

Philadelphia Sublease Outlook

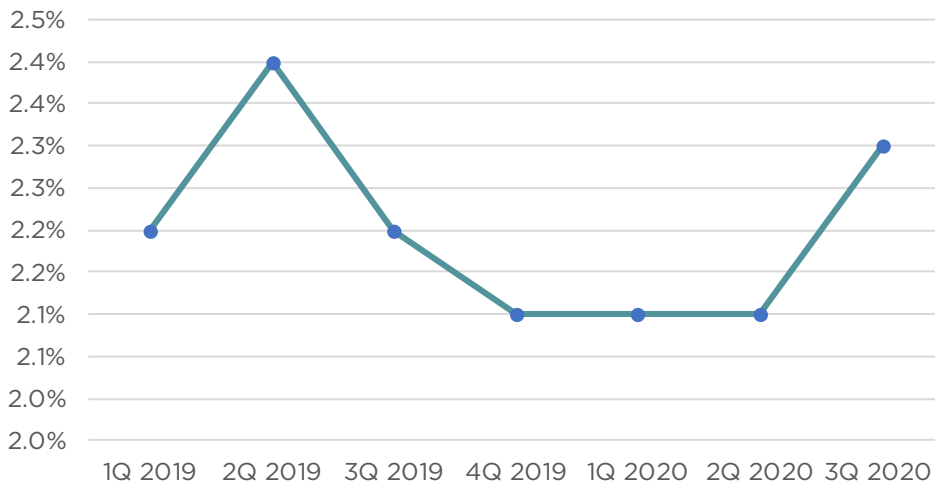
October 2020



The third quarter ended with regional businesses opened but many employees working from home on a flexible or long-term basis. There is no vaccine or proven treatment for the COVID-19 virus, and it is possible that one may not be approved until well into 2021. Therefore, it is not improbable that some employees may not return full time to the office until next summer. This underutilization of office space has tenants reassessing their space needs or putting off long-term real estate decisions until the pandemic subsides.

Tenants have started to shed their underutilized space resulting in a slight uptick in sublease availability. Quarter over quarter, the regional sublet availability rate climbed 20 basis points (bps) to 2.3%. The Philadelphia Central Business District (CBD) recorded a sublet availability rate of 1.6% — a 30-bps uptick from the second quarter.

Regional Sublease Availability Rate



Average Regional Sublet Asking Rent

| 2Q20 | 3Q20 |
|----------------|----------------|
| \$24.64 | \$24.95 |

Average Regional Direct Asking Rent

| 2Q20 | 3Q20 |
|----------------|----------------|
| \$29.03 | \$29.15 |

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So far, the increase in sublet space has not had a serious impact on direct asking rental rates. While sublet availability has increased, it is not significant enough to encourage landlords to discount asking rents. In addition, some tenants may be contractually prevented in their lease from subletting space below market value, and therefore, compete with the direct space offered in the building.

Large Contiguous Blocks of Sublet Space on the Market

| Address | Square Feet | Submarket |
|----------------------------|-------------|------------------------------|
| 3000 Leadenhall Rd | 376,122 | Burlington County |
| 41 Moores Rd | 187,653 | PA Turnpike/Rt. 202 Corridor |
| Woodlands I | 86,621 | Blue Bell |
| 3001 Leadenhall Rd | 85,776 | Burlington County |
| 3 Beaver Valley Rd | 75,000 | North New Castle County |
| 100 S West St | 68,676 | Wilmington CBD |
| Two Commerce Square | 58,768 | West Market |
| Woodcrest Corporate Center | 57,166 | Camden County |
| 550 E Swedesford Rd | 54,725 | PA Turnpike/Rt. 202 Corridor |
| 1200 Morris Dr | 41,750 | PA Turnpike/Rt. 202 Corridor |