MARKETBEAT

PHILADELPHIA

Industrial Q1 2024

	YoY Chg	12-Mo. Forecast
8.3% Vacancy Rate	▲	▲
478K YTD Net Absorption, SF	▼	▼
$12.52 Asking Rent, PSF	▲	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q1 2024

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

Source: BLS

ECONOMY

The new year opened with a 1.2% year-over-year (YOY) uptick in total employment levels across the Philadelphia Metropolitan Area, showcasing the consistent demand for a highly talented and diversified labor pool. With the regional unemployment rate dropping 20 basis points (bps) YOY to 3.8%, the MSA's corporate activity was heralded by third-party logistics and distribution entities, alongside the strong performances of business and building supply companies. Similarly to the previous quarter, renewals played a significant role in the region's tenant activity, as several businesses of note continued to call Philadelphia home.

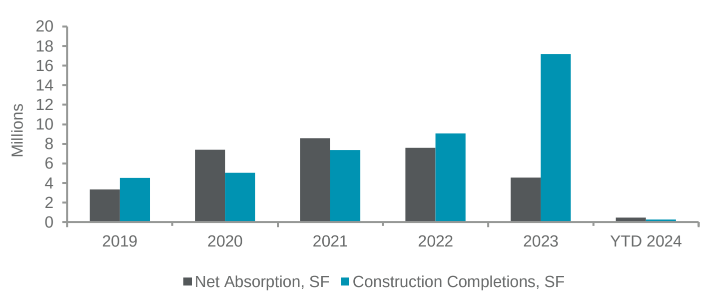
SUPPLY AND DEMAND

Industrial leasing in Q1 proved to be resilient, recording a healthy 18.7% annual increase, totaling 2.3 million square feet (msf) and driven primarily by a 137.3% increase in Southern New Jersey activity. Regionwide activity comprised 85.9% of the Philadelphia market's annual leasing total, reminiscent of trends common during the pandemic period. Additionally, six new transactions greater than or equal to 100,000 square feet (sf) were finalized during Q1. The average overall vacancy rate in the Philadelphia MSA decreased by 10 bps to 8.3% in Q1 – driven by Burlington County's rate dropping by 130 bps quarter-over-quarter (QOQ), and with the Chester County and Upper Bucks County submarkets sporting the second- and third-lowest rates, respectively. The Southern New Jersey region exhibited a significant YOY increase in Q1 absorption of 82.3%, driven by strong upswings in both Gloucester and Salem Counties. Following the construction boom of 2023, a noticeably tighter amount of Q1 deliveries will ensure the competitive nature of available premium space in the upcoming year – and in tandem with a more competitive construction market, the region's under-construction pipeline has tightened by one-third since Q1 of last year. However, the Counties of Philadelphia, Delaware, and Salem all exhibited notable YOY increases in under-construction property – with the latter geography yielding a 1.2 msf building currently under development.

OUTLOOK

Though financial challenges will inevitably influence user decisions over the duration of the year, asking rents in the Philadelphia region are anticipated to exhibit moderated growth or potential stabilization; furthermore, vacancy rate upswings will likely moderate, as new deliveries of supply continue to slow and construction starts remain tempered. In summary, tenants in the market are and will remain active, with businesses continuing to leverage the region's core strengths to their advantage. Philadelphia's elite workforce – in coordination with assumption of pre-pandemic consumer habits – will continue to position the Philadelphia region as a premier industrial market on the East Coast.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

MARKETBEAT

PHILADELPHIA

Industrial Q1 2024

CUSHMAN & WAKEFIELD

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
Philadelphia County	26,264,333	1,296,762	4.9%	172,000	0	1,572,459	172,000	N/A	N/A	$15.26
Lower Bucks County	24,618,626	2,927,049	11.9%	881	102,750	1,973,360	0	$10.50	N/A	$11.10
Upper Bucks County	8,836,653	100,984	1.1%	60,000	117,200	0	100,984	N/A	N/A	$11.75
Montgomery County	23,659,824	1,952,999	8.3%	-689,099	43,604	0	0	$12.00	$12.08	$10.64
Chester County	9,160,431	68,098	0.7%	66,365	66,365	636,120	0	N/A	N/A	$12.00
Delaware County	7,251,334	354,443	4.9%	0	0	479,400	0	N/A	$11.00	$15.11
SUBURBAN PHILADELPHIA	**99,791,201**	**6,700,335**	**6.7%**	**-389,853**	**329,919**	**4,661,339**	**272,984**	**$11.53**	**$11.75**	**$12.11**
Burlington County	51,516,180	7,458,467	14.5%	680,592	1,334,311	1,292,470	0	$13.50	$13.25	$13.18
Camden County	13,398,900	0	0.0%	0	0	279,600	0	N/A	N/A	N/A
Gloucester County	27,215,775	1,504,596	5.8%	62,394	312,813	1,228,055	0	N/A	N/A	$11.82
Salem County	7,295,371	833,499	11.4%	125,251	371,000	3,426,892	0	N/A	N/A	$11.38
SOUTHERN NEW JERSEY	**99,426,226**	**9,796,562**	**9.9%**	**868,237**	**2,018,124**	**6,227,017**	**0**	**$13.50**	**$13.25**	**$12.88**
NORTHERN DELAWARE* **	**23,174,778**	**1,193,678**	**5.2%**	**39,125**	**66,146**	**1,332,240**	**358,000**	**N/A**	**N/A**	**$11.46**
PHILADELPHIA MSA TOTALS	**199,217,427**	**16,496,897**	**8.3%**	**478,384**	**2,348,043**	**10,888,356**	**272,984**	**$12.54**	**$11.84**	**$12.53**

**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 Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1900 River Road, Bldg. 2 | Burlington, NJ	Burlington County	Lecangs	667,560	New Lease
1100 John Galt Way | Florence, NJ	Burlington County	HD Supply	513,136	Renewal

KEY CONSTRUCTION COMPLETIONS Q1 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2201 East Allegheny Avenue | Philadelphia, PA	Philadelphia County	Build-to-Suit	172,000	BG Capital
1010 Heller Road | Quakertown, PA	Upper Bucks County	Speculative	100,984	Farmhouse Development

KEY PROJECTS UNDER CONSTRUCTION 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
373 North Broadway, Bldg. 1 | Pennsville Twp, NJ	Salem County	Speculative	1,200,507	CT Realty
5000 Richmond Street, Bldg. 2 | Philadelphia, PA	Philadelphia County	Speculative	411,000	DH Property Holdings

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