

FIGURES | PHILADELPHIA OFFICE | Q1 2026

# Strategic Repositioning and Trophy Spaces Pave the Way for Office Market Recovery



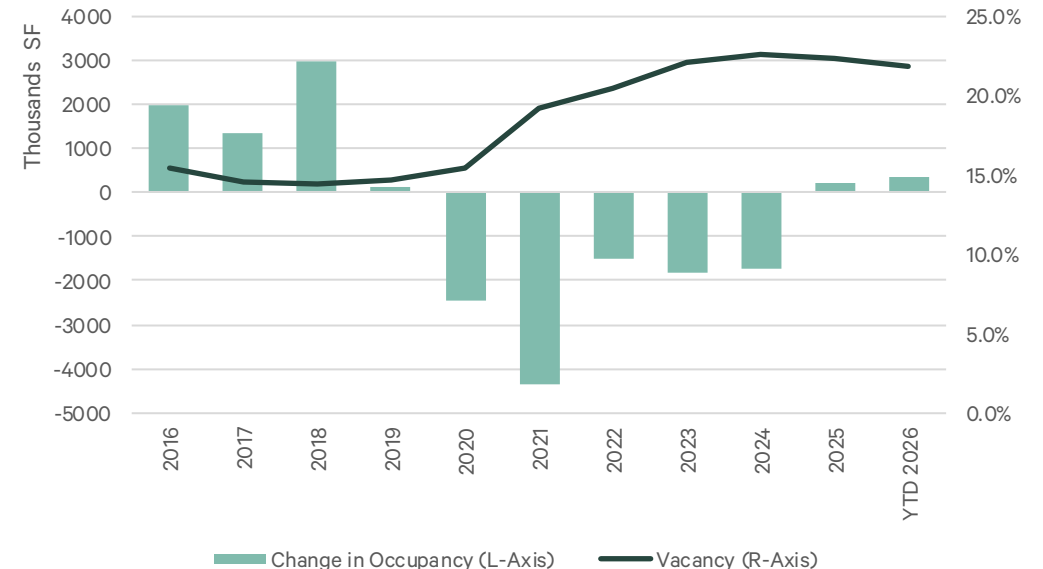
Note: Arrows indicate change from previous quarter.

**Methodology update:** Starting in Q1 2026, CBRE research will now include Navy Yard statistics in its office market analysis. This submarket encompasses the Philadelphia Navy Yard project and will be part of the urban segment of the market.

A modest recovery was underway across the greater Philadelphia office market to start 2026. For the fifth consecutive quarter, vacancy fell while the market posted positive net absorption for the third consecutive quarter. And the recovery appeared widespread as all market segments posted occupancy growth except for the Lehigh Valley which tallied 30,000 sq. ft. of negative absorption, a modest amount.

But the most convincing sign of recovery was the Class A building set's performance during the past few quarters. As the persistent flight-to-quality trend starting before the pandemic sustained through present day, the supply of trophy space dwindled, presenting fewer options for occupiers. This pushed demand into the Class A portion of the market – the portion of the market that suffered the worst occupancy deterioration since 2020 as these buildings could not compete on quality with trophy or price with Class B and C assets. But Class A vacancy shrank 280 basis points since reaching a peak 27.5% at the end of 2024, pointing to a more ubiquitous recovery.

FIGURE 1: Net Absorption vs. Vacancy Rate



Source: CBRE Research, Q1 2026

## Demand

The metro office market recorded 270,000 sq. ft. of positive net absorption in Q1 2026, exceeding the negative 12,000 sq. ft. posted in Q4 2025 and improving from negative 237,000 sq. ft. in Q1 2025. Class A space accounted for virtually all of the gains with 273,000 sq. ft. of net absorption, pointing toward a growing “spill-over” effect of demand as trophy availabilities remain scarce and demand flows into the next tier of quality space.

University City posted the largest amount of positive absorption by submarket as FS Investment took occupancy of 117,000 sq. ft. at Brandywine Realty Trust’s Schuylkill Yards project. But the urban portion of the market only posted a modest 41,000 sq. ft. of occupancy gains as FS Investment left behind 81,000 sq. ft. in the Navy Yard.

The suburban portion of the market claimed the highest concentration of positive absorption, posting 228,000 sq. ft. of occupancy gains. The core submarkets – Conshohocken, Bala Cynwyd, and Main Line – accounted for some of these gains but demand growth was spread as submarkets such as Central and Lower Buck Counties, Fort Washington, and Delaware County posted notable positive absorption.

While absorption trended positive this quarter, leasing activity was down compared to both last quarter and the first quarter of 2025. While somewhat deflating given the amount of positive absorption seen during the past few quarters, overall tenants touring the market was significantly up since the end of last year, portending an uptick in leasing activity in the near term.

Figure 2: Leasing Activity Trend  
Sq. Ft. Millions



Source: CBRE Research, Q1 2026

Figure 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Saint-Gobain Corp.	321,000	Renewal	20 Moores Rd	King of Prussia/Valley Forge
White and Williams LLP	69,000	Renewal	1650 Market St	Market West
Healthcare Services Group	52,000	Renewal	3220 Tillman Dr	Lower Bucks County
HSB	42,000	New Lease	965 Chesterbrook Blvd	King of Prussia/Valley Forge
Spring EQ	27,000	New Lease	2929 Arch St	University City
CHA Consulting	22,000	New Lease	801 Lakeview Dr	Blue Bell
DSV Air & Sea	20,000	Renewal	2501 Seaport Dr	Delaware County
Willis Towers Watson US	20,000	Renewal	1900 Market St	Market West

Source: CBRE Research, Q1 2026

## Supply

Total vacancy in Class A buildings decreased 80 bps quarter-over-quarter to 24.7% in Q1 2026 and is 270 bps lower year-over-year. With trophy vacancy sitting at 11.8%, and with a direct vacancy rate (less sublease space) of 8.5%, options for users became scarce, pushing demand into Class A supply. In the suburbs, there are very few blocks of trophy space larger than 50,000 sq. ft. As a result, the “spill over” effect was first noticed in that segment of the market starting late last year.

Downtown, Class A space has not yet realized the benefits from flight-to-quality trends as there remained a few larger options for trophy space in the urban portion of the market. But, demand for trophy space in the city continued to tighten vacancy for that asset class, positioning Class A assets to capture demand for quality space in the quarters to come.

On a submarket basis, performance was highly dispersed. Plymouth Meeting persisted as the softest of the office submarkets with vacancy nearing 40% as demand remained stalled. Nearby Horsham/Willow Grove also saw vacancy rise this quarter after posting more than 72,000 sq. ft. of negative absorption.

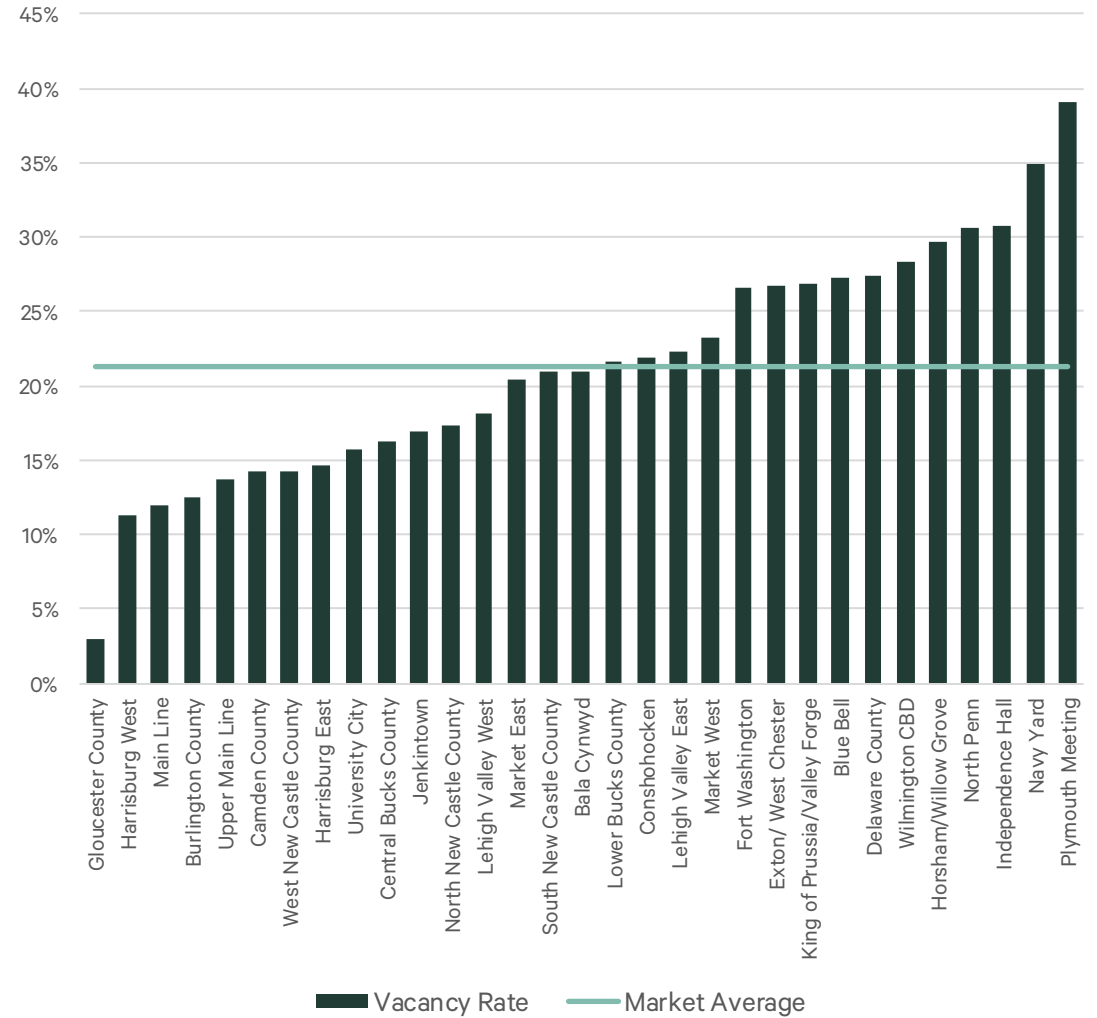
Some of the tightest submarkets in the Philadelphia region were located in satellite locations such as Harrisburg, Southern NJ, Lehigh Valley, and Northern DE. Most of these market segments’ submarkets posted below-market-average vacancy rates while tallying positive absorption in Q1 2026, except for Lehigh Valley where occupancy shrunk by less than 30,000 sq. ft.

## Asking Rent

The overall average direct asking lease rate in Q1 2026 is \$32.35 per-sq.-ft., up 0.2% from Q4 2025 and 0.9% above Q1 2025. Trophy rents inched higher to \$45.51 per-sq.-ft. Class A asking rents also increased noticeably from \$30.62 to \$31.22 per-sq.-ft. after stagnating for much of 2025.

Pricing performance continued to follow demand trends as trophy assets persisted with gains while the remainder of the market had generally stalled during the past several years, especially when inflation is taken into consideration. But, as demand returns to the market and pushes vacancy down consistently, pricing for less-than-trophy assets should start to see upward pressure.

FIGURE 4: Vacancy Rate by Submarket



Source: CBRE Research, Q1 2026

## Economic Overview

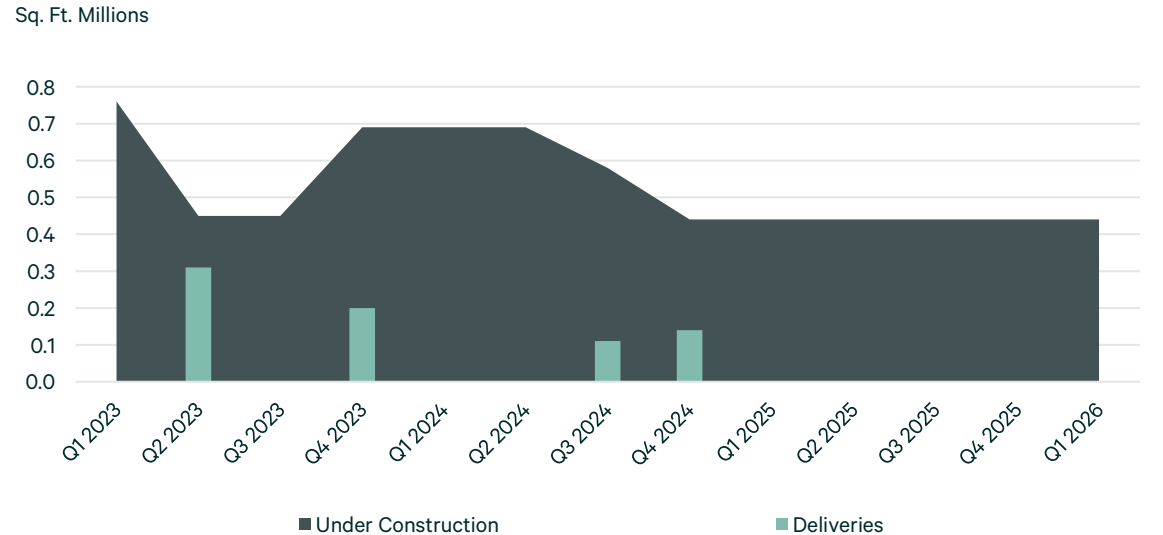
The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Figure 5: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 6: Construction Activity



Source: CBRE Research, Q1 2026

FIGURE 7: Market Fundamentals by Submarket

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
<b>SUBURBAN PHILADELPHIA</b>						
Bala Cynwyd	2,690,714	17.9	21.0	16,152	\$37.82	\$38.38
Blue Bell	4,407,595	23.1	27.3	-32,261	\$26.75	\$28.72
Central Bucks County	1,763,168	14.5	16.2	93,188	\$21.56	\$29.24
Conshohocken	3,968,656	16.9	21.9	36,324	\$40.60	\$42.47
Delaware County	6,091,420	18.3	27.5	82,041	\$31.55	\$34.12
Exton/ West Chester	3,684,379	25.7	26.8	5,422	\$26.55	\$27.78
Fort Washington	2,920,057	18.7	26.6	43,882	\$29.38	\$31.27
Horsham/Willow Grove	5,694,373	28.0	29.7	-72,571	\$27.37	\$28.49
Jenkintown	1,390,210	17.0	17.0	16,573	\$22.55	\$26.97
King of Prussia/Valley Forge	15,939,809	24.7	26.9	1,594	\$32.61	\$35.20
Lower Bucks County	5,082,216	18.1	21.7	34,567	\$26.00	\$27.16
Main Line	2,927,000	8.7	11.9	24,496	\$43.90	\$45.46
North Penn	987,043	20.6	30.7	-2,932	\$25.51	\$25.89
Plymouth Meeting	1,822,025	30.1	39.0	-25,000	\$31.95	\$35.34
Upper Main Line	970,287	7.7	13.8	6,897	\$26.56	\$34.00
<b>Suburban Philadelphia Totals</b>	<b>60,338,952</b>	<b>21.2</b>	<b>25.1</b>	<b>228,372</b>	<b>\$30.65</b>	<b>\$33.25</b>

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
<b>DOWNTOWN PHILADELPHIA</b>						
Market West	27,794,728	18.8	23.2	52,324	\$33.96	\$41.64
Market East	7,102,663	18.5	20.4	-4,516	\$31.38	\$33.28
Independence Hall	3,877,142	25.9	30.7	-41,299	\$35.73	\$36.19
University City	3,010,521	11.9	15.8	109,715	\$48.25	\$53.14
Navy Yard	733,178	33.1	35.0	-75,207	\$54.55	\$56.09
<b>Downtown Philadelphia Totals</b>	<b>42,518,232</b>	<b>19.1</b>	<b>23.1</b>	<b>41,017</b>	<b>\$34.92</b>	<b>\$43.67</b>

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
<b>NORTHERN DE</b>						
North New Castle Cot	2,818,628	15.4	17.3	43,838	\$29.03	\$29.92
South New Castle Cot	4,106,667	15.1	20.9	15,819	\$23.82	\$24.52
West New Castle Cou	1,595,711	13.6	14.3	-4,343	\$36.25	\$36.93
Wilmington CBD	5,427,311	27.3	28.4	-50,596	\$27.08	\$27.83
<b>Northern DE Totals</b>	<b>13,948,317</b>	<b>19.7</b>	<b>22.3</b>	<b>4,718</b>	<b>\$27.28</b>	<b>\$28.46</b>

Source: CBRE Research, Q1 2026

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
SOUTHERN NJ						
Burlington County	9,604,433	11.3	12.6	34,634	\$24.66	\$26.05
Camden County	7,348,920	13.6	14.3	18,745	\$23.39	\$24.25
Gloucester County	467,492	3.0	3.0	10,423	\$22.57	-
<b>Southern NJ Totals</b>	<b>17,420,845</b>	<b>12.1</b>	<b>13.0</b>	<b>63,802</b>	<b>\$24.04</b>	<b>\$25.53</b>

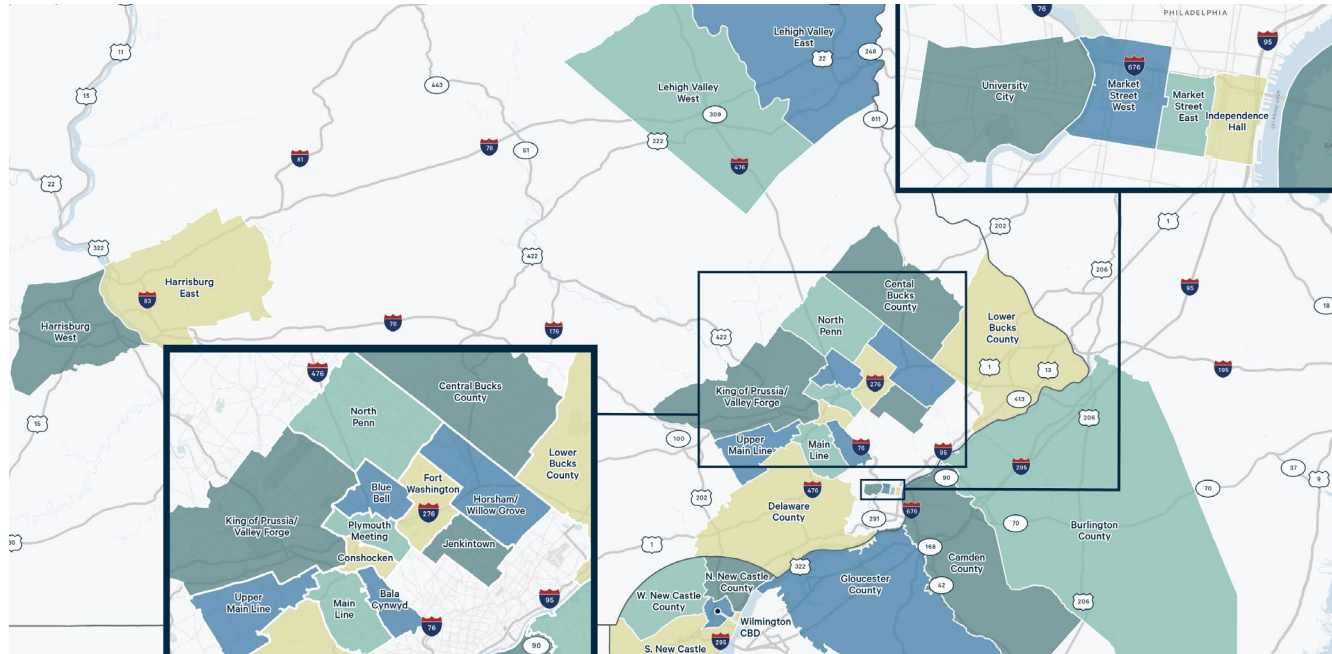
District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
LEHIGH VALLEY						
Lehigh Valley East	3,740,481	14.8	22.3	7,959	\$23.15	\$24.47
Lehigh Valley West	5,759,878	17.5	18.1	-37,860	\$24.23	\$25.01
<b>Lehigh Valley Totals</b>	<b>9,500,359</b>	<b>16.4</b>	<b>19.8</b>	<b>-29,901</b>	<b>\$23.84</b>	<b>\$24.83</b>

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
HARRISBURG						
Harrisburg East	7,305,741	14.5	14.7	42,488	\$20.05	\$23.32
Harrisburg West	3,586,111	10.9	11.2	359	\$20.98	\$23.27
<b>Harrisburg Totals</b>	<b>10,891,852</b>	<b>13.3</b>	<b>13.5</b>	<b>42,847</b>	<b>\$20.31</b>	<b>\$23.31</b>

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)
BY CLASS					
Class A	74,454,734	17.4	21.4	236,143	\$33.28
Class B	60,750,999	21.0	24.0	130,667	\$28.05
Class C	19,412,824	16.2	16.7	-15,955	\$24.54
<b>Philadelphia Market Total</b>	<b>154,618,557</b>	<b>18.6</b>	<b>21.8</b>	<b>350,855</b>	<b>\$30.13</b>

Source: CBRE Research, Q1 2026

## Market Area Overview



### DOWNTOWN PHILADELPHIA OFFICE    SUBURBAN PHILADELPHIA OFFICE

50 S. 16<sup>th</sup> Street  
Philadelphia, PA 19102

555 E. Lancaster Avenue  
Radnor, PA 19087

### WILMINGTON, DE OFFICE

3711 Kennett Pike  
Wilmington, DE 19807

### MOUNT LAUREL NJ OFFICE

1000 Howard Boulevard  
Mount Laurel, NJ 08054

### ALLENTOWN, PA OFFICE

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Allentown, PA 18106

### HARRISBURG, PA OFFICE

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