

Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
2.4% Vacancy Rate	▲	▼
6.8M YTD Net Absorption, SF	▼	▬
\$11.96 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
3.0M Philadelphia Employment	▲	▲
4.1% Philadelphia Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

The Philadelphia region posted another quarter of positive economic trends, as total employment climbed 4.2% year-over-year (YOY) and tenant demand expanded at a robust pace. The region's industrial sector continued on its upward trajectory, as third-party logistics and consumer goods companies remained extremely active – exhibiting continued signs of reliance on the Philadelphia MSA's strong consumer market.

SUPPLY AND DEMAND

The third quarter continued to display the appeal of the Philadelphia market to both users and investors, as overall vacancy rose modestly by 50 basis points to 2.4% quarter-over-quarter (QOQ) - a trend which can be attributed to several vacant deliveries over the course of the quarter, added much-needed available space to a tight market. The geography's upward trend of asking rents showed no sign of slowing, as rents throughout the region grew 68.7% YOY – much of which occurred in both Delaware County and Burlington County. Southeastern PA's tenant demand remained strong, exhibiting a 18.9% upswing in leasing activity YOY, with over 1.1 million square feet (msf) of deals signed since early July. Notably, the market absorbed ten new leases greater than 100,000 square feet (sf), two of which surpassed 400,000 sf. In an effort to keep up with tenant demand, 5.1 msf of new premium product delivered in Q3 alone – and notably, Southern NJ's activity accounted for 77.6% of the quarter's total completions, with four projects surpassing 700,000 sf. The development pipeline throughout the market continued to expand, with 14.8 msf of space currently in the pipeline and due to deliver in the next twelve months. Six of these projects are due to surpass 1.0 msf, and a further 4.7 msf of new inventory is expected to deliver in the fourth quarter. With 58.3% of the region's construction pipeline expected to delivery in Southern NJ, the geography further proved its success as an industrial hotspot on the Eastern Seaboard.

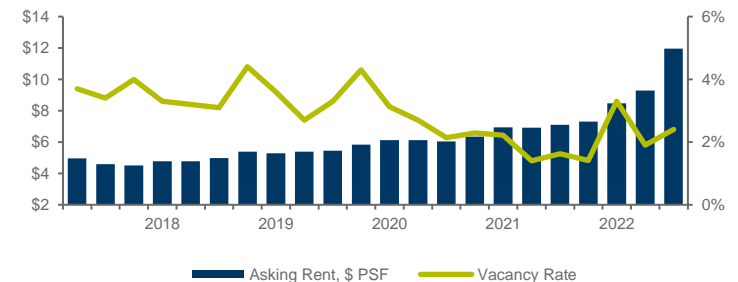
OUTLOOK

Strong demand for warehouse space coupled with a healthy construction pipeline indicate that the Philadelphia region's transformation into a major East Coast industrial hub will continue. The region's construction pipeline remains bright, with 8.3 msf of new space brought online YTD and an additional 4.7 msf due to deliver in Q4. Completions this year are on track to beat 2021's completion totals by a resounding 76.5%. Investors should maintain realistic expectations in the context of the current economic environment, as said environment may temper rent growth moving forward into the new year. Ultimately, the market's strong foundation of continued tenant demand, strong asking rate growth, and a healthy construction pipeline is likely to continue into 2023 and beyond.

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	25,052,659	96,096	0.4%	925,621	555,417	632,229	631,560	N/A	N/A	N/A****
Lower Bucks County	20,129,055	237,867	1.2%	260,842	2,899,028	4,534,875	0	N/A	N/A	\$10.00
Upper Bucks County	8,086,469	105,840	1.3%	376,235	371,235	264,600	105,840	N/A	N/A	\$9.00
Montgomery County	23,199,867	431,776	1.9%	654,683	871,537	728,259	362,550	\$10.00	\$8.49	\$8.46
Chester County	9,954,974	42,907	0.4%	-13,712	140,288	0	0	N/A	N/A	N/A
Delaware County	7,250,712	858,665	11.8%	642,635	562,031	0	1,429,000	N/A	N/A	\$14.59
SUBURBAN PHILADELPHIA	93,673,736	1,773,151	1.9%	2,846,304	5,399,536	6,159,963	2,528,950	\$10.00	\$8.49	\$12.02
Burlington County	44,097,501	2,402,307	5.4%	1,599,446	3,607,813	3,639,074	3,469,384	N/A	N/A	\$12.50
Camden County	13,236,750	0	0.0%	150,000	101,278	0	150,000	N/A	N/A	N/A
Gloucester County	25,449,712	0	0.0%	2,193,013	1,262,757	2,302,685	2,028,747	N/A	N/A	N/A
Salem County	6,336,621	149,504	2.4%	0	0	2,671,699	149,504	N/A	N/A	\$10.50
SOUTHERN NEW JERSEY	89,120,584	2,551,811	2.9%	3,942,459	4,971,848	8,613,458	5,797,635	N/A	N/A	\$12.25
NORTHERN DELAWARE***	21,767,140	296,399	1.4%	-296,399	418,173	679,600	N/A	N/A	N/A	N/A
PHILADELPHIA MSA TOTALS	182,794,320	4,324,962	2.4%	6,788,763	10,371,384	14,773,421	8,326,585	\$10.00	\$8.49	\$12.12

*Rental rates reflect weighted net asking \$psf/year **Does not include renewals ***Northern Delaware market not included in Philadelphia MSA Totals

**** Limited vacancy to calculate

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

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
700 Dusk Run Road Newark, DE	New Castle County	Dupont	385,000	New Lease
2600 Bergey Road Hatfield, PA	Montgomery County	Home Depot	168,000	New Lease

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2961 U.S. Route 322 Logan Township, NJ	Gloucester County	Burlington Coat Factory	1,028,530	Link Logistics
1500 East 2 nd Street, Bldgs 1 & 2 Eddystone, PA	Delaware County	Speculative	770,000	WPT Capital

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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