



For a consecutive quarter, Philadelphia records more than one million square feet in leasing volume

Despite rising concerns over the spread of the highly contagious COVID-19 Delta variant, workers are slowly returning to the office. The city of Philadelphia reinstated a mask mandate to slow infection rates but has not ordered another quarantine. In a positive sign for the region, there was a consecutive quarter of 1.1 million square feet (msf) of transactions; however, at 3.0 msf, year-to-date volume is still below that seen in the first three quarters of 2020. The submarkets that recorded the most leasing activity included West Market (154,540 square feet (sf)), PA Turnpike/Route 202 Corridor (102,186 sf) and Burlington County (79,923 sf). In a surprising announcement, drugstore company Rite Aid revealed plans to move its headquarters from its long-time location in Camp Hill to 23,500 sf at 1200 Intrepid Avenue in the Navy Yard. Rite Aid has instituted a “remote-first” policy causing it to downsize its footprint, but the company still desires a location for employees to collaborate. Other transactions executed during the third quarter include Nouryon’s sublease of 39,466 sf at 1 Radnor Corporate Center located in the Radnor submarket, ACI Technologies’ renewal of its 36,385-sf lease at 1 International Plaza located in the Southeast Delaware County submarket and Merakey’s relocation (28,384 sf) at 159 E County Line Road in the Lower Bucks County submarket.

Philadelphia’s Central Business District (CBD) records a bump in activity as Radian sublets its headquarters

Regional availability rose a minute 10 basis points (bps) from the second quarter to 21.2%. However, availability in Philadelphia’s CBD climbed 90 bps quarter over quarter to 17.3%. Mortgage insurance company Radian put its 173,400-sf headquarters at 1500 Market Street on the market for sublease as it plans to downsize and relocate to the suburbs. In addition, Cambridge Innovation Center announced plans to double its lab space at 3675 Market Street continuing the trend of office-to-lab space conversions. Suburban submarkets that posted notable gains in availability included Horsham (+510 bps), Plymouth Meeting (190 bps) and King of Prussia (+140 bps).

City landlords continue to resist discounting face rents

The region’s overall asking rent increased 1.0% quarter over quarter to \$29.57 per square foot (psf). In the CBD, the overall average asking rent remained flat at \$34.73 psf. Owners of premium and trophy properties have resisted lowering face rents which kept the Class A average stable at \$31.32 psf.

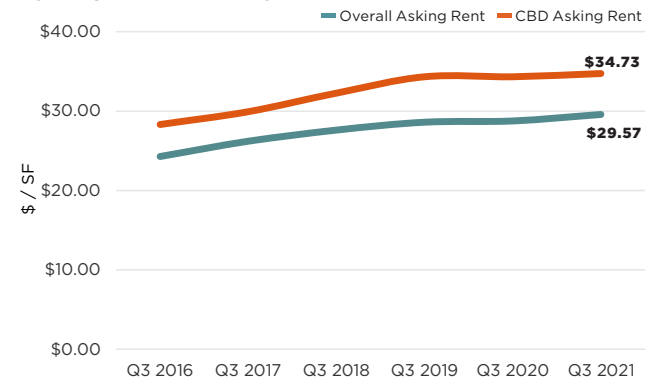
Outlook

- Tenants will delay their full return-to-office dates into late fall or January 2022 out of concern for the spreading Delta variant, but we don’t expect to see a full shutdown of offices
- Healthcare and biotech firms are active in the market which will prompt more city landlords to consider office-to-lab space conversions
- There are several developments underway in University City that will help address the demand for lab and lab-related space.

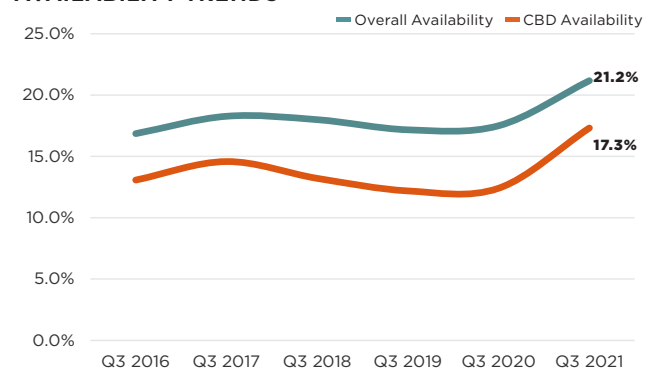
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	133.9 MSF	134.3 MSF	▲
Availability Rate	17.5%	21.2%	▲
Asking Rental Rate	\$28.77	\$29.57	▲
CBD Asking Rental Rate	\$34.33	\$34.73	▲
Quarterly Leasing Activity	0.6 MSF	1.1 MSF	▲

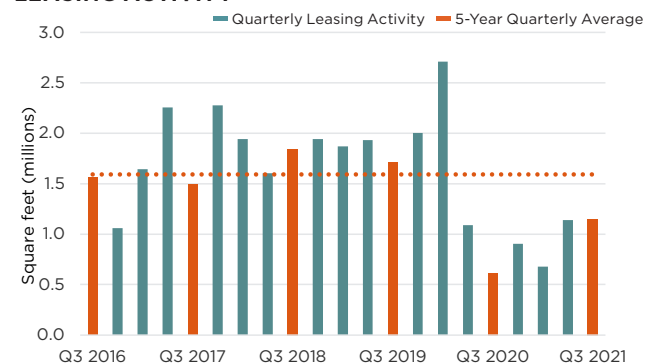
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

46.7%

of top major transactions were relocations by square footage

22.5%

of large transactions occurred in the Radnor submarket by square footage

29.5%

Healthcare represented 29.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Nouryon	39,466	100 Matsonford Road	Relocation	Radnor	Manufacturing
ACI Technologies Inc.	36,385	1 International Plaza	Renewal	Southeast Delaware County	Engineering
Merakey	28,384	159 E County Line Road	Relocation	Lower Bucks County	Healthcare
Aro Biotherapeutics	27,208	601 Walnut Street	Relocation	East Market	Pharmaceuticals
FM Global	24,586	1200 Atwater Drive	Renewal	PA Turnpike / Rt. 202 Corridor	Financial Services
Rite Aid	23,500	1200 Intrepid Avenue	Relocation	Navy Yard	Healthcare
Main Line Spine Surgery Center	22,881	700 S Henderson Road	Renewal	King of Prussia	Healthcare
HNTB	17,700	1650 Arch Street	Restructure	West Market	Architecture
Synovos	17,664	100 Matsonford Road	Restructure	Radnor	Transportation
Greene Tweed	16,001	1684 S Broad Street	Expansion	Lansdale	Manufacturing

Source Savills Research

For more information, please contact us:

Savills

50 South 16th Street
Suite 2750
Philadelphia, PA 19102
+1 215 563 4000

H. Hetherington Smith

Senior Vice President,
Branch Manager
hsmith@savills.us

Greg Soffian

Vice Chairman,
Branch Manager
gsoffian@savills.us

Daniela Stundel

Research Manager
dstundel@savills.us

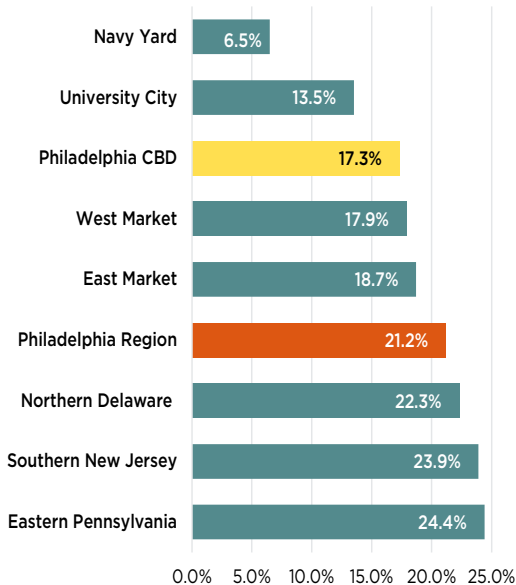
About Savills Inc.

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.

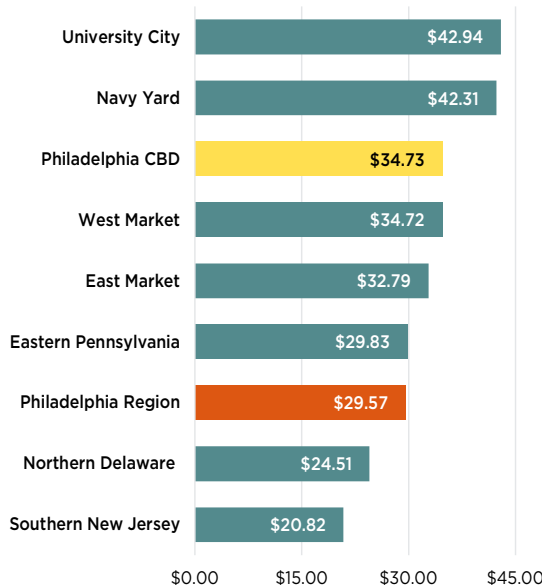
AVAILABILITY RATE COMPARISON

Philadelphia Submarkets



RENTAL RATE COMPARISON (\$/SF)

Philadelphia Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents 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.

Copyright © 2021 Savills

