

	YoY Chg	12-Mo. Forecast
6.8% Vacancy Rate	▼	▼
3.8M YTD Net Absorption, SF	▲	▼
\$5.06 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
944.5K PA I-81 & I-78 Employment	▼	▲
7.2% PA I-81 & I-78 Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Since the onset of COVID-19 in March 2020, the PA I-81 & I-78 distribution corridor shed 30,600 jobs. Total nonfarm employment for the first quarter of 2021 was 5.7% lower than the same period a year ago, as unemployment increased 230 basis points (bps) during that time hitting 7.0%. The transportation and warehousing sector outperformed the overall economy and rebounded strongly, adding 9,000 jobs since February 2020. This represents a 7.2% increase through February 2021, while total non-farm jobs fell by 3.1%.

SUPPLY AND DEMAND

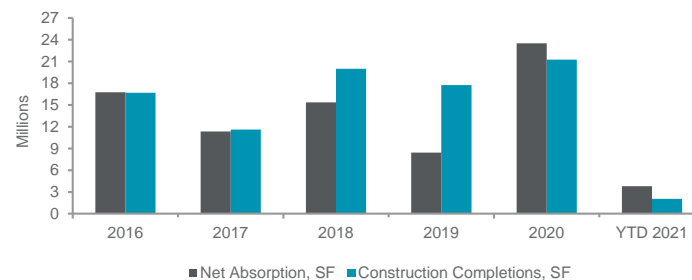
The PA I-81 & I-78 distribution corridor vacancy remained 6.8% making a 140 bps decrease year-over-year (YOY) . Driven by strong demand for space, leasing activity hit 8.4 million square feet (msf), 13.8% above the previous five-year first quarter average. The 8.4 msf leased in the first quarter was the second most new leasing activity in the past five years. The Central PA market led leasing velocity by netting 2.7 msf of new deals. Walmart leased 1.8 msf at 2281 United Drive in Central PA, the largest during the first quarter of 2021. The first quarter of 2021 experienced just under 3.8 msf of positive absorption, led by the Lehigh Valley with 3.0 msf of positive absorption.

On the supply side, construction deliveries added an additional 2.0 msf to the I-81 & I-78 distribution corridor. Of the 20.7 msf currently under construction in the market, 50.9% of the inventory is preleased. Despite 2.0 msf of deliveries in the first quarter of 2021, net absorption still exceeded construction completions by 6.4 msf, as demand outpaces supply in the I-81 & I-78 distribution corridor. This is putting upward pressure on asking rents, which increased 4.6% over the past five quarters.

OUTLOOK

The I-81 & I-78 distribution corridor's strategic location with easy access to the most densely populated areas in the country make it a necessary site for companies building an East Coast distribution strategy. With COVID-19 accelerating consumer demand for e-commerce, the need for warehousing space with quick access to multiple population centers is at a premium. Healthy demand for space in the I-81 and I-78 distribution corridor will likely continue, as the pandemic has magnified the trends that were driving growth in the market pre-COVID-19, while available space and developable land remains at a premium. The approval timeline in PA combined with the surge in demand for developable dirt has resulted in a pricing spike for both entitled and unentitled industrial land. The increasing land basis and rising construction costs are pushing the value of vacant assets upwards, while the capital markets remain frothy for stabilized product as cap rates compressed significantly throughout the 2021 calendar year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2021

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	86,770,173	4,351,213	5.0%	2,458,423	2,277,470	4,346,360	1,090,000	N/A	N/A	\$6.22
Northeastern PA	63,859,729	4,892,182	7.7%	1,515,459	2,317,390	5,949,472	0	N/A	\$4.50	\$4.48
Central PA	135,284,562	8,546,996	6.3%	-180,430	2,780,536	6,407,943	965,157	N/A	N/A	\$4.81
Split	41,226,941	4,581,308	11.1%	6,520	1,068,595	4,053,553	0	N/A	N/A	\$4.94
PA I-81 & I-78 TOTALS***	327,141,405	22,371,699	6.8%	3,799,972	8,443,991	20,757,328	2,055,157	N/A	\$4.50	\$5.06

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

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1823 United Drive	Central PA	Walmart	1,823,600	New
3633 Commerce Center Blvd	Lehigh Valley	Confidential	1,041,600	New
1057 Hanover Street	Northeastern PA	PepsiCo	560,000	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
31-45 Elmwood Avenue	Northeastern PA	Calex ISCS / Exeter Property Group	200,000	\$36.8M / \$184

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
8783 Congdon Hill Drive	Lehigh Valley	Knoll Furniture	1,090,000	Prologis
223 Morgan Lane	Central PA	Speculative	271,182	Core5
601 Stony Battery Road	Central PA	Speculative	252,800	TA Realty

KEY PROJECTS UNDER CONSTRUCTION Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2281 United Drive	Central PA	Speculative	1,823,600	Matrix Development
Greencastle	Central PA	Confidential	1,500,000	Northpoint Development
Martha Drive	Split	Speculative	1,011,615	Northpoint Development
610 Oak Ridge Road	Northeastern PA	Niagara Water	1,000,000	Niagara Water
1400 East Lackawanna Avenue	Northeastern PA	Canpack	950,000	Canpack
Route 940	Northeastern PA	Speculative	921,328	Exeter Property Group
8449 Congdon Hill Drive	Lehigh Valley	Speculative	918,194	Prologis

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