

Greater Philadelphia Industrial Market Overview

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Market Observations

Economy

- The Greater Philadelphia economy has exhibited sustained strength over the 12 months ending in May, highlighted by a decline in the unemployment rate to 4.0%. This rate now matches the national average. Notably, throughout the past year, Greater Philadelphia consistently reported unemployment rates below those of the overall U.S., underscoring the region’s economic resilience and ongoing growth. Additionally, annual nonfarm payroll employment rose by 1.3% during this period, marking the fourth consecutive year of positive 12-month growth. The region’s largest sector, Education and Health Services, remains the primary engine of employment growth, underscoring its vital role in the local economy.
- Other Services, Education & Health, and Government sectors each grew by at least 140 basis points for the 12 months ending in May. The Other Services industry sector comprises establishments that do not fall into any other specific industry and tend not to be office-using employers. These top three growing sectors employ about 40% of Greater Philadelphia’s labor force. Strong annual employment gains in these sectors are encouraging for the region’s economy.

Major Transactions

- The second quarter of 2025 was marked by the execution of some of the largest leases across the Philadelphia region, spanning a diverse range of counties and industries—including Logistics, Medical, Personal Care, and Manufacturing. This activity highlights the breadth and vitality of the local market. Among the most prominent transactions, Performance Team signed the region’s largest lease of the year, securing 1,200,000 square feet at 995 Taylors Lane. Additionally, Partners Warehouse committed to 351,000 square feet at 3195 Route 206, while Dentsply Sirona renewed its lease for 262,500 square feet, further strengthening the region’s leasing momentum.
- Industrial leasing activity in the second quarter rapidly increased to 5.2M square feet, the largest amount of leasing activity seen since the third quarter of 2022. Among this elevated leasing activity, Class A product captured 52.6% of industrial leasing volume in the Greater Philadelphia region, buoyed by some of the largest leases this quarter, such as Performance Team and Grocery Outlet.
- Two significant projects broke ground this quarter, including the development of the Merck Building at 155 Innovation Boulevard in New Castle County for 470,000 square feet and 205 Schoolhouse Road in Montgomery County for 176,000 square feet. The Merck Building is a built-to-suit development that will be fully occupied by Merck upon delivery, while 205 Schoolhouse Road is a speculative development that is still fully available for lease.

Leasing Market Fundamentals

- The industrial construction pipeline has declined significantly, with 9.8M square feet at the end of the second quarter of 2025, a 3.4M square foot decrease from the previous year. A notable share of the decrease in the construction pipeline is the result of planned industrial developments at the Keystone Trade Center being redirected for data center use. Over the last 8 quarters, there has been an average of just under 3.2M square feet of quarterly deliveries. This reduction aligns well with the current slowdown in demand for new bulk facilities.
- Sublease availabilities declined to 3.1M square feet. Southern New Jersey accounts for 1.3 million square feet of sublease space—41.3% of the market’s total—despite making up only 28.2% of the region’s overall inventory.
- After annual declines in rents in 2024, asking rates have now risen by 5.5% to reach their all-time high of 11.78/SF. Growth in asking rents has mainly been fueled by the availability of Class A warehouse space. At present, approximately 18.8 million square feet of Class A warehouse inventory is on the market, with average asking rents reaching \$12.66 per square foot. This trend underscores the continued strong demand for high-quality, modern industrial facilities.

Outlook

- Construction starts totaled 646,000 square feet in the second quarter, significantly lower than the 8-quarter average, falling short of the benchmark by just under 1.8M square feet. This trend of decreasing construction starts has been seen throughout the nation, as developers are exercising caution due to rising construction costs, concerns over tariffs, and challenges in securing financing.
- Industrial demand in Greater Philadelphia, measured by the total square footage tenants are searching for in the market, represents approximately 7.6M square feet. Among this space, 26.6% of user demand is shown as growing their footprint, while 56.3% of user demand is new to the market. Substantial requirements that are both growing and new to the market are promising for the future of the Greater Philadelphia industrial market, as it projects increased leasing activity and absorption in the coming quarters.

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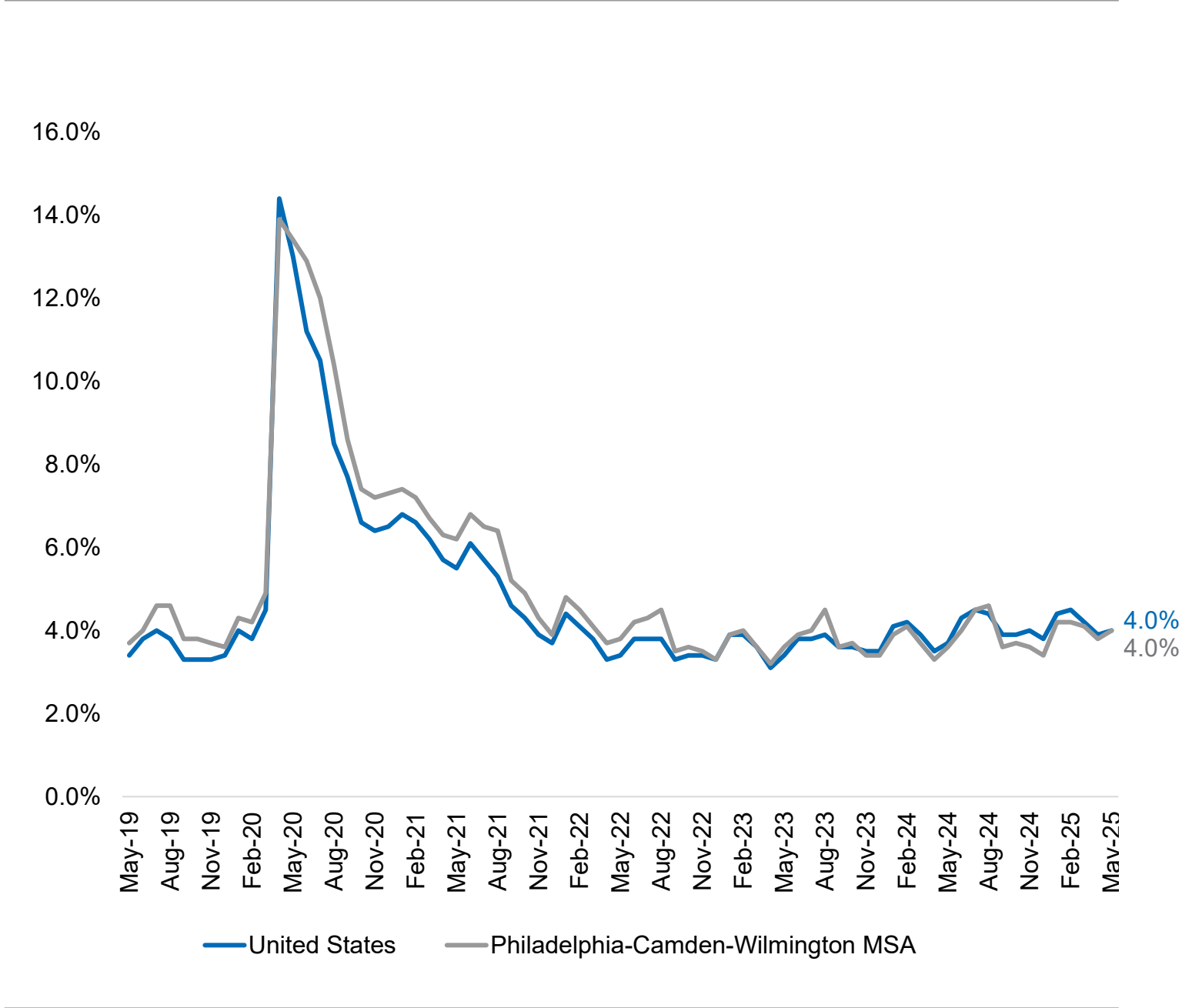
Economy



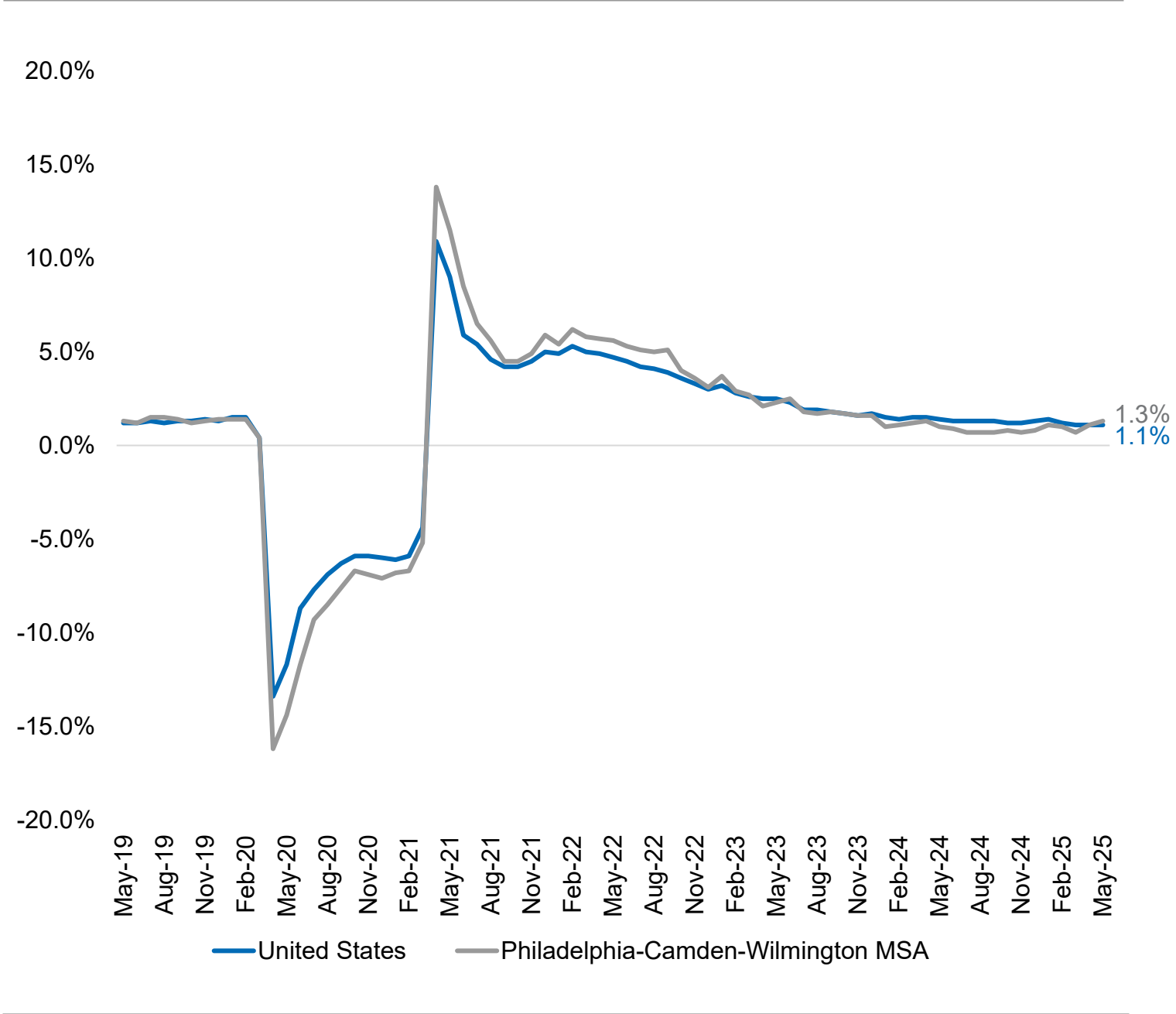
Philadelphia's Unemployment Rate Matches US Average

The Greater Philadelphia economy saw a small increase in unemployment for the 12 months ending in May and has matched the US unemployment rate after falling below the national average over the past year. Nonfarm payroll employment increased by 1.3% in May, representing a slight rise from the moderate growth observed in the latter half of 2024. 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

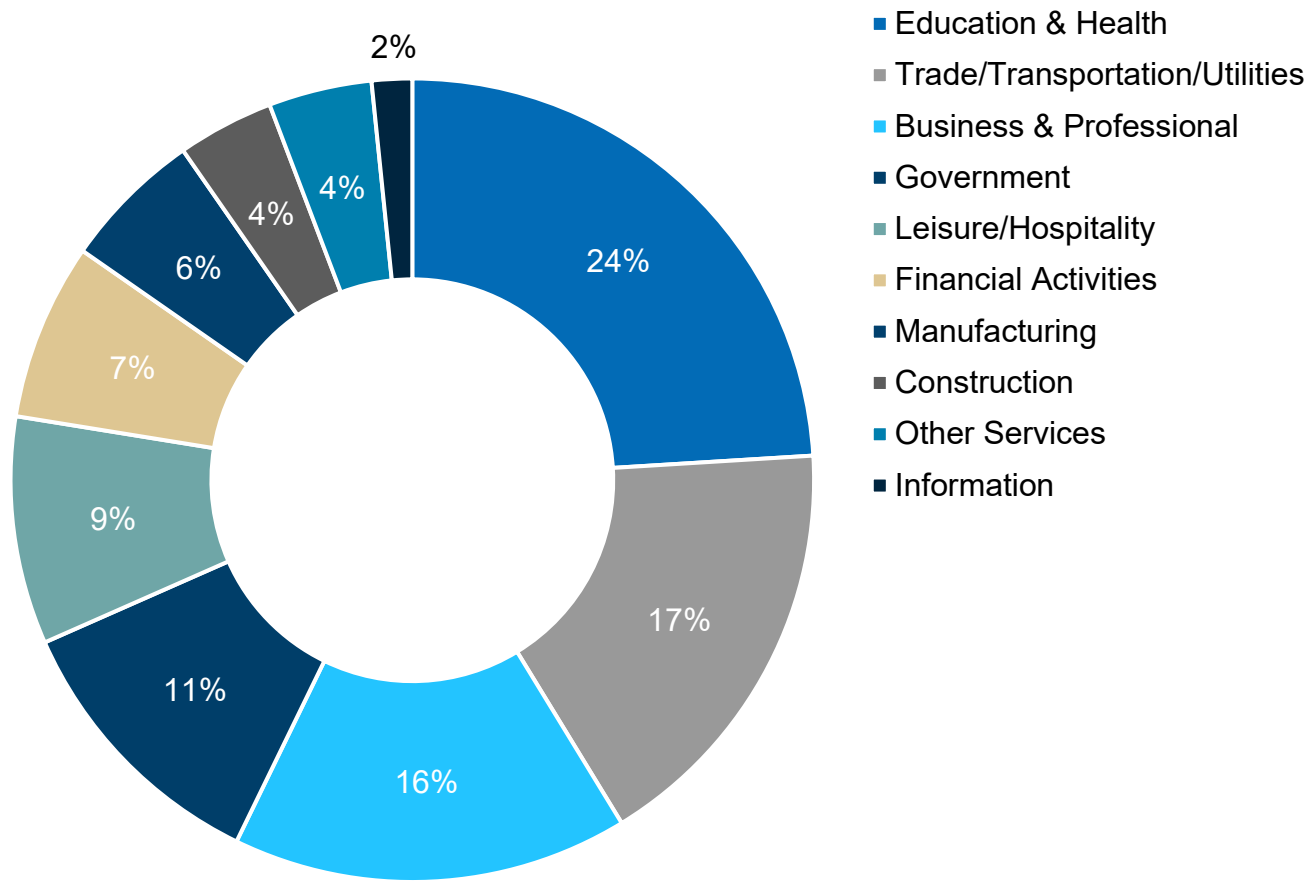


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

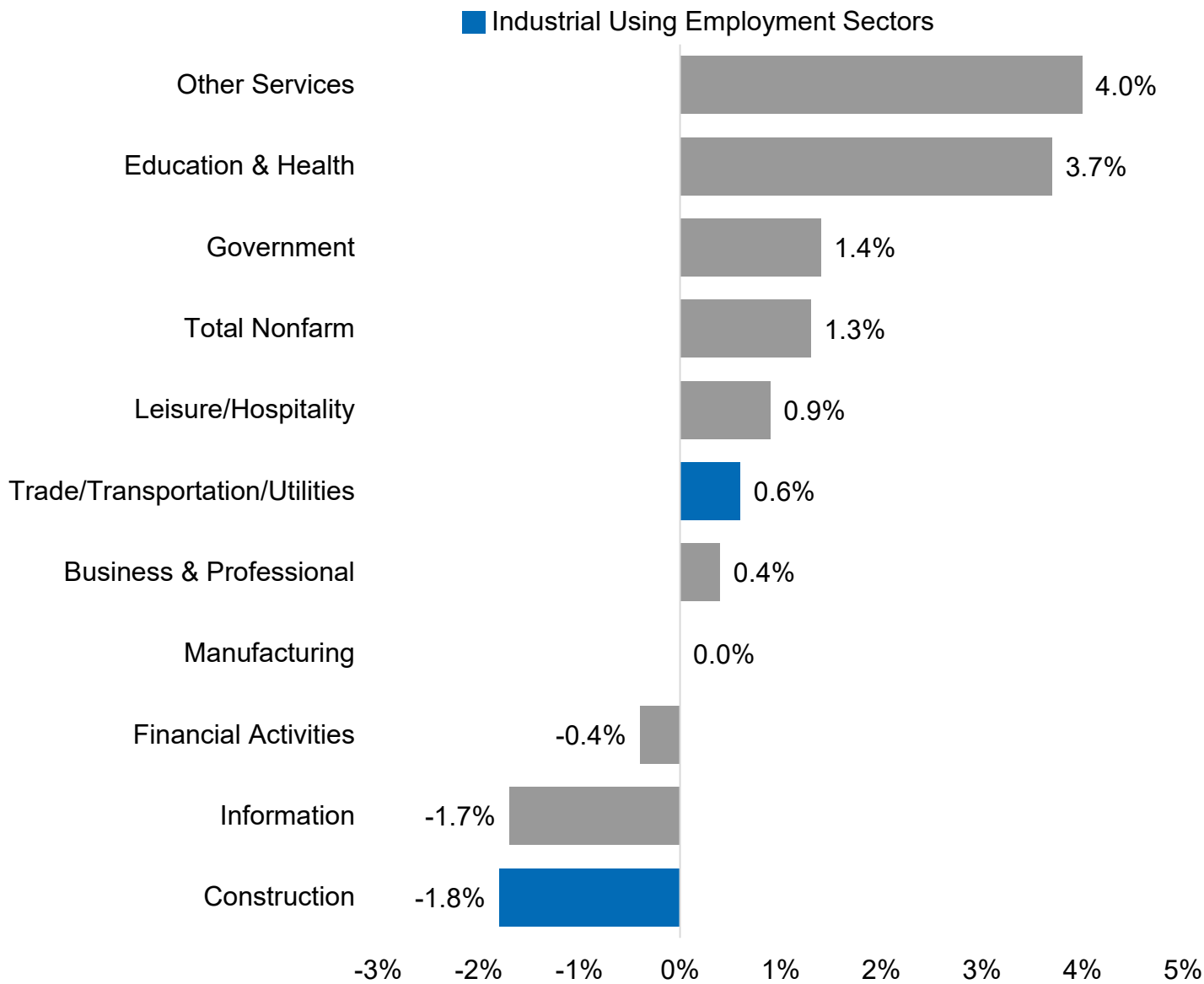
Region Sees Strongest Job Gains In Non-Industrial-Using Sectors

Other Services, Education & Health, and Government sectors each grew by at least 140 basis points for the 12 months ending in May. The Other Services industry sector is made up of establishments that do not fall into any other specific industry and tend not to be office-using employers. These top three growing sectors employ about 40% of Greater Philadelphia’s labor force. Strong annual employment gains in these sectors are encouraging for the region’s economy.

Employment by Industry, May 2025



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

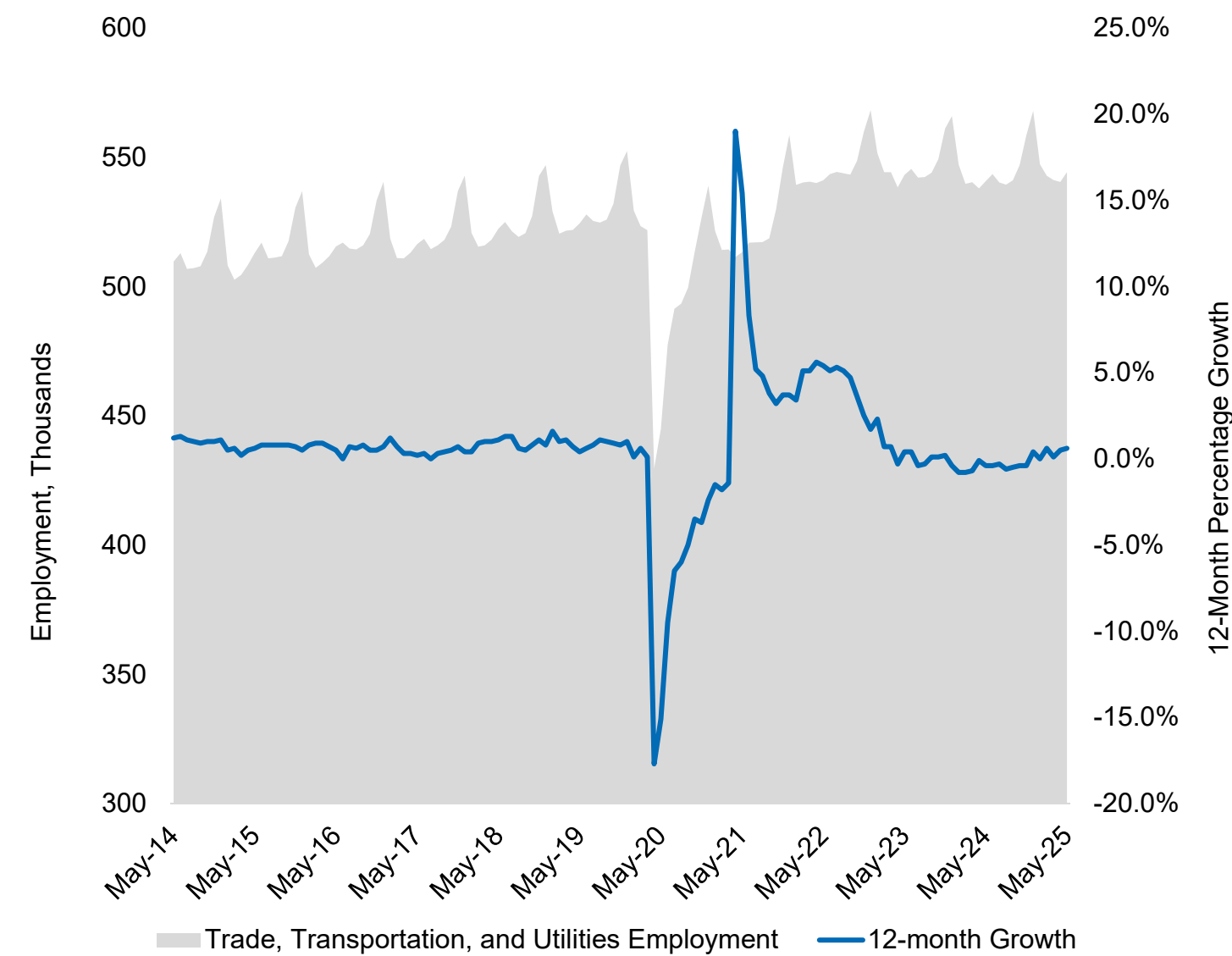


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

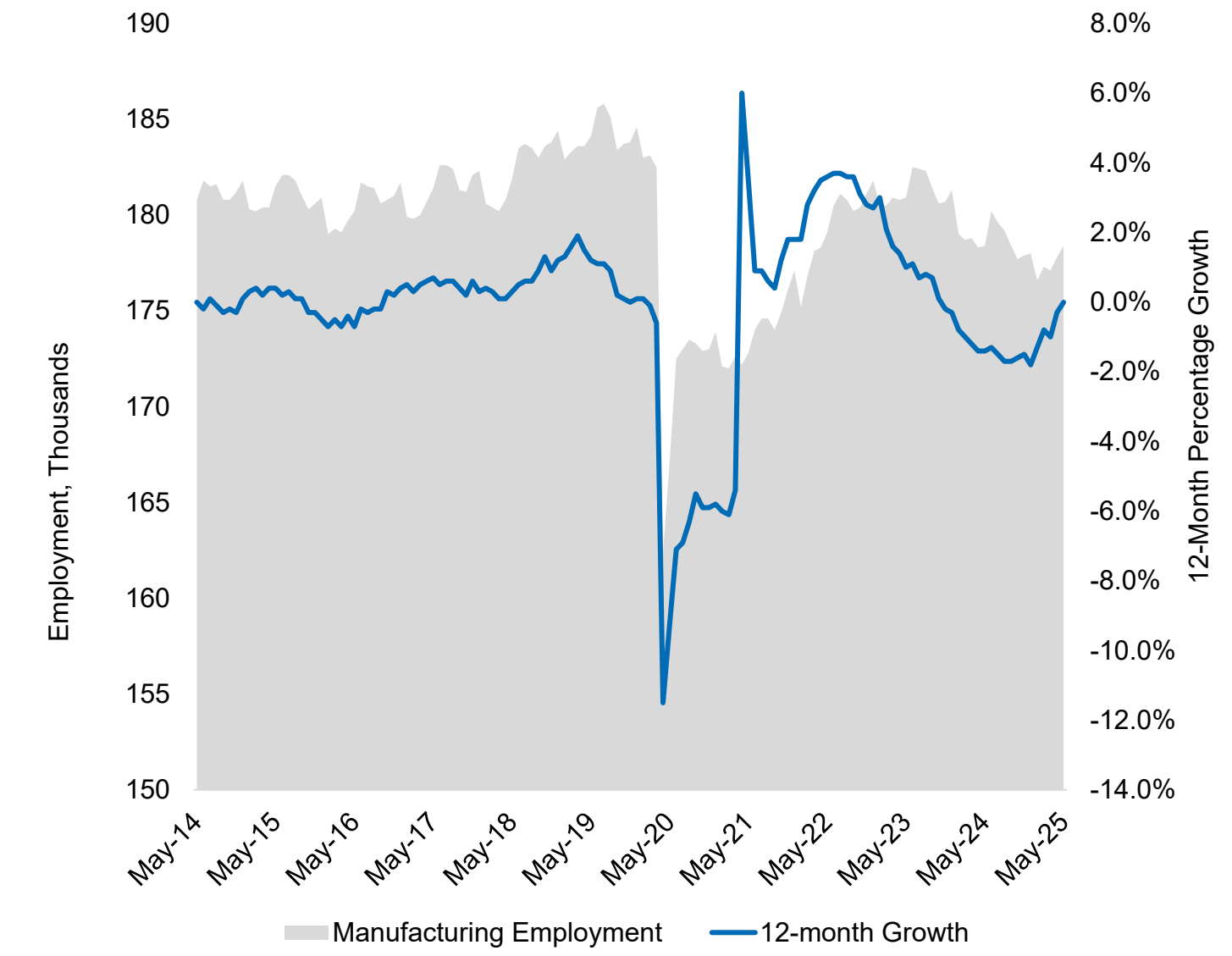
Industrial Employment Sectors Combined For Gain

The Trade, Transportation, & Utilities industry grew by 60 basis points for the 12 months ending in May 2025. In December, the industry experienced its first annual job growth in 12 months. Despite the Manufacturing sector experiencing no growth and the Construction sector declining by 180 basis points for the 12 months ending in May 2025, the Trade, Transportation, and Utilities sector, which is considerably larger in the Philadelphia MSA, offset this decline. Consequently, when combining the industrial industries, there was a net gain of 13 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

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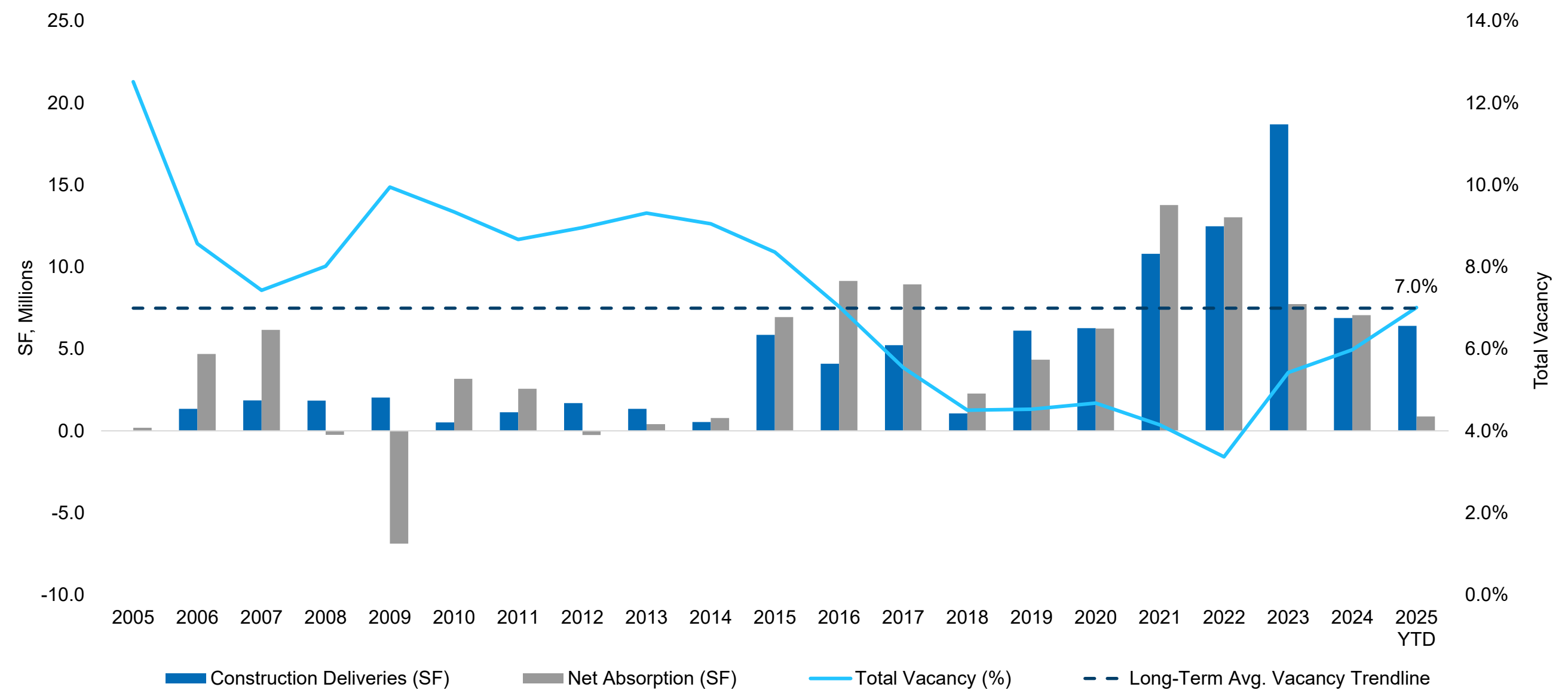
Leasing Market Fundamentals



New Construction Drives Vacancy Up Despite Positive Absorption

Industrial construction deliveries saw a marked decline in 2024, but this year, the Greater Philadelphia market saw approximately 6.4M SF of deliveries. This is approximately a 45.6% increase in construction deliveries compared to the first half of 2024. The 16 buildings that have delivered over the course of this year had little preleasing and boast a vacancy rate of 97.6%, thus increasing this quarter's vacancy rate to 7.0%. This quarter experienced positive quarterly absorption of 1,210,733 square feet. The positive absorption was primarily driven by Performance Team's 1.2M SF occupancy in June at 995 Taylors Lane in Cinnaminson. Large leases signed in the region, such as Performance Team's, are an encouraging sign for the market.

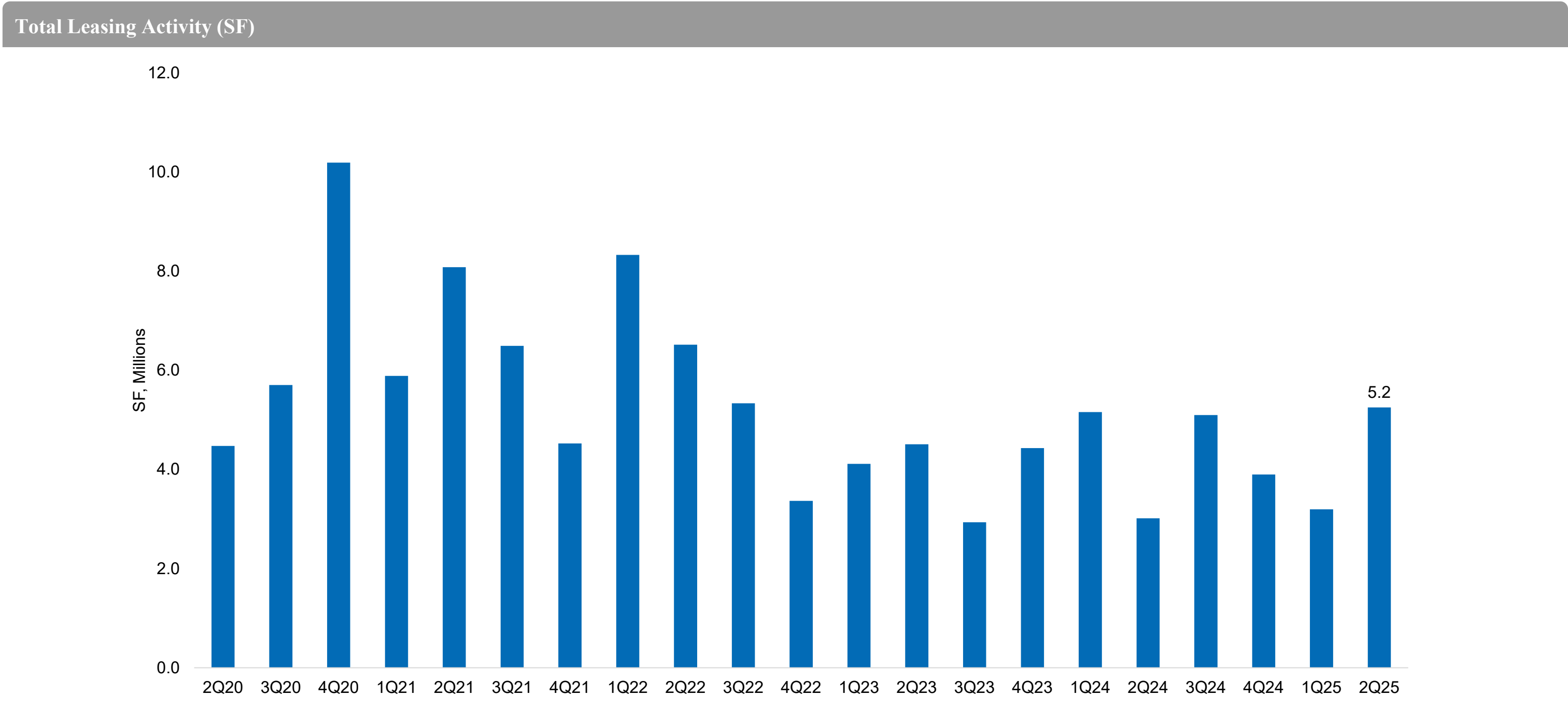
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Industrial Leasing Activity Rapidly Increases

Leasing activity increased from 3.2M square feet in the first quarter of 2025 to 5.2M square feet in the second quarter of 2025, the largest amount of lease signings that the market has recorded since the third quarter of 2022. Much of the elevated leasing activity in the market can be credited to large leases signed in Burlington County, such as Performance Team’s 1.2M SF lease signed in April at 995 Taylors Lane and Partners Warehouse’s 351K SF lease signed in May at 3195 Route 206. Performance Team moved into the building in June, while Partners Warehouse will occupy in July.

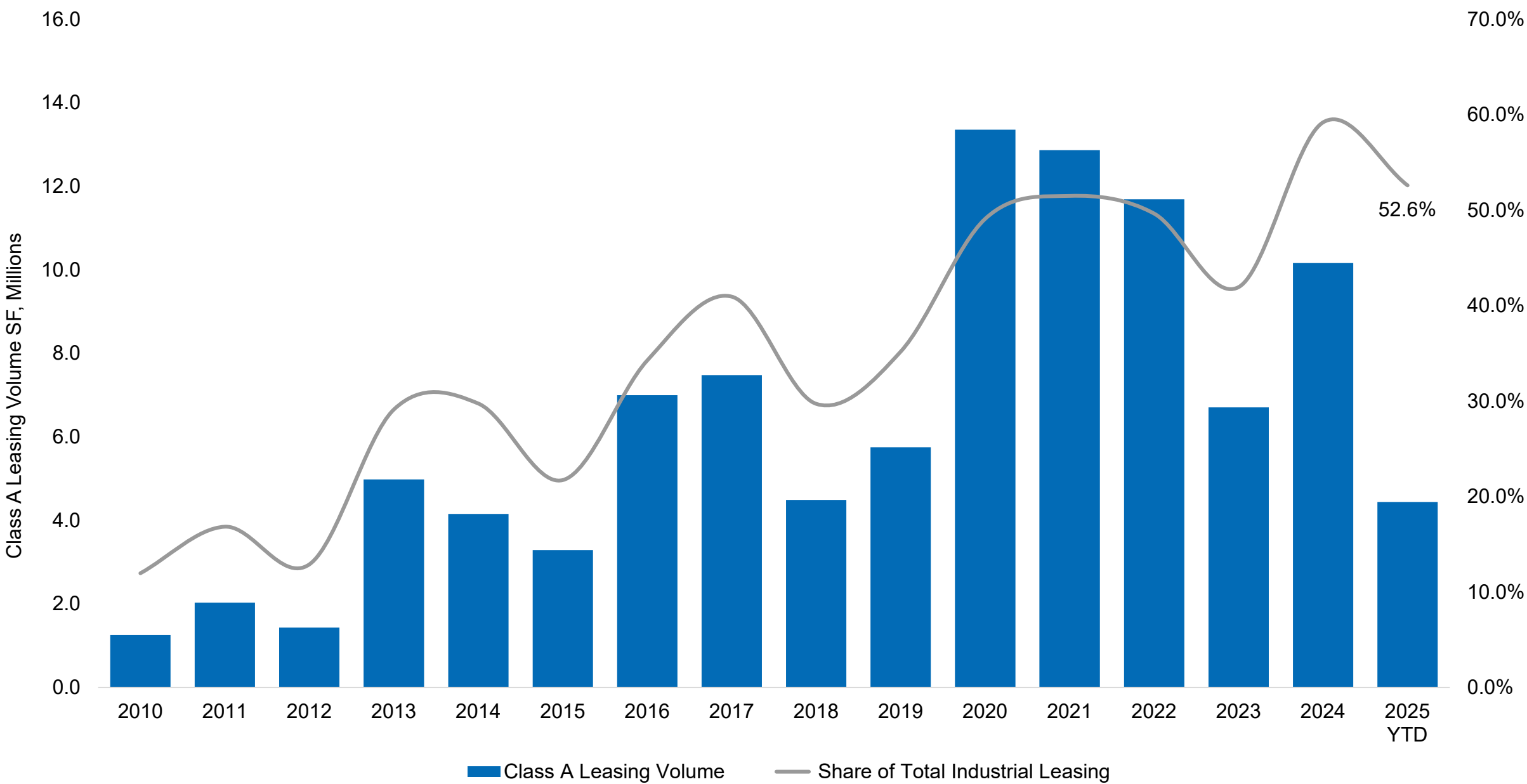


Source: Newmark Research, CoStar

Class A Industrial Exceeds Over Half Of Quarterly Leasing Volumes

Class A properties continue to appeal to large users, exceeding 4.4M SF of leasing volume for the first half of 2025. 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 52.6% of the industrial leasing market share in the Greater Philadelphia region. Since 2020, Class A industrial assets have averaged 50.5% of the market's leasing activity.

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

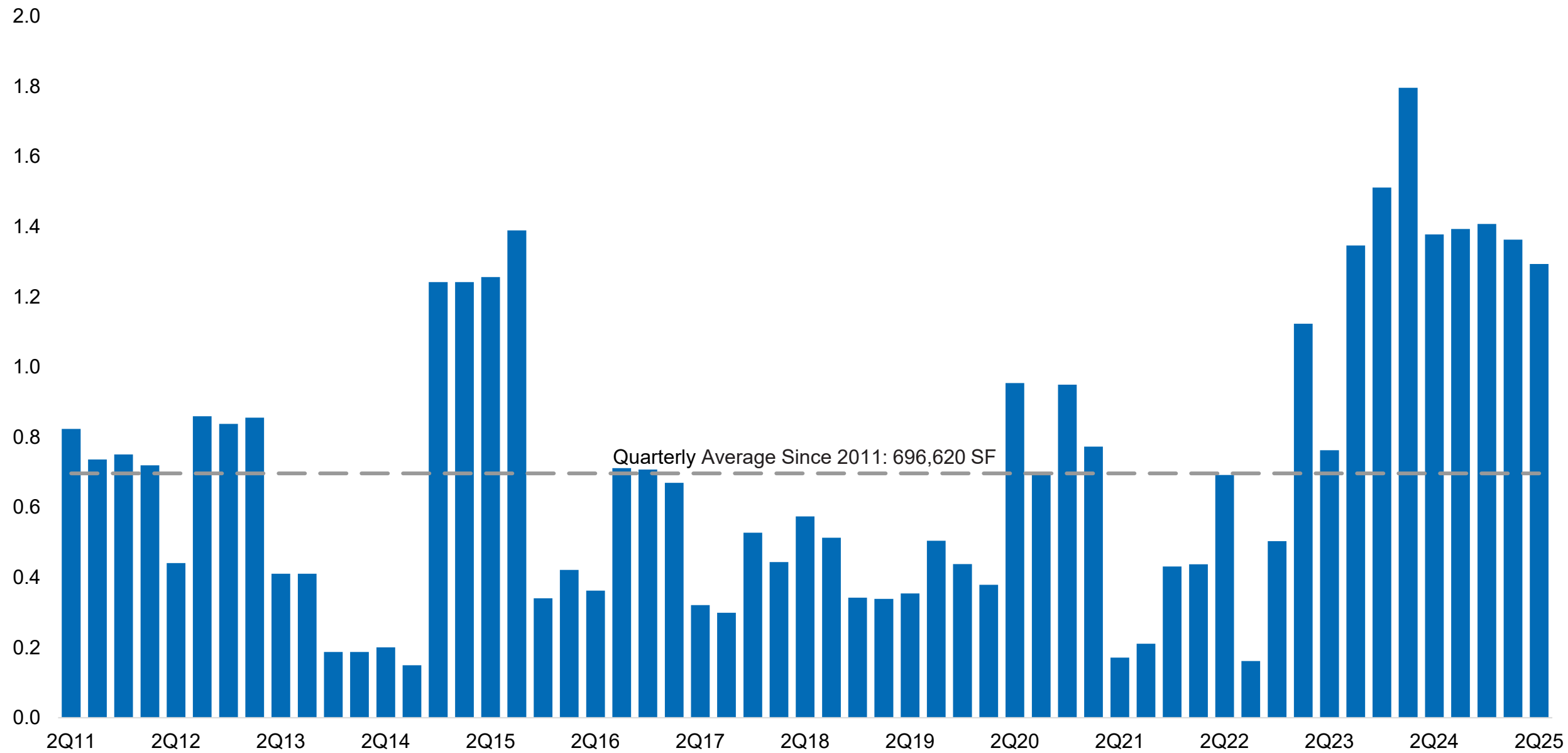


Source: Newmark Research, CoStar
Note: Newmark defines Class A warehouses as buildings constructed since 2000 and over 100,000 square feet

Southern New Jersey Has Outsized Share Of Industrial Sublease Availability

The available sublease space in the Southern New Jersey region remains elevated at nearly 1.3M SF. Notable additions to the market this quarter include a 57,796-square-foot sublease by Garvey Corporation for the entire building at 208 S Rt 73 in Camden, and a 40,000-square-foot sublease by KSI Auto Parts at 8295-8301 National Highway in Pennsauken. Southern New Jersey constitutes 41.3% of the market’s sublease availabilities despite comprising only 28.2% of the region’s total inventory.

Southern New Jersey Available Industrial Sublease Volume (MSF)

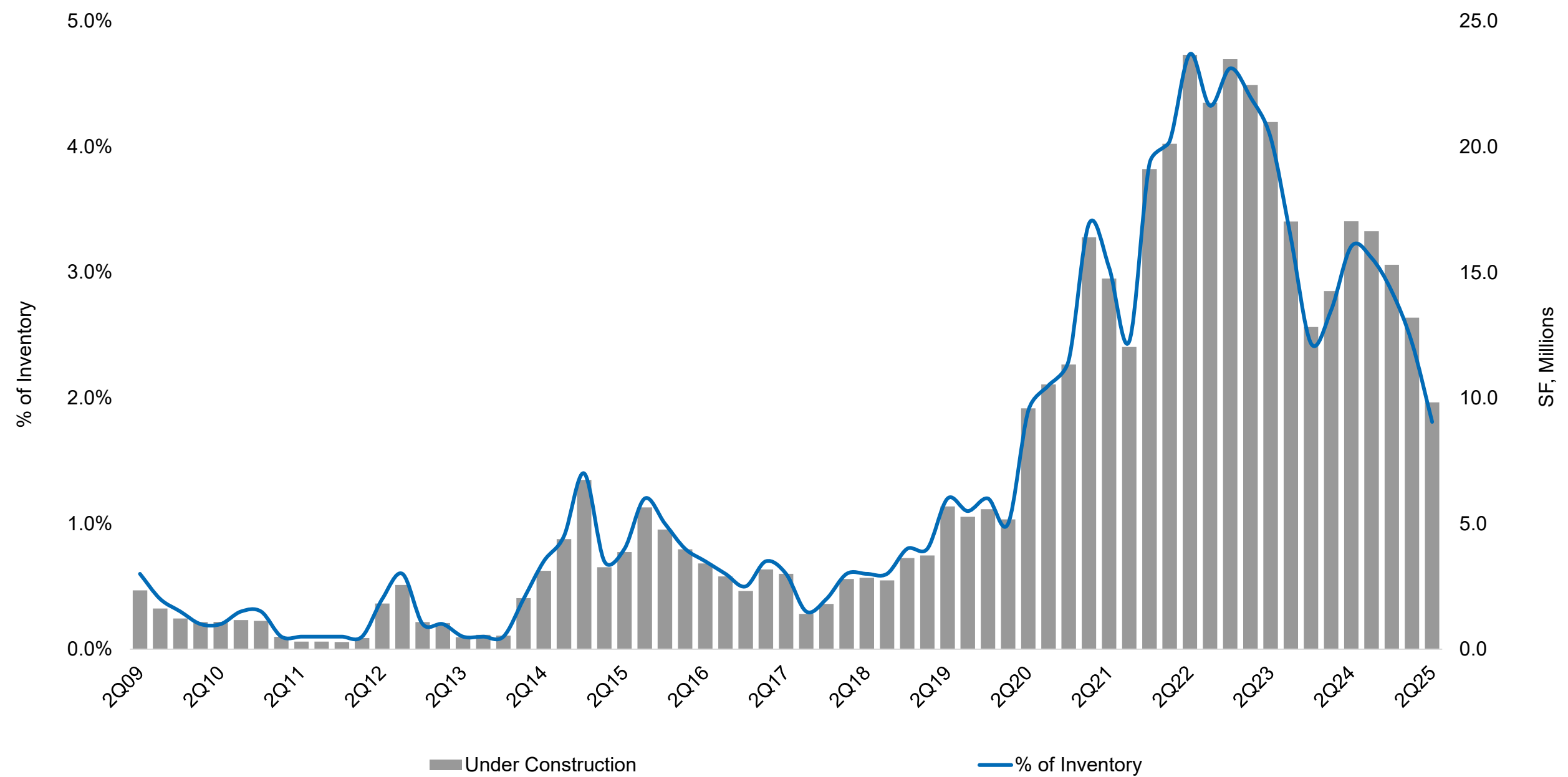


Source: Newmark Research, CoStar

Construction Pipeline Shrinks By 42.3% From Last Year

The Greater Philadelphia construction pipeline totaled 9.8M SF at the end of the second quarter of 2025, down nearly 7M SF from the previous year. About 9.8% of this space has been preleased. A significant portion of the decline is due to industrial projects at the Keystone Trade Center being repurposed for data center use. For example, the 1 million-square-foot site at 6 River Road is now planned to become a data center rather than an industrial facility. Two new projects broke ground this quarter: 155 Innovation Boulevard in Wilmington (470,000 SF, fully preleased to Merck for an early 2028 delivery) and 205 Schoolhouse Road in Souderton, which remains fully available and is expected to deliver by year-end.

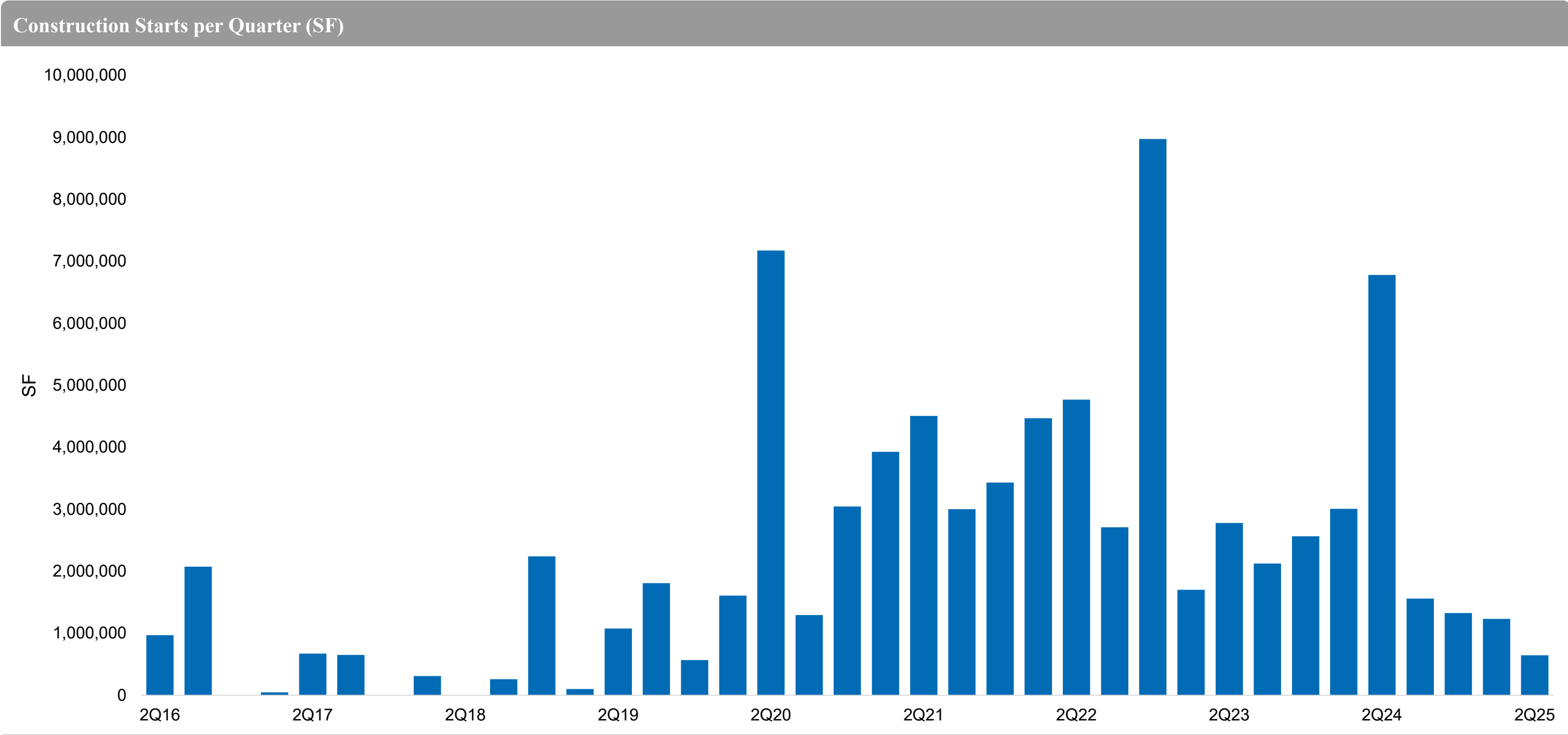
Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Construction Starts Take A Dip

After a surge in construction starts in the second quarter of 2024, the second quarter of 2025 experienced a decline, with construction starts totaling 646,000 square feet. Developers are exercising caution due to rising construction costs, concerns over tariffs, and challenges in securing financing.

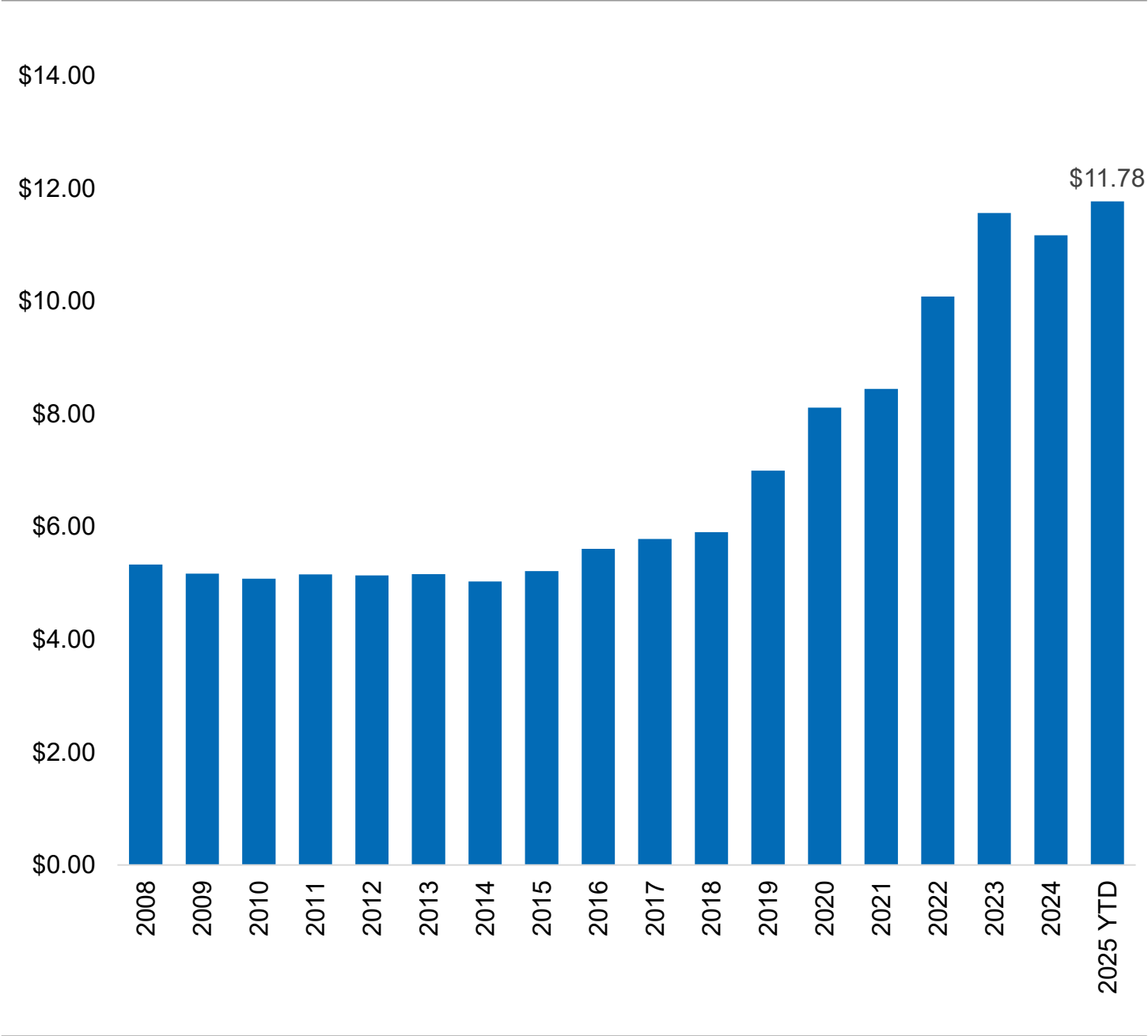


Source: CoStar, Newmark Research

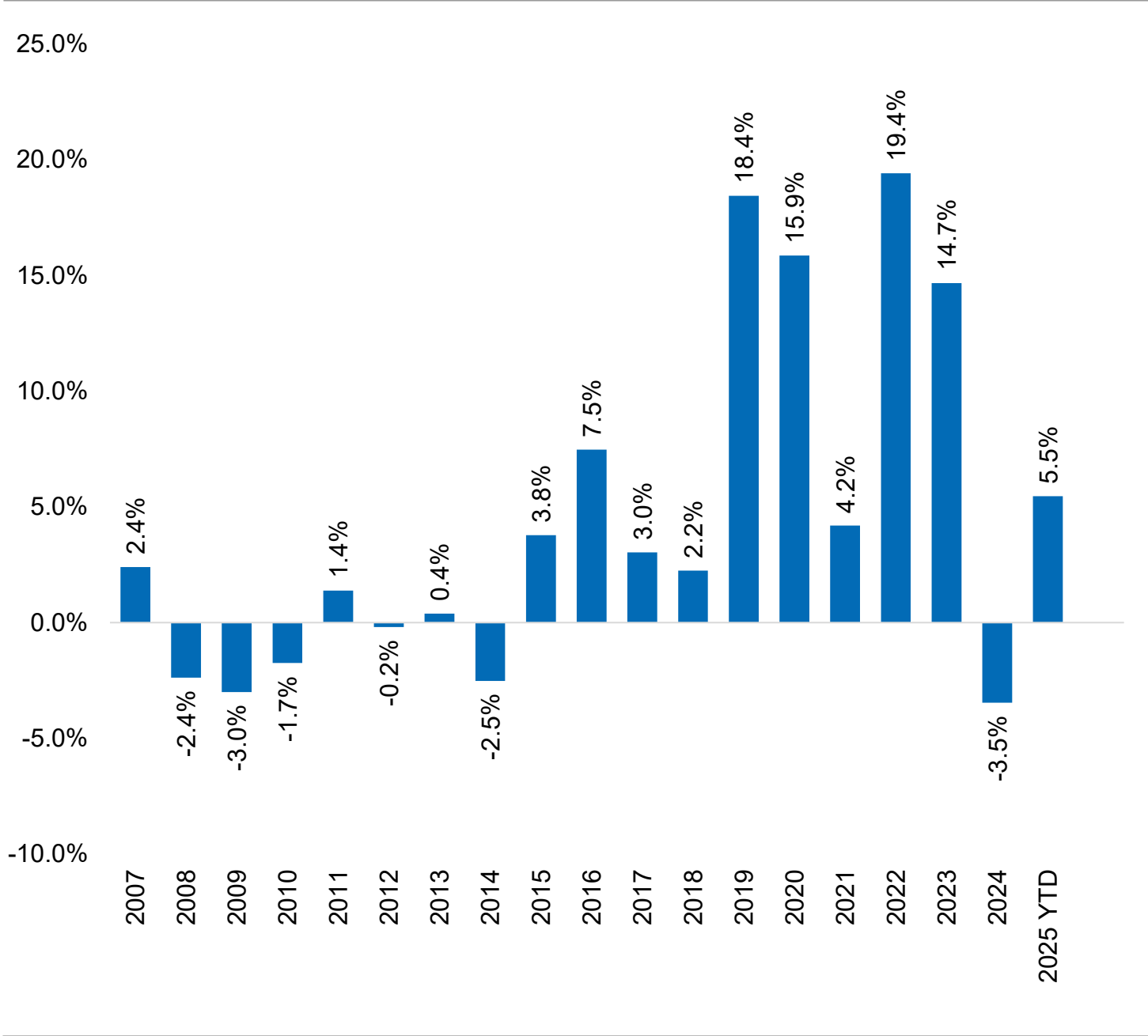
Asking Rents Reach All Time High

After annual declines in rents in 2024, asking rents have now risen by 5.5% to reach their all-time high of 11.78/SF. The growth in asking rents has been primarily driven by Class A warehouse availabilities. Currently, there is about 18.8M SF of Class A warehouse space available at an average of \$12.66/SF. The spread between Class A and Class B rents remains elevated at \$1.41/SF, reflecting occupier sentiment towards higher quality products with 35'+ clear heights and larger loading zones.

Industrial Average Direct Asking Rent, \$/SF



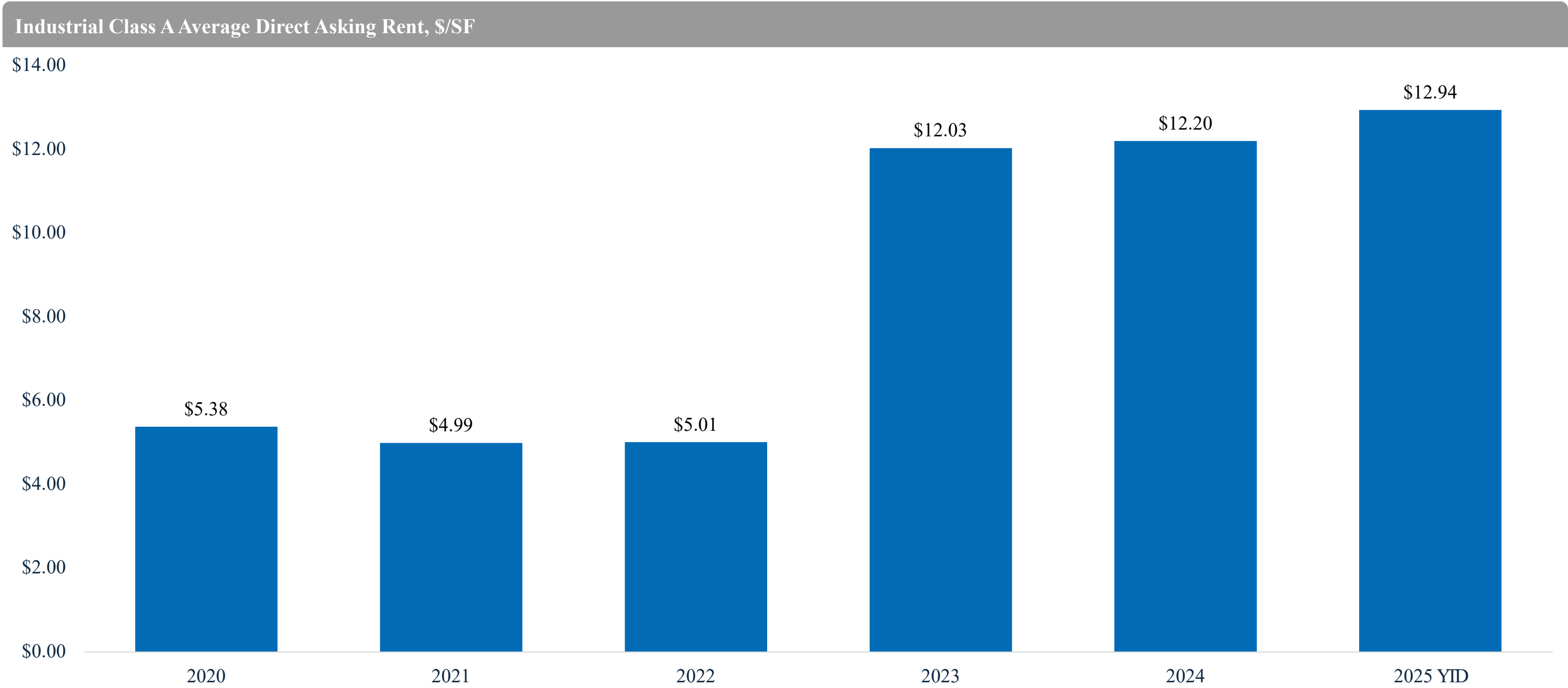
Year-over-Year Direct Asking Rent % Change



Source: Newmark Research, CoStar

Class A Rent Continues To Grow

Since 2021, direct asking rents for Class A properties have demonstrated steady, year-over-year growth. In the second quarter of 2025 alone, Class A rents increased by 6.1%. This sustained upward trend is supported by the superior features of Class A spaces, which include higher ceiling heights, expansive floor plates, and dock-high loading doors. These premium amenities continue to distinguish Class A properties in the marketplace, allowing them to command higher asking rents relative to other property types.



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	36,317,960	836,770	7.8%	67,848	327,321	0	525,000	\$11.68	\$12.60
Southern New Jersey	153,240,053	3,510,255	10.5%	1,920,516	1,026,156	942,275	2,602,624	\$11.18	\$11.90
Greater Philadelphia	353,677,068	5,484,006	5.4%	(777,631)	(479,260)	2,063,564	3,798,614	\$12.13	\$14.45
Market	543,235,081	9,831,031	7.0%	1,210,733	874,217	3,005,839	6,926,238	\$11.78	\$12.94

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	248,591,986	2,957,093	4.1%	(119,548)	(190,337)	187,995	187,995	\$10.31	13.05
R&D/Flex	81,574,649	0	5.8%	(276,775)	(484,097)	0	0	\$12.96	\$39.00
Warehouse/Distribution	212,947,275	6,873,938	10.9%	1,607,056	1,548,651	2,817,844	6,213,243	\$12.16	\$12.66
Market	543,235,081	9,831,031	7.0%	1,210,733	874,217	3,005,839	6,926,238	\$11.78	\$12.94

Source: Newmark Research
* Some Class A rates are lower than total asking rates due to the mix of subtypes within the submarket

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	64,034,106	1,332,700	5.9%	(35,664)	617,425	814,567	1,134,817	\$11.72	\$13.33
Chester County	38,189,876	0	4.8%	(261,784)	(151,911)	636,120	636,120	\$12.15	-
Delaware County	30,912,703	105,000	4.9%	128,819	73,400	0	0	\$12.18	\$15.63
Lancaster County	60,714,069	1,132,246	2.9%	(242,544)	106,611	0	0	\$8.77	\$8.51
Montgomery County	72,467,538	512,054	5.9%	(214,282)	(539,401)	0	168,000	\$12.06	\$12.28
Philadelphia County	87,358,776	2,402,006	6.8%	(152,176)	(585,384)	612,877	1,859,677	\$13.30	\$16.77
Greater Philadelphia	353,677,068	5,484,006	5.4%	(777,631)	(479,260)	2,063,564	3,798,614	\$12.13	\$14.45
Burlington County	71,139,644	1,160,442	7.9%	1,748,400	1,904,259	179,800	883,800	\$11.93	\$12.86
Camden County	33,434,809	279,600	5.9%	(62,395)	(238,971)	0	0	\$11.31	-
Gloucester County	37,258,168	943,770	10.6%	(63,284)	(231,927)	762,475	762,475	\$9.90	\$11.52
Salem County	11,407,432	1,126,443	40.2%	297,795	(407,205)	0	956,349	\$11.44	\$11.69
Southern New Jersey	153,240,053	3,510,255	10.5%	1,920,516	1,026,156	942,275	2,602,624	\$11.18	\$11.90
New Castle County	36,317,960	836,770	7.8%	67,848	327,321	0	525,000	\$11.68	\$12.60
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