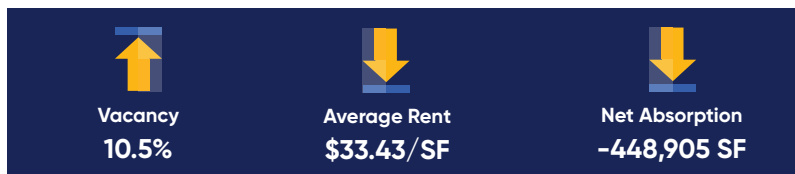


Market Report Philadelphia CBD

Philadelphia remains a sought-after location for Fortune 500 companies (Aramark, Comcast), universities (University of Pennsylvania, Temple University), and nonprofits (American Red Cross, Children's Hospital of Philadelphia/CHOP) that have created growing employment opportunities across the city. During the third quarter, rents remained relatively stable city-wide, and the city's economy showed positive job growth post-Covid.

However, following a nationwide trend, the Philadelphia area continued to see companies downsizing their office space as employees arranged for hybrid or permanent work-at-home arrangements. In Philadelphia, particularly in University City, the life sciences sector maintains growth due to venture capital investments in the areas of disease research, preventative care, cancer treatments, stem cell research, and biotechnology innovations.

Overall, unemployment has rebounded, with the city's joblessness rate at 6.2%, down from 17.1% at the pandemic's peak in April 2020. Philadelphia employers show strong demand for workers in the education, healthcare, life sciences, professional/business services, and information technology industries. However, employment in the food service industry is slow to rebound with rising inflationary food costs and the slow return of city workers who frequent local businesses.¹



*The above data is a year-over-year comparison.

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$35.00	Market Street West Class A 11.8%	▲ 2.5%
\$29.00	Market Street West Class B 10.9%	▬ 0.0%
\$36.00	Market Street East Class A 18.5%	▲ 7.00%
\$29.00	Market Street East Class B 6.0%	▼ (-1.0%)
\$38.00	Independence Hall Class A 7.8%	▼ (-4.2%)
\$27.00	Independence Hall Class B 14.4%	▬ 0.0%
\$42.00	University City Class A 4.5%	▼ (-2.2%)
\$35.00	University City Class B 6.8%	▲ 4.4%
\$49.00	Navy Yard Class A 1%	▼ (-2.2%)
\$34.00	Navy Yard Class B 4.6%	▬ 0.0%

Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Century Therapeutics	58,000 SF	University City	Expansion	Life Sciences
2 Holland & Knight	48,000 SF	Market Street West	New Lease	Law
3 UBS Wealth Management	38,000 SF	Market Street West	New Lease	Financial
4 Community Legal Services	17,500 SF	Market Street West	New Lease	Law
5 Youman and Caputo	6,000 SF	Market Street West	New Lease	Law

Occupier's Perspective



Demand for hybrid work arrangements

Organizations post-Covid continue to evaluate their space requirements. As needed, companies are shifting to hybrid work schedules to retain and attract top talent.



Amenities are top-priority

In general, tenants often request superior on-site and local amenities when relocating. Amenities such as interactive video screens, on-site tech support centers, catering, fitness centers, multiple food and beverage offerings, coffee shops, business centers, and wellness rooms are becoming standard features to bring employees back to the office.²

Market Trends



Philadelphia becomes a leading life sciences hub in the US.

Philadelphia continues to attract venture capital investment and locally educated talent in the life sciences. New leases are secured where research, office, and lab space are needed from scientific or biotech organizations. One of the most recent leases was signed by Century Therapeutics, which develops patient cancer treatments. In 2020, they originally leased 32,500 square feet at One uCity Square in University City. During the third quarter, they announced plans to lease two additional floors, bringing their total footprint to just over 90,000 sq ft.³

An increase in sublease space as employers downsize their offices.

Tenants are taking advantage of sublease opportunities where lower rents may be available for new or renovated office space in Philadelphia.

Sources:

- <https://www.centercityphila.org/pressroom/monitoring-philadelphia-economic-recovery-september-2022>
- <https://investors.riteaid.com/news/news-details/2022/Rite-Aid-Opens-New-Modern-Headquarters-in-Philadelphias-Navy-Yard>
- Costar