

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
6.2% Vacancy Rate	▲	▲
3.4M YTD Net Absorption, SF	▼	▼
\$12.61 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
3.1M Philadelphia Employment	▲	▲
3.5% Philadelphia Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

The third quarter exhibited a significant year-over-year (YOY) growth of 2.7% in total employment within the Philadelphia Metropolitan Area, reaffirming the region’s status as a robust source of talented labor and an undeniable asset for the nation’s industrial market. With the unemployment rate successfully dropping by 40 basis points (bps), the geography fended off the strongest signs of economic uncertainty, as logistics/distribution and e-commerce companies dominated corporate movement during the third quarter. Furthermore, the decisions of many institutions to remain in their respective spaces upon lease expiration demonstrated continued tenant confidence in the Philadelphia region.

SUPPLY AND DEMAND

The Philadelphia MSA’s vacancy rate rose 380 bps over the last year, settling at 6.2%. Notably, annual rent growth pushed forward, yielding a further 5.5% increase YOY in asking rates throughout the Philadelphia MSA. Burlington County – and to a lesser extent, Philadelphia County – was the primary force behind Q3 leasing activity, with the former registering a 19.0% YOY increase in demand and resulting in 4.7 million square feet (msf) leased year-to-date (YTD) in the Philadelphia region. Four transactions of 100,000 square feet (sf) and larger were posted throughout the third quarter, as tenants recognized strong consumer activity despite economic headwinds. Third-quarter deliveries of new premium space increased 10.1% YOY, resulting in a record-shattering 11.4 msf of annual construction deliveries throughout the industrial region. The area’s construction pipeline dipped 13.7% – serving as a clear reflection of the substantial volume of new inventory that has been delivered this year alone. Still, three projects exceeding 1 msf remain under development, located in Bucks and Salem Counties. Impressively, one of these properties, exceeding 1 msf, has already achieved full owner-occupancy ahead of its completion date.

OUTLOOK

Even as the industrial market enters an uncertain 2024, asking rents are anticipated to set new historic highs alongside moderate growth, while continuing to shape a competitive identity for the Philadelphia MSA. As the region’s ample development pipeline remains speculative, vacancy levels will likely rise, though the 1.5 msf of preleased space expected to deliver by year-end 2023 could help offset said rise in the fourth quarter. In summary, tenant demand is expected to remain relatively healthy, though the economic adversities impacting the global economy may result in a slowdown of the exponential growth in the market coming into 2024. The highly trained and plentiful labor force of the Philadelphia region – in conjunction with an unyielding consumer base – will continue to position said region as a core industrial market on the East Coast.

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	24,954,940	411,700	1.6%	251,029	529,952	1,061,312	632,229	N/A	N/A	\$13.75
Lower Bucks County	23,582,930	1,905,993	8.1%	2,049,009	526,272	2,688,806	3,558,385	N/A	N/A	\$12.03
Upper Bucks County	8,615,669	47,040	0.5%	58,800	118,800	220,984	0	N/A	N/A	\$10.00
Montgomery County	23,812,008	1,263,900	5.3%	-126,719	269,205	0	728,819	\$11.73	\$10.11	\$10.85
Chester County	9,160,431	141,863	1.5%	-134,063	0	636,120	0	N/A	N/A	\$12.00
Delaware County	7,251,334	388,447	5.4%	470,218	722,871	479,400	0	N/A	\$11.00	\$14.95
SUBURBAN PHILADELPHIA	97,377,312	4,158,943	4.3%	2,568,274	2,167,100	5,086,622	4,919,433	\$11.73	\$10.24	\$12.25
Burlington County	48,749,714	5,820,896	11.9%	1,101,286	2,058,404	3,570,094	4,617,527	N/A	N/A	\$13.14
Camden County	13,399,250	162,500	1.2%	0	6,100	0	162,500	N/A	N/A	\$13.00
Gloucester County	26,358,910	1,257,407	4.8%	-228,207	252,750	1,468,360	1,029,200	N/A	N/A	\$11.94
Salem County	6,971,621	635,000	9.1%	0	245,749	2,624,199	635,000	N/A	N/A	\$11.95
SOUTHERN NEW JERSEY	95,479,495	7,875,803	8.2%	873,079	2,563,003	7,662,653	6,444,227	N/A	N/A	\$12.85
NORTHERN DELAWARE***	22,252,140	407,948	1.8%	264,669	657,690	2,392,840	385,000	N/A	N/A	\$8.81
PHILADELPHIA MSA TOTALS	192,856,807	12,034,746	6.2%	3,441,353	4,730,103	12,749,275	11,363,660	\$11.73	\$10.24	\$12.66

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

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Crossings, Bldg. 2 Burlington, NJ	Burlington County	Performance Team	939,918	New Lease
7101 Milnor Street Philadelphia, PA	Philadelphia County	Amazon	251,029	New Lease

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Keystone Trade Center, Bldg. 1 Fairless Hills, PA	Lower Bucks County	FedEx Ground	1,159,849	NorthPoint Development
Keystone Trade Center, Bldg. 6 Fairless Hills, PA	Lower Bucks County	Speculative	1,035,696	NorthPoint Development

KEY PROJECTS UNDER CONSTRUCTION 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
373 North Broadway, Bldg. 1 Pennsville Twp, NJ	Salem County	Speculative	1,200,507	CT Realty
Keystone Trade Center, Bldg. 4 Fairless Hills, PA	Lower Bucks County	Lidl	1,200,000	NorthPoint Development

RYAN HULL

Senior Research Analyst - Industrial
+1 215 963 4041/ryan.hull@cushwake.com

MICHAEL HANES

Senior Research Manager – Philadelphia Region
+1 215 963 4037/Michael.hanes@cushwake.com

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