MARKETBEAT

PA I-81 & I-78

Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
1.8% Vacancy Rate		
23.3M YTD Net Absorption, SF		
$7.29 Asking Rent, PSF		

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
1.0M PA I-81 & I-78 Employment		
4.2% PA I-81 & I-78 Unemployment Rate		
3.5% U.S. Unemployment Rate		

Source: BLS

ECONOMY

The PA I-81 & I-78 Corridor's economy further defied expectations in the third quarter, as regional employment climbed 4.9% year-over-year (YOY), while the unemployment rate in the region plummeted by 200 basis points (bps) to 4.2% from Q3 2021. Consumer confidence wavered, while contending with strong inflation headwinds and international political strife. Regardless, e-commerce corporations and logistics firms held dominance over Corridor occupancy in Q3.

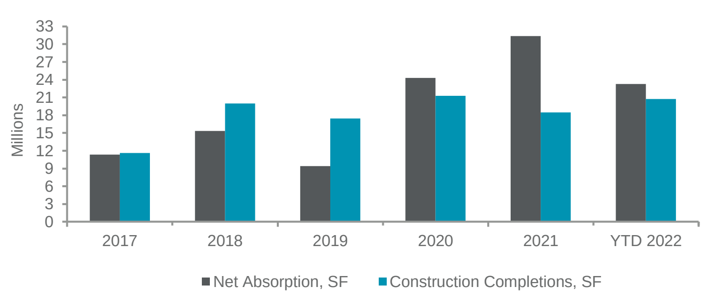
SUPPLY AND DEMAND

The market's vacancy rate remained steady at 1.8% as the region fortified itself against economic troubles, absorbing a strong 11.7 million square feet (msf) of industrial space in the third quarter. This helped to spur a 13.5% increase in net absorption YOY, culminating in the fourth-highest level of year-to-date (YTD) net absorption in the United States. The Lehigh Valley region led the pack, with its 3.4 msf of net absorption accounting for almost 30.0% of the region's quarterly total, while Northeastern PA emerged as a close second contender. Year-to-date leasing activity held strong as well, with almost 4.4 msf of deals finalized – and 62.1% of this activity occurring in the Lehigh Valley. Furthermore, eight deals greater than 250,000 square feet (sf) were completed during the quarter, one of which surpassed 1.0 msf. As a result of robust demand for warehouse space in the Corridor, rent growth remained strong in the region, counteracting diverse economic adversities. Said demand sparked a 41.7% boost in asking rents YOY, while the Lehigh Valley once again maintained the premium rate in the region. With a 116.1% increase in deliveries over Q2, 12.1 msf of new premium product was delivered in Q3, and about 15.5% of the Corridor's remaining 2022 construction pipeline is already preleased. Though economic uncertainties and supply chain challenges will likely push several million square feet of space towards the beginning of 2023, the Corridor is expected to deliver an annual total of 33.3 msf by the end of 2022.

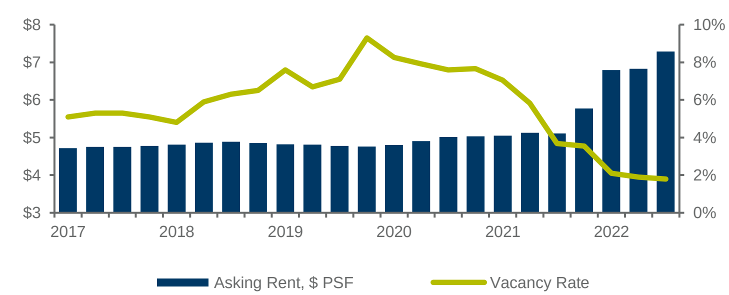
OUTLOOK

While the PA Distribution Corridor maintains its premier access to one of the most resilient consumer bases in North America, investors and owners should understand that economic headwinds pertaining to a possible recession could pose challenges for those looking to expand consumer goods distribution operations. Expect current rent growth to temper over the coming year as tenants in the market begin to push back against high pricing. Furthermore, though construction delays are expected to diminish over the course of the year, several projects in the construction pipeline for Q4 will likely be delayed into 2023. And while this aforementioned supply pipeline is robust, expect preleasing rates to plateau over the coming months. Finally, as vacancy is on course to remain at historically low levels, anticipate net absorption within the Corridor to yield more modest totals over the next two years.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

PA I-81 & I-78

Industrial Q3 2022

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)
Lehigh Valley	96,663,917	746,367	0.8%	6,787,884	7,092,459	6,750,285	4,360,782	N/A	N/A	$8.84
Northeastern PA	74,151,590	1,184,564	1.6%	7,536,406	5,424,743	3,758,100	6,097,638	N/A	N/A	$6.29
Central PA	124,641,046	652,708	0.5%	4,586,579	5,446,422	8,672,898	4,130,900	N/A	N/A	$7.01
Split	48,202,481	2,757,140	5.7%	2,611,061	1,184,193	6,579,111	2,621,840	N/A	N/A	$7.88
I-81S	50,972,287	1,772,309	3.5%	1,777,000	3,314,516	9,941,037	3,549,309	N/A	N/A	$6.50
PA I-81 & I-78 TOTALS* **	**394,631,321**	**7,113,088**	**1.8%**	**23,298,930**	**22,462,333**	**35,701,431**	**20,760,469**	**N/A**	**N/A**	**$7.29**

*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 Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3000 Rand Boulevard, Bldg 1 | Phillipsburg, NJ	Lehigh Valley	Confidential	1,248,176	New Lease
121 Commerce Avenue | Greencastle, PA	I81S	Amazon Web Services	551,050	New Lease
Lehigh Valley Trade Center II | Bethlehem, PA	Lehigh Valley	Nespresso	526,662	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
1067 Dillerville Road | Lancaster, PA	Central PA	Armstrong Flooring/AHF Products	1,081,876	$6.4M/$5.95

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Greencastle Logistics Center, Bldg 3	I81S	BTS	1,500,000	NorthPoint Development
3000 Rand Boulevard, Bldg 1	Lehigh Valley	SPEC	1,248,176	Bridge Development
11 Old Mountain Road, Bldg 8	Northeastern PA	SPEC	1,229,136	NorthPoint Development

KEY PROJECTS UNDER CONSTRUCTION Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Rausch Creek Logistics Center | Frailey Twp, PA	Split	Speculative	1,346,755	Panattoni
972 East Canal Road | York, PA	Central PA	Speculative	1,319,360	Hillwood Development Company
55 West Oak Ridge Drive | Hagerstown, MD	I-81S	Speculative	1,247,111	Johnson Development Associates
10440 Downsville Pike | Hagerstown, MD	I-81S	Speculative	1,234,240	Trammell Crow
Mountain Valley Logistics Center, Bldg. 1	Split	Speculative	1,229,136	NorthPoint Development
3751 East Harrisburg Pike	Central PA	Speculative	1,219,021	Core5 Industrial Partners
740 West Main Street	Split	Speculative	1,113,178	NorthPoint Development

RYAN HULL
Senior Analyst
+1 215 963 4041/ryan.hull@cushwake.com

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