

Greater Philadelphia Industrial Market Overview

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Market Observations

Economy

- The Greater Philadelphia economy experienced a modest rise in unemployment for the 12 months ending in February to 4.2%. However, its unemployment rate remains 30 basis points below the national rate. In February, annual nonfarm payroll employment rose by 90 basis points, marking a continuous monthly increase since April 2021. The largest industry in the Greater Philadelphia area, Education and Health Services, continues to be the main driver of employment expansion.
- In February 2024, employment in the industrial sector saw a reduction of 7 basis points, resulting in a total workforce of approximately 836,100. This marks a decline of 600 jobs compared to the previous year.

Major Transactions

- In the first quarter, the largest leases were distributed across the Greater Philadelphia market in various industries, such as Logistics, Food and Beverage, and Manufacturing. Notably, US E-Logistics at 500 Ben Fairless Drive secured a lease for 518,055 square feet, JD Logistics at 4259 US-130 signed for 400,950 square feet, and the renewal of Fresco at 103 Commerce Drive executed a lease for 247,401 square feet.
- Industrial leasing remains below historical averages at 3M square feet. However, Class A product captured 52.5% of industrial leasing volume in the Greater Philadelphia region through 2024, buoyed by some of the largest leases this quarter.
- Multiple significant projects broke ground this quarter, including the development at 11301 Roosevelt Boulevard in Philadelphia County for 176,105 square feet, 710 American Boulevard in Bear County for 361,770 square feet, the LogistiCenter at Mt. Laurel in Burlington County for 190,470 square feet and 261 Swedesford Paulsboro Road in Gloucester County for 214,467 square feet.



Leasing Market Fundamentals

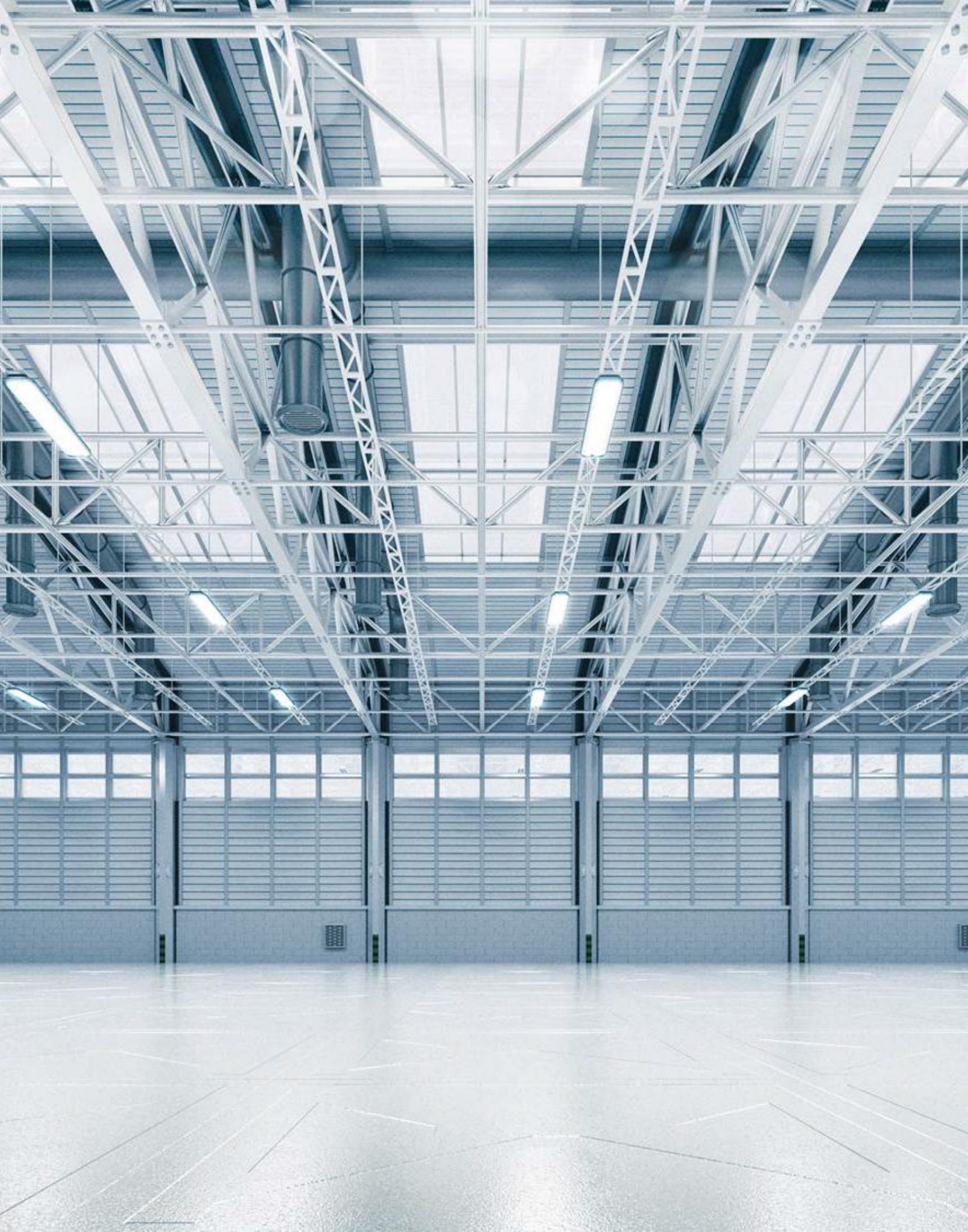
- Industrial construction deliveries have declined significantly, with 13.9M square feet at the end of the first quarter of 2025, a 997,000 square foot decrease from the previous year. Over the last 8 quarters, there has been an average of just under 16.8M square feet of quarterly deliveries. This reduction aligns well with the current slowdown in demand for new bulk facilities.
- Between the fourth quarter of 2024 and first quarter of 2025, available sublease space expanded to 3.5M square feet. Southern New Jersey contributes 1.7M square feet to the total market, which represents approximately half of the available sublease space. This is notable given that Southern New Jersey constitutes only 45.6% of the region's total available inventory.
- From the fourth quarter of 2024 to the first quarter of 2025, the annual average asking rent increased by 3.3%. This figure is just \$0.13 shy of the all-time high recorded in the first quarter of 2023. Over the past eight quarters, asking rates have demonstrated robust growth, with an average increase of 1.5% each quarter



Outlook

- Construction starts totaled 942,812 square feet in the first quarter, significantly lower than the 8 quarter average, falling short of the benchmark by just under 1.7M square feet.
- Though recent trends reflect increasing vacancy rates and absorption turning negative, a decrease in construction deliveries and starts occurred at an opportune moment, considering the state of the market. Less construction activity allows users to absorb the remaining 6.8% of vacant space in the region without a rapid increase in supply, which would only further increase vacancy rates.

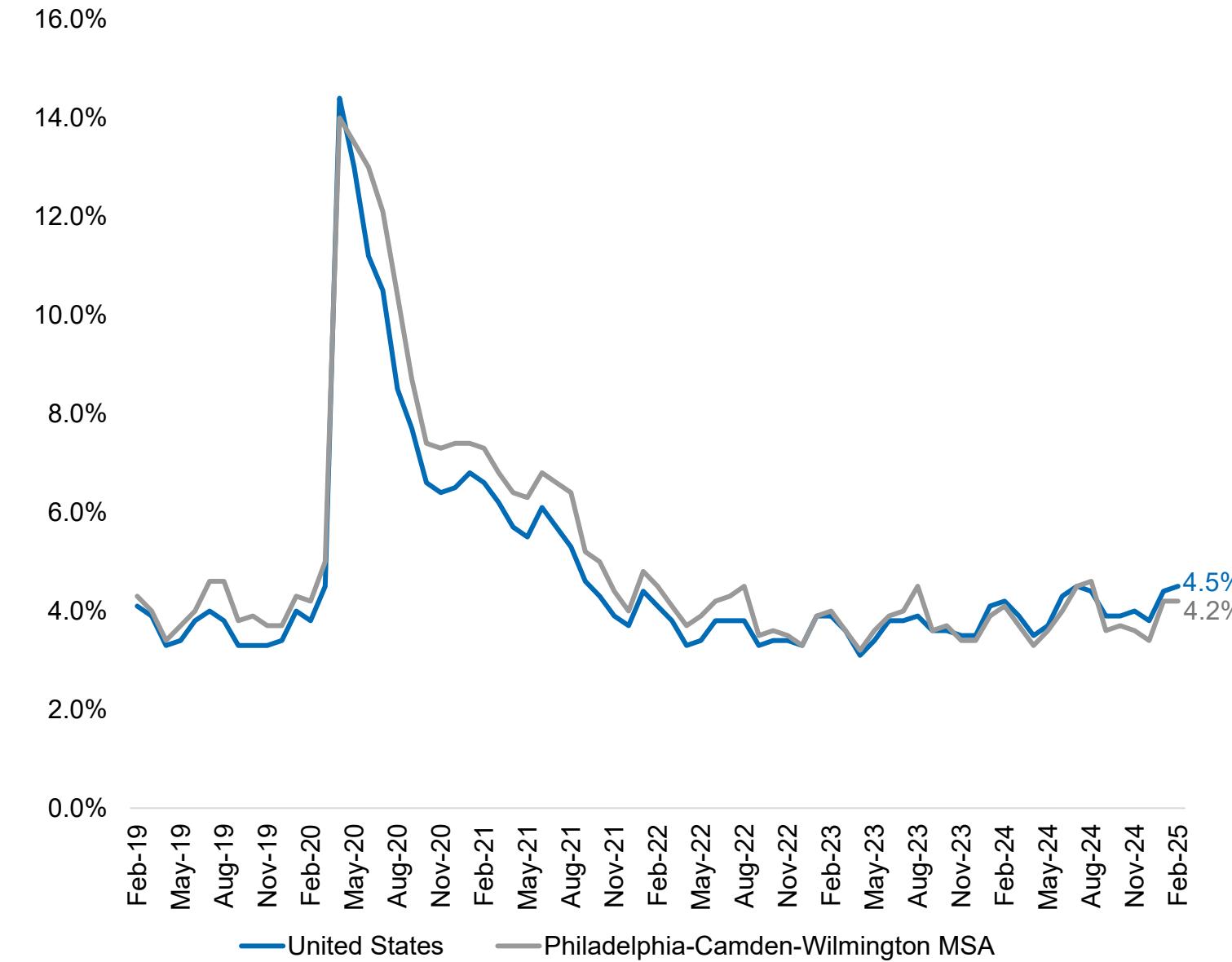
Economy



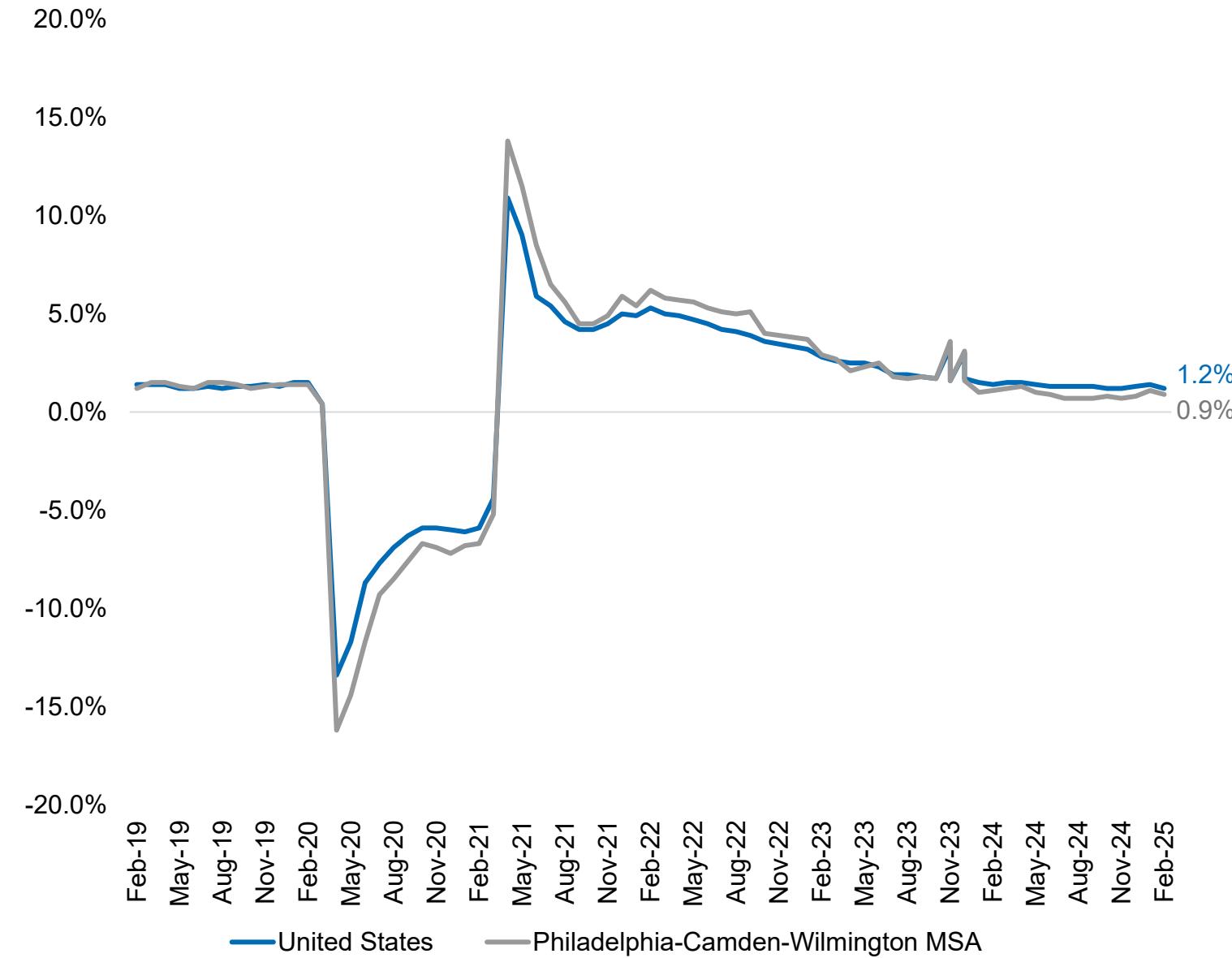
Philadelphia's Annual Employment Continues To Be Positive

The Greater Philadelphia economy saw a small increase in unemployment for the 12 months ending in February but remains 30 basis points below the national unemployment rate. Annual nonfarm payroll employment grew 0.9% in February. Greater Philadelphia's largest industry, Education and Health Services, continues to drive employment growth.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

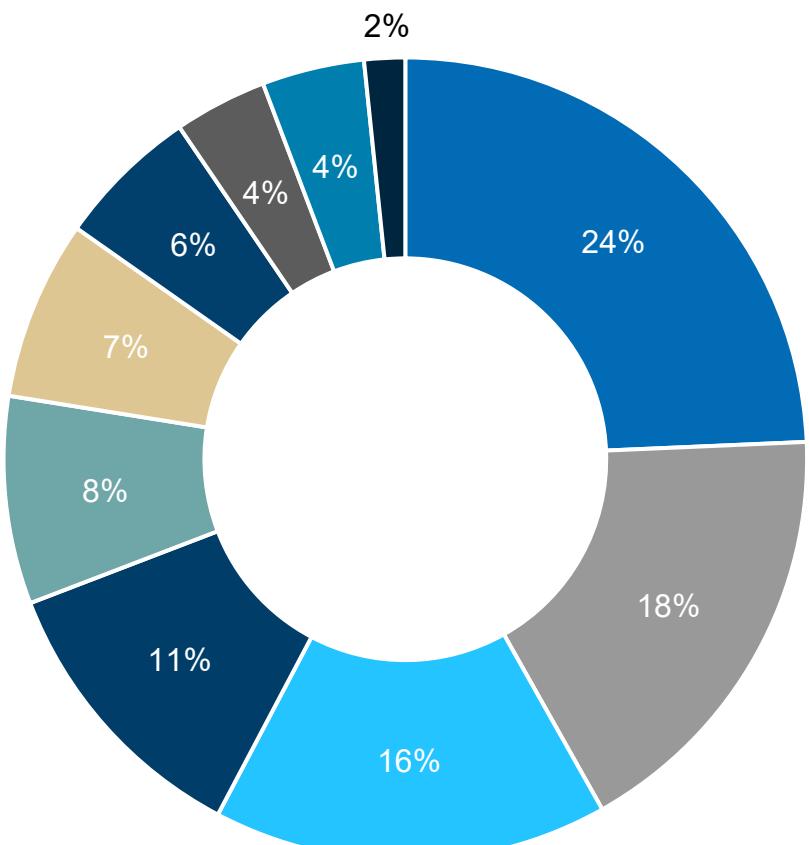


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

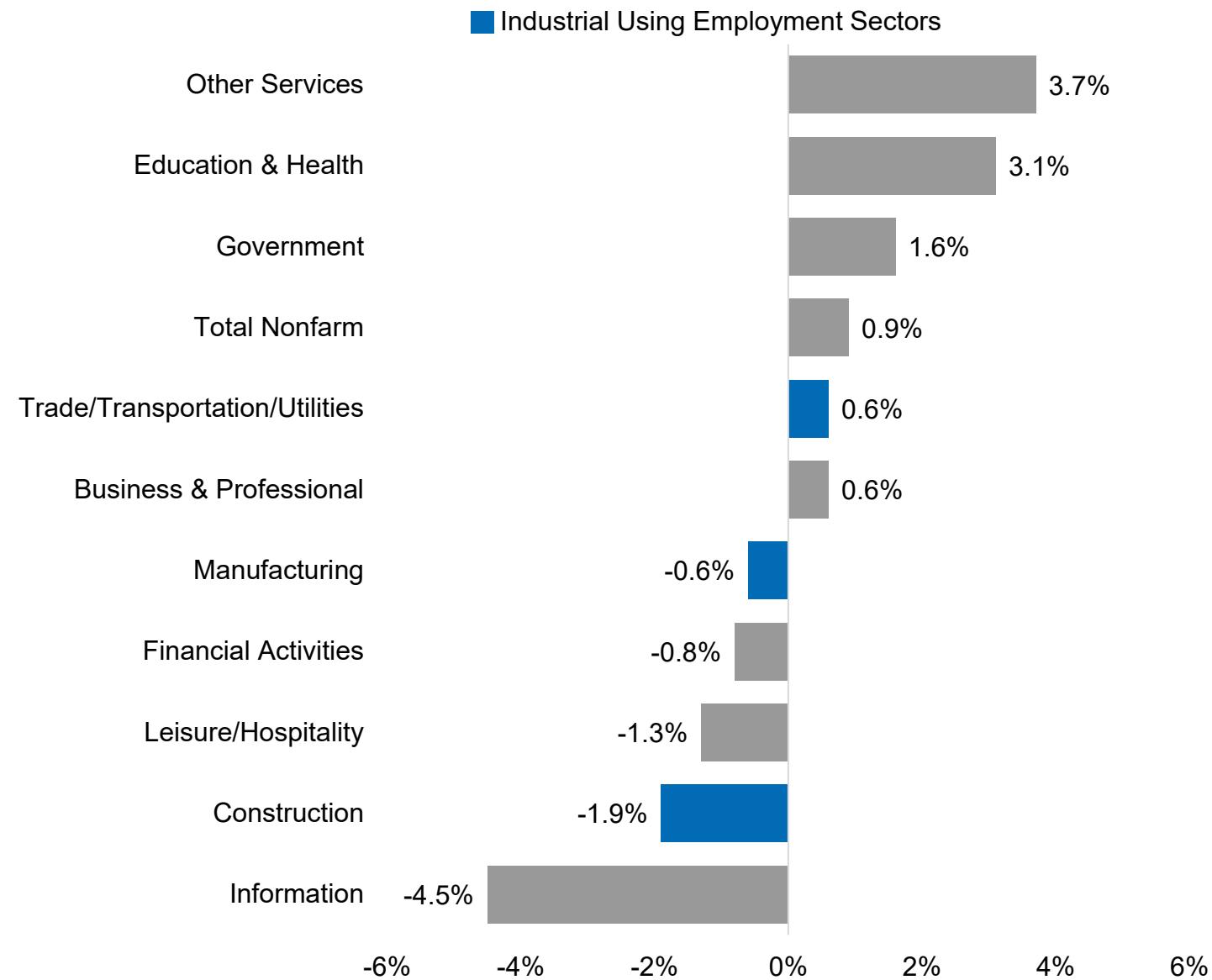
Region Sees Strongest Job Gains In Non-Industrial-Using Sectors

Other Services, Education & Health, and Government sectors each grew by at least 150 basis points for the 12 months ending in February. The Other Services industry sector comprises establishments that do not fall into any other specific industry and tend not to be industrial-using employers. These sectors employ about 40% of Greater Philadelphia's labor force. Substantial annual employment gains in these sectors are encouraging for the region.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

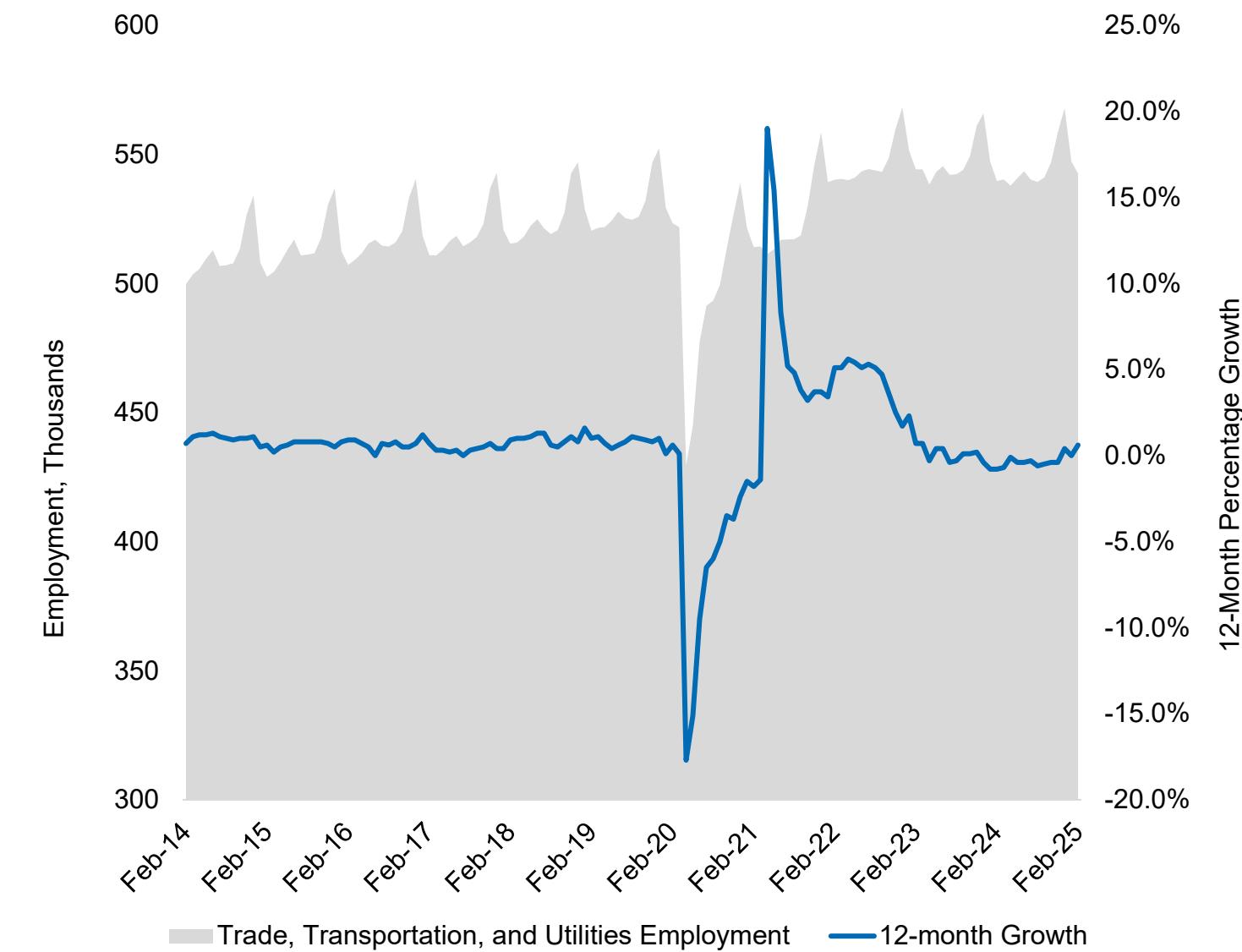


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

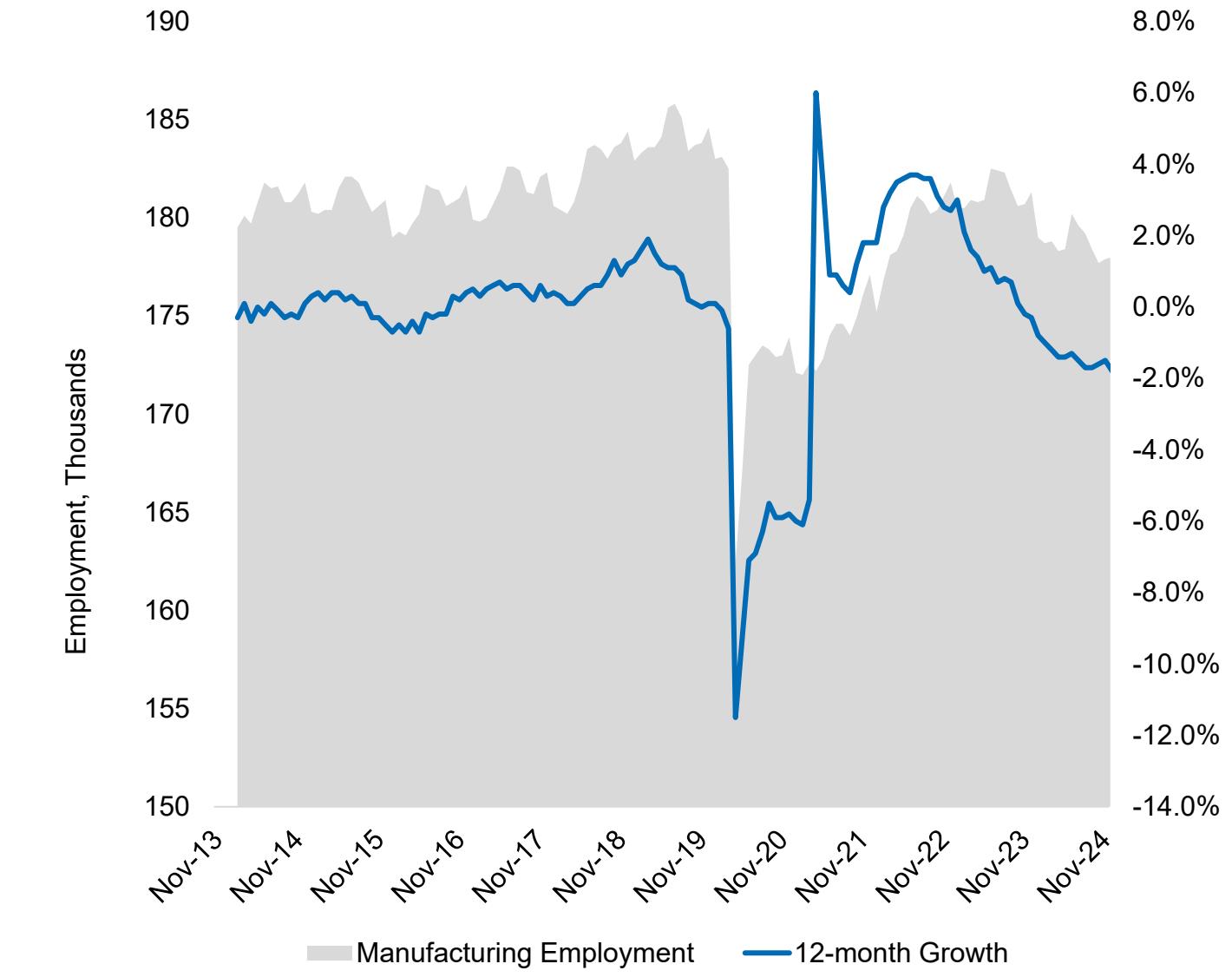
Trade, Transportation & Utilities And Manufacturing Combined For Gain

The Trade, Transportation, & Utilities industry grew by 60 basis points for the 12 months ending in February 2025. In December, the industry experienced its first annual job growth in 12 months. Despite the Manufacturing sector contracting by 60 basis points over the 12 months ending in February 2025, the Trade, Transportation, and Utilities sector, which is considerably larger in the Philadelphia MSA, offset this decline. Consequently, when combining these two industries, there was a net gain of 28 basis points for the same period.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities

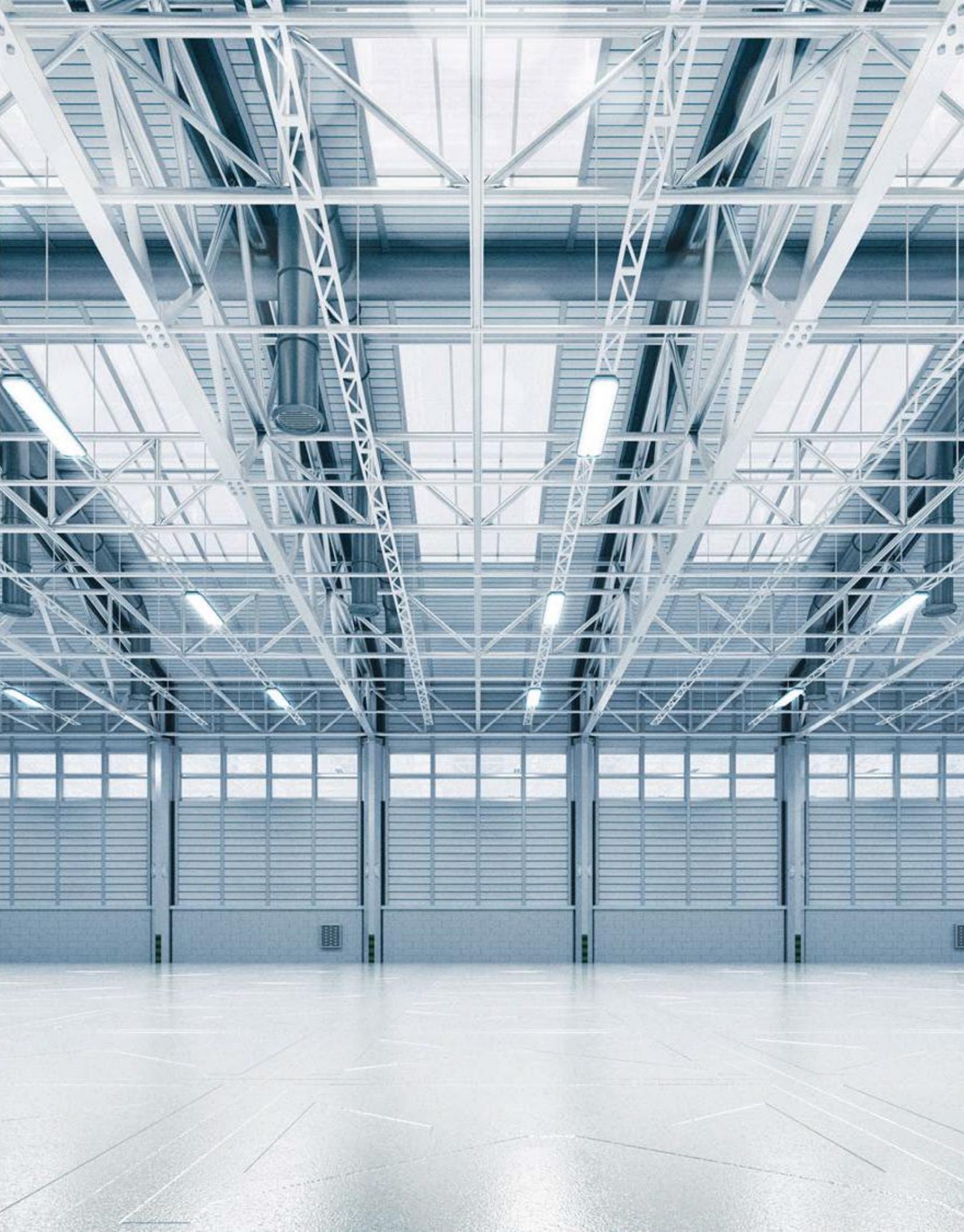


Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

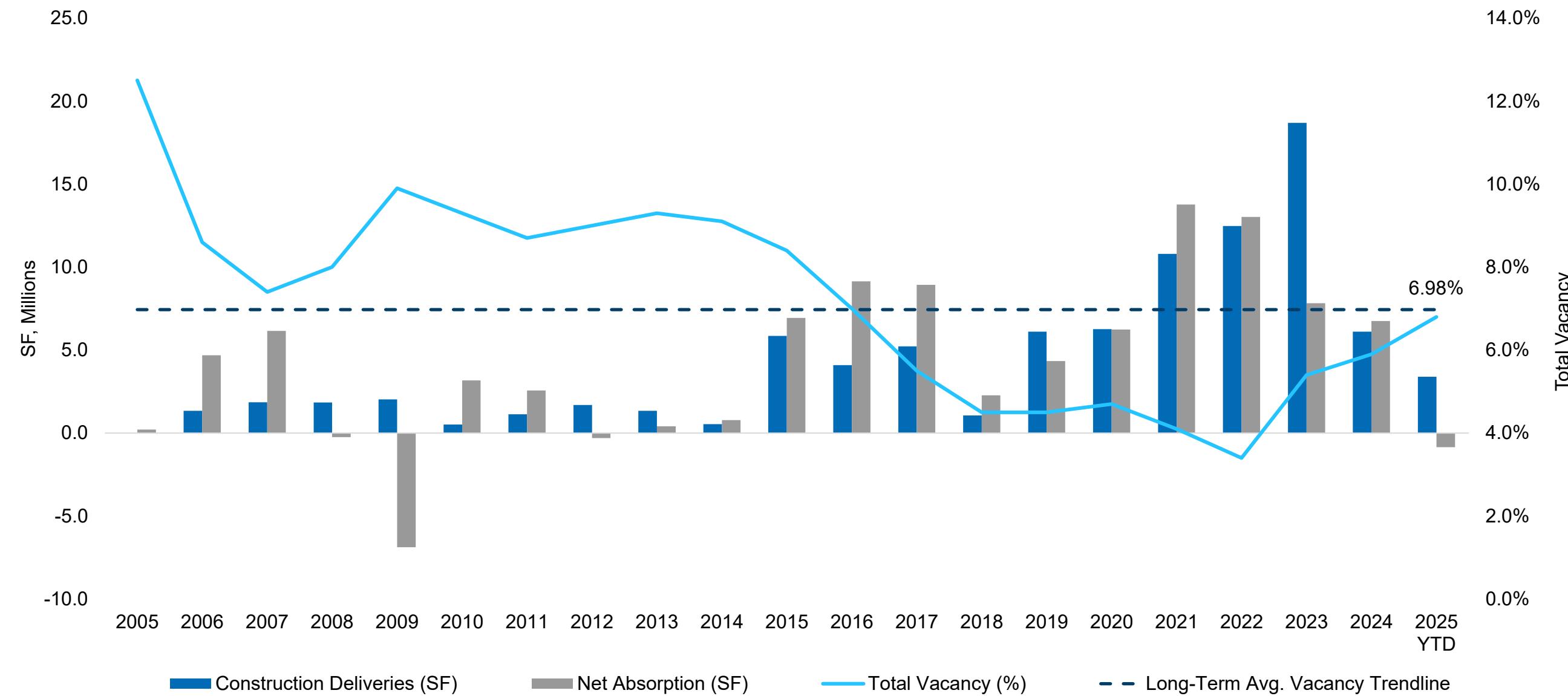
Leasing Market Fundamentals



Absorption Turns Negative Though Vacancy Remains Below Historical Average

Industrial construction deliveries have seen a marked decline over the last year, but this quarter the Greater Philadelphia market saw approximately 3.4M SF of deliveries. This is approximately 1.4M SF more than the first quarter of 2024 and the highest number of quarterly deliveries seen since the fourth quarter of 2023. This quarter experienced a negative quarterly absorption of 843,000 square feet, marking the first occurrence of such since the second quarter of 2018. This decline is attributed to significant lease vacancies in Southern New Jersey. Notably, Jet.com vacated 705,000 SF at 2 Gateway Boulevard in Salem County, and Utopia Fulfillment made 278,275 SF available for sublease at 8600 River Road in Camden County.

Historical Construction Deliveries, Net Absorption, and Vacancy

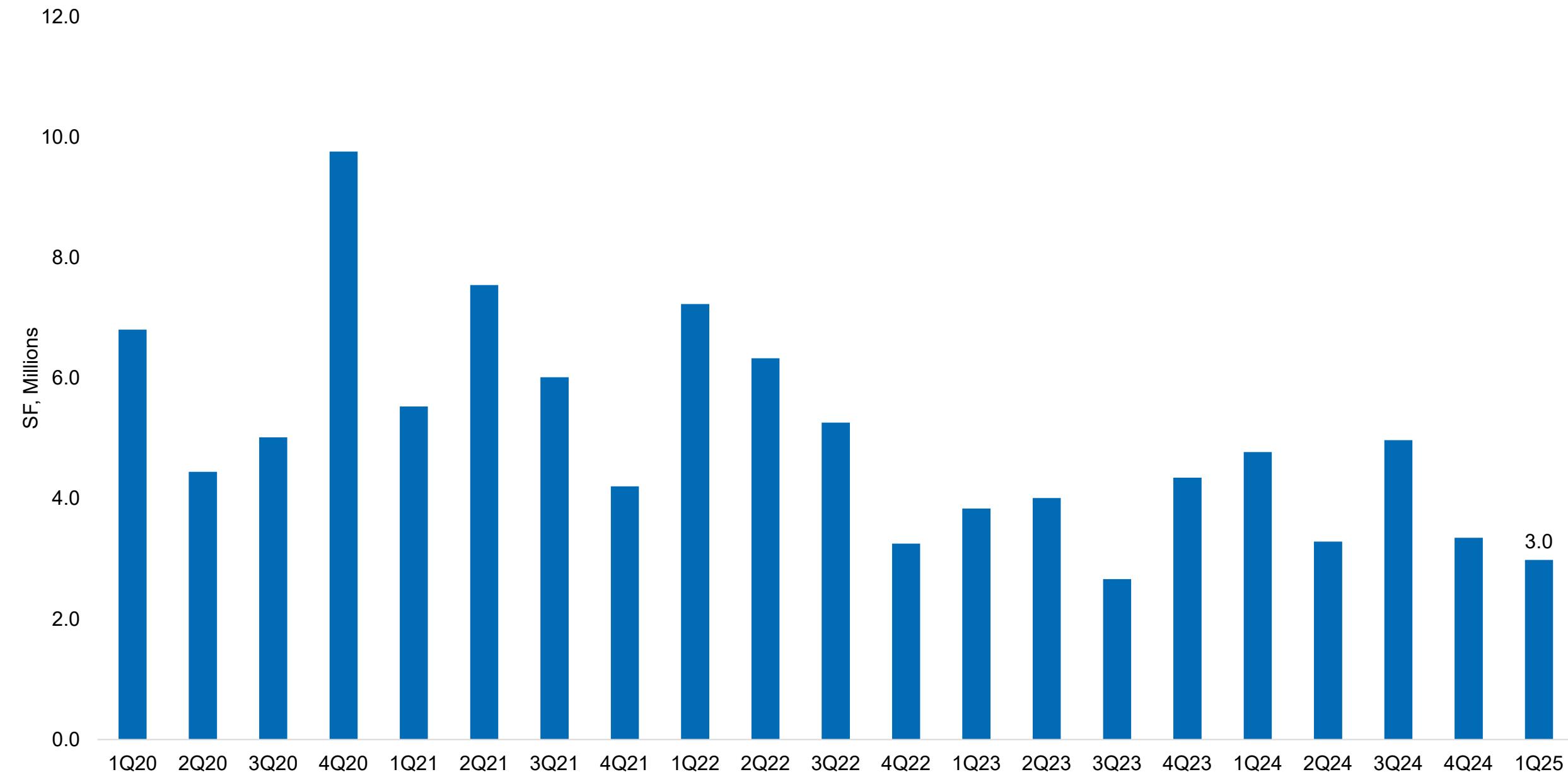


Source: Newmark Research

Industrial Leasing Activity Drops With Fewer Large Deals

Leasing activity declined from 3.4M square feet in the fourth quarter of 2024 to 3.0M square feet in the first quarter of 2025, with 95.8% of leases signed being 100,000 SF or less. Recently, market participants have increasingly considered subleases. An example is L&M Distribution and Logistics, securing a sublease for 90,163 square feet at 2279 Center Square Road in Gloucester County.

Total Leasing Activity (SF)

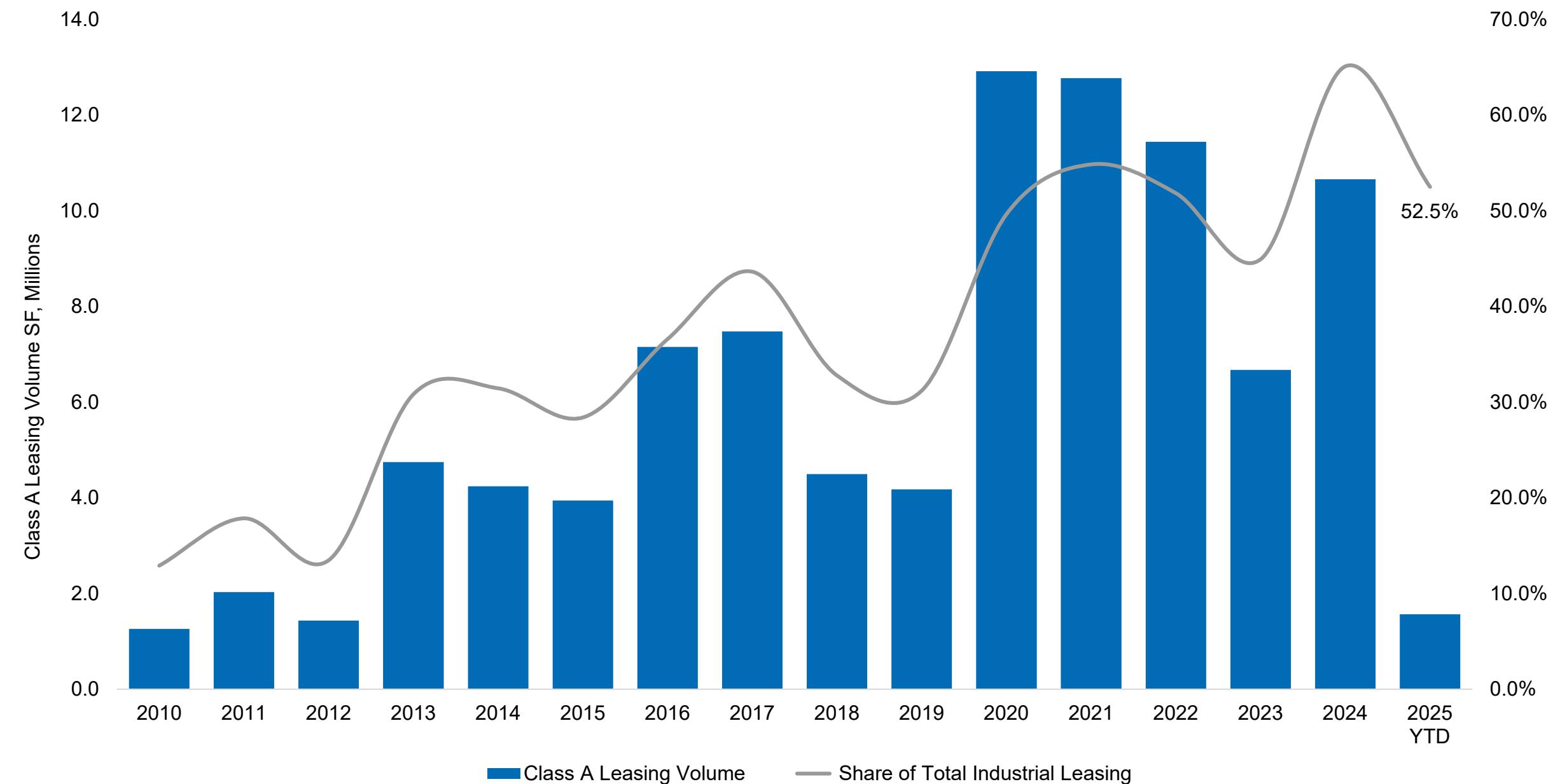


Source: Newmark Research, CoStar

Class A Industrial Exceeds Over Half Of Quarterly Leasing Volumes

Although leasing volume has decreased compared to the period from 2020 to 2023, Class A properties continue to appeal to large users. These properties offer higher clear heights, wider column spacing, and greater power capacity, meeting the demands of users transitioning towards more automated and power-intensive operations. Class A properties have secured an impressive 52.5% of the industrial leasing market share in the Greater Philadelphia region. Since 2020, Class A industrial assets have netted 53.1% of the market's leasing activity.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



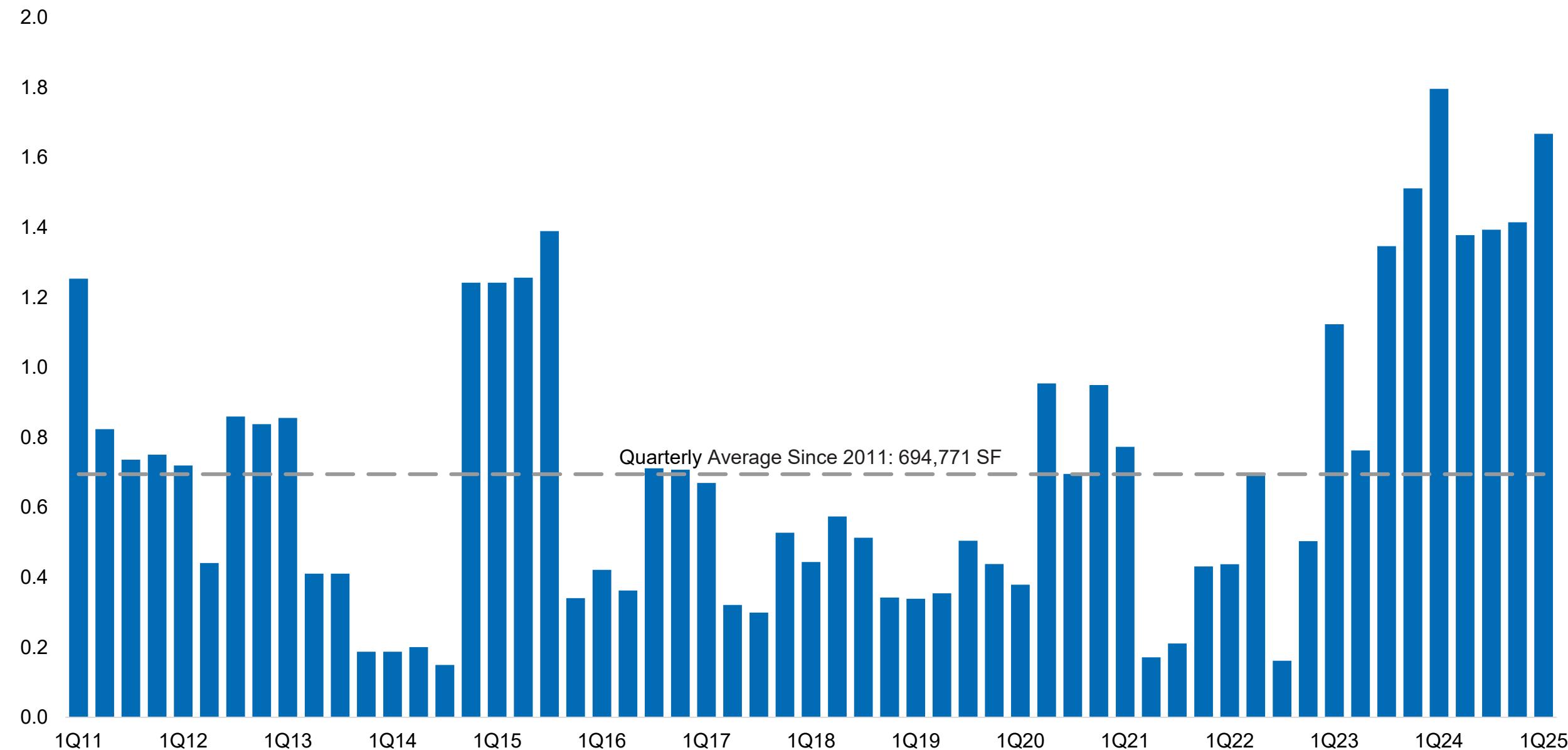
Source: Newmark Research, CoStar

Note: Newmark defines Class A warehouses as buildings constructed since 2000 and over 100,000 square feet

Southern New Jersey Has Outsized Share Of Industrial Sublease Availability

The available sublease space expanded significantly, reaching 1.7 million square feet in the first quarter of 2025. Notable additions to the market this quarter include a 92,000-square-foot sublease by Courier Systems, Inc. at 45 Griffith Street in Salem, and an 85,337-square-foot sublease by TireHub at 600 Glen Court in Moorestown. Southern New Jersey constitutes nearly half of the market's sublease availabilities despite comprising only 45.6% of the region's total available inventory.

Southern New Jersey Available Industrial Sublease Volume (msf)

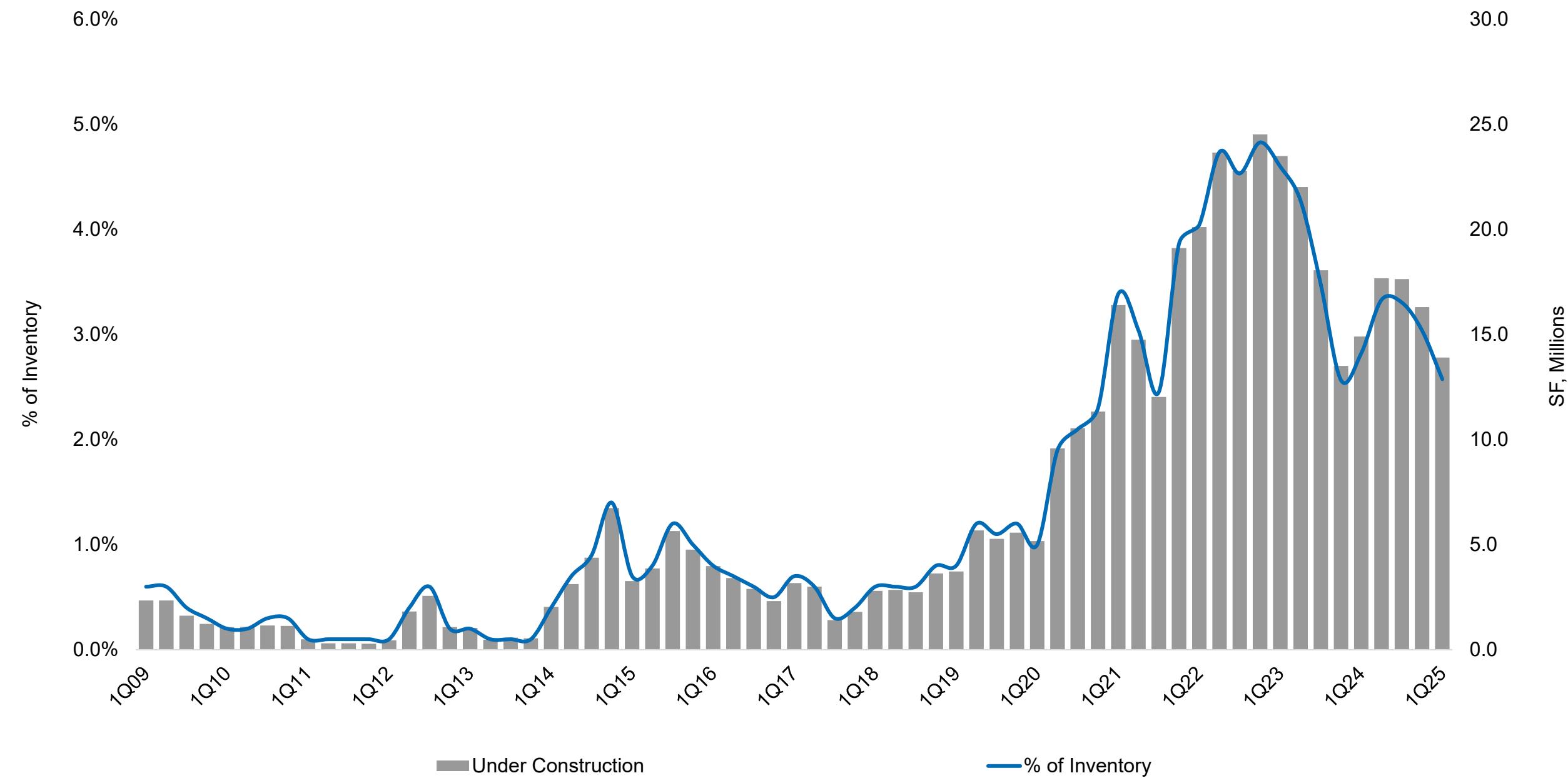


Source: Newmark Research, CoStar

Construction Pipeline Shrinks By 6.7% From Last Year

The total construction pipeline for the Greater Philadelphia market was 13.9M SF at the end of the first quarter of 2025, nearly a one-million-square-foot decrease from the previous year. Approximately 12.6% of the inventory in the construction pipeline has been preleased. This quarter marked the commencement of four new construction projects, contributing significantly to the Greater Philadelphia industrial inventory. The projects include developments at 11301 Roosevelt Boulevard in Philadelphia County, 710 American Boulevard in Bear County, the LogistiCenter at Mt. Laurel in Burlington County, and 261 Swedesford Paulsboro Road in Gloucester County. Together, these buildings will add approximately 943,000 square feet to the region's industrial space.

Industrial Under Construction and % of Inventory

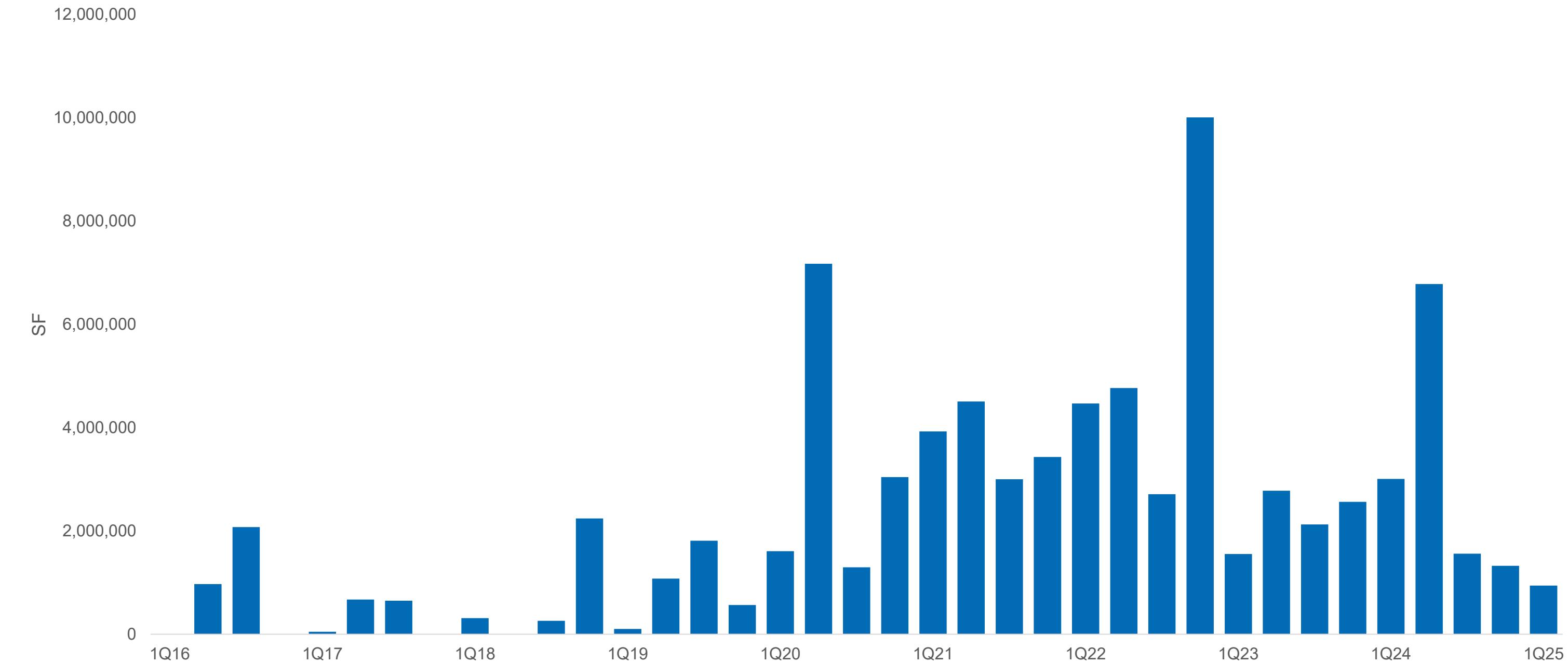


Source: Newmark Research, CoStar

Construction Starts Take A Dip

After a surge in construction starts in the second quarter of 2024, the first quarter of 2025 experienced a decline, with construction starts totaling 943,000 square feet. Developers are exercising caution due to rising construction costs and challenges in securing financing.

Construction Starts per Quarter (SF)

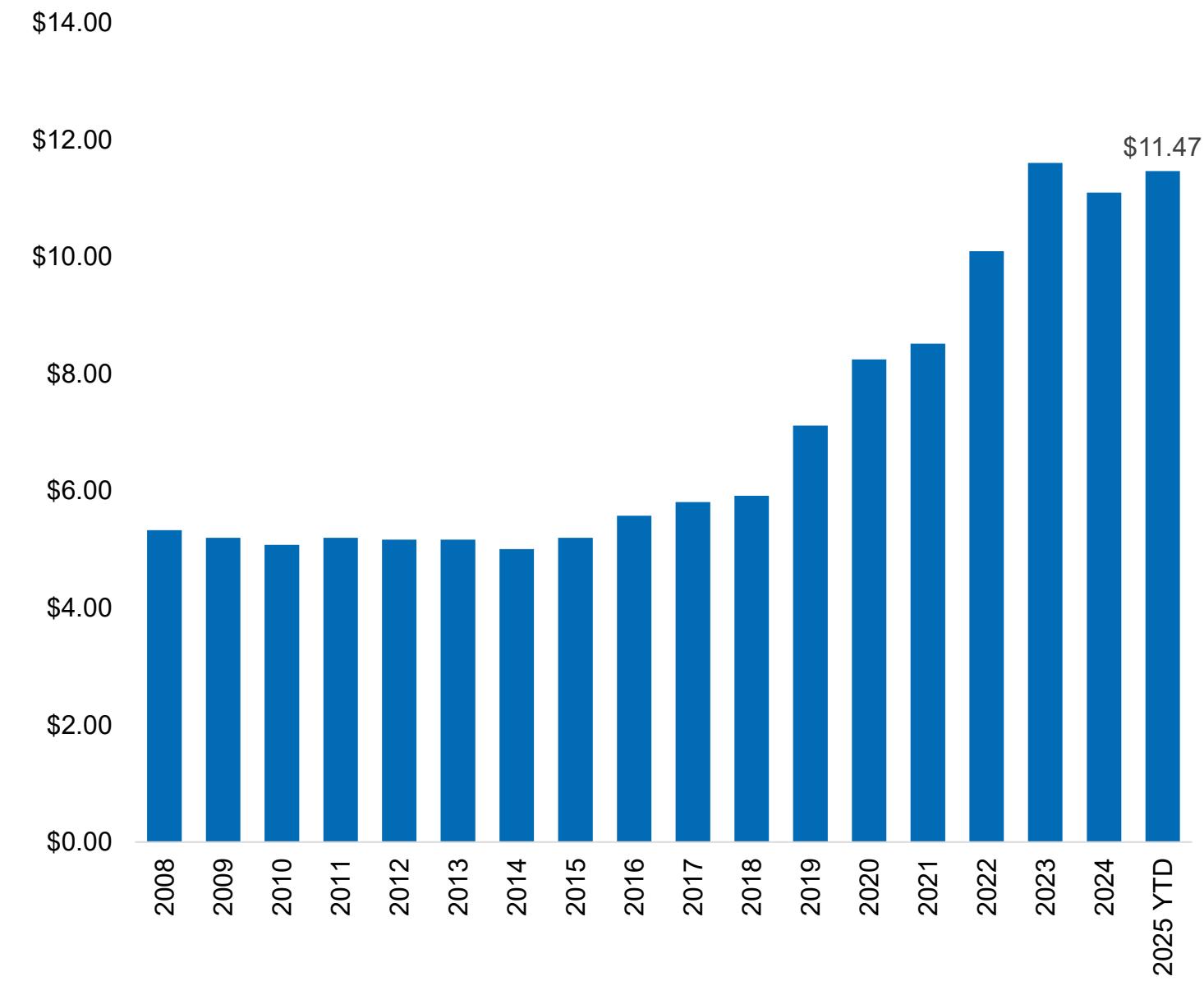


Source: CoStar, Newmark Research

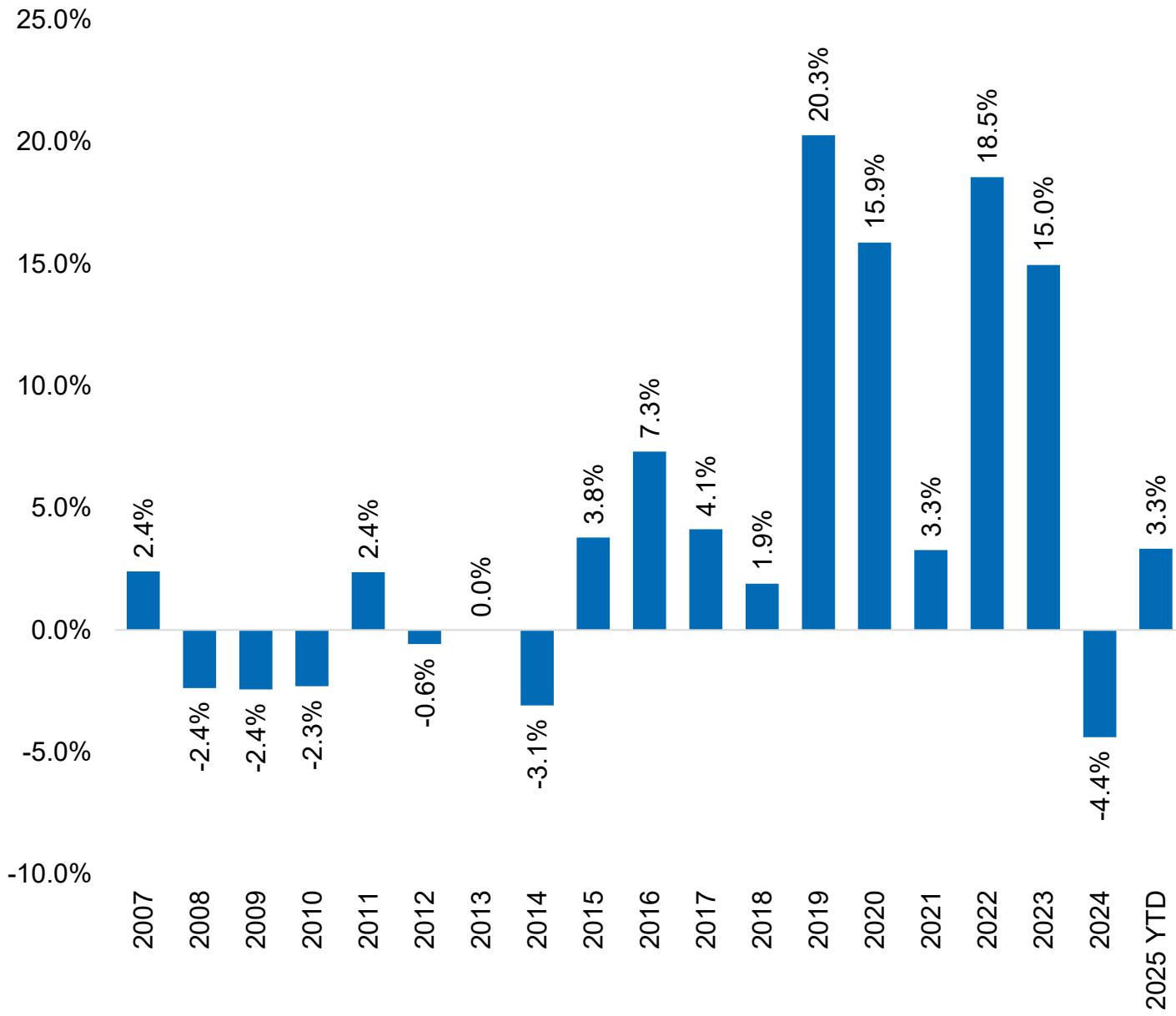
Asking Rents Increase Towards Historical High

At the end of 2023, average direct asking rates reached an all-time high of \$11.61/SF. Although rates had previously decreased, they rose by 3.3% in the first quarter of 2025, reaching \$11.47 per square foot—just \$0.13 shy of the historical high. The difference in direct asking rates between Class A and Class B spaces was \$1.41/SF this quarter, highlighting the premium landlords charge for higher quality space.

Industrial Average Direct Asking Rent, \$/SF



Year-over-Year Direct Asking Rent % Change

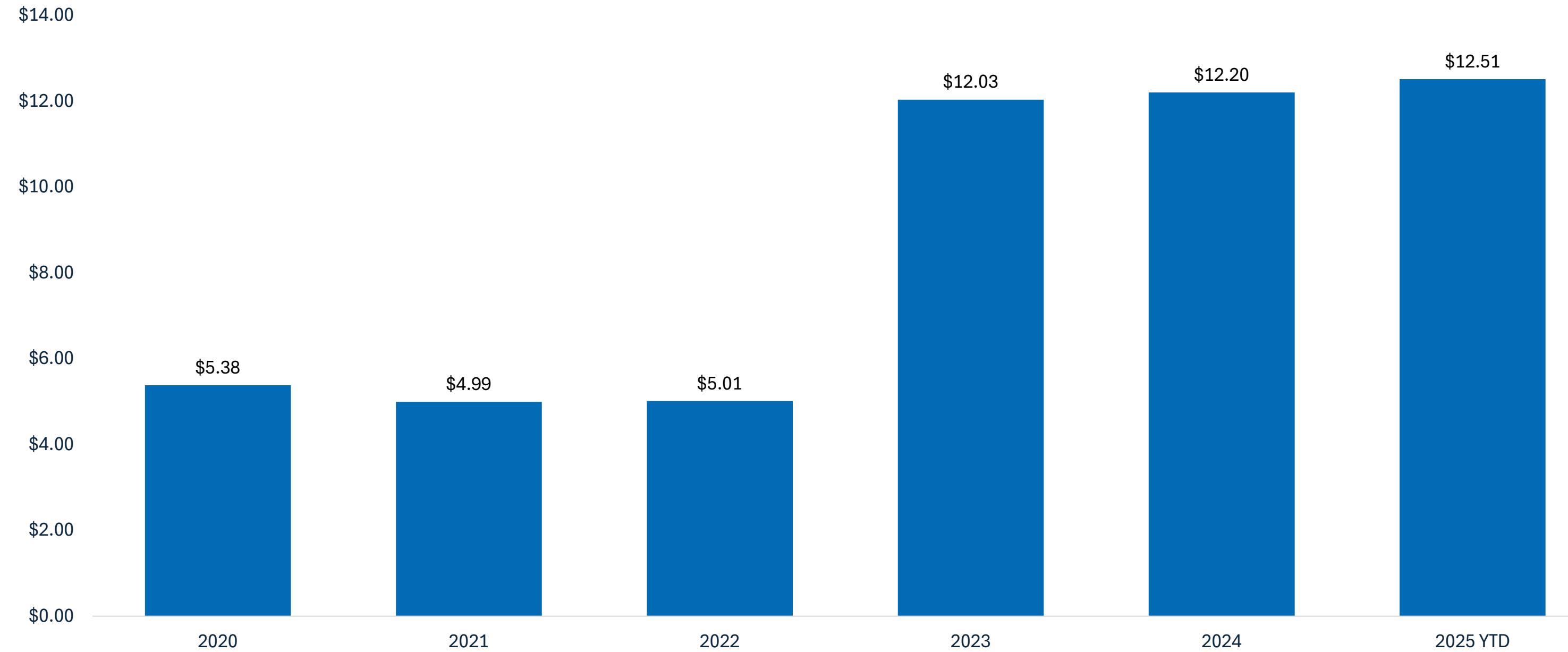


Source: Newmark Research, CoStar

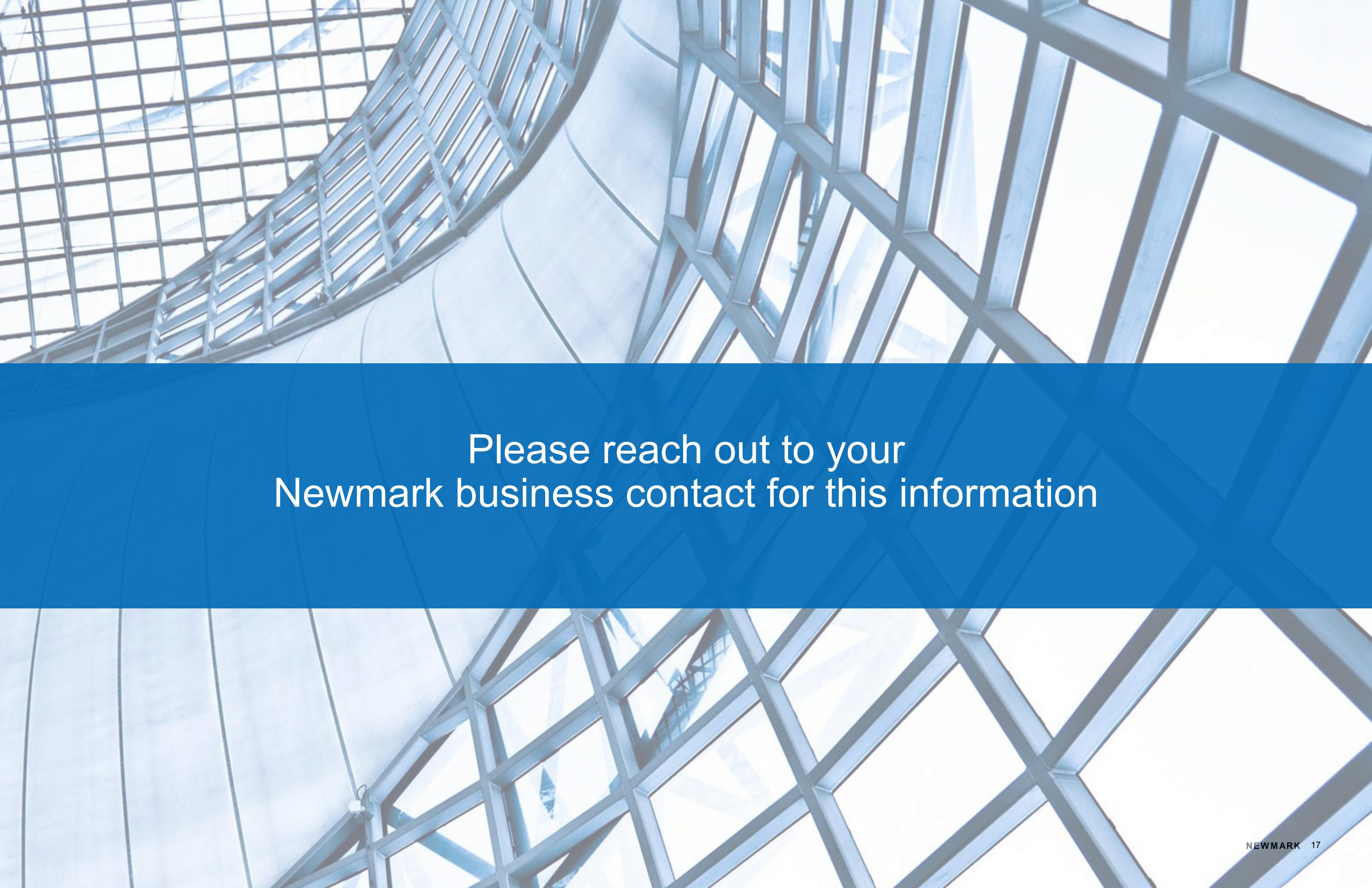
Class A Rent Continues To Grow

Since 2021, direct asking rents for Class A properties have experienced consistent annual growth. Class A rents grew by 2.5% in the first quarter of 2025. Class A spaces offer attractive amenities, such as higher ceiling heights, extensive floor plates, and dock-high loading doors. These features drive the premium asking prices that Class A properties achieve compared to the rest of the market.

Industrial Class A Average Direct Asking Rent, \$/SF

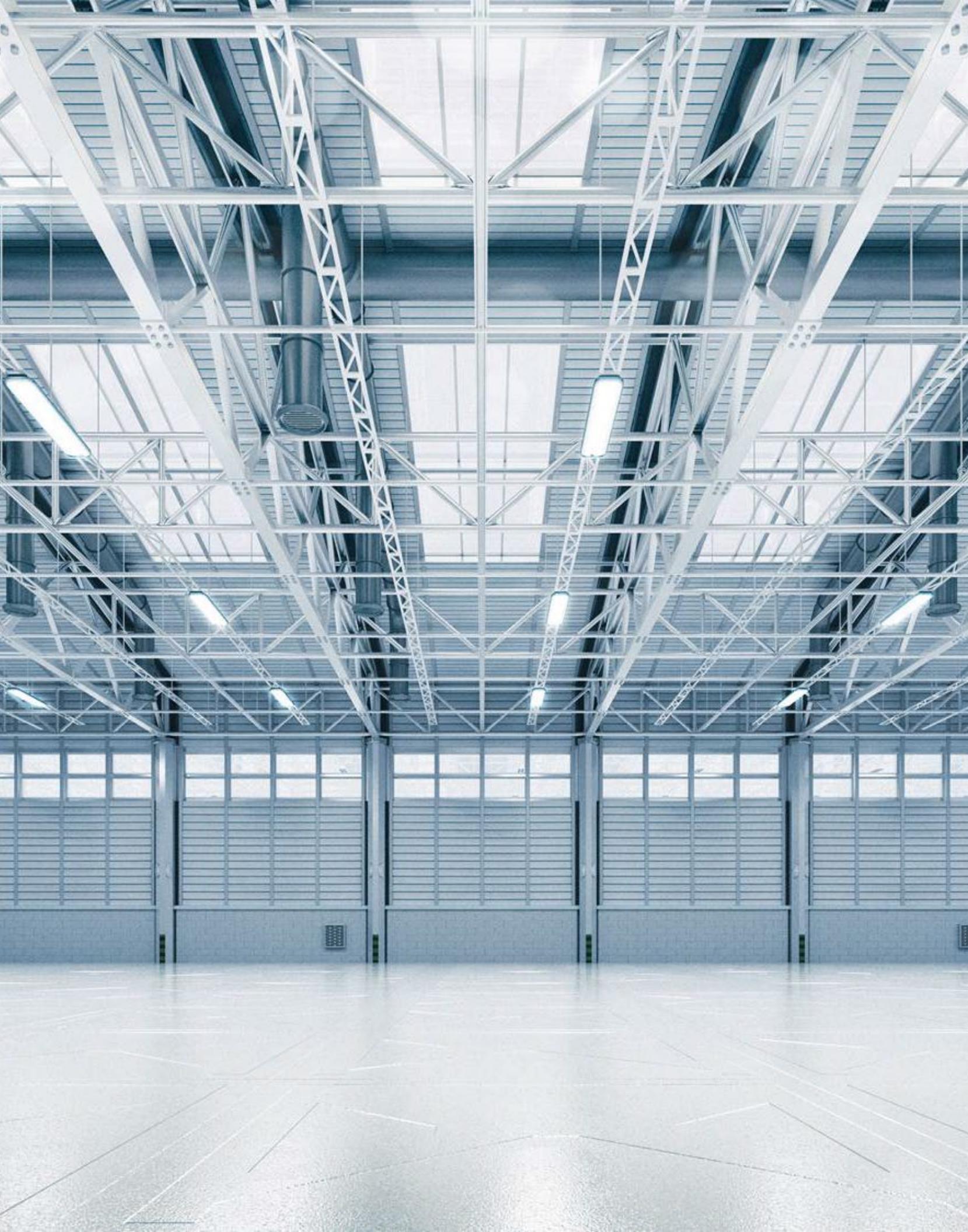


Source: Newmark Research



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Market Statistics



Submarket Overview (page 1 of 2)

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
New Castle County	35,792,960	906,390	7.2%	310,826	310,826	0	0	\$10.82	\$11.30
Southern New Jersey	152,521,258	4,704,044	11.6%	(1,605,644)	(1,605,644)	1,660,349	1,660,349	\$11.27	\$11.39
Greater Philadelphia	351,978,775	8,302,208	4.6%	450,917	450,917	1,735,050	2,595,360	\$11.71	\$14.18
Market	540,292,993	13,912,642	6.8%	(843,901)	(843,901)	3,395,399	3,395,399	\$11.47	\$12.51

Submarket Statistics By Subtype

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
General Industrial	248,374,873	3,821,101	4.1%	(315,509)	(315,509)	0	0	\$9.95	13.05
R&D/Flex	81,574,649	0	5.5%	(193,180)	(193,180)	0	0	\$12.96	\$39.00
Warehouse/Distribution	210,222,300	10,091,541	10.4%	(335,212)	(335,212)	3,395,399	3,395,399	\$11.86	\$12.20
Market	540,292,993	13,912,642	6.8%	(843,901)	(843,901)	3,395,399	3,395,399	\$11.47	\$12.51

Source: Newmark Research

Submarket Overview (page 2 of 2)

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)	Total Class A Asking Rent (Price/SF)
Bucks County	63,219,539	3,182,923	4.7%	620,472	620,472	320,250	320,250	\$10.06	\$10.98
Chester County	37,553,756	636,120	2.6%	71,472	71,472	0	0	\$11.14	-
Delaware County	30,912,703	105,000	5.4%	(51,169)	(51,169)	0	0	\$11.49	\$15.57
Lancaster County	60,714,069	1,096,402	2.5%	349,155	349,155	0	0	\$8.47	\$8.64
Montgomery County	73,116,420	266,880	5.3%	(184,955)	(184,955)	168,000	168,000	\$12.10	\$12.28
Philadelphia County	86,462,288	3,014,883	6.0%	(354,058)	(354,058)	1,246,800	1,246,800	\$13.38	\$17.17
Greater Philadelphia	351,978,775	8,302,208	4.6%	450,917	450,917	1,735,050	2,595,360	\$11.71	\$14.18
Burlington County	70,608,844	1,124,476	9.8%	(162,690)	(162,690)	704,000	704,000	\$11.88	\$12.61
Camden County	33,434,809	279,600	5.6%	(146,576)	(146,576)	0	0	\$10.52	-
Gloucester County	37,070,173	1,131,961	10.9%	(591,378)	(591,378)	0	0	\$10.03	\$8.81
Salem County	11,407,432	2,168,007	42.9%	(705,000)	(705,000)	956,349	956,349	\$11.58	\$11.58
Southern New Jersey	152,521,258	4,704,044	11.6%	(1,605,644)	(1,605,644)	1,660,349	1,660,349	\$11.27	\$11.39
New Castle County	35,792,960	906,390	7.2%	310,826	310,826	0	0	\$10.82	\$11.30
Market	540,292,993	13,912,642	6.8%	(843,901)	(843,901)	3,395,399	3,395,399	\$11.47	\$12.51

Source: Newmark Research

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