



First Quarter 2019

Philadelphia Office Market Report

Center City & Suburban Submarkets

Partnership. Performance.

Contents

01 Executive Summary

Greater Philadelphia Submarket Overview

02 Submarket Map

03 Submarkets by the Numbers

Center City Philadelphia

05 CBD

06 Non-CBD

Suburban Philadelphia

08 Bala Cynwyd

09 Conshohocken

10 Delaware County

11 Exton / Whitelands

12 Fort Washington / Spring House

13 Horsham / Willow Grove

14 King of Prussia / Wayne

15 Main Line

16 Lower Bucks County

17 Outer Chester County

18 Plymouth Meeting / Blue Bell

19 Upper Bucks County

20 Upper Main Line / Radnor

21 Valley Forge / Norristown

22 West Chester

23 West Montgomery County

Southern New Jersey

25 Camden / Burlington / Gloucester County

Executive Summary

Overview

The Greater Philadelphia market has benefited from another quarter of positive economic indicators marked by low unemployment, an expanding employment base and rising wages. Continued job growth within the economy seems to be the main ingredient shaping the office landscape in the metro area. According to the Bureau of Labor Statistics (BLS), the current pace of job growth in the metro area is about 1.2% year-over-year, which is about two-thirds the pace of U.S. employment growth. Healthcare, technology, and distribution are the three sectors largely driving the job growth in Philadelphia. Other recent and continuing trends seen throughout Center City and Suburban office markets stem from the increasing demand by tenants for newer, amenity-rich office space that is also well-located with primary access to public transportation.

Center City Philadelphia

In Center City, the central and non-central business districts are comprised of over 62 msf of office space and holds an 8.0% vacancy rate. Spanning over less than five-square-miles of space, the Center City market is a highly concentrated and competitive market. In University City, a part of the non-CBD, health and educational institutions drive the market. In the heart of this area, Amicus Therapeutics, a global biotechnology company, signed a 75,000 sf lease at Wexford Science and Technology's Class A lab and office building. The facility will be home to 200 employees and will serve as the company's global research and gene therapy of excellence. Other major tenants providing ongoing demand in the University City submarket include the University of Pennsylvania, the University of the Sciences of Philadelphia and the Children's Hospital of Philadelphia. On the other hand, the central business district of Philadelphia, which includes Market Street East, Market Street West and Independence Hall, account for 184 office buildings and holds more than 54 msf of space. Class A asking rates have continued to increase, but that has not stopped tenants from occupying newly renovated space in the submarket. In Market Street East, a local architecture firm, Ballinger, renewed their 78,951-sf lease at 833 Chestnut Street during the first quarter of 2019. Additionally, other large tenants host their headquarters in this submarket such as Five Below, Comcast, and Aramark.

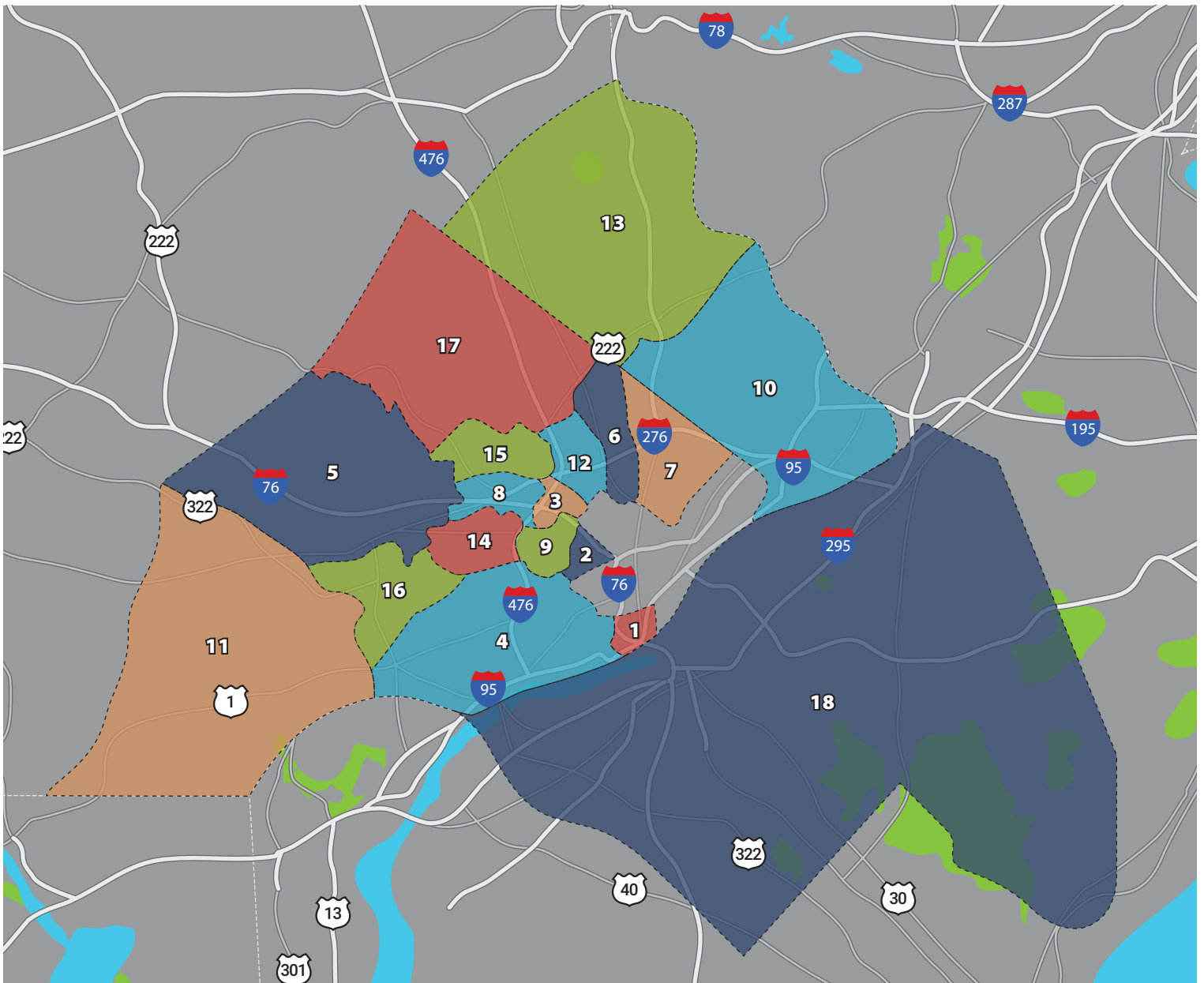
Suburban Philadelphia

Suburban Philadelphia consists of 18 submarkets, including Southern New Jersey. A majority of the Suburban Philadelphia office submarkets enjoy convenient location, good accessibility to the city, and lower asking rental rates compared to space in Center City. Rental rates throughout the suburban market range from over \$36.00 psf to just over \$18.00 psf. Factors that tend to influence rates in the suburban submarkets include the age of the building, accessibility, and surrounding amenities. Conshohocken holds the highest average asking rental rate at \$36.63 psf as well as the highest average asking rental rate for Class A space at \$36.77. AmerisourceBergen signed a 400,000-sf office lease at SORA West in Conshohocken during the first quarter of 2019. The Class A space is located steps from the SEPTA Regional Rail line, giving it excellent accessibility and easy transportation to and from Center City Philadelphia. Furthermore, another submarket to watch is the King of Prussia / Wayne submarket as CSL Behring just signed a lease for 100,820 sf and SEL also signed a new 27,000 sf lease. As rental rates in Center City continue to increase and there is no new inventory under construction, office space in surrounding submarkets is becoming a more attractive option for office tenants.

Immediate Forecast

Looking ahead, Philadelphia is poised for a strong second quarter. With very little construction in the pipeline mixed with low availability rates, vacancies will gradually drop, thus resulting in an increase in rental rates. A combination of these factors suggests the market will remain tight.

Greater Philadelphia Office Submarkets



01 Philadelphia	07 Horsham / Willow Grove	13 Upper Bucks County
02 Bala Cynwyd	08 King of Prussia / Wayne	14 Upper Main Line / Radnor
03 Conshohocken	09 Main Line	15 Valley Forge / Norristown
04 Delaware County	10 Lower Bucks County	16 West Chester
05 Exton / Whitelands	11 Outer Chester County	17 West Montgomery County
06 Fort Washington / Spring House	12 Plymouth Meeting / Blue Bell	18 Southern New Jersey

Submarkets by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
Center City	236	62,531,392	5,430,484	8.0%	9.3%		335,688	-	\$35.77	\$36.93
CBD	184	54,160,449	4,850,348	9.0%	10.1%	(272,097)	246,593	-	\$31.16	\$32.25
Non- CBD	52	8,370,943	580,136	6.9%	8.5%	331,277	89,095	-	\$40.38	\$41.60
Suburban Philadelphia	1,029	80,113,469	8,968,881	10.23%	11.19%	(393,349.00)	1,032,119	1,255,715	\$27.06	\$28.51
Bala Cynwyd	22	3,309,534	266,603	8.1%	10.4%	(18,357)	11,072	-	\$33.36	\$33.46
Conshohocken	31	3,843,393	199,931	5.2%	5.5%	11,953	1,794	427,045	\$36.62	\$36.77
Delaware County	129	10,823,157	727,877	6.7%	7.5%	(45,880)	274,847	401,200	\$26.88	\$28.82
Exton / Whitelands	122	9,404,147	692,265	7.4%	8.4%	10,931	79,941	240,000	\$26.76	\$27.89
Ft. Wash. / Spring House	47	3,785,196	895,521	23.7%	29.9%	(91,043)	47,001	-	\$25.63	\$25.67
Horsham / Willow Grove	76	7,638,031	556,272	7.3%	6.8%	(58,442)	53,933	67,470	\$23.62	\$23.71
KOP / Wayne	136	11,095,481	1,907,169	17.2%	16.0%	(99,191)	191,447	-	\$31.45	\$33.81
Main Line	27	1,155,167	89,861	7.8%	12.9%	3,291	17,800	-	\$33.20	\$34.00
Lower Bucks	130	7,547,834	1,316,803	17.4%	19.9%	(81,804)	26,376	-	\$23.27	\$25.71
Outer Chester County	18	1,051,899	58,371	5.5%	1.7%	-	-	80,000	\$21.41	-
Plymouth Meeting / Blue Bell	81	5,973,307	1,084,842	18.2%	17.3%	24,800	126,642	-	\$27.80	\$28.14
Upper Bucks County	30	1,193,033	83,545	7.0%	8.6%	(2,334)	7,059	20,000	\$22.66	\$26.21
Upper Main Line / Radnor	48	3,368,607	327,517	9.7%	13.5%	(46,963)	161,590	-	\$35.19	\$38.50
Valley Forge / Norristown	51	4,561,712	271,892	6.0%	3.0%	4,125	4,119	20,000	\$23.15	\$23.41
West Chester	41	2,216,417	68,568	3.1%	2.7%	(1,648)	7,030	-	\$23.76	\$23.39
West Montgomery County	40	3,146,554	421,844	13.4%	15.0%	(2,787)	21,468	-	\$17.99	\$18.35
Southern New Jersey										
Camden / Burlington / Gloucester County	239	16,873,028	1,649,826	9.80%	9.70%	78,078.00	159,927.00	606,146.0	\$18.45	\$19.73

Center City



Quick Stats

\$36.93

Average asking class A office space increased 4.8% YOY

42 msf

Class A office space accounts for 68% of office space in Center City

0 sf

No construction in the pipeline in the Center City Philadelphia office market

7.95%

At 7.95%, overall vacancy ticketed up YOY

0.4%

Increase in Class A vacancies YOY

Amounting to over 62 msf of office space and spanning over slightly less than five square miles, Center City is a highly concentrated and competitive market. Center City is an attractive option for companies and serves as a home to several large headquarters because of a high walkability score, well-serviced public transportation and many other desirable city amenities.

Asking Rates

With currently no new construction in the pipeline, rents have been on an incline as available space in Center City starts to fall. Construction activity in this area has slowed

due to the delivery of substantial office space over the past year (such as the Comcast' Technology Center) and diminishing space for further construction. Overall office rent increased year-over-year 4.4% to the new high of \$35.77 psf.

Leasing Activity

Vacancies were up compared to Q1 2018. At 7.9%, office vacancies are projected to fall as the supply of new office space stays stagnant.

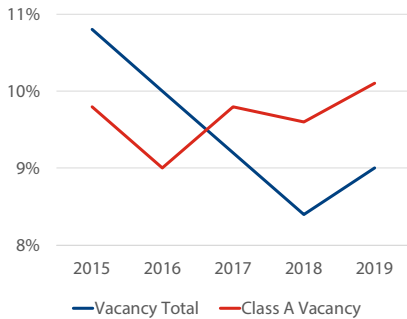
Notable Lease Transactions

Address	Tenant	Size	Deal Type
833 Chestnut Street, Philadelphia, PA	Ballinger	78,951 sf	Renew
3675 Market Street, Philadelphia, PA	Amicus Therapeutics	75,000 sf	New
1626 Locust Street, Philadelphia, PA	IWG's Spaces	48,069 sf	Expansion
2005 Market Street, Philadelphia, PA	PREIT Associates	44,057 sf	New
Circa Centre North, Philadelphia, PA	LLR Partners	20,489 sf	New

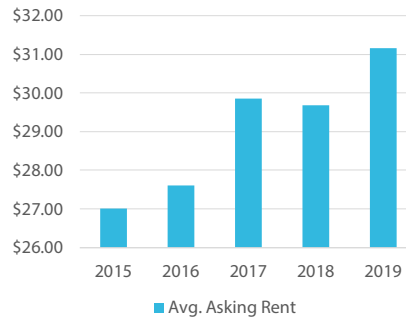
Philadelphia CBD

The lack of large blocks of space is beginning to slow the leasing environment as large companies are looking to relocate to neighboring suburban submarkets.

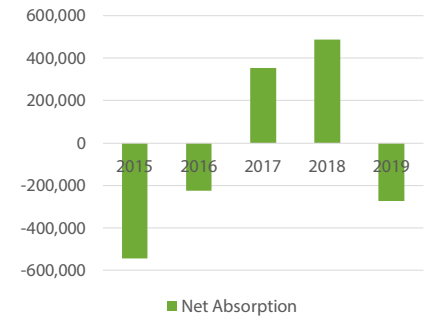
Vacancy



Asking Rent



Absorption



Overview

Consisting of Market East, Market West, and Independence Hall, the central business district of Philadelphia holds over 54 msf of office space, 67% of which is classified class A.



can be challenging with a limited supply of available space and no construction in the pipeline. With climbing rents, the submarket has also seen trends in large companies downsizing their office space in the city. Many publicly traded companies have reduced their footprint by relocating employees to cheaper suburban regions with the goal of cutting costs and avoiding city wage taxes. Companies such as Deloitte, PNC, Cigna and Sunoco are examples of firms



who have already left or have solidified plans to relocate.

Asking Rates

Philadelphia's central business district's rental rates have been on a gradual incline the past few quarters. Premier Class A office space, such as One Liberty Place or 2400 Market Street, have registered rents as high as \$40.00 psf. Overall asking rental rates for all office space in CBD averaged \$31.16 psf for the first quarter of 2019.



Leasing Activity

The submarket has been experiencing slow leasing activity as net absorption for Q1 2019 closed at a negative 272,000 sf. Landing new large, Class A tenants

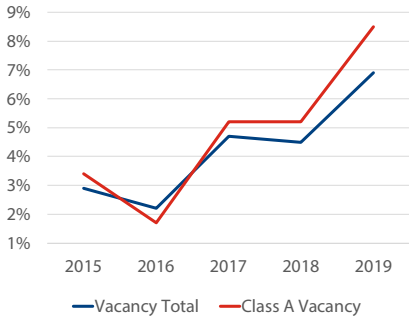
Philadelphia CBD by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	184	54,160,449	4,850,348	9.0%	10.1%	(272,097)	246,593	0	\$31.16	\$32.25
2018 Q1	183	52,823,767	4,441,384	8.4%	9.6%	487,926	715,048	1,336,682	\$29.68	\$31.01
2017 Q1	183	52,823,767	4,850,861	9.2%	9.8%	353,939	488,551	1,336,682	\$29.85	\$31.47
2016 Q1	184	52,858,615	5,307,844	10.0%	9.0%	(223,698)	602,742	1,336,682	\$27.61	\$29.24
2015 Q1	189	53,944,018	5,830,980	10.8%	9.8%	(544,712)	824,548	1,336,682	\$27.01	\$28.77

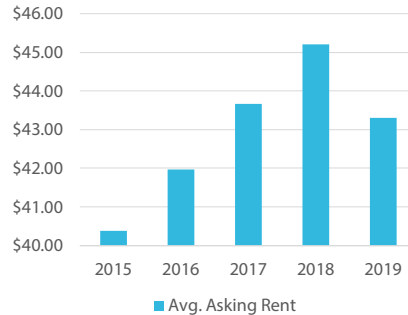
Philadelphia Non-CBD

Built-in rental demands by the area’s prestigious ‘Meds & Eds’ marks University City as the true anchor of Center City’s non-CBD submarket.

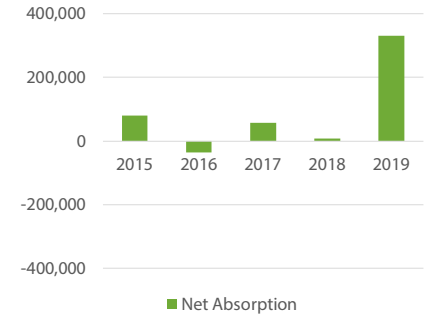
Vacancy



Asking Rent



Absorption



Overview

The Non-CBD office submarket has sustained a high level of activity at the conclusion of Q1 2019.

This stems from a high demand from medical and educational institutions in University City as well as opportunity zones spurring development in the Navy Yard, resulting in falling vacancy and high asking rental rates.



Leasing Activity

Office vacancies dropped to 6.9% at Q1 2019, down from 7.5% a quarter earlier. Most of the drop recorded in the Navy Yard as vacancies there reached a low of 2.4%. This drop in vacancy is anticipated to continue as tax incentives in the Navy Yard continue to lure major office users and as University City continues to attract more tenants seeking medical office space.



Asking Rates

Class A office rents edged down slightly to \$41.60 psf at Q1 2019, with Class A and B space asking \$40.38 psf. While overall rents have dipped since the last quarter, they are expected to remain constant as University City has built-in rental demand stemming from the ‘Meds & Eds’ in the market. Additionally, as of this quarter, there are no new scheduled construction deliveries or starts in the non-CBD.



Philadelphia Non-CBD by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	52	8,370,943	580,136	6.9%	8.5%	331,277	89,095	0	\$40.38	\$41.60
2018 Q1	49	7,540,943	341,647	4.5%	5.2%	8,160	325,452	830,000	\$41.97	\$43.65
2017 Q1	48	7,074,943	332,526	4.7%	5.2%	56,685	115,257	991,000	\$43.67	\$45.58
2016 Q1	45	6,105,572	131,465	2.2%	1.7%	(36,890)	25,717	1,387,971	\$45.20	\$49.10
2015 Q1	44	6,081,959	178,544	2.9%	3.4%	79,778	76,489	1,319,613	\$43.31	\$46.66

Suburban Philadelphia



Quick Stats

80 msf

Total amount of inventory

1.3 msf

SF under construction as of Q1 2019

\$36.93

Class A asking rent as of Q1 2019

1.0% YOY

Overall vacancies increased to 7.9%

3.0%

Overall rent increase YOY

Stretching over 16 submarkets, the Suburban Philadelphia office market holds over 1,000 office buildings totaling more than 80 msf. The demand for a Suburban Philadelphia office location has been on the rise due to easy access into Philadelphia as well as having lower overall asking rental rates.

Asking Rates

Average asking rents in Suburban Philadelphia were recorded at \$27.06 psf at the close of Q1 2019, marking seven straight years of increasing rent. Specifically, at \$28.51 psf, Class A average rent increased by 3.4% since Q1 2018 due to a higher demand for premier office space outside of Center City.

Construction

Construction activity in Suburban Philadelphia has soared with over 1.2 msf of construction in the pipeline at the end of Q1. The new office space under construction represents a 421.3% increase from the previous year, which had roughly 241,000 sf under construction. With the delivery of new construction and steadily increasing rents, the Suburban Philadelphia office market is poised for a strong year ahead.

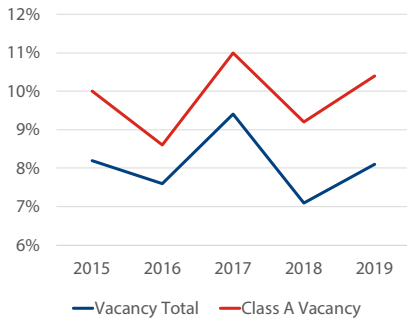
Notable Lease Transactions

Address	Tenant	Size	Deal Type
SORA West, Conshohocken, PA	AmerisourceBergen	400,000 sf	New
1100-1140 Virginia Drive, Fort Washington, PA	Toll Brothers	167,300 sf	New
500 N. Gulph Road, King of Prussia, PA	CSL Behring	100,820 sf	New
7 Great Valley Parkway, Malvern, PA	YPrime	58,000 sf	New
2900 Horizon Drive, King of Prussia, PA	SEL	27,000 sf	New

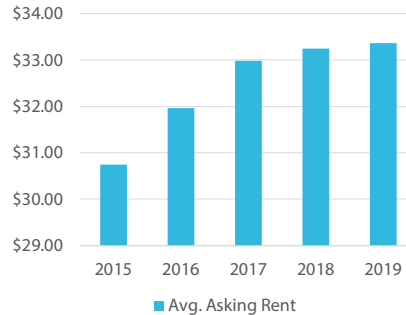
Bala Cynwyd

Slow, but constant rental rate growth battles with fluctuating vacancies as a consequence of negative net absorption in one of Greater Philadelphia’s most centrally located suburban submarkets.

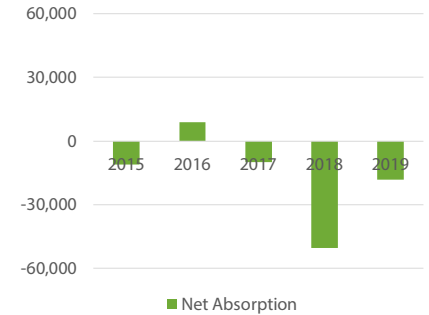
Vacancy



Asking Rent



Absorption



Overview

The Bala Cynwd office submarket showed strong fundamentals at the close of Q1 2019 with high asking rents and steady vacancies. One of the submarket’s most attractive features is its central location which provides easy access to and from Center City Philadelphia, but also allows tenants and employees who reside in the submarket to avoid Philadelphia County’s wage tax.

\$33.46
GROSS ASKING RENT

Leasing Activity

At 8.1%, Bala Cynwyd’s vacancy rate remains lower than the overall Philadelphia metro area. Absorption has driven vacancy in this submarket in prior years due to the lack of construction that has entered the pipeline. The small hike in vacancy from 7.1% to 8.1% year-over-year could be attributed to NBC 10 relocating from the Bala Cynwd space to their new office in the Comcast Technology Center in Center City, Philadelphia.

10.4%
CLASS A VACANCY

Asking Rates

Despite the vacancy increase, Class A asking rental rates continue to climb due to renovations of existing space into premier office space. Overall asking rents for Class A and B space have remained level around \$33.00 psf. At the conclusion of Q1 2019, overall asking rates for all classes was \$33.36 psf and this is projected to remain constant with no construction due to commence.

-18,357
SF OF NET ABSORPTION

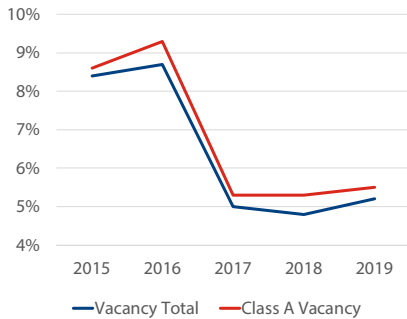
Bala Cynwyd by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	22	3,309,534	266,603	8.1%	10.4%	(18,357)	11,072	0	\$33.36	\$33.46
2018 Q1	22	3,309,534	235,842	7.1%	9.2%	(50,523)	16,128	0	\$33.24	\$33.45
2017 Q1	22	3,309,534	312,536	9.4%	11.0%	(9,977)	77,344	0	\$32.68	\$33.01
2016 Q1	22	3,309,534	253,098	7.6%	8.6%	8,841	13,480	0	\$31.96	\$32.25
2015 Q1	22	3,309,534	271,711	8.2%	10.0%	(11,088)	80,638	0	\$30.74	\$31.28

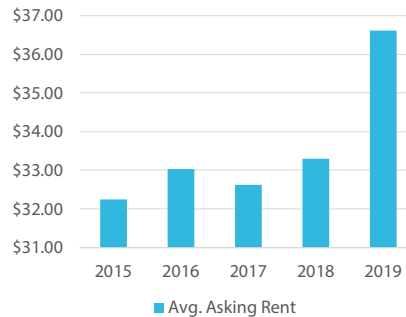
Conshohocken

With multiple build-to-suit options and heightening rental numbers, Conshohocken has outperformed the market average in long-term rent growth and will continue to thrive.

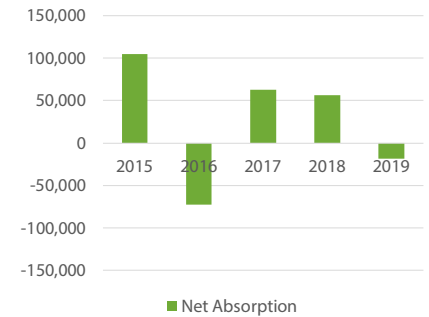
Vacancy



Asking Rent



Absorption



Overview

Economic momentum continues within the Conshohocken submarket as demonstrated by a steady declining unemployment rate, which at 3.4% is below the US average.

Conshohocken is well located for commuters with regional rail access located in one of the largest office parks of the submarket and a high walkability score throughout.



Leasing Activity

Conshohocken has a total inventory of 3.8 msf of office space, 90% of which is Class A space. Of the total 3.8 msf of space, less than 200,000 sf is vacant. Conshohocken's vacancy rate has been on a gradual decline and dropped 100 basis points year-over-year. Leasing has been strong enough to keep occupancy tight and net absorption positive.



Asking Rates

Given Conshohocken's tight office vacancy rate, the submarket has experienced rental growth for the past five years. The area's stock of relatively new office parks has been beneficial as tenants have an emphasized demand for modernized space. As for the first quarter of 2019, Conshohocken's office rents are up to \$36.62 psf and will continue an upward trend as demand remains strong.



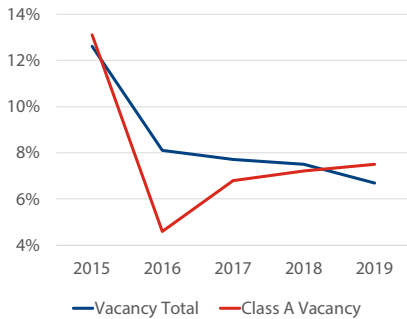
Conshohocken by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	31	3,843,393	199,931	5.2%	5.5%	11,953	1,794	427,045	\$36.62	\$36.77
2018 Q1	31	3,843,393	183,373	4.8%	5.3%	56,319	44,245	0	\$33.29	\$33.35
2017 Q1	31	3,843,393	190,923	5.0%	5.3%	62,663	28,053	0	\$32.62	\$32.97
2016 Q1	31	3,843,393	335,130	8.7%	9.3%	(72,824)	56,273	0	\$33.03	\$33.51
2015 Q1	31	3,843,393	321,640	8.4%	8.6%	104,471	106,733	0	\$31.25	\$31.52

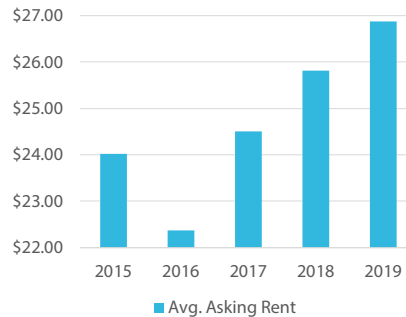
Delaware County

Immediate access to multiple transit options coupled with rental rates increases and falling vacancies position Delaware County for a strong 2019.

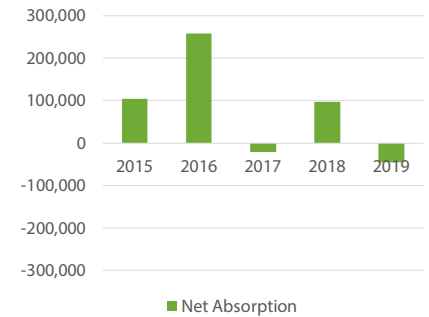
Vacancy



Asking Rent



Absorption



Overview

Consisting of 129 office buildings and home to 560,000 people, Delaware County is one of the most populous counties in Pennsylvania and the third smallest in area. The submarket has been experiencing fluctuating vacancies as rental rates continue to climb.

378,000
SF OF CLASS A OFFICE UNDER CONSTRUCTION

inventory, 4.7 msf of which is Class A. Of the total square feet of office space throughout Delaware County, 727,000 sf is vacant, resulting in a vacancy rate of 6.7% for the market. Vacancy rates have been on a gradual decline throughout Delaware County's office market for the past five years; however, this quarter saw a slight 40 basis point increase in vacancies.

30 bps
DROP IN OVERALL VACANCIES

average asking rental rate for all classes was at \$26.88 psf, up from \$24.82 psf just one year prior. As overall rents have continued to grow, Class A rents have reflected the same trend. Class A rental rates in the Delaware County submarket have increased by 5.1% year-over-year and are projected to continue to do so as 378,000 of Class A office space is under construction in the pipeline.

4.1%
YOY INCREASE IN RENT

Leasing Activity

Delaware County contains 10.8 msf of

Asking Rates

At the conclusion of Q1 2019, the

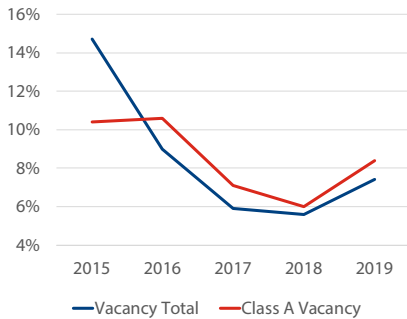
Delaware County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall (\$/sf)	Asking Rent Class A (\$/sf)
2019 Q1	129	10,823,157	727,877	6.7%	7.5%	(45,880)	274,847	401,200	\$26.88	\$28.82
2018 Q1	129	10,823,157	807,281	7.5%	7.2%	96,453	167,598	0	\$25.82	\$28.86
2017 Q1	127	10,711,420	827,227	7.7%	6.8%	(20,659)	57,643	111,737	\$24.51	\$27.58
2016 Q1	125	10,543,730	849,320	8.1%	4.6%	257,389	111,512	167,690	\$22.37	\$25.89
2015 Q1	124	10,503,730	1,324,039	12.6%	13.1%	(49,768)	51,889	40,000	\$24.02	\$27.36

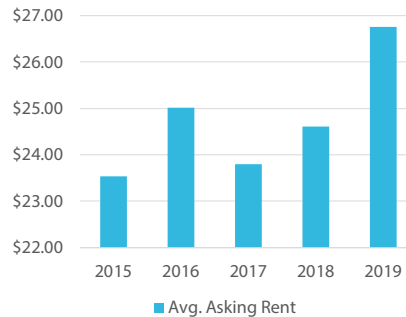
Exton / Whitelands

Although the Exton / Whitelands submarket has experienced a slow leasing environment, market rents still continue to rise.

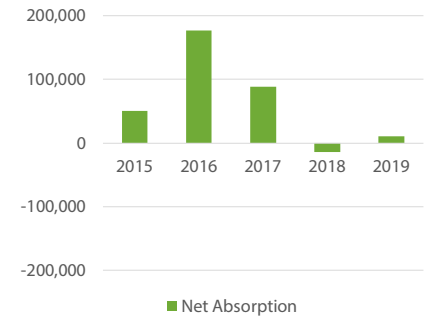
Vacancy



Asking Rent



Absorption



Overview

Demand for office tenants to reside in the Exton/Whitelands submarket derives from factors such as its close proximity to the Upper Main Line while not having to pay the high rents associated with the Upper Main Line or its other competing suburban submarkets.

240,000
SF UNDER CONSTRUCTION

the decline in the Exton/Whitelands submarket as the first quarter of 2019 saw 79,941 sf of leasing activity, down from 124,000 sf a quarter prior. Vacancy rates also increased from 6.0% in Q1 of 2018 to 8.4% for the first quarter of 2019. With limited new construction in the pipeline, vacancies are expected to remain relatively constant for the next upcoming quarters.

Asking Rates

Rental-rate growth persisted with a year-over-year increase of

8.4%
VACANCY OF CLASS A PROPERTIES

over \$2.00 psf at the close of Q1 2019. Average Class A asking rents reached an all-time high of \$27.89 psf and are up 9.8% year-over-year. Larger Class A properties are found among more modern buildings with high end amenities while smaller properties make up almost one-third of the submarket's office market and have average listed rents around \$24.00 psf.

9.8%
YOY GROWTH OF CLASS A RENTS

Leasing Activity

Leasing momentum has been on

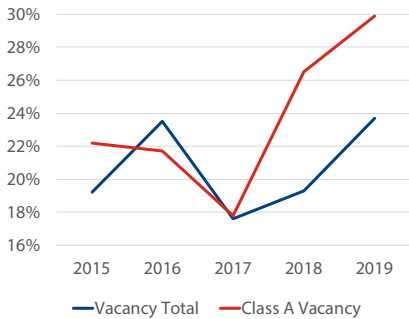
Exton / Whitelands by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	122	9,404,147	692,265	7.4%	8.4%	10,931	79,941	240,000	\$26.76	\$27.89
2018 Q1	122	9,404,147	522,841	5.6%	6.0%	(13,835)	51,078	240,000	\$24.61	\$25.40
2017 Q1	122	9,404,147	559,016	5.9%	7.1%	88,841	87,297	0	\$23.79	\$24.72
2016 Q1	122	9,404,147	848,236	9.0%	10.6%	179,516	64,407	0	\$25.01	\$26.16
2015 Q1	122	9,356,406	1,379,548	14.7%	10.4%	50,329	122,483	366,626	\$23.53	\$24.95

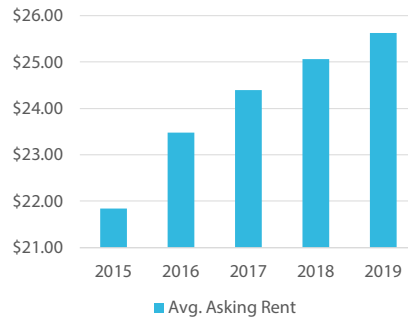
Fort Washington / Spring House

Vacancies soar well above the Suburban Philadelphia average, but new projects and improved access initiatives keep hopes high for the submarket.

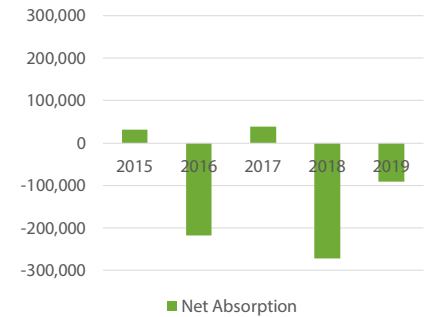
Vacancy



Asking Rent



Absorption



Overview

Though Fort Washington and Spring House have historically performed lower than the area's average, the submarket has made significant steps to improve infrastructure to draw tenants back into the area. Upper Dublin Township has initiatives in place to improve access to the Pennsylvania Turnpike as well as the Fort Washington Regional Rail station.



Leasing Activity

The Fort Washington/Spring House submarket experienced the highest overall vacancy rate out of all the submarkets in the Philadelphia area. Currently at 29.9%, vacancy rates in this submarket have consistently increased for the past two years. Leasing momentum has stalled as companies relocate out of the submarket resulting in a net negative absorption of 91,000 sf at the close of Q1 2019. In



early 2019, Johnson & Johnson vacated about 79,000 sf at 420 Delaware Drive and available space has surfaced in properties such as Spring House Innovation and 275 Commerce Drive.



Asking Rates

As tenants vacate and more space becomes available, rents will remain relatively level. Averaging around \$24.00 psf over the past three years, Q1 2019 reported an average rate of \$25.63 psf, slightly higher than a year earlier.

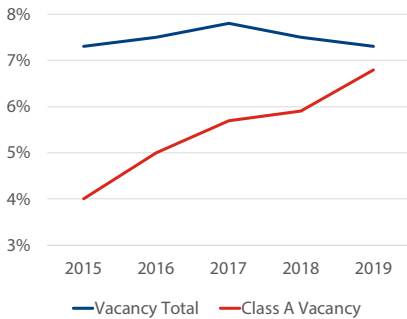
Fort Washington / Spring House by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	47	3,785,196	895,521	23.7%	29.9%	(91,043)	47,001	0	\$25.63	\$25.67
2018 Q1	47	3,785,196	729,014	19.3%	26.5%	(272,475)	85,568	0	\$25.06	\$25.00
2017 Q1	47	3,785,196	665,442	17.6%	17.8%	39,092	102,642	0	\$24.39	\$24.61
2016 Q1	48	3,911,974	920,691	23.5%	21.7%	(217,518)	141,327	0	\$23.48	\$23.66
2015 Q1	48	3,911,974	751,209	19.2%	22.2%	32	29,651	0	\$21.84	\$22.97

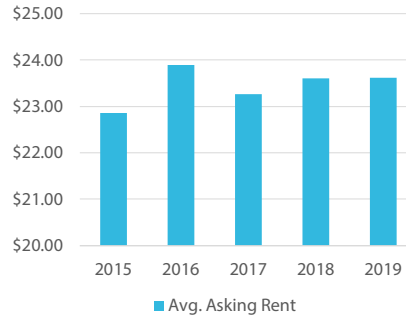
Horsham / Willow Grove

The submarket remains one of the most consistent in Suburban Philadelphia as five-year statistics show that rental rates have remained level while vacancies have only fluctuated 2.6%.

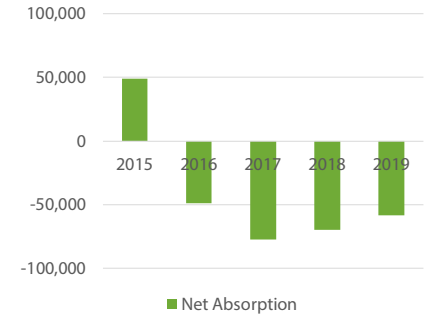
Vacancy



Asking Rent



Absorption



Overview

Though Horsham/Willow Grove does not offer a new inventory of office space, its rental rates have remained relatively level for the past 10 years and show no signs of immediately spiking. The submarket is home to a mix of large office tenants including finance and healthcare related firms.

0.1%
OF YOY OVERALL RENTAL GROWTH

Construction

While the submarket is centrally located to other affluent submarkets, one drawback is the dated office stock within the submarket. As tenants' preferences shift to modernized, premier office space, the submarket is at a disadvantage as only 14% of office stock was built within the past 20 years and only 67,000 sf of space is under construction.

7.3%
OF VACANCY

Asking Rates

Overall office rents have remained level over the past five years, increasing 0.1% year-over-year. Likewise, Class A rent has remained consistent at around \$23.50 in the past years. The submarket-wide rental stability stems from the aging inventory and low levels of construction throughout the area. Vacancies have fluctuated year-over-year and remain at 7.3% as of the first quarter of 2019.

7.6 msf
OF TOTAL INVENTORY

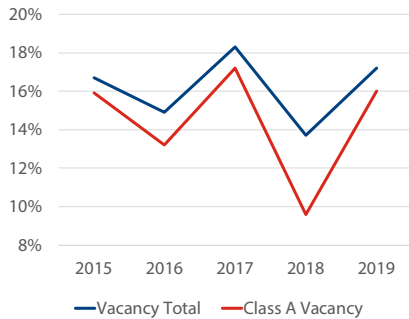
Horsham / Willow Grove by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	76	7,638,031	556,272	7.3%	6.8%	(58,442)	53,933	67,470	\$23.62	\$23.71
2018 Q1	77	7,740,811	579,918	7.5%	5.9%	(69,811)	41,901	0	\$23.60	\$23.69
2017 Q1	77	7,740,811	600,691	7.8%	5.7%	(77,519)	64,838	0	\$23.26	\$23.03
2016 Q1	77	7,740,811	581,649	7.5%	5.0%	(48,795)	72,752	0	\$23.89	\$24.47
2015 Q1	77	7,740,811	564,830	7.3%	4.0%	48,984	129,853	0	\$22.86	\$22.86

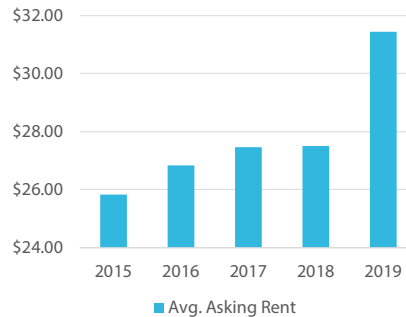
King of Prussia / Wayne

Rents continue to rise in this amenity-driven submarket, but heavy traffic congestion and no direct public access to Center City pose as a major threat as well.

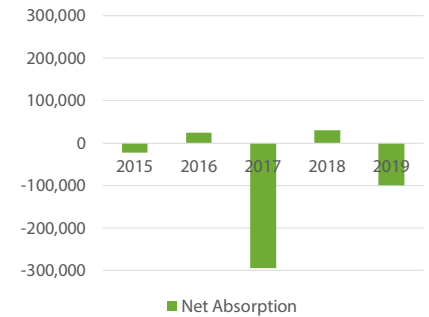
Vacancy



Asking Rent



Absorption



Overview

The King of Prussia/Wayne submarket is centrally located between some of Philadelphia’s most popular submarkets, making King of Prussia/Wayne one of the largest suburban office markets in the Greater Philadelphia area.



Though central location is a main advantage of the submarket, a disadvantage arises from traffic congestion and the lack of any regional rail to and from Philadelphia.

Leasing Activity

Vacancy rates in King of Prussia/Wayne are among some of the highest in the Greater Philadelphia area.



Vacancies in this area are a result largely due to high traffic congestion, no direct access to Center City, and major tenants vacating their facilities. An example of this is with GlaxoSmithKline, who vacated their office, leaving 400,000 sf of office space in late 2018.

Asking Rates

Office asking rents have remained relatively stable during recent years despite higher than average vacancies. Rents in the submarket are among some of the higher asking rates throughout Philadelphia submarkets. At \$31.45 psf, King of Prussia/Wayne’s asking rents increased by 14.4% year-over-year. Class A rents have steadily increased quarter-over-quarter as tenants start to demand high-end offices with newer amenities.



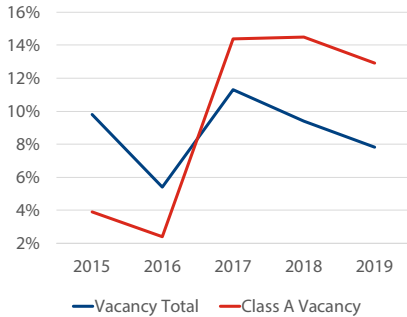
King of Prussia / Wayne by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	136	11,095,481	1,907,169	17.2%	16.0%	(99,191)	191,447	0	\$31.45	\$33.81
2018 Q1	137	11,139,481	1,528,889	13.7%	9.6%	29,644	135,837	0	\$27.50	\$29.73
2017 Q1	136	11,028,481	2,021,827	18.3%	17.2%	(294,473)	260,522	111,000	\$27.46	\$29.99
2016 Q1	136	11,028,481	1,644,438	14.9%	13.2%	24,522	215,746	0	\$26.83	\$29.19
2015 Q1	136	11,028,481	1,839,596	16.7%	15.9%	(22,616)	91,963	0	\$25.82	\$27.86

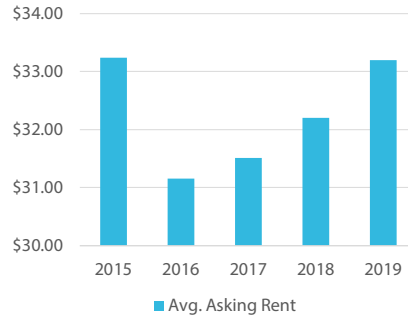
Main Line

The Main Line has experienced consistent rental growth as vacancies follow a parallel path and continue to fall.

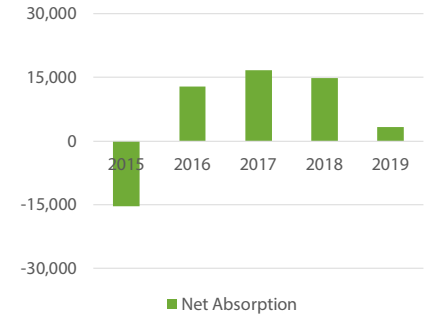
Vacancy



Asking Rent



Absorption



Overview

The Main Line is one of Philadelphia's smallest office submarkets, both in inventory and area square footage. Although small, there is demand for the submarket stemming from positive absorption, low vacancy, and high asking rental rates.

\$34.00
CLASS A
RENTAL RATE

2017 as new construction has not hit the market since the final quarter of 2016. Year-over-year Class A vacancy rates fall from 14.5% to 12.9%. Overall vacancy for Classes A and B fell by 17% year-over-year to 7.8% as of Q1 2019.

Asking Rates

1.15 msf of office space make up the Main Line office market, with 0 sf of office space under construction at the conclusion of Q1 2019. Overall

12.9%
OF OVERALL
VACANCY

asking rental rates in the submarket remained stagnant year-over-year as Class A rents rose, despite increasing vacancies.

Class A space has experienced increasing rental rates consistently over the past five years. Year-over-year Class A rates saw an increase of 1.80%.

89,861
SF OF VACANCY

Leasing Activity

Class A vacancy rates have been on a consistent rise since the first quarter of

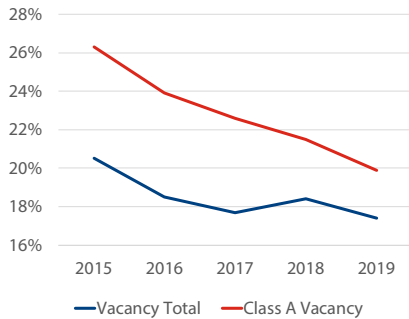
Main Line by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall (\$)	Asking Rent Class A (\$)
2019 Q1	27	1,155,167	89,861	7.8%	12.9%	3,291	17,800	0	\$33.20	\$34.00
2018 Q1	27	1,155,167	108,785	9.4%	14.5%	14,854	6,959	0	\$32.20	\$33.40
2017 Q1	27	1,155,167	130,857	11.3%	14.4%	16,702	7,361	0	\$31.51	\$33.74
2016 Q1	26	1,054,867	56,879	5.4%	2.4%	12,766	9,423	100,300	\$31.15	\$31.33
2015 Q1	27	1,079,992	105,616	9.8%	3.9%	(15,441)	15,507	0	\$33.24	\$32.99

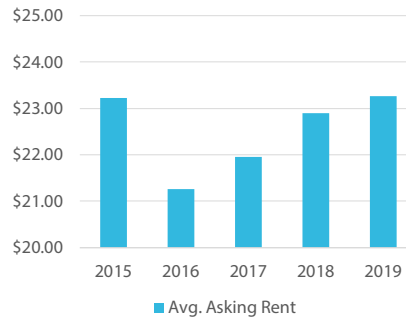
Lower Bucks County

Regardless of high vacancies, Lower Bucks County continues to be an attractive option for Central New Jersey firms.

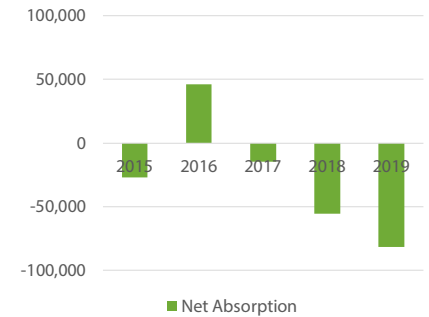
Vacancy



Asking Rent



Absorption



Overview

Lower Bucks county has the largest inventory of buildings throughout the Suburban Philadelphia market. Containing 130 buildings comprised of 7.5 msf, Lower Bucks County has 1.3 msf of vacancy resulting in one of the highest vacancies throughout the market of 17.4%.



Leasing Activity

Although vacancies in the Lower Bucks County submarket are still among some of the higher vacancies in Philadelphia, they fell this quarter partially due to a near shutdown of new office construction throughout the area. Class A vacancies were down year-over-year as a result of leasing. Many healthcare and technology tenants as well as Central New Jersey firms seek office locations throughout this submarket due to cheaper office rents.



Asking Rates

A key selling point for many Lower Bucks County landlords is the cheaper rents they can offer compared to submarkets across the Delaware River in New Jersey. On average, Lower Bucks County offers rents that are 20% cheaper than across state lines. Class A rent increased by 2.9% year-over-year to a new high of \$25.71 psf, which still falls shorter than most asking rents in New Jersey submarkets.



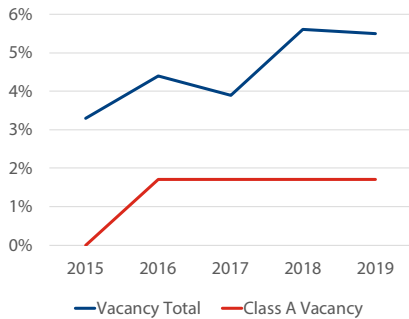
Lower Bucks County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	130	7,547,834	1,316,803	17.4%	19.9%	(81,804)	26,376	0	\$23.27	\$25.71
2018 Q1	130	7,547,834	1,391,415	18.4%	21.5%	(55,623)	92,471	0	\$22.90	\$24.97
2017 Q1	130	7,547,834	1,334,675	17.7%	22.6%	(14,667)	127,135	0	\$21.95	\$23.67
2016 Q1	129	7,511,834	1,393,055	18.5%	23.9%	46,058	68,361	36,000	\$21.26	\$23.27
2015 Q1	129	7,511,834	1,539,751	20.5%	26.3%	(27,242)	73,803	0	\$23.22	\$25.64

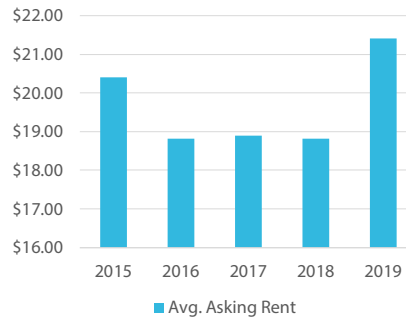
Outer Chester County

With a small inventory of office product, the Outer Chester County submarket continues to show tight competition with rising rents and tight vacancies.

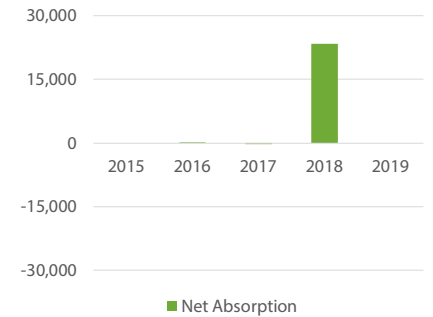
Vacancy



Asking Rent



Absorption



Overview

Located just outside of Philadelphia, the Outer Chester County submarket is the smallest Suburban Philadelphia submarket in terms of total inventory.

438,233
SQUARE FEET OF CLASS A SPACE

psf for the latest few quarters until Q1 2019, when Outer Chester County saw its first notable jump in five years. Rates increased by 12.1% year-over-year and was \$21.41 psf at the close of the Q1 2019, which is a new record high for the submarket.

basis points year-over-year to 5.5% as of the first quarter of 2019. Outer Chester County's inventory only includes six Class A office buildings; therefore, vacancies are extremely low and have remained constant the past three years at 1.7% vacant. With 80,000 sf under construction as of Q1 2019, and the delivery of new Class A space, Outer Chester County might see a slight hike in vacancies in the following quarters.

12.4%
OF OVERALL YOY INCREASES IN RENTS

Asking Rates

Outer Chester County offers affordable rental rates for office users throughout the submarket. Overall office rental rates have remained constant around \$18.00

Leasing Activity

Due to a small inventory of available space, the Outer Chester County office market exhibits tight vacancies. Vacancies dipped 10

1.7%
OF CLASS A VACANCY

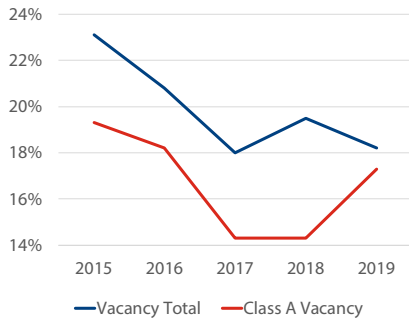
Outer Chester County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	18	1,051,899	58,371	5.5%	1.7%	0	0	80,000	\$21.41	-
2018 Q1	18	1,051,899	59,396	5.6%	1.7%	23,302	0	0	\$18.81	-
2017 Q1	18	1,051,899	41,018	3.9%	1.7%	(208)	0	0	\$18.90	-
2016 Q1	17	1,026,899	45,510	4.4%	1.7%	8	0	25,000	\$18.82	\$19.89
2015 Q1	17	1,026,899	33,805	3.3%	0.0%	0	0	0	\$20.41	\$21.57

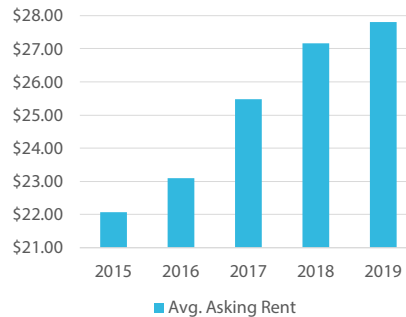
Plymouth Meeting / Blue Bell

A steady drop in vacancy rates coupled with rising rental rates are triggering the Plymouth Meeting / Blue Bell submarket to be one of the most competitive in Suburban Philadelphia.

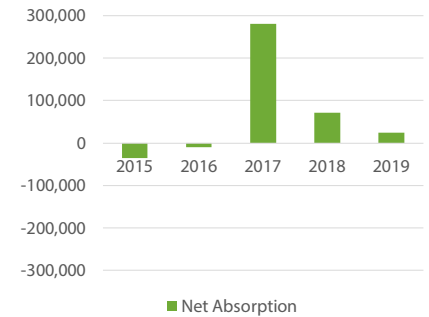
Vacancy



Asking Rent



Absorption



Overview

Consisting of over 5 msf of office space, the Plymouth Meeting and Blue Bell submarket is one of the largest suburban markets. The Class A office spaces hold high vacancies with no new construction in the pipeline as of Q1 2019.

81
BUILDINGS OF INVENTORY

Bell's Class A space holds high asking rents. Even though rents have remained relatively stable around \$27.80 psf the past few years, Class A asking rates have increased year-over-year. Overall asking rent for Class A and B space increased 2.3% since this time last year, continuing the upward trend of increasing overall rents seen throughout this submarket.

declining trend has existed throughout the past four years. There has been no new Class A or B construction delivered to the market in the past five years, which may explain the falling vacancies. Year-over-year, vacancy rates have fallen 400 basis points, and it is projected that rates will continue to follow this trend.

24,800
SF OF POSITIVE NET ABSORPTION

Asking Rates

Compared to other suburban submarkets, Plymouth Meeting/Blue

Leasing Activity

Although Plymouth Meeting/Blue Bell holds high vacancy rates, a gradual

\$27.80
GROSS ASKING RENT

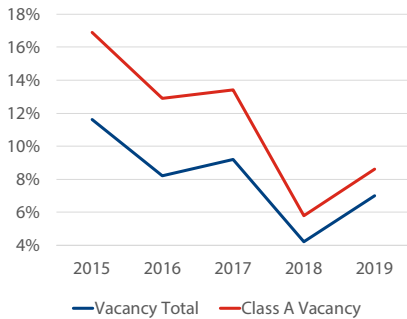
Plymouth Meeting / Blue Bell by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	81	5,973,307	1,084,842	18.2%	17.3%	24,800	126,642	0	\$27.80	\$28.14
2018 Q1	81	5,973,307	1,162,382	19.5%	14.3%	71,084	175,993	0	\$27.16	\$26.49
2017 Q1	81	5,973,307	1,073,466	18.0%	14.3%	281,310	204,907	0	\$25.48	\$27.42
2016 Q1	81	5,973,307	1,242,631	20.8%	18.2%	(9,654)	107,344	0	\$23.09	\$25.29
2015 Q1	81	5,973,307	1,379,862	23.1%	19.3%	(36,110)	116,492	0	\$22.07	\$24.50

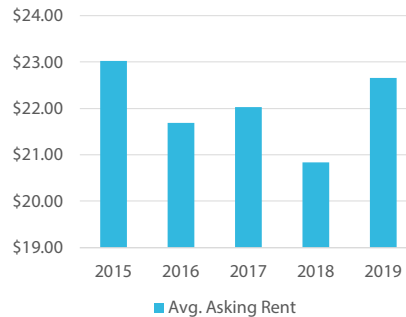
Upper Bucks County

Trends such as fluctuating vacancies and increasing rents are driving the Upper Bucks County office market.

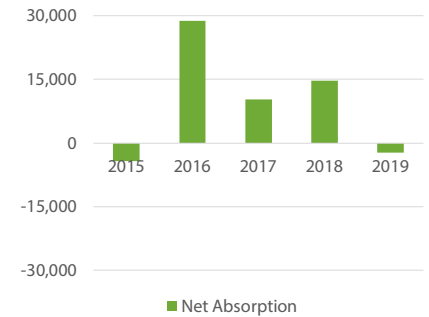
Vacancy



Asking Rent



Absorption



Overview

Located just north of Philadelphia and bound by the Delaware river, the Upper Bucks County submarket has an inventory of 1.19 msf, 41% of which are Class A buildings.

8.6%
OF CLASS A
VACANCY

throughout Q1 2019 compared to less than 5,000 sf this time last year. Additionally, vacancies have fluctuated this past year. However, prior to Q1 2018, rates had been on a declining trend since 2015. Q1 2019 showed vacancies of 8.6%, compared to 5.8% a year prior. With 20,000 sf under construction due to deliver later this year, vacancies might see a slight drop but are not expected to change much.

20,000
SF UNDER
CONSTRUCTION

Asking Rates

Despite fluctuating vacancy rates in the submarket, rental rates have continued their upward trajectory this quarter for all classes. Class A asking rental rates reached a new high of \$26.21 psf as tenants put a higher demand on Class A space with a greater amount of quality amenities. Overall Class A and B rates increased 8.7% year-over-year.

\$22.66
OVERALL ASKING
RENT

Leasing Activity

In the past year, Upper Bucks County has experienced a gradual decline in net absorption as leasing activity has increased. Over 7,000 sf was leased

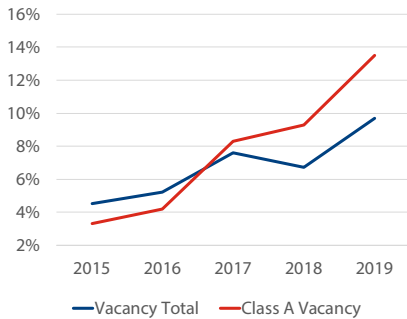
Upper Bucks County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	30	1,193,033	83,545	7.0%	8.6%	(2,334)	7,059	20,000	\$22.66	\$26.21
2018 Q1	30	1,193,033	50,544	4.2%	5.8%	14,672	4,900	0	\$20.84	\$25.58
2017 Q1	30	1,193,033	109,575	9.2%	13.4%	(10,332)	6,696	0	\$22.03	\$24.75
2016 Q1	30	1,193,033	98,185	8.2%	12.9%	28,751	7,643	0	\$21.69	\$24.92
2015 Q1	30	1,193,033	137,965	11.6%	16.9%	(4,256)	6,853	0	\$23.03	\$25.93

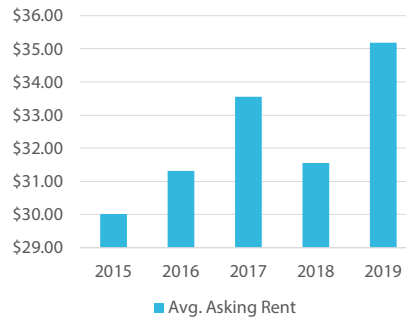
Upper Main Line / Radnor

Showcasing the highest asking rents in the Suburban Philadelphia market, the Upper Main Line / Radnor is its own enemy as tenants seek cheaper rents in neighboring areas.

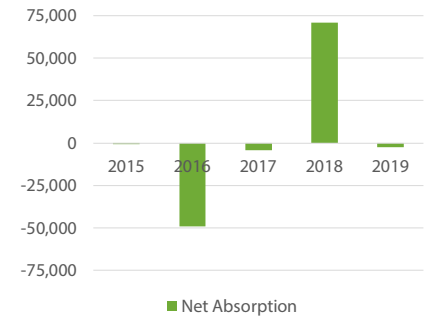
Vacancy



Asking Rent



Absorption



Overview

The Upper Main Line/Radnor submarket is attractive to office tenants due to its close proximity to Philadelphia and high stock of Class A space. Increasingly high rents, however, have caused tenants to relocate out of the expensive submarket and into more affordable space.



rent is among the highest rents throughout Suburban Philadelphia. Specifically, Class A asking rent in the Upper Main Line/Radnor holds the highest asking rent out of all submarkets. At quarter one of 2019, Class A rents reached a new high of \$38.50 psf, a 7.6% increase year-over-year. For the past five years Class A rents have been on a gradual upwards trend and have experienced a rental growth of 13.4% since 2015.



Leasing Activity

As a result of increasing rents, the submarket has been experiencing vacating tenants. Q1 2019 saw a negative absorption of 46,963 sf compared to a positive 70,000 sf a year prior. Additionally, vacancies in Class A space increased by over 400 basis points since Q1 2018. The increasingly high rents have been a deterrent to tenants, choosing to occupy space closer to Philadelphia at lower prices.



Asking Rates

The Upper Main Line average asking

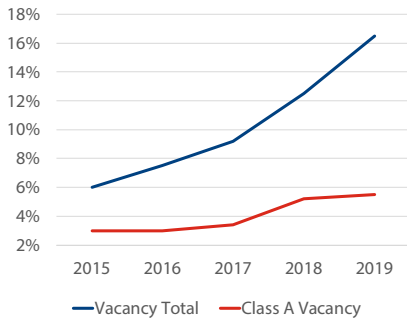
Upper Main Line / Radnor by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	48	3,368,607	327,517	9.7%	13.5%	(46,963)	161,590	0	\$35.19	\$38.50
2018 Q1	48	3,368,607	227,084	6.7%	9.3%	70,903	132,378	0	\$31.55	\$35.78
2017 Q1	48	3,368,607	255,951	7.6%	8.3%	(4,304)	98,577	0	\$33.55	\$36.56
2016 Q1	48	3,368,607	176,342	5.2%	4.2%	(49,019)	20,680	0	\$31.32	\$34.28
2015 Q1	48	3,368,607	152,467	4.5%	3.3%	(842)	56,394	0	\$30.01	\$33.96

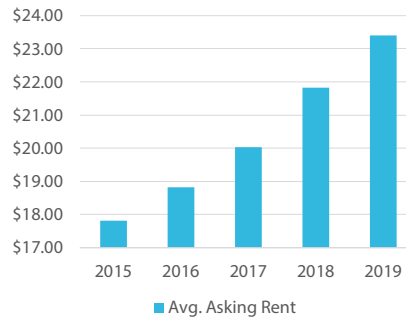
Valley Forge / Norristown

A driving gap in office asset class vacancies is causing rents to rise within the already tight Valley Forge / Norristown submarket.

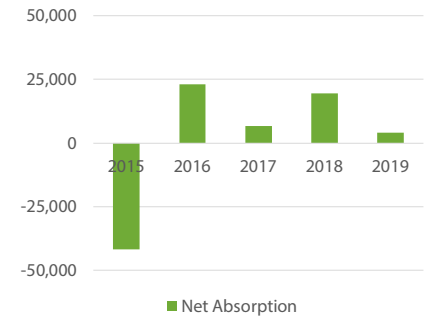
Vacancy



Asking Rent



Absorption



Overview

Valley Forge/Norristown submarket started 2019 off strong with a positive absorption rate, decreasing vacancy rates, and increasing rental rates. 20,000 sf of office space is under construction and due to deliver this year, which will be the first new space delivered to the submarket in over five years.

20%
DECREASE IN OVERALL VACANCIES

Leasing Activity

The submarket consists of over 4.5 msf office space with only 270,000 sf of it being vacant. Vacancy rates have remained tight the past five years as they have dropped each quarter since 2015. Vacancies fell year-over-year by 150 basis points to 6.0%, a low for the submarket. There has not been construction in the pipeline until recently, which has contributed to falling vacancies and increasing rental rates.

13.6%
INCREASE IN CLASS A RENTS

Asking Rates

As vacancies continue to fall, the market has heated up as rents start to increase. Averaging in the mid-\$20.00 psf amounts, the rental rates are very comparable to other suburban submarkets. Currently at \$23.41, overall asking rents are at a new time high for the submarket and are projected to continue rising in the coming quarters. Similarly, Class A rents have also been on an upward trend as little new space has been delivered.

3.0%
CLASS A VACANCY

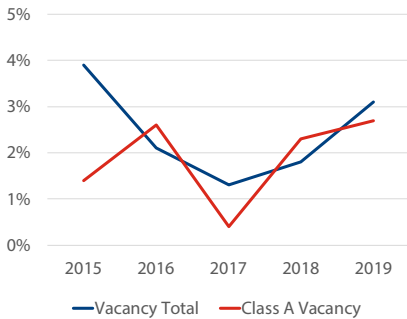
Valley Forge / Norristown by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total	Vacancy Class A	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	51	4,561,712	271,892	6.0%	3.0%	4,125	4,119	20,000	\$23.15	\$23.41
2018 Q1	51	4,561,712	340,340	7.5%	3.0%	19,469	11,495	0	\$21.82	\$22.84
2017 Q1	51	4,561,712	418,882	9.2%	3.4%	6,657	39,901	0	\$20.03	\$21.41
2016 Q1	52	4,661,452	584,617	12.5%	5.2%	23,033	61,756	0	\$18.81	\$21.77
2015 Q1	52	4,661,452	769,162	16.5%	5.5%	(41,832)	65,867	0	\$17.80	\$21.73

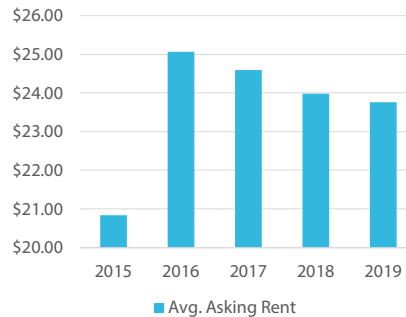
West Chester

Although rental rates have by on a downward trend, tightening vacancy rates combined with minimal construction has the potential to cause them to slowly climb.

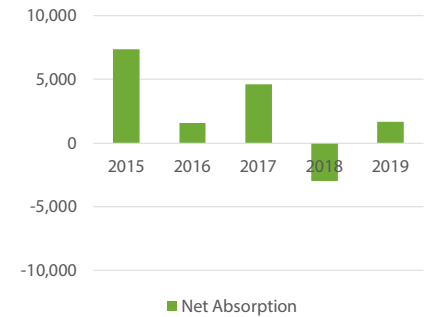
Vacancy



Asking Rent



Absorption



Overview

Sitting on less than two square miles, West Chester is a highly populous and concentrated submarket in Suburban Philadelphia. The submarket consists of 41 office buildings holding 2.2 msf of space.

22,402
SF OF NEGATIVE
12-MONTH
ABSORPTION

space is becoming increasingly sparse. Although overall vacancies remain low, year-over-year the submarket has seen a slight rise in vacancy rates. Rates at the end of Q1 2019 closed at 3.1% compared to 1.8% a year prior. Additionally, Class A vacancy increased slightly by 40 basis points year-over-year. The submarket saw a negative net absorption of 1,648 sf at the close of the first quarter leading to a 12-month net absorption of negative 22,402 sf.

40 bps
INCREASE IN
CLASS A VACANCY

Asking Rates

There has been little fluctuation in rental rates in the West Chester submarket. Overall asking rent for Class A and B dipped less than 0.7%. West Chester rates average slightly below Suburban Philadelphia's overall rate of \$25.39 psf, at \$23.13 psf. Although there has been little movement in rental rates in the submarket, rents are expected to increase slowly as no new construction is in the pipeline .

\$23.76
OVERALL ASKING
RENTAL RATE

Leasing Activity

Construction has been driving vacancies in the submarket as no new deliveries have hit in the past couple of years and

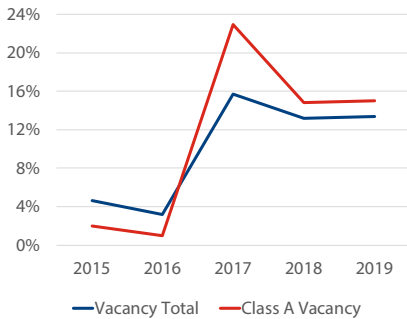
West Chester by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	41	2,216,417	68,568	3.1%	2.7%	(1,648)	7,030	0	\$23.76	\$23.39
2018 Q1	41	2,216,417	40,642	1.8%	2.3%	(2,979)	19,608	0	\$23.92	\$25.77
2017 Q1	41	2,216,417	29,786	1.3%	0.4%	4,622	12,061	0	\$24.59	\$25.84
2016 Q1	41	2,216,417	46,166	2.1%	2.6%	1,588	4,135	0	\$25.06	\$26.28
2015 Q1	43	2,309,185	89,522	3.9%	1.4%	7,381	5,102	0	\$20.84	\$23.47

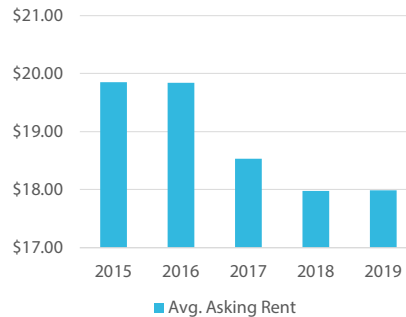
West Montgomery County

Slow growth marked by sticky vacancy rates and falling asking rents position West Montgomery County for a steady, yet modest year.

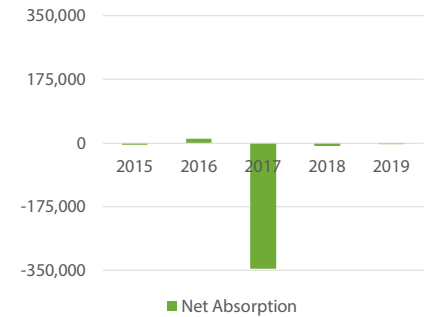
Vacancy



Asking Rent



Absorption



Overview

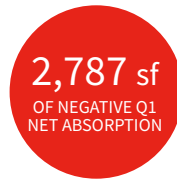
As a suburb located outside of Philadelphia, West Montgomery County shows slow growth with decreasing vacancy and relatively stable rental rates.



Leasing Activity

Since Q1 2017, vacancy rates have been on a downward trend throughout the West Montgomery County submarket. Starting at 15.7% in Q1 2017, vacancy rates have dropped

to 13.4% at the close of Q1 2019. Class A vacancy rates have followed the same trend and have declined from 22.9% in Q1 2017, to 15% in Q1 2019, over a 700 basis point decrease.



Asking Rates

Rental rates in West Montgomery County are among some of the cheapest rents in the Suburban Philadelphia office market. At \$18.35 psf, Class A rents have stayed constant since

this time last year. Overall Class A and B rents have also stayed the same year-over-year but are down from two years ago. In Q1 2017, asking rental rates were \$18.53 psf, and came in at \$17.99 psf at the close of Q1 2019.



West Montgomery County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	40	3,146,554	421,844	13.4%	15.0%	(2,787)	21,468	0	\$17.99	\$18.35
2018 Q1	40	3,146,554	416,375	13.2%	14.8%	(8,078)	5,292	0	\$17.98	\$18.38
2017 Q1	40	3,146,554	492,755	15.7%	22.9%	(345,749)	7,783	0	\$18.53	\$23.08
2016 Q1	40	3,146,554	100,844	3.2%	1.0%	11,326	1,486	0	\$19.84	\$23.34
2015 Q1	40	3,146,554	144,689	4.6%	2.0%	(5,641)	26,280	0	\$19.85	\$23.82

Southern New Jersey



Quick Stats

239

Total office buildings in the market

\$19.73

Class A rental rate as of Q1 2019, 3.6% increase YOY

78,078 sf

Positive absorption for the market

9.8%

Overall office vacancies as of Q1 2019

0.6%

Population growth past 5 years

Located just southeast of Center City, Southern New Jersey consists of five submarkets, all of which are included within the Greater Philadelphia metro area. Though not in the same state, the Southern NJ office market has attracted companies such as Lockheed Martin, Subaru North America, American Water and the Philadelphia 76ers due to convenience of travel, ease of transportation, affordable asking rents, and state-level incentives.

Vacancy and Rent

Overall vacancies of 9.5% represent a year-over-year increase of 0.3% for the submarket. However, compared to a 10-year average of

12.1%, the submarket has been performing well recently. As vacancies fluctuate throughout the market, market rent growth has remained relatively stable. Year-over-year, rents fell 2.0% to an overall average rate of \$18.45. Southern NJ Class A rental rates rose 3.6% since Q1 2018. Nonetheless, rates are still considered relatively low at \$19.73.

Construction

606,146 sf office product is under construction, which will add to the current inventory of over 16 msf of office space. Of the 16 msf of office space, 54% of it is classified Class A office space.

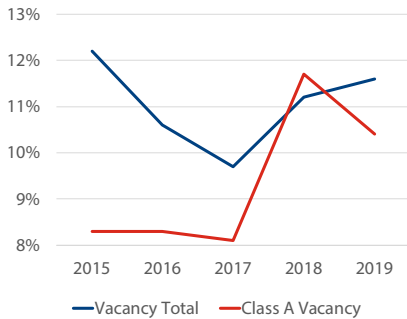
Notable Lease Transactions

Address	Tenant	Size	Deal Type
112 W. Park Drive, Mt. Laurel, NJ	Comcast IP Services	83,500 sf	Renew
300-302 Fellowship Road, Mt. Laurel, NJ	Marlin Leasing's	59,000 sf	Renew
Two Greentree Center, Marlton, NJ	BET	18,876 sf	New
2000 Midatlantic Drive, Mt. Laurel, NJ	ECl Software Solutions	17,000 sf	New

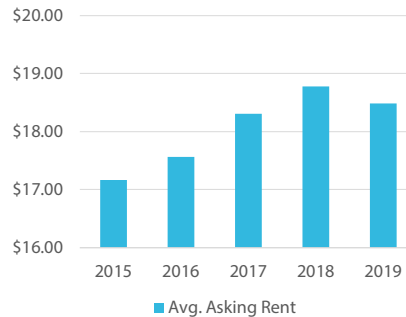
Camden / Burlington / Gloucester County

Active construction mixed with affordable rental rates makes Southern New Jersey an attractive location with new office possibilities.

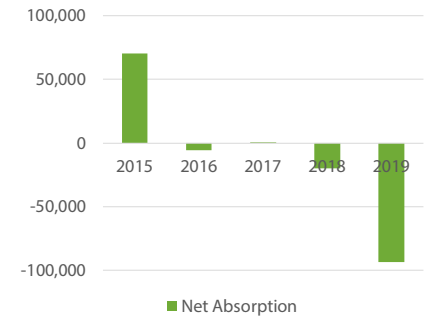
Vacancy



Asking Rent



Absorption



Overview

The Southern New Jersey office submarket consists of five counties including Gloucester County, North Burlington County, North Camden County, South Burlington County, and South Camden County. The submarket holds 243 buildings made totaling over 17.4 msf.

17.5 msf
OF INVENTORY

has been very active with construction activity. At the close of Q1 2019 the submarket saw 424,164 sf of construction. Of the 424,164 sf under construction, 394,164 sf represents the new Camden Tower at 1 Riverside Drive. The Camden Tower is an 18 story, Class A building due to deliver in 2020.

Asking Rates

Southern New Jersey offers affordable asking rental rates averaging around \$18.50 psf. Rates have

11.1%
DECLINE IN YOY
CLASS A VACANCY

remained relatively level throughout the years, despite having dipped down slightly year-over-year by 1.6%. As rates have mostly remained constant, vacancies have mirrored this by fluctuating only 40 basis points. Q1 2019 saw overall vacancy rates close at 11.6%, compared to 11.2% the year prior. Class A spaces offer a slightly lower overall vacancy rate at 10.4%, which is 11.1% below the same year prior.

\$18.48
OVERALL ASKING
RENTAL RATE

Construction

The Southern New Jersey submarket

Camden / Burlington / Gloucester County by the Numbers

	Inventory (Buildings)	Inventory SF	Vacancy SF Total	Vacancy Total (%)	Vacancy Class A (%)	Net Absorption SF	Leasing Activity SF	Under Construction SF	Asking Rent Overall	Asking Rent Class A
2019 Q1	243	17,469,174	2,018,039	11.6%	10.4%	(93,607)	61,628	424,164	\$18.48	\$19.18
2018 Q1	240	17,123,028	1,925,124	11.2%	11.7%	(19,720)	177,680	396,146	\$18.78	\$20.34
2017 Q1	238	16,769,028	1,623,904	9.7%	8.1%	(643)	111,889	399,000	\$18.31	\$19.83
2016 Q1	237	16,694,477	1,772,123	10.6%	8.3%	(5,830)	364,230	428,551	\$17.56	\$18.48
2015 Q1	237	16,694,477	2,034,165	12.2%	8.3%	70,216	289,163	0	\$17.16	\$17.02



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