

# Philadelphia

Office | Q4 2024 Market Report

## Quarterly Snapshot

↑ Average Rent  
\$35.26/SF

↓ Vacancy  
15%

↓ Net Absorption  
24,308 SF

## Occupier's Perspective

Philadelphia's office market stability is bolstered by its strong presence in sectors like healthcare, life sciences, law, and education—industries that typically rely on in-person work, enhancing the market's resilience. Additionally, the city's smaller technology employment base, which is more inclined toward remote work, has helped mitigate volatility.

Philadelphia's life sciences leasing market is experiencing a resurgence after more than a year of stagnation, showing signs of recovery. If the Federal Reserve lowers interest rates, previously stalled deals could gain traction, potentially leading to closings in 2025.<sup>2</sup>

Philadelphia's office rent growth is showing signs of divergence, reflecting a broader trend in the evolving office landscape. Highly desirable spaces, such as modern labs and trophy office buildings in prime locations, continue to command strong rents, while aging inventory struggles to remain competitive. This bifurcation underscores the difficulty of maintaining consistent annual rent growth within the last decade.

\*Sources:

1. Costar

2. Source: [https://www.bizjournals.com/philadelphia/news/2024/10/06/life-sciences-leasing-activity-increasing.html?\\_gl=1\\*nx6pwi\\*\\_up\\*MQ..&gclid=Cj0KCQIAI\\_G5BhDXARisAN5SX7m06F-4S\\_AJ8L6cAngO\\_GZF0cdw7HhPujkEFyDu2MnkaIEO3ITi-kaAqkBEALw\\_wcB](https://www.bizjournals.com/philadelphia/news/2024/10/06/life-sciences-leasing-activity-increasing.html?_gl=1*nx6pwi*_up*MQ..&gclid=Cj0KCQIAI_G5BhDXARisAN5SX7m06F-4S_AJ8L6cAngO_GZF0cdw7HhPujkEFyDu2MnkaIEO3ITi-kaAqkBEALw_wcB)

Philadelphia's office market showed sustained strength in 2024, marking its first positive annual net absorption since mid-2022. A slowdown in lease downsizings and moveouts suggests easing vacancy pressures, though 8 million SF of leases that are set to expire within 18 months could push vacancies gradually higher. Despite these challenges, Philadelphia's 14.3 percent availability rate remains below the national average of 16.2 percent, ranking as the fourth lowest among the 20 largest U.S. office markets. Philadelphia continues to provide stability, opportunity and value for occupiers. Although companies are still returning office space, the pace seems to be decelerating, with annual absorption showing a notable improvement compared to the five-year average of -1.3 million SF. Sublet availability has also declined slightly, from 16 percent to 15 percent, signaling signs of stabilization. New office developments have pushed availability to 20.9 percent, even as average lease sizes for these top-tier properties have shrunk by 20 percent compared to 2017-2019. However, availability in this segment is expected to tighten as market confidence rebounds, funding activity increases, and demand from the life sciences sector grows.

During 2024, several buildings were sold for conversion into hotels, apartments, and other uses. The vacancy rate in the central business district is expected to increase as more leases expire in 2025. Struggling office buildings like the Wanamaker and Centre Square are in receivership, while top-tier properties continue to perform well, with high occupancy and strong rental rates. Other announcements include a \$28.5 million investment to renovate the University City life sciences building at 3711 Market St., aimed at increasing occupancy in the 150,000-square-foot building beginning in 2025. Also, AmLaw 100 law firm Polsinelli has signed a long-term lease for 40,790 square feet at Three Logan Square, set to occupy the 11th and 12th floors next summer. Legend Biotech Corporation is establishing a cell therapy R&D center at 2300 Market St. life sciences building, scheduled for completion in early 2025.<sup>1</sup>

## Recent Transactions

Tenant or Address	Size (SF)	Submarket	Type	Building
Polsinelli, 1717 Arch St.	40,790 SF	Market Street West	New Lease	Law Office
1818 Market St.	9,458 SF	Market Street West	New Lease	Office
399 Market St.	8,390 SF	Independence Hall	New Lease	Office, Masonry
Schuylkill Yards, 3025 JFK.	7,745 SF	University City	New Lease	Office
Cabaletta Bio, Inc., 2929 Arch St.	7,672 SF	University City	Renewal	Office, Life Sciences
1 Crescent Dr.	7,584 SF	Navy Yard	New Lease	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
7.5%	◆	\$27.68	Market Street West - Class B
21.4%	▼	\$28.27	Independence Hall - Class B
8.4%	▼	\$29.73	Market Street East - Class B
7.3%	◆	\$29.74	University City - Class B
11.5%	▲	\$31.44	Navy Yard - Class B
15.6%	▼	\$34.11	Independence Hall - Class A
15.4%	▲	\$35.50	Market Street West - Class A
17.3%	◆	\$35.82	Market Street East - Class A
9.9%	▲	\$41.93	Navy Yard - Class A
10.2%	▲	\$43.30	University City - Class A