

Yardi® Matrix

OFFICE MARKET REPORT

Philadelphia Holds Steady

Winter 2020

Employment
Growth Moderates

Deliveries Fall
After Cycle High

Investors Focus
On Suburban Assets

PHILADELPHIA OFFICE MARKET

Yardi® Matrix

Standing On Solid Ground

Philadelphia's office market fundamentals remain strong, despite softening growth at the national level. While the unemployment rate in Philadelphia exceeds the national rate, office-using employment gains outperformed the market's overall job growth. The metro's highly educated workforce—boosted by the presence of major educational institutions including the University of Pennsylvania, Drexel University and Temple University—positions the market as an attractive place for corporations to conduct business.

Asking prices for office space in Philadelphia averaged just under \$29 per square foot in November, far less than the national average of nearly \$38 per square foot. Office space was 13.2% vacant, though steady leasing activity combined with a lack of new supply will likely compress vacancy in the short term. While construction activity was steady with 2.1 million square feet underway, year-to-date deliveries fell to their lowest point since 2011, with less than 540,000 square feet coming online in 2019 through November. Some 1.5 million square feet is slated for completion in 2020, higher than the market's 10-year average.

Investment activity totaled nearly \$1.7 billion through November, in line with 2018's volume of \$1.8 billion during the same period. More than half of last year's transaction volume targeted suburban value-add opportunities, which offered investors significantly higher acquisition yields compared to Philadelphia's central Class A office inventory.

Market Analysis

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