

PA I-81 & I-78

Industrial Q4 2023



	YoY Chg	12-Mo. Forecast
6.2% Vacancy Rate	▲	▲
18.3M YTD Net Absorption, SF	▼	▼
\$8.13 Asking Rent, PSF	▲	▬

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 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 levels within the PA Distribution Corridor held firmly against global business challenges, as regional employment grew by 2.1% year-over-year (YOY), while the local unemployment rate dropped 70 basis points (bps) over the course of the year. Third-party logistics companies, e-commerce, and consumer goods tenants led the charge in the fourth quarter as consumers continued their return to pre-pandemic shopping habits, supporting both larger and smaller businesses alike.

SUPPLY AND DEMAND

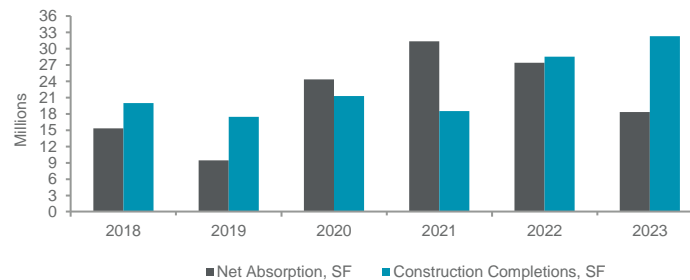
Corridor vacancy inched higher to 6.2% in Q4 – up 60 bps from the previous quarter – as several prominent vacant buildings came to market. Though most submarkets in the region contended with rising vacancy, the Northeastern PA geography’s Q4 rate dropped 100 bps YOY to 2.1% – stemming primarily from strong leasing activity in the fourth quarter – while the Central PA submarket recorded a sub-4.0% vacancy rate at the close of 2023. Annual absorption totals dipped to 18.3 million square feet (msf), though both the Split and I-81S submarkets reported a 13.8% and 26.9% uptick in annual absorption totals YOY, respectively. Most notably, the PA Distribution Corridor ranked third of 83 industrial markets in the United States in cumulative 2023 net absorption – with the Northeastern PA and Central PA submarkets hosting the highest annual totals.

Though yearly leasing totals for the Corridor were slightly down from year-end 2022, strong activity in both the I-81S and Split submarkets - which accounted for 41.2% of annual leasing – allowed for cumulative transaction totals in these regions to grow by 25.6% and 178.9% YOY, respectively. Generally, a combination of 3PL entities, e-commerce fulfillment and warehouse center, and consumer goods specialists drove leasing activity at year-end, resulting in an annual total of 22.7 msf. Tenant confidence within the Corridor remained resilient, as exhibited by a 5.2% YOY increase in weighted average asking rents. The Corridor’s inventory expanded significantly in 2023 with a 13.3% annual increase in construction completions, setting a new record for annual deliveries and introducing 32.3 msf of new warehouse and distribution space.

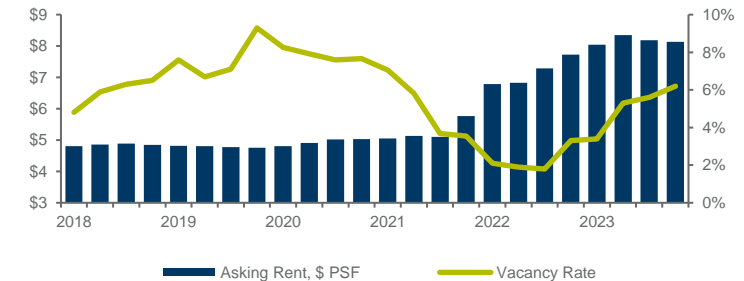
OUTLOOK

The PA Distribution Corridor is a prominent industrial market and is due to circumvent the overarching economic instabilities facing the nation and the wider world. Regardless, these factors will likely result in decreased speculative construction starts and reduced leasing in 2024. The new year is set to deliver reduced new supply compared to 2023, with the upcoming industrial pipeline currently holding a 34.6% preleasing rate entering 2024. One should expect a leveling out of weighted average asking rates over the next twelve months, while vacancy will likely rise slightly further as tenants reconsider business strategies amidst moderate economic downturn.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Lehigh Valley	103,184,071	4,642,025	4.5%	1,262,753	2,068,646	2,239,202	3,726,391	N/A	N/A	\$11.42
Northeastern PA	79,435,824	1,660,049	2.1%	4,607,547	6,436,726	4,297,480	3,977,240	N/A	N/A	\$7.56
Central PA	133,070,835	3,947,615	3.0%	4,557,216	4,853,304	3,939,093	6,903,963	N/A	N/A	\$8.25
Split	55,879,008	6,131,743	11.0%	3,617,051	5,204,317	1,809,940	6,497,397	N/A	N/A	\$8.05
I-81S	64,373,280	10,779,277	16.7%	4,296,081	4,163,537	291,600	11,197,949	N/A	N/A	\$6.81
PA I-81 & I-78 TOTALS	435,943,018	27,160,709	6.2%	18,340,648	22,726,530	12,577,315	32,302,940	N/A	N/A	\$8.13

*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 Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
29 Ludwig Court, Bldg. 1 Shoemakersville, PA	Split	Broadrange Logistics	1,240,000	New Lease
1300 Corporate Way Olyphant, PA	Northeastern PA	Amazon	1,000,000	New Lease
250 Cloverleaf Road York, PA	Central PA	Church & Dwight Co.	764,400	New Lease

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
84 Zion's View Road Manchester, PA	Central PA	GLP/Prologis	1,000,000	\$110.2M/\$110.20

KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
10440 Downsville 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

KEY PROJECTS UNDER CONSTRUCTION Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
3379 Pennsylvania Route 940 Mt. Pocono, PA	Northeastern PA	All Ways Pacific	1,204,494	Newland Capital
3363 Gun Club Road Nazareth, PA	Lehigh Valley	Speculative	1,006,050	NorthPoint Development
Rausch Creek Logistics Center, Bldg. 2 Frailey Twp., PA	Split	Speculative	1,005,060	Panattoni Development Company
159-169 Commonwealth Drive Jenkins Twp., PA	Northeastern PA	Speculative	868,000	Mericle Commercial Real Estate
PNK Harmony – Route 940 Blakeslee, PA	Northeastern PA	Speculative	699,847	PNK
Hazleton Exchange, Bldg. 1 Hazleton, PA	Northeastern PA	Speculative	592,813	Flint Development
Manchester Commerce Center, Bldg. 1 York, PA	Central PA	Speculative	586,780	NorthPoint Development

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