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# EASTERN PENNSYLVANIA SOUTHERN NEW JERSEY DELAWARE



## An Evolving Retail Mix

### Regional Overview

- > The vacancy rate decreased from 7.6 percent at mid-year to 7.2 percent at year end.
- > Numerous large vacancies were backfilled — an encouraging sign since additional large retailer vacancies are upcoming in 2017.
- > Asking rents continued to increase for upper-tier and renovated centers, but remained flat for older centers.
- > Investment sales activity was behind the first half of 2016 in terms of square footage, but ahead in dollar volume.

Despite challenges facing brick and mortar retail, regional shopping center vacancy continued to trend downward during the last two quarters of 2016. New and expanding grocery chains, off-price apparel, home furnishing stores, and fitness chains took down multiple vacant anchor spaces. The retail mix within centers has been evolving to include a greater mix of service, medical, fitness, and entertainment tenants. Supermarkets are increasingly adding in-store dining options to attract customers. This is particularly noticeable in Pennsylvania due to relaxed beer and wine sale restrictions and the auction of expired liquor licenses to supermarkets.

As department stores attempt to stem losses, it is likely that the region will be impacted by large store closures in 2017, including four Macy's and additional Sears and Kmart locations.

Competition from new construction, e-commerce, and an influx of new ownership has resulted in a wave of redevelopment activity. This includes signage and facade upgrades, reconfiguring ingress-egress routes for better access, and full guts or teardowns of existing buildings. Ground-up and redevelopment projects more frequently have a residential-retail mix such as Madison Farms in the Lehigh Valley, the Promenade at Granite Run in Delaware County, the Shoppes and Residences at Renaissance Square in Burlington County, and yet-to-be-approved plans for Bala Cynwyd Shopping Center and Stratford Plaza.

### MARKET INDICATORS

Relative to prior period

PA/NJ/DE  
Q2 2016

PA/NJ/DE  
Q2 2017\*

VACANCY



CONSTRUCTION



RENTAL RATES



\*Projected

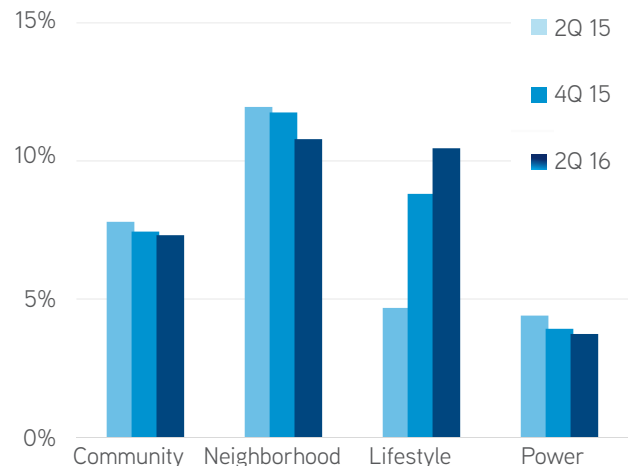
Arrows compare current period to the previous period and forecast the next period.

### ASKING RENTAL RATES BY CENTER TYPE

	AVERAGE ASKING RENTS
COMMUNITY	\$14.00-\$32.00
NEIGHBORHOOD	\$12.00-\$30.00
POWER	\$13.00-\$22.00
LIFESTYLE	\$25.00-\$45.00

Asking rents for Community, Neighborhood and Lifestyle Centers are for the typical quoted rent per-square-foot, triple net, and for in-line spaces. For Power Centers, asking rents are for anchor or junior anchor positions, 10,000 SF to 40,000 SF.

### RETAIL VACANCY BY CENTER TYPE



## Regional Overview (continued)

Burlington Stores leased three former Sports Authority locations in Easton, Langhorne, and Wilmington and will be moving into a new store in Wishing Well Plaza. Supermarkets were extremely active, leasing new locations or moving to larger, better locations. German grocery chain, Lidl, purchased two sites to build in York County, one in Philadelphia, one in Delaware and has sites identified in Warminster, Folsom, Pottstown, Royersford, Easton and Mt. Laurel.

Investors such as Phillips Edison, ECHO Real Estate Services, America's Realty, BET Investments, and Acadia Realty Trust expanded their holdings, both for the opportunity to add well-located, core-market assets and value-add centers for repositioning. North Jersey-based PAG Investments and Boston-based Unison Realty Partners were new investors to the region.

## Recent Transactions in Q3 and Q4 2016

SALES ACTIVITY					
PROPERTY ADDRESS	LOCATION	BUYER	SIZE SF	PRICE / SF	TYPE
Palmer Town Center	Northampton County	Phillips Edison & Company	251,295	\$126.35	Community
Franklin Marketplace	Philadelphia County	PAG Investments	222,434	\$115.88	Community
Dauphin Plaza Shopping Center	Dauphin County	Acadia Realty Trust	215,256	\$74.33	Community
Hartford Corners	Burlington County	Principal Real Estate Investors	212,947	\$164.83	Community
Market Street Square	Lancaster County	Nassimi Realty Corporation	169,481	\$55.76	Community
High Pointe Commons	Dauphin County	Unison Realty Partners	131,796	\$256.46	Community
Mayfair Shopping Center	Philadelphia County	Acadia Realty Trust	89,335	\$185.82	Community
Giant Marketplace	Bucks County	ECHO Real Estate Services	88,500	\$319 (est.)	Neighborhood
Rockland Plaza	Berks County	Radkra LLC	85,064	\$8.52	Neighborhood
Eastside Plaza	Lehigh County	America's Realty	83,127	\$47.98	Neighborhood
Shops at Lionville Station	Chester County	ECHO Real Estate Services	79,000	\$101.26	Neighborhood
Media Shopping Center	Delaware County	ECHO Real Estate Services	71,000	\$232.39	Neighborhood
Maple Glen Shopping Center	Montgomery County	BET Investment	67,436	\$237.26	Neighborhood
Ephrata Commons	Lancaster County	Heidenberg-Strategic Real Estate Partners	54,810	\$111.29	Neighborhood

LEASE ACTIVITY				
PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	
Coventry Mall	Chester County	Gabe's	60,000	
Whitman Plaza	Philadelphia County	ShopRite	58,980	
Grays Ferry Shopping Center	Philadelphia County	Fresh Grocer	56,645	
Snyder Plaza East	Philadelphia County	Acme	54,415	
176 West Street Road	Bucks County	Giant	49,672	
Shelly Plaza	Philadelphia County	PJP Marketplace	48,131	
2375 E. Lincoln Highway	Bucks County	Burlington Stores	43,441	
Brandywine Commons II	New Castle County	Burlington Stores	42,443	
Lower Nazareth Commons	Lehigh Valley	Burlington Stores	41,983	
Wishing Well Plaza	Burlington County	Burlington Stores	40,000	
Eastside Marketplace	Lehigh Valley	Superfood Marketplace	40,000	
Lebanon Plaza	Lebanon County	Planet Fitness	34,000	
Plaza at Cherry Hill	Camden County	Restoration Hardware Outlet	32,000	
York Galleria	York County	Gold's Gym	30,644	
Eden Square Shopping Center	New Castle County	LA Fitness	27,786	
Abington Shopping Center	Montgomery County	Michael's	27,024	
Imperial Plaza	Philadelphia County	Ross Dress for Less	25,832	
Gateway Square	Cumberland County	Big Bob's Flooring	25,394	
Brandywine Town Center	Wilmington	Michael's (renewal)	24,876	
Pennsboro Commons	Cumberland County	Planet Fitness	22,500	
Limerick Crossings	Montgomery County	Aldi (sublease)	21,702	

# Market Comparison Update

## RETAIL MARKET

SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE
Philadelphia County	17,208,747	1,230,298	15,000	1,245,298	7.2%
Suburban PA Counties	71,973,060	4,410,641	83,613	4,494,254	6.2%
Southern New Jersey	32,193,044	3,219,690	181,013	3,400,703	10.6%
Lehigh Valley, PA	15,379,268	848,058	0	848,058	5.5%
New Castle County, DE	17,716,772	1,270,567	1,292	1,271,859	7.2%
Central Pennsylvania	46,708,629	3,186,769	29,807	3,216,576	6.9%
<b>TOTAL PA-NJ-DE</b>	<b>201,179,520</b>	<b>14,166,023</b>	<b>310,725</b>	<b>14,476,748</b>	<b>7.2%</b>

## VACANCY COMPARISON BY MAJOR CENTER TYPE

SUBMARKET	COMMUNITY CENTER	NEIGHBORHOOD CENTER	POWER CENTER	LIFESTYLE CENTER
Philadelphia County	6.6%	13.2%	3.1%	0.0%
Suburban PA Counties	4.9%	10.2%	3.2%	8.9%
Southern New Jersey	12.5%	15.0%	4.5%	6.0%
Lehigh Valley, PA	7.4%	9.0%	1.2%	0.0%
New Castle County, DE	8.2%	5.3%	10.5%	26.6%
Central Pennsylvania	6.8%	10.1%	3.6%	4.5%
<b>TOTAL PA-NJ-DE</b>	<b>7.3%</b>	<b>10.8%</b>	<b>3.7%</b>	<b>10.5%</b>

## DEFINITIONS

**Vacancy Rate:** A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation on the space.

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

**Under Construction:** Counted when steel is up, not at the commencement of site work.



## METHODOLOGY:

The Colliers International PA, Southern NJ, and DE survey includes strip retail, neighborhood, community, power, lifestyle and malls over 25,000 square feet. The overall vacancy rates include strip retail centers and malls, but these are not broken out in the center vacancy comparisons.

## Submarket Reviews

### Philadelphia County

The vacancy rate in Philadelphia County decreased from 8.8 to 7.2 percent at year-end. Supermarket activity was a major reason for the vacancy drop. ShopRite moved to a vacant Pathmark location in South Philadelphia and ShopRite's former location will be backfilled by Acme. Fresh Grocer will take over the vacant Pathmark at Grays Ferry Shopping Center. Plaza Allegheny, a Save A Lot-anchored center, is underway in the under-served Fairhill section of the City.

Full renovations are underway at the Fashion Outlets of Philadelphia and interest in the project is reported to be strong.

### Suburban Pennsylvania

Vacancy decreased overall from 7.6 to 6.2 percent in Q4. Only Chester County had an uptick in vacancy. The new phase of King of Prussia Town Center, the King of Prussia Mall connector, the Shoppes and Brookhaven, a portion of Ellis Preserve Town Square, and the Shops at Wynewood opened. Full construction was underway at Centre Square Commons in Blue Bell.

Major renovations were advancing at the Promenade at Granite Run, Exton Square Mall, Spring House Town Center and Suburban Square in Ardmore. Hillcrest Shopping Center in Lansdale and The Coventry Mall have rehabs in the approval stages.

### Southern New Jersey

The overall vacancy rate in the three counties decreased from 11.0 to 10.6 percent at year-end. Burlington County had an increase in vacancy, but Camden and Gloucester had decreases. Both Camden and Burlington counties are likely to have increases in 2017 as a result of Macy's closing stores in Moorestown and Voorhees.

Construction has been on the upswing, particularly in infill locations. RD Management began renovations on the existing center in Marlton that will be part of the larger Shoppes and Residences at Renaissance Square development. Wishing Well Plaza is expanding to accommodate Burlington Stores, and PREIT plans to expand the Cherry Hill Mall for an unidentified tenant. There will likely be more retail sites torn down to make way for new commercial developments, but not solely retail.

### New Castle County, DE

New Castle County's vacancy decreased from 7.4 to 7.2 percent, but the lifestyle center vacancy rate increased because of new construction. New retailers have opened in the expanding Christiana Fashion Outlets. Kimco has begun infrastructure improvements for the Promenade at Christiana. This 400,000-square-foot center is scheduled for completion in 2018. Pettinaro plans a mixed-use development for the balance of the Barley Mill site that it acquired in October.

### Lehigh Valley, PA

The Lehigh Valley vacancy rate dropped from 5.9 percent at mid-year to 5.5 percent. The completion of the 560,000-square-foot, Hamilton Crossings, which included new Valley retailers such as a Costco, boosted occupancy.

New development and redevelopment activity remains strong. Walmart will be building a 158,000-square-foot supercenter in Bethlehem. Construction on the new Movie Tavern in Trexlertown will be commencing. Renovations are underway at Westgate Plaza, and pad site development is planned for the front of the Lehigh Valley Mall. Pad site development is prolific in the Valley, with multiple drug store, c-store, fast casual and strip retail projects under construction.

### Central Pennsylvania

The overall vacancy rate in the Central PA counties increased from 6.8 to 6.9 percent. Dauphin and Berks had increases due to the closing of the Kmart in Reading and OfficeMax and Giant stores in Colonial Commons in Harrisburg.

Construction was underway at the Shoppes at Belmont in Lancaster. The first phase of the mixed-used project will include a Whole Foods, with a Target, Dick's Sporting Goods, Nordstrom Rack and Ulta Beauty by completion in 2018.

Vacancy will increase during the 1st half of 2017 due to the announced closing of the Sears in Capital City Mall and Kmart stores in Cumberland and Lancaster County.

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