3Q25

I-81/78 Corridor Industrial Market Overview

NEWMARK

Market Observations

Economy

- Unemployment in the I-81/78 Corridor ticked up to 5.0% as of August 2025, 50 basis points higher than the national average. However, total jobs in the region increased by 1.7% for the 12 months ending in August, significantly higher than the national growth rate of 0.9%. Significant gains in the Education & Health and Other Services sectors were the largest driver of regional job growth over this period.
- The industrial-using employment sectors—which employ approximately 36% of the region's workforce—saw net annual growth of 0.7% despite job declines in the Manufacturing and Construction sectors. The region's largest sector, Trade/Transportation/Utilities grew by 1.0% for the 12 months ending in August, leading to overall regional net gains in industrial-using employment. The Education & Health, Other Services and Financial Activities sectors were the leaders for annual employment gains in the Corridor through August.

Major Transactions

- Several notable leases were finalized across the market during the third quarter of 2025. These deals offer promising signs of market resilience, even as overall leasing activity has tapered off since the latter half of last year. The Logistics sector was particularly active in leasing this quarter, with the largest leases spanning the submarkets. Notably, most of the largest deals were new leases or expansions, suggesting potential future growth in the market with tenant's willingness to commit to new long-term leases rather than renewing in place.
- The most significant transaction of the quarter was Ryder's lease of the entire building comprising 1,006,500 square feet at 6101 Archer Drive in Chambersburg.
- Major sales transactions during the third quarter included the sale of 3700-3900 Industrial Road in Harrisburg. The 750,686-square-foot cold storage facility traded as part of a four-property portfolio recapitalization from Fortress Net Lease REIT to Fortress Investment Group for $79.1 million.

Leasing Market Fundamentals

- Quarterly absorption registered 490,481 square feet during the third quarter, counteracting some of the negative absorption registered earlier in the year to bring the region's year-to-date absorption total to negative 863,786 square feet. Much of the negative absorption in 2025 was due to Big Lots bankruptcy, which led to vacating 1,295,000 square feet at 50 Rausch Creek Road during the second quarter. Excluding this one-time event, the region would have positive year-to-date absorption. Despite the impact, this quarter's vacancy rate of 8.1% remains on par with the long-term average.
- Construction starts ticked up in the third quarter of 2025, with nearly 3.9 million square feet of projects breaking ground. Major projects that broke ground this quarter include Panattoni's 1.2-million-square-foot Southern Berks Industrial Park in Lehigh Valley and Phase 1 of Crossroads East Business Park, a 450,000-square-foot Warehouse property in Northeastern PA slated for delivery at the end of 2026.
- Average asking rents grew 2.0% over the past year to average $8.66 per square foot as of the third quarter. The increase was driven primarily by the 3.4 million square feet of new deliveries in 2025, which have a weighted average asking rate of $11.65 per square foot, reflecting the heightened demand for new high-quality space within the market.

Outlook

- Class A warehouse leasing activity dipped slightly this quarter in response to lower-than-average overall leasing activity. Since 2019, Class A warehouse leasing has captured 58.6% of the quarterly total leasing activity on average. Despite this period of below-average activity, the Class A share of total leasing has increased each quarter since the beginning of 2025, underscoring tenant demand for high-quality warehouse space. 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. Tenant demand remains robust, with nearly six million square feet of active user requirements seeking space in the Corridor and 37% of requirements representing tenants growing or new entrants to the region.
- Since the start of 2025, 3.4 million square feet of new industrial space has been delivered. Although 3.9 million square feet of projects broke ground this quarter, approximately 44% 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.

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

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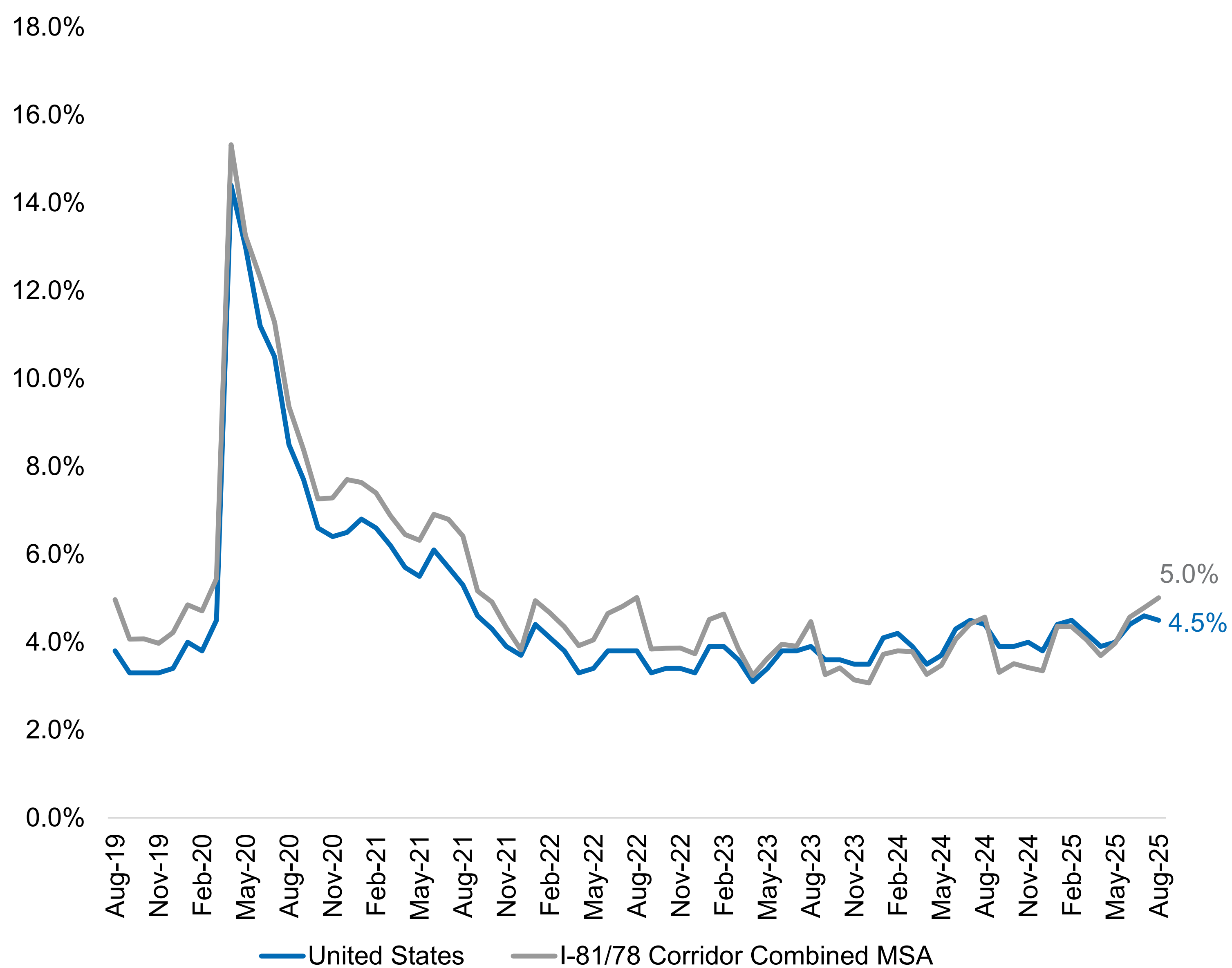
Economy

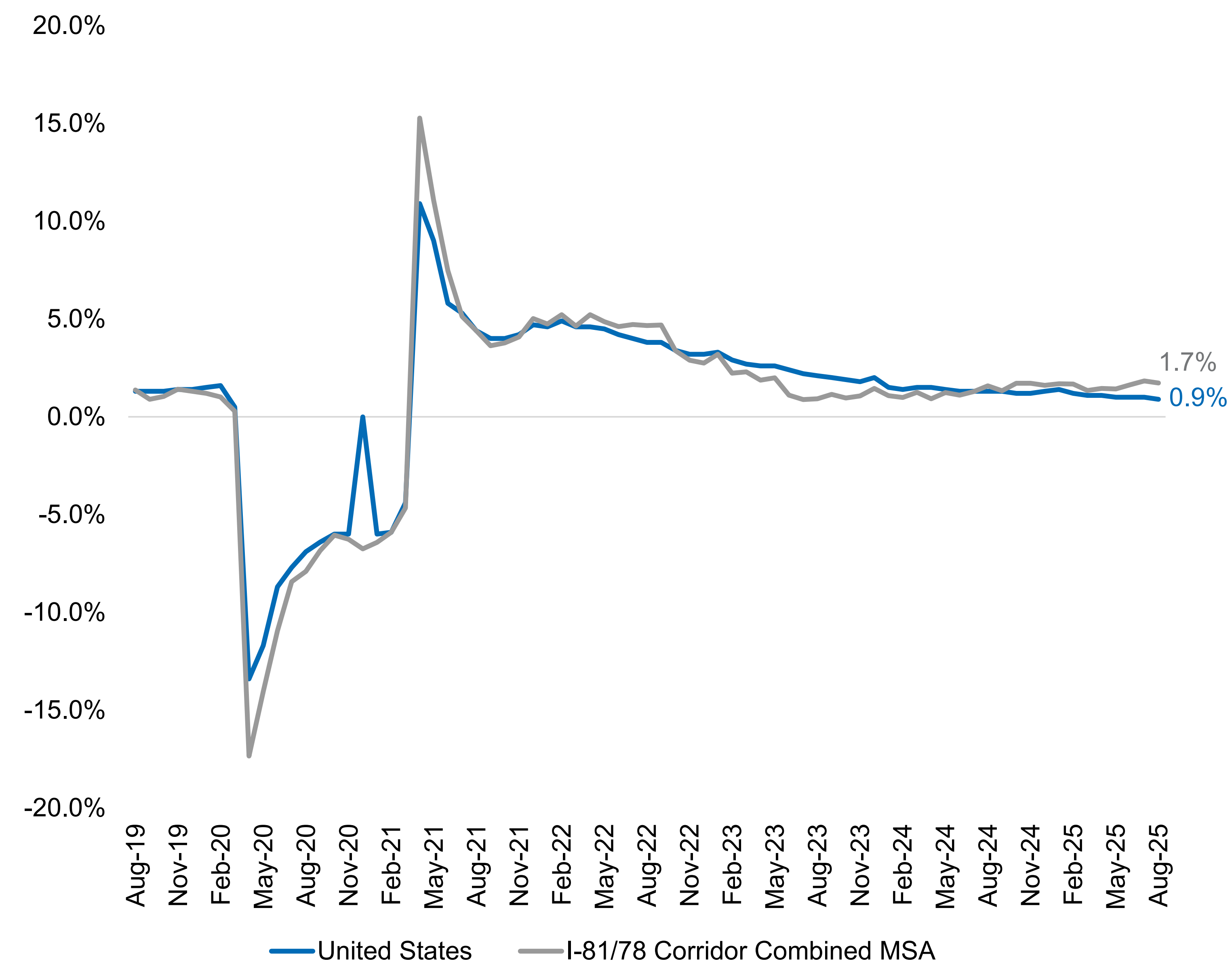
Regional Employment Growth Outpaces National Average

Unemployment in the I-81/78 Corridor ticked up to 5.0% as of August 2025, 50 basis points higher than the national average. However, total jobs in the region increased by 1.7% for the 12 months ending in August, significantly higher than the national growth rate of 0.9%. Significant gains in the Education & Health and Other Services sectors were the largest driver of regional job growth over this period

Unemployment Rate, Non-Seasonally Adjusted



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

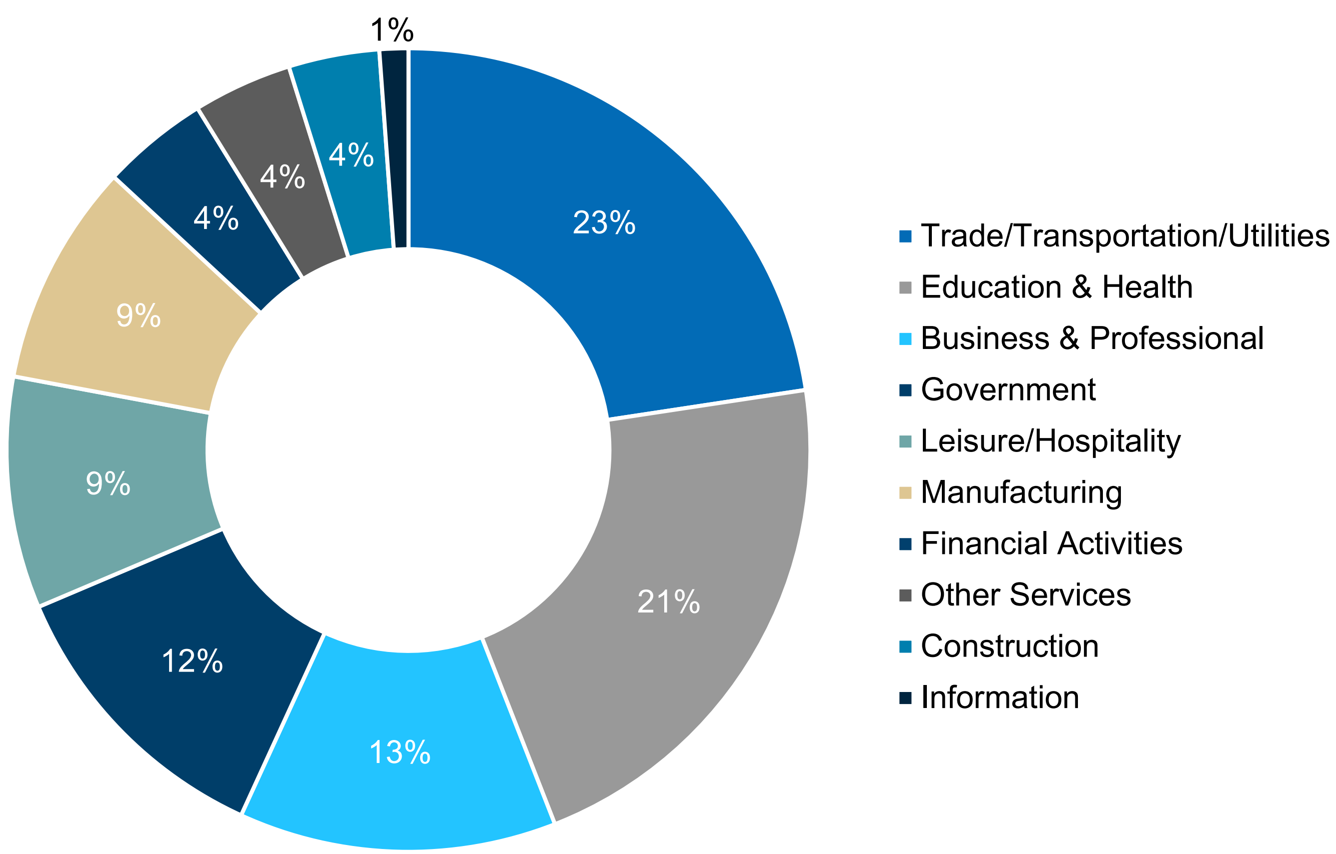


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

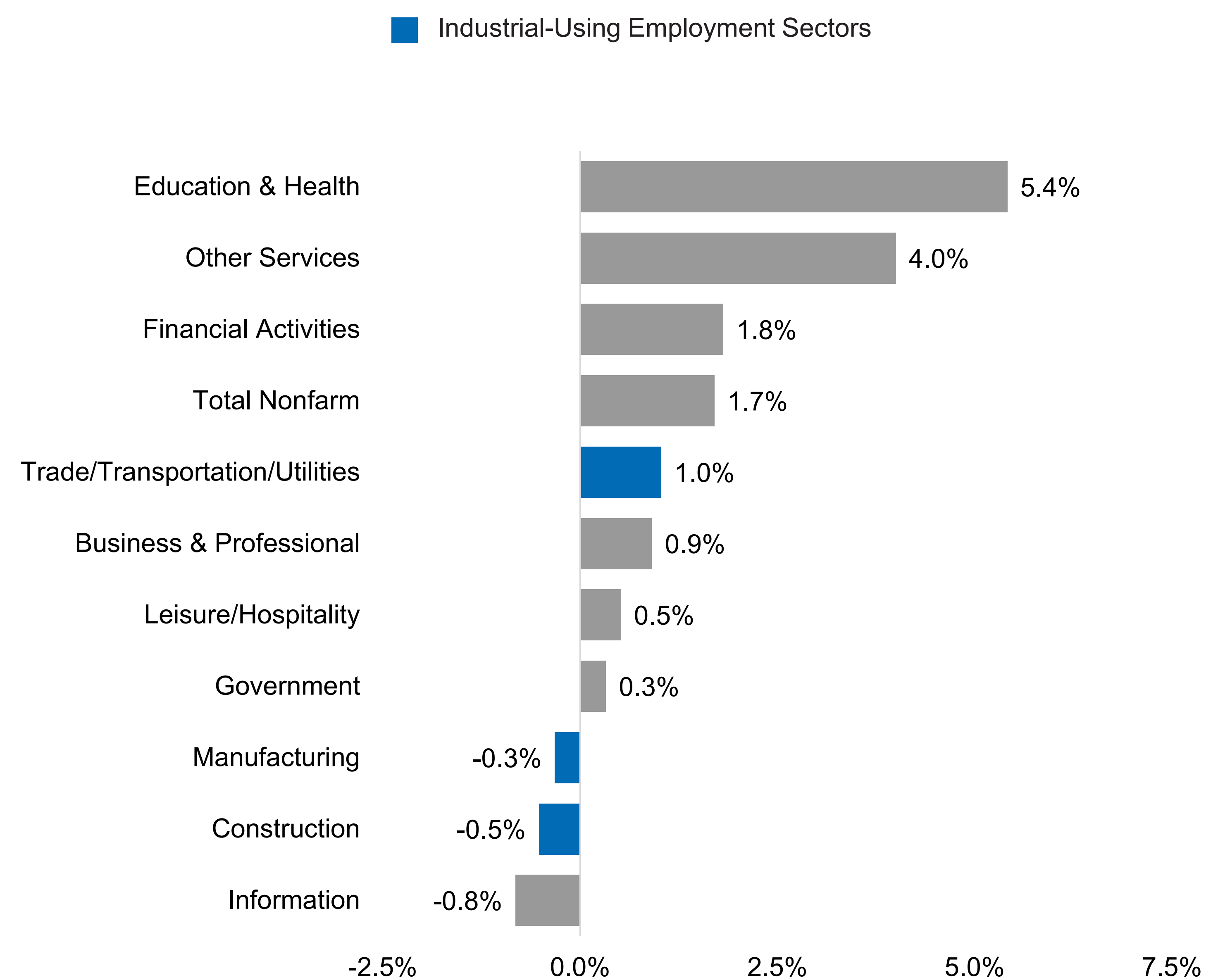
Trade, Transportation & Utilities Drives Net Growth in Industrial-Using Employment

The industrial-using employment sectors—which employ approximately 36% of the region's workforce—saw net annual growth of 0.7% despite job declines in the Manufacturing and Construction sectors. The region's largest sector, Trade/Transportation/Utilities grew by 1.0% for the 12 months ending in August, leading to overall regional net gains in industrial-using employment. The Education & Health, Other Services and Financial Activities sectors were the leaders for annual employment gains in the Corridor through August.

Employment by Industry, August 2025



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

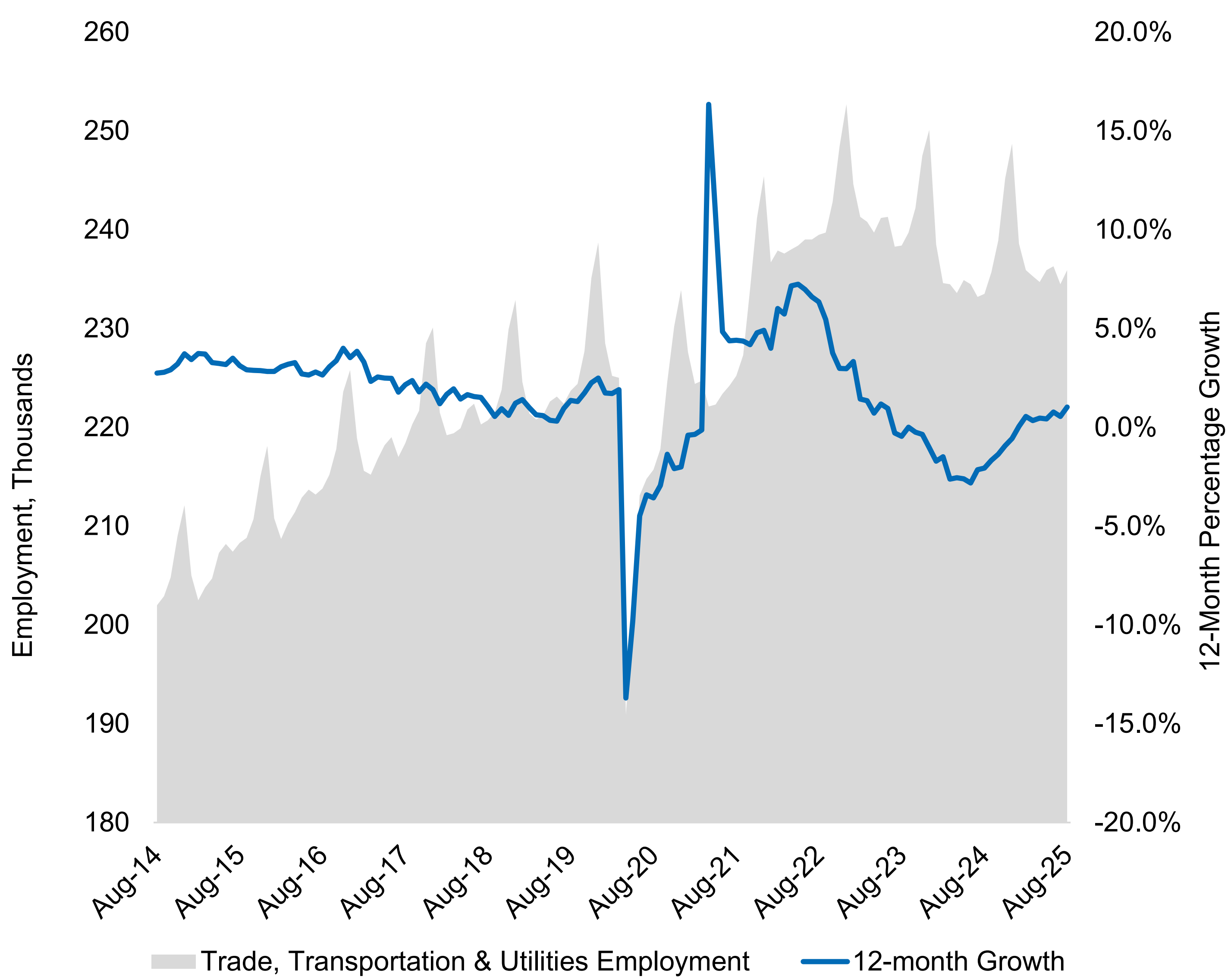


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

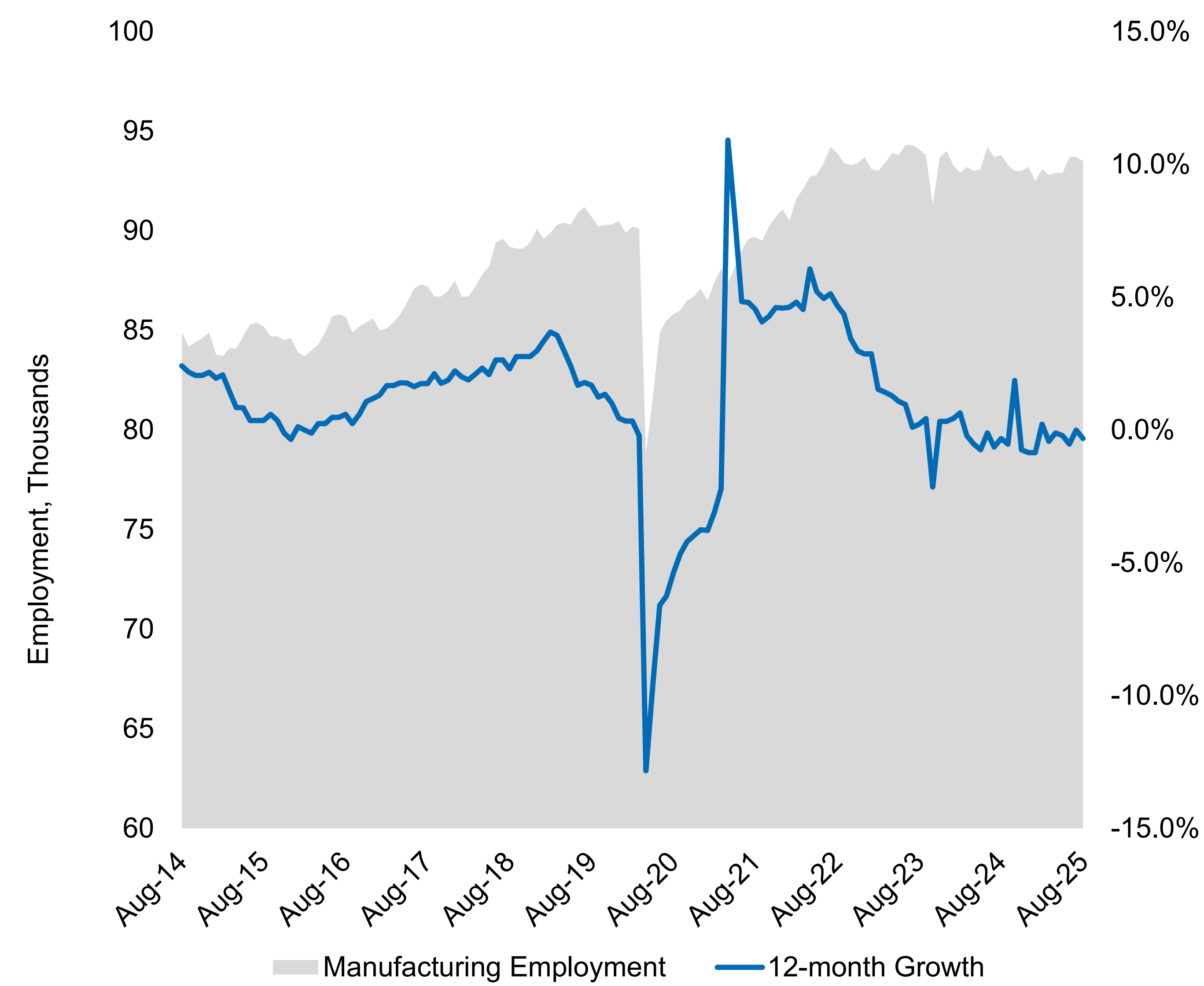
Region's Largest Job Sector Has Grown Every Month Of 2025

The Trade, Transportation & Utilities sector has continued its year-over-year growth every month since the start of 2025. The sector grew by 1.0% for the 12 months ending in August. The Manufacturing sector saw a slight decline of 0.3% over this period. The Trade, Transportation & Utilities sector is the region's largest, comprising 23% of regional employment. Continued growth in this sector is a promising sign for steady demand for space in the Corridor industrial market.

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

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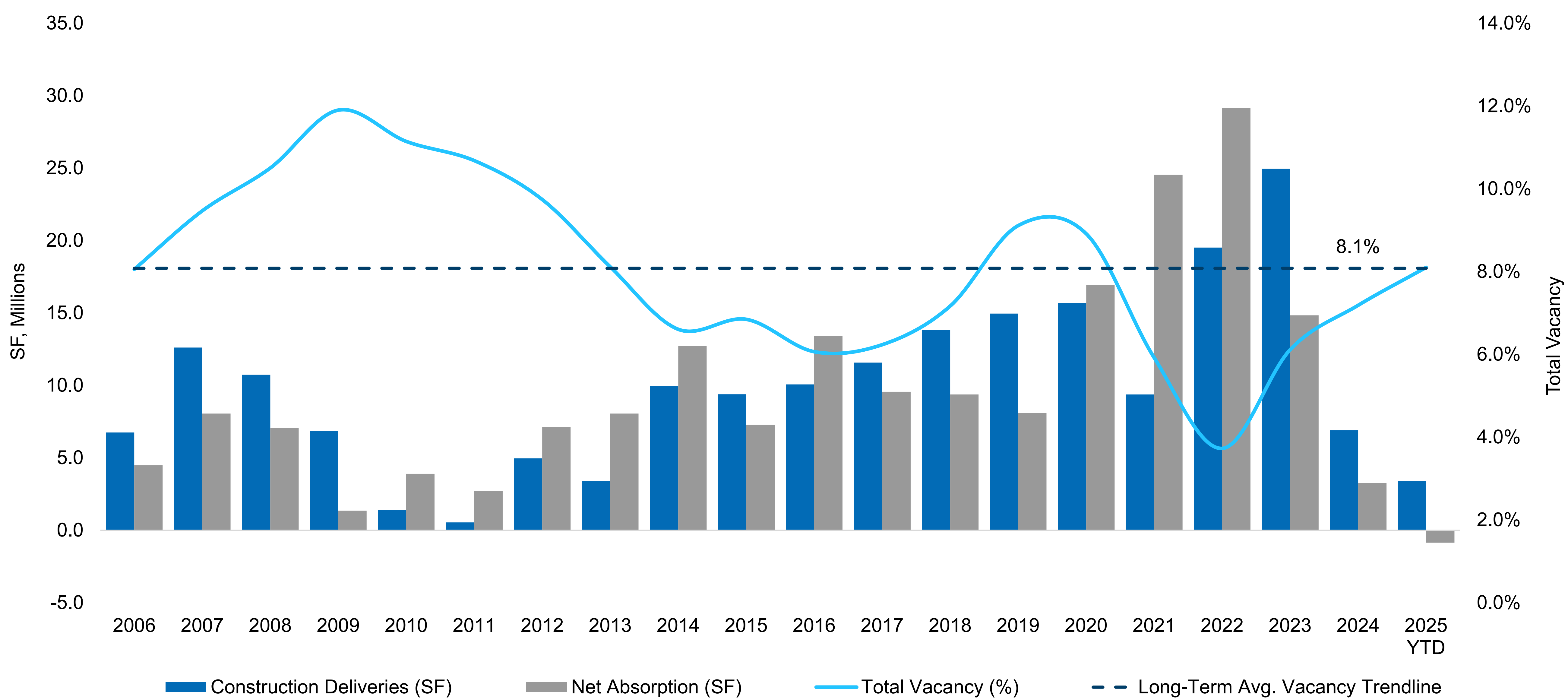
Leasing Market Fundamentals

Negative Absorption Driven By One Occupier's Bankruptcy

Quarterly absorption registered 490,481 square feet during the third quarter, counteracting some of the negative absorption registered earlier in the year to bring the region's year-to-date absorption total to negative 863,786 square feet. Much of the negative absorption in 2025 was due to Big Lots bankruptcy, which led to vacating 1,295,000 square feet at 50 Rausch Creek Road in Tremont during the second quarter. Excluding this one-time event, the region would have positive year-to-date absorption. Despite the impact, this quarter's vacancy rate of 8.1% remains on par with the long-term average.

Historical Construction Deliveries, Net Absorption, and Vacancy

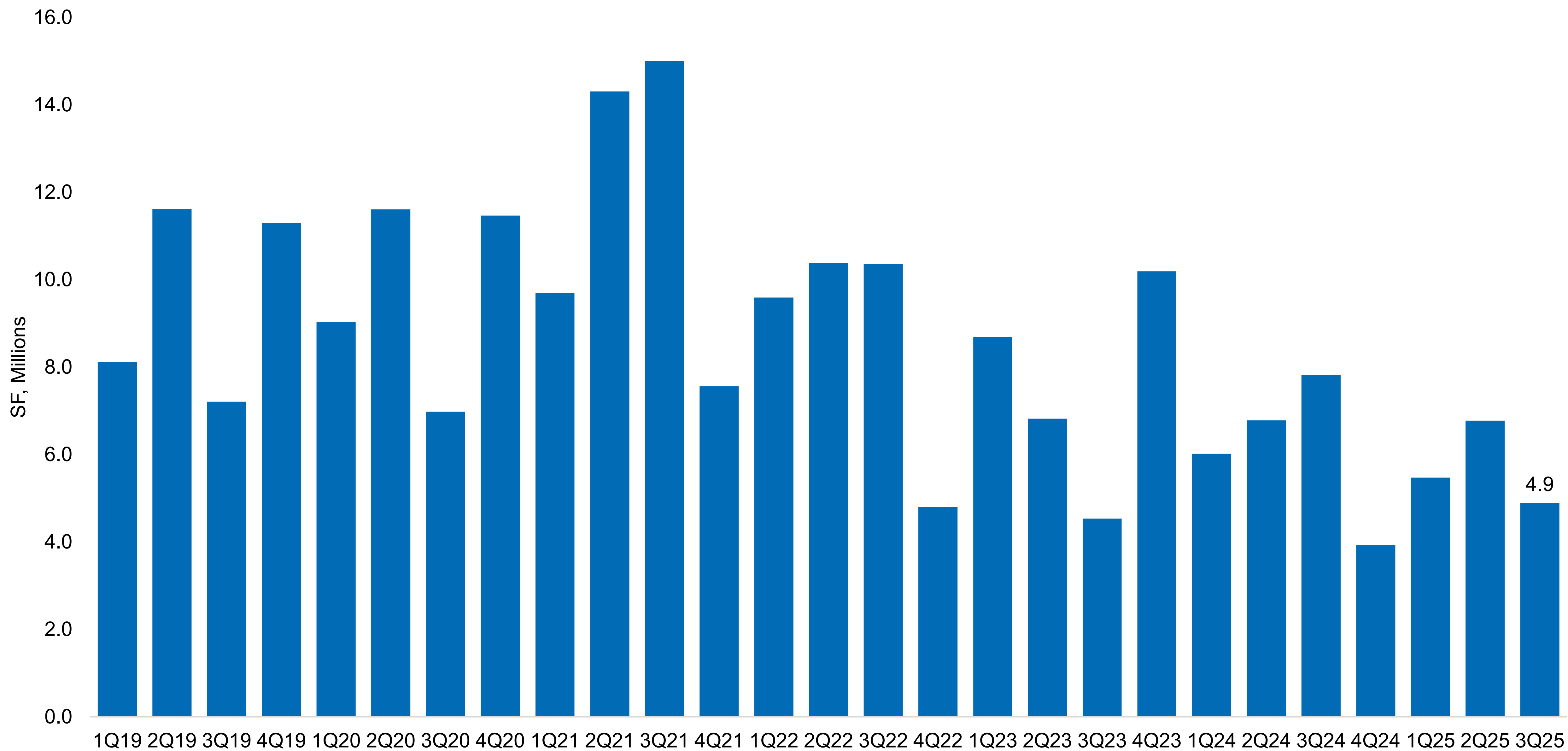


Source: Newmark Research

Leasing Activity Dips Slightly From Prior Quarter

After rising for the past two quarters, leasing activity dipped slightly in the third quarter of 2025, with approximately 4.9 million square feet of leasing volume, a 27.7% decline from the prior quarter. 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)

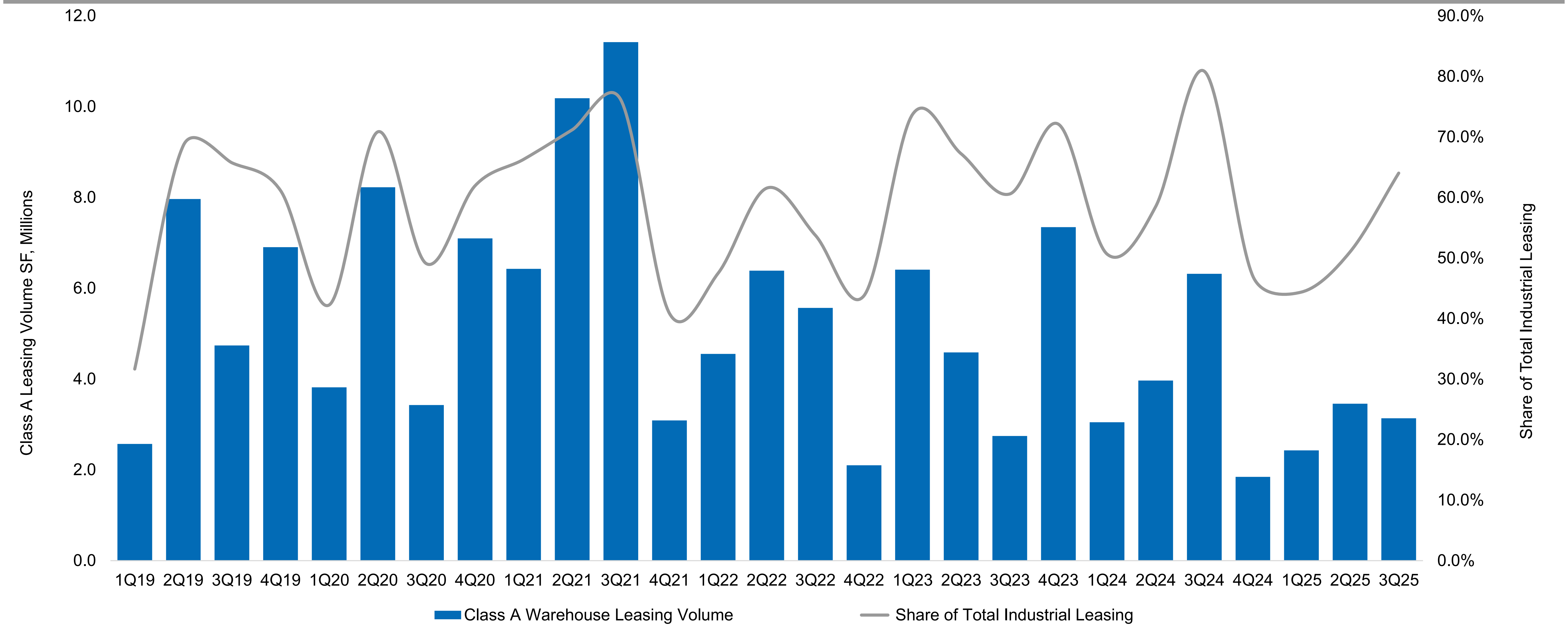


Source: Newmark Research, CoStar

Class A Warehouse Captures Increasing Share of Total Leasing Volume

Class A warehouse leasing activity dipped slightly this quarter in response to lower-than-average overall leasing activity. Since 2019, Class A warehouse leasing has captured 58.6% of the quarterly total leasing activity on average. Despite this period of below-average activity, the Class A share of total leasing has increased each quarter since the beginning of 2025, underscoring tenant demand for high-quality warehouse space. 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. Tenant demand remains robust, with nearly 6 million square feet of active user requirements seeking space in the Corridor and 37% of requirements representing tenants growing or new entrants to the region.

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

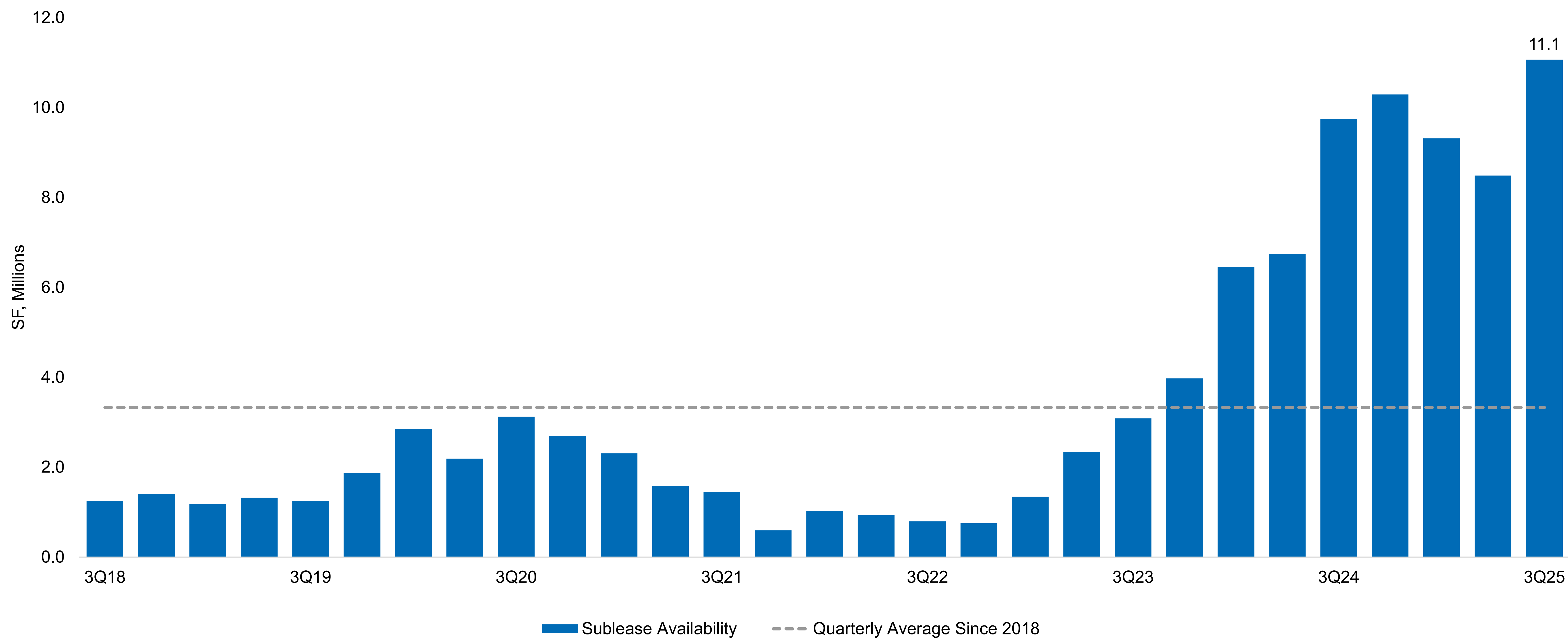


Source: Newmark Research

Industrial Sublease Availability Reaches All Time High

The third quarter of 2025 saw a 13.5% annual increase in sublease availabilities, with the 11.1 million square feet of available sublease space during the third quarter the highest on record. Since the beginning of 2020, sublease availabilities have increased by an average of 88.4% annually, primarily driven by a swift uptick in sublease availabilities starting in 2023.

Available Industrial Sublease Volume (MSF)



Source: Newmark Research, CoStar

Notable Sublease Blocks

225 Cross Farm Lane– York

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

UNFI BETTER FOOD. BETTER FUTURE.

Built 2007
32’ Clear Height

2771 N Market Street– Elizabethtown

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

boohoo group plc

Built 2022
40’ Clear Height

41 Martha Drive – Bethel

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

SAMSUNG

Built 2014
36’ Clear Height

861 Nestle Way- Breinigsville

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

THE HOME DEPOT

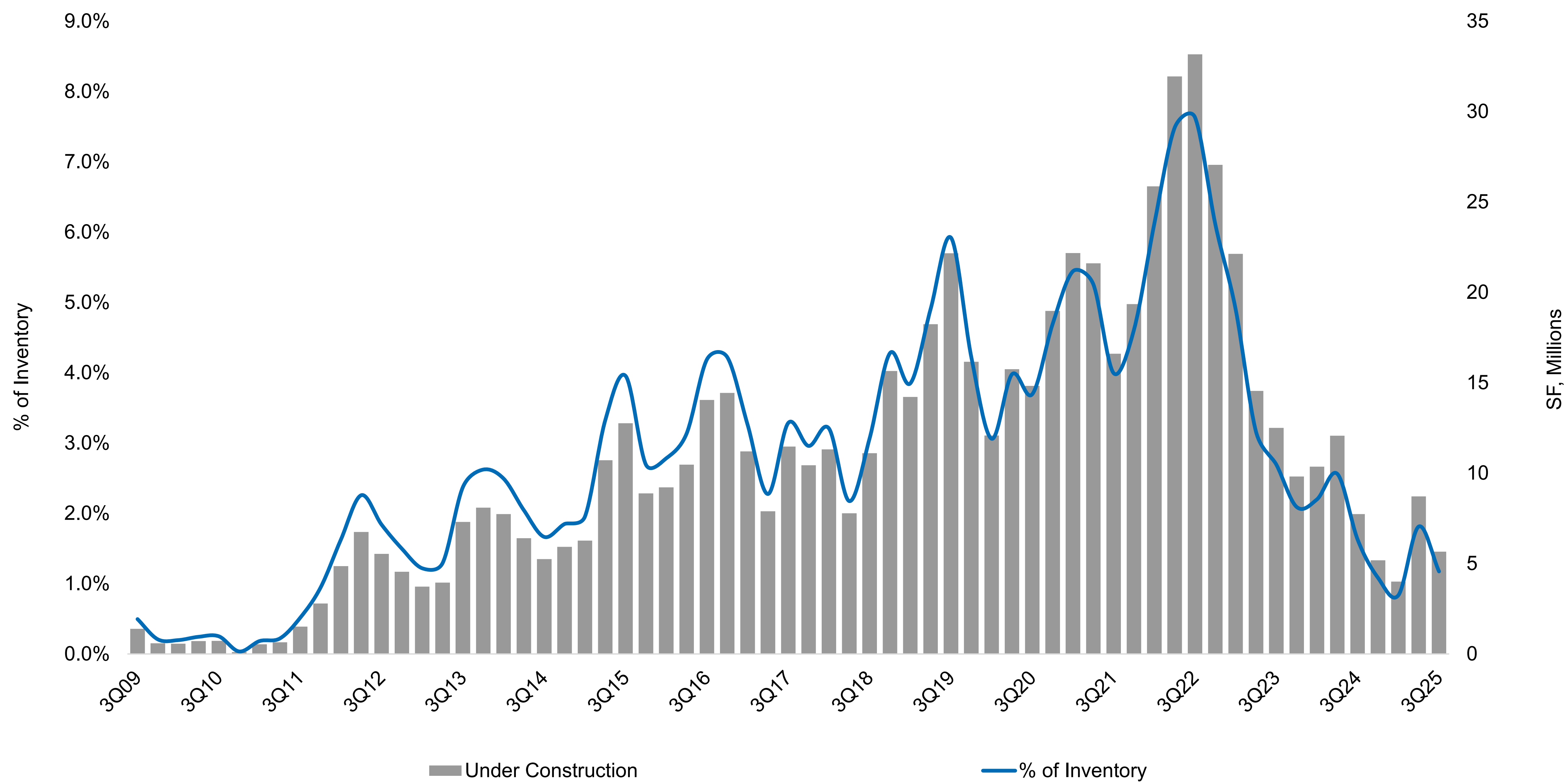
Built 2000
33’ Clear Height

Source: Newmark Research, CoStar

Construction Pipeline Continues to Taper

Since the start of 2025, 3.4 million square feet of new industrial space has been delivered. Although 3.9 million square feet of projects broke ground this quarter, approximately 44% 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

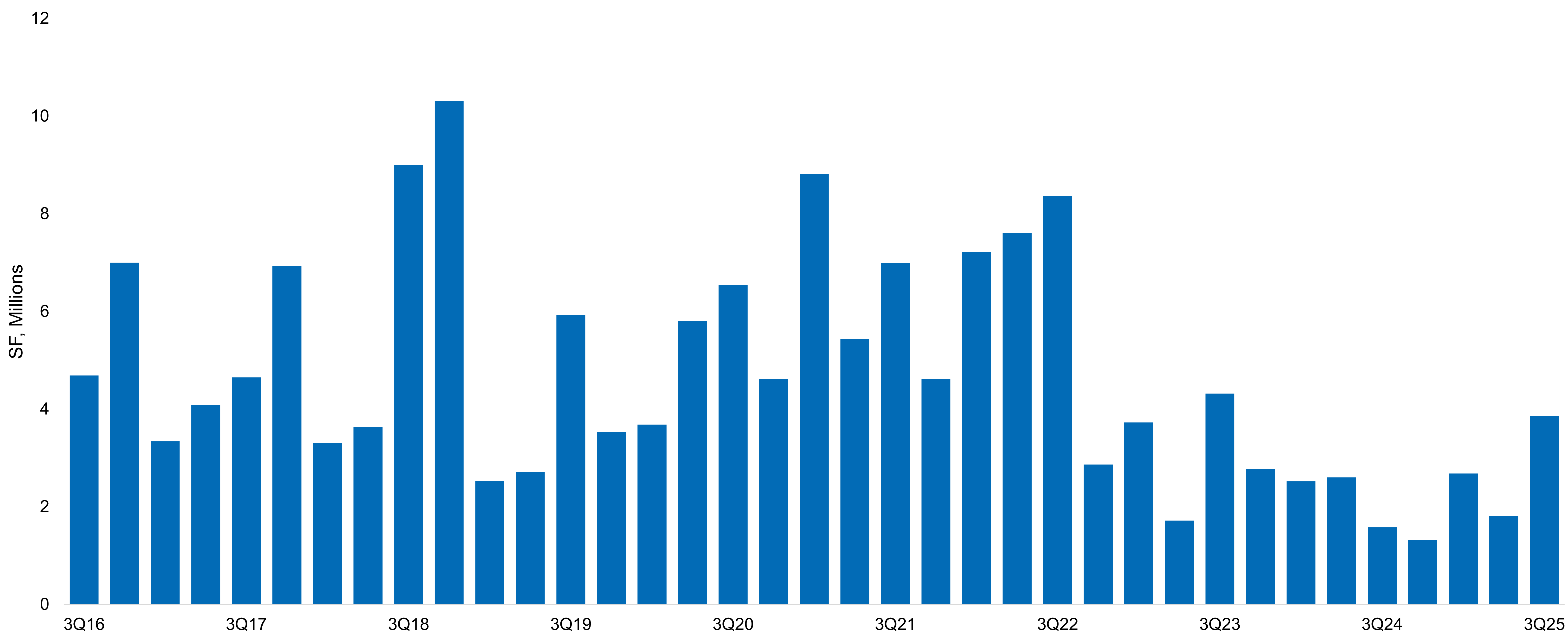


Source: Newmark Research, CoStar

3.9 MSF Of New Supply Broke Ground This Quarter

Construction starts ticked up in the third quarter of 2025, with nearly 3.9 million square feet of projects breaking ground. Major projects that broke ground this quarter include Panattoni's 1.2-million-square-foot Southern Berks Industrial Park in Lehigh Valley and Phase 1 of Crossroads East Business Park, a 450,000-square-foot Warehouse property in Northeastern PA slated for delivery at the end of 2026.

Construction Starts per Quarter (SF)



Source: CoStar

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

Some of the largest groundbreakings this year include Prologis' 1.1 million-square-foot development of 7600 Linglestown Road in Harrisburg and Matrix Development Group's 900,000-square-foot 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

Matrix Development Group – 7000 United Dr, Shippensburg, PA

900,000 SF

40' Clear Height

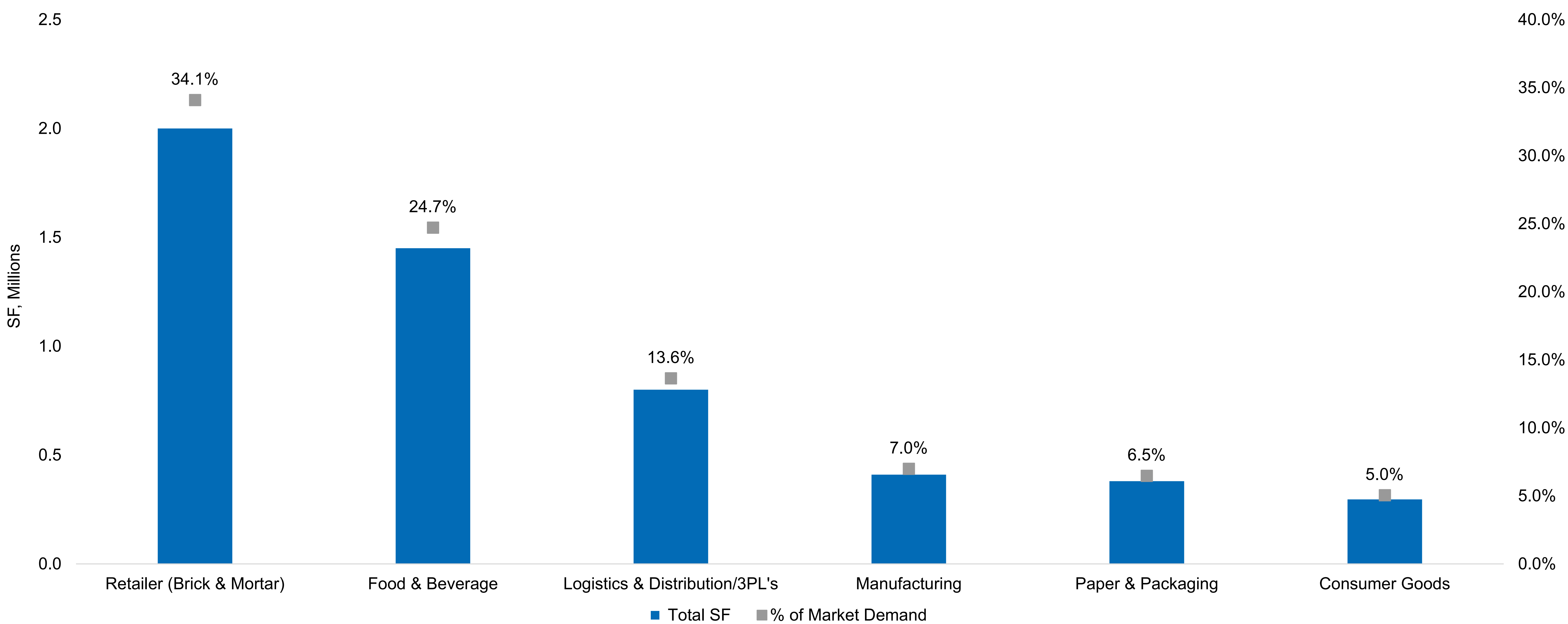
0% Pre-leased

Source: Newmark Research, Costar

Brick & Mortar Retailers Lead User Demand in the Corridor

Brick and Mortar Retailers lead demand for industrial space in the Corridor, with 34.1% of active demand. Food & Beverage is the second-most active user type in the Corridor's industrial market, with 24.7% of current demand.

Top Active Industries by User Demand, Square Feet

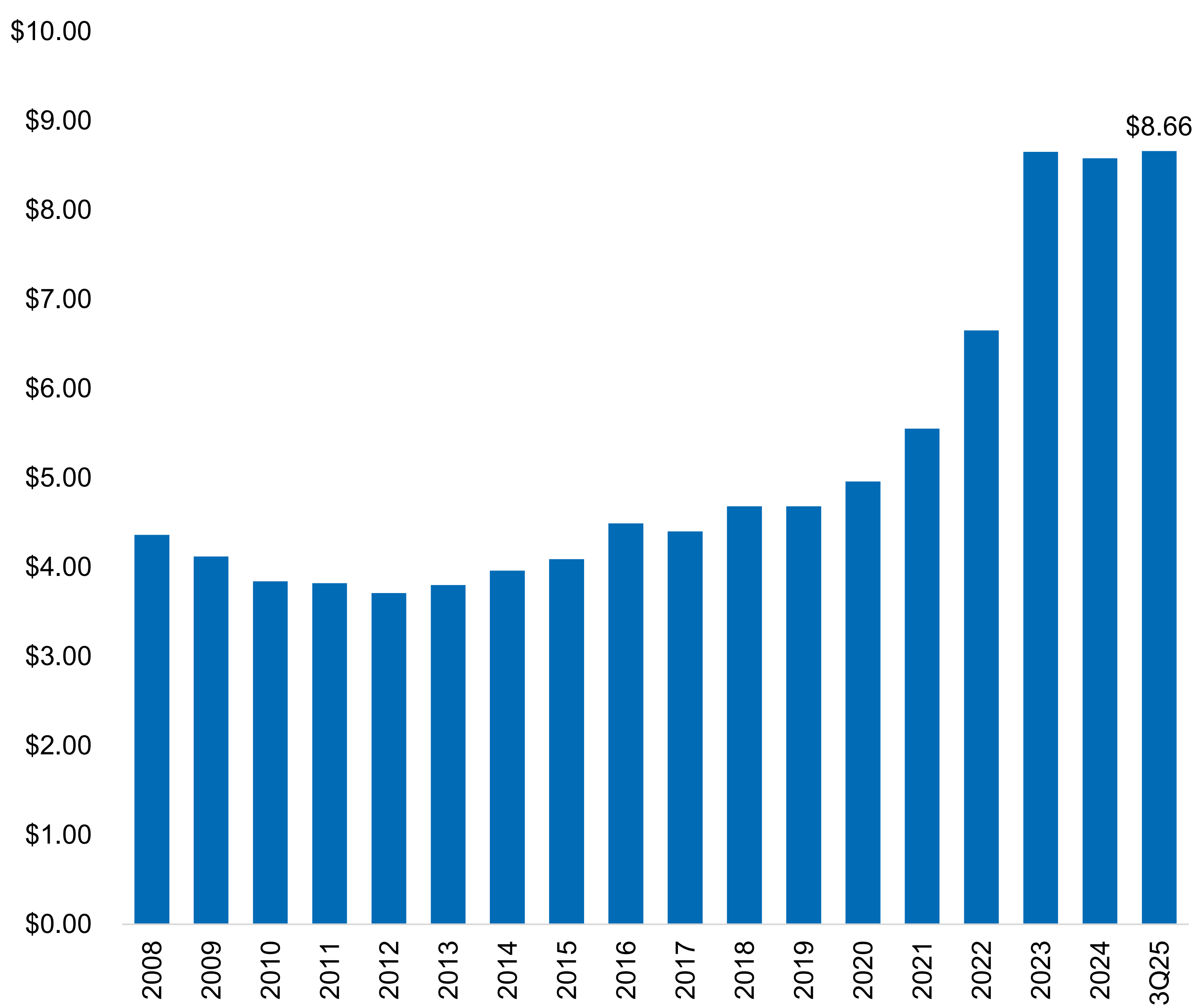


Source: Newmark Research

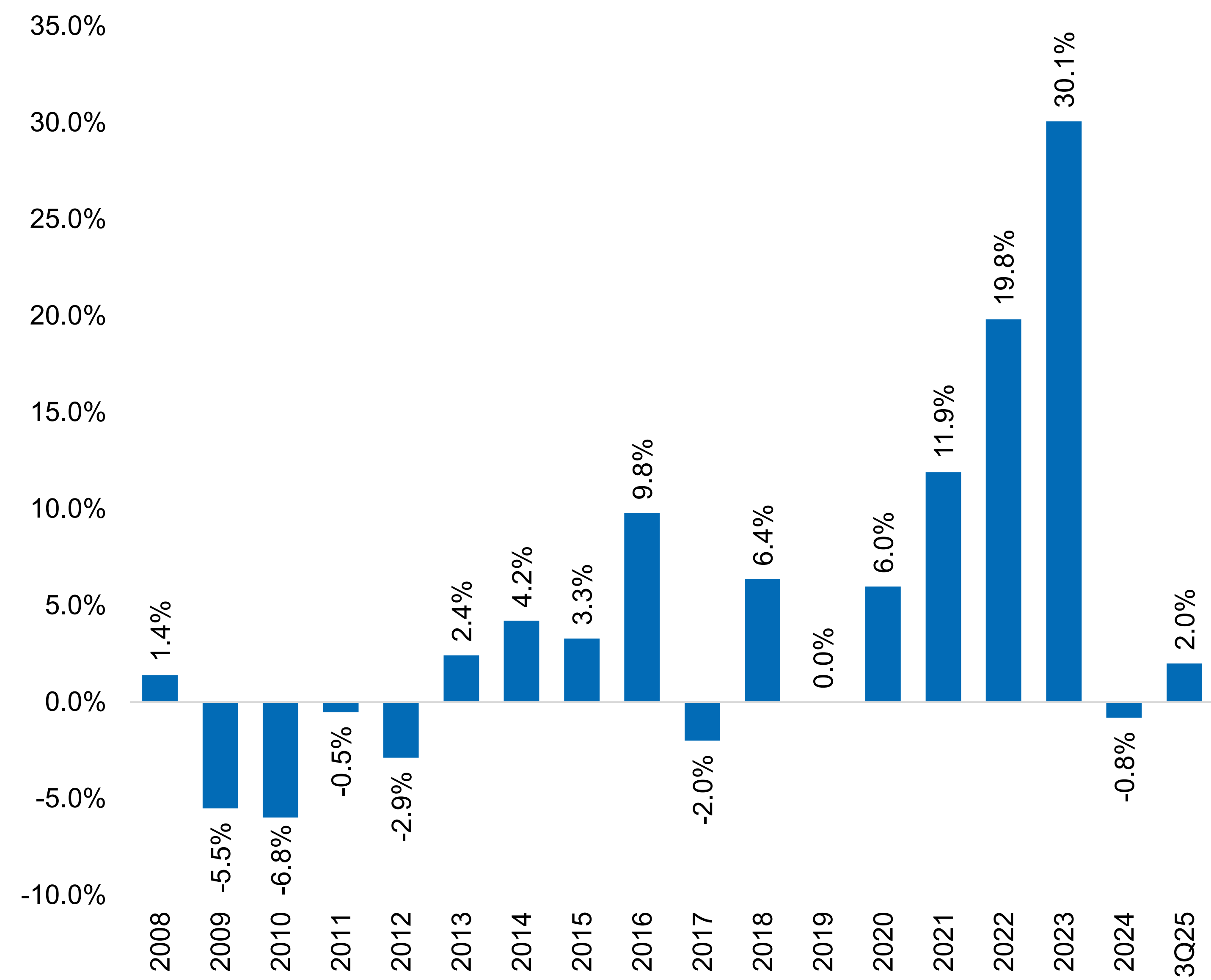
Rents Remain Stable Since 2023

Average asking rents grew 2.0% over the past year to average $8.66 per square foot as of the third quarter. The increase was driven primarily by the 3.4 million square feet of new deliveries in 2025, which have a weighted average asking rate of $11.65 per square foot, reflecting the heightened demand for new high-quality space within the market.

Industrial Direct Average Asking Rent, $/SF



Year-over-Year Direct Asking Rent % Change



Source: Newmark Research, CoStar

Please reach out to your
Newmark business contact for this information

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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)	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	216,953,092	2,483,723	7.6%	598,671	613,869	158,760	1,622,162	$7.72	$8.34
Lehigh Valley	164,008,834	1,854,076	9.2%	(1,511,464)	(1,949,246)	90,100	175,009	$10.27	$10.72
Northeastern PA	100,795,558	1,317,147	7.4%	1,403,274	471,591	0	1,614,902	$6.89	$7.82
I-81/78 Market	**481,757,484**	**5,654,946**	**8.1%**	**490,481**	**(863,786)**	**248,860**	**3,412,073**	**$8.66**	**$9.41**

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	125,997,467	4,162,525	4.8%	1,460,484	2,141,470	90,100	2,815,904	$7.41	$8.25
R&D/Flex	13,938,003	0	3.4%	59,691	234,459	0	0	$9.87	-
Warehouse/Distribution	341,822,014	1,492,421	9.5%	(1,029,694)	(3,239,715)	158,760	596,169	$8.83	$9.42
I-81/78 Market	**481,757,484**	**5,654,946**	**8.1%**	**490,481**	**(863,786)**	**248,860**	**3,412,073**	**$8.66**	**$9.41**

Source: Newmark Research

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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.

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