

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
20.6% Vacancy Rate	▲	▲
-617.7K YTD Net Absorption, SF	▼	▼
\$33.50 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
766.7K Philadelphia Employment	▲	▲
4.4% Philadelphia Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▼

ECONOMY:

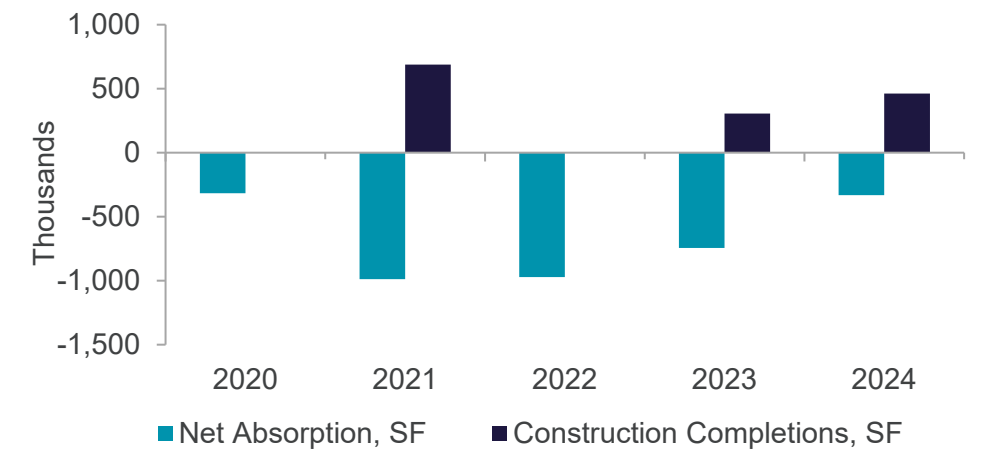
The Federal Reserve lowered rates for first time since COVID. The cut was widely expected, but the extent of the cut, 50 basis points (bps), may have surprised some. The cut comes as inflation at large had been cooling, but not yet cooled, and unemployment climbing. Locally core CPI is up 4.0% year-over-year (YOY) with stickiness continuing in rent and services. On the surface, unemployment has been steadily increasing in the city. But the rise seems due to increased labor participation, up 3.5% since January 2023, rather than a loosening labor market. The summer surprise was the surge in office using sector employment. Professional business services employment is up 3.2% since beginning of 2024 while education and healthcare continue to surge, up 5.1% YOY. Another positive figure was the continued strength in leisure & hospitality employment, up 10.5% YOY. Overall, per the Bureau of Labor Statistics (BLS), Philadelphia ranks fifth out of all U.S. metros in total non-farm employment gains YOY.

SUPPLY AND DEMAND:

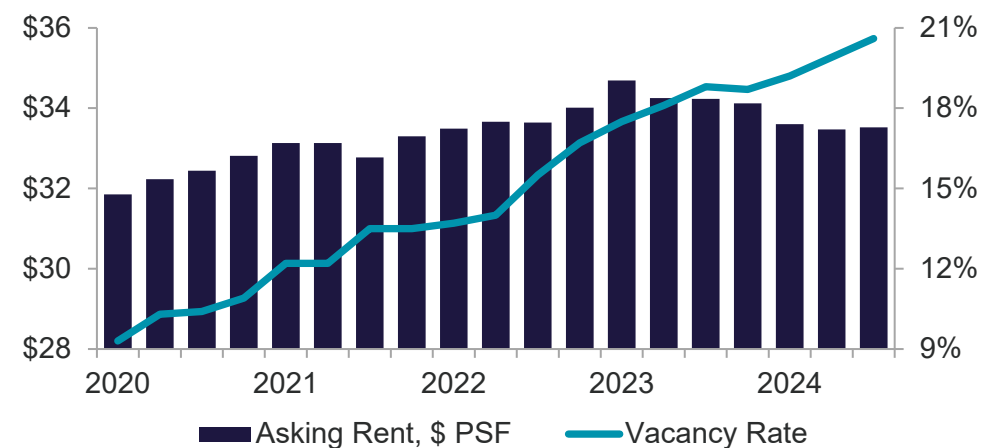
Vacancy increased quarter-over-quarter due to the anticipated large block of vacancy at 401 Market Street. More newsworthy than the expected increased vacancy was the official support by the mayor for the proposed Sixers arena in East of Broad. This coinciding with the conversion of the Bourse to hospitality, as well as the [swell of multifamily deliveries](#) in neighboring Northern Liberties, the East of Broad market has the cultural and quality of life elements to optimize a [reimagined urban walk-up environment](#).

Office conversions also continue to occur in West of Broad, as another 400,000 square feet (sf) of Class A inventory was removed this quarter to make way for multifamily conversion. Somewhat lost in the news is the strength of Class A leasing activity over the first three quarters of 2024, on pace to exceed 2023 totals and 7.5 times more than Class B leasing year-to-date (YTD). Also notable is the average sizing of Class A new deals, 15.9% larger than new deals during the first two years of recovery, an indicator that right-sizing is softening.

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	2,485,996	325,722	21.5%	-341,150	-222,306	124,701	0	\$31.75	\$34.32
West of Broad	28,484,214	4,835,718	916,709	20.2%	43,690	-395,383	642,752	438,000	\$34.13	\$35.51
CBD	41,539,725	7,321,714	1,242,431	20.6%	-297,460	-617,689	767,453	438,000	\$33.50	\$35.28
Naval Yard	782,997	10,308	207,779	27.9%	0	12,778	10,751	0	\$31.56	\$31.56
University City	3,393,545	157,087	76,476	6.9%	42,166	16,098	19,352	0	\$36.16	\$45.52
Bala Cynwyd	2,629,024	411,500	135,313	20.8%	-32,642	-44,167	46,976	0	\$35.63	\$36.20
Blue Bell/Ply. Mtg./Ft. Wash.	11,647,083	2,570,266	400,929	25.5%	-171,669	-177,449	256,048	0	\$26.71	\$28.69
Conshohocken	4,191,090	576,852	45,602	14.9%	-60,517	15,270	159,558	0	\$38.20	\$38.39
Delaware County	4,667,028	817,667	133,190	20.4%	-22,548	-15,998	79,741	0	\$28.00	\$28.65
Horsham/Willow Grove/Jenkin	5,221,411	1,202,426	21,314	23.4%	3,365	24,610	133,260	0	\$21.17	\$22.12
King of Prussia/Valley Forge	17,687,632	3,287,214	590,223	21.9%	73,401	-189,475	522,144	0	\$30.05	\$30.29
Main Line	3,570,734	474,327	53,242	14.8%	-23,884	-102,996	104,439	145,000	\$40.22	\$42.68
Southern Bucks County	6,262,103	1,104,416	216,294	21.1%	-42,431	-64,931	170,476	0	\$25.83	\$27.69
Southern Route 202 Corridor	6,231,124	1,107,356	132,925	19.9%	-22,425	-68,214	57,631	0	\$25.69	\$26.41
SUBURBAN PHILADELPHIA	62,107,229	11,552,024	1,729,032	21.4%	-299,350	-623,350	1,530,273	145,000	\$28.47	\$29.85
Burlington County	7,880,341	1,332,408	58,000	17.6%	34,985	-185,545	232,513	0	\$21.32	\$25.09
Camden County	6,379,005	1,130,609	0	17.7%	-37,037	-26,358	115,454	0	\$21.71	\$24.20
SOUTHERN NEW JERSEY	14,259,346	2,463,017	58,000	17.7%	-2,052	-211,903	347,967	0	\$21.51	\$24.87
New Castle County-Suburban	9,260,421	1,271,796	268,984	16.6%	38,479	-99,504	324,905	106,698	\$23.53	\$23.77
Wilmington-CBD	7,117,093	1,092,505	65,340	16.3%	-10,345	564,434	68,483	0	\$27.92	\$28.42
DELAWARE	16,377,514	2,364,301	334,324	16.5%	28,134	464,930	393,388	106,698	\$25.73	\$26.37
Lehigh & Northamp. Counties	7,551,415	1,441,123	48,919	19.7%	-98,814	-96,751	207,168	0	\$21.33	\$23.46
PHILADELPHIA TOTALS	134,283,814	23,701,056	3,363,787	20.2%	-570,728	-988,012	3,039,081	689,698	\$29.20	\$31.27

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1650 Market Street**	West of Broad	Thomas J Duffy PC	13,821	Renewal*
510-530 Walnut Street**	East of Broad	Jacobs Wyper Architects	13,604	New
123 South Broad Street	East of Broad	HIAS Pennsylvania	12,819	New
190 North Independence Mall	East of Broad	Office of Chapter 13	10,727	Sublease
510-530 Walnut Street**	East of Broad	Sonepar	10,495	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2024 YTD

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1601 Cherry Street	West of Broad	MRP Realty/PMC Property Group	561,908	\$30M / \$53.39
The Bourse / 400 Market Street**	East of Broad	KKR/Keystone, Lubert-Adler	489,700	\$41M / \$83.75
1760 Market Street	West of Broad	Chelsea & Village Assoc./Giller Realty	126,309	\$11.5M / \$91.05

**Cushman & Wakefield transaction

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