MARKETBEAT

SUBURBAN PHILADELPHIA

OFFICE Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.2% Vacancy Rate	▲	▲
-35.6K YTD Net Absorption, SF	▲	▼
$28.63 Asking Rent, PSF	–	–

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.03M Suburban Philadelphia Employment	▲	▲
3.7% Suburban Philadelphia Unemployment Rate	–	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY:

After two more 25 basis point rate cuts in the fourth quarter by the Federal Reserve (Fed) bringing the Fed's rate to 4.25%-4.50%. The additional cuts come as unemployment in the Suburbs settled at 2.9% from a peak of 3.7% in the third quarter of this year. Most employment gains were driven were in Montgomery, Chester and Bucks counties, where office using sectors finance, business services, government and education are at or have sustained all-time highs in employment throughout 2024. While Delaware County has experienced the inverse with finance, business services and government sectors all receding from employment highs from 2021 and 2022. Only the education sector has recorded employment gains, now at an all-time high in Delaware County.

SUPPLY AND DEMAND:

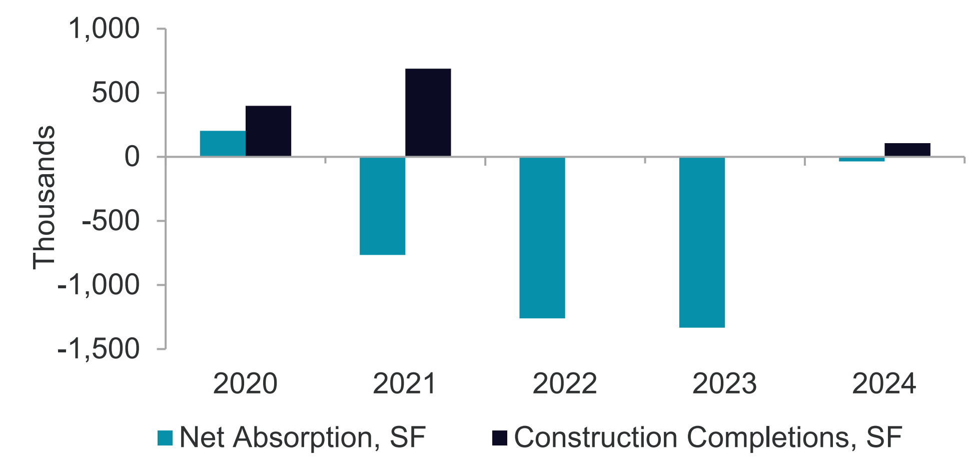
At the end of 2024, overall suburban vacancy sits above the 21.0% mark. A key contributor to this increase remains the persistent sublease vacancy, which continues to hover above 2.0% for eight consecutive quarters. Although sublease vacancy has eased slightly, down 20 basis points from its peak earlier in the year, direct vacancy has steadily climbed, now nearing 19.0%. This rise in direct vacancy is pushing the market toward potential all-time highs, signaling ongoing challenges for the suburban leasing landscape.

Total leasing activity was the second lowest since the pandemic, falling 10.9% year-over-year (YOY). In primary suburban markets, vacancy stands at 19.7% while leasing activity dropped 20.7% YOY. Meanwhile, secondary markets vacancy rose to 22.5%, while leasing activity dropped 35.7% YOY. The Schuylkill Corridor also faced difficulties, with vacancy at 15.5% and leasing activity down 47.5% YOY. All largely due to the decline in class A leasing.

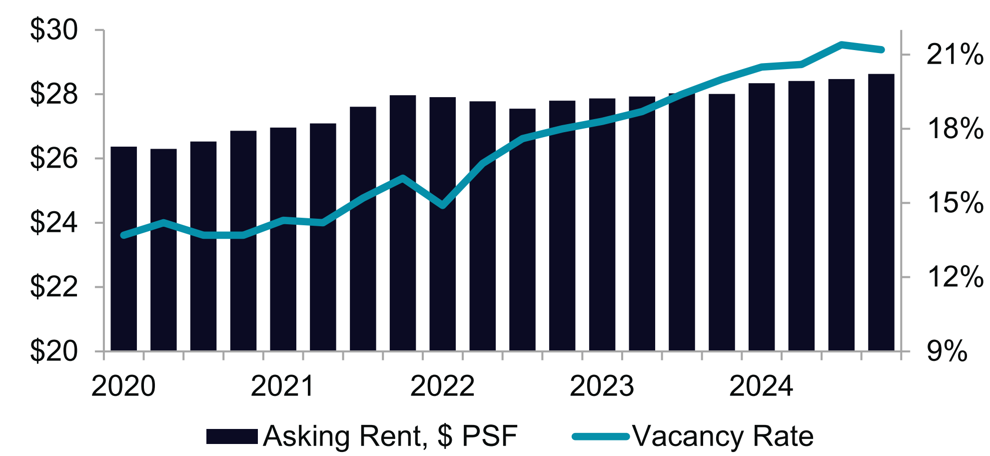
Class A leasing activity recorded its lowest levels since the pandemic, falling 18.0% YOY, while class B leasing activity increased 5.4% YOY. Class B leasing was driven by secondary markets, where activity surged by 14.7% YOY. This was especially notable in Blue Bell/Plymouth Meeting/Fort Washington, Horsham, and Southern Bucks, where class B activity grew by 52.3% YOY. In contrast, class B leasing in primary markets declined by 10.3% YOY.

Pricing may be playing a significant factor as the rent disparity between class B spaces in primary versus secondary markets has grown substantially, now exceeds $9.00 per square foot, representing a 14.3% increase YOY and a 47.7% increase over the past 24 months.

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
680 Blair Mill Road	Horsham/Willow Grove/Jenkin	Asplundh	115,110	New Lease
785 Jolly Road	Blue Bell/Ply. Mtg./Ft. Wash	International SOS Assistance	34,765	Sublease
777 Township Line Road	Southern Bucks County	Penn Medicine	29,555	New Lease
475 Virginia Drive	Blue Bell/Ply. Mtg./Ft. Wash	T-Mobile**	21,474	Renewal*
600 Lee Road	King of Prussia/Valley Forge	Ecovyst	20,007	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
Ply. Meeting Executive Campus	Blue Bell/Ply.Mtg./Ft. Wash	Brandywine Realty/FLD Group	521,288	$65.5M / $125.65
Conshohocken Ridge Center	Conshohocken	Exeter/BET Investments	194,111	$17M / $84.56
259 Radnor Chester Road	Main Line	Goldman Sachs/Moder	121,371	$36.2M / $298.22
2250 Hickory Road	Blue Bell/Ply.Mtg./Ft. Wash	Spaulding & Slye/WSFS Bank	83,055	$9.3M / $112.22

**Cushman & Wakefield transaction

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