

Philadelphia

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Leasing activity falls in the shadow of rising economic uncertainty

The uncertainty surrounding a possible national recession, high inflation and the continuance of hybrid work has prompted many tenants to re-evaluate their real estate footprint, right-sizing in the process. Leasing activity totaled 726,350 square feet (sf) for the Philadelphia region, or 44.7% less than the fourth quarter of 2022. The Philadelphia Central Business District (CBD) reported 197,256 sf of total transactions — or a 68.3% decrease compared to year-end 2022. Notable deals executed during the first quarter included: AmeriHealth Caritas’ 100,000-sf prelease at 203 Squire Drive in Media/Newtown Square, bioMerieux’s prelease of 32,000 sf at 1201 Normandy Place in the Navy Yard, Big Brothers and Big Sisters of America’s sublease of 20,700 sf at 100 North 20th Street in West Market and Launchpad’s 20,252-sf transaction at 801 Market Street.

The market endures more additions of sublease space

The overall average availability rate, at 24.0%, rose 130 basis points (bps) from the fourth quarter. Submarkets with the most space added during the quarter included: Willow Grove/Jenkintown (8,600 bps), University City (5,600 bps) and Wilmington CBD (5,300 bps). Quarter over quarter, the average sublease availability rate climbed 30 bps to 4.5%. The Philadelphia CBD’s sublease availability rate, at 4.3%, was 270 bps higher compared to pre-pandemic fourth quarter of 2019.

New construction increases the CBD Class A average rent

The average Class A rent for the Philadelphia CBD experienced a small uptick from the fourth quarter to \$41.20 per square foot (psf). However, a year-over-year comparison of the CBD’s Class A rate displayed a 10.6% increase. This rise can be attributed to higher-than-average prices for office/lab space under construction in the University City and Navy Yard submarkets. The suburban market recorded a smaller increase in its Class A average, rising 2.8% from the first quarter of 2022 to \$29.41 psf.

Key Statistics

	Q1 2022	Q1 2023	Y-0-Y
Inventory	133.1 msf	134.3 msf	+1.2 msf
Availability Rate	22.1%	24.0%	+190 bps
Asking Rental Rate	\$29.73	\$31.48	+5.9%
CBD Asking Rental Rate	\$34.67	\$37.35	+7.7%
Quarterly Leasing Activity	1.6 msf	0.7 msf	-0.9 msf
Available Sublease Space	5.6 msf	6.0 msf	+0.4 msf

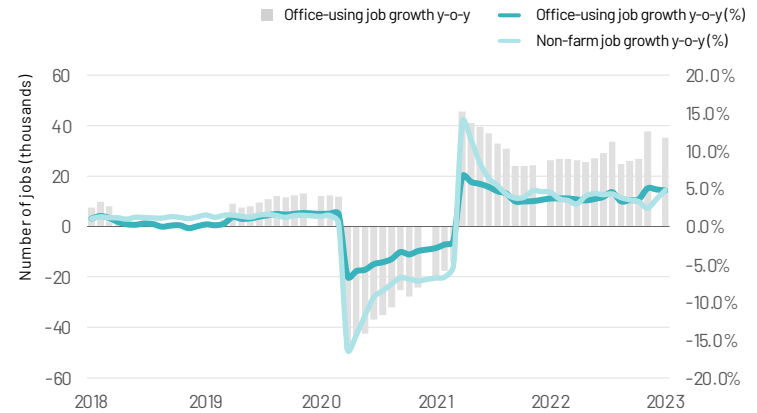
Outlook

01 The current turmoil in the financial sector will result in banks pulling back on loans which could delay some proposed construction projects

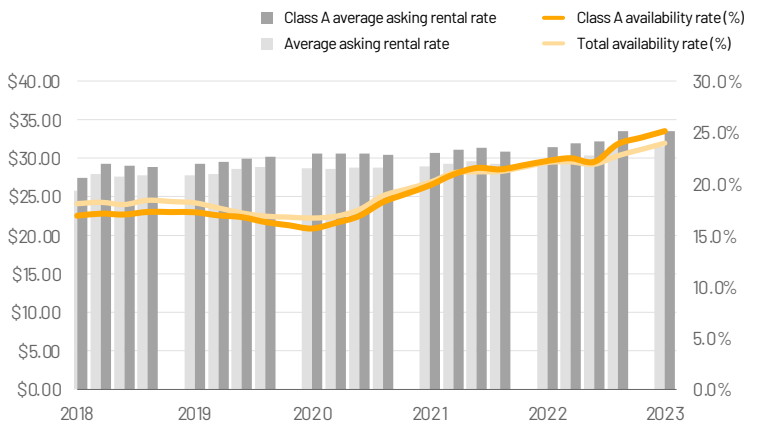
02 The bifurcation of the office leasing market will continue due to the overall tenant flight to quality into the best Class A properties

03 Expect the life sciences sector to remain a bright spot despite the recent slowdown in venture capital investments nationally

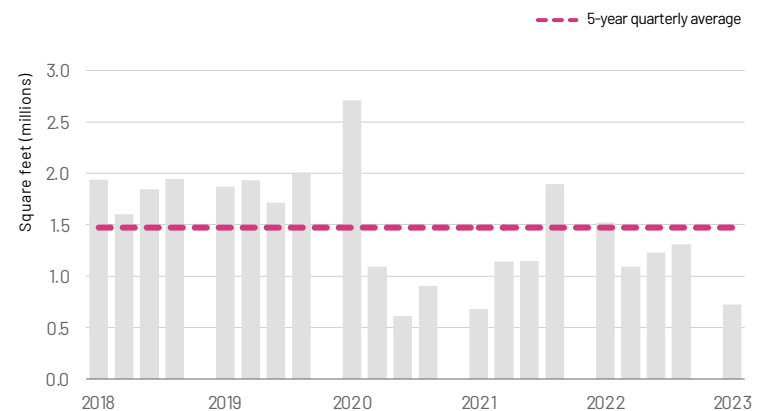
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

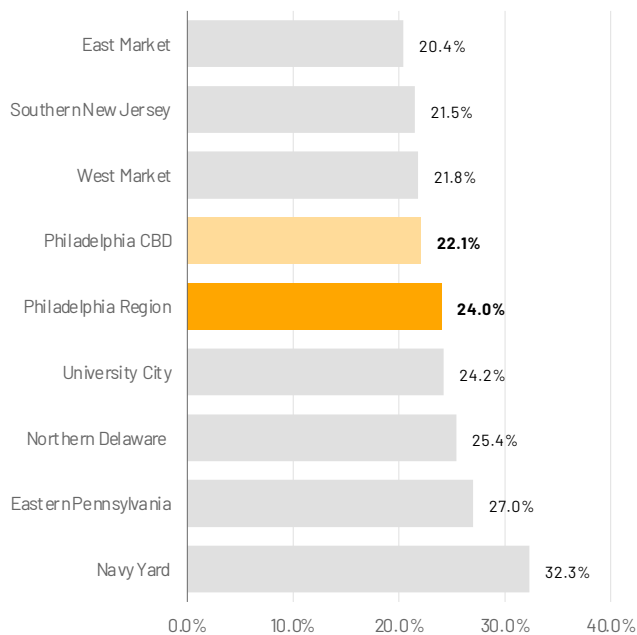
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
AmeriHealth Caritas	Insurance	Media/Newtown Square	203 Squire Drive	100,000	New Location
bioMerieux	Pharmaceuticals	Navy Yard	1201 Normandy Place	32,000	Relocation
Big Brothers and Big Sisters of America	Associations and Non-profit Organizations	West Market	100 N 20th Street	20,700	Relocation**
Launchpad	TAMI	East Market	801 Market Street	20,252	New Location
Clark Capital Management	Financial Services	West Market	One Liberty Place*	17,465	Sublease/Expansion**
Goodwin Procter	Legal Services	West Market	One Commerce Square*	14,633	New Location
Liberty Personnel Services	Professional and Business Services	Conshohocken	300 Four Falls Corporate Center	11,734	Relocation
Partnership for Community Supports	Associations and Non-profit Organizations	Lower Bucks County	Eight Neshaminy Interplex	9,822	Restructure
Delaware Hospice	Healthcare	South New Castle County	630 Churchmans Road	9,700	Relocation
Kaufman Dolowich Voluck	Legal Services	West Market	One Liberty Place*	7,187	Relocation

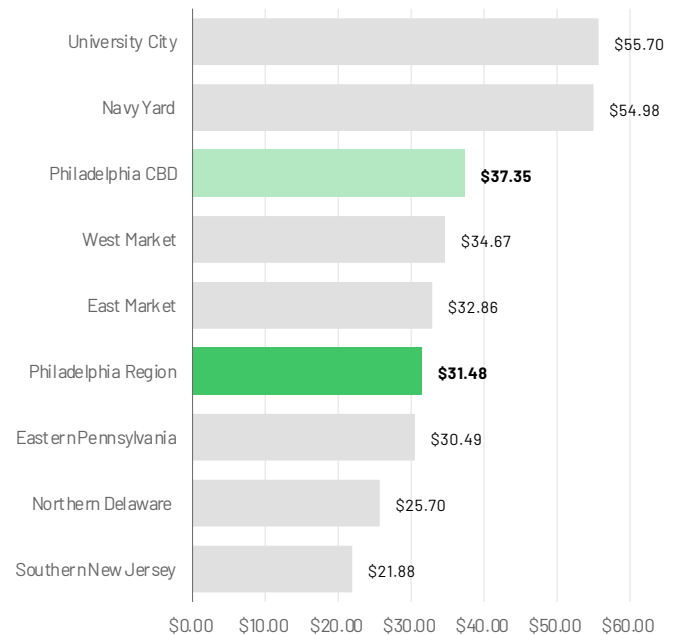
Availability Rate Comparison (%)

PHILADELPHIA SUBMARKETS



Rental Rate Comparison (\$/sf)

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Philadelphia Q1 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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