

# INVESTMENT FORECAST

Office  
Philadelphia Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2026

## State Courts Prominent Firms with Tax Changes, Supporting Demand for High-End Space

**Major financial firms filling luxury office space.** The metro's office market began the year with a vacancy rate 60 basis points below the national level — roughly 100 basis points under for Class A properties. Future Standard's new lease in January and the opening of Chubb's new building in the spring highlight Class A space demand. Ongoing reductions in corporate income taxes should continue to improve Philadelphia's business climate, which could aid leasing in the long term. Pennsylvania will lower the rate by another 50 basis points to 7.50 percent this year, on a course to 5.0 percent in 2031. Meanwhile, the metro's least vacant Class B/C submarkets, such as Market Street West and Northeast Philadelphia, are likely to maintain those dynamics. The former submarket's central location and the Northeast neighborhood's relative affordability and proximity to the CBD should support leasing this year. Overall, the metro's Class B/C vacancy rate began 2026 in the low-12 percent band, well below the high-end level.

**Investors eye Class B/C properties with established tenancy.** Transactions in the greater Philadelphia area rose 50 percent year-over-year in 2025, primarily driven by trades in the \$1 million to \$10 million range. In the city proper, buyers in this price tranche are increasingly active in the Market Street East submarket, where the Class B/C vacancy rate late last year was near 12 percent, like the metro level. Owner-users have also been active here. The suburbs outside Philadelphia also saw increased transaction velocity, highlighted by Delaware County. Investors targeting Class B or C builds, as well as medical offices, may stay focused here if the submarket maintains a vacancy rate around 13 percent. Additionally, parts of the Interstate 95 improvement plan began last year, and ongoing work could benefit nearby offices.

## 2026 MARKET FORECAST

+0.8%



**Employment:** Greater Philadelphia gains 26,000 jobs on net, including 6,000 positions in typically office-using fields. This year-over-year growth rate puts Philadelphia within the top 10 major markets.

2,000,000  
sq. ft.



**Construction:** The metro's office stock expands at a pace slightly ahead of its annual mean since 2015. This will also be the fourth-highest percentage change among the major East Coast markets.

+10 bps



**Vacancy:** Leasing decelerates in 2026, while supply growth changes little from the previous year, lifting the vacancy rate to 15.8 percent. This measure is below Washington, D.C., but above Baltimore.

+0.9%

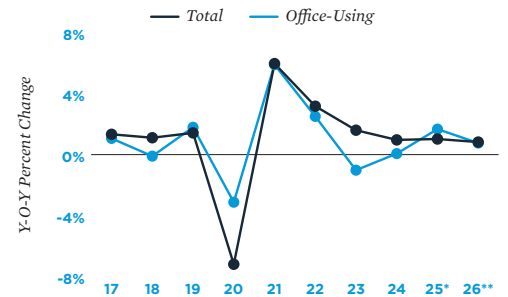


**Rent:** The average asking rent reaches \$25.14 per square foot by year-end. Despite positive net absorption, the pause in vacancy improvements will limit rent increases.

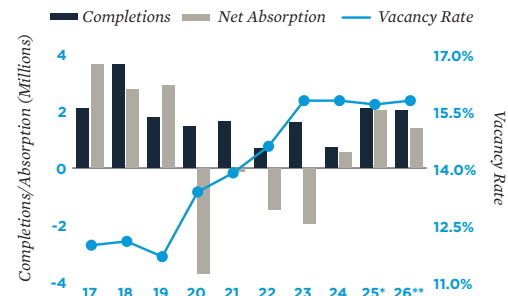
### INVESTMENT:

*In 2025, buyers stepped up acquisitions of Class B assets in Lower Bucks County. State-level tax changes will continue to make offices here attractive to firms with business relationships in New Jersey.*

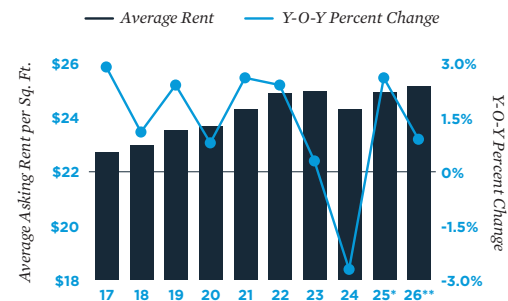
### Employment Trends



### Supply and Demand



### Rent Trends



\* Estimate \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Office

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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.