

Office



# Office

**Center** City's commercial office buildings hold 40% of downtown jobs. With direct connections to the region's transit system and easy access from interstates, the office sector provides a broad range of employment opportunities for residents from across the city and region.

Like most transit-oriented places, Center City weathered the recession well with an occupancy rate 4 points higher than surrounding suburbs and better than nine of the 10 largest American cities, surpassed by only Houston.

Comcast, which opened its new 975-foot-tall headquarters building in 2007, led downtown expansions in 2010, taking 90,000 more square feet in Centre Square. Most agreements signed in 2010 by firms like Beneficial Savings Bank, law firms Cozen O'Connor and Klehr Harrison, tax consultants Drucker & Scaccetti and The Reinvestment Fund were renewals or upgrades facilitated by a buyer's market.

Despite impressive new product that transformed the skyline during the last 20 years, Center City has the same amount of occupied space — 34 to 35 million square feet — as it held in 1990. Significant growth west of Broad Street added 5 million square feet in iconic buildings such as Liberty Place, BNY Mellon, Commerce Square, 1717 Arch and the Comcast Center.

But as tenants migrated west from historic buildings on South Broad and from Class B locations on East Market, Chestnut and Walnut Streets, their vacated space was converted to housing and hotels. This has been extraordinarily beneficial in diversifying downtown land use and activating the evening hours. But the absence of growth means average rents have not increased and, adjusted for inflation, have actually declined over the last 20 years. As a consequence, no new commercial office buildings have been built in Center City in the last decade without some public inducement.

On a more positive note, Center City did experience a 6% increase in Class A rents from 2009, rising from

\$26.19 to \$27.75 per square foot at the end of 2010. Only the Midtown South area of New York City experienced a higher increase coming out of recession, rising by 10%, from \$51.11 in 2009 to \$56.41 in 2010.

**Transit-oriented, walkable places have held up better in this recession than car-dependent locales.**

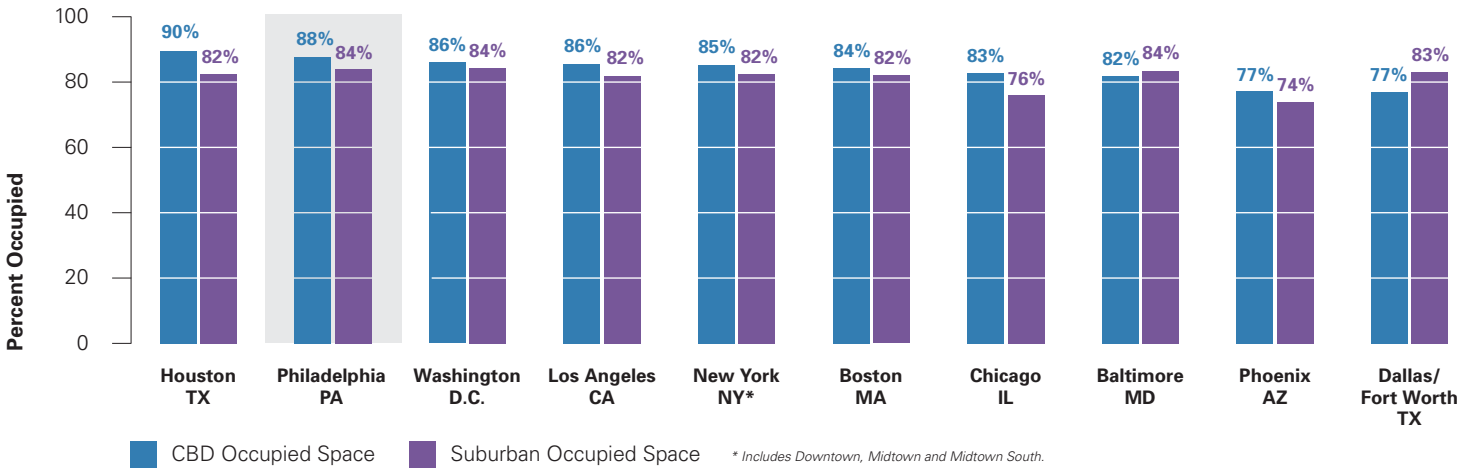
With fuel costs again rising, with firms and employees seeking sustainable settings, Center City's office sector is ideally positioned for growth. For a downtown rich with retail, restaurant and cultural amenities, three things are essential to grow market share.

**Lower Wage and Business Taxes:** Nothing is more nimble than the professional, financial, business services and consulting firms that fill office buildings. Most are tenants, not owners, rarely anchored by major capital investments, as are hospitals and universities. They live off laptops, fiber-optic cable, and high-speed wireless. They can be almost anywhere and will move to avoid non-competitive tax rates.

**Invest in Transit Infrastructure:** Real-time information and electronic fare systems can augment existing rail and bus lines. New and enhanced transit stops on West Market can increase access to the region's primary office center. High-speed rail with 38-minute connections to Manhattan could enable Center City to compete with Jersey City and Hoboken as an affordable setting for firms and functions that cannot afford New York.

**Enhance the Public Environment:** The workforce of the 21st century can just as easily transact business at an outdoor café or on a park bench as at a desk. Attractive public plazas around office buildings, pedestrian-friendly walkways and landscaped bike lanes are essential components of a competitive downtown.

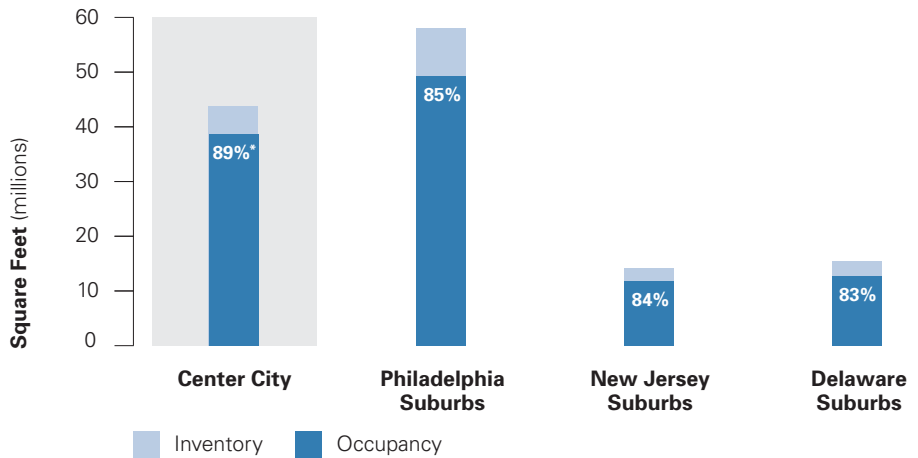
## National Comparison of Occupied Space, 4Q 2010\*



Source: Colliers International, 2011



## Office Inventory and Occupancy in the Philadelphia Region\*

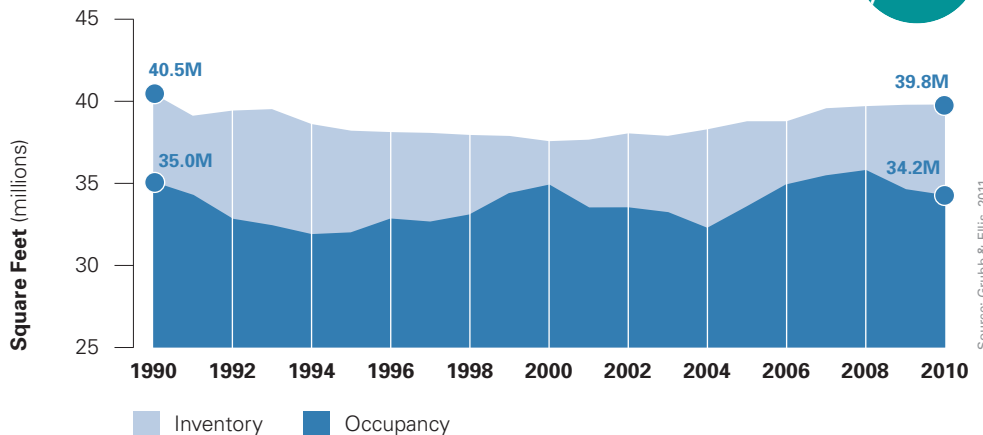


Source: Cushman & Wakefield, Inc., 2011

With an occupancy rate of **88%**

Center City's office market had the second-highest occupancy rate among major downtowns.

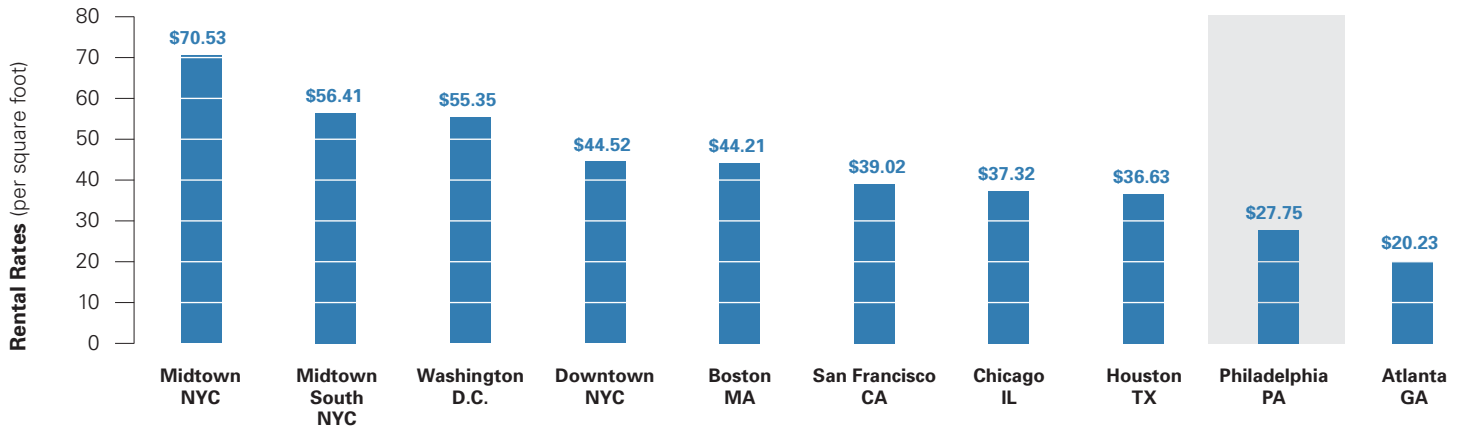
## Office Inventory and Occupancy in Center City\*



20 years

Source: Grubb & Ellis, 2011

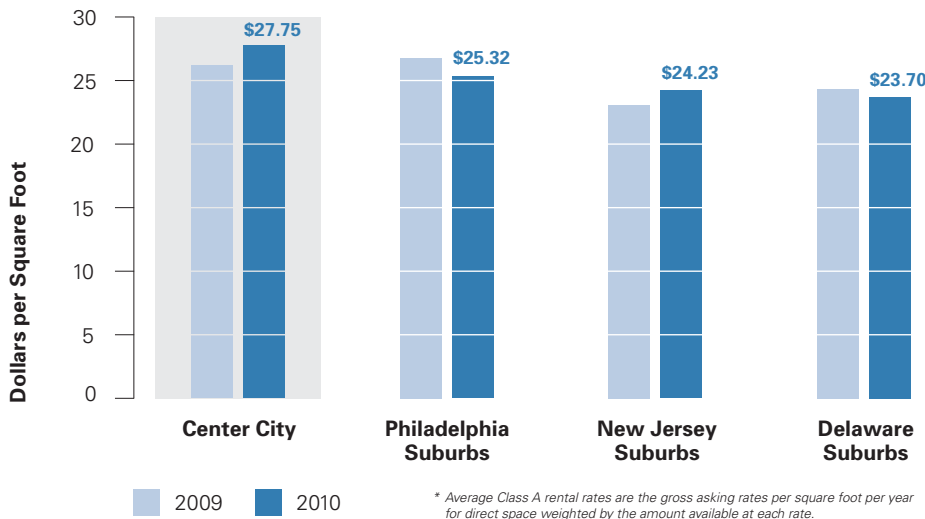
CBD Class A Rental Rates National Comparison, 2010\*



\* Average Class A rental rates are the gross asking rates per square foot per year for direct space weighted by the amount available at each rate.

Source: Cushman & Wakefield, Inc., 2011

Average Class A Rental Rates in the Philadelphia Region\*



2009 2010

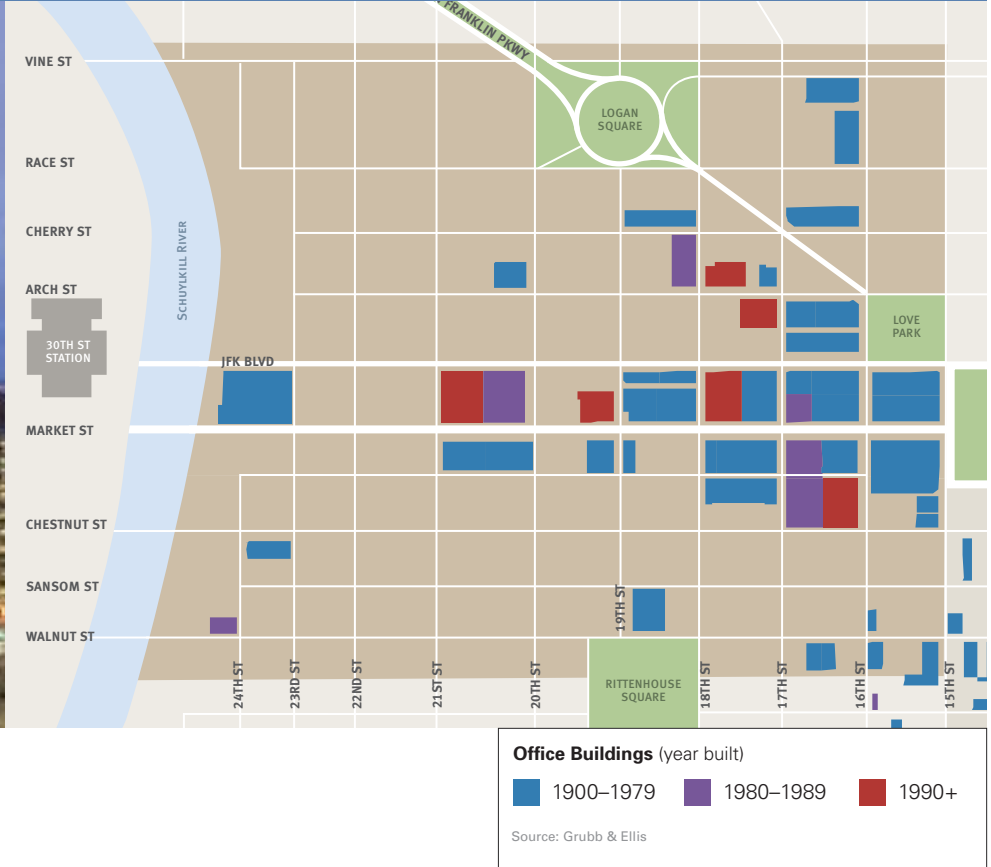
\* Average Class A rental rates are the gross asking rates per square foot per year for direct space weighted by the amount available at each rate.

Source: Cushman & Wakefield, Inc., 2011



**Center City Class A office rental rates increased by 6% in 2010**, the second highest of any major downtown.

## West Market and Chestnut/Walnut Submarkets



Total Square Feet:

**26,884,802**

Average Class A Rent:

**\$28.04**

Occupancy:

**85.0%**



### Notable Buildings in the West Market and Chestnut/Walnut Submarkets

#### West Broad Submarket

- One Liberty Place
- One Commerce Square
- Two Liberty Place
- 1717 Arch
- Independence Blue Cross Tower
- BNY Mellon
- Two Commerce Square
- Comcast Center

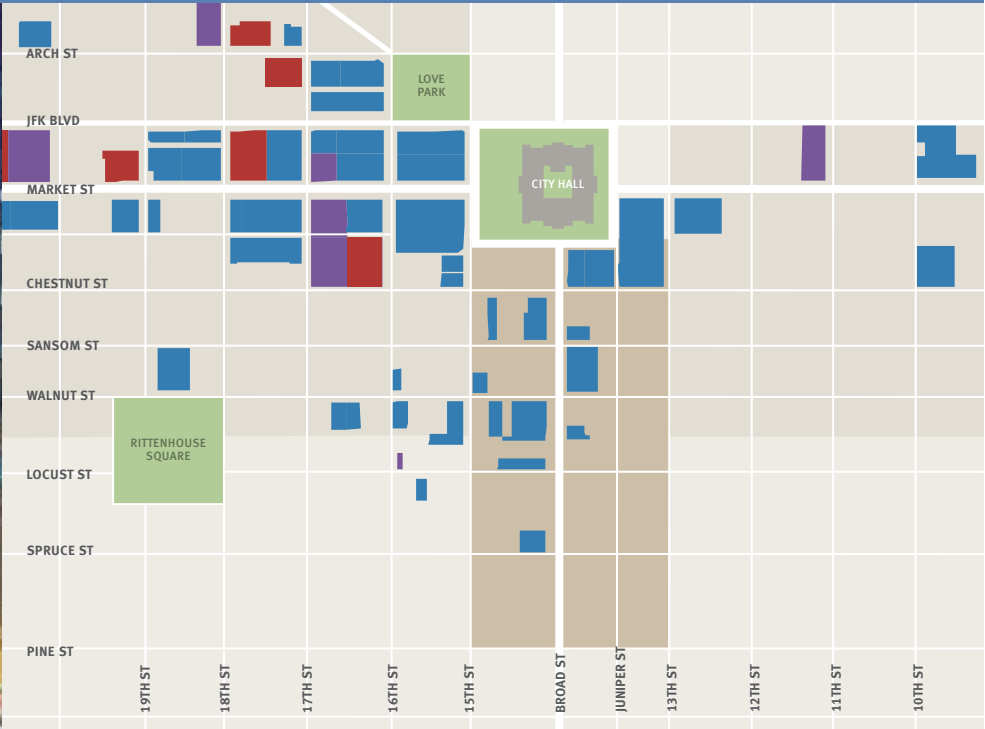
#### Chestnut/Walnut Submarket

- 1500 Walnut
- 1528 Walnut
- 1616 Walnut
- 1845 Walnut
- 2401 Walnut
- 1525 Locust

Square Feet	Year Complete
1,200,000	1987
924,000	1987
1,200,000	1990
1,029,000	1990
761,000	1990
1,275,000	1990
924,000	1991
1,238,000	2007
274,000	1926
200,000	1928
158,000	1930
347,087	1969
144,000	1984
103,000	1989

Source: Grubb & Ellis, 2011

South Broad Submarket



**Office Buildings** (year built)


- 1900–1979
- 1980–1989
- 1990+

Source: Grubb & Ellis

**Total Square Feet:**  
2,554,684

**Average Class A Rent:**  
\$22.37

**Occupancy:**  
85.0%

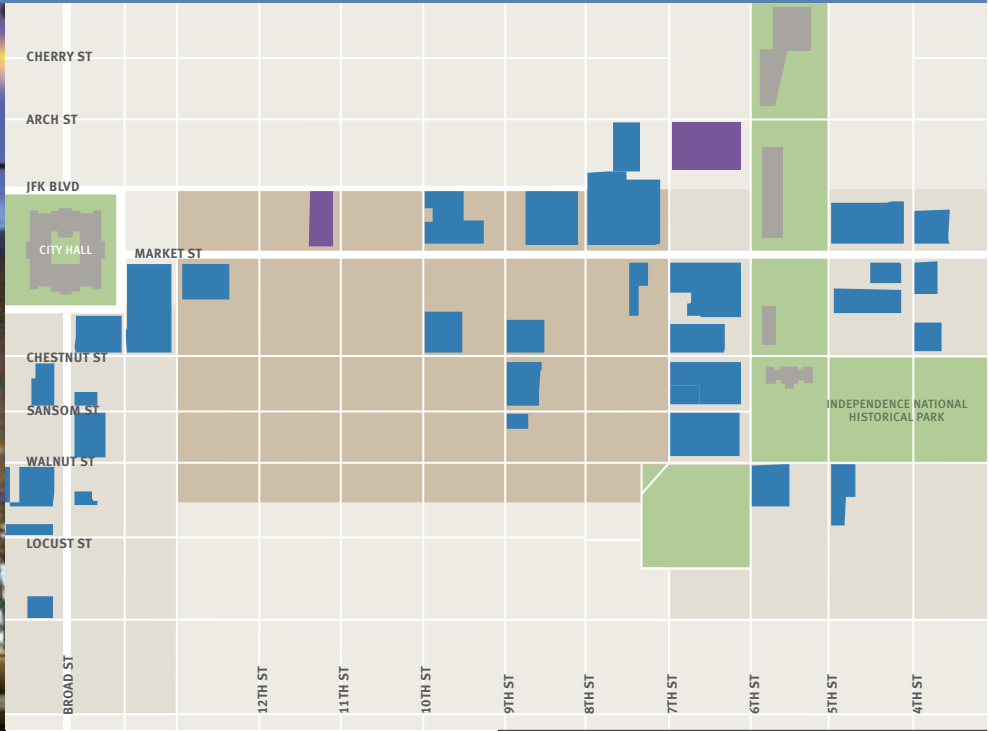


Notable Buildings in the South Broad Submarket

- South Broad Submarket**
- Land Title Building
  - The Bellevue
  - North American Building
  - Wanamaker Building
  - Wachovia Building
  - One South Broad
- Source: Grubb & Ellis, 2011

Square Feet	Year Complete
365,854	1904
280,000	1905
148,884	1911
1,028,000	1911
695,000	1927
464,800	1930

## East Market Submarket



**Office Buildings** (year built)

- 1900–1979
- 1980–1989
- 1990+

Source: Grubb & Ellis

**Total Square Feet:**  
**5,532,969**

**Average Class A Rent:**  
**\$23.27**

**Occupancy:**  
**90.0%**



## Notable Buildings in the East Market Submarket

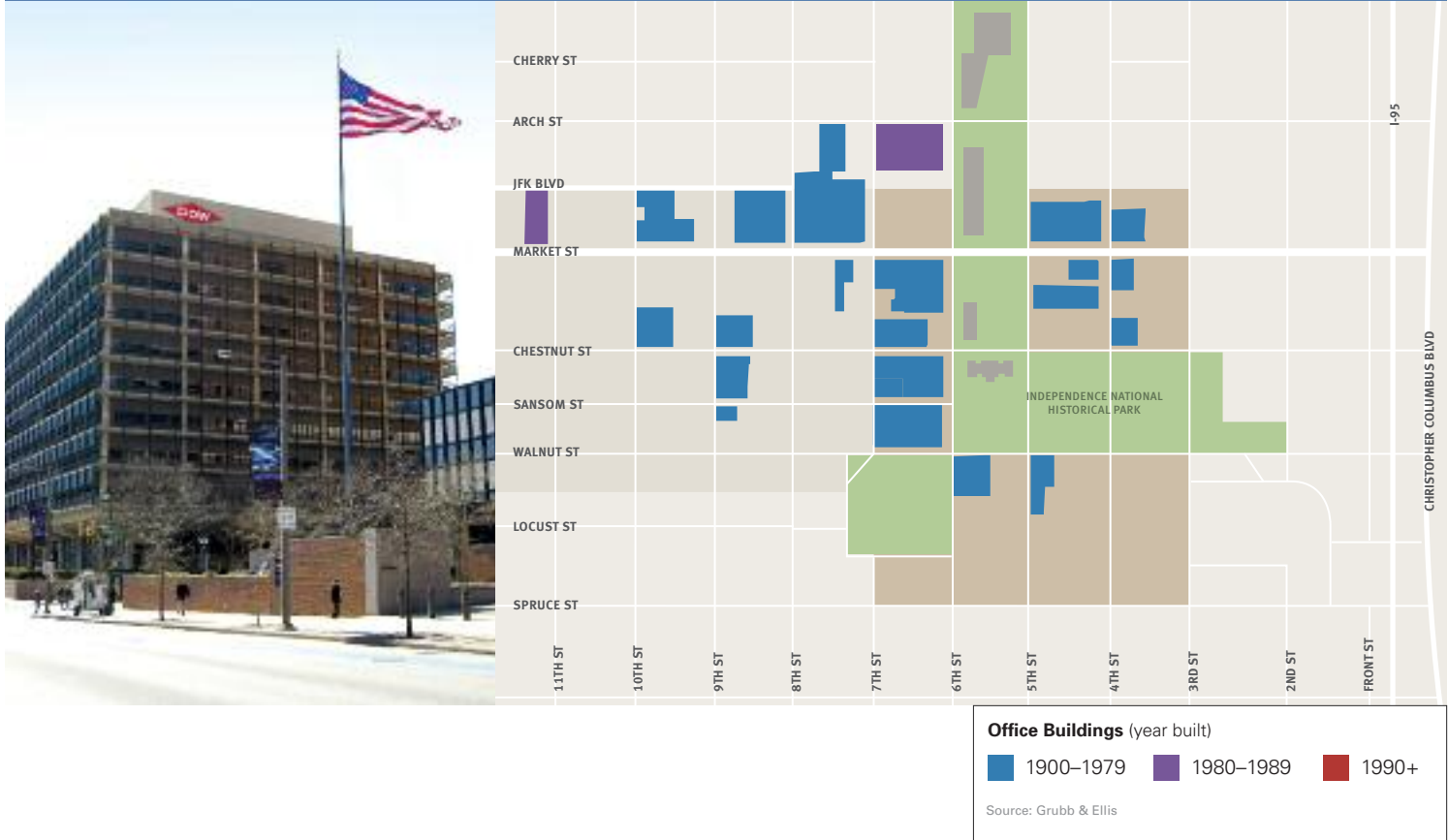
### East Market Submarket

- Mellon Independence Center
- Sovereign Building
- 1234 Market
- Aramark Tower

Source: Grubb & Ellis, 2011

	Square Feet	Year Complete
Mellon Independence Center	640,000	1906
Sovereign Building	226,222	1920
1234 Market	665,000	1974
Aramark Tower	600,000	1983

## Independence Square Submarket



Total Square Feet:

**4,831,077**

Average Class A Rent:

**\$27.45**

Occupancy:

**86.5%**



## Notable Buildings in the Independence Square Submarket

### Independence Square Submarket

- The Bourse Building
- The Curtis Center
- Penn Mutual Tower
- One Beacon Building
- Public Ledger Building
- Constitution Place
- 100 Independence Mall West

Source: Grubb & Ellis, 2011

	Square Feet	Year Complete
The Bourse Building	180,000	1895
The Curtis Center	840,067	1896
Penn Mutual Tower	828,114	1914
One Beacon Building	330,000	1926
Public Ledger Building	462,438	1926
Constitution Place	214,274	1956
100 Independence Mall West	360,000	1965