MARKETBEAT

PHILADELPHIA - CBD

Office Q2 2021

	YoY Chg	12-Mo. Forecast
13.7% Vacancy Rate	▲	▲
-513K YTD Net Absorption, SF	▼	▼
$32.95 Asking Rent, PSF	▲	▼

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
679.9K Philadelphia Employment	▲	▲
9.9% Philadelphia Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

More than a year after the onset pandemic, Philadelphia is slowly rounding the corner. Indoor mask mandates have been lifted as of mid-June and nearly 70% of all adults in the city, 18 years of age and older, have received at least one vaccine dose as of the end of the quarter. Per the Bureau of Labor Statistics (BLS), unemployment numbers continued a positive trend and total unemployment is now 21% lower since the first quarter of 2021. Philadelphia ranks fourth of all U.S. metropolitan areas in year-over-year (YOY) net change in total employment, trailing only New York, Los Angeles, and Chicago, with ample room for growth. The City's total employment increased 6.2% YOY. One-third of that increase is represented by traditional office user sectors. The information, business services, as well as the educational and healthcare sectors increased by 4.0%, 4.1% and 1.5% respectively since the second quarter of 2020.

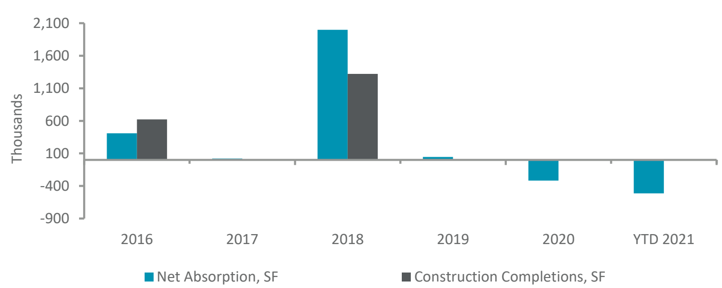
SUPPLY AND DEMAND

Leasing activity totaled 180,492 square feet (sf) for the quarter, with Class A representing 79.0% of the total activity. Overall vacancy grew 80 basis points (bps) to 13.7%, and year-to-date (YTD) net absorption totaled negative 513,211 sf. The East Broad submarket accounts for 69.0% of all net absorption YTD. Class A sublease space continued an upward trend, rising to 13.0% of total Class A availability, which is 192.0% higher than one year ago.

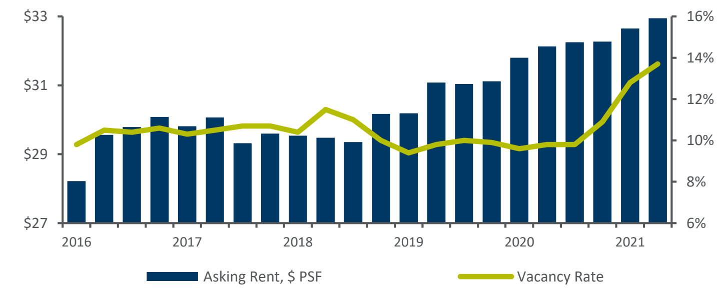
Hesitancy among larger occupiers to make long-term commitments remains a prevalent trend while shorter extensions remain popular. East of Broad, notable Class A renewals were Community Behavioral Health's 150,000 sf renewal at 801 Market Street, and Hersha Hospitality Group's renewal of 24,000 sf at The Washington. West of Broad saw similar activity as Security Risk Advisors took 23,000 sf in the PNC Bank Building at 1600 Market Street and Barrack, Rodos & Bacine renewed 14,000 sf at Two Liberty Place.

Supply demand imbalance in adjacent Non-CBD markets, specifically the University City, has supported the freeze on CBD asking rates, as rates inched 1% to $32.95 per square foot (psf) to end the quarter. Class A asking rates held steady ending the quarter at $34.74 psf despite rising vacancy, as Landlords are aggressively providing improvement allowances and free rent in the face of market headwinds. Non-CBD leasing activity, driven by the growth in the Life Sciences sector, has placed upwards pressure on asking rates for life science space. Office Landlords with large blocks of vacancy continue to explore conversions to accommodate the demand for life sciences, though most Landlords have found the estimated conversion costs to be prohibitive. Only Brandywine Realty Trust and Keystone Property Group have committed to speculative conversions of legacy office space. Brandywine Trust will convert 50,000 sf of former trophy office space in Cira Centre for B.Labs, an incubator for early-mid stage life science companies. Life Science demand continues to be located near the City's world renown educational institutions and hospitals continues, despite the lack of near-term inventory.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



PHILADELPHIA - CBD

Office Q2 2021

CUSHMAN & WAKEFIELD

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	1,852,186	61,373	15.1%	-150,071	-372,598	120,477	462,000	$31.16	$32.45
West of Broad	28,917,954	3,367,973	394,063	13.0%	122,223	-140,613	248,572	305,000	$33.81	$35.55
CBD**	**41,586,465**	**5,220,159**	**455,436**	**13.7%**	**-27,848**	**-513,211**	**369,049**	**767,000**	**$32.95**	**$34.74**
Naval Yard	827,788	23,306	0	2.8%	0	0	0	231,000	$39.18	$39.18
University City	5,688,632	415,359	27,631	7.8%	20,756	-76,717	170,977	629,000	$43.50	$44.84
Bala Cynwyd	2,718,384	395,868	8,874	14.9%	-15,659	-24,779	44,445	0	$33.99	$34.73
Southern Bucks County	6,342,779	1,175,491	17,333	18.8%	750	-33,925	69,536	0	$25.61	$28.66
Southern Route 202 Corridor	6,199,423	648,025	35,548	11.0%	-63,016	-76,196	28,114	0	$25.50	$26.66
Delaware County	4,537,028	394,236	1,850	8.7%	-80,972	-14,109	53,508	0	$27.43	$28.40
Blue Bell/Ply. Mtg./Ft. Wsh.	12,365,300	2,647,546	95,460	22.2%	-57,131	-152,010	113,085	0	$26.82	$28.11
Main Line	3,568,028	293,793	13,376	8.6%	7,368	-33,346	39,106	0	$39.72	$41.46
Conshohocken	3,547,486	527,091	21,809	15.5%	-87,862	-148,504	56,594	687,333	$35.64	$36.91
Horsham/Willow Grove/Jenkt.	5,329,243	1,019,215	98,445	21.0%	-32,364	-63,069	40,782	0	$21.24	$22.99
King of Prussia/Valley Forge	18,047,001	2,135,976	302,806	13.5%	-41,723	-47,141	156,695	0	$28.74	$30.09
SUBURBAN PHILADELPHIA	**62,654,672**	**9,237,241**	**595,501**	**15.7%**	**-370,609**	**-593,079**	**601,865**	**687,333**	**$27.83**	**$29.82**
Burlington County	7,852,569	1,225,790	67,891	16.5%	-145,383	-283,387	111,630	0	$21.62	$25.39
Camden County	6,377,581	1,165,613	16,422	18.5%	-59,203	-85,426	28,828	357,706	$20.03	$23.03
SOUTHERN NEW JERSEY	**14,230,150**	**2,391,403**	**84,313**	**17.4%**	**-204,586**	**-368,813**	**140,458**	**357,706**	**$20.87**	**$24.69**
Wilmington-CBD	7,117,093	1,736,760	9,330	24.5%	-23,975	-19,746	94,694	0	$27.82	$28.33
New Castle-Suburban	9,366,849	1,068,507	218,028	13.7%	-33,377	-79,980	124,659	0	$22.63	$22.99
NEW CASTLE CTY-DE TOTAL	**16,483,942**	**2,805,267**	**227,358**	**18.4%**	**-57,352**	**-99,726**	**219,353**	**0**	**$25.94**	**$26.85**
Lehigh & North Hamp. Counties	7,631,540	1,229,250	34,720	16.6%	-24,662	-31,945	22,182	0	$20.06	$22.52
PHILADELPHIA TOTALS* **	**134,955,229**	**19,654,070**	**1,362,608**	**15.6%**	**-660,395**	**-1,574,829**	**1,330,725**	**1,812,039**	**$28.31**	**$30.77**

**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 Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
801 Market Street	East of Broad	Community Behavioral Health	149,627	Renewal*
510-530 Walnut Street	East of Broad	Hersha Hospitality Management	24,205	Renewal*
1600 Market Street	West of Broad	Security Risk Advisors	23,021	New

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
3905 Ford Road	West of Broad	Univest Corporation of Pennsylvania / Undisclosed	140,000	$8.75M / $62

Michael Hanes
Senior Research Manager
+1 215 963 4037
Michael.hanes@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

cushmanwakefield.com