
4Q24

I-81/78 Corridor Industrial Market Overview

NEWMARK

Market Observations

Economy

- As of November 2024, the unemployment rate in the I-81/78 Corridor stood at 3.3%, which is 70 basis points lower than the national average. Historically, employment in this region has closely mirrored national trends. However, in the past year, it has experienced slower growth compared to the national average. Employment in the I-81/78 Corridor declined by 1.9% over the 12 months ending in November, contrasting with a 1.4% increase nationwide.
- Industrial-using employment experienced annual growth in both the Construction and Trade/Transportation/Utilities sectors by a combined 41 basis points for the 12 months ending in November. Education & Health, Leisure/Hospitality and Government sectors were the leaders for annual employment gains in the Corridor through November.

Major Transactions

- Class A warehouses accounted for 64% of leasing activity, highlighting a growing trend in the popularity of these premium properties.
- Three out of five of the largest lease transactions of the year were recorded in Lehigh Valley, though the largest positive absorption in the fourth quarter was recorded in Northeastern PA at over 1.1 MSF.
- The most significant transaction of the year was Amazon's lease agreement in March for the newly constructed 1.2 million square foot warehouse located at 3327 E Harrisburg Pike in Middletown. Amazon took occupancy in March, and their lease extends until October 2034.

Leasing Market Fundamentals

- In 2024, the delivery of industrial space amounted to just under 4.5 million square feet, representing the lowest volume of new constructions since 2013. Meanwhile, year-to-date absorption has measured 673,298 square feet, but vacancy still ended up 130 basis points higher than this time last year due to the 4.5M square feet worth of construction deliveries.
- During the fourth quarter of 2024, industrial construction starts totaled 875,034 square feet, marking the first time since the second quarter of 2015 that quarterly groundbreakings fell below 1.0 million square feet.
- As of the fourth quarter of 2024, the annual average asking rent declined by 0.8%, following four years of historically high rent growth, backed by decreasing class B and C asking rates. Class A asking rates remained essentially unchanged from the third to the fourth quarter. A moderation in demand, coupled with a surge in new supply and a rapid increase in sublease availability, has realigned the current rate of rent changes with pre-pandemic averages.

Outlook

- The fourth quarter of 2024 saw a 75% annual increase in sublease availabilities, the second largest quarter-over-quarter increase in recent history, only behind the third quarter of 2024 which saw a 171.3% annual increase. Sublease vacancy was recorded at 1.3%, much lower than direct vacancy at 6.1%. Given the lukewarm demand for sublease space in the market, it is probable that sublease availability will remain high in the near future.
- Although overall leasing activity in 2024 fell below historical averages, demand for Class A properties increased significantly, accounting for nearly two thirds of the total industrial leasing volume. Attributes such as higher clear heights, wider column spacing, and greater power capacity are attractive to industrial users who are noticeably shifting to more automated and power-intensive operations.

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

4Q24

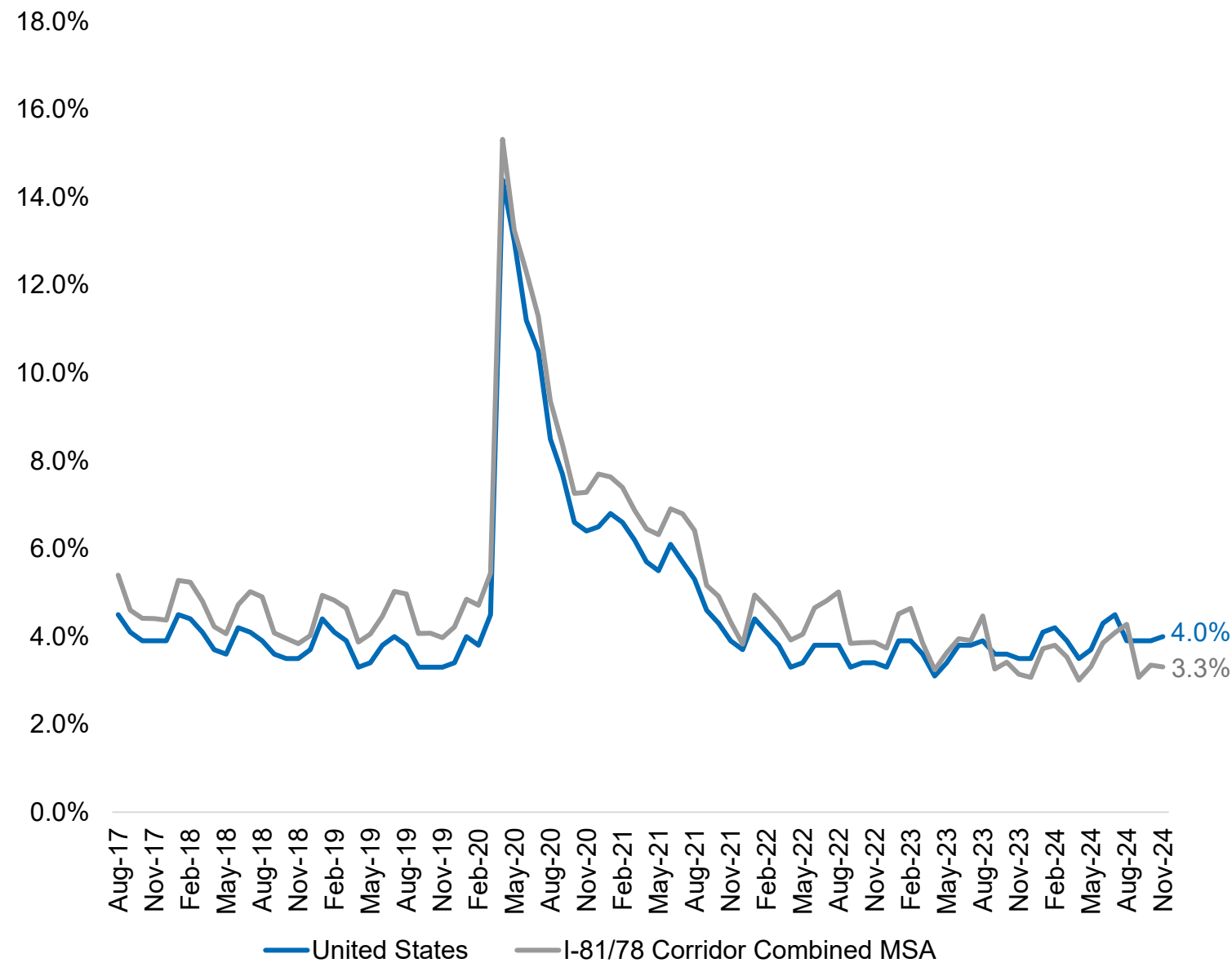
Economy



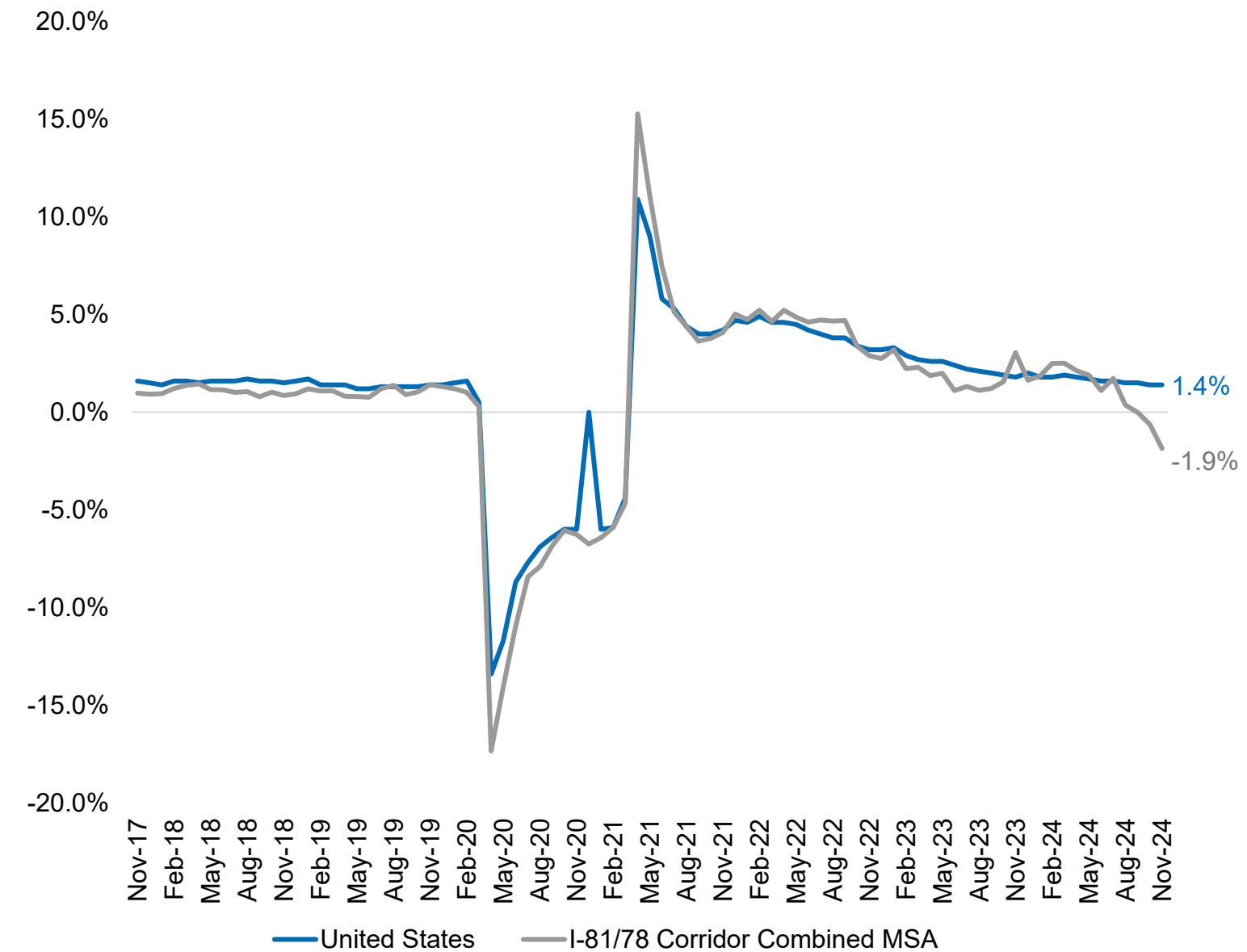
Unemployment Dips Below National Rate

Unemployment in the I-81/78 Corridor registered 3.3% as of November 2024, 70 basis points lower than the national average. Total jobs count in the region shrank 1.9% for the 12 months ending in November, compared with 1.4% growth nationally. The total number of jobs in the region decreased by 1.9% over the 12 months ending in November, in contrast to the 1.4% job growth observed nationally.

Unemployment Rate, Non-Seasonally Adjusted



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

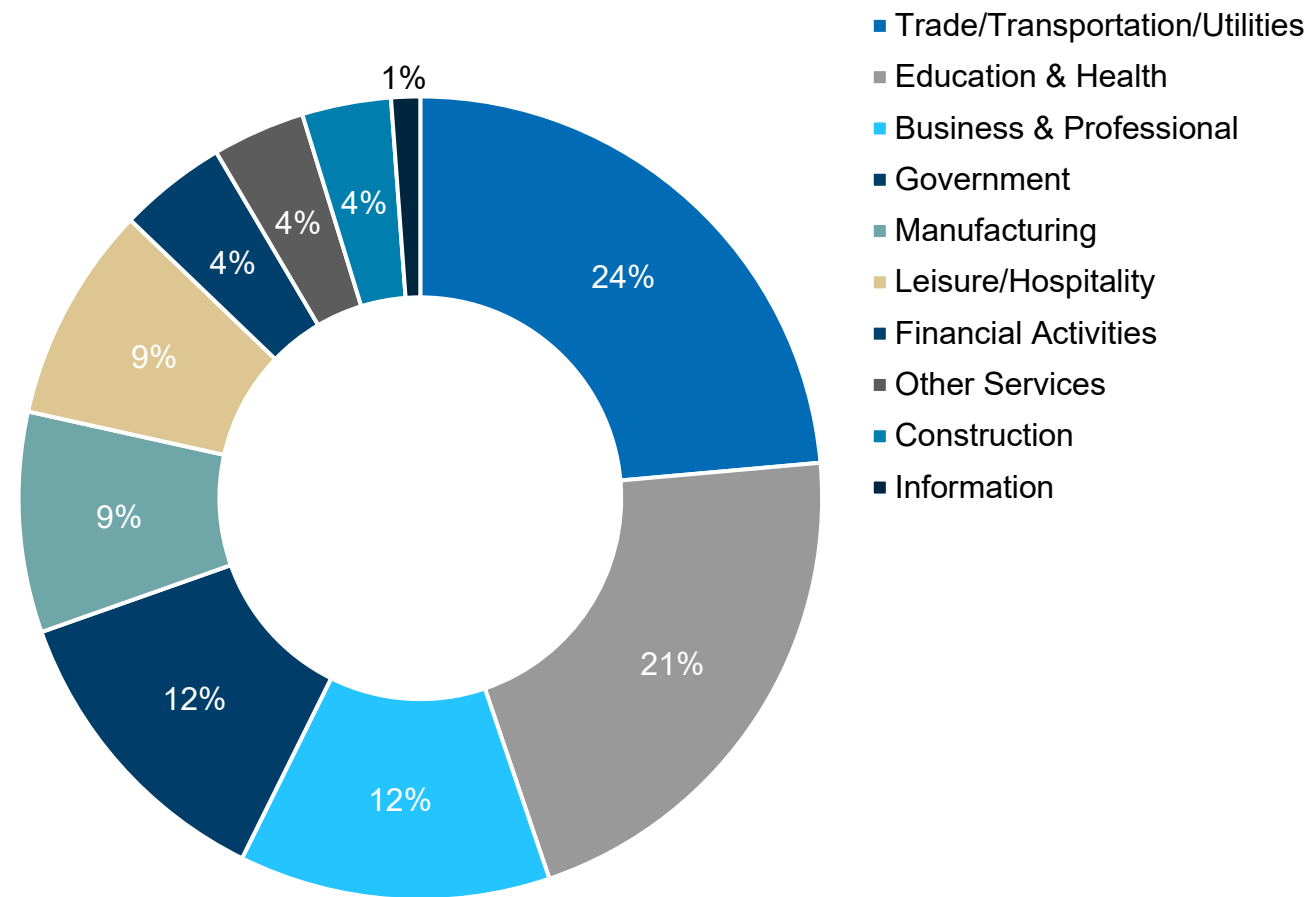


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

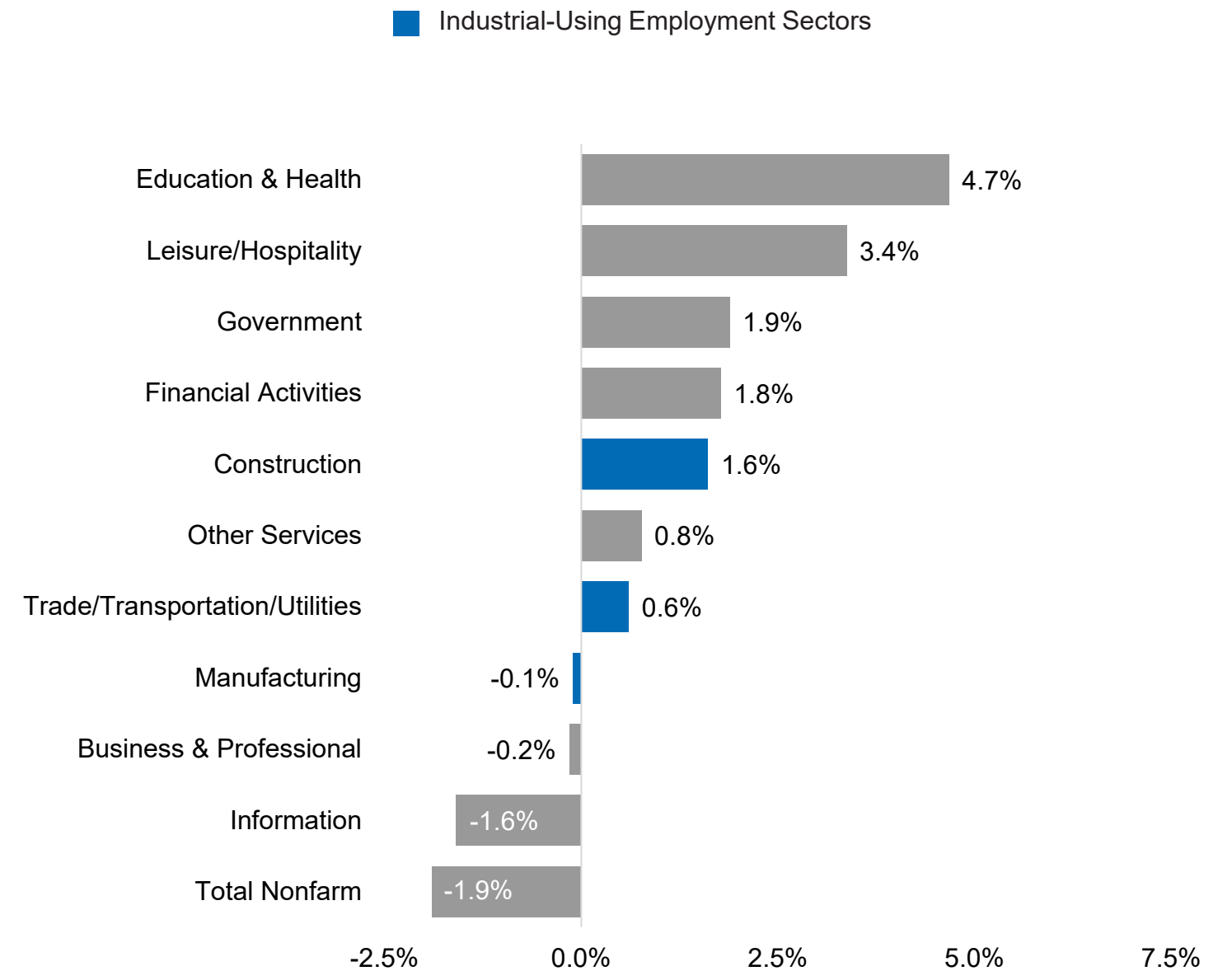
Industrial-Using Employment Grows In The Corridor

Industrial-using employment saw annual growth in both the Construction and Trade/Transportation/Utilities sectors by a combined 41 basis points for the 12 months ending in November. Education & Health, Leisure/Hospitality, and Government sectors were the leaders for annual employment gains in the Corridor through November.

Employment by Industry, November 2024



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

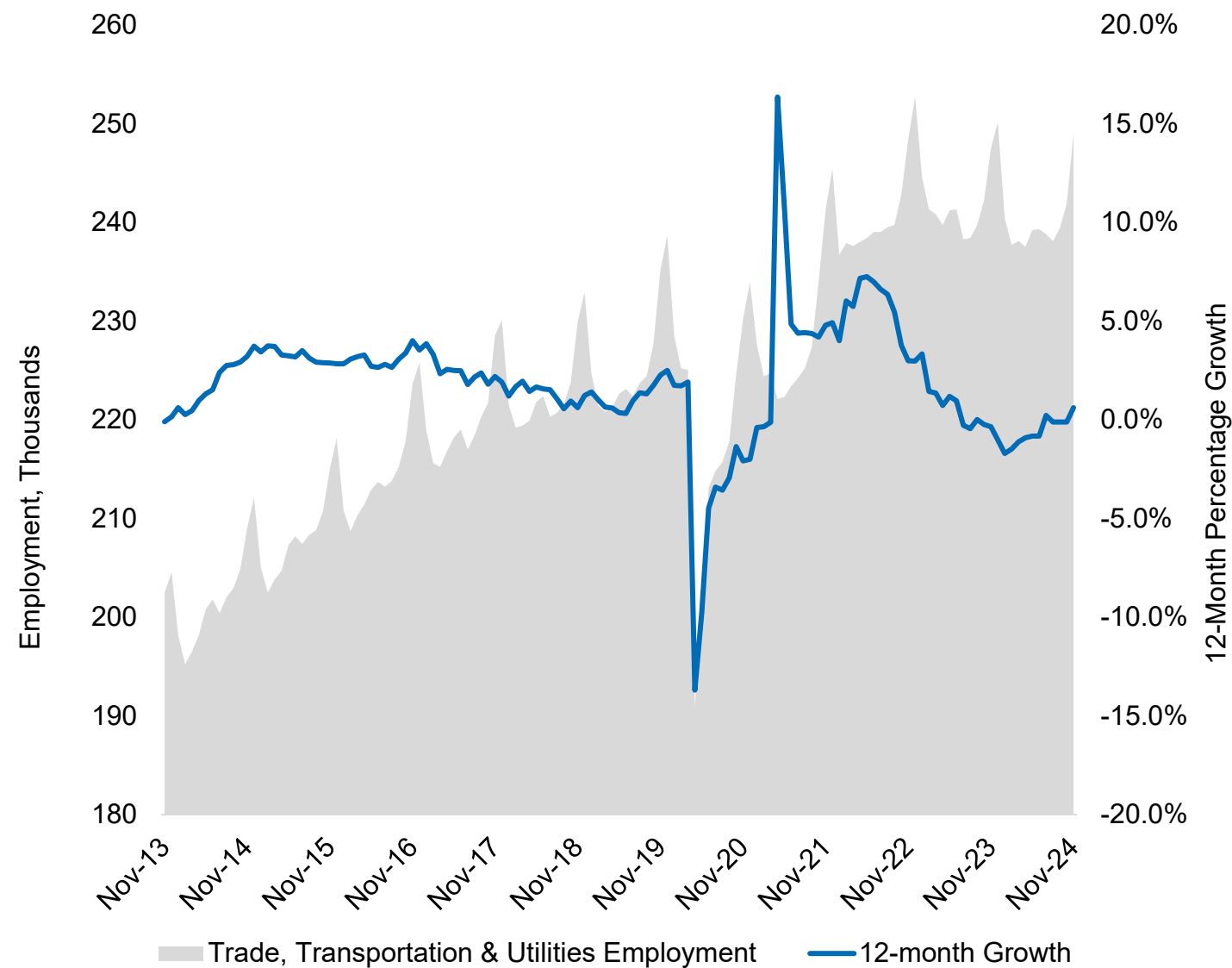


Source: U.S. Bureau of Labor Statistics, Combined MSA's of Harrisburg-Carlisle, Allentown, Scranton

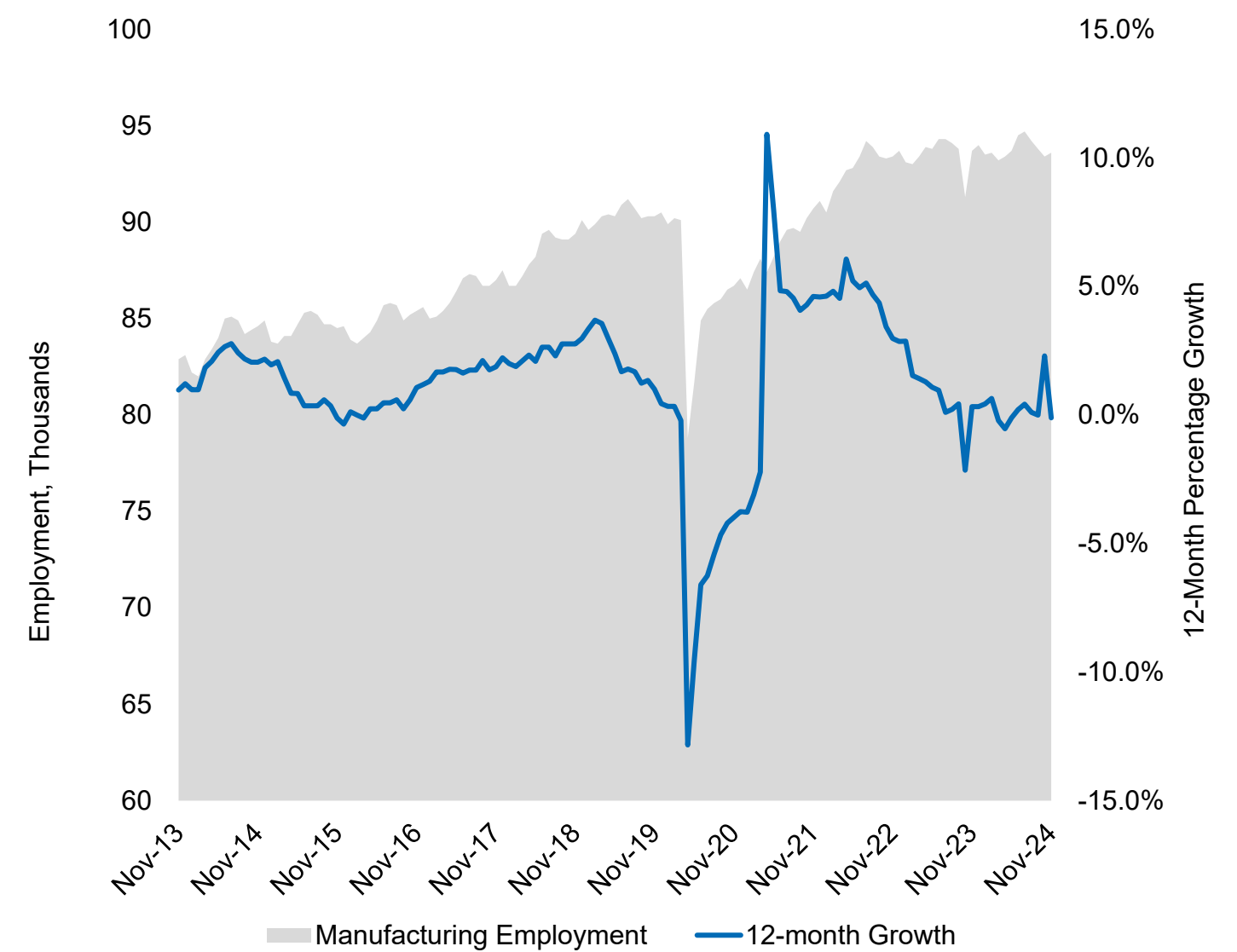
Transportation & Utilities Drive The Corridor's Industrial-Using Job Growth

Transportation & Utilities increased by 60 basis points and Manufacturing decreased 10 basis points for the 12 months ending in August. In November, the Trade, Transportation & Utilities sector experienced its first annual increase of over 50 basis points since June 2023. Meanwhile, in 2024, the Manufacturing sector achieved an average 12-month growth rate of a positive 30 basis points.

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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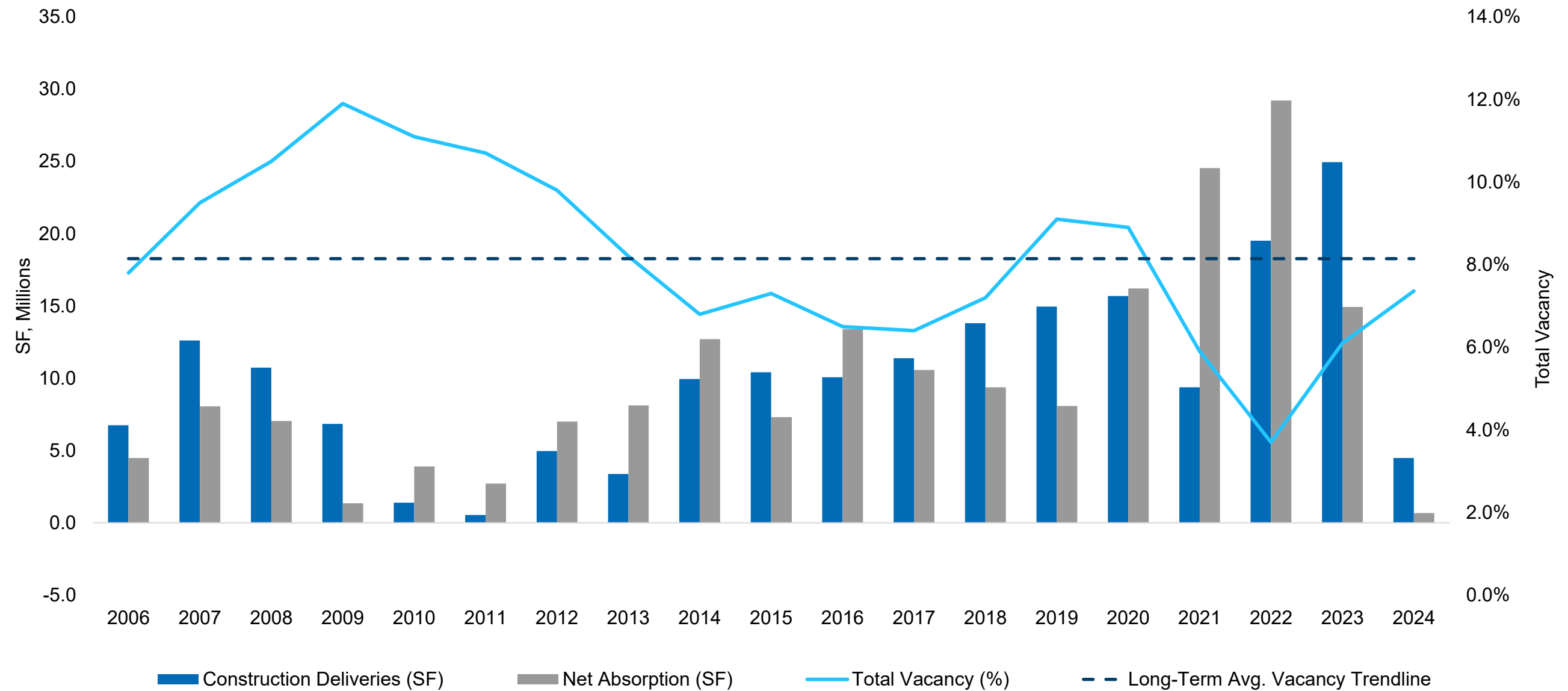
Leasing Market Fundamentals



Construction Deliveries Begin To Slow, Expected To Improve Future Vacancy

Throughout the year, just under 4.5M square feet of industrial space was delivered, marking the lowest volume of new deliveries since 2013. Meanwhile, absorption year-to-date has measured 673,298 square feet, but vacancy remains 150 basis points above first-quarter vacancy rates due to over 600,000 SF of construction being delivered this quarter. Indications of market normalization persisted, with fourth-quarter absorption totaling 964,223 square feet, a substantial decline from the rolling four-quarter average of over 1.9 million square feet observed across the previous eight quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

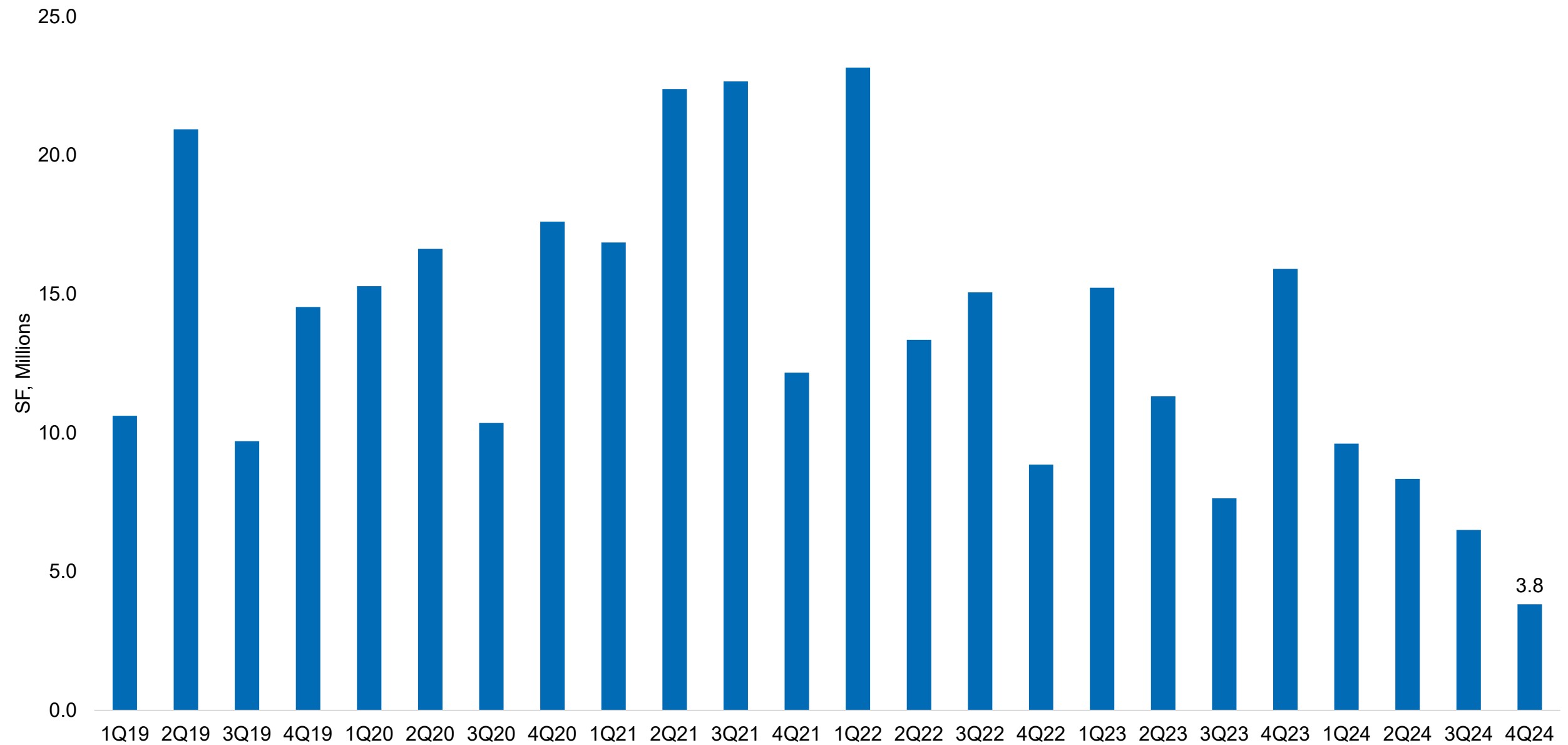


Source: Newmark Research

Industrial Leasing Activity Continues To Decline From 1Q 2022 Peak

Approximately 3.8M square feet of industrial space was leased during the fourth quarter of 2024, a downtick from the 6.5M square feet leased during the third quarter, making this quarter the lowest in leasing volume in over five years. 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 and population centers, as well as an industrial labor pool that accounts for nearly a quarter of the region's total workforce. These attributes will ensure the corridor remains a key industrial hub on the East Coast.

Total Leasing Activity (SF)

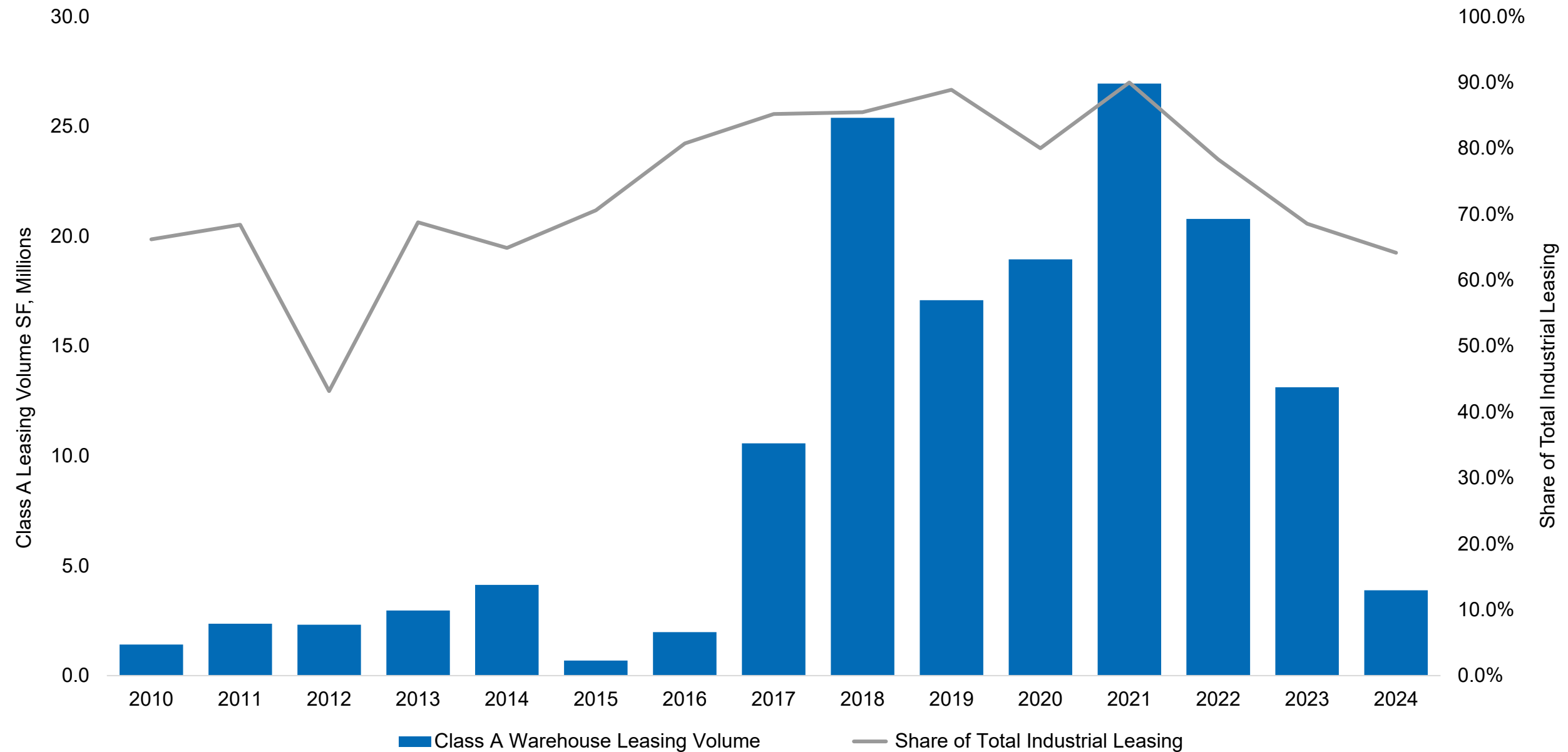


Source: Newmark Research, CoStar

Class A Warehouse Captures 64% Of Leasing Volume

While leasing activity during the first three quarters of 2024 was lower than historical averages, demand for Class A product accelerated, capturing 64.2% of total industrial leasing volume. Attributes such as higher clear heights, wider column spacing, and greater power capacity are attractive to industrial users who are noticeably shifting to more automated and power-intensive operations. Among the significant moves in the fourth quarter was GOAT's occupancy of a 341,000-square-foot Class A warehouse at the First 33 Commerce Center in Easton.

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

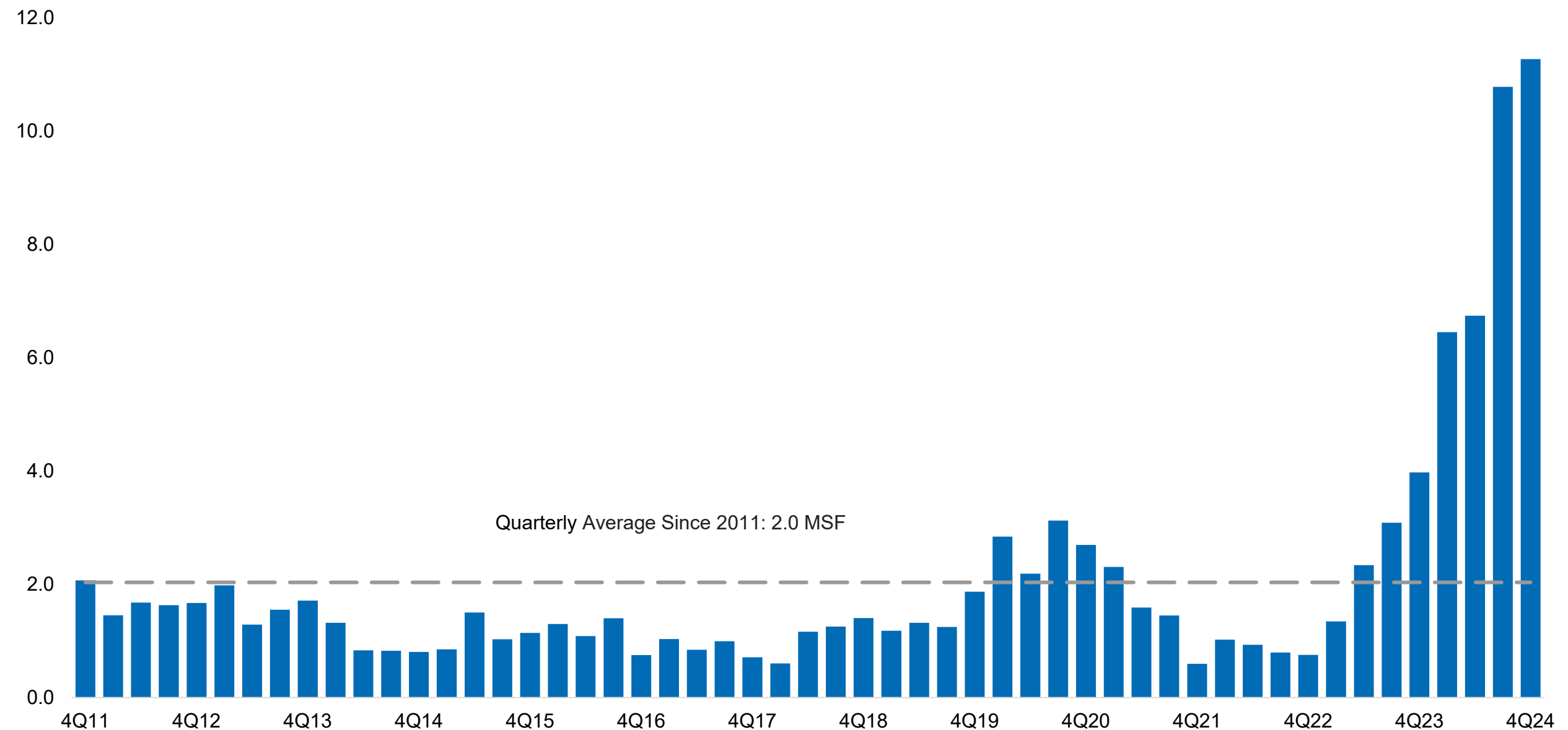


Source: Newmark Research

Industrial Sublease Availability Increased 75% Year-Over-Year

The fourth quarter of 2024 saw a 75% annual increase in sublease availabilities, the second-largest increase in recent history, only behind the third quarter of 2024, which saw a 171% year-over-year increase. Empirical evidence indicates that companies are not downsizing but are employing cost mitigation strategies. While some companies' growth projections have not materialized as anticipated, they maintain the flexibility to reoccupy spaces should business conditions improve. With the current subdued demand for sublease space, it is likely that sublease availability will remain elevated in the near future.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

Notable Sublease Blocks

801 Centerville Road – Newville



Market:	Central PA
Sublease Available	1,138,364
Brought to Market	2Q24



29 Ludwig Court – Shoemakersville



Market:	Lehigh Valley
Sublease Available	600,000 SF
Brought to Market	1Q24



41 Martha Drive - Bethel



Market:	Lehigh Valley
Sublease Available	750,000
Brought to Market	2Q24



225 Cross Farm Ln– York



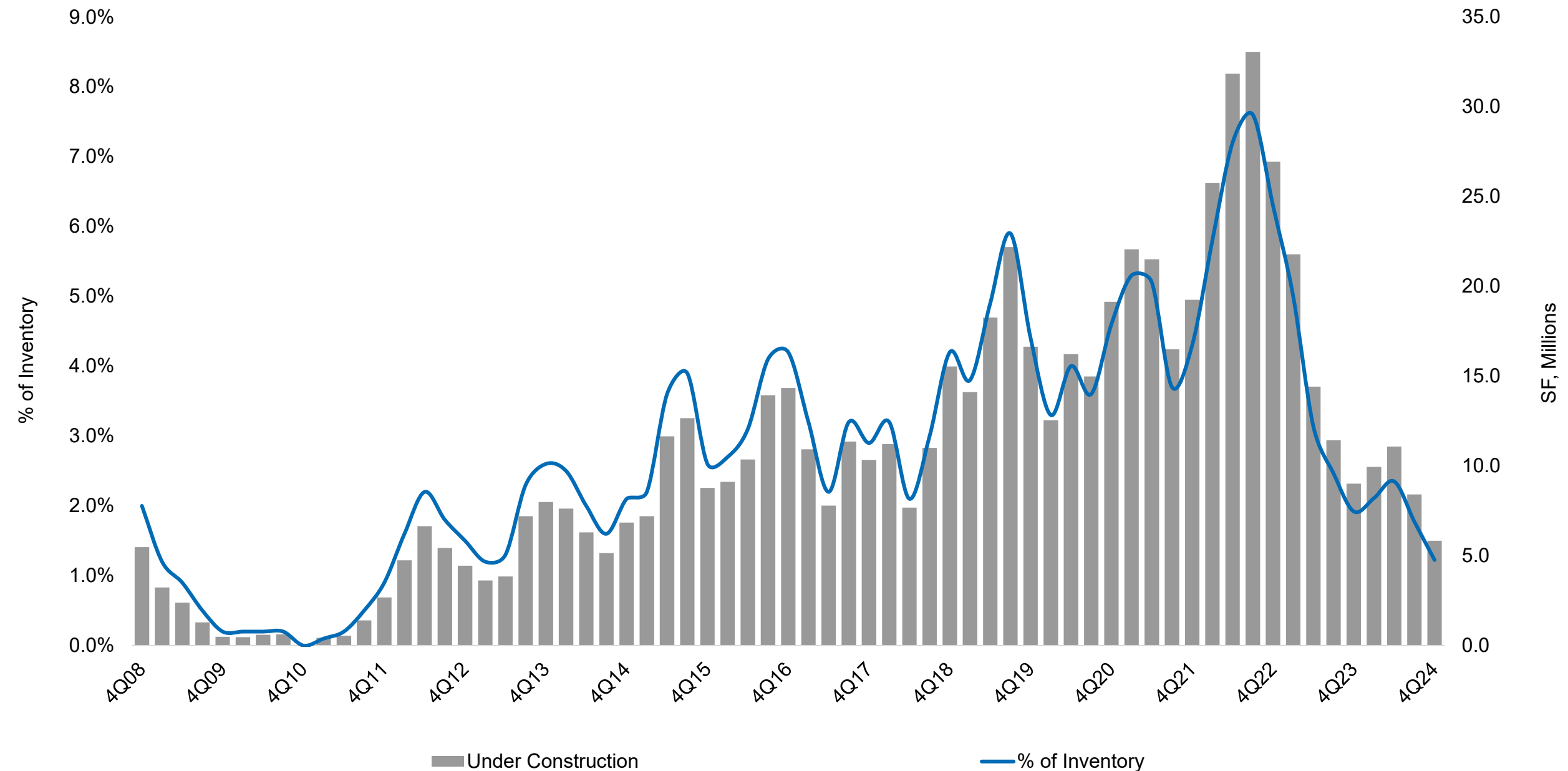
Market:	Central PA
Sublease Available	675,000 SF
Brought to Market	4Q24



Limited Construction Starts And Deliveries Keep Pipeline Stable

Throughout 2024, more than 4.4 million square feet of industrial inventory have been completed, compared to over 8.1 million square feet of new construction starts. With several projects anticipated to reach completion in the upcoming quarters and a deceleration in the pace of new groundbreakings, the industrial pipeline is expected to maintain its current level, representing approximately 1.2% of the total inventory in the near future.

Industrial Under Construction and % of Inventory

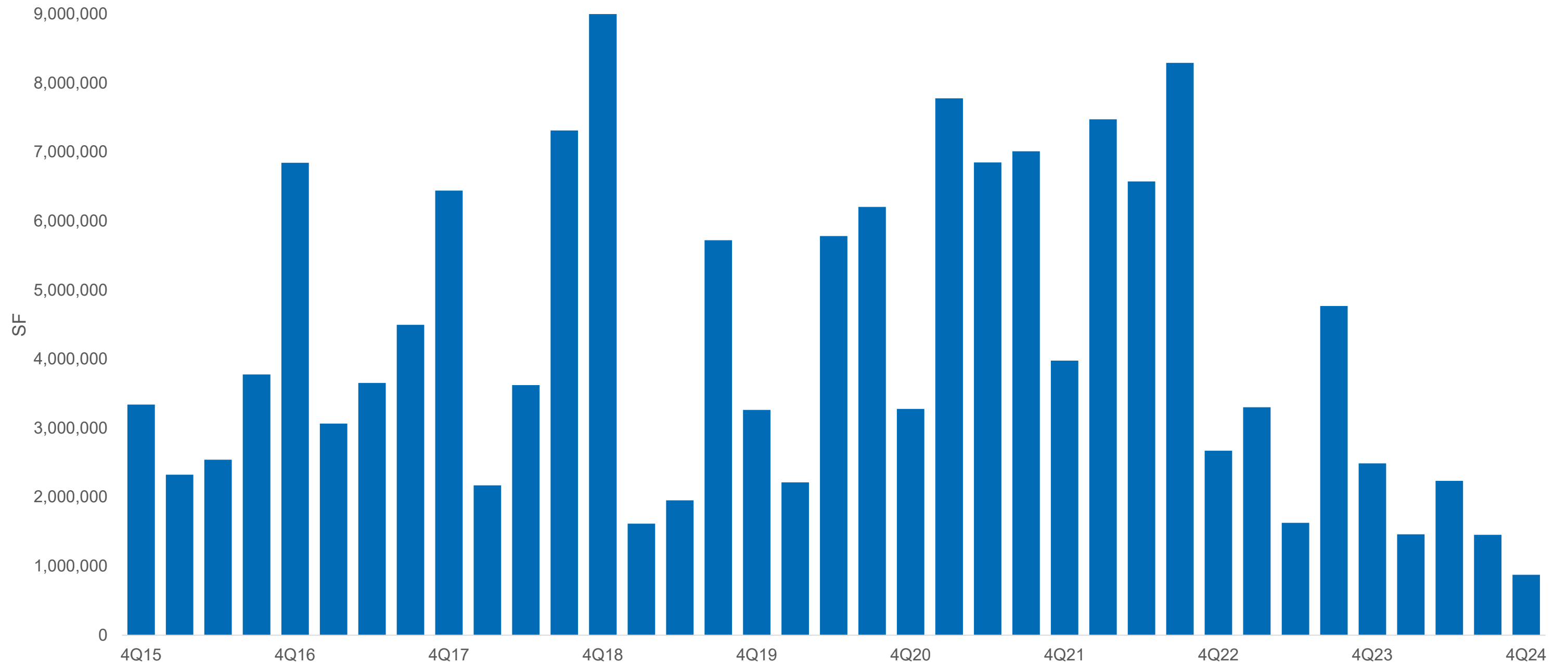


Source: Newmark Research, CoStar

Reduction In Construction Starts As Construction Pipeline Tapers

During the fourth quarter of 2024, industrial construction starts totaled 875,034 square feet, marking the first time since the second quarter of 2015 that quarterly groundbreakings have dipped below 1 million square feet. Factors contributing to this decline include rising sublease availability, a slowdown in leasing activity, and increased capital costs.

Construction Starts per Quarter (SF)

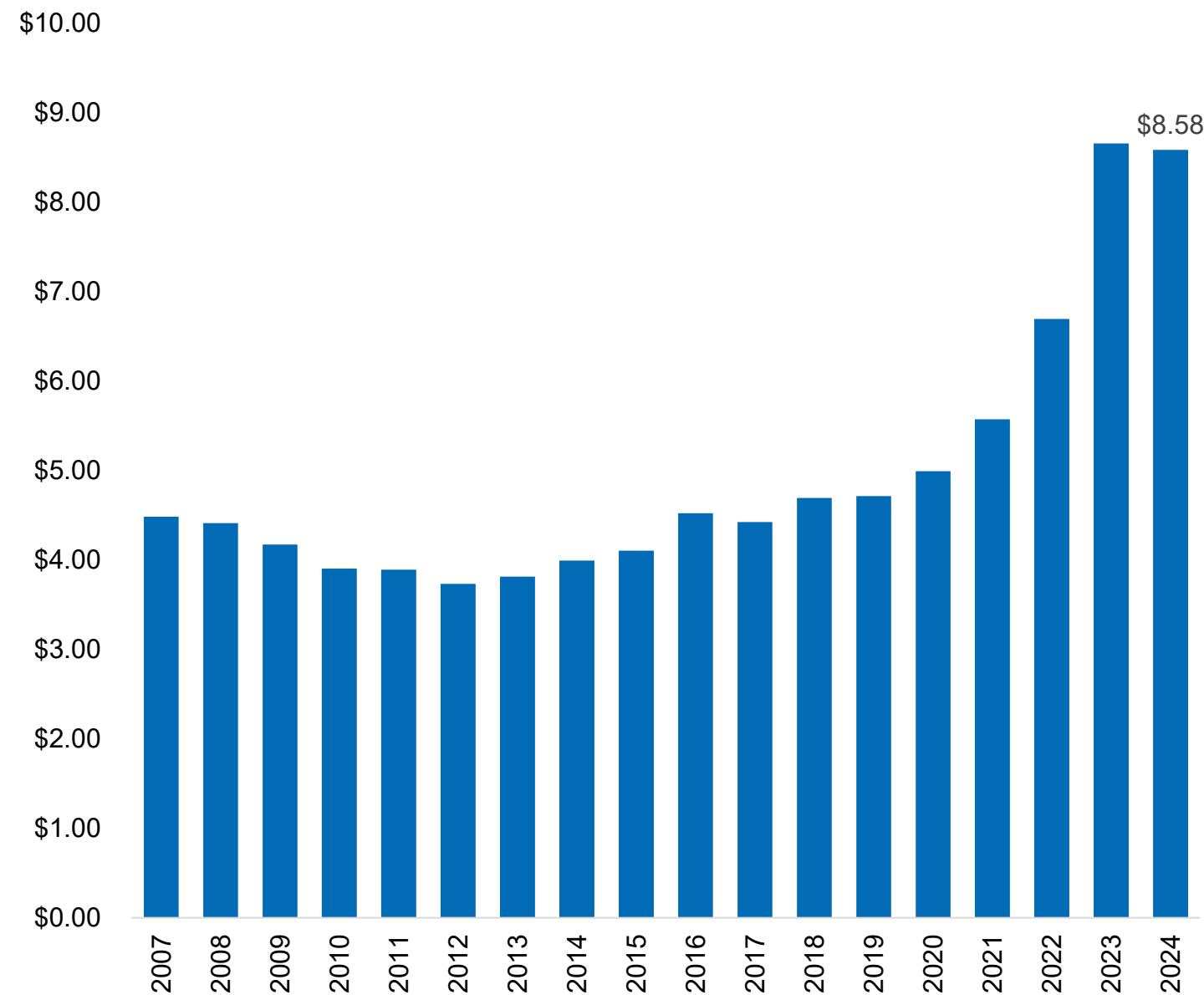


Source: CoStar

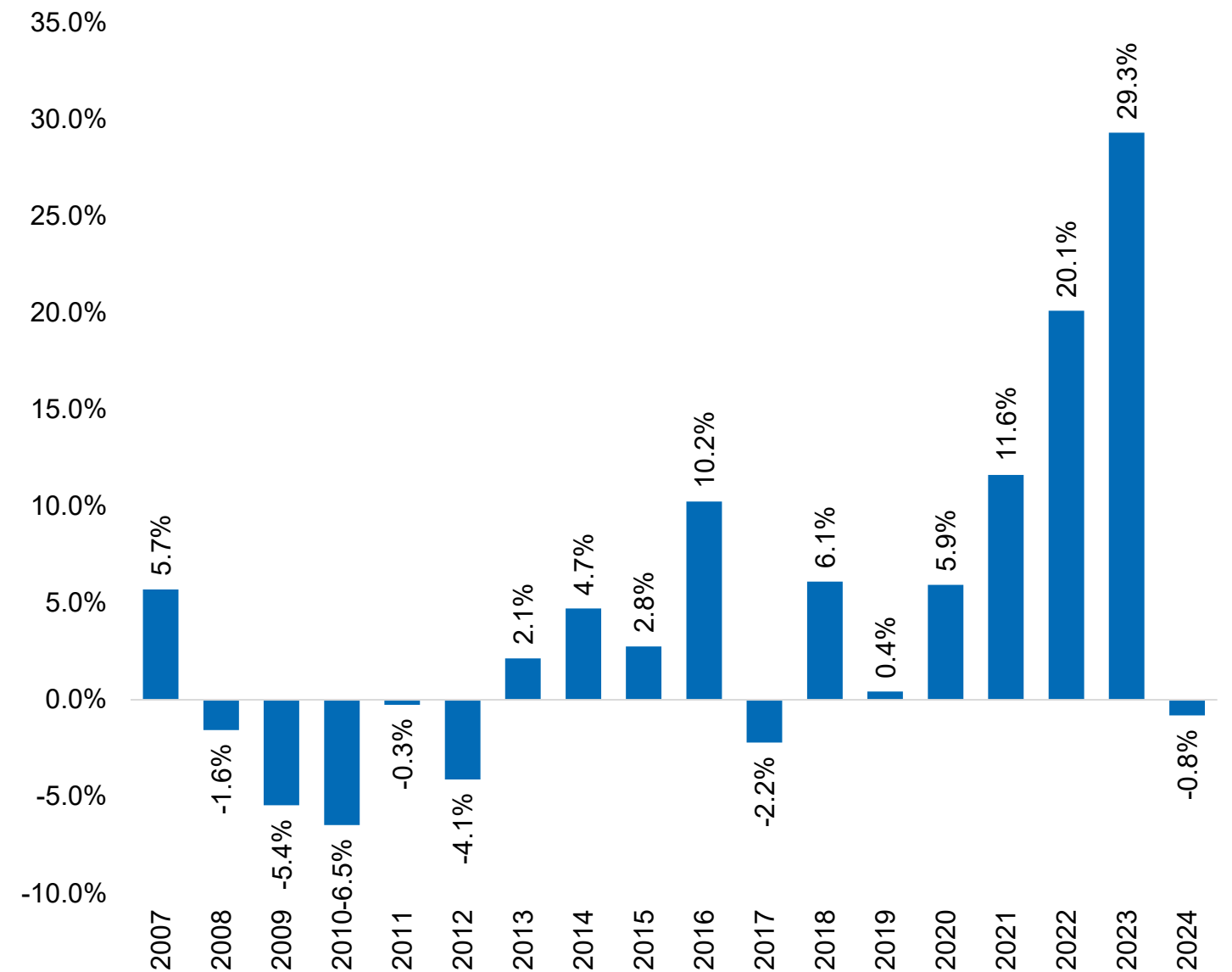
Rent Growth Moderates After Years Of Aggressive Increases

By the end of 2024, the annual average asking rent experienced a decline of 0.8%, following four consecutive years of historically high rent growth. This shift has been influenced by moderating demand, an influx of new supply, and a rapid increase in sublease availability, all of which have realigned the pace of rent changes with pre-pandemic averages. While marginal gains in asking rates driven by the delivery of new supply are possible in the coming quarters, it is likely that rent growth will remain tepid in the face of unprecedented sublease availability.

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



Year-over-Year Asking Rent Growth Rate % Change

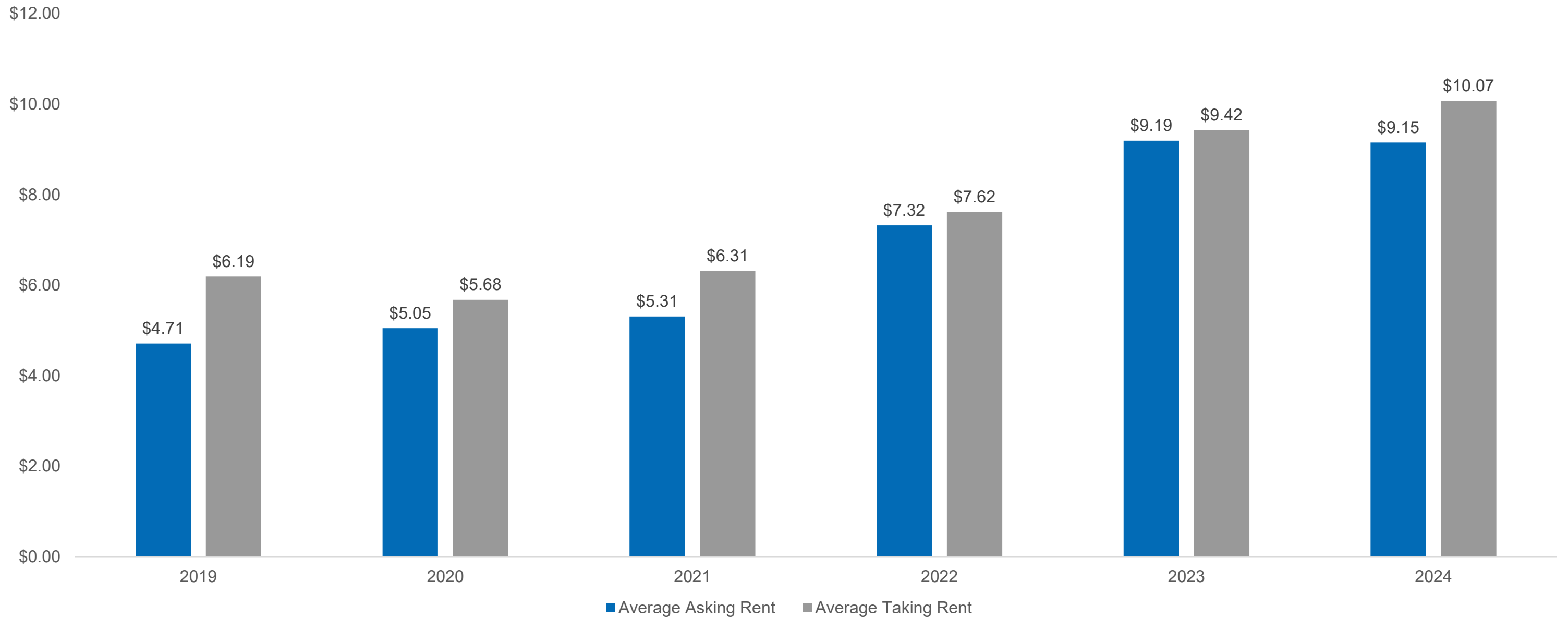


Source: Newmark Research, CoStar

Class A Taking Rents Hit Double Digits

In the 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. In 2024, Newmark recorded an average taking rent of \$10.07 per square foot in the I-81/78 Corridor. This is a notable record, as Class A deals are now striking in the double digits.

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



Source: Newmark Research



Please reach out to your
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4Q24

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	215,974,485	2,082,966	7.3%	1,721,648	-707,266	0	1,801,868	\$7.81	\$8.11
Lehigh Valley	163,509,318	448,269	7.9%	-647,777	242,878	630,855	2,451,307	\$10.20	\$10.75
Northeastern PA	97,133,349	3,098,290	6.8%	-109,648	1,137,686	0	232,500	\$6.08	\$6.05
I-81/78 Market	476,617,152	5,839,444	7.4%	964,223	673,298	630,855	4,485,675	\$8.58	\$9.15

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	122,781,500	2,745,530	4.2%	-54,473	2,239,562	0	224,000	\$7.83	\$10.13
R&D/Flex	13,938,003	0	4.5%	-71,852	-200,526	0	0	\$8.75	-
Warehouse/Distribution	339,897,649	2,633,995	8.6%	1,090,548	-1,419,738	630,855	4,261,675	\$8.72	\$9.12
I-81/78 Market	476,617,152	5,839,444	7.4%	964,223	673,298	630,855	4,485,675	\$8.58	\$9.15

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

New York Headquarters

125 Park Avenue

New York, NY 10017

t 212-372-2000

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