

INVESTMENT FORECAST

Retail
Philadelphia

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Healthcare Orientation Offers Stabilizing Force as Transaction Market Returns to Familiar Levels

Well-established retail settings sustaining momentum. A national leader in job creation last year, Philadelphia's growing medical and white-collar labor force continues to benefit local retailers. Many of the metro's prominent retail corridors continue to observe increased tenant demand, with vacancy in East Center City, in particular, dropping below 2 percent in 2025. This aligns with greater residential density, as the number of occupied apartments in the central business district has increased by more than 30 percent since 2019. Retail vacancy was also under 3 percent last year in established suburban retail hubs such as King of Prussia, as well as across North, West, and Southwest Philadelphia. Even so, the market is not immune to headwinds. Demand for multi-tenant space declined last year amid move-outs by Party City, JoAnn Fabrics, and Forever 21. Fewer local store closures are expected this year, and grocers such as Aldi, Lidl, and BJ's Wholesale Club are planning to open stores.

Favorable labor market dynamics keeping investors engaged. Transaction activity improved more than 15 percent in 2025 to exceed the total trade count from any year before 2021. The city of Philadelphia and its Pennsylvania suburbs, including Bucks and Delaware counties, remain the most targeted areas. Resilience in the healthcare sector continues to support the outlook for retail assets near medical centers here and in nearby residential areas. While local investors drive overall sales velocity, out-of-state buyers, particularly from New York, Maryland, and California, are also active in the market, including for mixed-use residential assets in submarkets such as South Philadelphia. An average cap rate in the low-7 percent band last year suggests possible yield arbitrage with major metros in those states.

2026 MARKET FORECAST

+0.8%



Employment: Comprising a fifth of the labor force, the metro's healthcare sector is expected to again drive a hiring level in 2026 that stands out among markets nationally, with 26,000 jobs added.

700,000
sq. ft.



Construction: While up more than 100,000 square feet from 2025, this year's deliveries will still only represent 0.2 percent of existing inventory, broadly in line with the past six years.

+20 bps



Vacancy: Local vacancy will inch up to 4.7 percent, yet the measure is still 40 basis points below the market's long-term average. Vacancy remains comparatively lower for single-tenant properties.

+1.8%

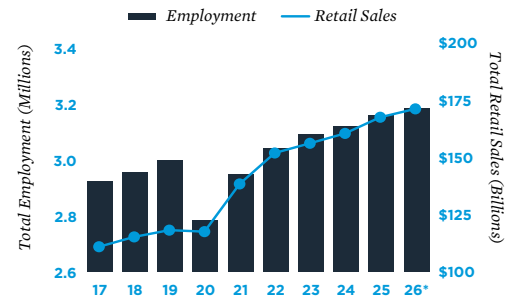


Rent: The average asking rent will reach \$21.14 per square foot in 2026, as sub-3 percent vacancy in several key neighborhoods sustains competition for available quality space.

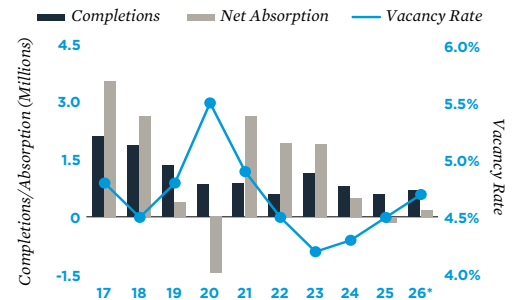
INVESTMENT:

The new \$2.6 billion patient tower at Children's Hospital of Philadelphia, due in 2028, will support local healthcare hiring, likely benefiting retail foot traffic and investor interest in West Philadelphia.

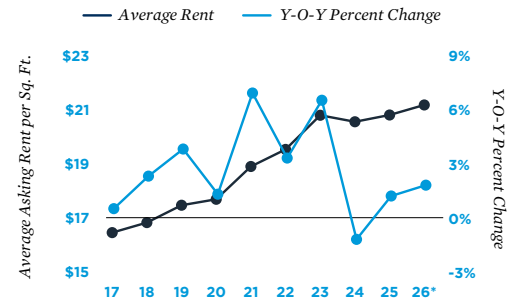
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.