

---

3Q24

# Greater Philadelphia Industrial Market Overview

**NEWMARK**

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

# Market Observations

## Economy

- The Greater Philadelphia economy saw a slight increase in unemployment for the 12 months ending in August and is 20 basis points above the national unemployment rate. Annual nonfarm payroll employment increased by 2.0% in August 2024, marking the fifth consecutive month of growth. The largest industry in the Greater Philadelphia area, Education and Health Services, continues to be the main driver of employment expansion.
- In August 2024, the annual percentage change in office-using employment was 0.4%. In July, Greater Philadelphia experienced the first increase in the annual percentage change in 13 months. Total office-using employment was approximately 789,600, an increase of 12,000 jobs from the prior year.

## Major Transactions

- Montgomery County became the front-runner for significant leasing activity in the third quarter, as many of this market's largest leases were executed. Jonathan Engineered Solutions and Cooney Brothers LLC leased nearly 55,000 and 38,000 square feet in Montgomery County, respectively.
- Industrial leasing activity declined in the third quarter, and the size of spaces leased continues to trend downward. Class A product captured 41.3% of industrial leasing volume in the Greater Philadelphia region through 2024, buoyed by some of the largest leases year-to-date.
- Major projects that commenced construction in the second quarter include KPR and PCCP's Tri-State Distribution Center in New Castle County, which will total 525,000 square feet, and Foxfield's Lower Bucks Logistics Hub in Bucks County, which will total 361,457 square feet.

## Leasing Market Fundamentals

- Industrial construction deliveries have declined significantly, with 4.6M square feet delivered through 2024. The 1.2M square feet of new supply delivered during the third quarter is less than half of the quarterly average of 3.5 MSF over the past eight quarters. This is well-timed as demand for new bulk facilities has also slowed. The market has absorbed 6 MSF year-to-date.
- Available sublease space declined in the third quarter to 2.7 million square feet. With 1.4 million square feet of sublet availability, Southern New Jersey constitutes 52% of the market's sublease availabilities despite comprising only 3.5% of the region's inventory.
- The lease-up of Class A space in Burlington County, coupled with moderating demand, has put downward pressure on asking rates in the Greater Philadelphia market. Rents have declined by 3.9% over the past 12 months after growing steadily since 2017. The decline in rental rates was primarily due to class C properties, which saw a 9.7% decrease in rents over the past 12 months.

## Outlook

- The weighted average asking rent of industrial properties under construction is \$15.28/SF. Manufacturing industries have been driving the most demand for increased rental rates for new supply.
- After four consecutive quarters of growth, construction starts have shifted, experiencing a decrease of 1.4 MSF. Although there was a decrease, major projects set to commence soon in Philadelphia and Southern New Jersey could likely elevate the volume of groundbreakings.



3Q24

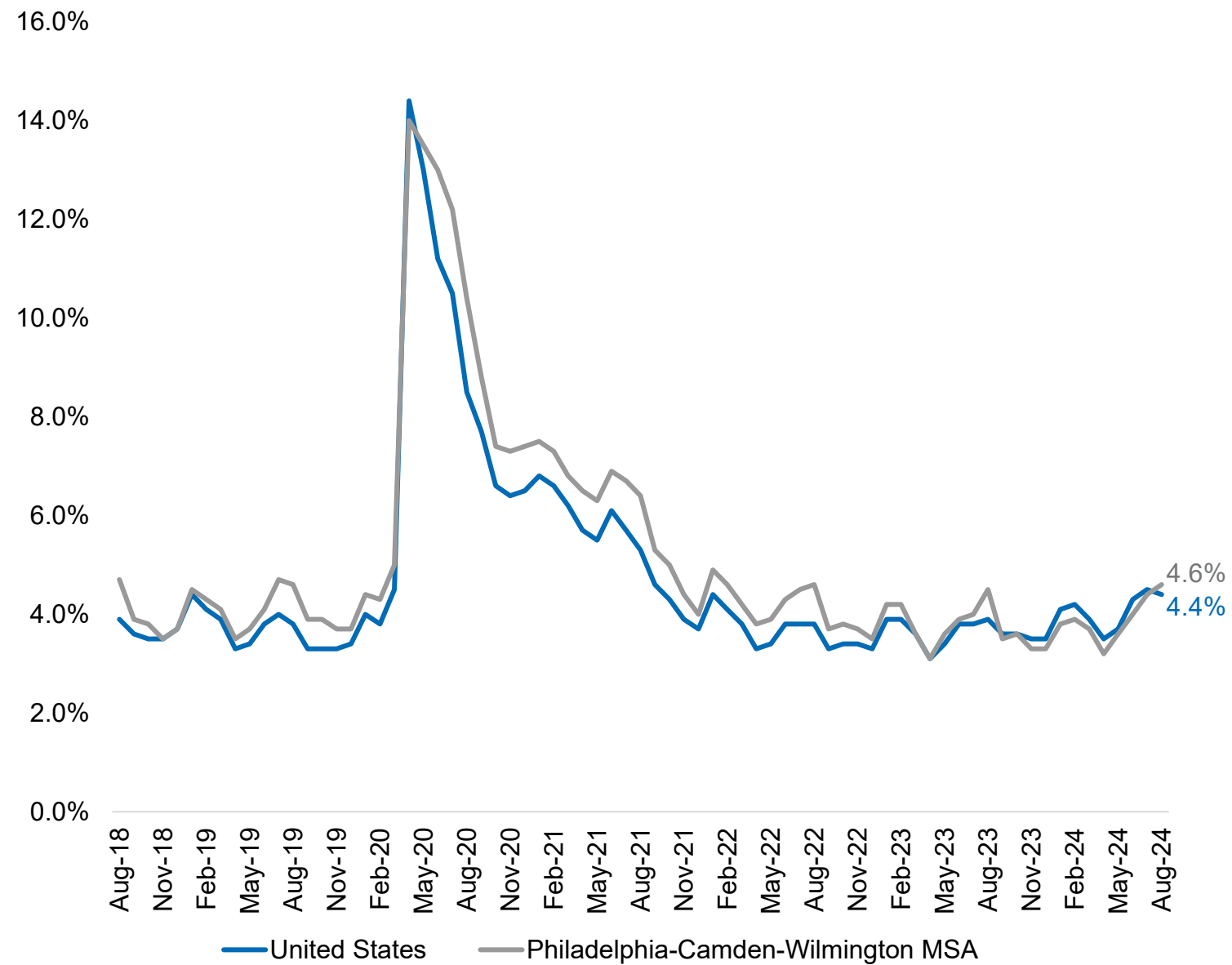
# Economy



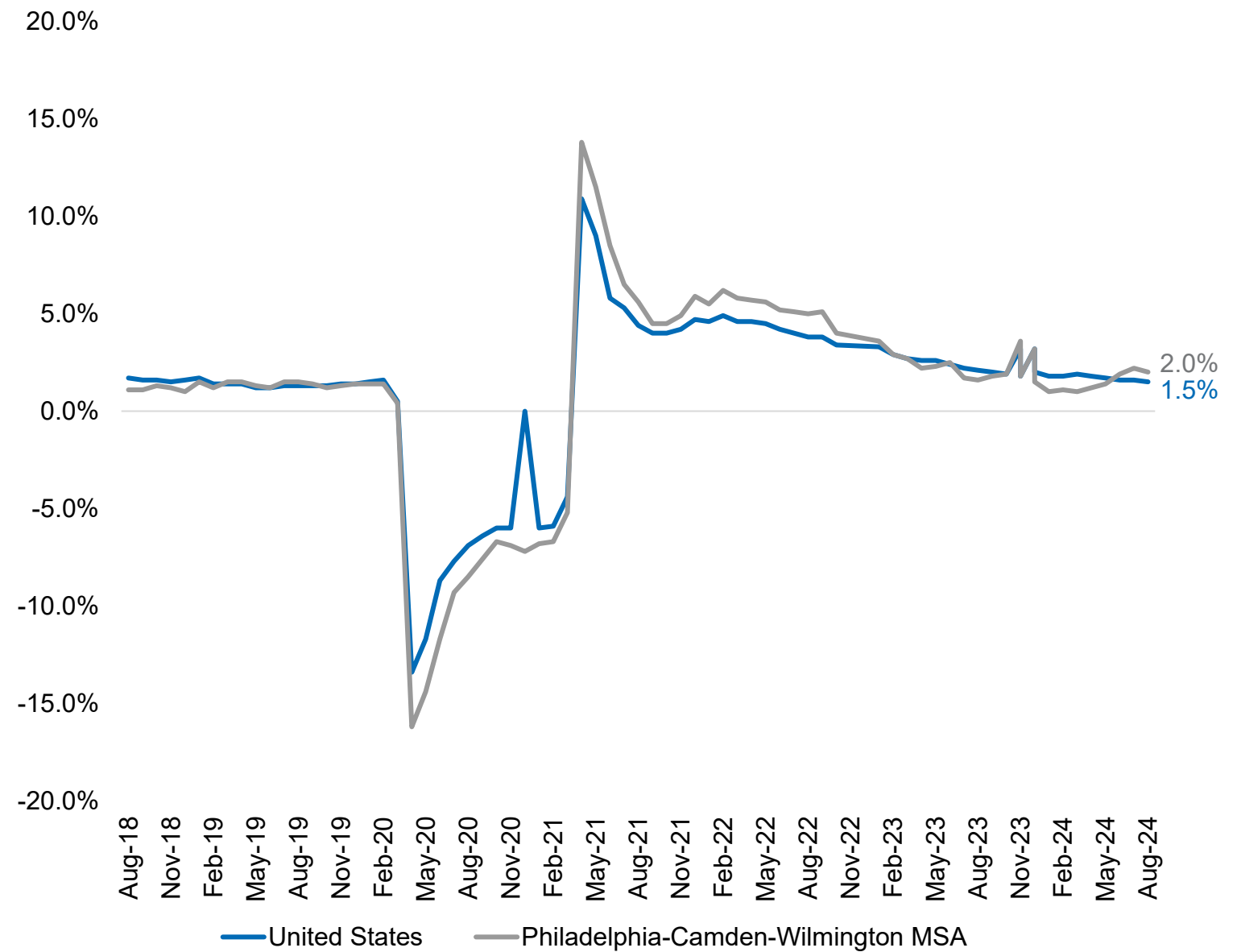
# Philadelphia's Annual Employment Continues To Be Positive

Unemployment in Greater Philadelphia registered 4.6% as of August 2024, 20 basis points above the national rate. Annual employment growth for the region ticked up to 2.0% for the 12 months ending in August, driven by strong gains in the Leisure & Hospitality and Education & Health sectors.

Unemployment Rate, Non-Seasonally Adjusted



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



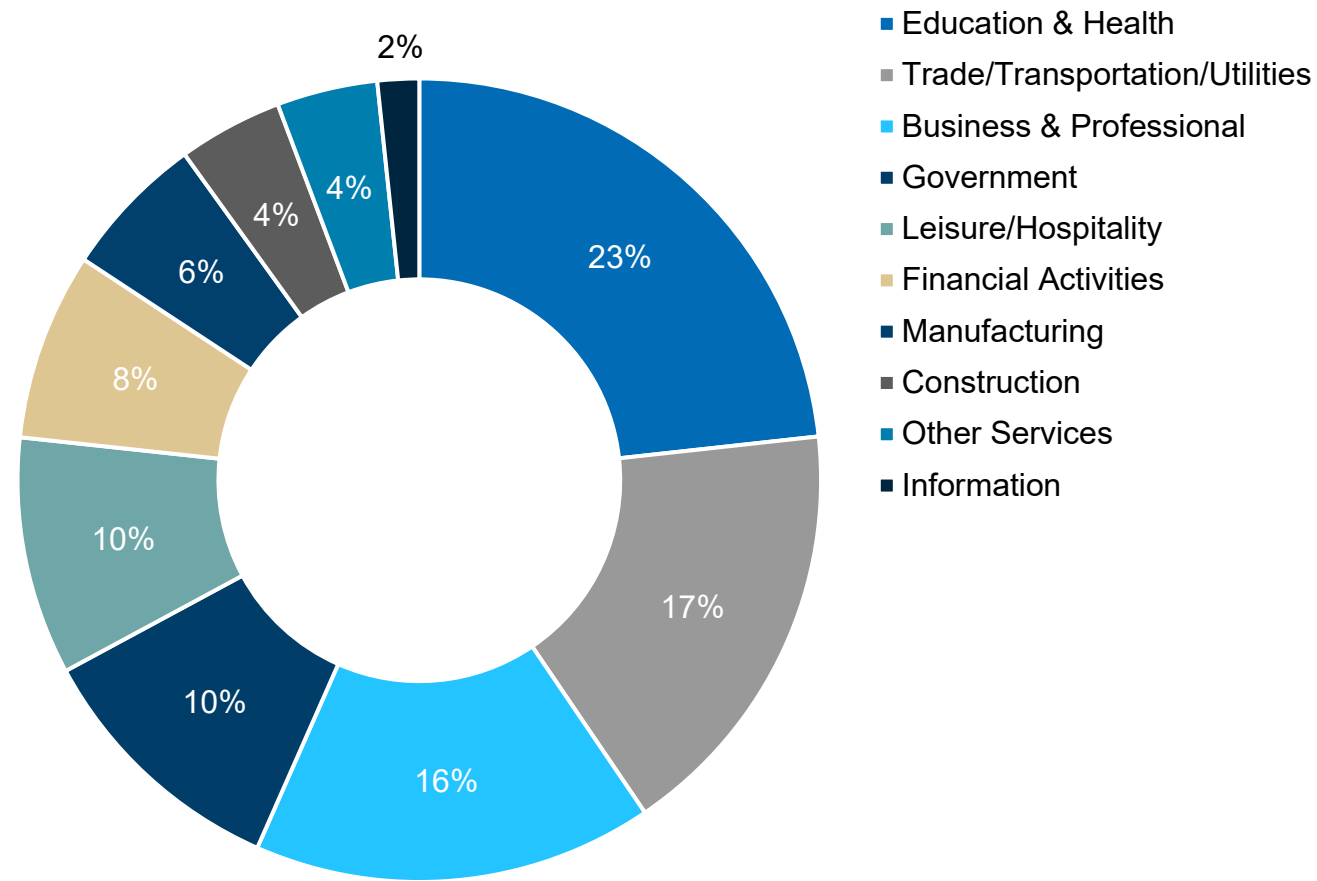
Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA



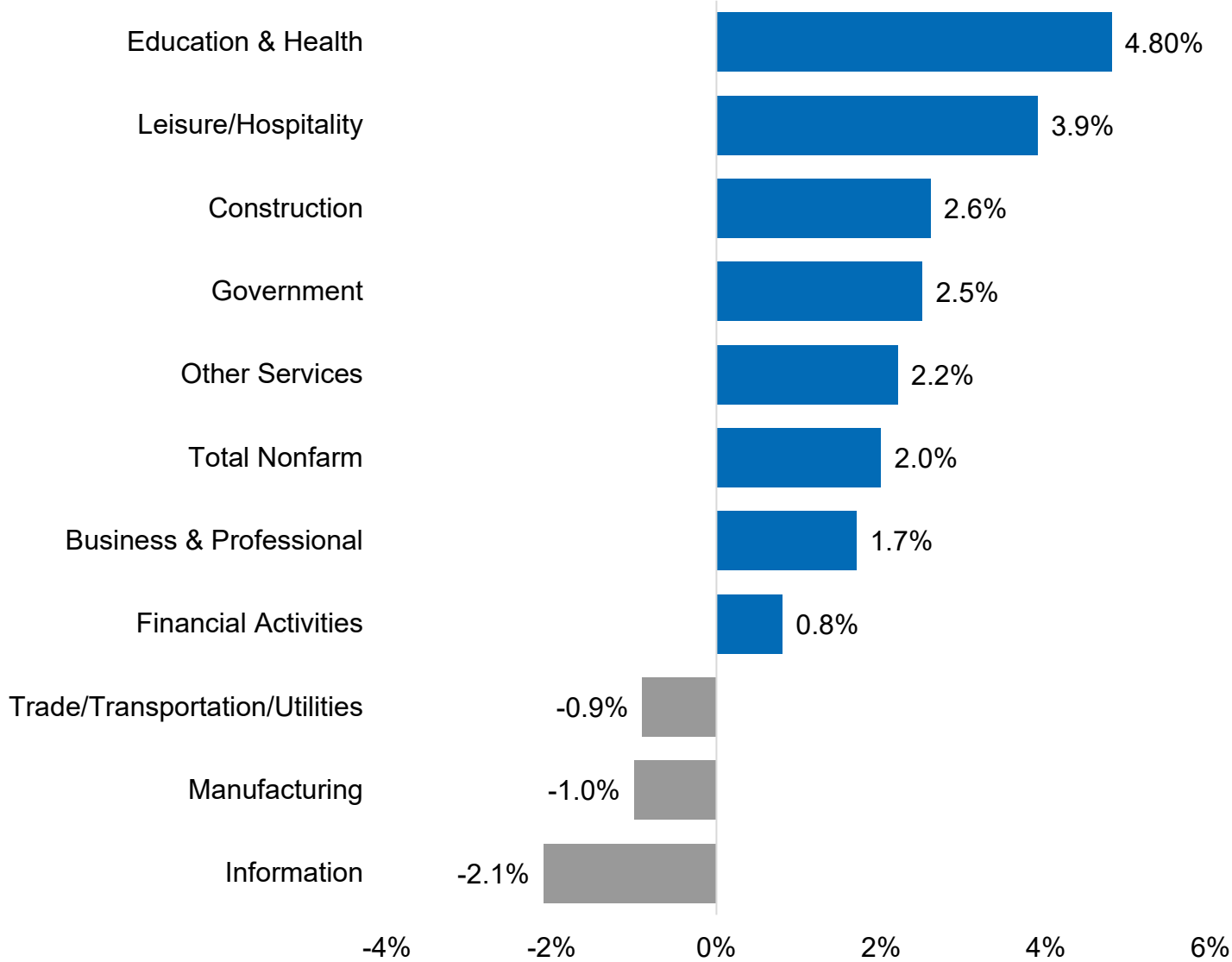
# Region Sees Strongest Job Gains In Non-Industrial-Using Sectors

As of August 2024, total employment in Greater Philadelphia grew by 2.0% annually; however, the greatest gains were in non-industrial sectors such as Education & Health Services and Leisure & Hospitality. While the Construction industry exhibited growth during this period, the region’s largest industrial-using sector—Trade, Transportation & Utilities—contracted by 0.9%.

**Employment by Industry, August 2024**



**Employment Growth by Industry, 12-Month % Change, August 2024**

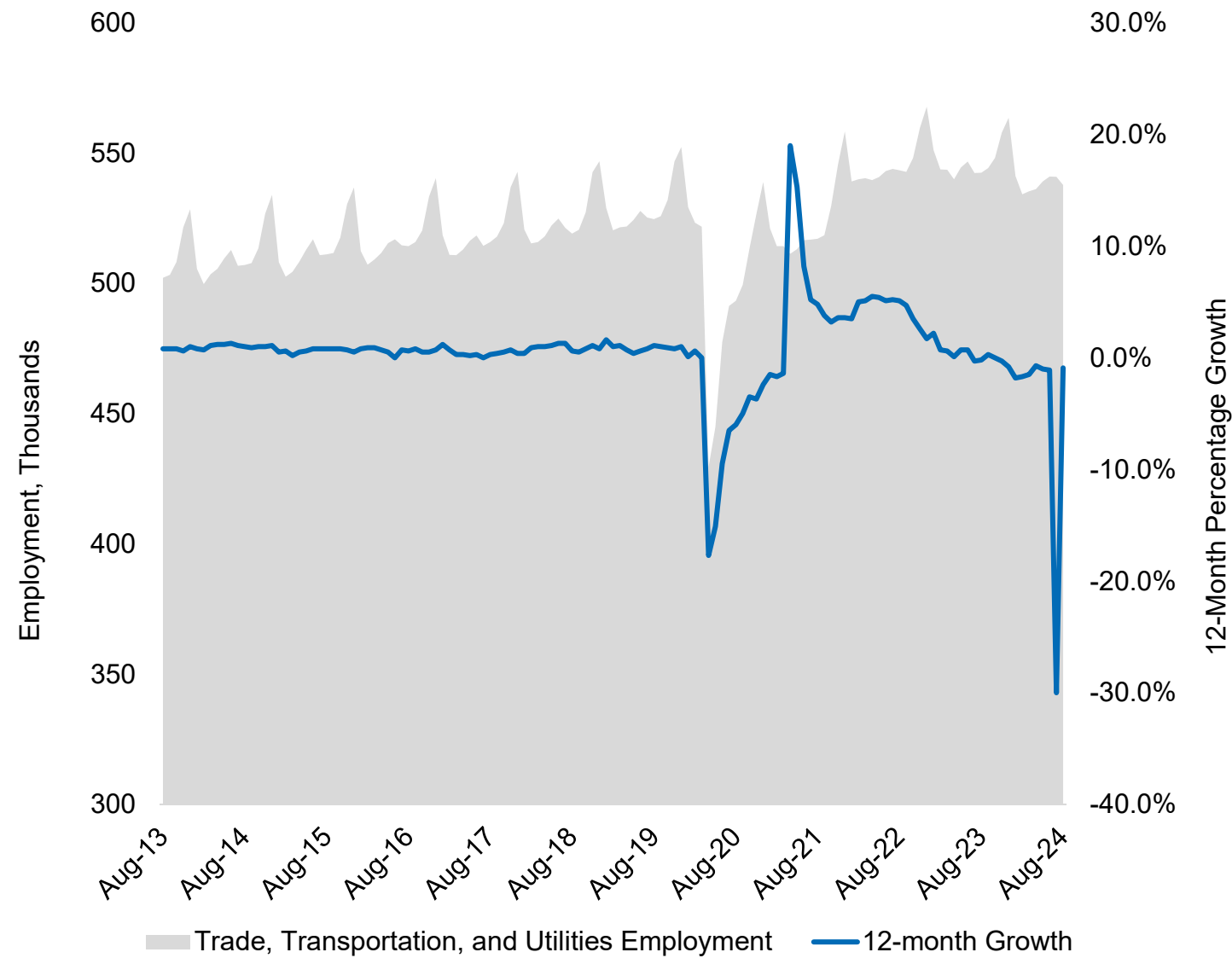


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

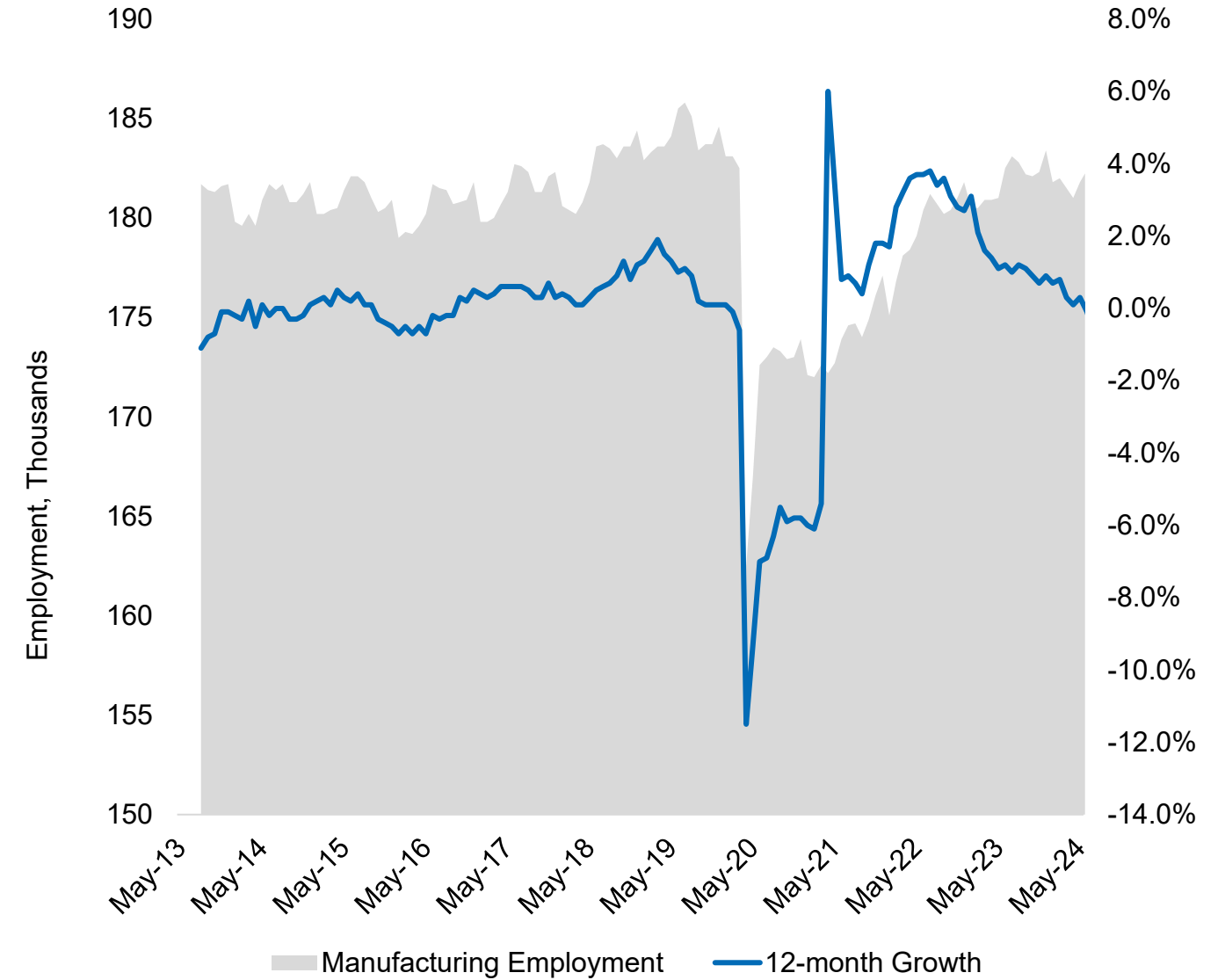
# Trade Transportations & Utilities And Manufacturing Experience Job Losses

The Trade, Transportation, & Utilities industry continued its trend of annual job losses, with a net change of -0.9% for the 12 months ending August 2024, marking the fourteenth consecutive month of negative annual growth. The manufacturing sector has also experienced small annual job losses. The sector netted growth of -1.0% 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



3Q24

# Leasing Market Fundamentals

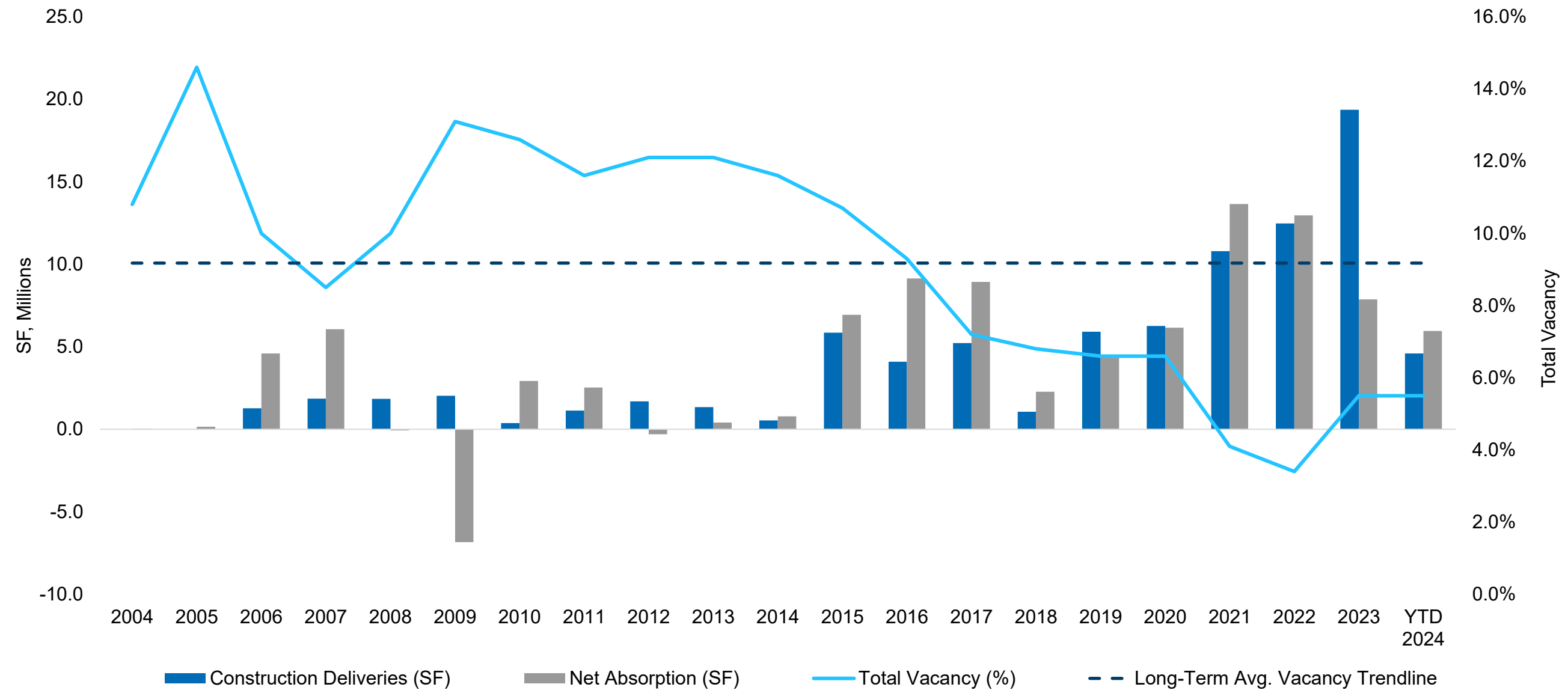




# A Slowdown In Deliveries Gives The Market A Chance To Absorb New Supply

Industrial construction deliveries have declined significantly, with about 4.6 MSF delivered through 2024. The 1.2M square feet of new supply delivered during the third quarter is about a third of the quarterly average of about 3.5 MSF over the past eight quarters. This is well-timed as demand has also slowed. The market has absorbed close to 6.0 MSF year-to-date. Occupancy gains have been strongest in the Burlington County submarket. Most notably, PureCycle, Foamtex, HYTX Logistics, Loctek Ergonomic, CIRRO, and Rivian Automotive occupied new warehouses through 2024.

## Historical Construction Deliveries, Net Absorption, and Vacancy

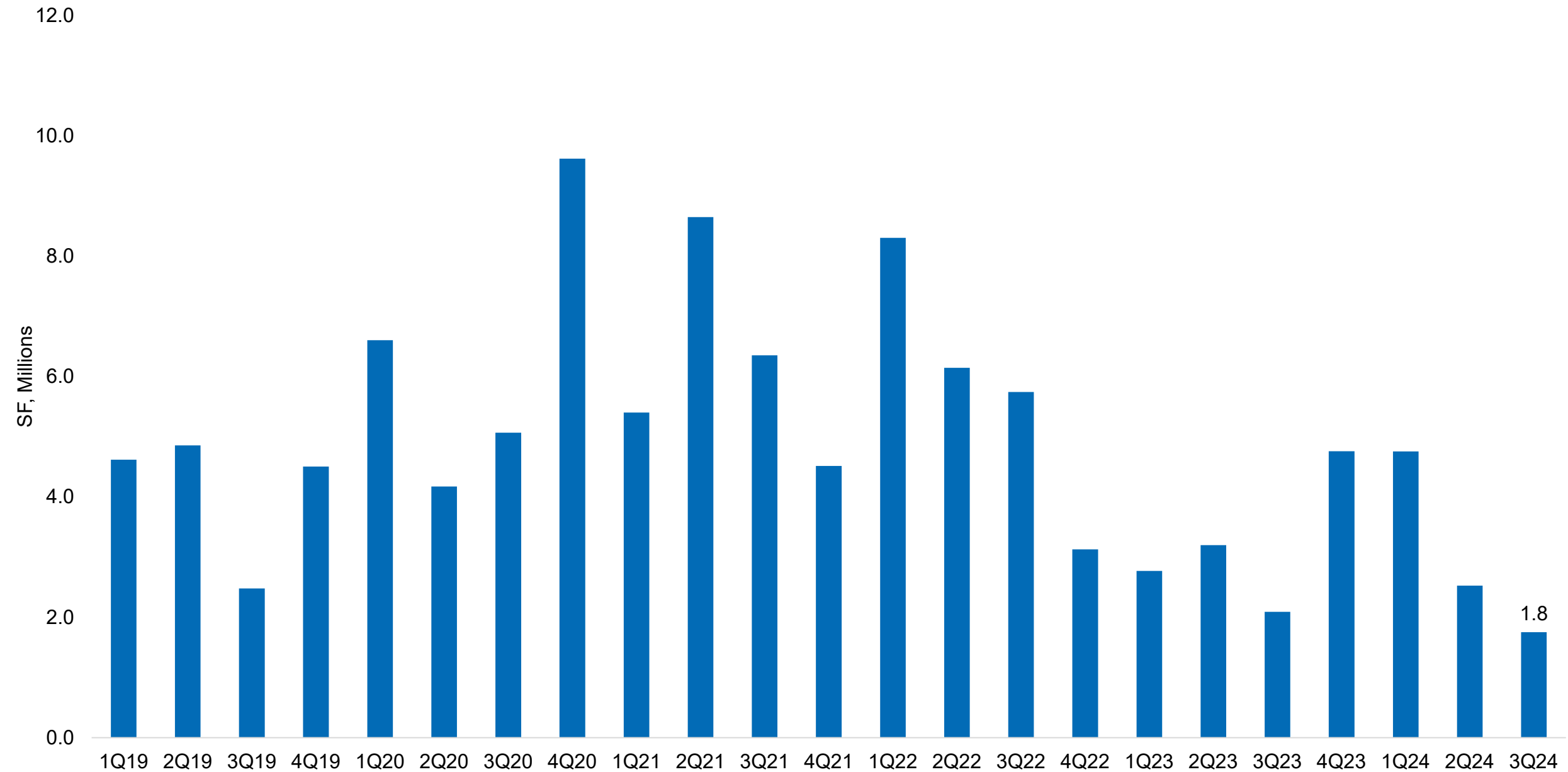


Source: Newmark Research

# Industrial Leasing Activity Drops With Fewer Large Deals

Leasing activity shifted from 2.5M square feet to 1.8M square feet from the second to third quarter, with no leases larger than 200,000 square feet recorded. Users in the market have recently been considering subleases, such as Fred Beans sublease of 24,268 square feet at 510 Pedricktown Road in Gloucester County.

## Total Leasing Activity (SF)



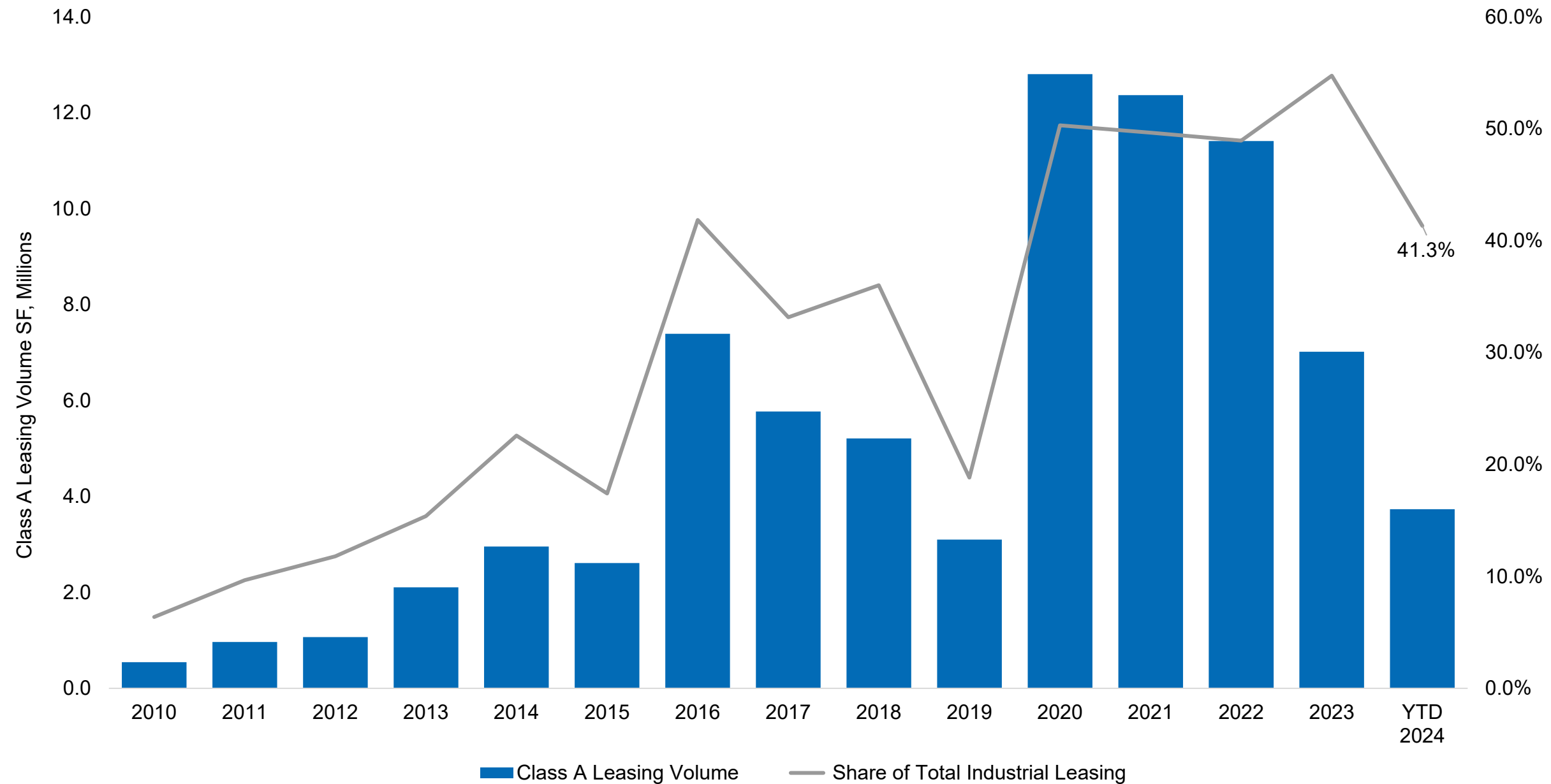
Source: Newmark Research, CoStar



# Class A Industrial Captures 41% Of Quarterly Leasing Volumes

While leasing volume is down overall, Class A product remains attractive to large users with an offer of higher clear heights, wider column spacing, and greater power capacity as these users increasingly shift to more automated and power-intensive operations. Class A product captured 41.3% of industrial leasing volume in the Greater Philadelphia region through 2024. Since 2020, Class A industrial assets have netted 49.5% of the market's leasing activity.

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

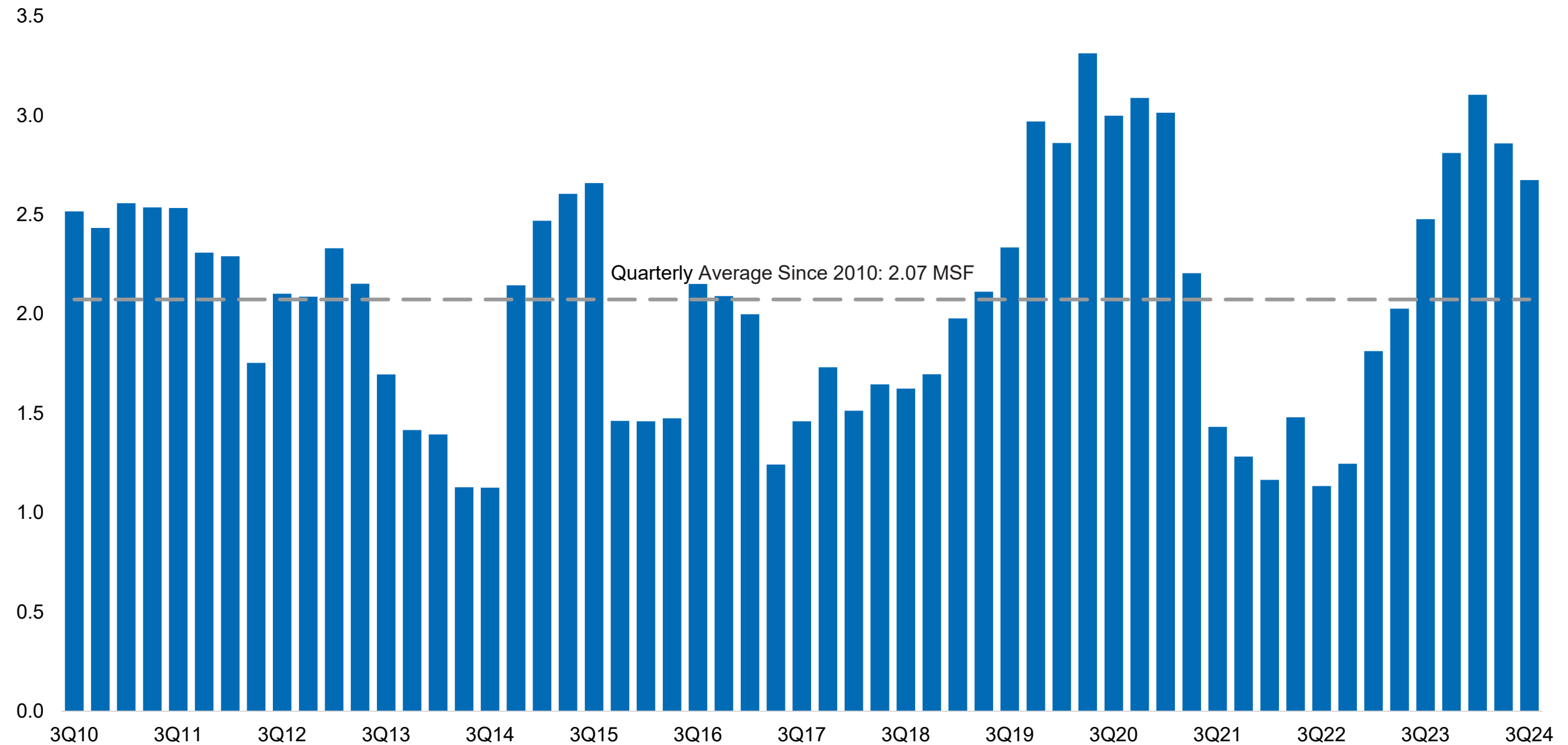


Source: Newmark Research, CoStar  
 Note: Newmark defines Class A warehouses as buildings constructed since 2000 and over 100,000 square feet

# Southern New Jersey Has Outsized Share Of Industrial Sublease Availability

Available sublease space declined in the third quarter to 2.7 MSF. With 1.4 MSF of sublet total availability, Southern New Jersey constitutes 52% of the market's sublease availabilities despite comprising only 3.5% of the region's total available inventory.

Available Industrial Sublease Volume (msf)



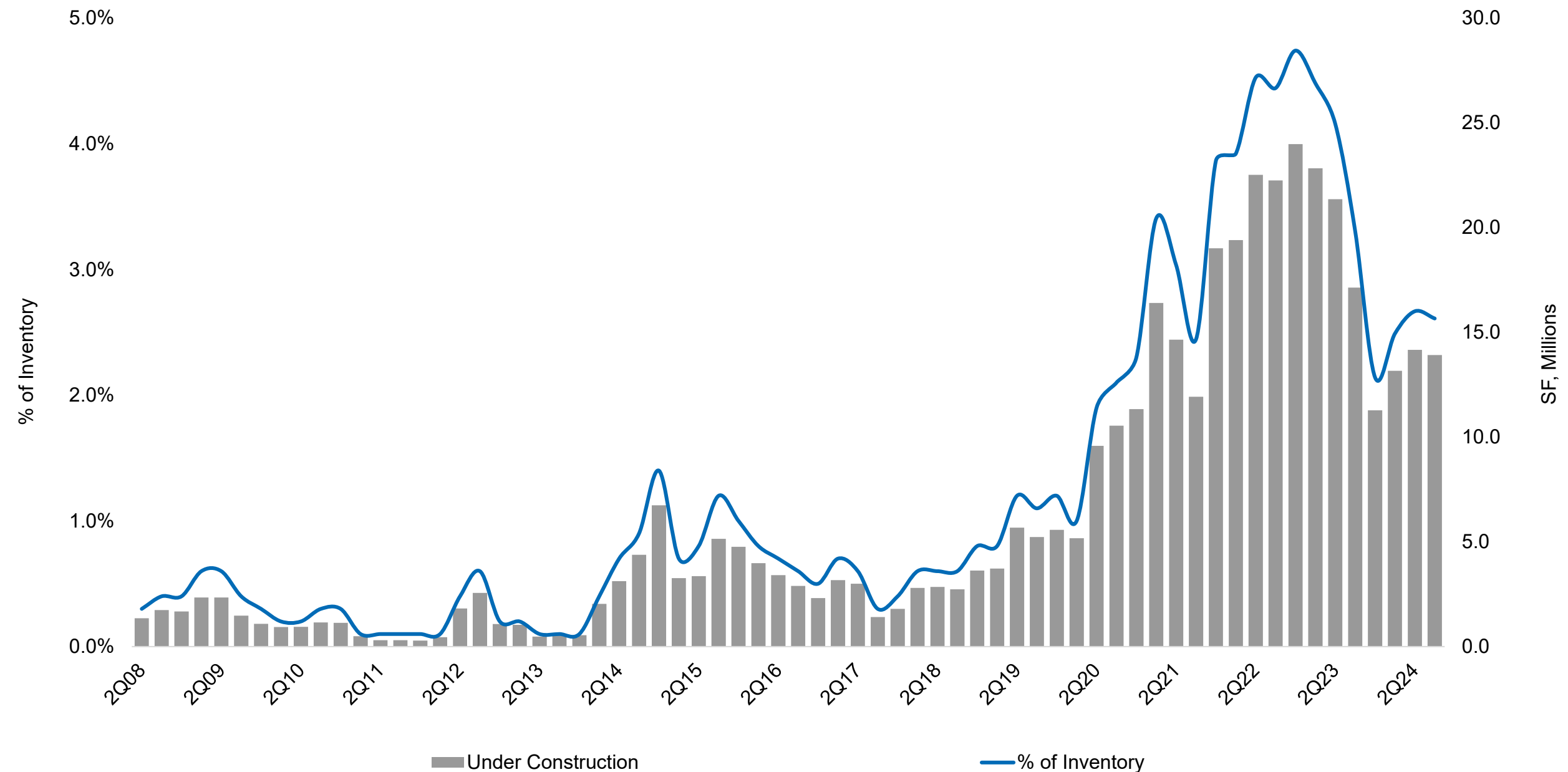
Source: Newmark Research, CoStar



# Industrial Construction Pipeline Yet To Return To 2023 Numbers

The total construction pipeline for the Greater Philadelphia market was 13.8 MSF at the end of the third quarter of 2024, a 250,000 SF decrease from the previous quarter. Major projects that commenced construction in the third quarter include KPR and PCCP's Tri-State Distribution Center in New Castle County, which will total 525,000 square feet, and Foxfield's Lower Bucks Logistics Hub in Bucks County, which will total 361,4557 square feet.

## Industrial Under Construction and % of Inventory

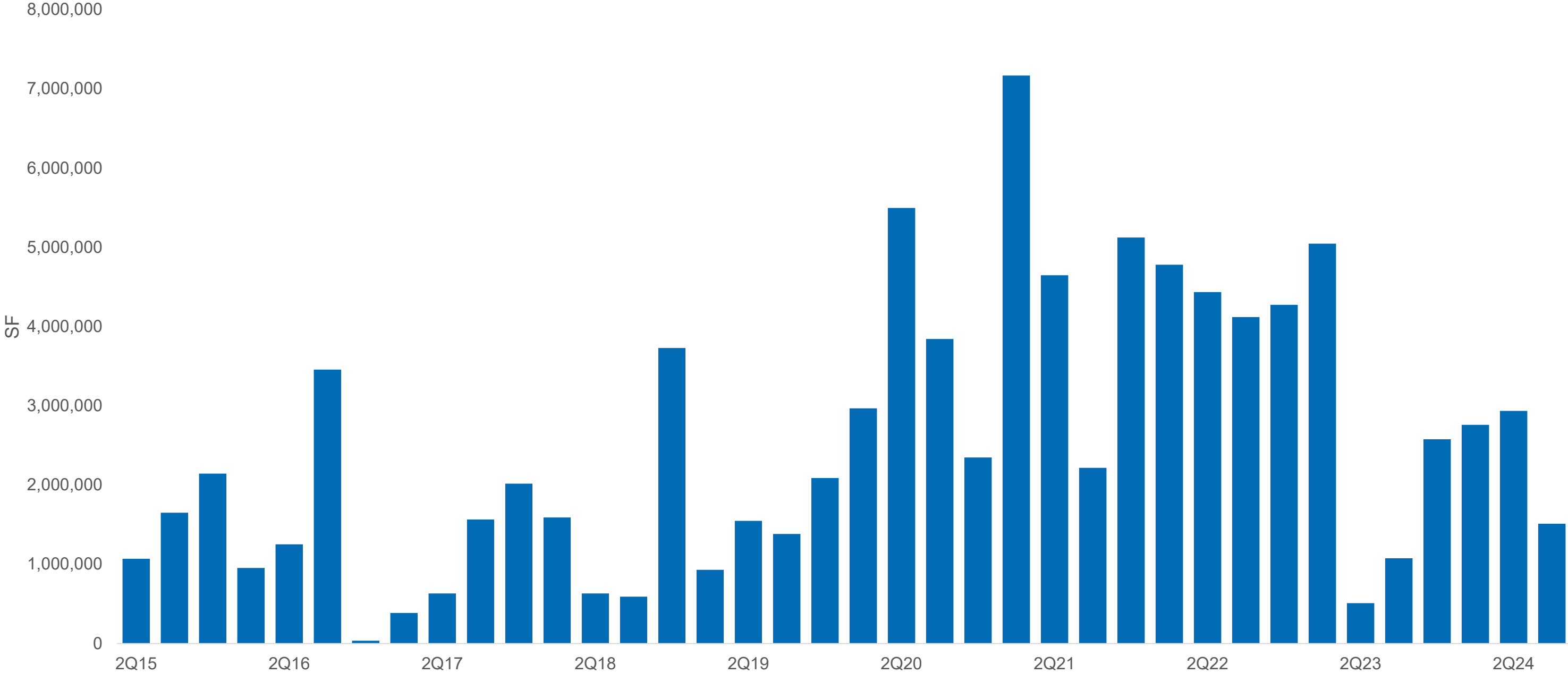


Source: Newmark Research, CoStar

# Construction Starts Take A Dip

After four consecutive quarters of growth, construction starts have shifted, experiencing a decrease of 1.4 MSF. Although there was a decrease, many major proposed projects set in Philadelphia and Southern New Jersey could further elevate the volume of groundbreakings in early 2025.

Construction Starts per Quarter (SF)



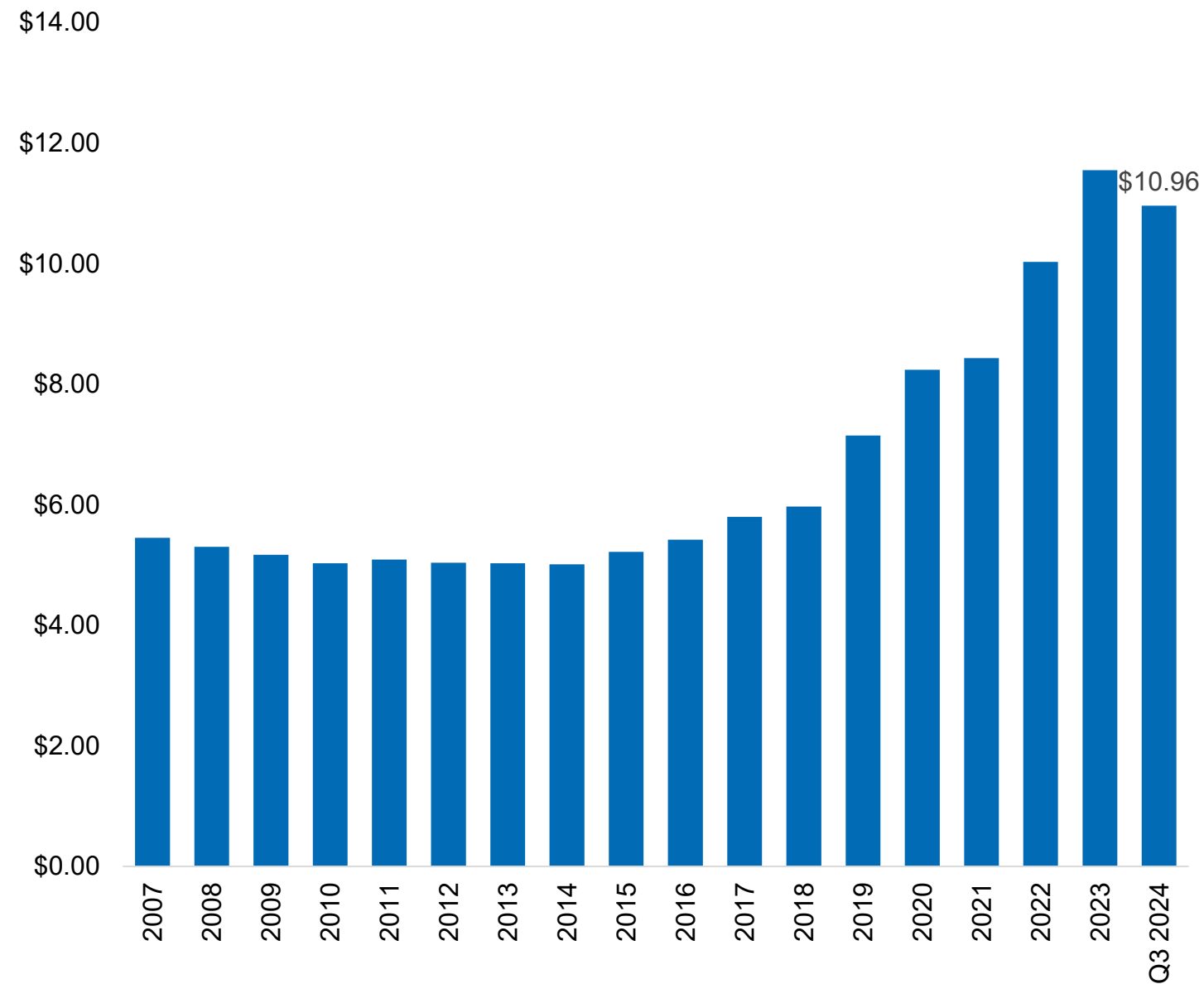
Source: CoStar, Newmark Research



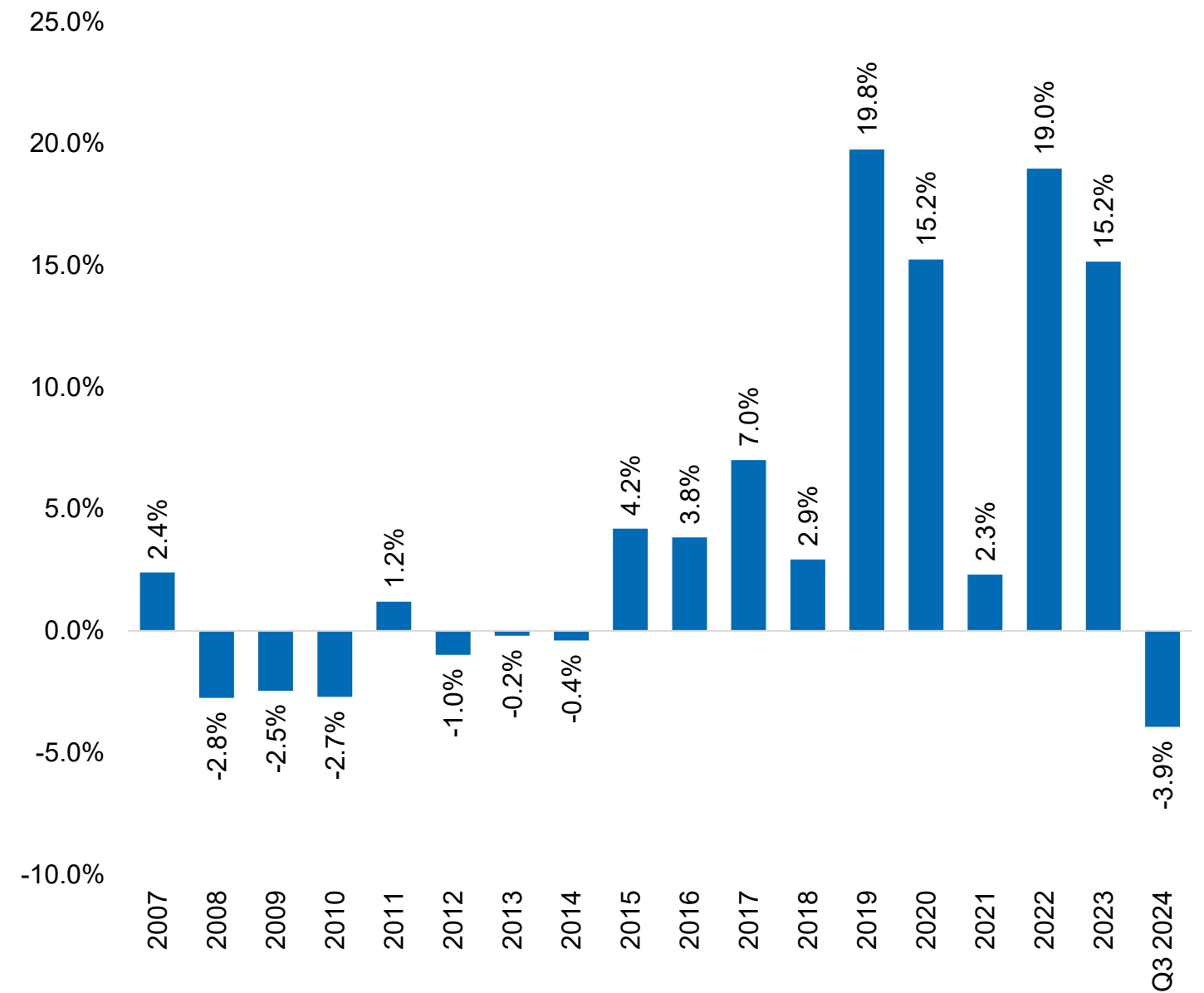
# Asking Rates Decline Slightly, Providing Some Relief To Tenants

The lease-up of Class A space in Burlington County, coupled with moderating demand, has put downward pressure on asking rates in the Greater Philadelphia market. Rent declines were driven by class C properties, which had a 9.7% decrease in rents over the last year. This dip is not expected to be part of a longer-term decline in industrial asking rates. Properties in the construction pipeline are averaging \$15.24/SF in asking rents. New supply will buoy market averages despite normalizing leasing activity.

Industrial Average Asking Rent, \$/SF, NNN\*



Year-over-Year Asking Rent % Change



Source: Newmark Research, CoStar

Note: Asking rates for periods between 2017 and 2022 were derived from lease comps

Asking rates between 2023 and 2024 are overall market averages





Please reach out to your  
Newmark business contact for this information



3Q24

# 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 Asking Rent (Price/SF)
<b>New Castle County</b>	34,948,850	858,935	6.1%	350,221	430,342	-	1,215,240	\$11.48
<b>Southern New Jersey</b>	147,076,670	6,898,406	7.6%	2,165,264	4,467,535	827,470	1,089,670	\$11.49
<b>Greater Philadelphia</b>	350,965,793	6,156,056	4.6%	1,069,538	732,371	325,500	2,228,360	\$10.64
<b>Market</b>	<b>532,991,568</b>	<b>13,913,397</b>	<b>5.5%</b>	<b>3,585,023</b>	<b>5,630,248</b>	<b>1,152,970</b>	<b>4,593,270</b>	<b>\$10.96</b>

## 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)
General Industrial	247,074,919	226,470	3.3%	(137,157)	344,386	175,000	175,000	\$9.12
R&D/Flex	81,583,105	58,935	5.0%	(293,617)	(159,655)	-	-	\$12.73
Warehouse/Distribution	204,212,373	13,627,992	8.3%	4,015,797	5,445,517	977,970	4,418,270	\$11.60
<b>Market</b>	<b>532,991,568</b>	<b>13,913,397</b>	<b>5.5%</b>	<b>3,585,023</b>	<b>5,630,248</b>	<b>1,152,970</b>	<b>4,593,270</b>	<b>\$10.96</b>

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)
Bucks County	63,854,842	2,187,017	5.9%	317,100	232,784	-	202,108	\$10.75
Chester County	37,553,756	636,120	2.7%	38,762	223,162	-	-	\$11.24
Delaware County	30,882,703	105,000	5.0%	95,709	(193,671)	-	479,400	\$13.56
Lancaster County	60,477,270	210,000	3.4%	414,957	374,853	325,500	717,540	\$7.19
Montgomery County	73,169,002	112,500	5.2%	78,170	(109,461)	-	-	\$12.21
Philadelphia County	85,028,220	2,905,419	4.5%	124,840	204,704	-	889,312	\$10.82
<b>Greater Philadelphia</b>	<b>350,965,793</b>	<b>6,156,056</b>	<b>4.6%</b>	<b>1,069,538</b>	<b>732,371</b>	<b>325,500</b>	<b>2,228,360</b>	<b>\$10.64</b>
Burlington County	69,355,524	1,253,320	9.1%	2,345,490	4,077,868	652,470	652,470	\$11.80
Camden County	33,354,809	359,600	4.2%	(506,200)	(313,515)	175,000	175,000	\$9.94
Gloucester County	36,215,958	902,245	6.9%	325,974	322,572	-	262,200	\$11.12
Salem County	8,150,634	4,383,241	11.4%	-	380,610	-	-	\$11.41
<b>Southern New Jersey</b>	<b>147,076,670</b>	<b>6,898,406</b>	<b>7.6%</b>	<b>2,165,264</b>	<b>4,467,535</b>	<b>827,470</b>	<b>1,089,670</b>	<b>\$11.49</b>
<b>New Castle County</b>	<b>34,948,850</b>	<b>858,935</b>	<b>6.1%</b>	<b>350,221</b>	<b>430,342</b>	<b>-</b>	<b>1,215,240</b>	<b>\$11.48</b>
<b>Market</b>	<b>532,991,568</b>	<b>13,913,397</b>	<b>5.5%</b>	<b>3,585,023</b>	<b>5,630,248</b>	<b>1,152,970</b>	<b>4,593,270</b>	<b>\$10.96</b>

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 St, Ste 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

**New York Headquarters**

125 Park Ave.

New York, NY 10017

t 212-372-2000

**[nmrk.com](http://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](http://nmrk.com/insights).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

**NEWMARK**

**NEWMARK**