
Downtown Newark Real Estate Report Fourth 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.

Cover Photo:

- Mulberry Commons, Winter Village
- Ironside Newark – 110 Edison Place
- 777 McCarter Highway apartment tower under construction

Page 9 Photo:

- Essex Plaza – 1060 Broad Street

Page 10 Photo:

- 63-65 Pennsylvania Avenue

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, 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 (pre-2023 expansion area) special improvement district



Executive Summary

The year started with ongoing challenges from the pandemic with the resurgence of the omicron variant. In the second half of the year, we entered a more stable outlook with the worst of the pandemic apparently behind us. Even so, Newark's downtown will have to adjust to a new reality, which is being defined as we enter 2023. Hybrid/work from home (WFH) is here to stay with a shift in office use (notable in CoStar's office operating statistics). In addition, retail continues to be impacted by the yet-to-return office worker. On the other hand, we have seen a strong recovery in multifamily and hospitality operating fundamentals.

Technology has played a definitive role in how we are adjusting to this new reality and downtown Newark stands to continue to benefit from this shift. The largest commercial office lease signed in the downtown in 2022 was SOSV's HAX hard-tech startup 37,752 square foot 10-year lease at 707 Broad Street. As we ended 2022, HAX announced that it is in [full swing with 10 startup entities](#) at 707 Broad Street .

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	YOY*
Office Vacancy	14.2%	14.2%	14.6%	13.8%	16.7%	16.6%	15.9%	15.9%	16.5%	16.2%	16.2%	16.9%	1.0%
Retail Vacancy	8.0%	9.4%	9.8%	10.1%	10.7%	9.5%	8.4%	8.8%	9.4%	11.6%	10.5%	10.5%	1.7%
Multifamily Vacancy**	12.9%	10.1%	11.1%	10.7%	12.7%	8.5%	4.7%	4.6%	4.8%	4.4%	4.5%	13.9%	9.3%
Hospitality RevPar***	-53%	-75%	-67%	-60%	5%	142%	150%	129%	63%	48%	22%	17%	NM

Source: CoStar; NDD. *Year-Over-Year (YOY) ** Delivery of the 250-unit Newark Urby solely drove 2022 Q4 increase in multifamily vacancy.

*** Revenue per available room. RevPar monthly as of the quarter's end except 2022 Q3 - November.

NDD Expands South!

On January 1, 2023, the NDD expanded to the south! We have expanded to the south of Hill Street/Franklin Street/Walnut Street from Route 21 to the east to Washington Street and Pennsylvania Avenue to the west. Our new southern border is Poinier Street. With the expansion, the NDD's special improvement district (SID) footprint has changed to include a significant expansion of residential properties, which we discuss in this report.

With this report, we conclude reporting real estate operating fundamentals for the pre-2023 NDD SID. With our first quarter 2023 quarterly real estate report, we will introduce operating fundamentals for the expansion area and discontinue coverage of our legacy SID.

Downtown Office Statistics

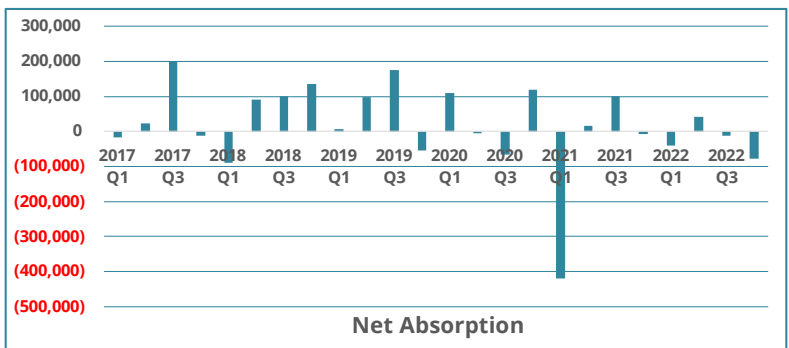
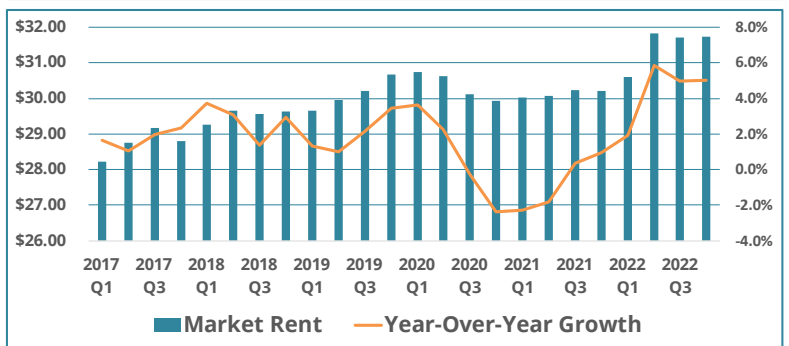
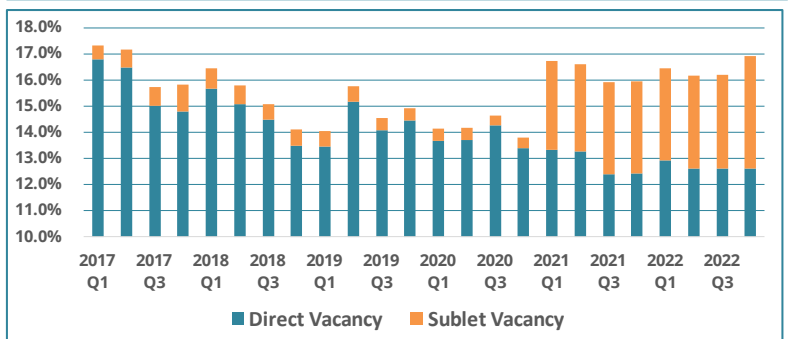
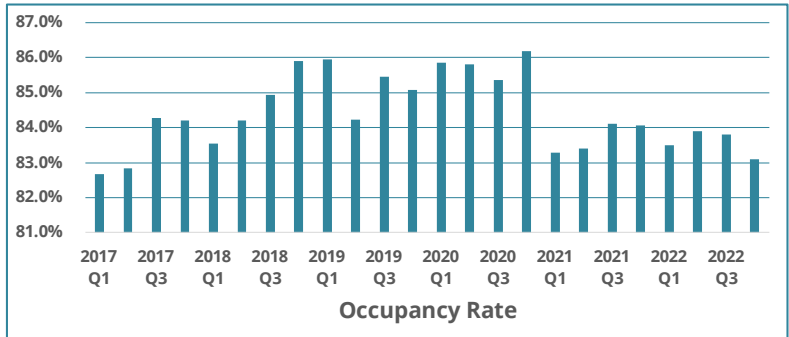
The downtown office occupancy rate declined 0.7% to 83.1% in the fourth quarter of 2022 from 83.8% in the third quarter of 2022 in a sequential comparison.

Direct vacancy remained unchanged at 12.6% in the fourth quarter of 2022 while sublet vacancy increased 0.7% to 4.3% in the fourth quarter of 2022 from 3.6% in the third quarter of 2022.

For the full year, vacancy increased 1.0% with direct vacancy increasing 0.2% to 12.6% in the fourth quarter of 2022 from 12.4% in the fourth quarter of 2021. Sublet vacancy increased 0.8% to 4.3% in the fourth quarter of 2022 from 3.5% in the fourth quarter of 2021

Market rents of \$31.73 per square foot have held up well and have trended higher than pre-pandemic levels.

Negative absorption totaled over 77,000 square feet reflecting the lower occupancy in the quarter.



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

Downtown Retail Statistics

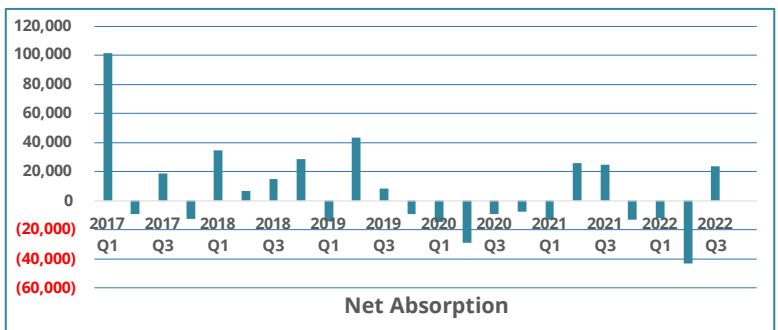
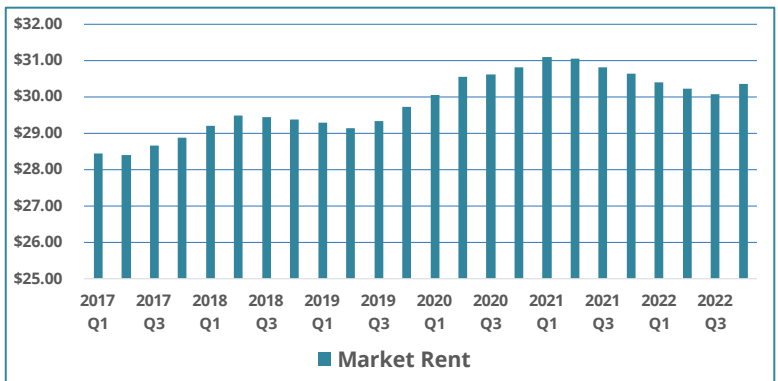
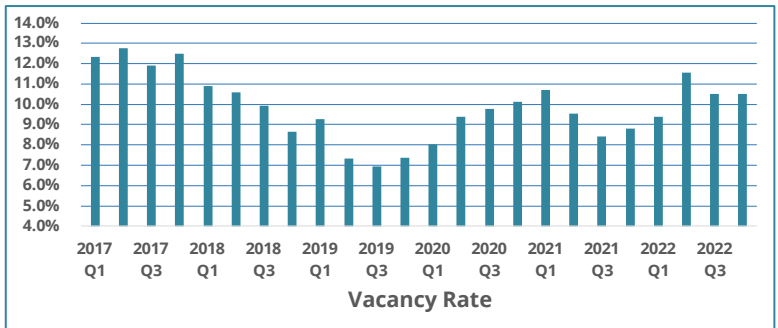
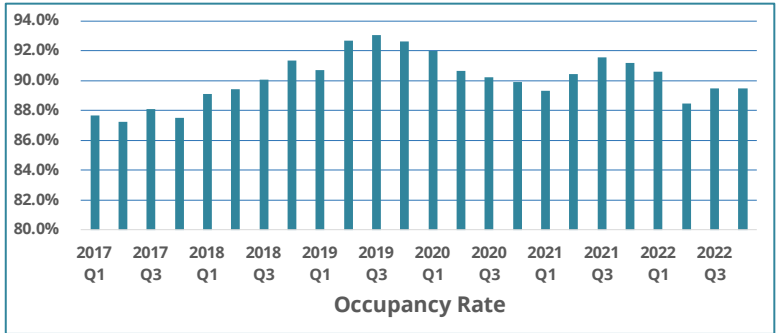
Downtown retail occupancy of 89.5% was flat in the fourth quarter of 2022 in a sequential comparison.

For the full year, retail occupancy declined 1.7% from 91.2% in the fourth quarter of 2021.

With the adoption of hybrid/work from home, reduced foot traffic continues to impact retail conditions in the downtown. See our survey of Four-Corners retailers for an overview of the operating environment. The survey is available at [Four Corners Retailer Survey Link](#).

Retail rents increased slightly in to \$30.35 per square foot in the fourth quarter of 2022 from \$30.07 per square foot in the third quarter of 2022.

Net absorption was flat in the fourth quarter of 2022 where space leased equaled space vacated.

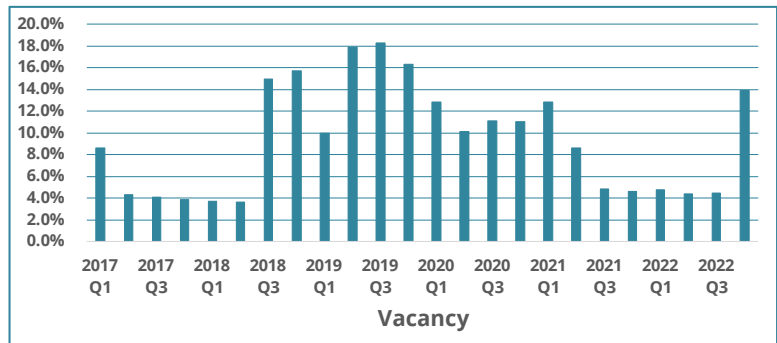
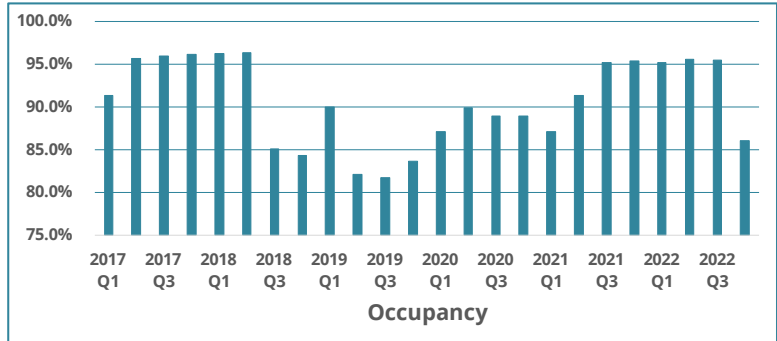


Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

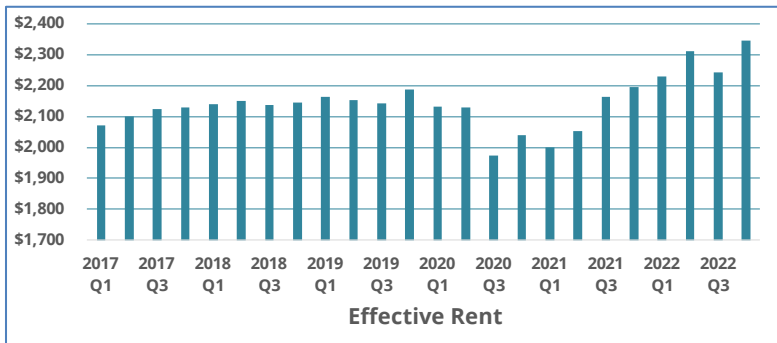
Downtown Multifamily Statistics

Downtown multifamily occupancy declined 9.4% to 86.1% in the fourth quarter of 2022 from 95.5% in the third quarter of 2022.

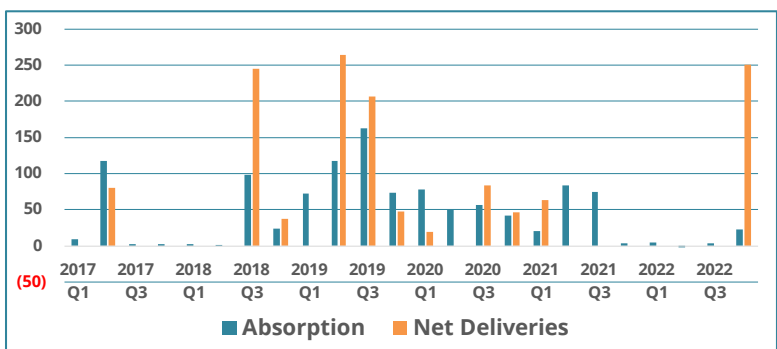
The delivery of the 250-unit Newark Urby in the quarter solely drove the occupancy decline, which we discuss below.



Effective rents increased 4.6% to \$2,346 per unit in the fourth quarter of 2022 from \$2,243 per unit in the third quarter of 2022 reflecting the strong multifamily operating fundamentals in the downtown.



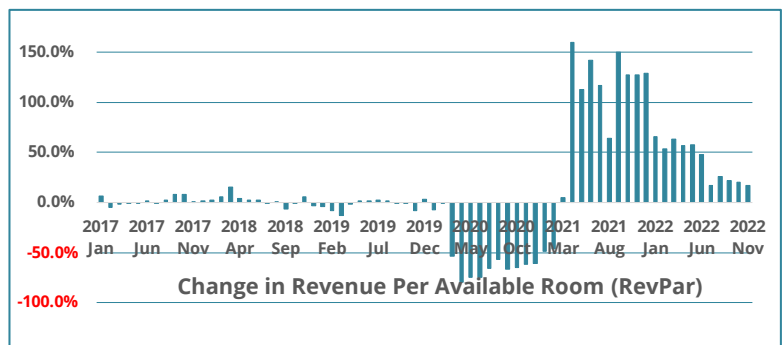
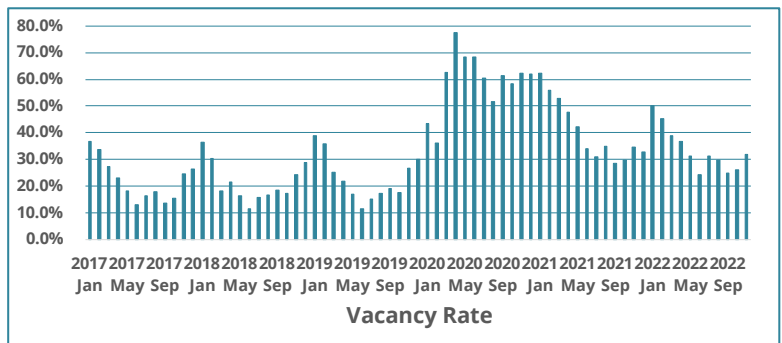
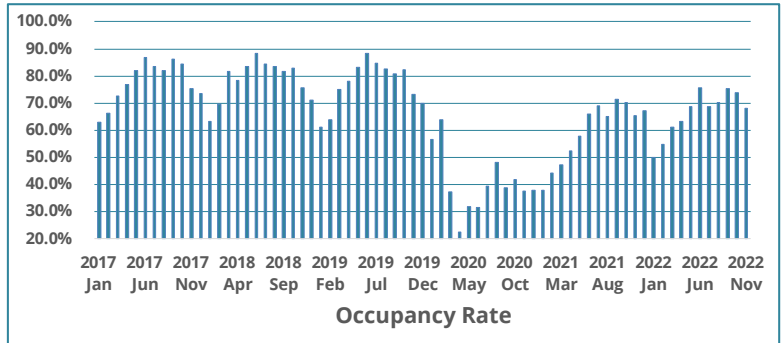
Absorption totaled 23 units and deliveries totaled 250 units in the fourth quarter of 2022, which is reflected in the lower multifamily occupancy. Delivery of the Newark Urby drove this comparison, which increased apartment supply by approximately 12%. We would note the low inventory in downtown Newark where a single large delivery can disproportionately affect occupancy. For information on the property click [link](#).



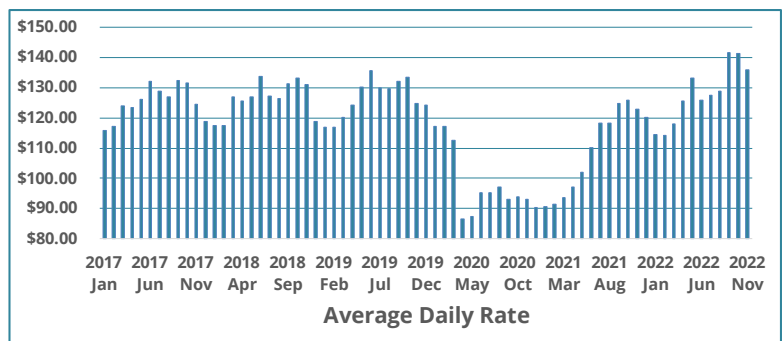
Absorption is space leased. Deliveries drove vacancy during the pre-pandemic period.

Downtown Hospitality Statistics

Occupancy totaled 68.2% in November of 2022 (latest available). We note a solid post-pandemic occupancy recovery, but it continues to trail conditions prior to the pandemic. For the same period prior to the pandemic, occupancy totaled 73.3% in November of 2019.



Average daily rate totaled \$136.06 in November of 2022 where room rates have trended above pre-pandemic levels. For the same period prior to the pandemic, room rates increased 9.0% from \$124.84 in November of 2019.



NDD Expansion District Analysis

On January 1, 2023, the NDD expanded to the south! We have expanded to the south of Hill Street/Franklin Street/Walnut Street from Route 21 to the east to Washington Street and Pennsylvania Avenue to the west. Our new southern border is Poinier Street (see map on following page).

With the expansion, the footprint of the properties that the NDD serves has changed. The table below reflects the properties in CoStar's database of the NDD's prior SID and the current SID along with our calculation of the change in composition. The largest change is in multifamily with an increase in 2,693 apartment units. In addition, affordable communities in the expansion area are significant at 1,616 units versus 14 in the prior NDD SID, which was focused on the commercial part of the downtown. The change in office of 900,000 square feet represents a 5% increase over a large prior base followed by retail with 400,000 square feet (13% increase) and industrial with 364,000 square feet (274% increase). The clear change in the NDD SID is multifamily and industrial, while the industrial footprint remains modest representing 497,000 square feet.

NDD Expansion District Versus Prior District*								
	Square Feet		Increase		Properties		Increase	
	Expansion	Prior	Number	Percent	Expansion	Prior	Number	Percent
Office	19,900,000	19,000,000	900,000	5%	176	153	23	15%
Retail	3,600,000	3,200,000	400,000	13%	307	232	75	32%
Industrial	497,000	133,000	364,000	274%	33	8	25	313%
	Units/Beds		Increase		Properties		Increase	
	Expansion	Prior	Number	Percent	Expansion	Prior	Number	Percent
Multifamily	5,037	2,344	2,693	115%	83	44	39	89%
Affordable	1,616	14	1,602	NM	14	2	12	600%
Hotels**	707	707	0	0%	5	5	0	0%

* Properties in the expansion area includes NDD's new district to the south to Poinier Street. The prior district reflects NDD's pre-2023 district. **There are no additional hotel properties in the expanded district.
Source: CoStar.



NDD Expansion District Analysis (Continued)

Single Family/Small Multifamily	Properties		Increase	
	Expansion	Prior	Number	Percent
Single Family	175	26	149	573%
Multifamily - Four units or less	107	26	81	312%
Total	282	52	230	442%

Source: City of Newark; NDD

The NDD's expansion district also includes a significant increase in single-family residences and smaller multifamily residences.

- *Single family residences increase 149 properties to 175 from 26*
- *Smaller multifamily residences increase 81 properties to 107 also from 26*

