

## The suburbs outpace downtown Philadelphia in Q1 leasing activity

The Greater Philadelphia region reported almost 1.5 million square feet (msf) in leasing activity — moving closer to pre-pandemic levels of activity. Over 1.0 msf of transactions were executed in the suburbs with the PA Turnpike/Rt. 202 Corridor (158,869 sf), Burlington County (140,558 sf), North New Castle (90,415 sf) and Conshohocken (87,984 sf) submarkets leading in demand. In the Philadelphia Central Business District (CBD), West Market reported 320,071 sf of transactions. Notable leases executed during the first quarter included Temple University renewing its 130,213-sf lease at 1515 Market Street, IQVIA relocating to 54,427 sf at 650 E Swedesford Road, Nemours renewing and downsizing to 42,734 sf at 2200 Concord Pike and Auto Lenders leasing 31,277 sf at 101 Woodcrest Road. Philadelphia's growing life sciences industry is driving new construction. A joint venture between Drexel University and Gattuso Development Partners announced plans to build a 500,000-sf lab building on Drexel's campus in University City. In addition, Oxford Properties in conjunction with Ensemble Real Estate Investments and Mosaic Development Partners announced plans to build a 3.0-msf life sciences campus in the Navy Yard.

### Availability jumps in the CBD as GlaxoSmithKline's space hits the market

Regional availability increased 90 basis points (bps) quarter over quarter to 22.0%. In King of Prussia, CSL Behring put almost 101,000 sf at 500 N. Gulph Road on the market for sublease. In addition, the CBD's availability rate rose 160 basis points in large part to GlaxoSmithKline putting its 215,051-sf headquarters at 5 Crescent Drive on the market for sublease. The pharmaceutical giant will be relocating its corporate operations to 46,000 sf at FMC Tower. Additional submarkets recording increases in availability included Lansdale (+1,491 bps), Lower Bucks County (+731 bps) and Ft. Washington / Springhouse (+688 bps).

### Class A Rates Begin to Rise

The region's overall average asking rent rose \$0.43 per square foot (psf) from year-end 2021 to \$29.73 psf. However, the average Class A rate increased \$0.62 psf from the fourth quarter to \$31.46 psf. In the CBD, the Class A rate jumped \$0.73 psf to \$37.68 psf. The growth in Class A rents can be attributed to more blocks of high-quality space coming on to the market. In addition, there has been more interest by employers in properties with premium amenities that might lure more workers back to the office.

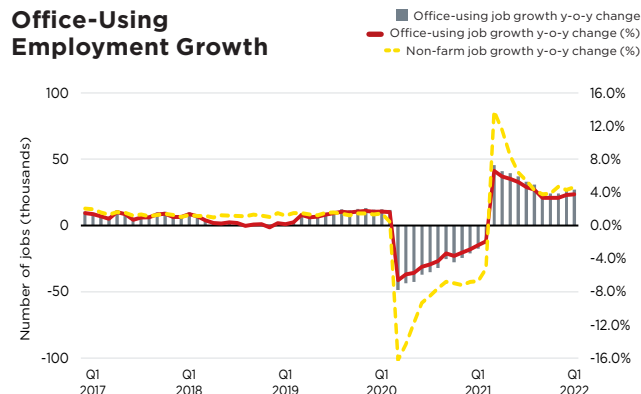
## Outlook

- Options in trophy-quality assets will continue to be tight as tenants seek premium space even if looking to shrink their footprint
- Expect to see rents in Class B and Class C properties to further contract in the coming year
- Life sciences sector tenants will continue to be a driving force in the city as highlighted by the first quarter announcements of the two new lab projects.

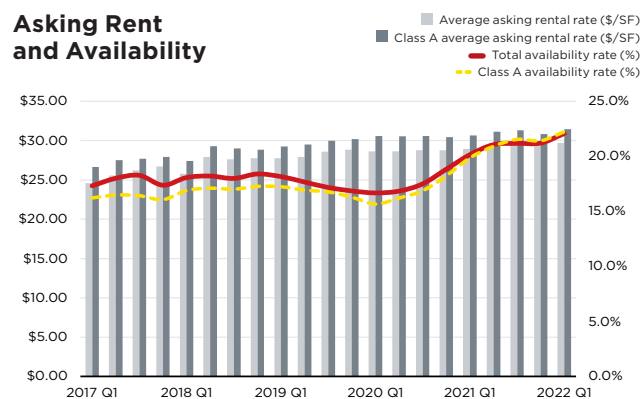
## Key Statistics

	Q1 2021	Q1 2022	y-o-y Change
Inventory	134.0 MSF	133.1 MSF	▼
Availability Rate	20.1%	22.1%	▲
Asking Rental Rate	\$28.93	\$29.73	▲
CBD Asking Rental Rate	\$34.60	\$34.67	▲
Quarterly Leasing Activity	0.7 MSF	1.5 MSF	▲
Available Sublease Space	4.0 MSF	5.4 MSF	▲

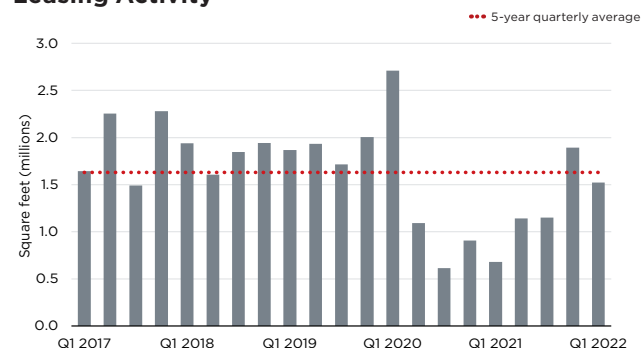
## Office-Using Employment Growth



## Asking Rent and Availability



## Leasing Activity



## By the Numbers

5.3%

Philadelphia unemployment rate  
(as of Jan. 2022)

3.8%

Office-using employment growth  
year-over-year (as of Jan. 2022)

1.4 msf

Office space currently  
under construction

## Top Transactions

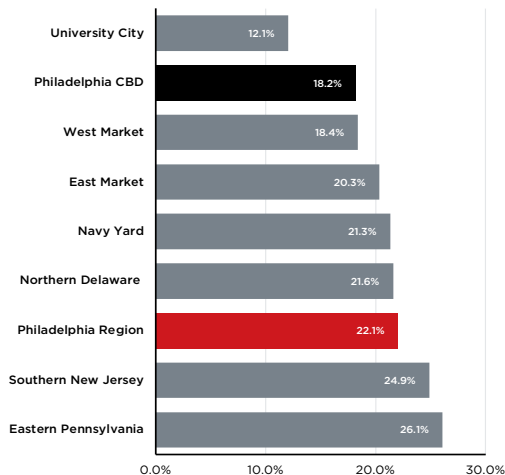
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Temple University	130,213	1515 Market Street	Renewal	West Market	Education
Janssen Supply Group	58,155	700 Dresher Road	New Location	Horsham	Pharmaceuticals
IQVIA	54,427	650 E Swedesford Road	Relocation	PA Turnpike / Rt. 202 Corridor	Professional Services
Nemours	42,734	2200 Concord Pike	Renewal	North New Castle County	Healthcare
Cash App	35,000	1100 Ludlow Street	New Location	East Market	TAMI
Auto Lenders	31,277	101 Woodcrest Road	New Location	Camden County	Retail
Greene Towne Montessori School	29,007	2130 Arch Street	New Location	West Market	Education
Wells Fargo	27,617	2200 Concord Pike	Expansion	North New Castle County	Financial Services
Lutron Electronics Company	27,000	110 Washington Street	Relocation	Conshohocken	Manufacturing
Radian	26,324	111 Woodcrest Road	New Location	Camden County	Financial Services

\*Sublease

Source: Savills Research

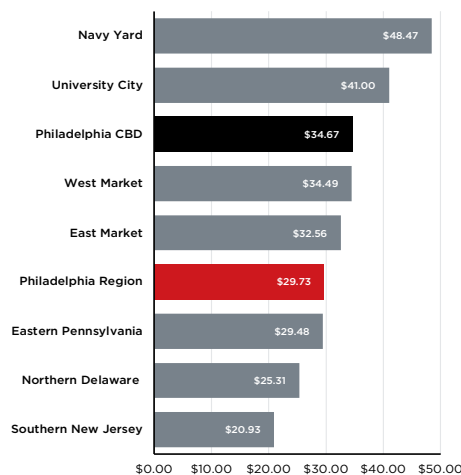
## Availability Rate Comparison (%)

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.

Copyright © 2022 Savills

savills.us

For more information,  
please contact us:

**Savills**

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

**H. Hetherington Smith**

Executive Vice President,  
Branch Manager  
hsmith@savills.us

**Greg Soffian**

Vice Chair,  
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.

savills