

# MARKETBEAT

## Philadelphia

### Industrial Q1 2019



#### PHILADELPHIA INDUSTRIAL

##### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Philadelphia MSA Employment*	2.93M	2.96M	▲
Philadelphia MSA Unemployment*	4.7%	4.1%	▼
U.S. Unemployment	4.1%	3.8%	▼

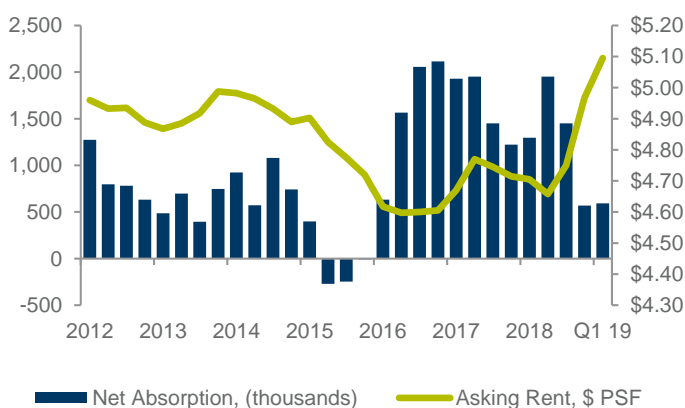
\* Numbers above are quarterly averages; February 2019 data used to represent Q1 2019

##### Market Indicators (Overall, All Property Types)

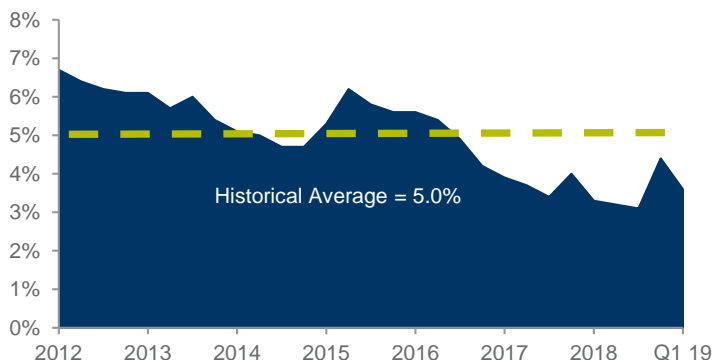
	Q1 18	Q1 19	12-Month Forecast
Vacancy	3.3%	3.6%	▼
YTD Net Absorption (sf)	1.7M	1.8M	▲
Under Construction (sf)	3.5M	3.1M	▲
Average Asking Rent**	\$4.76	\$5.28	▲

\*\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

The Philadelphia Metropolitan Statistical Area's (MSA) economy continued to grow in the first quarter of 2019, adding 34,400 jobs over the past 12 months, representing a 1.2% increase. Trade, transportation and utilities increased slightly, adding 600 jobs during this period. The regional unemployment rate continued to decline, dropping 60 basis points since the first quarter of 2018.

## Market Overview

Philadelphia industrial leasing activity was 1.3 million square feet (msf) in the first quarter of 2019. More than half of those transactions took place in Burlington County in Southern New Jersey, followed by Montgomery County in suburban Philadelphia with almost a third. Despite slower than usual leasing volumes this quarter, tenant demand remains strong, with several leases pending that will close in the second quarter of 2019. Net absorption was positive 1.8 msf during the first quarter of 2019, driven by a large eCommerce tenant taking possession of a new 1.0-msf build-to-suit building delivered in Burlington County. Vacancy remained tight at 3.6%, which represents a 29.4% decrease over vacancy levels five years ago. This is putting upward pressure on rents and fueling demand for new construction. Overall net asking rents in the first quarter of 2019 hit \$5.28 per square foot (psf), a 10.9% increase over the same period a year ago.

In the first quarter of 2019, 1.3 msf in new construction was delivered to the market, with an additional 3.1 msf currently under construction. Of the 4.2 msf in new construction set to deliver in 2019, 62.5% is speculative (spec) development. In Southeastern Pennsylvania (SEPA) in particular, the scarcity of modern warehouse facilities that eCommerce tenants seek is driving demand for development. After little to no spec development over the past 10 years, 55.8% of the 1.2 msf to be delivered in SEPA in 2019 is spec. Examples of this include Urban Outfitters preleasing an entire 310,000-sf warehouse and the I-95 Trade Center, a 235,200-sf spec development that broke ground this quarter.

## Outlook

Leasing activity and net absorption will increase in the next six months, with leases pending for several spaces currently vacant. Expect development to continue to rise over the next few years, driven by last-mile delivery demand in the Philadelphia MSA and a tight Northern New Jersey industrial market pushing tenants further south to Burlington County. As demand tightens the market further, expect spec development to increase, with 3.7 msf in proposed spec projects set to deliver by 2021.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Philadelphia County	104	23,594,684	57,000	0	4.6%	-118,036	207,500	0	\$6.14	N/A	\$4.43
Lower Bucks County	90	19,633,737	67,200	0	1.3%	0	602,840	0	\$4.75	N/A	\$4.18
Upper Bucks County	40	6,864,446	0	0	0.9%	0	487,120	0	N/A	N/A	\$5.95
Montgomery County	74	17,657,270	402,200	0	3.7%	211,561	240,000	0	\$4.87	\$7.50	\$5.71
Chester County	55	9,266,641	0	0	8.2%	0	0	0	\$4.95	\$5.85	\$5.00
Delaware County	28	5,359,902	0	0	3.3%	0	0	0	N/A	N/A	\$4.20
<b>SUBURBAN PHILADELPHIA</b>	<b>391</b>	<b>82,376,680</b>	<b>526,400</b>	<b>1,017,679</b>	<b>3.7%</b>	<b>93,525</b>	<b>1,537,460</b>	<b>0</b>	<b>\$5.38</b>	<b>\$7.32</b>	<b>\$4.84</b>
Burlington County	105	29,221,574	672,549	0	2.6%	1,608,460	1,449,266	1,111,500	N/A	\$6.00	\$5.84
Camden County	78	14,700,057	0	0	0.9%	0	0	0	\$3.25	N/A	N/A
Gloucester County	84	19,375,531	106,655	0	5.9%	106,655	123,000	194,072	N/A	N/A	\$5.48
Salem County	8	3,560,969	0	0	9.4%	0	0	0	N/A	N/A	\$5.75
<b>SOUTHERN NEW JERSEY</b>	<b>275</b>	<b>66,858,131</b>	<b>779,204</b>	<b>0</b>	<b>3.5%</b>	<b>1,715,115</b>	<b>1,572,266</b>	<b>1,305,572</b>	<b>\$3.25</b>	<b>\$6.00</b>	<b>\$5.64</b>
Northern Delaware**	84	15,825,475	12,492	0	1.9%	40,542	0	0	N/A	N/A	\$4.95
<b>PHILADELPHIA MSA TOTALS</b>	<b>666</b>	<b>149,234,811</b>	<b>1,305,604</b>	<b>0</b>	<b>3.6%</b>	<b>1,808,640</b>	<b>3,109,726</b>	<b>1,305,572</b>	<b>\$5.11</b>	<b>\$7.25</b>	<b>\$5.28</b>

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution \*Rental rates reflect asking \$psf/year  
 \*\* Northern Delaware market not included in Philadelphia MSA Totals

#### Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
600 Richards Run	310,960	The Trane Company	Warehouse/Distribution	Burlington County
2000 Bishop's Gate Boulevard	186,000	Brandless, Inc.	Warehouse/Distribution	Burlington County
475 North Lewis Road	169,312	Walmart, Inc.	Warehouse/Distribution	422 Corridor
2750 Morris Road	159,388	Keystone Technologies	Manufacturing	Western Montgomery County

\*Renewal

#### Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
5501 Whitaker Avenue	1,455,600	Cardone Industries, Inc. / NorthPoint Development	Warehouse/Distribution	\$34,500,000 / \$23	Philadelphia County
2650 Oldmans Creek Road	194,072	Dermody Properties, Inc. / RREEF Property Trust, Inc.	Warehouse/Distribution	\$17,600,000 / \$90	Gloucester County

#### Key Construction Completions Q1 2019

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE
1101 East Pearl Street	1,016,000	Burlington County	Amazon.com	Warehouse/Distribution
2650 Oldmans Creek Road	194,072	Gloucester County	Speculative	Warehouse/Distribution

#### Key Projects Under Construction

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
1800 North Route 130	913,466	Burlington County	Speculative	Warehouse/Distribution	Q3 2019
180 Dulty's Lane	415,800	Burlington County	Confidential	Warehouse/Distribution	Q2 2019

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