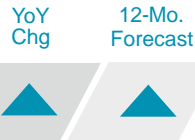


PHILADELPHIA - SUBURBAN



Office Q4 2020

15.3%
Vacancy Rate



22K
YTD Net Absorption,



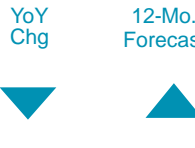
\$27.13
Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q4 2020

2.8M
Philadelphia Employment



7.6%
Philadelphia Unemployment Rate



6.7%
U.S. Unemployment Rate



Source: BLS

ECONOMY

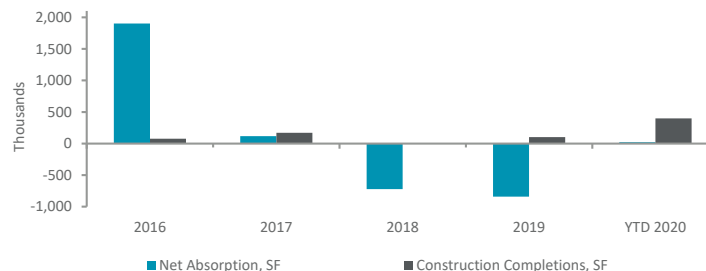
Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 150,000 jobs, with 23.8% of those in the leisure and hospitality sector. The Philadelphia region's unemployment rate of 7.6% in the fourth quarter of 2020 was 330 basis points (bps) higher than the same period a year ago. Office occupying sectors outperformed the overall regional economy, with jobs in those industries dropping by 3.9% since February, compared to total nonfarm jobs which dropped by 5.1% during this period. Since the government-mandated halt to elective procedures was lifted in May 2020, the education and health services sector, the largest in the Philadelphia region, has been rebounding strongly, adding 55,000 jobs back to the regional economy during this period. This represents almost two-thirds of the jobs lost by the sector since the onset of the pandemic, with education and health services jobs now down only 2.9% since February.

SUPPLY AND DEMAND

Leasing activity in the Philadelphia suburbs totaled 1.9 million square feet (msf) in 2020, 42.6% less than the previous three-year average for the market. This decrease in leasing volumes is a result of tenants unwilling to make long-term real estate commitments given the market uncertainty caused by COVID-19. Kinetic Ceramics, a manufacturer of piezoelectric products, signed a 29,000 square foot (sf) lease at Spring House Innovation Park, the largest new lease of Q4 2020. The tenant is relocating its headquarters from the Navy Yard in the city of Philadelphia to the recently redeveloped suburban innovation campus in Lower Gwynedd.

Despite limited activity, net absorption was positive 22,400 sf in 2020, driving overall vacancy to 15.3%, a 20 bps drop from year-end 2019. Positive absorption was driven by the delivery of a new 378,000 sf fully occupied office building at Ellis Preserve in Delaware County. The build-to-suit building was developed by Equus Capital Partners for AmeriHealth Caritas' new corporate headquarters. The move was a planned pre-COVID-19 expansion for the company that will be keeping 373,000 sf at Airport Business Center, also in Delaware County. Keystone Property Group will be renovating the space AmeriHealth currently occupies there to house key business units and operational functions for the company. Without AmeriHealth Caritas' expansion, the Philadelphia suburban market would have experienced more than 350,000 sf of negative absorption, driven by 127,000 sf of new vacant sublease space that was added in 2020. Expect the decrease in activity as a result of COVID-19 in 2020 to affect vacancy in 2021, with absorption lagging leasing.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	1,358,504	61,373	11.2%	-124,195	43,170	644,368	462,000	\$30.67	\$32.01
West of Broad	28,917,954	2,711,777	387,664	10.7%	-35,277	-360,043	668,173	305,000	\$33.05	\$34.69
CBD****	41,586,465	4,070,281	449,037	10.9%	-159,472	-316,873	1,312,541	767,000	\$32.27	\$34.02
Naval Yard	827,788	23,306	0	2.8%	0	5,040	5040	231,000	\$39.18	\$39.18
University City	5,688,632	331,642	34,631	6.4%	0	60,611	191073	389,000	\$43.93	\$44.85
Bala Cynwyd	2,718,384	359,111	4,918	13.4%	-28,520	-72,048	38,463	0	\$34.19	\$34.84
Southern Bucks County	6,342,779	1,119,740	20,155	18.0%	20,045	50,688	188,646	0	\$25.26	\$28.08
Southern Route 202 Corridor	6,199,423	603,701	33,826	10.3%	9,288	63,581	162,791	0	\$25.13	\$26.42
Delaware County	4,537,028	385,709	5,190	8.6%	329,242	436,439	170,765	0	\$26.55	\$27.52
Blue Bell/Ply. Mtg./Ft. Wsh.	12,366,060	2,697,673	161,752	23.1%	56,591	-43,984	417,805	0	\$26.43	\$28.17
Main Line	3,568,028	256,396	9,952	7.5%	-29,748	38,934	149,144	0	\$39.00	\$40.70
Conshohocken	3,547,486	364,727	32,545	11.2%	-54,076	2,765	82,426	687,333	\$35.40	\$37.55
Horsham/Willow Grove/Jenkt.	5,277,243	1,107,434	64,480	22.2%	-34,722	-197,887	78,794	0	\$21.79	\$22.96
King of Prussia/Valley Forge	18,046,907	2,038,477	339,898	13.2%	-81196	-256,087	593,708	0	\$28.11	\$29.96
SUBURBAN PHILADELPHIA	62,603,338	8,932,968	672,716	15.3%	186,904	22,401	1,882,542	687,333	\$27.13	\$29.48
Burlington County	7,853,472	1086799	0	13.8%	-22,920	19,880	238,208	0	\$21.54	\$25.69
Camden County	6,377,581	948,922	34,673	15.4%	-71,412	-69,687	107,415	0	\$20.36	\$22.93
SOUTHERN NEW JERSEY	14,231,053	2,035,721	34,673	14.6%	-94,332	-49,807	345,623	0	\$20.94	\$24.93
Wilmington-CBD	7,117,093	1,714,695	12,358	24.3%	-21,960	-3,781	139,389	0	\$27.78	\$28.26
New Castle-Suburban	9,404,619	1,026,946	215,902	13.2%	-209,611	-146,126	138,006	0	\$23.02	\$23.86
NEW CASTLE CTY-DE TOTAL	16,521,712	2,741,641	228,260	18.0%	-231,571	-149,907	277,395	0	\$26.28	\$27.34
Lehigh & North Hamp. Counties	7,631,540	1,199,044	34,720	16.2%	4,209	-116,298	86,831	0	\$20.11	\$22.56
PHILADELPHIA TOTALS***	134,942,568	17,780,611	1,384,686	14.2%	-298,471	-494,186	3,818,101	1,454,333	\$27.52	\$30.18

*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 Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
516 Township Line Road	Blue Bell/Ply. Mtg./Ft. Wsh.	Peirce-Phelps, Inc	30,000	Renewal*
727 Norristown Road	Blue Bell/Ply. Mtg./Ft. Wsh.	Kinetic Ceramics	29,000	New
935 First Avenue	King of Prussia/Valley Forge	Green Earth	28,000	New
3600 Horizon Boulevard	Southern Bucks County	Suez Water Company	23,433	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
100 Brandywine Boulevard	Southern Bucks County	Washington Capital Management / Pembroke	106,250	\$18.0M / \$169

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