

PA I-81 & I-78

Industrial Q1 2023



	YoY Chg	12-Mo. Forecast
3.4% Vacancy Rate	▲	▲
3.3M YTD Net Absorption, SF	▼	▼
\$8.04 Asking Rent, PSF	▲	▬

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
1.0M PA I-81 & I-78 Employment	▲	▲
4.3% PA I-81 & I-78 Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

The PA Distribution Corridor's economy held fast against swelling economic headwinds, as total regional employment continued to grow by 3.3% year-over-year (YOY), coupled with a healthy drop of 70 basis points (bps) in the unemployment rate since the first quarter of 2022. Third-party logistics and food-and-beverage companies dominated market occupancy in the first quarter, as consumer demand for retail and culinary products persisted in the wake of federal interest rate uncertainties.

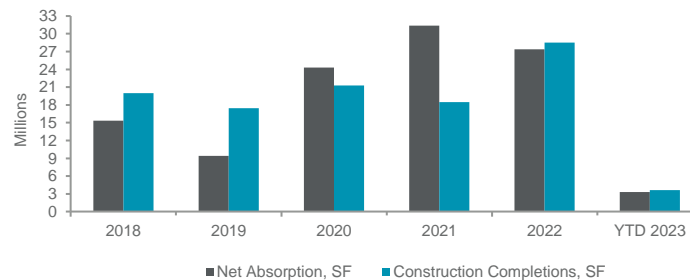
SUPPLY AND DEMAND

The Corridor's vacancy rate remained relatively steady, increasing by only 10 bps since the end of 2022, though multiple submarkets within the geography displayed significant declines in vacancy levels. Northeastern PA, the Split, and I-81S all produced marked improvements in vacancy, for a combined 180 bps drop quarter-over-quarter (QOQ) across the three submarkets. Furthermore, absorption trends improved upon Q4 2022, as net absorption in Q1 totaled 3.3 million square feet (msf), far surpassing last quarter's total by 70.0%, signaling a strong opening to the year. Ultimately, net absorption totals for the Corridor ranked sixth in the United States this quarter, as the 2.4 msf of absorption in Northeastern PA and the Lehigh Valley regions accounted for 71.7% of the region's quarterly total. The year opened with a robust 9.1 msf of leasing activity, bolstered primarily by multiple deals exceeding 1.0 msf across both the Northeastern PA and I-81S regions. In fact, the I-81S submarket logged a 24.2% increase in leasing activity YOY. Food-and-beverage and third-party logistics users drove the majority of this leasing activity, while four notable transactions in excess of 1.0 msf were completed throughout the quarter. As users continued to be drawn to the region's efficient transportation networks and active customer base, asking rates grew a healthy 14.9% since Q1 2022. The Corridor registered 3.7 msf of new construction deliveries throughout the quarter. This represents a 37.1% YOY increase in construction completions, with Central PA alone comprising 34.7% of these deliveries. Preleasing activity remained strong as well, as 58.6% of the quarter's deliveries were occupied at delivery – further indicating continued demand for the region's numerous economic assets.

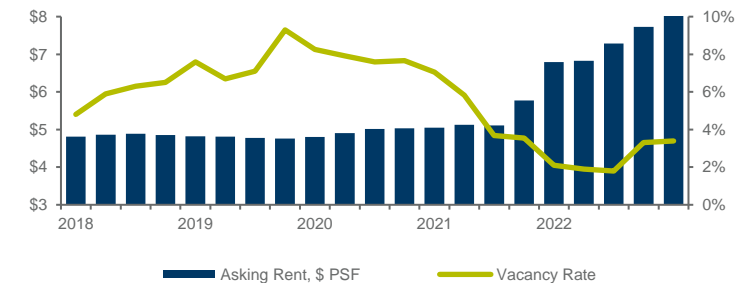
OUTLOOK

While the PA Distribution Corridor stands tall among its Eastern Seaboard neighbors as a pillar of industrial real estate, the likely recession could pose challenges for the region's supply chain logistics, resulting in delays for both construction starts and deliveries. The strong rent growth of the previous economic cycle will level out over the course of the next two years. The Corridor is still expected to deliver 28.6 msf of new industrial product by the end of the year; expect preleasing of this space to temper out over the next several quarters. With vacancy rates due to rise slightly over the coming year, business leaders should establish more modest expectations for leasing and absorption totals in the Corridor region throughout 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2023

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	100,434,407	2,261,189	2.3%	894,749	657,012	4,342,497	977,551	N/A	N/A	\$10.67
Northeastern PA	76,372,050	1,724,852	2.3%	1,479,104	3,136,600	3,589,640	913,600	N/A	N/A	\$6.96
Central PA	127,443,558	2,939,418	2.3%	-70,439	1,319,360	6,625,044	1,273,309	N/A	N/A	\$8.11
Split	49,632,143	3,052,524	6.2%	566,828	714,123	6,246,364	250,955	N/A	N/A	\$8.62
I-81S	53,331,497	3,690,969	6.9%	439,140	3,228,500	10,846,957	252,700	N/A	N/A	\$6.52
PA I-81 & I-78 TOTALS	407,213,655	13,668,952	3.4%	3,309,382	9,055,595	31,650,502	3,668,115	N/A	N/A	\$8.04

*Rental rates reflect weighted net asking \$psf/year **Does not include renewals

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

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
10440 Downsville Pike, Bldg 1 Hagerstown, MD	I-81S	Confidential	2,000,000	New Lease
2086 West Corporate Center Drive Tobyhanna, PA	Northeastern PA	BlueTriton Brands	1,369,000	New Lease
972 East Canal road, Bldg 1 York, PA	Central PA	UNFI	1,319,360	New Lease

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2105 Carlisle Road Aspers, PA	Central PA	Gabler Trucking/Madison Exchange LLC	218,000	\$11.25M/\$51.61

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
619 Green Spring Road York, PA	Central PA	Speculative	764,400	Ridgeline Property Group/GCP
180 First Avenue Gouldsboro, PA	Northeastern PA	Speculative	501,600	Portman Industrial
1051 Carson Road Easton, PA	Lehigh Valley	Speculative	406,801	Carson Companies

KEY PROJECTS UNDER CONSTRUCTION Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
10440 Downsville Pike, Bldg. 1 Hagerstown, MD	I-81S	Confidential	2,000,000	Trammell Crow Company
Rausch Creek Logistics Center Frailey Twp, PA	Split	Speculative	1,346,755	Panattoni
972 East Canal Road York, PA	Central PA	UNFI	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
Mountain Valley Logistics Center, Bldg. 1 Mahoney, PA	Split	Speculative	1,229,136	NorthPoint Development
3751 East Harrisburg Pike Middletown, PA	Central PA	Speculative	1,219,021	Core5 Industrial Partners

RYAN HULL

Senior Analyst

+1 215 963 4041/ryan.hull@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com