

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
8.4% Vacancy Rate	▲	▲
4.6M YTD Net Absorption, SF	▼	▼
\$12.79 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
3.1M Philadelphia Employment	▲	▲
3.7% Philadelphia Unemployment Rate	▼	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

The fourth quarter manifested a 2.6% year-over-year (YOY) uptick in total regional employment within the Philadelphia Metropolitan Area, confirming the geography as an ideal source for an educated labor pool within the nation's industrial real estate sector. As the unemployment rate concurrently dropped by 40 basis points (bps) relative to Q4 2022, it was made evident that logistics/distribution entities and business services companies led corporate movement during the fourth quarter. Furthermore, the decisions of several users to renew their tenancy in the Philadelphia region demonstrated a continued trust in the area's industrial market.

SUPPLY AND DEMAND

The vacancy rate in the Philadelphia MSA increased to 8.4% during Q4 – though rates in both the Upper Bucks County and Delaware County submarkets dipped, while Camden County once again posted a 0.0% total. As businesses began to occupy greater space in the region, Q4 net absorption rose 29.9% YOY to 1.1 million square feet (msf), driven primarily by Southern NJ transactions. Asking rates in the market held steady, maintaining their same value as Q4 2022. Fourth-quarter industrial leasing more than doubled YOY to 1.5 msf, contributing to an annual sum of 6.2 msf. Burlington County – and to a smaller extent, Delaware County – was the driving factor behind Q4 leasing, with the former registering a 262.7% Q4 increase in demand YOY and comprising 40.8% of the Philadelphia region's annual leasing total. Additionally, six transactions greater than or equal to 100,000 square feet (sf) were finalized during Q4. Annual construction deliveries exhibited a significant YOY increase, marking an 89.2% rise in completions and establishing another new regional record of 17.2 msf – with 28.0% of these deliveries being fully preleased. Alongside a notable annual increase in the under-construction pipeline across five counties in the MSA, the Southeastern PA area showcased a preleasing rate of 27.8% - up from 20.8% a year ago – and two projects over 1 msf remain under development, located in Bucks and Salem Counties.

OUTLOOK

Though economic headwinds may push against American markets in 2024, asking rents in the Philadelphia region are anticipated to undergo moderate growth; furthermore, vacancy rate growth will likely level out, as preleasing of under-construction space is anticipated to rise over the next six months. In summary, tenant demand is due to remain strong, though the anticipated moderate recessionary period may somewhat impact regional absorption and leasing levels, as businesses reassess their financial considerations. Philadelphia's highly-educated workforce – in association with steadfast consumer confidence – will allow the Philadelphia MSA to remain a stalwart influence within the industrial real estate sector.

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	26,099,252	1,301,012	5.0%	251,029	529,952	1,744,459	1,521,541	N/A	N/A	\$15.32
Lower Bucks County	24,618,626	2,927,930	11.9%	2,062,768	580,031	1,973,360	4,594,081	N/A	N/A	\$11.76
Upper Bucks County	8,735,669	60,000	0.7%	165,840	461,690	100,984	120,000	N/A	N/A	\$11.50
Montgomery County	23,812,008	1,263,900	5.3%	-126,719	269,205	0	728,819	\$11.73	\$10.11	\$11.14
Chester County	9,160,431	134,863	1.5%	-127,063	6,429	636,120	0	N/A	N/A	\$12.00
Delaware County	7,251,334	354,903	4.9%	503,762	767,379	479,400	0	N/A	\$11.00	\$15.11
SUBURBAN PHILADELPHIA	99,677,320	6,042,608	6.1%	2,729,617	2,614,686	4,934,323	6,964,441	\$11.73	\$10.24	\$12.68
Burlington County	51,530,338	8,139,059	15.8%	1,411,747	2,536,140	1,292,470	7,246,151	\$13.50	\$13.25	\$13.20
Camden County	13,398,900	0	0.0%	162,150	168,250	279,600	162,500	N/A	N/A	N/A
Gloucester County	27,173,695	1,578,040	5.8%	265,945	651,510	1,228,055	1,843,985	N/A	N/A	\$11.84
Salem County	7,295,371	958,750	13.1%	0	245,749	3,426,892	958,750	N/A	N/A	\$11.95
SOUTHERN NEW JERSEY	99,398,304	10,675,849	10.7%	1,839,842	3,601,649	6,227,017	10,211,036	\$13.50	\$13.25	\$12.86
NORTHERN DELAWARE***	22,954,740	910,548	4.0%	464,669	857,690	1,690,240	1,087,600	N/A	N/A	\$9.77
PHILADELPHIA MSA TOTALS	199,075,624	16,718,457	8.4%	4,569,459	6,216,335	11,161,340	17,175,477	\$13.13	\$10.48	\$12.79

*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 Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1620 River Road, Bldg. 2 Burlington, NJ	Burlington County	eLogistics	477,736	New Lease
1847 Crown Point Road Deptford, NJ	Gloucester County	EMR Metal Recycling	280,000	New Lease

KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Keystone Trade Center, Bldg. 5 Fairless Hills, PA	Lower Bucks County	Speculative	1,035,696	NorthPoint Development
1900 River Road, Bldg. 2 Burlington, NJ	Burlington County	Speculative	845,280	Clarion Partners

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

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