What's going on in..

MID-YEAR 2019

PHILADELPHIA

OVERVIEW

Greater Philadelphia's office market is in a comfortable position heading into Q3 2019, with vacancy at a near all time low, and rental rate increases outpacing many major markets. This is partially due to a low rate of speculative office construction keeping the market tight. Some softening has occurred with Bank of America vacating 520,000 SF in Wilmington and consolidating into an existing 270,000 SF space they occupy nearby. GlaxoSmithKline and Capital One have undergone similar consolidations. Regional growth in life sciences and healthcare have offset this to an extent.

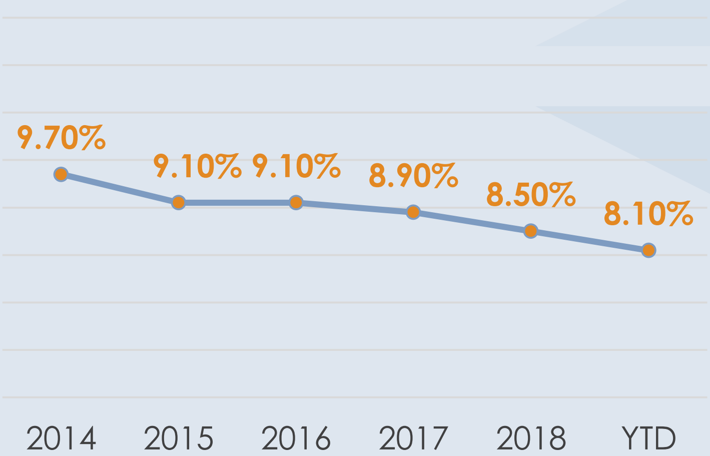
Vacancy may continue to rise slowly as job growth in the region slows, but recession resistant industries such as healthcare, which is dominant in the local economy, and low speculative construction insulate the market, leaving it with a low risk of rapid vacancy increase.

FUNDAMENTALS

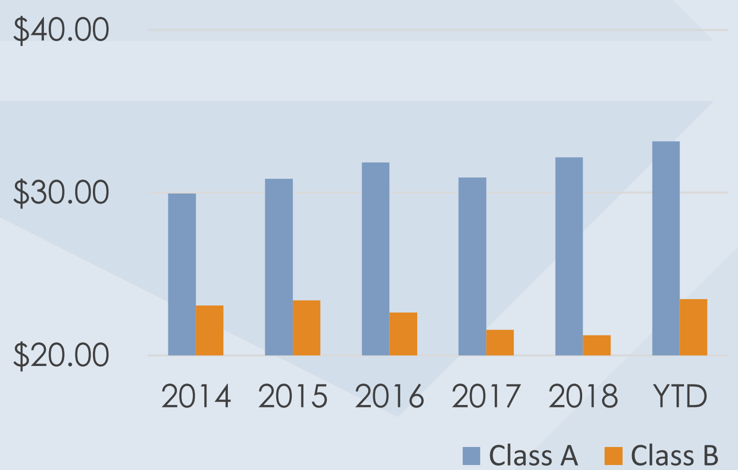
		Forecast
YTD net absorption	1.7M	▼
Under construction	392K	▼
Average asking rent (gross)	$28.20	▲
Concessions	$55.00 - $75.00/RSF	▲

Market Size	Largest Office Deal	Total Vacancy
102M SF	165k SF	8.5M

TOTAL VACANCY



AVERAGE ASKING RENTS



OUTLOOK

- Tight labor market is causing local employment to slow
- Office vacancy likely to creep up slightly
- Healthcare growth and lack of large speculative construction projects should continue to keep vacancy rates tighter than in most major markets
- Many large tenants, including the EPA, Macquarie Investment Management, and Wells Fargo all have plans to downsize their Center City office spaces, and transition to more efficient, modern spaces.
- New investors continue to show interest in Philadelphia due to location, high cap rate, low risk of major economic downturn, healthcare presence and low speculative office construction

For more information, please contact:

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