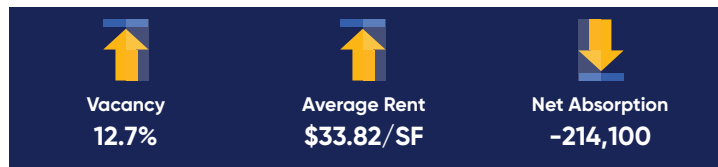


# Market Report Philadelphia CBD

During the fourth quarter, Philadelphia's CBD continued a strong and steady recovery, adding new construction, retail establishments, headquarter corporate offices, and significant plans for Philadelphia's future skyline. During this time period, Philadelphia continued to attract and retain top corporations committed to bringing area employment opportunities in law, insurance, and the life sciences. In December, property and casualty insurer Chubb announced plans for a new 18-floor, 438,000 square foot office building at 2000 Arch Street.<sup>1</sup> Also, 2222 Market Street, a four-story 305,000 sq. ft. office building, is close to completion and will be the new headquarters for law firm Morgan Lewis & Bockius. Thomas Jefferson's Honickman Center, located on East Chestnut Street, is a mixed-use development nearing completion.

This quarter, several leases were renewed among top Philadelphia organizations. These include Gensler (global architecture/design firm) at Commerce Square, GLG's (financial and information services firm) expansion in the Bourse, AdMed's (life sciences training and education expansion) at the Wanamaker Building, the American Board of Plastic Surgery's relocation to 1601 Market Street and Ewing Cole's (architectural design firm) lease expansion in Independence Mall.<sup>2</sup>

During 2022, nine major development projects, totaling 4.1 million sq. ft., were completed in Center City. Since 2020, Center City has opened 175 new retail establishments, restaurants, and service-oriented businesses with at least 47 more in development.<sup>3</sup> To date, the Philadelphia MSA is the 9th largest office market in the US, which includes some of the lowest vacancy and availability rates compared to other markets that have been struggling post-pandemic.



\*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%	▲ 2.4%
\$29.00	Market Street West   Class B 10.9%	▲ 0.3%
\$36.00	Market Street East   Class A 18.4%	▲ 7.90%
\$29.00	Market Street East   Class B 7.0%	▲ 1.0%
\$45.00	Independence Hall   Class A 8.2%	▼ (-.9%)
\$28.00	Independence Hall   Class B 13.7%	▼ (-.2%)
\$43.00	University City   Class A 4.4%	▼ (-2.7%)
\$35.00	University City   Class B 6.8%	▲ 1.8%
\$49.00	Navy Yard   Class A 1%	▼ (-1.6%)
\$32.00	Navy Yard   Class B 6.3%	▲ 1.8%

## Recent Transactions

Tenant or Address	Size SF	Submarket	Type	Sector
1 Chubb Insurance: 2000 Arch Street	438,000	Market Street West	New Construction/ New Lease	Insurance
2 Capital One: 1735 Market Street	22,382	Market Street West	New Lease	Finance/Banking
3 Ardent Credit Union: 1601 Cherry Street	18,741	Market Street West	New Lease	Financial Services/Banking
4 Two Commerce Sq.: 2001 Market Street	7,500	Market Street West	New Lease	Office Use

## Occupier's Perspective

**Smaller-sized spaces for new leases**  
Organizations are securing smaller-sized spaces as companies finalize their future lease plans.

**Strong office labor market amidst a possible recession**  
Philadelphia's strong labor market continues to shape the return-to-office conversation. However, following US recessionary concerns, organizations have scaled-down their workforces, particularly in technology.<sup>4</sup> In 2023, office use could rise with the risk of layoffs, making it easier for organizations to bring employees back to the office.<sup>5</sup>

## Market Trends



### Demand increases for life sciences' new construction projects

In 2023, the city plans to start and complete several buildings in the life sciences. The first at 3025 JFK Boulevard will include 186,000 sq. ft. of lab space expected to finish construction this fall. The second is University Place which will include 234,000 sq. ft. of commercial lab and office space on eight floors to be completed by early 2023. Next, the Navy Yard plans to complete 1201 Normandy place in early 2023, a class A 4-floor 137,000 sq ft. research and development lab building. Lastly, the University of Pennsylvania at 3401 Grays Ferry Avenue plans to build a 455,000 sq. ft. facility segmented to include research, development space, and biomanufacturing space scheduled for completion by 2025.<sup>6</sup>

### Office rent growth slows, signaling an opportunity for occupiers

The area's asking rents showed a slow overall gain of about 0.9%. With the larger volume of space now available, occupiers could benefit from improvement allowances and free rent periods that have provided opportunities since the start of the pandemic.

Sources:

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