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New England and Philadelphia: A battle between two thriving office markets

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Boston, MA If the commercial real estate markets in Boston and Philadelphia are any indication of what's to come in Sunday's big game, fans should brace for a gridiron matchup of epic proportions—one that will pit the New England Patriots and Philadelphia Eagles in a battle of the titans the likes of which has yet to be seen in this century.

Roger Staubach

Football experts are predicting the New England Patriots will walk away with the win in Minneapolis's U.S. Bank Stadium, in what could be the team's sixth NFL championship. But commercial real estate experts at JLL evaluate more than just athletic prowess, instead pitting CRE fundamentals head-to-head to predict a winner.

While history tends to favor commercial real estate vacancy rates in the Big Game, JLL's research experts say both Philadelphia and Boston are experiencing such strong market activity that they both bring nearly equal firepower to the game.

Since the firm started making predictions in 2011, JLL Research has accurately forecast the winner nearly 70% of the time, based on real estate market data. But this year, the firm's statisticians are stumped as the numbers reveal both cities have left it all on the field in their respective commercial real estate markets.

Boston's vacancy rate is just 13.5%, which is marginally higher than Philadelphia's 10.9% vacancy rate. But to get a true picture of the city's real estate health, they compared more than just the running game and broke it down further based on tenant demand and investor opportunity.

In Boston, as economic conditions locally continued to improve, the office market benefited from significant tenant demand, bolstered by the innovation economy. Technology companies from near and far remained bullish on the Boston market especially, with many relocating and expanding to this talent-filled market. Just look to coworking provider WeWork, who opened their sixth location in Boston at the end of 2017. And it's not just the tech industry who's seeking an urban address and stripping availability, which is resulting in a more competitive leasing environment in Boston.

Jim Tierney

"Boston is a highly attractive place for businesses to grow thanks to our highly skilled workforce," said Jim Tierney, JLL's New England market director. "Not only do we have the most talented football team, we are home to the most talented people in the country. Investors are recognizing the explosive growth in Boston and our economy is flourishing because of it."

While the Philadelphia market may have been trailing the likes of Boston all season, the CBD office market closed that gap at end of 2017 with strong leasing and sales momentum. Following several quarters of stagnant leasing activity, four large deals totaling more than 527,000 s/f were completed in the fourth quarter alone, bringing the yearly leasing total to just over 2 million s/f.

"Philadelphia is splitting the uprights in both sports and commercial real estate," said Mike Morrone, JLL's Philadelphia market director. "The city continues to prove as a top destination for corporations looking to capitalize on Philadelphia's deep talent pipeline of those who are drawn to the city's low cost of living and exceptional quality of life. We've solidified our position as a major business hub of the Northeast region – a veritable powerhouse that attracts and inspires."

So while research fundamentals indicate these two teams will be battling it out until the very end, one expert who's well-versed in both ground leases and the gridiron predicts this will come down to a matter of familiarity with the big game.

JLL's Americas executive chairman and Hall of Fame Quarterback Roger Staubach says that while both cities have compiled solid stats, "The Eagles will be a real test for New England but the Patriots just seem to have the experience. They make the big plays when they have to, especially Tom Brady who is as good as it gets. There's no doubt it'll be a tough game with New England's offense versus Philadelphia's defense but I think the Patriots will ultimately prevail."

WATCH: Roger Staubach makes his pick