

2Q25

Greater Philadelphia Office Market Overview



NEWMARK

Market Observations



- The Greater Philadelphia economy demonstrated continued strength over the 12 months ending in May, with unemployment declining to 4.0%. This rate is now on par with the national average, although Greater Philadelphia consistently maintained lower unemployment compared to the U.S. throughout the past year. Additionally, annual nonfarm payroll employment rose by 1.3% during this period, marking the fourth consecutive year of positive 12-month growth. The region's largest sector, Education and Health Services, remains the primary engine of employment growth, underscoring its vital role in the local economy.
- Other Services, Education & Health, and Government sectors each grew by at least 140 basis points for the 12 months ending in May. The Other Services industry sector comprises 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.



- During the second quarter, the largest leases signed reflected a balanced blend of urban and suburban locations, highlighting a broad geographic appeal. Key tenant activity centered on the Government, Pharmaceutical, and Engineering sectors. Notable transactions included the City of Philadelphia leasing 56,599 SF at 1601 John F. Kennedy Boulevard, Madrigal Pharmaceuticals securing 54,000 SF at 1001 Conshohocken State Road, and Jacobs Engineering taking 40,899 SF at 225 Washington Street. These significant deals underscore strong demand across diverse industries within the Greater Philadelphia market. The City of Philadelphia is actively proposing multiple new leases across the city as part of its efforts to encourage employees to return to the office. Madrigal Pharmaceuticals is expanding its footprint, growing from approximately 30,000 square feet at 200 Barr Harbor Drive, while Jacobs Engineering is consolidating operations, downsizing from about 60,000 square feet at 2 Ash Street. This sustained activity from a range of industries and organizations illustrates the strength and diversity of leasing demand throughout the Greater Philadelphia region.
- During the quarter, a total of nine office buildings were sold, with an average building size of 39,137 square feet and an average sale price of \$167.30 per square foot. The highest price per square foot was achieved by the 43,480-square-foot Ametek Headquarters building in Tredyffrin, which sold in April for \$278.30 per square foot. Brandywine Realty Trust was the seller, and Urbana Partners was the buyer.



- During the second quarter of 2025, leasing activity totaled approximately 1.3 million square feet, which is below the five-year quarterly average of 1.9 million square feet. This represents a softer start to the year compared to recent historical trends.
- During the second quarter, the Greater Philadelphia market experienced negative net absorption of 177,694 square feet. Conshohocken and Bucks County emerged as the most active submarkets for space absorption this quarter, recording total net absorption of 63,201 square feet and 24,910 square feet, respectively. This strong performance highlights sustained demand in these areas, further reinforcing their appeal to tenants within the Greater Philadelphia region.
- The only office property that remains under construction in the Greater Philadelphia office market is the Chubb Insurance Headquarters (478,800 SF), which is projected to deliver in early 2026. This quarter, one notable life science building was delivered: 3151 Market Street, comprising 478,800 square feet of new space. Meanwhile, two additional life science developments remain under construction—2300 Market Street (220,000 SF) and 3201 Cuthbert Street (582,007 SF). Both projects are on track to be completed and delivered to the market in the upcoming quarter, adding significant inventory to Philadelphia's growing life sciences sector.



- Office demand in Greater Philadelphia, as measured by the total square footage sought by active tenants, represents 4.3% of the total inventory within the city of Philadelphia and 2.2% of the inventory in the surrounding 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 50% of CBD requirements are in the 5,000-25,000 square foot range.
- Office-to-residential conversions are gaining traction in the Greater Philadelphia market, reflecting evolving workplace trends and demand for urban living. Greater Philadelphia is seeing several notable office-to-residential conversion projects currently in progress. At 400 Market Street, floors 2 through 12 are being redeveloped into 176 modern apartments, with completion scheduled for the third quarter of 2026. Six Penn Center is undergoing renovations to transform the 240,000-square-foot building into 299 apartments, with delivery expected by the third quarter of 2025. The conversion of Three Parkway is also underway, creating 175 residential units from the 9th floor down. Additionally, Ten Penn Center has a planned partial conversion, with residential units to be added from the 15th floor upward. These projects reflect the growing momentum behind adaptive reuse in the region's multifamily housing market.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

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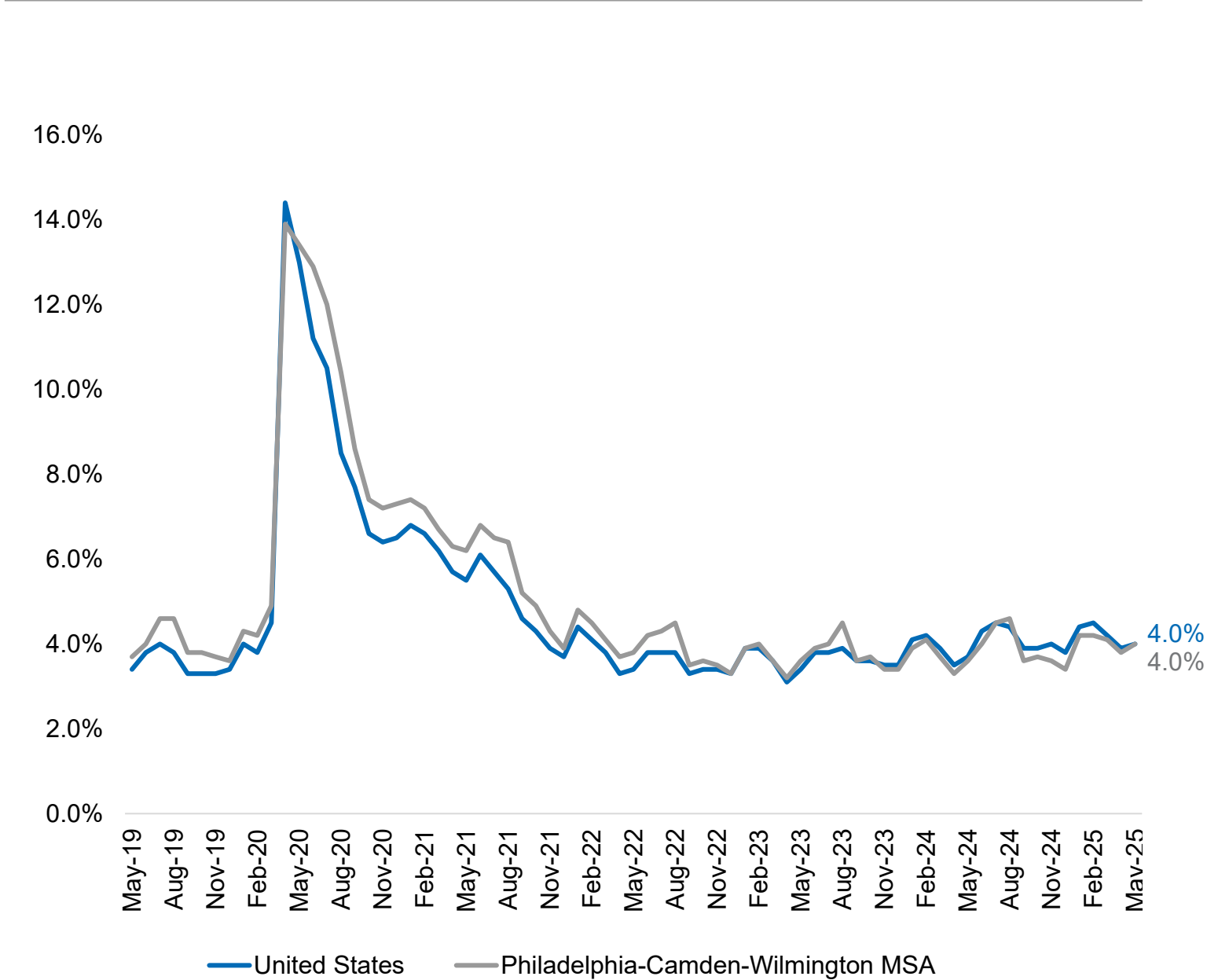
Economy



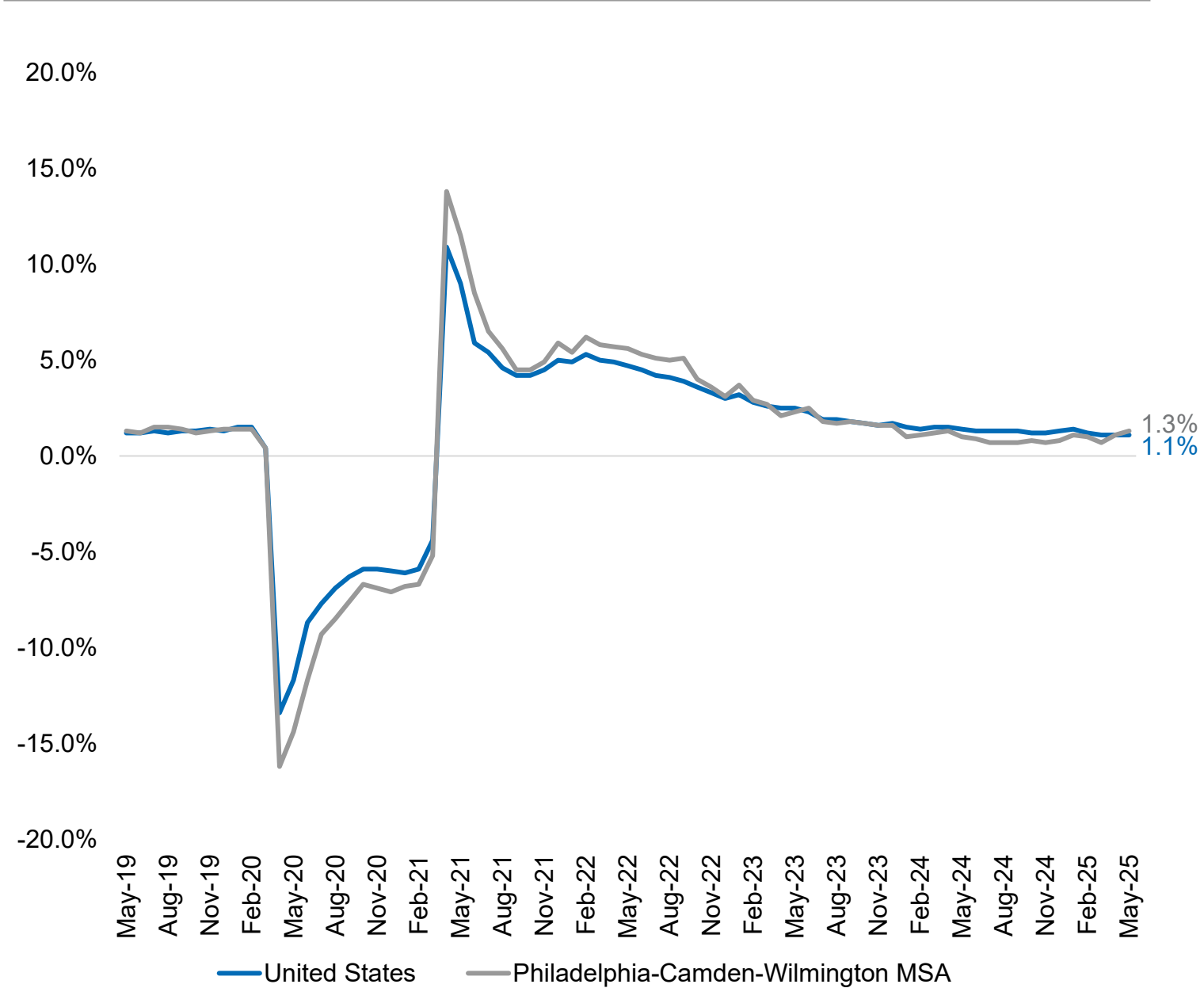
Philadelphia's Unemployment Rate Matches National Average

The Greater Philadelphia economy experienced a slight uptick in unemployment for the 12 months ending in May, bringing the regional rate in line with the national average after a year of outperforming the U.S. benchmark. Despite the modest increase, nonfarm payroll employment grew by 1.3% in May, marking an improvement over the moderate growth seen during the latter half of 2024. The Education and Health Services sector, the region's largest industry, remains the primary engine of employment growth, continuing to underpin the area's economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



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

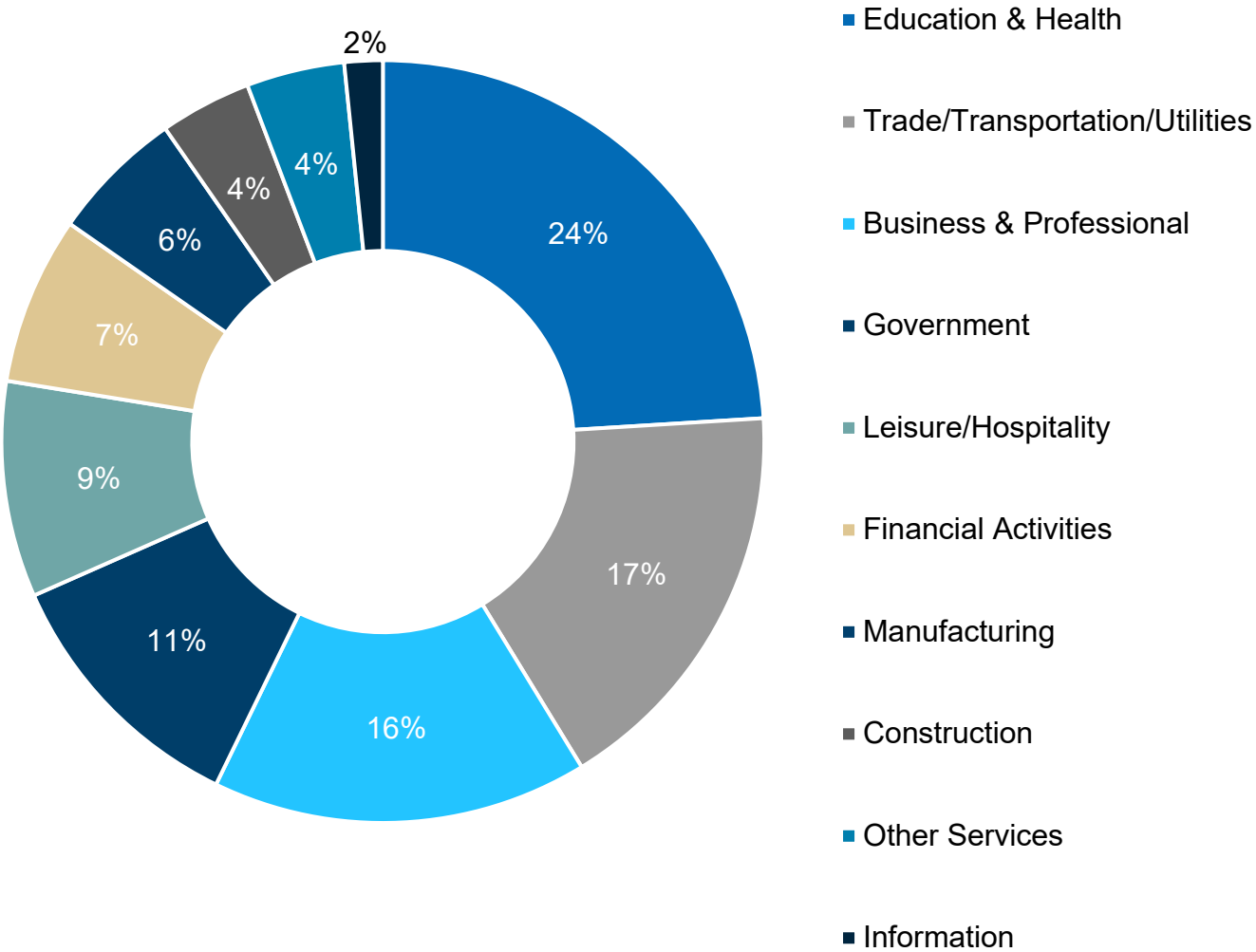


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

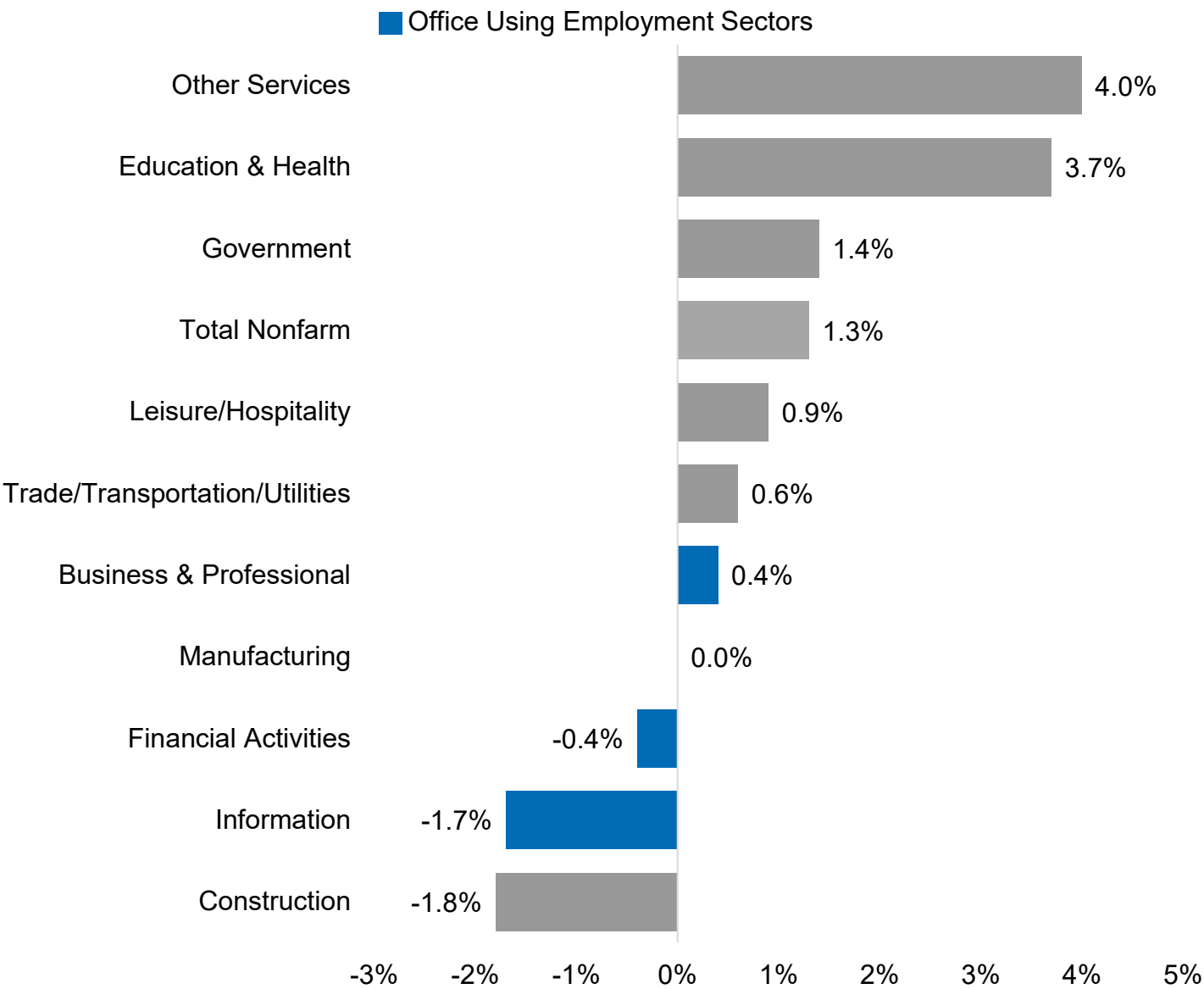
Office-Using Industries Decline While Healthcare And Education Continue To Grow

Other Services, Education & Health, and Government sectors each grew by at least 140 basis points for the 12 months ending in May. The Other Services industry sector comprises establishments that do not fit into traditional industry categories and typically are not office-using employers. Along with the region's two other fastest-growing sectors, these top three industries collectively account for approximately 40% of Greater Philadelphia's labor force. Robust annual employment gains across these sectors are a positive sign for the regional economy, indicating diverse sources of job growth and economic resilience.

Employment by Industry, May 2025



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

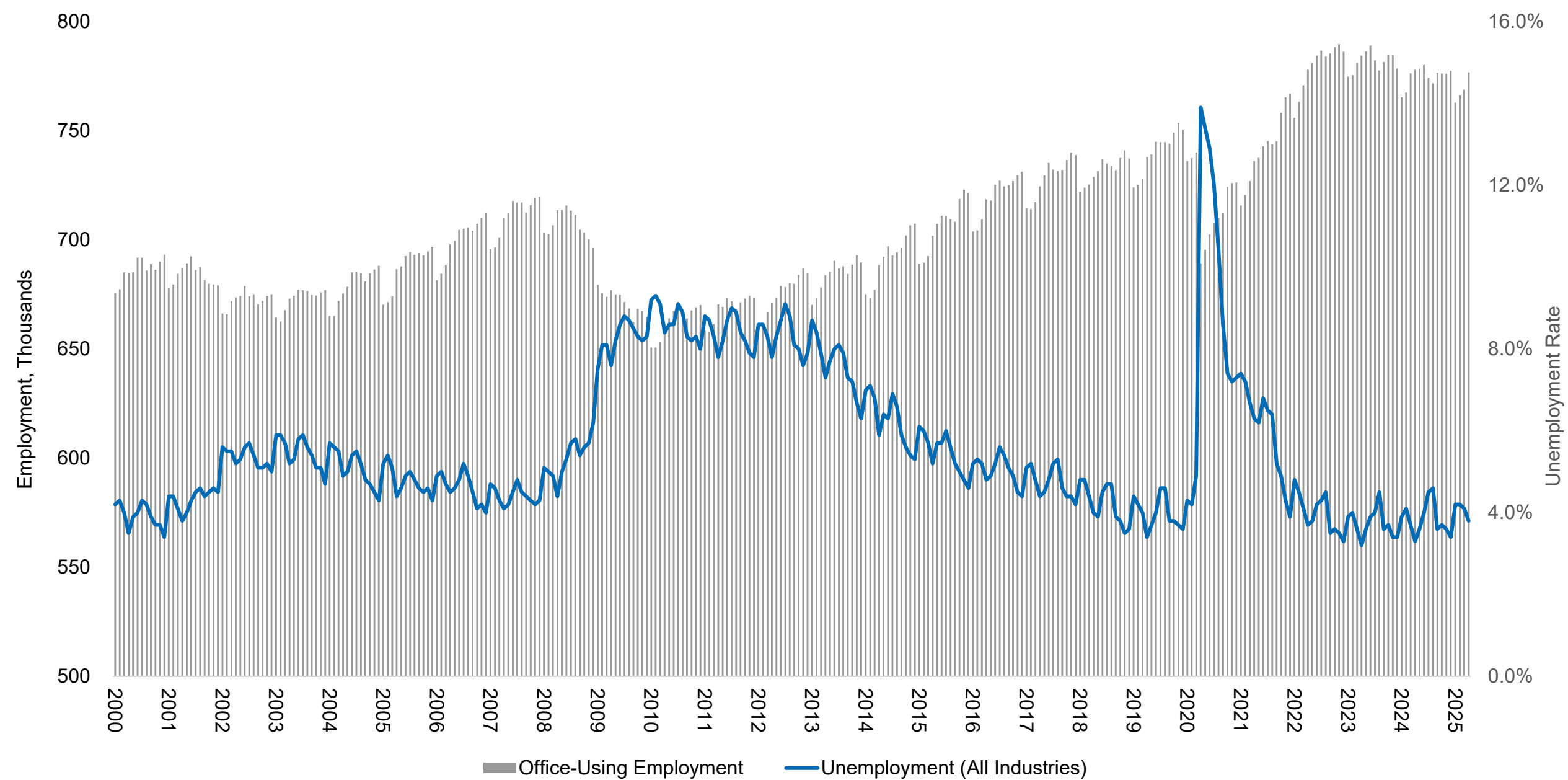


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Office-Using Employment In The Region Remains Steady

In May 2025, the annual percentage change in office-using employment was 3 basis points. This modest growth was primarily driven by the region’s largest office-using employment sector, Business & Professional Services, which expanded by approximately 40 basis points. The sector’s performance played a key role in supporting overall employment gains within the Greater Philadelphia market.

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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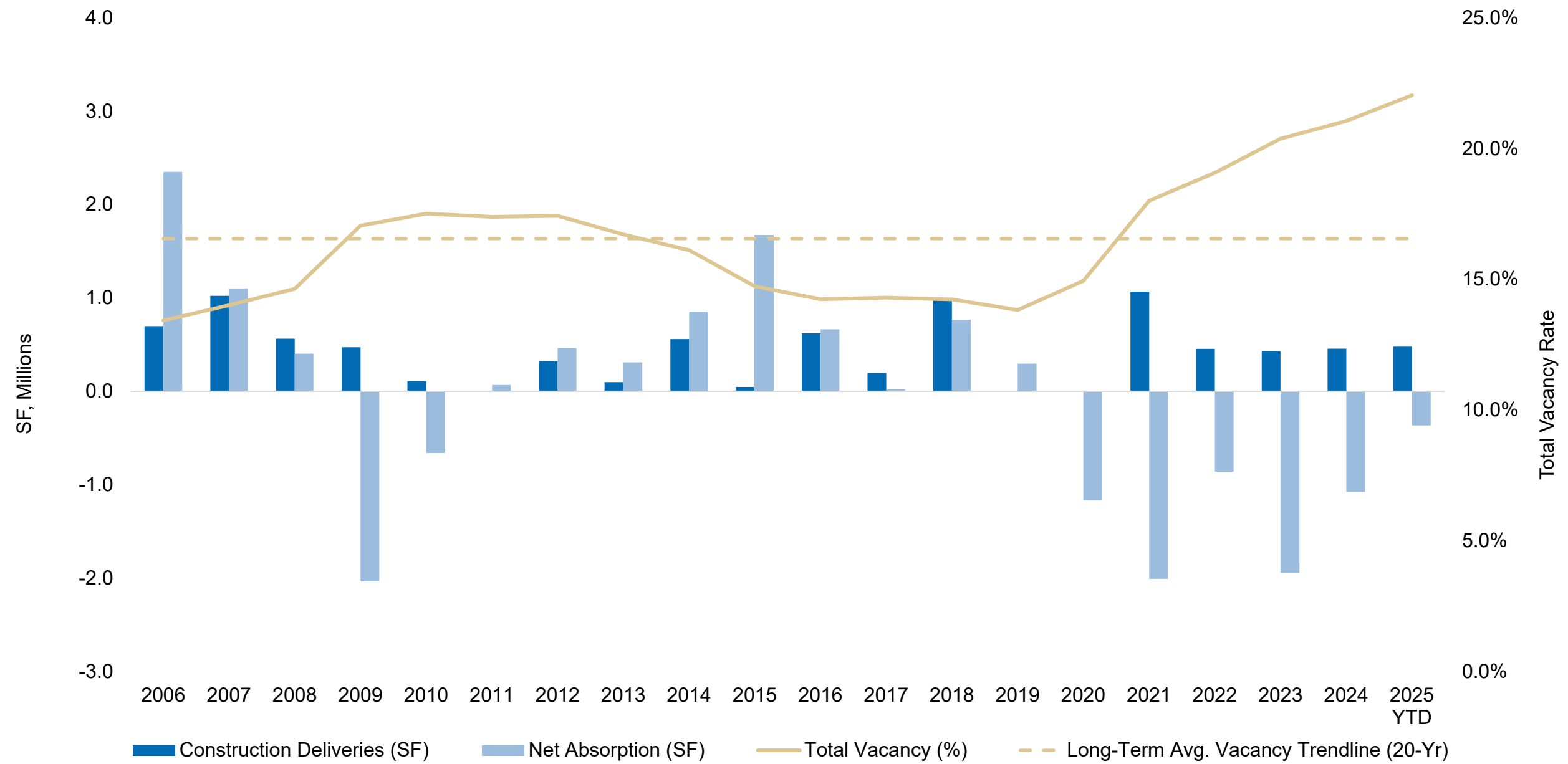
Leasing Market Fundamentals



Class B Properties Drive Down Absorption

The Greater Philadelphia office market experienced negative quarterly net absorption of 177,964 square feet in the second quarter of 2025. Since the beginning of 2022, quarterly absorption has averaged negative 303,697 square feet, reflecting a moderation in negative absorption over the last few quarters. Class B properties are the primary driver of this negative absorption, with a year-to-date negative absorption of 214,736 square feet. In the current pipeline of market deals, 672,062 square feet—accounting for 25.9% of total occupier requirements—are attributed to businesses seeking to expand their existing space. Additionally, 336,793 square feet, or 13.0% of occupier demand, comes from companies new to the Greater Philadelphia market. These figures highlight both the ongoing growth ambitions of established firms and the region's ability to attract new tenants.

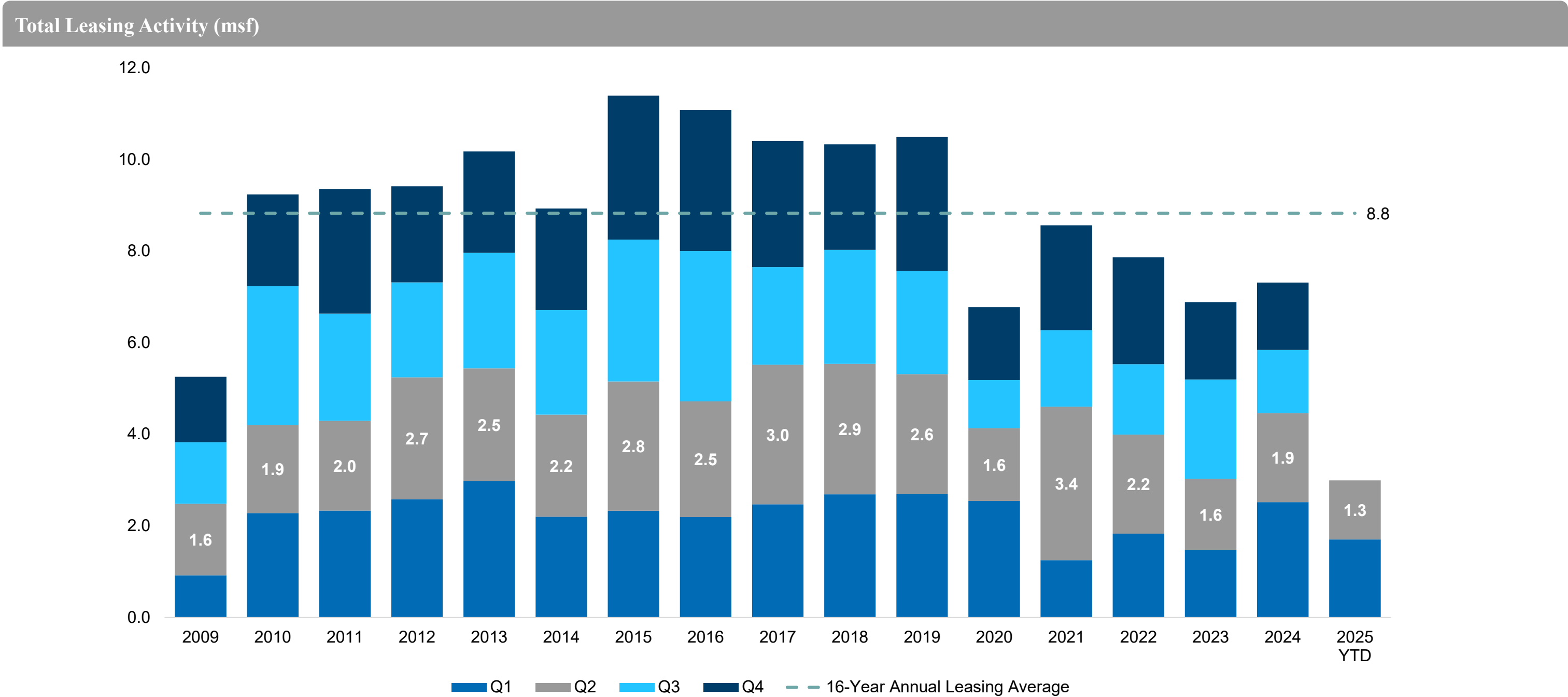
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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

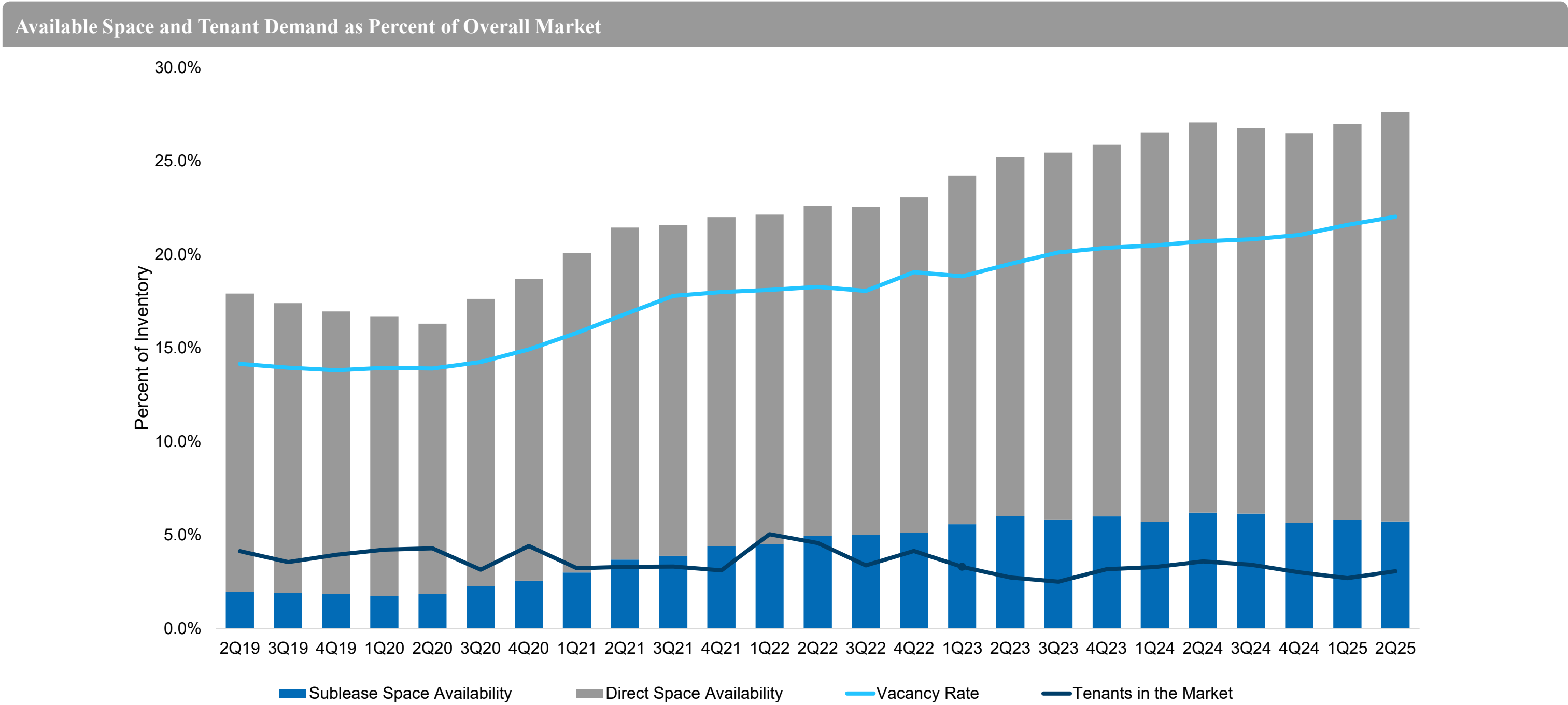
Approximately 1.3 million square feet of leases were signed during the second quarter of 2025, falling short of the 5-year quarterly average of 1.9 million square feet. Recently observed leasing trends in the Greater Philadelphia market include longer lease terms for larger deals and tenants' preference for renewal versus relocation. Among the largest leases secured in the second quarter were The City of Philadelphia, which signed for 56,599 square feet, and Madrigal Pharmaceuticals, Inc., which committed to 54,000 square feet.



Source: Newmark Research, CoStar

Availabilities And Tenant Demand Increase

Office demand in Greater Philadelphia, measured by the total square footage of space in the market, represents 4.3% of the total inventory in the city of Philadelphia and 2.2% 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 half of the current tenant requirements in the Central Business District (CBD) fall within the 5,000 to 25,000 square foot range. This strong concentration reflects consistent demand from small to mid-sized occupiers seeking flexible office space options in the heart of the city.

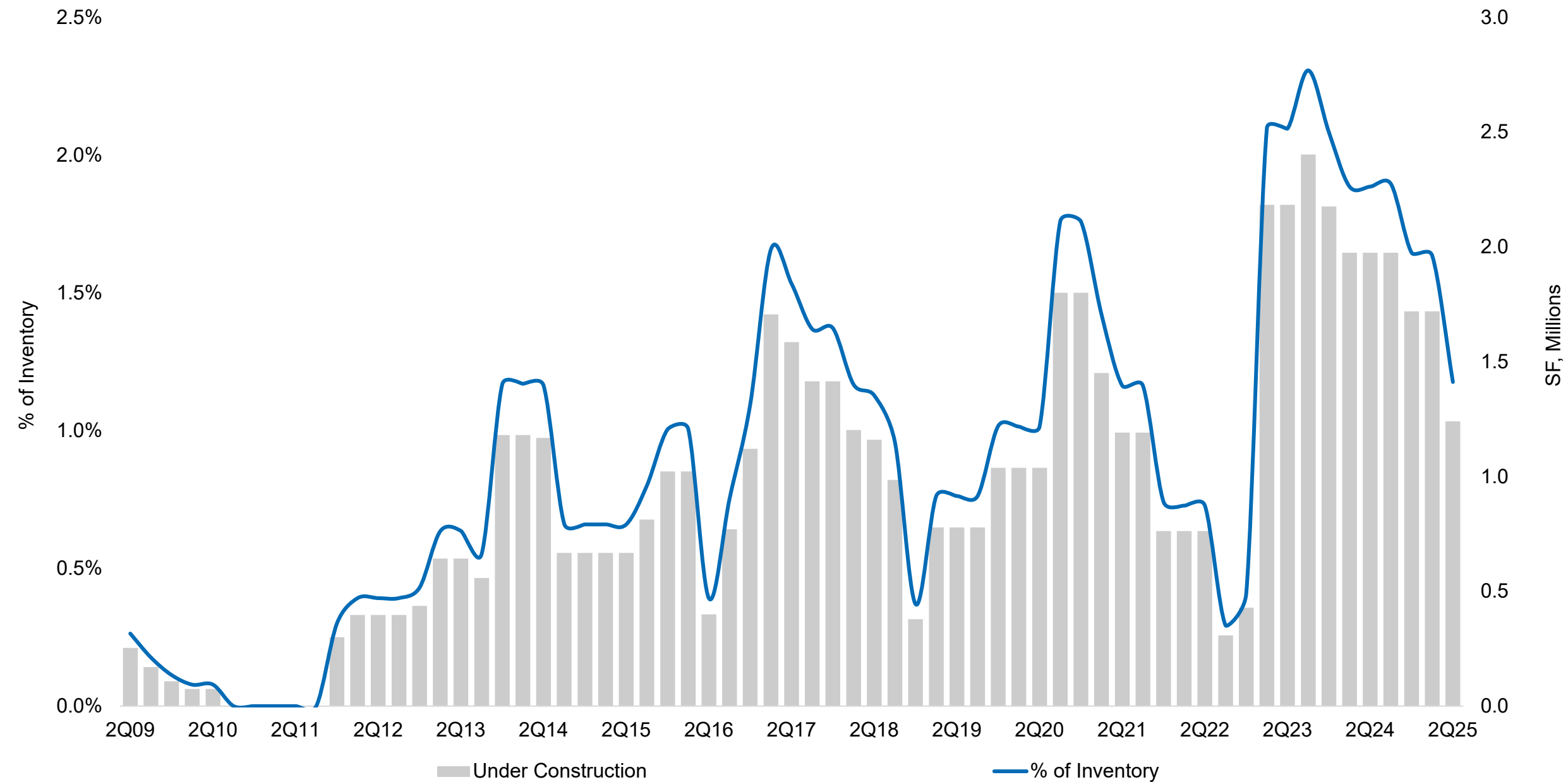


Source: Newmark Research

Greater Philadelphia Construction Pipeline Continues To Shrink

Currently, the only office property under construction in the Greater Philadelphia office market is the Chubb Insurance Headquarters, totaling 478,800 square feet and scheduled for delivery in early 2026. In the life sciences sector, one significant project—3151 Market Street (478,800 SF)—was delivered this quarter. Two additional life science developments remain underway: 2300 Market Street (220,000 SF) in the West Market and 3201 Cuthbert Street (582,007 SF) in University City. Both 2300 Market Street and 3201 Cuthbert Street are anticipated to deliver next quarter, further contributing to the region’s growing inventory of life sciences space.

Office Under Construction and % of Inventory

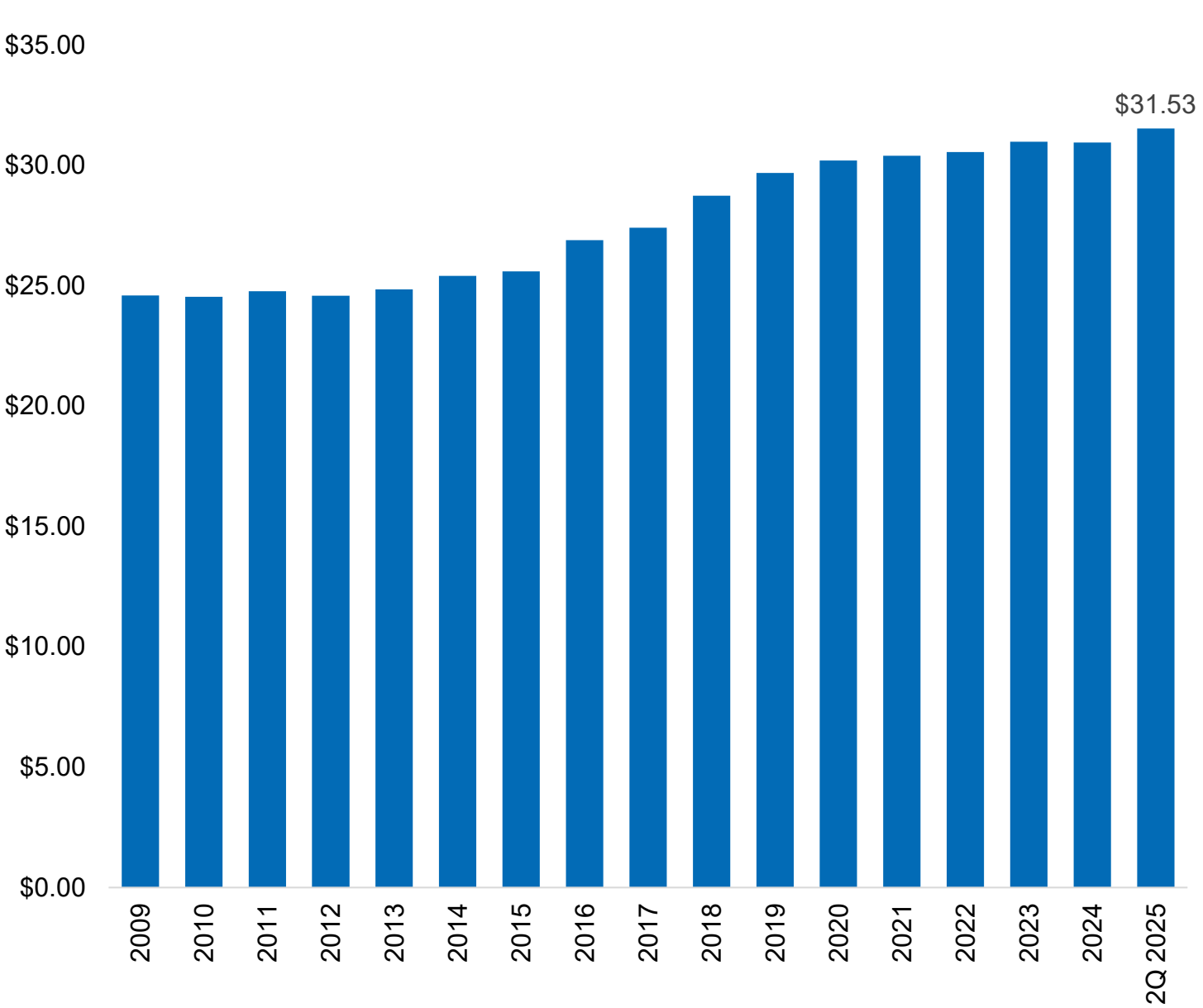


Source: Newmark Research, CoStar

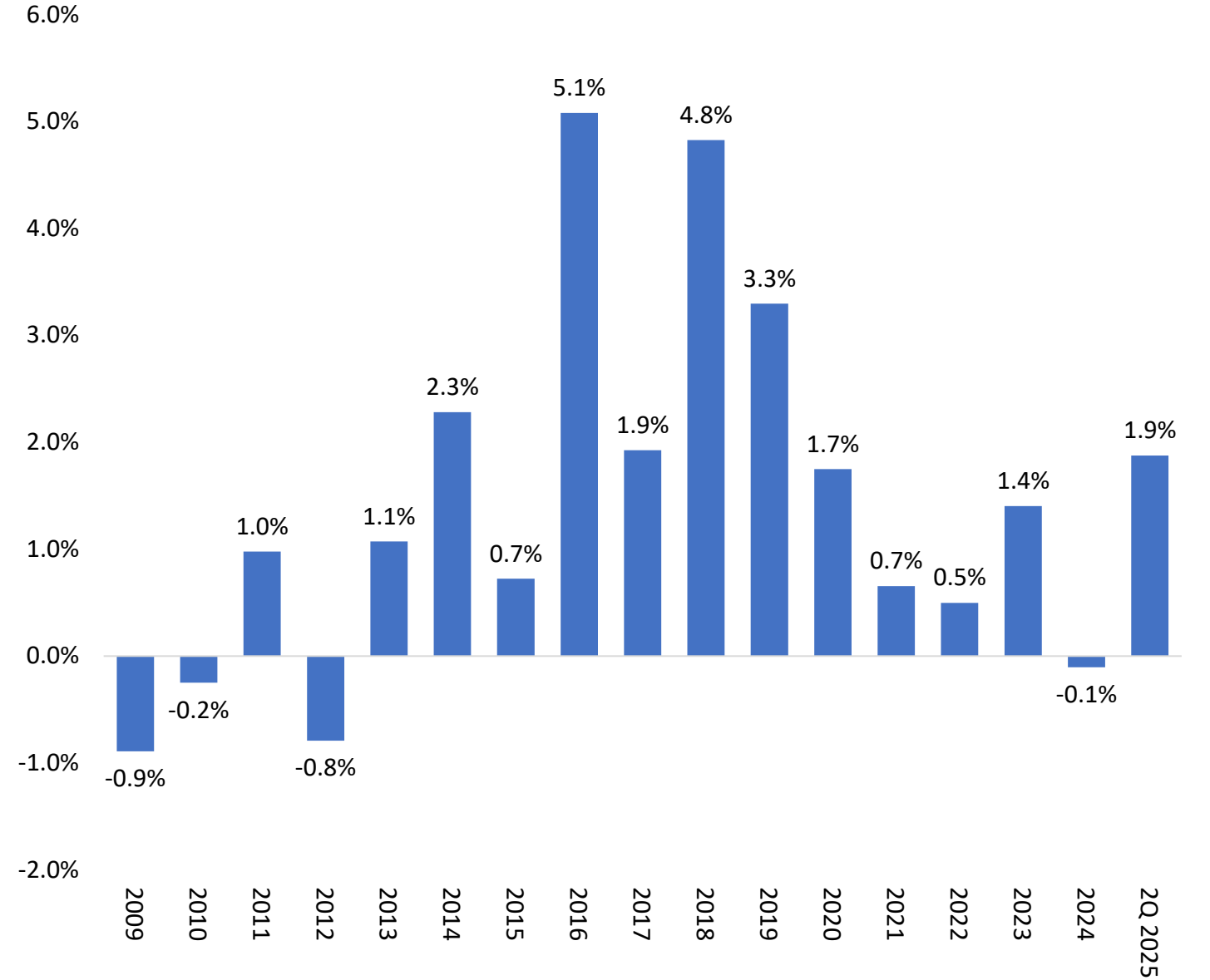
Asking Rents Reach All-Time High In Greater Philadelphia

Between the first and second quarters of 2025, asking rents in Greater Philadelphia reached a record high of \$31.53 per square foot. This peak was largely fueled by strong demand for prime Class A and trophy office spaces in the CBD West Market. Despite this new benchmark, rent levels have remained historically stable, with minimal year-over-year fluctuations. Even as leasing activity has slowed, asking rents have been sustained by a consistent balance of supply and demand, as evidenced by stable vacancy rates. Over the last eight quarters, vacancy rates have remained within 1.4% of the eight-quarter average of 20.9%, highlighting remarkable consistency in market fundamentals. Since 2009, annual changes in asking rates have averaged just 1.4%, underscoring the market’s long-term stability.

Office Average Asking Rent, \$/SF, FS



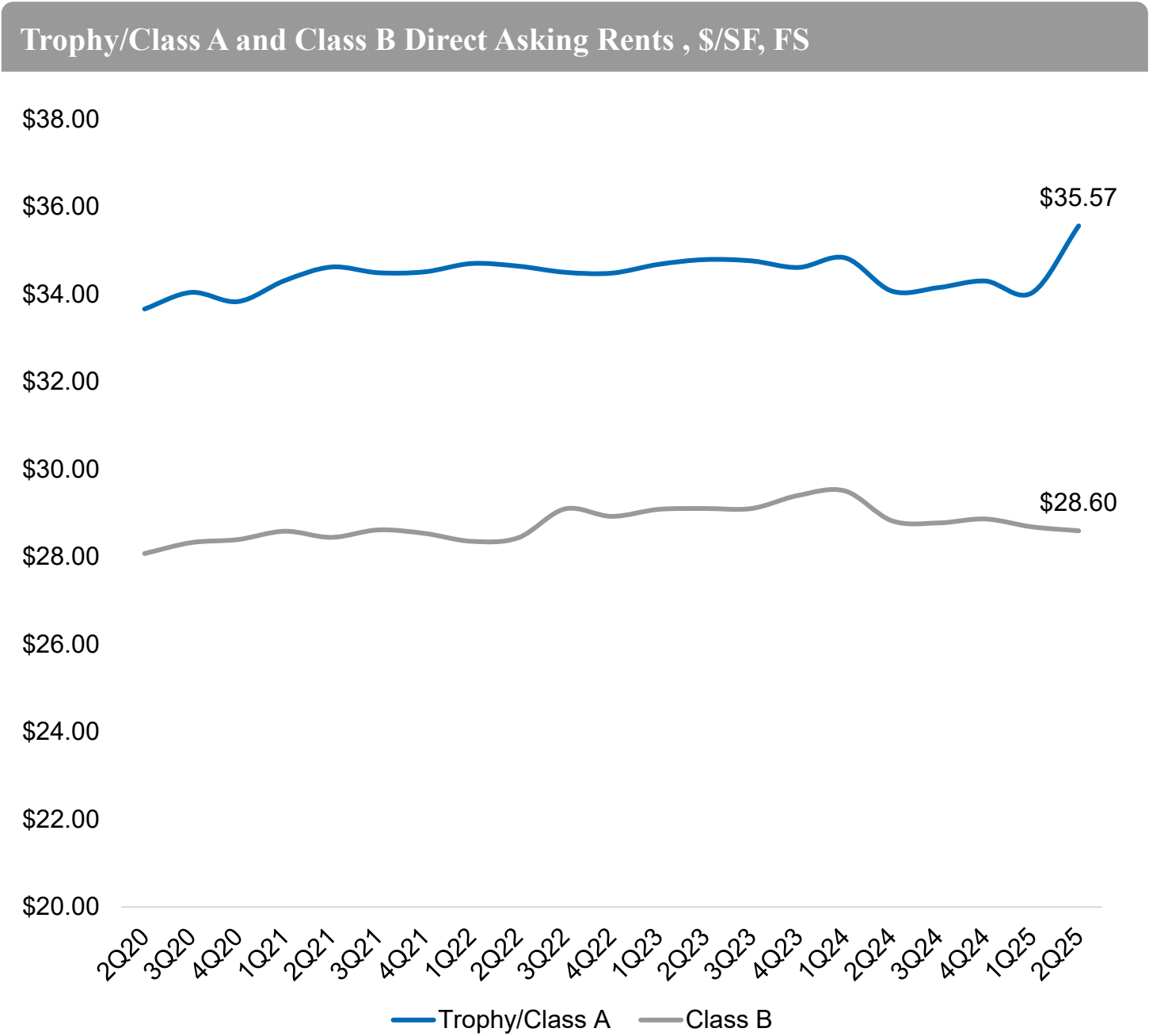
Year-over-Year Asking Rent Growth Rate



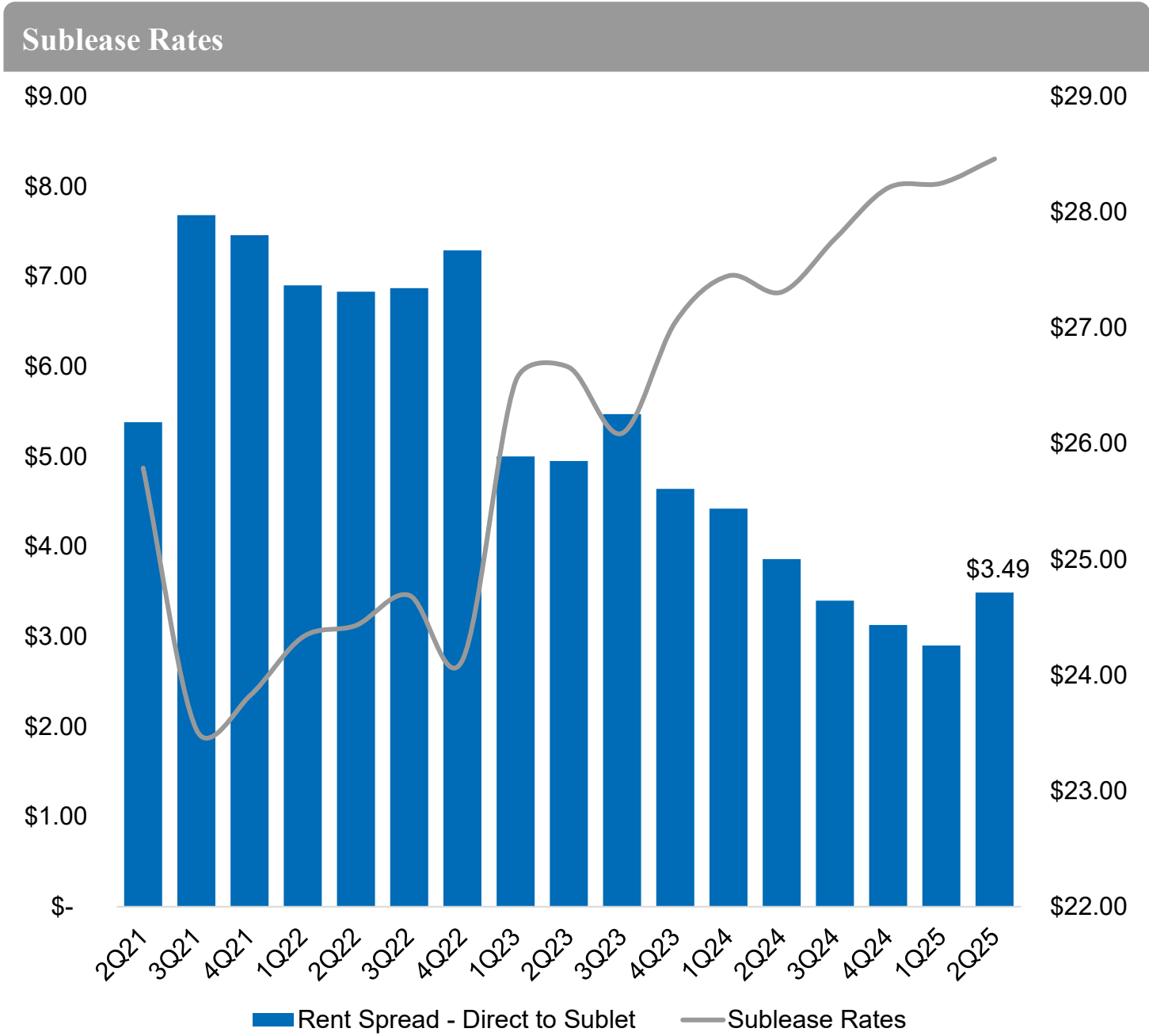
Source: Newmark Research

Sublease Rates Continue To Trend Upward

Between the first and second quarter of 2025, sublease rates grew by 70 basis points. This has been a consistent trend in the Greater Philadelphia market, as sublease rates have experienced quarter-over-quarter increases by an average of 80 basis points over the last eight quarters. Though sublease rates are on the rise, spreads between direct and sublease asking rents also grew this quarter, primarily driven by a growth in direct Class A asking rates.



Source: Newmark Research, CoStar





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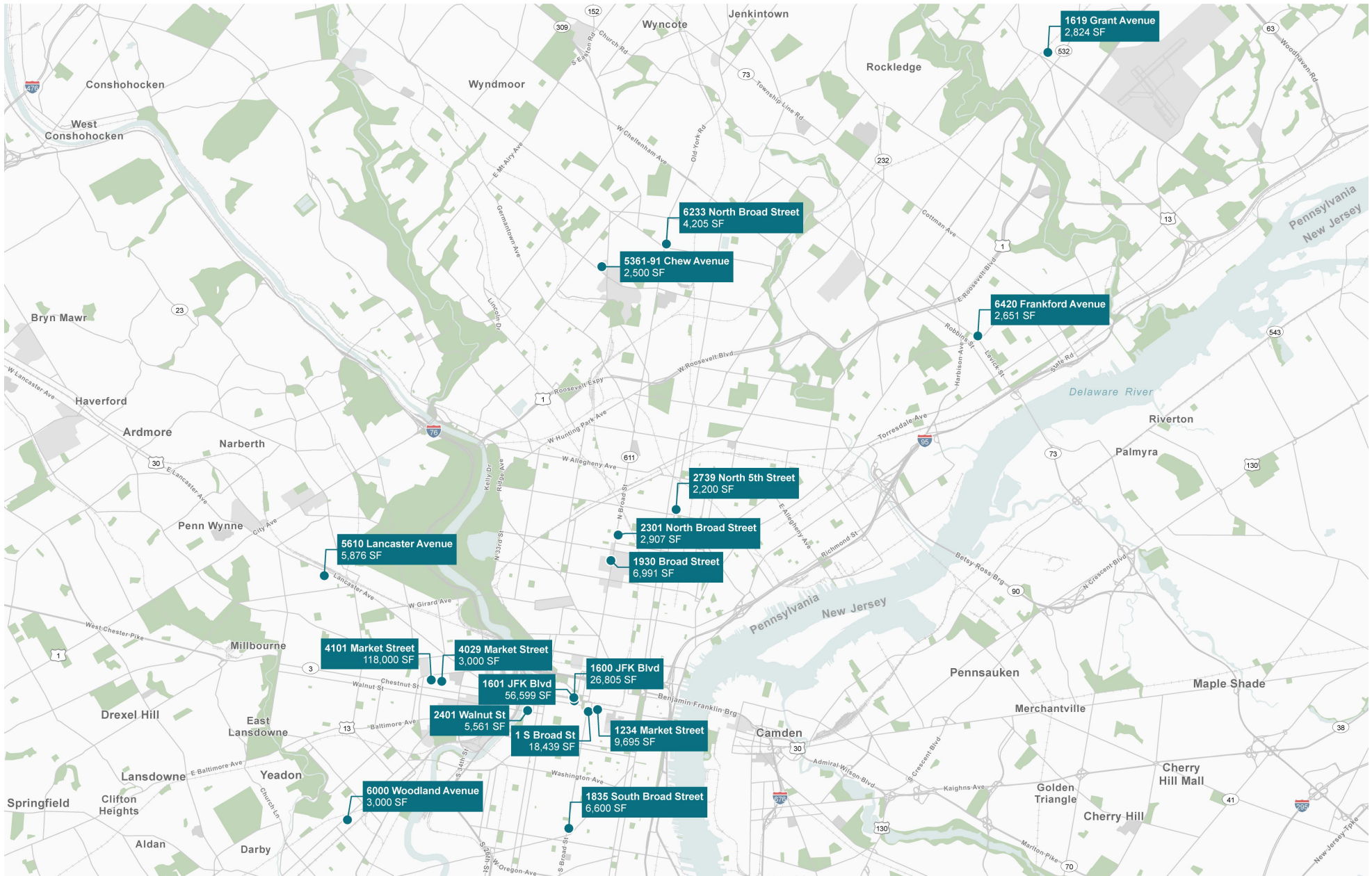
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Appendix



Local Government Helps Lead New Demand For Office Space

During the peak of the COVID-19 pandemic, the City of Philadelphia canceled many of its office leases, as it was deemed unnecessary to continue paying rent for spaces that were largely empty while employees worked remotely. This move mirrors a nationwide trend, as organizations across both the public and private sectors continue to reassess their real estate strategies in response to the growing impact of remote and hybrid work models. However, once the pandemic subsided and the city began encouraging employees to return to in-person work, it faced a new challenge: it no longer had enough office space to accommodate its workforce. In response, the city began actively planning to lease office space throughout Philadelphia to meet its operational needs. Since the beginning of 2025, the City of Philadelphia has either signed or proposed 21 leases, totaling over 250,000 square feet of office space. Notable deals and propositions include a 118,000-square-foot proposed lease at 3.0 University Place and a 56,599-square-foot lease at One Penn Center. This renewed leasing activity by a major tenant, such as the city government, is a promising sign for Philadelphia's office market. The city's commitment to reestablishing a physical presence not only signals confidence in the value of in-person work but also boosts occupancy rates in the city. As a stable, long-term tenant, the city's leasing activity may help anchor key commercial properties and encourage other organizations to follow suit, potentially accelerating the recovery of the downtown office sector.

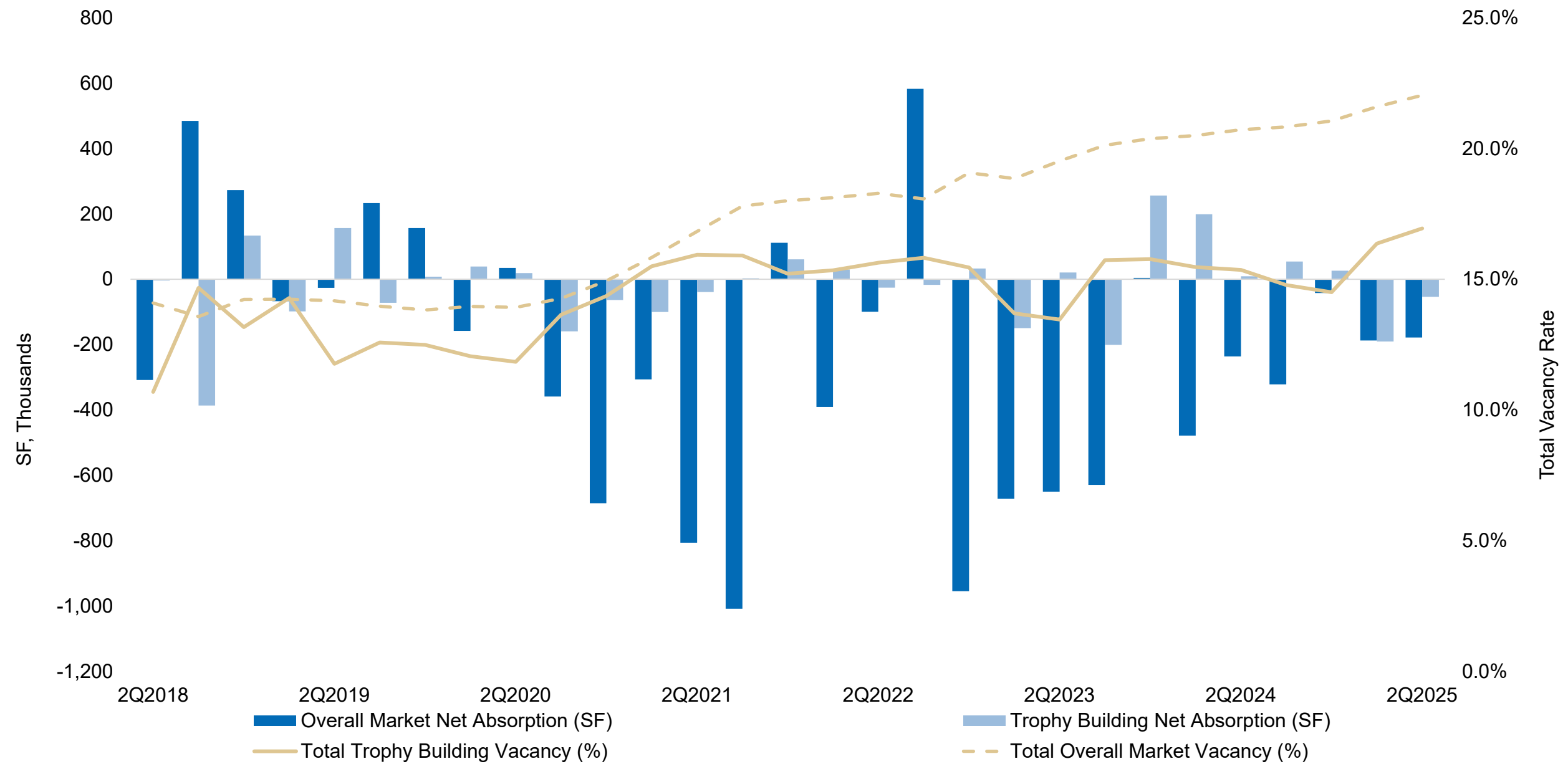


Source: Newmark Research, Philadelphia City Council
* Only 17 of the 21 leases are listed in the image

Trophy Office Outperforms The Greater Philadelphia Market

Trophy office buildings in Philadelphia continue to demonstrate exceptional performance relative to the broader market. These premier assets consistently attract high-quality tenants with strong credit profiles, offering superior amenities that enable them to sustain higher-than-average occupancy and rental rates, even during periods of economic uncertainty. As a result, asking rents for trophy space remain over 40.4% above the overall market average. Additionally, vacancy rates for trophy properties are the lowest in the market at 16.9%, compared to the overall office vacancy rate of 22.0% in the second quarter. These factors highlight the enduring appeal and resilience of trophy office assets in Philadelphia.

Historical Net Absorption, and Vacancy For Trophy Buildings* And The Overall Market



Source: Newmark Research

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	11,547,391	23.3%	3,426,142	683,079	29.7%	(23,638)	\$30.08
CBD – Market West	24,450,333	24.8%	6,964,563	1,623,999	28.5%	3,551	\$33.55
CBD - Philadelphia	35,997,724	24.3%	10,390,705	2,307,078	28.9%	(20,087)	\$32.56
University City	5,783,096	23.7%	1,251,504	189,983	21.6%	(1,602)	\$55.96
Navy Yard	983,558	32.7%	397,854	219,390	40.5%	(71,677)	\$29.18
City of Philadelphia	42,764,378	24.4%	12,040,063	2,716,451	28.3%	(99,067)	\$34.40
Bala Cynwyd	2,771,228	18.3%	573,189	140,926	20.7%	(8,549)	\$35.01
Blue Bell/Plymouth Meeting	8,505,221	20.0%	2,388,686	625,993	28.1%	(5,848)	\$27.74
Bucks County	7,293,296	13.2%	1,358,737	281,650	18.6%	24,910	\$25.98
Central/Southern Delaware County	5,369,792	21.6%	1,407,172	230,983	26.2%	14,105	\$30.47
Conshohocken	3,999,915	18.3%	1,066,809	219,771	26.7%	63,201	\$37.88
Exton/Malvern	7,760,010	19.9%	1,876,285	153,713	24.2%	(72,369)	\$28.14
Fort Washington	3,141,246	18.5%	908,383	253,214	28.9%	(16,358)	\$26.48
Horsham/Willow Grove	4,081,542	31.7%	1,673,381	141,148	41.0%	5,888	\$26.56
Jenkintown	1,044,051	18.6%	254,462	10,737	24.4%	1,262	\$23.95
King of Prussia	13,091,677	23.0%	4,320,658	730,843	33.0%	(58,773)	\$29.73
Radnor/Main Line	2,816,360	11.2%	358,835	133,027	12.7%	(31,439)	\$44.48
Southern 202 Corridor	2,783,630	28.6%	896,842	413,006	32.2%	5,073	\$31.53
Suburban Philadelphia	62,657,968	20.4%	17,083,439	3,335,011	27.3%	(78,897)	\$29.31
Greater Philadelphia	105,422,346	22.0%	29,123,502	6,051,462	27.6%	(177,964)	\$31.53

Source: Newmark Research

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