MARKETBEAT

PHILADELPHIA - CBD

Office Q1 2020

CUSHMAN & WAKEFIELD

U.S. ECONOMIC UPDATE

The arrival of the COVID-19 pandemic has created an economic shock that has likely pushed the global economy and the U.S. into recession. Policies initiated to "flatten the curve" of potential infection include the voluntary and mandated shutdown of large sectors and regions of the economy. Retail establishments, restaurants, passenger transportation, schools and leisure activities have almost all grinded to a halt while customers self-quarantine and practice social distancing.

RECORD-SETTING LAYOFFS, DECLINING EMPLOYMENT

Over the last two weeks (ending on March 28th), a cumulative 10 million people have applied for unemployment benefits—by far the largest number of applications in history since record-keeping began in 1967. Initial unemployment claims are a highly reliable leading indicator of trends in labor markets and therefore the economy at large. Given the size of the increase, along with other high-frequency data trends that are similarly bleak, it is widely believed that the U.S. economy has entered a recession. This was reinforced in early April when the Labor Department reported that payroll employment in the U.S. fell by 701,000 jobs in March, one of the largest declines in history. It's all but certain that even more jobs will be lost in the months ahead.

Given the way these events have unfolded and the huge number of layoffs, the current thinking among economic forecasters is that the second quarter of 2020 will see one of the largest real GDP declines in U.S. history. What is less clear is what the economic trajectory will be following Q2. As of this writing (4-7-2020), hopeful signs are emerging that policy steps to "flatten the curve" are beginning to work in certain areas, but many unknowns remain. It is too soon to say if these signs are sustainable and how they will impact the trajectory of the economy.

We continue to monitor developments extremely closely and are working around the clock to publish data and insight as quickly as possible.

To view our latest perspective on the coronavirus and its potential impact on CRE and the economy, access Cushman & Wakefield's COVID-19 resource page.

TRENDS AND INSIGHTS

Cushman & Wakefield Covid-19 Webinar Replay
Learn more on the evolving COVID-19 situation and its implication for **real estate occupiers and investors.**
Click to Replay

COVID-19: A Wholly Unprecedented Policy Response
On March 27, 2020, an enormous $2.2 trillion emergency coronavirus stimulus package was signed into law by President Trump. The legislative package—the Coronavirus Aid, Relief and Economic Security (CARES) Act—is the largest rescue package in U.S. history. Click for Summary

Lessons From Landlords In China's Post Covid-19 Recovery Phase
With local infections down, China is getting back to work. As the lights are turned back on in offices across the country, landlords and tenants alike are inevitably finding themselves in a new paradigm. Click for Article

2020 Asia Pacific Office Outlook
In this report, you will find detailed but succinct analysis of the trends in each of the region's key Grade A office markets over the next two years that we hope will help refine your organization's CRE strategy.
Click for Article

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WEEKLY COVID-19 UPDATES

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MARKET STATISTICS

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 AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
East of Broad	12,668,511	74,968	1,256,536	10.5%	54,347	54,347	103,135	0	$30.67	$31.30
West of Broad	28,917,954	230,941	2,439,582	9.2%	-26,321	-26,321	232,632	0	$32.36	$34.02
CBD	**41,586,465**	**305,909**	**3,696,118**	**9.6%**	**28,026**	**28,026**	**335,767**	**0**	**$31.80**	**$33.38**
Naval Yard	**827,788**	**0**	**23,306**	**2.8%**	**5,040**	**5,040**	**5,040**	**231,000**	**$40.68**	**$40.68**
University City	**5,688,632**	**34,631**	**416,515**	**7.3%**	**10,369**	**10,369**	**64,557**	**389,000**	**$43.93**	**$44.85**
Bala Cynwyd	2,718,384	500	312,224	11.5%	-20,743	-20,743	17,598	0	$33.62	$33.75
Southern Bucks County	6,322,779	25,639	1,271,252	20.5%	-15,121	-15,121	110,348	20,000	$25.50	$28.09
Southern Route 202 Corridor	6,199,423	11,014	753,408	12.3%	11,885	11,885	32,033	0	$25.57	$26.71
Delaware County	4,159,028	5,050	426,652	10.4%	38,688	38,688	11,061	378,000	$26.50	$27.63
Blue Bell/Ply. Mtg./Ft. Wsh.	12,110,460	81,491	2,452,989	20.9%	-89,600	-89,600	162,800	0	$24.53	$25.66
Main Line	3,568,028	13,274	235,510	7.0%	81,677	81,677	87,876	0	$35.52	$37.77
Conshohocken	3,547,486	31,076	372,937	11.4%	16,087	16,087	7,660	687,333	$36.88	$37.61
Horsham/Willow Grove/Jenkt.	5,277,243	64,480	930,343	18.9%	9,490	9,490	14,796	0	$22.36	$23.09
King of Prussia/Valley Forge	18,071,320	332,304	2,168,584	13.8%	-194,874	-194,874	146,116	0	$27.01	$28.93
SUBURBAN PHILADELPHIA	**61,974,151**	**564,828**	**8,923,899**	**15.3%**	**-162,511**	**-162,511**	**590,288**	**1,085,333**	**$26.31**	**$28.35**
Burlington County	7,853,472	14,114	1,231,507	15.9%	-5,260	-5,260	58,586	0	$21.58	$25.16
Camden County	6,377,581	35,253	975,617	15.9%	55,337	55,337	39,785	0	$20.66	$23.10
SOUTHERN NEW JERSEY	**14,231,053**	**49,367**	**2,207,124**	**15.9%**	**50,077**	**50,077**	**98,371**	**0**	**$21.13**	**$24.67**
New Castle-Suburban	9,430,879	12,311	1,116,717	12.0%	44,853	44,853	48,761	0	$23.28	$24.40
Wilmington-CBD	7,117,093	32,022	1,714,752	24.5%	2,694	2,694	14,706	0	$28.00	$28.64
NEW CASTLE CTY-DE TOTAL	**16,547,972**	**44,333**	**2,831,469**	**17.4%**	**47,547**	**47,547**	**63,467**	**0**	**$26.17**	**$27.55**
Lehigh & North Hamp. Counties	7,631,540	18,775	1,118,876	14.9%	-19,607	-19,607	27,505	0	$20.07	$22.70
PHILADELPHIA TOTALS* **	**134,339,641**	**964,437**	**17,658,610**	**13.9%**	**-36,861**	**-36,861**	**1,087,893**	**1,085,333**	**$26.71**	**$29.14**

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

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 South Broad Street	West of Broad	City of Philadelphia	66,631	Renewal*
1818 Market Street	West of Broad	Hana	50,745	New
100 Penn Square East	East of Broad	Mindspace	41,277	New
1818 Market Street	West of Broad	Penn Interactive Ventures	29,609	New
1818 Market Street	West of Broad	Langan Engineering	24,516	Renewal/Expansion*
1500 Spring Garden Street	West of Broad	Evolution Gaming	23,980	New
1650 Market Street	West of Broad	Lombard International	23,030	Renewal*
1101 Market Street	East of Broad	City of Philadelphia	20,787	New

*Renewals not included in leasing statistics

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