

PA I-81 & I-78

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
5.6% Vacancy Rate	▲	▲
11.5M YTD Net Absorption, SF	▼	▼
\$8.18 Asking Rent, PSF	▲	▼

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
1.0M PA I-81 & I-78 Employment	▲	▲
3.6% PA I-81 & I-78 Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Employment within the PA Distribution Corridor remained resilient towards economic adversities, as total regional employment grew by 2.6% year-over-year (YOY), while the regional unemployment rate dipped 60 basis points (bps) since the third quarter of 2022. Third-party logistics companies, retailer/wholesaler entities, and food/beverage institutions dominated tenancy in the third quarter, as consumer shopping remained healthy alongside sturdy consumer confidence.

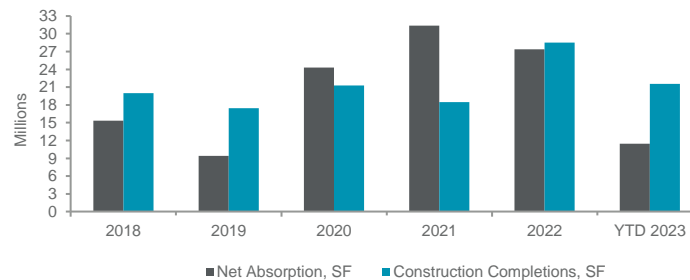
SUPPLY AND DEMAND

The Corridor's vacancy rate inched up to 5.8% – up from 5.3% from the previous quarter – as tenant activity slowed slightly during the third quarter. Though each submarket in the region faced rising vacancy, the I-81S geography was most noticeably impacted, contending with an 860-basis point (bp) increase YOY – stemming from nearly 1.5 million square feet (msf) of unoccupied space delivered in Q3. However, the Lehigh Valley, Northeastern PA, and Central PA submarkets all successfully posted sub-4.0% vacancy rates at the close of the third quarter. Annual absorption totals dipped since Q3 2022 to 11.5 msf, just about half of the previous annual total, though annual net absorption in the promising I-81S submarket swelled by 29.3% YOY. Impressively, the PA Distribution Corridor ranked fifth in the United States for net absorption totals YTD – with the Northeastern PA and Central PA submarkets driving this competitive statistic. Third-quarter leasing activity in the Corridor dipped 15.7% YOY as tenant hesitancy continued to percolate, bowing at 3.7 msf relative to last year's Q3 total of 4.4 msf. Notably, Northeastern PA was a major driver of leasing activity, comprising 40.4% of Q3's total leasing activity. In general, a combination of food/beverage companies, 3PL entities, and consumer goods distributors pushed leasing forward in the third quarter, resulting in an annual total of 16.5 msf. Though markets around the country contended with wavering tenant confidence, the Corridor remained an attractive place to do business, as exhibited by a 12.1% increase YOY in weighted average asking rents. The Corridor also welcomed new space to its competitive inventory, with a 3.7% annual increase in construction completions, primarily located in the Northeastern PA and Central PA submarkets. Impressively, almost 40.0% of 2023's deliveries were preleased prior to completion.

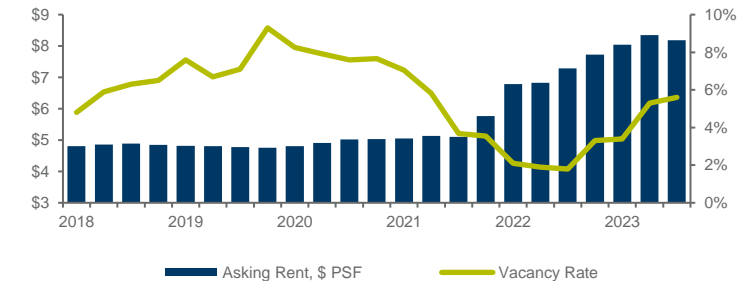
OUTLOOK

Though the PA Distribution Corridor remains a robust industrial market, the prevailing economic instability may result in vacant deliveries and lower leasing totals in future quarters, especially coming into 2024. While 2023 is anticipated to deliver new supply roughly equivalent to that of 2022, next year's anticipated dip in construction activity will help to level out the number of unoccupied deliveries from this year. The Corridor should expect to see about 10.5 msf of new premium space delivered in Q4, approximately one-third of which is already preleased. One should anticipate a plateauing or potential dip in asking rates over the next twelve months, while vacancy is likely to rise slightly further as tenants consider future business movement to alleviate rising costs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 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	102,712,081	3,456,612	3.4%	1,976,176	2,055,646	2,711,550	3,254,401	N/A	N/A	\$11.41
Northeastern PA	79,148,690	2,992,947	3.8%	2,987,649	4,816,545	3,598,633	3,530,240	N/A	N/A	\$7.37
Central PA	132,562,164	5,049,515	3.8%	2,946,370	2,693,357	3,856,831	6,199,215	N/A	N/A	\$8.24
Split	52,440,398	5,151,343	9.8%	1,276,264	2,750,562	4,243,067	3,059,210	N/A	N/A	\$8.30
I-81S	58,659,110	7,072,649	12.1%	2,297,789	4,163,537	5,998,228	5,493,029	N/A	N/A	\$6.79
PA I-81 & I-78 TOTALS	425,522,443	23,723,066	5.6%	11,484,248	16,479,647	20,408,309	21,536,095	N/A	N/A	\$8.18

*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 Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8620 Congdon Hill Drive Alburtis, PA	Lehigh Valley	Confidential	1,200,000	Renewal
Route 940 Commerce Center Blakeslee, PA	Northeastern PA	ID Logistics	921,356	New Lease
1445 Eden Road York, PA	Central PA	Post Consumer	754,905	Renewal

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
101 Commerce Drive Hazleton, PA	Northeastern PA	Bluewater Property Group/Transwestern	470,000	\$51.1M/\$108.69

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1300 Corporate Way Olyphant, PA	Northeastern PA	Speculative	1,000,000	Endurance Real Estate Group
5031 Winchester Avenue Martinsburg, WV	I-81S	Speculative	860,720	Hines
18245 Showalter Road Hagerstown, MD	I-81S	Speculative	801,000	Bowman Development

KEY PROJECTS UNDER CONSTRUCTION Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
10440 Downsview Pike, Bldg. 1 Hagerstown, MD	I-81S	Confidential	2,000,000	Trammell Crow Company
217 South Edgewood Drive, 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
3379 Pennsylvania Route 940 Mt. Pocono, PA	Northeast PA	All Ways Pacific	1,204,494	Newland Capital
740 West Main Street South Annville, PA	Split	Speculative	1,113,178	NorthPoint Development
6101 Archer Drive Chambersburg, PA	I-81S	Speculative	1,006,500	Endurance
3363 Gun Club Road Nazareth, PA	Lehigh Valley	Speculative	1,006,050	NorthPoint Development

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