



Philadelphia Regional

Office

25Q2

## Key Takeaways

- The regional vacancy rate decreased for third consecutive quarter to 19.5%
- Net absorption was not impressive, but at the highest level in four quarters
- The average rental rate ticked up slightly to \$30.33, with gains in Class A and Class B asking rents
- Multiple suburban portfolios traded as opportunistic investors stepped back into the market, eyeing value amid lingering uncertainty



## Highlights

The regional office market showed modest improvement in the second quarter, with overall vacancy stabilizing or trending downward despite localized increases, Class A properties continued to benefit from the flight to quality, with vacancy declining from 18.0% to 17.7% and positive net absorption. Weighted average asking rents edged up—rising 0.8% for Class A and 0.2% for Class B space. Landlords remained flexible, typically offering at least one month of free rent per lease year and extending concessions for larger deals. Professional services firms, particularly law firms, drove the bulk of larger leases, often through consolidation. A few unconventional office tenants, including Power Home Remodeling and SEPTA, expanded their footprints.

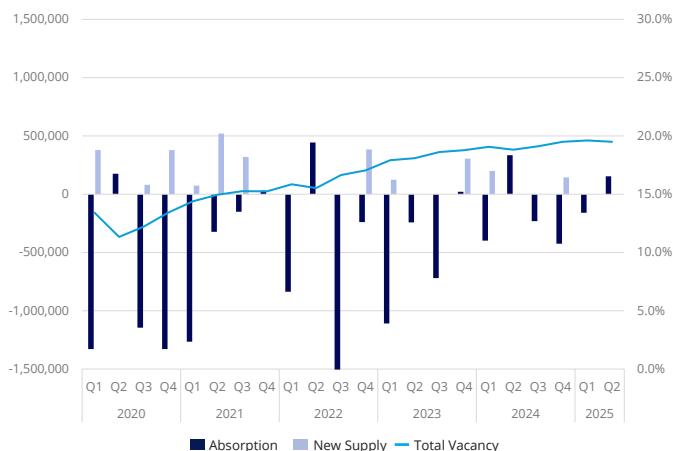
## Market Indicators



## Historic Comparison

	24Q2	25Q1	25Q2
<b>Total Inventory (in Thousands of SF)</b>	138,952	139,301	139,301
<b>New Supply (in Thousands of SF)</b>	0.0	0.0	0.0
<b>Net Absorption (in Thousands of SF)</b>	334.8	-159.0	153.5
<b>Overall Vacancy</b>	18.8%	19.6%	19.5%
<b>Under Construction (in Thousands of SF)</b>	787.8	438.0	438.0
<b>Overall Asking Lease Rates (FSG)</b>	\$30.23	\$30.09	\$30.34

## Market History



## Forecast

A slow and uneven recovery is expected in the coming quarters, with new leasing activity largely focused on upper-tier properties. Commodity Class A and B buildings—both in central business districts and suburban submarkets—are likely to stagnate. Rising construction costs pose a significant hurdle. Buildings with dated interiors and limited amenities would need to command higher rents to justify renovation expenses. Additionally, unless a tenant is willing to take a space in “as is” condition, landlords will require a long term lease in order to cover tenant improvements.

## Recent Transactions



**Lease Renewal/Exp.**  
Power Home Remodeling  
Delaware County  
250k SF



**Lease Renewal**  
Klehr Harrison  
CBD Market West  
67k SF



**Lease**  
SEPTA  
CBD Market East  
62k SF



**Sale**  
Lindenwood Corp. Ctr.  
Malvern/Exton  
280k SF



**Sale**  
Chesterfield Parkway  
Malvern/Exton  
226k SF



**Sale**  
Moorestown Corp. Ctr.  
Southern New Jersey  
223k SF

## Market Snapshots

### CBD Philadelphia

Vacancy rates declined modestly across all three Center City submarkets in the second quarter. Market East ticked down from 18.3% to 18.2%, Market West fell from 19.7% to 19.3%, and University City posted a more notable drop, from 12.7% to 12.0%. Trophy assets continued to outperform, with vacancy hovering just above 10%.

While tenant downsizing remained the dominant trend, the quarter also saw select expansions—most notably from SEPTA—and entries by firms new to the market. Still, further vacancy pressures may lie ahead. Temple University plans to vacate leased space as it relocates to its newly acquired property on South Broad Street, and Chubb is preparing to exit its leased offices for a new headquarters at 2000 Market Street. One of Chubb's former locations, 436 Walnut Street, is now on the market and is expected to be converted

### Suburban Philadelphia

The suburban office vacancy rate edged up from 21.7% to 21.9%, driven by space contractions tied to new leases from firms such as Jacobs Engineering in Conshohocken and TE Connectivity in the King of Prussia/Wayne. Despite these increases, future leasing is expected to concentrate in higher-quality assets in Conshohocken and along Swedesford Road in Wayne.

On the capital markets side, value-driven investors are beginning to reengage. Lindenwood Corporate Center and a trio of buildings on Chesterfield Parkway in Malvern were recently acquired at steep discounts, reflecting a shift in pricing expectations and potential for repositioning.

### Southern New Jersey

After declining in the first quarter, the South Jersey office vacancy rate inched up from an adjusted 15.9% to 16.0%. Burlington County's vacancy fell from 16.6% to 14.2%, while Camden County offset those gains with an increase from 16.3% to 18.0%. Leasing activity remained limited, though several transactions reflected the ongoing flight to quality. MRS BPO signed a sublease for Consensus Health space in Marlton, and newly renovated 250 Century Parkway is poised to welcome its first tenants.

On the investment side, the three-building Moorestown Corporate Center—formerly in special servicing—was acquired by a Northern New Jersey investor, signaling opportunistic interest in distressed suburban assets.

### Lehigh Valley

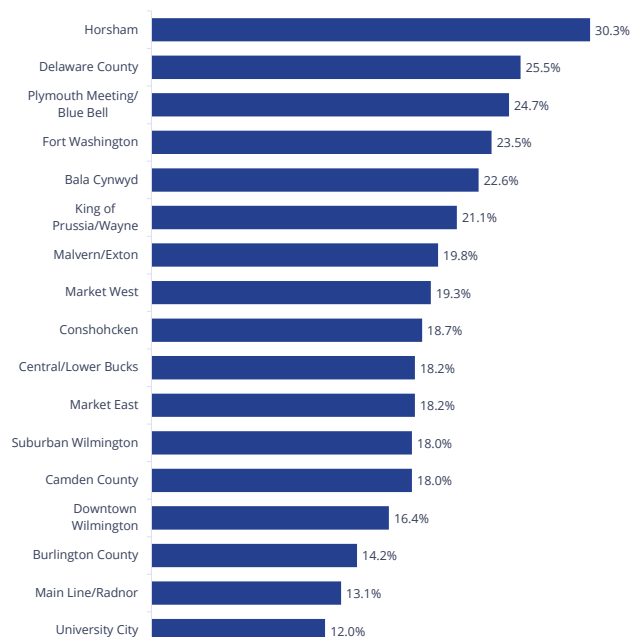
The Lehigh Valley's office vacancy rate dipped from 21.7% to 21.6%, amid limited leasing activity. Demand remains soft—particularly for older, 1970s and 1980s vintage buildings in suburban office parks—prompting growing interest in repositioning or redeveloping these assets.

One example is a proposed convenience store to be built on underutilized parking areas at 7660 Imperial Way, highlighting the ongoing shift in land use priorities.

### New Castle County, DE

New Castle County's office vacancy rate fell by a full percentage point in the second quarter, reaching 17.2%. Downtown Wilmington had a modest improvement, with vacancy decreasing from 16.8% to 16.4%, while the suburban rate dropped from 19.9% to 18.0%. Though still limited, demand for Class A space was the primary driver of the decline in both submarkets.

Brandywine Realty Trust is moving forward with plans to convert 300 Delaware Avenue into apartments, and is evaluating redevelopment options.



## Lease Deals

Q2

Tenant	Building	Submarket	Type	Square Feet
2501 Seaport Drive	Delaware County	Power Home Remodeling	Renewal/Expansion	250,000
1835 Market Street	Phila CBD Market West	Klehr Harrison Harvey Branzburg	Renewal/Downsize	67,083
100 Penn Square East	Phila CBD Market East	SEPTA	New	62,265
225 Washington Street	Consohocken	Jacobs Engineering	New	40,899
1735 Market Street	Phila CBD Market West	Hogan Lovells	New	34,751
800 Adams Avenue	King of Prussia/Wayne	Lower Providence Township	New	34,688
8000 Midlantic Drive	Southern New Jersey	BAE Systems	Renewal	32,463
2005 Market Street	Phila CBD Market West	Kirkland & Ellis	New	29,233
402-404 Lippincott Drive	Southern New Jersey	MRS BPO, LLC	Sublease	26,500
1735 Market Street	Phila CBD Market West	Hangley Aronchick	New	22,230
500 E. Swedesford Road	King of Prussia/Wayne	Affiliated Distributors	Expansion	20,809

## Sale Transactions

Q2

Building	Submarket	Buyer	Sale Price	Square Feet
Lindenwood Corporate Center	Malvern/Exton	Time Equities	\$23,100,000	280,025
100, 600, 700 Chesterfield Parkway	Malvern/Exton	Pacer Financial	\$16,500,000	226,294
Moorestown Corporate Center	Southern New Jersey	Melrose Solomon Enterprises	\$17,600,000	222,888
1 Reads Way	Suburban Wilmington	Journey Church	\$750,000	71,048
4825 W. Tilghman Street	Lehigh Valley	Elliot Bay Capital Trust	\$28,250,000	66,314
8000 Sagemore Drive	Southern New Jersey	Hardenbergh Insurance Group	\$535,000	50,400
1100 Cassatt Road	King of Prussia/Wayne	Urbana Partners	\$12,100,000	43,830

## Market Statistics

Submarket/ Class	Total Inventory SF	Direct Vacant	Sublease Vacant	Total Vacant	Vacancy Rate	Vacancy Previous Quarter	Net Absorption Current	Net Absorption YTD	Under Construction	Avg Direct Asking Rate (FSG)
<b>CBD Philadelphia</b>										
<b>A</b>	21,423,805	2,408,391	568,942	2,977,333	13.9%	14.7%	135,143	132,438	438,000	\$45.77
<b>B</b>	21,400,262	4,371,496	693,380	5,064,876	23.7%	23.4%	4,829	-61,737	0	\$31.47
<b>C</b>	5,539,830	649,904	175,705	825,609	14.9%	17.1%	27,843	7,401	0	\$27.95
<b>TOTAL</b>	48,363,897	7,429,791	1,438,027	8,867,818	18.3%	18.7%	167,815	78,102	438,000	\$35.95
<b>Suburban Philadelphia</b>										
<b>A</b>	25,150,937	4,338,043	843,010	5,181,053	20.6%	20.3%	-87,651	48,990	0	\$32.54
<b>B</b>	22,790,256	4,808,871	668,908	5,477,779	24.0%	23.9%	-26,768	-221,299	0	\$27.97
<b>C</b>	4,768,594	507,093	377,778	884,871	18.6%	18.6%	3,290	1,437	0	\$22.84
<b>TOTAL</b>	52,709,787	9,654,007	1,889,696	11,543,703	21.9%	21.7%	-111,129	-170,872	0	\$29.63
<b>Southern New Jersey</b>										
<b>A</b>	6,306,725	912,730	49,558	962,288	15.3%	15.8%	31,280	23,277	0	\$24.87
<b>B</b>	7,217,854	1,163,977	89,420	1,253,397	17.4%	16.8%	-41,035	36,604	0	\$21.62
<b>C</b>	853,866	83,410	0	83,410	9.8%	9.8%	454	1,201	0	\$21.00
<b>TOTAL</b>	14,378,445	2,160,117	138,978	2,299,095	16.0%	15.9%	-9,301	61,082	0	\$22.96
<b>New Castle County, DE</b>										
<b>A</b>	7,733,438	1,415,122	207,468	1,622,590	21.0%	22.1%	88,186	55,815	0	\$27.30
<b>B</b>	6,899,486	929,617	41,278	970,895	14.1%	14.3%	16,518	417	0	\$23.09
<b>C</b>	1,068,024	103,975	0	103,975	9.7%	9.5%	-2,506	1,224	0	\$22.22
<b>TOTAL</b>	15,700,948	2,448,714	248,746	2,697,460	17.2%	18.2%	102,198	57,456	0	\$25.59
<b>Lehigh Valley</b>										
<b>A</b>	4,626,444	695,017	110,175	805,192	17.4%	17.6%	9,405	-9,409	0	\$23.92
<b>B</b>	3,268,210	824,161	34,968	859,129	26.3%	26.1%	-5,522	-4,093	0	\$23.54
<b>C</b>	253,723	96,987	0	96,987	38.2%	38.2%	0	-17,822	0	\$22.22
<b>TOTAL</b>	8,148,377	1,616,165	145,143	1,761,308	21.6%	21.7%	3,883	-31,324	0	\$23.64
<b>Regional Total</b>										
<b>A</b>	65,241,349	9,769,303	1,779,153	11,548,456	17.7%	18.0%	176,363	251,111	438,000	\$33.97
<b>B</b>	61,576,068	12,098,122	1,527,954	13,626,076	22.1%	22.0%	-51,978	-250,108	0	\$28.06
<b>C</b>	12,484,037	1,441,369	553,483	1,994,852	16.0%	16.2%	29,081	-6,559	0	\$24.82
<b>TOTAL</b>	139,301,454	23,308,794	3,860,590	27,169,384	19.5%	19.6%	153,466	-5,556	438,000	\$30.34

### For More Information

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