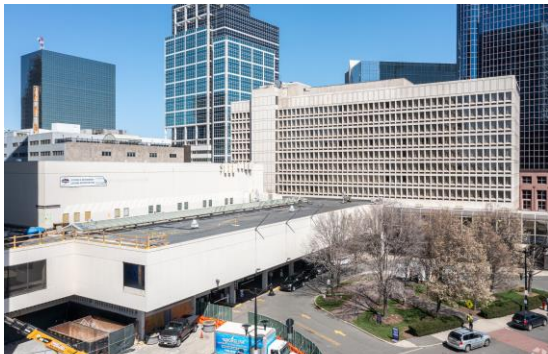


# **Downtown Newark Real Estate Report First Quarter, 2022**



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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).

**Photos to the Left:**

- Audible HQ and Rutgers Business School – One Washington Park
- T-Mobile - corner of Market St. and Broad St.
- Newark Urby - 155 Washington St.
- DoubleTree by Hilton – 1048 Raymond Blvd.

## 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, 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*



## Executive Summary

Newark's downtown commercial real estate fundamentals in general showed weakness in the first quarter of 2022 with the resurgence of COVID-19 driven by the omicron variant. We noted a fragile recovery in the fourth quarter of 2021 but the seasonally soft first quarter along with the pandemic resurgence pressured commercial real estate operating fundamentals. Both office and retail vacancy increased. Hospitality RevPar also moderated, and as we discuss in the report, occupancy weakened. Multifamily continued to be the exception where we saw modest seasonal occupancy pressure, but market rents strengthened.

### 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	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%	-0.2%
<b>Retail Vacancy</b>	7.4%	8.0%	9.4%	9.8%	10.1%	10.7%	9.5%	8.4%	8.8%	9.4%	-1.3%
<b>Multifamily Vacancy</b>	16.3%	12.9%	10.1%	11.1%	10.7%	12.7%	8.5%	4.7%	4.6%	4.8%	-7.9%
<b>Hospitality RevPar**</b>	3%	-53%	-75%	-67%	-60%	5%	142%	150%	129%	54%	NM

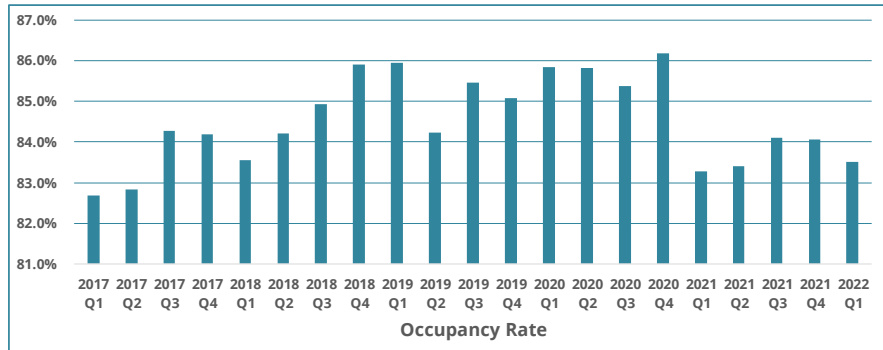
Source: CoStar. \*Year-Over-Year (YOY) \*\* Revenue per available room. RevPar monthly as of the quarter's end except 2022 Q1 - February.

### Downtown News

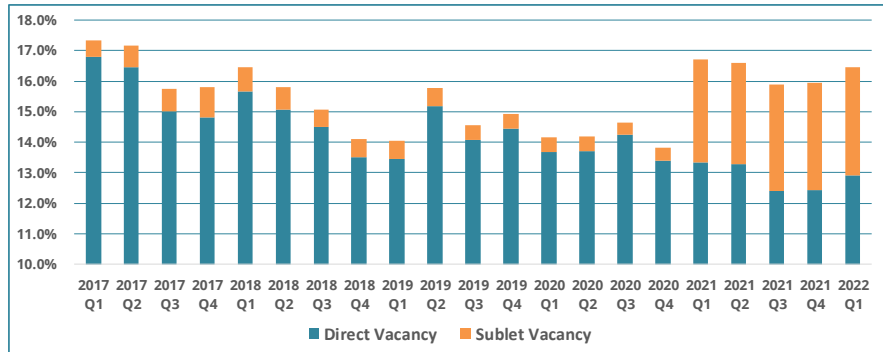
- Newark's iconic Jewish deli **Hobby's Delicatessen** is set to open shortly. The delicatessen is located at the corner of Branford Place and Halsey Street
- Also coming soon is the opening of **Swahili Village** on 2 Center Street adjacent to the New Jersey Performing Arts Center.
- Sister restaurants **Ashley's Delicious Treats** and **Madre & Son Soulfood Café** opened on 37 Commerce Street.
- Melba Wilson will open a Melba's restaurant at 550 Broad Street.
  - The Harlem restaurateur announced that she will be opening **Melba's 550** in the building owned by Fidelco Realty Group's Marc Berson.
  - The restaurant will be in the former First National Bank space.
- Mr. Berson has been instrumental in development in the northern downtown in proximity the New Jersey Transit Broad Street Station commuter hub.
- **The Halo** development - on Washington Street also South of Market Street - secured a \$90 million loan. Construction has begun on the first of three towers. When completed, the site will total 949 units marking it the second largest development site in downtown Newark.

## Office: Quarterly Operating Metrics

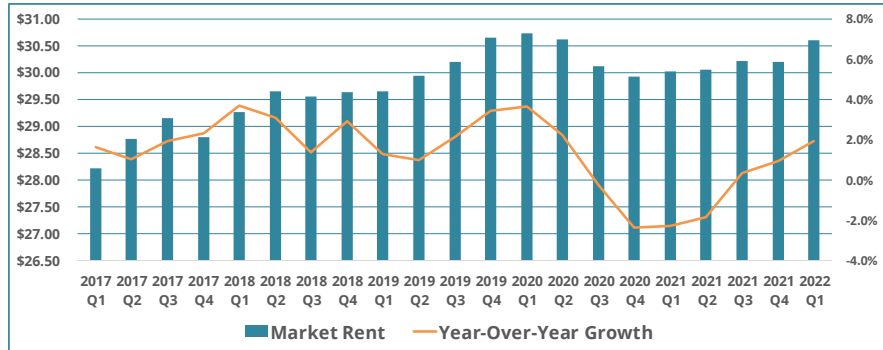
The downtown office occupancy rate declined 0.6% to 83.5% in the first quarter of 2022 from 84.1% in the fourth quarter of 2021 where continued occupancy weakness is notable.



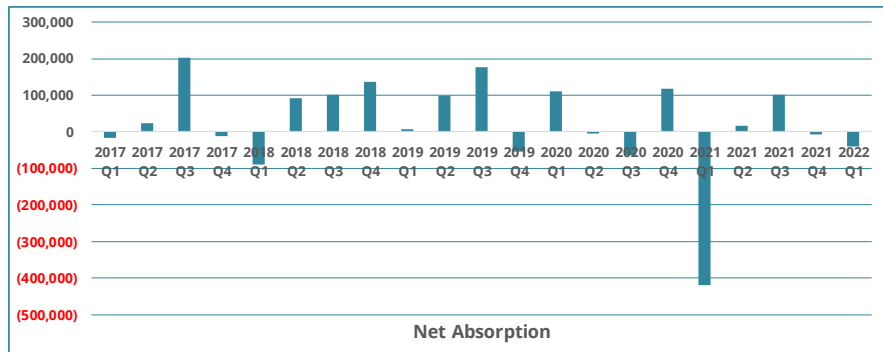
Direct vacancy increased 0.5% to 12.9% in the first quarter of 2022 from 12.4% in the fourth quarter of 2021 while sublet space was flat at 3.5%. (Note: Occupancy and vacancy do not sum due to rounding.)



Market rents strengthened slightly to \$30.61 per square foot in the first quarter of 2022 versus \$30.21 per square foot in the fourth quarter of 2021.



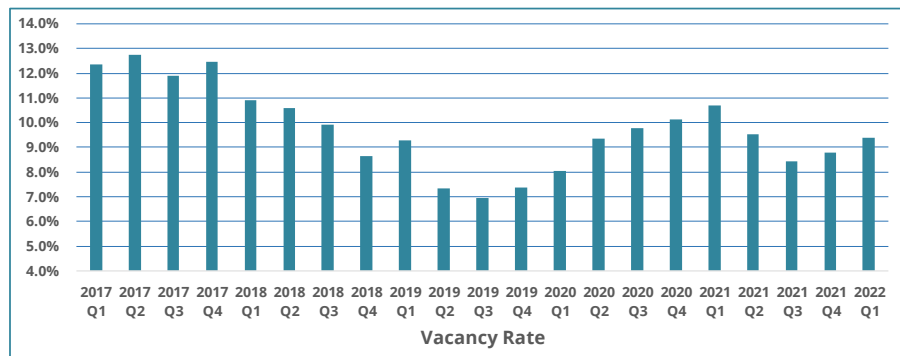
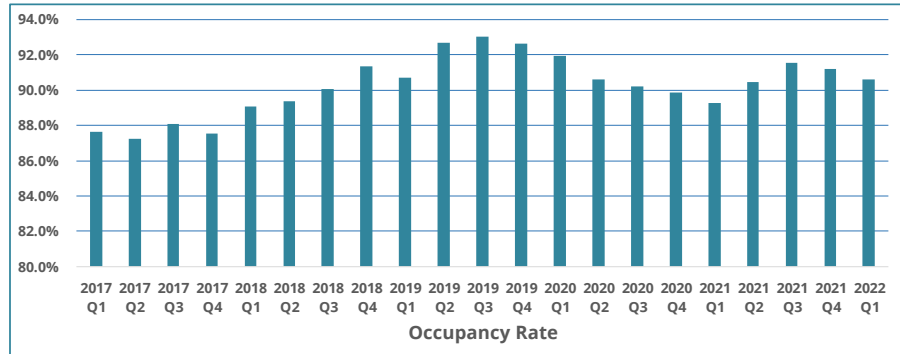
Finally, companies vacating space totaled approximately 41,000 square feet, which is reflected in direct vacancy increasing 0.5% sequentially in the first quarter of 2022.



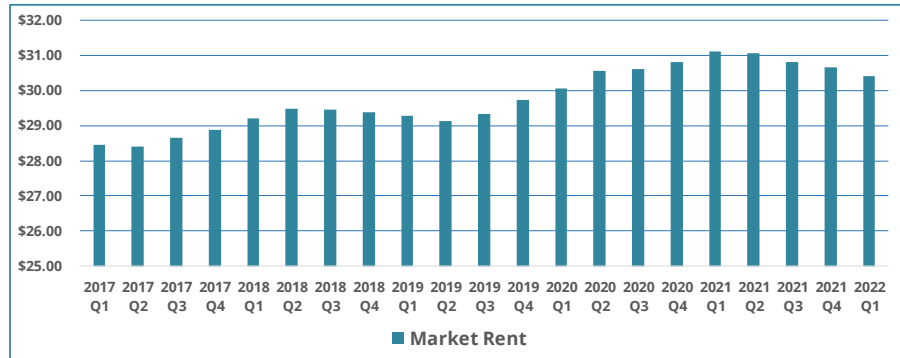
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

## Retail: Quarterly Operating Metrics

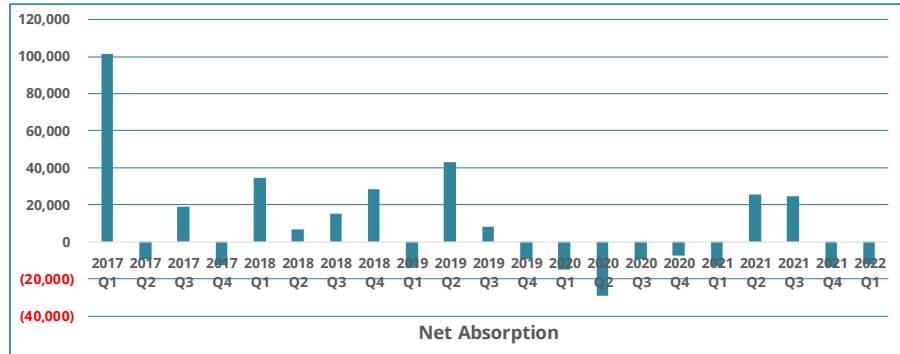
The downtown retail occupancy rate also declined 0.6% to 90.6% in the first quarter of 2022 from 91.2% in the fourth quarter of 2021. We reported on retailer weakness in the downtown in our retailer survey report, which is available at [retailer survey link](#).



Market rents have been pressured since the first quarter of 2021 and declined to \$30.41 per square foot in the first quarter of 2022 from \$30.65 per square foot in the fourth quarter of 2021.



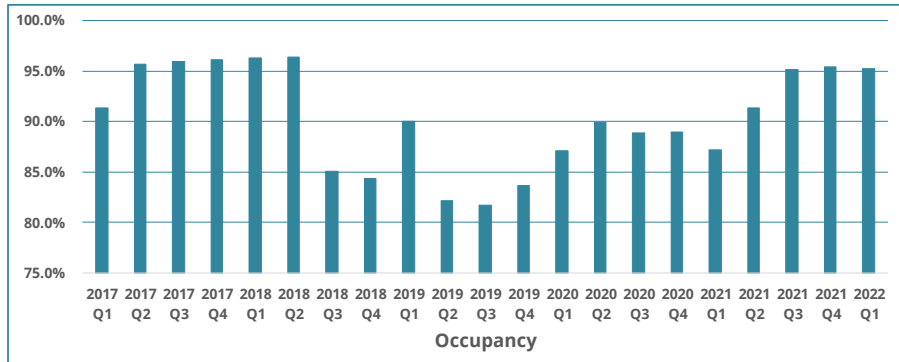
Storefront businesses also gave up space of approximately 12,000 square feet, which is reflected in negative net absorption in the quarter in a sequential comparison.



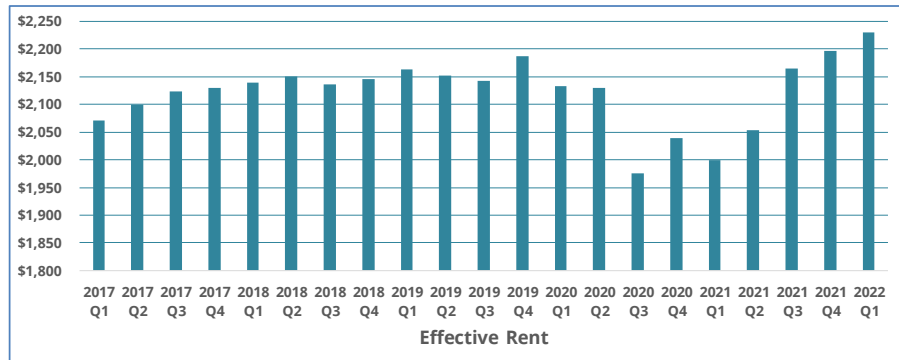
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

## Multifamily: Quarterly Operating Metrics

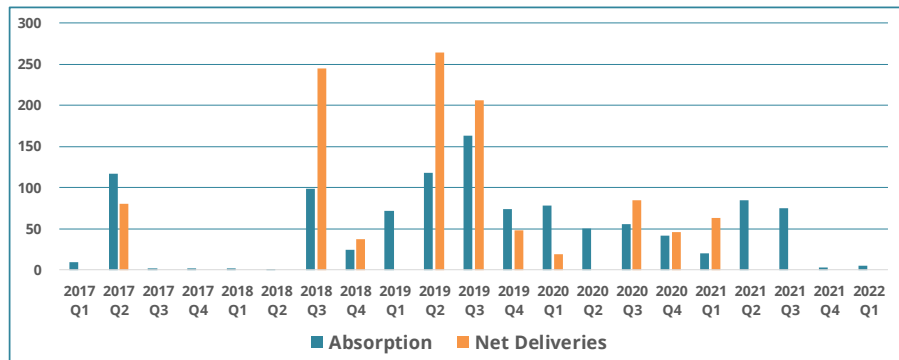
*Newark downtown multifamily occupancy declined 0.2% to 95.2% in the first quarter of 2022 from 95.4% in the fourth quarter of 2021, which we attribute to seasonality in the soft first quarter heading into springtime leasing season.*



*Effective rents continued to trend higher at \$2,230 in the first quarter highlighting the strength in the downtown multifamily rental market.*



*Lack of development deliveries has supported multifamily operating fundamentals with only one project scheduled for delivery. L+M Development Partners' 249-unit Newark Urby is set to open in the second half of 2022.*



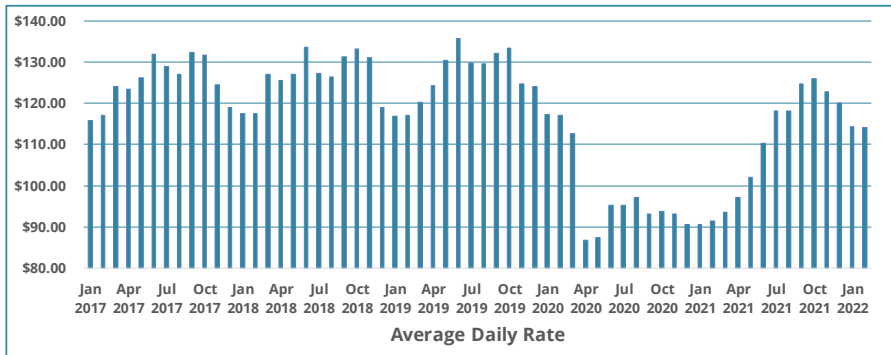
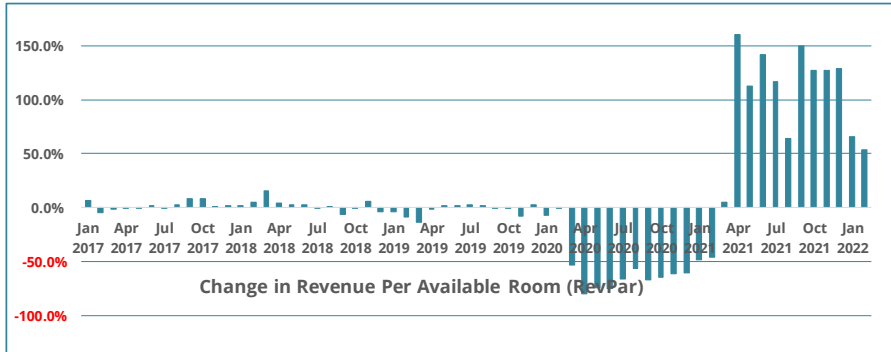
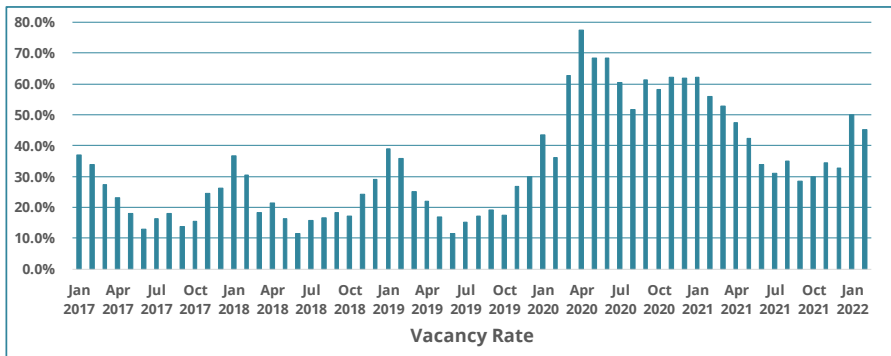
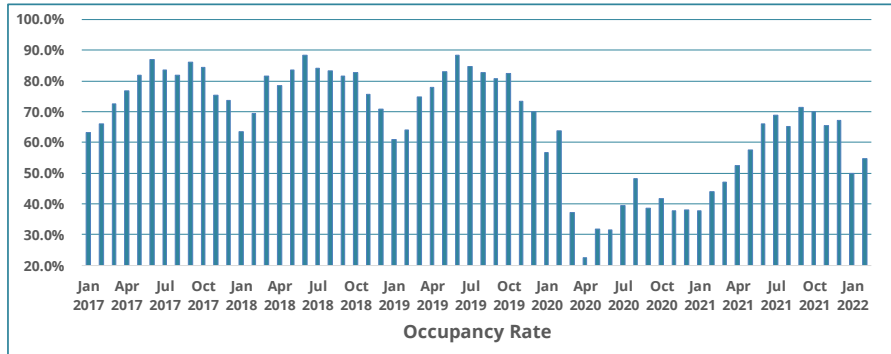
Absorption is space leased. Deliveries drove vacancy during the pre-pandemic period.

## Hospitality: Quarterly Operating Metrics

*The resurgence of COVID-19 with the omicron variant impacted hospitality occupancy through February (latest available). While the first quarter is seasonally soft, occupancy remains below pre-pandemic levels at 54.8% as of February 2022.*

*However, we expect a rebound since omicron quickly ran its course where the pandemic recovery seems to be back on track.*

*Average daily rate declined to \$114.18 in February 2022 from \$120.13 in December 2021 where weakness is notable.*





## Downtown News

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### Welcome Back Hobby's Delicatessen & Restaurant!

The iconic [Jewish deli](#) located at the corner of Branford Place and Halsey Street in the South of Market Street (SoMa) neighborhood has been closed since the beginning of the pandemic. It is set to open shortly in a renovated store. The Brummer family has owned and operated the delicatessen since 1962 as an old-fashioned Jewish deli. The delicatessen draws business across Newark's corporations, City Hall, and from fans that visit the Prudential Center.



### Swahili Village Is Set to Open a Newark Location...

[Swahili Village](#) has a total of five locations including Manhattan, NY and Washington D.C. Newark is its fifth. The restaurant features fine-dining Kenyan cuisine with a wine selection from South Africa. The restaurant is in the retail component of the residential apartment tower One Theater Square and is across Center Street from the New Jersey Performing Arts Center (NJPAC).

### ...Joining PJ's Coffee of new orleans in One Theater Square

[PJ's](#) serves fresh coffee and pastries focused on the NJPAC patrons and downtown businesses.



### **Ashley's Delicious Treats and Madre & Son Soulfood Open at 37 Commerce Street**

The sister restaurants opened at 37 Commerce Place off the bustling Broad Street and Mulberry Street corridors where Newark's office employment is concentrated. Ashley's serves the desserts and Madre the main course. In addition, the family operates **KPR the Venue** – a place for gatherings - at 55 Commerce Street.



### **Developers of The Halo Secure a \$90 Million Loan**

Acier Holding – developers of The Halo – secured a loan from Parkview Financial to begin Phase One of The Halo. It entails construction of a 38-story tower with 297 units and includes 30 affordable units. The tower will be on a five-story parking structure. Construction has kicked off with completion scheduled for 2024. When completed, the project will include three towers with a total of 949 units. The Halo also in the SoMa neighborhood is one several construction projects here. See our [Multifamily Report](#) for an overview of projects under construction and planned in the downtown.

#### **The Halo**



Rendering by INOA Architecture

### **Melba's 550 Will Open at 550 Broad Street**

Harlem Restaurateur Melba Smith is set to come to downtown Newark and could open her restaurant by year end! Ms. Smith operates [Melba's Restaurant](#) located at 300 W 114<sup>th</sup> Street. The restaurant will be in the former First National State Bank space and will include a separate coffee shop with a take-out window. The addition is a component of Fidelco's over \$30 million redevelopment of 550 Broad Street, which includes a new lobby and front entrance on Broad Street.

550 Broad Street is well located across from Harriet Tubman Square and across Lombardy Street from the 264-unit Walker House apartment building. Audible and Rutgers Business School anchor this part of the northern downtown where several multifamily development projects are planned. CitiSquare – just north of 550 Broad Street - is Newark's largest multifamily development site with a total of 4,200 units planned.

Fidelco's Mr. Bersen has been a long-term developer in the New Jersey Transit Broad Street Station area in the downtown and has developed projects with both Audible and Rutgers Business School, which we highlight next.

### **550 Broad Street**

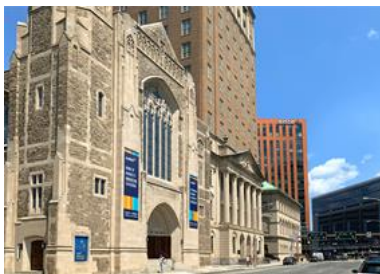


## Audible and Rutgers Anchor Northern Downtown

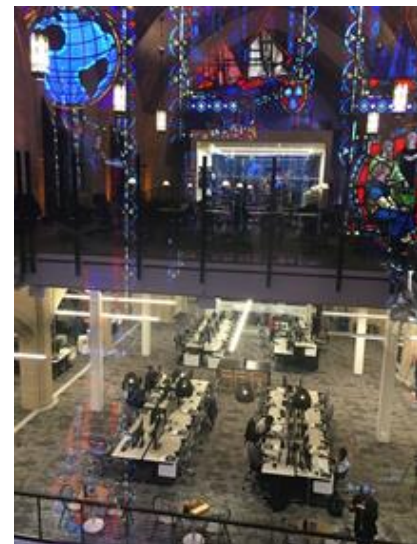
- Don Katz's [Audible](#) – an Amazon company – and [Rutgers Business School](#) occupy One Washington Park and anchor the Broad Street Station area.
- Mr. Katz also has established Newark Venture Partners – a technology venture capital incubator – with its office at One Washington Park.
- Audible also is the tenant in [Innovation Cathedral](#), which is exactly that a historic cathedral that Audible renovated into an 80,000 square foot office property.



One Washington Park



Innovation Cathedral



## Fidelco Realty Group's Portfolio

Long-time Newark investor and philanthropist Marc E. Berson's Fidelco Realty Group spearheaded the office transformation surrounding Harriet Tubman Square.

- In 2004, it purchased One Washington Park and renovated it into Class A office selling the lower 12 floors to Rutgers Business School as an office condominium and retained the upper floors leasing them to Audible.
- In 2007, it acquired 494 Broad Street across from One Washington Park and renovated it into class A multi-tenant office space and a parking garage.
- Fidelco subsequently purchased the shuttered historic Second Presbyterian Church, which reopened its doors in 2019 as Innovation Cathedral.

### 550 Broad Street is Fidelco's Current Project.

Fidelco has committed over \$30 million to upgrade 550 Broad Street including improvements to the lobby, mechanical systems, and elevators.

- Plans include opening the lobby with access through the building from Broad Street to the rear to connect the office tower to the up-and-coming residential neighborhood in and around NJPAC.
- The addition of Melba's 550 serves to add a dynamic restaurant to the street level component of the building's renovations.

