MARKETBEAT

PHILADELPHIA - CBD

Office Q4 2021

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
14.0% Vacancy Rate	▲	▲
-989K YTD Net Absorption, SF	▼	▲
$33.11 Asking Rent, PSF	▲	▬

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
697.7K Philadelphia Employment	▲	▲
7.0% Philadelphia Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

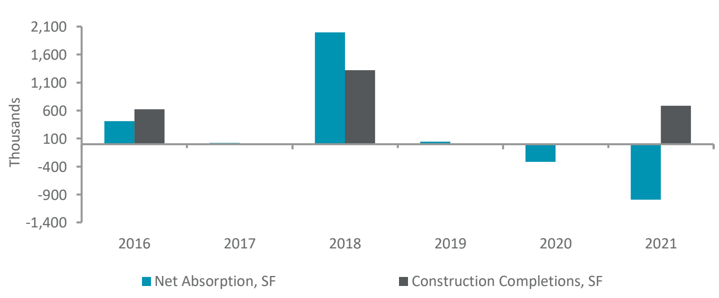
ECONOMY:

Throughout 2021, the Philadelphia metro area consistently ranked in the top five metro areas nationwide for return to office usage. Per Kastle's, Back to Work Barometer, the Philadelphia metro area ranked first among northeastern US metro areas and fourth highest behind only Texas metro areas (Houston, Dallas and Austin), peaking at nearly 36.0% in late 2021. Anecdotally, SEPTA reported increased ridership on its regional rail and bus lines during 2021, and Philadelphia's Center City District has noted that non-resident worker pedestrian traffic has picked up steadily over 2021 yet remains 65.0% lower than pre-pandemic levels. Philadelphia continued to attract out of market companies looking to access the region's talented labor pool. Central Pennsylvania based Harsco announced their relocation to the City in the fourth quarter. Overall unemployment is 7.0%, down from 12.9% one year ago. Gains in the education and healthcare, information and government sectors have led the way over 2021. Information and government job growth has fully rebounded and surpassed pre-pandemic levels. Other sectors such as professional & business services and finance have also made positive traction. but have been outpaced by the suburban job growth as those sectors have surpassed pre-pandemic employment levels in the surrounding suburbs.

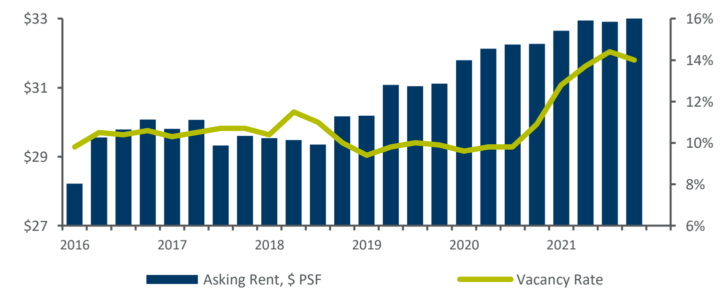
SUPPLY AND DEMAND:

Class A leasing activity continued to drive the CBD market in 2021. Class A represented 72.4% of the 1.2 million square feet (msf) of leasing activity in 2021. West of Broad accounted for 64.6% of the CBD leasing activity in 2021, 86.1% which was class A. Overall rents notched up slightly quarter-over-quarter (QOQ) to $33.11 per square foot (psf) and has increased by 2.4% year-over-year (YOY). Class A rents have also increased slightly YOY by 1.8%, but still maintain a strong premium of $6.72 psf over Class B. Since 2016, Class A rent premiums have averaged $5.90 psf, increasing 24.8% over that time frame.
With 2.4 msf of demand existing in the market for office space across the region, return-to-office strategies remained in flux due to rising COVID-19 cases and continued tenant hesitancy to commit to long term deals. Despite the fluctuations in traditional office, life science demand concentrated in University City continued to dominate the storyline for 2021, as vacancy in University dipped below 6.0% in the fourth quarter, the lowest vacancy rate in the last six quarters. At year-end, there was 2.5 msf in demand for life science space across the region, much of that focused on University City. With the growth in life sciences, lab space cannot come to market fast enough. Life science incubator B.Labs at Brandywine's Cira Centre which executed in the second quarter, reported that more than half of its 50,000 sf is now taken. Limited availability in University City has led to life science successes in the CBD, like Imvax, who expanded their footprint to 79,000 sf at 601 Walnut Street growing an additional 41,000 sf in the fourth quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PHILADELPHIA - CBD

Office Q4 2021

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	1,674,731	242,665	15.1%	1,008	-476,426	402,042	462,000	$32.30	$34.53
West of Broad	28,917,954	3,151,139	731,000	13.4%	-79,554	-512,677	784,235	305,000	$33.48	$34.92
CBD**	**41,586,465**	**4,825,870**	**973,665**	**14.0%**	**-78,546**	**-989,103**	**1,186,277**	**767,000**	**$33.11**	**$34.83**
Naval Yard	922,788	23,306	0	2.5%	0	0	49,939	266,000	$39.18	$39.18
University City	5,688,632	308,043	21,931	5.8%	90,647	17,961	462,974	1,545,000	$41.98	$44.27
Bala Cynwyd	2,718,024	410,037	116,712	19.4%	-20,879	-155,497	184,006	0	$35.25	$36.21
Southern Bucks County	6,342,779	1,121,382	169,436	20.4%	-39,137	-157,078	175,892	0	$25.15	$27.58
Southern Route 202 Corridor	6,199,423	868,378	54,899	14.9%	-59,017	-220,240	153,343	0	$26.15	$26.90
Delaware County	4,537,028	552,908	14,785	12.5%	-29,328	-118,170	181,938	0	$26.77	$27.86
Blue Bell/Ply. Mtg./Ft. Wsh.	12,365,300	2,485,140	126,977	21.1%	-105,927	-22,761	257,383	0	$26.56	$27.99
Main Line	3,568,028	275,589	48,382	9.1%	-36,688	-133,418	182,377	0	$34.85	$38.05
Conshohocken	4,190,979	676,873	108,667	18.7%	-146,727	313,820	130,082	0	$38.83	$39.92
Horsham/Willow Grove/Jenkt.	5,329,243	1,081,678	70,317	21.6%	-188,106	-25,343	140,182	0	$21.55	$23.42
King of Prussia/Valley Forge	18,066,121	2,388,193	625,826	16.7%	-199,713	-437,034	786,179	0	$27.79	$29.30
SUBURBAN PHILADELPHIA	**63,316,925**	**9,860,178**	**1,336,001**	**17.7%**	**-825,522**	**-1,246,001**	**2,416,766**	**0**	**$27.77**	**$29.71**
Burlington County	7,852,029	1,132,836	125,395	16.0%	-88,731	-205,229	202,049	0	$21.23	$24.14
Camden County	6,377,581	1,079,558	13,103	17.1%	-17,400	-68,287	144,245	0	$21.54	$25.99
SOUTHERN NEW JERSEY	**14,227,610**	**2,212,394**	**138,498**	**16.5%**	**-106,131**	**-273,516**	**346,294**	**0**	**$21.39**	**$24.91**
Wilmington-CBD	7,117,093	1,726,861	0	24.3%	-4,225	7,086	176,429	0	$28.00	$28.41
New Castle-Suburban	9,377,123	1,074,787	80,085	12.3%	-56.662	-172,874	248,752	0	$22.92	$23.42
NEW CASTLE CTY-DE TOTAL	**16,494,216**	**2,801,648**	**80,085**	**17.5%**	**-60,887**	**-165,788**	**425,181**	**0**	**$26.01**	**$26.91**
Lehigh & North Hamp. Counties	7,631,540	1,380,577	48,850	18.7%	-38,985	-37,532	125,856	0	$21.89	$24.19
PHILADELPHIA TOTALS***	**135,625,216**	**19,700,090**	**2,528,249**	**16.4%**	**-1,071,086**	**-2,674,408**	**4,374,518**	**767,000**	**$28.40**	**$30.80**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
601 Walnut Street	East of Broad	Imvax	41,000	New
601 Walnut Street	East of Broad	Imvax	38,868	New
1700 Market Street	West of Broad	AECOM	30,725	Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
200 South Broad Street	West of Broad	Nightingale Properties / Lubert-Adler Partners	273,000	$36.4M/$133.36 psf

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