

## Industrial Q2 2022

**1.9%**  
Vacancy Rate



**2.7M**  
YTD Net Absorption, SF



**\$9.28**  
Asking Rent, PSF



Overall, Triple Net Asking Rent

### ECONOMIC INDICATORS Q2 2022

**2.9M**  
Philadelphia Employment



**4.5%**  
Philadelphia Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS

### ECONOMY

The Philadelphia region's economy continued to trend in the right direction, as total employment climbed 3.6% year-over-year (YOY), while the unemployment rate dropped an additional 80 basis points (bps) to 4.5%. The region's industrial sector maintained unprecedented momentum, though some economic headwinds pertaining to inflation and interest rate uncertainty continued to loom over the market outlook. Third-party logistics and technological manufacturing companies dominated occupancy in the region, exhibiting continued signs of commitment to the Philadelphia MSA.

### SUPPLY AND DEMAND

The second quarter emphasized the continued demand throughout the industrial sector, as the vacancy rate plummeted to 1.9%, down from 3.3% last quarter. Both Southeastern PA's and Southern NJ's dips in vacancy were driven by robust absorption totals, with Southern NJ totaling 1.7 million square feet (msf) in Q2. Asking rents throughout the region continued to exhibit strong growth, jumping an additional 36.1% since Q2 2021, with Delaware and Burlington Counties boasting the highest premiums in the region. Southeastern PA in particular continued to show very strong tenant demand, accounting for 93.2% of the regional leasing total, thanks to unprecedented demand in Bucks and Montgomery Counties. Nine new leases greater than 100,000 square feet (sf) were inked, three of which surpassed 400,000 sf. Inventory continued to expand in Q2, with year-to-date (YTD) construction completions hitting 3.2 msf; impressively, all 1.2 msf delivered this quarter was preleased, and two finished projects exceeded 250,000 sf in size. Developers maintained their bullish outlook throughout the Greater Philadelphia region, and more than 16.6 msf of product is currently under construction. Five of these projects exceed 1.0 msf, and 10.0 msf of new inventory is expected to deliver by year-end. Southern NJ's emergence as a regional Big Box market continues to drive both user and investor confidence, as 68.4% of the region's construction pipeline is due to deliver there.

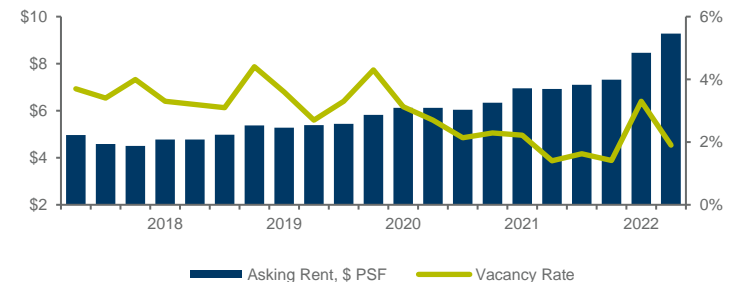
### OUTLOOK

With a healthy development pipeline and strong warehouse demand to its advantage, the Philadelphia MSA is poised to register further growth as a major logistics hub in the northeast. Though economic uncertainty due to high inflation and continued building supply shortages may push some of this pipeline to 2023, class A product will expand significantly throughout the remainder of the year. The first half of 2022 produced 3.2 msf of new premium warehouse product, with an additional 10.0 msf due to deliver in the second half of the year – 47.6% of which is preleased. The region's historically tight market conditions are expected to remain, as overall market fundamentals point to continued user demand throughout the remainder of the year.

### 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	24,844,659	108,086	0.4%	705,631	309,710	840,229	423,560	N/A	N/A	\$6.11
Lower Bucks County	20,129,055	549,573	2.7%	-50,864	2,483,248	2,470,875	0	\$4.75	N/A	\$9.32
Upper Bucks County	8,086,469	119,280	1.5%	376,235	371,235	264,600	105,840	\$6.50	N/A	\$9.00
Montgomery County	23,199,867	470,027	2.0%	616,432	665,286	728,259	362,550	\$8.24	\$8.49	\$8.46
Chester County	9,954,974	75,858	0.8%	0	0	0	0	N/A	N/A	\$8.50
Delaware County	6,305,712	210,400	3.3%	345,900	440,296	945,000	484,000	N/A	N/A	\$11.50
<b>SUBURBAN PHILADELPHIA</b>	<b>92,520,736</b>	<b>1,533,224</b>	<b>1.7%</b>	<b>1,993,334</b>	<b>4,269,775</b>	<b>5,248,963</b>	<b>1,375,950</b>	<b>\$6.47</b>	<b>\$8.49</b>	<b>\$9.19</b>
Burlington County	41,731,901	1,662,286	4.0%	39,758	2,552,841	5,578,533	1,161,784	N/A	N/A	\$11.24
Camden County	13,236,750	7,460	0.1%	150,000	61,278	0	150,000	N/A	N/A	N/A
Gloucester County	23,833,408	95,872	0.4%	559,331	846,354	3,560,495	490,937	N/A	N/A	\$7.00
Salem County	6,187,117	0	0.0%	0	0	2,233,453	0	N/A	N/A	N/A
<b>SOUTHERN NEW JERSEY</b>	<b>84,989,176</b>	<b>1,765,618</b>	<b>2.1%</b>	<b>749,089</b>	<b>3,460,473</b>	<b>11,372,481</b>	<b>1,802,721</b>	<b>N/A</b>	<b>\$8.49</b>	<b>\$11.24</b>
<b>NORTHERN DELAWARE***</b>	<b>21,767,623</b>	<b>284,753</b>	<b>1.3%</b>	<b>-284,753</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>PHILADELPHIA MSA TOTALS</b>	<b>177,509,912</b>	<b>3,298,842</b>	<b>1.9%</b>	<b>2,742,423</b>	<b>7,730,248</b>	<b>16,621,444</b>	<b>3,178,671</b>	<b>\$6.47</b>	<b>\$8.49</b>	<b>\$9.69</b>

\*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 Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Keystone Trade Center, Bldg 1   Fairless Hills, PA	Lower Bucks County	FedEx Ground	1,159,849	New Lease
1 Geoffrey Road   Fairless Hills, PA	Lower Bucks County	A. Duie Pyle	415,000	New Lease

## KEY CONSTRUCTION COMPLETIONS Q2 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
701 Crossroads Boulevard   Logan Twp, NJ	Gloucester County	Speculative	326,937	Advance Realty/Greek Development
9801 Blue Grass Road   Philadelphia, PA	Philadelphia County	Speculative	282,200	DH Property Holdings/Bridge Development

## KEY PROJECTS UNDER CONSTRUCTION 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Garden State Logistics Park, Bldg 1   Pennsville Twp, NJ	Salem County	Speculative	1,200,507	CT Realty
995 Taylors Lane   Cinnaminson, NJ	Burlington County	Speculative	1,200,000	Logistics Property Co.

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