

PA I-81 & I-78 INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
PA I-81 & I-78 Employment*	984.3k	987.9k	▲
PA I-81 & I-78 Unemployment*	4.3%	3.9%	▼
U.S. Unemployment	3.9%	3.6%	▼

*2019 Q2 data are based on latest available data.

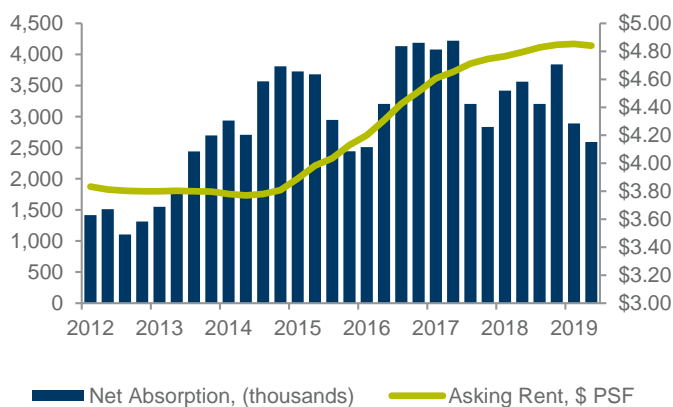
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	5.5%	6.7%	▼
YTD Net Absorption (sf)	9.9M	4.9M	▲
Under Construction (sf)	14.8M	20.8M	▼
Average Asking Rent**	\$4.86	\$4.81	■

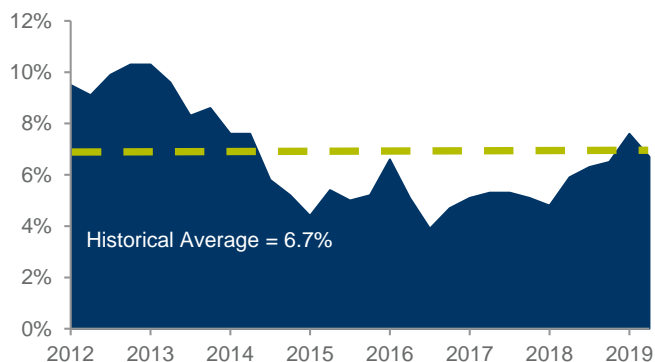
**Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The PA I-81 & I-78 distribution corridor's unemployment rate declined to 3.9% in the second quarter of 2019, a 40-basis-point (-bp) drop over the same period a year ago. Over the past 12 months, the corridor added 3,600 jobs to the economy, representing a 0.4% increase. Trade, transportation and utilities, made up a quarter of the jobs added during this period.

Market Overview

After a slow start to the year, leasing activity in the PA I-81 and I-78 distribution corridor picked up in the second quarter of 2019, coming in at a robust 5.4 million square feet (msf). The largest lease of the quarter was signed in the Central PA submarket by Smucker's. The food manufacturer leased an entire 1.1-msf Exeter Property Group speculative (spec) development, which was completed in June 2019. Net absorption was positive for the quarter at 4.0 msf, representing the 36th consecutive quarter of positive absorption for the market. Overall vacancy went down 90 bps over the previous quarter, hitting 6.7%. This drop in vacancy in the second quarter can be attributed to strong positive absorption, including the delivery of 1.7 msf of fully occupied new construction projects. After peaking in the third quarter of 2018, direct net asking rents declined slightly, hitting \$4.81 per square foot (psf) in the second quarter of 2019. While rents have generally increased across the market, lower rents at a handful of big-box projects over 1.0 msf are the cause for the slight decline in asking rents.

During the first half of 2019, 5.9 msf of new construction was delivered to the market, 48.7% of which was vacant as of the end of the second quarter. There is an additional 18.1 msf currently under construction set to deliver in 2019, which would bring construction completions to 24.0 msf – if completed – the highest annual delivery in the history of the I-81 and I-78 distribution corridor. More than 77.0% of this new inventory is spec construction, including 11 big-box projects, three of which have been delivered year-to-date. If the remaining eight buildings under construction deliver by year-end, it will also be the highest big-box annual total to be delivered in the market's history.

Outlook

Expect spec development to taper with only 1.8 msf currently under construction set to deliver in 2020, none of which are big-box projects. This will allow the market to absorb the large amount of spec and big-box projects to be delivered in 2019 and stabilize, as the market enters equilibrium by mid-2020. Expect vacancy to remain elevated until this time, driven by spec development which is fueled by strong leasing volumes and positive absorption, both indicative of a healthy market.

MARKETBEAT

PA I-81 & I-78 Corridor

Industrial Q2 2019



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)
Lehigh Valley	227	89,178,026	1,685,533	0	8.4%	922,909	8,241,487	1,770,387	\$4.50	N/A	\$5.15
Northeastern PA	174	63,166,045	737,014	0	7.1%	707,022	6,192,664	1,798,000	N/A	\$4.43	\$4.42
Central PA	354	137,398,047	4,925,636	0	5.4%	3,242,961	6,382,259	2,288,010	N/A	N/A	\$4.64
PA I-81 & I-78 TOTALS	755	289,742,118	7,348,183	0	6.7%	4,872,892	20,816,410	5,856,397	\$4.50	\$4.43	\$4.82

*Rental rates reflect asking \$psf/year **Does not include renewals

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
801 Centerville Road	1,138,000	The J.M. Smucker Company	Warehouse/Distribution	Central PA
8301 Industrial Boulevard	1,029,600	Wakefern Distribution	Warehouse/Distribution	Lehigh Valley
112 Bordnersville Road	738,720	Ferrero USA, Inc.	Warehouse/Distribution	Central PA
8400 Industrial Boulevard	726,000	The Dial Corporation	Warehouse/Distribution	Lehigh Valley

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
555 Nestle Way	1,042,655	VEREIT, Inc. / Korea Investment & Securities Co.	Warehouse/Distribution	\$87,929,394 / \$84	Lehigh Valley

Key Construction Completions Q2 2019

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
801 Centerville Road	1,138,000	Central PA	The J.M. Smucker Company	Warehouse/Distribution	Q2 2019
TradePort 164 - Building 2	611,000	Northeastern PA	Confidential	Warehouse/Distribution	Q2 2019

Key Projects Under Construction

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
TradePort 164 - Building 1	1,391,424	Northeastern PA	True Value	Warehouse/Distribution	Q3 2019
200 Logistics Drive	1,240,000	Lehigh Valley	Speculative	Warehouse/Distribution	Q4 2019
3419 Ritner Highway	1,215,240	Central PA	Speculative	Warehouse/Distribution	Q4 2019
1 Walnut Bottom Road	1,100,500	Central PA	Speculative	Warehouse/Distribution	Q3 2019
140 Industrial Drive	1,078,200	Northeastern PA	Speculative	Warehouse/Distribution	Q3 2019
Corporate Center Drive West	1,048,380	Northeastern PA	NFI/Lowes	Warehouse/Distribution	Q3 2019
Willowbrook Road	1,031,524	Lehigh Valley	Speculative	Warehouse/Distribution	Q4 2019
Valley View Drive	1,027,660	Northeastern PA	Speculative	Warehouse/Distribution	Q4 2019
Schuylkill Road	1,014,490	Northeastern PA	Speculative	Warehouse/Distribution	Q4 2019
84 Zions View Road	1,000,350	Central PA	Bayer Healthcare	Warehouse/Distribution	Q3 2019

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