

	YoY Chg	12-Mo. Forecast
15.7% Vacancy Rate	▲	▲
-593K YTD Net Absorption,	▼	▼
\$27.83 Asking Rent, PSF	▲	▲

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
2.8M Philadelphia Employment	▲	▲
7.1% Philadelphia Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The Philadelphia region is climbing out of the pandemic. Per the Bureau of Labor Statistics (BLS), the regional unemployment rate is now 7.1% down from 14.5% one year ago. Total employment has increased steadily, now 2.1% year-to-date (YTD), and is 7.4% higher than in the second quarter of 2020. Another positive sign is people are returning to the workforce, as labor force totals for the region is only 1.9% lower than this time last year.

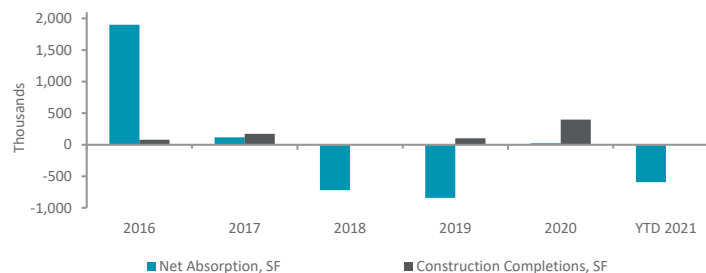
The Philadelphia Suburban Market recorded a 7.7% increase in total employment year-over-year (YOY), and with the unemployment rate at 4.4%, it has decreased 27.0% YTD. Traditional office-user sectors grew 6.0% on average since the second quarter of 2020, with the largest increase in the educational and health care sector at 9.7% YOY. The professional and business services and financial services sector also grew by 6.7% and 3.1% respectively. The growth in these sectors grew four times more than in the City of Philadelphia.

SUPPLY AND DEMAND

The Suburban market produced 353,949 square feet (sf) of leasing activity in the second quarter of 2021, a 42.7% increase quarter-over-quarter. A flight to quality for tenants continues, as 83.8% of the total activity was in Class A. Overall vacancy grew by 70 basis points (bps) to 15.7%, and absorption continued a downward trend ending the quarter at negative 370,609 sf. Sublease space continues to impact absorption, as Radiant, a CBD based company with significant commitments in CBD space, took 55,000 sf of sublease space at 550 East Swedesford Road in King of Prussia. Growing CBD based companies, like Radian, could be exploring a region where stronger job growth is occurring in order to meet demand. The Suburban market gained over 1,000 information sector jobs over the past year, outpacing the CBD by 400 jobs.

Overall asking rates inched up 1.6% over the quarter to \$27.83 per square foot (psf). Sublease availability is 11% of all available supply, 72% of which is Class A. With asking rates upwards of \$34.00 psf for Class A CBD space, Class A sublease asking rates in submarkets like King of Prussia or Conshohocken, below \$30.00 psf and \$33.50 respectively, are viable options when evaluating between CBD or Suburban locations. CBD occupiers continue to exhibit hesitancy in committing to longer term renewals, and shorter extensions have been more commonplace. These short-term extensions present a window of time for CBD companies to explore their future office needs, including location. The clear long term need for all companies is access to talent. Pre pandemic, the number of CBD office workers commuting from the suburbs to the City was almost equal to those who worked and lived in the City. As the regional economy recovers, large segments of people are still working from home and remain isolated from their offices. Bridging the divide between tenants and talent presents opportunities for Suburban submarkets, like Conshohocken and King of Prussia, that have available Class A space, nearby amenities, and are reasonably accessible to talent.

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	1,852,186	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 \$/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 Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1016 West 9 th Avenue	King of Prussia/Valley Forge.	Impact Health	29,348	Sublease
550 East Swedesford Road	King of Prussia/Valley Forge.	Radian	28,316	Sublease
3805 West Chester Pike – Bldg D	Delaware County	Apple Leisure Group	21,232	New

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KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
760 Moore Road	King of Prussia/Valley Forge.	PNC Bank / E. Kahn Development	237,610	\$24.5M / \$103
313 West Market Street	Southern Route 202 Corridor	Free Range Associates / The County of Chester	180,000	\$42.6M / \$236
211 South Gulph Road	King of Prussia/Valley Forge.	PM Realty Group / Jack Lingo Asset Management	102,000	\$25.8M / \$252

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