

Philadelphia - Center City

FEWER TROPHY DEALS SPUR SLIGHT DROP IN RENT

Takeaway

Sustained leasing in education and health care, coupled with modest expansion among law firms, banks and professional/business services sectors kept activity in Center City's Class A sector on a steady track. Effective rent fell slightly, due to fewer leases in trophy buildings in 2017 and near-record concession packages. Demand for quality product is seemingly quite strong. In turn, tenants will encounter slightly higher rent in Center City's top-tier properties during 2018.

Negotiated Rent

\$32.94

TOTAL GROSS RENT

▼ -2.4%

Concessions

\$76.85

▼ -5.1%

\$54.34

IMPROVEMENT
ALLOWANCE
AVERAGE

8.2

FREE RENT
AVERAGE
(MONTHS)

Tenant Effective Rent

\$22.90

▼ -1.2%

Building Expenses

\$9.10

OPEX

▲ 1.1%

\$2.63

RE TAXES

▲ 3.1%

Landlord Effective Rent

\$7.67

▼ -5.0%



RENT SENSIBLY.

DO YOU KNOW WHERE
YOUR RENT GOES?

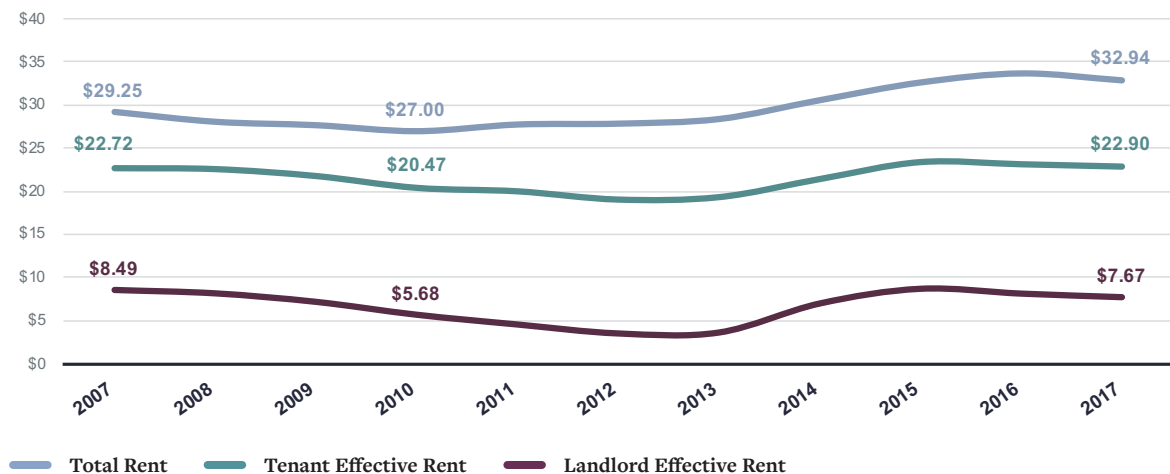
TOTAL GROSS RENT

Tenant Effective Rent

Total Gross Rent Less
Concessions
(Amortized Concession
Package)

Landlord Effective Rent

Total Gross Rent Less
Expenses, Concessions
& Commissions



METHODOLOGY

The *Effective Rent Index* tracks what tenants truly pay for top tier Class A office space (tenant effective rent) and what landlords ultimately walk away with (landlord effective rent) once building expenses and leasing costs are deducted from net rent. Derived from negotiated office leases, the index provides critical insight into the health of each market and its position along the 'landlord-tenant favorable' spectrum. For more information about the report or detailed methodology visit: www.savills-studley.com/research/us/effective-rent-indexes.aspx.

