

YoY Chg      12-Mo. Forecast

**21.7%**  
Vacancy Rate



**-1.47 M**  
YTD Net Absorption, SF



**\$27.94**  
Asking Rent, PSF



(Overall Gross, All Property Classes)

### ECONOMIC INDICATORS Q3 2023

YoY Chg      12-Mo. Forecast

**3.1 M**  
Philadelphia Employment



**3.5%**  
Philadelphia Unemployment Rate



**3.7%**  
U.S. Unemployment Rate



Source: BLS

### ECONOMY:

After raising rates 25 basis-points (bps) in July, the Federal Reserve (Fed) took a pause in September, keeping the federal funds rate at a 22 year high. Healthy jobs reporting added to speculation that the Fed may hike again in the fourth quarter. Despite continued economic expansion and low unemployment, inflation remains above the Fed's 2.0% target goal.

The unemployment rate for the Suburbs was 3.7% at the end of the third quarter. The suburbs added over 25,220 jobs since January, while adding 27,572 participants over that same time. Suburban job growth slowed in the third quarter, with most job gains occurring in the first half of 2023. Most new participants joined in the second quarter, particularly in May and June per the Bureau of Labor Statistics (BLS), which followed a 6.6% year-over-year increase in wages per the Employment Cost Index (ECI) for the Philadelphia region. The participation rate and employment rate in the Suburbs ended the third quarter at an all-time high.

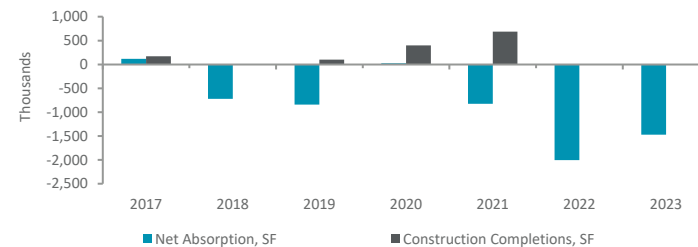
With more companies implementing mandates, there has been a noticeable increase in office attendance over 2023. Per our local [Return to Office](#) report, office attendance in the Suburbs is at all-time highs since the pandemic. All-time highs in suburban employment coinciding with mandated increased office usage, may provide a light and the end of the tunnel for the tenant right-sizing that has impacted sublease vacancies over the last 12 months.

### SUPPLY AND DEMAND:

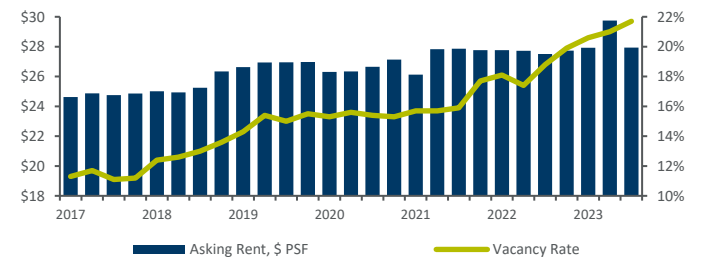
Sublease vacancy in the Suburbs is 3.2% at the quarter end, an all-time high for the market. Half the total sublease vacancy came onto the market since the start of the year. Two-thirds of the total sublease vacancy came onto the market since the start of third quarter 2022. Over half (52.6%) of the sublease vacancies in the last 12 months are in suburban secondary markets.

Less than eight percent (7.3%) of the total sublease vacancies exist in stressed or distressed assets. The high interest rate environment has plagued dispositions and refinancing causing stress and distress across the region, 3.9 million square feet (msf) in the suburban market alone. As a set, these buildings have an overall vacancy rate of 30.6%, account for 7.8% of all leasing activity in 2023, and 80,000 square feet (sf) of negative absorption. As of the third quarter 11.3% of the total vacancies in the suburbs are in assets deemed stressed or distressed. This figure is higher in secondary markets, where troubled assets account for 12.8% of total vacancy. This figure is much higher in Horsham/Jenkintown and Delaware county submarkets, where stressed and distressed assets account for 37.9% and 82.4% of total vacancy, respectively. If these buildings and their vacancies were removed from the inventory, overall vacancy would drop 120 bps.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

	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	12,593,511	2,225,049	200,224	19.3%	-40,356	-241,726	215,778	462,000	\$32.68	\$34.41
West of Broad	28,883,954	4,771,433	1,261,266	20.9%	-326,512	-966,375	630,719	305,000	\$35.08	\$36.27
<b>CBD</b>	<b>41,477,465</b>	<b>6,996,482</b>	<b>1,461,490</b>	<b>20.4%</b>	<b>-366,868</b>	<b>-1,208,101</b>	<b>846,497</b>	<b>767,000</b>	<b>\$34.49</b>	<b>\$35.91</b>
Naval Yard	782,997	23,086	212,391	30.1%	10,584	-11,167	14,940	-	\$31.72	\$31.72
University City	3,604,403	190,920	76,476	7.4%	-53,074	-62,422	83,509	-	\$37.03	\$46.18
Bala Cynwyd	2,718,024	400,652	161,338	20.7%	-38,940	-37,819	98,311	-	\$36.14	\$36.71
Southern Bucks County	6,262,103	1,248,169	198,955	23.1%	-132,081	-117,354	132,204	-	\$25.34	\$27.68
Southern Route 202 Corridor	6,199,423	1,025,835	140,183	18.8%	-43,619	-24,548	105,107	-	\$26.28	\$26.78
Delaware County	4,561,028	785,950	20,206	17.7%	-393	-48,068	64,825	-	\$28.56	\$28.16
Blue Bell/Ply. Mtg./Ft. Wsh.	11,737,868	2,684,256	463,252	26.8%	--253,984	-354,241	296,256	-	\$25.79	\$28.15
Main Line	3,570,734	450,231	49,170	14.0%	-59,737	-84,039	125,497	145,000	\$39.84	\$43.32
Conshohocken	4,191,090	749,275	119,775	20.7%	-85,388	-208,725	132,121	-	\$36.77	\$37.51
Horsham/Willow Grove/Jenk.	5,221,411	1,261,011	72,048	25.5%	-15,837	-190,102	84,221	-	\$21.36	\$23.00
King of Prussia/Valley Forge	17,875,353	2,959,909	742,695	20.7%	-120,862	-405,959	509,197	-	\$28.94	\$30.28
<b>SUBURBAN PHILADELPHIA</b>	<b>62,337,034</b>	<b>11,565,288</b>	<b>1,967,622</b>	<b>21.7%</b>	<b>-750,841</b>	<b>-1,470,855</b>	<b>1,547,739</b>	<b>145,000</b>	<b>\$27.94</b>	<b>\$29.94</b>
Burlington County	7,850,029	1,305,380	124,276	18.2%	-177,872	-144,099	405,870	-	\$21.09	\$23.04
Camden County	6,379,005	1,038,185	9,947	16.4%	-12,085	-42,710	147,454	-	\$21.04	\$22.13
<b>SOUTHERN NEW JERSEY</b>	<b>14,229,034</b>	<b>2,343,565</b>	<b>134,223</b>	<b>17.4%</b>	<b>-189,957</b>	<b>-186,809</b>	<b>553,324</b>	<b>-</b>	<b>\$21.06</b>	<b>\$22.88</b>
Wilmington-CBD	7,117,093	1,863,194	65,340	27.1%	-32,362	-114,082	52,496	-	\$27.32	\$27.64
New Castle-Suburban	9,190,417	1,473,241	35,608	16.4%	-11,675	-131,988	281,124	-	\$21.97	\$22.36
<b>NEW CASTLE CTY-DE TOTAL</b>	<b>16,307,510</b>	<b>3,366,256</b>	<b>100,948</b>	<b>21.1%</b>	<b>-44,037</b>	<b>-246,070</b>	<b>333,620</b>	<b>-</b>	<b>\$24.88</b>	<b>\$25.49</b>
Lehigh & Northamp. Counties	7,631,540	1,332,890	-	17.5%	-80,326	-188,613	107,194	-	\$20.84	\$23.02
<b>PHILADELPHIA TOTALS***</b>	<b>134,351,043</b>	<b>24,241,770</b>	<b>3,664,283</b>	<b>20.8%</b>	<b>-1,351,703</b>	<b>-3,111,835</b>	<b>3,281,180</b>	<b>912,000</b>	<b>\$29.05</b>	<b>\$31.38</b>

\*Rental rates reflect full-service gross \*\*Does not include renewals \*\*\*Does not include Lehigh & Northampton Counties, Naval Yard, and University City submarkets

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
500 Virginia Drive	Blue Bell/Ply. Mtg./Ft. Wash	Avo Photonics	97,000	New Lease
1 West Elm Street	Conshohocken	Boomi	40,671	Sublease
200 Barr Harbor Drive	Conshohocken	Madrigal Pharmaceuticals	30,607	New Lease
70 East Swedesford Road	King of Prussia/Valley Forge	GrayHawk Health Inc	25,000	New Lease
1 West Elm Street	Conshohocken	Spring	21,440	Sublease

\*Renewals not included in leasing statistics

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