



Downtown Newark Real Estate Report Second 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:

Military Park and northern downtown Newark along Broad Street and Park Place

Photos to the Left:

- Ironside Newark – 110 Edison Place
- Gateway One Jewel-Box Entrance – 1145 Raymond Plaza West
- Hahne & Co Building – 50 Halsey Street
- Courtyard by Marriott – 858 Broad Street

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 special improvement district.





Executive Summary

Newark’s downtown commercial real estate fundamentals were mixed in the second quarter of 2022. Office vacancy declined slightly – a result of select leasing activity. On the other hand, retail vacancy increased where the operating conditions for storefront businesses remain weak due to a lack of foot traffic downtown. Hospitality performance improved in the quarter with room rates approaching pre-pandemic levels. Finally, multifamily continued to exhibit strength where rents have more-than recovered from weakness during the pandemic.

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	YOY* Chg
Office Vacancy	14.9%	14.2%	14.2%	14.6%	13.8%	16.7%	16.6%	15.9%	15.9%	16.5%	16.2%	-0.4%
Retail Vacancy	7.4%	8.0%	9.4%	9.8%	10.1%	10.7%	9.5%	8.4%	8.8%	9.4%	11.6%	2.1%
Multifamily Vacancy	16.3%	12.9%	10.1%	11.1%	10.7%	12.7%	8.5%	4.7%	4.6%	4.8%	4.4%	-4.1%
Hospitality RevPar**	3%	-53%	-75%	-67%	-60%	5%	142%	150%	129%	54%	57%	NM

Source: CoStar; NDD. *Year-Over-Year (YOY) ** Revenue per available room. RevPar monthly as of the quarter's end except 2022 Q2 - May.

Leasing News

- Betesh Group – infant and baby care products manufacturer – signed an 18,000 square foot 15-year lease at Edison Properties’ Ironside Newark.
- SBM Management – facilities management provider – signed a 13,215 square foot 10-year lease at L+M Development Partners’ Hahne & Co mixed-use property.

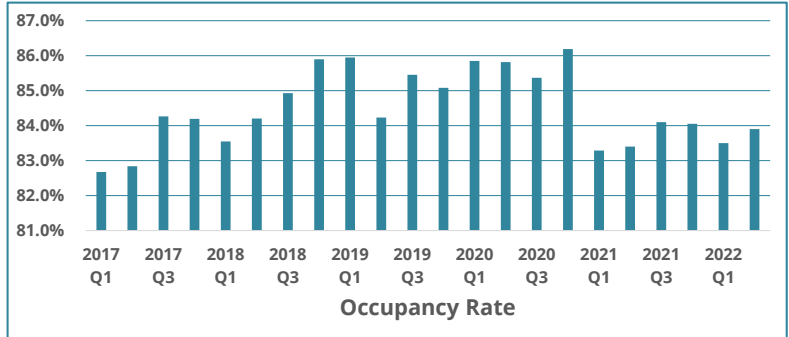
Development News

In the Development News section, we focus on development activity in the South of Market Street (SoMa) neighborhood and highlight two projects started in 2022 by Baldwin Equities – a Summit Assets and Winchester Equities partnership.

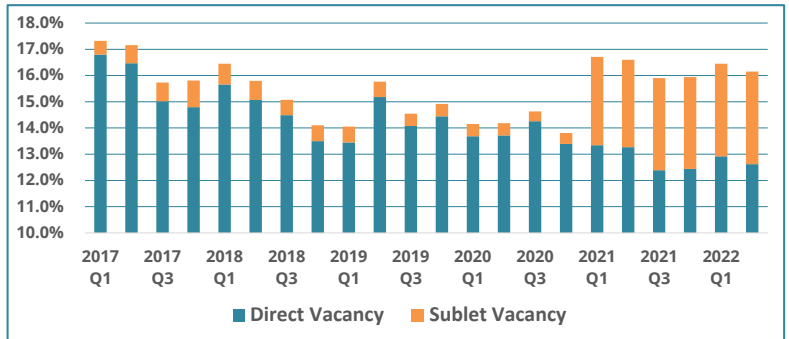
- 303 Washington Street - the redevelopment of a former five story office building.
 - Plans include adding four stories to the existing building.
- 810 Broad Street - the repurposing of the Hotel Indigo into 108 furnished rental apartments mainly studios
 - Plans include adding [Delta’s Restaurant](#) out of New Brunswick as the restaurant operator on the ground floor and penthouse.

Downtown Office Statistics

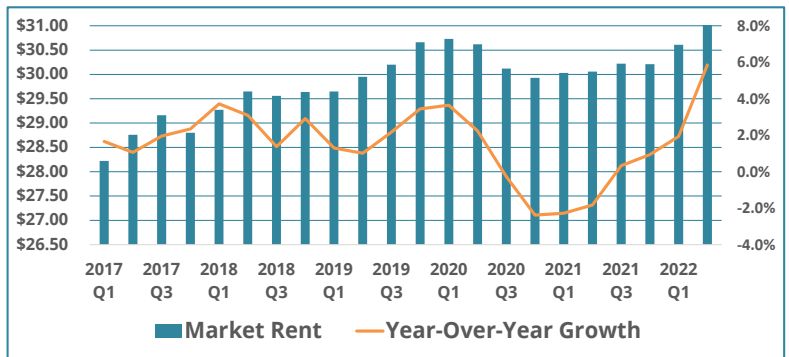
The downtown office occupancy rate increased 0.4% to 83.9% in the second quarter of 2022 from 83.5% in the first quarter of 2022. The improvement is a result of select leasing activity in the quarter.



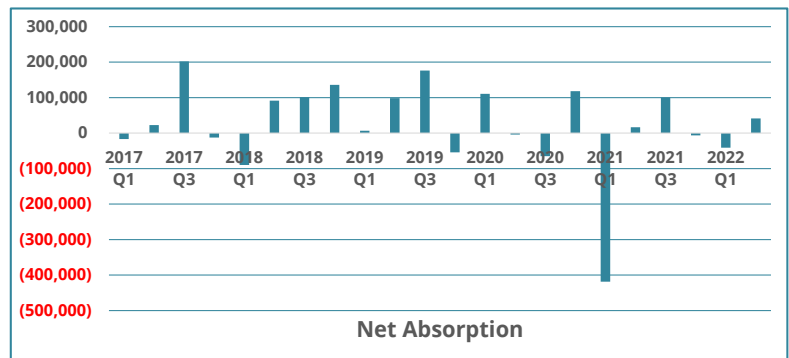
Direct vacancy declined 0.3% to 12.6% in the second quarter of 2022 from 12.9% in the first quarter of 2022 while sublet vacancy was flat at 3.5%. (Note: occupancy and vacancy do not sum due to rounding.)



Market rents strengthened to \$31.82 per square foot in the second quarter of 2022 from \$30.61 per square foot in the first quarter of 2022.



Incremental leasing resulted in close to 42,000 square feet of space absorbed in the second quarter of 2022. In addition to the two leases we discuss, we note that HAX Newark also has established its office in the downtown but has yet to announce a permanent location.



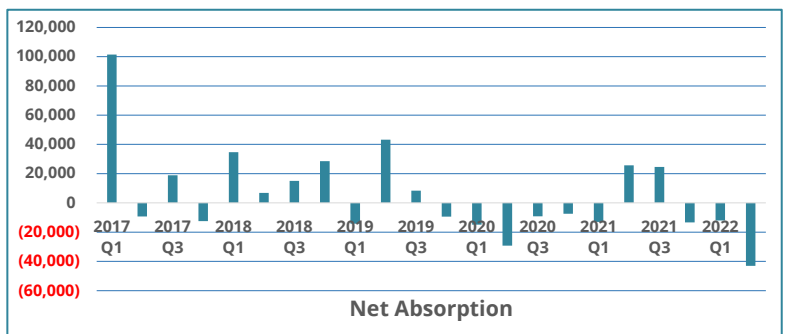
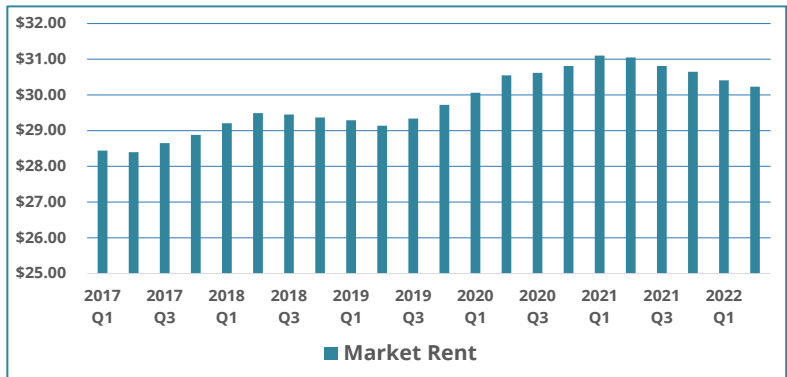
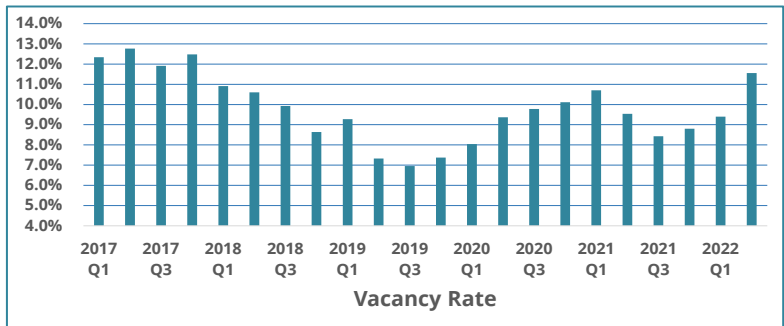
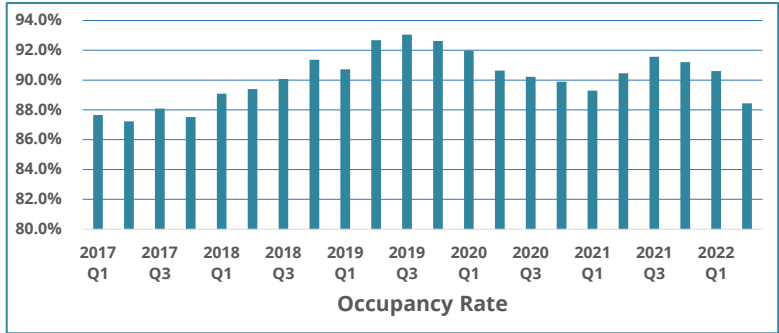
Net Absorption is space leased minus space vacated with negative net absorption reflecting increased vacancy.

Downtown Retail Statistics

Downtown retail occupancy declined 2.2% to 88.4% in the second quarter of 2022 from 90.6% in the first quarter of 2022. We note some improvement in foot traffic in the quarter, but company work-from-home flexibility has limited a broader recovery with weak foot traffic especially on Monday and Friday.

Retailer weakness also is apparent in market rents, which declined to \$30.23 per square foot in the second quarter of 2022 from \$30.41 per square foot in the first quarter of 2022.

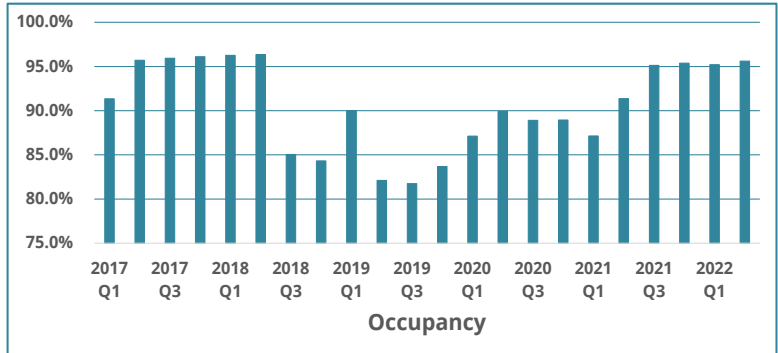
Negative absorption totaled over 43,000 square feet of space in the second quarter of 2022 and marked the third consecutive quarter where absorption was negative.



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

Downtown Multifamily Statistics

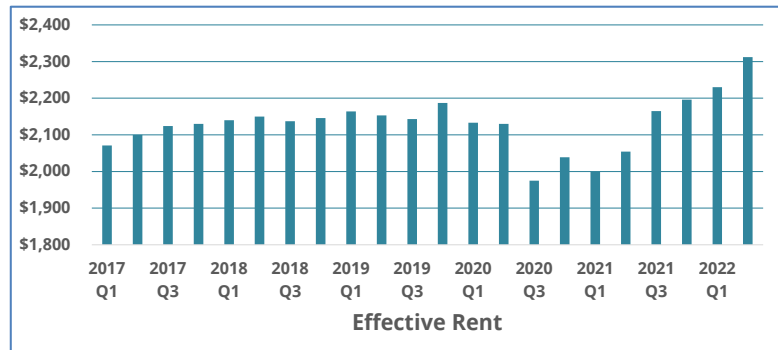
Downtown multifamily occupancy increased 0.4% to 95.6% in the second quarter of 2022 from 95.2% in the first quarter of 2022 reflecting strength in multifamily operating fundamentals.



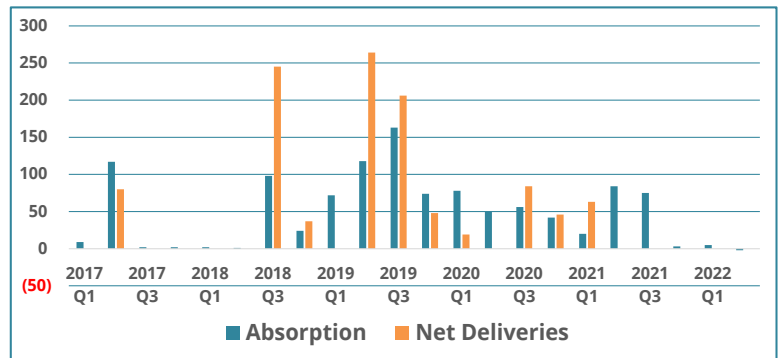
Effective rents increased 3.7% to \$2,312 per unit in the second quarter of 2022 from \$2,230 in the first quarter of 2022.



In a year over year comparison, effective rents increased 12.6% in the second quarter of 2022 from \$1,999 in the first quarter of 2021. Rents have more than recovered from weakness during the pandemic!



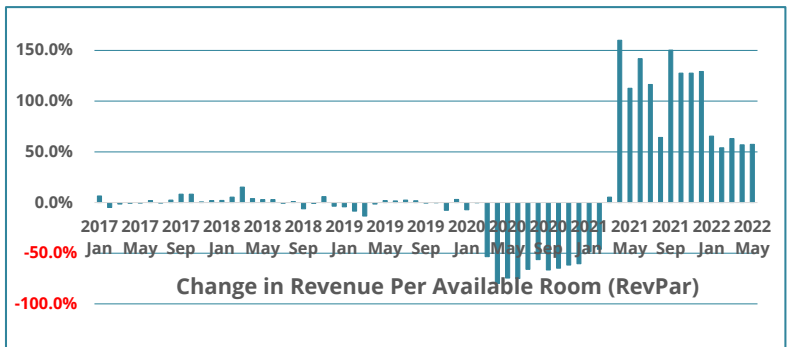
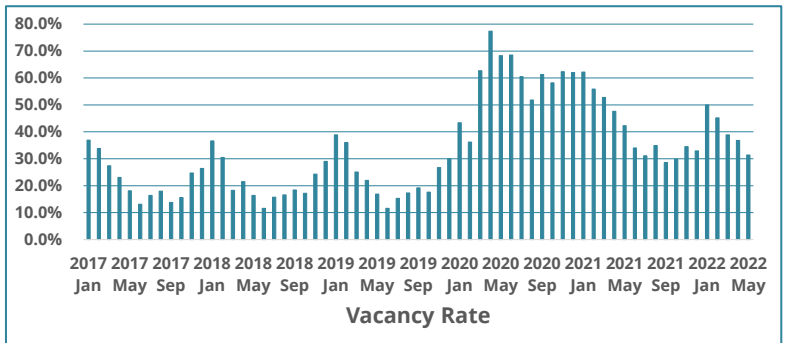
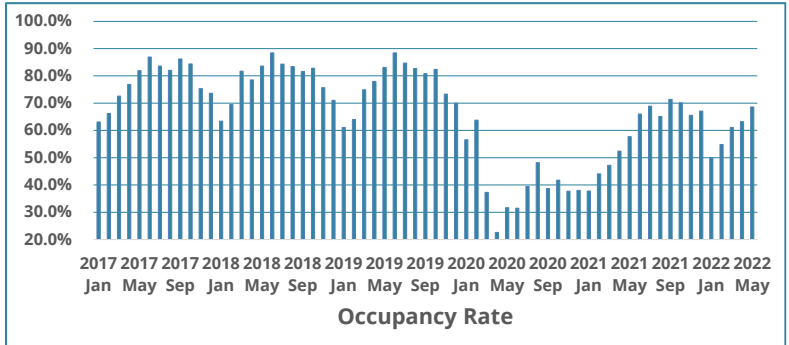
The downtown has not seen completion of new developments so far in 2022 resulting in improved occupancy and absorption. However, L+M Development Partners is set to deliver the 249-unit Newark Urby shortly, which currently is pre-leasing.



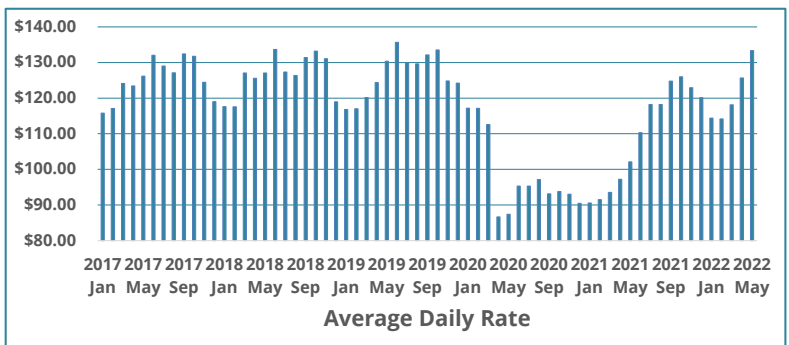
Absorption is space leased. Deliveries drove vacancy during the pre-pandemic period.

Downtown Hospitality Statistics

Occupancy increased 7.5% to 68.6% in May of 2022 (latest available) from 61.1% in March of 2022 recovering from seasonal weakness. In addition, we would note weakness in the first quarter of 2022 from the resurgence of COVID-19 driven by the omicron variant. Occupancy remains below pre-pandemic levels but appears to be in a strengthening trend.



Average daily rate increased to \$133.33 in May of 2022 from \$118.12 in March of 2022, which represents a solid recovery in room rates on par with pre-pandemic room rates.



Leasing News

Ironside Newark – Betesh Group Lease

[Betesh Group](#) – a privately held consumer products company with offices across the United States signed a 15-year lease for 18,000 square feet in Edison Properties' [Ironside Newark](#) located at 110 Edison Place. The company will occupy the second floor and locate two of its six brands in the building – Baby Boom and Baby Brezza.

Baby Boom products include diaper bags, crib bedding, baby blankets, and nursery décor. Baby Brezza is focused on infant feeding products that include formula and food prep, bottle cleaning, and bottle warming. Betesh will join Mars Wrigley Confectionery, offshore wind and energy company Ørsted, and Edison Properties headquarters.

Ironside Newark is in the immediate proximity to Newark Penn Station with its south side fronting Mulberry Commons Park. The building is terraced to open on to Mulberry Commons and also includes a rooftop terrace. The state-of-the-art renovation of the vintage 1907 warehouse includes dark fiber (unused fiber optics), and open workspaces.

Hahne & Co – SBM Management Lease

[SBM Management Services](#) – a facilities management provider – signed a 10-year lease for 13,215 square feet on the second floor of the mixed-use [Hahne & Co](#) building located at 609 Broad Street. L+M Development Partners (L+M) in affiliation with Prudential Financial and Goldman Sachs Urban Investment Group (UIG), announced the lease.

SBM Management is headquartered in Sacramento with offices in five countries and will relocate its New Jersey headquarters to Newark from its Edison location. The company provides building cleaning and maintenance services such as janitorial, vendor, call center support, and interior maintenance.

Hahne & Co is well located in Newark's northern downtown and faces Military Park. L+M in affiliation with Prudential and UIG redeveloped the historic 400,000 square foot department store in 2017. SBM Management join a mix of tenants including Credibility Capital, City MD Urgent Care, Rutgers University's tech and computer repair store kite & key, Barnes & Noble Booksellers, Whole Foods Market, restaurateur Marcus Samuelson's Marcus B&P, Sweetwater Coffee & Tea, and CoolVines. Finally, it houses Rutgers University's [Express Newark](#) – a university and community collaboration where artists and residents work in conjunction with the University's faculty, staff and students

Development News

Baldwin Equities – a [Summit Assets](#) and [Winchester Equities](#) partnership and developer of the 63-unit [William House](#) - has started two additional projects in the South of Market Street (SoMa) neighborhood:

- 303 Washington Street
- 810 Broad Street – Hotel Indigo

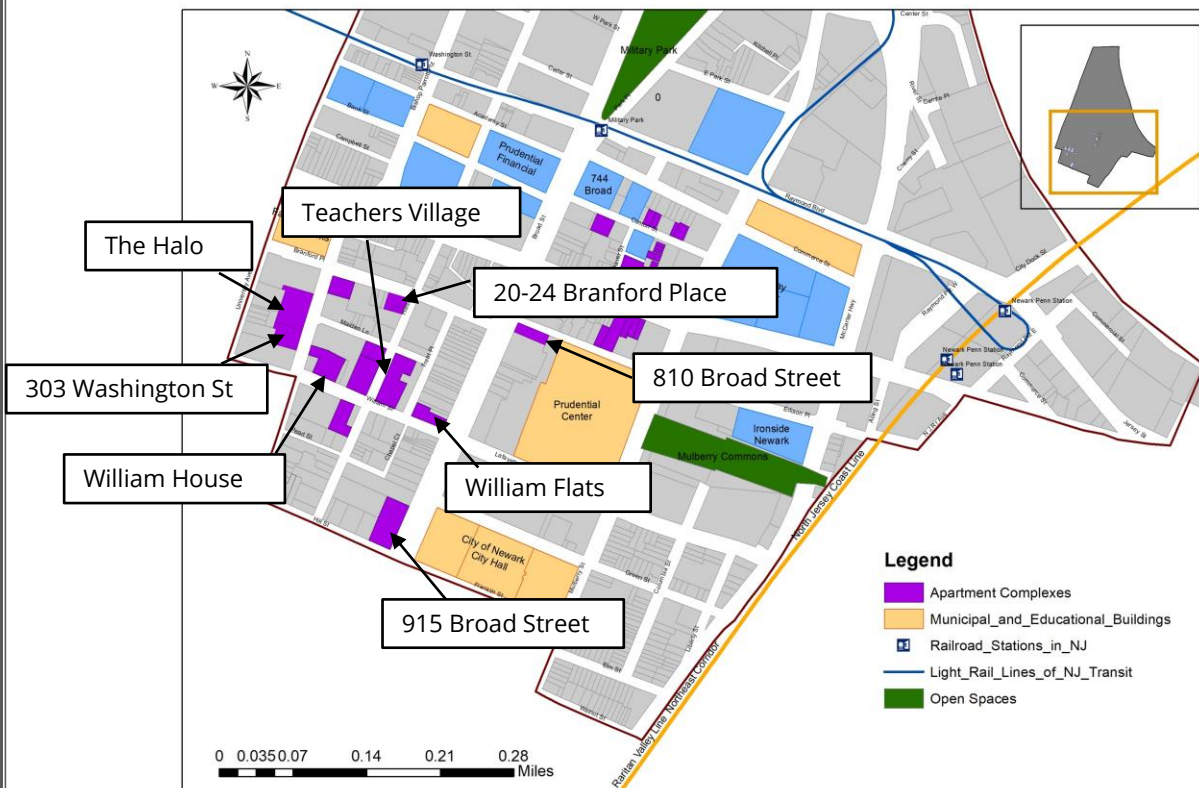
In addition to Baldwin’s, development projects underway include:

- Paramount Asset’s 20-24 Branford Place – the historic restoration of the Chamber of Commerce building
- Acier Holding’s Phase One of The Halo

Completed developments in SoMa include:

- RBH Group’s 203-unit Teachers Village project, which continues to anchor the SoMa neighborhood
- Paramount’s William Flats project
- Baldwin Equities’ William House
- Lettire Development’s 915 Broad Street project

See our [multifamily report on Newark’s downtown rental market](#) for a full discussion of existing multifamily properties and development activity.



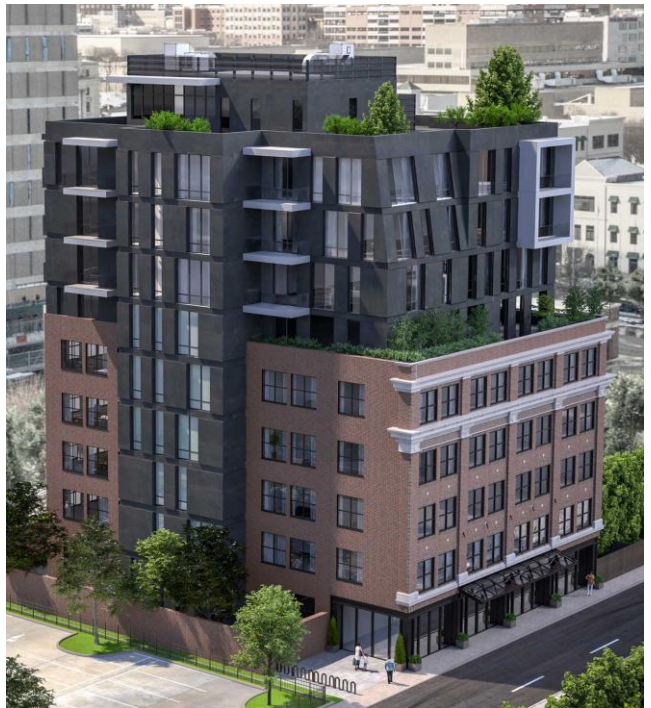
Development News – Baldwin Equities Projects

303 Washington St

303 Washington Street entails the redevelopment of a former five story office building. Plans include adding four stories to the existing building.

The project includes:

- 92 apartments
- 12-foot ceiling heights
- Private storage spaces and a package room
- Virtual 24/7 doorman
- 24/7 Cloud surveillance
- Concierge services
- Movie theatre with leather seats
- Corporate and casual lounge for private parties
- Gym and yoga studio
- Spa with sauna and steam rooms
- Rooftop deck with indoor and outdoor spaces



Development News – Baldwin Equities Projects

810 Broad St – Indigo Residence

Baldwin also is repurposing the Hotel Indigo into 106 furnished rental apartments mainly studios. The facility will include a work center with a business incubator program with access to business leaders and innovators to instruct roundtable and educational events.

The remodeling includes the following:

Conveniences

- Virtual 24/7 doorman
- Concierge services
- Package services
- 24/7 Cloud surveillance
- Hi-speed Wi-Fi access
- Three elevators
- Laundry room on every floor
- Heavy duty residential storage
- Laundry and food services on demand

Restaurant/Entertainment

- Ground floor and rooftop restaurants; Restaurant amenities include a variety of cuisines, cocktails, live and DJ music
- A cafeteria with a juice bar, salad bar, sandwiches, coffee and pastries
- Rooftop lounge with grill and firepit
- Movie theater with leather seats and screening room
- Fully equipped gym
- A wellness spa
- Lounge area



Work Center and Incubator Program

- Business center with workspaces, video conferencing and conference room
- Private meeting rooms with video conferencing equipment and conference tables
- Private influencer and huddle rooms
- LinkedIn Membership with access to LinkedIn learning programs