

FIGURES | PHILADELPHIA OFFICE | Q4 2025

As 2025 ends, the market has started shifting into recovery.

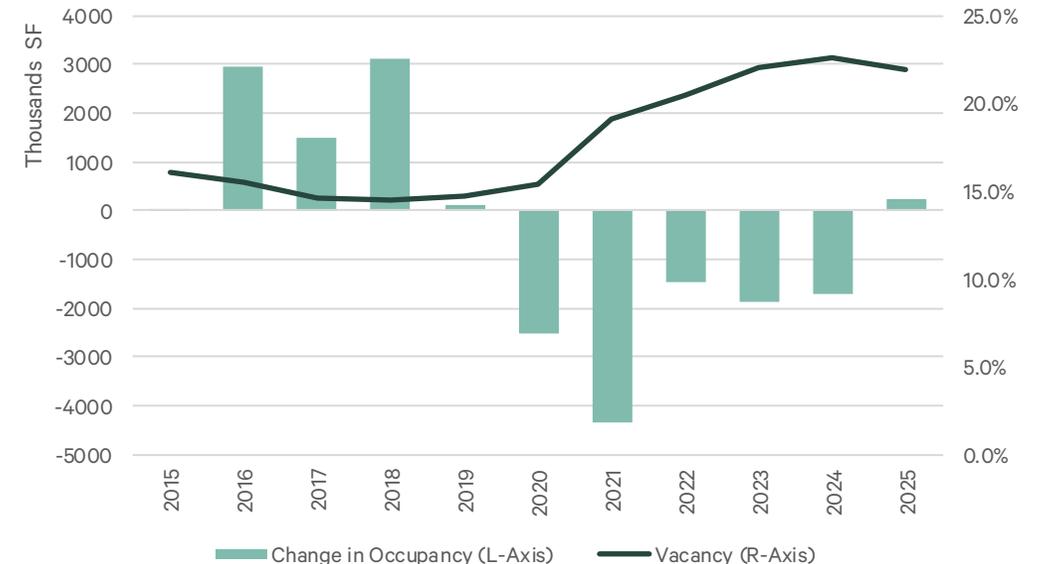


Note: Arrows indicate change from previous quarter.

- Annual net occupancy grew for the first time since the start of the pandemic, a sign that the market is moving into the recovery phase of the cycle.
- Trophy assets continued to claim an outsized portion of demand as tenants continued to seek out this space to attract and retain talent, while also luring employees back to the office.
- Sublease availability levels continued to abate, pointing toward future overall vacancy shrinking in the near term.

Philadelphia's office market was tilting into recovery at 2025's end as leasing activity ticked up while sublease availabilities continued to shrink. Leasing activity ticked up for the second consecutive year as nearly 6 million square feet (sq. ft.) of new or expansion leases greater than 7,500 sq. ft. were signed during 2025. Return-to-office protocols and an increasing number of companies becoming comfortable with making real estate decisions provided momentum for this growth. From the supply side, vacancy shrank for the fourth consecutive quarter across the greater market, with expectations for further decreases as sublease offerings continued to dwindle. Much as a growing

FIGURE 1: Net Absorption vs. Vacancy Rate



Source: CBRE Research, Q4 2025

sublease market foretells future overall vacancy growth, a contracting sublease market portends falling vacancy as well.

Demand

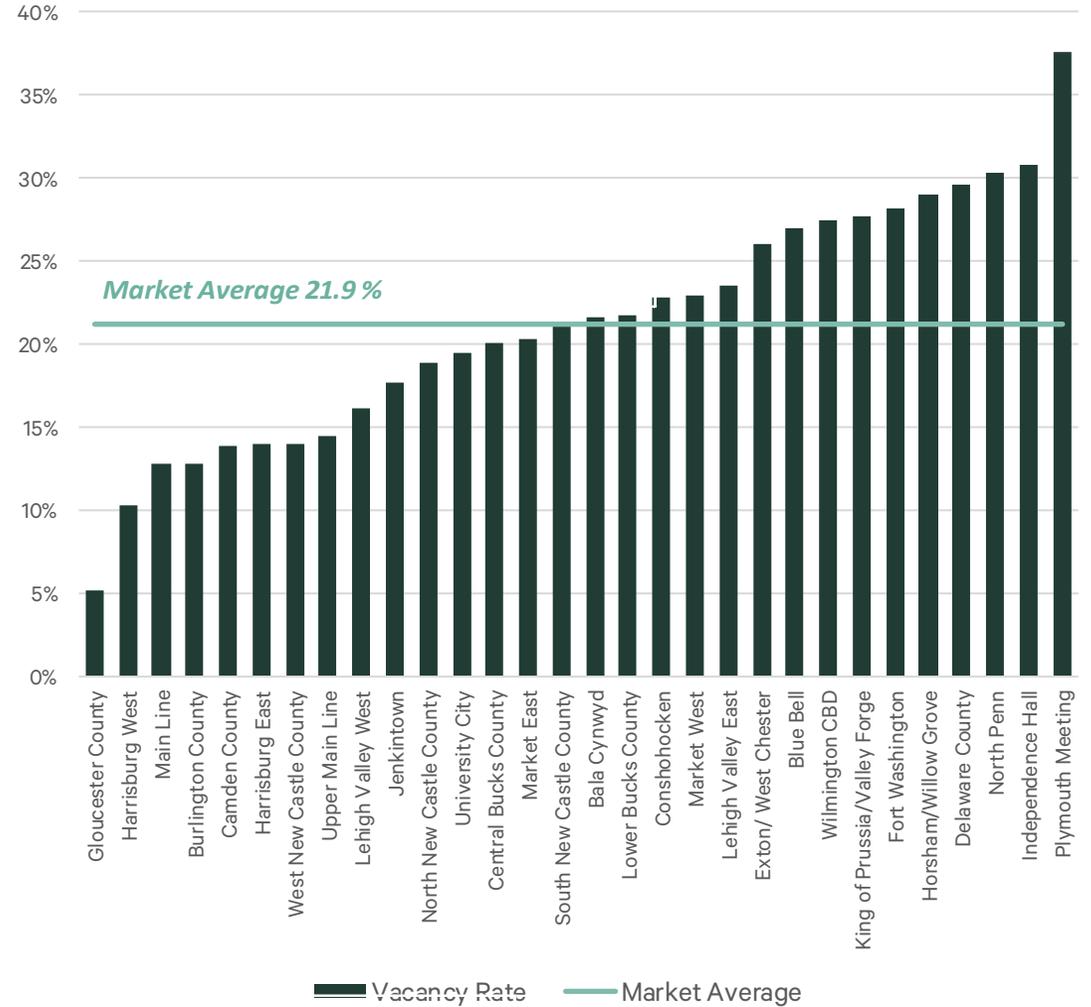
The continued uptick in leasing activity culminated in 240,000 sq. ft. of positive annual net absorption in 2025, the first year of occupancy growth since the start of the pandemic. But demand growth was not uniform across the market. Trophy class assets claimed most of the occupancy gains as flight-to-quality trends were well intact. This segment posted 187,000 sq. ft. of positive net absorption. This is especially true in the suburbs, where trophy vacancy ticked down 170 basis points, pushing demand into sub-trophy, Class A assets, creating a spill-over effect. Some of the largest new leases signed in the suburbs during the quarter were in these asset types, such as National Philanthropic Trust’s 41,000-sq.-ft. lease at Three Tower Bridge in Conshohocken or Citco Fund Services’ 29,000-sq.-ft. lease in Chesterbrook Corporate Center.

Downtown, leasing activity was restrained, tallying slightly less than the year prior. Similar to the suburbs, flight-to-quality trends were well in place with tenant demand focused on the highest-quality assets in the market. But demand has yet to trend toward sub-prime, Class A assets, as much of this inventory was not able to perform from a leasing perspective. Many of these landlords were unable to fund tenant improvement dollars and were beholden to proforma rents, putting them on the sidelines. However, some of these assets traded during the year, opening up more opportunities for tenants. As 2026 progresses, many of these sidelined assets are expected to trade, resetting cost bases for landlords with capital to do deals.

From a supply perspective, the overall vacancy rate ticked down for the fourth consecutive quarter as the market moved toward recovery. Recovery will be uneven as a result of some non-performing landlords downtown. In the suburbs, peak vacancy was most likely realized during the first half of 2025. Downtown, peak vacancy is expected at some point during 2026 as more sidelined vacancy becomes opportunities for tenants in the market.

And beyond a construction pipeline that was empty, less a built-to-suit project for CHUBB expected to deliver during 2026, a further sign of impending recovery was the shrinking sublease market that contracted by 110 basis points since its peak at the end of 2023. While a portion of this supply necessarily expired and became direct availability, the pace of sublease additions

FIGURE 2: Vacancy Rate by Submarket



Source: CBRE Research, Q4 2025

decelerated significantly during the past two years, posting well less than half of the average amount of space added during the four years prior.

Capital Markets

Following anemic activity during 2024, capital markets activity ticked up in 2025 but still fell well below the 10-year historic average. The uptick in activity during the past year arose from a combination of a return of interest in stabilized, Class A assets with long-term WALT, along with value-add opportunities that came to market as a result of defaulted debt maturities. And while conversion has been a primary focus for investors considering downtown Philadelphia office assets during the past few years, recent sales such as 2000 Market Street demonstrated interest in competing in the office market at a more favorable cost basis. As more lenders are moving beyond kicking the can and shifting toward recapturing capital to reinvest, these opportunities will tick up in 2026, portending another uptick in capital markets activity for the year.

Economic Overview

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture becomes more melancholy when examining households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that the annual average GDP growth will be steady in 2026, at 2%, but slightly softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

Figure 3: Top Lease Transactions

Tenant	Building	Size (SF)	Transaction Type
CIGNA	50 S 16th St	166,966	Renewal/Contraction
Confidential	2750 Monroe Blvd	105,861	Renewal
Corteva	1000 N West St	45,852	New Lease
PFM	1735 Market St	44,936	Renewal
National Philanthropic Trust	2 Ash St	41,135	New Lease
Marsh & McLennan	161 Washington St	35,383	Renewal
Community Legal Services	123-151 S Broad St	32,573	New Lease
Citco Fund Services	735 Chesterbrook Blvd	28,889	New Lease
KPMG	1735 Market St	24,673	Expansion
Datavault AI	2005 Market St	23,037	New Lease

Source: CBRE Research, Q4 2025

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	16.1	21.6	-55,275	\$37.82	\$38.37
Blue Bell	4,469,595	22.8	26.9	114,248	\$27.04	\$29.32
Central Bucks County	1,930,438	18.0	20.0	-8,609	\$22.96	\$29.30
Conshohocken	3,968,656	17.9	22.8	-97,700	\$40.43	\$42.37
Delaware County	6,257,566	20.4	29.6	-50,969	\$31.74	\$34.13
Exton/ West Chester	3,927,941	25.0	26.0	-96,570	\$26.85	\$28.03
Fort Washington	2,920,057	17.7	28.2	-32,903	\$29.21	\$31.14
Horsham/Willow Grove	5,819,847	27.2	29.0	-32,834	\$27.28	\$28.41
Jenkintown	1,422,210	17.0	17.7	3,129	\$22.77	\$27.38
King of Prussia/Valley Forge	16,422,137	25.2	27.7	-225,554	\$32.25	\$34.80
Lower Bucks County	5,251,145	17.7	21.8	77,322	\$25.98	\$27.19
Main Line	2,927,000	9.5	12.7	68,383	\$43.75	\$45.40
North Penn	987,043	19.5	30.4	13,982	\$25.50	\$25.88
Plymouth Meeting	1,822,025	29.7	37.7	32,332	\$31.92	\$35.50
Upper Main Line	970,287	8.7	14.5	-22,251	\$26.80	\$34.00
Suburban Philadelphia Totals	61,786,661	21.5	25.7	-313,269	\$30.48	\$33.06

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	28,363,906	18.1	22.9	-37,802	\$35.13	\$39.08
Market East	7,102,663	18.2	20.4	-98,709	\$31.42	\$30.88
Independence Hall	4,102,142	26.3	30.7	17,154	\$34.82	\$38.39
University City	3,010,521	15.5	19.4	-148,263	\$47.98	\$53.19
Downtown Philadelphia Totals	42,579,232	18.7	23.0	-267,620	\$35.02	\$39.64

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	16.7	18.9	41,694	\$28.82	\$29.39
South New Castle Cot	4,133,707	15.5	21.2	-60,124	\$23.56	\$24.50
West New Castle Cou	1,595,711	13.3	14.0	6,424	\$37.10	\$37.89
Wilmington CBD	5,427,311	26.4	27.4	-18,284	\$27.01	\$27.75
Northern DE Totals	13,975,357	19.7	22.3	-30,290	\$27.46	\$28.48

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	9,891,614	11.5	12.7	359,594	\$24.17	\$25.12
Camden County	7,680,320	13.3	13.9	138,087	\$23.60	\$26.63
Gloucester County	4,67,492	5.2	5.2	4,627	\$23.03	-
Southern NJ Totals	18,039,426	12.1	13.0	502,308	\$23.90	\$25.56

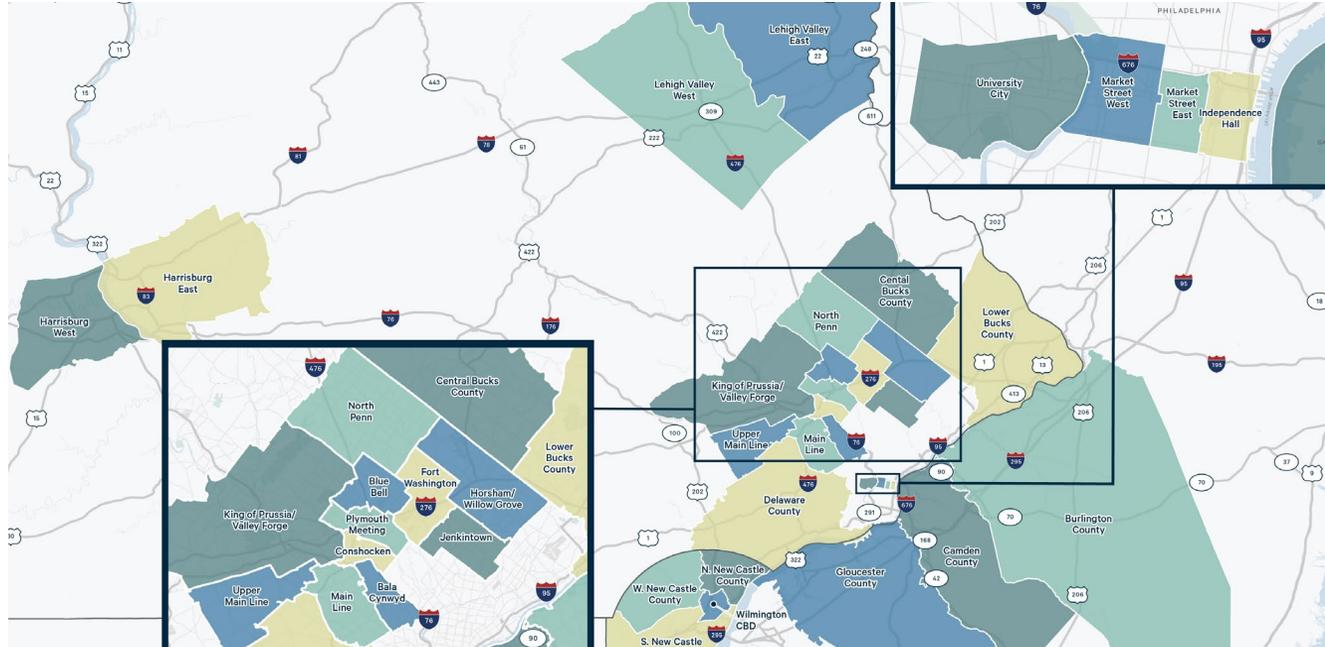
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LEHIGH VALLEY						
Lehigh Valley East	3,791,881	16.0	23.6	106,277	\$23.44	\$24.61
Lehigh Valley West	6,013,198	15.6	16.2	98,595	\$24.21	\$25.01
Lehigh Valley Totals	9,805,079	15.7	19.0	204,872	\$23.91	\$24.85

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	79,348,352	18.3	22.8	717,159	\$33.06
Class B	58,292,338	20.0	22.9	-568,480	\$27.37
Class C	19,570,702	14.9	15.5	88,516	\$24.52
Philadelphia Market Total	157,211,392	18.5	21.9	237,195	\$30.08

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

5 Capital Drive
Harrisburg, PA 17110

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