MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Philadelphia

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Leasing activity decreases for a second quarter in a row

The Greater Philadelphia region reported almost 1.1 million square feet (msf) of leasing activity, down 31.4% from the first quarter of 2022. There were 358,270 square feet (sf) of transactions executed in the Philadelphia Central Business District (CBD) —17.5% less square footage leased compared to the prior quarter. The submarkets that reported the greatest amount of leasing activity included Camden County (167,032 sf), West Market (145,981 sf) and East Market (130,031 sf). During the quarter, Camden County leased 154,211 sf at 101 Woodcrest Road in Cherry Hill. In the East Market submarket, the Philadelphia Inquirer announced that it would be relocating its headquarters from 801 Market Street (81,192 sf) and downsizing into 36,744 sf at 100 Independence Mall West. Life sciences incubator, BioInnovation Labs, expanded by 30,151 sf at The Curtis Building — bringing its total occupancy to 53,529 sf. With continued growth in the life sciences sector, life sciences tenants will continue to be a key driver in the market.

New construction pipeline adds to available inventory in the Navy Yard

Regional availability, at 22.1%, did not change from the first quarter of 2022. However, the rate is 100 basis points (bps) higher than what was reported in the second quarter of 2021. Suburban submarkets that recorded increases in overall availability included Conshohocken (380 bps), Blue Bell (280 bps) and King of Prussia (270 bps). The Philadelphia CBD's overall availability rate climbed 30 bps quarter over quarter to 18.5%. This can be attributed to the 137,000 sf available at 1201 Normandy Place located in the Navy Yard. The property will deliver in 2023. The CBD's sublease availability rate grew 20 bps over the quarter to 2.1% as occupiers continue to utilize hybrid work models even with the brunt of the pandemic now behind us.

Rents increased over the quarter despite slower pace of leasing demand

The region's overall average asking rent increased by $0.46 per square foot (psf) from the first quarter to $30.19 psf. Tenants' desire for premium space put upward pressure on the average Class A asking rate, which rose $0.42 to $31.88 psf. The CBD's overall average asking rent increased by $0.56 psf, quarter over quarter, to $35.23 psf, while the average Class A rate jumped $0.68 psf to $38.36 psf.

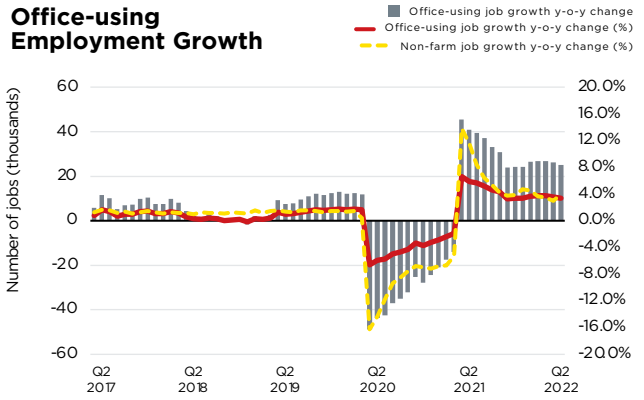
Outlook

- The growth of the life science sector will continue to spur lab space construction across the Greater Philadelphia region
- Tenant gravitation towards premium buildings with upgraded amenities will increase pressure on Class B and C owners to upgrade their properties to compete
- Remote and hybrid working has not abated which may weaken office property valuations

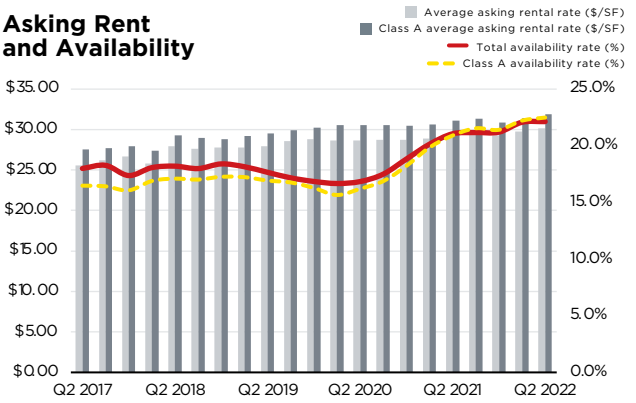
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	132.7 MSF	133.5 MSF	▲
Availability Rate	21.1%	22.1%	▲
Asking Rental Rate*	$29.29	$30.19	▲
CBD Asking Rental Rate*	$34.66	$35.23	▲
Quarterly Leasing Activity	1.1 MSF	1.1 MSF	◀▶
Available Sublease Space	4.5 MSF	5.5 MSF	▲

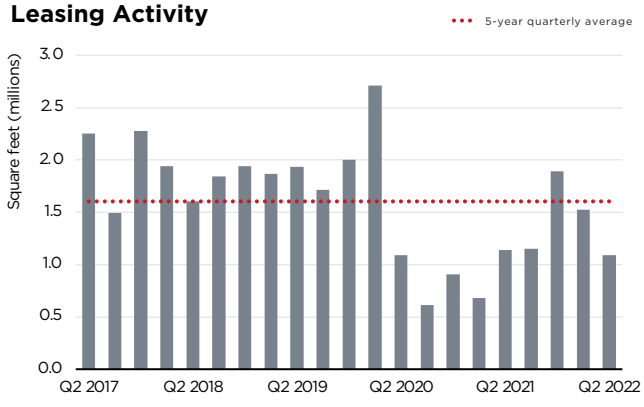
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

4.0%
Philadelphia-Camden-Wilmington MSA unemployment rate (as of May 2022)

3.4%
Office-using employment growth year over year (as of May 2022)

2.0 msf
Office space currently under construction

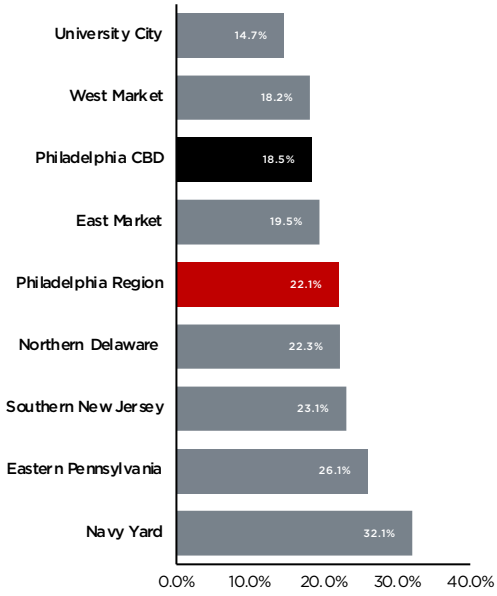
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Camden County	154,211	101 Woodcrest Road	New Location	Camden County	Government
The Philadelphia Inquirer	36,744	100 S Independence Square W	Relocation	East Market	TAMI
Rawle & Henderson	36,196	1500 Market Street	Relocation	West Market	Legal
General Services Administration	31,217	The Washington	New Location	East Market	Government
BioInnovation Labs	30,151	The Curtis	Expansion	East Market	Coworking
NorthEast Treatment Centers	23,500	520 N Christopher Columbus Boulevard	New Location	Outer Philadelphia County	Healthcare
Boenning & Scattergood	22,691	Four Tower Bridge	Renewal	Conshohocken	Financial Services & Insurance
Waste Management of PA	21,824	100 Brandywine Boulevard	Renewal	Newtown	Business & Professional Services
Insomnia Cookies	18,000	1 S Broad Street	Relocation	West Market	Retail
Utility Emergency Services Fund	15,478	1608-1614 Walnut Street	Renewal/Expansion	West Market	Non-profit

Source: Savills Research

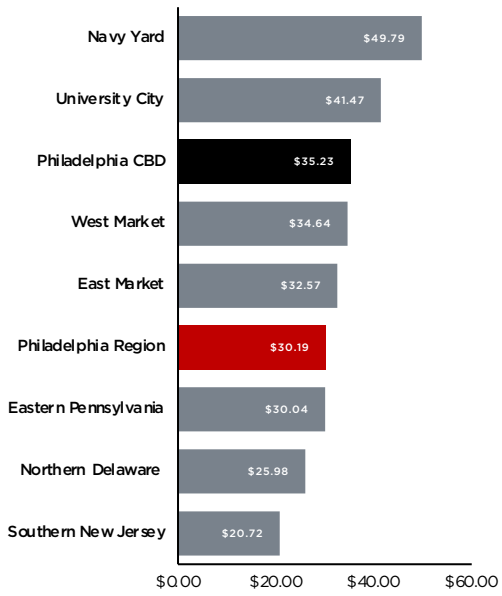
Availability Rate Comparison (%)

Philadelphia Submarkets



Rental Rate Comparison ($/SF)

Philadelphia Submarkets



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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