

	YoY Chg	12-Mo. Forecast
18.1% Vacancy Rate	▲	▲
-455 K YTD Net Absorption, SF	▼	▲
\$27.77 Asking Rent, PSF	▲	▬

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
2.8 M Philadelphia Employment	▼	▲
5.2% Philadelphia Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY:

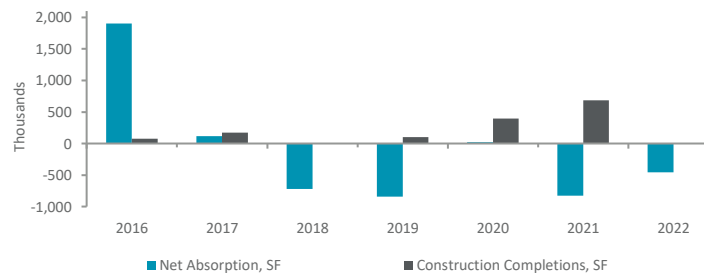
As a region, Philadelphia has seen a steady increase of people returning to the labor force, and as of the first quarter, the regional labor force is less than 25,000 participants from pre-pandemic totals. Despite the increase in participants, regional unemployment still hovers above the national average at 5.2%, but trends downwards. In the Suburbs, labor participation in the first quarter was less than 20,000 people from pre-pandemic labor participation peaks set back in July 2019. More than 148,000 people have found employment in the suburbs since the start of the pandemic, and more than 95,000 people are no longer registered as unemployed. Total employment is now less than 26,000 people or less than 3.0% from pre-pandemic record highs. Business services, which accounts for 19.8% of total employment in the Suburban market, held onto the gains made over the pandemic, 4.3% year-over-year (YOY) through the first quarter of 2022. The Bureau of Labor Statistics estimates continued growth headed into the second quarter, which would push business services employment to record highs in the suburbs.

SUPPLY AND DEMAND:

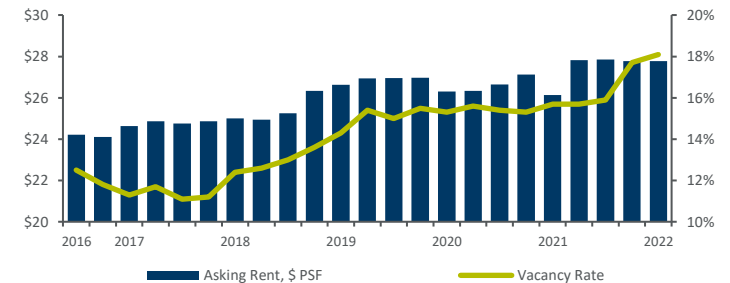
The overabundant supply of sublease vacancy has been an important metric to monitor across the region throughout the pandemic. Sublease vacancy in the suburbs rose dramatically over the pandemic. Prior to the pandemic, dating back to 2016, the average sublease vacancy rate was 0.5%. Since the pandemic, sublease vacancy has averaged 1.8%, and ended the first quarter at 2.1%, the highest during the pandemic. Sublease vacancy in the suburbs now totals over 1.3 million square feet (msf) for an average of 10,600 square feet (sf) per availability, 39.1% of which has come onto the market within the past two quarters, at an average of 15,700 sf per availability. However, when looking at all available sublease vacancies, less than 39.0% are class A subleases over 10,000 sf with an expiration greater than two years out, for a total of 470,134 sf of vacant class A sublease space.

This subset of class A sublease vacancy is not evenly distributed throughout the suburban market as 55.9% exists in the King of Prussia submarket, while another 22.4% resides in Blue Bell/Plymouth Meeting and Conshohocken, 10.1% and 12.3% respectively. Anecdotally, these submarkets have accounted for nearly two-thirds of class A leasing activity in the Suburban market over the pandemic, so it is possible that we may see sublease vacancy start to plateau into 2022 as these class A subleases are not only being consumed but are also accounting for some of the largest deals in the market. By example, Janssen Supply Group, who took 58,000 sf of Comcast's class A sublease space in Horsham at 700 Dresher Road in the first quarter, the largest deal for the quarter across the entire region.

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	1,755,178	246,463	15.8%	-66,055	-66,055	55,623	462,000	\$32.14	\$34.48
West of Broad	28,883,954	3,612,024	750,249	15.1%	-507,880	-507,880	191,319	305,000	\$33.69	\$35.03
CBD****	41,552,465	5,367,202	996,712	15.3%	-573,935	-573,935	246,942	767,000	\$33.23	\$34.91
Naval Yard	1,058,788	28,212	205,170	22.0%	-210,076	-210,076	49,939	265,000	\$31.37	\$31.37
University City	5,688,632	276,107	21,931	5.2%	24,999	24,999	5,958	1,545,000	\$42.01	\$44.27
Bala Cynwyd	2,718,024	436,112	108,338	20.0%	-17,756	-17,756	55,757	0	\$35.33	\$36.23
Southern Bucks County	6,342,779	1,170,355	171,488	21.2%	-52,042	-52,042	42,949	0	\$25.04	\$27.48
Southern Route 202 Corridor	6,199,423	898,862	54,899	15.4%	-27,914	-27,914	33,664	0	\$25.91	\$26.53
Delaware County	4,537,028	476,628	20,342	11.0%	55,380	55,380	28,508	0	\$26.74	\$27.86
Blue Bell/Ply. Mtg./Ft. Wsh.	12,236,300	2,498,858	111,570	21.3%	-119,874	-119,874	148,825	0	\$26.40	\$27.86
Main Line	3,568,028	312,621	31,123	9.6%	-19,773	-19,773	25,481	0	\$36.67	\$39.73
Conshohocken	4,190,979	736,203	115,202	20.3%	-65,597	-65,597	69,335	0	\$38.93	\$40.10
Horsham/Willow Grove/Jenkt.	5,329,243	1,138,799	70,317	22.7%	-57,121	-57,121	156,926	0	\$21.38	\$23.37
King of Prussia/Valley Forge	18,066,121	2,440,082	628,633	17.0%	-150,216	-150,216	164,343	0	\$27.68	\$28.84
SUBURBAN PHILADELPHIA	63,187,925	10,108,720	1,311,912	18.1%	-454,913	-454,913	725,788	0	\$27.77	\$29.67
Burlington County	7,852,029	1,163,928	182,489	17.2%	-43,190	-43,190	148,647	0	\$21.26	\$24.56
Camden County	6,377,581	1,085,663	13,103	17.2%	-16,132	-16,132	50,287	0	\$21.25	\$25.78
SOUTHERN NEW JERSEY	14,227,610	2,249,591	195,592	17.2%	-59,322	-59,322	198,934	0	\$21.25	\$24.99
Wilmington-CBD	7,117,093	1,772,284	6,500	25.0%	-52,538	-52,538	31,637	0	\$28.14	\$28.53
New Castle-Suburban	9,377,123	1,122,867	80,085	12.8%	-48,080	-48,080	16,316	0	\$22.88	\$23.47
NEW CASTLE CTY-DE TOTAL	16,494,216	2,895,151	86,585	18.1%	-100,618	-100,618	47,953	0	\$26.13	\$27.05
Lehigh & North Hamp. Counties	7,631,540	1,401,264	32,905	18.8%	-61,638	-61,638	44,590	0	\$21.56	\$23.86
PHILADELPHIA TOTALS***	135,462,216	20,620,664	2,590,801	17.1%	-1,188,788	-1,188,788	1,219,617	767,000	\$28.47	\$30.91

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
700 Dresher Road	Horsham/Willow Grove/Jenkt.	Janssen Supply Group	58,113	Sublease
1 Presidential Boulevard	Bala Cynwyd	Pep Boys	35,950	New
550 East Swedesford Road	King of Prussia/Valley Forge	PTC	28,999	New
11 Great Valley Parkway	King of Prussia/Valley Forge	X's Towing	27,348	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
795 Horsham Road	Horsham/Willow Grove/Jenkt.	Equity Commonwealth/Eurofins Abraxis, Inc.	110,300	\$14.6M/\$131.91 psf

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