



## COVID-19's second wave extends remote working; activity down 29.2% from 2019

The resurgence of COVID-19 infections extended remote work and caused recently reopened offices to shut down. In December, the United States government approved two COVID-19 vaccines and pharmaceutical companies began distribution. However, it will take months for most of the country's population to be inoculated which could potentially extend remote working well into next summer. As a result, some tenants are hesitant to execute major real estate transactions until the pandemic passes while others have contemplated adopting increased flexibility into future plans. In what is hopefully a positive sign of things to come, fourth-quarter leasing activity (906,661 square feet (sf)) increased 47.3% from the prior quarter, however 2020's total (5.3 million square feet (msf)) was 29.2% less than the annual total in 2019. Notable transactions signed during the fourth quarter included Blank Rome's estimated 196,000-sf renewal at 130 N 18th Street and the United States Army Corp of Engineers' 103,000-sf lease at 1650 Arch Street, both in West Market. Securing flexibility in today's tenant-favorable market, Blank Rome has the option to contract size before its new lease takes effect.

### Regional availability rose, assisted by a wave of sublease space coming to the market

Regional availability climbed 130 basis points from the third quarter to 18.8%. Sublease availability ticked up 50 basis points to 2.8%, as more tenants shed unused space, including 255,000 sf of sublease space from PNC near the Philadelphia International Airport. Overall availability in the Philadelphia Central Business District (CBD) increased 130 basis points to 13.7%, with the West Market submarket recording a 15.1% availability rate.

### Regional rent growth slowed, but owners are hesitant to heavily discount rents

The region's overall asking rent held flat quarter over quarter at \$28.77 per square foot (psf). In the Philadelphia CBD, the overall average asking rent minutely declined from the third quarter to \$34.16 psf. Quarter over quarter, the CBD Class A rate, at \$36.70 psf, remained flat all four quarters. Notably, owners of downtown Class A and trophy properties have been hesitant to substantially lower asking rents despite a 50.0% reduction in leasing activity within that sector of the market. Instead, owners are willing to offer tenants favorable concessions and flexible lease term provisions.

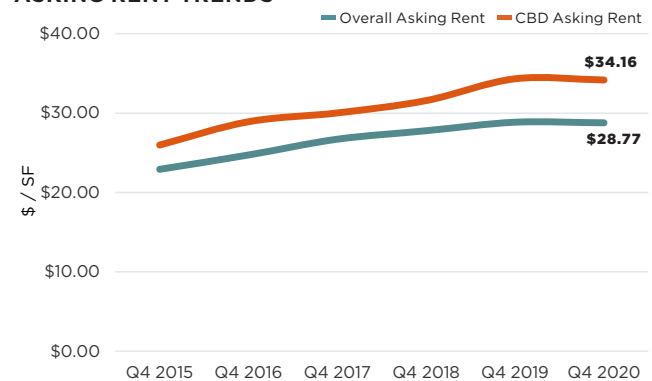
### Outlook

- The increase of sublease space on the market may push owners to decrease rents as demand for space increases and landlords struggle to compete for tenants in the new year
- An uptick in leasing activity from biotechnology firms will move more owners to convert traditional office space in to lab space
- Tenants will continue to consider shorter lease terms if uncertainty persists, yet vaccine advancements provide optimism for stronger activity in 2021

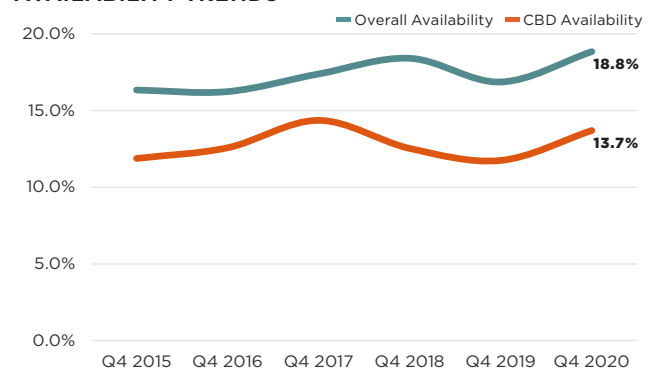
### KEY STATISTICS

	Q4 2019	Q4 2020	y-o-y Change
Inventory	132.9 MSF	<b>134.0 MSF</b>	▲
Availability Rate	16.9%	<b>18.8%</b>	▲
Asking Rental Rate	\$28.85	<b>\$28.77</b>	▼
CBD Asking Rental Rate	\$34.32	<b>\$34.16</b>	▼
Quarterly Leasing Activity	2.0 MSF	<b>0.9 MSF</b>	▼

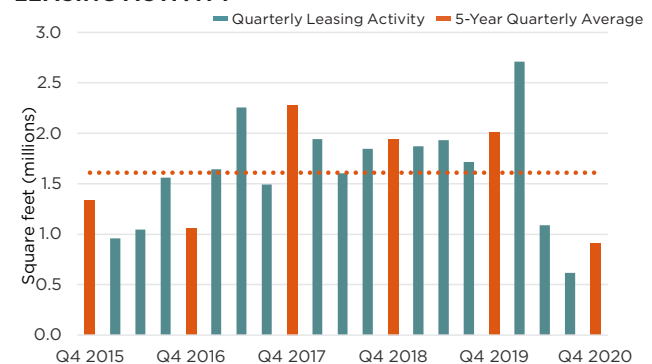
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**53.5%**

of top major transactions were **renewals** by square footage

**60.7%**

of large transactions occurred in the **West Market** submarket by square footage

**42.7%**

**Legal Services** represented 42.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Blank Rome	196,000 (Estimated)	130 N 18th Street	Renewal	West Market	Legal Services
US Army Corp of Engineers	103,000	1650 Arch Street	Relocation	West Market	Government
Suez Water Technologies & Solutions	58,000	3600 Horizon Boulevard	Relocation	Lower Bucks County	Energy & Utilities
Optinose Inc.	30,099	1020 Stony Hill Road	Renewal	Newtown	Pharmaceuticals
Westwood Professional Services	21,591	1684 S Broad Street	Relocation	Lansdale	Construction
Anexinet Inc.	19,584	4 Sentry Parkway E	Renewal	Blue Bell	TAMI
Gannett Fleming Inc	17,805	5 Eves Drive	Renewal	Burlington County	Engineering
Matrix Service Co.	17,000	1974 Sproul Road	New Location	Southeast Delaware County	Engineering
ZoomInfo	15,195	1001 E Hector Street	New Location	Conshohocken	TAMI
Tybout Redfean & Pell	14,402	501 Carr Road	Relocation	North New Castle County	Legal Services

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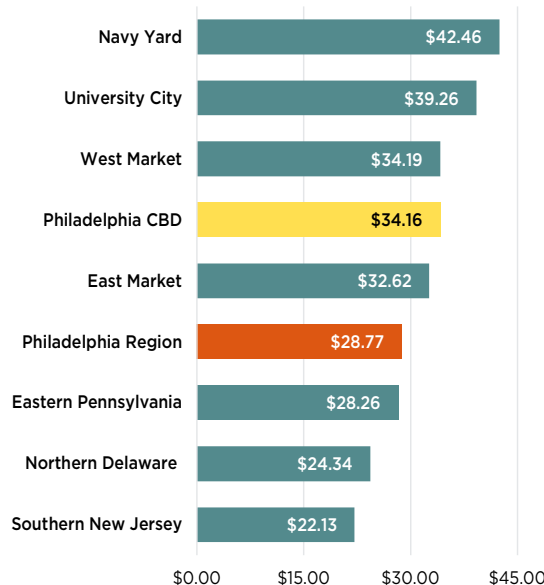
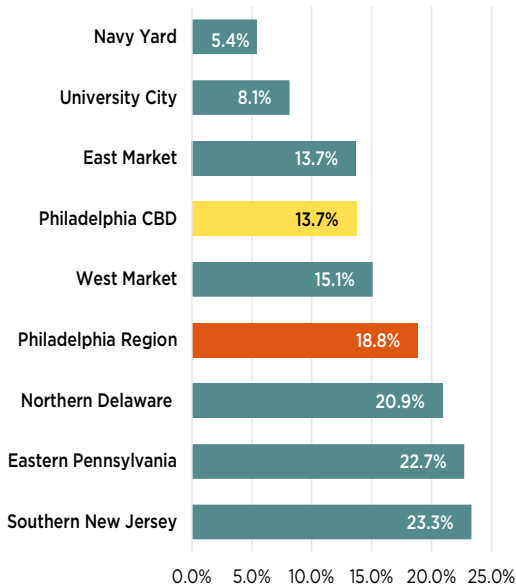
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AVAILABILITY RATE COMPARISON

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.

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