

# PA I-81 & I-78

## Industrial Q2 2021

**6.0%**  
Vacancy Rate



**10.4M**  
YTD Net Absorption, SF



**\$5.14**  
Asking Rent, PSF



Overall, Triple Net Asking Rent

### ECONOMIC INDICATORS Q2 2021

**945K**  
PA I-81 & I-78  
Employment



**7.1%**  
PA I-81 & I-78  
Unemployment Rate



**5.9%**  
U.S.  
Unemployment Rate



Source: BLS

### ECONOMY

Total employment along the PA I-81 & I-78 distribution corridor has rebounded, increasing by almost 92,000 jobs throughout the last year, a 10.8% increase. The unemployment rate in the region has dwindled markedly this past year as well, down 740 basis points (bps) to 7.1%. The transportation and warehousing sector continued to outperform the overall economy, improving by 17.2% year-over-year. Meanwhile, online sales nationwide have trended higher and consumer confidence reached a 16-month high, helping to fuel both industrial-related employment industries and the warehouse and logistics real estate market.

### SUPPLY AND DEMAND

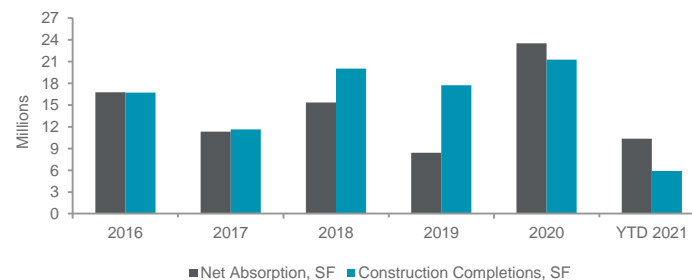
The PA I-81 & I-78 distribution corridor vacancy rate fell 80 bps to 6.0% since the first quarter as robust leasing activity persisted throughout the marketplace. This marked the lowest rate recorded since mid-year 2018. The market yielded 6.6 million square feet (msf) of quarterly net absorption, as occupancy gains were healthy throughout all submarkets. However, Split registered more than 3.4 msf of quarterly absorption in that time, leading the way. Propelling the vacancy improvements were almost 11.0 msf of new leases inked in the second quarter as e-commerce, 3PLs and retailers/wholesalers remained extremely active in the marketplace. Five deals were completed greater than 500,000 square feet (sf) and another 14 leases were completed from 200,000 – 500,000 sf. Asking rents edged to new heights once more, up 5.1% from one year prior. At \$6.51 psf, the Lehigh Valley asking rental rate is the highest priced along the corridor, 26.6% above the market's average.

Construction deliveries added an additional 3.8 msf of product to the inventory, pushing the YTD total to 5.9 msf. An additional 26.4 msf of developments are underway, 48.9% of which are released. The market is on pace to register over 23.0 msf of annual deliveries, slightly ahead of last year's total. Demand for warehouse space is not expected to slow down over the next 18 months, however due to tight market conditions, absorption totals can be expected to be more tempered due to a lack of existing product to absorb.

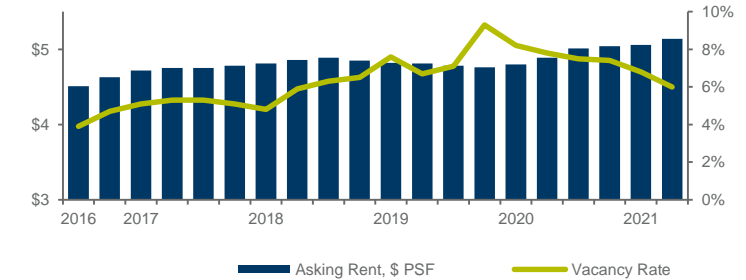
### OUTLOOK

The I-81 & I-78 distribution corridor's easy access to the most densely populated metropolitan areas in the nation make it a necessary site for companies building an East Coast distribution strategy. As consumer demand for e-commerce swelled during COVID-19 and continues to accelerate, the need for warehousing and logistics space with quick access to multiple population centers is at a premium. Healthy demand for space along the corridor will persist, as the pandemic has magnified trends that were driving growth in the market pre-COVID-19, thus pushing asking rents to historic highs. Meanwhile available space and developable land remains at a premium unlike some nearby markets. The approval timeline in PA combined with demand for developable dirt has resulted in a pricing spike for industrial land. Increasing land basis and rising construction costs are pushing the value of vacant assets upwards, while capital markets remain frothy for stabilized product as cap rates compressed significantly throughout 2021.

### 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	88,499,500	4,215,497	4.8%	4,323,466	4,734,521	5,814,731	2,819,327	N/A	N/A	\$6.51
Northeastern PA	64,981,465	5,154,751	7.9%	2,265,955	4,047,913	7,324,336	749,736	\$3.75	\$4.50	\$4.66
Central PA	136,237,627	9,035,750	6.6%	292,686	5,578,906	8,408,742	1,918,357	N/A	N/A	\$4.86
Split	41,642,381	1,526,543	3.7%	3,476,245	4,710,460	4,878,593	414,960	N/A	N/A	\$5.27
<b>PA I-81 &amp; I-78 TOTALS***</b>	<b>331,360,973</b>	<b>19,932,541</b>	<b>6.0%</b>	<b>10,358,352</b>	<b>19,071,800</b>	<b>26,426,402</b>	<b>5,902,380</b>	<b>\$3.75</b>	<b>\$4.50</b>	<b>\$5.107</b>

\*Rental rates reflect weighted net asking \$psf/year \*\*Does not include renewals \*\*\* Statistics not reflective of U.S. MarketBeat Tables

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

### KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
270 Midway Road	Split	Confidential	1,082,200	New Lease
71 Mall Road	Split	Ryder Logistics (Bed Bath and Beyond)	1,014,490	New Lease
145 Market	Northeastern PA	VidaXL	749,736	New Lease

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
951 Willowbrook Road	Lehigh Valley	Rockefeller Group / CenterPoint Properties	1,031,524	\$201.5M / \$195

### KEY CONSTRUCTION COMPLETIONS Q2 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
145 Market Way	Northeastern PA	Speculative	749,736	Logistics Property Company
5185 Crackersport Road	Lehigh Valley	Speculative	640,305	Black Creek Group
3585 South Church Street	Lehigh Valley	Speculative	504,900	W.P. Carey, Inc.

### KEY PROJECTS UNDER CONSTRUCTION Q2 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
Hazleton Logistics Park	Northeastern PA	Conversion	1,410,000	Hillwood
1000-2000 Rand Blvd, Bldg 1	Lehigh Valley	Speculative	1,408,200	Bridge Industrial
29 Ludwig Court	Split	Speculative	1,240,000	Keith Corporation
3751 East Harrisburg Pike - Bldg 1	Central PA	Speculative	1,217,520	Core5
610 Oak Ridge Road	Northeastern PA	Niagara Water	1,202,800	Niagara Water

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