

MARKET FUNDAMENTALS

	YOY Chg	Outlook
20.1% Vacancy Rate	▲	▲
-436K YTD Net Absorption, SF	▼	▼
\$33.67 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
769.6K Philadelphia CBD Employment	▲	▲
4.4% Philadelphia CBD Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

ECONOMY:

The Federal Reserve lowered rates twice in the fourth quarter, adding two 25-basis-point cuts to last quarter's 50-basis-point reduction, bringing the rate to 4.25%-4.50%. The additional cuts come as the Consumer Price Index (CPI) figures show inflation in the City stabilized at 3.4% year-over-year (YOY). Notable stickiness continued to be driven by shelter costs, despite some softening over 2024. Excluding shelter costs, inflation has stayed below 3.0% for 18 months dating back to second quarter of last year. Unemployment in the city decreased to 4.5% from a peak of 5.4% earlier in the year, when participation was at its highest. Most employment gains were driven by leisure & hospitality; a positive for the live, work, play benefits of the CBD, yet office-using sectors showed limited job growth, with the exception of Education & Healthcare, which rose 3.4% YOY and are now up 10.4% over since 2023.

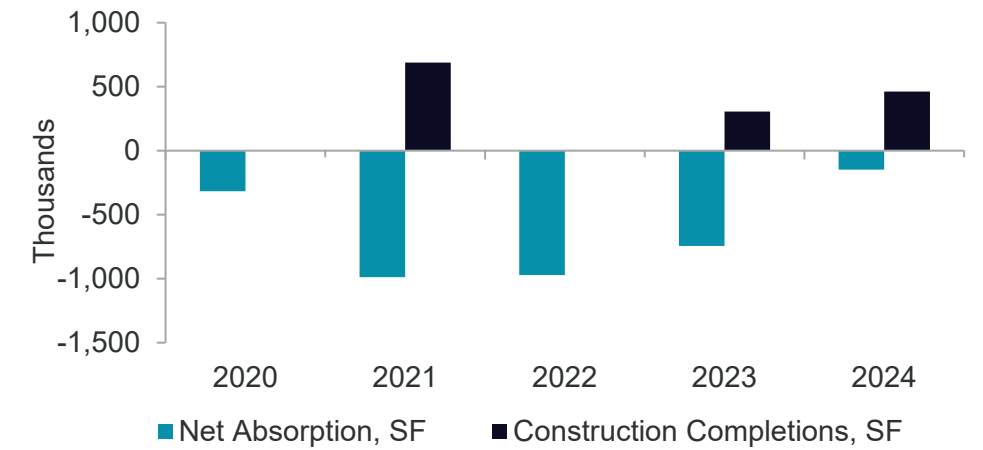
SUPPLY AND DEMAND:

As the year ended, the overall vacancy rate in the CBD remained above 20.0%, reflecting ongoing challenges in the office market. However, the distribution of vacancies was uneven across different property classes. Trophy properties stood out with a relatively low vacancy rate of 10.1%, while class A properties reached 28.3%, class A-minus recorded 23.4%, and class B ended the year at 19.1%.

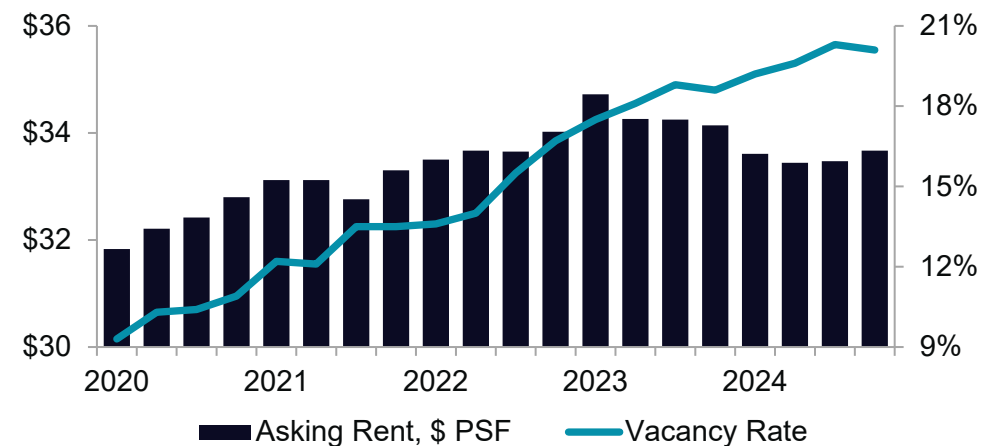
Despite a slight improvement from its peak of 19.9% earlier in 2024, class B vacancy grew 90 basis points higher YOY. Leasing square footage totals for class B properties significantly declined, dropping by 69.2% compared to 2023. This drop marked a sharp reversal from the previous year when class B accounted for 25.5% of all CBD leasing activity, falling to just 11.8% in 2024.

In contrast, Trophy properties led the way, capturing 35.0% of all CBD leasing activity, followed by class A at 28.6%, and class A-minus at 19.4%. Total class A leasing activity underperformed compared to 2023 but still represented a dominant 86.3% of all CBD leasing in 2024. Overall, leasing activity across the CBD marked its second-lowest total since the pandemic.

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	2,377,364	314,995	20.6%	63,550	-117,204	192,313	0	\$31.90	\$34.36
West of Broad	28,484,214	4,815,238	845,298	19.9%	9,428	-318,722	831,681	438,000	\$34.28	\$35.62
CBD	41,539,725	7,192,602	1,160,293	20.1%	72,978	-435,926	1,023,994	438,000	\$33.67	\$35.37
Naval Yard	782,997	10,308	207,779	27.9%	0	12,778	20,571	0	\$31.28	\$31.28
University City	3,393,545	149,965	76,476	6.7%	-2,226	23,220	32,975	0	\$38.31	\$47.06
Bala Cynwyd	2,456,524	362,648	132,667	20.2%	1,465	-30,607	61,314	0	\$35.63	\$36.20
Blue Bell/Ply. Mtg./Ft. Wash.	11,637,583	2,505,957	378,594	24.8%	30,037	-132,721	392,435	0	\$27.15	\$28.88
Conshohocken	4,191,090	589,237	77,333	15.9%	-57,276	-28,846	166,305	0	\$38.39	\$39.10
Delaware County	4,667,028	815,265	133,190	20.3%	-4,604	-23,891	87,482	0	\$28.02	\$28.65
Horsham/Willow Grove/Jenkin	5,221,411	1,250,186	17,014	24.3%	-50,360	-12,171	323,415	0	\$20.97	\$22.17
King of Prussia/Valley Forge	17,687,632	3,476,346	365,307	21.7%	-84,833	-251,493	626,047	0	\$30.16	\$30.32
Main Line	3,614,444	448,837	50,138	13.8%	148,800	53,506	117,969	0	\$40.37	\$43.03
Southern Bucks County	6,262,103	1,113,394	159,588	20.3%	-13,782	-50,432	261,363	0	\$25.61	\$27.37
Southern Route 202 Corridor	6,231,124	1,102,651	132,925	19.8%	-5,051	-73,265	83,478	0	\$25.69	\$26.33
SUBURBAN PHILADELPHIA	61,968,939	11,664,521	1,446,756	21.2%	-35,604	-549,920	2,119,808	0	\$28.63	\$30.02
Burlington County	7,880,341	1,177,766	90,744	16.1%	-153,213	-170,917	333,841	0	\$21.79	\$25.77
Camden County	6,379,005	1,027,850	0	16.1%	-53,692	79,135	239,758	0	\$21.79	\$23.31
SOUTHERN NEW JERSEY	14,259,346	2,205,616	90,744	16.1%	-206,905	-91,782	573,599	0	\$21.79	\$25.18
New Castle County-Suburban	9,260,421	1,188,546	287,096	15.9%	-77,827	-44,983	454,288	106,698	\$23.99	\$24.37
Wilmington-CBD	7,117,093	1,044,734	49,637	15.4%	-8,327	626,666	72,347	0	\$27.96	\$28.46
DELAWARE	16,377,514	2,233,280	336,733	15.7%	-86,154	581,683	526,635	106,698	\$26.24	\$26.99
Lehigh & Northamp. Counties	7,551,415	1,349,906	48,919	18.5%	12,897	-10,079	227,180	0	\$21.34	\$23.61
PHILADELPHIA TOTALS	134,145,524	23,296,019	3,034,526	19.6%	-255,685	-495,945	4,244,036	544,698	\$29.44	\$31.51

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1717 Arch Street	West of Broad	Polsinelli	40,790	New Lease
1 Penn Square West	West of Broad	City of Philadelphia	30,663	Sublease
130 North 18 th Street	West of Broad	RBC Capital Markets**	20,107	Renewal*
1 South Broad Street	East of Broad	Vistar Media**	15,364	New Lease
1717 Arch Street	West of Broad	Andersen Tax**	10,066	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2024

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
1626 Locust Street	West of Broad	Michalczewski, Kevin/Rhombus Properties	48,652	\$8.75M / \$132.78

**Cushman & Wakefield transaction

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