MARKETBEAT

PHILADELPHIA - SUBURBAN

Office Q3 2021

	YoY Chg	12-Mo. Forecast
15.9% Vacancy Rate	▲	▲
-107K YTD Net Absorption,	▼	▼
$27.86 Asking Rent, PSF	▲	▲

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
2.8M Philadelphia Employment	▲	▲
6.6% Philadelphia Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

Despite rising cases of COVID-19 from the Delta variant, local governments in around the Philadelphia suburbs did not reinstate mask mandates and social distancing guidelines as seen in the City. This meant that businesses and restaurants could continue to operate without capacity limits, indoors and outdoors. Face masks are no longer required indoors or outdoors, yet businesses still maintain the option to require masks for employees and guests. Gone with mask mandates are also social distancing guidelines. Vaccination rates in the suburbs are far higher than in the City, 7.0 to 10.0% higher than the City per the CDC, which has supported the loosening of mask requirements and social distancing guidelines.

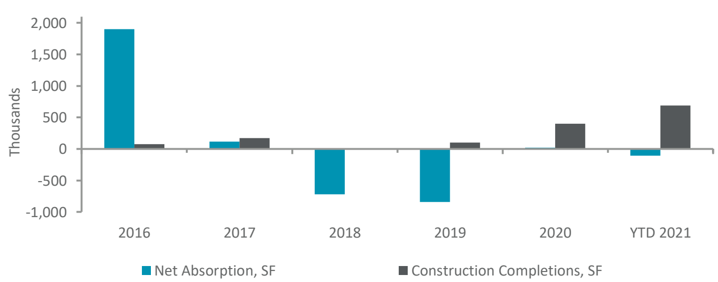
Employment in the suburbs continued to outpace the City in the third quarter, particularly in traditional office sectors such as professional and business services, information and financial activities. Since the beginning of the year, the Philadelphia suburbs had employment in these sectors rise collectively by 4.4%, while the City recorded a 1.9% increase. Suburban employment in these sectors are now equal to or have surpassed pre-pandemic employment levels.

SUPPLY AND DEMAND

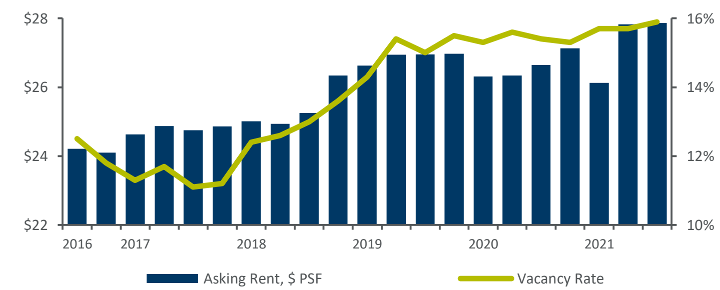
Despite rising employment, new remote and hybrid working models have directly attributed to sublease availabilities, and uncertainty in return to the office strategies will remain a driver of vacancy and availability heading into 2022. Occupiers have continued to shed space via sublease throughout the region. Continuing the trend seen during the pandemic, sublease vacancy increased in the third quarter and has risen by an average of 84.5% year-to-date (YTD) in the suburbs. Leasing activity totaled 440,711 square feet (sf) in the third quarter, for a total of 1.26 million square feet (msf) YTD. Class A product accounted for 72% of the leasing activity in the third quarter – the same level YTD – as a flight to quality trend continues. Geographically, 53.6% of YTD suburban leasing activity occurred in the King of Prussia, Blue Bell/Plymouth Meeting/Fort Washington, the Main Line, Southern Route 202 submarkets. Overall asking rates remained steady ending the quarter at $27.86 per square foot (psf), while transit accessible submarkets; Bala Cynwyd, the Main Line and Conshohocken, continued to maintain a rent premium of $8.00 to $10.00 psf higher than other suburban submarkets.

Overall net absorption was positive, ending the quarter at 199,417 square feet (sf). Positive absorption was attributed to two key deliveries in Conshohocken. The first being Keystone Property Group's delivery of AmerisourceBergen's new global headquarters, and the second being Hamilton Lane's new home at 110 Washington Street. Combined, these two deliveries accounted for 547,000 sf of positive absorption. AmerisourceBergen's relocation was a consolidation of 295,000 sf of regional office space in the King of Prussia and Conshohocken submarkets, choosing to stay within the transit accessible Conshohocken submarket.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PHILADELPHIA - SUBURBAN

Office Q3 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	1,824,741	246,394	16.4%	-187,979	-552,865	194,590	462,000	$32.00	$34.74
West of Broad	28,917,954	3,147,250	748,828	13.5%	-363,698	-508,981	548,317	305,000	$33.39	$34.77
CBD****	**41,586,465**	**4,971,991**	**995,222**	**14.4%**	**-551,667**	**-1,061,846**	**742,907**	**767,000**	**$32.91**	**$34.76**
Naval Yard	922,788	28,266	0	3.1%	0	0	0	136,000	$39.18	$39.18
University City	5,688,632	397,305	41,865	7.7%	-6,094	-87,954	281,129	1,545,000	$42.66	$43.87
Bala Cynwyd	2,718,384	413,691	111,643	19.3%	-147,507	-145,452	78,567	0	$35.56	$36.25
Southern Bucks County	6,342,779	1,119,310	143,250	19.9%	-120,639	-129,974	124,961	0	$25.50	$27.95
Southern Route 202 Corridor	6,199,423	783,038	52,100	13.5%	-45,314	-157,634	114,329	0	$25.57	$26.34
Delaware County	4,537,028	498,380	7,108	11.1%	-45,908	-82,273	69,755	0	$27.24	$28.50
Blue Bell/Ply. Mtg./Ft. Wsh.	12,365,300	2,321,534	107,903	19.7%	26,620	-22,761	257,383	0	$26.87	$28.38
Main Line	3,568,028	298,268	51,806	9.8%	-20,701	-105,165	116,929	0	$36.43	$39.62
Conshohocken	4,234,819	568,990	69,800	15.1%	610,924	458,037	56,594	0	$35.97	$36.53
Horsham/Willow Grove/Jenkt.	5,329,243	917,490	13,141	17.5%	-6,070	168,372	75,000	0	$21.41	$23.29
King of Prussia/Valley Forge	18,047,001	2,275,691	345,815	14.5%	-51,988	-90,219	335,059	0	$28.21	$29.86
SUBURBAN PHILADELPHIA	**63,341,645**	**9,196,392**	**902,566**	**15.9%**	**199,417**	**-107,069**	**1,259,713**	**0**	**$27.86**	**$29.85**
Burlington County	7,852,029	1,074,190	163,395	15.8%	-50,179	-184,914	186,258	0	$20.98	$23.98
Camden County	6,377,581	1,100,468	23,567	17.6%	-151,669	-92,268	74,765	0	$19.68	$25.52
SOUTHERN NEW JERSEY	**14,227,610**	**2,174,658**	**186,962**	**16.6%**	**-201,848**	**-277,182**	**261,023**	**0**	**$20.31**	**$24.69**
Wilmington-CBD	7,117,093	1,723,553	9,330	24.4%	41,360	1,064	108,063	0	$27.60	$28.00
New Castle-Suburban	9,377,123	1,025,532	86,450	11.9%	-12,701	-125,914	208,480	0	$22.81	$23.30
NEW CASTLE CTY-DE TOTAL	**16,494,216**	**2,749,085**	**95,870**	**17.3%**	**28,659**	**-124,850**	**316,543**	**0**	**$25.88**	**$26.72**
Lehigh & North Hamp. Counties	7,631,540	1,338,972	48,850	18.2%	11,059	4,443	114,423	0	$21.68	$24.06
PHILADELPHIA TOTALS***	**135,649,936**	**19,092,126**	**2,180,620**	**15.7%**	**-525,449**	**-1,570,947**	**2,580,186**	**767,000**	**$28.25**	**$30.81**

**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 Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 Matsonford Road	Main Line	Nouryon	48,072	New
400 Berwyn Park	King of Prussia/Valley Forge	Troutman Pepper	28,275	Renewal
1974 Sproul Road	Delaware County	American Legal Records	6.779	Renewal

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
500 East Swedesford Road	King of Prussia/Valley Forge.	Keystone Property Group/ Balashine Properties	60,798	$11M / $181
480 East Swedesford Road	Southern Route 202 Corridor	Keystone Property Group/ Balashine Properties	48,930	$8.8M / $181
412 Creamery Way	Southern Route 202 Corridor	TA Realty/ DRA Advisors	38,098	$7.4M / $195

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

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