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Greater Philadelphia Office Market Overview

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Market Observations

Economy

- The Greater Philadelphia economy saw an increase in unemployment to 4.2% for the 12 months ending in February. Though unemployment increased in the MSA, Greater Philadelphia is 30 basis points below the national unemployment rate. Annual nonfarm payroll employment increased by 0.9% for the 12 months ending in February, keeping 12-month growth rates positive for nearly 4 years. The largest industry in Greater Philadelphia, Education and Health Services, continues to be the primary driver of employment expansion.
- In February 2025, the annual percentage change in office-using employment was recorded at -0.2%. Since October, there has been an average monthly decline of -0.3% in office-using employment. This decrease follows a significant 1.5% increase in the annual percentage change observed during the third quarter of 2024. Overall, the total office-using employment consisted of approximately 766,100 employees, marking a reduction of 1,400 jobs compared to the previous year.

Major Transactions

- The largest leases inked during the first quarter were a healthy mix between urban and suburban leases. The largest tenant deals this year revolved around the legal, technology, and innovation industries, which included Duane Morris at 30 S 17th Street, FS Investments at 3025 John F Kennedy Boulevard, and TE Connectivity Corporation at 680 E Swedesford Road, with spaces of 195,757 SF, 117,000 SF and 49,773 SF, respectively. Demand from a variety of industries for locations across the region indicates a diverse leasing market.

Leasing Market Fundamentals

- Approximately 1.4M square feet of leases were signed during the first quarter of 2025, falling short of the 1.7M square feet 5-year first quarter average.
- During the fourth quarter, the Greater Philadelphia market experienced positive net absorption of 112,075 SF for the first time since the third quarter of 2022. The suburban submarkets were the main contributors to the positive absorption seen in the market, with a combined 304,974 SF of positive absorption, while the city of Philadelphia accumulated -189,452 SF of absorption. Blue Bell/Plymouth meeting and Exton/Malvern were the submarkets that absorbed the most space this quarter, with a total of 109,809 SF and 98,191 SF, respectively.
- The office pipeline had no new deliveries this quarter. The new Chubb Insurance Headquarters at 2000 Arch Street remains the only building in the office construction pipeline. There are three life sciences buildings in the construction pipeline as well: 2300 Market Street, 3151 Market Street and 3201 Cuthbert Street. Next quarter, 2300 Market Street, 3151 Market Street and 3201 Cuthbert Street are all expected to deliver while the Chubb Insurance Headquarters is scheduled to deliver in early 2026. All four of the buildings under construction are in the CBD.

Outlook

- Office demand in Greater Philadelphia, measured by the total square feet of space that tenants in the market are looking for, represents 3.7% of the total inventory in the city of Philadelphia and 1.7% of the inventory in the Philadelphia suburbs**.** Office demand in the Greater Philadelphia market is driven by Philadelphia's primary office users and key industries, including Legal, Finance, Insurance, Real Estate (FIRE), and Healthcare.
- Recent leasing trends in the Greater Philadelphia market are anticipated to persist. Notably, tenants are showing a preference for renewing leases rather than relocating. Concurrently, landlords are enhancing incentives to attract and retain tenants.
- Class A and Class B rates decreased this quarter by -79 and -76 basis points, respectively. Despite the decline, Class A rents had previously grown by 85 basis points in the third quarter of 2024 and 97 basis points in the fourth quarter of 2024. Class B rents also increased by 58 basis points in the fourth quarter of 2024. Class A space have seen higher quarterly rental rate growth and lower vacancy rates (150 basis points less) compared to Class B, indicating strong demand for high-quality spaces.

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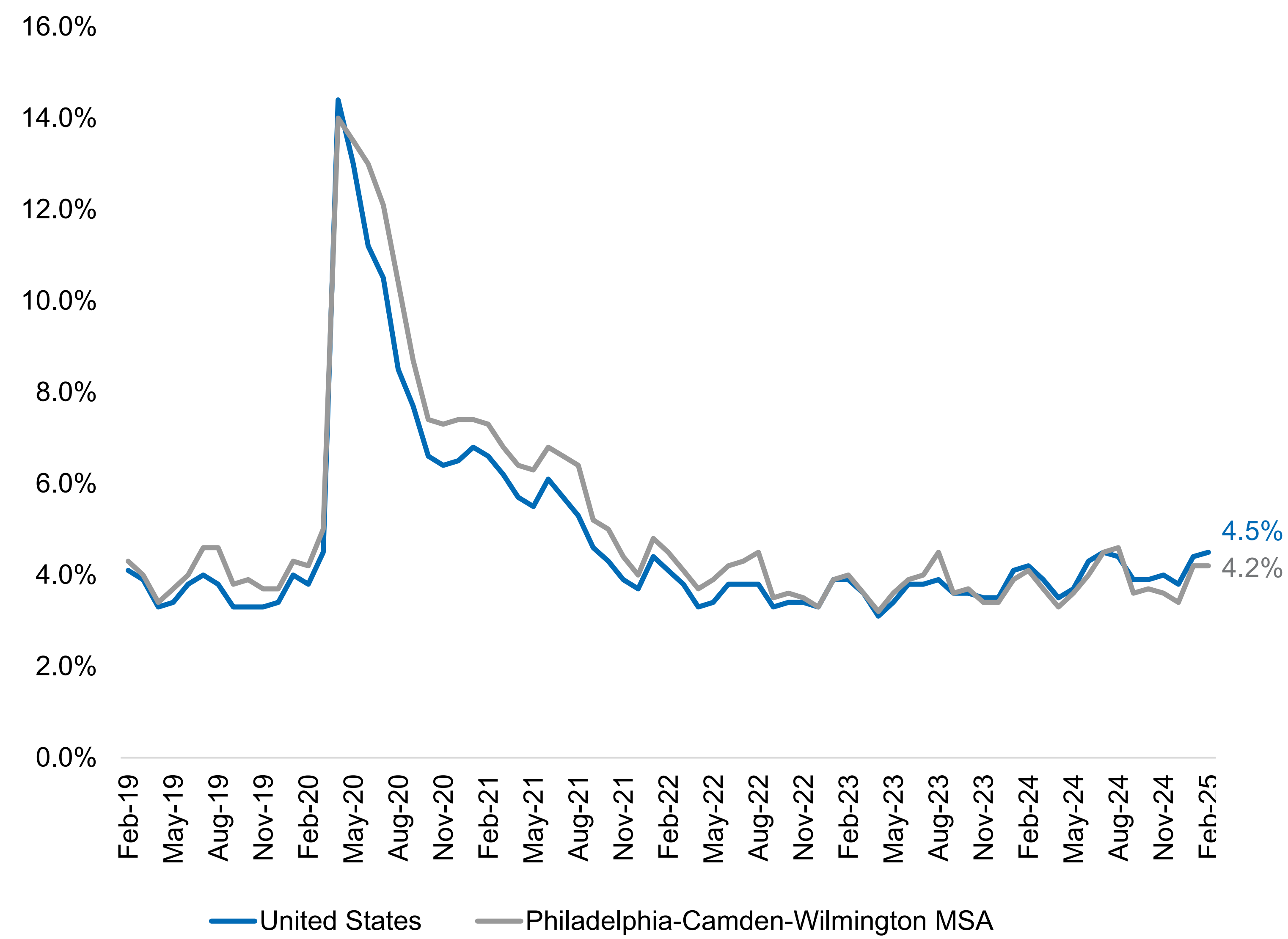
Economy

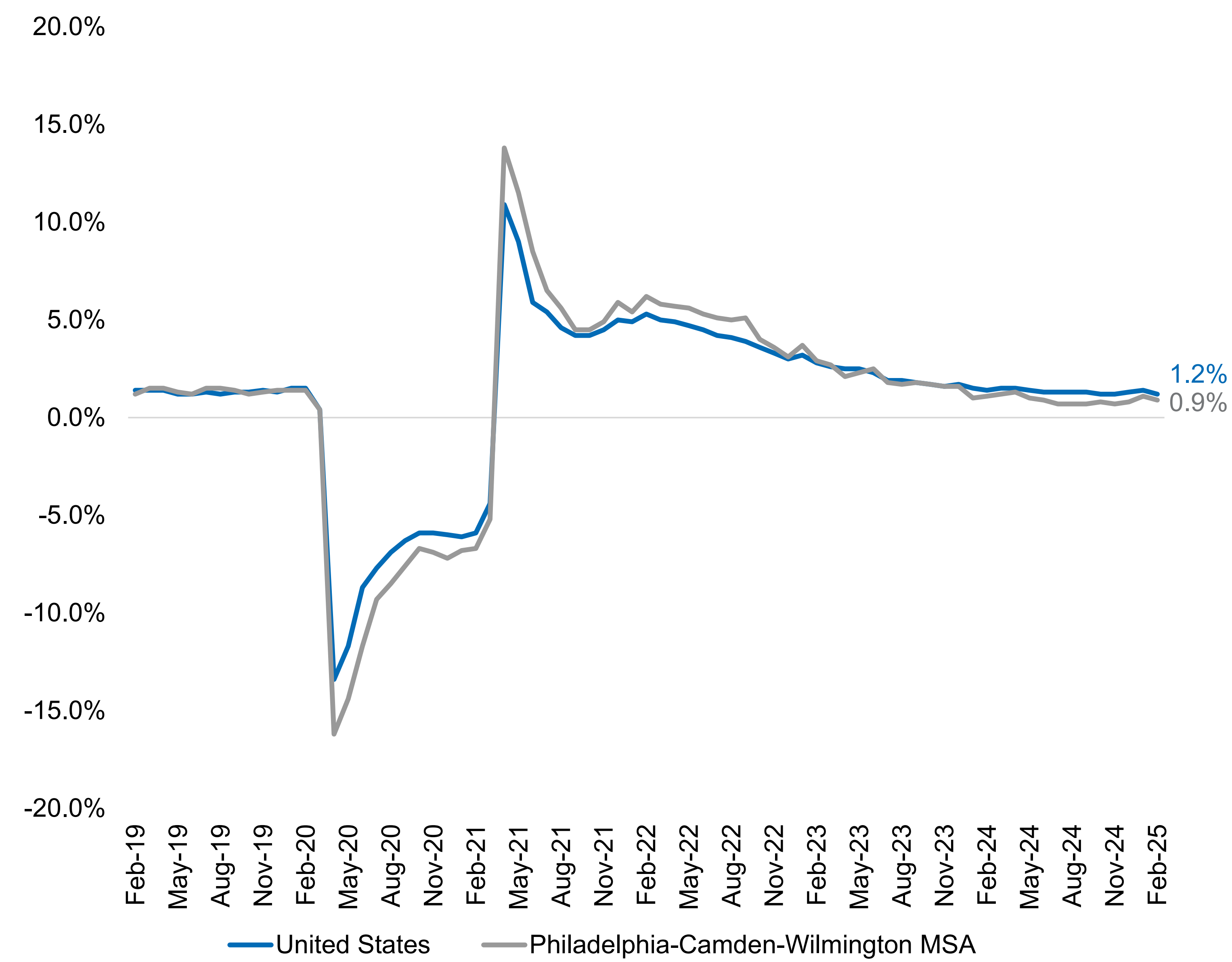
Philadelphia's Unemployment Rate Remains Below US Average

The Greater Philadelphia economy saw a small increase in unemployment for the 12 months ending in February but remains 30 basis points below the national unemployment rate. Nonfarm payroll employment increased by 0.9% in February, representing a slight rise from the moderate growth observed in the latter half of 2024. Greater Philadelphia's largest industry, Education and Health Services, continues to drive employment growth.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

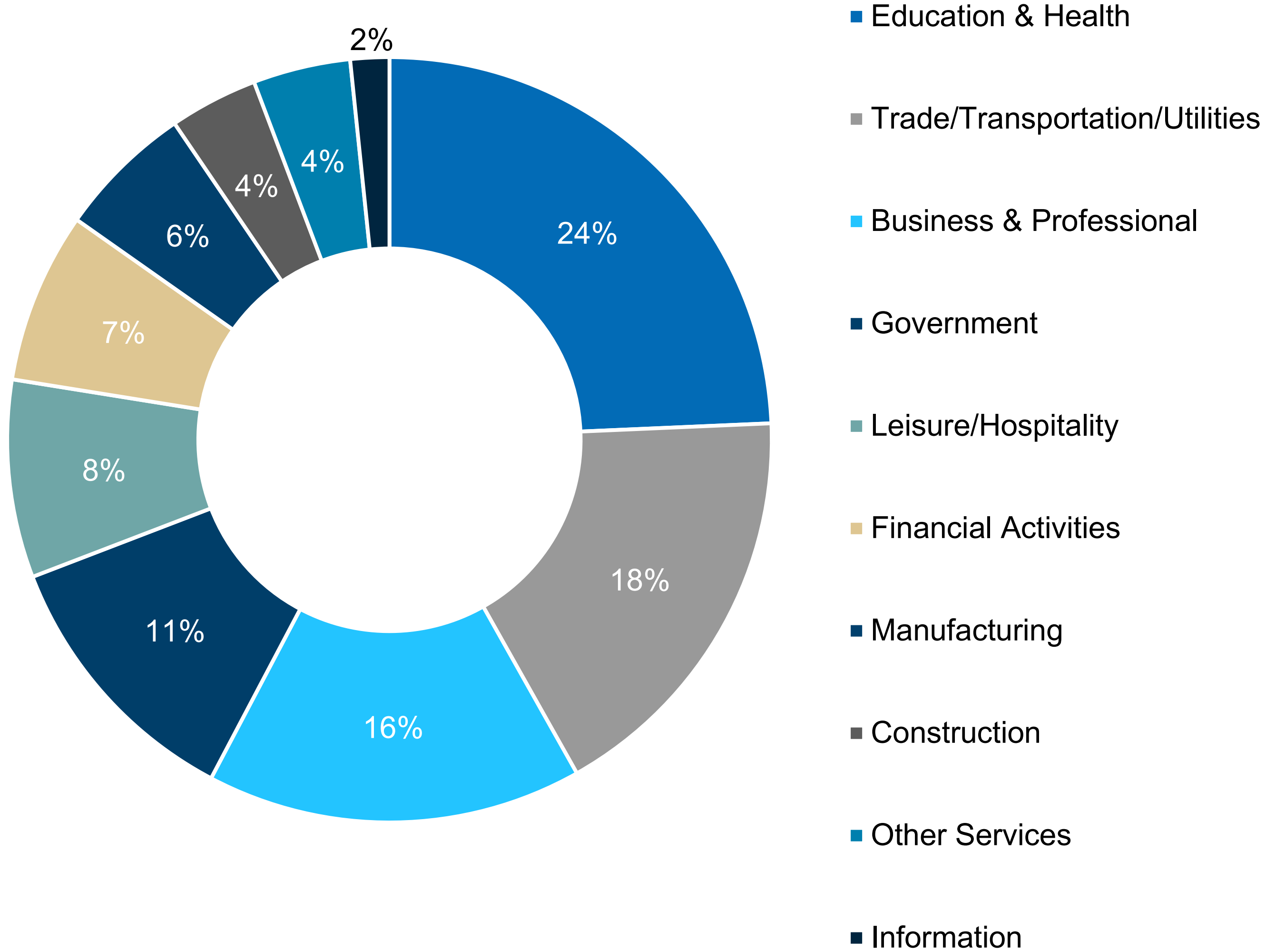


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

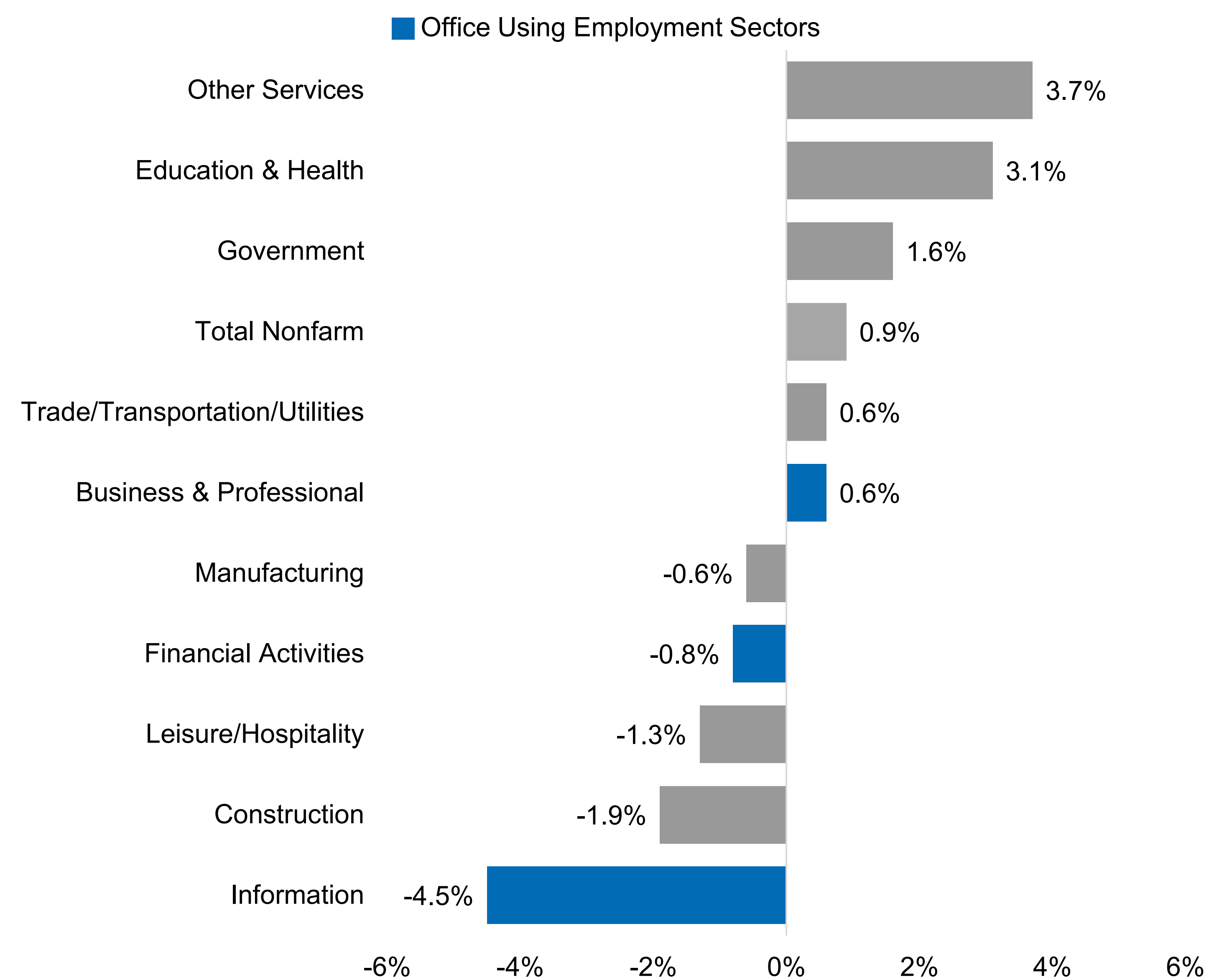
Office-Using Industries Decline While Healthcare And Education Continue To Grow

Other Services, Education & Health, and Government sectors each grew by at least 150 basis points for the 12 months ending in February. The Other Services industry sector is made up of establishments that do not fall into any other specific industry and tend not to be office-using employers. These top three growing sectors employ about 40% of Greater Philadelphia's labor force. Strong annual employment gains in these sectors are encouraging for the region's economy.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

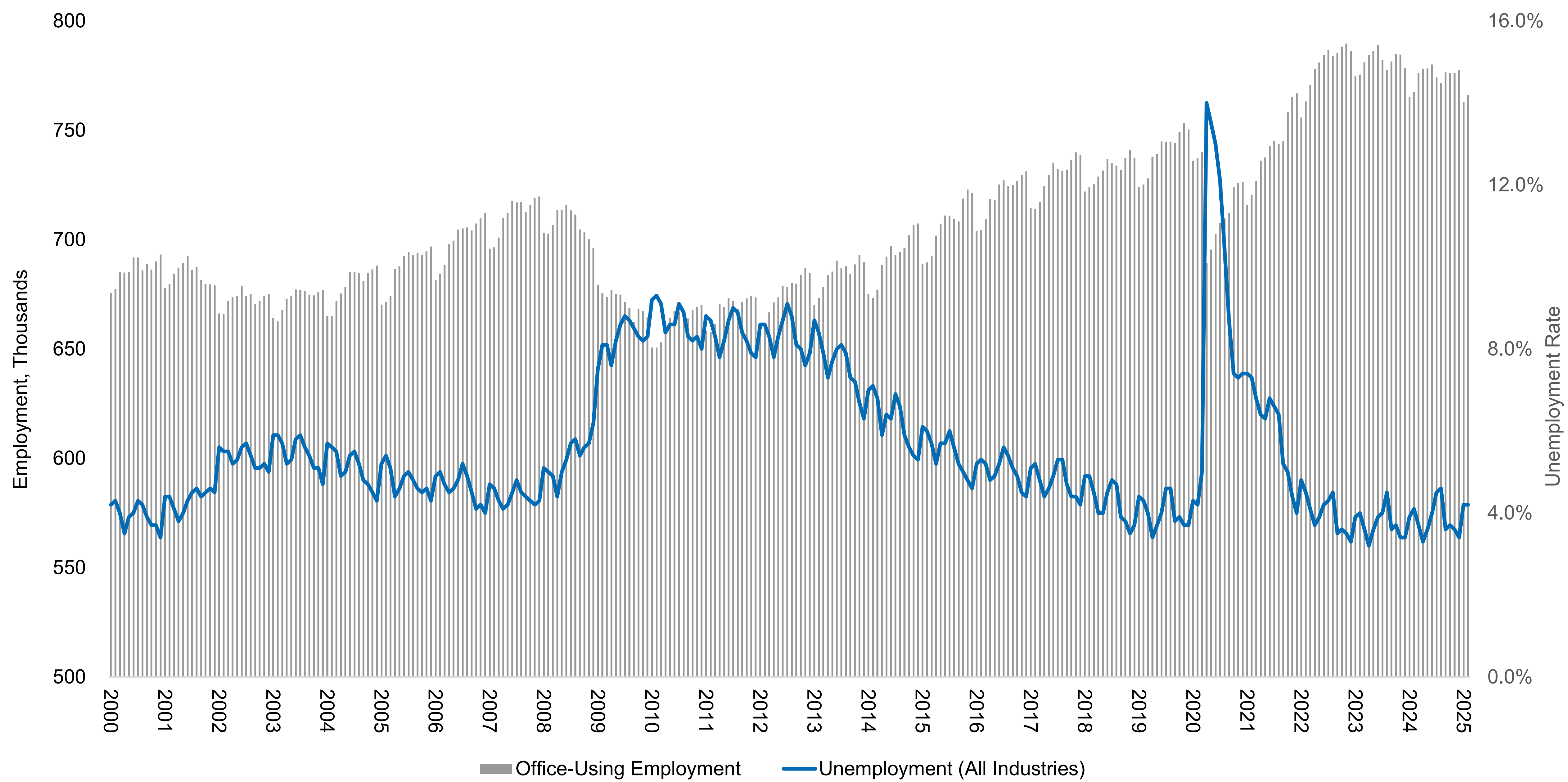


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Office-Using Employment Remains Steady

In February 2025, the annual percentage change in office-using employment was -18 basis points. Despite the negative annual percentage change, the largest of the office-using employment industries, Business & Professional, grew by roughly 60 basis points.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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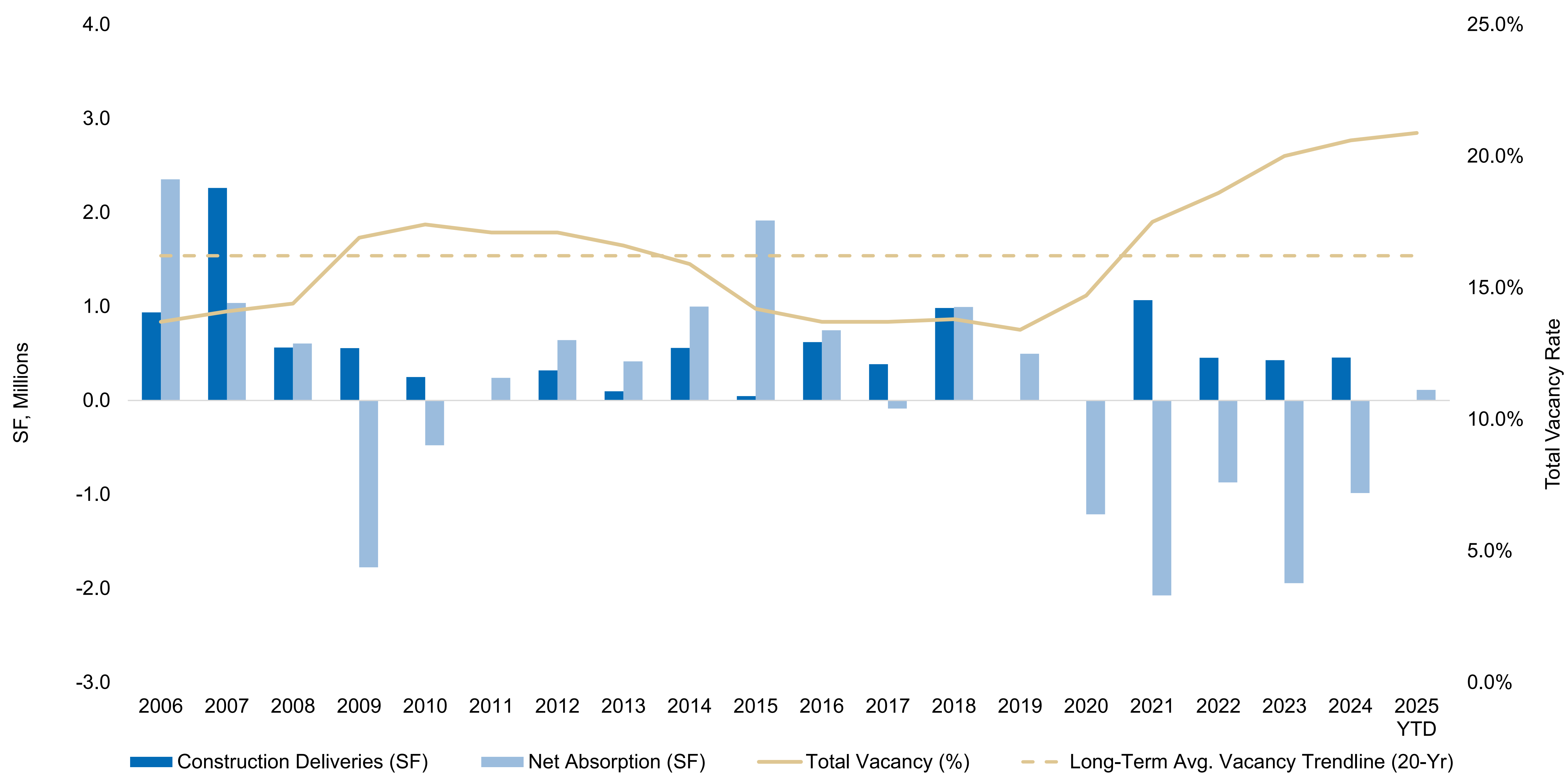
Leasing Market Fundamentals

Quarterly Absorption Positive For The First Time In Over Two Years

The Greater Philadelphia office market experienced positive quarterly net absorption for the first time since the third quarter of 2022. Positive absorption this quarter demonstrates employers' commitment to in-person workplace culture. In the current pipeline of market deals, 705,997 square feet, representing 26.5% of occupier requirements, are attributed to businesses looking to expand their space. Additionally, 315,874 square feet, or 11.9% of occupier requirements, are from newcomers entering the Greater Philadelphia market.

Historical Construction Deliveries, Net Absorption, and Vacancy

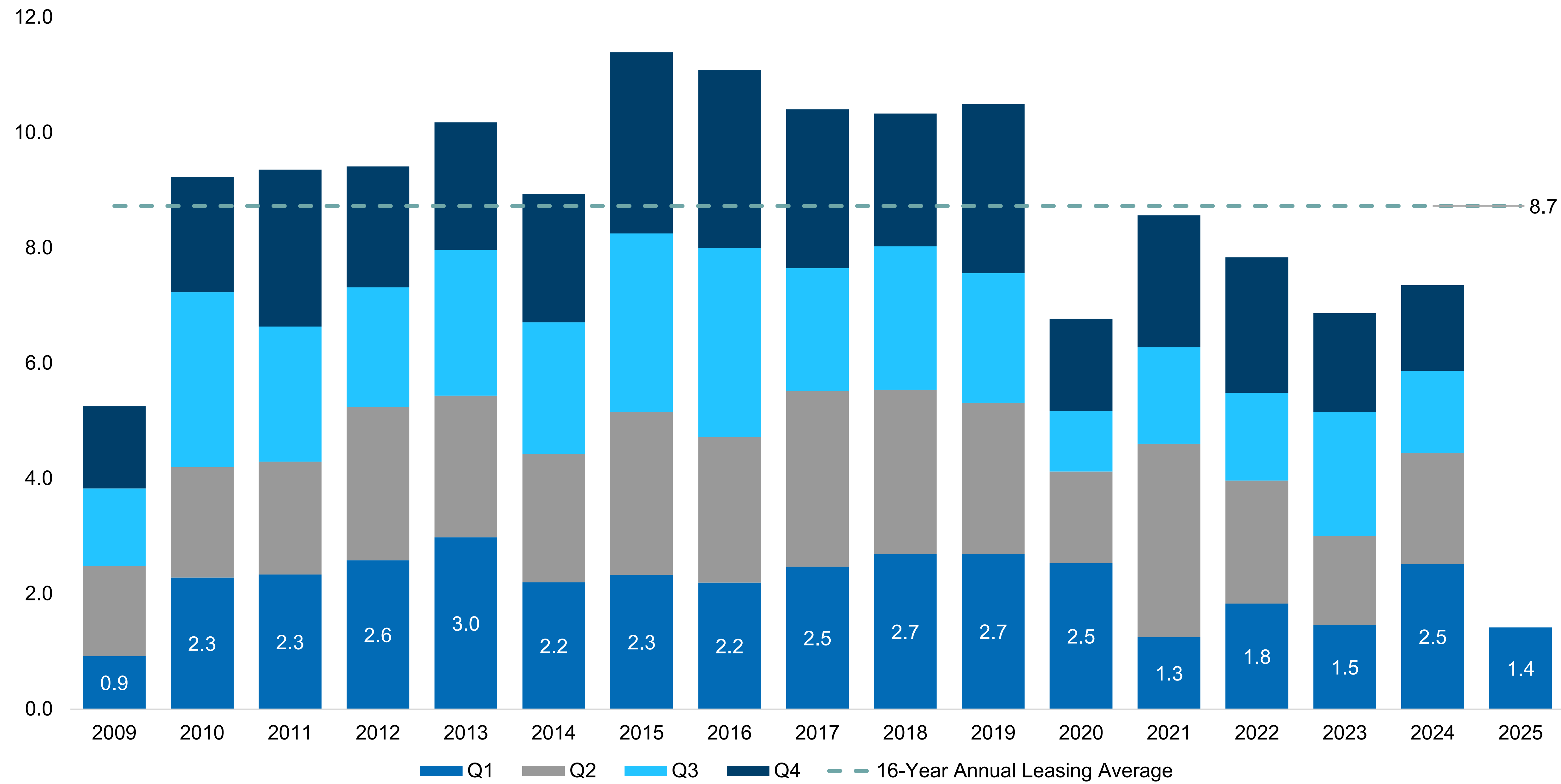


Source: Newmark Research

Greater Philadelphia Leasing Activity Remains Above 1.0M Square Feet Per Quarter

Approximately 1.4M square feet of leases were signed during the first quarter of 2025, falling short of the 1.7M square feet 5-year first quarter average. Recently observed leasing trends in the Greater Philadelphia market include longer lease terms for larger deals and tenants' preference for renewal versus relocation. Some of the largest leases signed in the first quarter include Duane Morris and FS Investments, who signed for 195,757 SF and 117,000 SF, respectively.

Total Leasing Activity (msf)

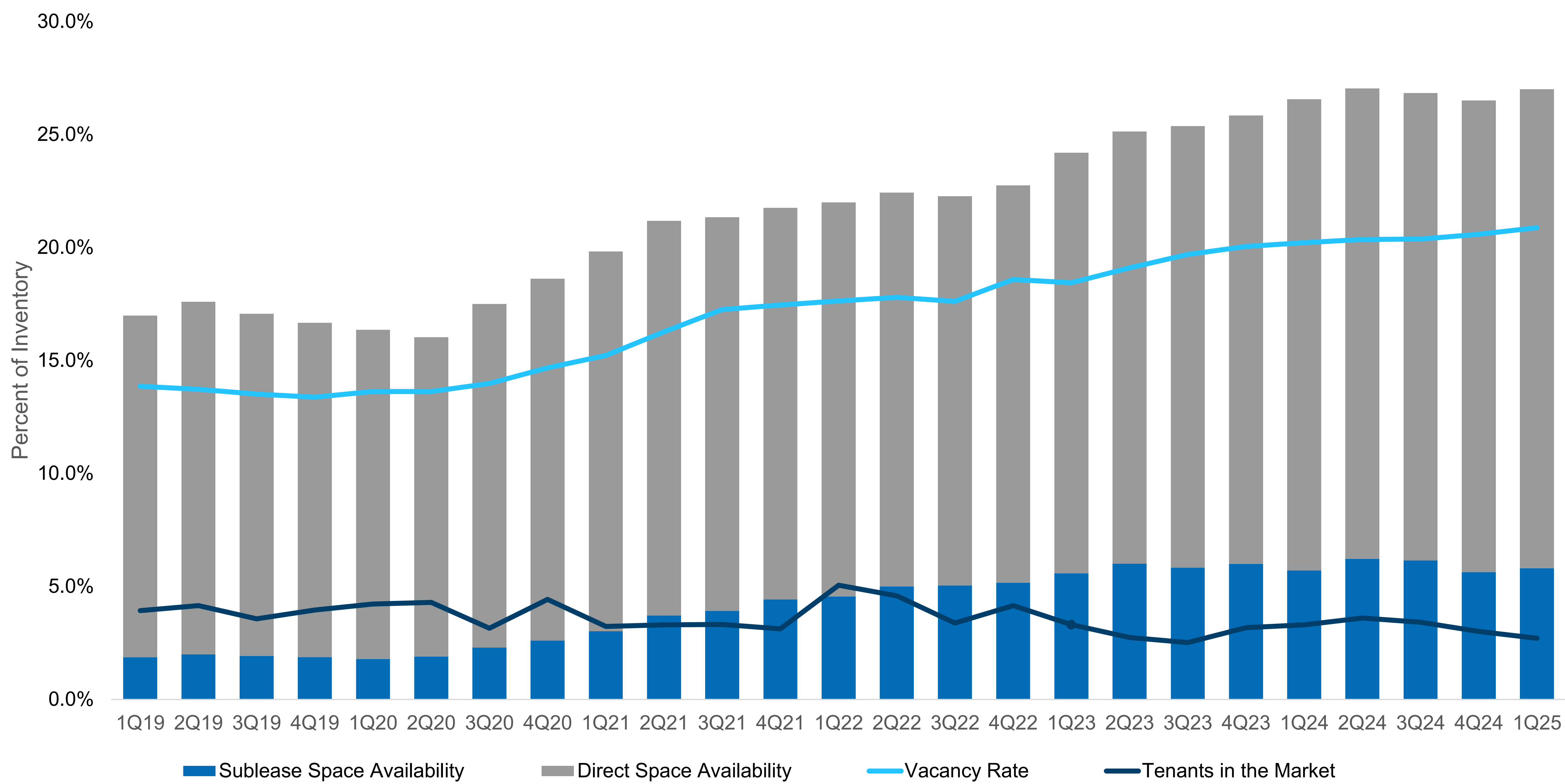


Source: Newmark Research, CoStar

Availabilities Increase While Tenant Demand Slightly Decreases

Office demand in Greater Philadelphia, measured by the total square feet of space tenants in the market, represents 3.7% of the total inventory in the city of Philadelphia and 1.7% of the inventory in the Philadelphia suburbs. Demand has remained consistent over the past few quarters, driven by Philadelphia's primary office users and key industries, including Legal, Finance, Insurance, Real Estate (FIRE), and Healthcare. Approximately 56% of CBD requirements are in the 5,000-25,000 square foot range.

Available Space and Tenant Demand as Percent of Overall Market

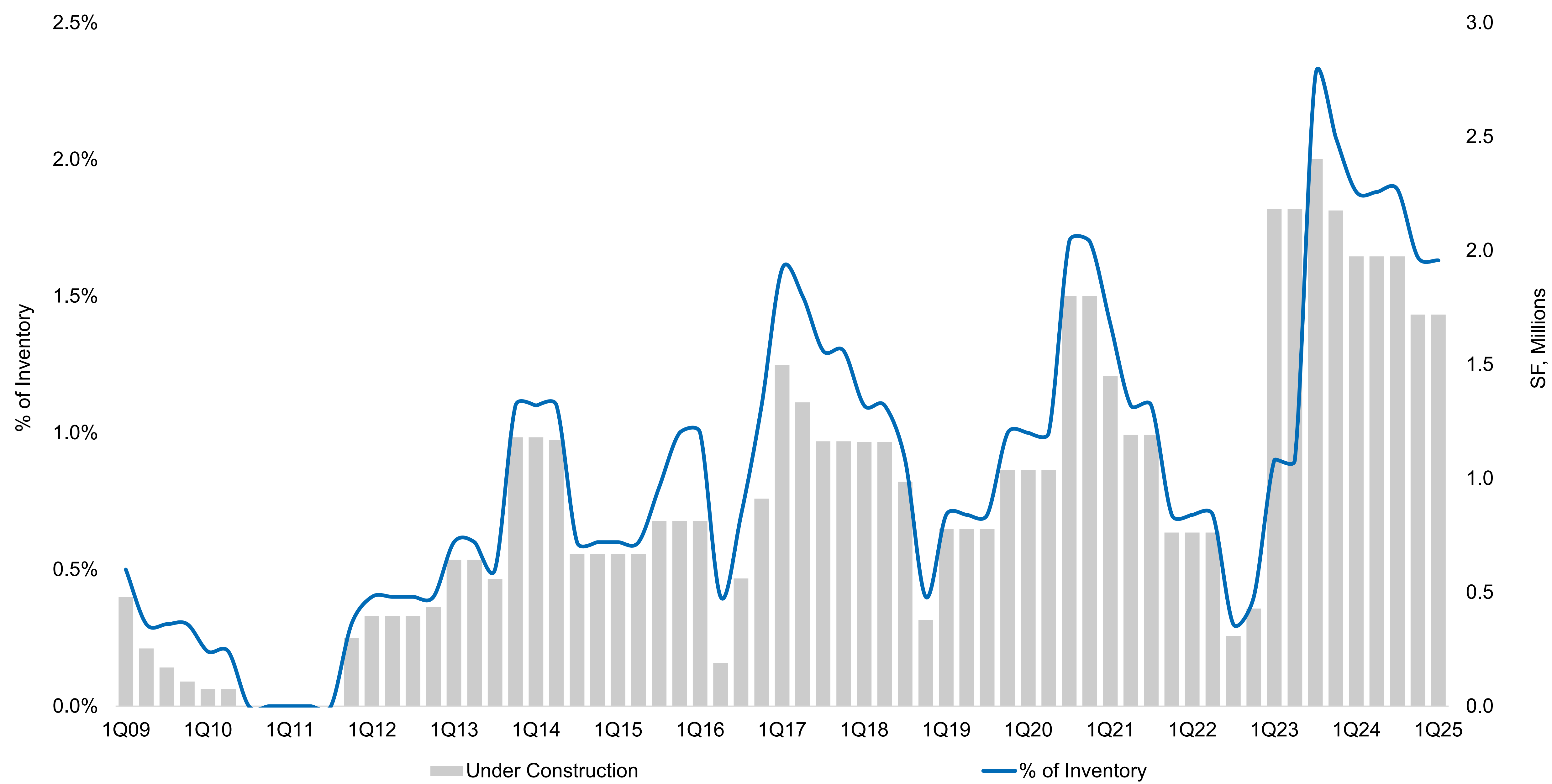


Source: Newmark Research

Greater Philadelphia Construction Pipeline Reflect Historical Consistency

The only office property that remains under construction in the Greater Philadelphia office market is the Chubb Insurance Headquarters (478,800 SF). Three life sciences buildings remain under construction as well: 2300 Market Street (220,000 SF), 3151 Market Street (478,800 SF), and 3201 Cuthbert Street (582,007 SF). Next quarter, 2300 Market Street, 3151 Market Street and 3201 Cuthbert Street are expected to deliver, while the Chubb Insurance Headquarters is projected to deliver in early 2026.

Office Under Construction and % of Inventory

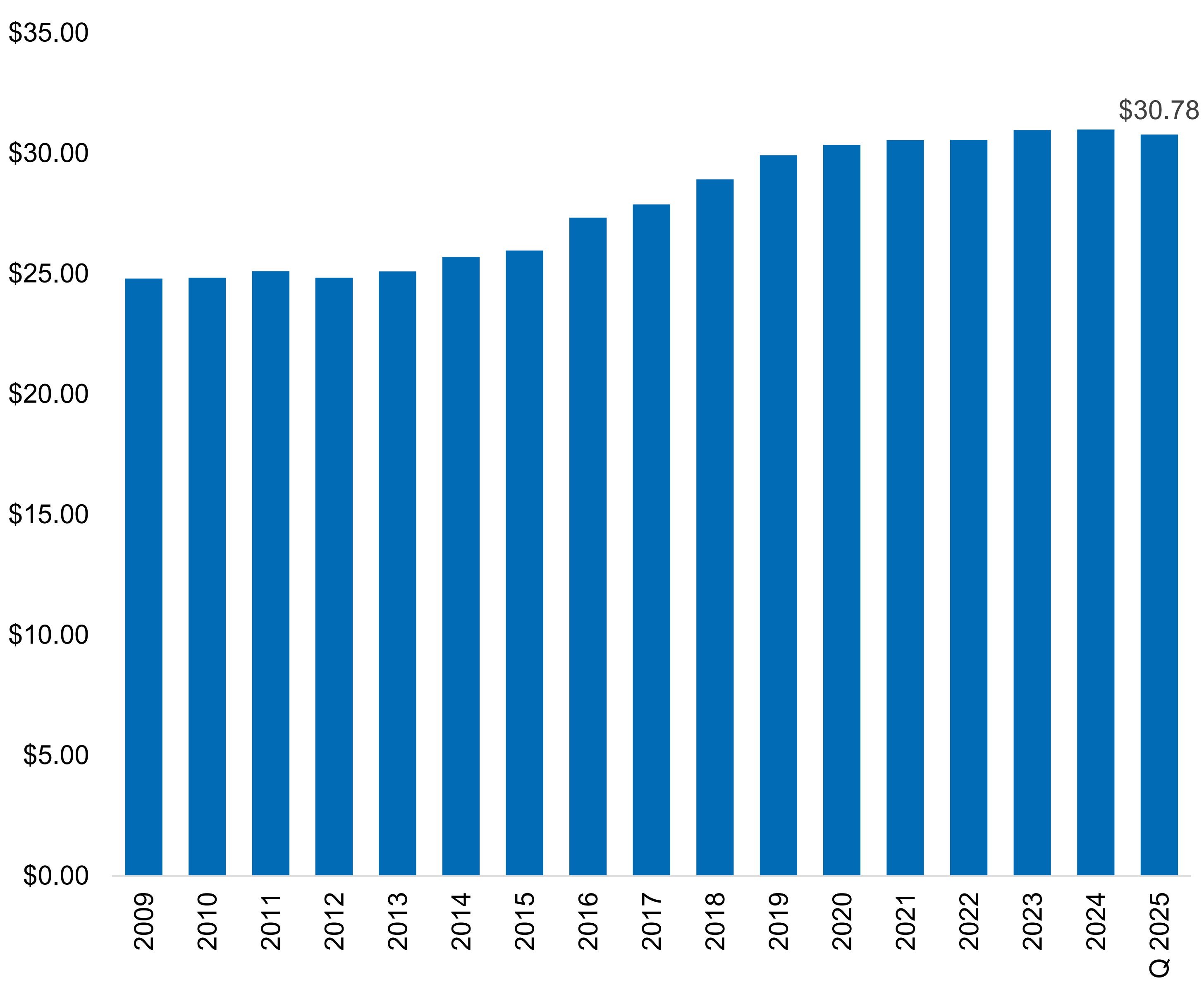


Source: Newmark Research, CoStar

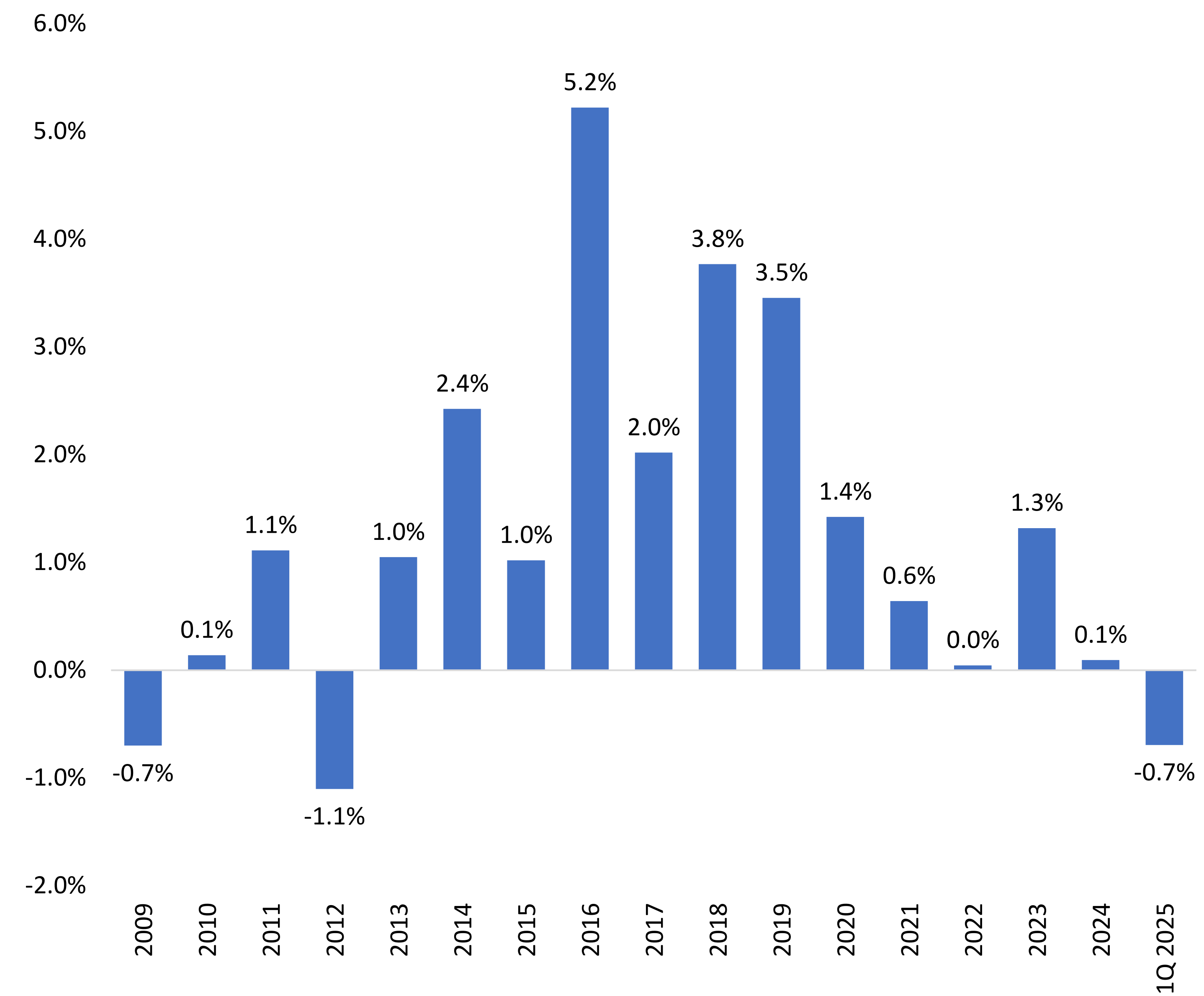
Asking Rents See Slight Decline, But Remain Consistent In The Long-Term

Overall, asking rents dipped slightly between the fourth quarter of 2024 and the first quarter of 2025, to an average of $30.78/SF, but remain historically stable, with little year-over-year fluctuations. Despite a drop in leasing activity, asking rents in the Greater Philadelphia office market remain stable due to a consistent balance of supply and demand in the market, measured by changes in vacancy rates. Over the last 8 quarters, vacancy rates have remained within 1.1% of the 8-quarter average (20.2%). Since 2009, asking rates have changed by an average of 1.5% year-over-year.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

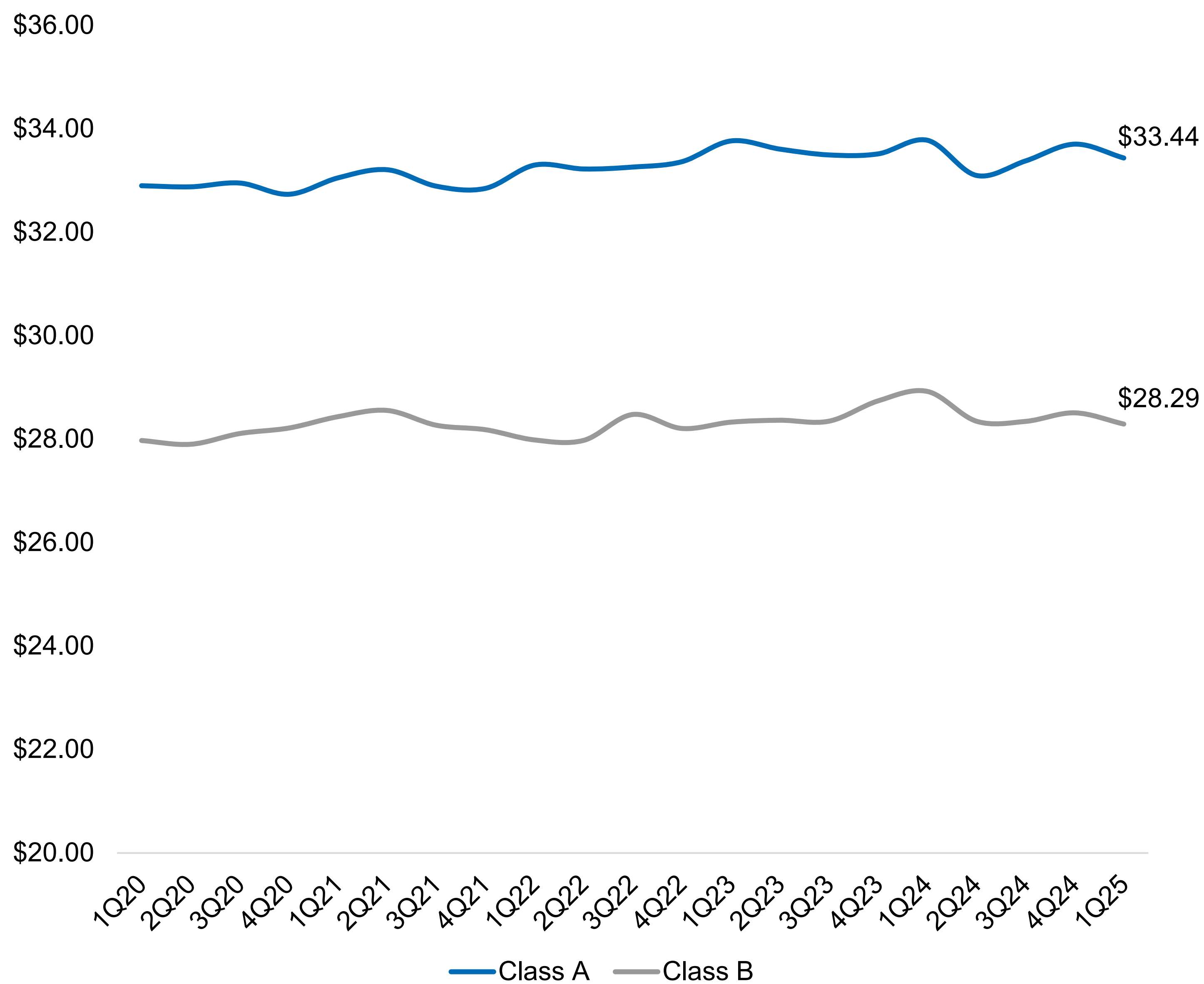


Source: Newmark Research

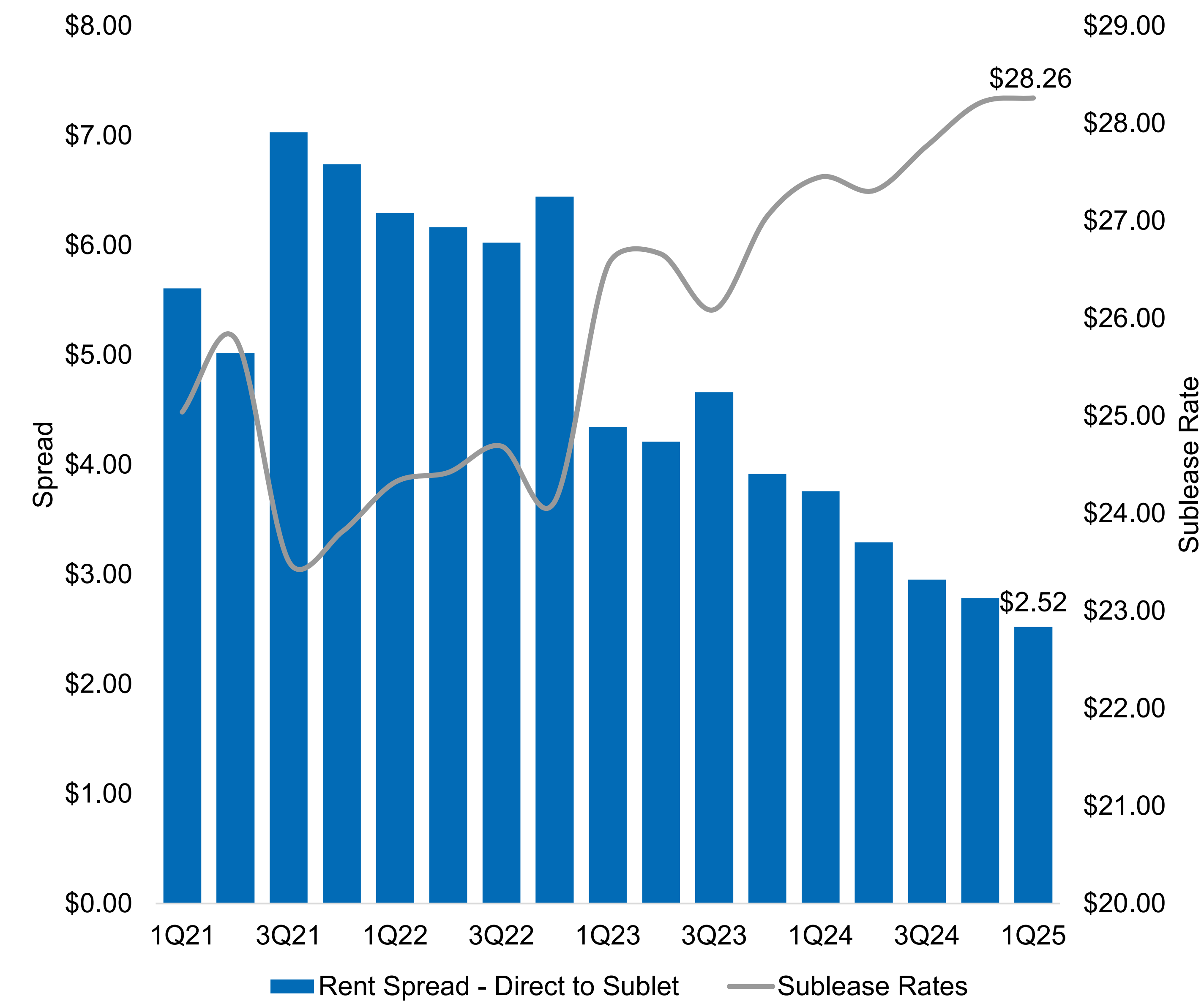
Spreads Remain High Between Class A And Class B Space

Class A and Class B rates fell this quarter by -79 basis points and -76 basis points, respectively. Though Class A rents fell, this occurred after two quarters of growth. In the third quarter of 2024, Class A rents grew by 85 basis points. In the fourth quarter of 2024, Class A Rents grew by 97 basis points. Class B rents experienced growth in the fourth quarter of 2024, increasing by 58 basis points. Spreads between Class A and Class B asking rates have remained above $5.00 PSF since the third quarter of 2024. The higher historical quarterly growth rate of Class A space in comparison to Class B space, coupled with Class A's vacancy rates being 150 basis points lower than those of Class B, underscores the strong demand among occupiers for high-quality spaces.

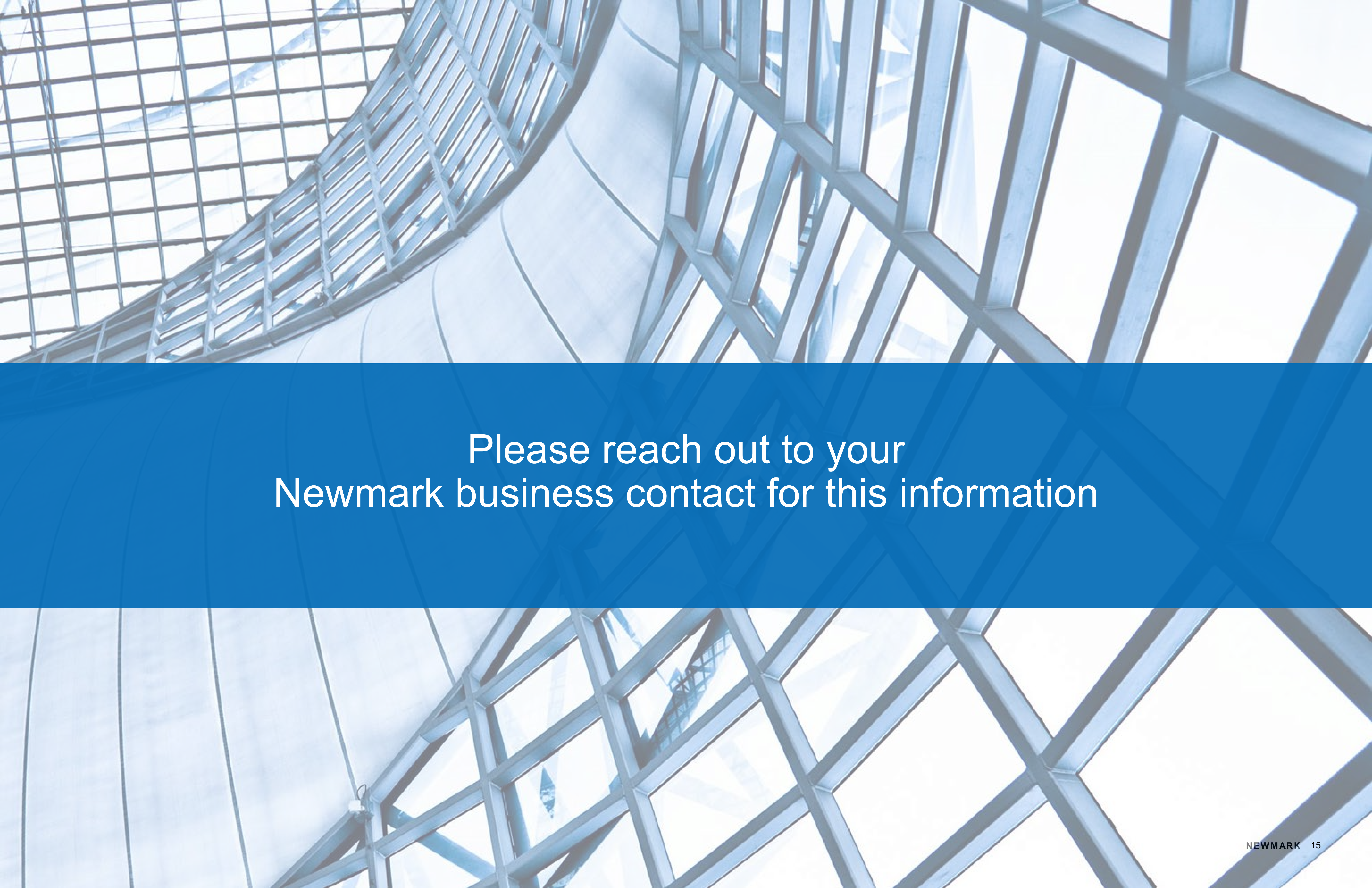
Class A and Class B Asking Rents , $/SF, FS



Sublease Rates



Source: Newmark Research, CoStar



Please reach out to your
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Appendix

GSA Fall Out Creates Vacancies Around Philadelphia

Through the first quarter of 2025, a total of 97,214 SF of space in Philadelphia was terminated due to DOGE's initiative to cut back on costs by terminating office space throughout the country. The largest leases terminated include SEC's 44,765 SF lease at One Penn Center and the Department of Education's 42,995 SF lease at the Wannamaker Building. With more than 62,000 federal workers across 17 agencies losing their jobs across the country in February alone, lease terminations like these being cut create uncertainty for the future of the Government industry in the city of Philadelphia as well as the entirety of the United States.

One Penn Center – Securities And Exchange Commission

Tenant	Securities and Exchange Commission
Size	44,765
Lease Effective Date	4/11/2014
Intended Lease Expiration Date	4/10/2029

Wanamaker Building – Department Of Education

Tenant	Department of Education
Size	42,995
Lease Effective Date	10/1/2011
Intended Lease Expiration Date	9/30/2026

Source: Newmark Research, CoStar; NBC10

Submarket Overview

Submarket Statistics – All Classes

	Total Inventory (SF)	Total Vacancy Rate	Total Available (SF)	Sublease Available (SF)	Total Availability Rate	Qtr. Net Absorption (SF)	Total FS Asking Rent (Price/SF)
CBD – Market East	11,658,930	22.6%	3,315,165	679,258	28.4%	(5,074)	$30.58
CBD – Market West	24,450,333	24.4%	6,879,441	1,551,308	28.1%	(158,279)	$33.07
CBD - Philadelphia	**36,109,263**	**23.8%**	**10,194,606**	**2,230,566**	**28.2%**	**(163,353)**	**$32.38**
University City	5,458,596	17.0%	943,530	180,388	17.3%	(29,546)	$42.65
Navy Yard	983,558	24.8%	396,598	227,201	40.3%	3,447	$29.64
City of Philadelphia	**42,551,417**	**23.0%**	**11,534,734**	**2,638,155**	**27.1%**	**(189,452)**	**$32.91**
Bala Cynwyd	2,771,228	18.0%	567,401	142,052	20.5%	(25,378)	$35.15
Blue Bell/Plymouth Meeting	8,505,221	19.8%	2,534,486	671,879	29.8%	109,809	$27.11
Bucks County	7,293,296	13.8%	1,377,615	291,639	18.9%	24,954	$26.08
Central/Southern Delaware County	5,369,792	21.8%	1,455,148	238,488	27.1%	33,343	$29.60
Conshohocken	3,999,915	20.4%	871,912	280,186	21.8%	(188,252)	$40.61
Exton/Malvern	7,760,010	18.6%	1,900,578	153,713	24.5%	98,191	$28.15
Fort Washington	3,141,246	18.0%	876,767	225,458	24.5%	13,814	$26.17
Horsham/Willow Grove	4,164,542	26.1%	1,623,552	141,148	39.0%	79,734	$26.06
Jenkintown	1,044,051	20.9%	283,804	14,637	27.2%	(479)	$23.71
King of Prussia	13,178,177	22.7%	4,147,124	786,202	31.4%	78,633	$30.37
Radnor/Main Line	2,816,360	10.0%	367,637	123,103	13.1%	38,640	$44.39
Southern 202 Corridor	2,783,630	16.6%	929,551	413,006	33.4%	38,518	$26.80
Suburban Philadelphia	**63,827,026**	**19.6%**	**17,332,173**	**3,708,712**	**27.2%**	**304,974**	**$29.16**
Greater Philadelphia	**105,394,885**	**20.9%**	**28,470,309**	**6,119,666**	**27.0%**	**112,075**	**$30.78**

Source: Newmark Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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