Philadelphia office market report

Q3 2022

AVISON YOUNG

Philadelphia Office market trends

01

Total vacancy hit a 5-year record high

Total vacancy across the Philadelphia MSA set a record high of 13.6%. Sublease vacancy increased by 10 basis point, while direct vacancy increased 80 basis points from Q2.

02

Anchored new office developments continue

Major anchor tenants moving into new office developments may increase overall vacancy in the market as they depart their current space.

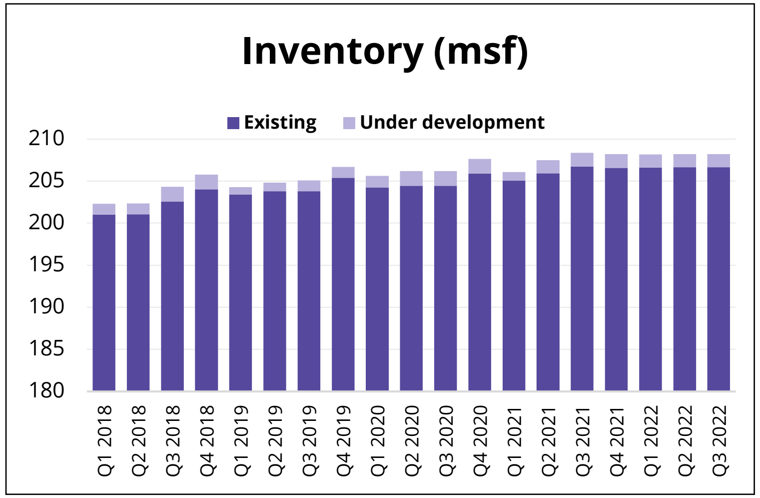
03

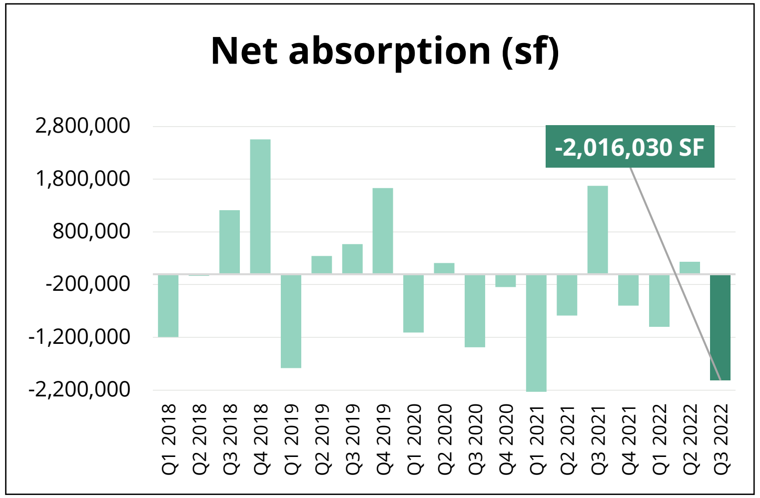
Downward pressure on demand for office space acquisitions

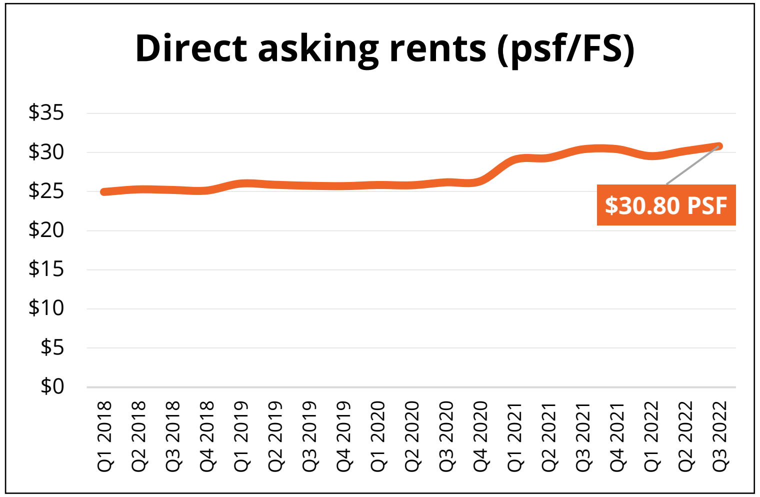
Target cap rates have aligned with interest rate increases, thus creating value challenges; in addition to slow return to office work style.

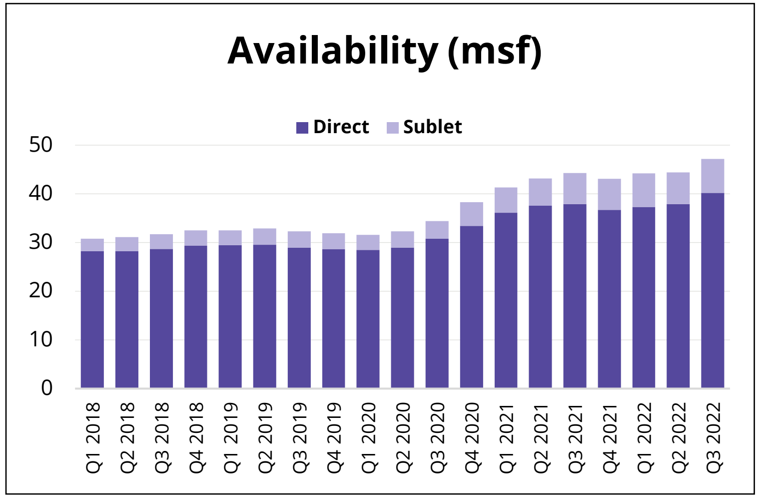
Submarkets in Philadelphia MSA - Vacancy includes sublease space

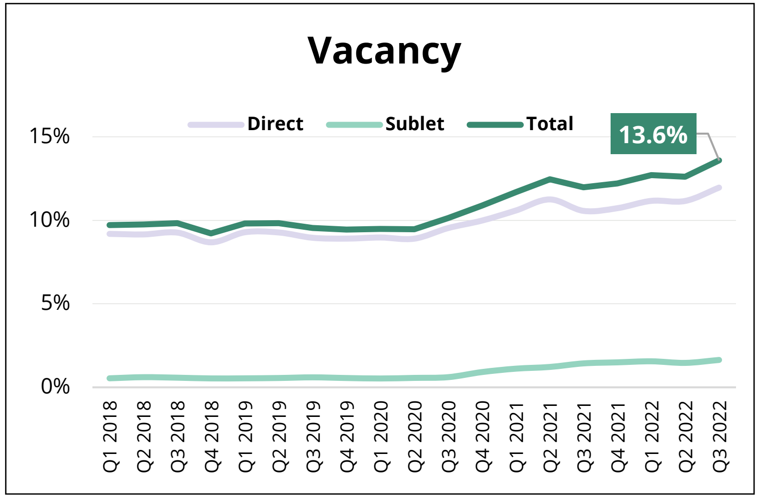
Office market indicators

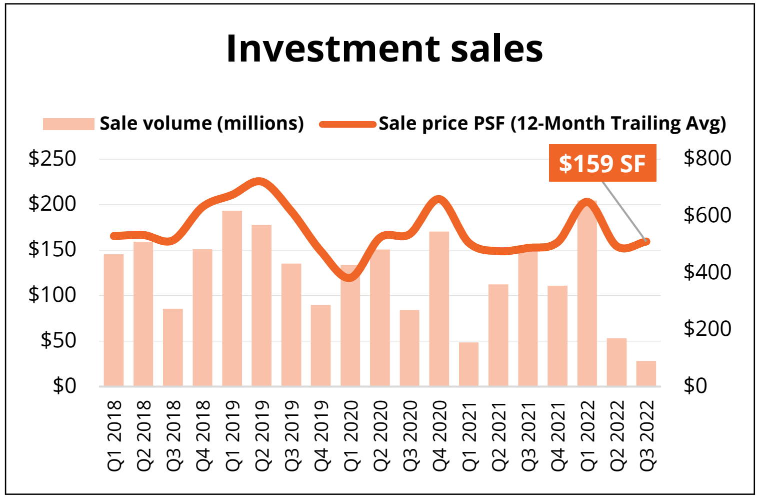












Submarkets in Philadelphia MSA - Vacancy includes sublease space

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Office market activity

Recent leasing activity

Tenant name	Address	Sign date	Size	Transaction type	Lease type	Term
Drexel University	60 N 36th St, Philadelphia, PA	Aug 2022	454,000 SF	New	Direct	10 years
Chubb Limited	436 Walnut St, Philadelphia, PA	Jul 2022	140,585 SF	Renewal	Direct	2 years
Prudential	600 Office Center Dr, Ft Washington, PA	Jul 2022	35,940 SF	New	Direct	-
Link Logistics	602 Office Center Dr, Ft Washington, PA	Jul 2022	24,832 SF	New	Direct	-
Manko Gold Katcher & Fox	251 St. Asaphs Rd, Bala Cynwyd, PA	Aug 2022	20,000 SF	New	Direct	10 years

Recent sales activity

Buyer	Address	Sale date	Sale price	Sale price psf	Occupancy at Sale	Seller
Top Terraces	750-770 Centerton Rd, Mt Laurel, NJ	Jul 2022	$25,999,998	$108	80%	Boulder Group
Workspace Property Trust, GIC	1200 Morris Dr, Wayne, PA	Aug 2022	$18,101,623	$160	-	Griffin Capital
Welltower	4060 Butler Pike, Plymouth Meeting, PA	Jul 2022	$14,250,000	$478	-	Wills Eye Surgeons
Morrisey Properties	1330 Broadcasting Rd, Wyomissing, PA	Aug 2022	$12,500,000	$368	100%	44Cap Broadcasting
Spectrum Health	1325-1349 S 33rd St, Philadelphia, PA	Aug 2022	$9,430,000	$210	100%	Hero House Holdco, Lamm Realty Group

Notable Developments

Owner/Developer	Address	Building Name	Date available	Building Size
PMC Property Group	2301 John F Kennedy Blvd, Philadelphia, PA	2301 JFK	Jul 2025	500K SF
Parkway	2222 Market St, Philadelphia, PA	23rd and Market	Dec 2022	308K SF
Delle Donne & Associates	1800 Concord Pike, Wilmington, DE	Avenue North	Nov 2023	300K SF
Brandywine Realty Trust	3025 Market St, Philadelphia, PA	Schuylkill Yards – West Tower	Sep 2023	203K SF

Submarkets in Philadelphia MSA - Vacancy includes sublease space

Urban market stats by submarket

By Submarket	Inventory (sf)	Vacancy Total %	Vacancy Class A	Vacancy Class B	Net Absorption 3Q22	Net Absorption Last 12 Months	SF Under Construction	Average Asking Rent Total	Average Asking Rent Class A	Average Asking Rent Class B
Center City East	22,136,722	12.5%	18.8%	10.2%	-388,914	-297,934	100,000	$38.35	$41.18	$30.90
Center City West	37,310,758	13.5%	14.5%	12.4%	-395,687	-715,312	308,000	$36.79	$39.95	$29.95
Navy Yard	1,409,756	16.6%	50.1%	5.0%	-8,104	-201,330	-	$34.44	-	$34.44
North Philadelphia	5,369,284	6.0%	7.5%	9.2%	-5,872	246,281	-	$27.12	$27.12	-
Northeast Philadelphia	1,756,296	11.4%	-	5.4%	-	2,198	-	$22.19	-	-
Northwest Philadelphia	1,782,411	5.0%	-	4.4%	-7,901	-7,376	-	-	-	-
Riverwards	686,393	0.7%	-	1.0%	-5,000	-250	-	-	-	-
South Philadelphia	1,076,528	0.5%	-	2.5%	-	1,198	-	-	-	-
Southwest Philadelphia	604,208	42.3%	-	45.9%	-	-	-	-	-	-
University City	5,515,391	8.0%	8.1%	9.6%	-46,963	-91,002	454,000	$28.14	$26.18	$40.00
West Philadelphia	1,611,529	1.3%	-	1.3%	-	2,954	-	-	-	-
Wilmington CBD	9,976,630	18.8%	21.6%	12.2%	-31,985	-201,462	-	-	-	-
Urban Subtotal	**89,235,906**	**12.6%**	**16.1%**	**10.9%**	**-890,426**	**-1,262,035**	**862,000**	**$37.26**	**$40.31**	**$30.53**

Submarkets in Philadelphia MSA - Vacancy includes sublease space

Suburban market stats by submarket

By Submarket	Inventory (sf)	Vacancy Total %	Vacancy Class A	Vacancy Class B	Net Absorption 3Q22	Net Absorption Last 12 Months	SF Under Construction	Average Asking Rent Total	Average Asking Rent Class A	Average Asking Rent Class B
Bala Cynwyd	2,715,008	15.7%	17.0%	6.8%	18,788	91,846	-	$37.16	$37.13	$37.76
Burlington County	10,398,713	12.6%	13.5%	13.6%	-75,112	16,614	354,180	$22.05	$23.57	$20.87
Camden County	8,582,690	12.4%	6.3%	17.4%	1,099	205,253	-	$20.49	$23.70	$19.80
Conshohocken	4,100,654	15.8%	16.8%	6.2%	-31,169	15,799	-	$39.70	$40.11	$26.81
Delaware County	7,403,309	17.8%	25.6%	11.8%	-258,366	-225,094	-	$28.35	$29.85	$24.64
Exton/Whitelands	11,077,991	15.9%	17.7%	15.1%	-80,490	-192,302	-	$30.31	$32.71	$26.94
Fort Washington/Spring House	4,154,015	13.1%	26.0%	3.4%	-9,210	-41,198	-	$24.98	$25.01	$24.93
Gloucester County	929,242	3.6%	-	6.4%	-2,525	-1,325	-	$20.00	-	$20.00
Horsham/Willow Grove	8,704,163	14.5%	16.3%	13.2%	6,851	-577	-	$24.06	$22.94	$24.98
King of Prussia/Wayne	8,072,553	18.8%	22.2%	10.2%	-356,562	-607,605	-	$33.18	$33.83	$26.88
Lower Bucks County	8,761,073	19.0%	27.4%	15.1%	-32,127	-18,934	-	$22.36	$25.79	$18.98
Main Line	895,105	5.1%	11.7%	3.7%	-2,651	3,568	-	$46.19	-	$35.97
New Castle County	11,957,299	12.4%	12.3%	12.4%	-49,216	-285,040	352,000	-	-	-
Northampton	303,693	16.4%	24.7%	8.1%	-	1,686	-	-	-	-
Outer Chester County	1,082,905	7.6%	2.7%	8.0%	-1,254	-789	-	$23.70	-	$23.70
Plymouth Meeting/Blue Bell	6,791,165	21.1%	17.3%	28.4%	-34,145	-261,459	-	$28.48	$30.74	$26.35
Upper Bucks County	1,450,385	5.7%	9.0%	4.9%	19,428	59,683	-	$26.64	$28.02	$23.63
Upper Main Line Radnor	8,966,831	7.2%	6.3%	10.9%	-67,894	29,890	-	$35.87	$36.40	$33.23
Valley Forge Norristown	4,693,596	13.6%	11.1%	16.8%	-23,050	-69,507	-	$21.61	$26.04	$21.61
West Chester	2,686,415	4.8%	7.4%	3.7%	-34,122	-22,014	-	$27.00	$27.41	$27.99
West Montgomery County	3,661,685	19.0%	12.7%	35.2%	-113,877	-213,912	-	$18.66	$17.27	$24.10
Suburban Subtotal	**117,388,490**	**14.3%**	**15.9%**	**14.1%**	**-1,125,604**	**-1,515,417**	**706,180**	**$27.91**	**$30.78**	**$22.80**
Market Total	**206,624,396**	**13.6%**	**16.0%**	**12.9%**	**-2,016,030**	**-2,777,452**	**1,568,180**	**$30.80**	**$34.30**	**$25.09**

Submarkets in Philadelphia MSA - Vacancy includes sublease space

Office market stats by class

By Class	Inventory (sf)	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Class A	106,768,249	16.0%	-1,523,174	-2,467,072	1,568,180	4,958,584
Class B	74,994,400	12.9%	-437,247	-342,456	-	1,552,046
Class C	24,861,747	5.5%	-55,609	32,076	-	448,155
Market Total	**206,624,396**	**13.6%**	**-2,016,030**	**-2,777,452**	**1,568,180**	**6,958,785**

Submarkets in Philadelphia MSA - Vacancy includes sublease space

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