

	YoY Chg	12-Mo. Forecast
19.9% Vacancy Rate	▲	▲
-2.0M YTD Net Absorption, SF	▲	▲
\$27.73 Asking Rent, PSF	▼	▬

(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
3.0 M Philadelphia Employment	▲	▼
3.9% Philadelphia Unemployment Rate	▬	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY:

It was nearly four years since the Federal Reserve (Fed) had raised interest rates. The Fed Fund Rate was 0.0% to begin 2022, and the Fed was still purchasing bonds before running into the highest inflation in four decades. The Fed began aggressively hiking rates starting June 16th. 350 basis-points (bps) later, the Fed Fund Rate ended 2022 at 4.5%, the highest rate since the Great Recession of 2007. The pace of inflation has slowed since June 16th. However, the effects of inflation on commodity pricing remains. Nationally, the cost of construction at the end of 2022, although slowing, remained, 20.4% higher year-over-year (YOY), and up 36.1% since 2020.

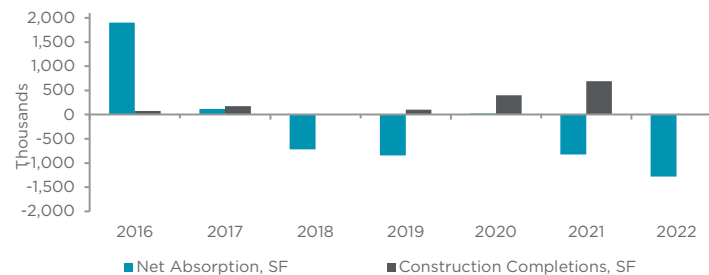
The Suburban labor market also squeezed tighter. In the major population centers of Montgomery, Bucks and Chester Counties the unemployment rate has dropped from 4.2% in January to end the year at 2.6%. The four-county region experienced job growth in 2022, over 36,000 jobs in total. However, it was Montgomery, Bucks and Chester that experienced a surge in Business Services, whereby end of year, employment in Business Services was at all-time highs. Strong employment figures give reason for the Fed to remain hawkish on curbing inflation, which may elongate the rigid lending environment office landlords and tenants have faced, particularly post June 16th. Interest rates and inflation have stubbornly impacted asset valuations and sales activity while construction pricing has impacted leasing and construction activity.

SUPPLY AND DEMAND:

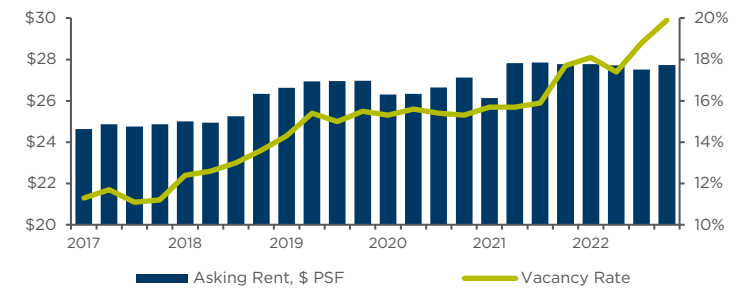
Leasing activity in the Suburban market topped 2.6 million square feet (msf) in 2022, up 5.2% YOY. Flight to quality was a dominant trend, as class A accounted for 78.7% of all total leasing activity. Class A leasing activity was up 13.0% YOY and was led by three primary submarkets: Main Line, Conshohocken, and King of Prussia (KOP). These three submarkets accounted for 46.8% of total leasing activity, and 53.8% of all class A leasing activity for the year. Class A drove leasing activity in these submarkets accounting for, on average, 90.6% of all submarket leasing activity.

Excluding these primary markets, Blue Bell/Plymouth Meeting accounted for 16.4% of all Suburban leasing activity in 2022, 90.4% which was class A. Class A leasing activity in Blue Bell/Plymouth Meeting has averaged 25.2% annual growth, since 2020. Excluding Main Line, Conshohocken and KOP, Suburban class A rent premiums averaged \$3.64 per square feet (psf) at year-end. In primary submarkets, class A premiums were \$7.88 psf on average (an increase of 4.0% YOY). In Blue Bell, rent premiums ended 2022 above average (\$4.83 psf), however class A asking rents were \$9.60, on average, lower than the primary submarkets.

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	2,150,779	228,005	18.8%	-193,919	-465,911	179,274	462,000	\$33.32	\$35.71
West of Broad	28,883,954	4,369,747	861,546	18.1%	-397,013	-1,182,547	1,002,764	305,000	\$34.22	\$35.41
CBD****	41,552,465	6,520,526	1,089,551	18.3%	-590,932	-1,648,458	1,182,038	767,000	\$33.96	\$35.48
Naval Yard	1,061,397	16,797	207,779	21.2%	0	-201,270	0	0	\$31.51	\$31.51
University City	5,688,632	316,809	25,216	6.0%	1,152	-19,166	32,285	0	\$42.83	\$44.51
Bala Cynwyd	2,718,024	408,960	114,165	19.3%	-37,116	3,305	136,087	0	\$35.03	\$35.91
Southern Bucks County	6,342,779	1,220,500	190,533	22.3%	24,463	-121,758	202,150	0	\$25.24	\$27.51
Southern Route 202 Corridor	6,199,423	1,042,622	119,795	18.8%	-107,785	-235,519	128,030	0	\$26.22	\$26.73
Delaware County	4,561,028	672,890	50,356	15.9%	34,483	-133,067	154,568	0	\$27.47	\$28.26
Blue Bell/Ply. Mtg./Ft. Wsh.	12,256,961	2,660,059	264,458	23.9%	-59,396	-597,712	426,763	0	\$25.58	\$27.32
Main Line	3,570,734	324,218	80,132	11.3%	-3,917	-54,723	253,755	145,000	\$38.56	\$41.87
Conshohocken	4,191,090	633,715	176,359	19.3%	-67,074	-33,703	399,650	0	\$37.75	\$39.14
Horsham/Willow Grove/Jenkt.	5,380,411	1,029,597	109,434	21.2%	10,662	-51,239	338,204	0	\$21.50	\$22.89
King of Prussia/Valley Forge	18,076,776	2,894,651	624,744	19.5%	-458,515	-780,952	564,468	0	\$28.67	\$29.78
SUBURBAN PHILADELPHIA	63,297,226	10,887,212	1,729,976	19.9%	-664,195	-2,005,908	2,603,675	145,000	\$27.73	\$29.43
Burlington County	7,850,029	1,091,040	96,167	15.1%	-4,017	120,501	418,229	0	\$21.05	\$22.95
Camden County	6,379,005	996,851	11,438	15.8%	-8,635	93,206	185,566	0	\$20.46	\$21.62
SOUTHERN NEW JERSEY	14,229,034	2,087,891	107,605	15.4%	-12,652	213,707	603,795	0	\$20.77	\$22.73
Wilmington-CBD	7,117,093	1,812,190	33,555	25.9%	-54,015	-136,188	119,856	0	\$27.85	\$28.20
New Castle-Suburban	9,377,123	1,440,839	83,662	16.3%	5,909	-201,918	167,362	0	\$21.54	\$21.78
NEW CASTLE CTY-DE TOTAL	16,494,216	3,253,029	117,217	20.4%	-48,106	-338,106	287,218	0	\$25.05	\$25.90
Lehigh & North Hamp. Counties	7,631,540	1,324,664	28,975	17.7%	-607	30,853	165,740	0	\$21.41	\$23.98
PHILADELPHIA TOTALS***	135,572,941	22,748,658	3,044,349	19.0%	-1,315,885	-3,778,765	4,676,726	912,000	\$28.77	\$31.00

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
155 King of Prussia Road	Main Line	Arkema	145,000	New Lease
1400 Pennbrook Parkway	Blue Bell/Ply. Mtg./Ft. Wash.	Laurell Technologies Corporation	40,452	New Lease
75 Valley Stream Parkway	King of Prussia/Valley Forge	Environmental Resources Manage	27,012	Renewal
2200 Renaissance Boulevard	King of Prussia/Valley Forge	-	23,915	Sublease

*Renewals not included in leasing statistics

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