

FIGURES | GREATER PHILADELPHIA OFFICE | Q2 2026

Office fundamentals strengthen amid demand recovery

▼ 21.7%

Vacancy Rate

▲ 564K

SF Net Absorption

▲ 438K

SF Construction Delivered

▼ 51,750

SF Under Construction

▶ \$30.14

FSG/YR Direct Lease Rate

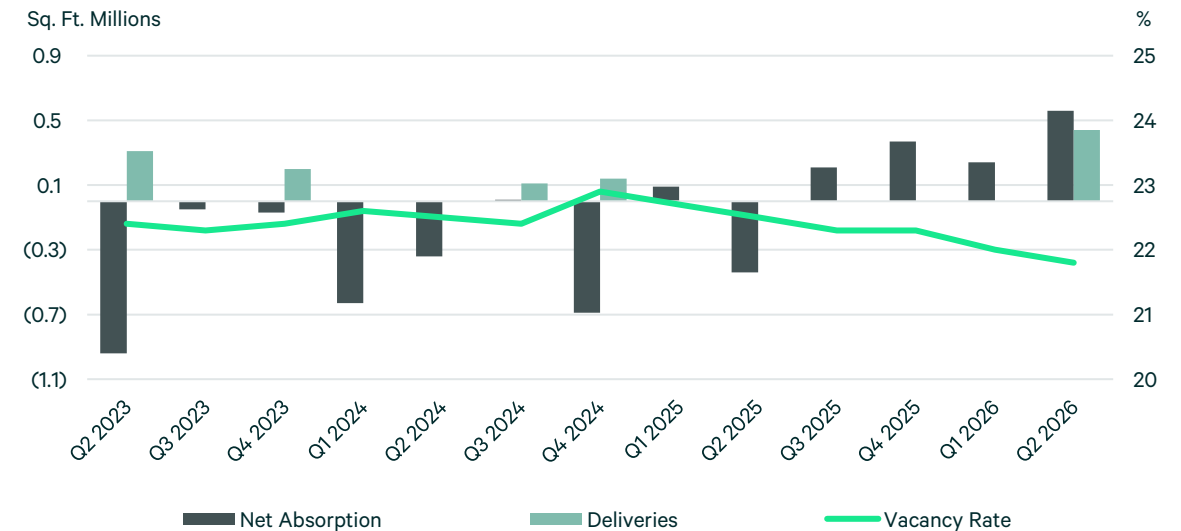
Note: Arrows indicate change from previous quarter.

Market Overview

Recovery was well underway across the Greater Philadelphia office market – more than 560,000 square feet (sq. ft.) of positive absorption along with more than 1.5 million sq. ft. of leasing was tallied during Q2 2026. Notably, this is the 4th consecutive quarter with positive absorption seen throughout the whole of the Philadelphia office market and the largest tally of positive absorption since the start of the pandemic.

Looking at downtown and suburban Philadelphia in particular this quarter, leasing activity within both market segments nearly doubled from a sluggish first quarter, accounting for 324,000 sq. ft. and 667,000 sq. ft., respectively. In total, greater Philadelphia leasing activity nearly double quarter-over-quarter. While the Philadelphia office market has been in recovery since at least last year, increasingly positive fundamentals have begun to emerge, with an uptick in leasing and absorption, a reversal of COVID-era contraction posturing amongst tenants, and the continued uptick of capital markets activity in conjunction with the leasing “spillover effect” within non-prime, class A assets.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



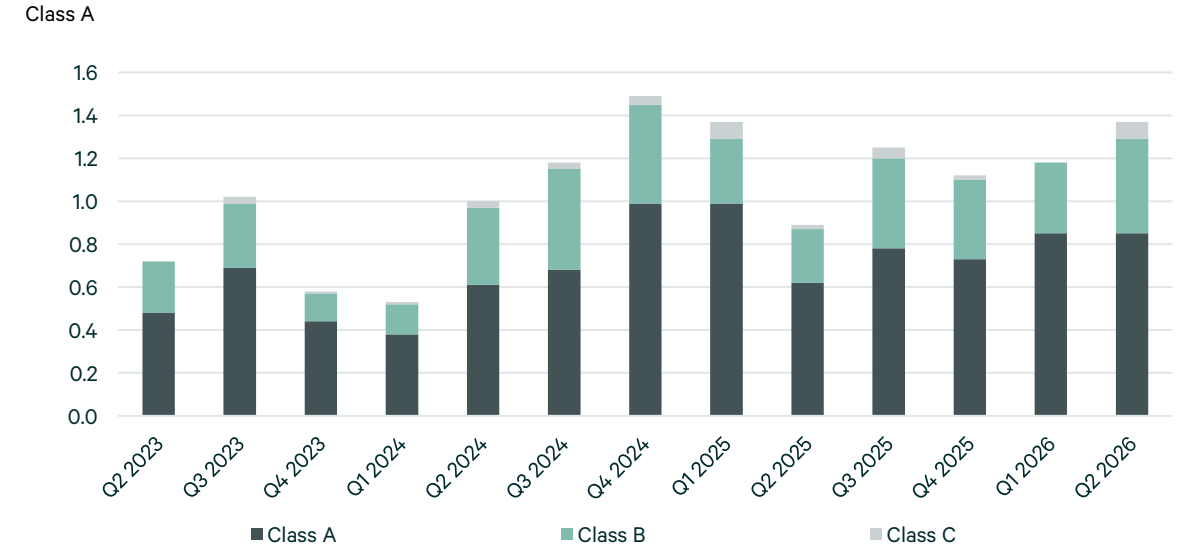
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity in Q2 2026 totaled more than 1.5 million sq. ft., well above the previous quarter’s activity and eclipsing the two million square foot mark for the year. Class A space, including Prime (trophy-grade office) assets, accounted for 56% of total leasing, with Class B and Class C leasing accounting for the balance, totaling 606,000 sq. ft. – yet another clear sign of the continued prioritization of premium space amongst local tenants.

At the submarket level, Market West recorded the highest leasing volume in Q2 2026 at 240,000 sq. ft., followed by North Penn at 167,000 sq. ft., both posting positive activity concentrated in Class A space. King of Prussia continued to buoy suburban leasing activity, while Incyte’s 82,000 sq. ft. lease in downtown Wilmington and an uptick of activity within Independence Hall with the Coreweave and Urban Engineers deals headline the transaction sheet in Q2.

Figure 2: Leasing Activity Trend



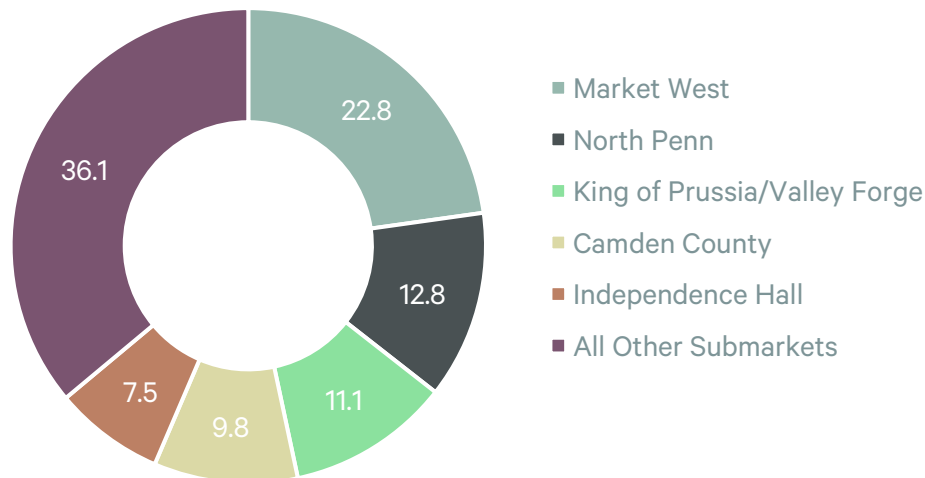
Source: CBRE Research, Q2 2026

Figure 4: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Dorman Products	167,000	New Lease	890 40 Foot Rd	North Penn
Incyte Pharmaceuticals	82,000	New Lease	1100 N King St	Wilmington CBD
WSFS Bank	80,000	Renewal	1818 Market St	Market West
McNees, Wallace and Nurick	65,000	New Lease	202 Senate Ave	Harrisburg West
Camden County	65,000	New Lease	3 Executive Campus	Camden County
Essity	54,000	Renewal	2929 Arch St	University City
Urban Engineers	44,000	New Lease	401 Market St	Independence Hall
Concord Engineering Group	43,000	New Lease	401 White Horse Rd	Camden County

Source: CBRE Research, Q2 2026

Figure 3: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Net Absorption

In Q2 2026, total office net absorption across all classes was 560,000 sq. ft. With help from Chubb’s delivery in Center City, there was 466,000 sq. ft. of occupancy growth in Class A and 127,000 sq. ft. in Class B. Since the market began posting consecutive quarters of positive absorption four quarters ago, occupancy grew by more than 1.2 million sq. ft. But this is just a fraction of the more than 12 million sq. ft. of occupancy lost since the start of the pandemic.

At the submarket level in Q2 2026, Market West posted the highest positive net absorption at 424,000 sq. ft., with Lower Bucks County following at 105,000 sq. ft. The most pronounced net occupancy losses occurred in University City, with negative 88,000 sq. ft. of net absorption, and Independence Hall, with negative 83,000 sq. ft., representing the deepest declines this quarter.

Vacancy

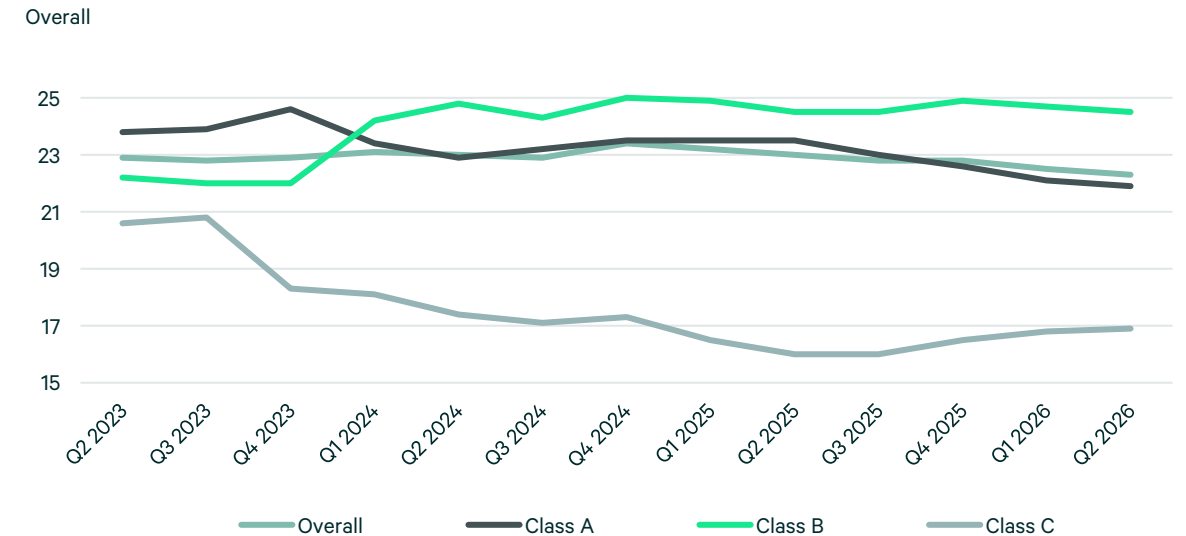
At the end of Q2 2026, overall office vacancy was 21.4% for Class A, 24.0% for Class B and 16.4% for Class C. Quarter-over-quarter, vacancy decreased by 20 basis points in both Class A and Class B, while Class C increased by 10 basis points. But the most notable trend on the supply side was the waning sublease market. At its peak in early 2024, more than 7.2 million sq. ft. of sublease space sat available on the market. At quarter’s end, only 4.9 million sq. ft. of sublet availability remained. While this is well above the 2.2 million sq.-ft. average posted pre-pandemic, changes in sublease availability often portend future overall market vacancy trends.

Figure 5: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 6: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Asking Rent

In Q2 2026, the overall market average asking rent stood at \$30.14, essentially flat quarter over quarter. Since this time last year, rents have risen by nearly \$0.50, in large part due to the continued tightening and increase in rents within the trophy set. Class A asking rents reached \$33.26 in Q2 2026.

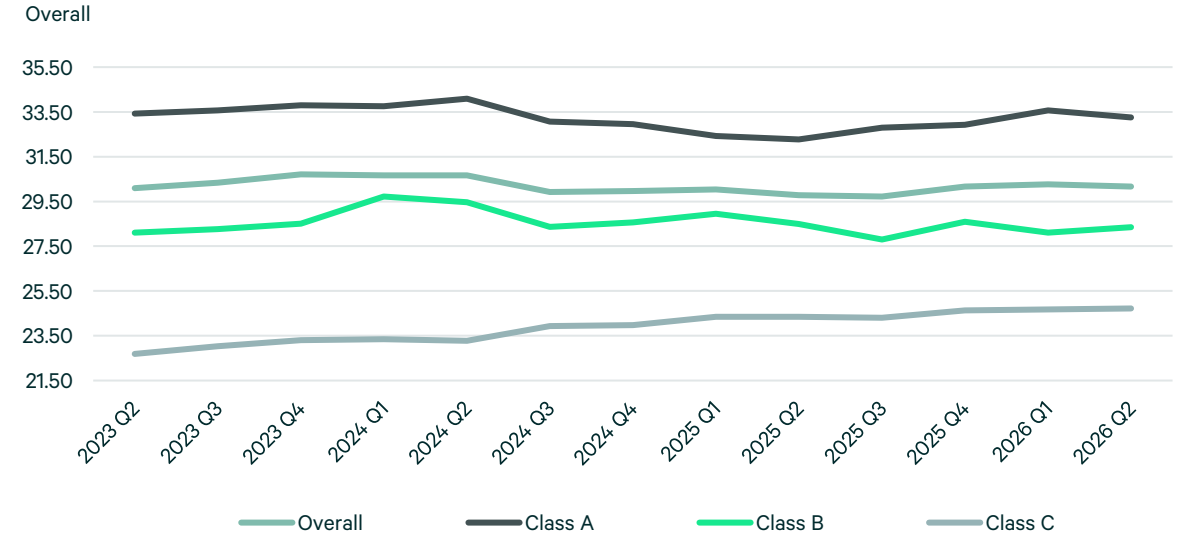
Across submarkets in Q2 2026, Class A asking rents were highest in University City and the Navy Yard, at \$52.69 and \$51.19, followed by the Main Line at \$44.78 and Market West and Conshohocken at \$41.19 and \$42.75, respectively.

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

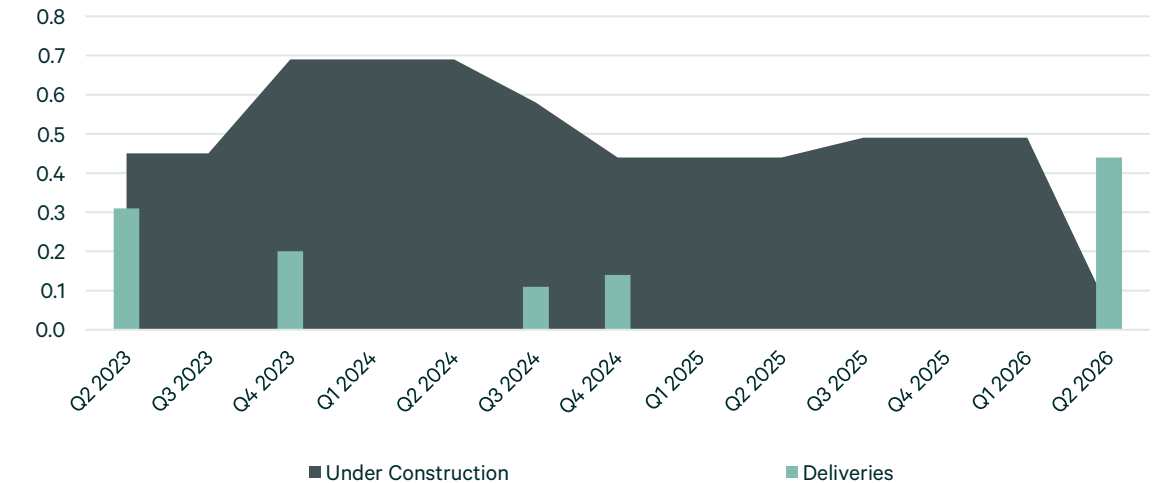
The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Figure 7: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Figure 8: Construction Activity
Sq. Ft. Millions



Source: CBRE Research, Q2 2026

FIGURE 4: 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.)
SUBURBAN PHILADELPHIA						
Bala Cynwyd	2,690,714	18.8	21.8	-6,423	\$37.85	\$38.38
Blue Bell	4,407,595	22.0	26.8	-7,264	\$26.86	\$28.71
Central Bucks County	1,763,168	13.3	15.0	114,916	\$21.58	\$29.31
Conshohocken	3,968,656	14.2	19.0	78,710	\$40.76	\$42.75
Delaware County	6,091,420	19.3	28.5	21,479	\$31.52	\$34.12
Exton/ West Chester	3,657,649	24.9	26.0	27,174	\$26.46	\$27.76
Fort Washington	2,920,057	18.6	26.1	61,115	\$29.36	\$31.27
Horsham/Willow Grove	5,694,373	27.6	29.4	-51,435	\$27.47	\$28.53
Jenkintown	1,390,210	19.2	19.2	9,115	\$22.83	\$26.09
King of Prussia/Valley Forge	15,939,809	24.9	26.9	-25,691	\$32.51	\$34.96
Lower Bucks County	5,082,216	18.3	19.6	141,433	\$26.05	\$27.23
Main Line	2,927,000	9.5	12.6	3,989	\$43.59	\$44.78
North Penn	987,043	26.0	31.0	-5,704	\$17.73	\$17.02
Plymouth Meeting	1,822,025	27.9	36.3	6,245	\$33.27	\$34.40
Upper Main Line	970,287	8.5	14.5	-260	\$28.40	\$34.50
Suburban Philadelphia Totals	60,312,222	21.2	24.8	367,399	\$30.63	\$33.03

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.)
DOWNTOWN PHILADELPHIA						
Market West	28,232,728	18.7	22.6	573,441	\$33.96	\$41.25
Market East	7,102,663	18.1	20.0	26,331	\$31.72	\$33.28
Independence Hall	3,877,142	27.8	32.8	-122,662	\$36.02	\$36.19
University City	3,010,521	13.5	18.7	21,368	\$48.19	\$52.69
Downtown Philadelphia Totals	42,956,232	19.3	23.1	423,271	\$34.88	\$42.96

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.)
NORTHERN DE						
North New Castle Cot	2,818,628	15.2	17.2	46,457	\$28.93	\$29.84
South New Castle Cot	4,045,697	15.2	21.2	18,529	\$23.93	\$24.52
West New Castle Cou	1,765,432	16.7	17.0	92,271	\$36.61	\$37.32
Wilmington CBD	5,509,311	27.4	28.4	-76,284	\$27.04	\$27.81
Northern DE Totals	14,139,068	20.1	22.7	80,973	\$27.28	\$28.44

Source: CBRE Research, Q4 2025

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	9,568,201	11.6	12.2	34,066	\$24.26	\$25.22
Camden County	7,348,920	13.5	14.1	27,861	\$22.99	\$23.38
Gloucester County	467,492	3.0	3.0	10,423	\$22.49	-
Southern NJ Totals	17,384,613	12.2	12.8	72,350	\$23.67	\$24.70

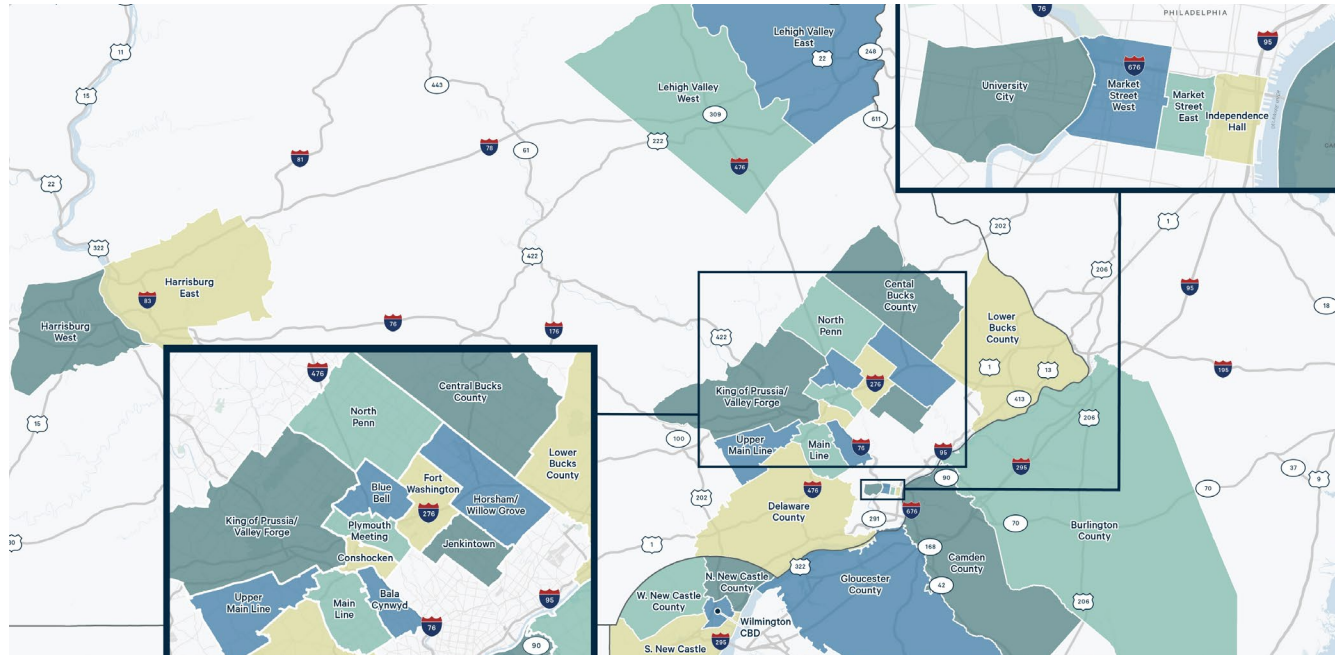
District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)	Avg. Class A Asking Rate (\$/SF/Yr.)
LEHIGH VALLEY						
Lehigh Valley East	3,740,481	14.3	21.9	24,616	\$23.32	\$24.92
Lehigh Valley West	5,759,878	17.1	17.7	-16,881	\$24.21	\$24.80
Lehigh Valley Totals	9,500,359	16.0	19.4	7,735	\$23.90	\$24.84

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	7,261,553	13.7	14.0	64,284	\$19.19	\$20.69
Harrisburg West	3,764,084	9.9	10.3	76,910	\$21.13	\$22.99
Harrisburg Totals	11,025,637	12.4	12.7	141,194	\$19.73	\$21.67

District	Inventory (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	YTD O-Net Absorption (SF)	Avg. Asking Rent (\$/SF/Yr.)
BY CLASS					
Class A	75,144,455	17.6	21.3	741,649	\$33.00
Class B	60,627,067	20.8	23.6	263,653	\$28.29
Class C	19,412,824	16.4	16.9	-51,493	\$24.59
Philadelphia Market Total	155,184,346	18.7	21.7	953,809	\$30.14

Source: CBRE Research, Q4 2025

Market Area Overview



DOWNTOWN PHILADELPHIA OFFICE SUBURBAN PHILADELPHIA OFFICE

50 S. 16th 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

1275 Glenlivet Drive
Allentown, PA 18106

HARRISBURG, PA OFFICE

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