MARKETBEAT

PHILADELPHIA - SUBURBAN

Office Q3 2020

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
15.0% Vacancy Rate	▲	▲
236K Net Absorption, SF	▲	▼
$26.65 Asking Rent, PSF	▼	▼

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
2.7M Philadelphia Employment	▼	▲
11.8% Philadelphia Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 234,600 jobs, with 38.6% of those in the leisure and hospitality sector. The Philadelphia region's unemployment rate of 11.8% in the third quarter of 2020 was 760 basis points (bps) higher than the same period a year ago. Office occupying sectors outperformed the overall regional economy during this period, with jobs in those sectors dropping by 4.0% since February, compared to total nonfarm jobs which dropped by 7.9%. Jobs in finance decreased by 2.7%, the least out of any sector in the region during this period.

SUPPLY AND DEMAND

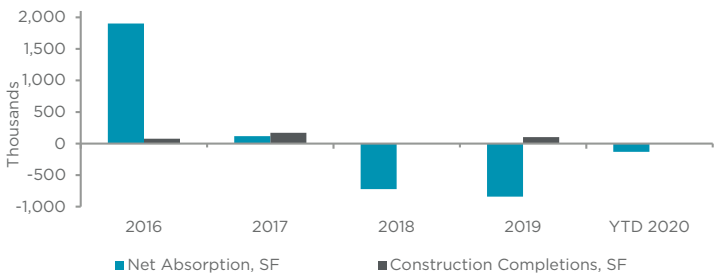
Leasing activity in the Philadelphia suburbs ended the third quarter of 2020 at 238,001 square feet (sf), taking the year-to-date total to 1.3 million square feet (msf). This represents a 43.2% decrease in year-to-date leasing volumes from the same period a year ago, as many tenants are unwilling to make a long-term real estate commitment given general market uncertainty. Despite market conditions, BNP Paribas signed a 59,000-sf lease in the Chesterbrook Corporate Center, which is being redeveloped by Rubenstein Partners after the investor acquired the campus last year. This represents a 20,000-sf expansion and relocation within the King of Prussia/Valley Forge submarket. Additionally, Idorsia Pharmaceuticals signed a 20,700-sf lease in Radnor, in the Main Line submarket, which will be expanding and relocating from its current offices in Cherry Hill, NJ.

Overall absorption for the third quarter was just under 236,000 sf, pushing year-to-date absorption to negative –178,000 sf. Positive absorption for the quarter was driven by the King of Prussia/Valley Forge submarket, with Zoetis, a life sciences company focused on animal health, moving into new office space at 2476 Swedesford Road. Overall vacancy dropped 60 bps over the pervious quarter, hitting 15.0% in Q3 2020.

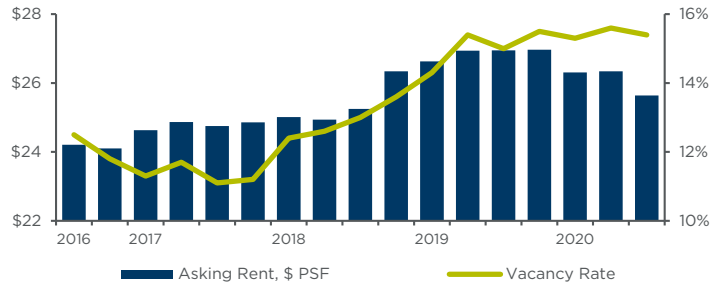
PRICING

Philadelphia suburban overall gross asking rents hit $26.65 per square foot (psf) in the third quarter of 2020, representing a 1.6% year-over-year decrease.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PHILADELPHIA - SUBURBAN

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CUSHMAN & WAKEFIELD

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	78,529	1,202,610	10.1%	192,358	228,641	599,739	462,000	$30.89	$31.57
West of Broad	28,917,954	289,353	2,638,265	9.7%	-182,138	-288,763	398,288	305,000	$32.83	$34.60
CBD**	**41,586,465**	**367,882**	**3,840,875**	**9.8%**	**10,220**	**-60,122**	**998,027**	**767,000**	**$32.25**	**$33.96**
Naval Yard	827,788	0	23,306	2.8%	0	5,040	0	231,000	$39.18	$39.18
University City	5,688,632	34,631	331,642	6.4%	50,242	60,611	56,000	0	$43.93	$44.85
Bala Cynwyd	2,718,384	3,786	332,223	12.4%	-8,923	-44,028	35,476	0	$33.86	$34.27
Southern Bucks County	6,322,779	17,169	1,206,152	19.3%	18,582	-5,457	127,974	20,000	$25.42	$28.08
Southern Route 202 Corridor	6,199,423	15,638	690,489	11.4%	26,629	21,715	117,423	0	$25.16	$26.32
Delaware County	4,159,028	3,340	370,920	9.0%	59,127	90,197	143,211	378,000	$25.77	$26.75
Blue Bell/Ply. Mtg./Ft. Wsh.	12,110,460	78,238	2,559,944	21.8%	-77,820	-214,848	320,345	0	$25.27	$26.44
Main Line	3,568,028	9,952	240,378	7.0%	-725	70,340	134,367	0	$37.73	$39.56
Conshohocken	3,547,486	25,019	344,178	10.4%	36,914	51,500	27,590	687,333	$36.49	$37.59
Horsham/Willow Grove/Jenkt.	5,277,243	64,480	884,397	18.0%	35,950	33,736	41,812	0	$22.18	$23.13
King of Prussia/Valley Forge	18,071,320	384,845	2,047,002	13.5%	146,129	-181,251	401,993	0	$27.52	$29.35
SUBURBAN PHILADELPHIA	**61,974,151**	**602,467**	**8,675,683**	**15.0%**	**235,863**	**-178,096**	**1,350,191**	**1,085,333**	**$26.65**	**$28.76**
Burlington County	7,853,472	12,115	1,170,844	15.1%	34,399	3,753	160,311	0	$21.76	$25.31
Camden County	6,377,581	31,098	996,380	16.1%	-39,584	-4,787	86,727	0	$20.46	$23.19
SOUTHERN NEW JERSEY	**14,231,053**	**43,213**	**2,167,224**	**15.9%**	**-5,185**	**-1,034**	**247,038**	**0**	**$21.12**	**$24.85**
New Castle-Suburban	9,430,879	6,921	1,092,826	11.7%	21,942	50,668	115,334	0	$23.14	$24.45
Wilmington-CBD	7,117,093	32,022	1,706,228	24.4%	46,318	-3,019	125,330	0	$27.76	$28.33
NEW CASTLE CTY-DE TOTAL	**16,547,972**	**38,943**	**2,799,054**	**17.8%**	**68,260**	**47,649**	**240,664**	**0**	**$26.11**	**$27.46**
Lehigh & North Hamp. Counties	7,631,540	34,720	1,195,663	16.1%	-45,266	-64,930	53,036	0	$20.09	$22.77
PHILADELPHIA TOTALS* **	**134,339,641**	**1,052,505**	**17,482,836**	**13.7%**	**309,158**	**-191,603**	**2,835,920**	**1,852,333**	**$27.04**	**$29.59**

*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 ****Vacancy and absorption entries are not reflective of the U.S. Overview

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
400 Highpoint Drive	Southern Bucks County	JBT	67,200	Renewal*
735 Chesterbrook Blvd	King of Prussia/Valley Forge	BNP Paribas	59,000	New
300 Willowbrook Lane	Southern Route 202 Corridor	CDHA	23,000	New
100 Matsonford Road	Main Line	Idorsia Pharmaceuticals	20,682	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
70 Valley Stream Parkway	King of Prussia/Valley Forge	Royal Communities/ Commonwealth Charter Academy	110,000	$15.3M / $143

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