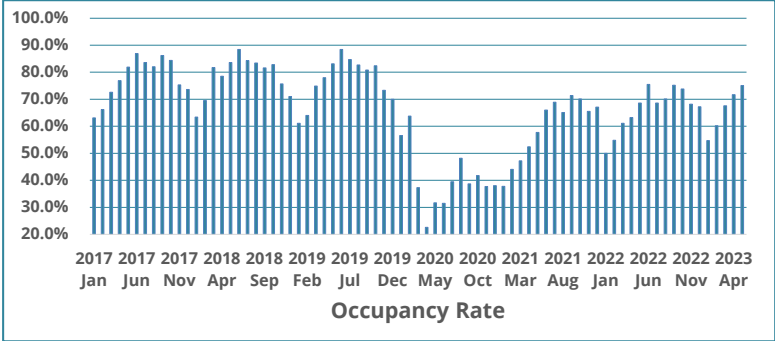
* Data reflect multifamily market rate and market rate with affordable properties (versus affordable properties) to highlight operating statistics for properties that principally consist of market-rate units.

Absorption is space leased.

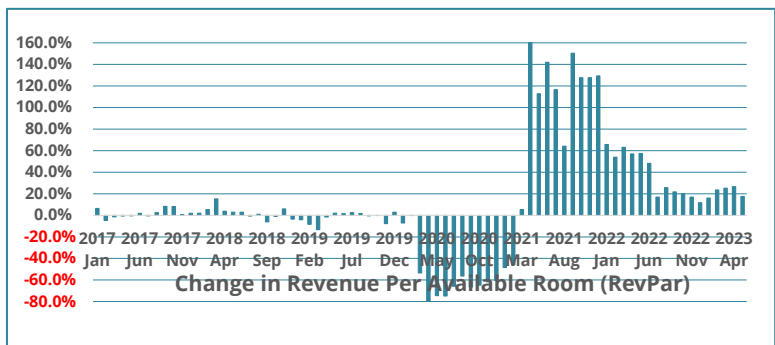
Downtown Hospitality Statistics

Occupancy increased 6.5% to 75.1% in May 2023 (latest available) versus 67.6% for March 2023.

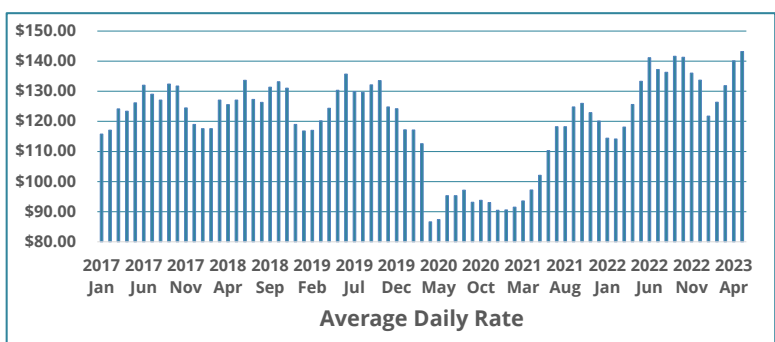
In a year-over-year comparison, occupancy increased 5.5% from 68.6% from May 2022.



RevPar continues to trend positive and totaled 17.6% in May 2023.



Average daily rate totaled \$143.23 in May 2023 versus \$131.88 in March 2023.



Development Heats Up on Washington Street

South of Market Street (SoMa)

The South of Market Street (SoMa) neighborhood has seen ongoing development activity, which started with RBH Group's 203-unit Teachers Village located on Halsey Street and William Street. Teachers Village has served as an anchor for the neighborhood. Follow-on projects include Summit Assets and Winchester Equities' 63-unit William House located on Washington Street and William Street, and Paramount Assets' 37-unit William Flats located on William Street and Broad Street.

303 Washington Street

In 2022, Baldwin Equities – a Summit Assets and Winchester Equities Partnership - commenced construction of the 92-unit 303 Washington Street located across the street from William House. The project entails redevelopment of a former five story office building and adding four additional stories to it (see cover photo).



Development Heats Up on Washington Street (Continued)

Halo

Immediately adjacent to 303 Washington Street is the [Halo development](#). In 2022, Acier Holding commenced construction of phase one of the project, which entails construction of a 42-story tower with 303 units. The tower is being built on a five-story parking structure, which will accommodate a total of three towers with 1,075 units when fully built out.

We outlined development activity in SoMa in a prior quarterly report. Click [here](#) to review that report.



Development Heats Up on Washington Street (Continued)

Essex County Family Courts Building

In May 2023, the [Essex County family courts development](#) broke ground. It is immediately adjacent to Halo running the full block on Branford Place from Washington Street to University Avenue. Named Essex County Wynona Lipman Family Courts Building in honor of the late New Jersey State Senator Wynona Lipman, the eight-story building will total 266,432 square feet with a scheduled completion in 2025.

Essex County announced that it will exit its existing courtrooms located at 212 Washington Street (also 153 Halsey Street). The building is owned by Newark-based Hanini Group in a partnership with SHIFT Capital and ColInvestment Partners, which purchased the building in 2021 and plan to repurpose the space.



Development Heats Up on Washington Street (Continued)

Planned Metropolitan

In June 2023, the Hanini Group began demolition work on its [Metropolitan development](#) located at 260-272 Washington Street. 260-266 Washington Street was the Metropolitan Building. The original Hanini Group plans were to preserve the facades of the Metropolitan Building and incorporate them into a 22-story building. However, we note that the Metropolitan Building has been demolished. The balance of the buildings, which included 268, 270, and 272 Washington Street, also have been demolished making way for the apartment tower. The planned tower includes five floors of retail and café space, amenity space on the third floor, and 207 apartment units with 67 affordable units.

In May, the New Jersey Economic Development Authority (NJEDA) announced that it awarded the Metropolitan project up to \$49.8 million in tax credits through the authority's Aspire program. Hanini is partnering with SHIFT Capital again to develop the property.



Development Heats Up on Washington Street (Continued)

RBH Group's 101 Market Street & 193-201 Market Street Development Projects

Based on our conversations with RBH group, it also has applied for tax credits through the Aspire program for its development projects located at [101 Market Street](#) and [193-201 Market Street](#). Its project at 101 Market Street is in the immediate vicinity to the Metropolitan located at Market Street and Washington Street. RBH's plans are to construct a 13-story mixed-use building with 238 units and over 12,000 square feet of retail space.

Metropolitan development site at 260-272 Washington Street (corner of Branford Place) post-demolition



Essex County Wynona Lipman Family Courts Building development site (corner of Branford Place and University Avenue)



Planned development site at 101 Market Street (corner of Market Street and Washington Street)



Development Heats Up on Washington Street (Continued)

