

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
2.8% Vacancy Rate	▼	▬
5.0M YTD Net Absorption, SF	▲	▲
\$6.08 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
2.98M Philadelphia Employment	▼	▲
11.8% Philadelphia Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 234,600 jobs. The Philadelphia region's unemployment rate of 11.8% in the third quarter of 2020 was 760 basis points (bps) higher than the same period a year ago. Industrial sector jobs in manufacturing and trade and transportation outperformed the overall regional economy, with jobs in those sectors dropping by 4.8% since February, compared to total nonfarm jobs which dropped by 7.9% during that period.

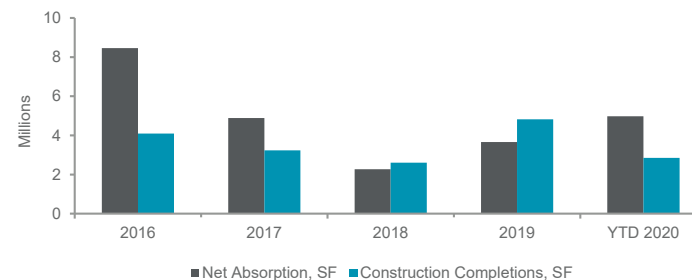
SUPPLY AND DEMAND

Despite COVID-19 and the economic downturn, leasing activity in the third quarter of 2020 remained strong in the Philadelphia MSA, hitting 3.0 million square feet (msf) and bringing year-to-date (YTD) new leasing transactions to 8.6 msf, which is 117.1% greater than the same period a year ago. Amazon continues to aggressively expand its last mile distribution network in Philadelphia, signing four leases in the third quarter alone. These included a 1.1-msf lease that kicked-off construction for a new build-to-suit (BTS) development in Salem county, a 253,500-sf lease in Burlington county, a 207,400-sf lease in Philadelphia County, and a 148,000-sf lease in Bucks County. Including these transactions, the e-commerce giant has leased 3.5 msf across the region over the last five quarters, representing almost a third of all leasing activity in the market during this period. Overall YTD net absorption hit 5.0 msf, outpacing construction deliveries by 2.2 msf, which drove vacancy down 150 basis points (bps) to 2.8% since year-end 2019. Strong demand continues to drive speculative construction, which makes up 82.3% of the 7.6 msf currently under construction.

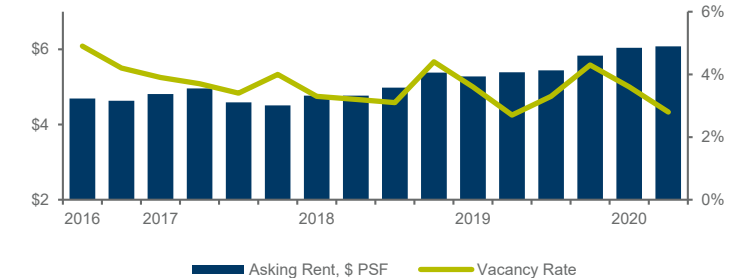
OUTLOOK

More than three quarters of the 7.6 msf currently under construction in the Philadelphia market is already pre-leased, as demand is outpacing supply. Strong pre-leasing will have a positive impact on net absorption over the next 18 months as these projects deliver to market fully leased, putting further downward pressure on vacancy and upward pressure on rents. Even though construction has picked up in the Philadelphia market over the past five years, less than 18.0% of the market's overall inventory is less than 10 years old and the median building age is from 1981. Growing demand from e-commerce and last mile delivery tenants and a limited supply of available, modern Class A, warehouse space they need, will continue to drive spec construction in the market. However, barriers of entry including land constraints and an arduous entitlement process, will limit supply, protecting vacancy and rents in the Philadelphia 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)
Philadelphia County	24,485,662	594,902	2.4%	833,650	490,870	250,000	565,167	\$4.00	\$0.00	\$5.82
Lower Bucks County	20,343,489	531,119	2.6%	9,803	537,464	0	0	\$4.75	\$0.00	\$7.02
Upper Bucks County	7,351,566	452,400	6.2%	101,920	101,920	0	125,000	\$0.00	\$0.00	\$6.57
Montgomery County	18,224,946	884,461	4.9%	257,204	685,309	213,590	176,700	\$5.61	\$7.50	\$5.90
Chester County	9,520,803	753,919	7.9%	17,098	0	0	0	\$6.70	\$5.85	\$6.32
Delaware County	5,359,902	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
SUBURBAN PHILADELPHIA	85,286,368	3,216,801	3.8%	1,219,675	1,815,563	463,590	866,867	\$5.88	\$7.28	\$6.29
Burlington County	32,131,184	192,292	0.6%	2,506,402	2,715,911	4,182,569	1,343,648	\$0.00	\$0.00	\$5.75
Camden County	14,288,458	319,284	2.2%	-319,284	132,000	0	0	\$0.00	\$5.95	\$5.50
Gloucester County	20,459,169	548,594	2.7%	1,360,858	2,685,058	1,820,790	427,640	\$0.00	\$0.00	\$5.89
Salem County	3,774,869	158,400	4.2%	213,900	1,299,368	1,085,468	213,900	\$0.00	\$0.00	\$5.75
SOUTHERN NEW JERSEY	70,653,680	1,218,570	1.7%	3,761,876	6,832,337	7,088,827	1,985,188	\$0.00	\$5.95	\$5.77
Northern Delaware***	15,012,475	363,781	2.4%	0	0	188,600	0	N/A	\$0.00	\$5.18
PHILADELPHIA MSA TOTALS	155,940,048	4,435,371	2.8%	4,981,551	8,647,900	7,552,417	2,852,055	\$5.88	\$6.43	\$6.12

*Rental rates reflect weighted net asking \$psf/year **Does not include renewals ***Northern Delaware market not included in Philadelphia MSA Totals

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
747 Course Landing Road	Salem County	Amazon	1,085,468	New
3025 Meetinghouse Road	Philadelphia County	Amazon	207,370	New

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
11601 Roosevelt Blvd	Philadelphia County	DHL	465,000	NorthPoint Development
209 Schoolhouse Road	Montgomery County	Speculative	176,700	Endurance Real Estate Group

KEY PROJECTS UNDER CONSTRUCTION 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2858 Route 322	Gloucester County	Target	1,105,000	Advanced Realty/Greek Development
747 Courses Landing Road	Salem County	Amazon	1,085,468	Private Individual

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