

PA I-81 & I-78

Industrial Q1 2024

5.7%
Vacancy Rate



3.7M
YTD Net Absorption, SF



\$8.24
Asking Rent, PSF



Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q1 2024

1.0M
PA I-81 & I-78
Employment



3.5%
PA I-81 & I-78
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS

ECONOMY

Employment statistics within the PA Distribution Corridor generally circumvented contemporary economic circumstances, as general regional employment grew by a still-healthy 1.4% year-over-year (YOY), while the local unemployment rate dropped a further 80 basis points (bps) since Q1 2023. Third-party logistics companies and e-commerce entities dominated tenancy as consumers defied market fluctuations, continuing their readoption of e-commerce consumer spending as observed by the U.S. Department of Commerce and Census Bureau.

SUPPLY AND DEMAND

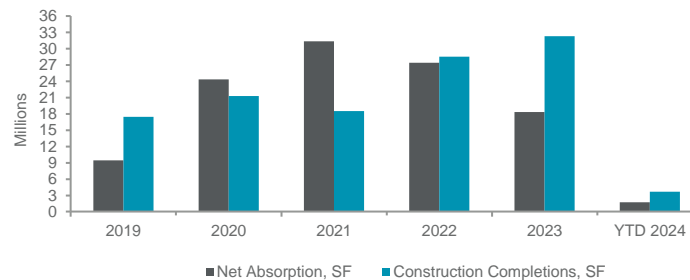
The overall vacancy rate in the Corridor dropped by 50 bps quarter-over-quarter (QOQ) to 5.7% in Q1 as vacant construction deliveries tapered off. Almost every Corridor submarket enjoyed a drop in vacancy, with the I-81S and Central PA regions showcasing the largest improvements – stemming primarily from healthy tenant occupancies throughout the quarter. Overall Q1 net absorption rose by 10.7% YOY to 3.7 million square feet (msf), driven by substantial increases in the aforementioned I-81S and Central PA geographies. Most notably, the PA Distribution Corridor, when including the I-81S submarket, ranked second of 83 industrial markets in the United States for overall Q1 net absorption – behind only Houston, TX.

Though Q1 leasing totals for the Corridor dropped by 37.1% YOY, the Central PA submarket showcased a notable 78.0% annual increase in Q1 leasing, accounting for 41.2% of total activity for the period. As previously referenced, tenancy was dominated by e-commerce and 3PL companies, with a smaller segmentation dedicated to business products and furniture-related entities. User demand within the Corridor remained positive, as exhibited by a 2.5% YOY increase in weighted average asking rents despite global economic adversity. Construction completions were down by 52.8% YOY following the construction boom of 2023; in a strong showing for regional demand, however, 83.1% of the new 1.7 msf was preleased.

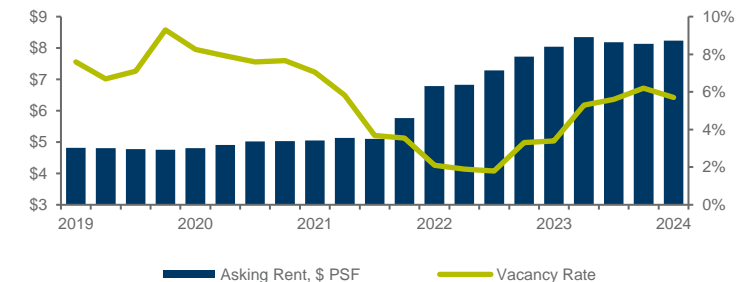
OUTLOOK

The year ahead is poised to be a cautiously positive one for the PA Distribution Corridor. As the supply shock of the previous year wears off and vacancy rates stabilize, tenant confidence will remain steady and likely improve over the duration of the year. As decreased speculative construction starts tighten the supply market and tenants adjust to the new economic reality, leasing will remain relatively healthy, at either a similar or slightly lowered level when juxtaposed with 2023. While the speculative segment of the region's under-construction pipeline falls to approximately two-thirds (down from about three-quarters a year ago), one may anticipate a standardization of weighted average asking rates in the second half of the year alongside moderate concessions, as owners work to entice prospective tenants to occupy their remaining premium space during economically challenging times.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2024

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	4,482,160	4.3%	159,865	631,365	2,413,646	0	N/A	N/A	\$11.43
Northeastern PA	80,303,824	2,362,161	2.9%	165,888	130,045	4,196,980	868,000	N/A	N/A	\$7.94
Central PA	133,070,855	2,967,898	2.2%	979,717	2,349,084	3,939,093	0	N/A	N/A	\$8.27
Split	56,726,008	6,131,743	10.8%	570,000	0	1,239,940	570,000	N/A	N/A	\$8.05
I-81S	64,508,542	9,062,169	14.0%	1,788,208	2,585,871	0	291,600	N/A	N/A	\$6.83
PA I-81 & I-78 TOTALS	437,793,300	25,006,131	5.7%	3,663,678	5,696,365	11,789,659	1,729,600	N/A	N/A	\$8.24

*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 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
55 West Oak Ridge Drive Hagerstown, MD	I-81S	Confidential	1,247,111	New Lease
217 South Edgewood Drive, Bldg. 1 Hagerstown, MD	I-81S	Confidential	1,238,760	New Lease
3327 East Harrisburg Pike, Bldg. 1 Middletown, PA	Central PA	Amazon	1,219,021	New Lease

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
360 Independence Avenue Mechanicsburg, PA	Central PA	New York Life/Lightstone Group	812,425	\$78.5M/\$96.62

KEY CONSTRUCTION COMPLETIONS Q1 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
159-169 Commonwealth Drive Jenkins Twp., PA	Northeastern PA	Alexandria Moulding, Inc.	868,000	Mericle Commercial Real Estate
3000 State Drive Lebanon, PA	Split	DHL Logistics	570,000	DHL Logistics
217 South Edgewood Drive, Bldg. 2 Hagerstown, MD	I-81S	Speculative	291,600	Curated Development Group

KEY PROJECTS UNDER CONSTRUCTION Q1 2024

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
PNK Harmony – Route 940 Blakeslee, PA	Northeastern PA	Speculative	699,847	PNK
500 West Timberline Drive Hazleton, PA	Northeastern PA	Speculative	592,813	Flint Development
Manchester Commerce Center, Bldg. 1 York, PA	Central PA	Woodstream	586,780	NorthPoint Development
10 Life Science Drive Scott Twp., PA	Northeastern PA	Kolmar	450,000	Kolmar

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