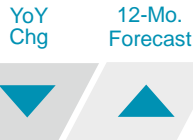


**15.0%**  
Vacancy Rate



**-296.9K**  
YTD Net Absorption, SF



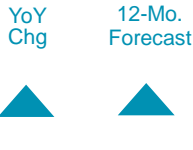
**\$33.62**  
Asking Rent, PSF



(Overall Gross, All Property Classes)

## ECONOMIC INDICATORS Q2 2022

**720.6K**  
Philadelphia Employment



**6.4%**  
Philadelphia Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS

## ECONOMY:

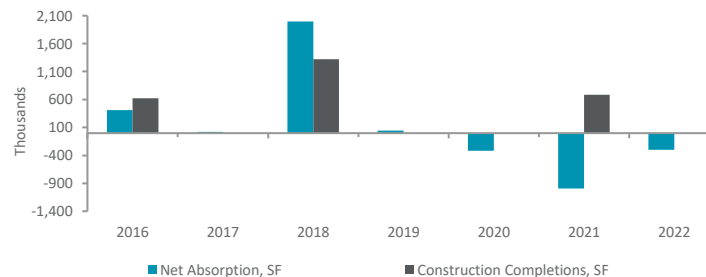
The Fed continued its hawkish stance on curbing inflation throughout the second quarter. Interest rate increases, upwards of 75 basis-points (bps) are expected in the near term, with further hikes expected before year-end. Locally, Philadelphia has seen as much as an 8.8% increase in Consumer Price Index (CPI) year-over-year (YOY), which is higher than the US Northeast average of 7.6. Unemployment continued to fall across the region, now 6.4% in the City and projected to fall further. The participation rate, however, has remained status quo, increasing less than 1.0% YOY. The City, and the region, are moving faster towards full employment while the region remains at full participation. Job openings remain yet the rising interest rate environment might give some companies pause looking towards the second half of 2022, and some employers have begun to announce hiring freezes. Our market has seen interest rates rise 100 bps since the end of 2021, and the certainty of the Fed remaining hawkish has and will continue to sideline institutional investors, delay new deals, and cause fluctuation in asset pricing.

## SUPPLY AND DEMAND:

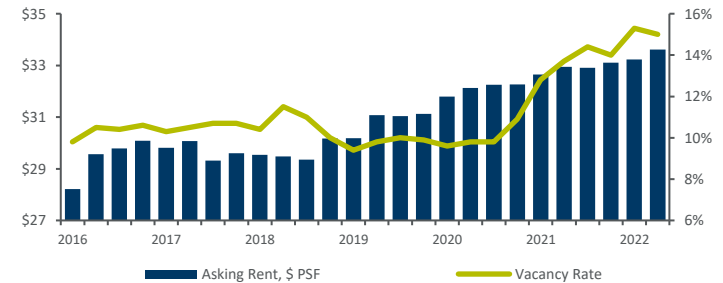
Vacancy dropped in the second quarter to 15.0%. Sublease vacancy dropped in both East and West of Broad 30 bps and 10 bps respectively, continuing a trend seen in East of Broad for the last three quarters. West of Broad sublease vacancy, which had been plateauing, may be starting to trend downwards. Rising interest rates and a strengthening dollar have tenants and investors pricing in changing economic expectations for the second half of 2022, which has caused delays in deals as tenants diligently assess “right-sizing” and price fluctuations adding complexity to pending acquisitions and dispositions. Demand for quality space remains, as Class A space continues to attract and retain tenants such as Rawle & Henderson, the Philadelphia Inquirer, and Neuroflow, which all inked new Class A deals this past quarter.

In the near term, companies will continue to assess their balance sheets as they factor in the changing economic climate. This may create a sense of urgency for further “right-size” assessments, however, that does not always equate to downsizing. Looking at deals executed over the pandemic, most right sized in or into class A space however; larger tenants, those 25,000 square feet (sf) or more, “right-sized” on average by negative 56.3%, while smaller tenants (25,000 sf or less) “right-sized” on average by positive 29.3%.

## 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	1,689,850	200,256	14.9%	20,025	21,496	154,616	462,000	\$32.22	\$34.63
West of Broad	28,883,954	3,641,222	712,175	15.1%	-186,184	-318,392	310,406	305,000	\$34.14	\$35.41
<b>CBD****</b>	<b>41,552,465</b>	<b>5,331,072</b>	<b>912,431</b>	<b>15.0%</b>	<b>-166,130</b>	<b>-296,896</b>	<b>465,022</b>	<b>767,000</b>	<b>\$33.62</b>	<b>\$35.26</b>
Naval Yard	1,061,397	16,797	207,779	21.2%	9,223	-201,270	0	265,000	\$31.51	\$31.51
University City	5,688,632	316,826	15,386	5.8%	-45,029	-9,353	207,247	1,545,000	\$40.82	\$42.33
Bala Cynwyd	2,718,024	366,637	113,823	17.7%	-1,027	50,962	104,288	0	\$35.08	\$35.92
Southern Bucks County	6,342,779	1,238,049	191,505	22.5%	-146,354	-140,279	128,946	0	\$25.31	\$27.50
Southern Route 202 Corridor	6,199,423	915,868	40,002	15.4%	-30,976	-28,972	49,124	0	\$25.78	\$26.15
Delaware County	4,561,028	511,666	31,228	11.9%	-68,160	16,816	49,222	0	\$26.83	\$27.87
Blue Bell/Ply. Mtg./Ft. Wsh.	12,256,961	2,479,247	158,781	21.5%	-434,541	-331,298	235,422	0	\$25.84	\$27.56
Main Line	3,570,734	270,539	25,019	8.3%	-22,340	29,729	46,517	0	#36.16	\$39.34
Conshohocken	4,190,979	643,670	84,841	17.4%	61,956	32,443	163,123	0	\$38.51	\$39.77
Horsham/Willow Grove/Jenkt.	5,380,411	1,136,576	63,448	22.3%	-186,595	-102,169	210,659	0	\$21.70	\$23.63
King of Prussia/Valley Forge	18,076,776	2,287,301	455,234	15.2%	-271,621	-5,568	311,844	0	\$28.76	\$29.52
<b>SUBURBAN PHILADELPHIA</b>	<b>63,297,115</b>	<b>9,849,553</b>	<b>1,163,881</b>	<b>17.4%</b>	<b>-1,099,658</b>	<b>-478,336</b>	<b>1,299,145</b>	<b>0</b>	<b>\$27.72</b>	<b>\$29.44</b>
Burlington County	7,850,029	978,648	96,016	13.7%	36,444	232,893	257,142	0	\$22.00	\$25.69
Camden County	6,379,005	963,063	10,838	15.3%	-37,931	123,039	90,008	0	\$20.50	\$22.82
<b>SOUTHERN NEW JERSEY</b>	<b>14,229,034</b>	<b>1,941,711</b>	<b>106,854</b>	<b>14.4%</b>	<b>-1,487</b>	<b>355,932</b>	<b>347,150</b>	<b>0</b>	<b>\$21.27</b>	<b>\$25.32</b>
Wilmington-CBD	7,117,093	1,747,096	6,500	24.6%	-3,024	-44,039	60,205	0	\$28.02	\$28.42
New Castle-Suburban	9,377,123	1,403,901	77,680	15.8%	-147,920	-203,483	77,634	0	\$21.96	\$22.65
<b>NEW CASTLE CTY-DE TOTAL</b>	<b>16,494,216</b>	<b>3,150,997</b>	<b>84,180</b>	<b>19.6%</b>	<b>-150,944</b>	<b>-247,522</b>	<b>137,839</b>	<b>0</b>	<b>\$25.27</b>	<b>\$26.30</b>
Lehigh & North Hamp. Counties	7,631,540	1,311,202	28,975	17.6%	27,402	48,436	103,263	0	\$21.72	\$24.08
<b>PHILADELPHIA TOTALS***</b>	<b>135,572,830</b>	<b>20,273,333</b>	<b>2,267,346</b>	<b>16.6%</b>	<b>-1,418,219</b>	<b>-666,822</b>	<b>2,249,156</b>	<b>767,000</b>	<b>\$28.53</b>	<b>\$30.85</b>

\*Rental rates reflect full service asking \*\*Renewals not included in leasing activity \*\*\*Does not include Lehigh & North Hamp. Counties \*\*\*\*Does not include NE or NW of Broad submarkets

**KEY LEASE TRANSACTIONS Q2 2022**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
510-530 Walnut Street	East of Broad	Ace American Insurance Company	140,585	Renewal*
100 S Independence Mall West	East of Broad	Philadelphia Inquirer	36,744	New
1500 Market Street	West of Broad	Rawle & Henderson	36,196	Sublease
510-530 Market Street	East of Broad	United States Government	31,217	New

\*Renewals not included in leasing statistics

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