

3Q25

Greater Philadelphia Office Market Overview



NEWMARK

Market Observations

Economy

- The Greater Philadelphia economy experienced a slight uptick in unemployment for the 12 months ending in August, with the unemployment rate rising to 5.1%— 60 basis points higher than the national rate of 4.5%. However, the region grew payroll employment by 1.9% over the 12 months ending in August, a faster rate of growth than the national rate of 0.9%. 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.
- For the 12 months ending in August 2025, office-using employment in the greater Philadelphia region grew by 2.0%, slightly outpacing the overall job growth rate for the same period. This growth was primarily driven by the region’s largest office-using employment sector—Business & Professional Services—which expanded by 3.4%, playing a key role in supporting overall employment gains within the Greater Philadelphia market.

Major Transactions

- Significant leases signed during the third quarter included both direct leases and renewals spanning a diverse range of industries across both the Central Business District (CBD) and suburban locations. This blend of sizable deals across various sectors and submarkets underscores a healthy level of diversity and resilience in Greater Philadelphia’s office leasing activity.
- Among the largest leases secured in the third quarter were Wilmington Savings Fund Society, which signed for 80,000 square feet at 1050 Westlakes Drive in Berwyn, and Archdiocese of Philadelphia, which committed to approximately 75,000 square feet at 1601 Cherry Street.
- The largest office sales transaction during the third quarter was the trade of Devon Park Drive Corporate Center in King of Prussia. The three-building park totals 250,185 square feet and traded from M&H Properties to Mesirow Stein for \$67.6 million or \$270 per square foot. Newmark brokered the sale.

Leasing Market Fundamentals

- Approximately 1.5 million square feet of leases were signed during the third quarter of 2025, falling short of the 5-year quarterly average of 1.9 million square feet.
- The Greater Philadelphia office market experienced negative net absorption of 95,983 square feet during the third quarter of 2025, bringing the region’s year-to-date absorption total to negative 626,605 square feet. Since the beginning of 2022, quarterly absorption has averaged negative 312,938 square feet, reflecting a moderation in negative absorption over the past few quarters.
- As of the third quarter of 2025, asking rents in Greater Philadelphia reached a record high of \$32.06 per square foot, an increase of 2.8% over the past year. This peak has been fueled by strong demand for prime Class A and trophy office spaces in the CBD West Market. Even as leasing activity has slowed, asking rents have been sustained by steady demand for top-quality space.
- Currently, office construction remains limited in Greater Philadelphia, with Chubb Insurances Headquarters one of the more sizeable developments. The 478,800-square-foot office building is slated for delivery in the first half of 2026.

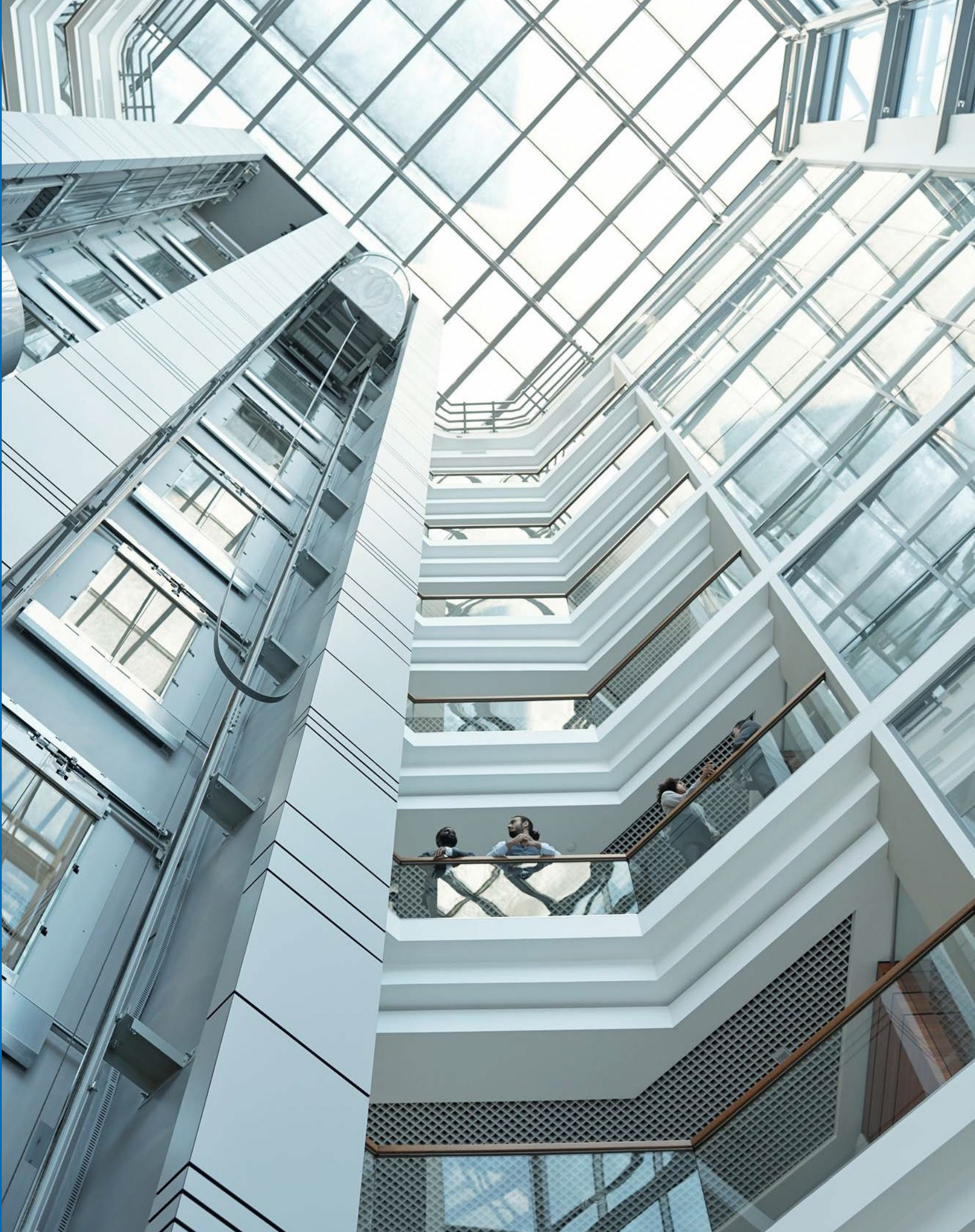
Outlook

- In the current pipeline of market deals, 460,562 square feet—accounting for 26.1% of total occupier requirements—are attributed to businesses seeking to expand their existing space. Additionally, 214,957 square feet, or 12.2% 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.
- 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. 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.
- The suburban market is also seeing the creative reuse of obsolete office properties. Newmark is arranging the sale of 41 Moores Road in Malvern. The 187,000-square-foot building will be demolished for conversion to a middle school, high school expansion and athletic fields.

1. Economy
2. Leasing Market Fundamentals
3. Appendix

3Q25

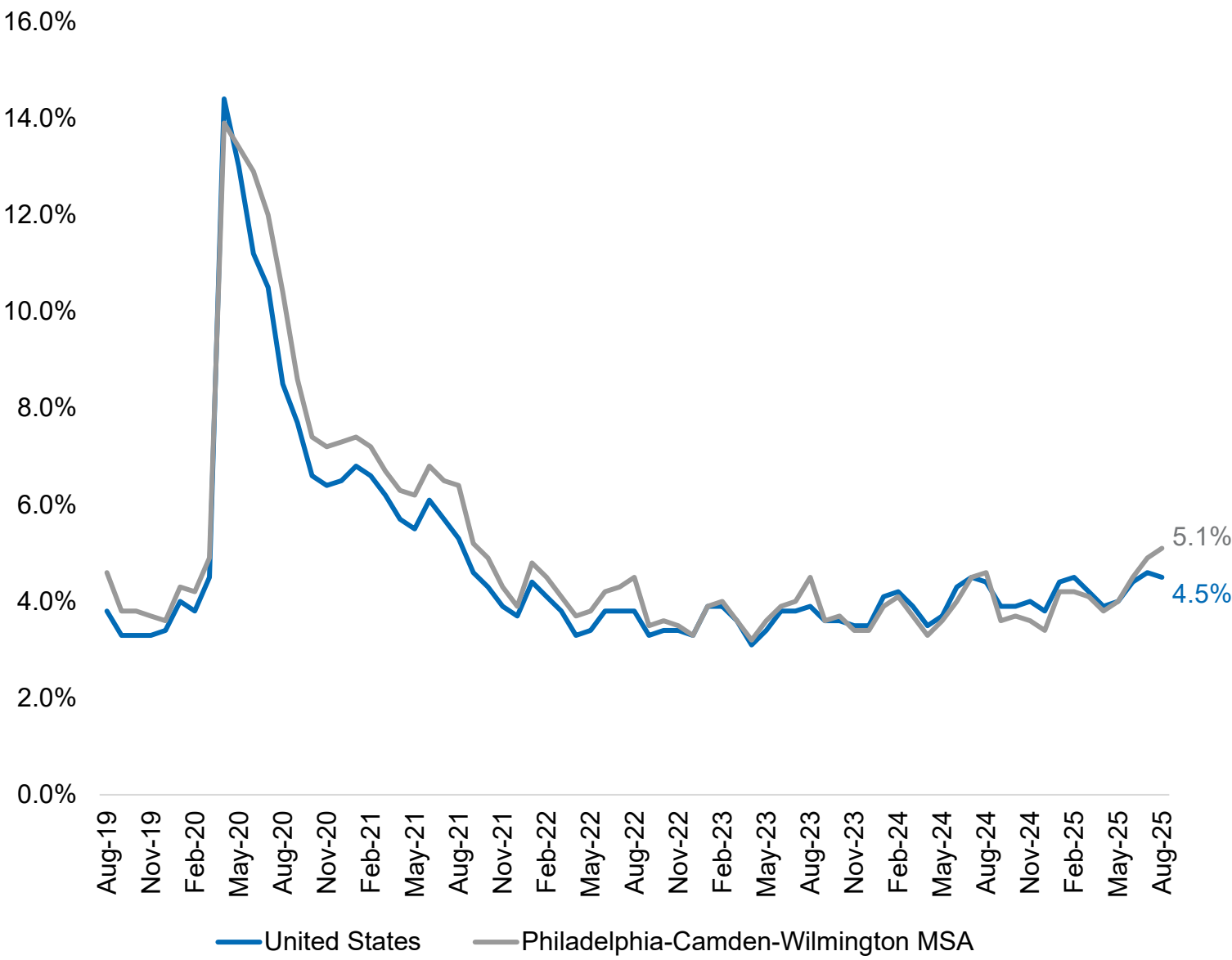
Economy



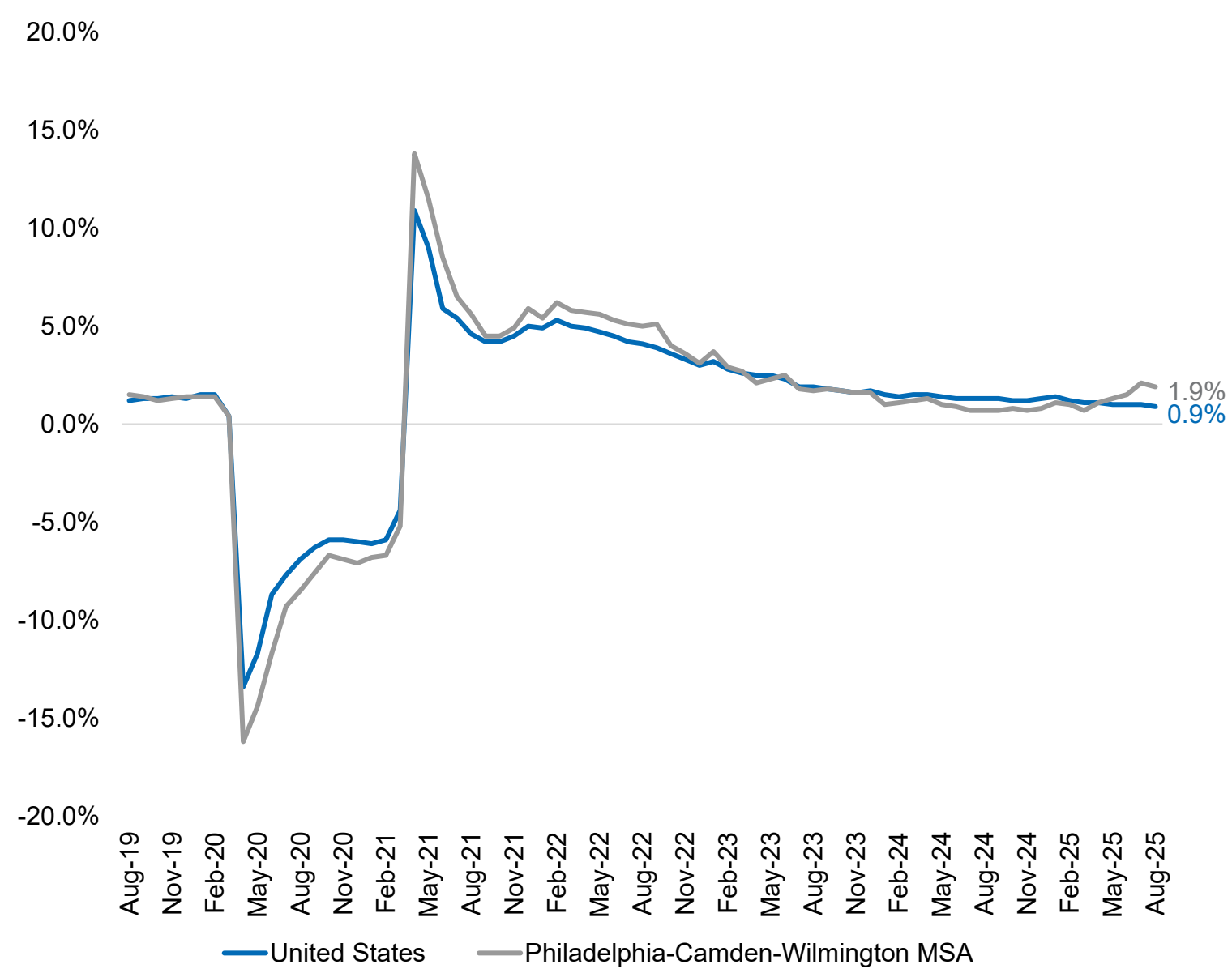
Philadelphia's Job Growth Outpaces National Average

The Greater Philadelphia economy experienced a slight uptick in unemployment for the 12 months ending in August, with the unemployment rate rising to 5.1%— 60 basis points higher than the national rate of 4.5%. However, the region grew payroll employment by 1.9% over the 12 months ending in August, a faster rate of growth than the national rate of 0.9%. 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



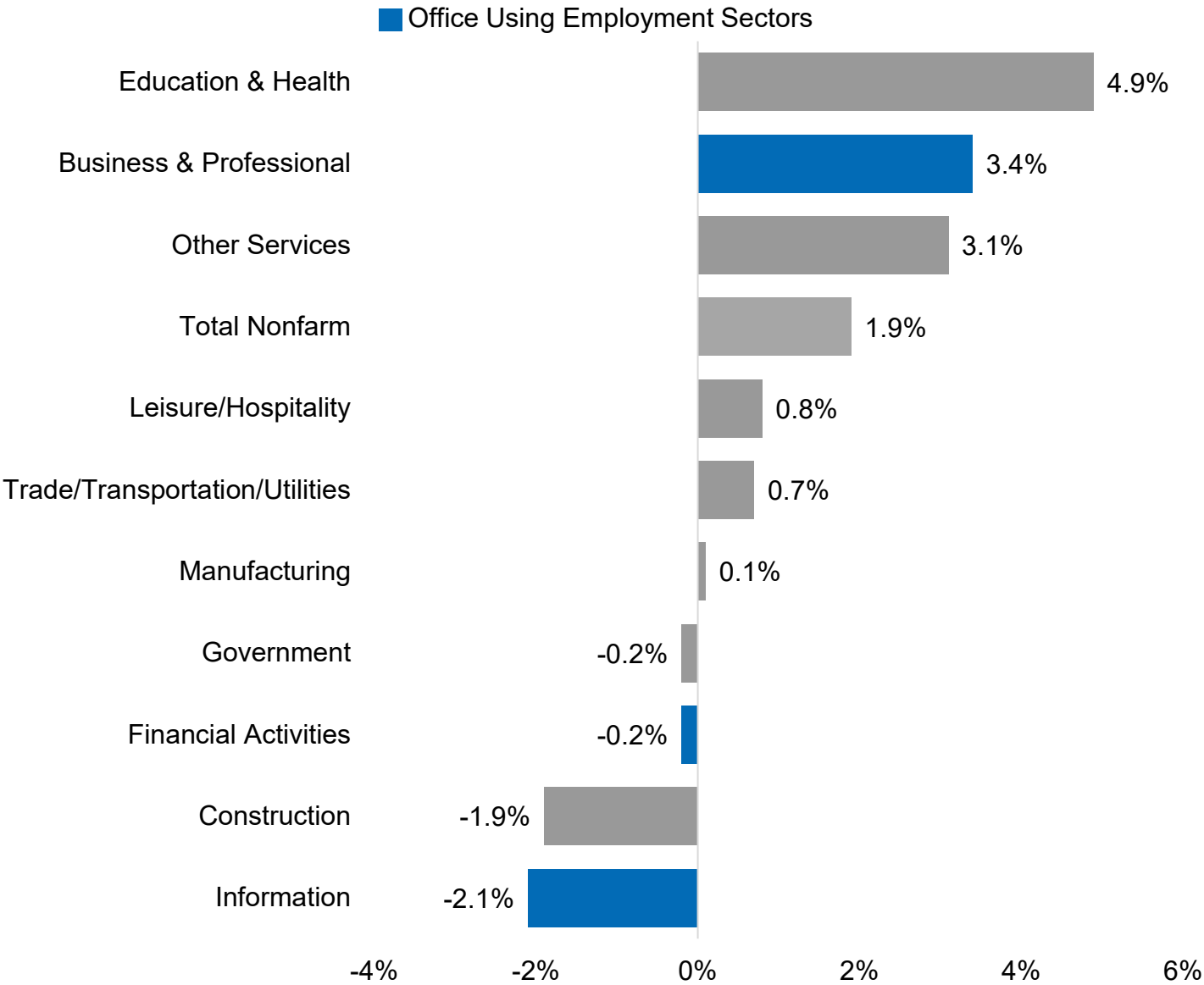
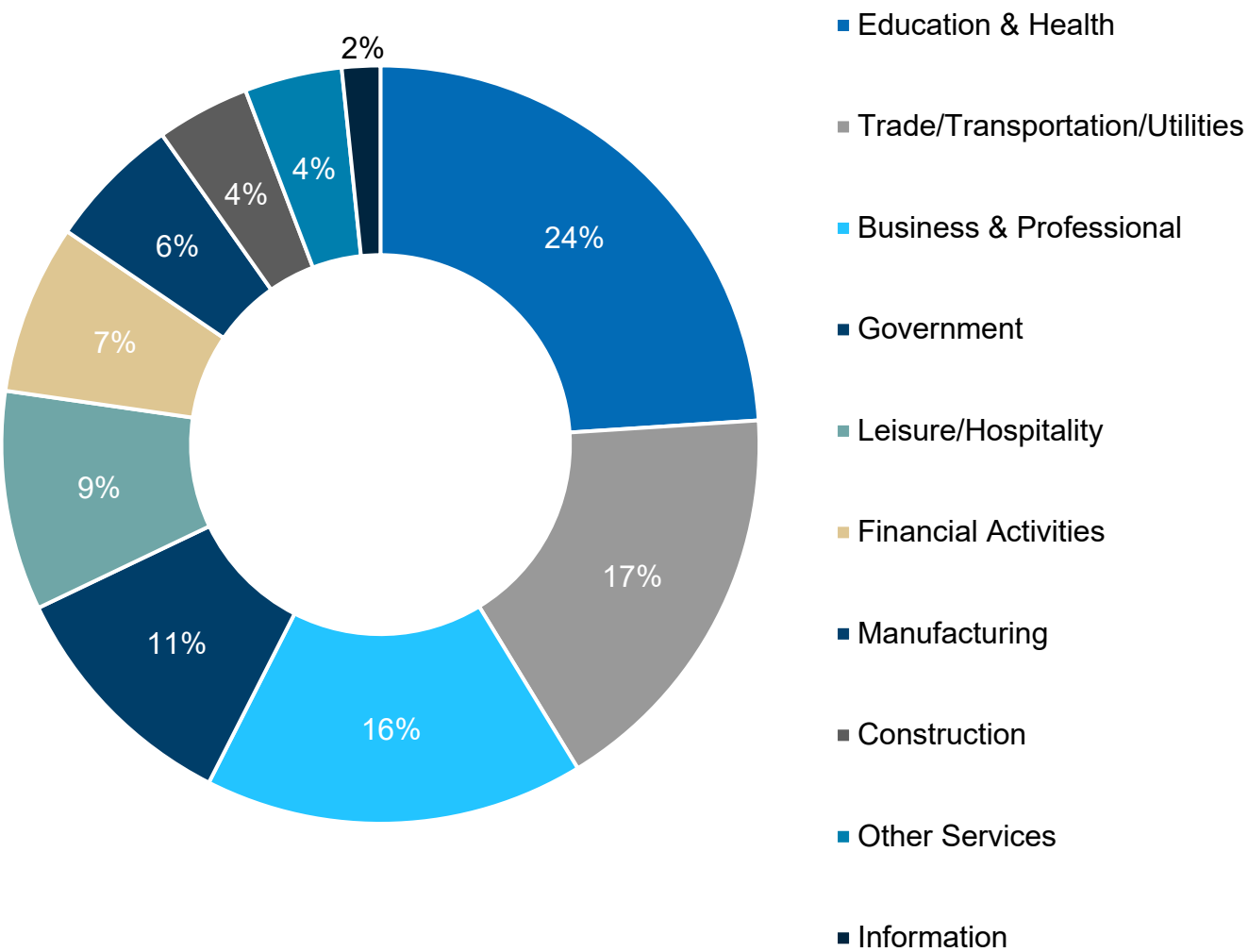
Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Job Growth Driven by Education & Health and Business & Professional Services

The Education & Health, Business & Professional Services and Other Services sectors each grew by more than 3.0% for the 12 months ending in August. These three industries collectively account for approximately 44% 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, August 2025

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

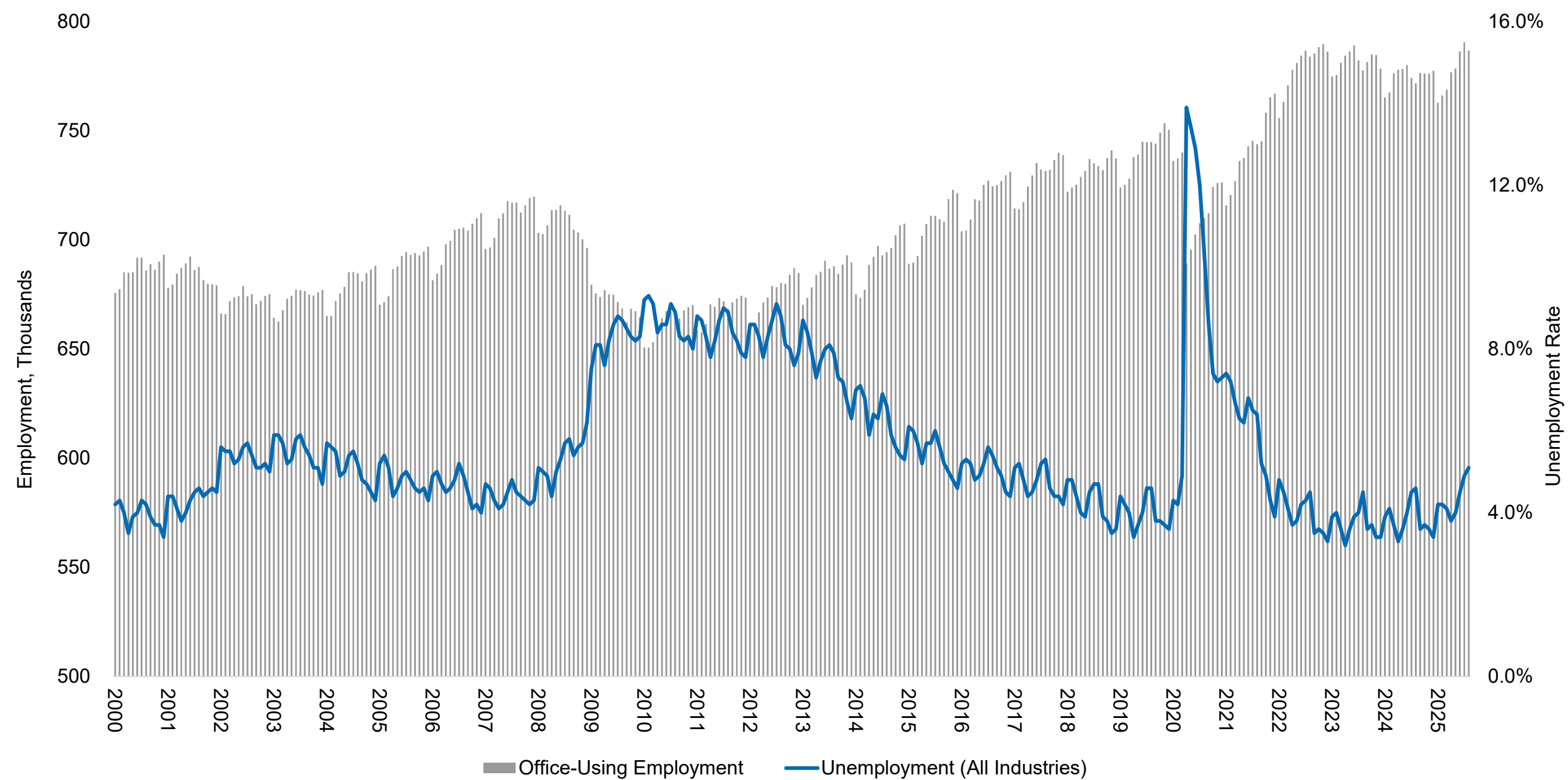


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

Office-Using Employment In The Region Remains Steady

For the 12 months ending in August 2025, office-using employment in the greater Philadelphia region grew by 2.0%, slightly outpacing the overall job growth rate for the same period. This growth was primarily driven by the region’s largest office-using employment sector—Business & Professional Services—which expanded by 3.4%, playing 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.

3Q25

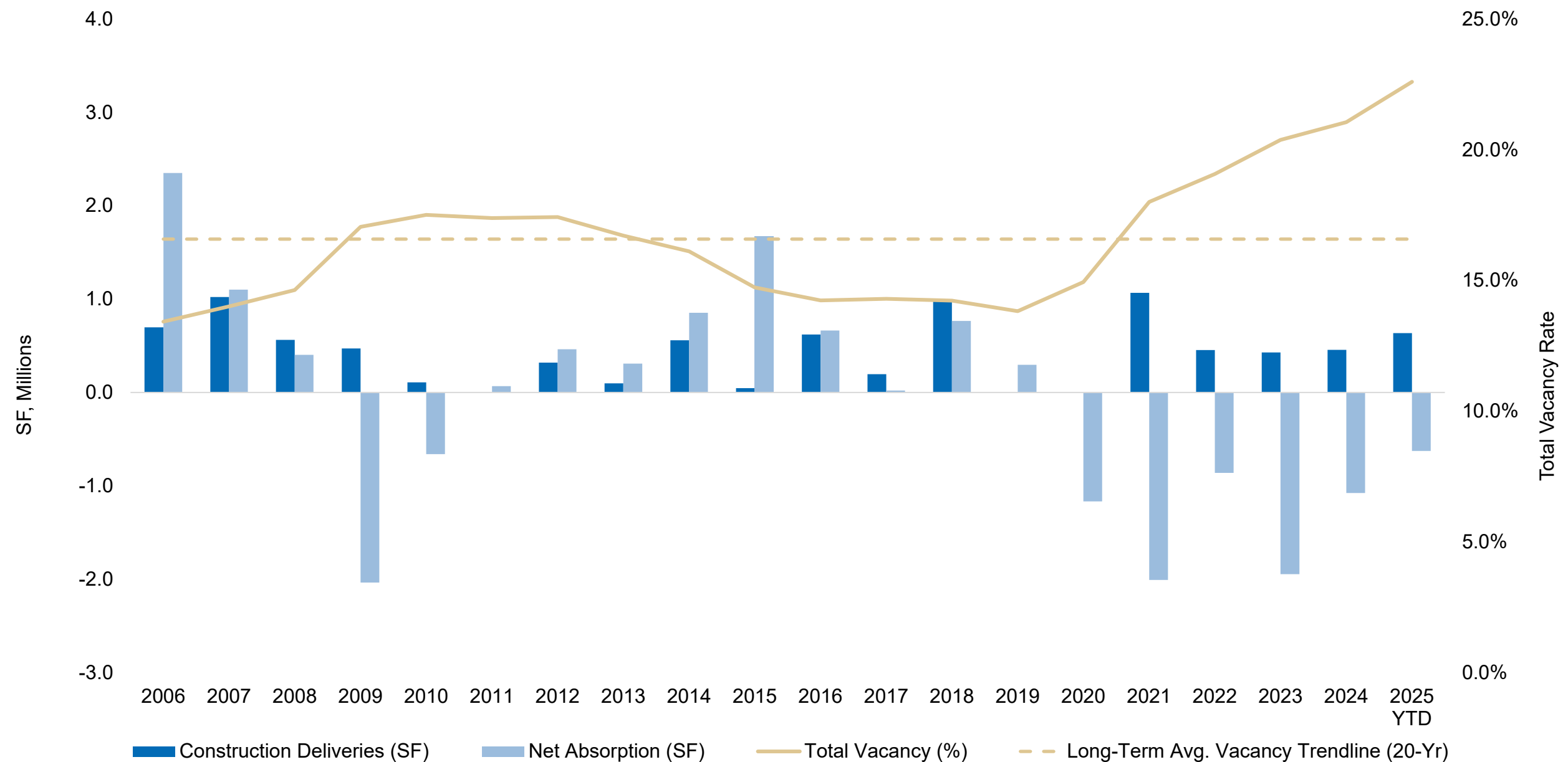
Leasing Market Fundamentals



Absorption Remains Negative but Appears to be Moderating

The Greater Philadelphia office market experienced negative net absorption of 95,983 square feet during the third quarter of 2025, bringing the region’s year-to-date absorption total to negative 626,605. Since the beginning of 2022, quarterly absorption has averaged negative 312,938 square feet, reflecting a moderation in negative absorption over the past few quarters. In the current pipeline of market deals, 460,562 square feet—accounting for 26.1% of total occupier requirements—are attributed to businesses seeking to expand their existing space. Additionally, 214,957 square feet, or 12.2% 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.

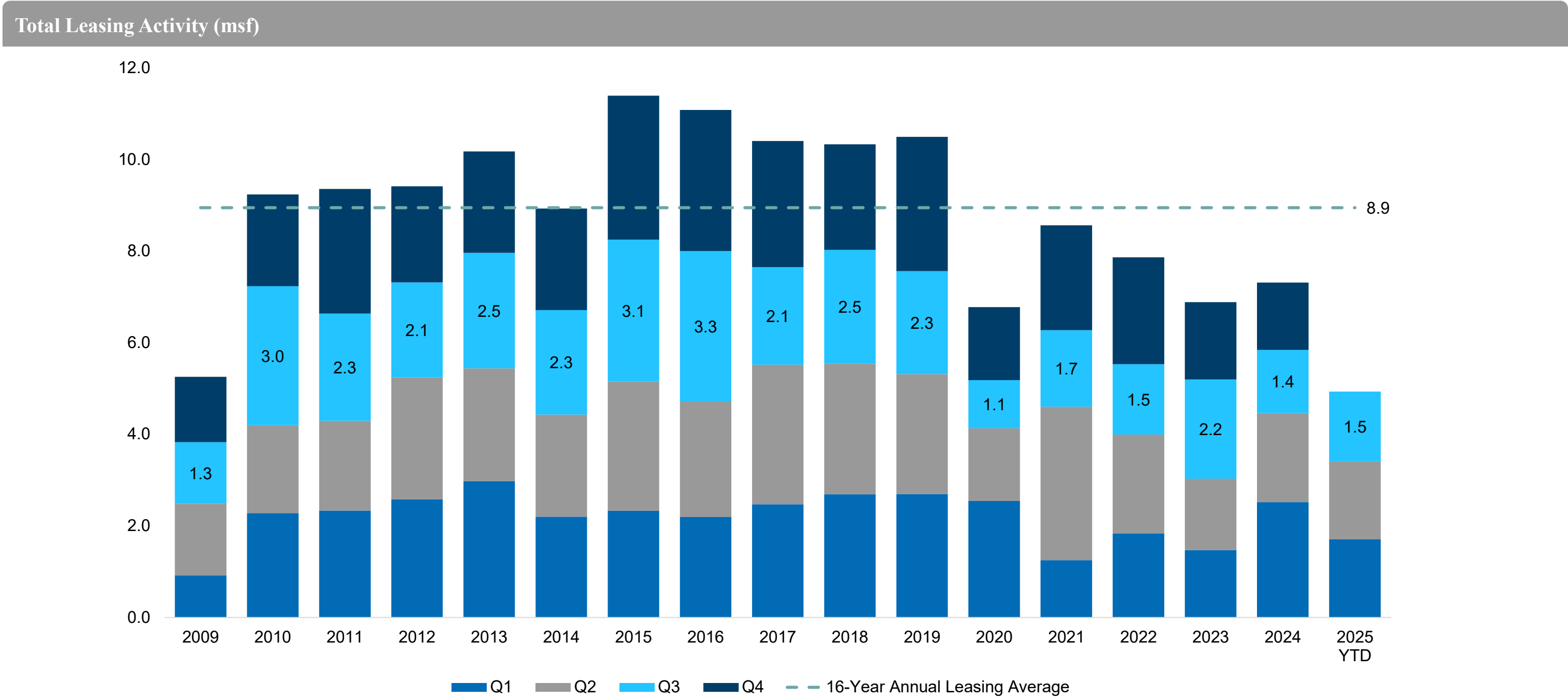
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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

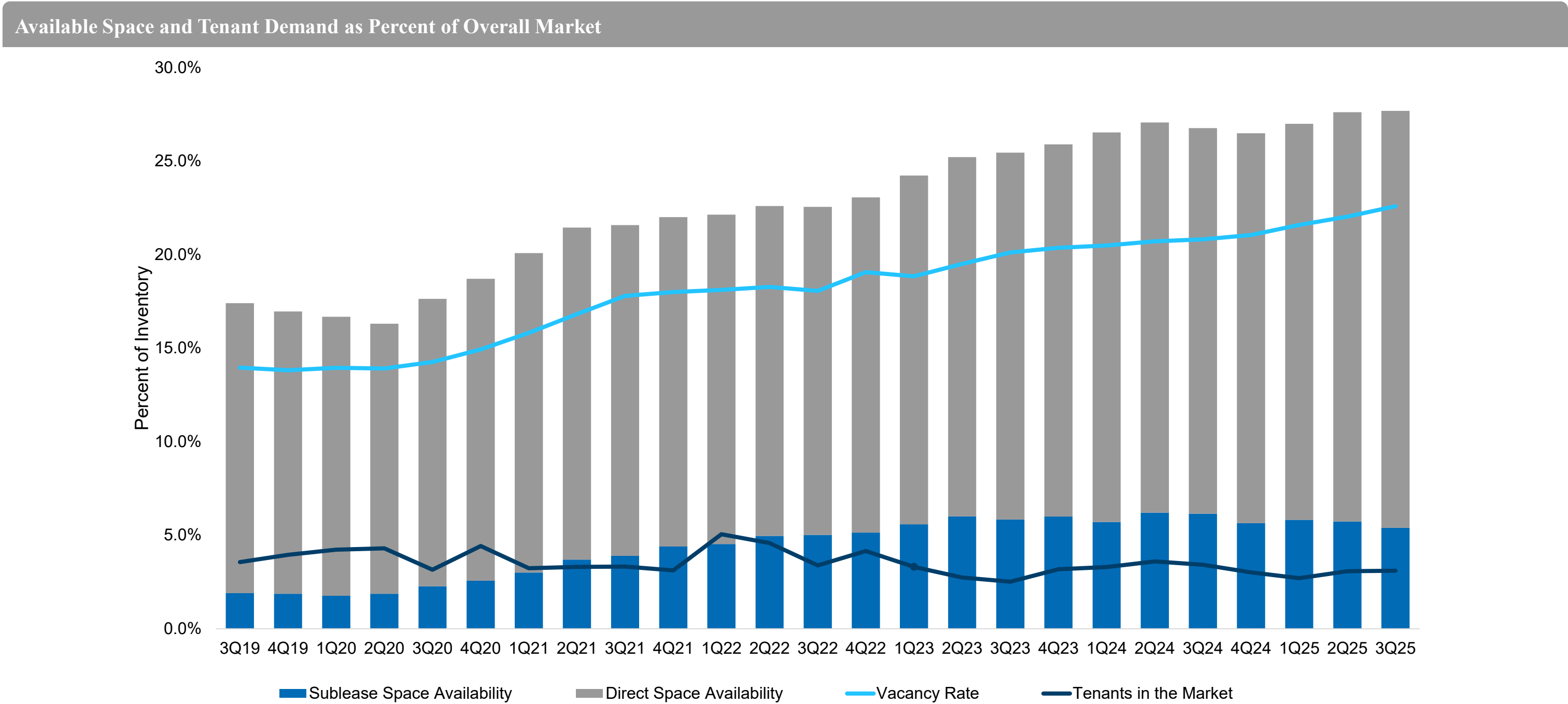
Approximately 1.5 million square feet of leases were signed during the third quarter of 2025, falling short of the 5-year quarterly average of 1.9 million square feet. Recently observed leasing trends in the Greater Philadelphia market include longer lease terms for larger deals and tenants' preference for renewal versus relocation. Among the largest leases secured in the third quarter were Wilmington Savings Fund Society, which signed for 80,000 square feet, and Archdiocese of Philadelphia, which committed to approximately 75,000 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 3.1% of the total inventory. 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.

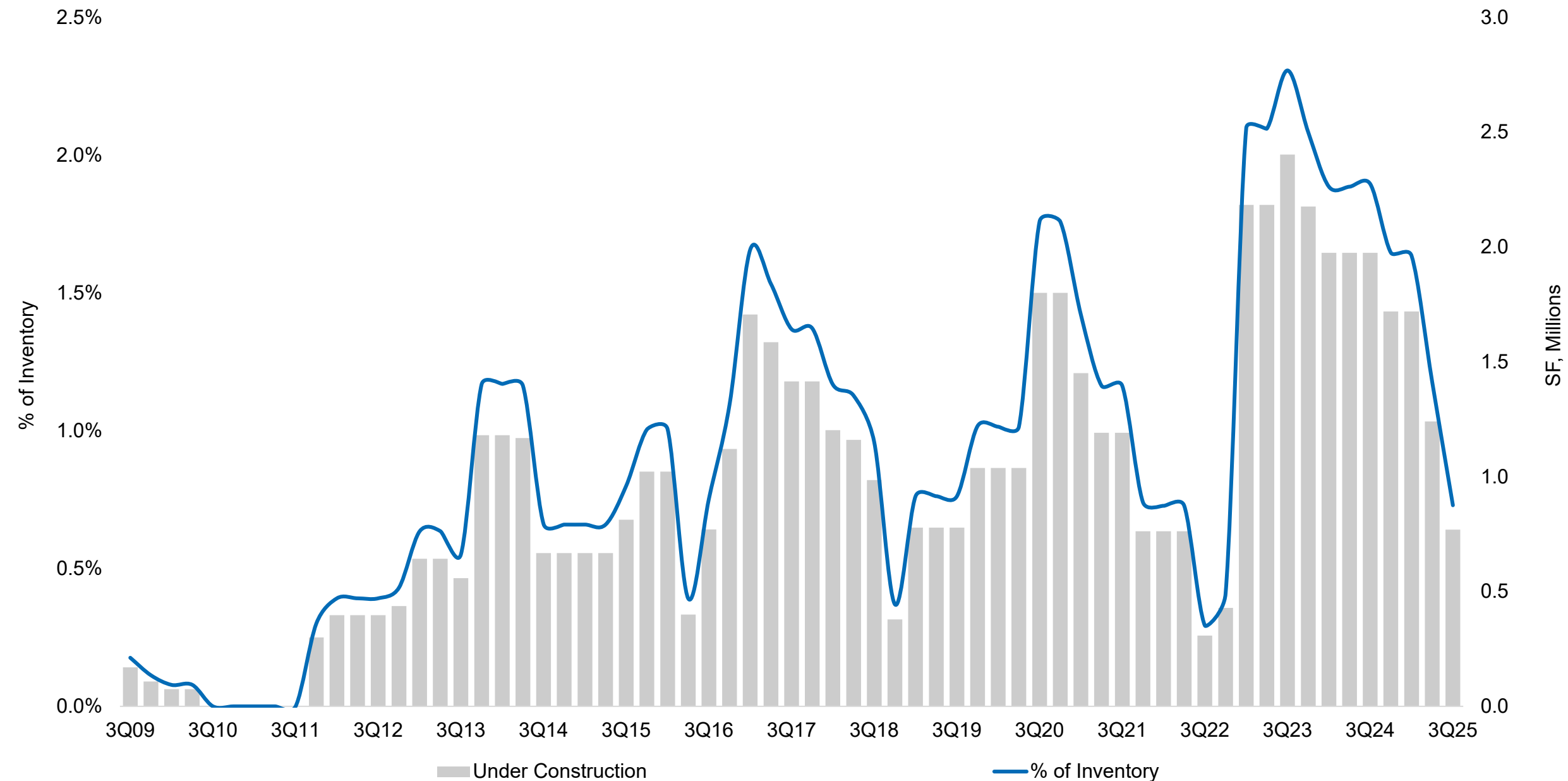


Source: Newmark Research

Greater Philadelphia Construction Pipeline Continues To Shrink

Currently, one major office property is under construction in the Greater Philadelphia office market: the Chubb Insurance Headquarters, totaling 478,800 square feet, is scheduled for delivery in the first half of 2026. In the life sciences sector, one significant project—2300 Market Street (220,000 square feet)—was delivered this quarter. One additional life science development remains underway: 3201 Cuthbert Street (582,007 square feet) in University City is expected to deliver next quarter, further contributing to the region’s growing inventory of life sciences space.

Office Under Construction and % of Inventory

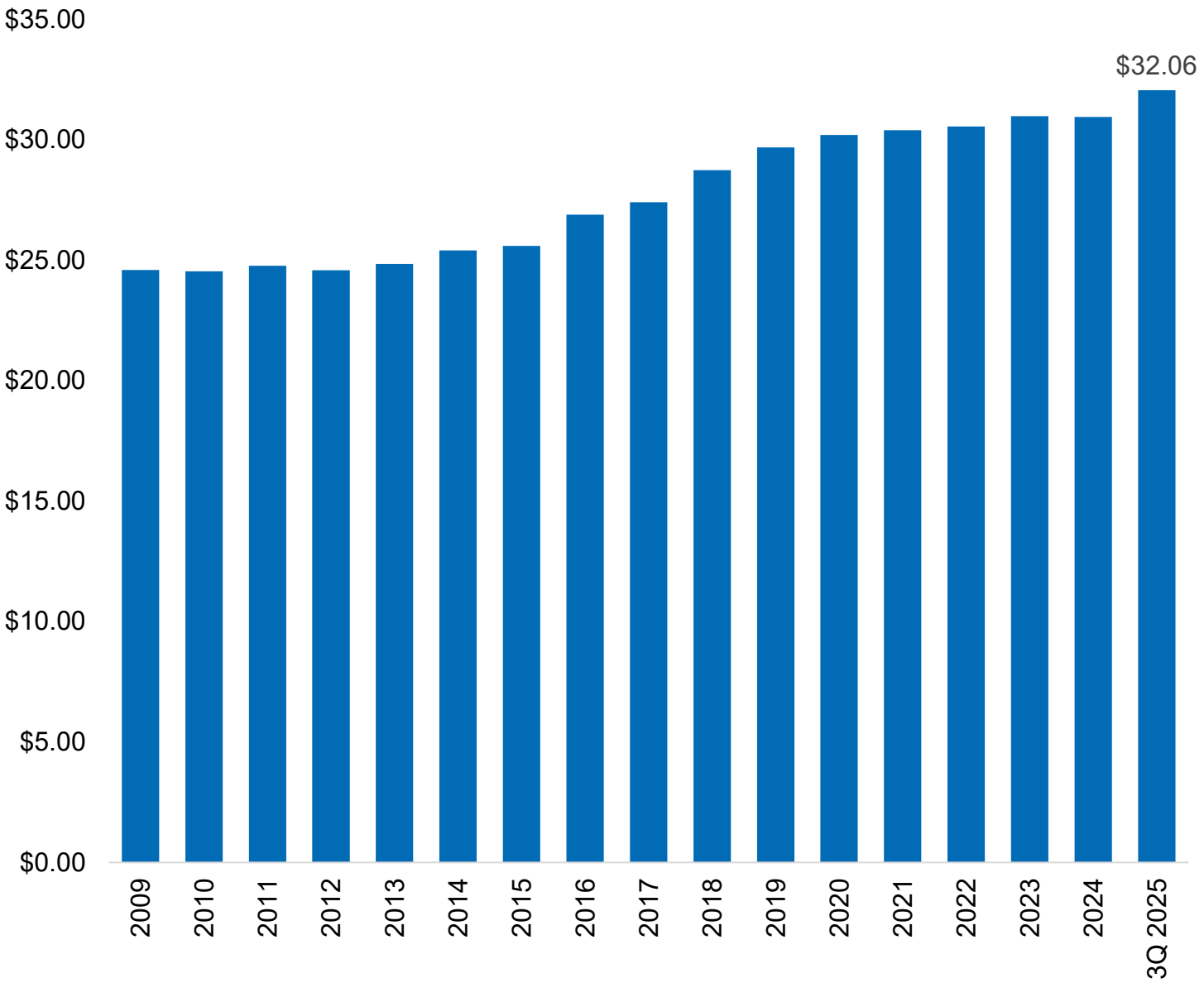


Source: Newmark Research, CoStar

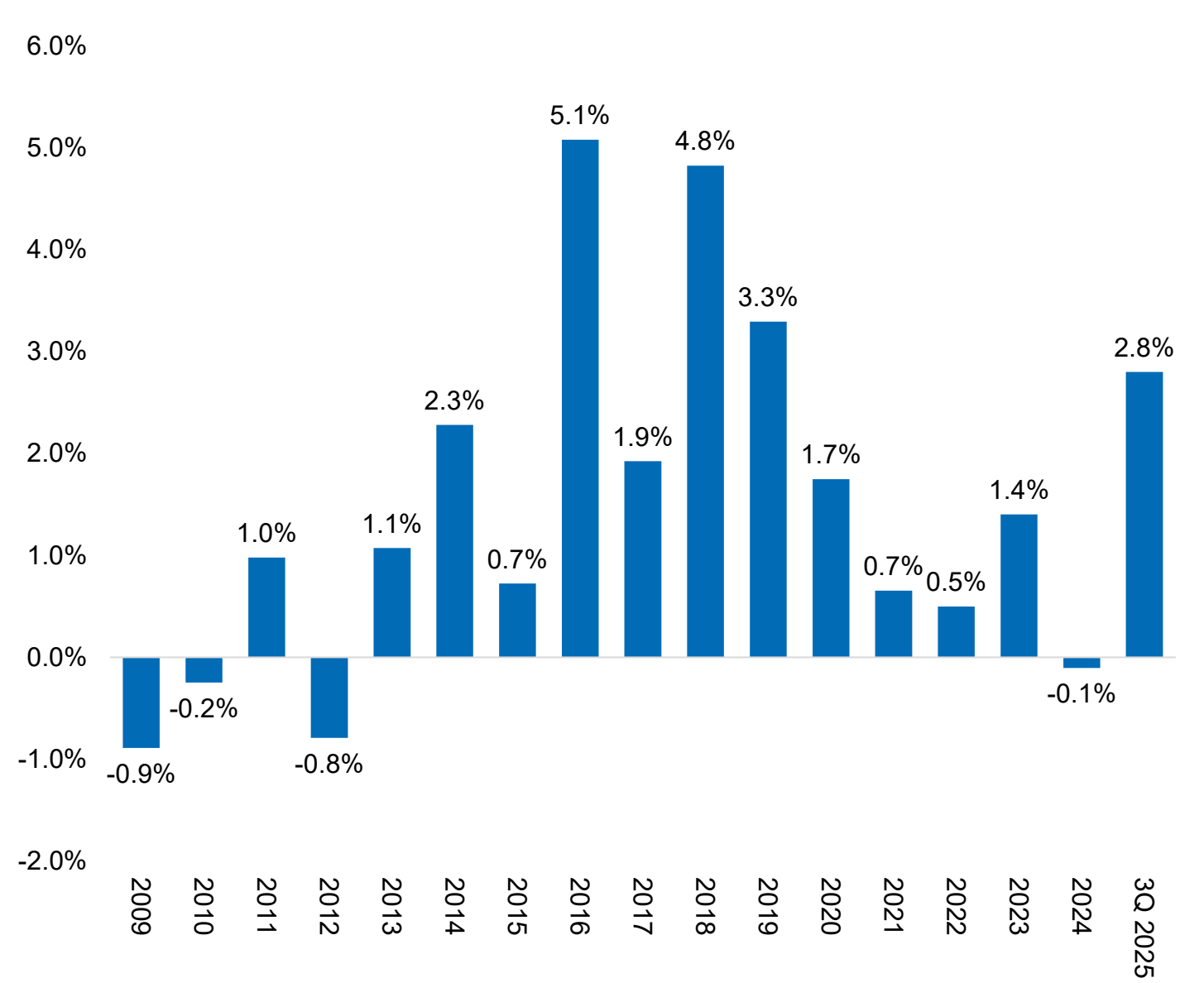
Asking Rents Reach All-Time High In Greater Philadelphia

As of the third quarter of 2025, asking rents in Greater Philadelphia reached a record high of \$32.06 per square foot, an increase of 2.8% over the past year. This peak has been fueled by strong demand for prime Class A and trophy office spaces in the CBD West Market. Even as leasing activity has slowed, asking rents have been sustained by steady demand for top-quality space. Since 2009, annual changes in asking rates have averaged 1.7%, underscoring the market’s long-term stability.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

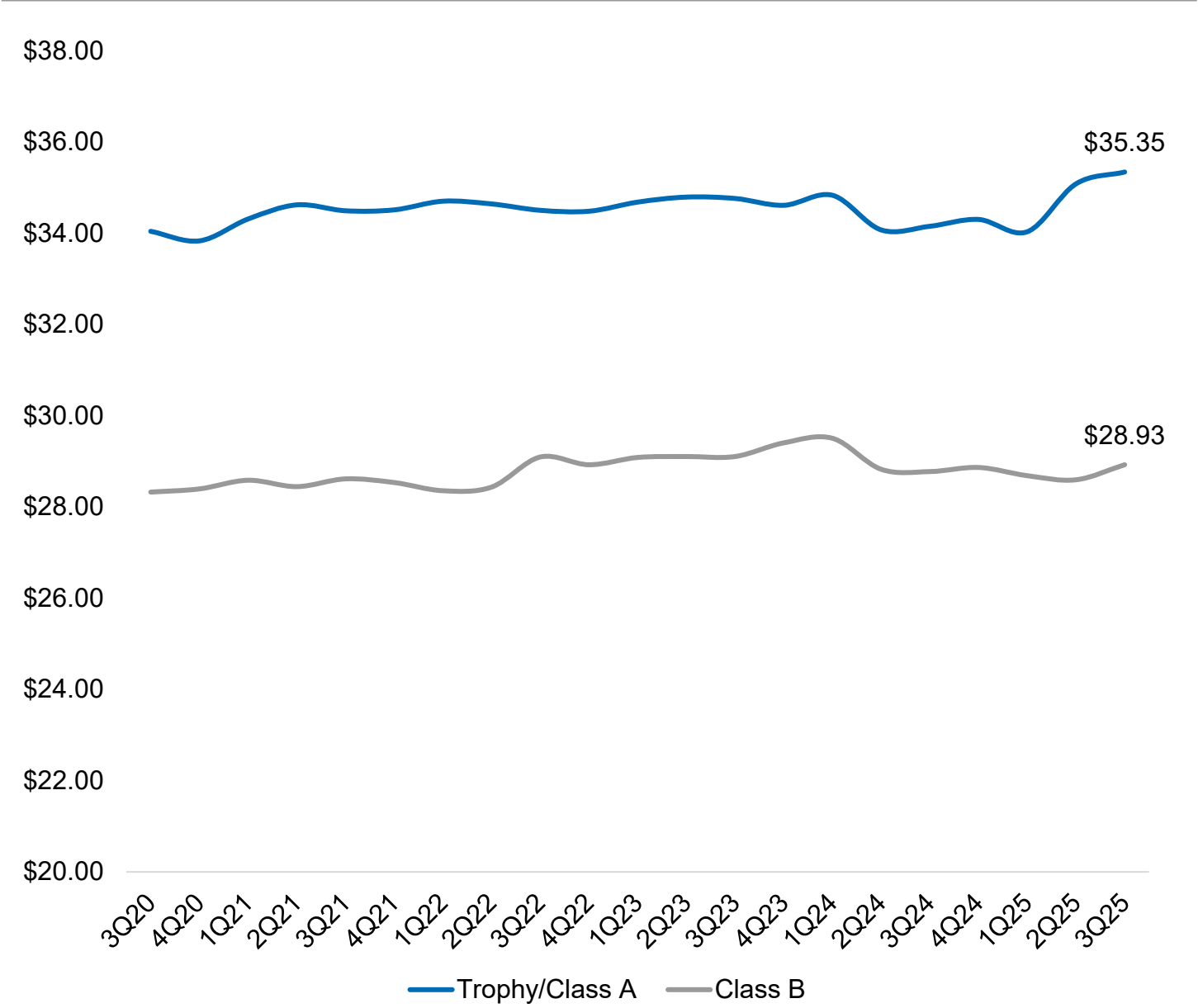


Source: Newmark Research

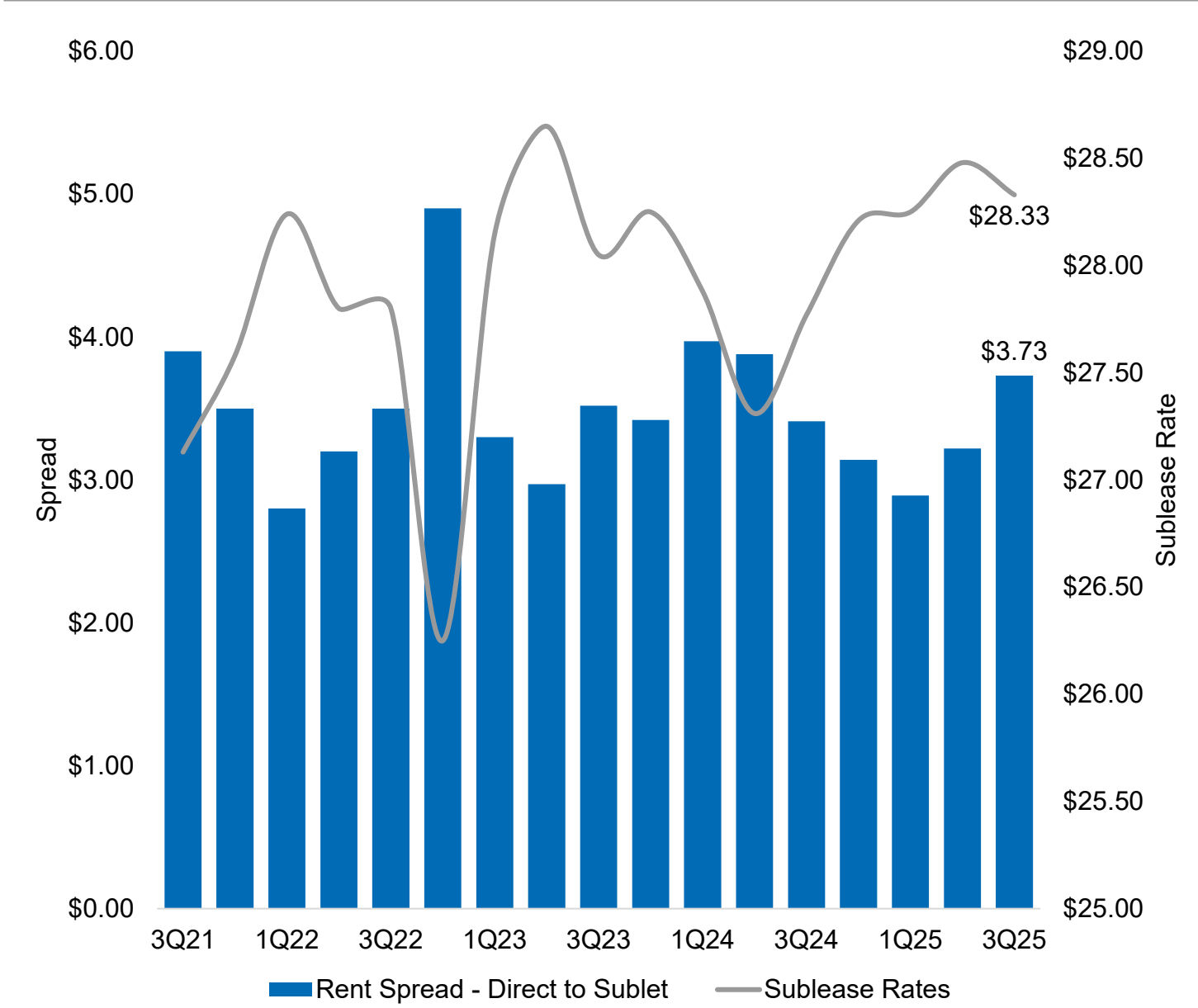
Trophy/Class A Rates Continue To Trend Upward

Driven by continued steady demand for trophy-quality space, Trophy and Class A asking rents have risen 3.5% over the past year, compared to only a 0.5% increase for Class B asking rents. Sublease asking rates declined slightly over the quarter to average \$28.33 per square foot but have increased 2.0% over the past year. With the slight dip in sublease rates and continued rise in direct rates, spreads between direct and sublease asking rents grew this quarter to \$3.73.

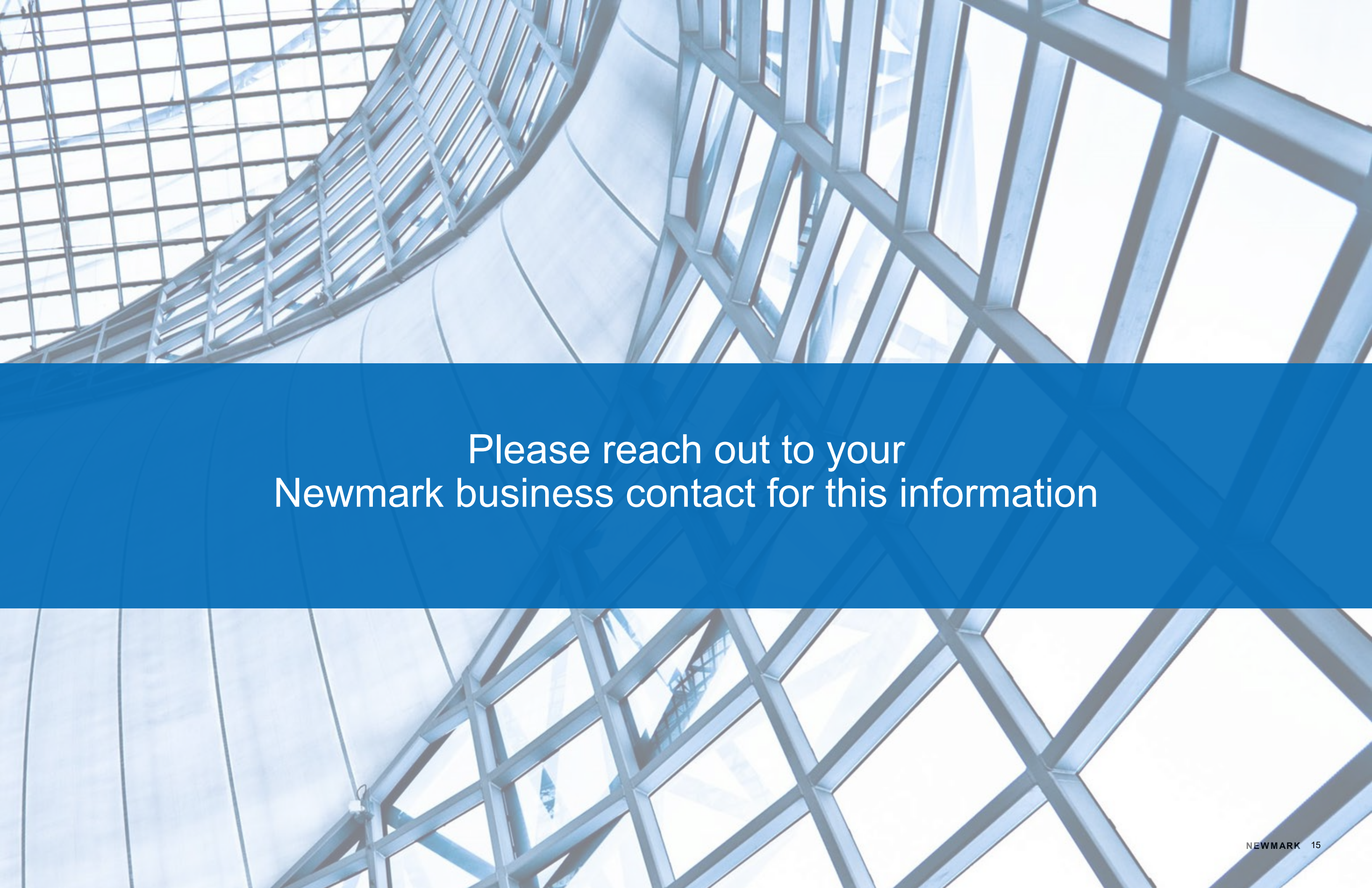
Trophy/Class A and Class B Direct Asking Rents , \$/SF, FS



Sublease Rates



Source: Newmark Research, CoStar



Please reach out to your
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3Q25

Appendix



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	11,411,771	21.6%	3,187,669	682,379	27.9%	225,607	\$30.91
CBD – Market West	24,670,333	25.8%	7,365,208	1,547,946	29.9%	(51,628)	\$34.72
CBD - Philadelphia	36,082,104	24.5%	10,552,877	2,230,325	29.2%	173,979	\$33.67
University City	5,785,596	24.2%	1,379,513	178,678	23.5%	57,380	\$48.59
Navy Yard	983,558	34.2%	367,141	216,645	37.3%	12,560	\$26.22
City of Philadelphia	42,851,258	24.6%	12,299,531	2,625,648	28.6%	243,919	\$35.19
Bala Cynwyd	2,771,228	17.3%	564,613	135,307	20.4%	25,798	\$36.94
Blue Bell/Plymouth Meeting	8,425,121	19.8%	2,355,088	649,343	28.0%	11,010	\$27.85
Bucks County	7,293,296	14.9%	1,480,736	274,426	20.3%	(97,372)	\$26.34
Central/Southern Delaware County	5,325,792	23.3%	1,483,168	223,429	27.8%	(52,934)	\$30.99
Conshohocken	3,999,915	19.7%	937,387	113,392	23.4%	(35,326)	\$39.51
Exton/Malvern	7,760,010	20.3%	1,696,351	161,923	21.9%	(58,344)	\$28.56
Fort Washington	3,141,246	18.5%	819,433	255,051	26.1%	(1,038)	\$27.70
Horsham/Willow Grove	4,081,542	31.6%	1,570,458	40,774	38.5%	3,002	\$27.97
Jenkintown	1,044,051	17.5%	247,033	-	23.7%	11,066	\$23.95
King of Prussia	13,091,677	25.3%	4,422,974	621,594	33.8%	(150,681)	\$29.88
Radnor/Main Line	2,816,360	11.2%	370,945	135,629	13.2%	(2,075)	\$45.27
Southern 202 Corridor	2,783,630	28.3%	878,813	414,006	31.6%	6,992	\$26.98
Suburban Philadelphia	62,533,868	21.3%	16,826,999	3,024,874	26.9%	(339,902)	\$29.89
Greater Philadelphia	105,475,126	22.6%	29,126,530	5,650,522	27.6%	(95,983)	\$32.06

Source: Newmark Research

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