

YoY Chg 12-Mo. Forecast

18.8%

Vacancy Rate



-1.3M

YTD Net Absorption, SF



\$27.51

Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

3.0 M

Philadelphia Employment



4.1%

Philadelphia Unemployment Rate



3.5%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

In their continued efforts to grapple rising inflation, the Fed ratcheted up rates this quarter by 75 basis points (bps). As of August's report, Consumer Price Index (CPI) in the region has increased by 8.1% year-over-year (YOY). Core CPI has also remained stubborn, averaging 5.8% YOY for the last five reporting periods. Some signs of slowing may have begun to appear as overall CPI did decrease by .03% since the last period, and core CPI increased at its slowest rate since December 2021.

Unemployment remains low, yet signs of a loosening labor market have started to emerge in the Suburbs. Unemployment has risen for two straight reporting periods. The Fed has continued to remain firm on its stance to curb inflation with the market anticipating another rate hike before year-end. The rate hikes have had and should continue to have ripple effects into the office market causing delayed tenant deals, continued tenant right sizing, valuation fluctuation and conservative lending restraints.

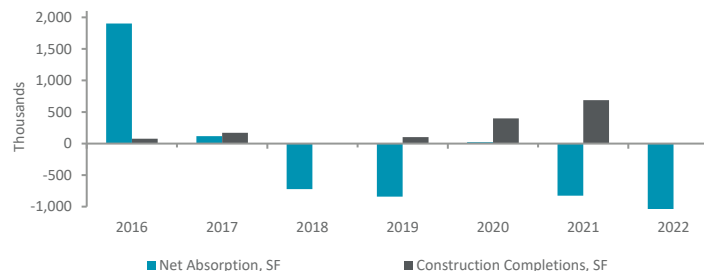
SUPPLY AND DEMAND:

SEPTA's King of Prussia Regional Rail continued to take shape this past quarter, with SEPTA approving to move forward with the acquisition of 73 parcels that will directly connect two of the Philadelphia region's top submarkets, the Central Business District (CBD) and King of Prussia, by passenger rail. The future rail connection will add a fourth transit submarket in the Suburbs alongside Conshohocken, Main Line, and Bala Cynwyd. Those three submarkets, collectively, ended the third quarter at 15.5% vacancy, while the collective vacancy rate for the rest of the Suburban market was 19.4%.

Overall, the Suburban market saw vacancy rates rise this past quarter, reaching 18.8%, a 120 bps increase quarter-over-quarter (QOQ), one-third of which was fueled by growth in sublease vacancy. Economic conditions and right-sizing have hampered overall leasing activity, down 6.9% YOY. Class A leasing activity, conversely, has seen 4.6% YOY growth continuing a trend that tenants refuse to compromise on the quality rather than the quantity.

Overall rental rates saw their second quarter of decline in a row. Rates ended at \$27.51 per square feet (psf), a 0.8% decline QOQ, yet only a 0.1% decline YOY. Similarly, Class A rates fell 0.5% YOY, reaching \$29.28 psf. However, in transit submarkets like Conshohocken, Bala Cynwyd and the Main Line, rents have performed better, down only 0.5% QOQ, yet up 4.1% YOY.

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	1,975,413	205,499	17.2%	-289,195	-268,039	171,407	462,000	\$33.18	\$35.50
West of Broad	28,883,954	3,983,220	758,385	16.4%	-393,430	-704,370	498,345	305,000	\$33.82	\$35.07
CBD****	41,552,465	5,958,633	963,884	16.7%	-682,625	-972,409	669,752	767,000	\$33.63	\$35.17
Naval Yard	1,061,397	16,797	207,779	21.2%	9,223	-201,270	0	0	\$31.51	\$31.51
University City	5,688,632	316,809	26,368	6.0%	-10,965	-20,318	29,591	0	\$42.78	\$44.43
Bala Cynwyd	2,718,024	371,886	114,165	17.9%	-3,526	40,379	123,930	0	\$34.96	\$35.94
Southern Bucks County	6,342,779	1,239,996	196,500	22.6%	-1,297	-146,221	168,390	0	\$25.12	\$27.33
Southern Route 202 Corridor	6,199,423	995,472	49,838	16.9%	-89,440	-118,412	102,859	0	\$25.94	\$26.30
Delaware County	4,561,028	694,542	43,384	16.2%	-141,427	-156,196	96,351	0	\$27.47	\$28.33
Blue Bell/Ply. Mtg./Ft. Wash.	12,256,961	2,655,848	178,724	23.1%	-192,913	-518,430	328,807	0	\$25.65	\$27.30
Main Line	3,570,734	317,557	80,132	11.1%	-73,061	-49,462	99,273	0	\$38.10	\$41.31
Conshohocken	4,191,090	613,656	129,344	17.7%	7,660	33,371	307,253	0	\$37.14	\$38.41
Horsham/Willow Grove/Jenk.	5,380,411	1,080,101	63,448	21.3%	92,977	-38,289	303,252	0	\$21.50	\$23.30
King of Prussia/Valley Forge	18,076,776	2,485,190	573,810	16.9%	-319,470	-323,797	484,565	0	\$28.41	\$29.61
SUBURBAN PHILADELPHIA	63,297,226	10,453,248	1,429,345	18.8%	-720,497	-1,277,057	2,014,680	0	\$27.51	\$29.28
Burlington County	7,850,029	1,088,485	96,167	15.1%	-109,837	123,056	300,627	0	\$21.15	\$23.32
Camden County	6,379,005	986,443	11,438	15.6%	-16,355	101,631	112,586	0	\$20.56	\$22.22
SOUTHERN NEW JERSEY	14,229,034	2,074,928	107,605	15.3%	-126,192	224,687	413,213	0	\$20.87	\$23.17
Wilmington-CBD	7,117,093	1,758,175	33,555	25.2%	-19,257	-82,173	72,646	0	\$28.26	\$28.65
New Castle-Suburban	9,377,123	1,457,428	82,982	16.4%	23,621	-217,827	131,573	0	\$21.53	\$21.84
NEW CASTLE CTY-DE TOTAL	16,494,216	3,215,603	116,537	20.2%	4,364	-300,000	204,219	0	\$25.24	\$26.14
Lehigh & North Hamp. Counties	7,631,540	1,324,057	28,975	17.7%	-16,579	31,460	154,305	0	\$21.39	\$24.02
PHILADELPHIA TOTALS***	135,572,941	21,702,412	2,617,371	17.9%	-1,524,950	-2,324,779	3,301,864	767,000	\$28.45	\$30.72

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
100 Four Falls Corporate Center - 1K1	Blue Bell/Ply. Mtg./Ft. Wash.	CBIZ	52,000	New Lease
2200 Renaissance Boulevard	King of Prussia/Valley Forge	IKEA	39,372	New Lease
600 Office Center Drive	Blue Bell/Ply. Mtg./Ft. Wash.	Prudential	35,940	New Lease
2091 Springdale Road	Camden County	Fiserv	31,350	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
475 Sentry Parkway East/Sentry Parkway I	Blue Bell/Ply. Mtg./Ft. Wash.	Provco Sentry, LLC/TrueStone LLC	79,560	\$221.85/sf

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