

YoY Chg 12-Mo. Forecast

19.7%

Vacancy Rate



-331.9 K

YTD Net Absorption, SF



\$33.27

Asking Rent, PSF



(Overall Gross, All Property Classes)

ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

767 K

Philadelphia Employment



4.4%

Philadelphia Unemployment Rate



4.1%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

The Federal Reserve (Fed) kept interest rates at their current levels at their last meeting of the second quarter. The outcome, again, was wait-and-see what the data must show, as the Fed holds firmly to their inflation target of 2.0%. The Consumer Price Index (CPI) increased 4.1% from last reporting in the Philadelphia MSA and has yet to fall under 3.0%. Stickiness continues to be in shelter costs. Rent and owner's equivalent of rent rose 7.2% and 6.8% year-over-year (YOY) respectively. These increases have outpaced wage growth over the last year.

Wage growth in the Philadelphia region slowed, a 3.0% increase YOY as compared to 5.7% a year prior. Philadelphia was one of two metros in the Northeast where wage growth was most notable in 2023. Over the first half of 2024, wage growth has trailed the rest of the Northeast, yet remains one of the more affordable regions in the Northeast.

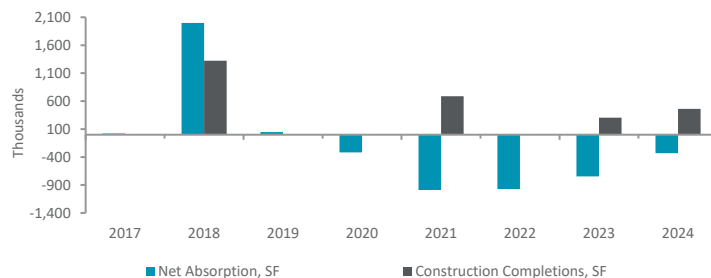
City unemployment dipped below 4.0% again in the second quarter, reflecting a strong labor market on the surface. Job growth continues to be largely driven by Education and Healthcare and Leisure and Hospitality while other traditional office using sectors; Business Services and Information, fall further from their all-time highs in employment since 2022. Both sectors down 3.0% and 5.4% respectively.

SUPPLY AND DEMAND:

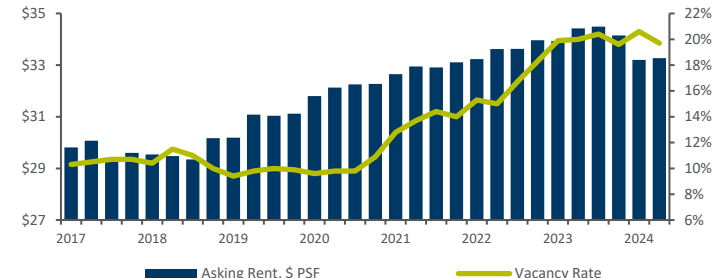
Change has been on the horizon for the Philadelphia Central Business District (CBD) as many notable office buildings along the CBD skyline begin to be repurposed and converted from office to another use like multifamily or hospitality. The effect is the removal of office inventory from the CBD, along with any lingering vacancy in tow. Such is the case with the Philadelphia CBD as 1701 Market was officially removed from the CBD office inventory as it pivots towards multifamily conversion.

The removal of 1701 Market Street also takes nearly 300,000 square feet (sf) of office vacancy with it, reducing the overall vacancy total of the CBD market by 60 basis-points. Another 2.5 million sf of CBD is currently slated for some form of conversion. The effect would reduce the CBD inventory another 6.7% and subsequently removing upwards of 700,000 sf of existing office vacancy in the process. Should these projects move forward, it would alter the class A market significantly as all the proposed office conversions are class A. The effect would also significantly consolidate class A ownership in the CBD to only six landlords controlling over half (51.8%) of the CBD class A skyline. However, other changes linger on the horizon as well. Another 23.1% of class A space remains in distressed positions which could further consolidate class A market share.

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	13,055,511	2,152,504	325,722	19.0%	-74,291	115,766	76,833	0	\$31.71	\$34.21
West of Broad	28,886,714	4,948,817	868,543	20.1%	-187,443	-447,754	403,146	438,000	\$33.84	\$35.07
CBD	41,942,225	7,101,321	1,194,265	19.8%	-261,734	-331,988	479,979	438,000	\$33.27	\$34.90
Naval Yard	782,997	10,308	207,779	27.9%	0	12,778	10,751	0	\$31.56	\$31.56
University City	3,583,545	200,188	76,476	7.7%	-11,810	-29,103	34,556	0	\$36.61	\$45.45
Bala Cynwyd	2,629,024	388,827	140,287	20.1%	3,488	-26,468	29,656	0	\$35.35	\$36.02
Southern Bucks County	6,262,103	1,078,322	216,294	20.7%	-20,550	-22,826	144,597	0	\$25.96	\$27.83
Southern Route 202 Corridor	6,231,124	1,047,954	132,925	19.0%	22,435	-21,950	48,946	0	\$25.79	\$26.60
Delaware County	4,561,028	680,073	139,190	18.0%	13,530	15,596	33,141	106,000	\$28.50	\$29.15
Blue Bell/Ply. Mtg./Ft. Wsh.	11,647,083	2,485,099	315,105	24.0%	-41,974	13,947	56,749	0	\$26.53	\$28.45
Main Line	3,570,734	474,474	47,187	14.6%	10,266	-86,987	57,580	145,000	\$39.76	\$42.72
Conshohocken	4,191,090	562,084	34,845	14.2%	13,048	56,837	89,924	0	\$37.68	\$38.22
Horsham/Willow Grove/Jenkt.	5,221,411	1,268,800	53,290	25.3%	-19,915	-73,795	20,242	0	\$21.43	\$22.57
King of Prussia/Valley Forge	17,687,632	3,303,851	666,497	22.5%	-117,208	-266,546	380,246	0	\$29.86	\$30.25
SUBURBAN PHILADELPHIA	62,001,229	11,289,484	1,745,620	21.0%	-136,880	-412,192	861,081	251,000	\$28.39	\$29.84
Burlington County	7,880,341	1,379,210	58,000	18.2%	-105,012	-232,347	150,905	0	\$21.65	\$25.63
Camden County	6,379,005	1,102,917	0	17.3%	32,638	1,334	57,716	0	\$21.55	\$23.82
SOUTHERN NEW JERSEY	14,259,346	2,482,127	58,000	17.8%	-72,374	-231,013	208,621	0	\$21.60	\$25.24
Wilmington-CBD	7,117,093	1,145,644	65,340	17.0%	520,136	511,295	50,893	0	\$27.94	\$28.43
New Castle-Suburban	9,160,421	1,185,592	274,966	15.9%	-61,457	-119,523	177,086	100,000	\$23.57	\$23.79
NEW CASTLE CTY-DE TOTAL	16,277,514	2,331,236	340,306	16.4%	458,679	391,772	227,979	100,000	\$25.86	\$26.48
Lehigh & Northamp. Counties	7,551,415	1,328,391	48,919	18.2%	-14,079	-1,630	170,519	0	\$21.66	\$23.51
PHILADELPHIA TOTALS***	134,480,314	23,204,168	3,338,191	19.7%	-12,309	-583,421	1,777,660	789,000	\$29.07	\$31.13

*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 Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
510-530 Walnut Street**	East of Broad	Ace American Insurance Company	140,585	Renewal*
1650 Market Street**	West of Broad	Dilworth Paxson, LLP	47,695	New
510-530 Walnut Street**	East of Broad	BDP International, Inc.	34,507	Renewal*
30 South 17th Street	West of Broad	Undisclosed	31,609	New
2001 Market Street	West of Broad	Grant Thornton, LLP	29,376	Renewal*

*Renewals not included in leasing statistics **Cushman & Wakefield deal

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