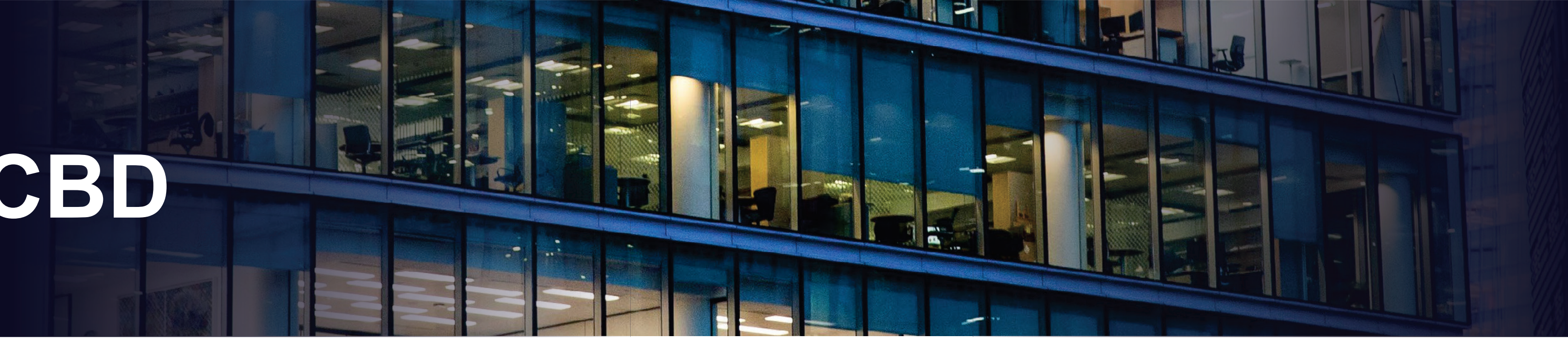


MARKETBEAT

PHILADELPHIA CBD

OFFICE Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
20.6% Vacancy Rate	▲	▲
-521K YTD Net Absorption, SF	▼	▼
$33.70 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
768.1K Philadelphia CBD Employment	▲	▼
4.8% Philadelphia CBD Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY:

Philadelphia's economy in Q2 2025 showed mixed trends. The unemployment rate within the Central Business District (CBD) averaged 4.8%, with total employment at 768,100. Office-using industries exhibited steady employment but limited growth. Professional and business services grew by 1,300 jobs year-over-year (YOY), compared to leisure and hospitality gains of 3,400 YOY. Education and healthcare employment continued to rise and led gains with over 10,000 jobs added.

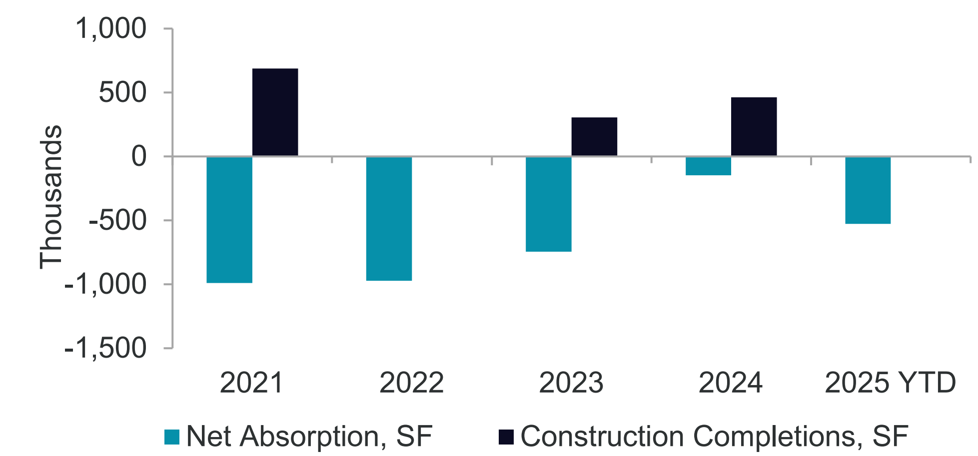
SUPPLY AND DEMAND:

In Q2 2025, significant challenges and transformations persisted in Philadelphia's CBD office market. Office-to-residential conversions continued to make news, fueled by the ongoing tax abatement for conversions. The abatement for new multifamily construction expired in 2021 and since 2022, 1.3 million square feet (msf) of CBD office space has been sold for reuse, primarily residential. Currently, 1.9 msf of rentable office space, including the Wanamaker building, is slated for conversion, with another 1.0 msf actively undergoing transformation. Within the 1.9 msf of future conversions, a significant portion of vacant space exists, and its removal from the office inventory could reduce the CBD vacancy rate to 19.7%, tightening the market from the 20.6% recorded in Q2.

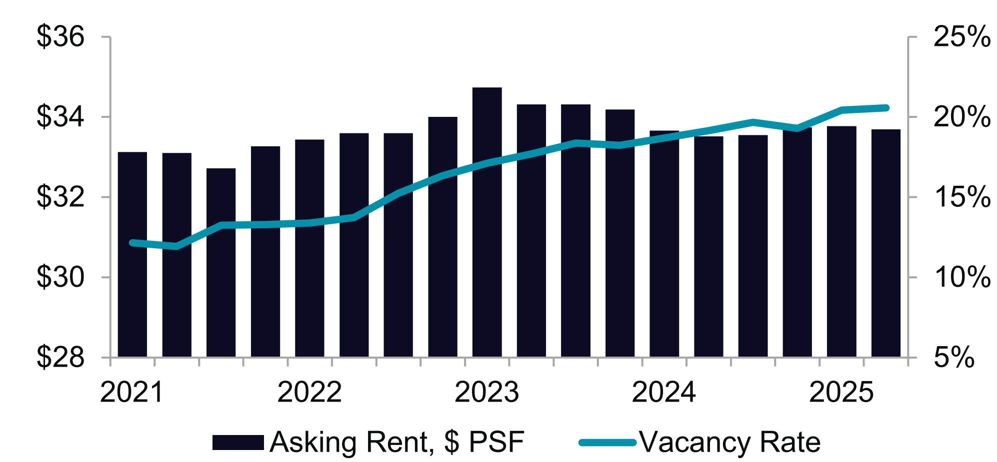
Leasing activity, however, remained sluggish. While quarterly activity more than doubled that of Q1, marking the highest total in four quarters, only 350,000 square feet of new deals were signed by mid-2025, marking the lowest mid-year leasing total since 2009. In contrast, renewal activity is robust, on track to surpass 1.0 msf for the first time since 2017 and outpacing new deals—a phenomenon not seen since 2010. This indicates a cautious market amid macroeconomic uncertainty.

Price discovery for CBD office properties is looming. Ten quarters after the Federal Reserve began raising rates, office investment sales are scarce, with sales prices dipping below $100 per square foot (psf). As conversions reshape the market and leasing lags, office investment remains sidelined, awaiting clearer valuation.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
East of Broad	12,885,982	2,458,083	317,201	21.5%	-78,872	-81,478	62,264	0	$32.09	$34.88
West of Broad	28,486,310	4,881,039	855,755	20.1%	13,975	-445,695	320,462	438,000	$34.26	$35.49
CBD	41,372,292	7,339,122	1,172,956	20.6%	-64,897	-527,173	382,726	438,000	$33.70	$35.37
Naval Yard	782,997	5,527	207,779	27.2%	0	4,781	0	0	$31.29	$31.29
University City	3,537,765	345,046	76,476	11.9%	-5,726	-40,028	159,294	0	$41.43	$48.69
Bala Cynwyd	2,456,524	406,337	176,638	23.7%	-73,512	-93,234	13,113	0	$35.75	$34.76
Blue Bell/Ply. Mtg./Ft. Wash.	11,637,583	2,413,665	383,198	24.0%	-79,803	-27,050	164,765	0	$27.00	$29.03
Conshohocken	4,191,440	666,761	104,077	18.4%	-111,684	-147,100	205,139	0	$38.10	$38.76
Delaware County	4,597,028	812,264	113,675	20.1%	-18,324	3,789	55,297	0	$28.73	$29.35
Horsham/Willow Grove/Jenkin	5,088,092	1,393,781	17,014	27.7%	-131,514	-207,464	36,752	0	$21.88	$23.28
King of Prussia/Valley Forge	17,630,182	3,761,123	359,866	23.4%	-101,343	-300,447	356,308	0	$30.09	$30.08
Main Line	3,614,444	344,544	82,511	11.8%	20,834	15,535	55,585	0	$41.65	$42.73
Southern Bucks County	6,191,603	1,101,703	116,681	19.7%	-1,784	-9,752	62,745	0	$25.40	$27.17
Southern Route 202 Corridor	6,203,124	1,160,464	474,343	26.4%	-439,030	-481,357	53,811	0	$25.77	$26.30
SUBURBAN PHILADELPHIA	61,610,020	12,060,642	1,828,003	22.5%	-936,160	-1,247,080	1,003,515	0	$28.56	$29.75
Burlington County	7,850,619	1,047,177	112,046	14.8%	-52,600	-9,972	233,619	0	$21.74	$26.00
Camden County	6,381,005	1,043,929	80,000	17.6%	-40,099	-128,099	61,931	0	$21.43	$23.62
SOUTHERN NEW JERSEY	14,231,624	2,091,106	192,046	16.0%	-92,699	-138,071	295,550	0	$21.58	$25.26
New Castle County-Suburban	15,080,834	1,456,693	354,008	12.0%	-40,056	-100,860	159,068	0	$26.54	$27.64
Wilmington-CBD	9,038,932	1,206,672	45,400	13.9%	-60,170	-106,371	62,405	0	$27.77	$28.16
DELAWARE	24,119,766	2,663,365	399,408	12.7%	-100,226	-207,231	221,473	0	$27.11	$27.91
Lehigh & Northamp. Counties	7,317,113	1,366,775	37,551	19.2%	-51,769	41,180	70,013	0	$21.90	$23.93
PHILADELPHIA TOTALS	**141,333,702**	**24,154,235**	**3,592,413**	**19.6%**	**-1,193,982**	**-2,119,555**	**1,903,264**	**438,000**	**$29.43**	**$31.38**

**Rental rates reflect weighted average gross rents*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1735 Market Street	West of Broad	Hogan Lovells	34,752	Renewal*
2005 Market Street	West of Broad	Kirkland & Ellis	29,233	New
1880 John F. Kennedy Boulevard	West of Broad	Hargrove Life Science	24,983	Expansion/Renewal*
1735 Market Street	West of Broad	Hangley Aronchick Segal Pudlin & Schiller	22,230	New
1717 Arch Street	West of Broad	Maron Marvel Bradley Anderson & Tardy	21,666	New

**Renewals not included in leasing statistics*

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