

# Philadelphia State of the CRE Market

Office, Multifamily,  
Retail, and Industrial

March 2025

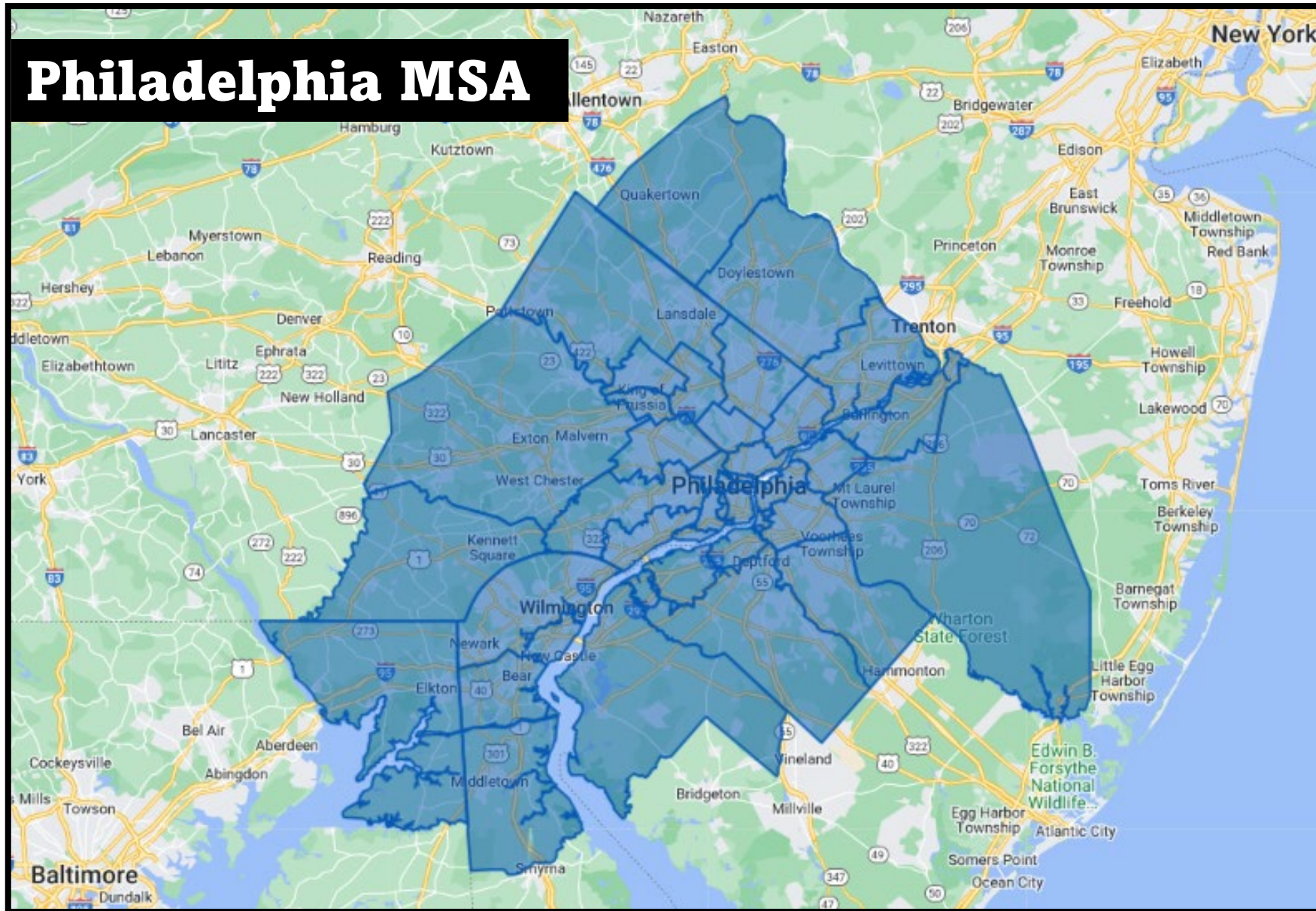
Presented by

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Associate Director of Market Analytics





# First...Geographic boundaries





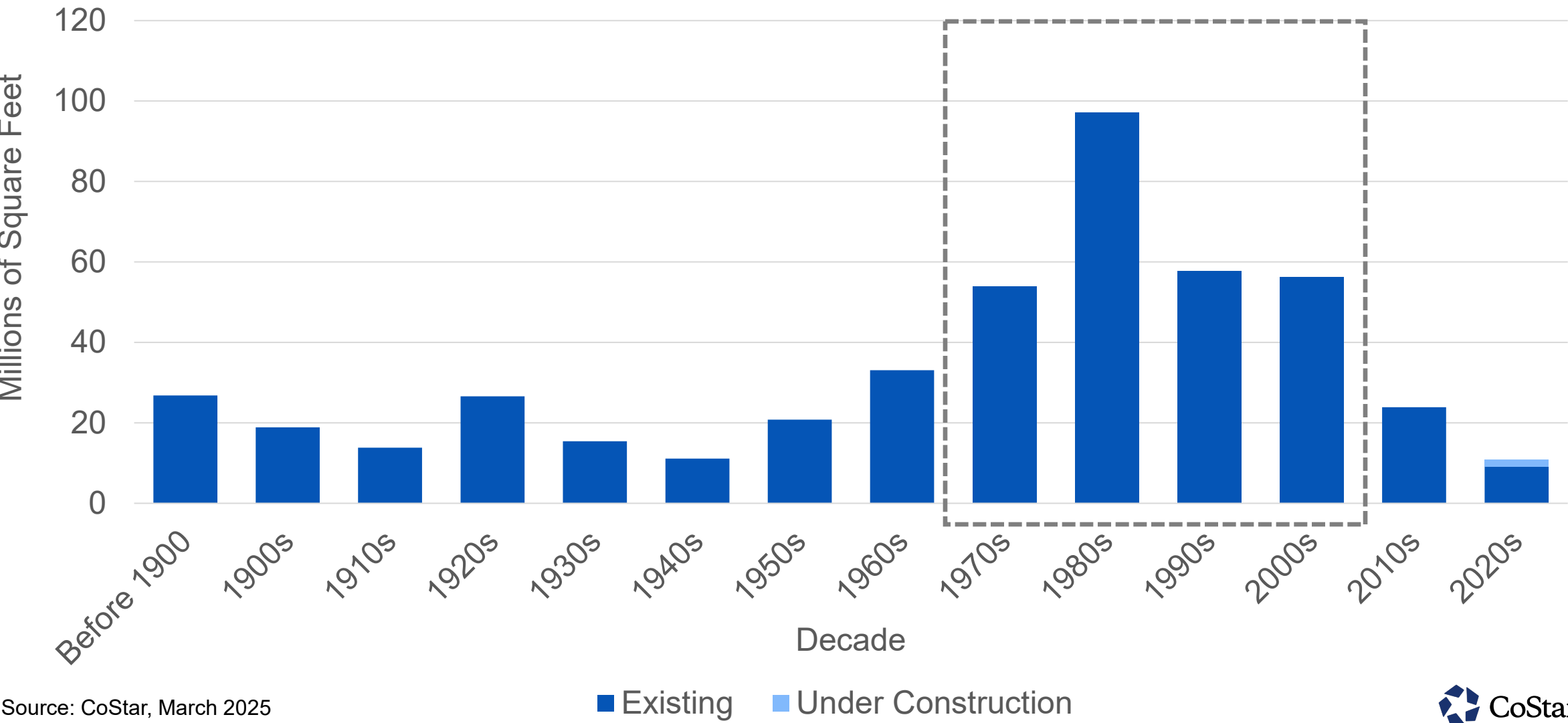
# OFFICE



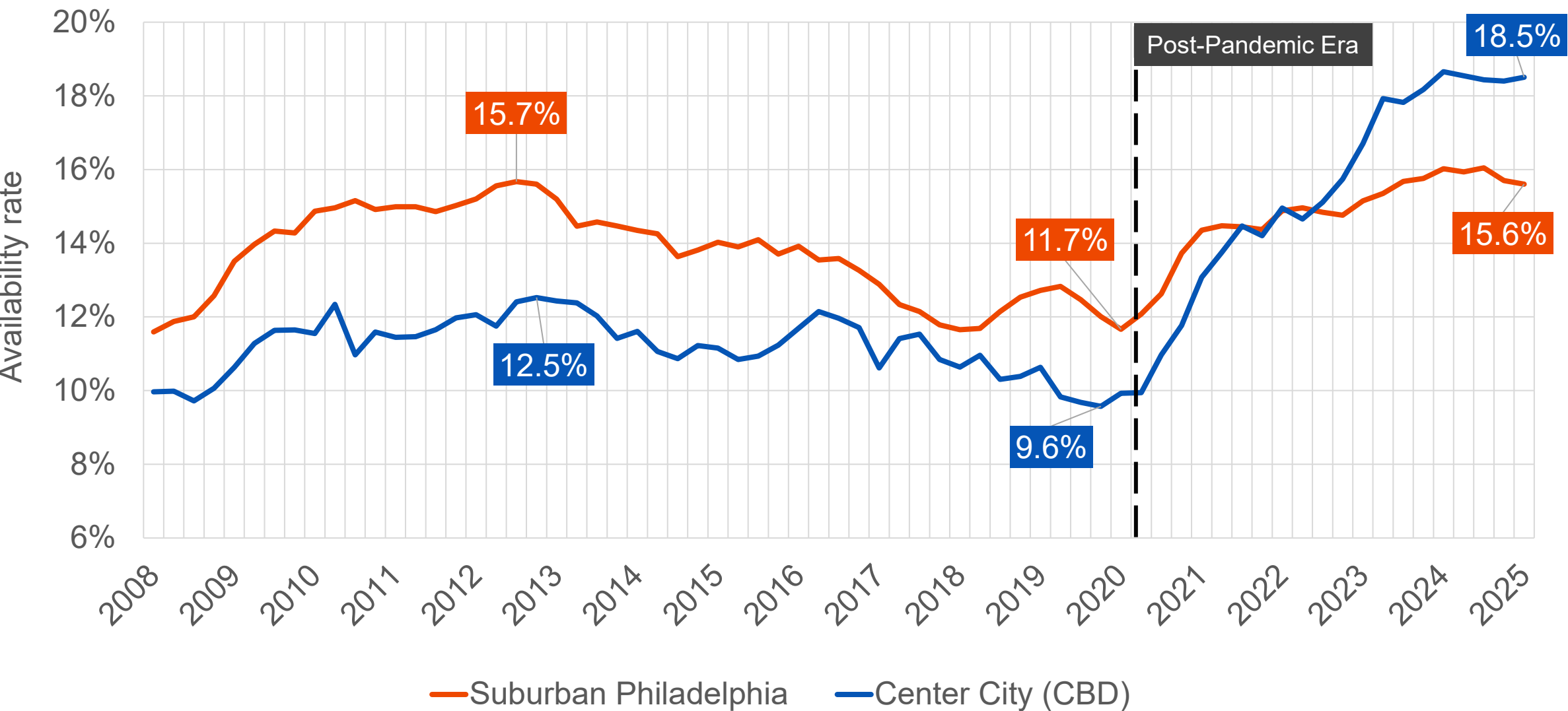
1. How did office development history get us here?
2. How much available office space is on the market today compared to the prior peak?
3. How do Philadelphia's Center City and suburban submarkets compare?
4. When will the office market's woes ease?



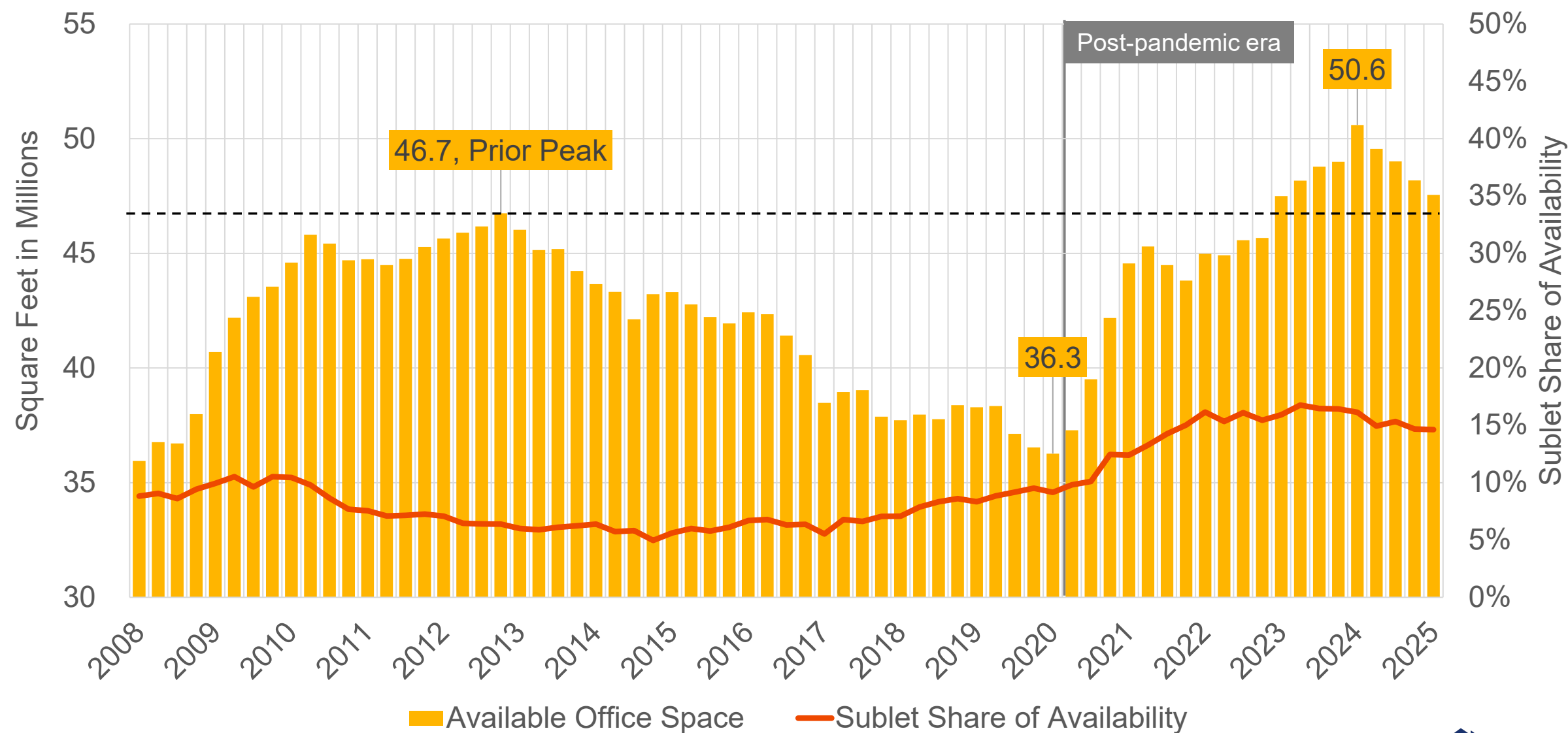
# Supply issues preceded the 2020 Pandemic: Nearly 60% of Philadelphia's office inventory was built between 1970 and 2009



# The suburbs have struggled before 2020, but Center City was hit hard



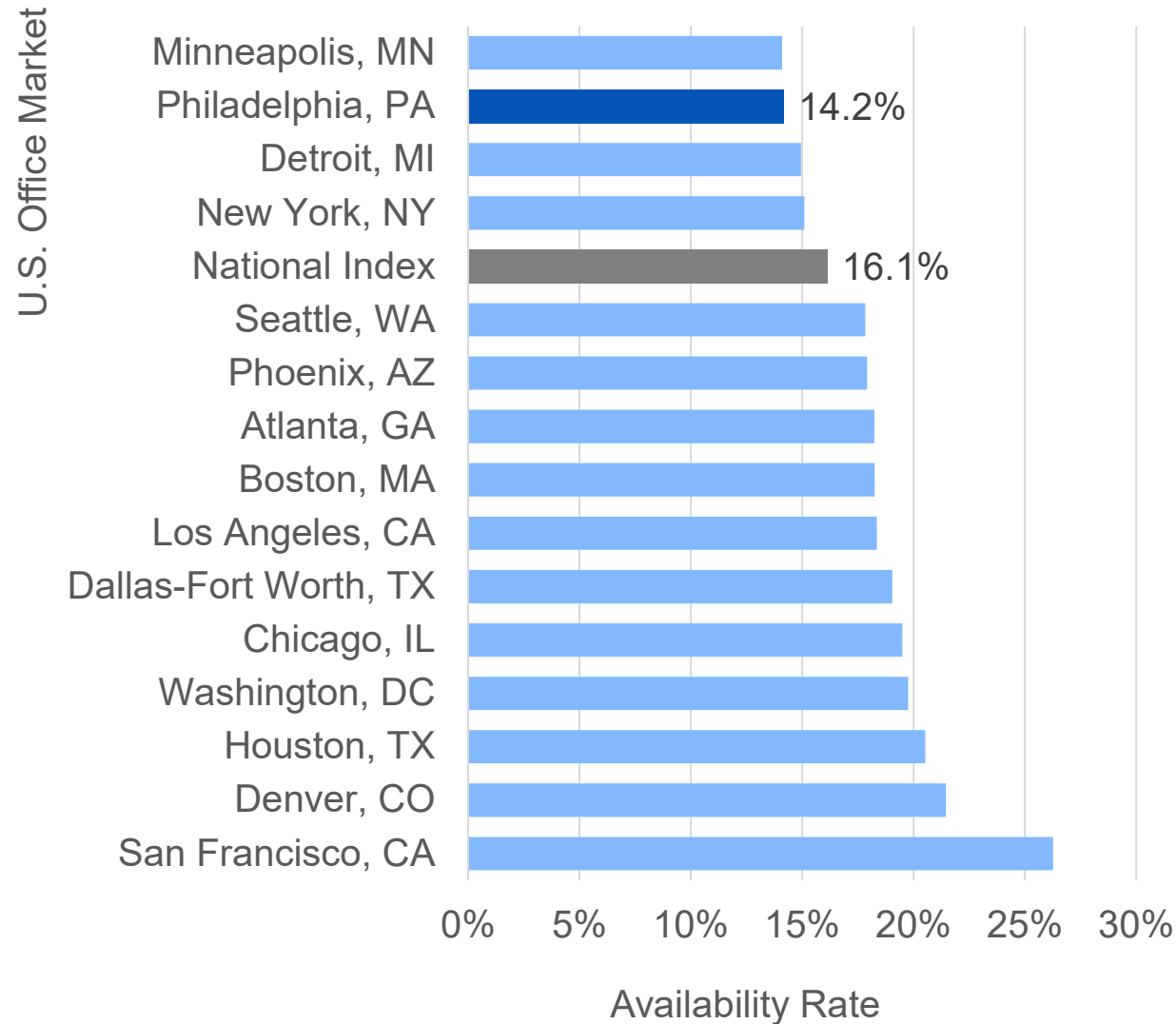
# Local office availability isn't far off from the prior peak



Source: CoStar, March 2025

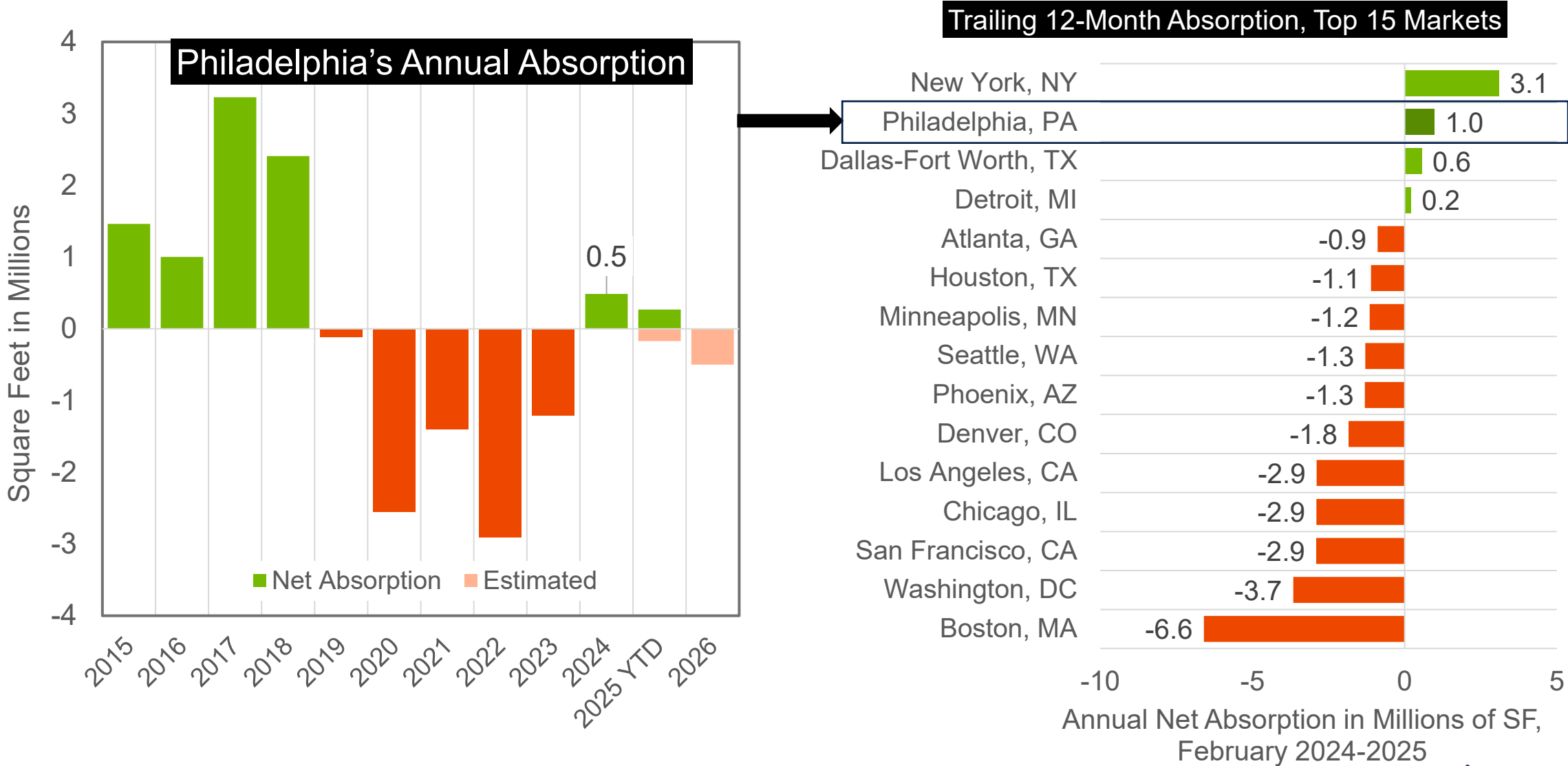


# Philadelphia has the 2<sup>nd</sup> lowest availability rate across Top 15 U.S. Markets



Source: CoStar, March 2025

# Philadelphia's annual absorption turns green for the first time in five years

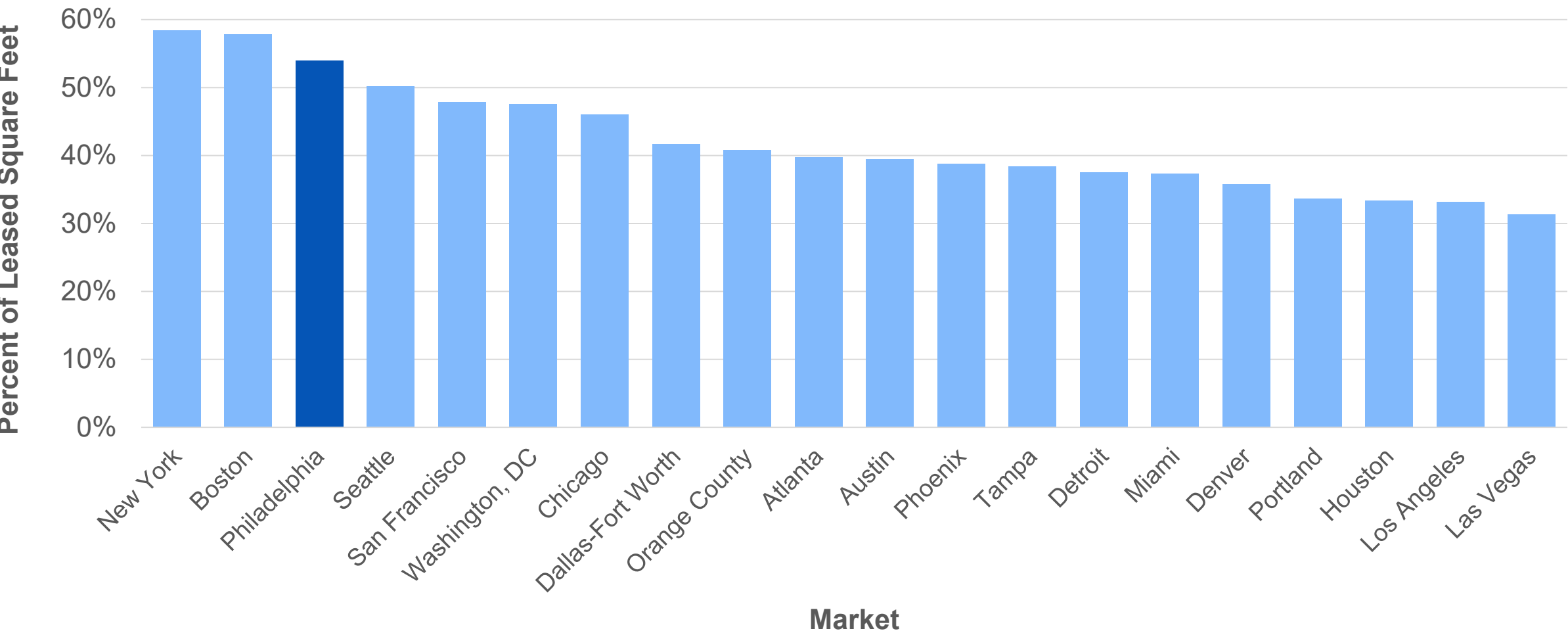


Source: CoStar, March 2025



# Downside Risks: Pre-pandemic leases have not all expired yet...

Square Feet Yet to Expire from Leases Executed Before April 2020



Source: CoStar, May 2024

# What's Ahead: Philadelphia's road to office recovery

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WE ARE HERE



**RUNNING**  
2014-18



**FALLING**  
2019-24



**CRAWLING**  
2024-26



**WALKING**  
2026+



**RUNNING**  
To be determined

# Multifamily



- 1) How does today's construction pipeline compare to historical norms?
- 2) Where has construction and renter demand been concentrated?
- 3) What are the latest leasing and absorption trends?
- 4) How does Philadelphia compare with other U.S. Markets?







FEB 26, 2024, 10:55 PM EST COMMERCIAL REAL ESTATE

Center City gets a flood of new apartments, and a population to match



**New apartments are flooding the Philadelphia market, slowing rampant rent increases**

Philadelphia's apartment supply is surging. What's that mean long term

New apartment projects are still being proposed in Philadelphia despite high interest rates

**With 1,700 apartments planned on City Avenue, developers prep for 'tipping off point'**

Projects are smaller buildings with fewer units, they show developers are still willing to



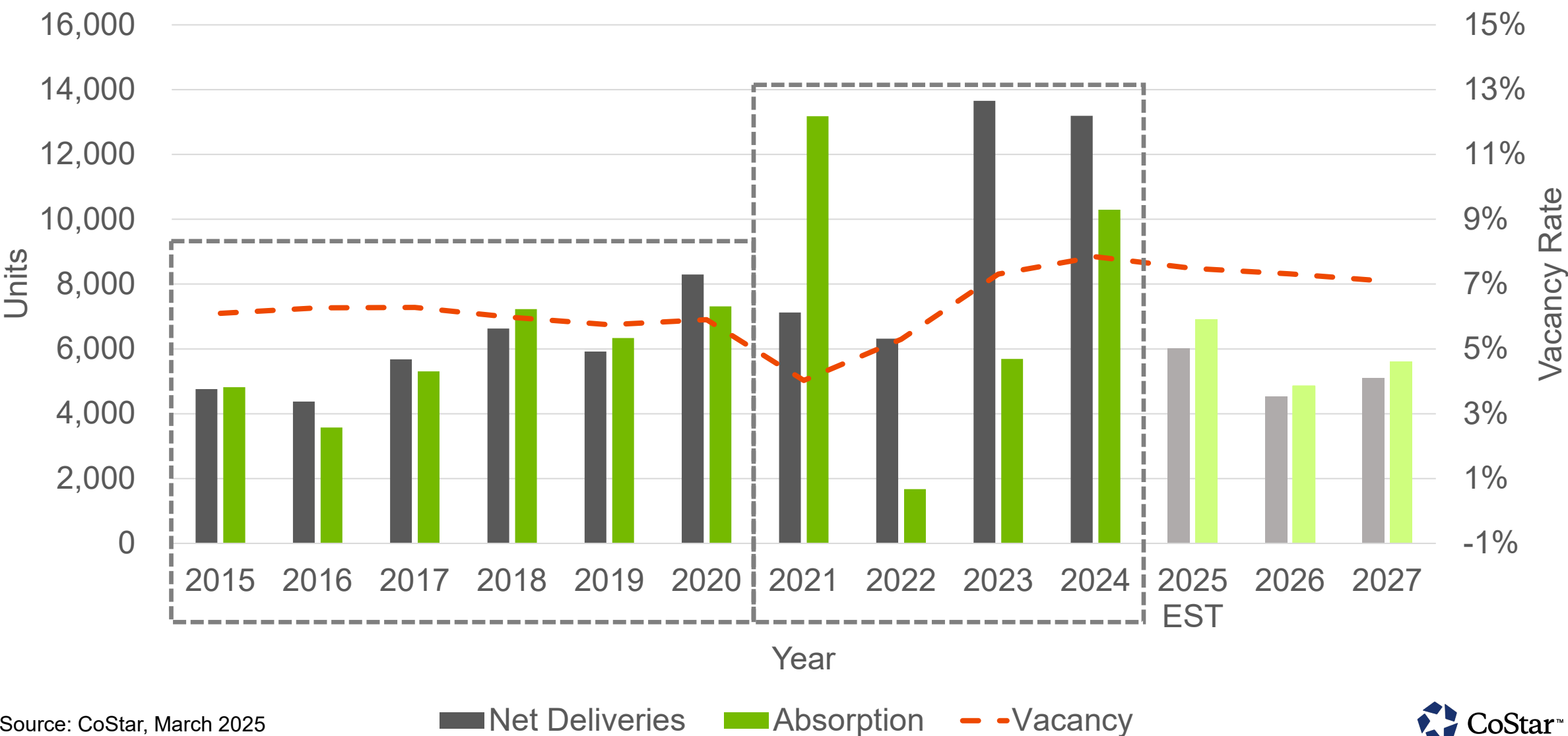
**144-apartment building proposed for Callowhill, replacing a parking lot**

A surface parking lot previously slated for a co-living development will be a conventional apartment building instead.

Commercial Real Estate

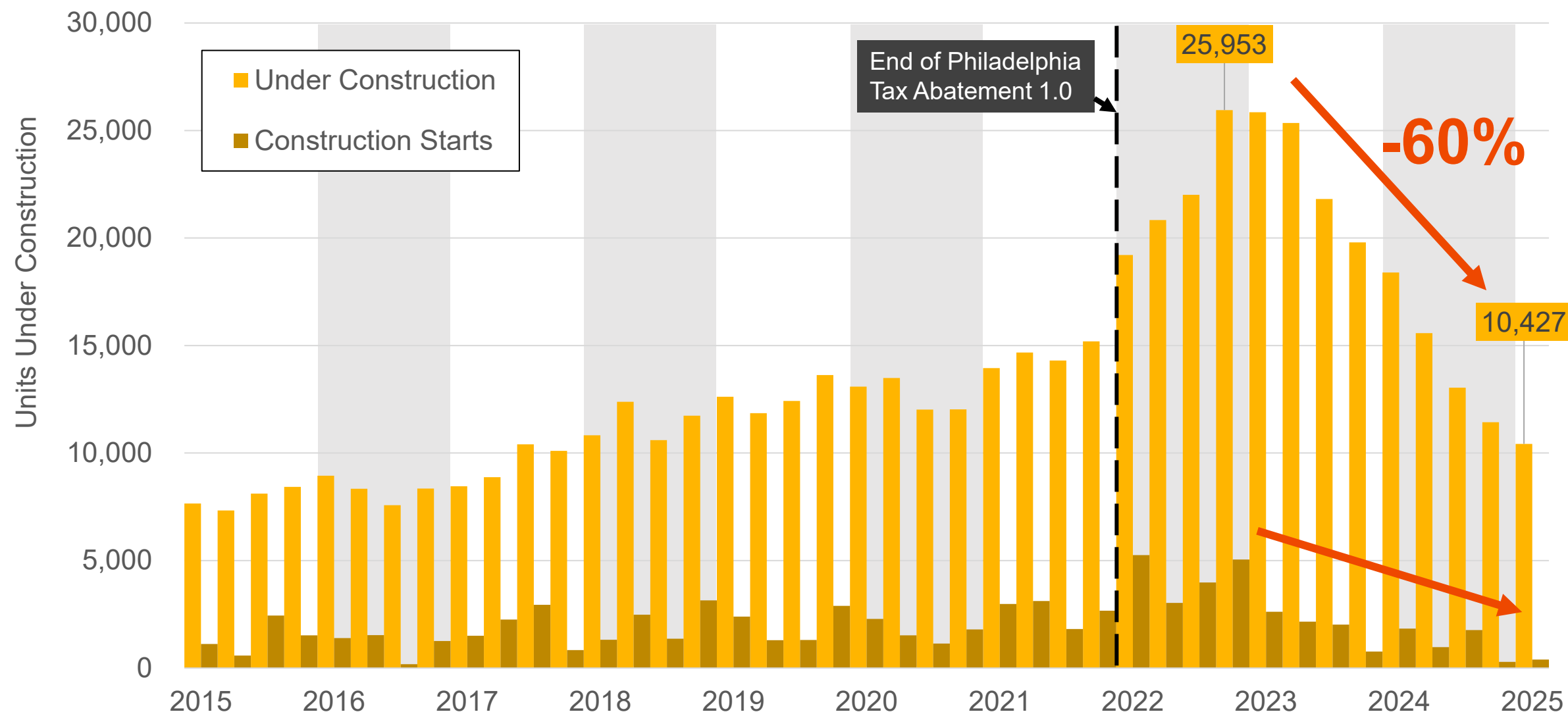
**'Too many apartments'? Philadelphia's building boom spurs more competition among developers**

# Economics 101: Supply and Demand



Source: CoStar, March 2025

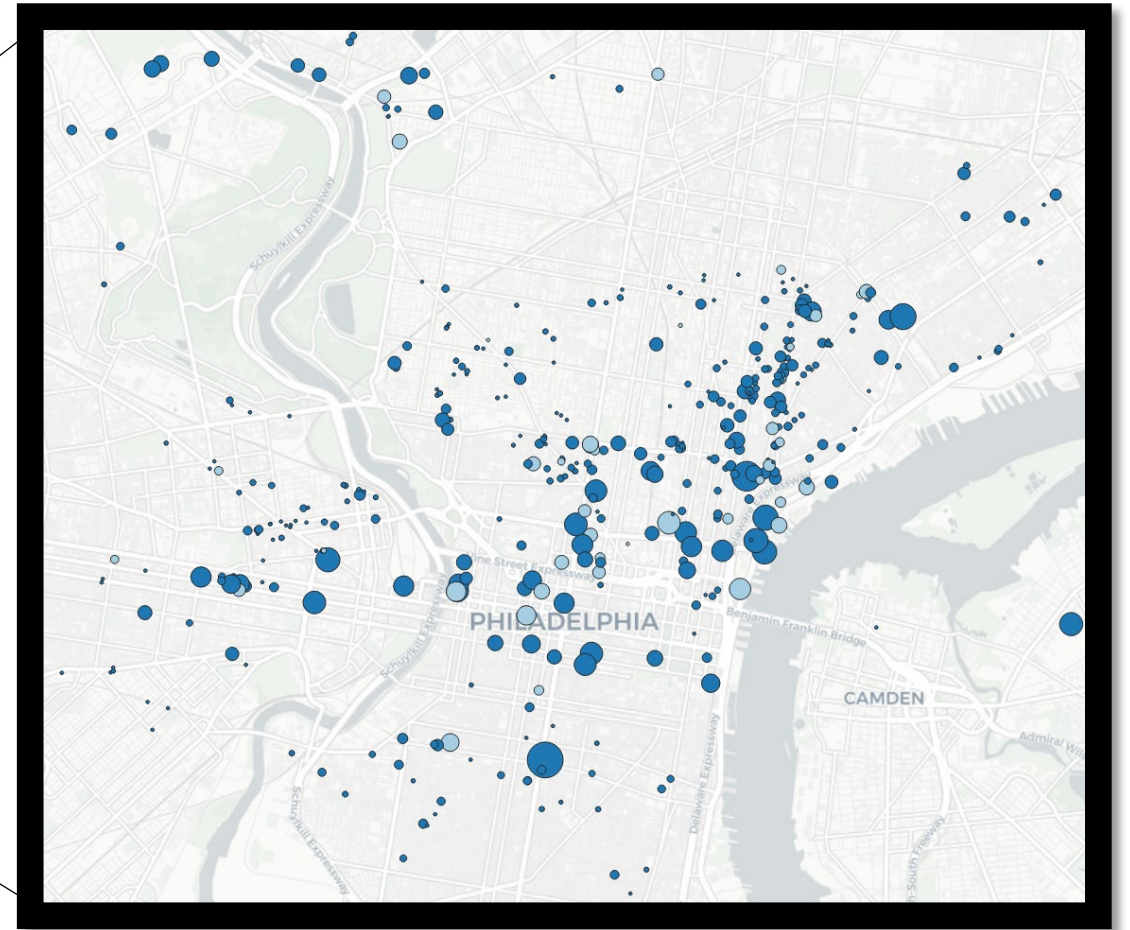
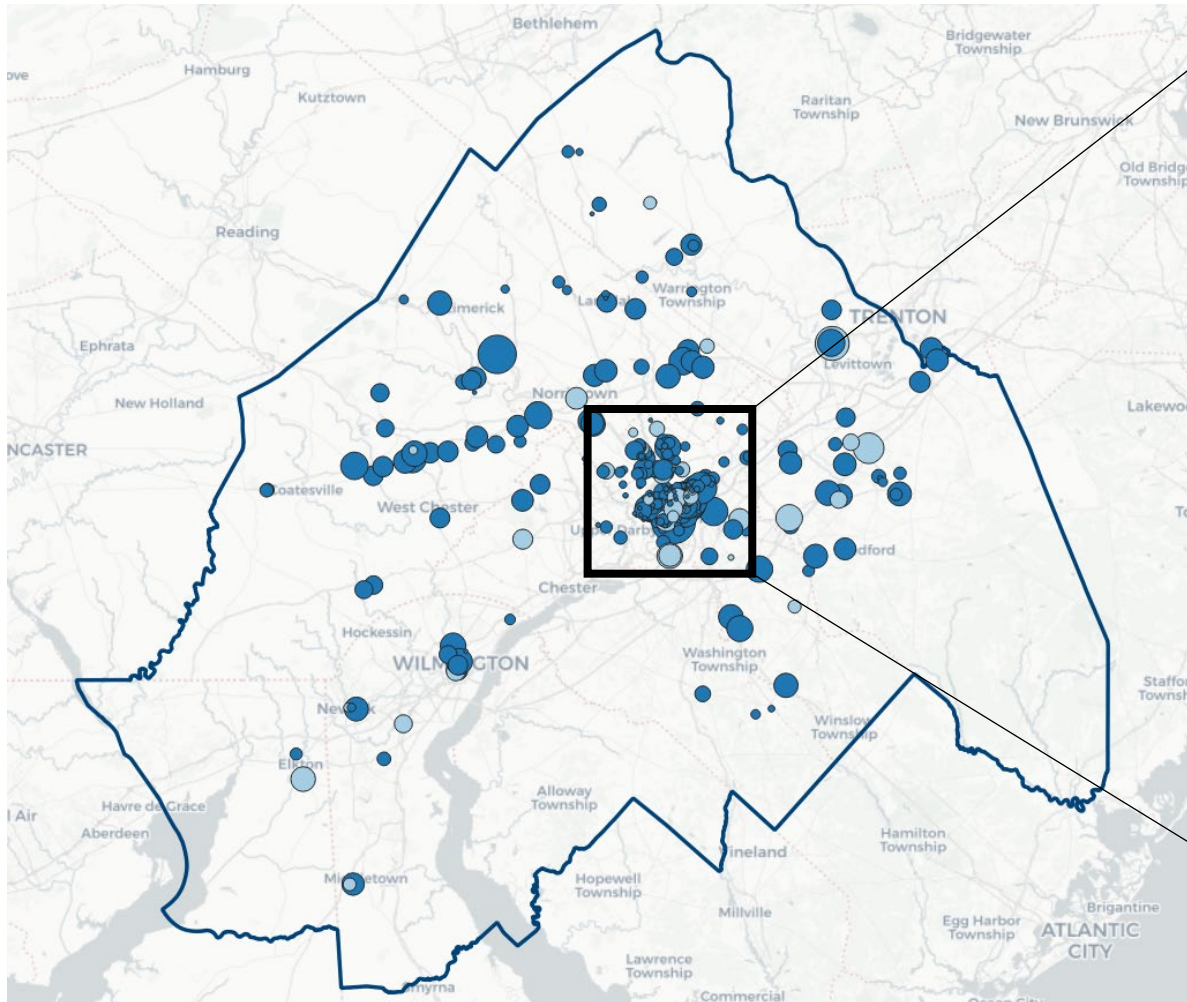
# Construction hits 9<sup>th</sup> consecutive quarter of decline in 2025



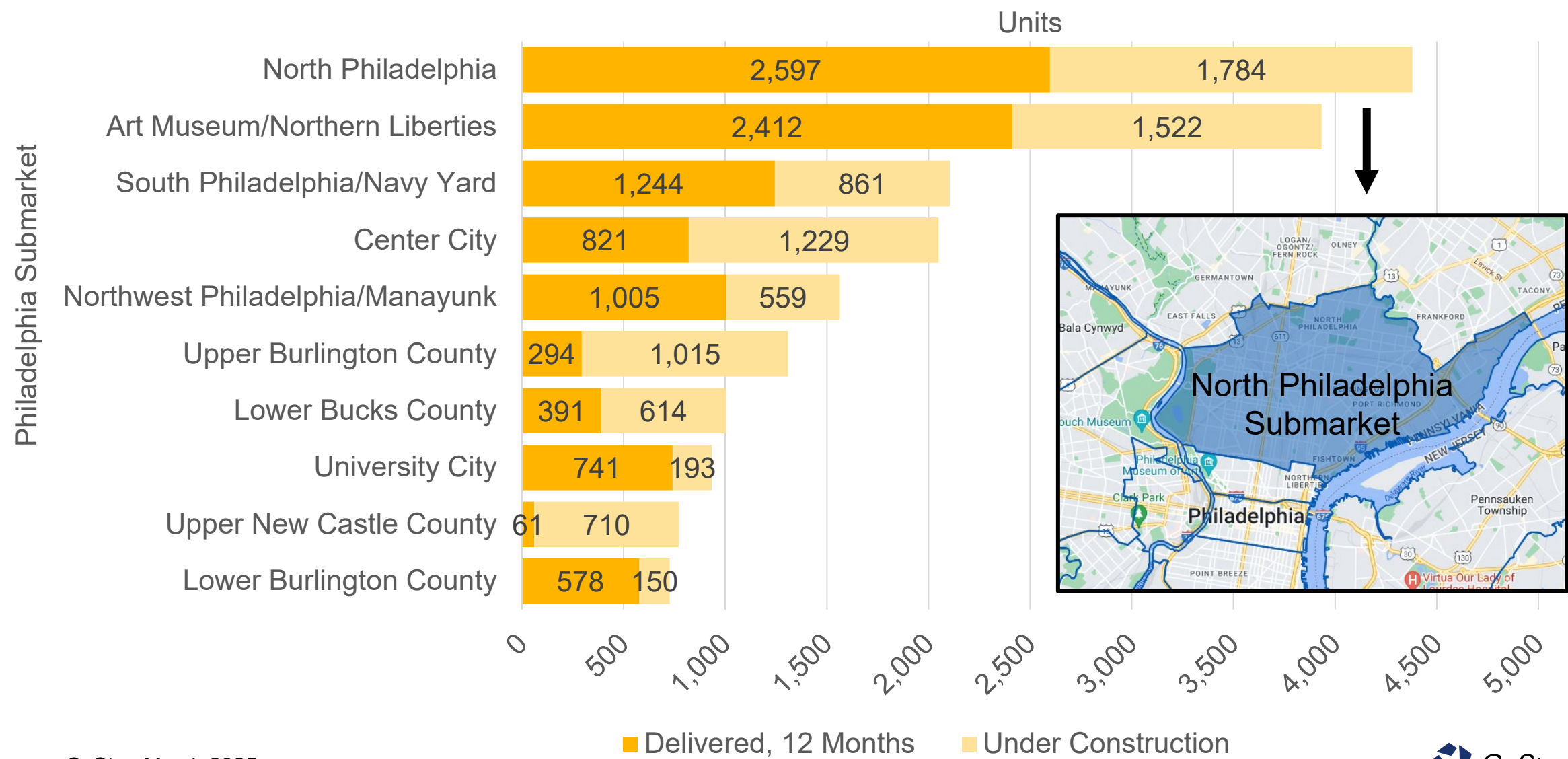
Source: CoStar, March 2025



# Apartment development booms within the City of Philadelphia

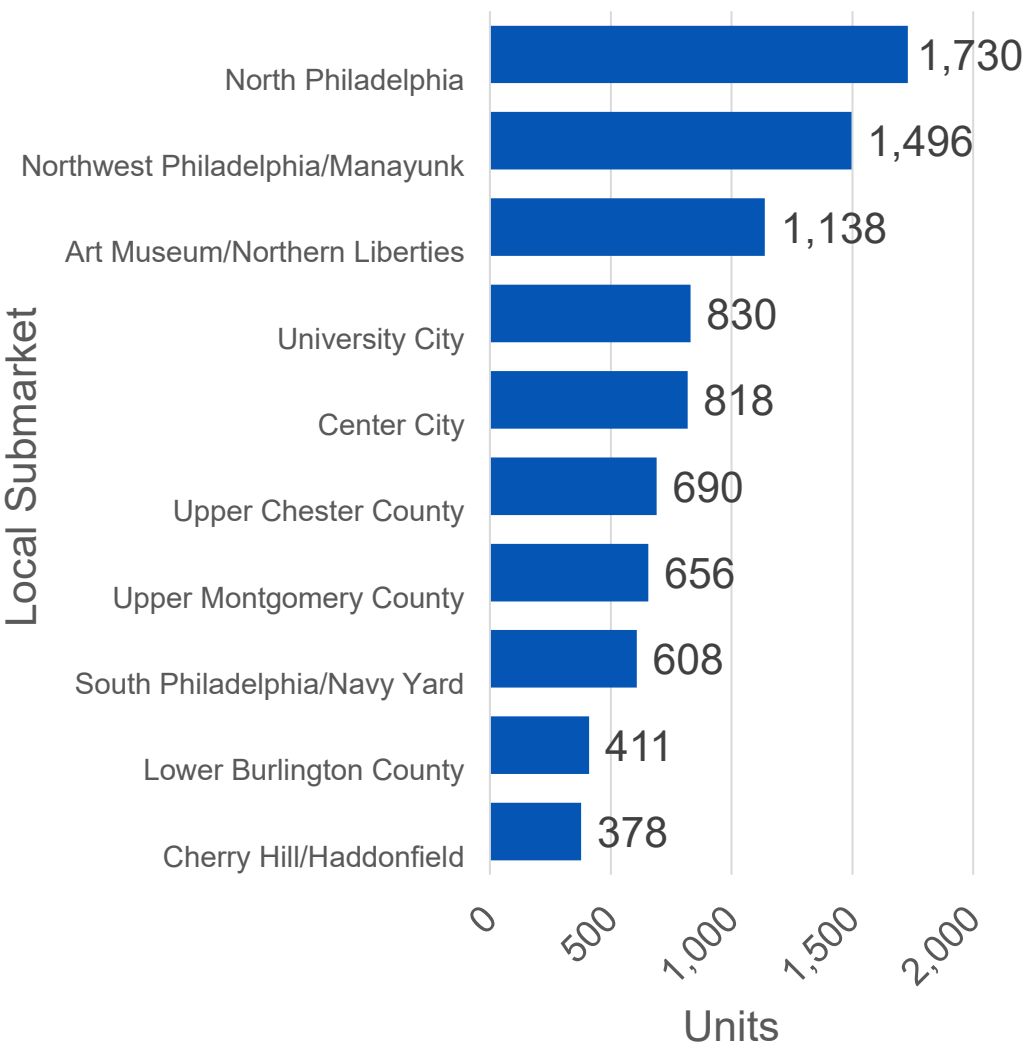
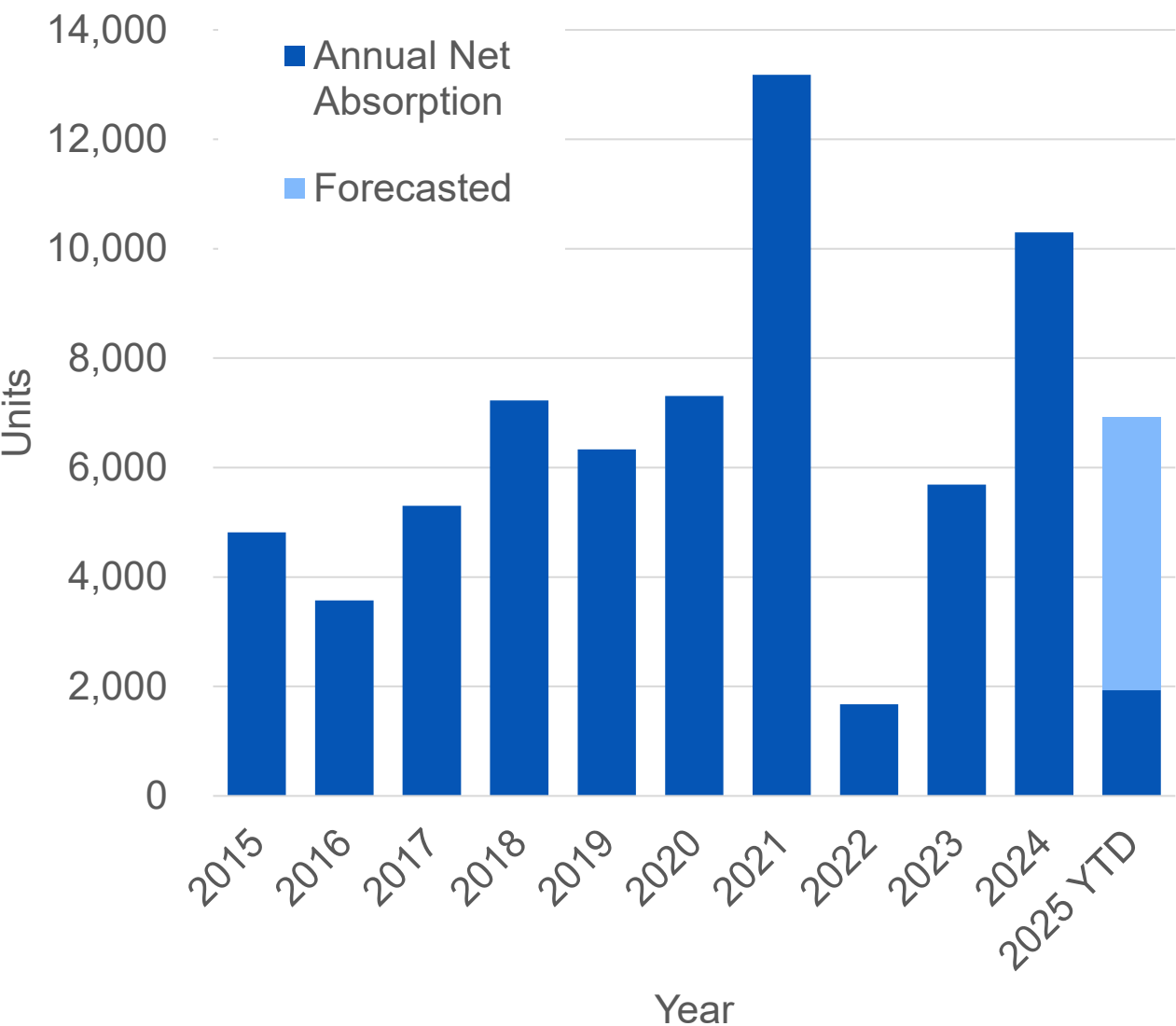


# The city claims the top 5 submarkets with the most active construction



Source: CoStar, March 2025

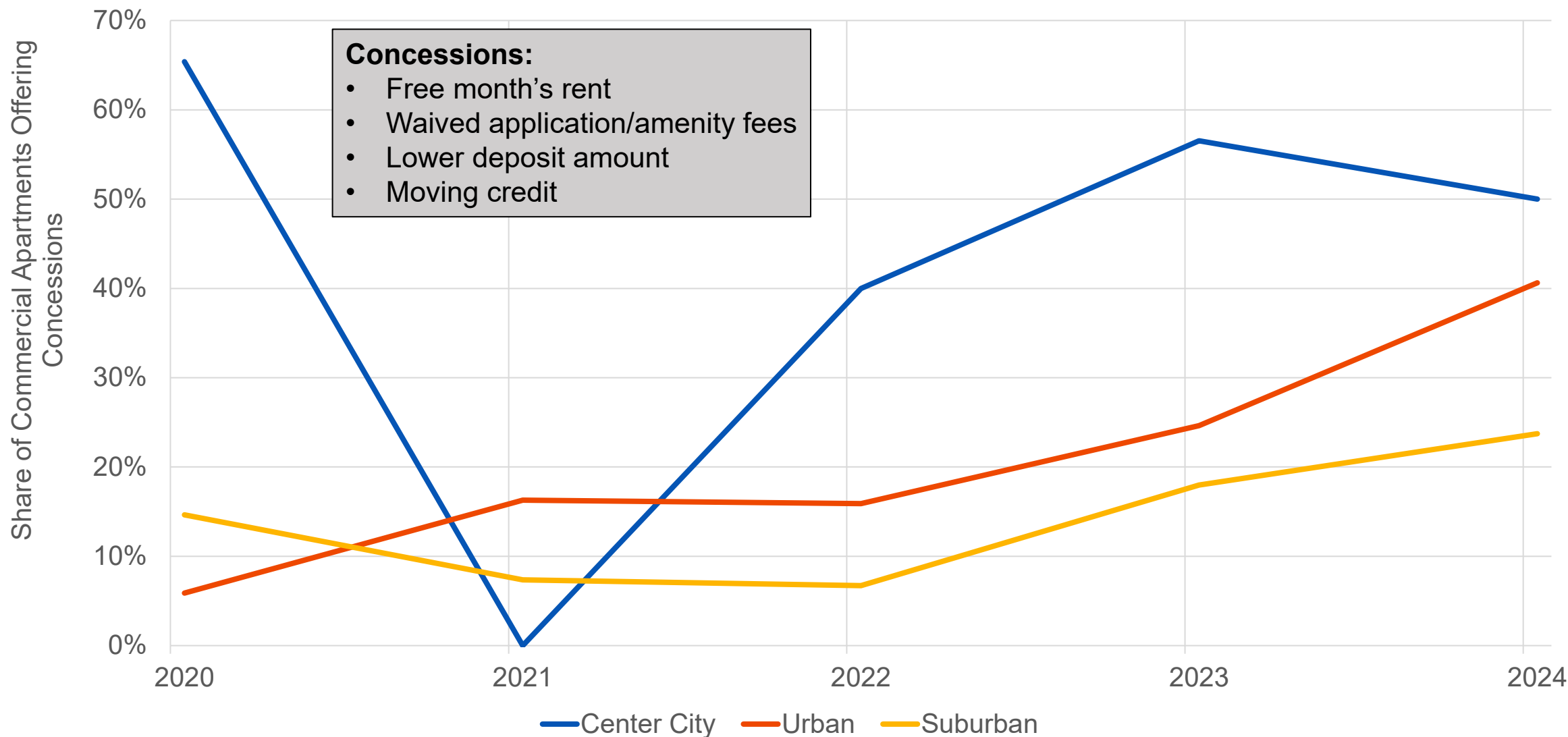
# 2024 recorded the second strong year of local renter demand



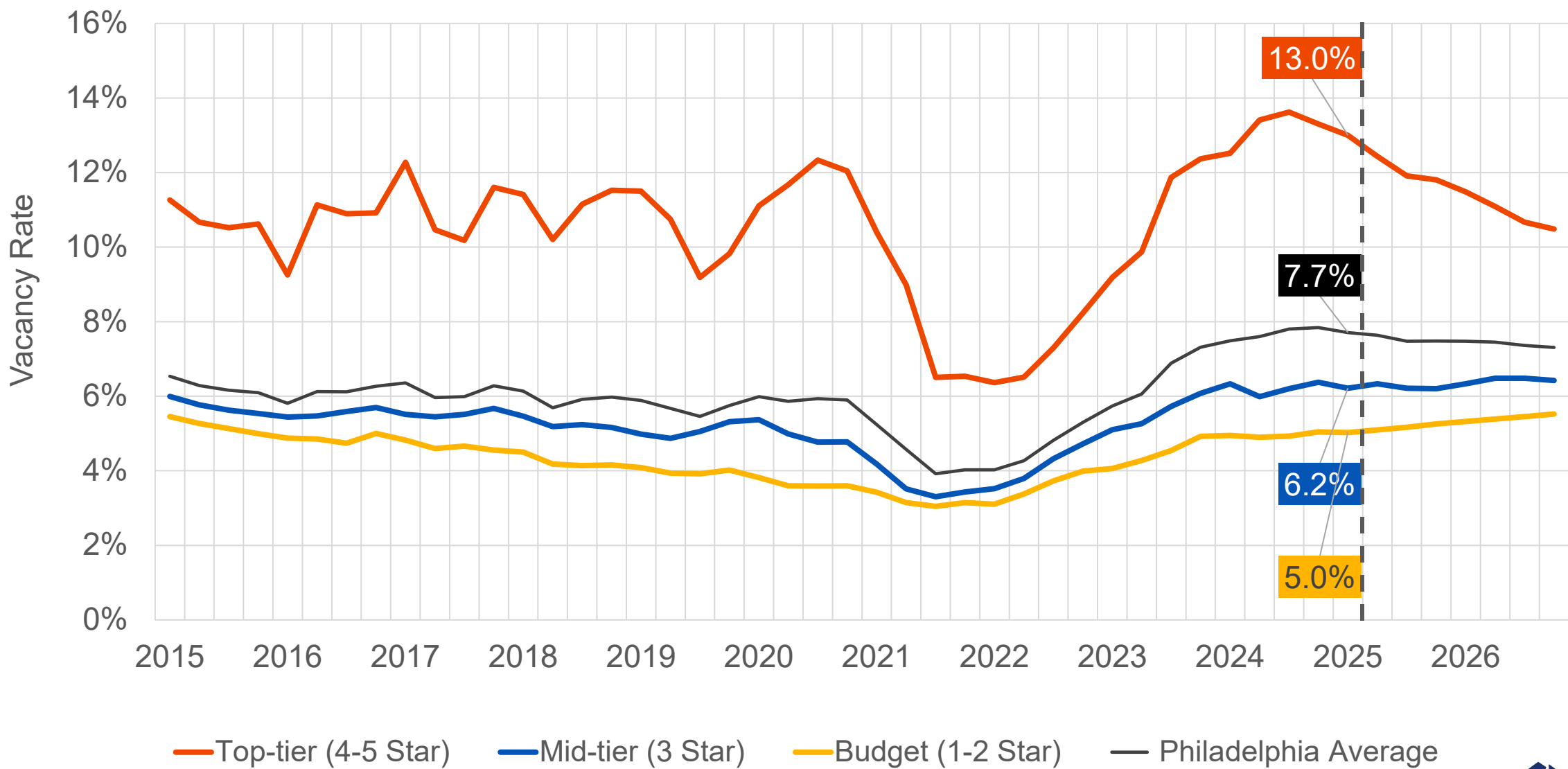
Source: CoStar, March 2025



# Concessions are still elevated for urban apartments

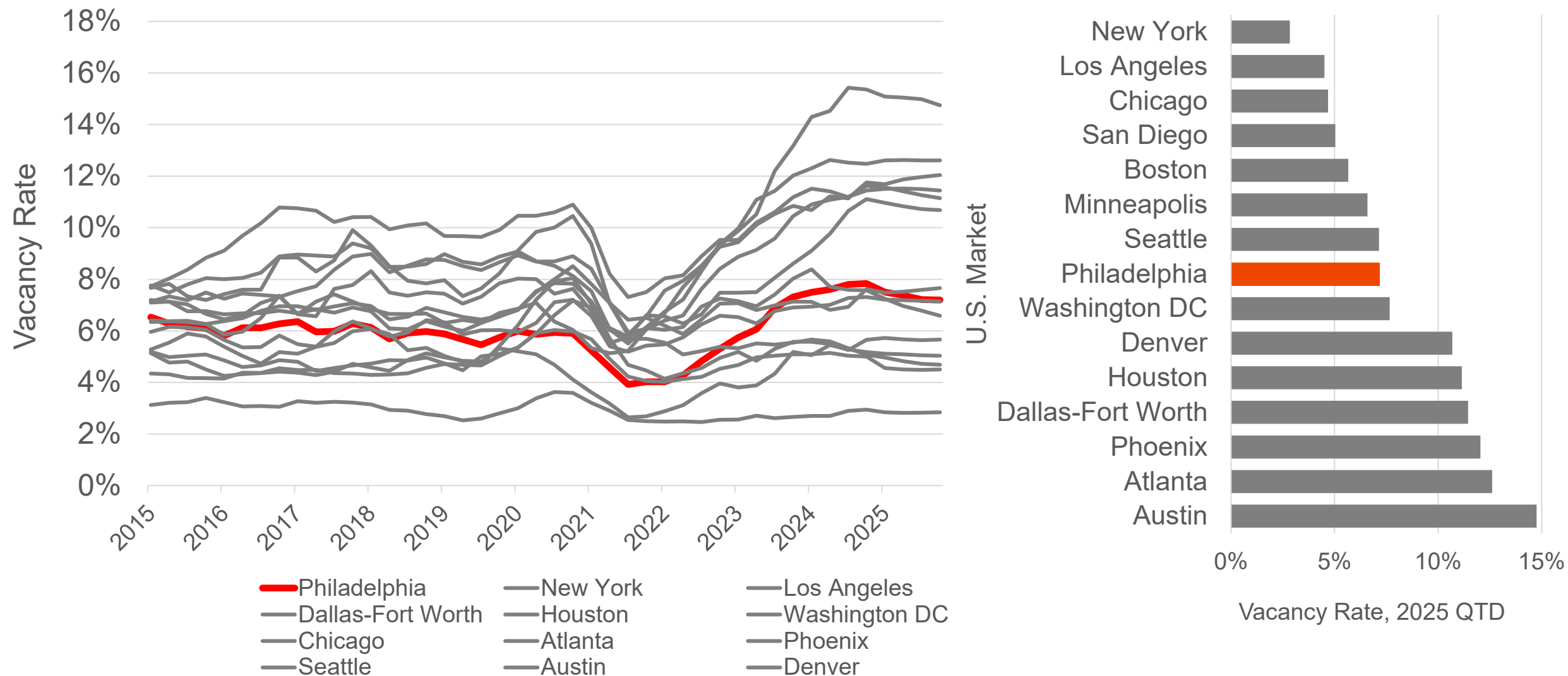


# Heightened vacancy is concentrated in top-tier, “luxury” apartments



Source: CoStar, March 2025

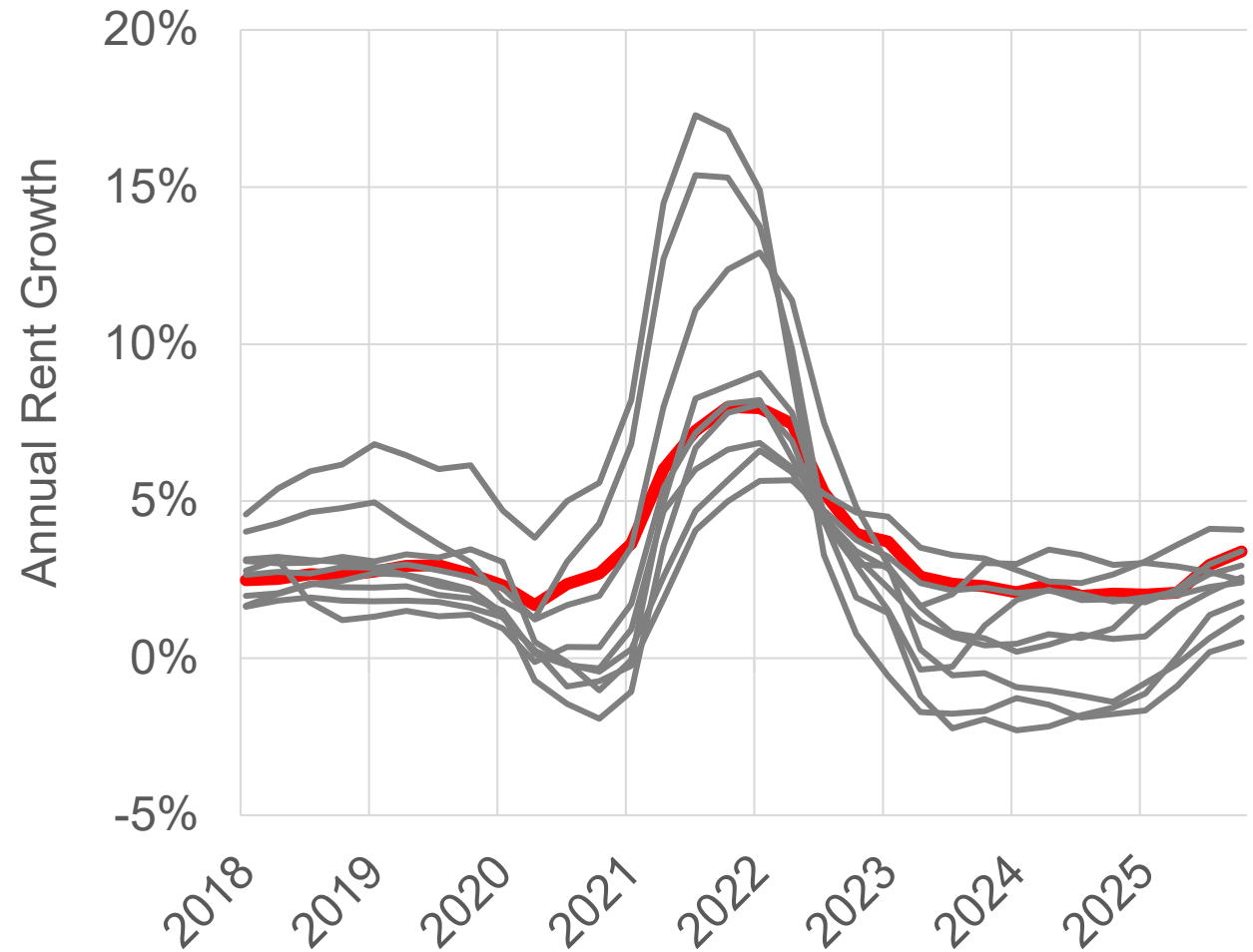
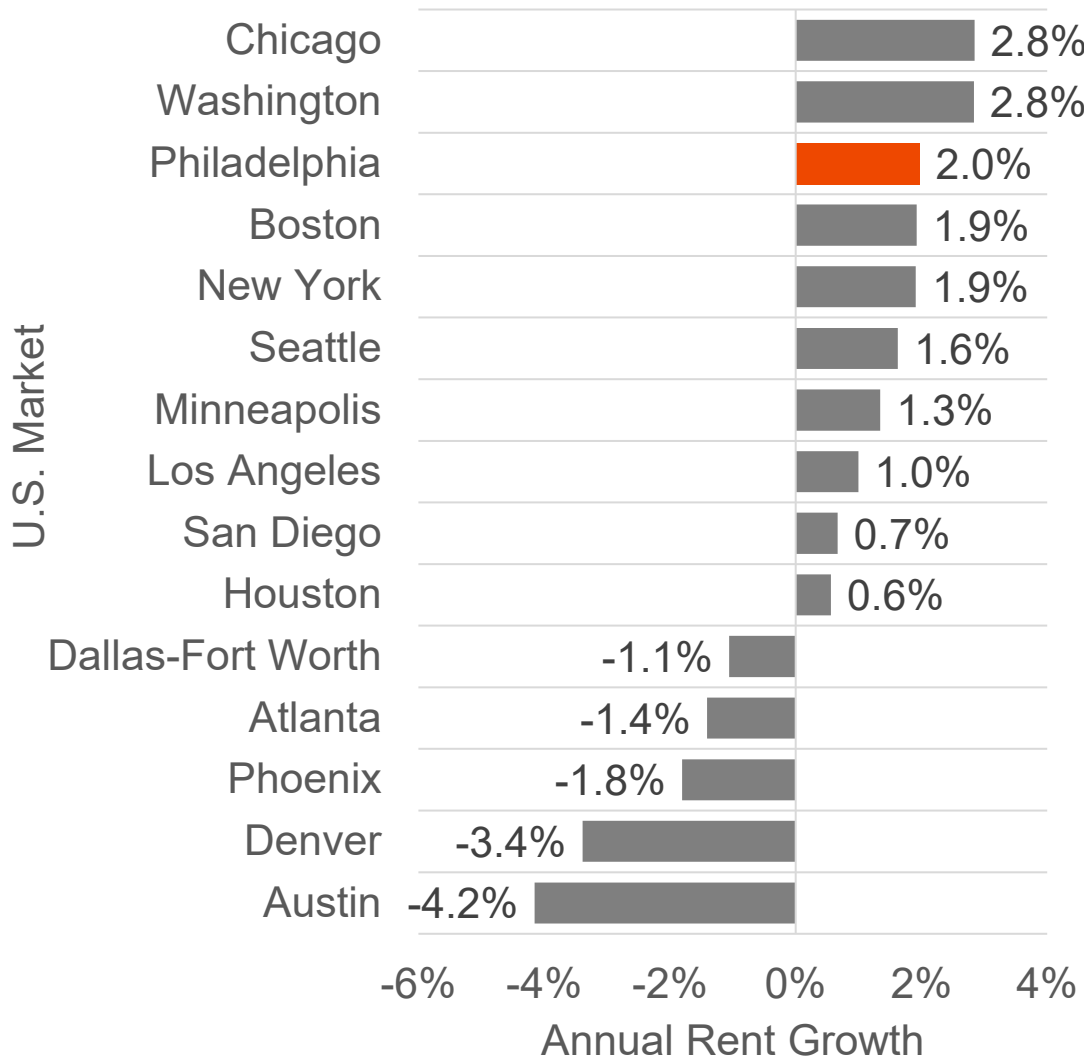
# Philadelphia's vacancy rate gravitates toward the middle of the pack



Source: CoStar, March 2025



# Philadelphia's MSA recorded the 3<sup>rd</sup> fastest rent growth of top 10

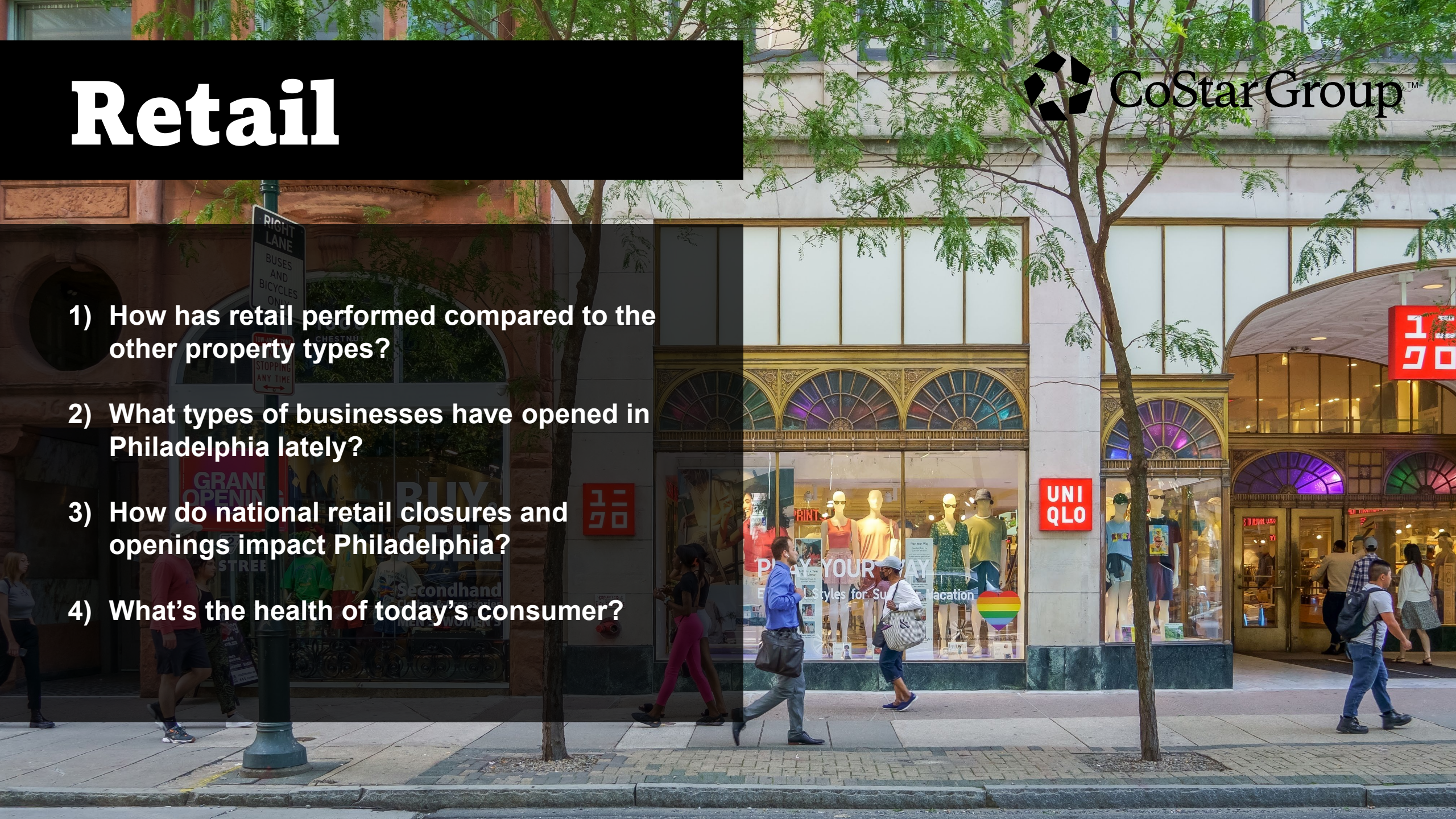




# Retail

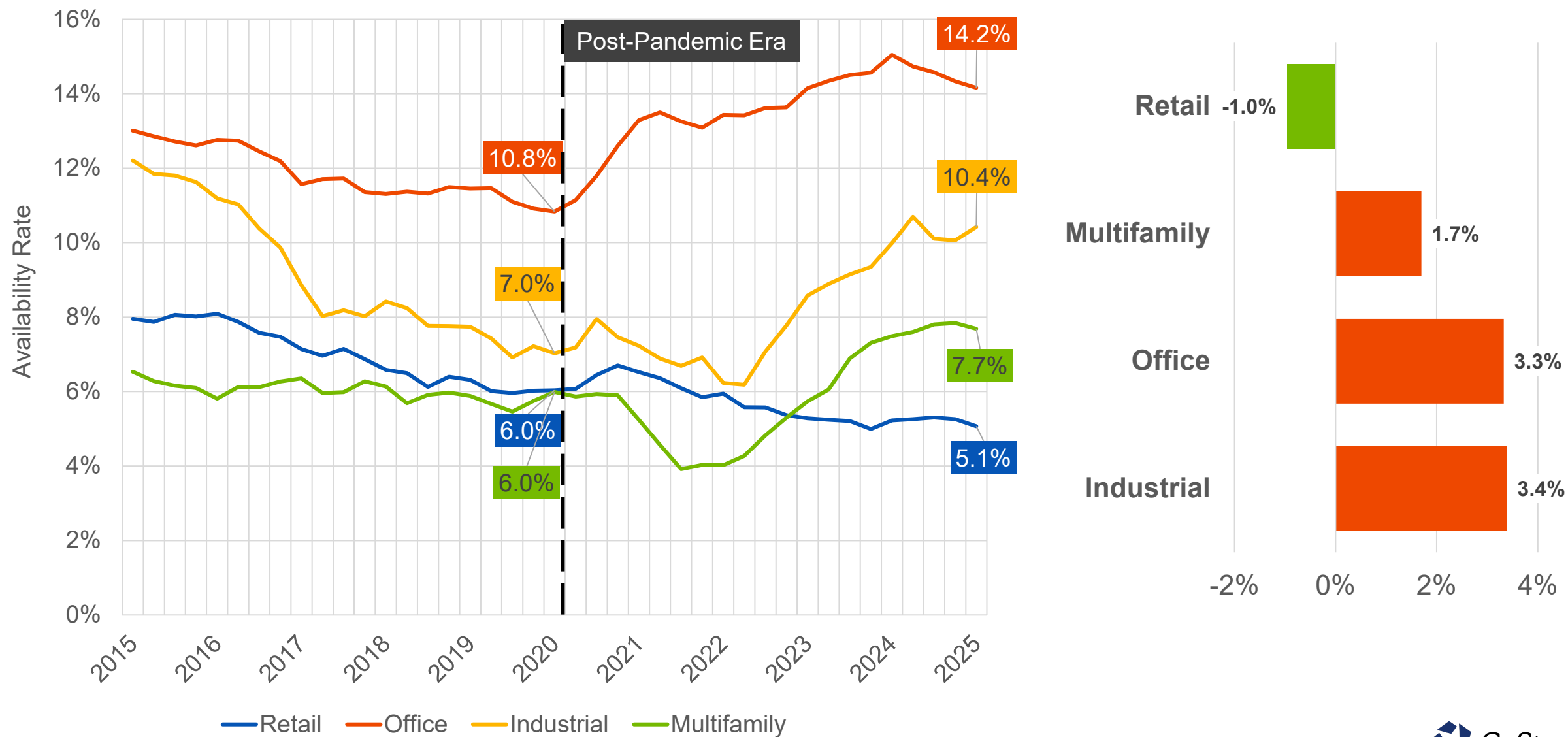


- 1) How has retail performed compared to the other property types?
- 2) What types of businesses have opened in Philadelphia lately?
- 3) How do national retail closures and openings impact Philadelphia?
- 4) What's the health of today's consumer?



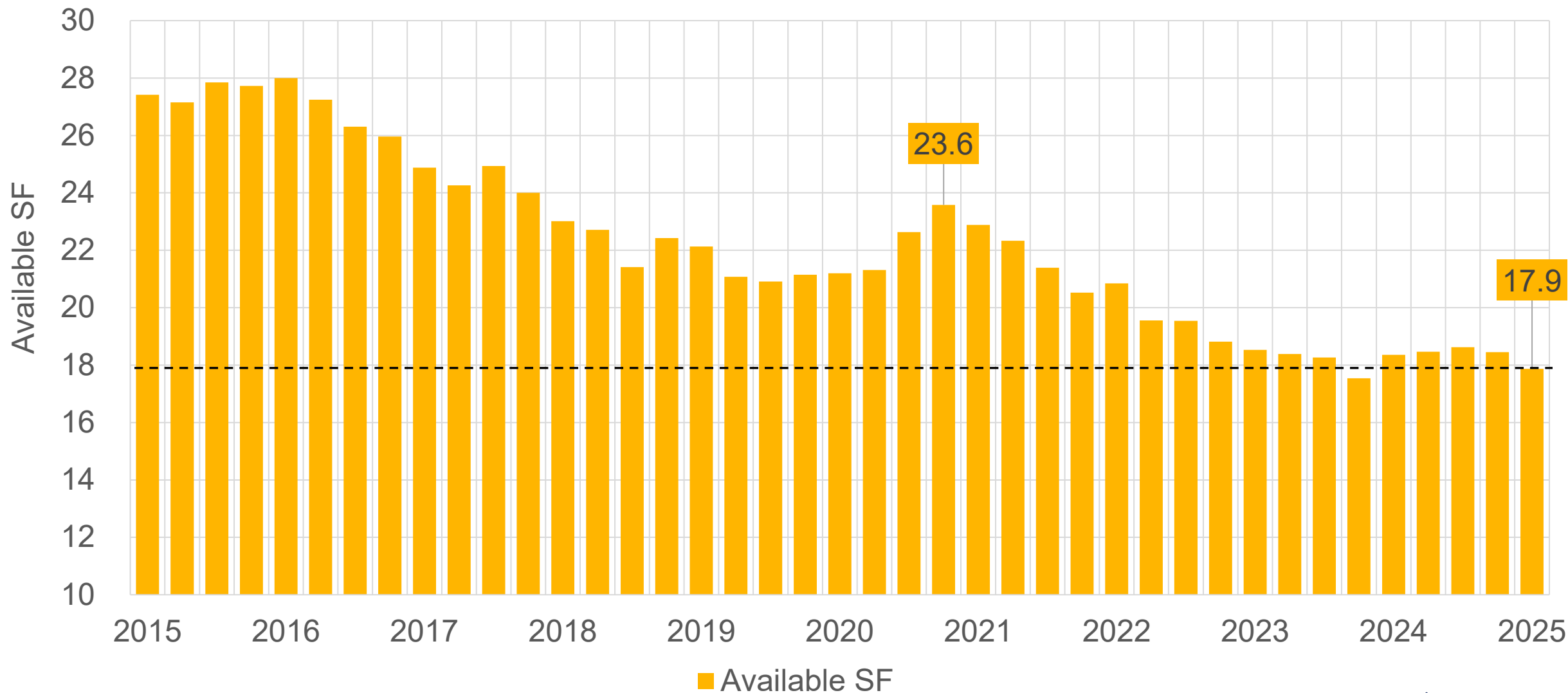


# Retail is the only property type to see availability shrink since 2020





# Philadelphia's available retail inventory is at lowest levels in decades



Source: CoStar, March 2025

# What businesses have led Philadelphia's new leasing demand lately?

## NATIONAL RETAILERS

BARNES  
& NOBLE

Raising  
**Cane's**  
CHICKEN FINGERS

**five**  
**BELW**



## GROCERS

**GIANT.**



amazon **fresh**

## BANKS



**Fulton Bank**

**Citizens**

## EXPERIENTIAL

**NETFLIX**



## FITNESS

corepower  
YOGA



CLUB PILATES

**VELOCITY**  
FITNESS AND HEALTH

**URGE FITNESS**  
LESS CROWDS. CLEANER CLUBS. BETTER RESULTS.

alo  
yoga

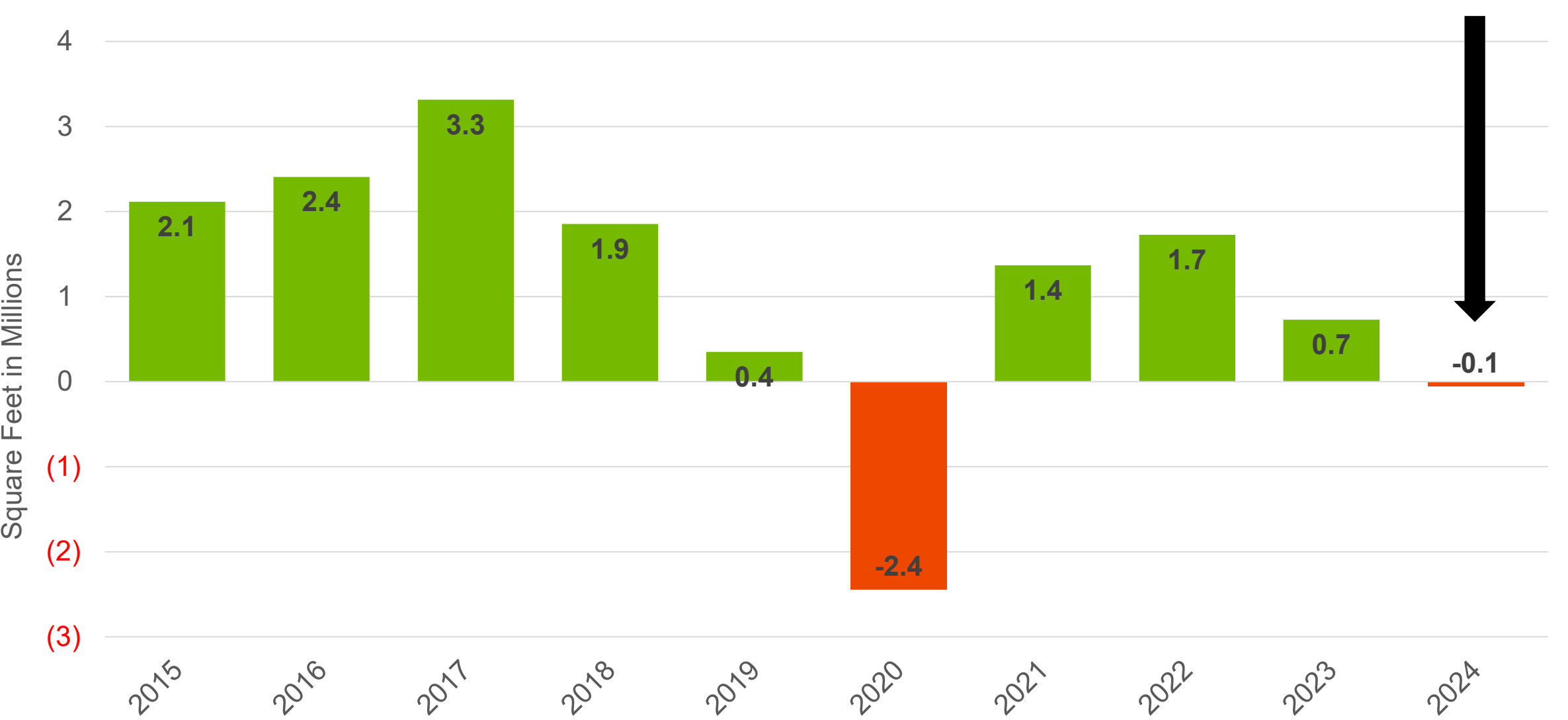
## DAYCARES



**little**  
**Sprouts**  
Early Education & Child Care



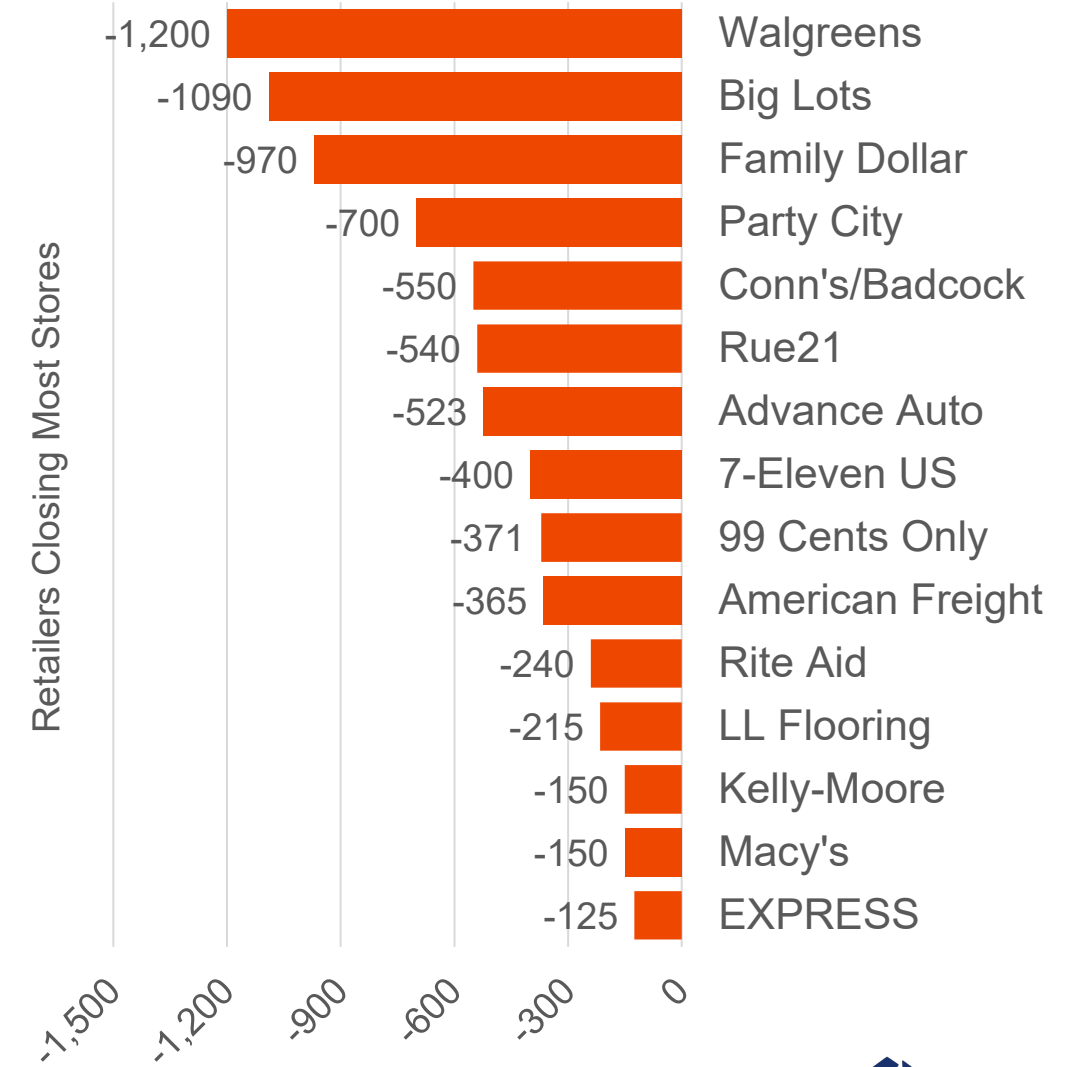
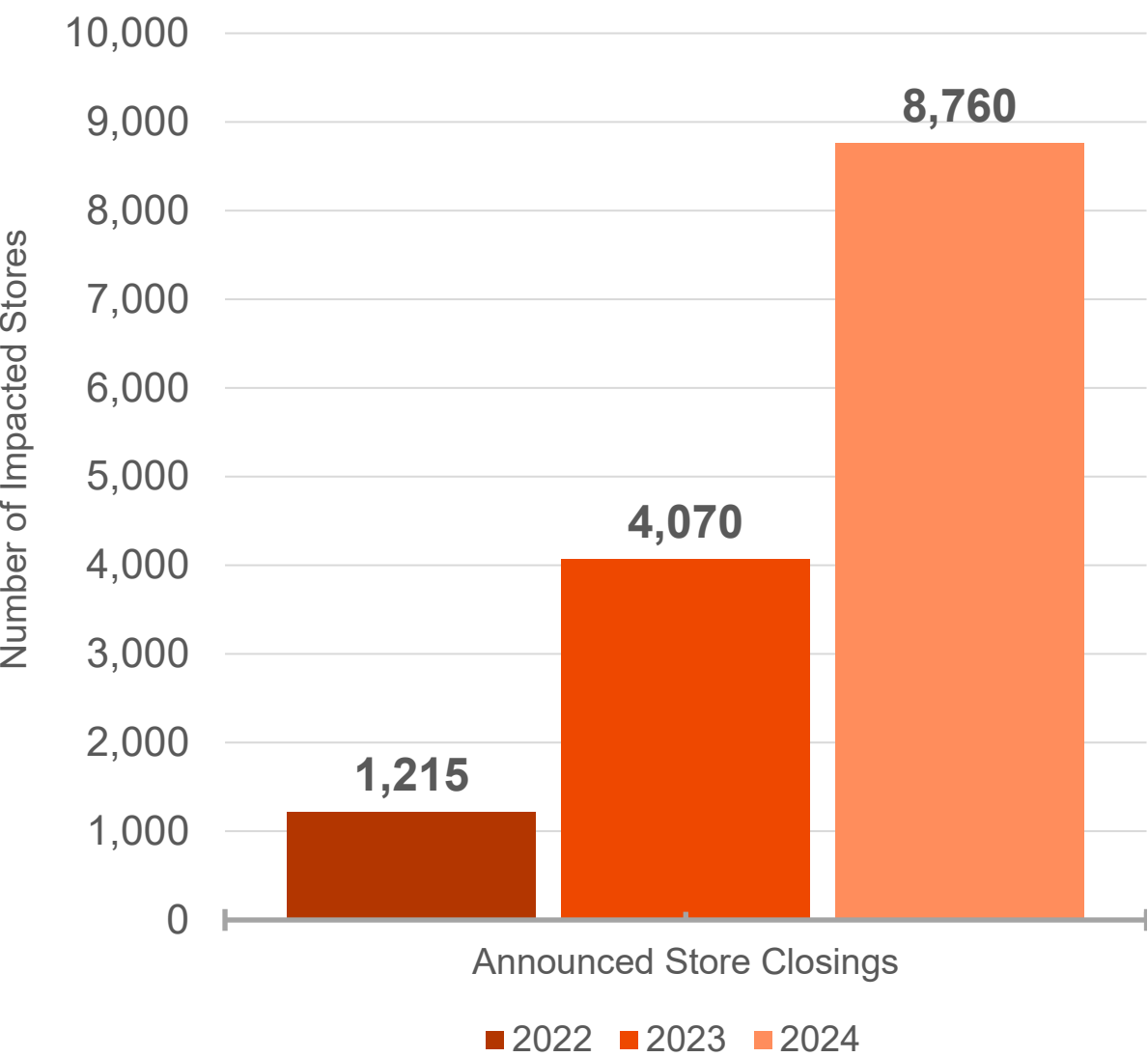
# Retail demand hits a slump in 2024, shrinking to flat absorption



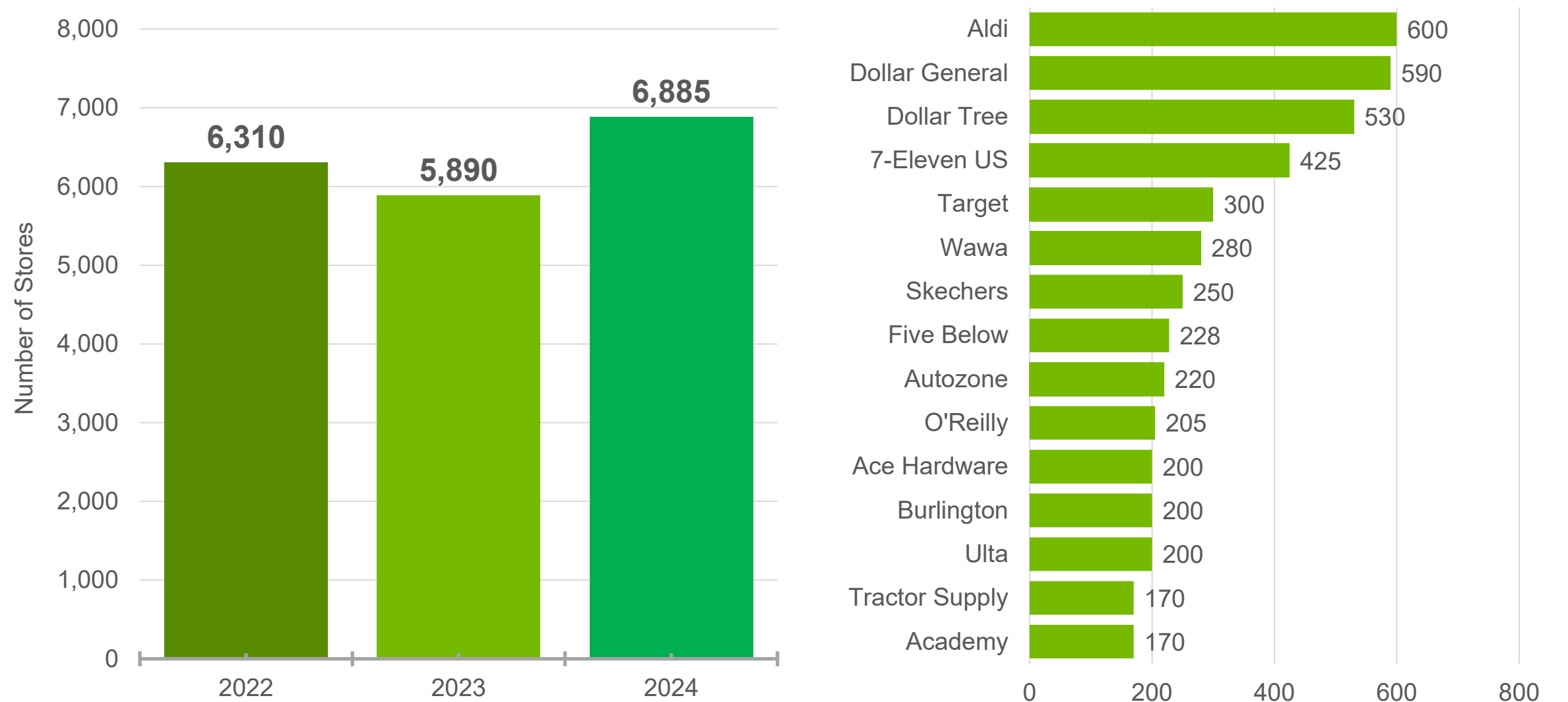
Source: CoStar, March 2025



# Announced national store closures more than doubled in 2024



# Announced national store openings rose to a new high in 2024

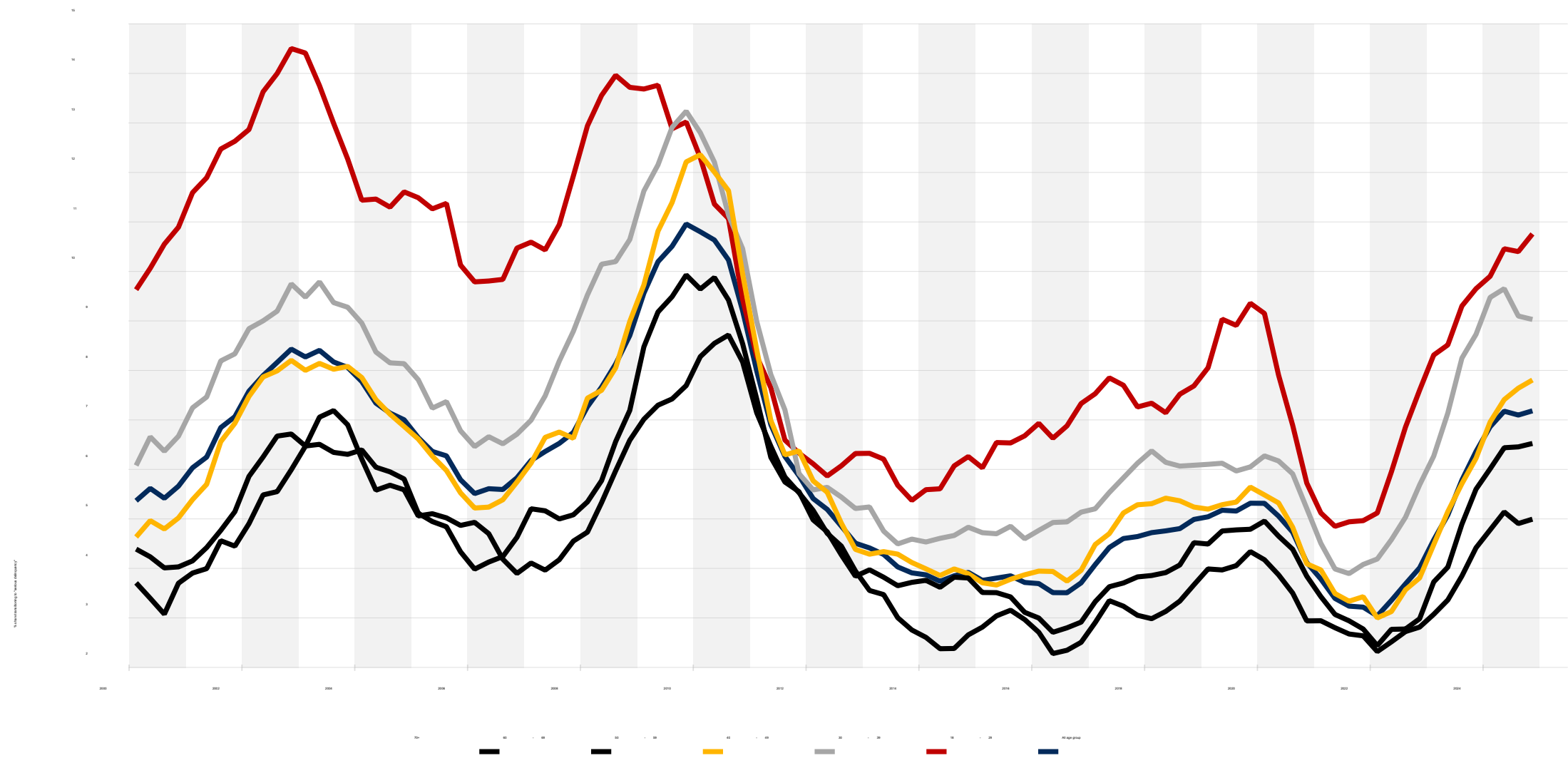


Source: Daily on Retail  
Note: Based upon openings and closing plans announced during the period regardless of the store opening date

# Signs 2025 will be another year of uncertainty for national retailers

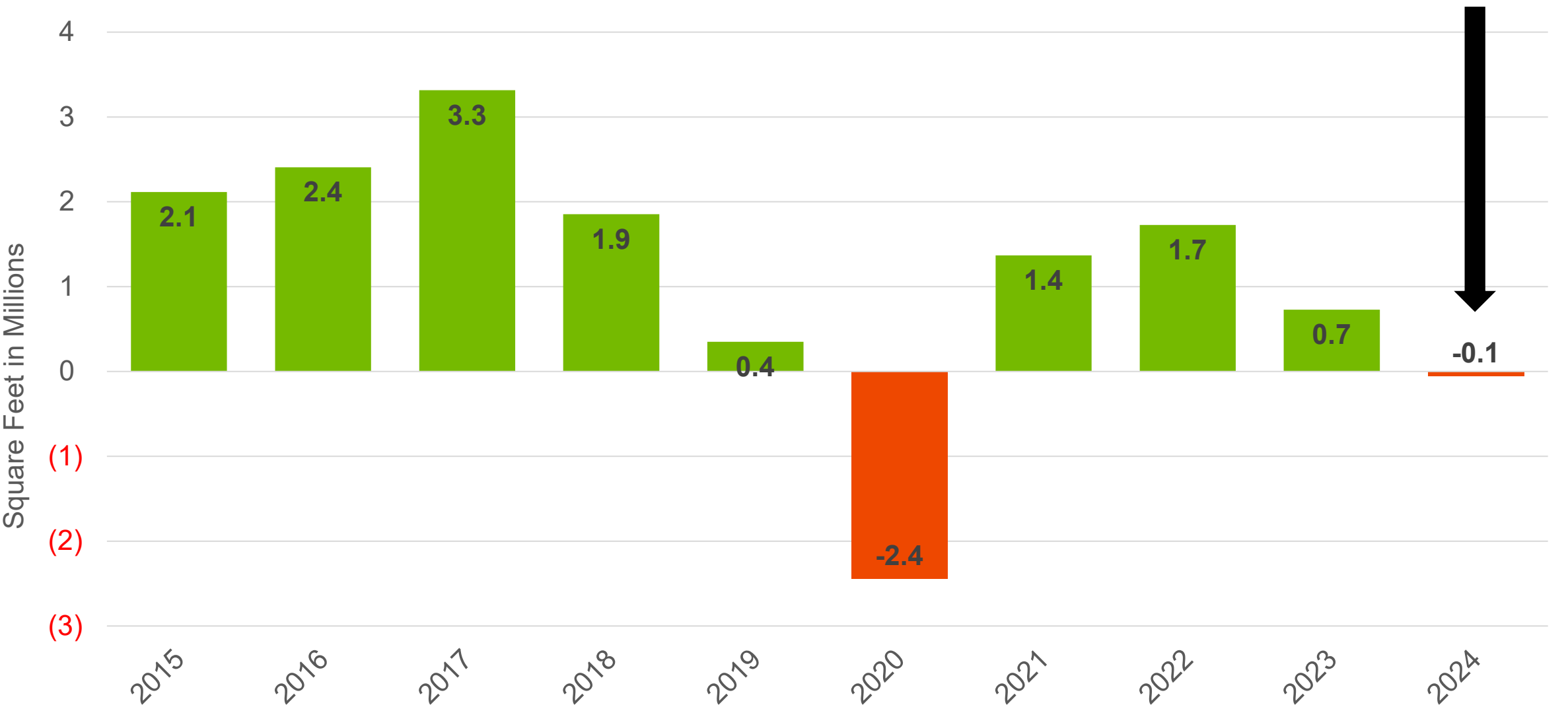


# Credit card loans transition to serious delinquency in late 2024





# Consumers increasingly relied on credit between 2022 and 2024





# Industrial

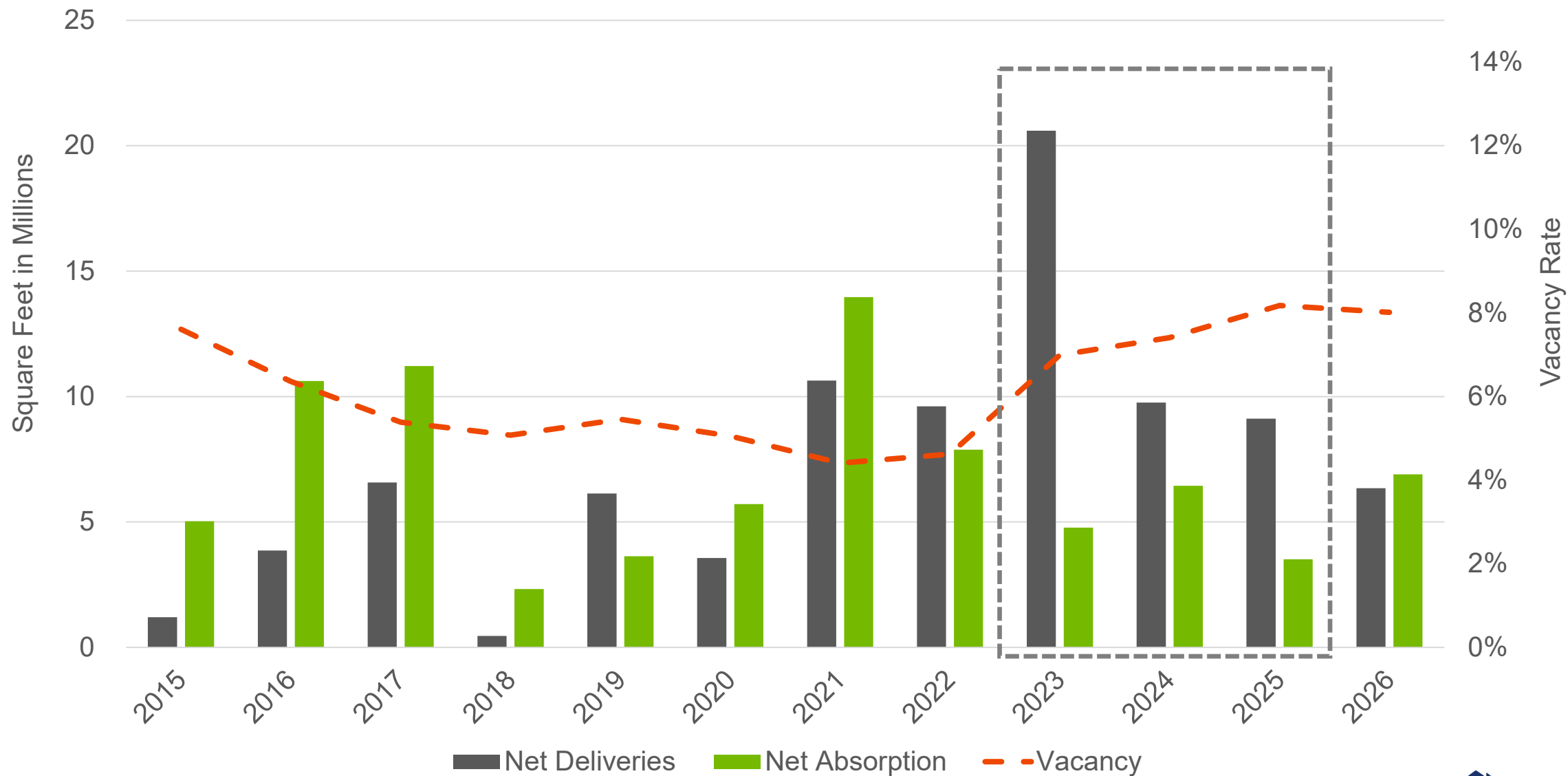


- 1) How does today's construction pipeline compare to historical norms?
- 2) Where has construction been concentrated?
- 3) What are the latest leasing and absorption trends?
- 4) Where does industrial outperform the other property types?



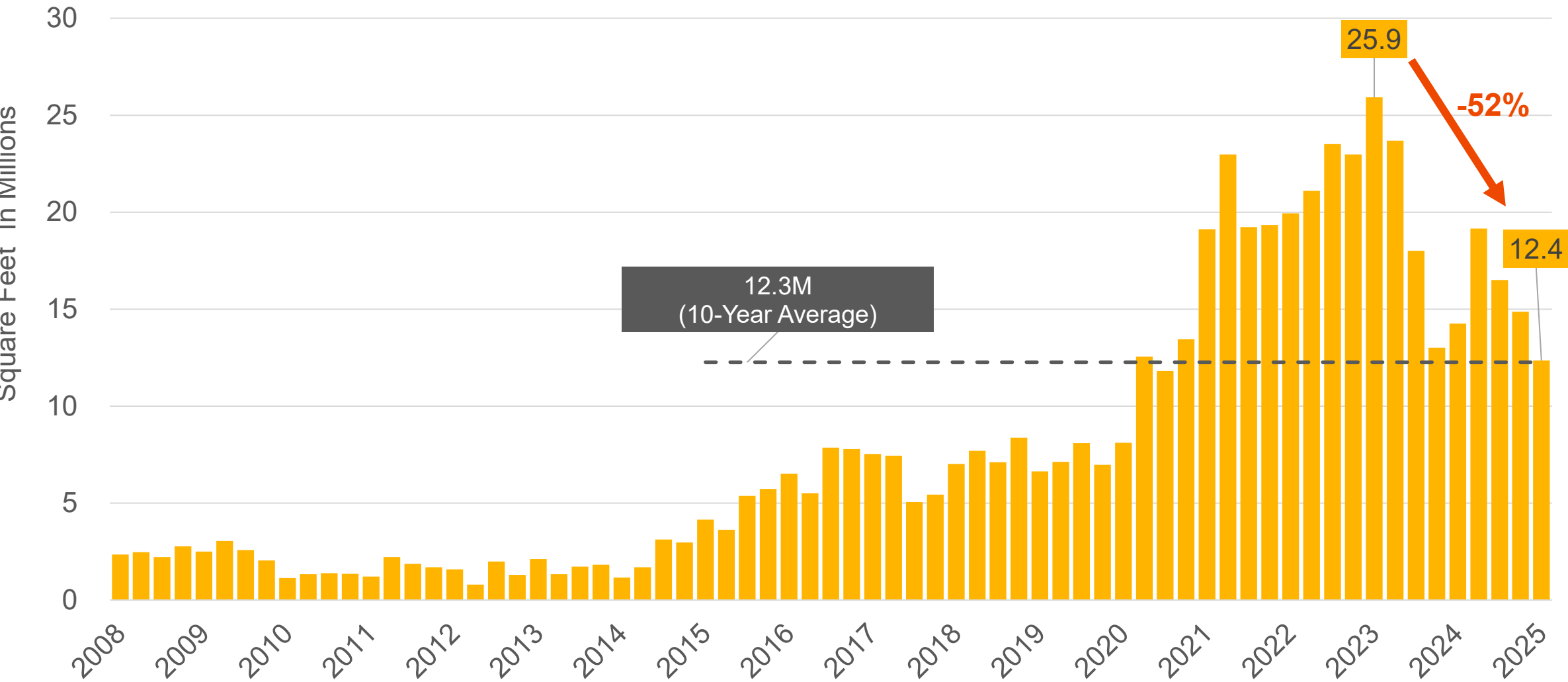


# Industrial (temporary) oversupply hits three-year streak



Source: CoStar, March 2025

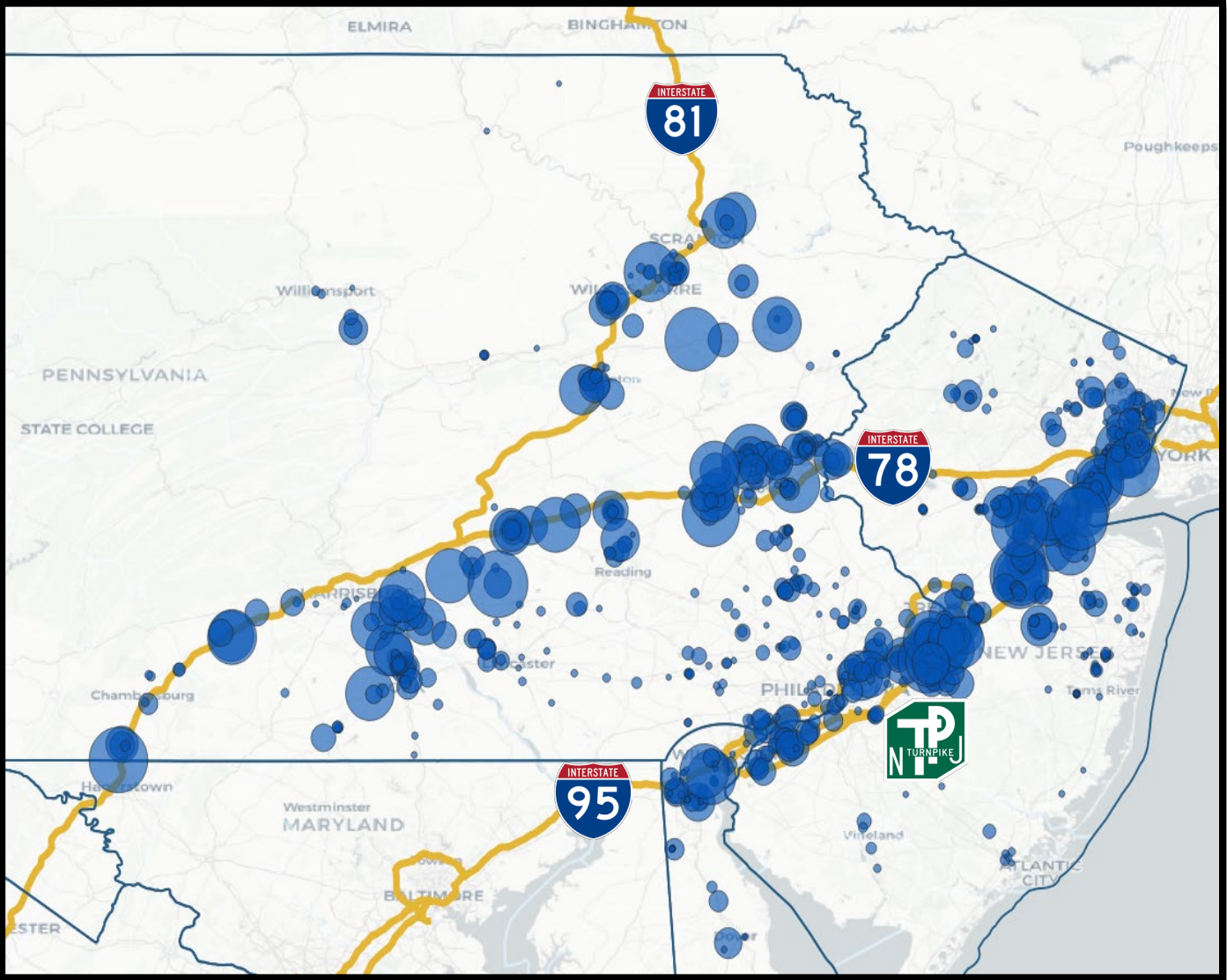
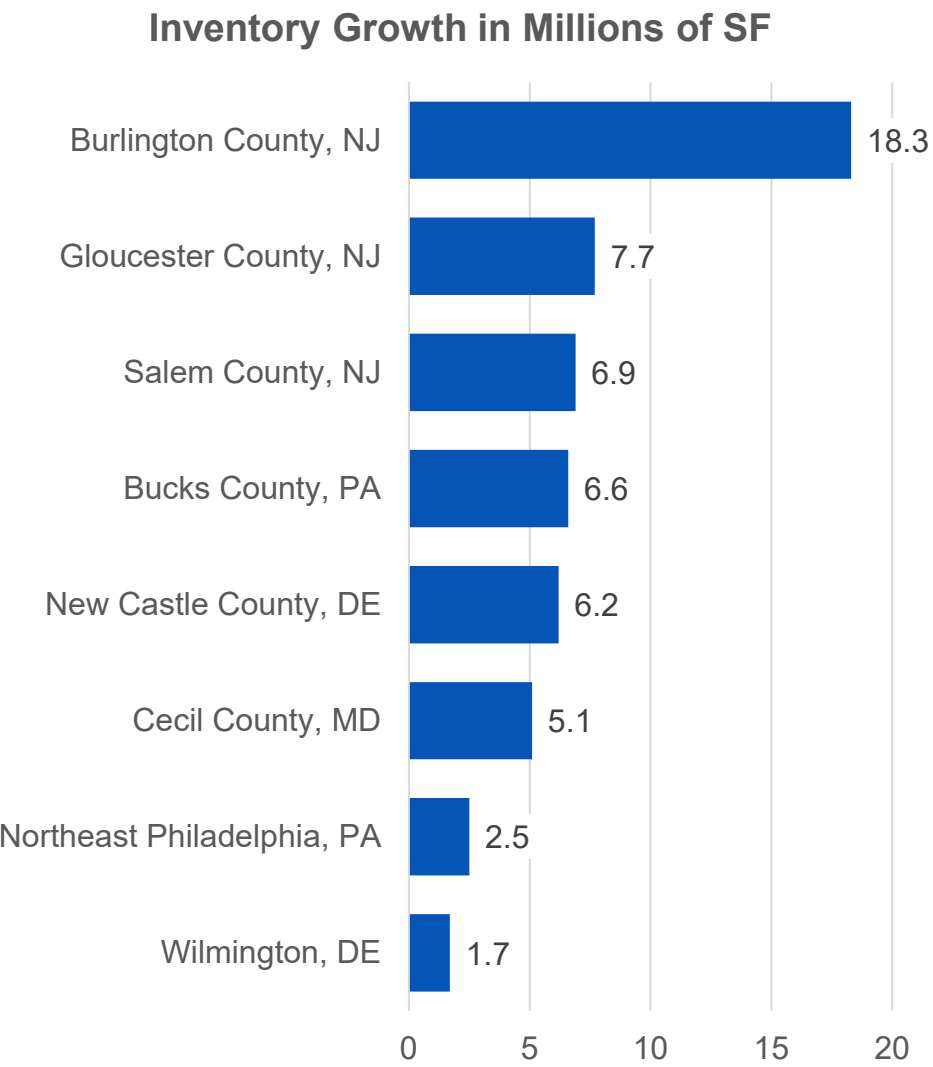
# Philadelphia's industrial construction pipeline eases in early 2025



Source: CoStar, March 2025

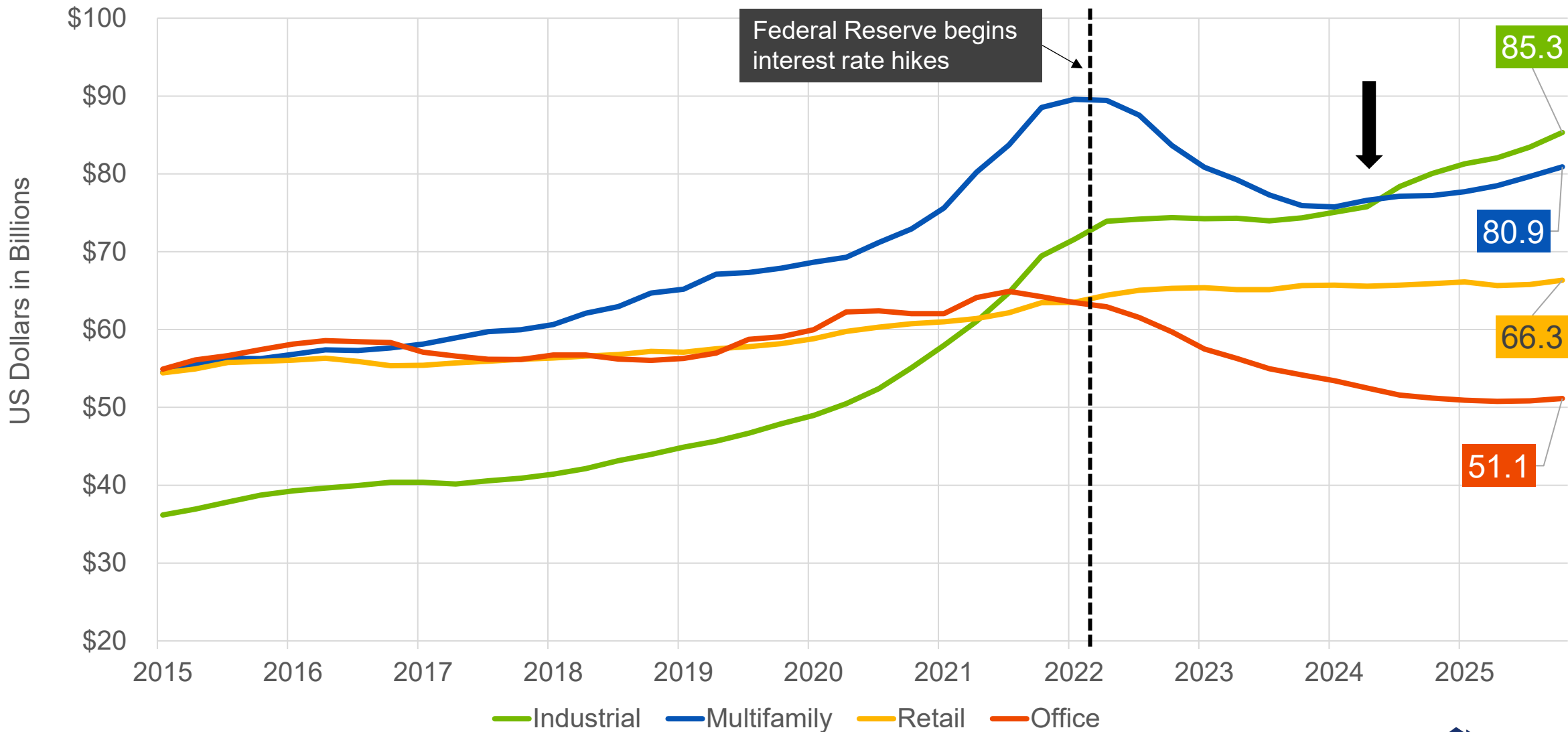


# Development has concentrated along the interstate highways



Source: CoStar, March 2025

# Industrial asset values surpassed multifamily for the first time



Source: CoStar, March 2025

# Key Takeaways

## OFFICE

- Supply issues began back in the 1980s
- Despite challenges, Philadelphia has proven more stable than most major U.S. markets
- Philadelphia has reached positive office absorption, suggesting a *possible* inflection point in early 2025
- Significant challenges still exist:
  - Excess, obsolete office buildings
  - Downsizing trends with lease expirations
  - Capital markets/financing

## MULTIFAMILY

- Active development has fallen by 60% from its peak in 2022
- The City of Philadelphia was behind 70% of the region's apartment development since 2020
- Renters have flocked to where developers have built due to competitive concessions
- Philadelphia has historically underbuilt compared to many major U.S. metros and recorded among the fastest rent growth in Q1 2025, driven by Southern New Jersey

## RETAIL

- Retail is the only property type to see availability decline since 2020
- Limited development helps maintain a tight market
- Retailers constantly adapt to changing consumer preferences, so bankruptcies and expansions are expected
- 2025 may see more retailers close than opening, unlike past years
- The consumer is becoming more financially stressed

## INDUSTRIAL

- Active development has fallen by 52% from its peak in 2023
- Southern New Jersey has claimed the lion's share of construction *and* demand
- Industrial has consistently led rent growth and investment sales; total assets now outpace multifamily
- New demand drivers have structurally changed industrial demand:
  - E-commerce
  - AI, Data Centers
  - Near-shoring manufacturing

# THANK YOU!

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