MARKETBEAT

Philadelphia - Suburban

Office Q3 2019

CUSHMAN & WAKEFIELD

PHILADELPHIA OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Philadelphia MSA Employment*	2.944M	2.971M	▲
Philadelphia MSA Unemployment*	4.1%	3.6%	▲
U.S. Unemployment	3.8%	3.7%	▲

*2019 Q3 data are based on latest available data.

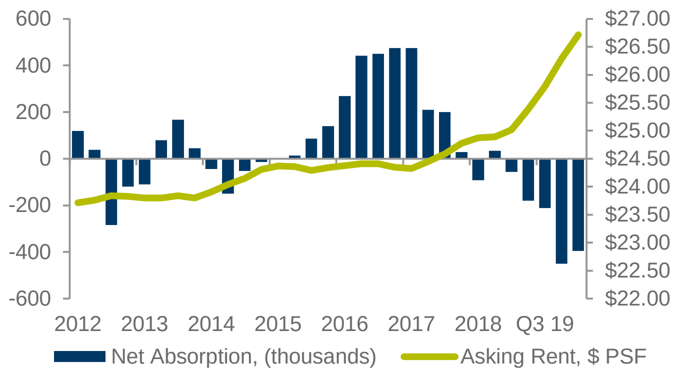
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	13.0%	15.0%	▼
YTD Net Absorption (sf)	92k	-690k	▼
Under Construction (sf)	62k	865k	▲
Average Asking Rent**	$25.25	$26.95	▲

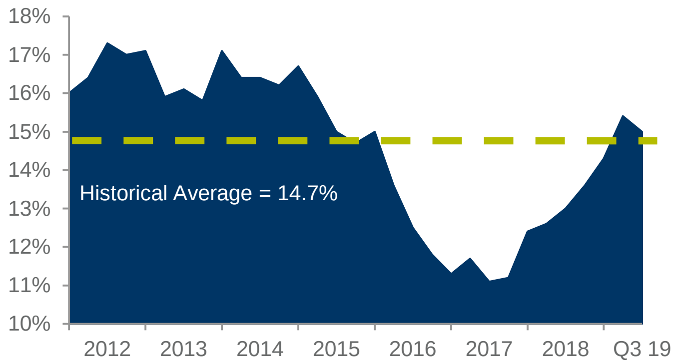
**Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Philadelphia Metropolitan Statistical Area's (MSA) economy continued to grow in the third quarter of 2019, adding 27,200 jobs over the past 12 months, representing a 0.9% increase. This growth is being driven by office-occupying sectors, education and health services, and mining, logging and construction, which each respectively represented 34.2%, 28.4% and 15.9% of the jobs added during this period. The unemployment rate for the Philadelphia region dropped 50 basis points (bps) to 3.6% in the third quarter, below the national unemployment rate of 3.7%.

Market Overview

Leasing activity in the Philadelphia suburbs finished the third quarter of 2019 at 535,669 square feet (sf), driven by close to 150,000 sf of leasing in the King of Prussia/Valley Forge submarket and 140,000 sf in Southern Bucks County. After three straight quarters of negative absorption, the market recorded 312,192 sf of positive absorption in the third quarter 2019, with more than 290,000 sf of that attributable to Class A buildings. Positive absorption was driven by strong leasing activity from the first half of the year, with tenants moving into new space this quarter, including Bracket Global, Yprime, Quench USA and Marinus Pharmaceuticals. Despite positive absorption in the third quarter, overall year-to-date absorption remains negative at -690,000 sf, driven by several large blocks of space that hit the market during the first half of the year that remain vacant. Positive absorption in the third quarter drove overall vacancy to drop 40 bps over the previous quarter to 15.0%. However, vacancy is still 200 bps higher than it was a year ago, driven by a Class B vacancy rate of 16.9%. Suburban direct average asking rents in the third quarter of 2019 remained constant at the $27-per-square-foot (-psf) range after hitting a record high for the market in the second quarter. This rise in rates is driven by Class A rents, which have increased 6.3% over the past 12 months versus a 2.5% increase in Class B rents during the same period.

Outlook

With a tight labor market, companies want to lease state-of-the-art, amenitized workspaces to attract the best talent. An aging office stock and limited availabilities within this product type are driving rents for quality space in the suburbs, as well as value-add acquisitions, like Rubenstein Partner's purchase of Chesterbrook Corporate Center and Keystone Property Group's purchase of Four Falls Corporate Center. Expect this trend to continue, along with new office construction, as investors and developers chase the higher rents these spaces command.

MARKETBEAT

Philadelphia - Suburban

Office Q3 2019

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	DIRECT AVERAGE ASKING RENT (ALL CLASSES)*	DIRECT AVERAGE ASKING RENT (CLASS A)*
East of Broad	12,668,511	76,987	1,329,907	11.1%	-45,200	-50,284	299,392	0	$30.02	$30.21	$31.88
West of Broad	28,869,885	210,240	2,538,167	9.5%	16,216	-30,964	1,171,992	0	$31.44	$31.85	$33.33
CBD	**41,538,396**	**287,227**	**3,868,074**	**10.0%**	**-28,984**	**-81,248**	**1,471,384**	**0**	**$31.04**	**$31.38**	**$32.98**
Bala Cynwyd	2,719,940	0	242,496	8.9%	57,594	11,434	102,786	0	$33.64	$33.64	$34.14
Southern Bucks County	6,322,779	28,017	1,275,123	20.6%	5,089	-176,407	254,894	20,000	$24.88	$24.86	$27.53
Southern Route 202 Corridor	5,944,423	12,412	662,364	11.4%	7,751	47,769	229,770	0	$25.40	$25.47	$26.62
Delaware County	4,159,028	21,950	477,298	12.0%	11,027	-63,282	125,912	378,000	$27.47	$27.55	$29.09
Blue Bell/Ply. Mtg./Ft. Wsh.	11,886,195	108,683	2,597,275	22.8%	5,716	-301,538	530,374	0	$25.87	$25.96	$26.81
Main Line	3,565,457	6,739	287,209	8.2%	41,135	127,006	261,868	0	$36.44	$36.45	$37.67
Conshohocken	3,547,486	51,840	350,991	11.4%	2,590	-75,294	96,591	427,333	$36.98	$37.65	$38.12
Horsham/Willow Grove/Jenkintown	5,033,773	73,138	787,165	17.1%	-6,553	-173,499	128,188	40,470	$23.65	$23.69	$25.50
King of Prussia/Valley Forge	18,124,320	257,378	1,928,423	12.1%	187,843	-85,719	647,359	0	$27.08	$27.00	$28.71
SUBURBAN PHILADELPHIA	**61,303,401**	**560,157**	**8,608,344**	**15.0%**	**312,192**	**-689,530**	**2,377,742**	**865,803**	**$26.95**	**$26.99**	**$28.93**
Burlington County	7,827,072	5,909	1,241,930	15.9%	44,945	-190,606	207,266	0	$24.10	$24.13	$26.35
Camden County	6,303,713	35,089	900,397	14.8%	-13,357	-132,923	165,190	0	$20.37	$20.41	$25.13
SOUTHERN NEW JERSEY	**14,130,785**	**40,998**	**2,142,327**	**15.5%**	**31,588**	**-323,529**	**372,456**	**0**	**$22.21**	**$22.25**	**$26.23**
New Castle-Suburban	9,509,660	61,324	1,166,341	12.9%	19,585	100,890	768,236	0	$23.67	$24.01	$24.98
Wilmington-CBD	7,200,733	34,339	1,789,923	25.3%	-8,015	-663,684	90,220	0	$26.59	$26.59	$26.96
NEW CASTLE CTY-DE TOTAL	**16,710,393**	**95,663**	**2,956,264**	**18.3%**	**11,570**	**-562,794**	**858,456**	**0**	**$25.48**	**$25.67**	**$26.48**
Lehigh & Northampton Counties	7,555,435	24,684	983,103	13.3%	254,692	223,702	163,258	0	$20.40	$20.40	$22.61
Naval Yard	827,788	0	42,906	5.2%	0	11,125	136,000	231,000	$40.68	$40.68	$40.68
University City	5,688,632	27,631	403,071	7.6%	99,303	157,999	178,350	0	$42.59	$43.06	$44.01
SUBURBAN TOTAL	**92,144,579**	**696,818**	**13,706,935**	**15.6%**	**355,350**	**-1,575,853**	**3,608,654**	**865,803**	**$26.03**	**$26.07**	**$28.25**
PHILADELPHIA TOTALS* **	**133,682,975**	**984,045**	**17,575,009**	**13.9%**	**326,366**	**-1,657,101**	**5,080,038**	**865,803**	**$27.07**	**$27.16**	**$29.36**

*Rental rates reflect gross asking $psf/year **Does not include renewals
***Lehigh & Northampton Counties, Naval Yard and University City submarkets are not included within the Suburban & Philadelphia MSA total

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2476 Swedesford Road	65,179	Zoetis US	New	King of Prussia/Valley Forge
100 Witmer Road	45,000	Kreischer Miller	Renewal	Horsham/Willow Grove/Jenkintwn
1000 Northbrook Drive	40,960	Voice Systems Engineering, Inc.	New	Southern Bucks County

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
Chesterbrook Corporate Center Portfolio Sale	1,074,726	Pitcairn Properties, Inc. / Rubenstein Partners, L.P.	$148,500,000 / $138	King of Prussia/Valley Forge
1001 Conshohocken Road	254,080	The Arden Group / Keystone Property Group jv. The Arden Group, Inc.	$50,000,000 / $197	Conshohocken

Cushman & Wakefield
1650 Market Street - 33rd Floor
Philadelphia, PA 19103
cushmanwakefield.com

For more information, contact:
Casandra Dominguez, Director
Research
Tel: +1 215 963 4077
casandra.dominguez@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of $8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.