

**NEWMARK**

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State of the  
Center City  
Philadelphia  
Office Market



# THIRD QUARTER MARKET REPORT

## GREATER PHILADELPHIA TOTALS

*Inventory*

**43,501,368**  
**SF**

*Direct Available*

**8,023,151**  
**SF**

*Sublease Available*

**2,367,776**  
**SF**

*Total Available*

**10,330,927**  
**SF**

*Availability Rate*

**23.7%**

*Net Absorption*

**-281,879**  
**SF**

*Year-to-Date  
Net Absorption*

**-1,162,246**  
**SF**



# UTILIZATION RATE

## BACK TO WORK BAROMETER

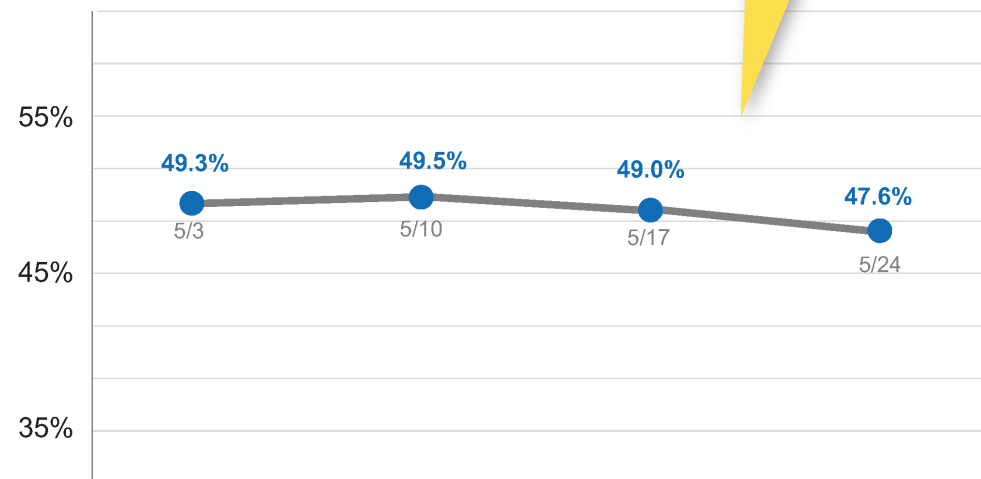
Updated **06.05.23**

### BAROMETER THIS WEEK

# 47.6%

The dip in occupancy is most likely due to people extending their holiday weekend. Usually, Tuesday is the highest occupancy day of the week but, last week, Wednesday was the high at 57.2% occupancy in nine out of 10 cities, surpassing Tuesday at 53.9%.

### 10 CITY AVERAGE OCCUPANCY



**Disclaimer:** Kastle data is very specific to card access and specific regions of the US. This data is directional only and should not be used to set policy or drive decisions related to occupancy.

	Wed 5/24	Wed 5/31	% Change
Houston metro	60.5%	57.9%	2.5% ▼
Washington D.C. metro	46.4%	44.1%	2.3% ▼
New York metro	48.5%	46.3%	2.1% ▼
Dallas metro	53.2%	51.7%	1.5% ▼
Austin metro	57.5%	56.1%	1.4% ▼
<b>Average of 10</b>	<b>49.0%</b>	<b>47.6%</b>	<b>1.4% ▼</b>
Chicago metro	52.1%	50.9%	1.2% ▼
Philadelphia metro	41.7%	40.5%	1.2% ▼
San Francisco metro	43.5%	42.7%	0.9% ▼
San Jose metro	37.6%	37.0%	0.7% ▼
Los Angeles metro	48.8%	49.0%	0.2% ▲

### NOTES

Office occupancy fell 1.4 points to 47.6% this past holiday week, according to Kastle's 10-city Back to Work Barometer. The drop in occupancy was widespread, with all tracked cities seeing declines except for Los Angeles. The city rose two tenths of a point to 49% occupancy.

The dip in occupancy is most likely due to people extending their holiday weekend. Usually, Tuesday is the highest occupancy day of the week but, last week, Wednesday was the high at 57.2% occupancy in nine out of 10 cities, surpassing Tuesday at 53.9%. The low was still Friday at 28% occupancy.

## LEASE EXPIRATIONS

**3,500,000 SF**

expiring if **50%** of that space  
is cut then that additional

**1,750,000 SF** will add

**4.02%**

to the current vacancy rate

### RECENT EXAMPLES



went from 225,000SF to  
57,000SF last year



when they vacate  
1500 Market Street they  
will vacate 300,000 SF  
and lease 75,000 SF



# TROUBLED ASSETS

## IN RECEIVERSHIP



**1500 Market Street**  
**Philadelphia, PA**  
**East Tower & West Tower**

Size: 1,770,000 SF  
Vacancy: 40%  
Parking: 450 Spaces  
First Mortgage: \$185,800,000  
\$/SF: \$105 + Garage  
Lender: Key Bank



**1500 Spring Garden Street**  
**Philadelphia, PA**

Size: 1,111,198 SF  
Vacancy: 31%  
First Mortgage: \$160,000,000  
\$/SF: \$144.00  
Lender: Rialto



**Wanamaker Building**  
**Philadelphia, PA**

Size: 973,610 SF  
Vacancy: 79%  
First Mortgage: \$62,400,000  
\$/SF: \$64.09  
Receiver: Trigild



# FLIGHT TO WELL-CAPITALIZED LANDLORDS



**Commerce Square**



**1735 Market Street**



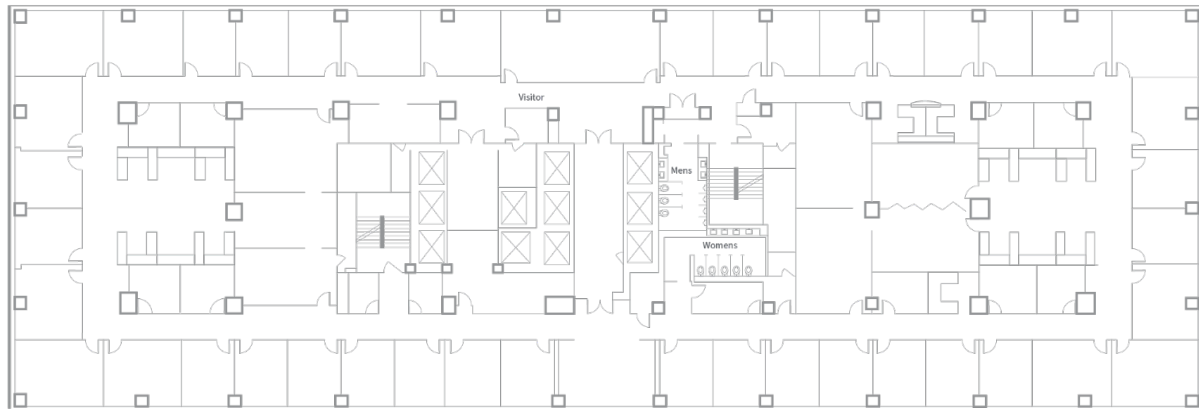
**One Liberty Place**

**MANN FAMILY ENTITY**



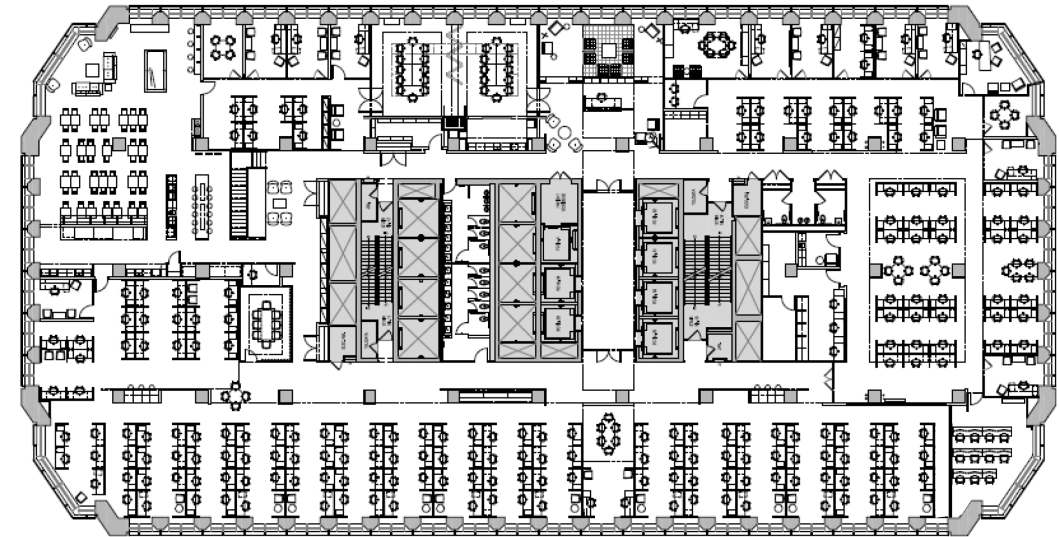
# CONVERSIONS WON'T BAIL US OUT THIS TIME

**16,000 SF Per Floor**



**1701 Market Street**

**30,000 SF Per Floor**



**1500 Market Street  
West Tower**



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# CONVERSIONS WON'T BAIL US OUT THIS TIME

ONLY TWO RECENT CENTER CITY OFFICE BUILDINGS SALES (PENDING) ARE CONVERSIONS:



**Three Parkway  
(1601 Cherry Street)**



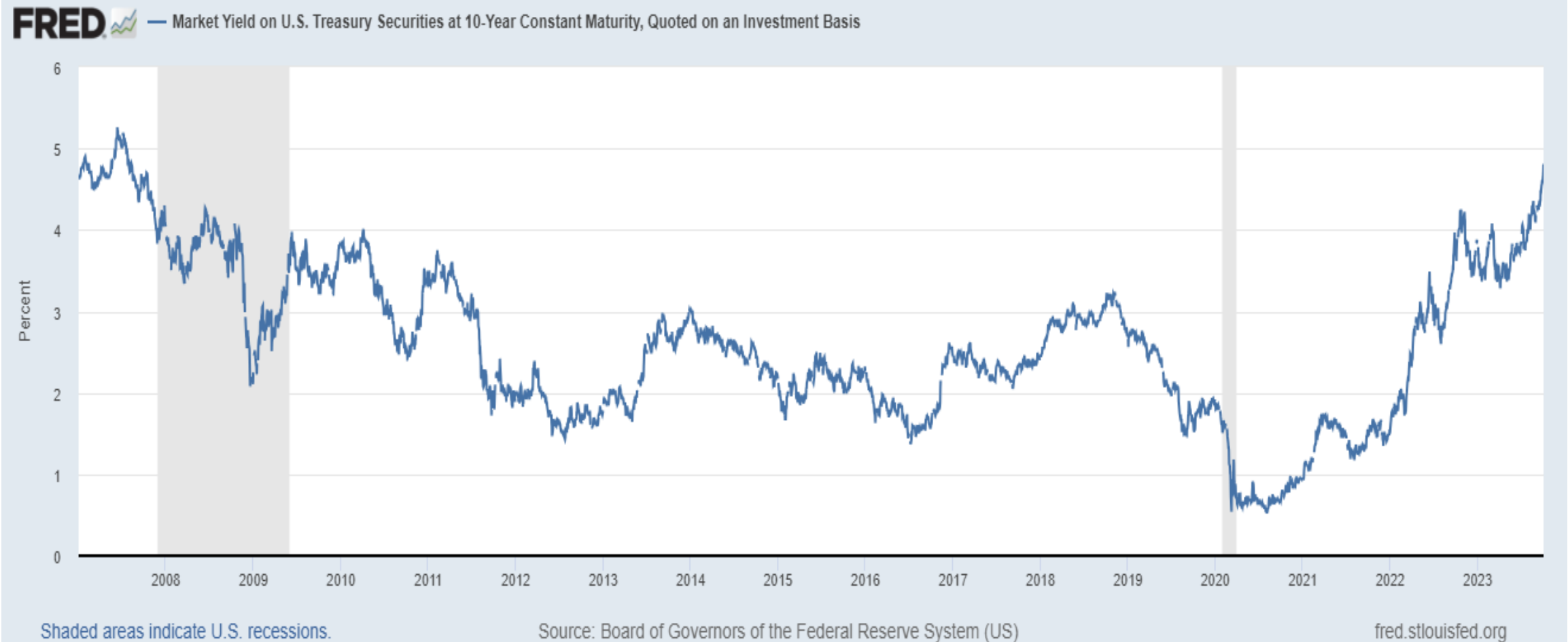
**1701 Market Street**



# RECOVERY

## TWO THINGS NEED TO HAPPEN #1

### Interest Rates need to stabilize and begin to fall

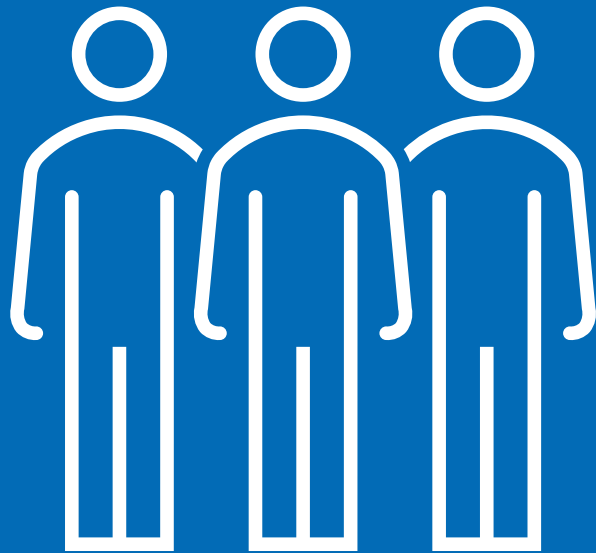




# RECOVERY

TWO THINGS NEED TO HAPPEN #2

**RETURN TO OFFICE  
ACCELERATES**



**UTILIZATION  
INCREASES**





STAY ALIVE TILL

2025

NEWMARK