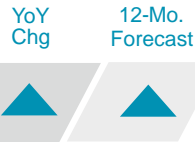


Office Q1 2021

15.7%
Vacancy Rate



-408K
YTD Net Absorption,



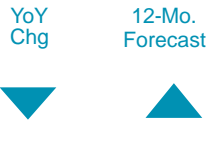
\$26.13
Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q1 2021

2.8M
Philadelphia Employment



7.4%
Philadelphia Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS

ECONOMY

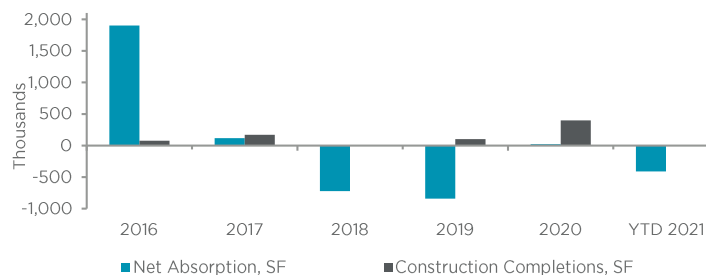
Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 155,000 jobs, with 48.8% of those in the leisure and hospitality sector. The Philadelphia region's unemployment rate of 7.3% in the first quarter of 2021 was 230 basis points (bps) higher than the same period one year ago. Office-using employment 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 were 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 health services sector since the onset of the pandemic, with professional & business services jobs now down only 2.2% since March.

SUPPLY AND DEMAND

Leasing activity in the Philadelphia suburbs totaled more than 337,000 square feet (sf) in the first quarter of 2021, 42.6% 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 market uncertainty caused by COVID-19. EwingCole Inc, an architecture, engineering, interior design and planning firm, renewed its 30,000-sf lease at Southpoint Office Complex, the largest lease renewal of the first quarter of 2021. Cigna signed the largest new lease for 27,000 sf in the Bellevue Park Corporate Center.

Due to limited activity, net absorption was negative 408,000 sf to start 2021, driving overall vacancy to 15.7%, a 20 bps drop from year-end 2020. Negative absorption was driven by the downsizing of the Corporate Headquarters of Destination Maternity at 232 Strawbridge Drive. The maternity driven retail company was recently acquired by Marquee Brands and will no longer occupy the entire building located in the Moorestown Corporate Center. Negative absorption continues to be driven by 269,000 sf of new vacant sublease space that was added since the beginning of 2020. Teknion, an office furniture firm recently added its 38,000 sf US headquarters locations to the market for sublease after renewing its lease in 2017 for eight additional years. 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	1,657,171	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 \$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 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1200 W Swedesford Road	King of Prussia/Valley Forge.	EwingCole, Inc.	30,171	Renewal*
300 Bellevue Parkway	New Castle County	Cigna	27,617	New
2501 Seaport Drive	Delaware County	Undisclosed	26,508	New
501 Fellowship Rd	Burlington County	Cooper Health Systems	23,315	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
40 Lloyd Avenue	King of Prussia/Valley Forge	Green Tree Office Plaza / 40 Lloyd Ave, Inc	55,071	\$4.2M / \$76

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