2Q25

I-81/78 Corridor Industrial Market Overview

NEWMARK

Market Observations

Economy

- As of May 2025, the unemployment rate in the I-81/78 Corridor was 3.9%, which is 10 basis points below the national average. Traditionally, employment trends in this region have mirrored national patterns. Recently, however, the region's employment growth has decelerated and is now lagging behind the national average. Over the 12 months leading up to May, employment in the I-81/78 Corridor decreased by 1.3%, in stark contrast to the 1.1% increase observed across the nation.
- Industrial-using employment saw annual growth in two out of its three industries, resulting in a total increase of 33 basis points over the 12 months ending in May. Other Services, Education & Health, and Financial Activities sectors were the leaders for annual employment gains in the Corridor through May. The Other Services industry sector comprises establishments that do not fall into any other specific industry and tend not to be industrial-using employers. The top three sectors employ nearly 30% of the region's workforce.

Major Transactions

- In the second quarter of 2025, at least one of the top five largest leases signed occurred within each of the three I-81/78 Corridor submarkets. These large leases trended towards a variety of companies, including Logistics, Food and Beverage, Manufacturing, and Life Sciences.
- The most significant transaction of the quarter was the RJW Logistics lease for the entire 1,058,483-square-foot, newly-built Hazleton Logistics Center at 450 E Gardner Highway. The building delivered this past February, and RJW Logistics signed in May, but is not expected to move in until the beginning of next March.
- Sales transactions remained active in the Corridor for the second quarter of 2025, with 9 deals closing for a total of just under $33.6M. The largest transaction of the quarter in terms of square feet occurred at 2211 Memorial Highway, a 696,960-square-foot flex building in Dallas, PA. The property was sold in April by Offset Paperback Manufacturers to Sordoni Properties.

Leasing Market Fundamentals

- So far this year 3.1M SF of industrial space has been delivered. While this represents a 45.6% decrease compared to the average for the first half of the year since 2018, it is still a substantial increase over the first half of 2024, which saw only 590,402 SF of new deliveries. Quarterly absorption registered at -1,786,985 square feet this quarter. While this figure appears considerable, it's important to note that approximately 73.2% of the negative absorption resulted from Big Lots' bankruptcy. As a result of the bankruptcy, Big Lots vacated 1,295,000 square feet at 50 Rausch Creek Road. Despite this substantial negative absorption, the vacancy rate for the quarter remains within 15 basis points of the long-term average.
- Construction starts have accelerated rapidly since the beginning of 2025, fueled by nearly 5.3 million square feet of groundbreakings this quarter. Notable projects include Prologis's development of 1.1 million square feet at 7600 Linglestown Road in Harrisburg and Matrix Development Group's construction of a 900,000 square foot facility at 7000 United Drive in Shippensburg. Both properties remain fully available. The 7600 Linglestown Road project is scheduled for delivery in mid-2026, while 7000 United Drive is anticipated to be completed by the end of next quarter.
- Between the fourth quarter of 2024 and the second quarter of 2025, the annual average asking rent experienced an increase of 1.2%. The increase was largely fueled by greater overall availability in the Class A warehouse market, along with new construction deliveries scheduled for 2025. These new properties are commanding a weighted average asking rate of $13.32.

Outlook

- Class A warehouse leasing activity fell this quarter in response to lower-than-average overall leasing activity. Since the first quarter of 2019, Class A warehouse leasing has captured 42.3% of total leasing activity on average. Despite this period of below-average activity, Class A leasing has historically remained strong. As a result, the current slowdown is expected to be an outlier rather than a sign of a longer-term trend. In fact, tenant demand remains robust, with nearly 7 million square feet of space sought in the market and 41.5% of active user requirements representing new entrants to the region. Features like higher clear heights, wider column spacing, and increased power capacity are particularly appealing to industrial users transitioning to more automated and power-intensive operations.
- Although leasing activity over the past few quarters has been below average, it does not undermine the market's fundamental strengths. The I-81/78 Corridor continues to benefit from its strategic proximity to major ports in Philadelphia, New Jersey, and New York. The Corridor also has the advantage of being in proximity to large population centers and an industrial labor pool that accounts for nearly a quarter of the region's total workforce.

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics

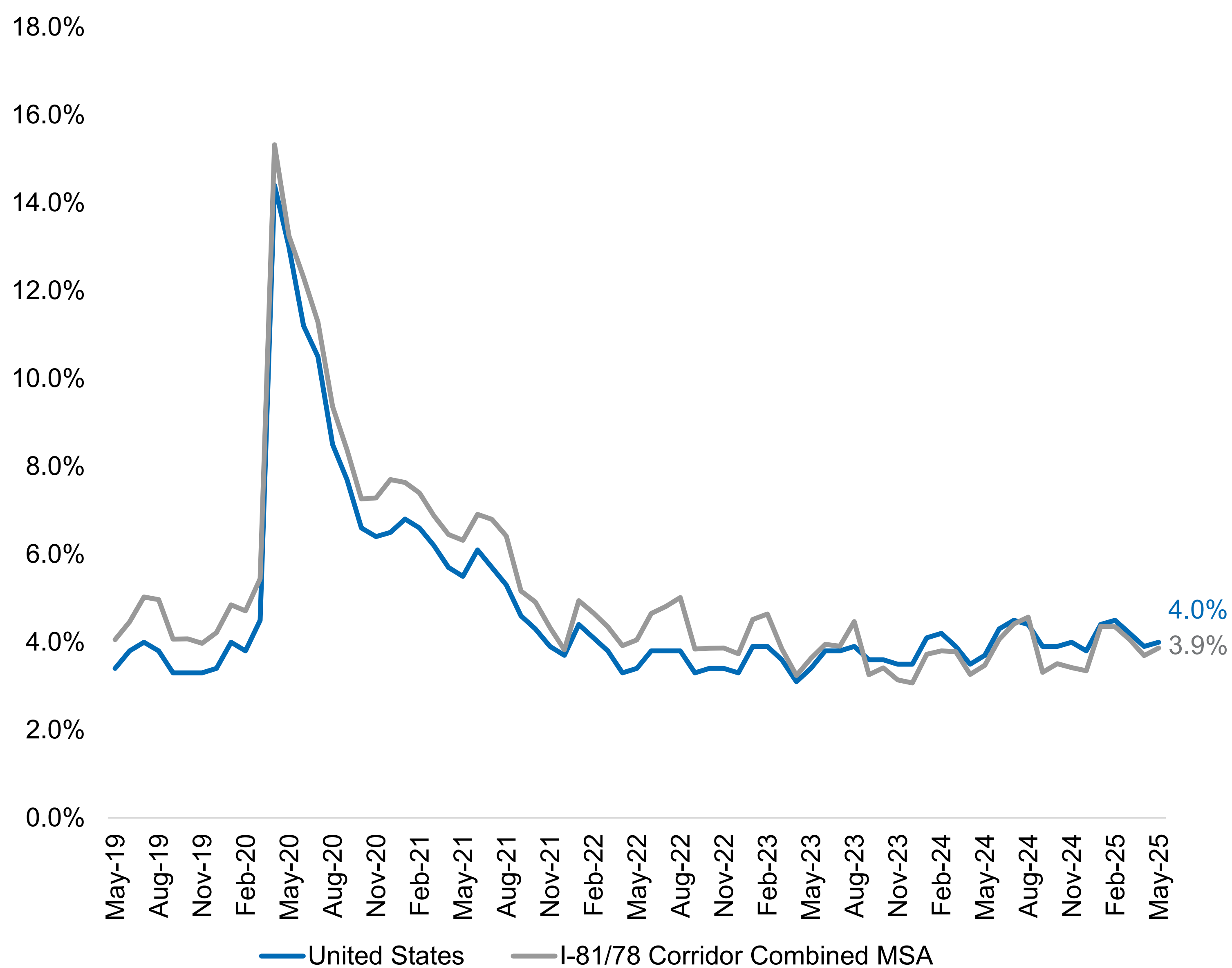
2Q25

Economy

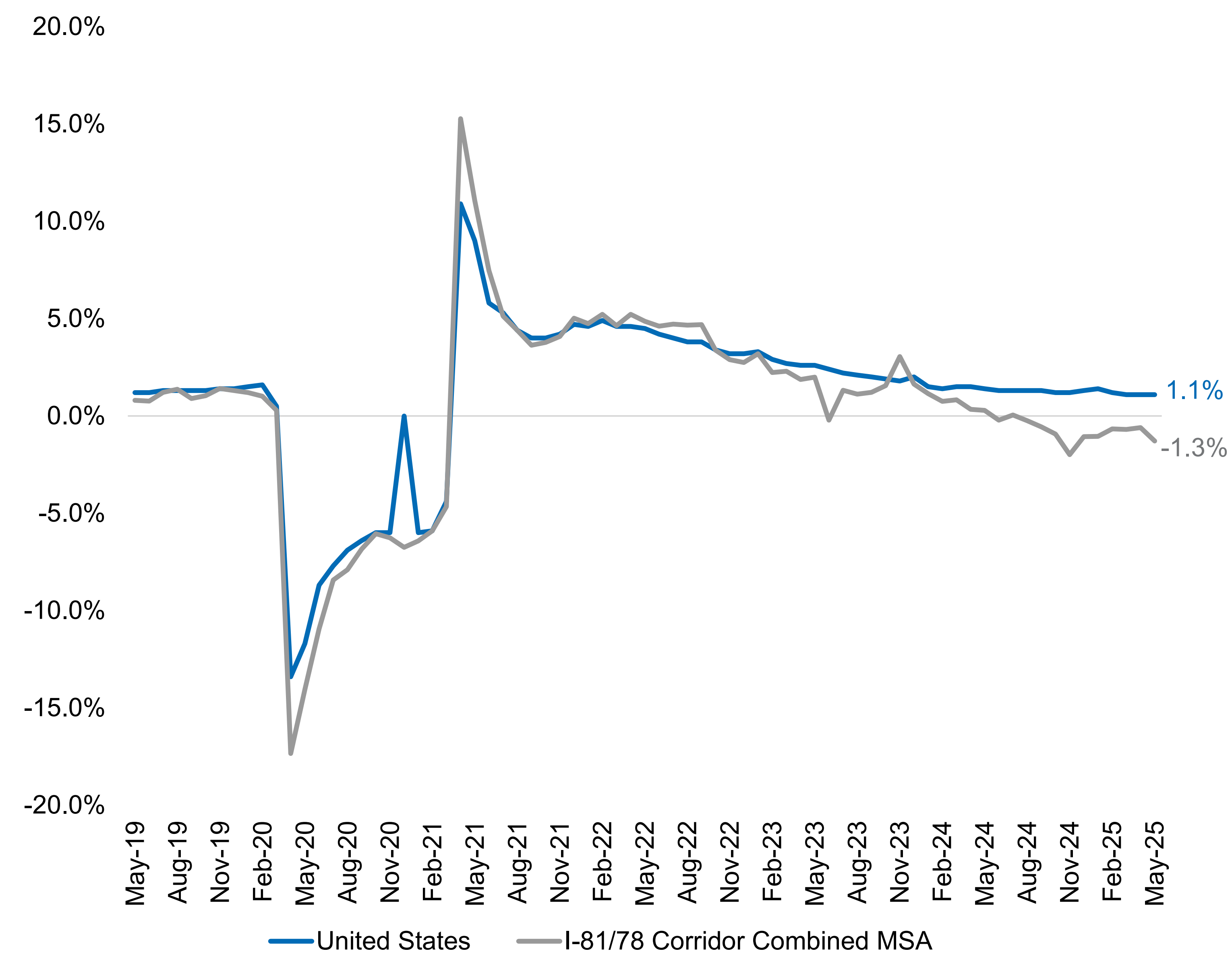
Unemployment Remains Below National Rate

Unemployment in the I-81/78 Corridor registered 3.9% as of May 2025, 10 basis points lower than the national average. Since August of 2024, the I-81/78 Corridor's unemployment rate has been less than or equal to the unemployment rate for the United States. The total jobs in the region decreased by 1.3% for the 12 months ending in May, compared with 1.1% growth nationally.

Unemployment Rate, Non-Seasonally Adjusted



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

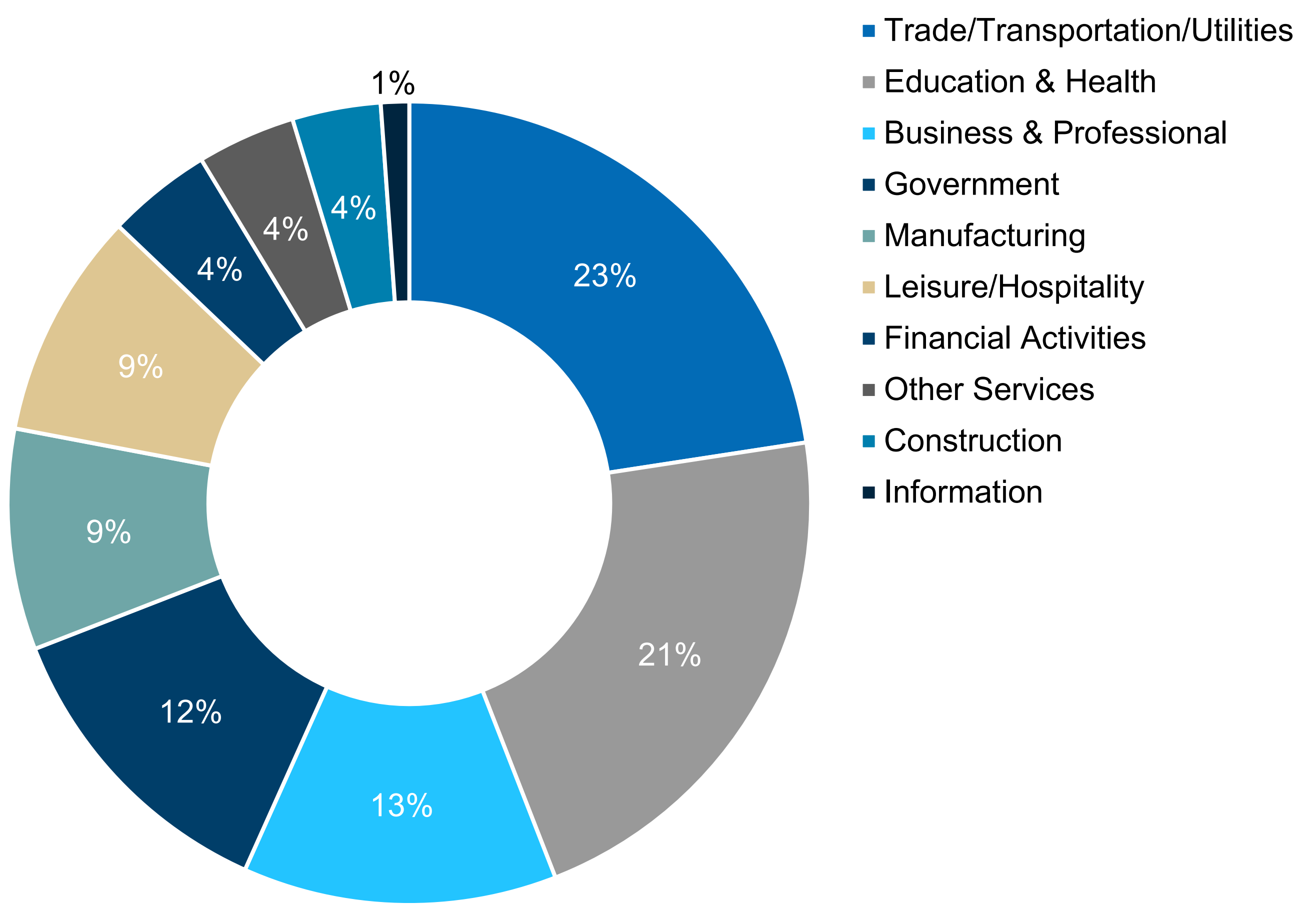


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

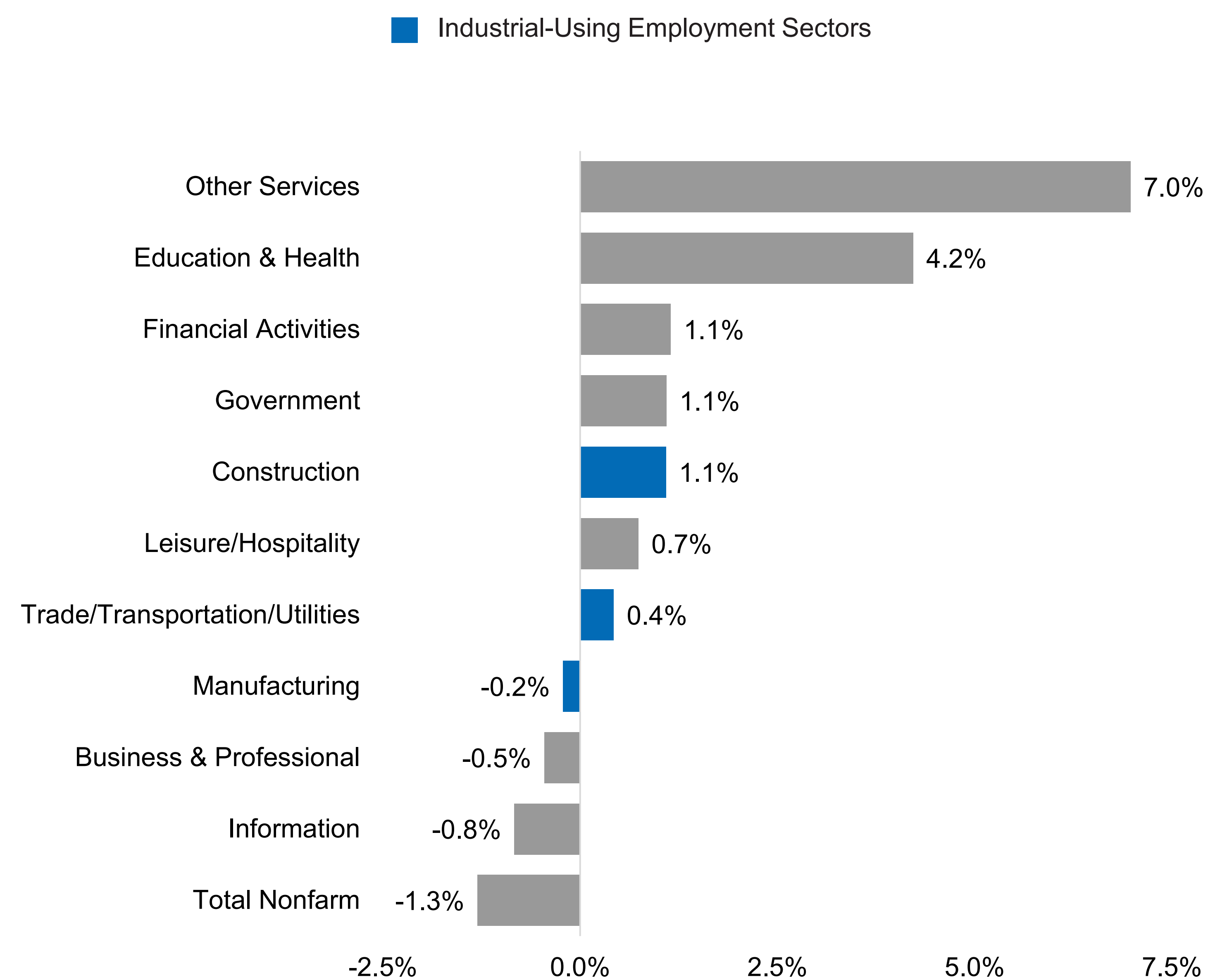
Two Out Of Three Industrial-Using Employment Sectors Show Growth In The Corridor

Industrial-using employment saw annual growth in all three sectors by a net 33 basis points for the 12 months ending in May. Other Services, Education & Health, and Financial Activities sectors were the leaders for annual employment gains in the Corridor through May. The Other Services industry sector comprises establishments that do not fall into any other specific industry and tend not to be industrial-using employers. The three industrial-using sectors employ nearly 30% of the region's workforce.

Employment by Industry, May 2025



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

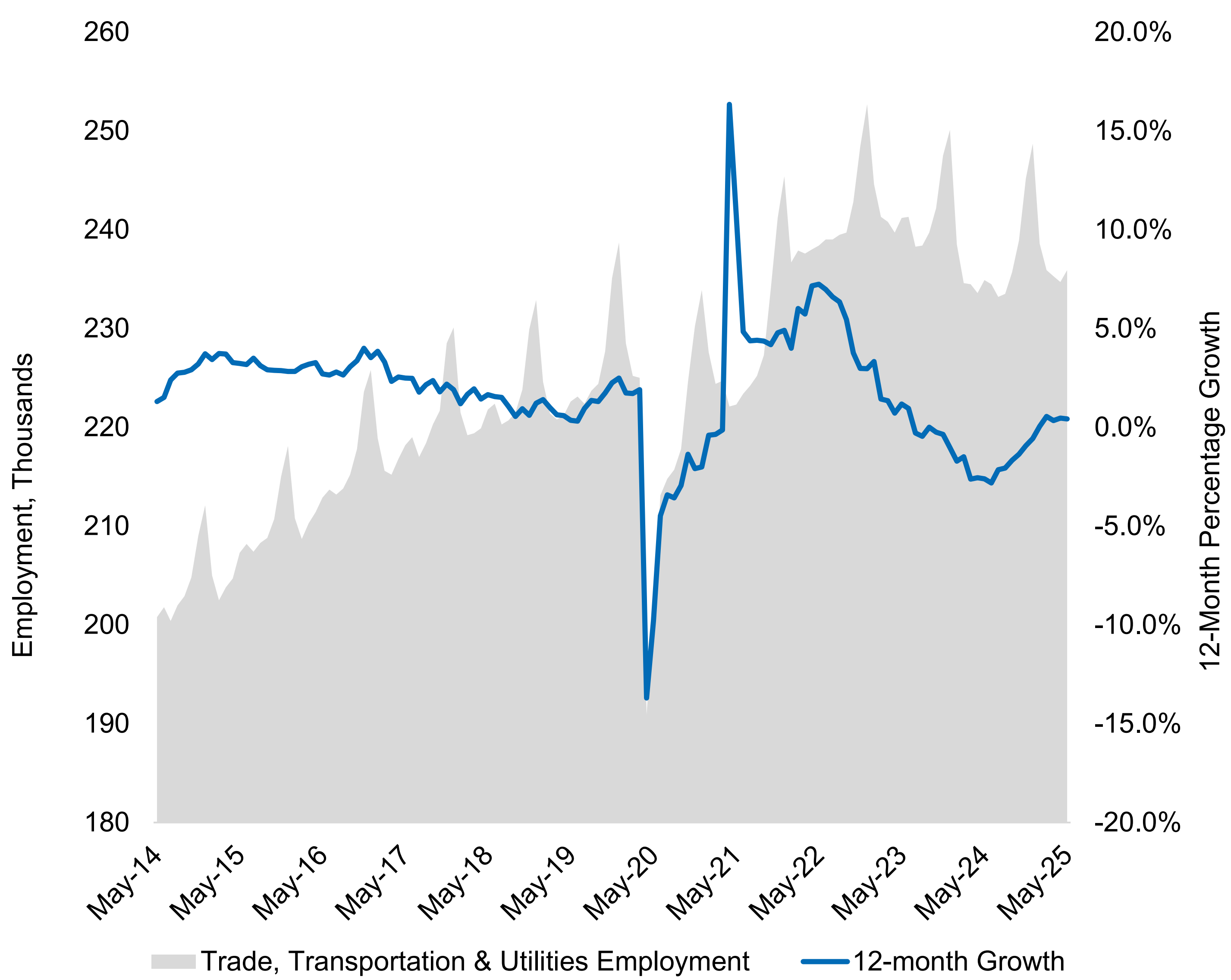


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

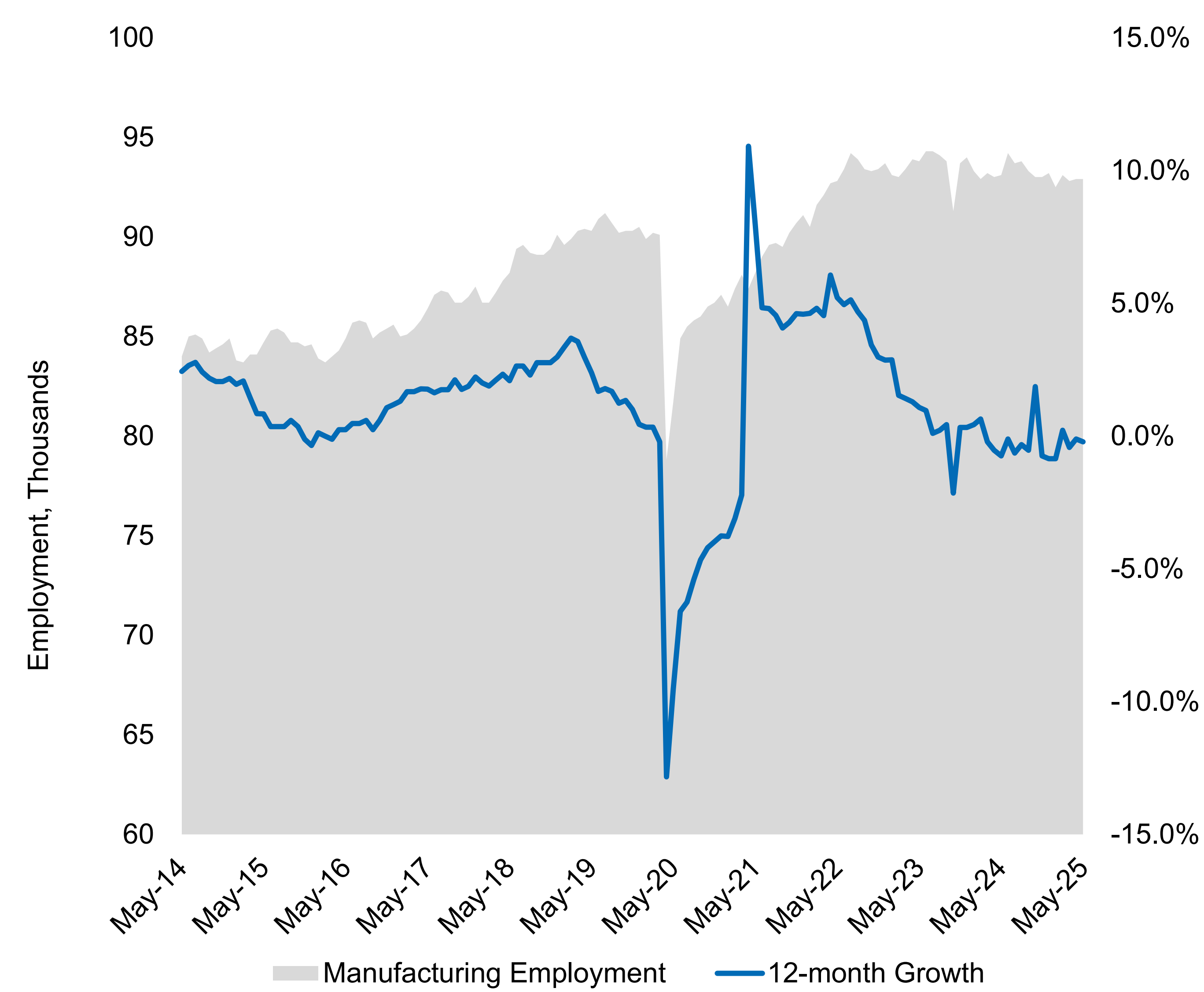
Trade, Transportation & Utilities Has Grown Every Month Of 2025

Trade, Transportation & Utilities increased by 40 basis points, while Manufacturing decreased by 20 basis points for the 12 months ending in May. For every month of 2025, the Trade, Transportation & Utilities sector has experienced a 12-month growth in employment. This is a promising sign for the industry after its consistent 12-month decline from the second half of 2023 until the end of 2024.

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, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

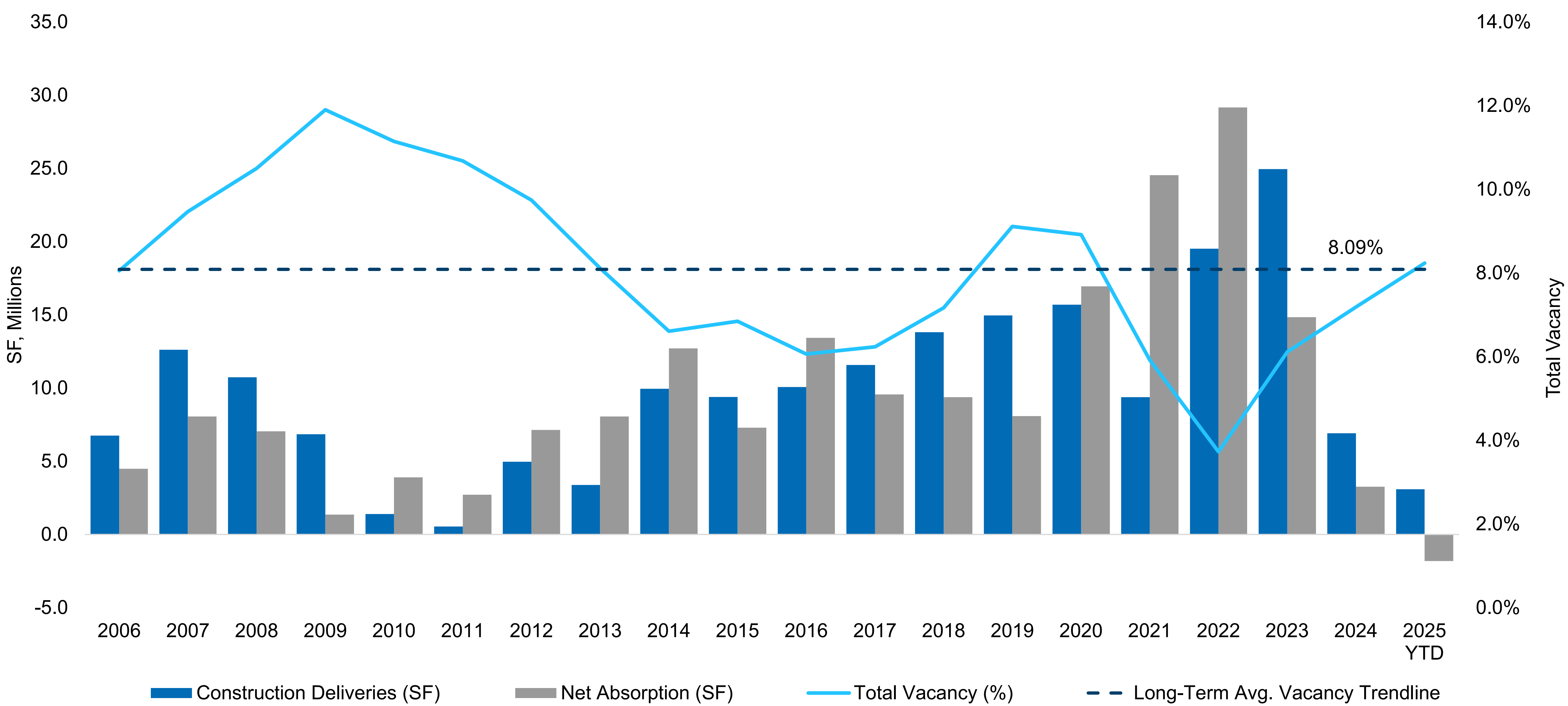
2Q25

Leasing Market Fundamentals

Negative Absorption Primarily Driven By One Occupier’s Bankruptcy

Quarterly absorption reached -1,786,985 SF this quarter. While the negative absorption figure may appear substantial, it is important to note that approximately 73.2% of it resulted from Big Lots’ bankruptcy. Following last year’s announcement, Big Lots vacated 1,295,000 square feet at 50 Rausch Creek Road. Excluding this one-time event, quarterly absorption would have registered a more moderate -491,935 square feet. Despite the impact, this quarter’s vacancy rate remains within 15 basis points of the long-term average.

Historical Construction Deliveries, Net Absorption, and Vacancy

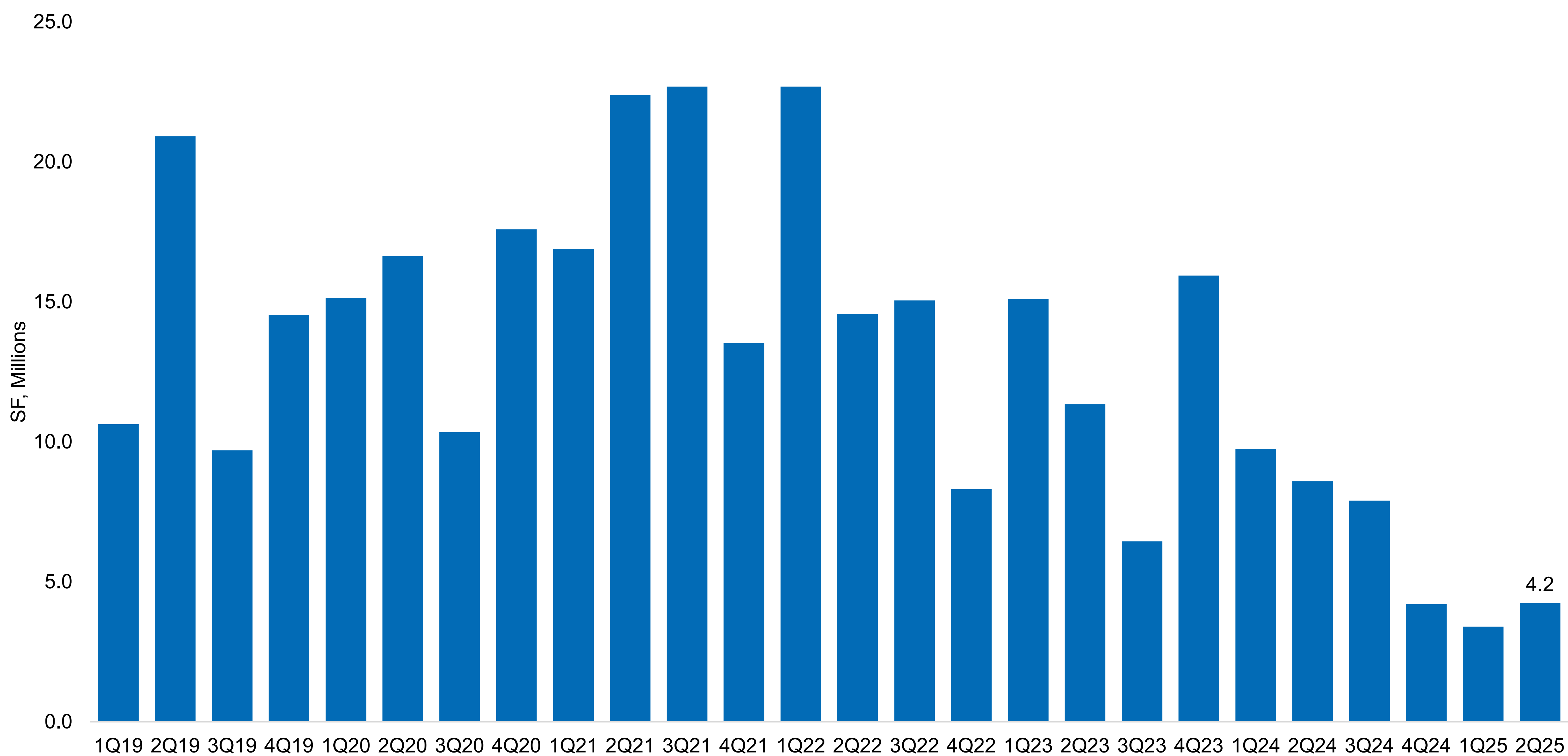


Source: Newmark Research

Leasing Activity Begins To Climb Again

Following a historically low level of leasing activity in the first quarter of 2025, the second quarter saw a significant rebound, with leasing volumes rising by nearly 25%. Although supply has aligned with demand, the below-average leasing activity observed year-to-date does not undermine the market's fundamental strengths. The I-81/78 Corridor continues to benefit from its strategic proximity to major ports in Philadelphia, New Jersey, and New York. The Corridor also has the advantage of being in proximity to large population centers and an industrial labor pool that accounts for nearly a quarter of the region's total workforce.

Total Leasing Activity (SF)

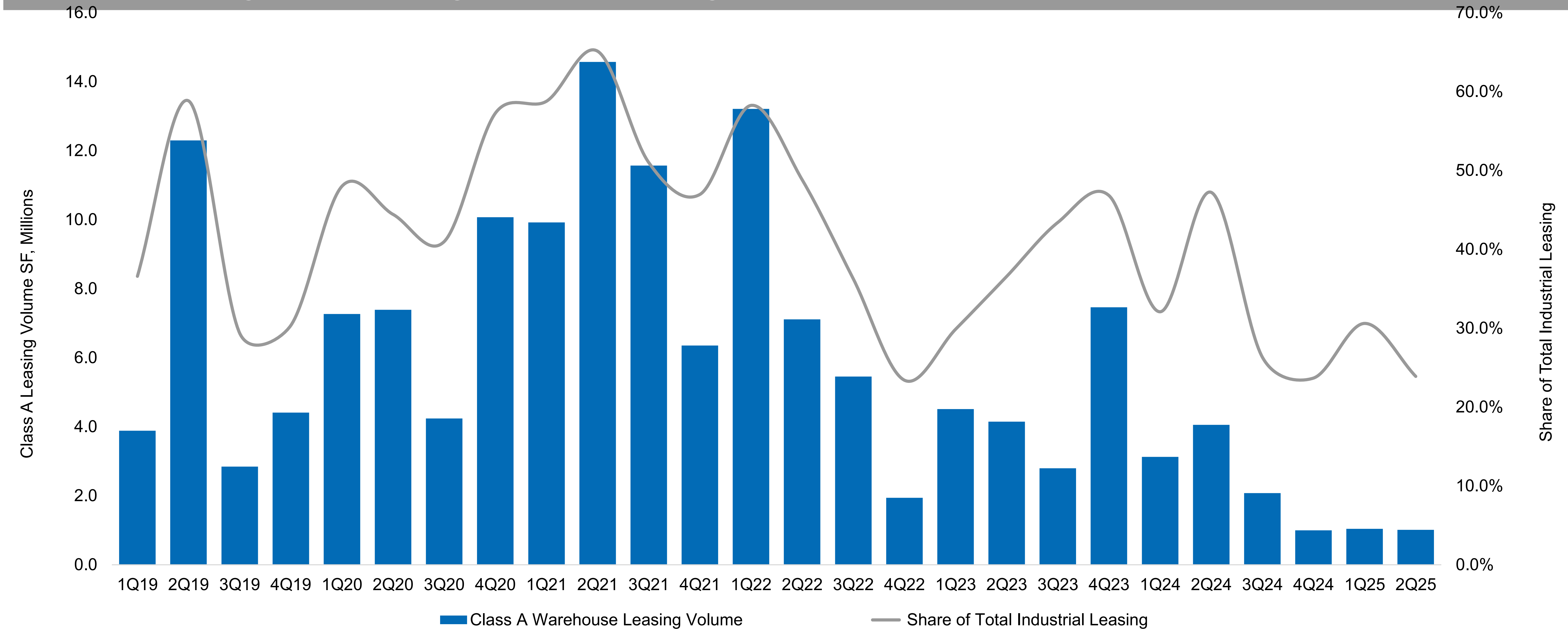


Source: Newmark Research, CoStar

Class A Warehouse Leasing Volume Stabilizes

Class A warehouse leasing activity fell this quarter in response to lower-than-average overall leasing activity. Since the first quarter of 2019, Class A warehouse leasing has captured 42.3% of total leasing activity on average. Despite this period of below-average activity, Class A leasing has historically remained strong. As a result, the current slowdown is expected to be an outlier rather than a sign of a longer-term trend. In fact, tenant demand remains robust, with nearly 7 million square feet of space sought in the market and 41.5% of active user requirements representing new entrants to the region. Features like higher clear heights, wider column spacing, and increased power capacity are particularly appealing to industrial users transitioning to more automated and power-intensive operations.

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

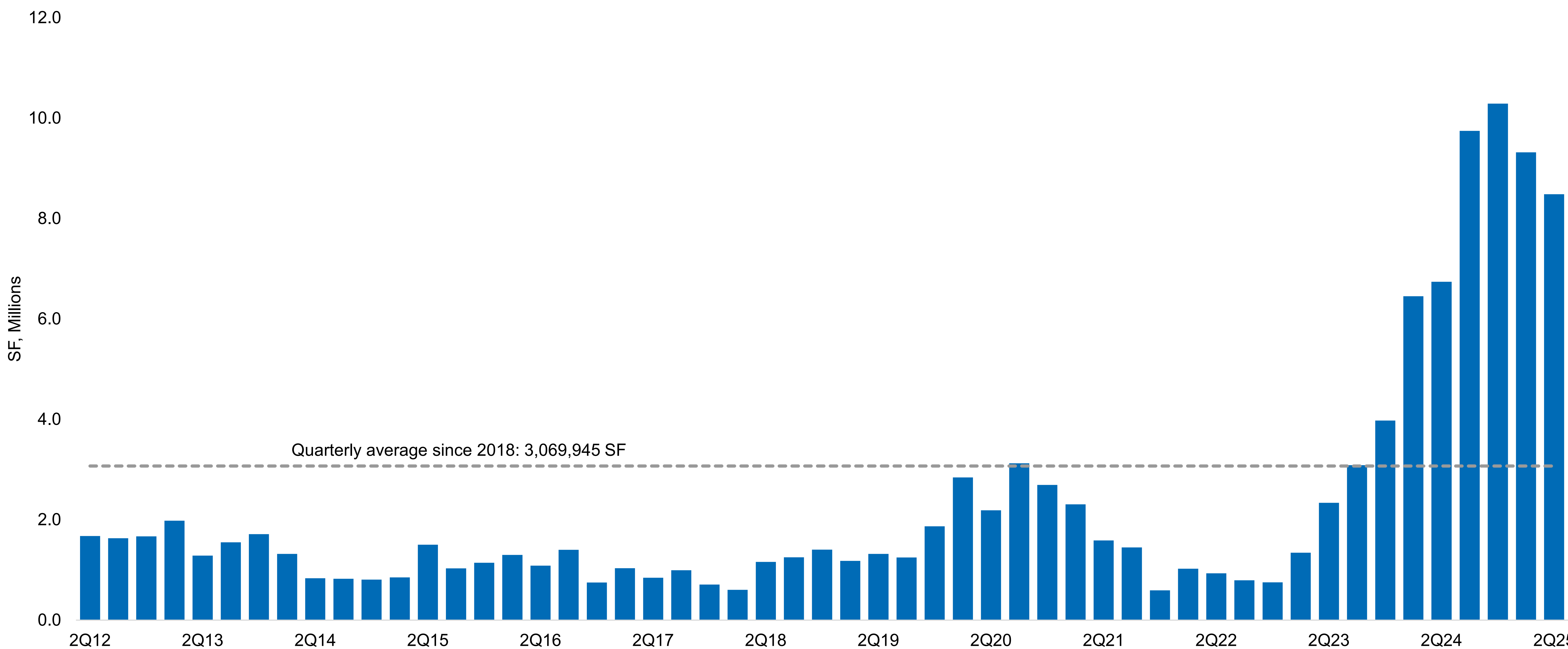


Source: Newmark Research

Industrial Sublease Availability Decreases For The Third Consecutive Quarter

The second quarter of 2025 saw a 25.9% annual increase in sublease availabilities, though it has fallen by an average of 9.2% quarterly since the beginning of 2025. Since the beginning of 2020, sublease availabilities have increased by an average of 89.5% annually, primarily driven by sublease availabilities in 2023 that grew by an average of 312.1%.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

Notable Sublease Blocks

225 Cross Farm Lane– York

Market:	Central PA
Sublease Available	675,000
Brought to Market	2Q24

Built 2007
32' Clear Height

2771 N Market Street– Elizabethtown

Market:	Central PA
Sublease Available	1,085,280 SF
Brought to Market	3Q24

Built 2022
40' Clear Height

41 Martha Drive – Bethel

Market:	Lehigh Valley
Sublease Available	750,000
Brought to Market	1Q25

Built 2014
36' Clear Height

861 Nestle Way- Breinigsville

Market:	Lehigh Valley
Sublease Available	822,500 SF
Brought to Market	2Q25

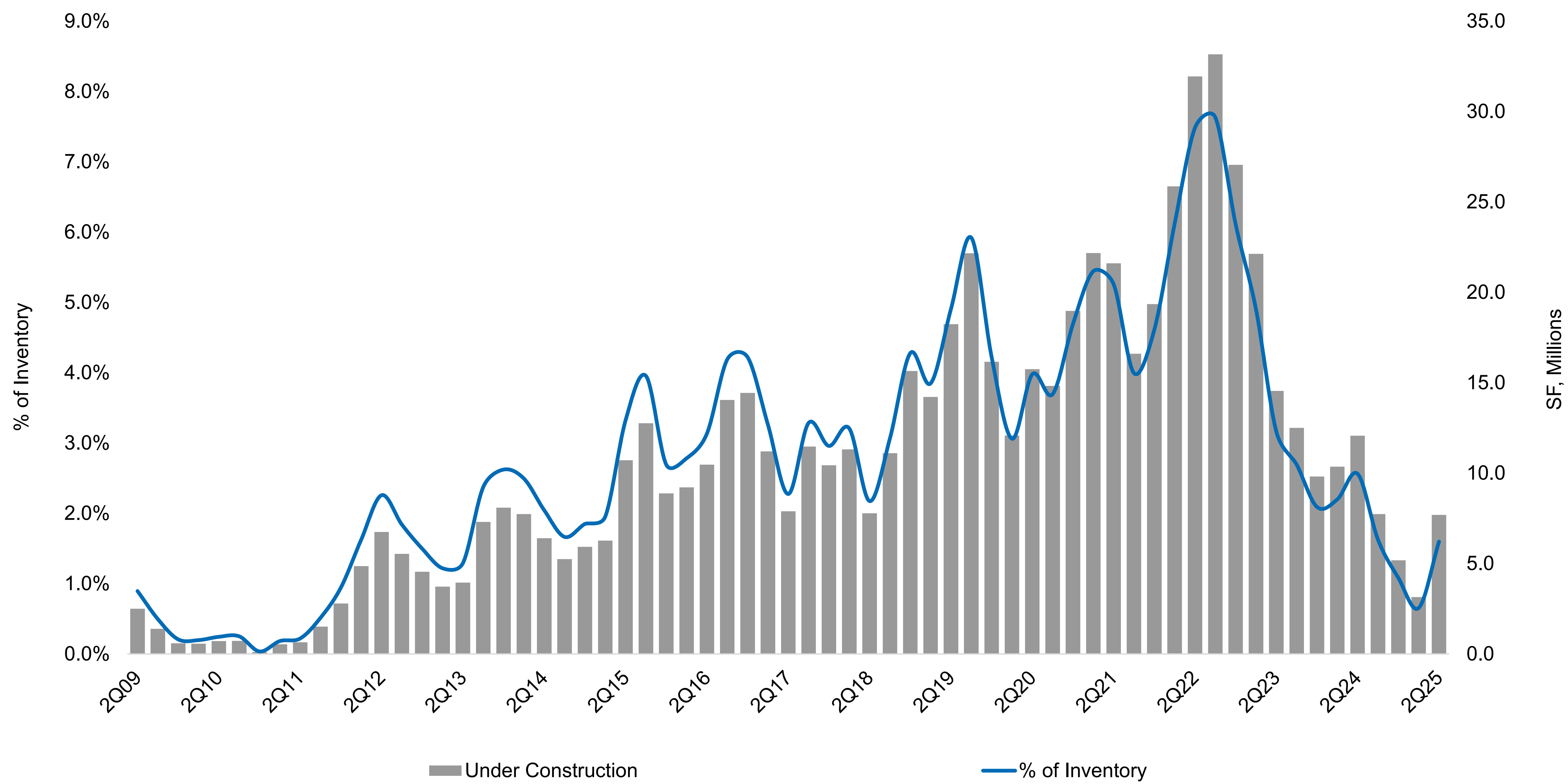
Built 2000
33' Clear Height

Source: Newmark Research, CoStar

New Groundbreakings Drive-Up Construction Pipeline

Since the start of 2025, 3.1M SF of new space has been delivered. Although 5.2M SF of projects broke ground this quarter, nearly three-quarters of projects currently under construction are anticipated to be completed by year-end. With the pace of new groundbreakings slowing compared to historical averages, the industrial pipeline is expected to better align future supply with market demand.

Industrial Under Construction and % of Inventory

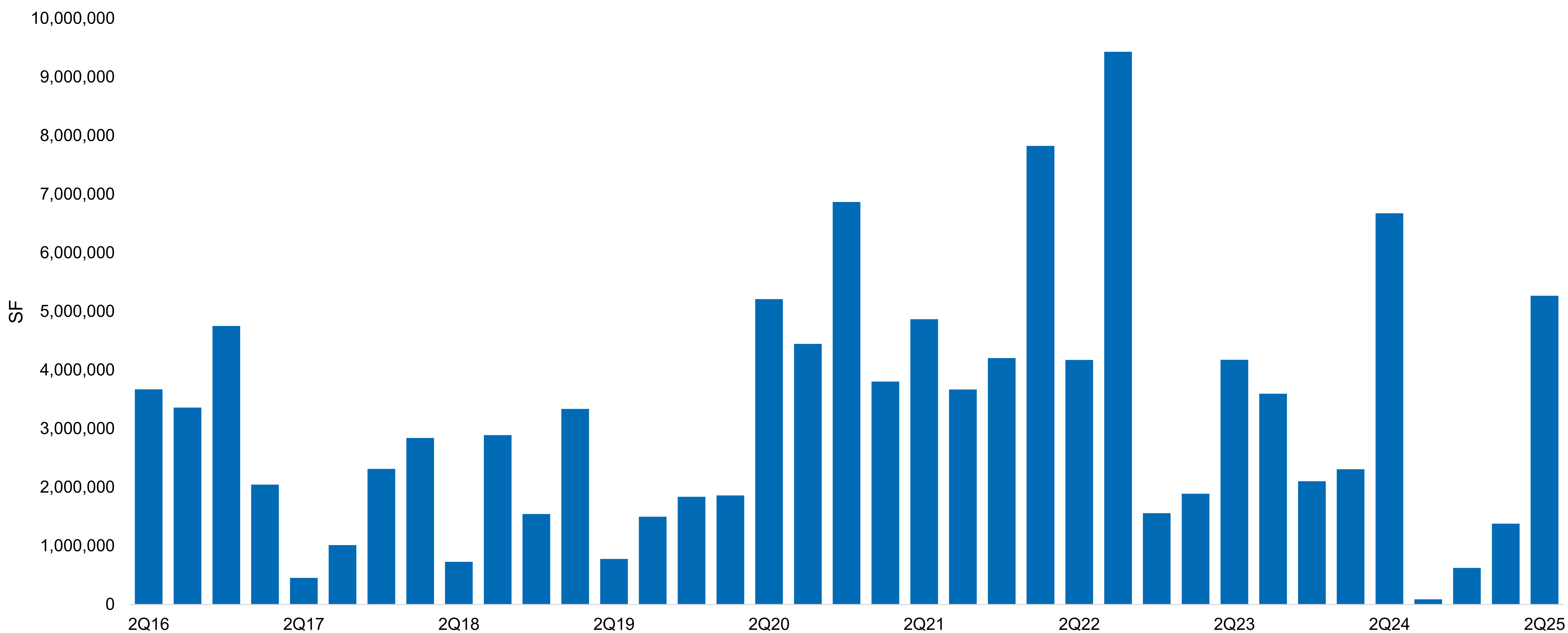


Source: Newmark Research, CoStar

5.3 MSF Of New Supply Broke Ground This Quarter

Construction starts surged in the second quarter of 2025, marking a sharp contrast to the second half of 2024. The first half of this year recorded an impressive 830% increase in construction starts compared to the previous half-year period, fueled by nearly 5.3 million square feet of groundbreakings in the second quarter alone. Notably, there has been a significant uptick in activity surrounding speculative buildings exceeding 1 million square feet, particularly in the Central PA submarket. Major projects include Prologis's 1.1 million square foot development at 7600 Linglestown Road in Harrisburg and Matrix Development Group’s 900,000 square foot project at 7000 United Drive in Shippensburg.

Construction Starts per Quarter (SF)



Source: Newmark Research

New Spec Developments In Central PA Will Deliver 40'+ Clear Heights

Some of the largest groundbreakings this quarter include Prologis', 1.1M SF development of 7600 Linglestown Road in Harrisburg and Matrix Development Group's 900,000 SF construction of 7000 United Drive in Shippensburg. Both buildings are still fully available.

Prologis - 7600 Linglestown Rd, Harrisburg, PA

1,117,200 SF

40' Clear Height

0% Pre-leased

PROLOGIS

Matrix Development Group – 7000 United Dr, Shippensburg, PA

900,000 SF

40' Clear Height

0% Pre-leased

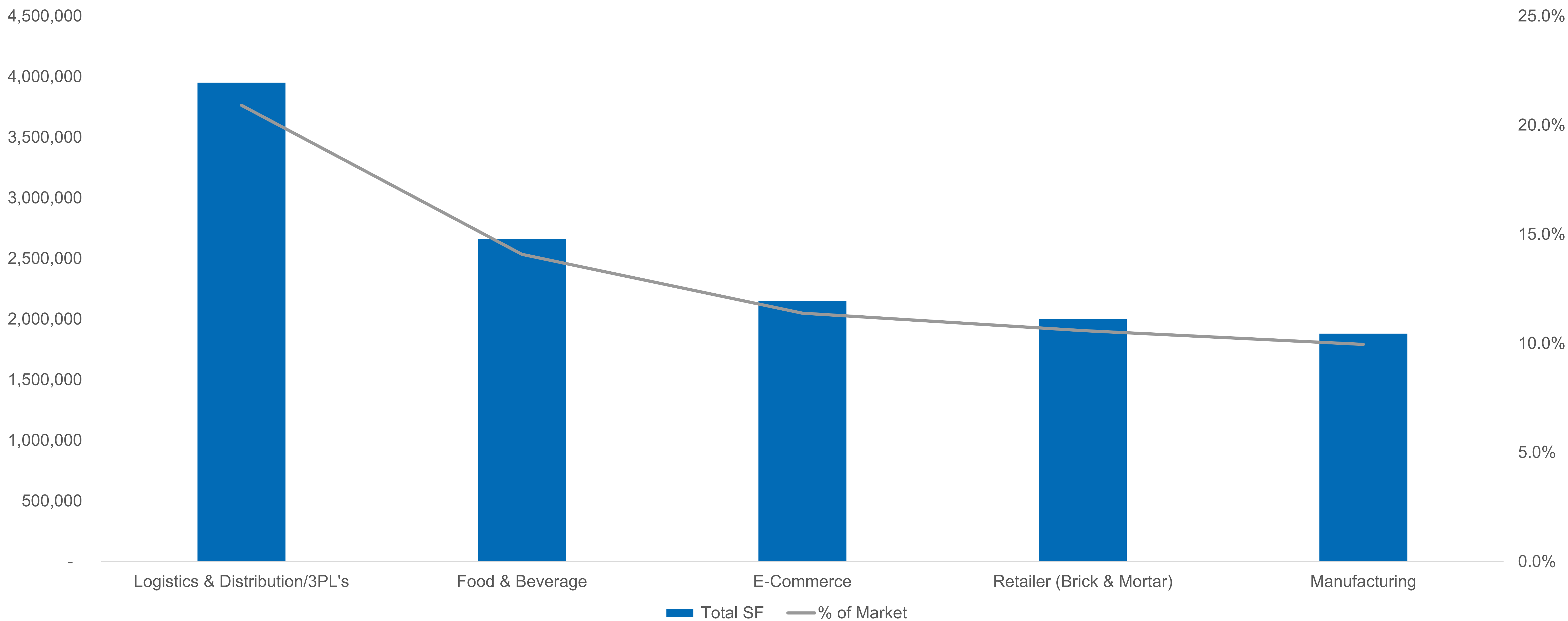
MATRIX

Source: Newmark Research, Costar

Food And Beverage Is The Second-Most Active Industrial-Using Sector

Logistics and Distribution leads demand for industrial space in the Corridor, with 20.9% of all demand; however, Food & Beverage is the second-most active user type in the Corridor's industrial market, with 14.1% of all demand.

Top Five Most Active Industries by User Demand, Square Feet

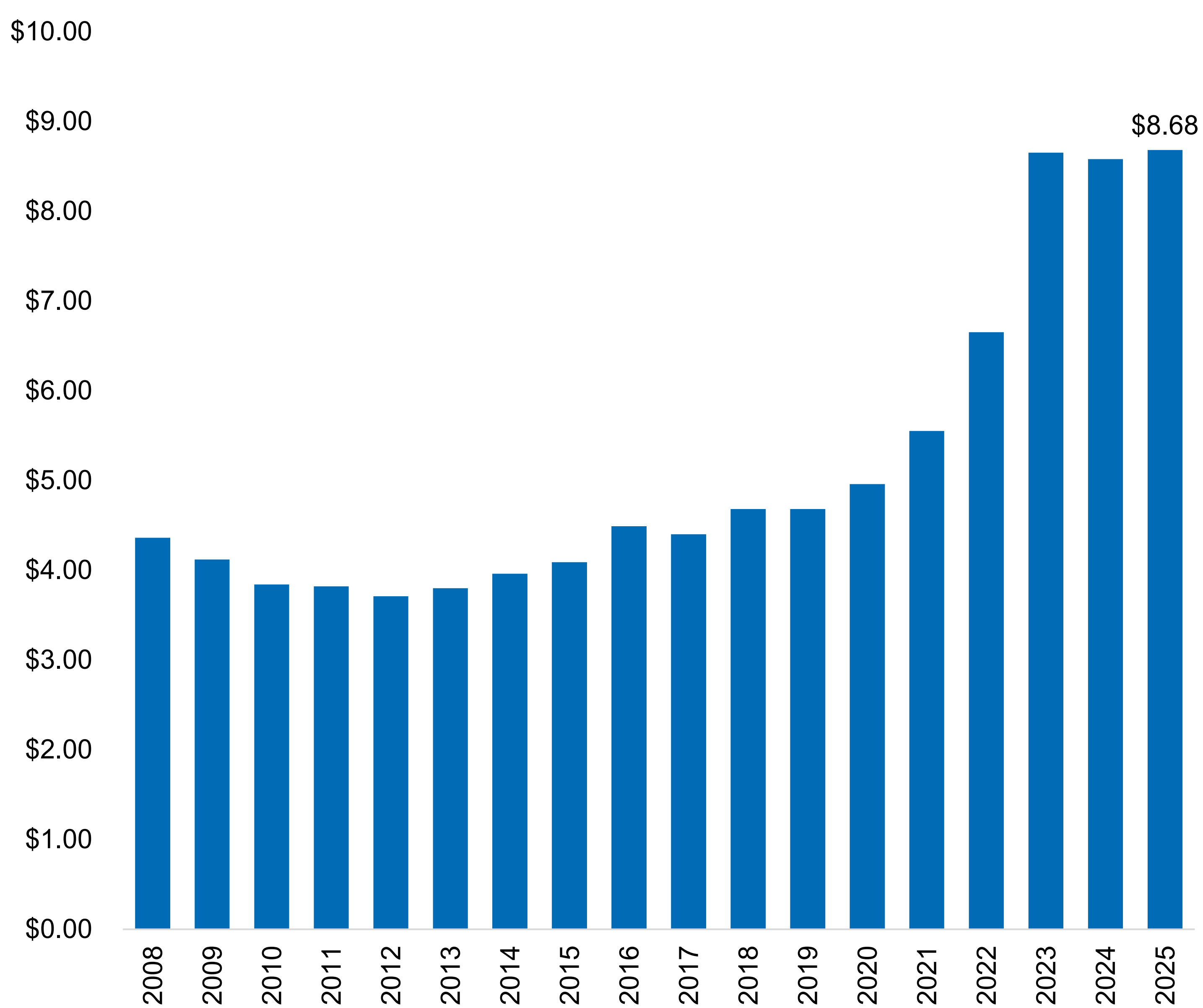


Source: Newmark Research

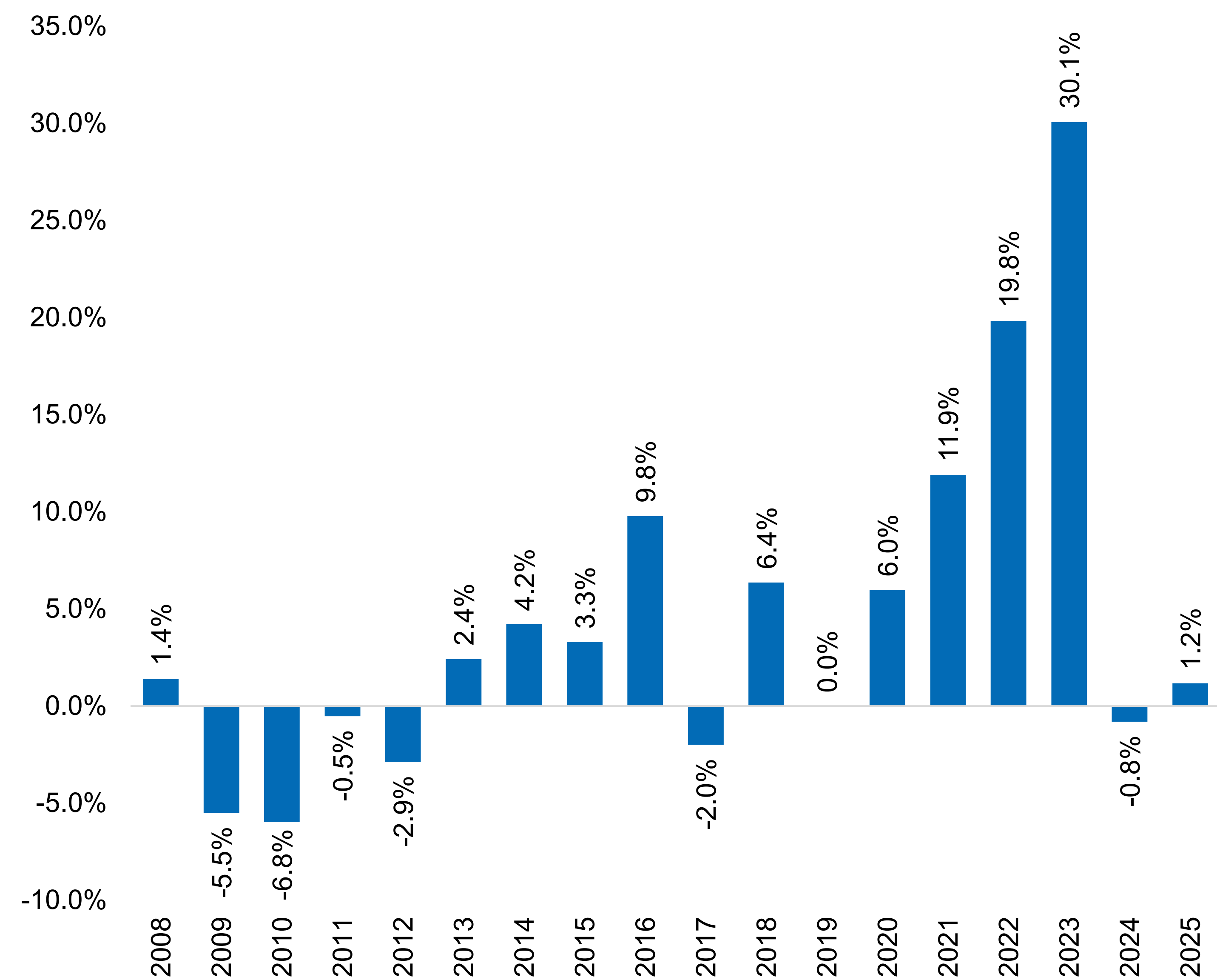
Rent Growth Stabilizes Since 2023

Between the fourth quarter of 2024 and the second quarter of 2025, average asking rent experienced an increase of 1.2%, following an annual rent decline in 2024 of 0.8%. The increase was driven by the total availabilities in the Class A warehouse market and 3.1M SF of new deliveries in 2025, which have a weighted average asking rate of $13.32, reflecting the heightened demand for these types of spaces within the market.

Industrial Direct Average Asking Rent, $/SF



Year-over-Year Direct Asking Rent Growth Rate % Change

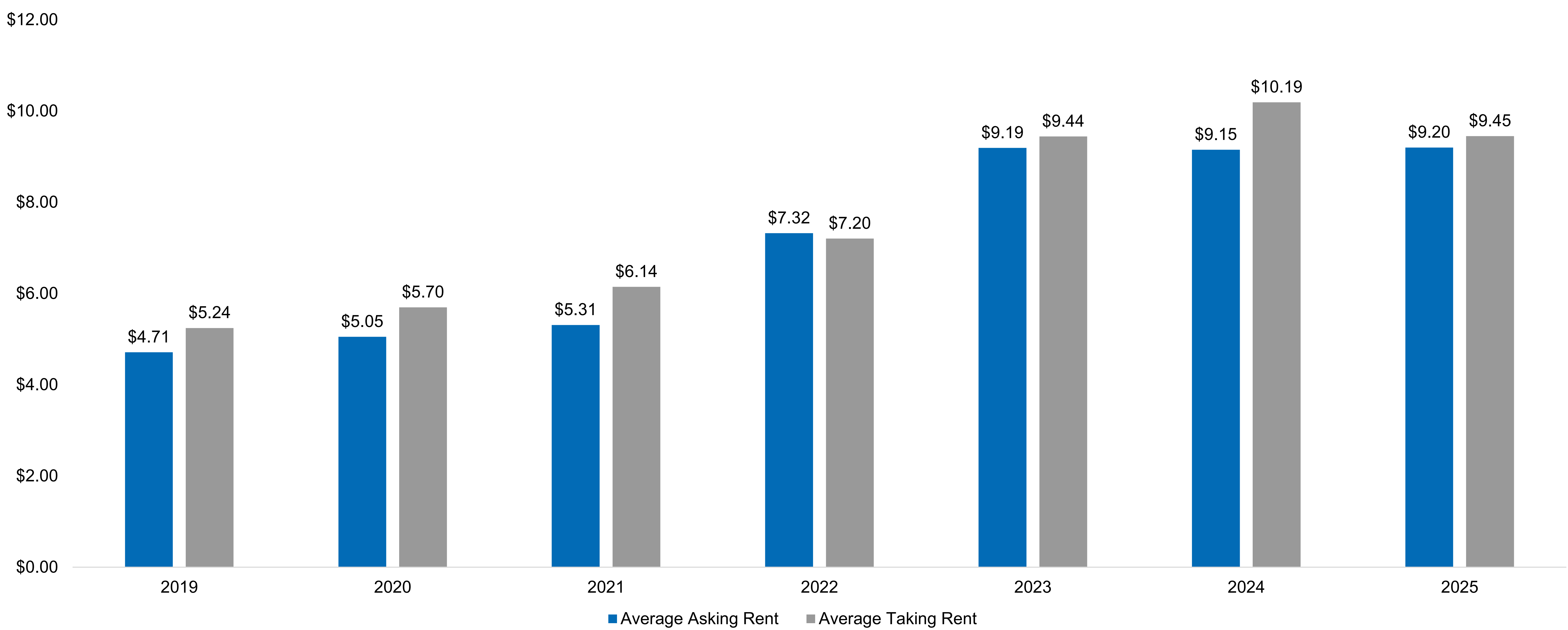


Source: Newmark Research, CoStar

Class A Spreads Realign Between Asking And Taking Rents

In the Commercial Real Estate industry, taking rents are typically lower than asking rents. However, due to the nature of tracked deals, most lease comparables used in analyses tend to reflect larger and more recent transactions. Year-to-date, Newmark recorded an average taking rent of $9.45 per square foot in the I-81/78 Corridor. Since 2019, the gap between Class A asking rents and taking rents has fluctuated from as low as -$0.12 per square foot to as high as $1.04 per square foot.

Industrial Class A Direct Average Asking vs Taking Rent, $/SF



Source: Newmark Research

Please reach out to your Newmark business contact for this information

2Q25

Market Statistics

Submarket Overview

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)
Central PA	217,829,510	5,094,436	8.1%	34,412	(35,422)	527,755	1,385,402	$7.59	$7.87
Lehigh Valley	163,365,695	2,139,174	8.1%	(446,381)	(738,505)	0	84,909	$9.91	$10.16
Northeastern PA	100,322,558	458,800	8.7%	(1,374,966)	(1,046,015)	209,919	1,614,902	$6.96	$7.05
I-81/78 Market	**481,517,763**	**7,692,410**	**8.2%**	**(1,786,935)**	**(1,819,942)**	**737,674**	**3,085,213**	**$8.45**	**$8.82**

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 Asking Rent (Price/SF)	Total Class A Asking Rent (Price/SF)
General Industrial	125,278,772	3,226,223	5.8%	39,413	522,226	737,674	2,275,804	$7.91	$8.83
R&D/Flex	13,938,003	0	3.6%	10,317	136,354	0	0	$10.55	-
Warehouse/Distribution	342,050,988	4,466,187	9.3%	(1,836,665)	(2,478,522)	0	359,409	$8.49	$8.82
I-81/78 Market	**481,517,763**	**7,692,410**	**8.2%**	**(1,786,935)**	**(1,819,942)**	**737,674**	**3,085,213**	**$8.45**	**$8.82**

Source: Newmark Research

For more information:

Marcus Lisse
Research Analyst
Greater Philadelphia Research
marcus.lisse@nmrk.com

Carolyn Bates
Director
Mid-Atlantic Research
carolyn.bates@nmrk.com

Philadelphia
2005 Market Street, Suite 900
Philadelphia, PA 19103
t 215-561-8300

King of Prussia
1000 Continental Drive, Suite 200
King of Prussia, PA 19406
t 610-265-0600

Licensed in Pennsylvania as Newmark Real Estate

New York Headquarters
125 Park Avenue
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

NEWMARK