



## Availability tightens in Philadelphia's CBD, options plentiful in Wilmington

Philadelphia's regional availability rate contracted 50 basis points year over year to 17.8%. The decline in the Central Business District (CBD) was more pronounced with availability dropping 250 basis points over the same period to 11.8%. Few large blocks of available space remain on the market, which could spur future development in the Philadelphia CBD. In contrast to the Philadelphia CBD, the overall availability rate in the Wilmington CBD jumped significantly over the year to 24.7% as three blocks of space over 100,000 square feet (sf), located at Bracebridge I, Bracebridge III and 301 West 11th Street, remain unleased.

### Regional rent holds flat, CBD rates vary by submarket

Overall asking rents for the region remained flat year over year, closing the second quarter at \$28.12 per square foot (psf). In downtown Philadelphia, rents in the West Market submarket rose 2.5% year over year to \$32.93 psf, while East Market's overall average office rent fell a slight 0.50% to \$30.96 psf. Tenants remain drawn to premium space which pushed the Philadelphia CBD's overall Class A office rent up 3.6% over the year to \$35.67 psf.

### Leasing activity down slightly year over year

Total second-quarter 2019 leasing activity was 1.7 million square feet (msf) — 11.2% less than reported for the first quarter. However, leasing activity for the first half of 2019 was only 3.6% less than what was reported for the first two quarters of 2018. West Market led the other submarkets with 469,372 sf of quarterly leasing activity. The U.S. Environmental Protection Agency leased 172,658 sf at 1600 John F. Kennedy Boulevard and healthcare technology company ERT relocated within 1818 Market Street, renewing 58,798 sf. In Conshohocken, investment management firm Hamilton Lane preleased 127,500 sf at the future Seven Tower Bridge building. Also preleasing new space, Iovance Biotherapeutics committed to 136,000 sf at 300 Rouse Boulevard currently under construction in the Navy Yard. Coworking giant, WeWork added another new location this quarter, taking 50,514 sf at 1100 Ludlow Street in the East Market submarket.

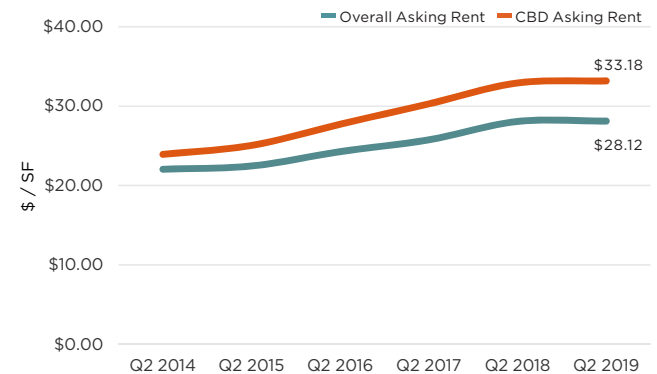
### Outlook

- Tightening availability in Philadelphia's CBD, coupled with an ongoing flight to quality, should push the office development pipeline forward
- With overall leasing activity below the historical norm, submarkets with softer market fundamentals provide negotiating leverage to tenants
- Philadelphia MSA employment is projected to grow by 0.7% per year over the next five years, resulting in an aggregate of almost 110,000 new jobs through the first quarter of 2024

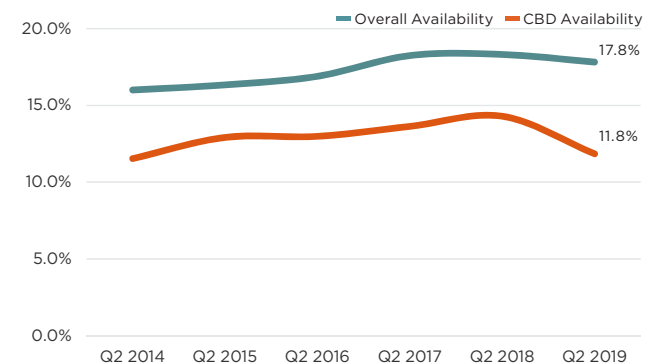
### KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	133.5 MSF	<b>133.4 MSF</b>	▼
Availability Rate	18.3%	<b>17.8%</b>	▼
Asking Rental Rate	\$28.07	<b>\$28.12</b>	▲
CBD Asking Rental Rate	\$32.92	<b>\$33.18</b>	▲
Quarterly Leasing Activity	1.6 MSF	<b>1.7 MSF</b>	▲

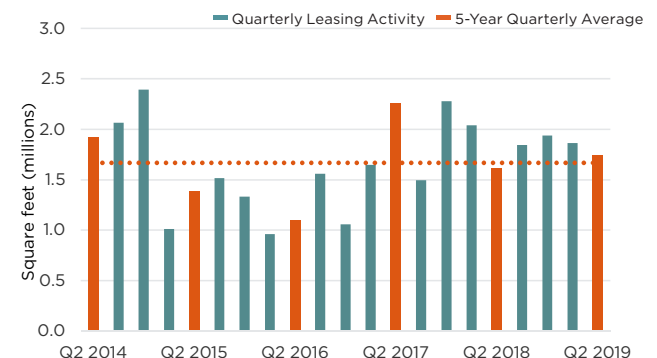
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

89.5%

of major transactions were relocations, expansions or new market entrants

34.0%

of large transactions occurred in the West Market submarket

33.2%

Healthcare and Biotechnology represented 33.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
US Environmental Protection Agency	172,658	1600 John F. Kennedy Boulevard	Relocation	West Market	Government
Iovance Biotherapeutics	136,000	300 Rouse Boulevard	New Location	Navy Yard	Pharmaceuticals
Hamilton Lane	127,500	171 Washington Street	Relocation	Conshohocken	Financial Services
ERT	58,798	1818 Market Street	Renewal	West Market	TAMI
The Children's Hospital of Philadelphia	53,717	100 Penn Square E	Expansion	East Market	Healthcare
WeWork	50,514	1100 Ludlow Street	New Location	East Market	Coworking
Axa Advisors	39,382	1 Belmont Avenue	Relocation	Bala Cynwyd/Narberth	Financial Services
Whipflil	15,602	170 N Radnor Chester Rd	New Location	Radnor	Professional Services
Ceteris Hold Co.	13,000	112 W Park Dr	New Location	Burlington County	Professional Services
General Mills Inc.	12,945	200 Dryden Rd	Renewal	Horsham	Professional Services

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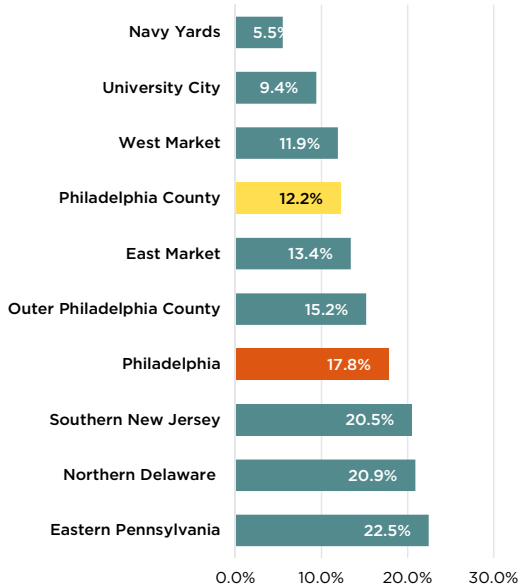
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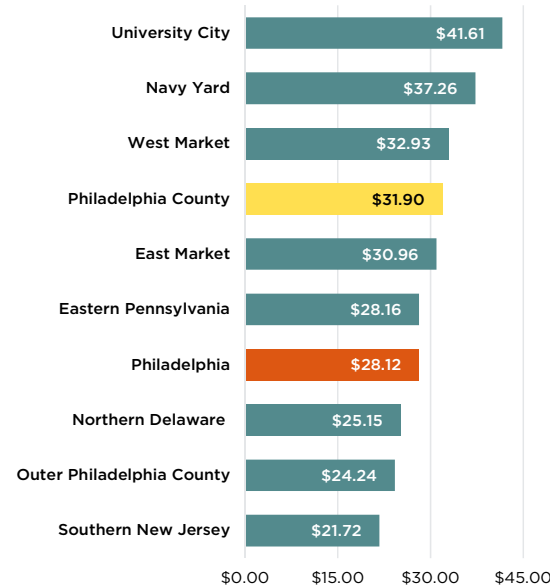
AVAILABILITY RATE COMPARISON

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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