

PHILADELPHIA - CBD



Office Q1 2021

12.8%
Vacancy Rate



-477K
Net Absorption, SF



\$32.65
Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q1 2021

694.9K
Philadelphia Employment



10.6%
Philadelphia Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS

ECONOMY

Since the onset of the COVID-19 pandemic in March 2020, the city of Philadelphia lost 52,800 jobs, with 58.3% of those in the leisure and hospitality sector. However, the city has added 38,600 jobs to the economy since the trough in April 2020. Despite the economy beginning to rebound, the city's unemployment rate remained elevated hitting 10.6% in the first quarter. The city of Philadelphia's nonfarm employment in the third quarter of 2020 was 7.7% lower than the same quarter one year ago. The city's office using employment sectors decreased by 5.4% since March 2020, outperforming the overall total employment, which decreased by 7.3% during this period.

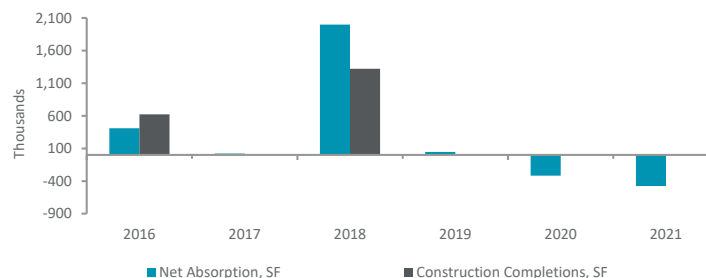
SUPPLY AND DEMAND

Leasing activity in the Philadelphia CBD totaled over 142,000 square feet (sf) in the first quarter of 2021, 87.3% less than the previous three-year quarterly average for the market. This decrease in leasing volumes is a result of tenants unwilling to make long-term real estate commitments given the uncertainty caused by COVID-19. Recently Pennsylvania and Philadelphia lifted their mandates for many businesses across the region to telework and although it is still encouraged, this is a positive sign for the office-using sectors and the market. BakerHostetler inked a 44,800 sf deal at 1735 Market Street in the first quarter and represented 26.0% of the new leasing activity in the market.

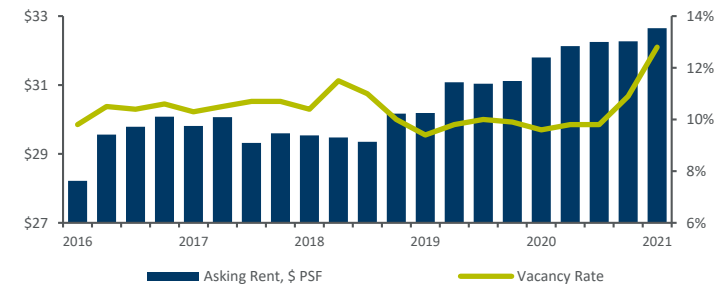
Net absorption was negative at over 476,000 sf, driving vacancy to 12.8%, a 320-basis point (bps) increase from the first quarter of 2020. Negative absorption was driven by more than 320,000 sf of vacant space hitting the market within two CBD properties. The decrease in demand will continue to have a negative impact on absorption in 2021. Additionally, there are two large blocks of available space totaling almost 200,000 sf that will likely become vacant in 2021, putting further upward pressure on CBD vacancy. Life Sciences was one of the industries to shine in 2020, catching the eye of landlords who are beginning to convert some of the large block space into usable lab space.

Overall asking rents remained steady at \$32.65 per square foot (psf) gross in the first quarter of 2021, representing a 2.7% increase over the same period one year ago. Landlords have held strong on asking rents, despite market uncertainty and limited activity, and are instead increasing concessions to attract tenants in this environment.

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	1,657,171	61,373	13.6%	-213,878	-213,878	10,403	462,000	\$30.99	\$32.48
West of Broad	28,917,954	3,230,764	375,662	12.5%	-262,686	-262,686	131,668	305,000	\$33.45	\$35.07
CBD****	41,586,465	4,887,935	437,035	12.8%	-476,564	-476,564	142,071	767,000	\$32.65	\$34.40
Naval Yard	827,788	23,306	0	2.8%	0	0	0	231,000	\$39.18	\$39.18
University City	5,688,632	331,642	34,631	6.4%	0	0	30,000	629,000	\$43.93	\$44.85
Bala Cynwyd	2,718,384	360,764	10,506	13.7%	-6,402	-6,402	8,149	0	\$34.11	\$34.86
Southern Bucks County	6,342,779	1,113,946	23,239	17.9%	-6,513	-6,513	34,721	0	\$25.35	\$28.16
Southern Route 202 Corridor	6,199,423	580,157	35,548	9.9%	-14,244	-14,244	7,800	0	\$25.18	\$26.21
Delaware County	4,537,028	315,934	1,850	7.0%	66,863	66,863	28,183	0	\$26.48	\$27.33
Blue Bell/Ply. Mtg./Ft. Wsh.	12,366,060	2,559,533	88,079	21.4%	-71,225	-71,225	56,008	0	\$26.74	\$27.91
Main Line	3,568,028	280,370	29,078	8.7%	-43,559	-43,559	17,368	0	\$39.79	\$41.53
Conshohocken	3,547,486	375,727	21,809	11.2%	-31,286	-31,286	16,693	687,333	\$35.36	\$36.80
Horsham/Willow Grove/Jenkt.	5,277,243	1,139,356	98,445	23.5%	-90,236	-90,236	7,714	0	\$21.54	\$22.74
King of Prussia/Valley Forge	18,046,907	2,029,202	298,170	12.9%	9020	9,020	33,714	0	\$28.49	\$30.10
SUBURBAN PHILADELPHIA	62,603,338	8,754,989	606,724	15.0%	-187,582	-187,582	210,350	687,333	\$27.39	\$29.46
Burlington County	7,853,472	1,096,225	52,529	14.6%	-148,081	-148,081	15,946	0	\$21.42	\$25.56
Camden County	6,377,581	1,114,530	41,870	18.1%	-32,370	-32,370	15,213	357,706	\$19.87	\$22.40
SOUTHERN NEW JERSEY	14,231,053	2,210,755	94,399	16.2%	-180,451	-180,451	31,159	357,706	\$20.65	\$24.61
Wilmington-CBD	9,378,359	1,045,819	218,028	13.5%	-46,010	-46,010	6,921	0	\$23.37	\$24.13
New Castle-Suburban	7,117,093	1,700,122	9,330	24.0%	5,613	5,613	88,590	0	\$27.94	\$28.46
NEW CASTLE CTY-DE TOTAL	16,495,452	2,745,941	227,358	18.0%	-40,397	-40,397	95,511	0	\$26.33	\$27.35
Lehigh & North Hamp. Counties	7,631,540	1,206,327	34,720	16.3%	-7,283	-7,283	8,100	0	\$20.12	\$22.51
PHILADELPHIA TOTALS***	134,916,308	18,599,620	1,365,516	14.8%	-884,994	-884,994	479,091	1,812,039	\$27.96	\$30.50

*Rental rates reflect gross asking \$/sf/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 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1735 Market Street	West of Broad	BakerHostetler	44,800	New
1735 Market Street	West of Broad	Undisclosed	22,583	New
1845 Walnut Street	West of Broad	Resource Real Estate	17,328	Renewal*

*Renewals not included in leasing statistics

David Spragg

Senior Research Analyst

+1 410 347 7552

David.Spragg@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com