

NEWMARK

# Greater Philadelphia Industrial Market Overview

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1Q26

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# Key Takeaways

Improving demand and easing supply pressure helped Greater Philadelphia industrial fundamentals stabilize to start 2026.



Vacancy eased to 8.3%, remains above the long-term average.



Net absorption rebounded in 1Q26 as deliveries slowed sharply.



Leasing momentum carried into 2026, led by large-box demand.



Class A space continues to command the rent premium.

# Market Observations



## Economy

- The Philadelphia metro economy remained relatively resilient entering 2026, with 1.2% year-over-year payroll growth as of December 2025, outperforming the 0.5% U.S. growth rate.
- Labor market conditions remain generally healthy, with local unemployment at 4.6%, broadly in line with the national rate of 4.4%, despite a gradual rise over the last two years.
- Industrial-related employment trends were softer, as Trade/Transportation/Utilities declined 0.1%, Manufacturing fell 1.2%, and manufacturing employment has lost more than 4,000 jobs since April 2025.



## Leasing Market Fundamentals

- Greater Philadelphia recorded more than 6.7 million SF of leasing in 1Q26, the strongest first quarter since 2022, supported by both large-box warehouse deals and smaller industrial/flex requirements.
- Class A assets continued to attract a disproportionate share of demand, totaling 3.9 million SF and 54.2% of quarterly leasing volume as tenants prioritize higher-clear, more power-intensive facilities.
- Southern New Jersey led the quarter's momentum, with 3.6 million SF of net absorption and four of the five largest 1Q26 lease transactions occurring in New Jersey submarkets.



## Major Transactions

- The quarter's largest reported lease was Exol's 973,200-SF direct lease at 2300 S. Pennsylvania Avenue in Bucks County.
- Southern New Jersey accounted for several of the largest deals, including Creative Innovation's 704,000-SF lease in Burlington County and Total Wine's 587,500-SF lease in Salem County.
- Additional major activity included EDA Cloud's 457,159-SF direct lease in Burlington County and Zenith Logistics' 336,700-SF renewal in Gloucester County, reinforcing the region's warehouse demand base.



## Outlook

- Supply-side risk is moderating as active development has fallen to 5.5 million SF, the market's lowest construction pipeline in five years.
- Near-term fundamentals should remain supported by positive absorption and renewed leasing momentum, though vacancy at 8.3% suggests recovery will remain uneven across submarkets and product types.
- Owners of modern logistics product should continue to outperform, with market asking rents at \$12.05/SF and Class A rents at \$13.52/SF, preserving a premium for newer space.

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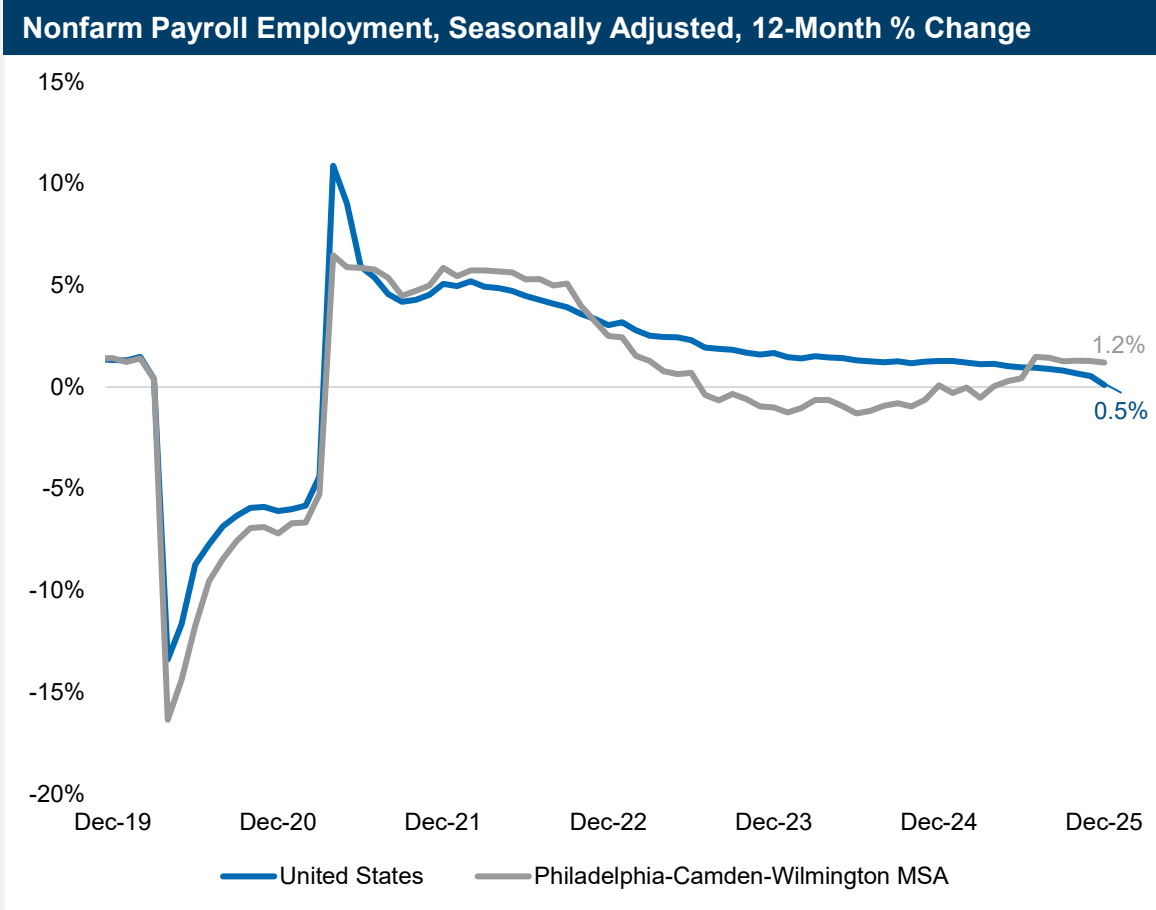
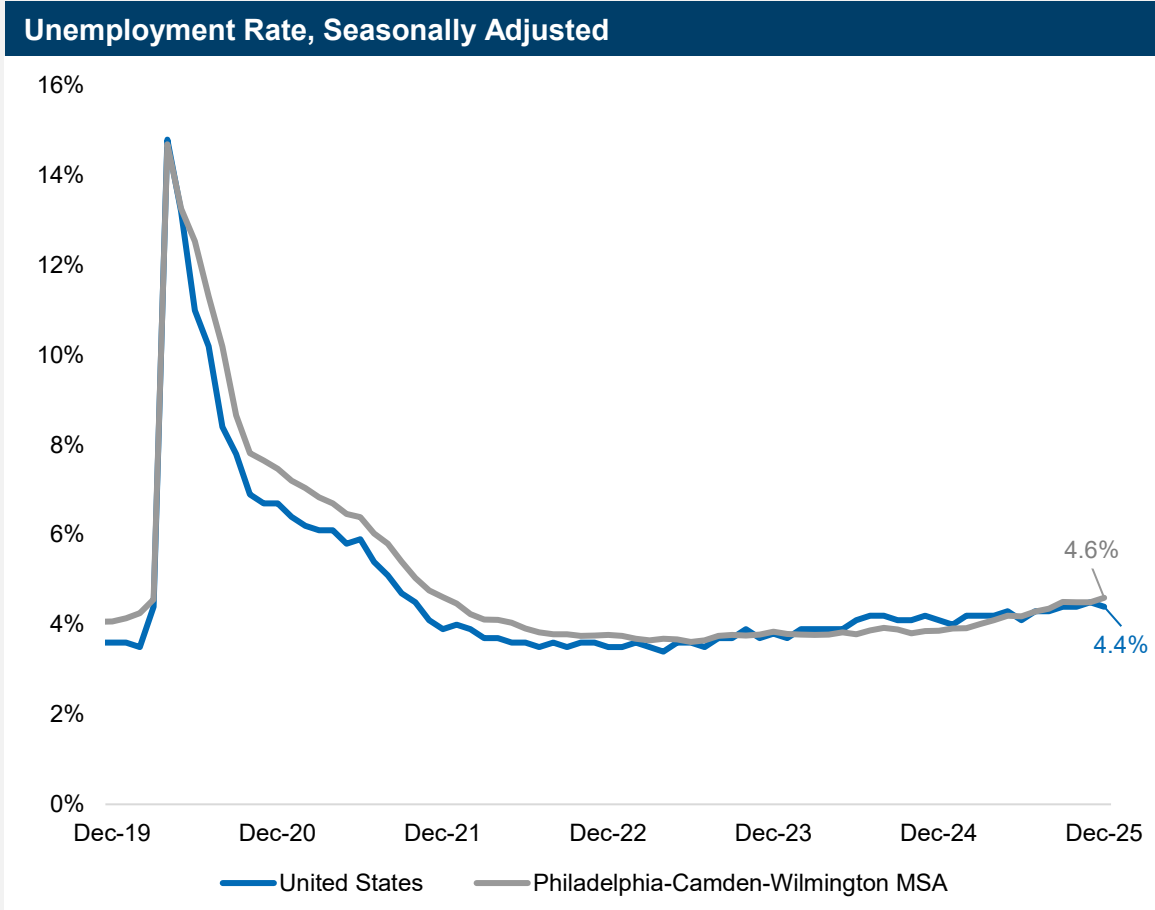
# 01

## Economy



# Greater Philadelphia Maintains Favorable Labor Markets

The Philadelphia metro area's economy looks to continue its resiliency into 2026, with local payrolls increasing by 1.2% year-over-year as of December 2025, breaking through the stagnating national employment growth. The unemployment rate has been steadily rising across the region, but unemployment trends are in line with the U.S. average. Several sectors have contributed to economic growth, with key office-related industries reporting above-average job growth over the past 12 months.

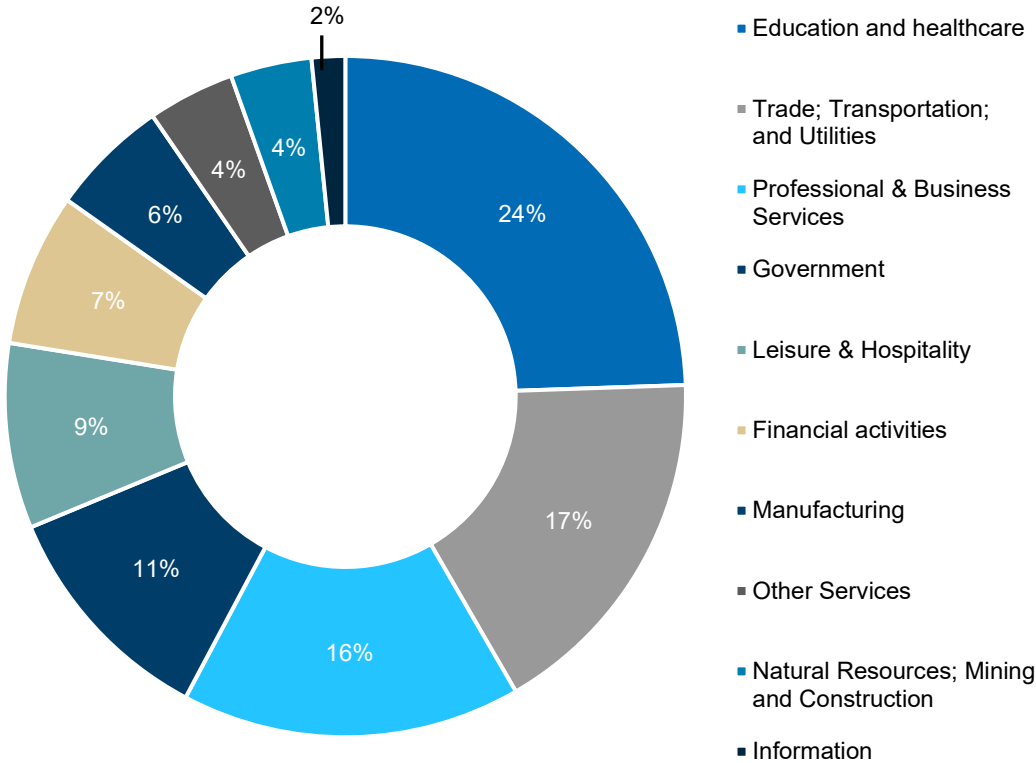


Source: Moody's, U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA. Employment data for October and November is limited due to the federal government shutdown. A national unemployment rate has been released for November, but the market unemployment is carried from September.

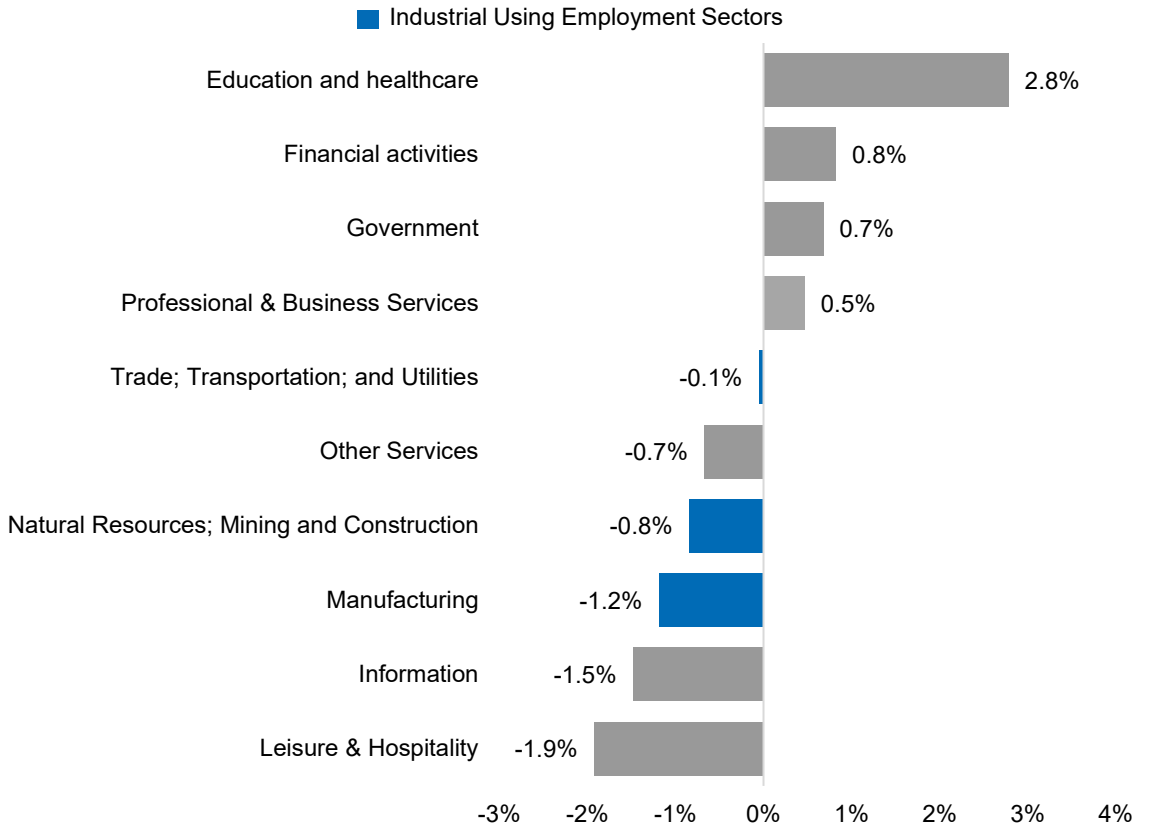
# Industrial Employment Retraction

Last quarter's slight Trade payroll gains slipped at the end of 2025 to -0.1% from 0.3%. Manufacturing payroll fell to close out the year, despite the momentum of biomanufacturing investment in the market. Natural resources and construction payroll fell in 2025, though the loss was less severe than the previous quarter's year-over-year loss. Across the board, industrial employment shows decreased levels year-over-year, despite steady demand for industrial space in the region.

**Employment by Industry, December 2025**



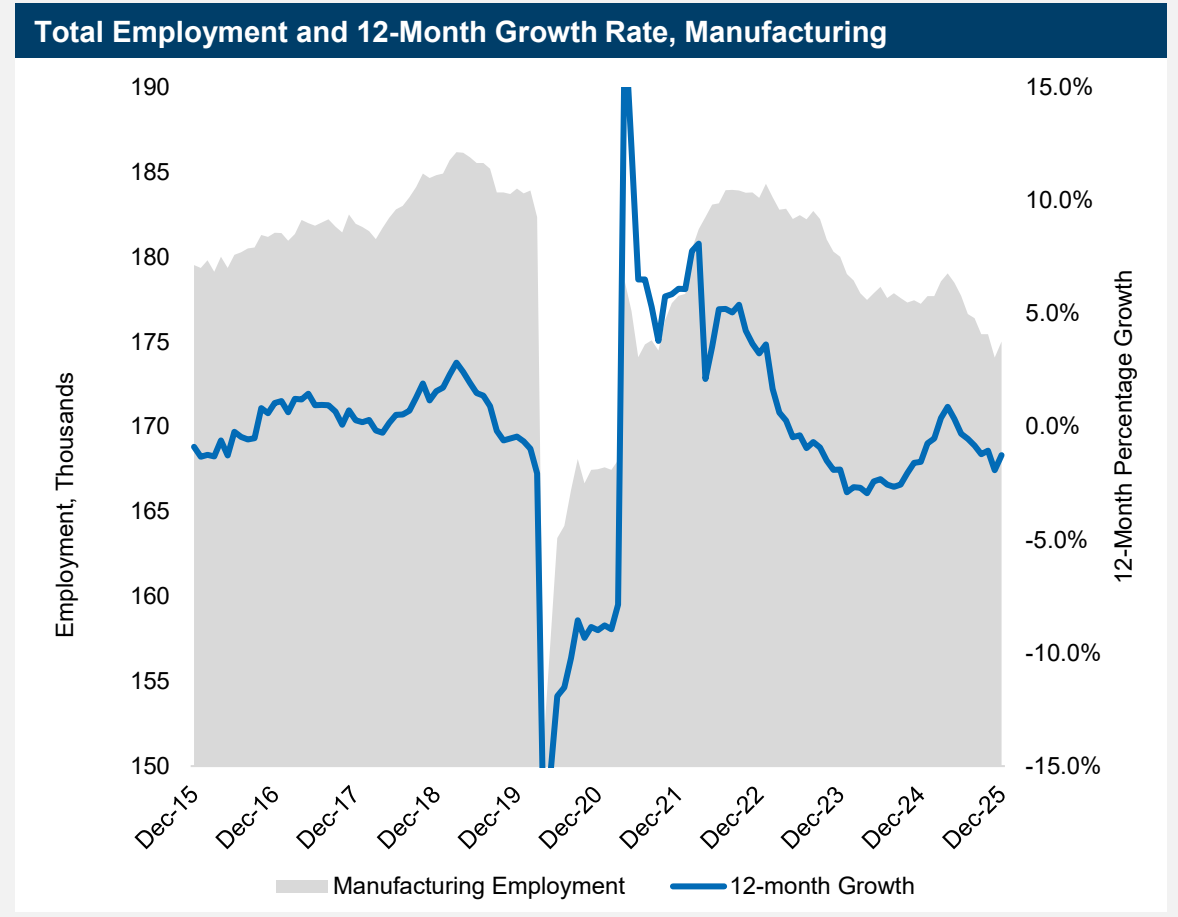
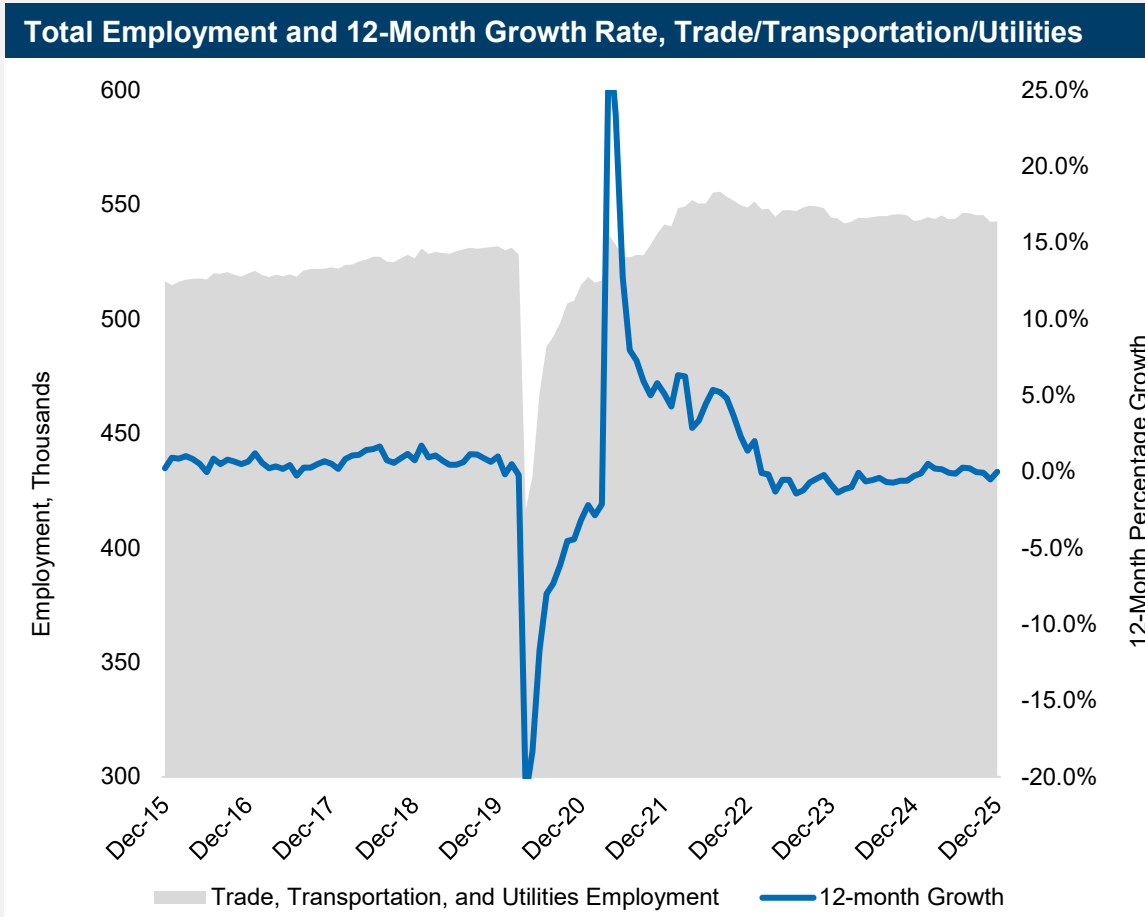
**Employment Growth by Industry, 12-Month % Change, December 2025**



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

# Industrial Employment Shift

Trade Employment shows relative steadiness, with slight employment loss over the last few years. Manufacturing employment exhibited green shoots in last quarter's job report. This figure has been revised downward significantly in the latest BLS data and shows a marked decline over the course of 2025. Since April 2025, the market's manufacturing employment sector has lost over 4,000 jobs, or roughly 2.3% of this sector's employment.



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

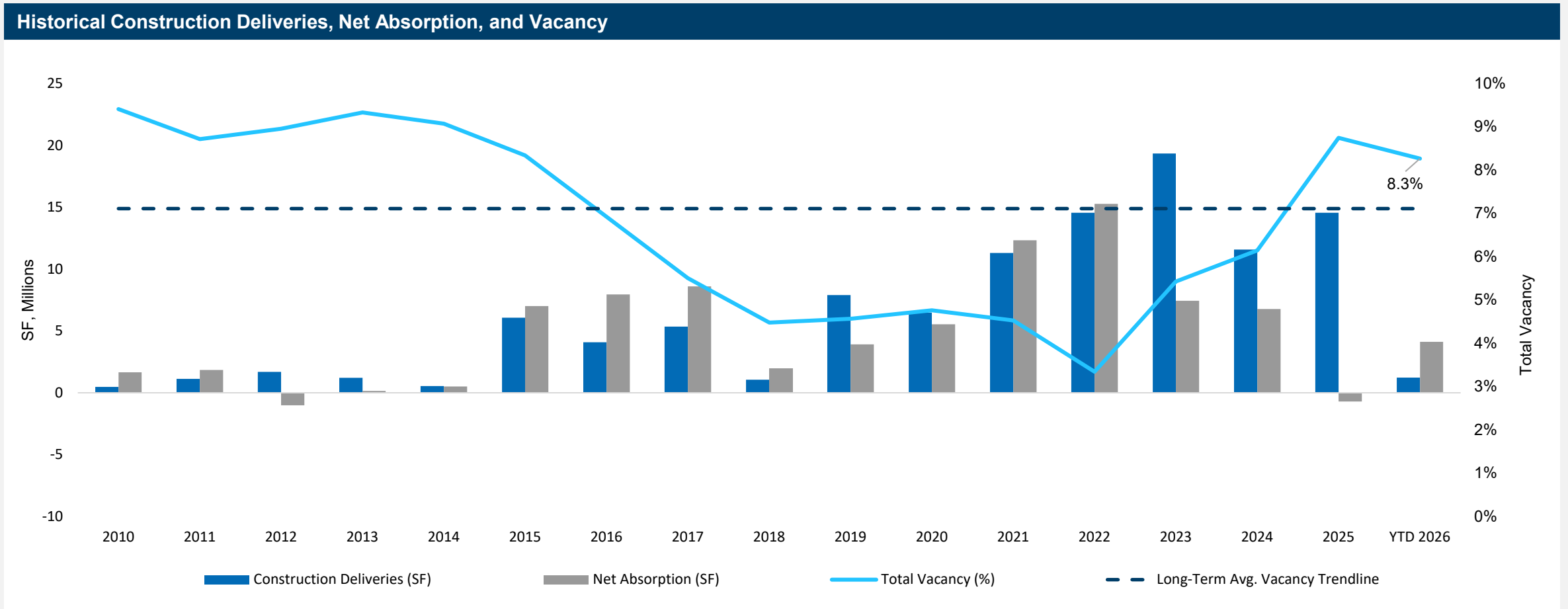
# 02

## Leasing Market Fundamentals



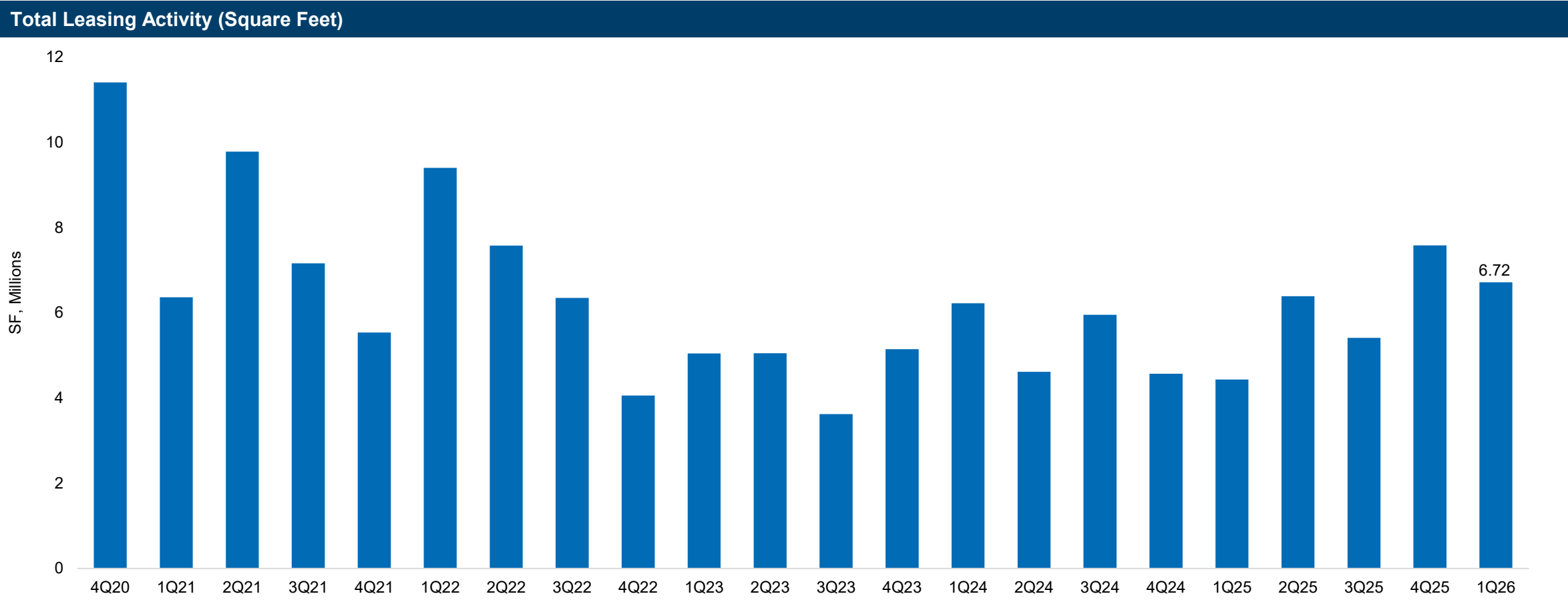
# Vacancies End The Year Above Market's Long-Term Average

With new supply outstripping industrial demand for much of the last three years, the region's vacancy rate has more than doubled since 2022, peaking at 8.7% in 2025. Significant positive net absorption in Burlington, Gloucester, and Philadelphia Counties, paired with muted negative net absorption across the other submarkets, resulted in a strong first quarter for the market. Strong net absorption in the first quarter helped push down the vacancy rate, along with the lowest quarter of new deliveries since the first quarter of 2021.



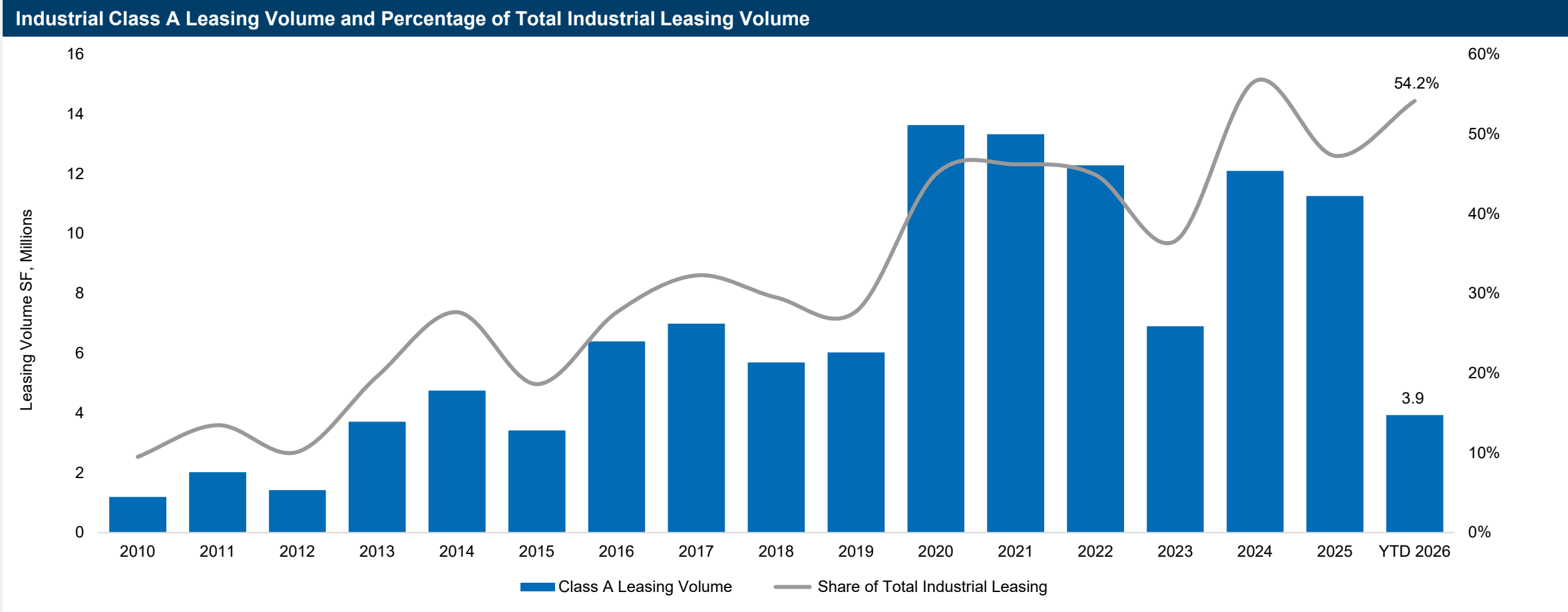
# Industrial Leasing Activity Builds Momentum

The Greater Philadelphia region started the year with over 6.7 million SF of leasing activity, the highest first-quarter volume since 2022. Activity was bifurcated between a handful of large warehouse spaces over 200,000 SF, totaling nearly 3.3 million SF, and smaller industrial and flex spaces, making up the remainder. Notable leases are discussed in detail further in this report. The first quarter of 2026 saw about 2.3 million SF more in leasing activity compared to the first quarter of 2025. This shows a continued demand for space, despite some dissonance with the employment trend.



# Class A Starts Year With A Strong Share Of Quarterly Leasing

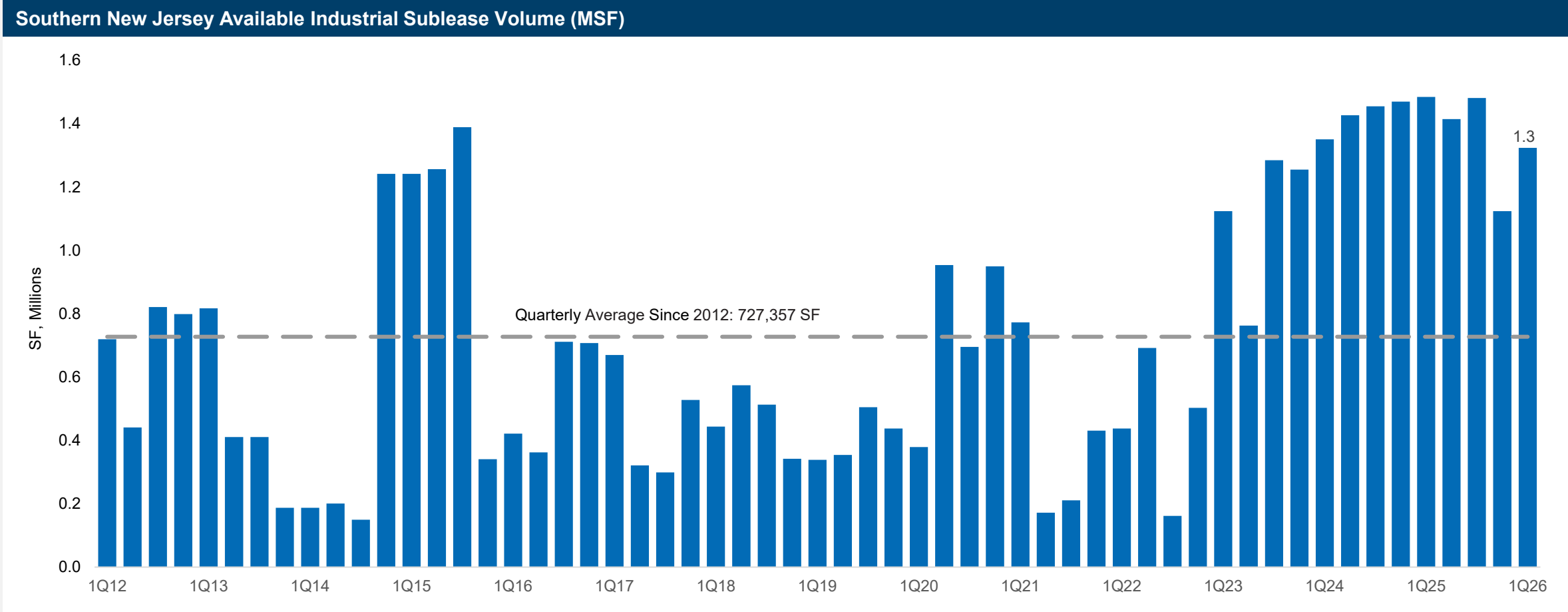
Class A properties continue to appeal to large users, with roughly 3.9 million square feet of leasing volume for the first quarter. The market is on track to see the most Class A activity since the start of the industrial boom in 2020. These properties offer higher clear heights, wider column spacing, and greater power capacity, meeting the demands of users transitioning towards more automated and power-intensive operations. Class A properties have secured an impressive 54% of the industrial leasing market share in the Greater Philadelphia region despite representing approximately one-third of the inventory.



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

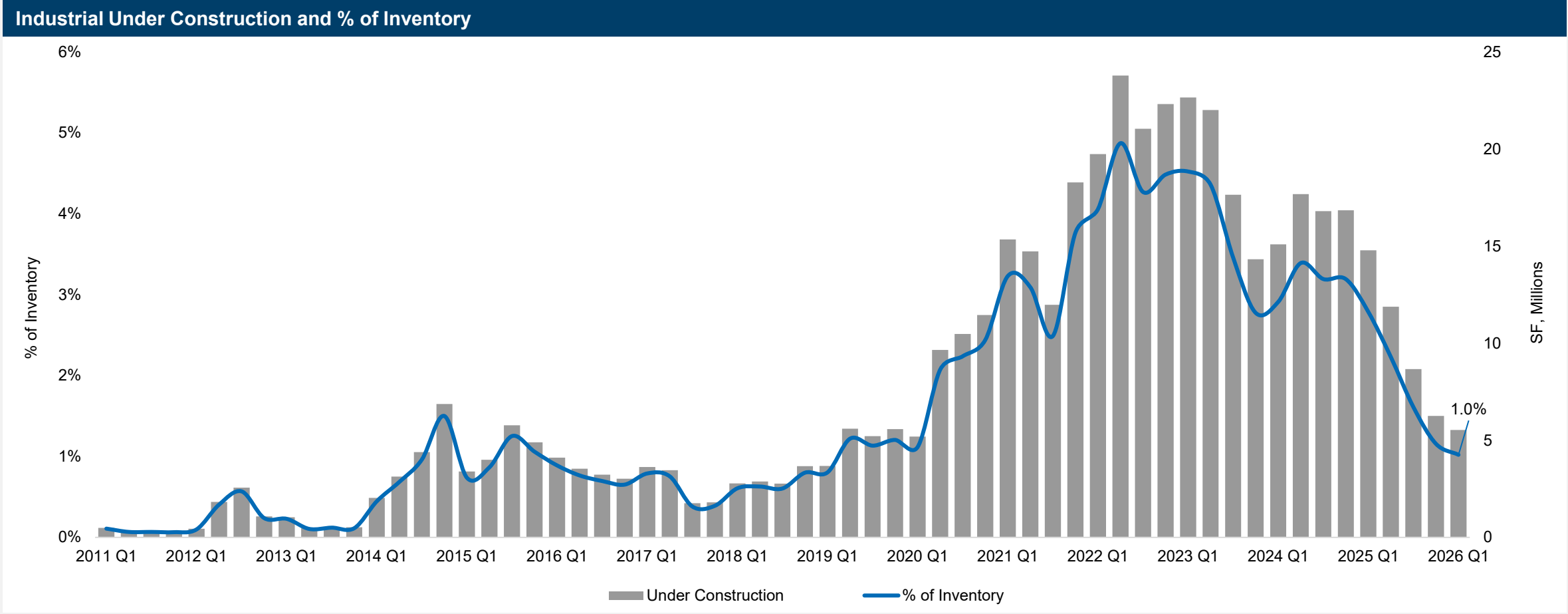
# Availability Remains Elevated In Southern NJ Despite Improvements

As of the first quarter of 2026, Southern New Jersey maintained 1.3 million SF of available sublease space, up 20 basis points from the last quarter, while total availability remained steady. This uptick is overshadowed by record quarterly net absorption of more than 3.6 million SF. Class A Warehouse led the pack with over 2.8 million SF (nearly 80%) of the total net absorption for the quarter. The strong quarter helped Southern New Jersey claw back 130 basis points of recent occupancy losses, to 89.1%.



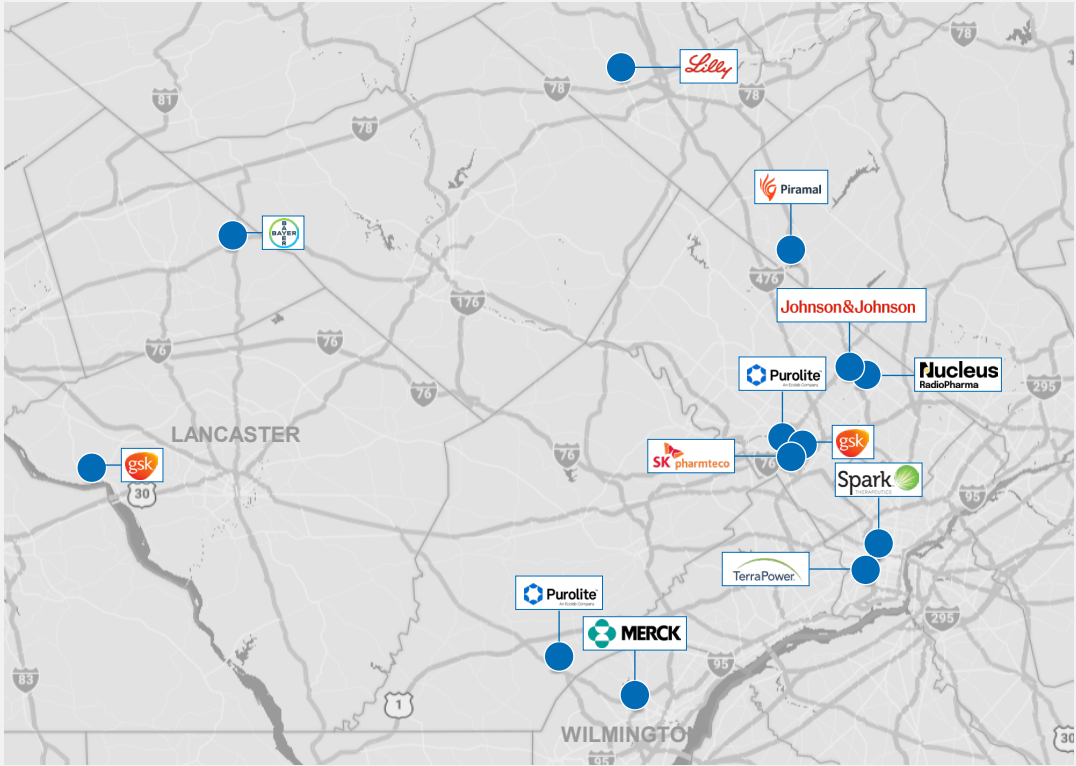
# Development Continues To Retrench

Across the region, active development declined to a five-year low at the end of 2025. With 5.5 million SF of industrial product under construction as of the first quarter of 2026, supply-side risk has diminished. Despite the declining vacancy this quarter, developers will likely continue to exercise caution in moving forward with new developments in the near term due to macroeconomic challenges.

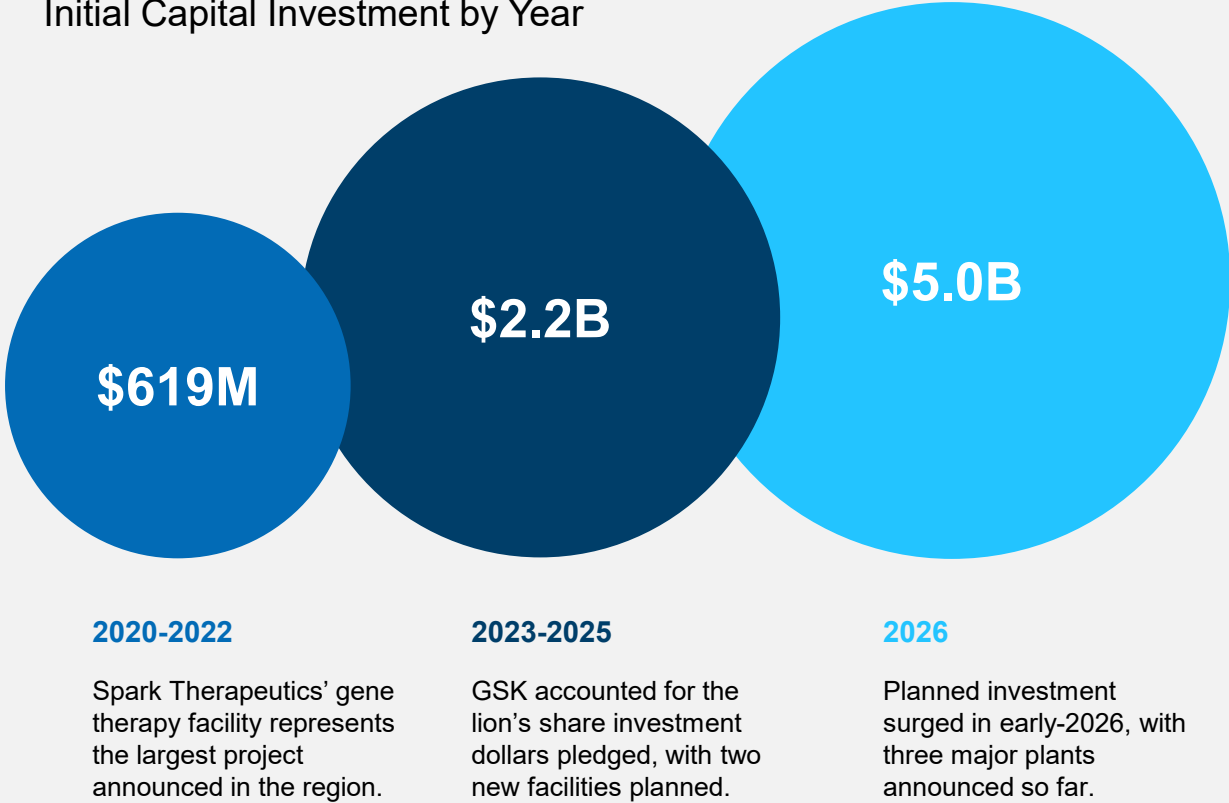


# Biomanufacturing Is Redefining Pennsylvania's 'Pharm Country'

Map of Recent Biomanufacturing Investment



Initial Capital Investment by Year



**\$7.9 Billion**

Initial capital investment pledged

**3.0 MSF**

New production facility development / expansion

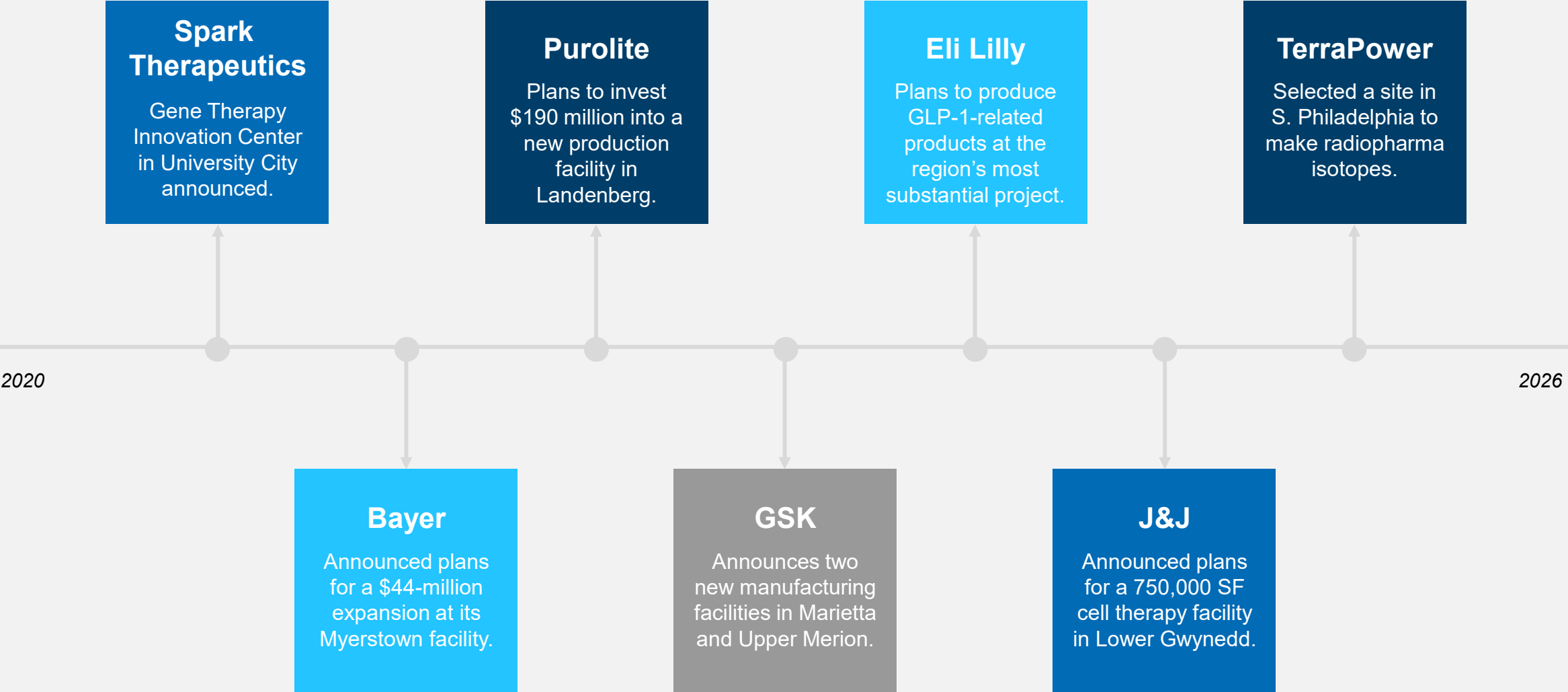
**2,495 Jobs**

Biomanufacturing jobs created

**#4**

Best MSA for pharma manufacturing

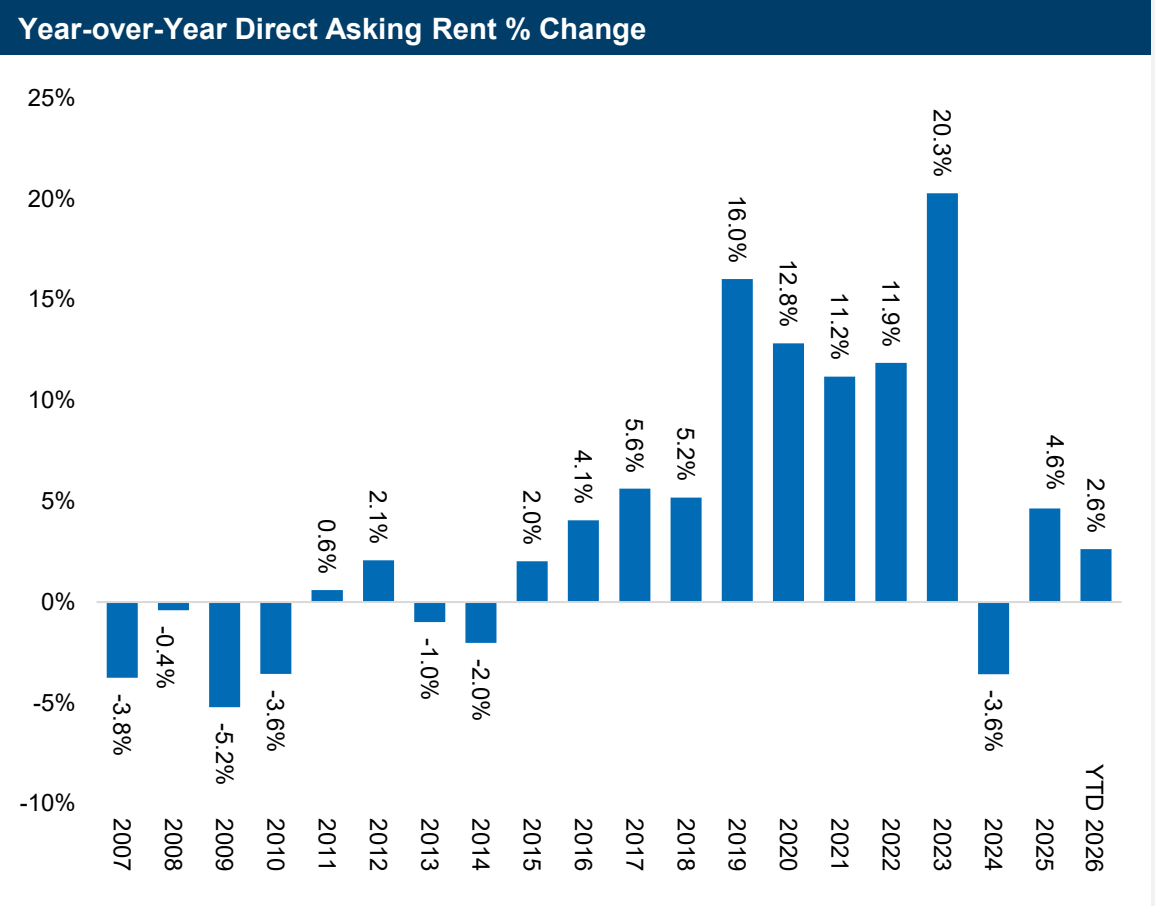
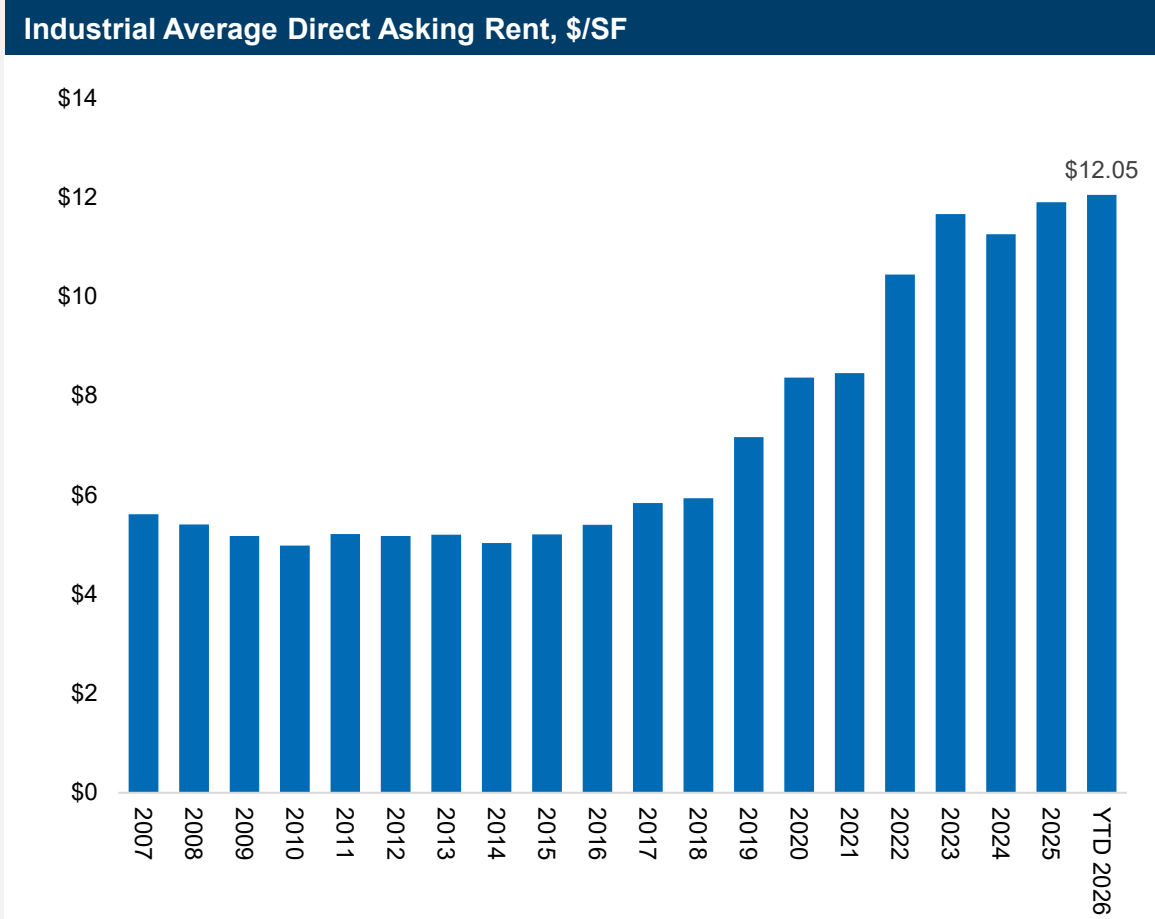
# Planned Biomanufacturing Investment is Flooding the Region



Source: Newmark Research, Global Location Strategies, Various media outlets

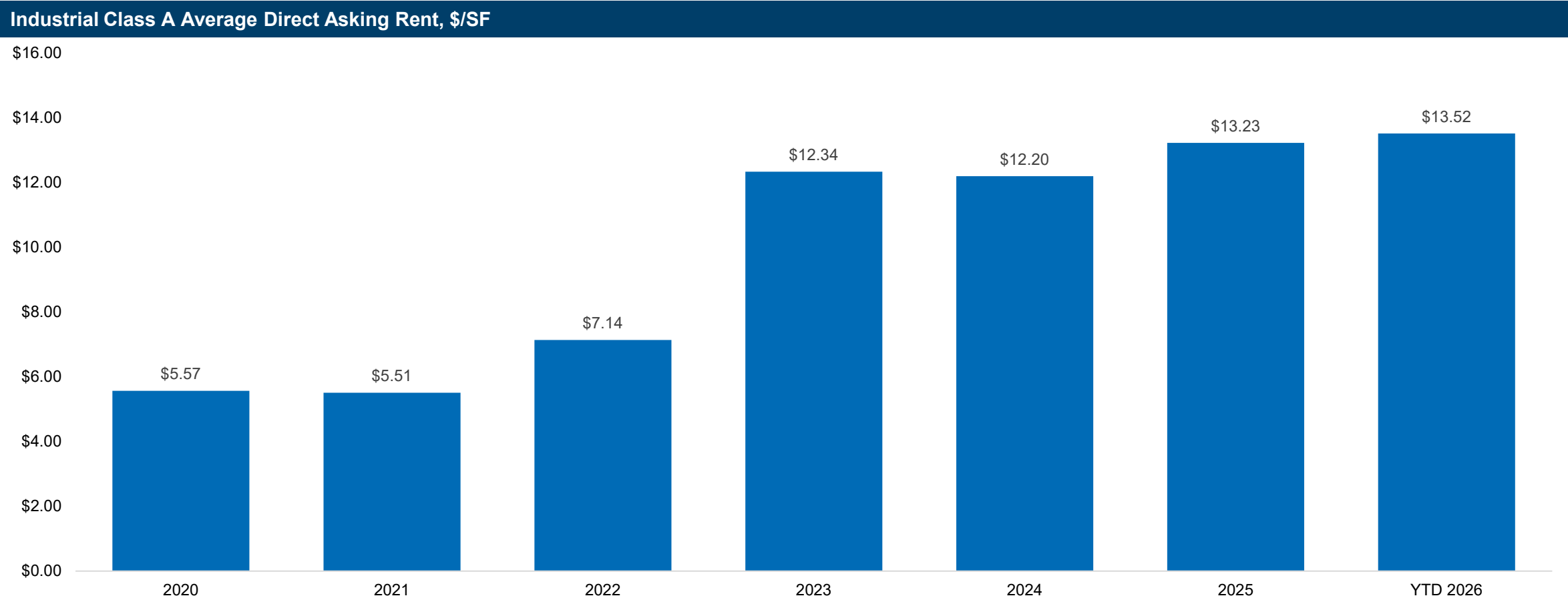
# Asking Rents Continue To Grow In Greater Philadelphia

Asking rents continue the growth trend in 2026, reporting a 2.6% increase over the first quarter of last year. Average direct lease rates are now over \$12.00/SF. New construction and continued demand for Class A logistics space are driving much of this recent growth in market-wide asking rents. Landlords with modern, high bay warehouse space will likely be able to maintain a pricing premium in the flight-to-quality industrial environment.



# Class A Growth Maintains Lead Over Broader Market

Over the past few years, more than 14.8 million SF of Class A industrial space has been delivered to the market, greatly increasing Class A inventory and with it, asking rents. Following a significant jump in 2023, direct asking rents for Class A properties have sustained steady, year-over-year growth. This upward trend is supported by the value-added features of Class A spaces, including higher ceiling heights, expansive floor plates, and dock-high loading doors. These enhanced amenities continue to differentiate Class A properties in the marketplace, positioning them to secure higher asking rents than other property types.



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# 03

## 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)	Qtr. Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
New Castle County	36,507,335	1,738,210	8.5%	(174,818)	70,000	\$11.34	\$12.27
Southern New Jersey	154,411,686	2,156,239	10.9%	3,601,583	1,151,834	\$11.54	\$12.20
Greater Philadelphia	350,988,231	1,636,700	7.1%	696,822	0	\$12.42	\$14.79
<b>Total Market</b>	<b>541,907,252</b>	<b>5,531,149</b>	<b>8.3%</b>	<b>4,123,587</b>	<b>1,221,834</b>	<b>\$12.05</b>	<b>\$13.52</b>

## Submarket Statistics By Subtype

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Qtr. Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
General Industrial	241,113,988	2,274,512	4.2%	1,048,927	70,000	\$10.26	\$13.58
R&D/Flex	79,577,224	0	6.0%	-288,482	0	\$14.07	\$39.00
Warehouse Distribution	221,216,040	3,256,637	13.4%	3,363,142	1,151,834	\$12.37	\$13.31
<b>Total Market</b>	<b>541,907,252</b>	<b>5,531,149</b>	<b>8.3%</b>	<b>4,123,587</b>	<b>1,221,834</b>	<b>\$12.05</b>	<b>\$13.52</b>

# Submarket Overview (page 2 of 2)

## Submarket Statistics – All Counties and Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Qtr. Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Bucks County	64,838,617	345,474	8.8%	(184,593)	0	\$11.59
Chester County	37,734,123	99,000	5.2%	(259,640)	0	\$13.02
Delaware County	30,147,560	158,156	7.2%	(230,847)	0	\$11.66
Lancaster County	62,230,901	335,844	4.4%	(19,466)	0	\$8.44
Montgomery County	71,773,545	181,674	5.9%	358,486	0	\$11.66
Philadelphia County	84,263,485	516,552	9.6%	1,032,882	0	\$14.19
<b>Greater Philadelphia</b>	<b>350,988,231</b>	<b>1,636,700</b>	<b>7.1%</b>	<b>696,822</b>	<b>0</b>	<b>\$12.42</b>
Burlington County	71,339,271	840,650	7.3%	2,806,072	756,535	\$11.79
Camden County	32,422,621	267,389	6.6%	211,716	0	\$8.56
Gloucester County	38,124,629	73,800	11.7%	583,795	395,299	\$11.88
Salem County	12,525,165	974,400	39.6%	0	0	\$11.61
<b>Southern New Jersey</b>	<b>154,411,686</b>	<b>2,156,239</b>	<b>10.9%</b>	<b>3,601,583</b>	<b>1,151,834</b>	<b>\$11.54</b>
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