

NEWMARK

I-81/78 Corridor Industrial Market Overview

1Q26

NMRK.COM

Key Takeaways

The industrial sector continues to advance, supporting momentum along the I-81/78 Corridor and signaling further market stabilization as 2026 progresses.



Demand pushed industrial vacancies to 8.2% in the quarter.



Net absorption totaled 2.6 million SF in the first quarter of 2026.



Square footage under construction increased to nearly 19 million SF for the quarter.



Active tenant requirements across the Corridor is roughly 28.5 million SF.

U.S. Market Observations



Economic Overview

- Regional labor conditions remain relatively stable, with unemployment still low by historical standards across Central and Northeastern Pennsylvania.
- Construction employment continues to benefit from industrial, infrastructure, and power-related development activity across the corridor.
- At the same time, manufacturing and transportation-related employment trends have softened, creating a more mixed backdrop for occupier demand.



Leasing Market

- Leasing volume reached 4.8 million SF in 1Q26, showing tenants are still active even as deal flow remains below peak years.
- Class A warehouse demand moderated to start the year, though larger active requirements suggest modern bulk space will remain the focus of many occupiers.
- Logistics, distribution, and e-commerce users continue to anchor demand across the broader Eastern and Central Pennsylvania market.



Major Transactions

- Large users remain active across the corridor, with 1Q26 deal volume led by renewals and sizable new leases in Central PA and the Lehigh Valley.
- Logistics-oriented occupiers continue to set the tone for market activity, reinforcing the corridor's role as a core distribution location.
- Recent transactions were concentrated in established bulk markets, with the Lehigh Valley and Harrisburg accounting for several of the quarter's largest deals.



Outlook

- Net absorption opened 2026 on firmer footing, which could help stabilize fundamentals if demand remains consistent through the year.
- Sublease space is still elevated and will remain a headwind until backfill demand improves more meaningfully.
- With more than 19 million SF under construction, market performance through the balance of 2026 will depend on how quickly new space is absorbed.

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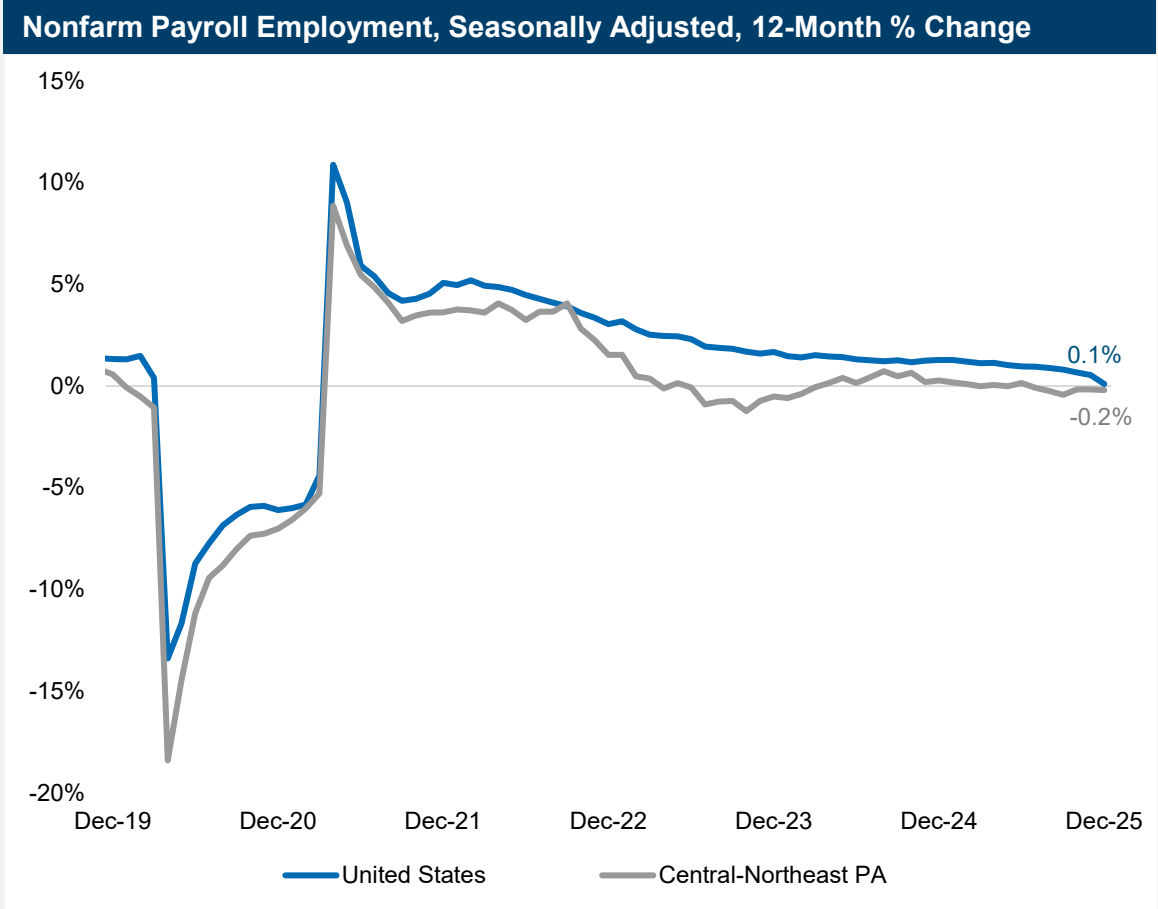
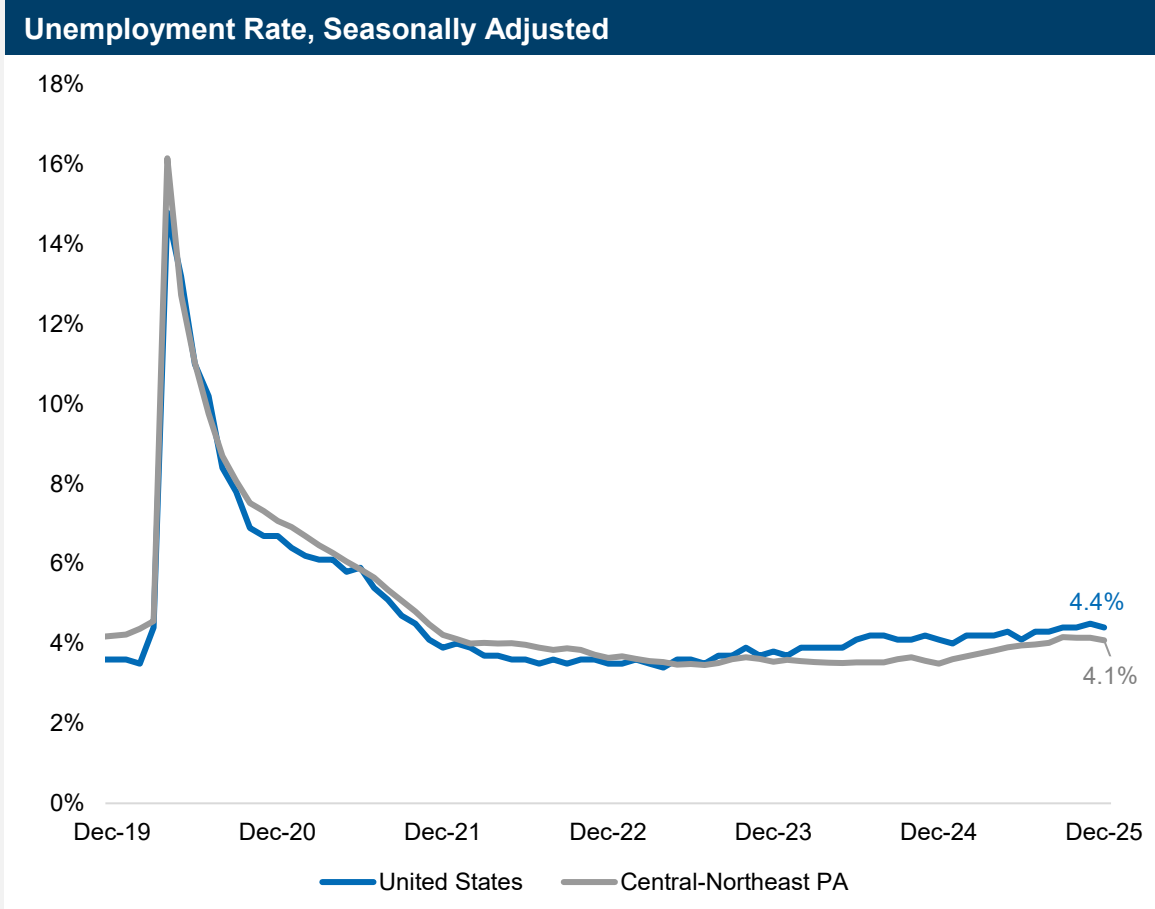
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Economy



Regional Economy Shows Segmented Growth

The Central-Northeast PA economy looks to continue its resiliency into 2026, with unemployment below the national average for two years and counting. Payroll growth was revised sharply downward from 0.7% in November 2025 to -0.2% in December. The regional economy exhibits low unemployment, particularly in Lancaster and Harrisburg, but these metros also show some of the steepest job losses year-over-year in the region at -1.0% and -2.0%, respectively. Conversely, Allentown reports an unemployment rate of 4.6% in December with the second-highest year-over-year job growth of 1.3%.

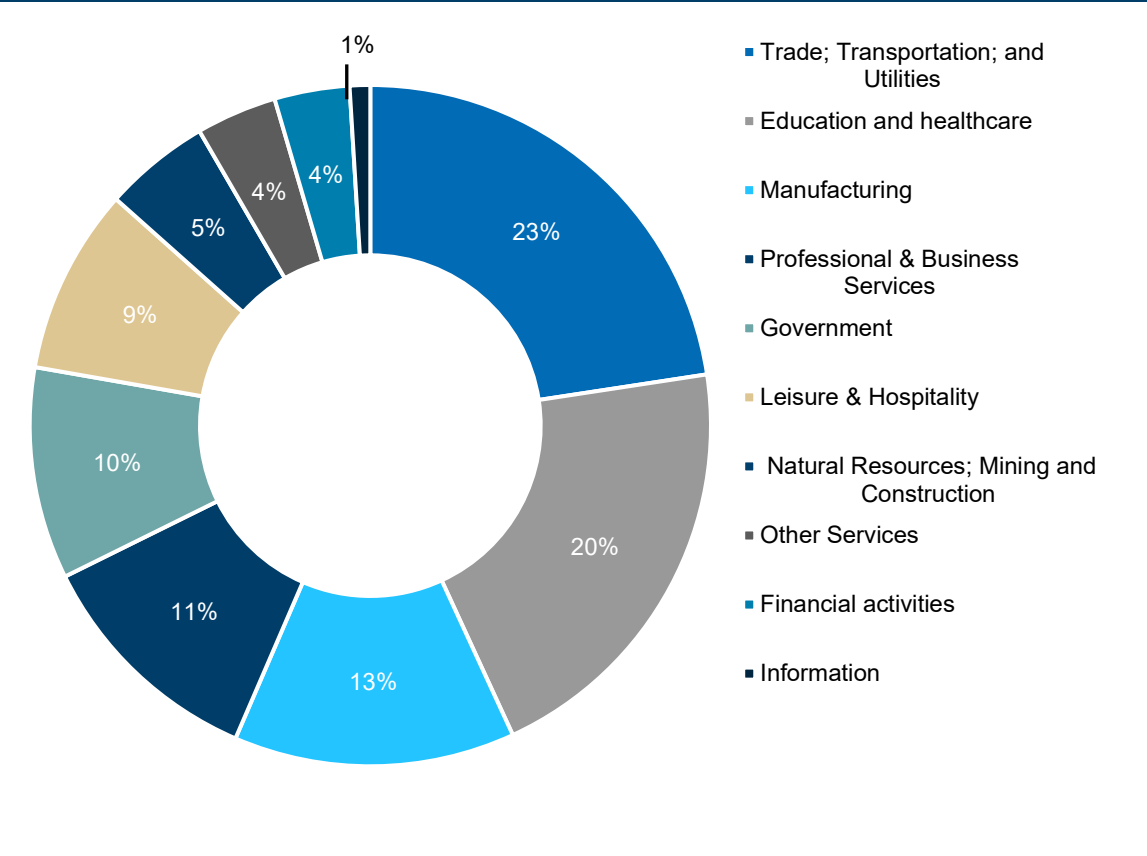


Source: Moody's, U.S. Bureau of Labor Statistics. Central-Northeast PA includes Allentown-Bethlehem-Easton, Gettysburg, Harrisburg-Carlisle, Lancaster, Lebanon, Reading, Scranton-Wilkes-Barre and York-Hanover. Employment data for October and November is limited due to the federal government shutdown.

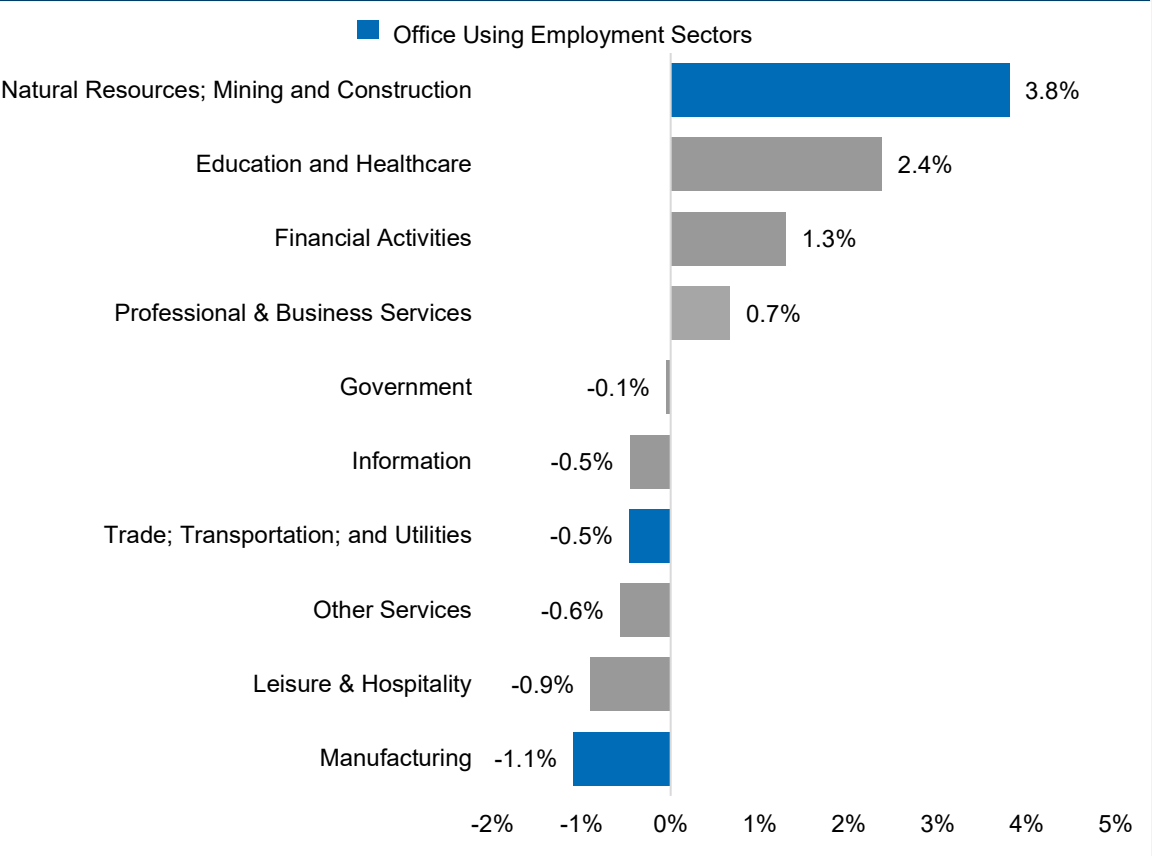
Development And Policy Spark Growth

New development has ignited job growth in the construction sector to meet the demand for new industrial and data center development across Central and Northeastern PA. The SITES program has concentrated investments into former coal mining communities for mine reclamation, grading, utility extensions and road construction. In-state natural gas production increased by 5.1% in 2025, with an 84% increase in new well permits, in part to support the power generation needs of computing campuses. The tailwinds in the sector come after decades of regional underinvestment post-coal, leading to an amplified “catch-up” growth rate. Notably, the largest industrial sectors show job losses year-over-year, despite strong demand for industrial space.

Employment by Industry, December 2025



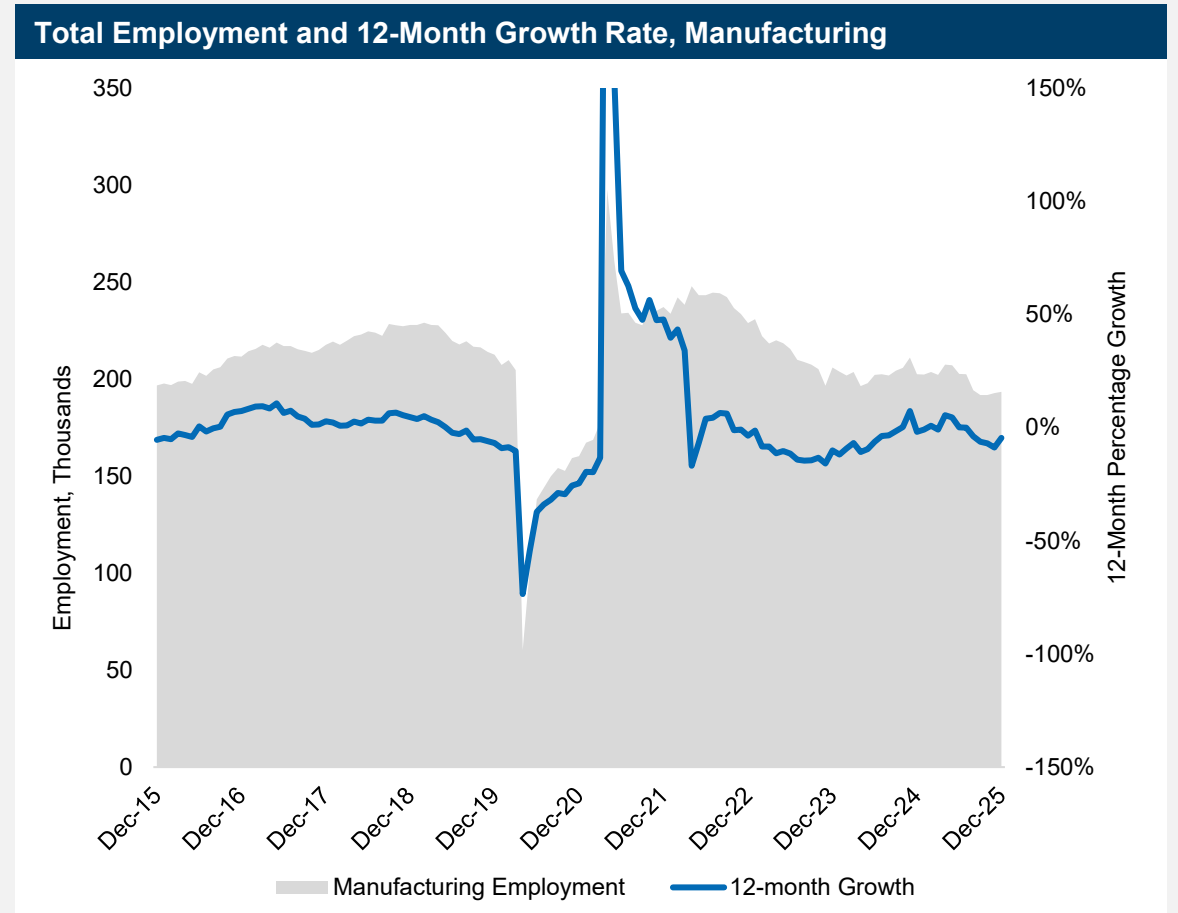
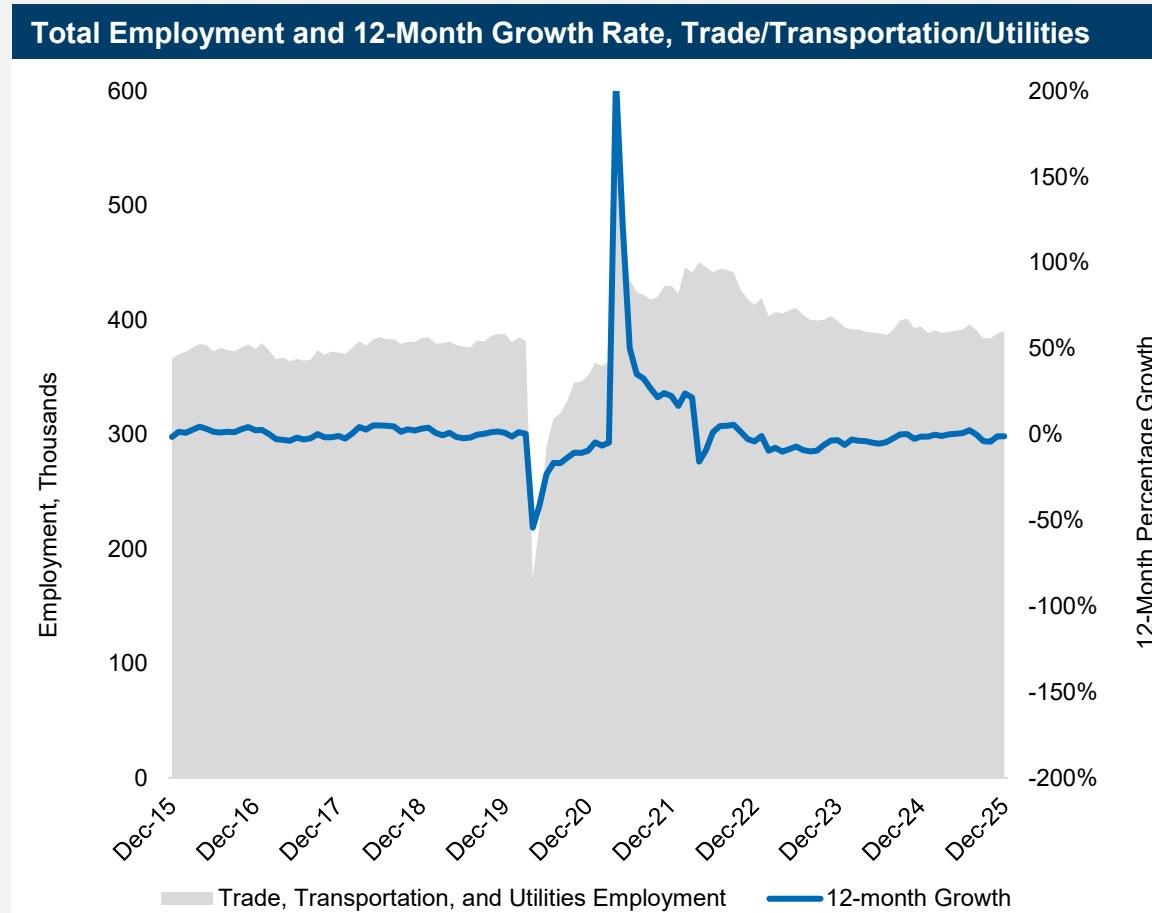
Employment Growth by Industry, 12-Month % Change, December 2025



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

Trade And Manufacturing Fluctuate

As the I-81 corridor adjusts to a shifting economic environment, Trade, Transportation, and Utilities, and Manufacturing continue to fluctuate. Both sectors are down from their pre-COVID employment peaks and are experiencing job losses, despite steady demand for new industrial space. Manufacturing has shown a more pronounced struggle, down from pre-pandemic levels and dropping precipitously since the widespread enactment of global tariffs. The region has lost 14,000 manufacturing jobs (6.7%) from April 2025 to December 2025. The anticipation of recovery and growth from September's job report was short-lived, with revisions sharply in the red in the latest BLS data.



Source: Moody's, U.S. Bureau of Labor Statistics. Central-Northeast PA includes Allentown-Bethlehem-Easton, Gettysburg, Harrisburg-Carlisle, Lancaster, Lebanon, Reading, Scranton-Wilkes-Barre and York-Hanover. 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.

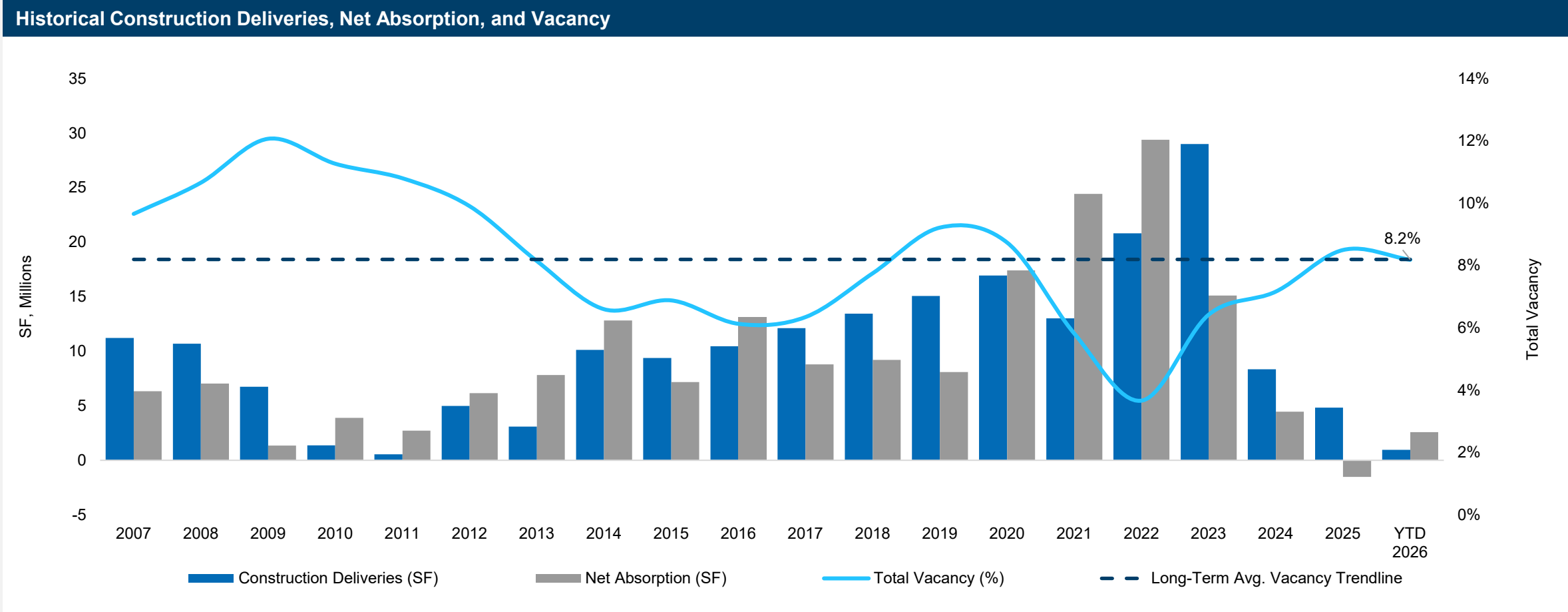
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Leasing Market Fundamentals



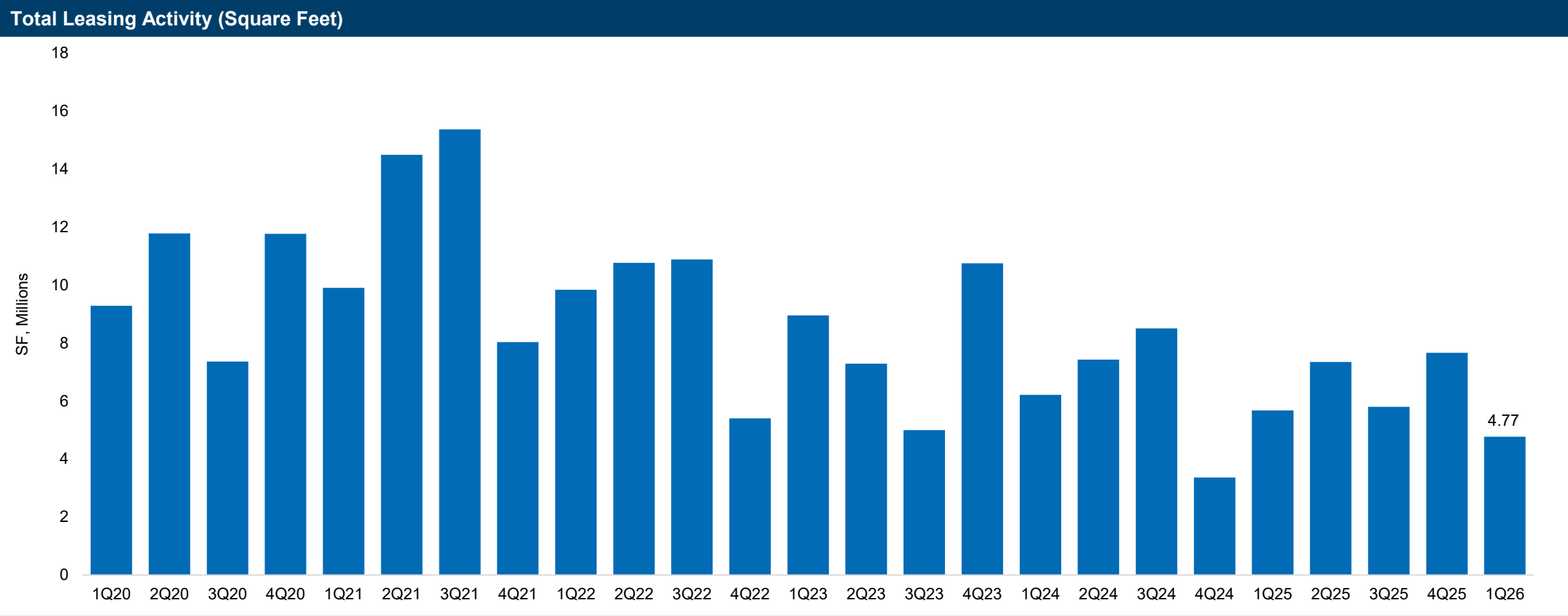
Industrial Vacancies Normalizes To Long-Term Average As Pipeline Grows

Industrial vacancy stands at 8.2% in the first quarter of 2026, roughly in line with the corridor's long-term historical average. During the first quarter, construction deliveries remained limited relative to the elevated levels in recent years. Net absorption posted the strongest quarterly number since the third quarter of 2024 and kicks off 2026 ahead of deliveries. However, the pipeline under construction has grown significantly over 2025, from 6.2 million SF in the first quarter of 2025 to 19 million SF in the first quarter of 2026. This level encroaches on the 20 to 30 million SF level during 2019 to 2023.



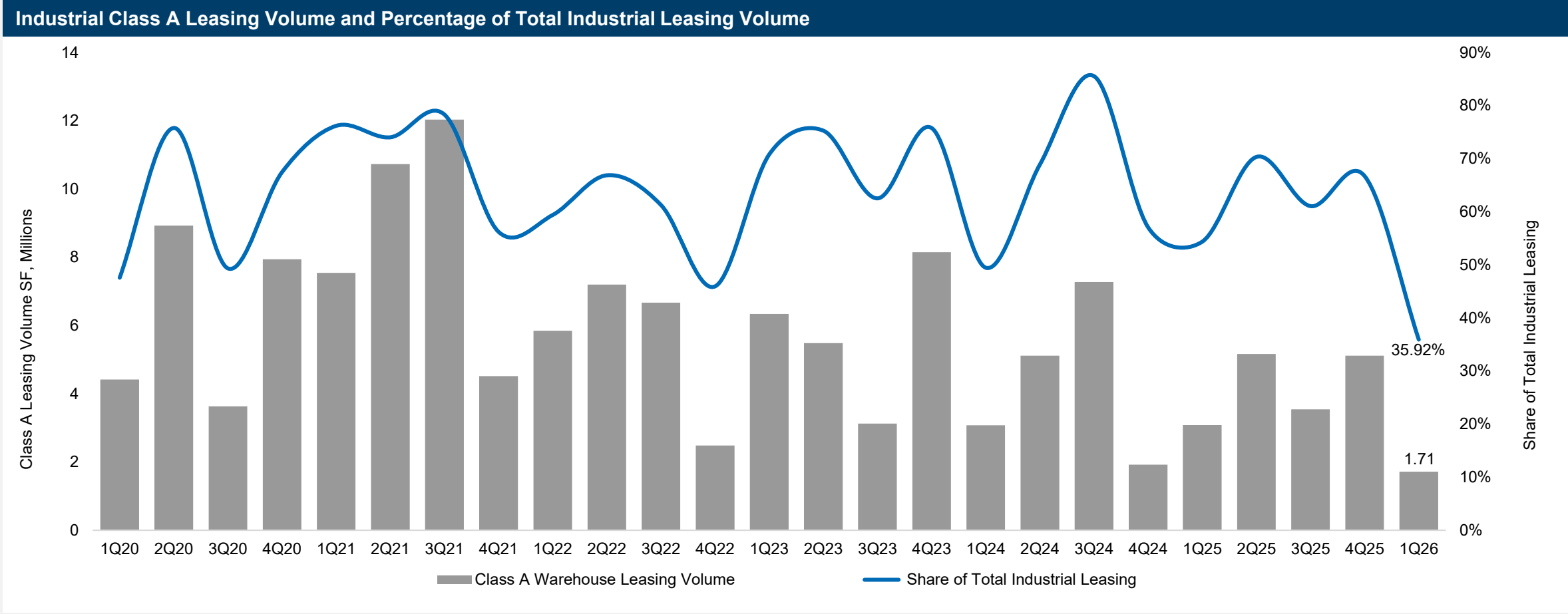
Industrial Leasing Velocity Remains Subdued

Industrial leasing activity reached 4.77 million SF in the first quarter of 2026, suggesting a relatively measured start to the year in the I-81/78 Corridor. The quarter's volume remains below recent periods with stronger trends, such as late 2023 into 2024, and holds short of the market's peak leasing quarters earlier in the pandemic recovery. While tenant demand has not fully reaccelerated, current activity demonstrates occupiers remain active.



Class A Leasing Softens At The Start Of The Year

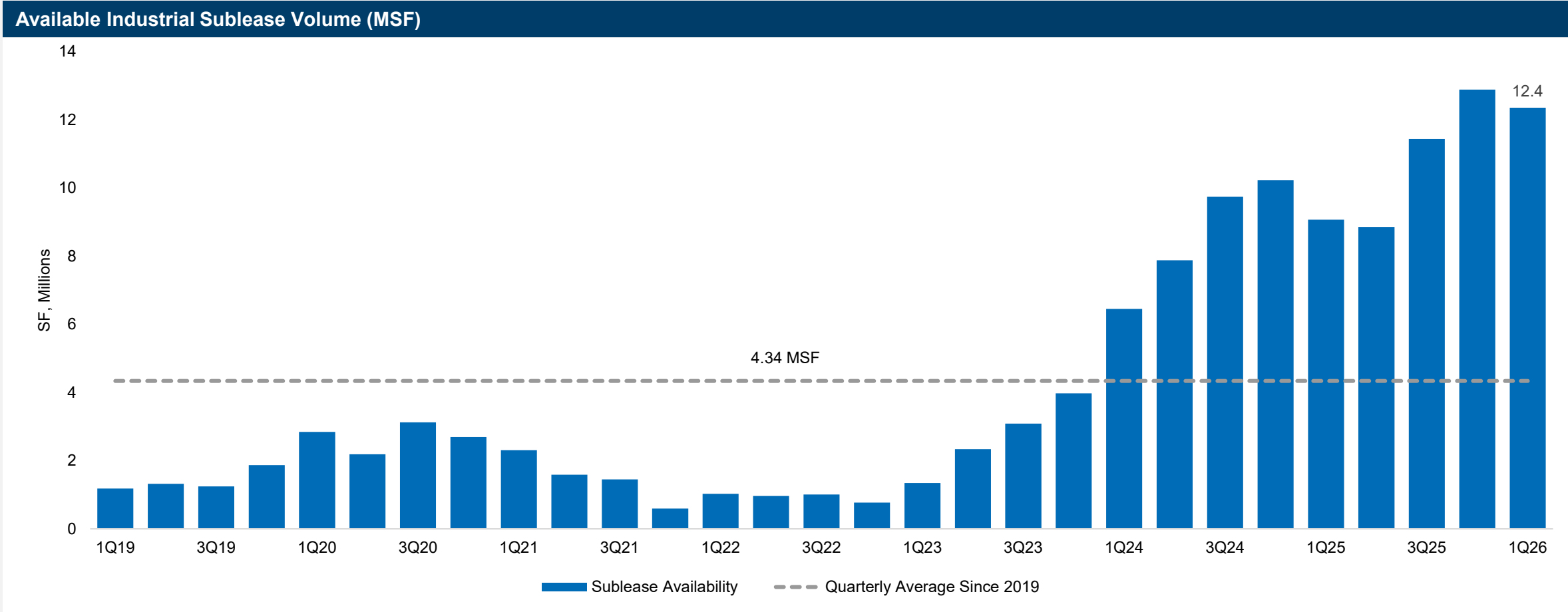
Class A warehouse leasing totaled 1.71 million SF in the first quarter of 2026, while accounting for roughly 36% of total leasing activity. This marks a pullback from the elevated share of Class A warehouse product in previous quarters, indicating a softer approach to higher-quality in the region at the start of the year. Whether Class A regains share over the balance of the year will depend on the pace and composition of tenant demand. Current requirements from blue-chip tenants suggest the demand for quality industrial space will remain the norm for 2026.



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

Sublease Availability Holds Historic Highs To Start 2026

The first quarter of 2026 shows available sublease volumes totaling 12.4 million SF, signifying that excess secondary space remains a persistent factor in the overall market. The latest numbers continue to sit well above the seven-year quarterly average of 4.3 million SF, and only slightly blow the recent peak of roughly 12.9 million SF in the fourth quarter of 2026. A more substantial decline in sublease availability will likely depend on strong backfill demand or greater consolidation among occupiers.



Notable Sublease Blocks

175 Cesanek Rd – Bldg 1 – Northampton



Built 2022
40' Clear Height

Market:	Lehigh Valley
Sublease Available	953,336 SF
Brought to Market	1Q26



3585 S Church St – Whitehall



Built 2021
40' Clear Height

Market:	Lehigh Valley
Sublease Available	504,900 SF
Brought to Market	1Q26



600 Industrial Dr – Lewisberry



Built 2006
32' Clear Height

Market:	Central PA
Sublease Available	580,000 SF
Brought to Market	1Q26



1055 Hanover St – Wilkes-Barre



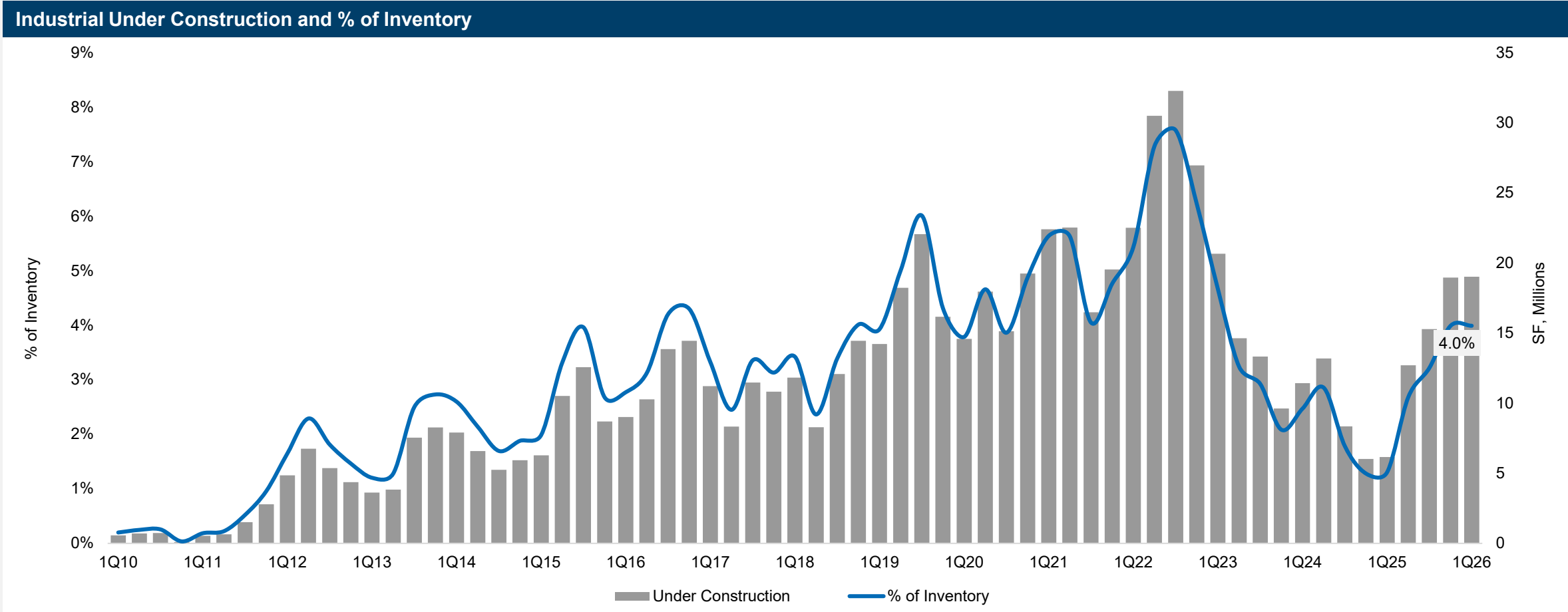
Built 1992
32' Clear Height

Market:	Northeastern PA
Sublease Available	395,496 SF
Brought to Market	1Q26



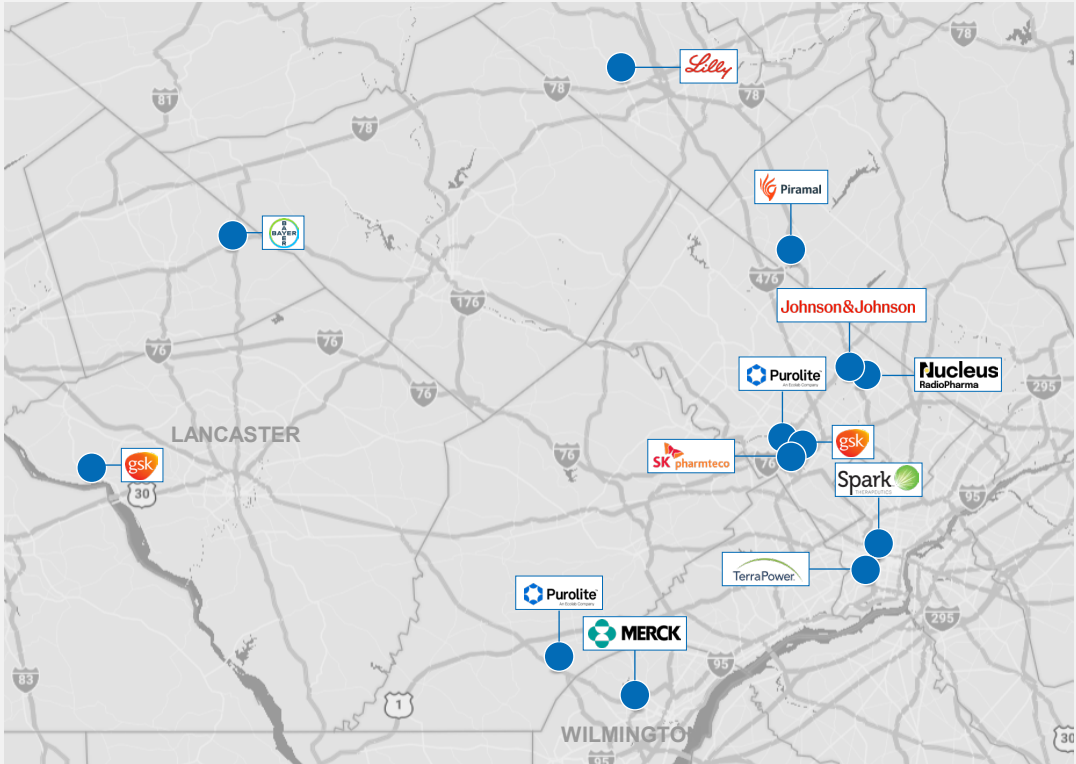
Industrial Development Activity Tempers Through Early 2026

The corridor’s industrial construction pipeline increased to just above 19 million SF in the first quarter of 2026, comprising 4% of existing inventory. This slight increase from the previous quarter denotes a moderate expansion of the development pipeline. The pipeline under construction has tripled from the first quarter of the previous year. Whether the pipeline continues to climb will depend on leasing traction, availability, and developer sentiments over the coming quarters.

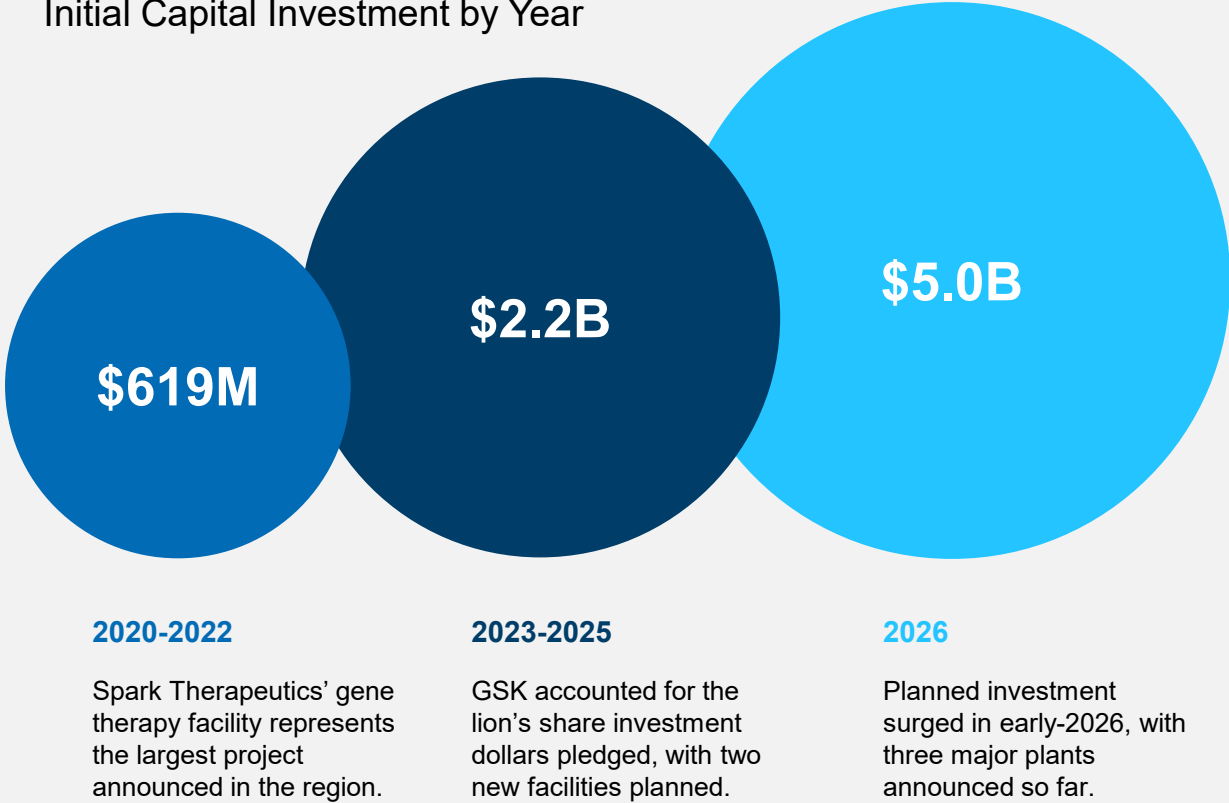


Biomanufacturing is Redefining Pennsylvania's 'Pharm Country'

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

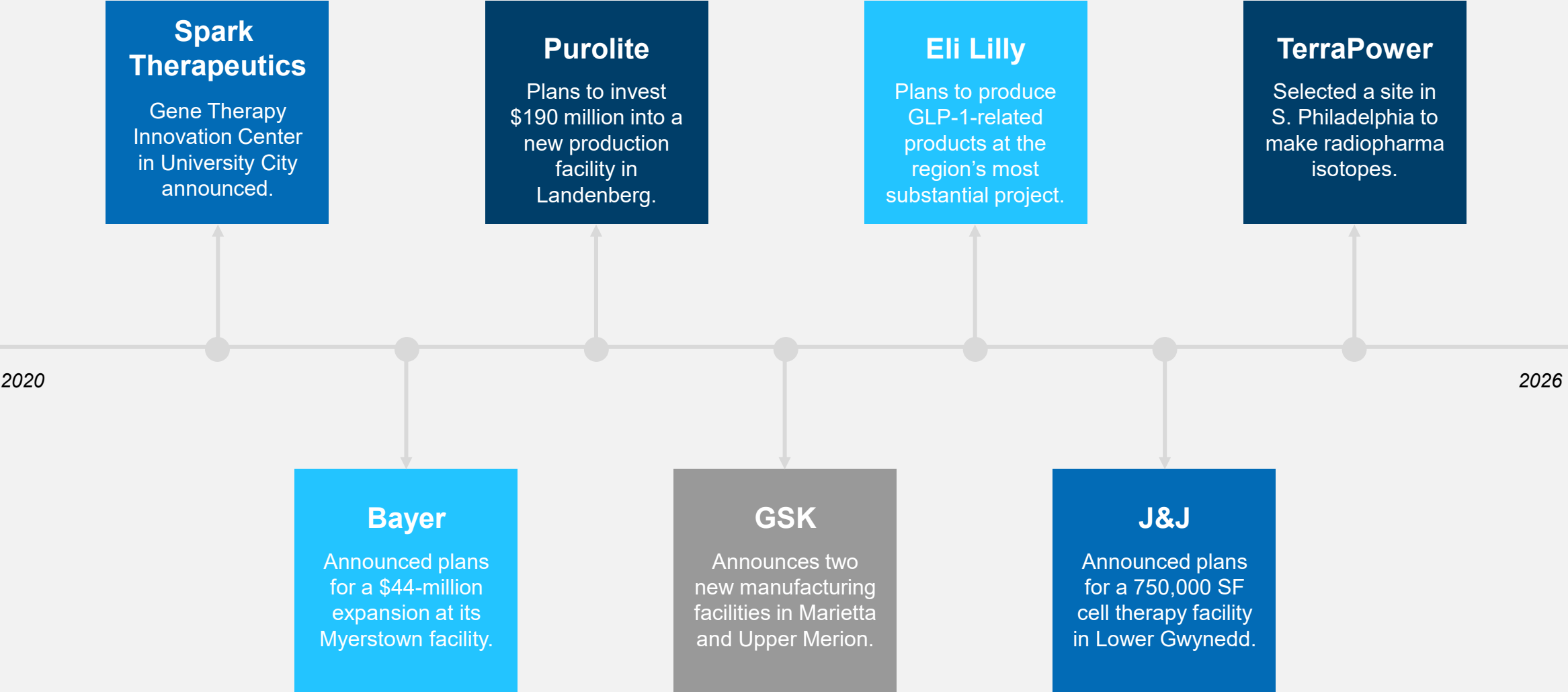
2,495 Jobs

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

New Spec Developments In Central PA

PNK Group broke ground in May of 2025 in Barnesville, located along I-81 at exit 131. The Class A industrial development is scheduled for delivery in the third quarter of 2026. The Rockefeller Group broke ground in October of 2025 on an 803,520-SF Class A industrial facility as part of a three-building complex in Mechanicsburg. The project, as part of the Silver Springs Logistics Park, is set to deliver in the second quarter of 2026. Sustained rent growth and low vacancy rates for Class A product are driving factors for continued spec development in the market.

PNK Mountain Valley - 100 Logistics Drive, Barnesville, PA



1,240,720 SF
40' Clear Height
0% Pre-leased



Silver Spring Logistics Park – 261 Hempt Road, Mechanicsburg, PA

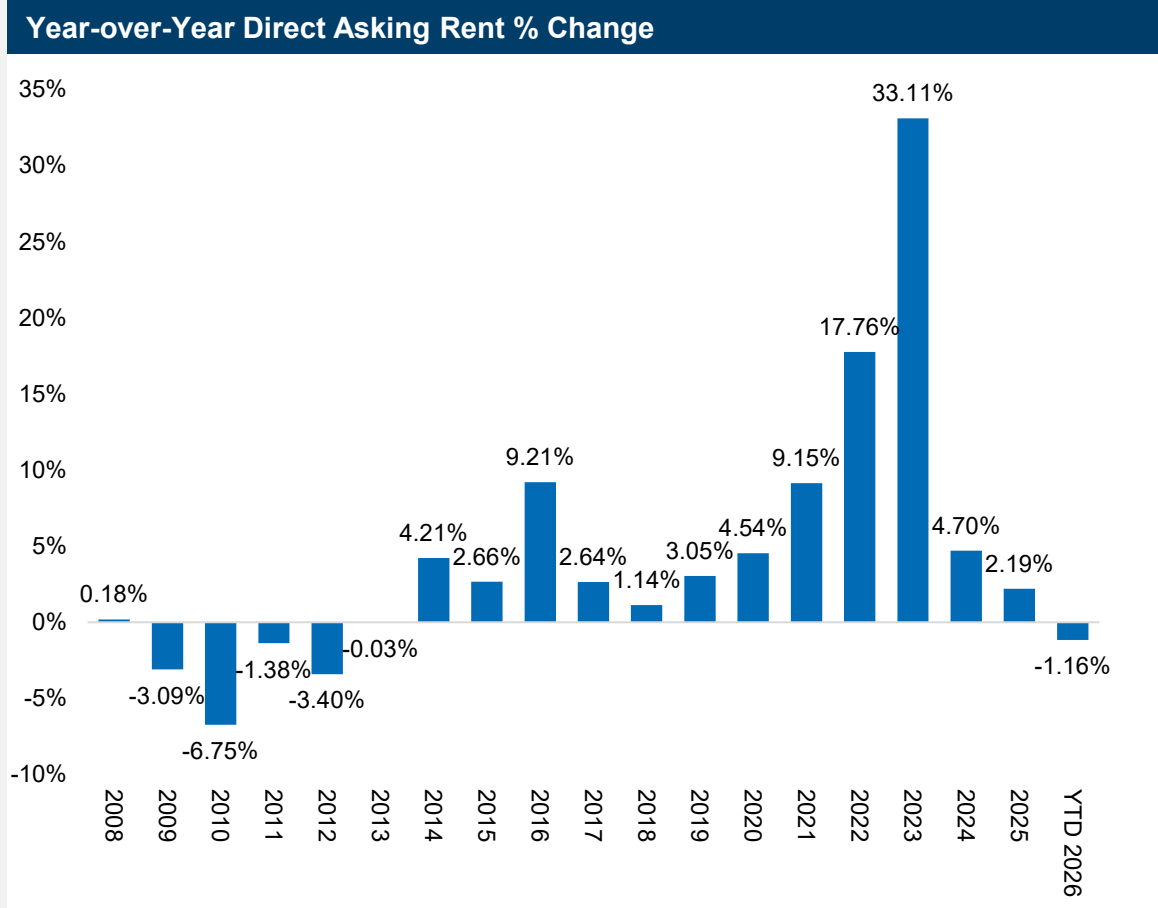
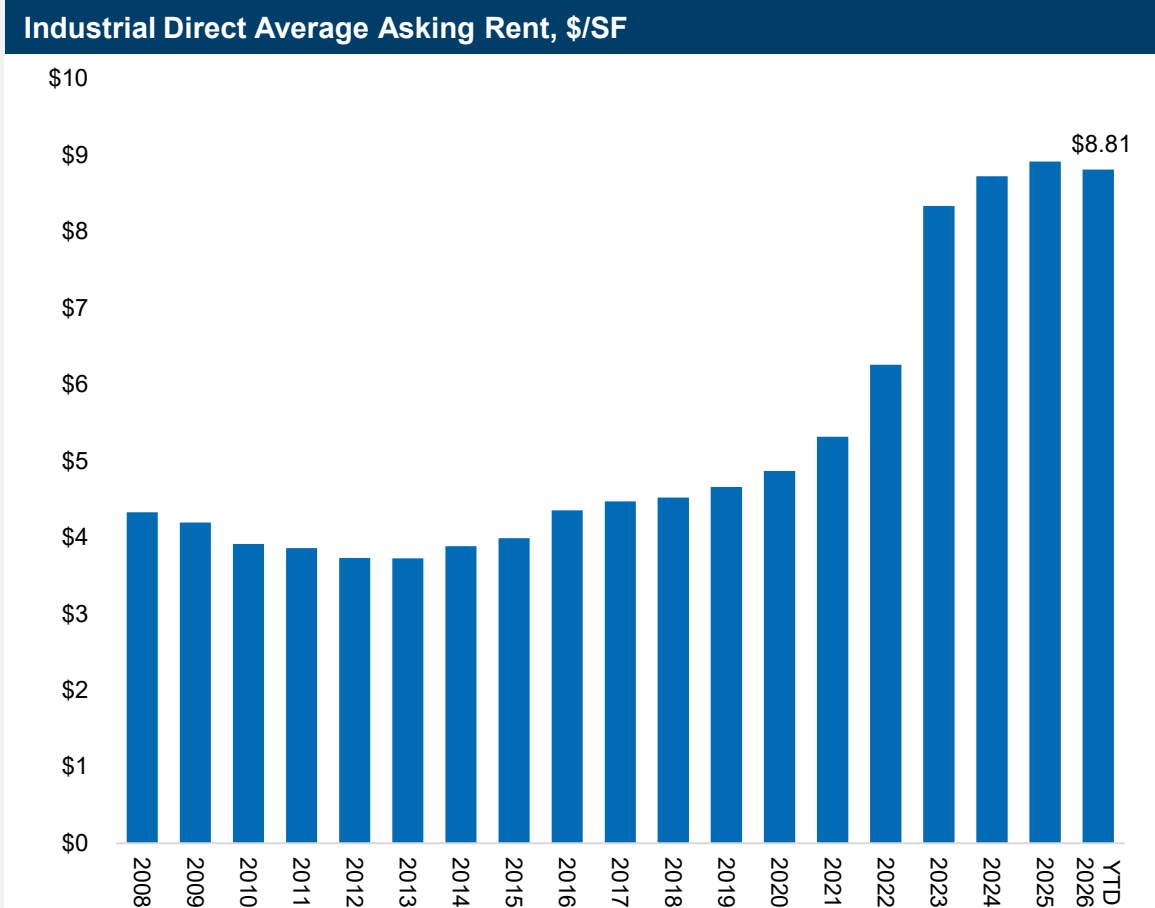


803,520 SF
40' Clear Height
0% Pre-leased



Rents Cool Through Early 2026 But Maintain Near Peak Levels

The corridor's average direct asking rent stands at \$8.81/SF in the first quarter of 2026, showing a 1.2% decline from year-end 2025. While rent growth has eased after a stark increase from 2022 to 2023, pricing remains materially above previous levels. The latest numbers point to more competitive leasing conditions, with overall rent levels continuing to reflect the market's longer-term repositioning.



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Market Statistics



Submarket Overview

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)	YOY Direct Asking Rent Change
Central PA	216,548,173	6,912,456	7.6%	1,040,082	255,776	\$7.34	-4.94%
Lehigh Valley	161,580,846	4,296,270	9.7%	(91,950)	210,600	\$10.81	1.69%
Northeastern PA	98,375,506	7,804,706	7.1%	1,638,006	502,440	\$7.21	8.41%
I-81/78 Market	476,504,525	19,013,432	8.2%	2,586,138	968,816	\$8.81	-0.32%

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)	YOY Direct Asking Rent Change
General Industrial	116,432,296	550,500	3.2%	(207,430)	0	\$7.29	-1.80%
R&D/Flex	13,992,763	141,349	5.8%	(27,127)	0	\$11.34	-2.04%
Warehouse/ Distribution	346,079,466	18,321,583	10.0%	2,820,695	968,816	\$8.93	-0.30%
I-81/78 Market	476,504,525	19,013,432	8.2%	2,586,138	968,816	\$8.81	-0.32%

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