



Brandywine Experience Touchdown Space at One Commerce Square | Matt Stanley

# Office

In 2021, Greater Center City's office sector provided 113,000 jobs, 35% of downtown private sector jobs, 22% of citywide employment. With total earnings of \$15.6 billion, the office sector accounted for 39% of citywide compensation in all industries. Office sector jobs throughout the city paid an average of \$131,900 in 2020, well above the \$74,100 average for all industries combined. In addition, health care and educational institutions lease a significant amount of additional space for administrative and professional staff in downtown offices.

The economic impact of office buildings downtown thus goes far beyond the direct employment of professional staff to include the office support staff, janitorial, security and building engineers who support the operations of these dense containers of jobs. Spending by office workers supports retailers, restaurants and service providers; business travelers constitute almost a third of downtown hotel demand. The wage, real estate and use and occupancy taxes paid

by this sector provides a substantial portion of the City and School District's operating funds.

Throughout 2020 and 2021, remote work enabled businesses to continue to function and pay rent. But suburban residents, directed to work from home, were exempt from the City's wage tax and all workers, regardless of home location, significantly reduced their expenditures on transit, parking and downtown retail services.

Vacancy rates increased from 12.7% in 2019 to 18.3% in 2021, as leasing volume dropped precipitously and businesses with contracting office footprints were not initially replaced by other expanding or new-to-market firms. By the fourth quarter of 2021, however, the Center City market experienced positive net absorption after 18 months of contraction. Class A properties with the most current amenities and state-of-the-art HVAC systems performed strongest.

A central challenge for the office districts in all cities will be finding a new equilibrium after two years of remote work. A survey by Central Philadelphia Development Corporation of 114 downtown employers and institutions, administered in January 2022, at the height of the Omicron variant, provides some guidance for the future. While most respondents believed that greater flexibility about working location would continue for the foreseeable future, 63% expected to keep their current office footprint, 16% planned on expansion, while 21% anticipated contraction. The primary factors favoring continuation of remote work were health safety, the ability to attract and retain employees, uncertainty about schools and child care and concerns about public safety. Factors favoring a return to the office were the value of face-to-face meetings, collaboration, supervision and mentoring of newer staff. For the full results of the survey see [centercityphila.org/workforcesurvey](http://centercityphila.org/workforcesurvey).

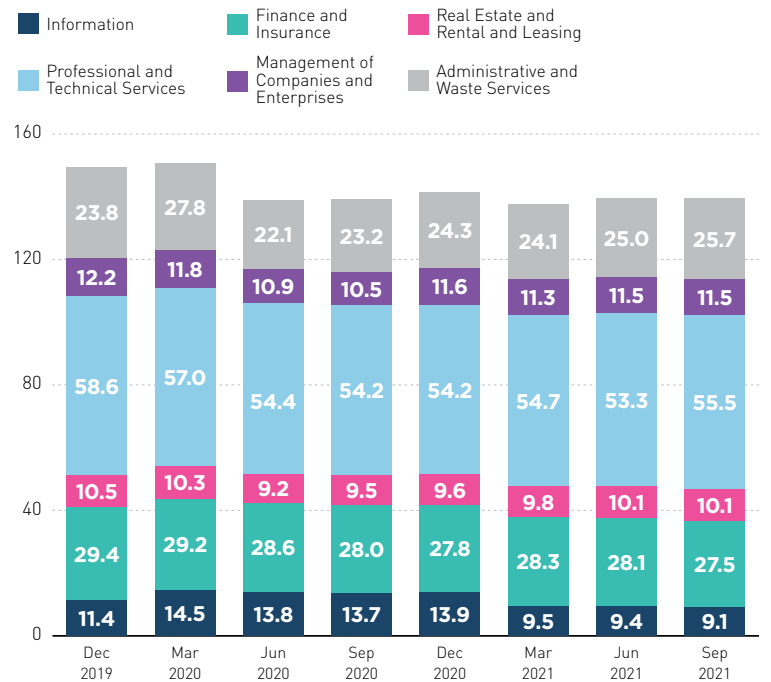
As the pandemic recedes, the future of the office sector and the substantial opportunities and revenues it generates thus depend on how well public sector leaders can address the safety challenges and tax barriers that discourage businesses from expanding in or relocating to the city. Private sector leaders also need to factor into their decision making not only the competitiveness and attractiveness of their firms to employees, but also the positive impact that their downtown presence generates for many moderate wage and entry-level workers.

If some older office buildings need to be converted to other uses, Center City has more than two decades of successful experience repurposing scores of older buildings to residential or hotel use. But the goal should remain maximizing the number of businesses that choose to locate and expand downtown. The life-sciences sector, booming in University City, has created modest demand for conversion of several older buildings to lab space. Law firm Morgan Lewis is moving to a new headquarters built by Parkway Corporation on West Market Street. National Real Estate Development is finishing Thomas Jefferson Specialty Care Pavilion at 1101 Chestnut Street.

Philadelphia’s affordability, ease of access and walkability position the city as a major location to attract workers and firms from other cities. Amtrak, SEPTA and PATCO connect downtown to the northeast corridor and to diverse neighborhoods and suburbs. An international airport is 15 to 20 minutes away.

Center City has evolved during the past two decades into a vibrant, live-work setting with more than 70,000 highly educated residents in the core and 130,000 in immediately adjacent neighborhoods. Arts and cultural institutions, a thriving restaurant scene, great parks and a burgeoning startup culture all contribute to a high-quality live-work balance with minimal commute times. CCD’s Philly Works campaign can help the city achieve more prominent visibility in the northeast corridor, so Philadelphia can reposition itself with a faster growing, more inclusive economy.

### Philadelphia Private Sector Office Employment (in Thousands)



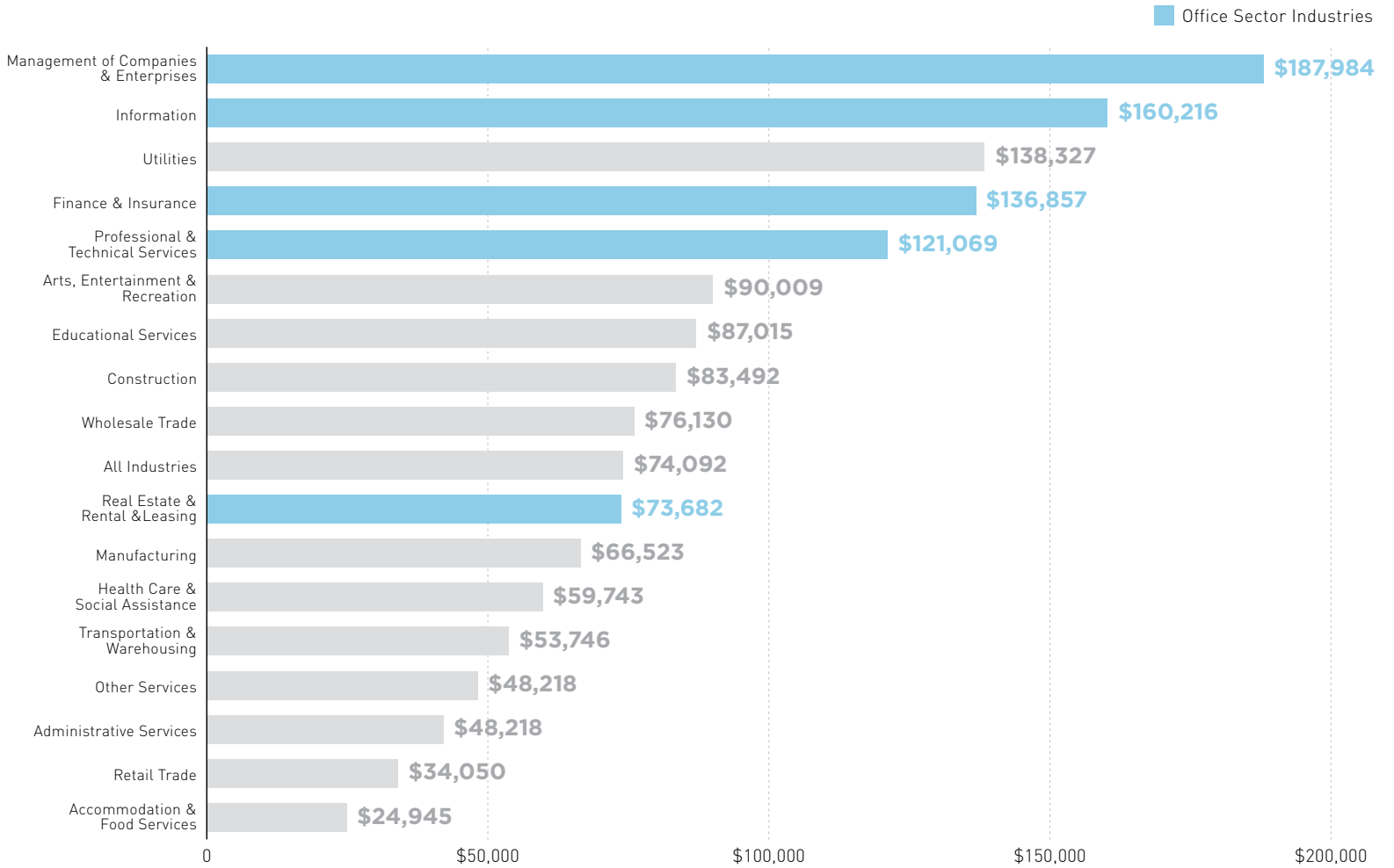
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

### Center City Office Market Trends, 2021

SUBMARKET	TOTAL INVENTORY (SF)	Q1 ASKING RENT (PRICE/SF)	Q2 ASKING RENT (PRICE/SF)	Q3 ASKING RENT (PRICE/SF)	Q4 ASKING RENT (PRICE/SF)	Q1 VACANCY RATE	Q2 VACANCY RATE	Q3 VACANCY RATE	Q4 VACANCY RATE	ABSORPTION Q4 (SF)	ABSORPTION YTD (SF)
East Market	6,331,084	\$32.89	\$32.66	\$32.20	\$32.15	15.7%	15.7%	18.9%	18.9%	-22,773	1,683
Independence Square	5,380,384	\$31.96	\$31.72	\$31.59	\$31.30	16.8%	18.8%	20.1%	17.9%	117,992	-46,672
Walnut/South Broad	3,977,064	\$30.99	\$30.49	\$30.53	\$30.70	21.6%	22.1%	21.1%	20.8%	13,145	-58,752
West Market	24,796,953	\$35.93	\$36.03	\$35.97	\$35.83	15.3%	17.3%	17.7%	17.8%	-15,648	-783,653
<b>Center City</b>	<b>40,485,485</b>	<b>\$34.44</b>	<b>\$34.39</b>	<b>\$34.26</b>	<b>\$34.15</b>	<b>16.2%</b>	<b>17.7%</b>	<b>18.5%</b>	<b>18.3%</b>	<b>92,716</b>	<b>-887,394</b>

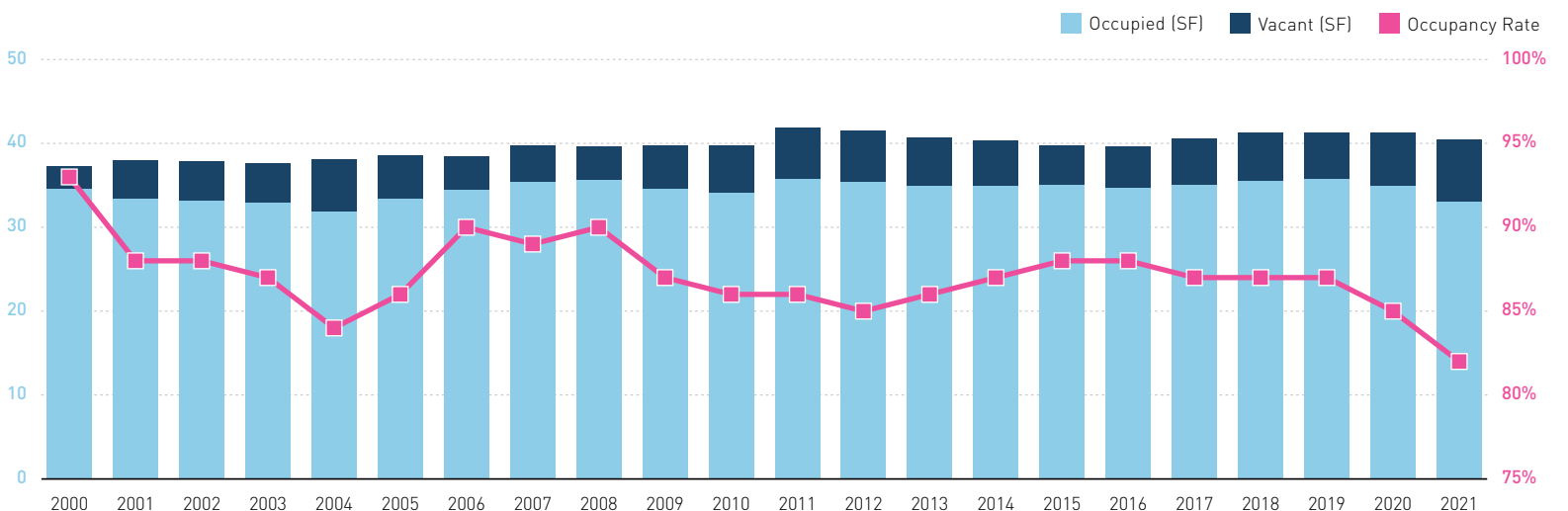
Source: Newmark

### Average Annual Wages per Employee for Philadelphia Private Sector Jobs, 2020



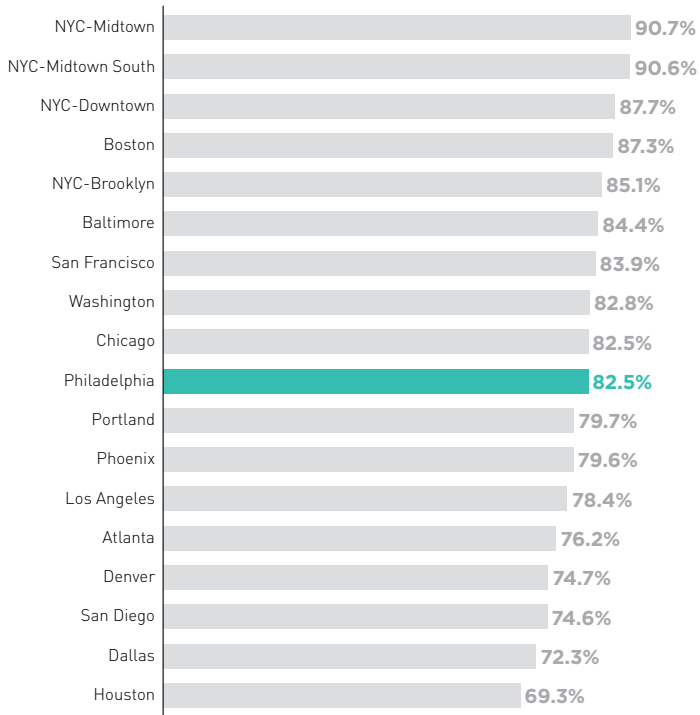
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

### Center City Philadelphia Office Market, 2000-2021 (Sq. Ft. in Millions)



Source: Newmark

### Central Business District Occupancy Rate, 2021

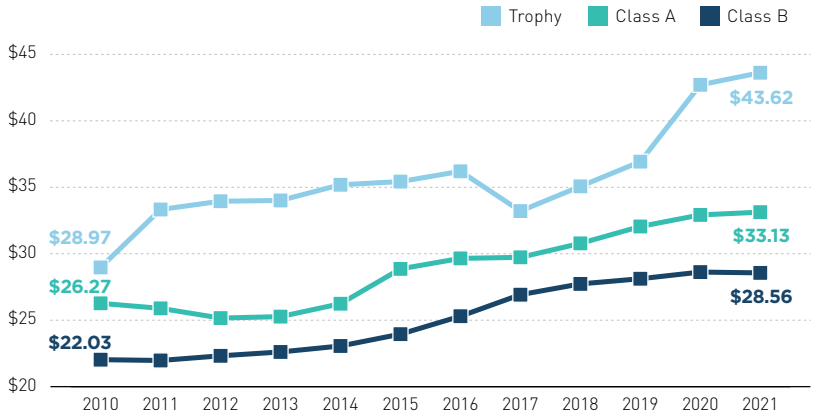


Source: Newmark



**82.5%**  
Occupancy Rate

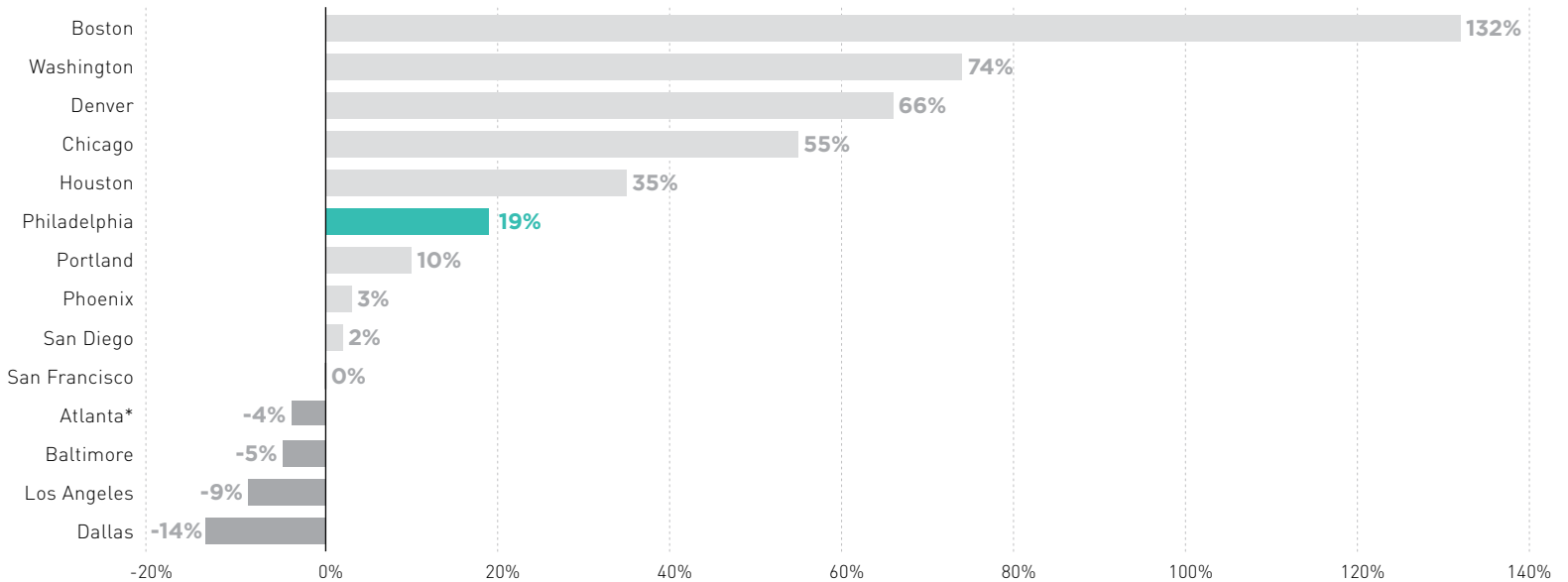
### Center City Average Asking Rents by Class



Source: JLL Research

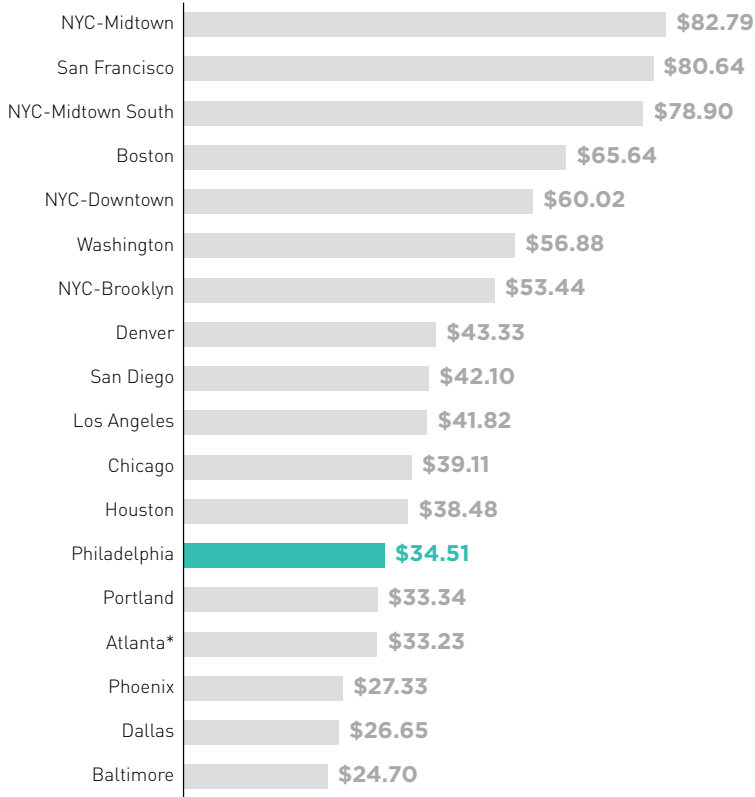
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### Percentage Difference Between Average Central Business District Rent and Average Suburban Rent, Class A Office Space, 2021



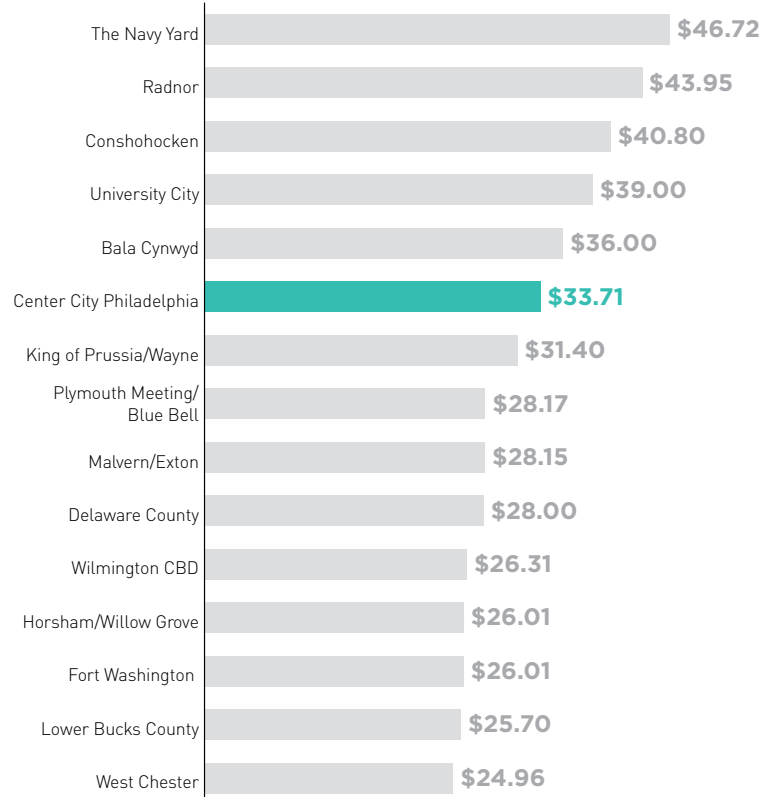
Source: Newmark

### Central Business District Asking Rents, 2021 (Price per Sq. Ft.)



Source: Newmark

### Regional Average Asking Rents, 2021 (Price per Sq. Ft.)



Source: Newmark



**\$34.51**

Philadelphia Asking Rent per Sq. Ft.

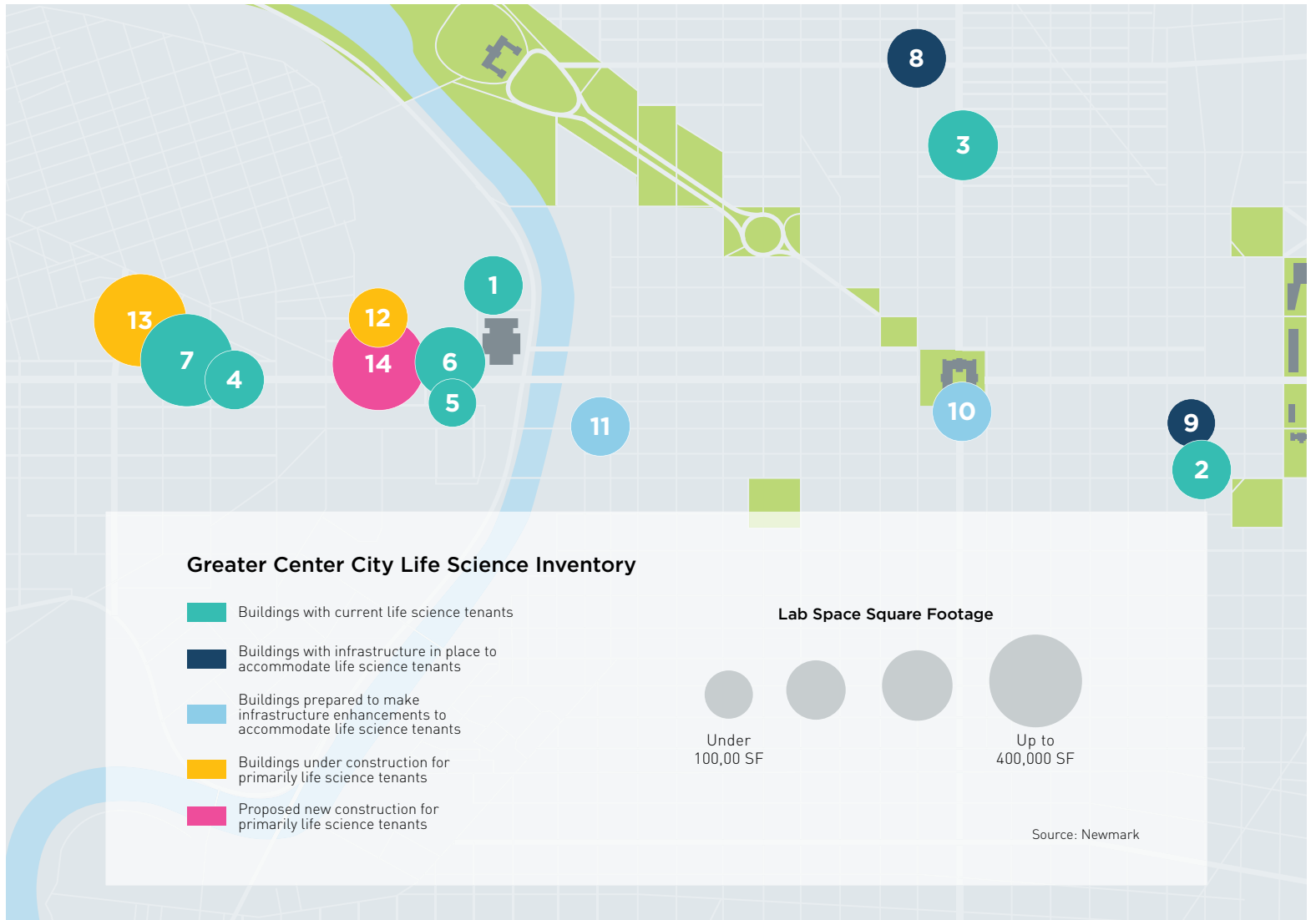


**\$33.71**

Center City Asking Rent per Sq. Ft.

### Coworking Spaces in Center City

<b>CommonGrounds Workplace</b>	1635 Market St	<b>WeWork</b>	1100 Ludlow St
<b>MakeOffices at The Bourse</b>	111 S Independence Mall	<b>WeWork</b>	1900 Market St
<b>Mindspace</b>	100 E Penn Sq	<b>WeWork</b>	1601 Market St
<b>Offsite at Fittler Club</b>	2400 Market St	<b>Bond Collective</b>	1617 JFK Blvd
<b>Pipeline Philly</b>	30 S 15th St	<b>Industrious - Two Liberty Place</b>	50 S 16th St
<b>Rec Philly</b>	901 Market St	<b>Industrious - Avenue of the Arts</b>	230 S Broad St
<b>Spaces - Hale Building</b>	100 S Juniper St	<b>Industrious - Fashion District</b>	901 Market St
<b>Spaces - Rittenhouse Square</b>	1626 Locust St	<b>Hana by Industrious</b>	1818 Market St
<b>Spaces - Commerce Square</b>	2001 Market St	<b>Corporate Suites</b>	123 S Broad St
<b>The Yard</b>	21 S 11th St	<b>CityCoHo</b>	2401 Walnut St



PROPERTY	ADDRESS	TOTAL LAB SPACE (SF)
1	Cira Center 2929 Arch Street	138,000
2	Curtis Center 801 Walnut Street	167,882
3	401 N Broad Street 401 N Broad Street	200,682
4	3535 Market Street 3535 Market Street	168,062
5	Schuykill Yards 3000 Market Street	65,000
6	Schuykill Yards 3025 Market Street	285,000
7	UCity Square 3675 Market Street	340,000
8	1500 Spring Garden Street 1500 Spring Garden Street	125,971
9	833 Chestnut Street 833 Chestnut Street	96,468
10	1 S Broad Street 1 S Broad Street	108,418
11	2323 Chestnut Street 2323 Chestnut St	150,000
12	Schuykill Yards 3025 JFK Boulevard	200,000
13	UCity Square 3701 Filbert Street	389,000
14	Schuykill Yards 3151 Market Street	400,000

Major life sciences investments in University City have created demand for the conversion of portions of several older buildings in Center City.

## Significant Office Leasing Transactions in Center City, 2021

TENANT	ADDRESS	BUILDING NAME	BUILDING CLASS	LEASE SIZE	TRANSACTION TYPE
<b>Independence Square/South Broad</b>					
City of Philadelphia District Attorney's Office	1 S Penn Sq	The Widener Building	A	144,648	Renewal
United States Postal Service	615 Chestnut St	One Independence Mall	A	119,154	New Lease
Aro Biotherapeutics	601 Walnut St	The Curtis	A	27,208	Relocation
Corporate Suites	123 S Broad St	Wells Fargo Building	B	24,000	New to Market
Weir & Partners LLP	1 S Penn Sq	The Widener Building	A	21,924	Renewal
Imvax	601 Walnut St	The Curtis	A	17,000	Relocation
Gerson Lehrman Group Inc.	111 S Independence Mall E	Bourse Building	B	13,833	New to Market
Hachette Book Group	123 S Broad St	Wells Fargo Building	B	11,500	Relocation
Philadelphia Futures	123 S Broad St	Wells Fargo Building	B	11,217	New Lease
<b>Market Street East</b>					
Community Behavioral Health	801 Market St	801 Market	B	142,029	Renewal
Philadelphia Housing Development Corporation	1234 Market St	SEPTA Building	B	68,584	Blend and Extend
City of Philadelphia	1234 Market St	SEPTA Building	B	54,080	Renewal
Mindspace	100 E Penn Sq	The Wanamaker Building	A	41,277	New to Market
City of Philadelphia	1101 Market St	Jefferson Center	A	15,231	Relocation
BDP International	510-530 Walnut St	One Washington Square	A	13,331	Renewal
Thomas Jefferson University	1101 Market St	Jefferson Center	A	10,156	New Lease
<b>Market Street West</b>					
Drexel University College of Medicine	225-231 N 15th St	New College	B	590,000	Renewal
Temple University	1515 Market St	1515 Market	A	130,213	Renewal
BakerHostetler	1735 Market St	1735 Market	Trophy	45,121	Relocation
Security Risk Advisors	1600 Market St	PNC Bank Building	A	23,000	Relocation
Harsco Corporation	100 N 18th St	Two Logan Square	Trophy	22,550	New to Market
DCRB/PCRB (Delaware/Pennsylvania Compensation and Rating Bureau)	30 S 17th St	Duane Morris Plaza	A	21,402	Renewal
McElroy, Deutsch, Mulvaney & Carpenter	1617 John F Kennedy Blvd	One Penn Center at Suburban Station	B	21,130	Renewal
HNTB	1650 Arch St	1650 Arch	A	18,218	Renewal
Compass Real Estate	1430 Walnut St	15th and Walnut	Unclassified	18,000	Expansion
JP Morgan Chase & Company	1735 Market St	1735 Market	Trophy	15,327	Expansion
Hamburg Sud	2000 Market St	2000 Market	A	14,295	Renewal
Livent	1818 Market St	WSFS Bank Place	A	12,959	Relocation
Ionos LLC	100 N 18th St	Two Logan Square	Trophy	11,741	New to Market
Freeman Mathis & Gary LLP	1600 Market St	PNC Bank Building	A	11,525	Relocation

Source: JLL