

# Philadelphia



**Market Insights for Tenants:** At Exis, our loyalties aren't compromised; because we do not represent landlords, we are 100% focused on providing market conditions and strategies that can benefit tenants in each marketplace – leveraging this information for your economic advantage. We're pleased to provide the below in-depth information; contact us for ways we can help you get the BEST deal on your commercial space needs.

## OVERVIEW

Philadelphia office owners were comfortable heading into mid-2020, with vacancies close to the lowest levels recorded in 20 years. But tight vacancies were partly thanks to very low tallies of new office development, held down by Philadelphia's abnormally high construction costs and relatively low average rental rates. In fact, net absorption had already slowed to tepid levels even before the onset of the coronavirus and its corresponding economic shock.

The damage that the coronavirus poses to Philly's office market is still difficult to gauge. Forecast projects office occupancies to fall through mid-2021, but due to the health-care driven economy and minimal office developments set to deliver over the next several months, average occupancy rates only fall to around 90%, in line with the healthiest levels reached during the mid-2000s economic expansion.

## FUNDAMENTALS

Forecast

|                                    |                            |                      |
|------------------------------------|----------------------------|----------------------|
| <b>YTD net absorption</b>          | (238 K) ▼                  |                      |
| <b>Under construction</b>          | 2,610,233 SF ▲             |                      |
| <b>Average asking rent (gross)</b> | \$26.52/SF ▼               |                      |
| <b>Concessions</b>                 | Varies ▶                   |                      |
| <b>Market Size</b>                 | <b>Largest Office Deal</b> | <b>Total Vacancy</b> |
| 320,226,178                        | Morgan Lewis               | 8.6%                 |

## TOTAL VACANCY



## AVERAGE ASKING RENTS



Metrics Used: Feet, US Dollars

For more information, please contact:

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## WHAT THIS MEANS FOR TENANTS

Most national investors do not consider Philadelphia a “must have” within their portfolios. Philadelphia ranks just below the top 10 U.S. markets for dollar volume of office properties traded over the past five years. When it comes to inventory turnover measures like SF traded as a percent of stock and dollars traded as a percent of market cap, the city has ranked middle of the pack among the 20 largest U.S. office markets in recent years.

The cost of living differential between Philadelphia and its

nearby competitors, New York, Boston, and Washington, D.C., also remains massive. The most recent U.S. census data shows that Philadelphia County has gradually been attracting larger net inflows of college-educated young adults moving from these places during recent years. While this trend may pause in the face of the coronavirus and its constraints on mobility, it is likely to continue as America's largest generation age and demand more affordable and spacious housing options.

## KEY LEASE TRANSACTIONS

| Tenant                               | Building Address                 | Submarket                    | Type                     | Sq Feet |
|--------------------------------------|----------------------------------|------------------------------|--------------------------|---------|
| ChristianaCare Health System         | Avenue North                     | North New Castle County      | Healthcare               | 386,000 |
| U.S. Environmental Protection Agency | 1650 Arch                        | Market Street West           | Governmental             | 313,900 |
| Morgan Lewis                         | 23 <sup>rd</sup> & Market        | Market Street West           | Law Firm                 | 307,998 |
| Morgan Lewis                         | 1701 Market                      | Market Street West           | Law Firm                 | 288,018 |
| Jefferson Health                     | Thomas Jefferson-Family Medicine | Market Street East           | Healthcare               | 277,325 |
| The Vanguard Group                   | Devon Park                       | King of Prussia/ Wayne       | Financial                | 134,000 |
| Axalta Coating Systems               | Applied Corporate Center         | Delaware County              | Manufacturing            | 72,186  |
| Harcum College                       | 270 S. Bryn Mawr Ave.            | Main Line                    | Education                | 67,998  |
| Zoetis, Inc.                         | Exton/Whitelands                 | Great Valley Commerce Center | Healthcare/ Veterinarian | 65,179  |
| Vygon Inc.                           | 2750 Morris Road                 | East Montgomery Cty          | Healthcare               | 62,272  |

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