

## Downtown Newark Real Estate Report Third Quarter 2022



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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).

**Cover Photos:** Halsey Street – Halsey Festival 2022

**Photos to the Left:**

- 1) IDT Building – 520 Broad Street
- 2) Market Street between Broad & Halsey Street
- 3) Warren Street
- 4) Tryp by Wyndham Downtown Newark

# Newark Downtown District

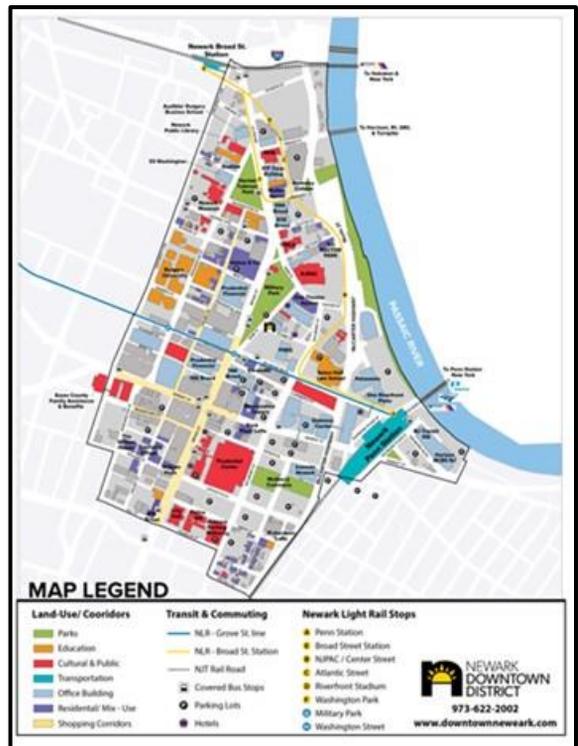
## About the NDD:

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, 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, 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

Newark’s downtown commercial real estate operating fundamentals were relatively stable in the third quarter of 2022. Office vacancy was unchanged at 16.2% and rents declined slightly to \$31.72 per square foot from \$31.82 per square foot in sequential comparisons. However, we do note in this report that office sublet vacancy remains stubbornly high at 3.6% of total vacancy. Retail vacancy declined 1.1% to 10.5% from 11.6% but retail rents declined 0.5% to \$30.07 per square foot from \$30.23 per square foot in sequential comparisons. We also note in the report that retail rents have declined 3.3% from \$31.10 per square foot since the first quarter of 2021. Multifamily vacancy increased 0.1% to 4.5% from 4.4% and rents declined 3.0% in sequential comparisons. Finally, hospitality average daily rates increased 0.9% to \$128.85 in August (latest available) from \$127.65 in July.

### 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	2022 Q1	2022 Q2	2022 Q	YOY* Chg
<b>Office Vacancy</b>	14.9%	14.2%	14.2%	14.6%	13.8%	16.7%	16.6%	15.9%	15.9%	16.5%	16.2%	16.2%	0.3%
<b>Retail Vacancy</b>	7.4%	8.0%	9.4%	9.8%	10.1%	10.7%	9.5%	8.4%	8.8%	9.4%	11.6%	10.5%	2.1%
<b>Multifamily Vacancy</b>	16.3%	12.9%	10.1%	11.1%	10.7%	12.7%	8.5%	4.7%	4.6%	4.8%	4.4%	4.5%	-0.2%
<b>Hospitality RevPar**</b>	3%	-53%	-75%	-67%	-60%	5%	142%	150%	129%	54%	57%	40%	NM

Source: CoStar; NDD. \*Year-Over-Year (YOY) \*\* Revenue per available room. RevPar monthly as of the quarter's end except 2022 Q3 - August.

### Development News

#### Newark Urby Opens

LMXD – a new development affiliate of L+M Development Partners – in affiliation with Urby opens the 18-story 250-unit conversion of a parking garage into an apartment tower. The project includes Urby’s signature amenities and is well located adjacent to the Rutgers Newark campus.

### Leasing News

#### Gateway U leases 4,000 square feet of space at Teachers Village

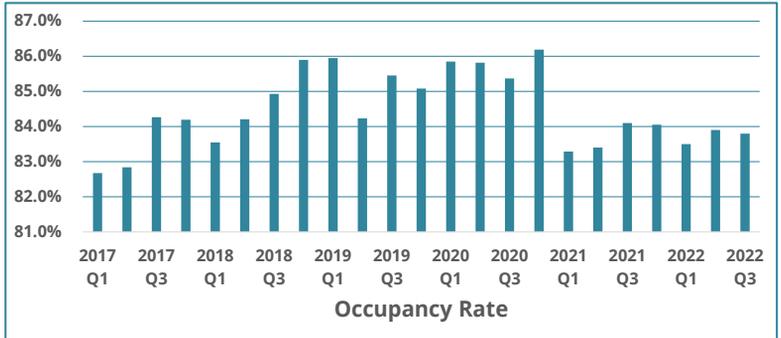
Gateway U is the latest educational concept to join Teachers Village. It joins three charter schools and a day-care center at the five-building complex.

#### SOSV Signs a 37,752 Sq. Ft. 10-year Lease for its HAX Startup at 707 Broad St

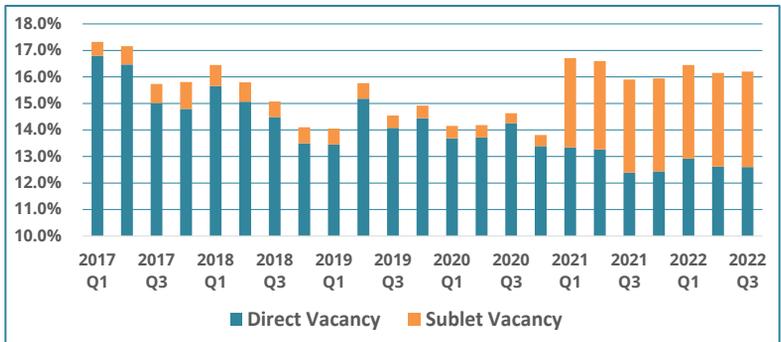
SOSV formally announced that HAX has leased space at 707 Broad Street. HAX is SOSV’s hard-tech venture capital startup and has committed to take 100 companies through its program. It selected Newark for its affordable space and infrastructure available for large-scale engineering projects. Five of its startups also are housed at 707 Broad Street.

# Downtown Office Statistics

The downtown office occupancy rate effectively was flat at 83.8% in the third quarter of 2022 in a sequential comparison.

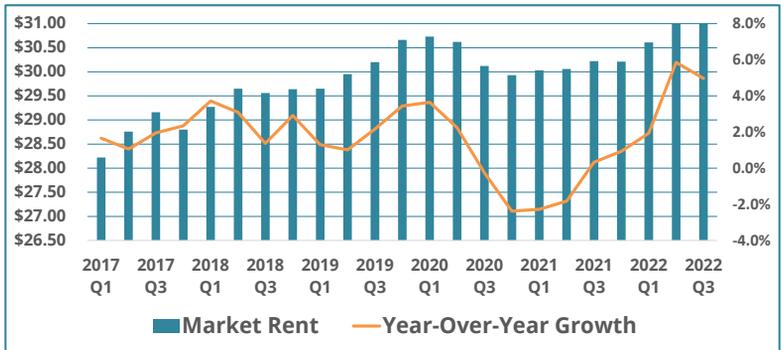


Direct vacancy remained unchanged at 12.6% in the third quarter of 2022 while sublet vacancy ticked up 0.1% to 3.6% in the third quarter of 2022 from 3.5% in the second quarter of 2022.

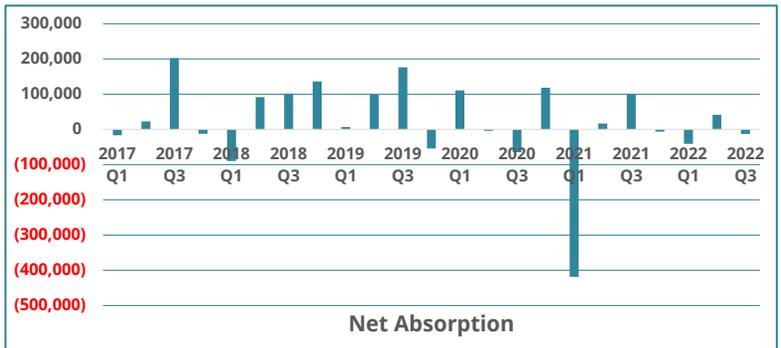


Overall vacancy has declined 0.3% since the beginning of 2022 but sublet vacancy remains stubbornly high.

Market rents of \$31.72 per square foot have held up well in 2022 and have trended higher than pre-pandemic levels.



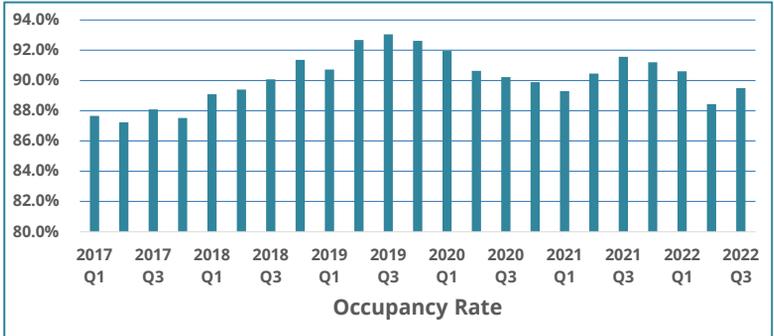
Negative absorption totaled approximately 13,000 square feet in the quarter reflecting the slight uptick in vacancy in the quarter.



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

# Downtown Retail Statistics

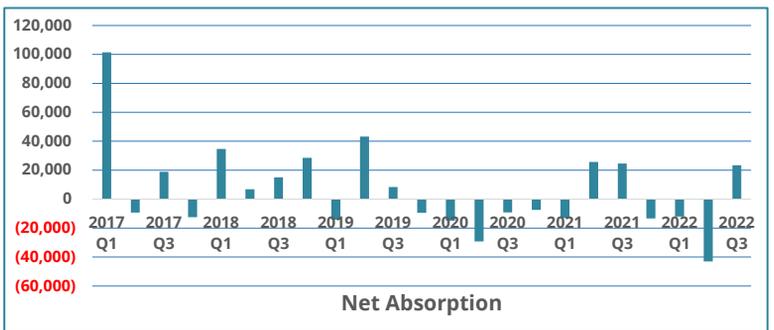
Downtown retail occupancy increased 1.1% to 89.5% in the third quarter of 2022 from 88.4% in the second quarter of 2022 regaining some of the occupancy lost in the second quarter.



Retail rents remained weak and declined to \$30.07 per square foot in the third of 2022 from \$30.23 per square foot in the second quarter of 2022. We note that retail rents have declined 3.3% from \$31.10 per square foot since the first quarter of 2021.



Absorption totaled over 13,000 square feet of space in the third quarter of 2022 breaking the trend of negative absorption that began in the fourth quarter of 2021.



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

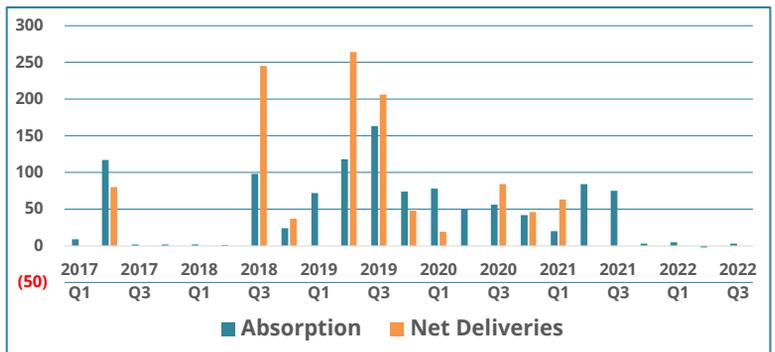
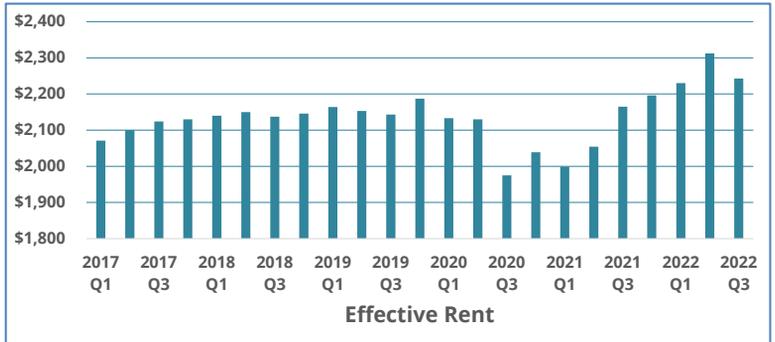
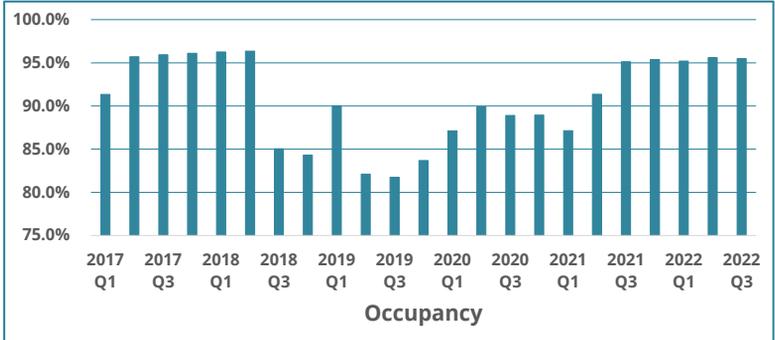
# Downtown Multifamily Statistics

Downtown multifamily occupancy ticked down 0.1% to 95.5% in the third quarter of 2022 from 95.6% in the second quarter of 2022.

Multifamily occupancy remains high but could be affected by delivery of the 250-unit Newark Urby on October 1, 2022 – the start of the fourth quarter and not reflected in third quarter results.

Effective rents declined 3.0% to \$2,243 per unit in the third quarter of 2022 from \$2,312 per unit in the second quarter of 2022. Despite the decline in rents in the quarter, rents have increased 12.2% from \$1,999 per unit in the first quarter of 2021.

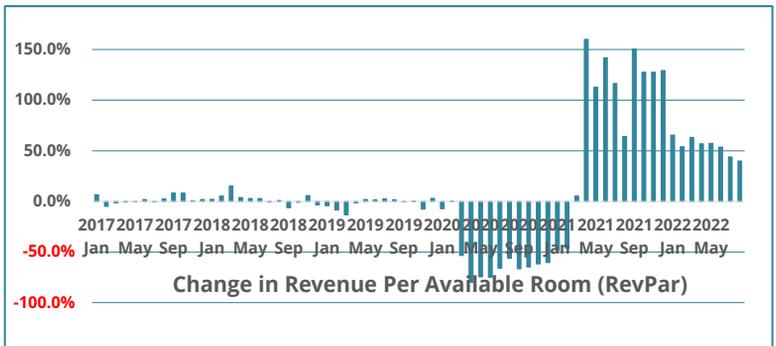
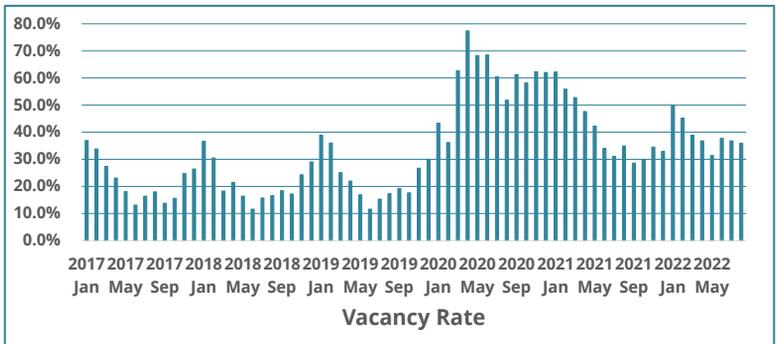
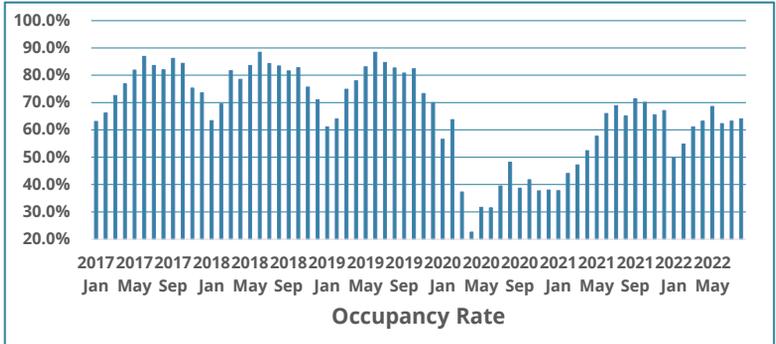
The downtown has not seen completion of new developments so far in 2022 resulting in improved occupancy and absorption. However, the delivery of the Newark Urby could impact the balance of the year as it is delivered and leases up.



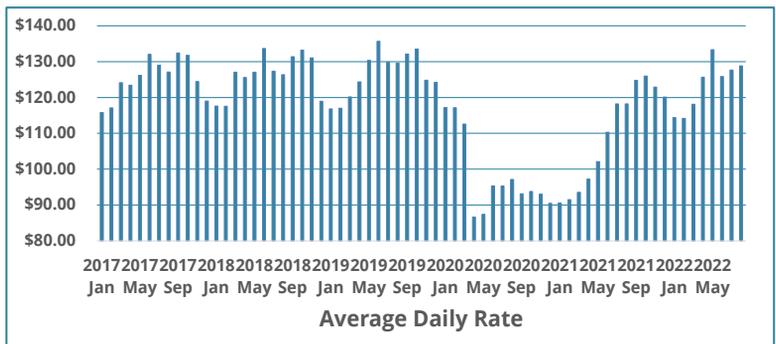
Absorption is space leased. Deliveries drove vacancy during the pre-pandemic period.

# Downtown Hospitality Statistics

Occupancy totaled 64.1% in August of 2022 (latest available). While the trend in occupancy has improved from the worst of the impacts from the pandemic, it remains well below pre-pandemic levels.



On the other hand, average daily rate totaled \$128.85 in August of 2022, which represents a solid recovery in room rates approaching pre-pandemic room rates.



## Development News

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### The Newark Urby Apartment Tower Opens

With its 18-story gut renovation of a property previously owned and operated by Rutgers University, [LMXD](#) – a new development affiliate of L+M Development Partners - teamed with [Urby](#) in a joint venture to bring the Urby concept to 155 Washington Street. Originally built as a parking garage in the 1920s, it is well located adjacent to the Rutgers Newark campus. In addition to renovating the structure, LMXD constructed a new four-story building, which features 250 apartments ranging from studios to three-bedroom units.

Newark Urby joins five current properties operated under the Urby brand, known for its people-friendly amenities. The project includes a 4,000 square foot Rutgers-Newark Welcome center, and a total of 4,000 square feet of retail space including a signature Urby café. Amenities include a ground-floor courtyard, third-floor rooftop terrace with a dog run and seating area. The building is staffed with a 24/7 doorman and includes a large gym, lounge areas, co-working spaces, and bike storage.



Rutgers Parking Garage



Newark Urby

## Leasing News

### **Gateway U Leases 4,000 Square Feet of Space at Teachers Village**

[Gateway U](#) is the latest education concept to join [Teachers Village](#), which includes three charter schools and a day-care center. It leased 4,000 square feet of street level space at 35 Treat Place – one of five buildings in Teachers Village.

Gateway U is a not-for-profit program that offers students an online alternative in affiliation with Southern New Hampshire University.

### **SOSV Signs a 10-year Lease for 37,752 Square Feet at 707 Broad Street**

[SOSV](#) signed the 10-year lease at 707 Broad Street for its [HAX](#) hard-tech startup program. The program (announced last year) is a joint funding effort between the New Jersey Economic Development Authority and HAX LLC. HAX has committed to take 100 companies through the program with an initial investment of \$250,000 in each company with its commitment to provide 180 days of collaboration and access to its global community for hard-tech startups.

HAX selected Newark for its headquarters due to its affordable space and infrastructure available for large-scale engineering projects. HAX also selected Newark due its proximity to top research universities and technology driven corporations. Specifically, HAX is collaborating with the New Jersey Institute of Technology, giving startups access to NJIT's labs and offering students internships. Five startups also are temporarily housed in 707 Broad Street.

707 Broad Street fit the bill. It is owned in a partnership between Newark based Hanini Group, SHIFT Capital, and CoInvestment Partners. The partnership acquired 707 Broad Street last year along with the 535,000 square foot 153 Halsey Street, and 261 University Ave. – a 900-space parking garage - for \$80 million and have committed \$70 million in upgrades to the buildings.



**707 Broad Street**



**153 Halsey Street**