

YoY Chg 12-Mo. Forecast

17.7%

Vacancy Rate



-1.2 M

YTD Net Absorption, SF



\$27.77

Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

2.8 M

Philadelphia Employment



6.0%

Philadelphia Unemployment Rate



4.2%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

Regional connectivity throughout the Suburban market via interstates, principal arterials and commuter rail offers access to Greater Philadelphia's large, diverse, and well-educated talent base. Unemployment across the Philadelphia region continues to decline, down from 12.9% from the onset of the pandemic to 6.4% to end 2021. Suburban unemployment specifically, is as low as 3.8% in certain areas, down from a high of 13.6% in second quarter 2020. Suburban market employment gains in traditional office sectors outpaced the CBD in 2021, and some sectors like information and financial services have surpassed pre-pandemic employment levels.

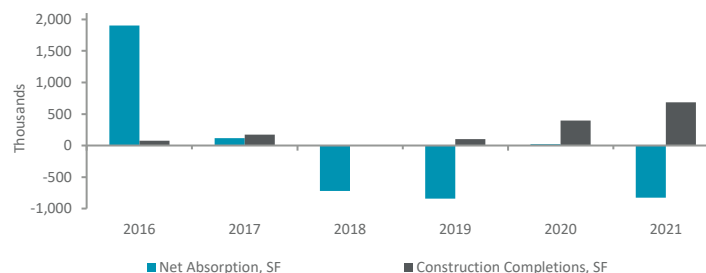
SUPPLY AND DEMAND:

A consistent theme in the Suburban market continues to be flight to quality. Class A drives leasing activity across the market, accounting for 73.0% of the total leasing activity in 2021. Class A asking rents continue to hold a premium over Class B, \$8.05 per square foot (psf) higher by year-end 2021, and growing 30.0% over the last five years.

Location continues to be a major driver in the Philadelphia suburbs. Access to talent is paramount, and historically, submarkets with immediate and direct access to the Philadelphia CBD; the Main Line, Conshohocken, and Bala Cynwyd, have held a rent premium when compared to the overall Suburban Class A market. Class A rent premiums in these submarkets averaged \$5.40 to \$8.33 psf since 2016, but as of the end of 2021 those rent premiums ranged from \$6.50 to \$10.21. In other accessible locations within the suburban market, specifically those with direct access to the region's principal arterials, Class A rent growth has been as strong as or stronger than Bala Cynwyd, the Main Line and Conshohocken.

Accessibility to talent will continue to be a major driver as the market turns to 2022. Not surprisingly, the largest deals in the fourth quarter of 2021 happened in talent accessible locations within the Suburban market. Vanguard took 232,000 sf and Sunoco took 50,000 sf, both at Ellis Preserve, which is located along PA Route 3 a principal arterial with direct access to the Philadelphia CBD. In the talent accessible submarket of King of Prussia, information sector tenants like Infosys and IQVIA leased 87,500 sf at 1300 Morris Drive and 54,427 sf at 650 East Swedesford Road, respectively. Lastly, Nutrisystem made news by taking 53,000 sf at 1100 Virginia Drive in Fort Washington with direct access to the PA turnpike and major arterial, PA 309.

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	1,674,731	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
3801 West Chester Pike	Delaware County	Vanguard Group	232,520	New
1300 Morris Drive	King of Prussia/Valley Forge	Infosys	87,500	New
650 East Swedesford Road	King of Prussia/Valley Forge	IQVIA	54,427	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1205 Westlakes Drive	King of Prussia/Valley Forge	Accesso Partners/Keystone Property Group	128,196	\$40M/\$314.83 psf
1235 Westlakes Drive	King of Prussia/Valley Forge	Accesso Partners/Keystone Property Group	136,000	\$39M/\$291.01 psf
1055 Westlakes Drive	King of Prussia/Valley Forge	Accesso Partners/Keystone Property Group	120,000	\$38M/\$318.06 psf
1000 Westlakes Drive	King of Prussia/Valley Forge	Accesso Partners/Keystone Property Group	60,696	\$16M/\$278.38 psf

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