

3.3%
Vacancy Rate



27.4M
YTD Net Absorption, SF



\$7.73
Asking Rent, PSF



Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 2022

1.0M
PA I-81 & I-78
Employment



4.0%
PA I-81 & I-78
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY

The economy strengthened further during the fourth quarter of 2022 as regional employment climbed 3.2% year-over-year (YOY), while the unemployment rate in the region further declined by 160 basis points (bps) to 4.0% from Q4 2021. Third-party logistics and distribution occupiers propelled occupancy in Q4, as healthy demand persisted for consumer products amidst economic uncertainties.

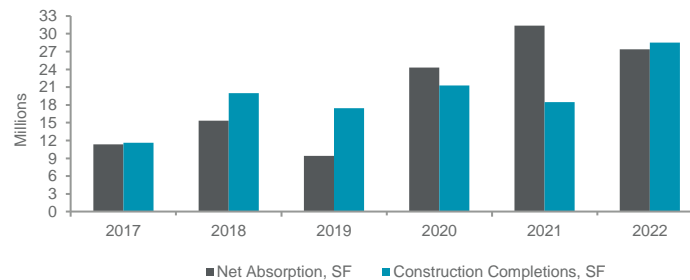
SUPPLY AND DEMAND

The Corridor's vacancy rate dropped 20 bps YOY down to 3.3%, with the local warehouse market's resilience proving invaluable during a time of wavering consumer confidence. Furthermore, nearly 2.0 million square feet (msf) of net absorption was recorded in the fourth quarter, pushing the annual total to 27.4 msf – the second-highest total on record. Ultimately, annual net absorption totals for the Corridor ranked fifth nationally in 2022. The Lehigh Valley region once again fueled absorption totals, with its 1.4 msf of net absorption accounting for almost 70.0% of the region's quarterly total. Fourth-quarter leasing activity totaled 3.9 msf, with distribution and 3PLs tenants accounting for 63.1% of this sum. Seven notable transactions surpassing 250,000 square feet (sf) were completed in Q4, one of which exceeded 1.0 msf. Driven by high demand for warehouse and distribution space connected to robust transportation networks, rent growth remained strong in the region, with a 34.0% boost in asking rents for existing product since Q4 2021. Construction deliveries surged in 2022, with the region's annual total of 28.5 msf of new premium space representing a 54.1% increase YOY. Preleasing activity remained strong as well, as 62.5% of the Corridor's 2022 construction deliveries were occupied upon completion, further underscoring the unparalleled demand for warehouse space in the market. These successes can be attributed to developers growing adept at handling supply chain issues, as challenges with construction materials procurement continued into the fourth quarter.

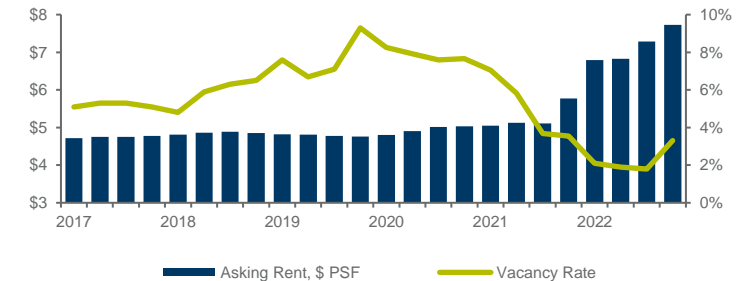
OUTLOOK

While the PA Distribution Corridor remains a highly-sought location for industrial users and investors alike, possible economic headwinds could exacerbate supply chain logistics issues, posing challenges to development and business expansion. The strong rent growth of 2022 will level out over the following year, as tenants seek cost-cutting measures to curtail recession-related matters. Regardless, the Corridor is expected to deliver 33.0 msf of new industrial product by the end of 2023. Accompanying this strong construction pipeline, preleasing rates are predicted to temper over the next several quarters. Finally, as vacancy is predicted to rise slightly over the coming year, investors are advised to set more modest expectations for net absorption totals in the Corridor region throughout 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)***
Lehigh Valley	99,456,856	2,178,387	2.2%	8,148,803	8,159,174	4,948,858	6,653,721	N/A	N/A	\$10.15
Northeastern PA	75,341,453	2,290,356	3.1%	7,620,772	7,284,048	3,635,240	6,847,796	N/A	N/A	\$6.29
Central PA	126,170,249	1,595,670	1.3%	5,063,820	5,809,380	7,554,955	5,551,103	N/A	N/A	\$7.88
Split	49,381,188	3,368,397	6.8%	3,178,511	1,866,193	6,510,044	3,800,547	N/A	N/A	\$8.31
I-81S	53,077,387	3,877,409	7.3%	3,384,109	3,314,516	10,333,897	5,654,409	N/A	N/A	\$6.78
PA I-81 & I-78 TOTALS	403,427,133	13,310,219	3.3%	27,396,015	26,433,311	32,982,994	28,507,576	N/A	N/A	\$7.73

*Rental rates reflect weighted net asking \$psf/year **Does not include renewals ***Rent statistics not reflective of U.S. MarketBeat Tables

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Pocono Summit Road Monroe, PA	Northeastern PA	All-Ways Logistics	1,204,494	New Lease
2869 U.S. Route 22 Fredericksburg, PA	Split	Spencer's Gifts	550,000	New Lease
651 Boulder Drive Macungie, PA	Lehigh Valley	Geodis	522,000	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1610 Van Buren Road Easton, PA	Lehigh Valley	Duke Realty/Prologis	1,106,442	\$78.4M/\$70.83

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1480 United Drive Shippensburg, PA	I81S	SPEC	1,050,300	Matrix Development Group
3905 Commerce Center Blvd Bethlehem, PA	Lehigh Valley	SPEC	833,280	Majestic Realty Co.
939 Centerville Road Newville, PA	Central PA	SPEC	752,673	Transwestern Development Co.

KEY PROJECTS UNDER CONSTRUCTION Q4 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
1527 Howell Road, Bldg 1 Hagerstown, MD	I-81S	Speculative	1,238,760	Curated Development Group
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

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