

Philadelphia

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Centre Square loses two law firm tenants

Leasing activity totaled just over 1.8 million square feet (msf) at mid-year 2024, slightly higher than transactional activity recorded at mid-year 2023 (just under 1.8 msf). During the second quarter, two law firms cemented plans to relocate out of the financially troubled Centre Square in West Market. Saul Ewing will downsize from 111,000 square feet (sf) to 53,334 sf at 1735 Market Street, while Dilworth Paxson will leave 71,693 sf for 48,000 sf at One Liberty Place. Other transactions executed during the second quarter included David's Bridal's relocation to 59,000 sf at 630 Allendale Road in King of Prussia and Ballinger's lease of 46,500 sf at 1650 Arch Street in West Market. We continue to see the trend of tenants relocating to properties with premium locations and prime amenities. In addition, the persistence of hybrid work has certain tenants focused on space optimization.

A large block of Wilmington space comes off the market

The office properties Bracebridge I and III, located in the Wilmington Central Business District (CBD), were purchased by pharmaceutical company, Incyte, for \$47.5 million. The firm will occupy both buildings. This purchase removed 500,000 sf from Wilmington's availability, since both properties were also available for lease. As a result, the submarket's overall availability rate contracted 470 basis points (bps) from the first quarter to 25.9%. The overall metro availability rate decreased 50 bps, quarter over quarter, to 24.8%. However, Philadelphia CBD's overall availability rate rose 30 bps to 24.9%.

Rents in the Philadelphia CBD remain flat

The overall average metro asking rental rate increased 2.9%, quarter over quarter, to \$32.19 per square foot (psf). However, the Philadelphia CBD's average rent fell less than 1.0% to \$36.77 psf, mostly due to declines in Class A rents. Submarkets that posted quarterly increases in average rent rates included North New Castle County (\$4.90 psf), Outer Philadelphia County (\$2.90 psf), East Market (\$1.66 psf) and West New Castle County (\$1.64 psf).

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	134.1 msf	131.7 msf	-2.4 msf
Availability Rate	24.2%	24.8%	+60 bps
Asking Rental Rate	\$31.01	\$32.19	+3.8%
CBD Asking Rental Rate	\$36.46	\$36.77	+0.9%
Quarterly Leasing Activity	1.0 msf	0.9 msf	-0.1 msf
Available Sublease Space	6.6 msf	6.0 msf	-0.6 msf

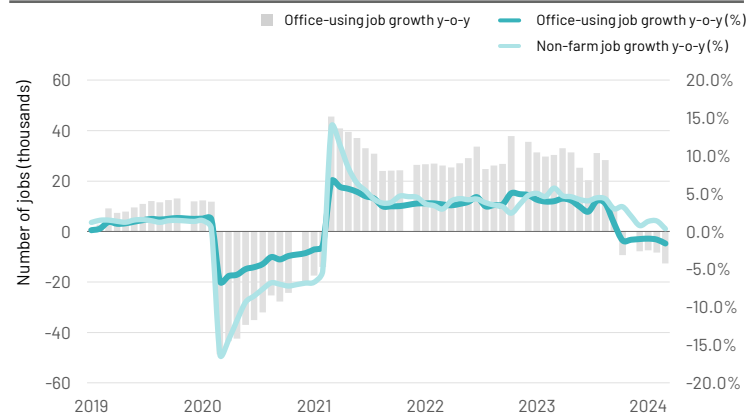
Outlook

01 The financial health of the landlord will impact tenants' decisions on moving and/or renewing as tenant flight to capital remains prevalent

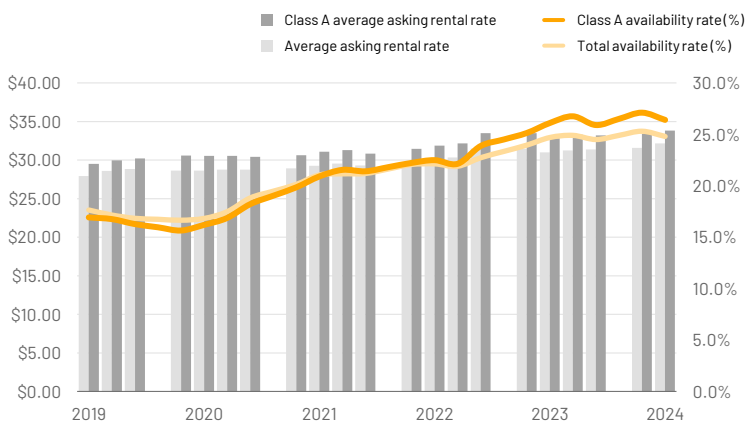
02 Local governments will become more involved in outlining the future of older, obsolete office properties in the form of tax breaks and/or rezoning to assist in conversions

03 There will be an uptick in the amount of free rent offered in concession packages, as capital constraints leave certain owners unable to contribute to work allowances

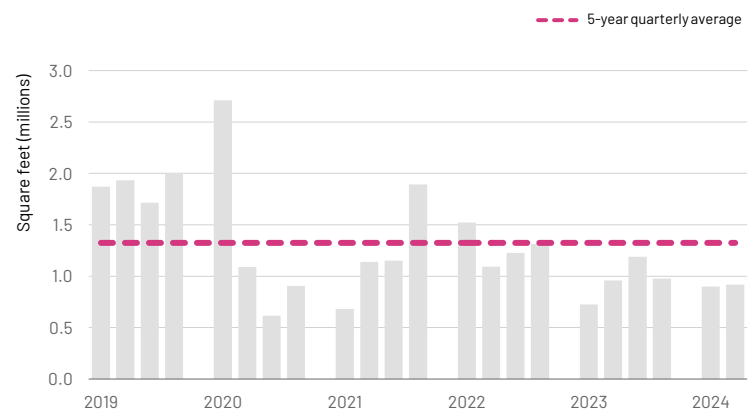
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

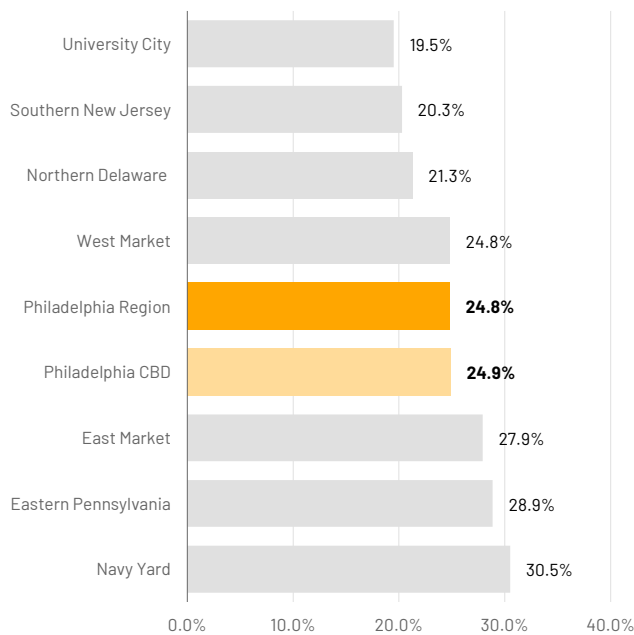
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
David's Bridal	Retail	King of Prussia	630 Allendale Road	59,000	Relocation
Saul Ewing	Legal Services	West Market	1735 Market Street	53,334	Relocation
Dilworth Paxson	Legal Services	West Market	One Liberty Place	48,000	Relocation
Ballinger	Architecture, Engineering and Construction	West Market	1650 Arch Street	46,500	Relocation
Boomi	TAMI	Conshohocken	1 W Elm Street	42,000	Relocation
Elliott Greenleaf	Legal Services	Blue Bell	925 Harvest Drive	22,000	Renewal
Certara	Pharmaceuticals	Radnor	4 Radnor Corporate Center	15,672	New Location
OnAir Entertainment	TAMI	Conshohocken	555 E North Lane	15,035	New Location
VSCP Law	Legal Services	West Market	Two Commerce Square	14,222	Expansion
Grant Thornton	Business, Professional and Consulting Services	West Market	Two Commerce Square	11,808	Relocation

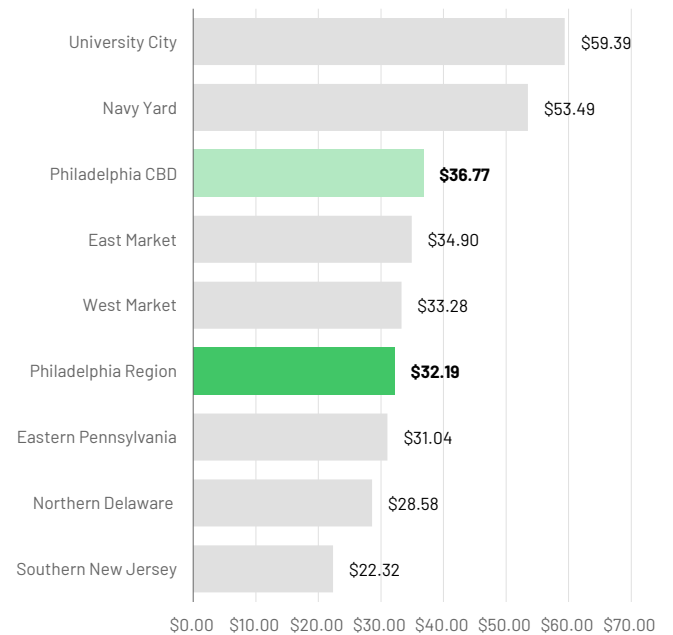
Availability Rate Comparison (%)

PHILADELPHIA SUBMARKETS



Rental Rate Comparison (\$/sf)

PHILADELPHIA SUBMARKETS



Philadelphia Q2 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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