

MARKETBEAT

Philadelphia

Industrial Q2 2019



PHILADELPHIA INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Philadelphia MSA Employment*	2.93M	2.96M	▲
Philadelphia MSA Unemployment*	4.2%	3.8%	▼
U.S. Unemployment	3.9%	3.6%	▼

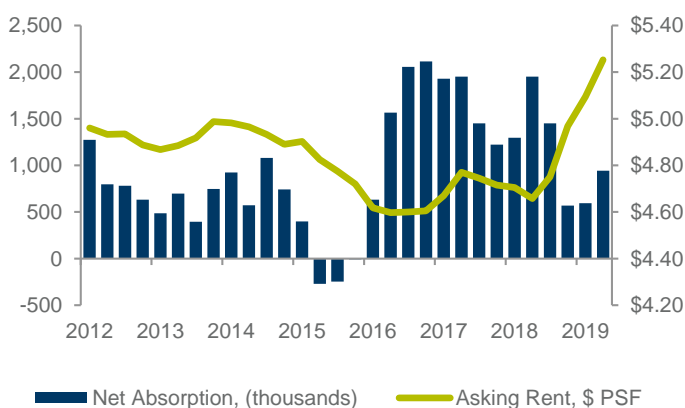
*2019 Q2 data are based on latest available data.

Market Indicators (Overall, All Property Types)

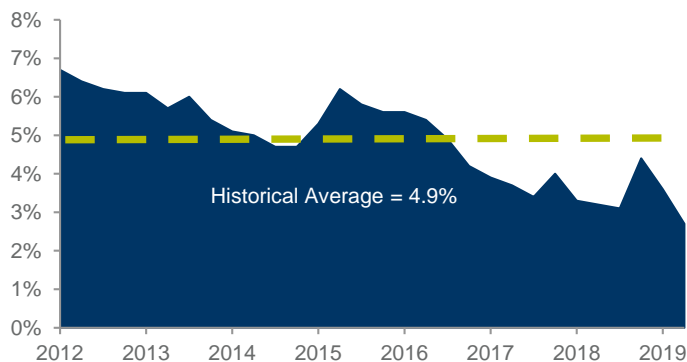
	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.2%	2.7%	■
YTD Net Absorption (sf)	1.5M	3.0M	▲
Under Construction (sf)	4.3M	5.0M	▲
Average Asking Rent**	\$4.79	\$5.39	▲

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

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



Overall Vacancy



Economy

The Philadelphia MSA's economy continued to grow in the second quarter of 2019, adding 35,600 jobs over the past 12 months, representing a 1.2% increase. Trade, transportation and utilities decreased by 3,900 jobs during this period. The regional unemployment rate continued to decline, falling 40 basis points (bps) since the second quarter of 2018.

Market Overview

Philadelphia industrial leasing activity picked up slightly in the second quarter of 2019, with 1.7 million square feet (msf) in new transactions. A third of all leasing transactions took place in Gloucester County in Southern New Jersey, driven by SDR Distribution Services signing a 376,900 square foot (sf) lease in the submarket, the largest transaction of the quarter. Net absorption was positive 1.2 msf, mirroring strong transaction volumes in the market. Vacancy continued to decline, hitting 2.7% in the second quarter, the lowest vacancy rate in the history of the Philadelphia industrial market. Vacancies remained tight throughout the market, particularly in Burlington County New Jersey (0.4%), the largest submarket in the region. Scarcity of vacant space is putting upward pressure on rents and fueling demand for new construction. Overall net asking rents increased in the second quarter of 2019, up 12.5% over the same period a year ago.

During the first half of 2019, 1.6 msf of new construction was delivered to the market, 18.3% of which was vacant as of the end of the second quarter. Of the remaining 4.1 msf under construction set to deliver in 2019, 90.2% is speculative development. If completed, this would bring construction deliveries to 5.7 msf in 2019, the highest annual delivery in the Philadelphia industrial market over the past five years. A majority of the speculative development currently under construction is taking place in Burlington County (60.4%), followed by Bucks County (13.4%) and Gloucester County (13.2%). Development in Burlington County is driven by tenant spillover from the Exit 8A submarket in central NJ, while new construction in Southeastern PA is driven by an aging inventory and tenants wanting to access Philadelphia's dense population centers.

Outlook

Expect new construction deliveries to absorb quickly, given strong demand and leasing activity. Robust market fundamentals will continue to drive development, but barriers of entry, including a scarcity of available land and an arduous entitlement process will limit new construction. This will keep vacancy rates low and push rents as tenant demand outpaces the market.

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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 CNSTR 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	258,456	117,366	4.3%	-52,180	207,500	0	\$5.76	N/A	\$4.69
Lower Bucks County	90	19,691,337	317,643	0	1.0%	106,869	545,240	57,600	\$4.75	N/A	\$4.86
Upper Bucks County	41	6,966,366	53,000	0	1.6%	53,000	385,200	101,920	N/A	N/A	\$6.50
Montgomery County	75	17,968,401	515,200	0	3.1%	464,561	266,700	150,000	\$4.87	\$7.50	\$5.50
Chester County	55	9,266,641	173,092	0	8.1%	10,552	0	0	\$5.34	\$5.85	\$5.00
Delaware County	28	5,359,902	0	110,000	3.3%	0	0	0	N/A	N/A	\$4.20
SUBURBAN PHILADELPHIA	393	82,847,331	1,317,391	227,366	3.4%	582,802	1,404,640	309,520	\$5.43	\$7.32	\$5.02
Burlington County	105	29,221,574	913,896	183,340	0.4%	1,897,829	2,799,911	1,111,500	N/A	\$6.00	\$5.75
Camden County	77	14,567,824	140,800	115,315	0.0%	0	0	0	N/A	N/A	N/A
Gloucester County	84	19,375,531	686,539	0	3.6%	554,420	613,500	194,072	N/A	N/A	\$5.57
Salem County	8	3,560,969	0	0	9.4%	0	213,900	0	N/A	N/A	\$5.75
SOUTHERN NEW JERSEY	274	66,725,898	1,741,235	298,655	1.7%	2,452,249	3,627,311	1,305,572	N/A	\$6.00	\$5.64
Northern Delaware**	84	15,825,475	53,128	95,824	2.6%	-72,537	0	0	N/A	N/A	\$5.35
PHILADELPHIA MSA TOTALS	667	149,573,229	3,058,626	526,021	2.7%	3,035,051	5,031,951	1,615,092	\$5.43	\$7.25	\$5.30

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 Q2 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
1245 Forest Parkway	376,903	SDR Distribution Services	Warehouse/Distribution	Gloucester County
7601 State Road	201,456	JAKO Enterprises	Warehouse/Distribution	Philadelphia County

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
1 Commerce Drive	931,560	Triangle Capital Group / Sun Equity Partners	Warehouse/Distribution	\$47,500,000 / \$51	Camden County

Key Construction Completions Q2 2019

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE
0 Thoms Road	150,000	422 Corridor	Global Packaging	Warehouse/Distribution
1100 North Ridge Road / Building 1	101,920	Upper Bucks County	Speculative	Warehouse/Distribution

Key Projects Under Construction

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
1800 North Route 130 / Building 1	913,466	Burlington County	Speculative	Warehouse/Distribution	Q3 2019
201 Old York Road	569,145	Burlington County	Speculative	Warehouse/Distribution	Q4 2019

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