

Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▲	▲
7.6M YTD Net Absorption, SF	▼	▬
\$12.79 Asking Rent, PSF	▲	▬

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
3.0M Philadelphia Employment	▲	▲
3.9% Philadelphia Unemployment Rate	▼	▬
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

The local economy continued to trend positively in the fourth quarter of 2022 – total employment climbed 3.2% year-over-year (YOY), with tenant demand holding steady. The region’s industrial sector reported modestly positive trends, as third-party logistics and consumer goods companies continued to dominate market activity – further cementing the impact of the region’s strong consumer market on industry trends.

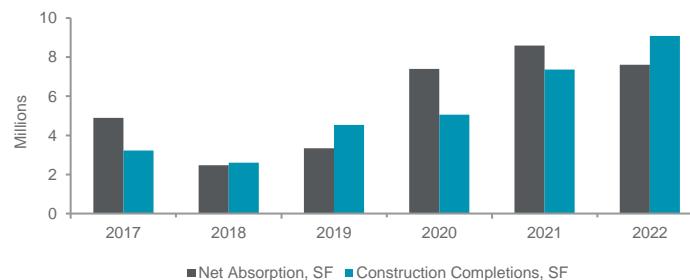
SUPPLY AND DEMAND

Overall vacancy dropped 10 basis points to 2.3% quarter-over-quarter (QOQ) – a positive development stemming from the leasing of numerous compact spaces across the region. Rent growth continued throughout the region, as asking rates for existing space throughout the Philadelphia area grew 74.9% YOY – with both Delaware County and Burlington County accounting for the bulk of this growth. In Southeastern PA, overall leasing activity exhibited a 59.5% upswing YOY, with 5.7 million square feet (msf) of deals signed in 2022. There were three leases signed surpassing 100,000 square feet (sf) throughout the fourth quarter, as logistics and packaging services occupiers took notable spaces. The Philadelphia region yielded more than 750,000 sf of new Class A space in Q4 – with Bucks County encompassing 56.2% of this total – and annual totals expanded by 23.2% YOY. The market’s development pipeline remained robust with 19.2 msf of space currently under construction, the majority of which is due to deliver in 2023. Notably, seven of these projects exceed 1.0 msf, and almost 9.1 msf of new inventory is expected to deliver within the first half of 2023.

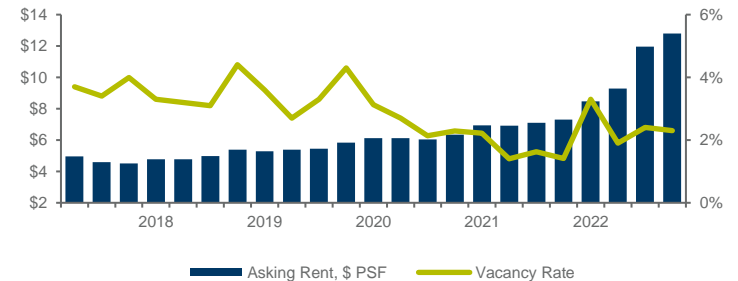
OUTLOOK

In 2023, investors should expect moderate rent growth, as compared to the last few previous years. Tenant demand throughout the region remains strong despite the slower speed at which transactions are being completed. The market will likely experience an uptick in vacancy; however, vacancy levels are not expected to reach unsustainable levels, despite new supply in 2023 anticipated to double totals registered this past year. Overall, 2023 is expected to be another strong year for this region, as the underlying market fundamentals remain very favorable.

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	25,054,711	30,500	0.1%	991,217	705,937	632,229	631,560	N/A	N/A	N/A
Lower Bucks County	20,024,545	396,617	2.0%	216,839	2,899,028	5,794,081	158,750	N/A	N/A	\$12.40
Upper Bucks County	8,351,069	105,840	1.3%	640,835	371,235	120,000	370,440	N/A	N/A	\$9.00
Montgomery County	23,199,867	499,640	2.2%	586,819	974,935	728,259	362,550	\$10.00	\$8.49	\$8.27
Chester County	9,954,974	7800	0.1%	21,395	175,395	0	0	N/A	N/A	N/A
Delaware County	7,250,712	858,665	11.8%	642,635	562,031	374,400	1,429,000	N/A	N/A	\$15.69
SUBURBAN PHILADELPHIA	93,835,878	1,899,062	2.0%	3,099,740	5,688,561	7,648,969	2,952,300	\$10.00	\$8.49	\$13.35
Burlington County	44,192,609	2,310,615	5.2%	1,899,138	3,739,513	6,730,194	3,677,384	N/A	N/A	\$12.44
Camden County	13,236,750	0	0.0%	150,000	101,278	0	150,000	N/A	N/A	N/A
Gloucester County	25,571,712	0	0.0%	2,315,013	1,537,906	2,180,685	2,150,747	N/A	N/A	N/A
Salem County	6,336,621	0	0.0%	149,504	149,504	2,671,699	149,504	N/A	N/A	N/A
SOUTHERN NEW JERSEY	89,337,692	2,310,615	2.6%	4,513,655	5,528,201	11,582,578	6,127,635	N/A	N/A	\$12.44
NORTHERN DELAWARE***	21,767,140	289,917	1.3%	-289,917	418,173	1,844,840	N/A	N/A	N/A	N/A
PHILADELPHIA MSA TOTALS	183,173,570	4,209,677	2.3%	7,613,395	11,216,762	19,231,547	9,079,935	\$10.00	\$8.49	\$13.00

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

****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	SF	TYPE
333 Swedesboro Avenue Gibbstown, NJ	Gloucester County	Chef's Warehousing	168,494	New Lease
2 Sorbello Road Pedricktown, NJ	Salem County	Premier Packaging	149,504	New Lease

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
New Road Quakertown, PA	Upper Bucks County	NFI Logistics	264,600	NFI Logistics
445 Rising Sun Road Bordertown, NJ	Burlington County	Hermann Warehousing	208,000	First Industrial

KEY PROJECTS UNDER CONSTRUCTION 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
373 North Broadway, 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 Company

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