



Greater Philadelphia office market report

Q3 2024

**AVISON
YOUNG**

Greater Philadelphia office market trends

3.6msf

YTD leasing volume

At the close of the third quarter, leasing volume throughout Greater Philadelphia totaled 3.6msf, the markets lowest quarterly volume recorded since Q3 20', and the markets lowest Q1-Q3 volume recorded since 2014. A combination of factors continue to impact leasing demand for office space, primarily ongoing hybrid work schedules, along with tenants right sizing their spaces to best fit their needs.

21.6%

Total availability

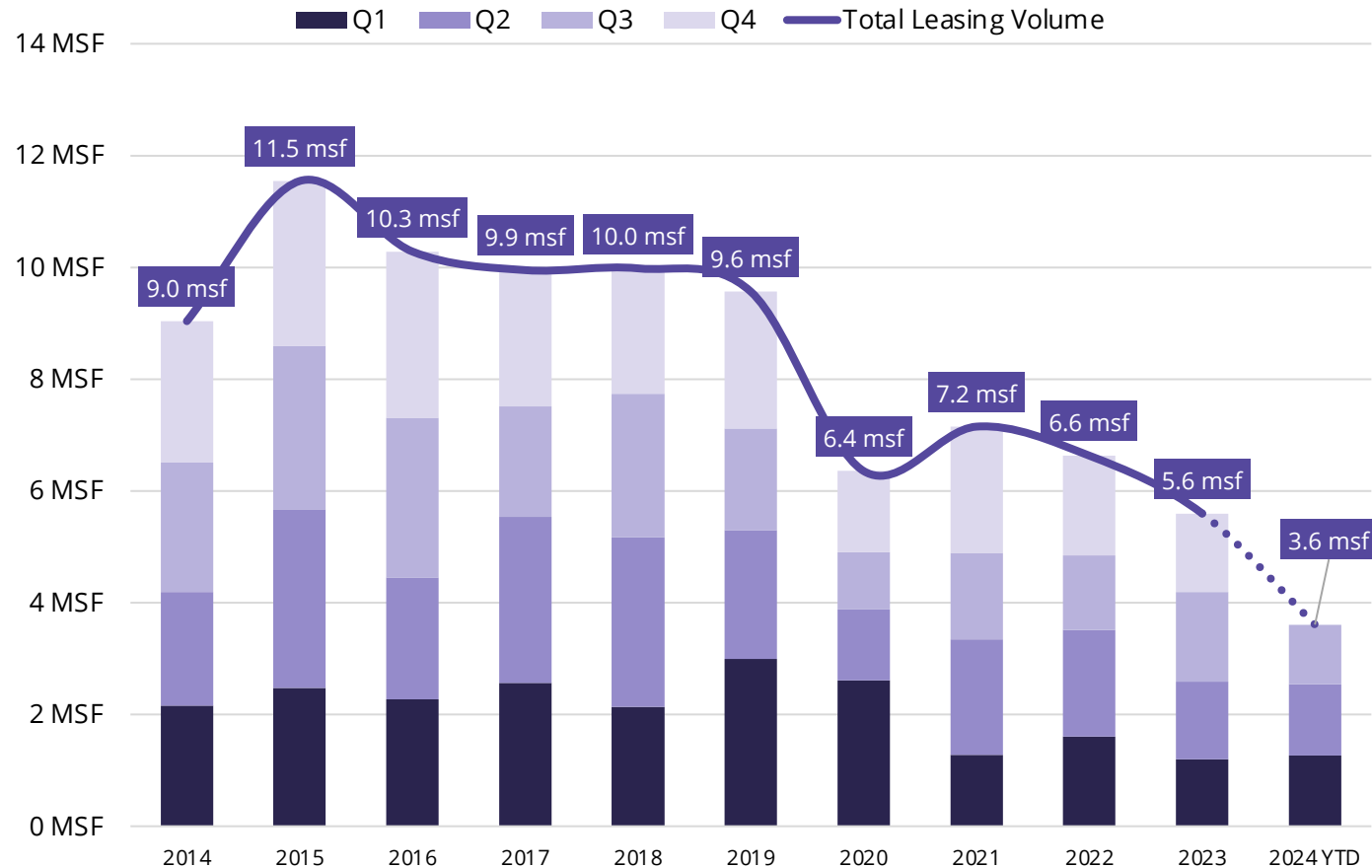
Total availability closed the quarter at 21.6% equating to a minor 10bps decrease. Class A and B properties currently have the highest availability rate at 26% and 19.4%, respectively. Whereas Trophy and Class C availability remains more constricted. The market continues to grapple with over 6.5 MSF of sublease availability; as well as, a growing amount of high vacancy lower quality properties.

57.6%

Sept 24' office visitation

Utilizing Avison Young's office busyness index to analyze office visitation, we study the physical occupancy of buildings over periods of time. Across Greater Philadelphia, office visitation volume seems to be trending up; however, September 24' visitation volume equated to only 57.6% of the volume measured in February 20' (one month before the onset of COVID-19). On a day-by-day basis in September 24', Wednesday's saw the highest visitation volume at 65.3% of pre-pandemic volume.

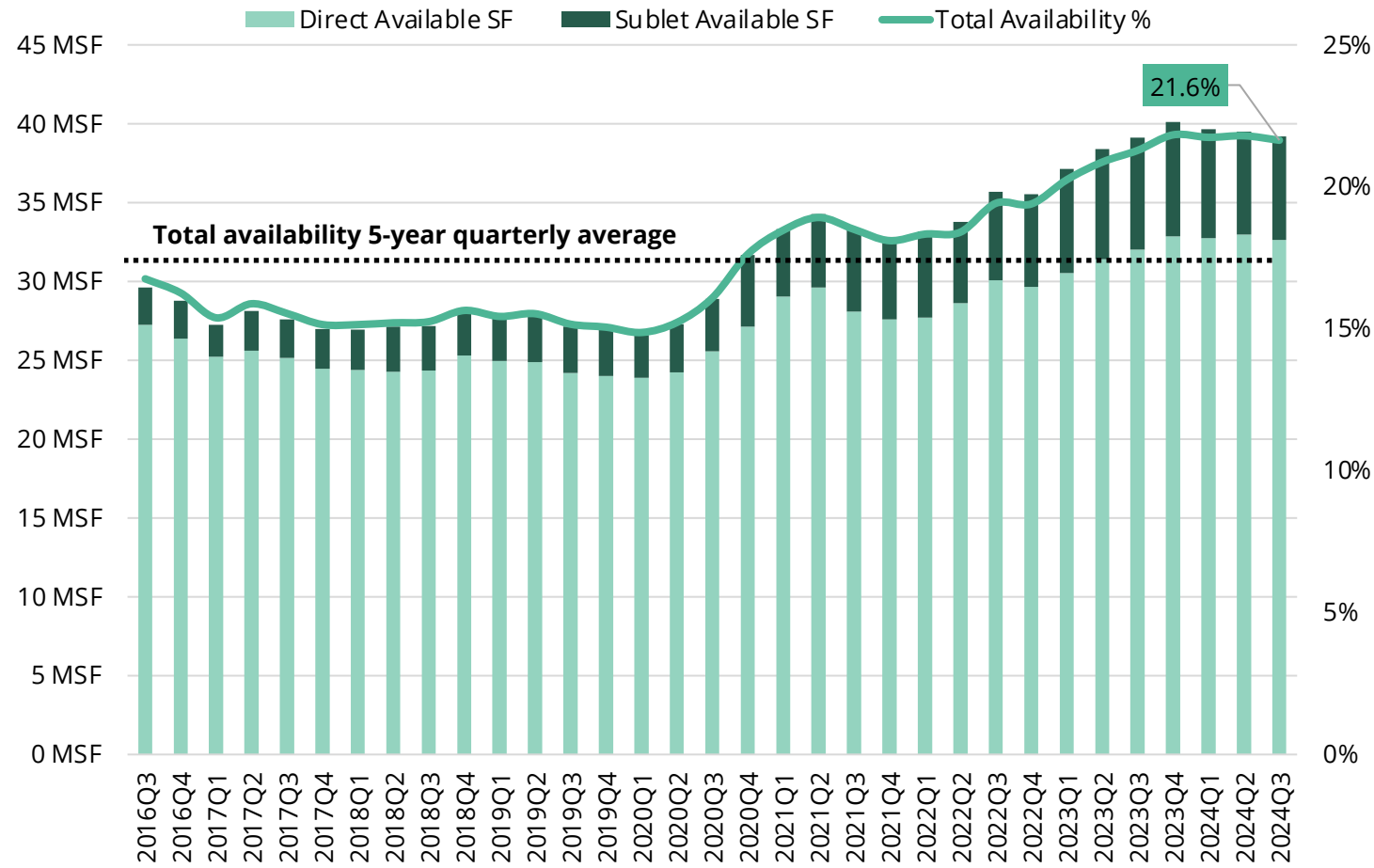
Leasing volume



On a year-over-year (YoY) basis, there was a 33.2% decrease in leasing volume recorded in Q3 24' measuring 1.06 MSF, compared to 1.59 MSF of leasing volume recorded in Q3 23'.

Despite the decrease, this quarter saw the first 100K SF+ inked deal in over twelve months, with the Defender Association of Philadelphia renewing their lease for 117K SF, at 111. South 15th St., in the Center City West submarket.

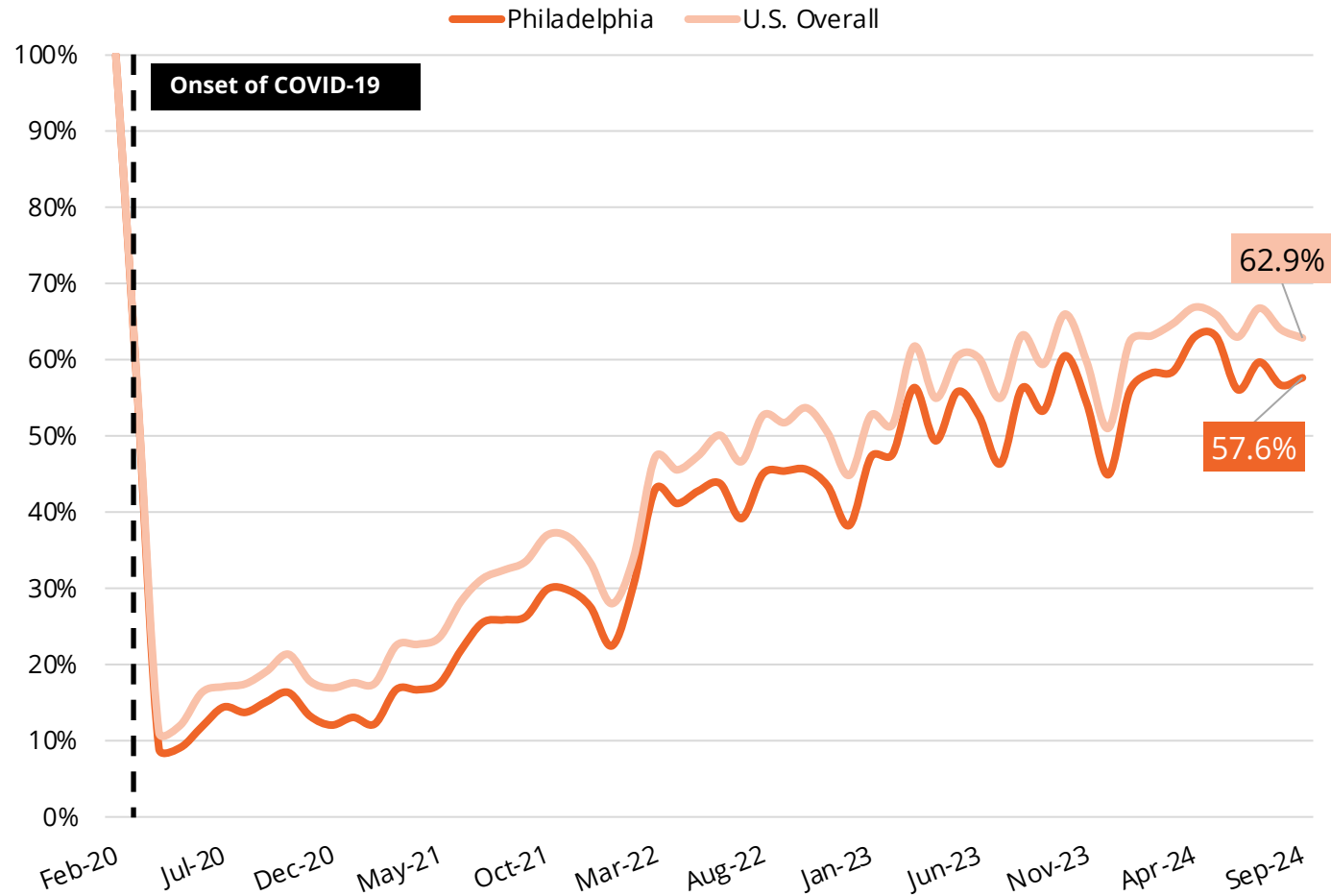
Space availability



In spite of leasing volume being down, and because of office-to-residential conversions like the one planned by Alterra Property Group at 1701 Market St., and owner-user sales such as Incyte’s acquisition of Bracebridge 1 & 3 in the Wilmington CBD, total office space availability has fallen 20bps since its all-time high of 21.8% in the fourth quarter of 2023.

These are great examples of how high vacancy properties can be reutilized to better serve market demand.

Office Visitation



Across Greater Philadelphia office visitation remains highly dependent on the submarket and quality of space. At the close of the third quarter average visitation volume for properties tracked measured 57.6%, a 43bps YoY increase compared to the volume measured in September 2023.

The highest quality buildings in the PHL CBD have seen the greatest visitation volume on average, while lower quality properties especially those in rural suburbs have seen the weakest monthly visitation volume.

Introducing

The Office Busyness Index

Access the most accurate view of office utilization in the industry today. Explore our interactive dashboard to uncover how busy office buildings truly are across U.S. markets.

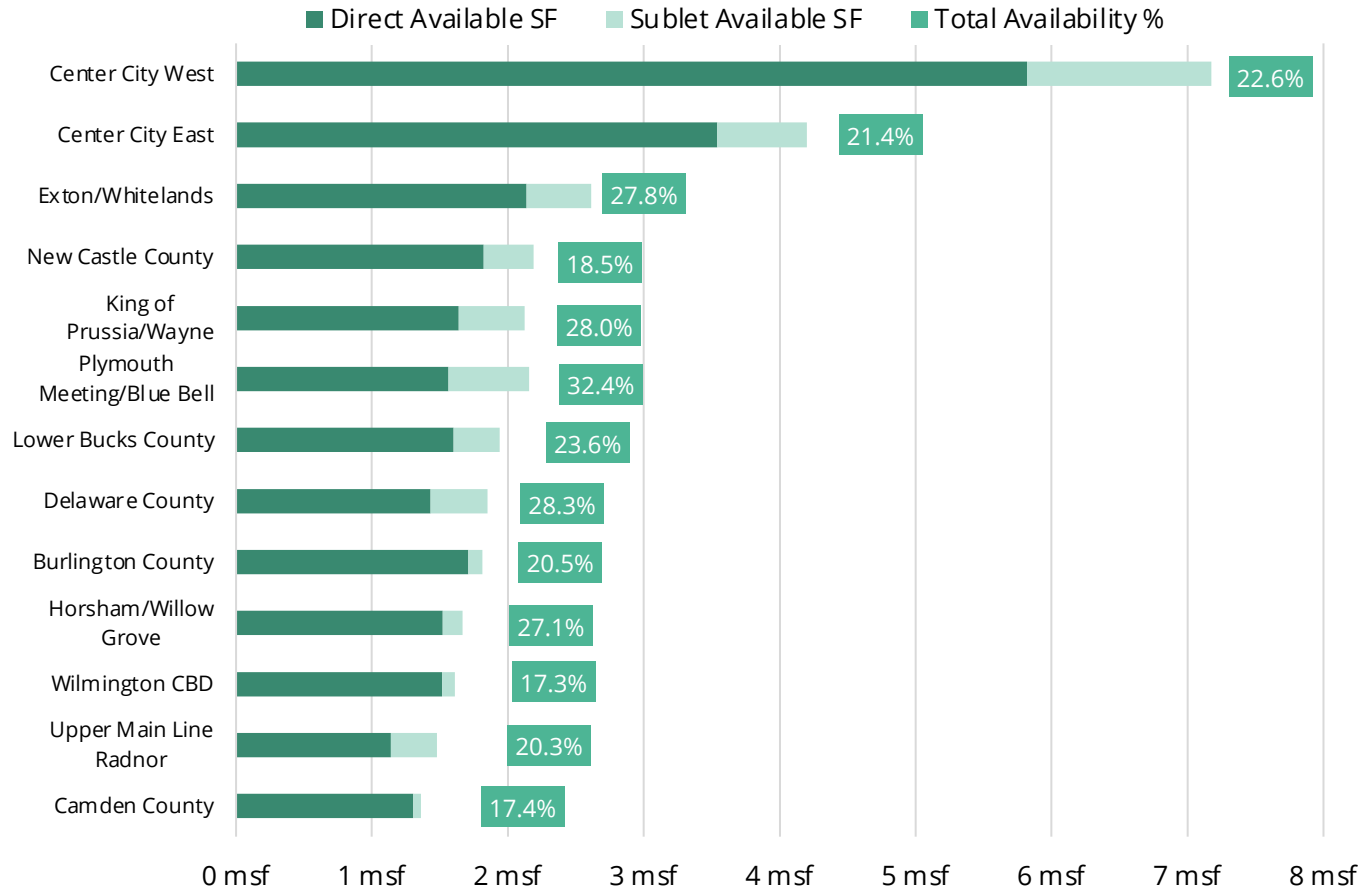
[Learn more](#)



Let's examine more prevailing office trends



Availability by Submarket



The PHL CBD continues to see the greatest amounts of space availability amongst urban submarkets with over 11 MSF of space available in Center City East and West submarket alone, with an average total availability rate of 22.0%.

Throughout the suburbs, the Exton/Whiteland submarket has the greatest amount of available space, with just over 2.6 MSF of available space, and a total availability rate sitting at 27.8%.

Office development pipeline

4 properties

Under construction

744 ksf

Under construction SF

0.4%

Share of existing inventory

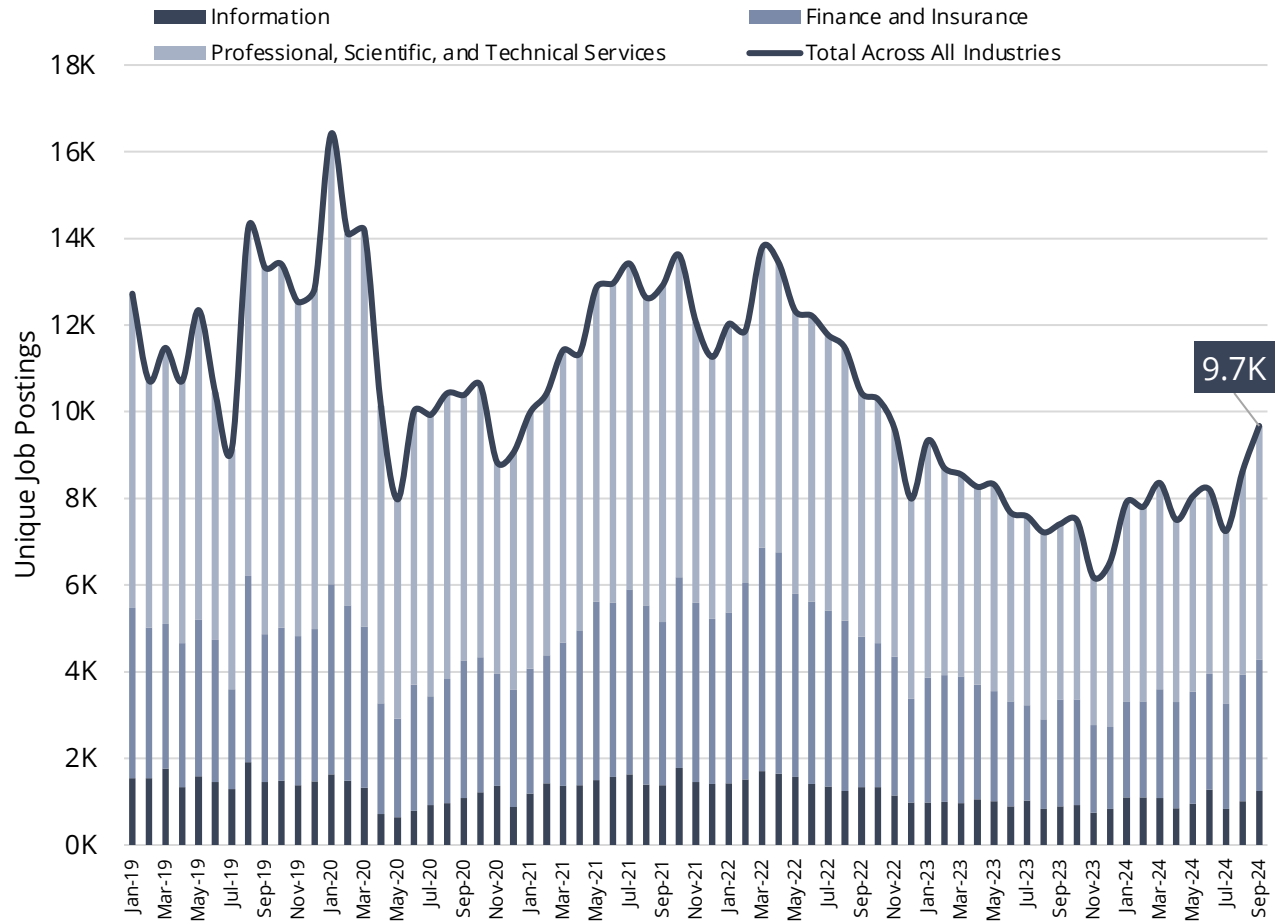
80.8%

Under construction % pre-leased



Chubb New HQ
438K SF--Office Build-to-suit
Scheduled to deliver Q1 2026

Office using job postings

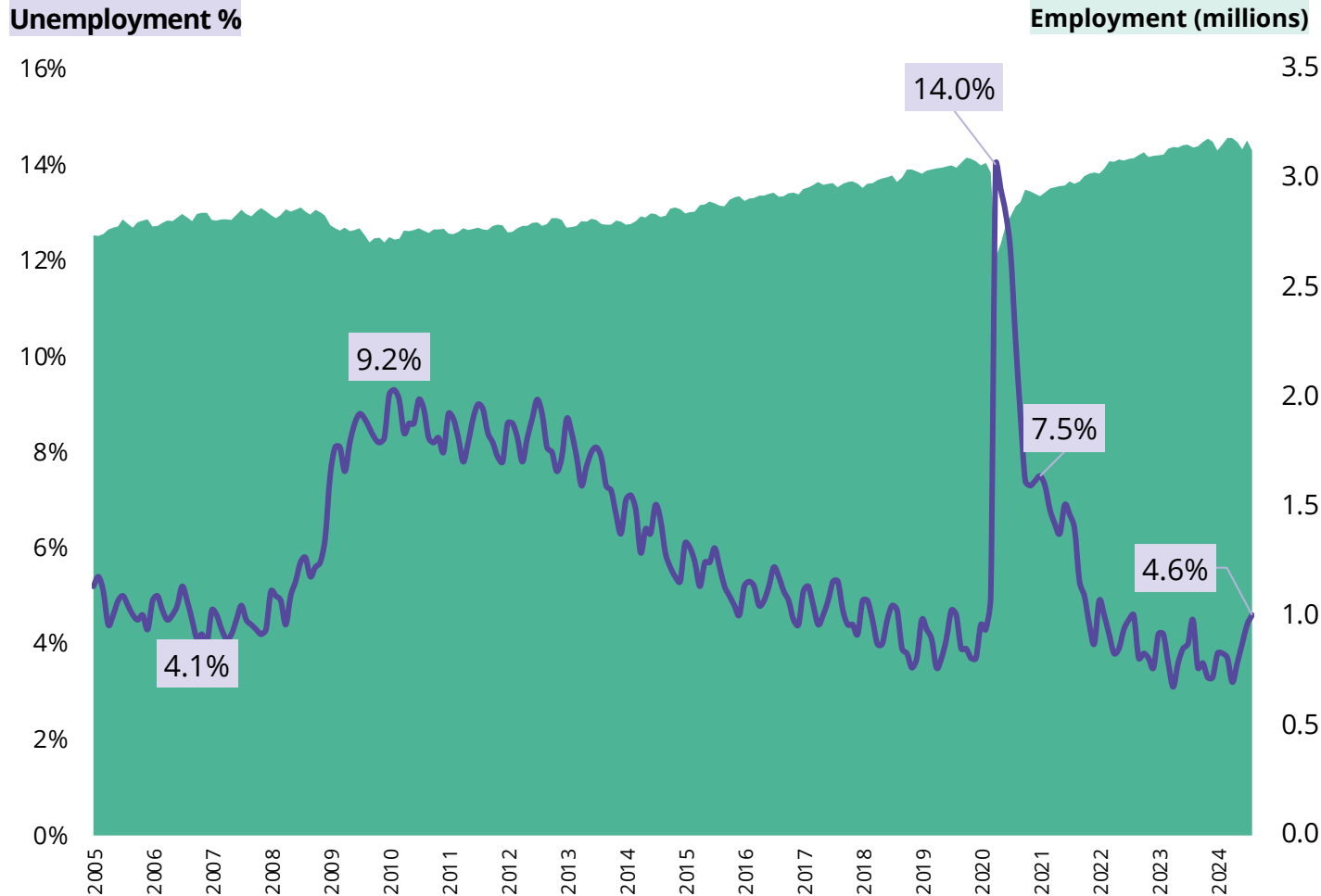


Since July 24', office using job postings have been rising steadily across the Philadelphia MSA.

Specifically, jobs within Professional, Scientific, and Technical services industries have seen the greatest increase in postings, are up 33.3% YoY, reaching 5.3K postings in September 24' alone.

Source: Lightcast Note: Philadelphia MSA

Employment and unemployment rate



The unemployment rate across the Philadelphia MSA has increased 140 basis points since May 24', and now sits at 4.6%, its highest level reached since January 22'.

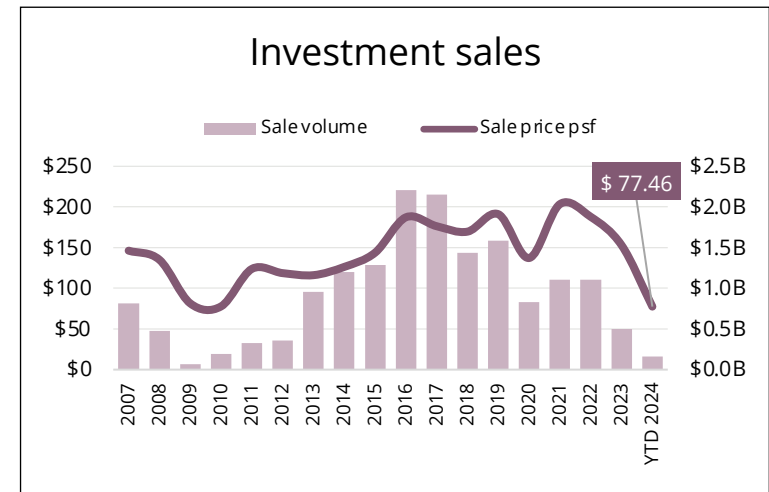
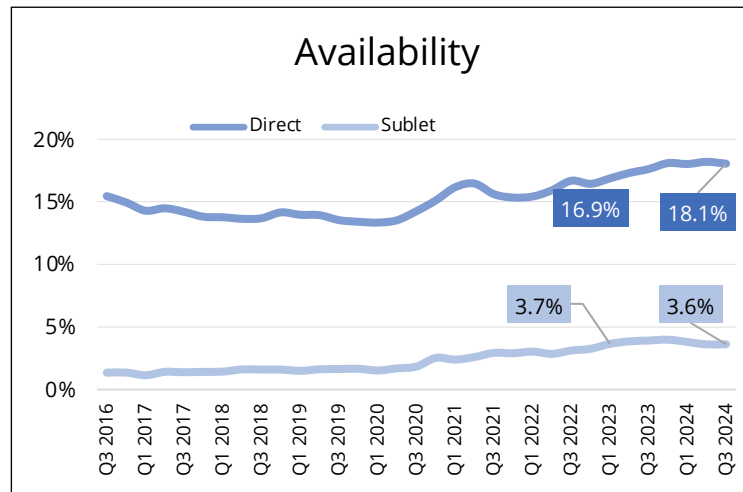
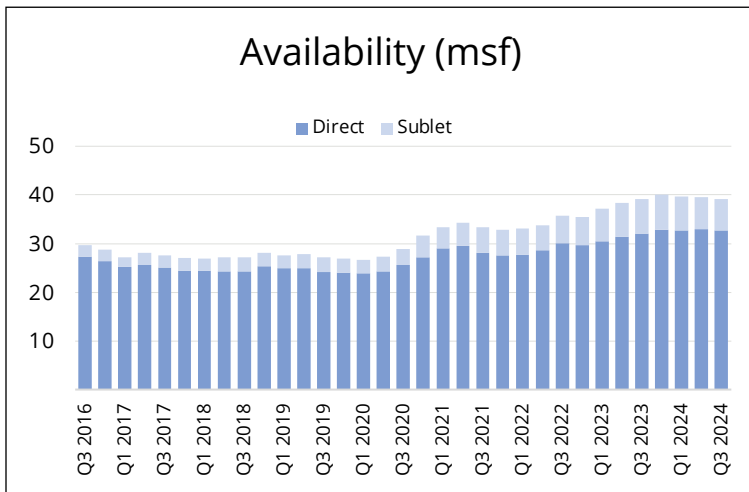
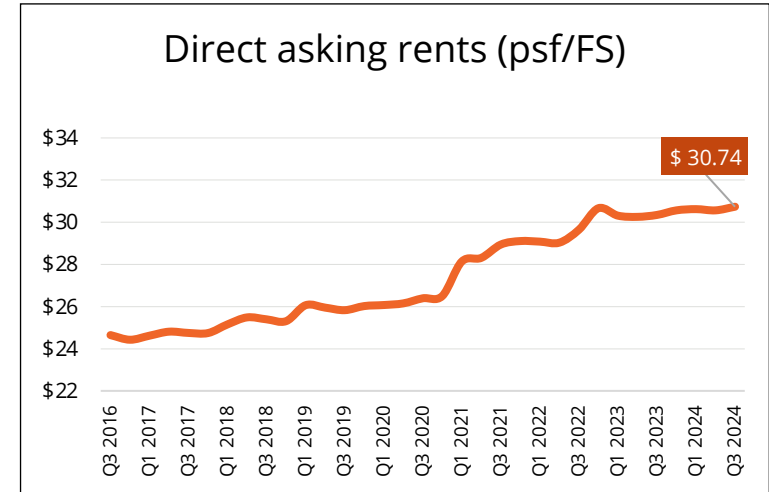
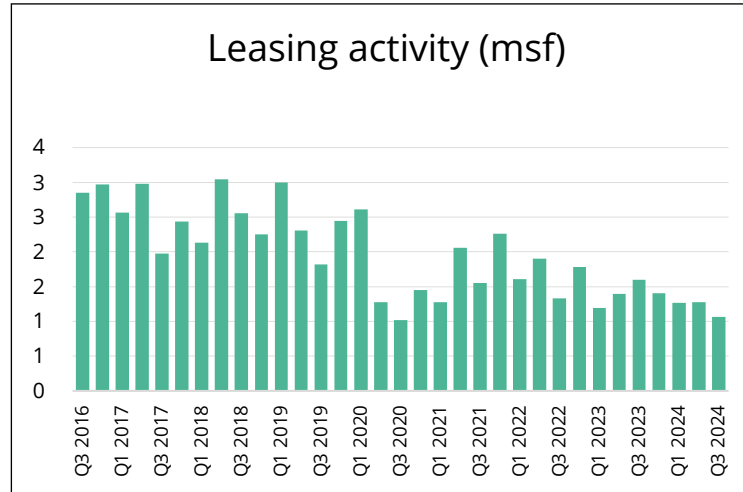
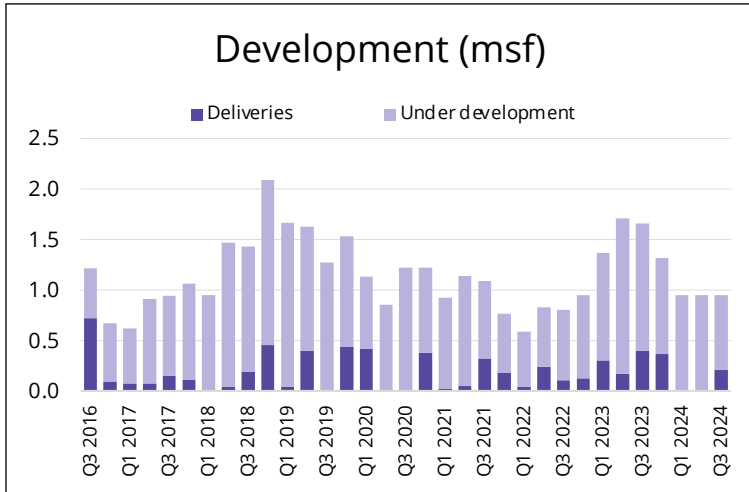
Not only has unemployment increased over the past year, but it's increasing at an accelerated rate, rising 60 basis points from June 24' to Aug 24' alone, compared to the 20-basis point increase recorded over the same period in 2023.

Source: Bureau of Labor Statistics (Philadelphia MSA)

Appendix



Greater Philadelphia office market indicators



Greater Philadelphia office market activity

Recent leasing activity

| Tenant | Address (Building Name) | Submarket | Sign date | Size (sf) | Transaction type | Lease type |
|--------------------------------------|---|-----------------------|-----------|-----------|------------------|------------|
| Defender Association of Philadelphia | 111 S 15th St., Philadelphia, PA (Packard Grande – Office) | Center City West | Jul 2024 | 117,000 | Direct | Renewal |
| Potter, Anderson, & Corroon | 1313 N Market St., Wilmington, DE (Hercules Plaza) | New Castle | Sept 2024 | 82,758 | Direct | Renewal |
| David's Bridal | 630 Allendale Rd., King of Prussia, PA (Allendale Business Park) | King of Prussia/Wayne | Jul 2024 | 53,400 | Direct | New |
| Morgan Stanley | 330 Fellowship Rd., Mt. Laurel, NJ (Liberty Walk at East Gate) | Burlington County | Sept 2024 | 31,832 | Direct | Renewal |

Recent sales activity

| Buyer | Address (Building Name) | Sale date | Building size (sf) | Sale price | Sale price psf | Seller |
|--------------------|--|-----------|--------------------|--------------|----------------|------------|
| PMC Property Group | 1601-1645 Cherry St., Philadelphia, PA (3 Parkway) | Jul 2024 | 626,880 | \$30,000,000 | \$53 | MRP Realty |
| BET Investments | 625 W Ridge Pike., Conshohocken, PA (Conshohocken Ridge Corporate Center, 6-property portfolio, 5 office & 1 retail) | Aug 2024 | 200,773 | \$17,000,000 | \$85 | EQT Exeter |
| Sant Properties | 1701 Rt-70, Cherry Hill, NJ (Commerce Atrium) & 12000 Horizon Way, Mt. Laurel, NJ | Aug 2024 | 68,520 & 84,720 | \$9,816,899 | \$64 | TD Bank |

Top projects under development

| Address | Submarket | Delivery date | Building size sf | % Preleased | Developer |
|--|------------------|---------------|------------------|-------------|-------------------------|
| 155 King of Prussia Rd., Radnor, PA | Upper Main Line | Q4 2024 | 145,000 | 75% | Brandywine Realty Trust |
| 500 DuPont Field Blvd., Greenville, DE | New Castle | Q2 2025 | 106,698 | 0% | Pettinaro |
| 2000 Arch St., Philadelphia, PA | Center City West | Q1 2026 | 438,000 | 100% | Parkway Corporation |

Greater Philadelphia office market stats

| | Existing inventory sf | Deliveries sf (YTD) | Under development sf | Direct availability | Sublet availability | Total availability | Net absorption sf (YTD) | Net absorption % of inventory (YTD) | Annual direct asking rent psf FS |
|------------------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|--------------------|-------------------------|-------------------------------------|----------------------------------|
| Bala Cynwyd | 2,690,046 | | | 13.3% | 5.3% | 18.7% | -24,524 | -0.9% | \$36.80 |
| Burlington County | 8,851,106 | | | 19.3% | 1.2% | 20.5% | -158,565 | -1.8% | \$23.98 |
| Camden County | 7,801,761 | | | 16.7% | 0.7% | 17.4% | 134,262 | 1.7% | \$22.28 |
| Center City East | 19,612,221 | | | 18.0% | 3.4% | 21.4% | -666,379 | -3.4% | \$31.70 |
| Center City West | 31,287,144 | | 438,000 | 18.3% | 4.3% | 22.6% | -97,369 | -0.3% | \$32.29 |
| Conshohocken | 3,792,271 | | | 17.9% | 4.4% | 22.4% | 112,334 | 3.0% | \$40.83 |
| Delaware County | 6,543,132 | | | 21.9% | 6.4% | 28.3% | 116,975 | 1.8% | \$27.27 |
| Exton/Whitelands | 9,367,861 | | | 22.8% | 5.1% | 27.8% | -62,354 | -0.7% | \$31.42 |
| Fort Washington/Spring House | 3,710,194 | | | 18.3% | 6.7% | 25.0% | 61,760 | 1.7% | \$26.03 |
| Gloucester County | 918,170 | | | 1.6% | 0.0% | 1.6% | 2,250 | 0.2% | \$14.60 |
| Horsham/Willow Grove | 6,149,645 | | | 24.7% | 2.4% | 27.1% | 5,746 | 0.1% | \$25.56 |
| King of Prussia/Wayne | 7,598,746 | | | 21.6% | 6.4% | 28.0% | -81,462 | -1.1% | \$36.83 |
| Lower Bucks County | 8,203,826 | | | 19.5% | 4.2% | 23.6% | 55,554 | 0.7% | \$25.09 |
| Main Line | 870,178 | | | 7.2% | 0.0% | 7.2% | -1,675 | -0.2% | \$36.73 |
| Navy Yard | 1,098,420 | | | 3.4% | 2.2% | 5.7% | 5,375 | 0.5% | \$33.85 |
| New Castle County | 11,708,121 | 100,000 | 106,698 | 15.4% | 3.1% | 18.5% | -35,966 | -0.3% | \$26.48 |
| North Philadelphia | 4,390,133 | | | 20.3% | 0.4% | 20.7% | 28,497 | 0.6% | \$25.70 |

Greater Philadelphia office market stats

| | Existing inventory sf | Deliveries sf (YTD) | Under development sf | Direct availability | Sublet availability | Total availability | Net absorption sf (YTD) | Net absorption % of inventory (YTD) | Annual direct asking rent psf FS |
|----------------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|--------------------|-------------------------|-------------------------------------|----------------------------------|
| Northampton | 1,370,797 | | | 16.1% | 12.0% | 28.1% | 170,149 | 12.4% | \$19.92 |
| Northeast Philadelphia | 1,555,653 | | | 21.5% | 0.0% | 21.5% | -12,568 | -0.8% | \$25.18 |
| Northwest Philadelphia | 1,525,954 | | 54,470 | 7.1% | 1.6% | 8.8% | -20,403 | -1.3% | \$25.97 |
| Outer Chester County | 1,047,266 | | | 7.0% | 0.5% | 7.5% | -285 | 0.0% | \$28.39 |
| Plymouth Meeting/Blue Bell | 6,538,174 | | | 23.9% | 9.1% | 32.4% | 27,160 | 0.4% | \$30.43 |
| Riverwards | 896,775 | | | 21.8% | 0.0% | 21.8% | 134,000 | 14.9% | \$29.61 |
| South Philadelphia | 960,393 | | | 29.0% | 0.2% | 29.0% | -140,130 | -14.6% | \$36.50 |
| Southwest Philadelphia | 604,208 | | | 3.1% | 0.0% | 3.1% | | 0.0% | \$26.03 |
| University City | 5,094,862 | | | 11.9% | 2.6% | 14.5% | -16,292 | -0.3% | \$65.85 |
| Upper Bucks County | 1,283,651 | | | 5.6% | 0.2% | 5.9% | 20,980 | 1.6% | \$24.07 |
| Upper Main Line Radnor | 7,160,134 | 105,567 | 145,000 | 15.6% | 4.7% | 20.3% | 196,163 | 2.7% | \$42.14 |
| Valley Forge Norristown | 2,615,448 | | | 18.2% | 1.8% | 20.0% | 22,251 | 0.9% | \$23.59 |
| West Chester | 1,819,669 | | | 14.2% | 1.3% | 15.5% | -24,303 | -1.3% | \$25.30 |
| West Montgomery County | 2,355,112 | | | 20.2% | 4.6% | 24.8% | -106,090 | -4.5% | \$19.92 |
| West Philadelphia | 1,368,860 | | | 4.7% | 0.0% | 4.7% | -19,245 | -1.4% | \$33.47 |
| Wilmington CBD | 9,313,335 | | | 16.3% | 1.0% | 17.3% | 97,571 | 1.0% | \$24.86 |
| Market total | 180,103,266 | 205,567 | 744,168 | 18.1% | 3.6% | 21.6% | -276,583 | -0.15% | \$30.74 |

Greater Philadelphia office market stats by class

| | Existing inventory sf | Deliveries sf (YTD) | Under development sf | Direct availability | Sublet availability | Total availability | Net absorption sf (YTD) | Net absorption % of inventory (YTD) | Annual direct asking rent psf FS |
|---------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|--------------------|-------------------------|-------------------------------------|----------------------------------|
| Trophy | 8,834,804 | | 438,000 | 12.1% | 6.6% | 18.7% | 194,682 | 2.20% | \$56.38 |
| Class A | 85,792,584 | 205,567 | 306,168 | 21.1% | 4.9% | 26.0% | 282,084 | 0.33% | \$32.12 |
| Class B | 64,886,612 | | | 17.4% | 2.0% | 19.4% | -659,717 | -1.02% | \$26.22 |
| Class C | 20,589,266 | | | 10.0% | 2.0% | 11.9% | -93,632 | -0.45% | \$25.82 |
| Market total | 180,103,266 | 205,567 | 744,168 | 18.1% | 3.6% | 21.6% | -276,583 | -0.15% | \$30.74 |



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

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