

Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
9.2% Vacancy Rate	▲	▲
-37K YTD Net Absorption, SF	▼	▼
\$12.51 Asking Rent, PSF	▼	▲

Overall, Triple Net Asking Rent

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
3.1M Philadelphia Employment	▲	▲
3.7% Philadelphia Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Total employment levels in Q2 2024 replicated Q1's 1.2% year-over-year (YOY) increase throughout the Philadelphia Metropolitan Area – further emphasizing a throughline of demand for a highly talented and diverse labor pool. Though the regional unemployment rate rose 20 basis points (bps) YOY to 3.7%, the MSA's corporate activity remained dominated by third-party logistics and distribution entities, alongside the strong presence of food and beverage companies. Akin to the past several quarters, various tenants chose to extend their tenancies in the Philadelphia region, further emphasizing these firms' renewed confidence in the industrial market.

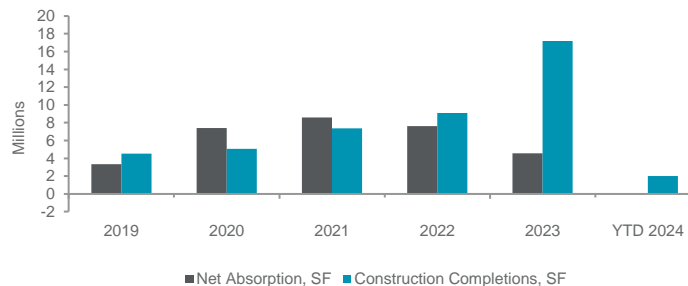
SUPPLY AND DEMAND

Tenant demand since the start of the year has been strong with 4.1 million square feet (msf) leased, up 39.4% YOY on a year-to-date (YTD) basis. This surge was propelled by a 168.7% increase in Southern New Jersey's leasing volume, making up 85.2% of the Philadelphia market's total, reminiscent of trends registered during the pandemic. Additionally, seven new transactions greater than or equal to 100,000 square feet (sf) were finalized during Q2 across the Philadelphia MSA. The average overall vacancy rate for the market rose by 90 bps to 9.2% quarter-over-quarter (QOQ) – driven by Delaware and Salem Counties' quarterly upticks – though Burlington County yielded a 50 bps drop in vacancy due to strong Q2 activity. The Southern New Jersey region exhibited a significant YOY increase in YTD absorption, from a negative total one year ago to 1.1 msf as of Q2 2024 – driven mainly by Burlington County. Despite the waning of the construction boom of 2023, Q2 deliveries in fact rose 13.5% YOY to 1.7 msf – to an annual total of 2.0 msf – driven by strong Southern New Jersey activity. Furthermore, though the under-construction pipeline has tightened YOY to 13.1 msf, the counties of Philadelphia, Chester, and Delaware all reported notable increases in their anticipated deliveries – in fact, 42.5% of the Philadelphia MSA's under-construction pipeline is located in Southeastern Pennsylvania, up from 39.1% one year ago.

OUTLOOK

Though businesses continue to navigate financial adversities as they contend with economic realities, asking rents in the Philadelphia region are anticipated to exhibit moderated growth or potential stabilization. Additionally, expect vacancy rate increases to taper off, as new inventory additions slow and construction starts remain tempered. In conclusion, users in the market will continue to seek out premium space, with businesses taking advantage of the region's core economic and logistical assets. Philadelphia's elite laborers – in conjunction with consumers' resuming of their pre-pandemic shopping activity – will continue to push the Philadelphia MSA as a top-tier industrial market for investment.

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	26,264,333	1,588,555	6.0%	-119,793	0	1,859,677	172,000	N/A	N/A	\$14.86
Lower Bucks County	24,618,626	2,955,049	12.0%	-27,119	142,910	2,946,560	0	\$10.50	N/A	\$11.12
Upper Bucks County	8,836,653	110,984	1.3%	50,000	117,200	0	100,984	N/A	N/A	\$11.80
Montgomery County	23,659,824	2,099,661	8.9%	- 851,138	190,611	0	0	\$12.61	\$10.29	\$10.64
Chester County	9,160,431	318,914	3.5%	-184,451	106,709	636,120	0	N/A	N/A	\$11.08
Delaware County	7,625,734	652,189	8.6%	-12,000	50,355	105,000	374,400	N/A	\$11.00	\$16.08
SUBURBAN PHILADELPHIA	100,165,601	7,725,352	7.7%	-1,144,501	607,785	5,547,357	647,384	\$11.86	\$10.42	\$12.25
Burlington County	51,992,916	7,270,060	14.0%	1,145,879	2,529,716	2,027,300	429,200	\$13.50	\$13.25	\$13.19
Camden County	13,404,579	99,775	0.7%	-99,775	284,090	279,600	0	\$10.95	N/A	N/A
Gloucester County	27,552,475	1,967,793	7.1%	-64,103	312,813	1,413,570	336,700	N/A	N/A	\$11.85
Salem County	7,882,871	1,420,999	18.0%	125,251	371,000	3,795,741	587,500	N/A	N/A	\$11.61
SOUTHERN NEW JERSEY	100,832,841	10,758,627	10.7%	1,107,252	3,497,619	7,516,211	1,353,400	\$13.28	\$13.25	\$12.71
NORTHERN DELAWARE***	23,303,946	627,628	2.7%	734,343	674,035	1,607,240	487,168	N/A	N/A	\$9.87
PHILADELPHIA MSA TOTALS	200,998,442	18,483,979	9.2%	-37,249	4,105,404	13,063,568	2,000,784	\$12.73	\$10.69	\$12.52

*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 Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2900 Cindel Drive Cinnaminson, NJ	Burlington County	DomTar Paper	463,000	Renewal
20 East Park Drive Westampton, NJ	Burlington County	Dunkin' Donuts	301,872	Renewal

KEY CONSTRUCTION COMPLETIONS Q2 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
37 South Golfwood Avenue Carney's Point, NJ	Salem County	Speculative	587,500	Portman Industrial
1791 Route 38 Mount Laurel, NJ	Burlington County	Speculative	429,200	Dermody Properties, Inc.

KEY PROJECTS UNDER CONSTRUCTION Q2 2024

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	Lower Bucks County	Owner	1,200,000	Lidl

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

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.