

New developments lead to an increase in availability and options

The Philadelphia office market has seen quarterly fluctuations over the past two years, yet on the whole, tenant options – and opportunities - continue to increase. Overall availability is up 20 basis year-over-year, ending Q1 at 18.4%. New construction has contributed to the rise of asking rents, along with availability, as large blocks of high-quality space pushed the overall average asking rental rate up 2.9% over the year to \$28.15 per square foot (psf).

Delaware leasing outpaces others, coworking grows in the CBD

Leasing activity in the first quarter totaled 1.9 million square feet (msf). This is down 8.7% year-over-year, but still amongst one of the stronger first-quarter totals seen in the past five years. Leasing activity in Northern Delaware submarkets accounted for 48.3% of major transactions. Christiana Care Health System renewed 386,459 sf at the Center Building at 1800 Concord Pike, while Solenis committed to 90,000 sf at the Pavilion Building within the same development for its new headquarters. In the CBD, coworking provider Industrious added a new 55,077-sf location at Two Liberty Place in the West Market submarket. As a growing hub for start-ups, Philadelphia has witnessed coworking companies succeed by providing flexible space occupancy without the capital expenditures that traditional office space requires. A slightly different model than other providers, 1776 is exploring creative options and taking 12,000 sf at the Cherry Hill Mall in New Jersey in addition to 8,000 sf at HUB@31 in Brewertown, a 500-unit apartment complex in a residential neighborhood of Northeast Philadelphia.

Year Starts with Record Sale in Center City

In one of the largest sales on record in Center City, the BNY Mellon Center at 1735 Market Street traded for \$451.6 million (\$351 psf). Sam Zell's Equity Commonwealth sold the last office building in its Philadelphia portfolio to a joint venture between Silverstein Properties and The Arden Group. The purchase of the 1.3-msf tower marks Silverstein's entry into the Philadelphia office market. In the Philadelphia suburbs, Alliance HSP purchased the Spring Mill Corporate Center in Conshohocken from Kalmon Dolgin Affiliates, Inc. for \$81 million.

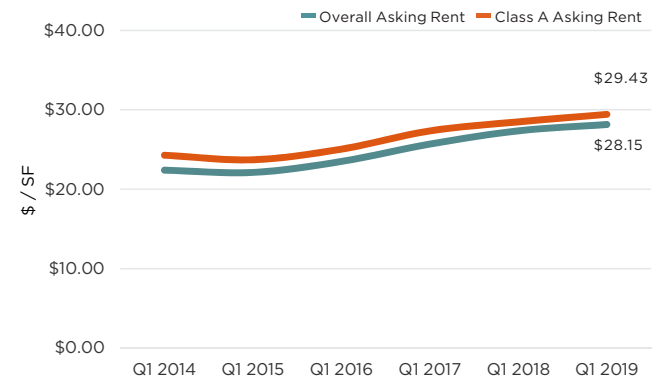
Outlook

- Large tenants will have multiple options to choose from, creating competition in pricing and concession packages
- Coworking firms will continue to thrive and expand in the market, providing creative options for tenants
- Tenants seeking value will consider options in Southern Jersey and Northern Delaware leaving gaps in suburban Pennsylvania

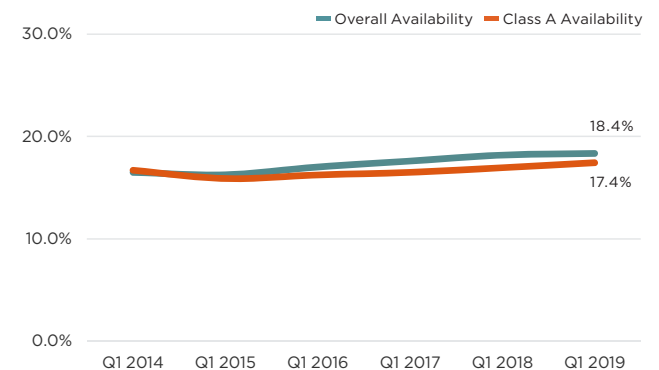
KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	133.6 MSF	133.4 MSF	▼
Availability Rate	18.2%	18.4%	▲
Asking Rental Rate	\$27.36	\$28.15	▲
Class A Asking Rental Rate	\$28.49	\$29.43	▲
Quarterly Leasing Activity	2.0 MSF	1.9 MSF	▼

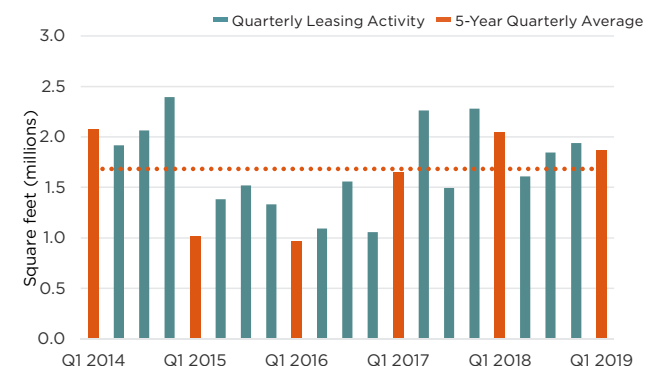
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

54.7%

of major transactions were renewals

48.3%

of large transactions occurred in the Northern Delaware submarkets

25.2%

Financial Services and Insurance represented 25.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Christiana Care Health System	386,459	1800 Concord Pike	Renewal	North New Castle County	Healthcare
Keystone First	165,000	200 Stevens Drive	New Location	Southeast Delaware County	Financial Services and Insurance
Bracket Global LLC	105,538	785 Arbor Way	New Location	Blue Bell	Professional Services
Solenis	90,000	1800 Concord Pike	Relocation	North New Castle County	Manufacturing
Comcast IP Services	83,500	112 W Park Drive	Renewal	Burlington County	TAMI
Keystone Mercy Health Plan	63,334	100 Stevens Drive	New Location	Southeast Delaware County	Financial Services and Insurance
Industrious	55,077	50 S 16th Street	New Location	West Market	Coworking
Marlin Leasing Corporation	49,999	300 Fellowship Road	Renewal	Burlington County	Financial Services and Insurance
Ballinger	43,959	833 Chestnut Street	Renewal	East Market	Professional Services
Community Associates Institute	32,521	700 Prides Crossing	Renewal	South New Castle County	Associations and Nonprofits

Source Savills Research

For more information, please contact us:

Savills

50 South 16th Street,
Suite 3400
Philadelphia, PA 19102
+1 215 563 4000

H. Hetherington Smith

Senior Vice President
hsmith@savills.us

Greg Soffian

Vice Chairman
gsoffian@savills.us

Lesley Kamnitzer

Senior Research Manager
lkamnitzer@savills.us

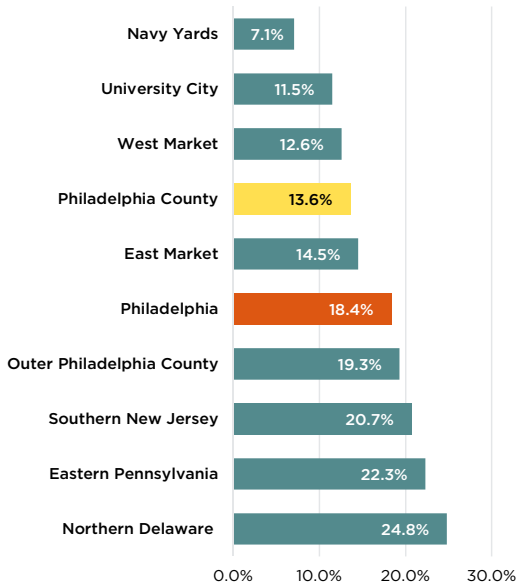
About Savills Inc.

Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

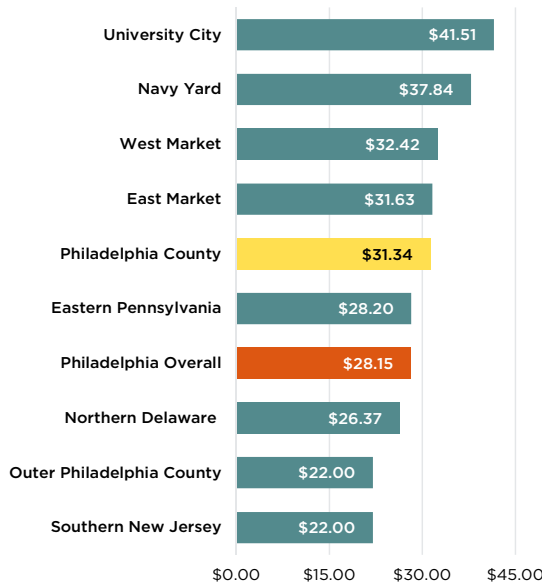
AVAILABILITY RATE COMPARISON

Philadelphia Submarkets



RENTAL RATE COMPARISON (\$/SF)

Philadelphia Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. 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 compiled with the support of The CoStar Group.

Copyright © 2019 Savills

