

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>7.5%</b><br>Vacancy Rate            | ▼       | ▼               |
| <b>18.3M</b><br>YTD Net Absorption, SF | ▲       | ▲               |
| <b>\$5.01</b><br>Asking Rent, PSF      | ▲       | ▲               |

Overall, Triple Net Asking Rent

### ECONOMIC INDICATORS Q3 2020

|   | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| <b>996.5K</b><br>PA I-81 & I-78<br>Employment       | ▼       | ▲               |
| <b>11.2%</b><br>PA I-81 & I-78<br>Unemployment Rate | ▲       | ▼               |
| <b>8.8%</b><br>U.S.<br>Unemployment Rate            | ▲       | ▼               |

Source: BLS

### ECONOMY

Since the onset of COVID-19 in March 2020, the PA I-81 & I-78 distribution corridor shed 64,900 jobs. Total nonfarm employment for the third quarter of 2020 was 7.6% lower than the same period a year ago, as unemployment increased 670 basis points (bps) during that time hitting 11.2%. While the contraction was felt across sectors, industrial sector jobs, comprised of manufacturing and transportation and warehousing, outperformed the overall economy, dropping by 3.4% since March 2020.

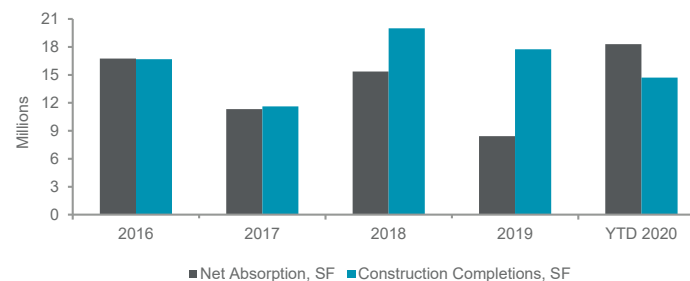
### SUPPLY AND DEMAND

Despite the onset of COVID-19 and the economic downturn, demand for industrial space in the I-81 & I-78 distribution corridor remains robust, with year-to-date (YTD) leasing activity hitting 15.7 million square feet (msf) in the third quarter of 2020 and 80.8% of deals taking place since the pandemic hit in March. More than half of the 2.7 msf leased in the third quarter took place in the burgeoning Split submarket. Overall YTD net absorption hit 18.3 msf, which is 1.5 msf more than the market's previous 10-year high for annual absorption and 3.6 msf more than YTD construction deliveries for the corridor. Additionally, almost three-quarters of the 6.4 msf in third quarter construction deliveries were pre-leased, further bolstering absorption and dropping vacancy, which decreased 30 bps since Q2 2020. Vacancy has dropped 180 bps from the six-year peak set in the fourth quarter of 2019, as demand outpaces supply in the I-81 & I-78 industrial market.

### OUTLOOK

While leasing activity slowed in the third quarter, there are a handful of pending leases that will likely close by year-end, driving transaction volumes even further in 2020. Driven by robust demand, construction completions picked up and are expected to hit 20.0 msf by the end of the year, with 16.2 msf currently under construction. Despite the high number of deliveries, net absorption is expected to outpace construction completions and is on pace to exceed 25.0 msf in 2020, 50.0% greater than the previous absorption record set by the market.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



### MARKET STATISTICS

| SUBMARKET                           | INVENTORY (SF)     | OVERALL VACANT (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF)*** | YTD LEASING ACTIVITY (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) |
|-------------------------------------|--------------------|---------------------|----------------------|------------------------------------|-----------------------------|-------------------|----------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Lehigh Valley                       | 82,820,153         | 4,734,098           | 5.7%                 | 6,011,489                          | 3,862,409                   | 6,028,441         | 7,451,054                  | N/A                                | N/A                                | \$6.21                              |
| Northeastern PA                     | 62,021,310         | 4,599,981           | 7.4%                 | 4,611,008                          | 2,723,462                   | 3,337,396         | 3,279,200                  | N/A                                | \$4.50                             | \$4.43                              |
| Central PA                          | 132,677,031        | 9,962,023           | 7.5%                 | 3,884,634                          | 6,238,377                   | 3,652,382         | 1,043,989                  | N/A                                | N/A                                | \$4.71                              |
| Split                               | 40,381,704         | 4,689,428           | 11.6%                | 3,790,130                          | 2,856,559                   | 3,225,175         | 2,938,874                  | N/A                                | N/A                                | \$4.99                              |
| <b>PA I-81 &amp; I-78 TOTALS***</b> | <b>317,900,198</b> | <b>23,985,530</b>   | <b>7.5%</b>          | <b>18,297,261</b>                  | <b>15,680,807</b>           | <b>16,243,394</b> | <b>14,713,117</b>          | <b>\$N/A</b>                       | <b>\$4.50</b>                      | <b>\$5.01</b>                       |

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

\*\*\*Net absorption is not reflective of the U.S. Overview

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

### KEY LEASE TRANSACTIONS Q3 2020

| PROPERTY             | SUBMARKET | TENANT       | RSF     | TYPE |
|----------------------|-----------|--------------|---------|------|
| 1002 Patriot Parkway | Split     | Confidential | 609,000 | New  |
| 53 Central Boulevard | Split     | Saddle Creek | 444,080 | New  |
| 60 Central Boulevard | Split     | RB Health    | 414,960 | New  |

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS 2020

| PROPERTY                  | SUBMARKET  | SELLER / BUYER                        | SF        | PRICE/\$ PSF       |
|---------------------------|------------|---------------------------------------|-----------|--------------------|
| C & S Wholesale Portfolio | Central PA | C&S Wholesale Grocers/ Ahold Delhaize | 1,600,000 | \$145.6M / \$90.00 |

### KEY CONSTRUCTION COMPLETIONS Q3 2020

| PROPERTY             | SUBMARKET       | MAJOR TENANT            | SF        | OWNER/DEVELOPER             |
|----------------------|-----------------|-------------------------|-----------|-----------------------------|
| 140 Industrial Drive | Northeastern PA | Undisclosed             | 1,078,200 | Endurance Real Estate Group |
| 942 Memorial Parkway | Lehigh Valley   | Uniqlo                  | 975,761   | Bridge Development          |
| 7532 Industrial      | Lehigh Valley   | Dr Pepper/Snapple Group | 730,080   | Global Logistics Properties |

### KEY PROJECTS UNDER CONSTRUCTION 2020

| PROPERTY                  | SUBMARKET       | MAJOR TENANT    | SF        | OWNER/DEVELOPER            |
|---------------------------|-----------------|-----------------|-----------|----------------------------|
| 8783 Congdon Hill Drive   | Lehigh Valley   | Knoll Furniture | 1,090,000 | Prologis                   |
| 3633 Commerce Center Blvd | Lehigh Valley   | Speculative     | 1,041,600 | Majestic Realty Company    |
| 1 Valley View Drive       | Northeastern PA | Speculative     | 1,027,660 | Trammell Crow Company      |
| Martha Drive              | Split           | Speculative     | 1,011,615 | Northpoint Development     |
| 4255 North Valley         | Lehigh Valley   | Speculative     | 812,185   | Black Creek Group          |
| 951 Centerville Road      | Central PA      | Speculative     | 807,998   | Ridge Development          |
| 145 Market Way            | Northeastern PA | Speculative     | 749,736   | Logistics Property Company |

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