

Philadelphia

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A soft start for leasing as a new year begins

Companies continue to reimagine their space requirements and usage as leases expire. Leasing activity totaled 899,153 square feet (sf) for the first quarter of 2024 — almost 8.0% less than executed at year-end 2023. At 192,452 sf, leasing activity for the Philadelphia Central Business District (CBD) was almost half of what was executed in the fourth quarter of 2023. The City of Philadelphia’s new mayor, Cherelle Parker, has called for city employees to return to the office. Her administration’s goal is to influence more private sector employers to do the same. Notable transactions signed during the first quarter included Unisys Corporation’s renewal of its 64,390-sf lease at 801 Lakeview Drive in Blue Bell, Berkley Insurance Company’s relocation to 52,785 sf at 232 Strawbridge Drive in Burlington County and Morris James’ lease to relocate to 43,000 sf at the soon-to-be delivered 1800 Concord Pike — Tower at Avenue North in North New Castle.

More Class A space returns to the market

Regional Class A availability increased 120 bps, quarter over quarter, to 27.1%. The Class A availability rate for the Philadelphia CBD rose 150 bps to 24.6%. Despite the “flight-to-quality” trend, more Class A space entered the market due to tenants relocating and downsizing at new locations or shedding unused space via subletting. For example, Glenmede Trust Company put 110,352 sf on the market for sublease at trophy property One Liberty Place in the CBD, where they will now occupy 74,000 sf.

Rent growth stalled across the region

The average overall asking rent for the Philadelphia region increased less than 1.0% from the fourth quarter to \$31.59 per square foot (psf). Competition from direct space put downward pressure on regional sublease rents, with the average declining 1.9% to \$26.54 psf. There was a less than 1.0% quarterly decline in the Philadelphia CBD average rent to \$36.55 psf. Submarkets that experienced significant shifts in average asking rents from year-end 2024 included North New Castle County (+11.3%), Southeast Delaware County (+10.6%) and Willow Grove/Jenkintown (-7.9%).

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	134.3	132.3	-2.0 msf
Availability Rate	24.0%	25.3%	+130 bps
Asking Rental Rate	\$31.48	\$31.59	0.3%
CBD Asking Rental Rate	\$37.35	\$36.55	-2.1%
Quarterly Leasing Activity	0.7 msf	0.9 msf	+0.2 msf
Available Sublease Space	6.0 msf	6.6 msf	+0.6 msf

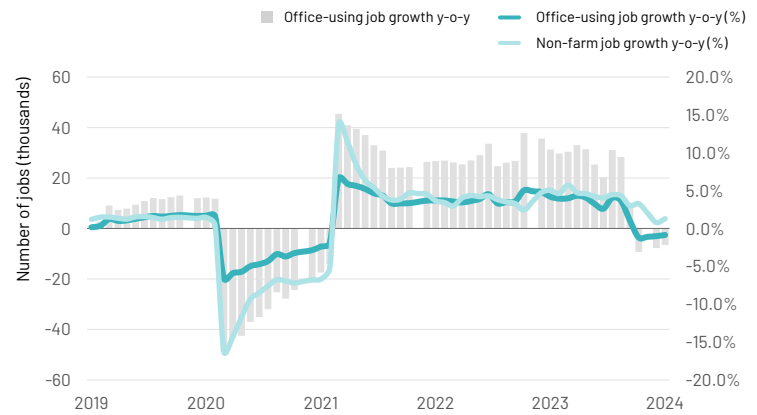
Outlook

01 Expect lenders to offer loan modifications or extensions to delinquent owners rather than take on landlord roles.

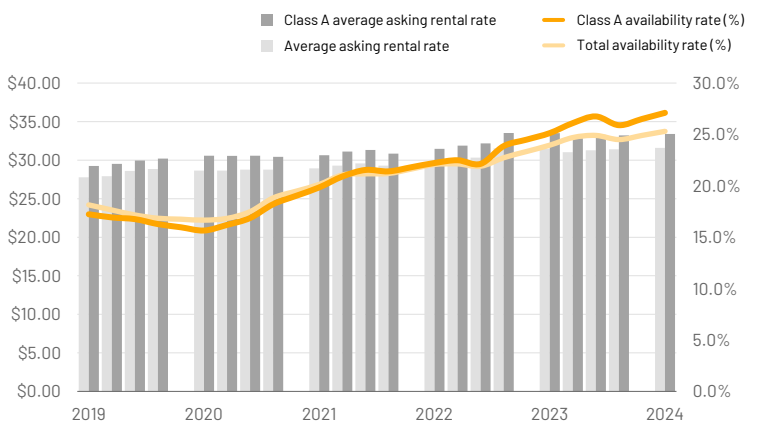
02 Concessions will be key for landlords trying to lure the few large tenants in the market or maintain existing major occupiers.

03 Employers will increase their calls for remote workers to return to the office; however, hybrid work schedules are here to stay for the immediate future.

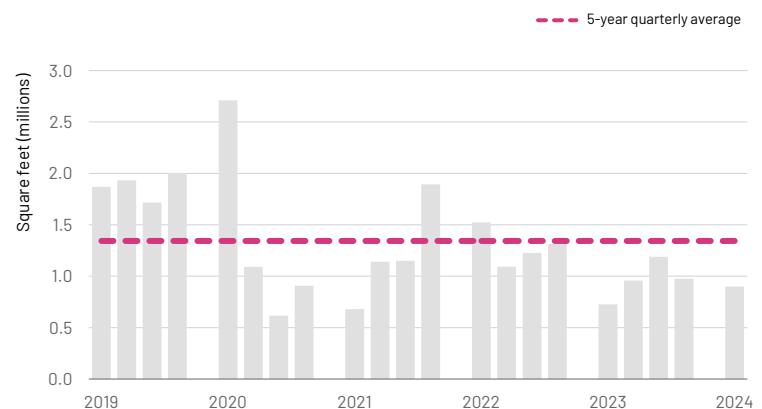
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

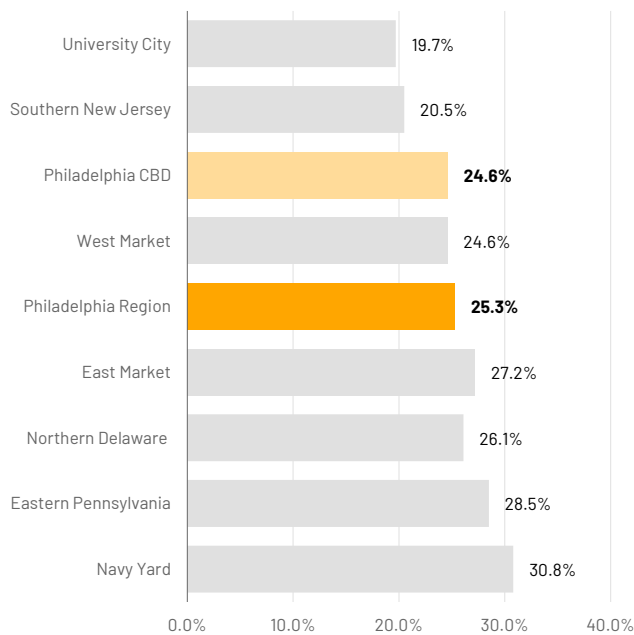
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Unisys Corporation	TAMI	Blue Bell	801 Lakeview Drive	64,390	Renewal
Berkley Insurance	Financial Services & Insurance	Burlington County	232 Strawbridge Drive	52,785	Relocation
Morris James	Legal Services	North New Castle County	1800 Concord Pike	43,000	Relocation
Boomi	TAMI	Conshohocken	1 W Elm Street	40,600	Relocation
GHR Healthcare	Business Services	Plymouth Meeting	512 Township Line Road	28,332	Relocation
Spector Gadon Rosen Vinci P.C.	Legal Services	West Market	One Logan Square	20,025	Relocation
EwingCole	Construction, Engineering & Architecture	PA Turnpike/Rt. 202 Corridor	650 E Swedesford Road	19,617	Sublease
Network Partners Group	Pharmaceuticals	Blue Bell	751 Arbor Way	18,523	New
Regus	Coworking & Executive Suite Companies	Upper Main Line	1 Devon Square	17,427	New
PassageBio	Pharmaceuticals	West Market	1835 Market Street	15,857	Sublease

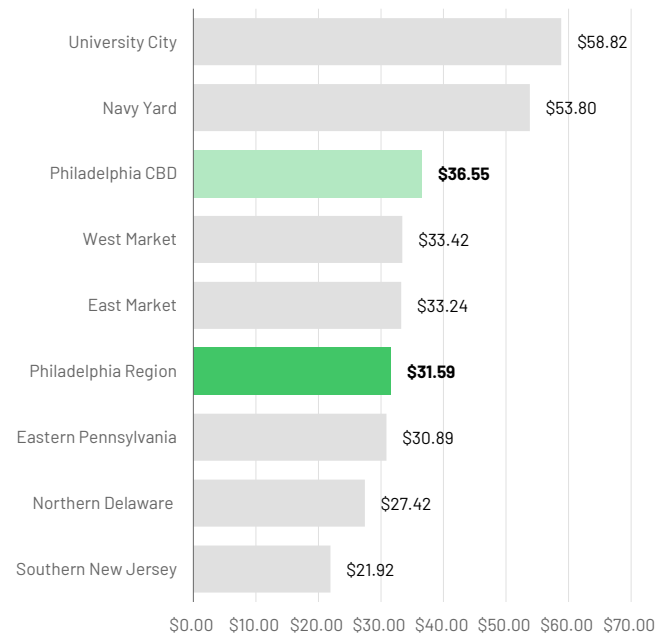
Availability Rate Comparison (%)

PHILADELPHIA SUBMARKETS



Rental Rate Comparison (\$/sf)

PHILADELPHIA SUBMARKETS



Philadelphia Q1 2024 - 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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