
4Q24

Greater Philadelphia Industrial Market Overview

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Market Observations

Economy

- The Greater Philadelphia economy experienced a modest rise in unemployment for the 12 months ending in November. However, its unemployment rate remains 50 basis points below the national rate. In November, annual nonfarm payroll employment rose by 120 basis points, marking a continuous monthly increase since April 2021. The largest industry in the Greater Philadelphia area, Education and Health Services, continues to be the main driver of employment expansion.
- In November 2024, annual industrial-using employment expanded by 9 basis points, bringing the total to approximately 865,500 - a growth of 800 jobs compared to the previous year.

Major Transactions

- In the fourth quarter, the largest leases were distributed across the Greater Philadelphia market. While the average transaction size was 35,244 square feet, several substantial deals stood out. Notably, First State Crossing at 4500 Philadelphia Pike secured a lease for 275,000 square feet, Valassis Direct Mail, Inc. at 300 McIntire Drive signed for 208,656 square feet, and Performance Food Group at 1109 Commerce Boulevard executed a lease for 150,309 square feet.
- Industrial leasing activity declined in the fourth quarter, and the size of spaces leased continues to trend downward. Class A product captured 66.8% of industrial leasing volume in the Greater Philadelphia region through 2024, buoyed by some of the largest leases year-to-date.
- In the fourth quarter, significant projects that broke ground include the development at 1600 Delp Drive in Montgomery County, set to encompass 266,880 square feet, and the project at 1240 Strickler Road, which will span 249,706 square feet.

Leasing Market Fundamentals

- Industrial construction deliveries have declined significantly, with approximately 6.4M square feet delivered through 2024. The fourth quarter saw the delivery of 883,995 square feet of new supply, significantly below the quarterly average of 3.3 million square feet over the past eight quarters. This reduction aligns well with the current slowdown in demand for new bulk facilities. Year-to-date, the market has absorbed a total of 6.1 million square feet.
- Between the third and fourth quarters, available sublease space expanded to 3.2 million square feet. Southern New Jersey alone accounts for 1.4 million square feet of this total, representing 44.3% of the market's sublease availability, even though it comprises just 39.6% of the region's overall available inventory.
- By the end of 2024, the annual average asking rent had declined by 2.1%, a shift following five years of unprecedented rent growth. During this period of rapid rent increases, over 59 million square feet of industrial space was delivered, representing approximately 11% of the market's total inventory. This substantial influx of supply within a short timeframe contributed to the moderation of rents in 2024, as the supply effectively met the robust demand seen in recent years.

Outlook

- Despite an overall decline in rents, Class A rents continue to rise, increasing by 230 basis points from 2023 to 2024. This trend reflects occupiers' preference for Class A properties, which offer features like higher ceiling heights, larger floor plates, and dock-high loading doors. Consequently, asking rates for these properties are expected to remain elevated compared to the rest of the market.
- Construction starts rose 759,640 square feet, reaching a total of 1.9 million square feet. However, this figure remains below the eight-quarter average of 2.5 million square feet. While construction starts are lower than in previous quarters, this trend is likely beneficial for the market, as it gives demand an opportunity to catch up with the substantial supply deliveries of recent years.

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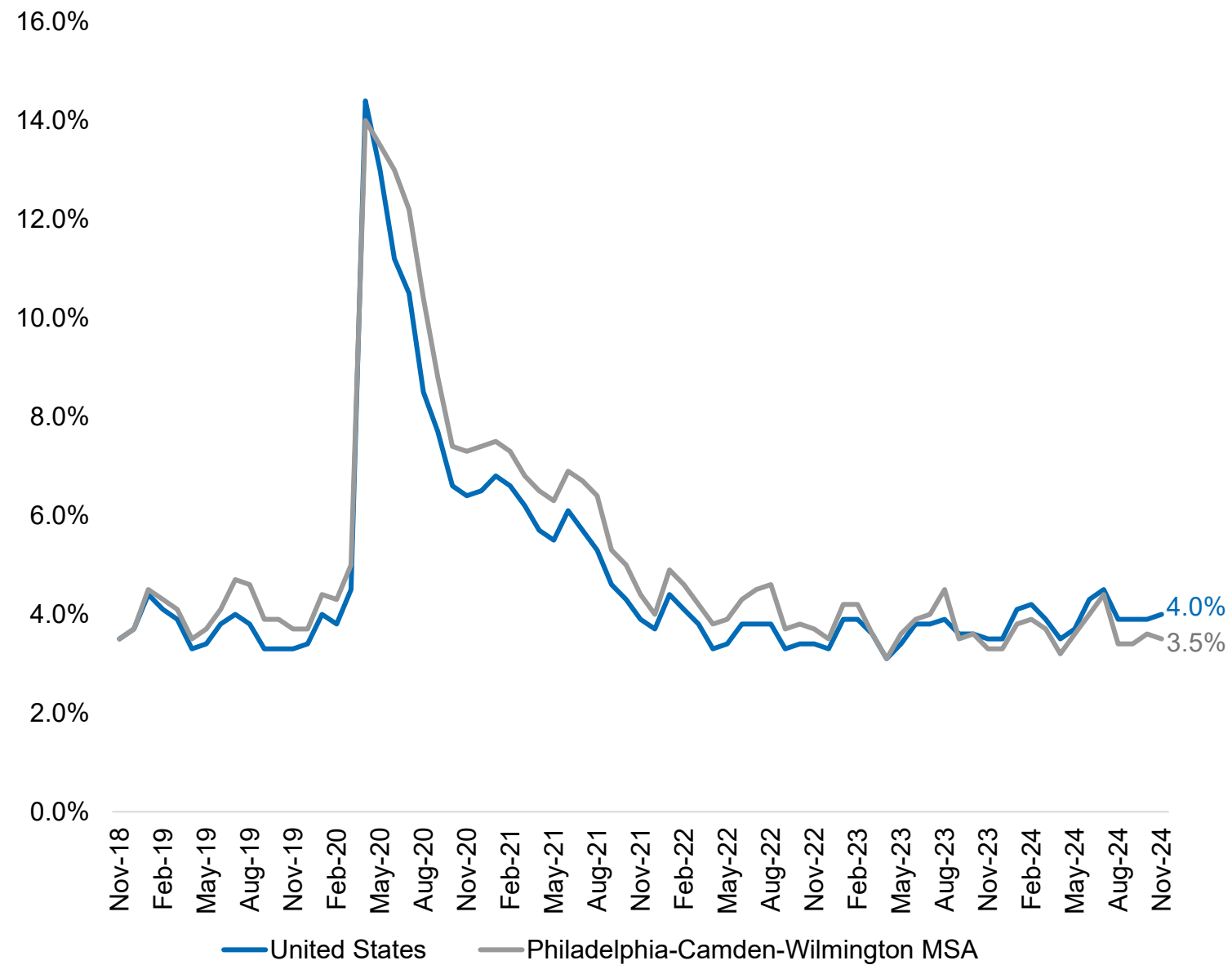
Economy



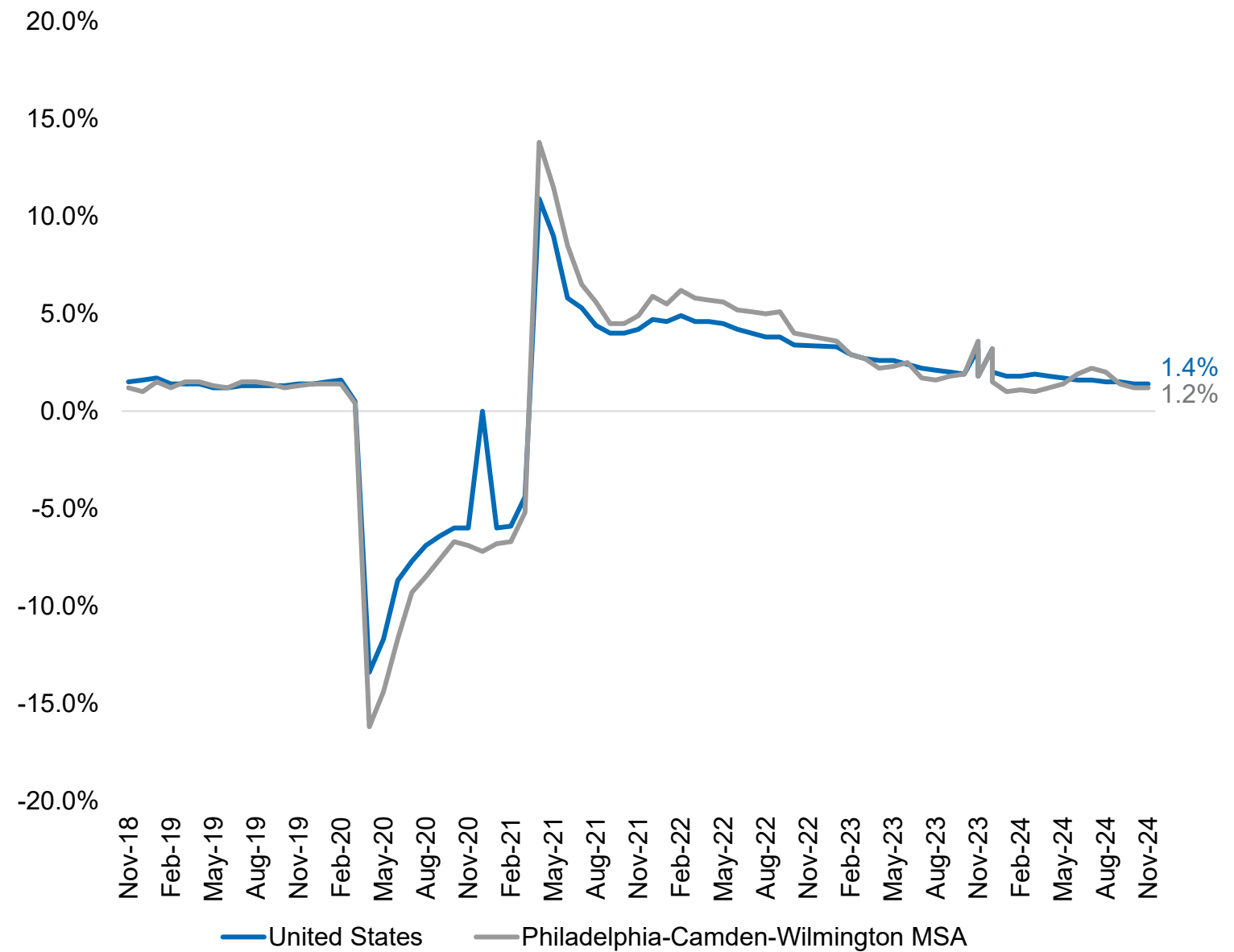
Philadelphia's Annual Employment Continues To Be Positive

Unemployment in Greater Philadelphia registered 3.5% as of November 2024, 50 basis points above the national rate. For the 12 months ending in November, annual employment growth for the region increased by 120 basis points, fueled by significant gains in the Education & Health and Construction sectors.

Unemployment Rate, Non-Seasonally Adjusted



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

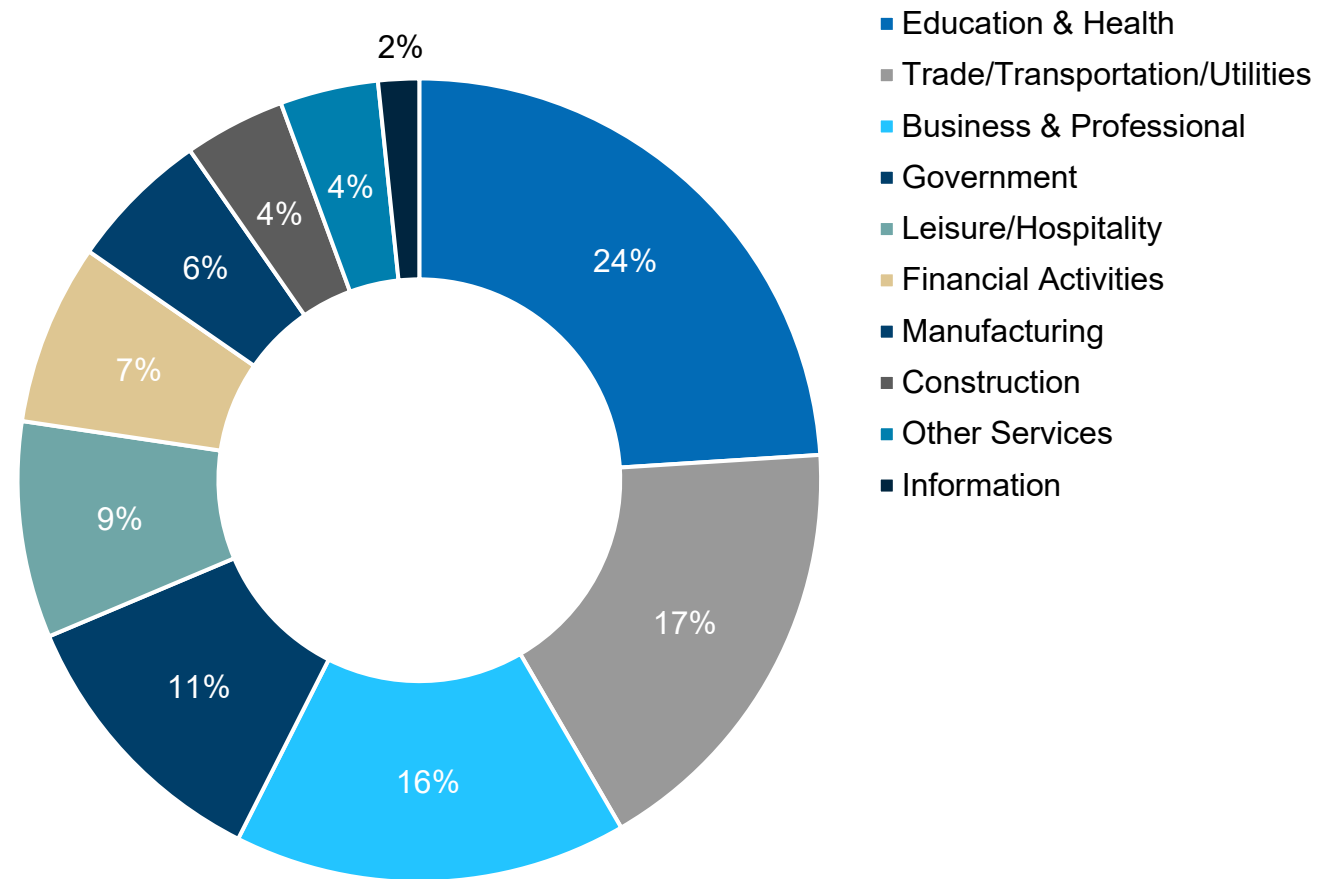


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

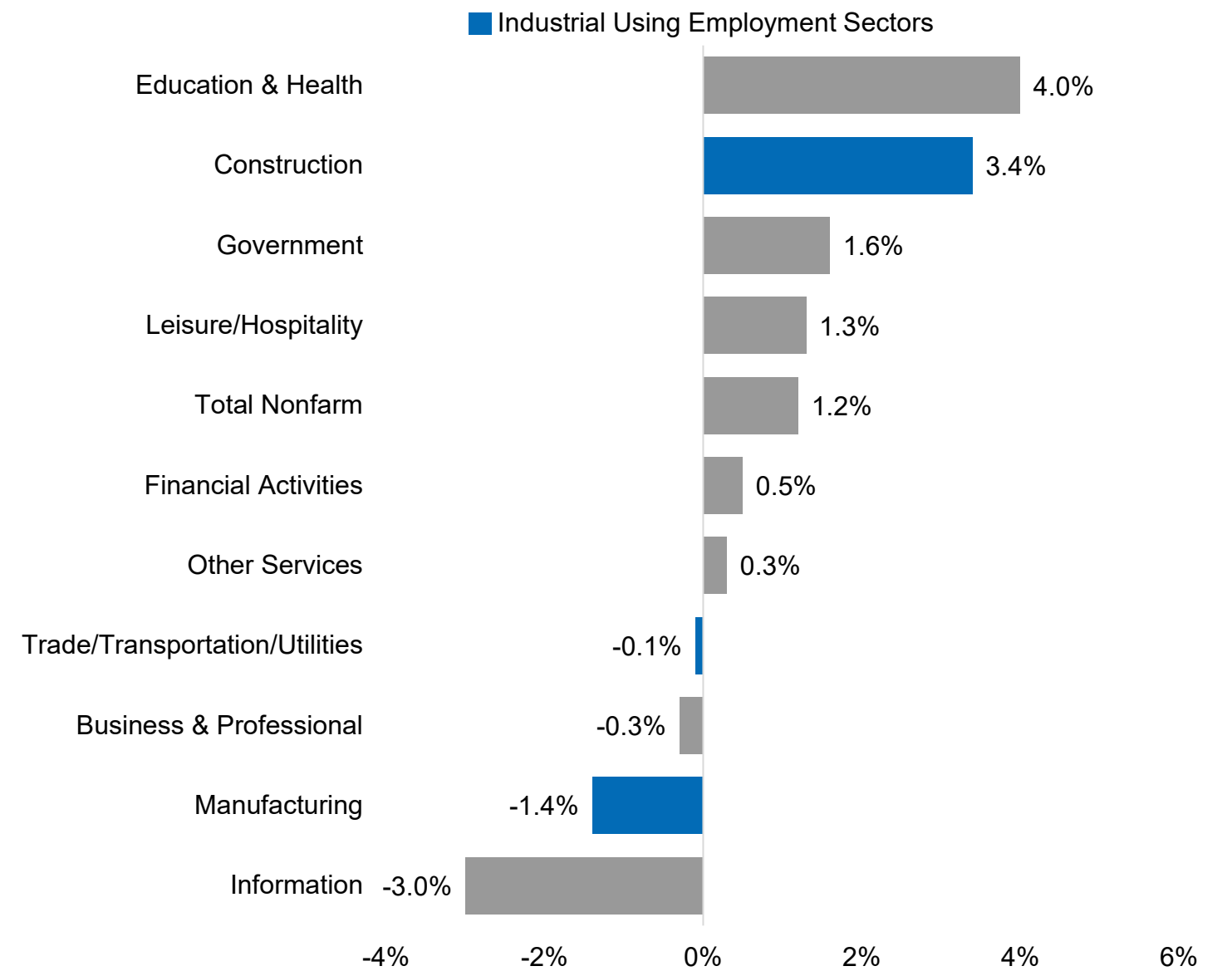
Region Sees Strongest Job Gains In Non-Industrial-Using Sectors

As of November 2024, total employment in Greater Philadelphia grew by 120 basis points annually; however, the greatest gains were in Education & Health, Construction, and Government sectors. Notably, the industrial-using Construction sector exhibited growth of 340 basis points this period, while Trade/Transportation/Utilities and Manufacturing decreased by 10 and 140 basis points, respectively.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

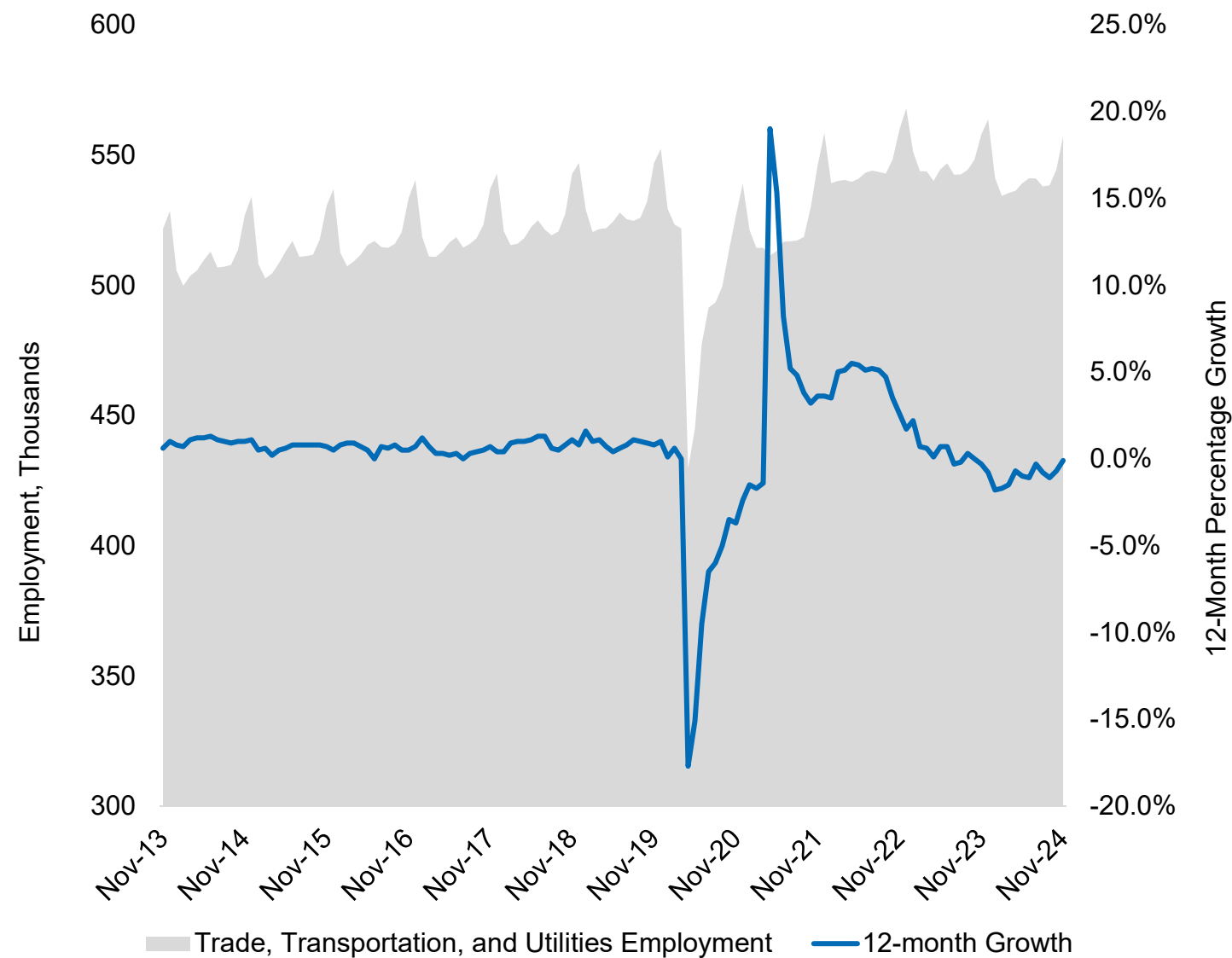


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

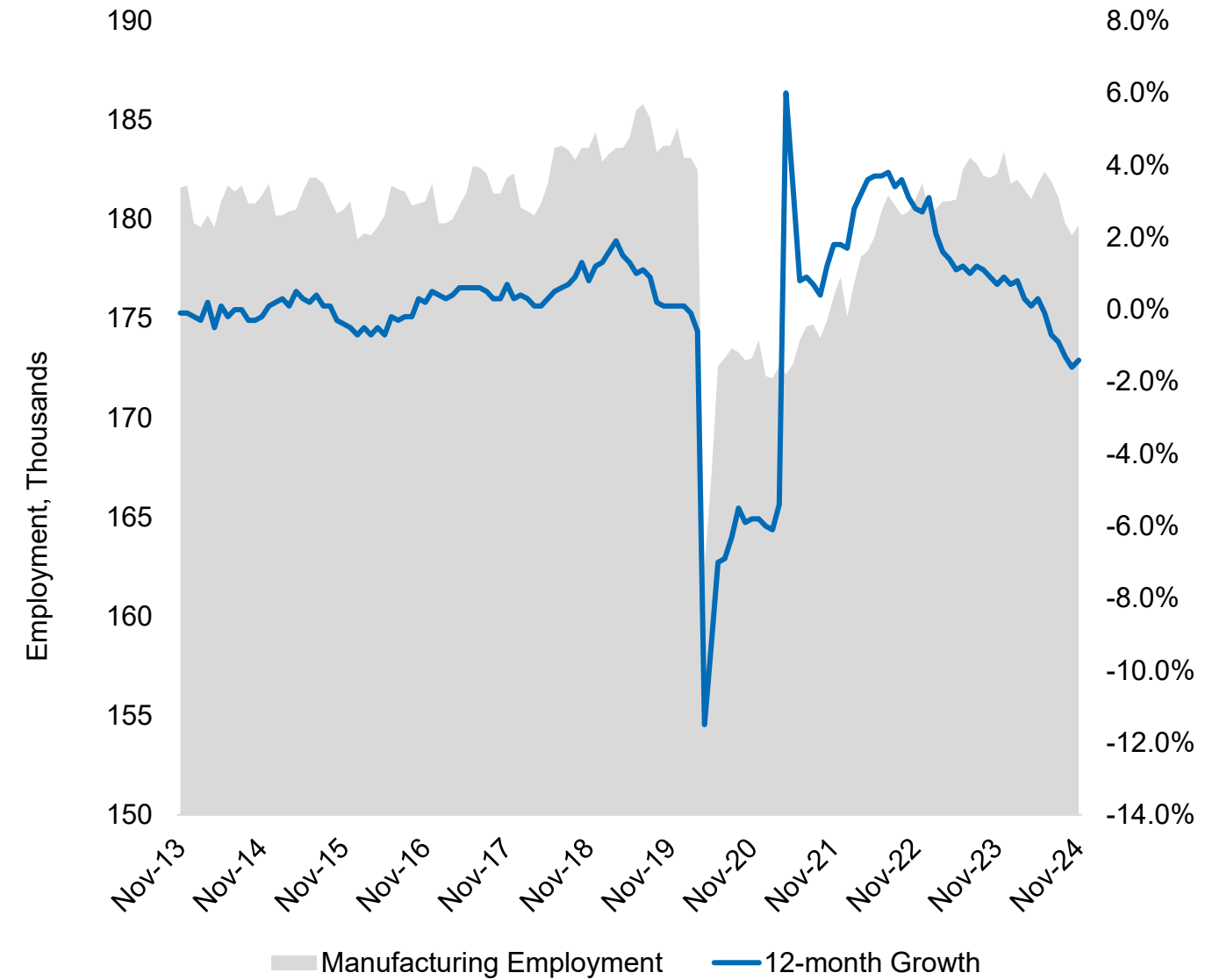
Trade, Transportation & Utilities And Manufacturing Experience Job Losses

The Trade, Transportation, & Utilities industry continued its trend of annual job losses, with a net change of -0.1% for the 12 months ending November 2024, marking the thirteenth consecutive month of negative annual growth. Fortunately, the level of 12-month reductions have been decreasing, with the lowest 12-month decline happening in November. The manufacturing sector has also experienced small annual job losses. The sector netted growth of -1.4% 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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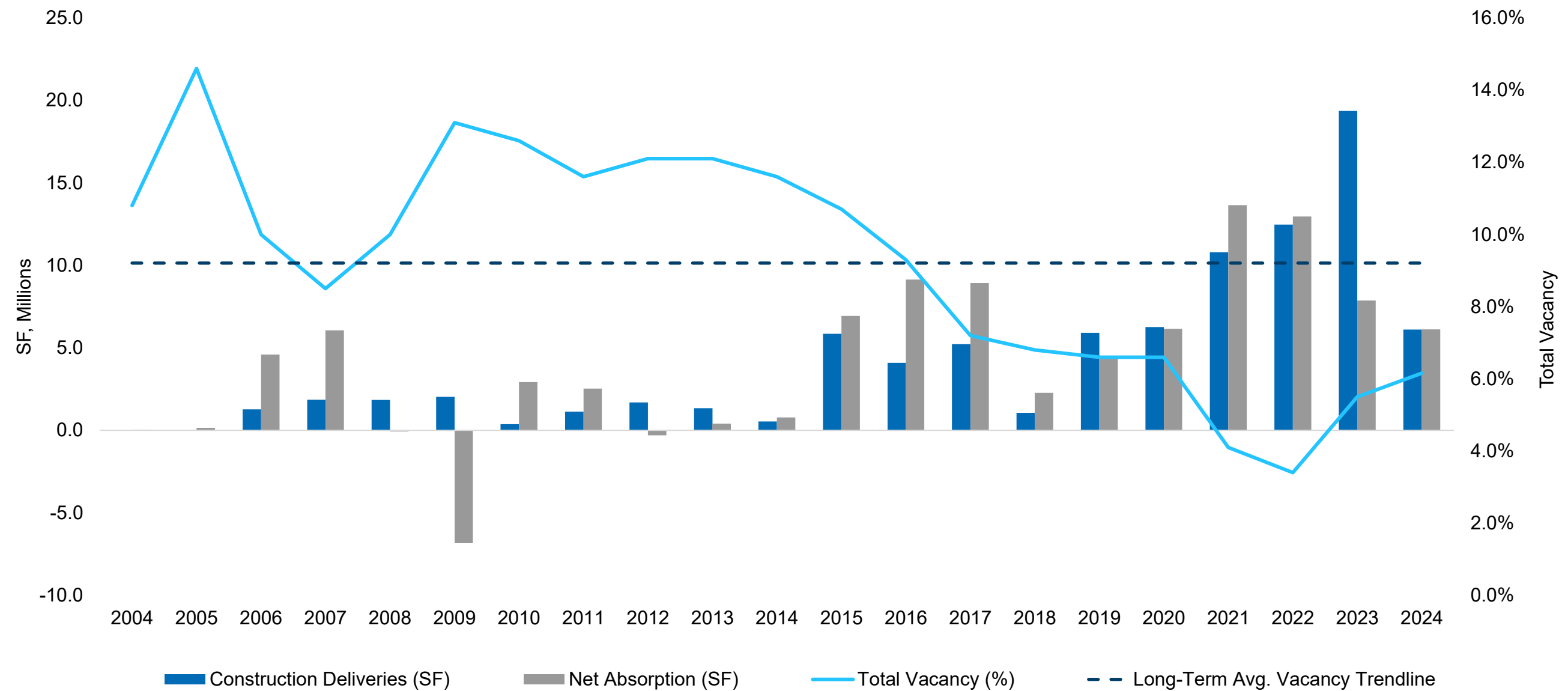
Leasing Market Fundamentals



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

Industrial construction deliveries have seen a marked decline, with approximately 6.1 million square feet delivered throughout 2024. In the fourth quarter, around 600,000 square feet of new supply were delivered, the lowest quarterly total since the first quarter of 2021—a timely development given the concurrent slowdown in demand. Year-to-date, the market has absorbed nearly 6.1 million square feet but faced its first negative quarterly absorption of about 162,000 square feet this year.

Historical Construction Deliveries, Net Absorption, and Vacancy

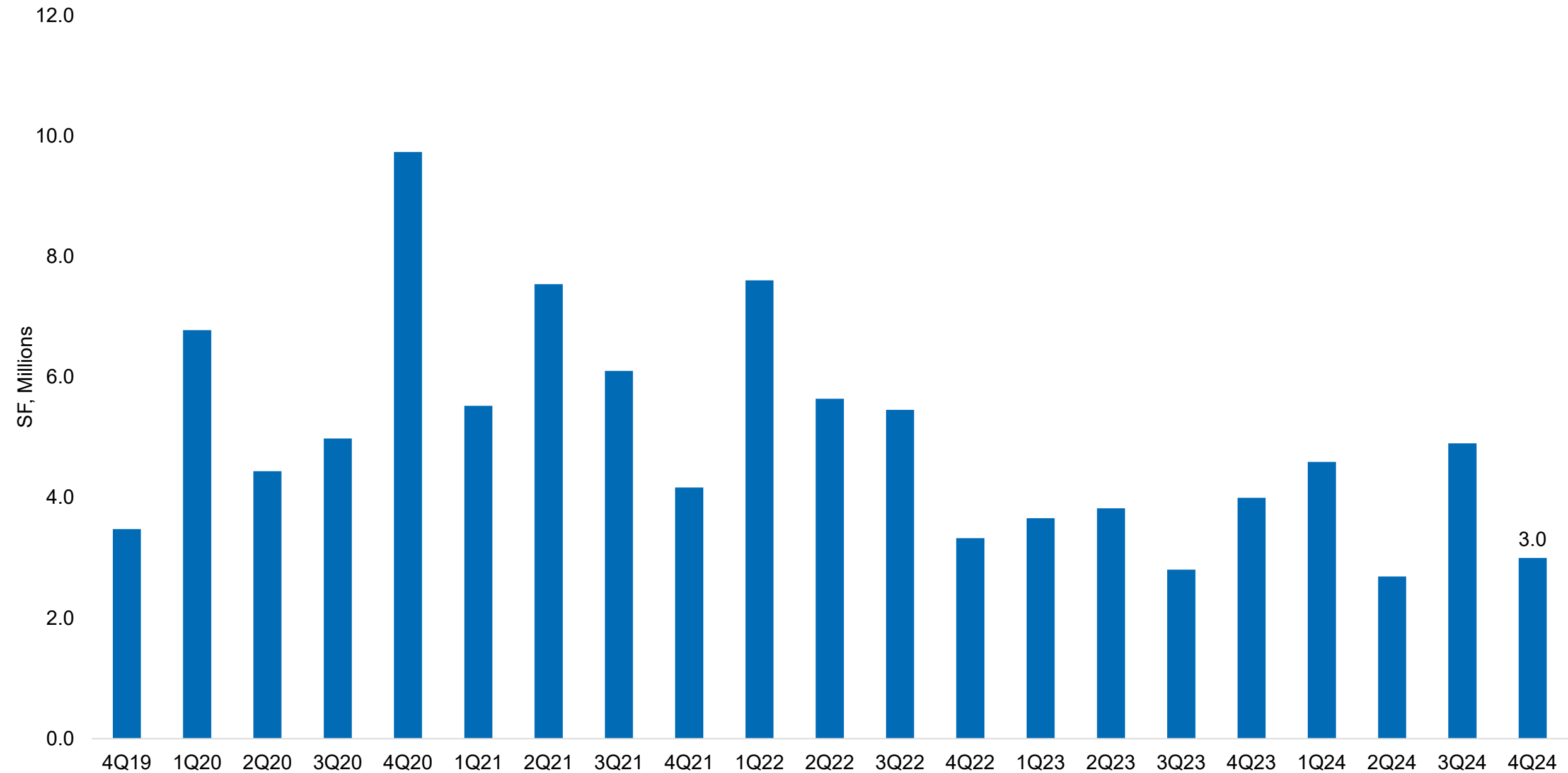


Source: Newmark Research

Industrial Leasing Activity Drops With Fewer Large Deals

Leasing activity contracted from 4.9M square feet to 3.0M square feet from the third to the fourth quarter, with 89.8% of leases signed being 100,000 SF and under. Users in the market have recently been considering subleases, such as Moldgenix's sublease of 10,000 square feet at 2512 Quakertown Road in Bucks County. Moldgenix specializes in contract plastic manufacturing, offering a comprehensive range of services from injection mold construction to final packaging.

Total Leasing Activity (SF)

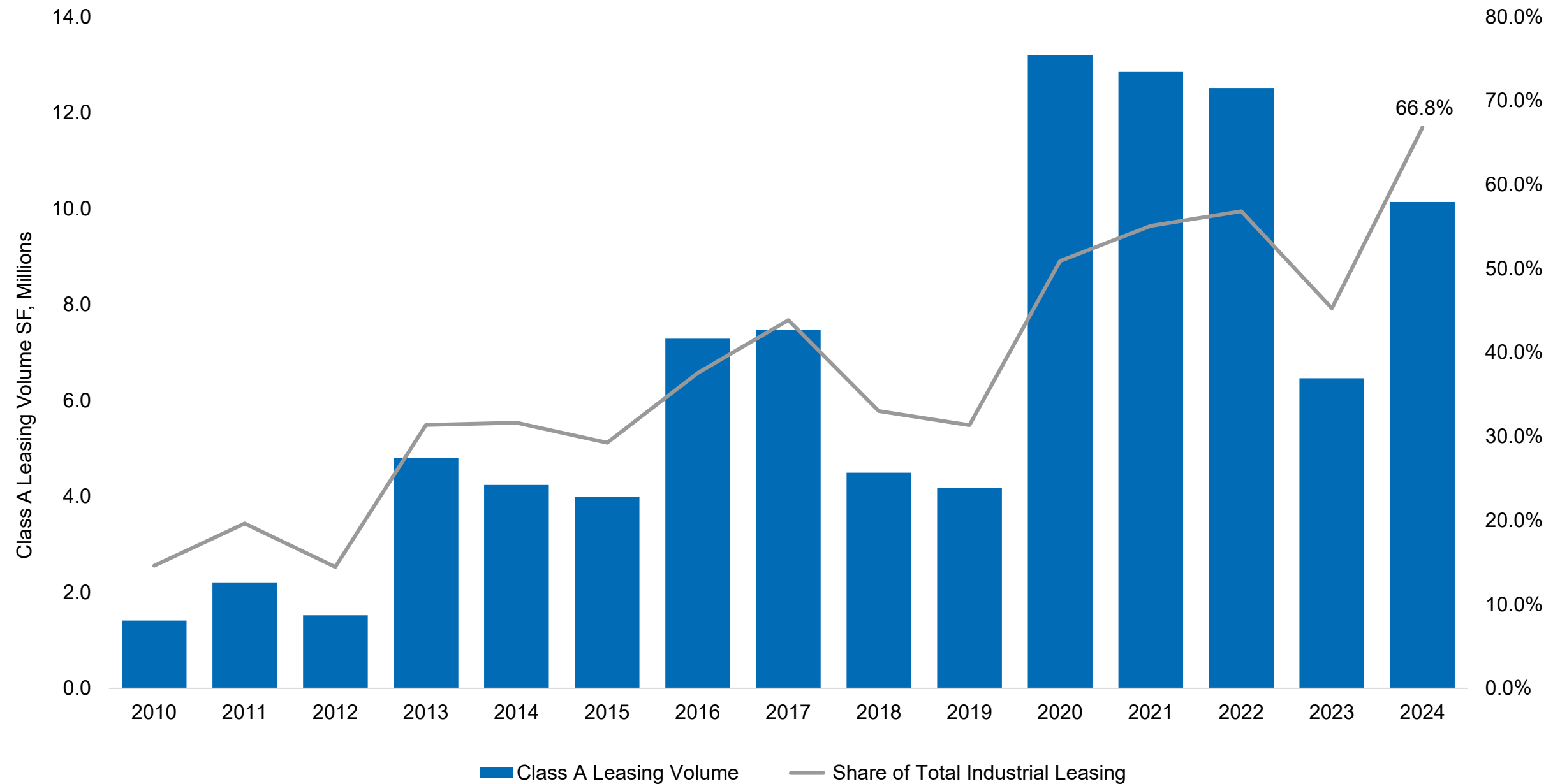


Source: Newmark Research, CoStar

Class A Industrial Captures Two-Thirds Of Quarterly Leasing Volumes

While leasing volume is down compared to 2020-2023, 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 properties have secured an impressive 66.8% of the industrial leasing market share in the Greater Philadelphia region up to 2024, marking the highest capture rate in recent years. Since 2020, Class A industrial assets have netted 54.8% of the market's leasing activity.

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

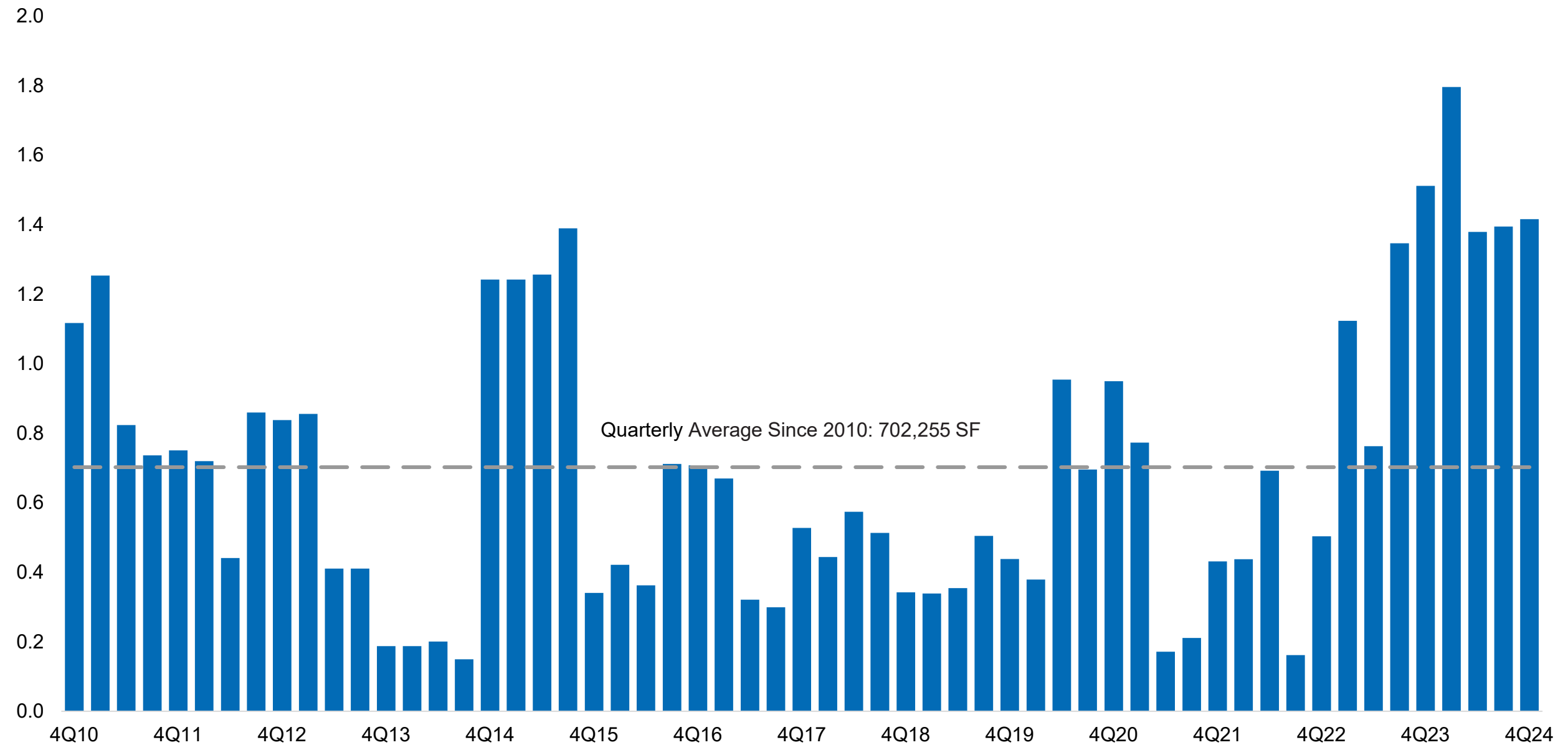


Source: Newmark Research, CoStar
 Note: Newmark defines Class A warehouses as buildings constructed since 2000 and over 100,000 square feet

Southern New Jersey Has Outsized Share Of Industrial Sublease Availability

The available sublease space expanded significantly from the third quarter to the fourth quarter, reaching 16.9 million square feet (MSF). With 1.4 MSF of sublet total availability, Southern New Jersey constitutes 44.3% of the market's sublease availabilities despite comprising only 39.6% of the region's total available inventory.

Southern New Jersey Available Industrial Sublease Volume (msf)

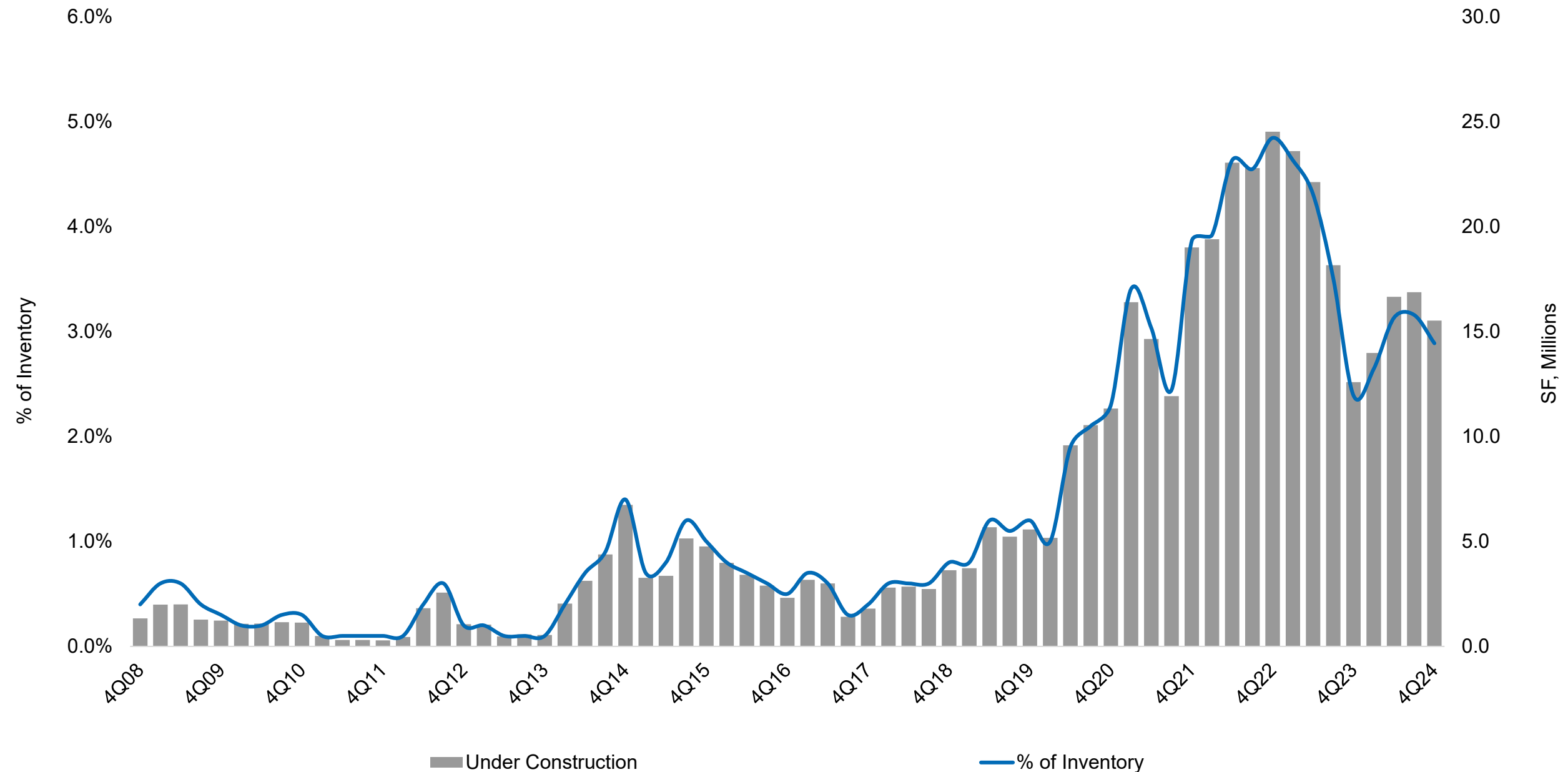


Source: Newmark Research, CoStar

Construction Pipeline In 2024 Shrinks By 17.6% From Last Year

The total construction pipeline for the Greater Philadelphia market was 15.5 MSF at the end of the fourth quarter of 2024, a 1.4 MSF decrease from the previous quarter. This quarter saw the commencement of seven new projects, with five located in Philadelphia and its suburbs, and two in Southern New Jersey. When delivered, these properties will add approximately 1.9 MSF to the total Greater Philadelphia industrial inventory.

Industrial Under Construction and % of Inventory

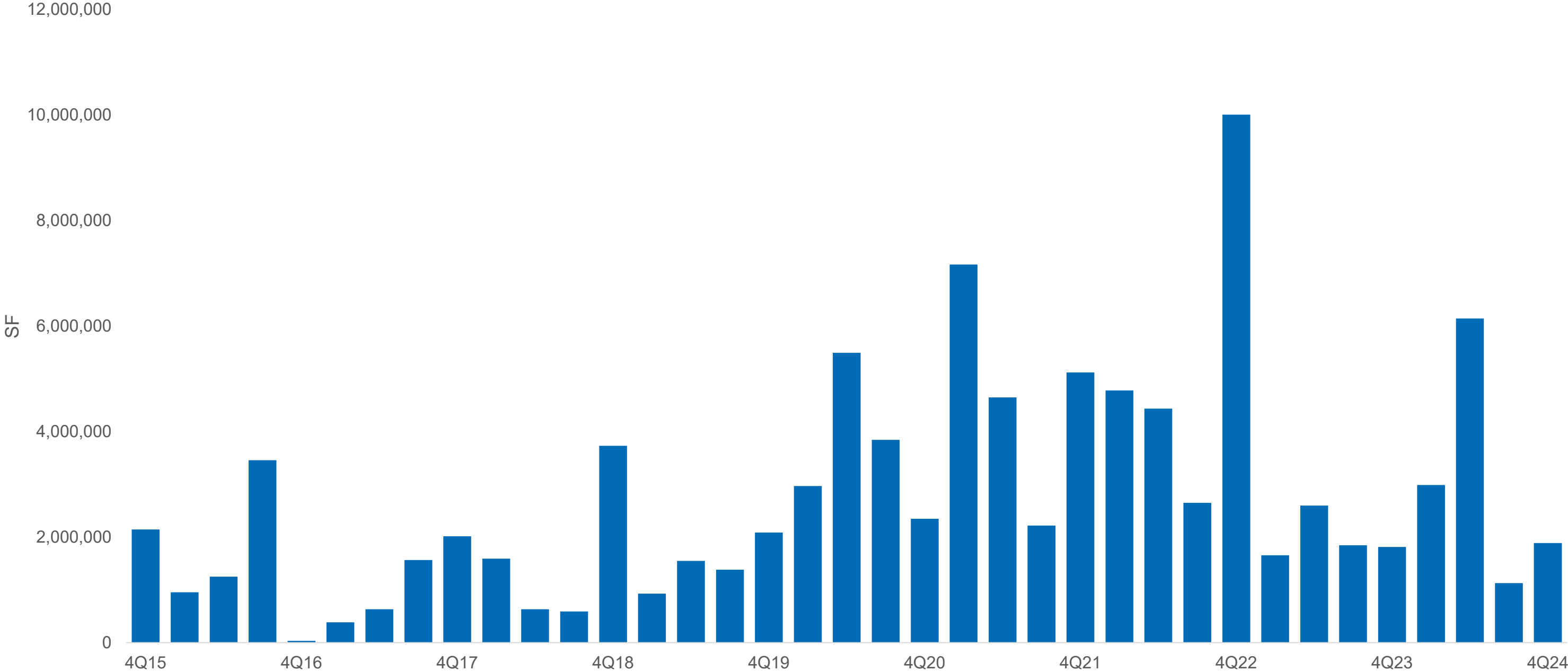


Source: Newmark Research, CoStar

Construction Starts Take A Dip

Following a surge in construction starts during the second quarter of 2024, the fourth quarter experienced a decline, with construction starts decreasing to 1.9 million square feet (MSF). Developers are tempering construction projects so industrial demand can catch up to the large amount of supply that has delivered in the previous few years.

Construction Starts per Quarter (SF)

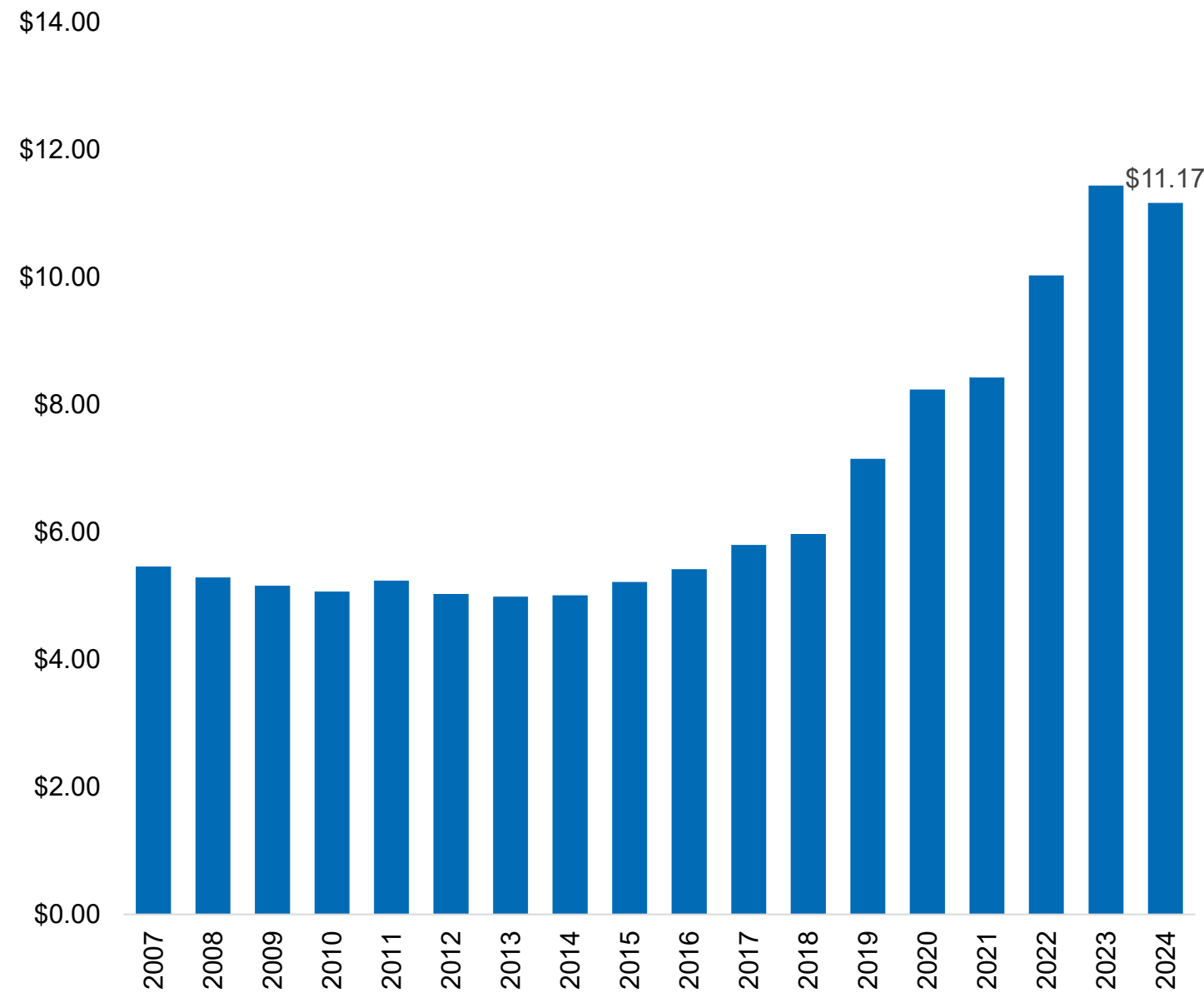


Source: CoStar, Newmark Research

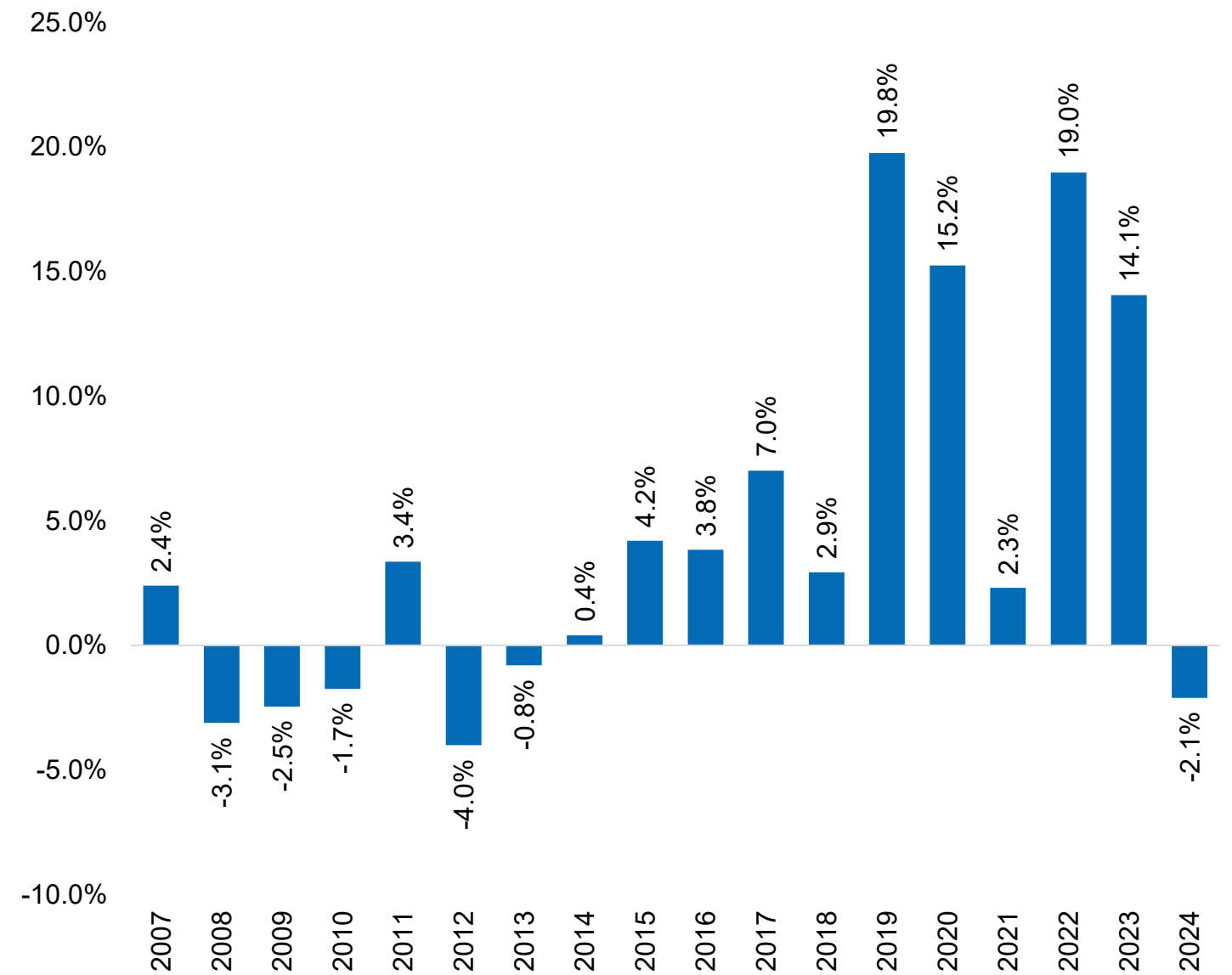
Asking Rates Decline Slightly, Providing Some Relief To Tenants

By the end of 2024, the annual average asking rent saw a 2.1% decline, following a period of five years characterized by historically high rent growth. During the period of rapid rent growth, more than 59 million square feet (MSF) of industrial space was delivered, representing approximately 11% of the market's inventory. This substantial influx of supply over a relatively short period led to a moderation in rents by 2024, as the market supply caught up with the high demand experienced in recent years.

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



Year-over-Year Asking Rent % Change

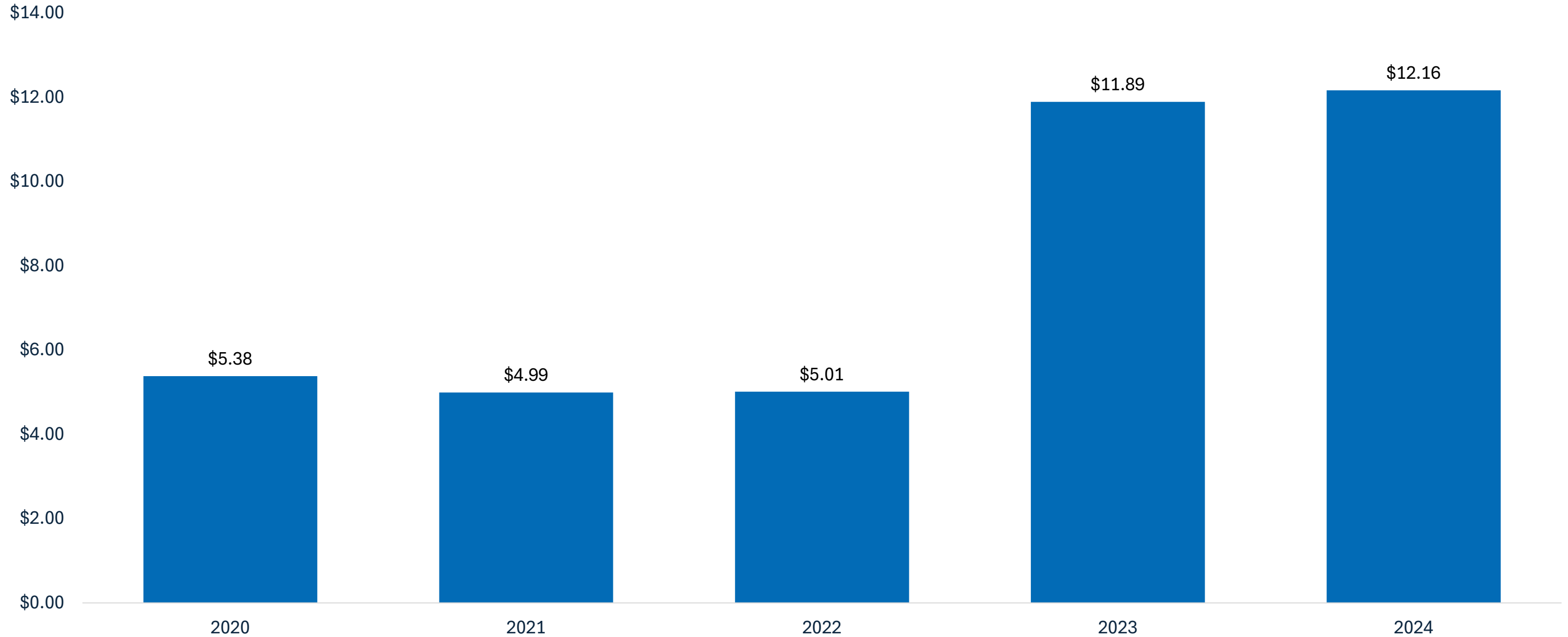


Source: Newmark Research, CoStar

Class A Rent Continues To Grow

Despite the general decline in overall rents, Class A rents continue to rise, increasing by 2.3% from 2023 to 2024. This trend highlights occupiers' preferences for Class A properties, which offer desirable amenities such as higher ceiling heights, larger floor plates, and dock-high loading doors. Anticipate asking rates for these properties to be higher than those in the broader market.

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



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 Asking Rent (Price/SF)	Total Class A Asking Rent (Price/SF)
New Castle County	35,557,253	800,000	7.7%	(85,361)	380,877	275,000	1,730,708	\$11.47	\$11.71
Southern New Jersey	150,286,429	6,479,476	9.4%	(19,289)	4,648,906	436,995	2,064,005	\$11.60	\$11.74
Greater Philadelphia	351,513,874	8,244,497	4.7%	(57,478)	1,089,893	172,000	2,595,360	\$10.87	\$12.70
Market	537,357,556	15,523,973	6.2%	(162,128)	6,119,656	883,995	6,390,073	\$11.17	\$12.16

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	248,130,965	3,058,985	3.9%	(765,385)	(257,331)	-	670,868	\$9.47	13.07
R&D/Flex	81,577,143	-	5.2%	(258,217)	(364,872)	-	-	\$12.94	\$32.50
Warehouse/Distribution	207,528,277	12,464,988	9.3%	863,474	6,741,859	883,995	5,719,205	\$11.72	\$11.87
Market	537,357,556	15,523,973	6.2%	(162,128)	6,119,656	883,995	6,390,073	\$11.17	\$12.16

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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	63,934,945	2,467,517	6.7%	(435,606)	(202,822)	-	202,108	\$10.59	\$11.01
Chester County	37,553,756	636,120	2.9%	(91,739)	131,423	-	-	\$11.25	-
Delaware County	31,017,703	105,000	5.6%	(148,412)	(289,083)	-	614,400	\$12.03	\$16.19
Lancaster County	60,687,270	1,096,402	3.2%	305,888	1,006,241	-	717,540	\$7.13	\$8.64
Montgomery County	73,083,620	266,880	5.1%	(59,211)	(154,672)	-	-	\$12.28	\$12.28
Philadelphia County	85,236,580	3,672,578	4.2%	371,602	598,806	172,000	1,061,312	\$12.10	\$17.00
Greater Philadelphia	351,513,874	8,244,497	4.7%	(57,478)	1,089,893	172,000	2,595,360	\$10.87	\$12.70
Burlington County	69,904,844	998,176	9.0%	596,540	4,674,408	120,120	772,590	\$11.96	\$12.40
Camden County	33,434,809	279,600	5.3%	(289,511)	(603,026)	-	175,000	\$10.70	-
Gloucester County	36,495,693	2,077,344	8.0%	(326,318)	196,914	316,875	1,116,415	\$11.10	\$10.56
Salem County	10,451,083	3,124,356	30.9%	-	380,610	-	-	\$11.58	\$11.58
Southern New Jersey	150,286,429	6,479,476	9.4%	(19,289)	4,648,906	436,995	2,064,005	\$11.60	\$11.74
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Source: Newmark Research

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