

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
2.5% Vacancy Rate	▼	▬
7.4M YTD Net Absorption, SF	▲	▲
\$6.28 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
2.98M Philadelphia Employment	▼	▲
7.6% Philadelphia Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 150,000 jobs. The Philadelphia region's unemployment rate of 7.6% in the fourth quarter of 2020 was 330 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 1.5% since February, compared to total nonfarm jobs which dropped by 5.1% during that period.

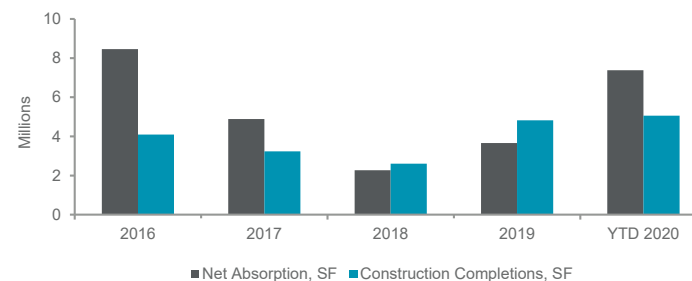
SUPPLY AND DEMAND

Despite COVID-19 and the economic downturn, leasing activity in 2020 remained strong in the Philadelphia MSA, hitting 13.3 msf, which is 125.2% greater than 2019. The Philadelphia industrial market ended the year strong, with more than a third of all transactions taking place in the last quarter of the year. This included Amazon taking an additional 544,250 sf across two locations, one in Philadelphia County and the other in Burlington County. In all, the e-commerce giant has leased 3.9 msf in 2020, representing 29.4% of all transactions in the Philadelphia region over the past year. Overall net absorption hit 7.4 msf in 2020. Almost 60.0% of the 5.1 msf of construction completions in 2020 were occupied at the time of delivery, accounting for 41.1% of the positive absorption for the market. Overall net absorption outpaced construction deliveries by 2.3 msf, which drove vacancy down 180 bps to 2.5% since year-end 2019. As demand continues to outpace supply, developer appetite for speculative projects in the Philadelphia market is growing, with almost three-quarters of the 7.1 msf currently under construction comprised of speculative developments.

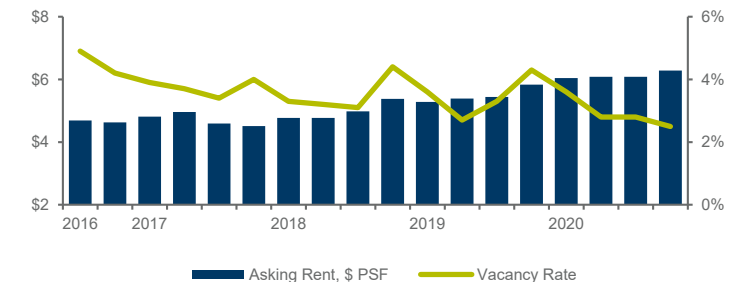
OUTLOOK

Despite the amount of speculative square footage currently under construction, 42.5% of the 7.1 msf under construction is pre-leased, with a majority of the vacant space slated to deliver in the second half of 2021. If demand keeps its current pace, most of the projects under construction will deliver fully occupied, having a positive impact on absorption. This will put further downward pressure on vacancy and upward pressure on rents. Growing demand from e-commerce and last mile delivery tenants and a limited supply of available, modern Class A, warehouse space, will continue to drive speculative 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	24,688,086	530,120	2.2%	898,432	1,296,621	250,000	565,167	N/A	N/A	\$5.98
Lower Bucks County	20,460,142	700,275	3.4%	-249,353	1,063,314	0	0	N/A	N/A	\$7.00
Upper Bucks County	7,351,566	452,400	6.2%	101,920	101,920	249,600	125,000	N/A	N/A	\$6.57
Montgomery County	18,370,946	148,612	0.8%	850,156	1,278,261	213,590	176,700	\$5.38	\$7.50	N/A
Chester County	9,520,803	642,468	6.8%	128,549	5,065	0	0	\$4.95	\$5.85	\$6.32
Delaware County	5,359,902	0	0.0%	0	175,000	659,000	0	N/A	N/A	N/A
SUBURBAN PHILADELPHIA	85,751,445	2,473,875	2.9%	1,729,704	3,920,181	1,372,190	866,867	\$5.03	\$7.28	\$6.51
Burlington County	33,803,802	720,292	2.1%	3,651,020	4,350,971	3,362,319	3,016,266	N/A	N/A	\$6.85
Camden County	14,288,458	116,284	0.8%	-116,284	517,455	0	0	N/A	\$5.95	N/A
Gloucester County	20,994,959	541,657	2.6%	1,903,585	3,251,642	1,285,000	963,430	N/A	N/A	\$5.98
Salem County	3,774,869	158,400	4.2%	213,900	1,299,368	1,085,468	213,900	N/A	N/A	\$5.75
SOUTHERN NEW JERSEY	72,862,088	1,536,633	2.1%	5,652,221	9,419,436	5,732,787	4,193,596	N/A	\$5.95	\$6.40
Northern Delaware***	15,012,475	363,781	2.4%	0	0	188,600	0	N/A	\$0.00	\$5.18
PHILADELPHIA MSA TOTALS	158,613,533	4,010,508	2.5%	7,381,925	13,339,617	7,104,977	5,060,463	\$5.03	\$6.43	\$6.46

*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 Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Mansfield Logistics Park	Burlington County	Elogistics	710,368	New
9801 Blue Grass Road	Philadelphia County	TJX Companies	282,800	New

KEY CONSTRUCTION COMPLETIONS Q4 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1100 West Front Street	Burlington County	Speculative	528,000	Black Creek Group
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	Arbok/Panattoni

CASANDRA DOMINGUEZ

Director of Research

+1 215 963 4077/casandra.dominguez@cushwake.com

DAVID SPRAGG

Senior Analyst

+1 410 347 7552/david.spragg@cushwake.com

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