

Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
3.3% Vacancy Rate	▲	▼
-729K YTD Net Absorption, SF	▼	▲
\$8.47 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
2.9M Philadelphia Employment	▲	▲
5.3% Philadelphia Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The Philadelphia MSA's economy continued its recovery following the heights of the COVID-19 pandemic, as total employment climbed by 4.0% year-over-year (YOY), while the unemployment rate continued along its downward trend, reaching 5.3%. As the industrial sector sustained its unprecedented momentum, third-party logistics and technological development companies benefited from strong consumer confidence and retail sales in the first quarter due in part to strong employment growth, despite geopolitical uncertainties and inflation persisting.

SUPPLY AND DEMAND

With warehouse and distribution properties remaining in high demand, the market's overall vacancy rate climbed to a healthy 3.3% during the first quarter. The underpinning of Southern New Jersey's vacancy was driven by more than 1.0 million square feet (msf) of speculative construction deliveries; simultaneously, Camden and Gloucester Counties' vacancy rates remained historically tight through the first quarter. Southeastern Pennsylvania's yielded approximately 300,000 square feet (sf) of quarterly net absorption, a 175% increase YOY – reaching the area's highest first-quarter total since 2018. Amid strong demand coupled with extremely limited supply, asking rents for all asset classes reached new heights, as both asking and taking rents continued to rise rapidly across the region. In fact, insatiable demand for warehouse space in the region spurred a 28.1% increase in asking rents YOY. Southern New Jersey accounted for 60.1% of the region's quarterly leasing activity, and first quarter demand was driven primarily by eight new leases completed exceeding 150,000 sf. Notably, leasing activity swelled by 47.4% YOY, fueled primarily by 3PL and consumer goods activity. E-commerce tenants continued to expand throughout the region, due in part to rising transportation costs. As such, a record level of nearly 2.0 msf of new supply was delivered in the first quarter – the most of any first quarter on record – and soaring past first quarter 2019's previous record high by 51.8%. Occupier demand for distribution space with easy access to the Eastern seaboard has not wavered, and with tight market conditions persisting, more than 14.6 msf of product is under construction – 37.6% of the total is already preleased, and 56.9% of the total is located in Southern New Jersey.

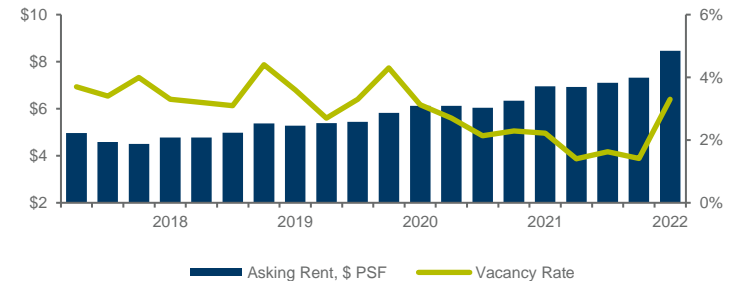
OUTLOOK

With the development pipeline robust, primarily in Burlington and Gloucester Counties, Southern New Jersey will continue its transformation into a major logistics hub on the east coast. The market's pipeline remains strong despite limited available entitled land and building materials, and developers continue to push construction to bolster Class A product. The first half of 2022 is expected to yield 5.6 msf of new warehouse product completed, with another 9.5 msf due to deliver in the second half of the year. Historically tight market conditions are anticipated to return as Southern New Jersey vacancies are absorbed, and rental rates surge to unprecedented levels.

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	24,421,099	227,473	0.9%	162,684	189,610	1,012,760	0	N/A	N/A	\$6.11
Lower Bucks County	20,129,055	861,400	4.3%	-362,691	596,572	3,326,482	0	\$4.75	N/A	\$8.88
Upper Bucks County	8,086,469	288,030	3.6%	207,485	202,485	264,600	105,840	\$6.50	N/A	\$6.95
Montgomery County	23,199,867	1,051,915	4.5%	34,544	83,398	728,259	362,550	\$6.98	\$9.68	\$6.53
Chester County	9,956,211	75,858	0.8%	0	0	0	0	N/A	N/A	\$8.50
Delaware County	6,305,712	304,796	4.8%	251,504	345,900	945,000	484,000	N/A	N/A	\$10.73
SUBURBAN PHILADELPHIA	92,098,413	2,809,472	3.1%	293,526	1,417,965	6,277,101	952,390	\$6.20	\$9.68	\$8.13
Burlington County	41,601,732	2,683,286	6.4%	-1,113,080	1,225,471	5,028,871	1,029,946	N/A	\$8.25	\$8.94
Camden County	13,086,750	7,460	0.1%	172,074	61,278	150,000	0	N/A	N/A	N/A
Gloucester County	23,342,471	0	0.0%	164,266	846,354	2,965,532	0	N/A	N/A	\$7.00
Salem County	6,187,117	245,749	4.0%	-245,749	0	149,504	0	N/A	N/A	N/A
SOUTHERN NEW JERSEY	84,218,070	2,936,495	3.5%	-1,022,489	2,133,103	8,293,907	1,029,946	N/A	\$8.25	\$9.39
NORTHERN DELAWARE***	21,767,140	133,799	0.6%	-133,799	N/A	N/A	N/A	N/A	N/A	N/A
PHILADELPHIA MSA TOTALS	176,316,483	5,745,967	3.3%	-728,963	3,551,068	14,571,008	1,982,336	\$6.20	\$9.62	\$8.61

*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 Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4259 US Route 130 Edgewater Park, NJ	Burlington County	Noble House Home Furnishings	704,700	New Lease
Keystone Trade Center, Bldg 3 Fairless Hills, PA	Lower Bucks County	Savino Del Bene	506,569	New Lease

KEY CONSTRUCTION COMPLETIONS Q1 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1273 Jacksonville Road Columbus, NJ	Burlington County	Speculative	811,960	MRP/Clarion Partners
500 Springbrooke Boulevard Aston, PA	Delaware County	Thayer Distribution	273,600	Trammell Crow

KEY PROJECTS UNDER CONSTRUCTION 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
995 Taylors Lane Cinnaminson, NJ	Burlington County	Speculative	1,200,000	Logistics Property Co.
2961 US Route 322 Logan Township, NJ	Gloucester County	Speculative	1,082,530	J.G. Petrucci/Link Logistics

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