

YoY Chg      12-Mo. Forecast

**21.0%**

Vacancy Rate



**-412.2 K**

YTD Net Absorption, SF



**\$28.39**

Asking Rent, PSF



*(Overall Gross, All Property Classes)*

### ECONOMIC INDICATORS Q2 2024

YoY Chg      12-Mo. Forecast

**3.11 M**

Philadelphia Employment



**3.7%**

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 a wait and see what on the data, looking for signs of softening in the labor market and continued disinflation towards the Fed's 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, with 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, however, wage growth has trailed the rest of the Northeast, yet remains one of the more affordable metros.

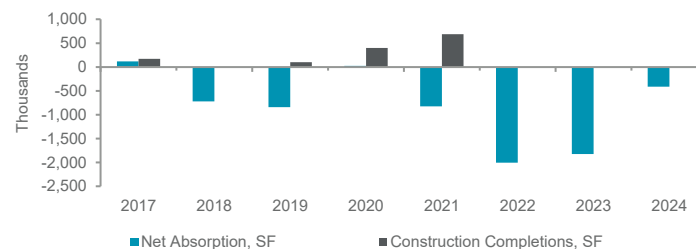
Suburban unemployment remained below 3.0% again in the second quarter across the four-county region, reflecting a strong labor market on the surface. Job growth continues to be largely driven by Education and Healthcare and Leisure and Hospitality while other traditional office using sectors; Business Services and Information, fall further from their all-time highs in employment since 2022. Both sectors are down 3.1% and 2.8% YOY respectively and have recorded over 12 consecutive months of employment losses.

### SUPPLY AND DEMAND:

Vacancy increased for the ninth consecutive quarter to 21.0% overall in the Philadelphia Suburbs. Sublease vacancy teeters around 3.0% for the last 12 months. Class A vacancy has risen for ten consecutive quarters, reaching 21.5% overall with sublease vacancy eclipsing 3.0%. Leasing activity is also noticeably down. Year to date (YTD), leasing activity is down by 25.0% compared to 2023, and 41.5% lower than 2022. Over that same time frame class A share of leasing activity has also waned. Class A has accounted for 65.3% of all suburban leasing activity to date, which is notably down from an average of 70.9% in 2023 and 74.6% in 2022. Vacancy has been evenly distributed across the region as most primary and secondary markets hover around 20.0% vacancy. Leasing activity has also been relatively evenly distributed, particularly class A. Whereas on the surface, primary submarkets capture the majority of class A leasing activity, there is a smaller concentrated micro market that is outperforming the larger primary submarkets: the Schuylkill Corridor.

The Schuylkill Corridor comprises areas of suburban primary markets of King of Prussia, Main Line, and Conshohocken, with a concentration of best-in-class product. Vacancy in this micro market was 11.9% direct and 14.6% overall vacancy in the second quarter. Despite accounting for only 8.5% of the total suburban inventory, the Schuylkill Corridor has accounted for 12.3% of all leasing activity and 18.9% of all class A leasing, YTD. Prior to the pandemic, this micro market's share of overall activity was less than 10.0% per year, on average. Post pandemic that share has grown to capture 13.2% of all suburban leasing activity and 18.4% of all class A activity, on average.

### 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	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
<b>CBD</b>	<b>41,942,225</b>	<b>7,101,321</b>	<b>1,194,265</b>	<b>19.8%</b>	<b>-261,734</b>	<b>-331,988</b>	<b>479,979</b>	<b>438,000</b>	<b>\$33.27</b>	<b>\$34.90</b>
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/Jenk.	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
<b>SUBURBAN PHILADELPHIA</b>	<b>62,001,229</b>	<b>11,289,484</b>	<b>1,745,620</b>	<b>21.0%</b>	<b>-136,880</b>	<b>-412,192</b>	<b>861,081</b>	<b>251,000</b>	<b>\$28.39</b>	<b>\$29.84</b>
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
<b>SOUTHERN NEW JERSEY</b>	<b>14,259,346</b>	<b>2,482,127</b>	<b>58,000</b>	<b>17.8%</b>	<b>-72,374</b>	<b>-231,013</b>	<b>208,621</b>	<b>0</b>	<b>\$21.60</b>	<b>\$25.24</b>
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
<b>NEW CASTLE CTY-DE TOTAL</b>	<b>16,277,514</b>	<b>2,331,236</b>	<b>340,306</b>	<b>16.4%</b>	<b>458,679</b>	<b>391,772</b>	<b>227,979</b>	<b>100,000</b>	<b>\$25.86</b>	<b>\$26.48</b>
Lehigh & Northamp. Counties	7,551,415	1,328,391	48,919	18.2%	-14,079	-1,630	170,519	0	\$21.66	\$23.51
<b>PHILADELPHIA TOTALS***</b>	<b>134,480,314</b>	<b>23,204,168</b>	<b>3,338,191</b>	<b>19.7%</b>	<b>-12,309</b>	<b>-583,421</b>	<b>1,777,660</b>	<b>789,000</b>	<b>\$29.07</b>	<b>\$31.13</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 Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9 Great Valley Parkway	King of Prussia/Valley Forge	Endo Pharmaceuticals	58,700	Sublease
650 East Swedesford Road	King of Prussia/Valley Forge	Undisclosed	20,000	Sublease
789 East Lancaster Avenue	Main Line	Thomas Jefferson University	17,031	Renewal*
1100 East Hector Street	Conshohocken	OnAir Entertainment	15,035	New Lease
301 Lindenwood Drive	King of Prussia/Valley Forge	Worthington Armstrong Vent.	13,106	Renewal*

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

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