MARKETBEAT

PHILADELPHIA

Industrial Q3 2021

	YoY Chg	12-Mo. Forecast
1.6% Vacancy Rate	▼	▼
6.4M YTD Net Absorption, SF	▲	▲
$7.09 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
2.8M Philadelphia Employment	▲	▲
6.6% Philadelphia Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The Philadelphia MSA's economy continued to recover amid the ongoing COVID-19 pandemic, as total employment climbed by 3.7% year-over-year. The unemployment rate continued to plummet, reaching 6.6% as the labor market tightened, and ongoing vaccinations allowed establishments to open more doors to employees and the public. Locally, as the industrial sector continued to reach new heights, trade, transportation, and utilities employment climbed 4.2% over the past year, remaining a critical part of the Philadelphia MSA's labor market.

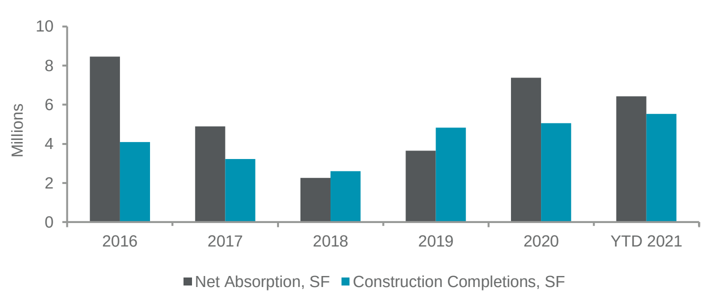
SUPPLY AND DEMAND

As the regional and national economies persevered and trended upwards, demand for industrial space within the region was seemingly insatiable. As a result, market conditions in both the Suburban Philadelphia and Southern New Jersey strengthened further, as robust demand for high-end warehouse and logistics space persisted. The market's vacancy rate remained steady at 1.6%, a historical low, with rates dropping across the Southeastern Pennsylvania counties throughout the quarter. Meanwhile, Southern New Jersey's vacancy rate (0.5%) finished the quarter among the lowest in the nation. Amid strong demand coupled with extremely limited supply, asking rents for all asset classes have reached new heights. Both asking and taking rents continued to surge rapidly across the region, with asking rents up 16.6% annually. Furthermore, many landlords have ceased citing asking rents due to how rapidly rates are increasing throughout the marketplace. Burlington and Salem counties fueled quarterly net absorption totals, pushing the year-to-date (YTD) total for the Philadelphia MSA to over 6.4 million square feet (msf), slightly ahead of 2020's YTD total. Southern New Jersey demand accounted for 75.8% of the region's leasing activity, propelled recently by three leases greater than 300,000 sf. YTD leasing has already surpassed the five-year historical average for the region, and is on pace to reach the total recorded in 2020. Third-party logistics, e-commerce, and consumer goods companies relocated to and expanded throughout the marketplace, even as some delivery timelines for under-construction projects were pushed slightly back. To meet the constant demand for big-box space, the average footprint of new development projects has skyrocketed by 37.3% since 2019 as the market has been a hub for major distribution centers in Southern New Jersey.

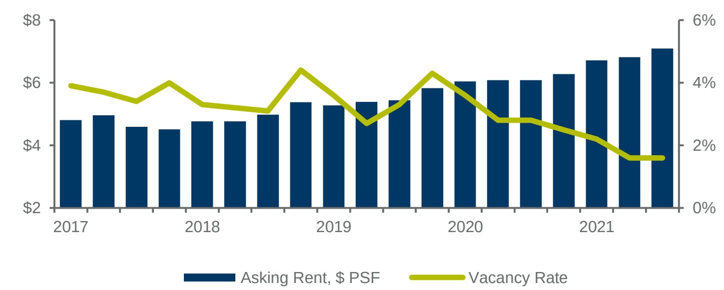
OUTLOOK

With 12.3 msf currently under construction, 35.7% has been preleased -- the market's pipeline is thriving and developers are remaining extremely bullish. Almost 3.3 msf is slated to deliver by year-end, pushing the annual total even further past its historical high. Historically tight market conditions are projected to persist, and absorption totals will outpace new deliveries, pushing rents to levels never seen in history.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PHILADELPHIA

Industrial Q3 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 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Philadelphia County	24,311,099	390,257	1.6%	516,026	389,852	614,800	474,703	$6.95	N/A	$6.06
Lower Bucks County	20,129,055	535,741	2.7%	441,376	549,729	2,015,456	225,000	$4.93	N/A	$7.80
Upper Bucks County	7,805,629	462,913	5.9%	238,587	351,650	105,840	249,600	$6.50	N/A	$6.49
Montgomery County	22,093,338	546,638	2.5%	-462,527	929,459	1,089,435	0	$6.30	$7.50	$5.00
Chester County	9,826,211	209,741	2.1%	239,454	261,863	0	0	N/A	N/A	$9.05
Delaware County	5,821,712	191,454	3.3%	-191,454	0	1,254,000	0	N/A	N/A	$8.50
SUBURBAN PHILADELPHIA	**89,987,044**	**2,336,744**	**2.6%**	**781,462**	**2,482,553**	**5,079,531**	**949,303**	**$6.23**	**$7.50**	**$6.99**
Burlington County	39,783,444	232,369	0.6%	2,701,353	4,735,471	4,463,970	2,213,430	N/A	N/A	$8.94
Camden County	12,914,676	44,985	0.3%	71,299	150,000	150,000	0	N/A	N/A	N/A
Gloucester County	23,342,471	164,266	0.7%	1,639,001	2,492,476	2,072,052	1,285,000	N/A	N/A	$7.00
Salem County	5,786,617	0	0.0%	1,243,868	408,835	550,004	1,085,468	N/A	N/A	N/A
SOUTHERN NEW JERSEY	**81,827,208**	**441,620**	**0.5%**	**5,655,521**	**7,786,782**	**7,236,026**	**4,583,898**	**N/A**	**N/A**	**$8.14**
PHILADELPHIA MSA TOTALS	**171,814,252**	**2,778,364**	**1.6%**	**6,436,983**	**10,269,335**	**12,315,557**	**5,533,201**	**$6.23**	**$7.50**	**$7.25**

**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 Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2961 Route 322 | Logan Township, NJ	Gloucester County	Burlington Stores	1,028,530	New Lease
1150 Commerce Boulevard | Logan Township, NJ	Gloucester County	Confidential e-commerce firm	599,500	New Lease

KEY CONSTRUCTION COMPLETIONS Q3 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
747 Courses Landing Road	Salem County	Build-to-Suit	1,085,468	Private Individual/Arbok Partners/Panattoni
100 Western Drive	Burlington County	Speculative	634,400	MRP Industrial

KEY PROJECTS UNDER CONSTRUCTION 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Keystone Trade Center | Fairless Hills, PA	Lower Bucks County	Speculative	2,015,456	Northpoint Development
2961 Route 322 | Logan Township, NJ	Gloucester County	Speculative	1,028,530	J.G. Petrucci Co., Inc.

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