

NEWMARK

Greater Philadelphia Industrial Market Overview

4Q25

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Key Takeaways

With supply and demand converging, industrial fundamentals in Greater Philadelphia weakened further in 2025.



The vacancy rate reached 8.7%, the highest level in two years.



New deliveries exceeded absorption significantly in 2025, but new construction is abating.



The 22.0 million SF of leasing executed in 2025 represents a two-year high.



Premium space maintains pricing power despite softer fundamentals.

Market Observations



Economy

- Year-over-year employment growth for the Philadelphia metro area reached 1.3% as of November 2025, which far outpaced the U.S. average of 0.5%. The region has ranked among the top for payroll gains among major U.S. markets.
- Greater Philadelphia maintains healthy labor market conditions, with the local unemployment rate continuing to track in line with the U.S. average. Despite increasing modestly over the last two years, the metro area unemployment rate only reached 4.5% in the Fall of 2025.
- The region's large, diverse economy has helped drive recent improvements in growth. Strong year-over-year gains were reported in the Education & Health Services, Professional & Business Services, and Financial Activities sectors. The Leisure & Hospitality industry also posted above-average employment growth over the last year.



Leasing Market Fundamentals

- Industrial leasing activity in Greater Philadelphia reached its highest level in two years, with the fourth quarter at 6.6 million SF, representing the strongest quarter. Class A industrial properties continue to capture a disproportionate share of local transaction volume.
- Class A properties captured 40.9% of leasing volume despite representing only one-third of inventory, driven by demand for higher clear heights, wider column spacing, and greater power capacity.
- Five major fourth-quarter transactions—led by DrinkPAK (1.4M SF), Cirro (750,000 SF), and Amazon (613,000 SF)—demonstrate strong underlying tenant demand.
- Southern New Jersey sublease availability (1.1 million SF) remains elevated but improving, with availability rate declining 30 basis points in the fourth quarter of 2025.



Major Transactions

- Beverage manufacturer DrinkPAK signed the largest industrial lease in Greater Philadelphia since 2020 during the fourth quarter of 2025, taking down 1.4 million SF at 3144 W Passyunk Avenue in Philadelphia. This move will establish an East Coast facility for the firm when they occupy in 2027.
- Tenants were active in Burlington County over the last few months, with Amazon executing a strategic renewal for 613,920 SF and SLM Warehousing leasing 610,183 SF at 5206 US Highway 130.
- Cirro Logistics also executed a large transaction late in 2025, leasing roughly 750,000 SF of industrial space in Burlington County.



Outlook

- Supply-side risk is diminishing, with only 4.9 million SF in development. The square feet under construction have now reached a five-year low.
- Favorable leasing activity in the second half of 2025 bodes well for near-term demand; large-tenant transactions demonstrate strong occupier confidence despite market softness.
- A resurgence of tenant demand from third-party logistics and distribution companies, as well as retailers and e-commerce companies, bodes well for near-term industrial demand.
- While elevated vacancies could curtail near-term gains, landlords with modern, high-bay warehouse space will maintain a pricing premium.

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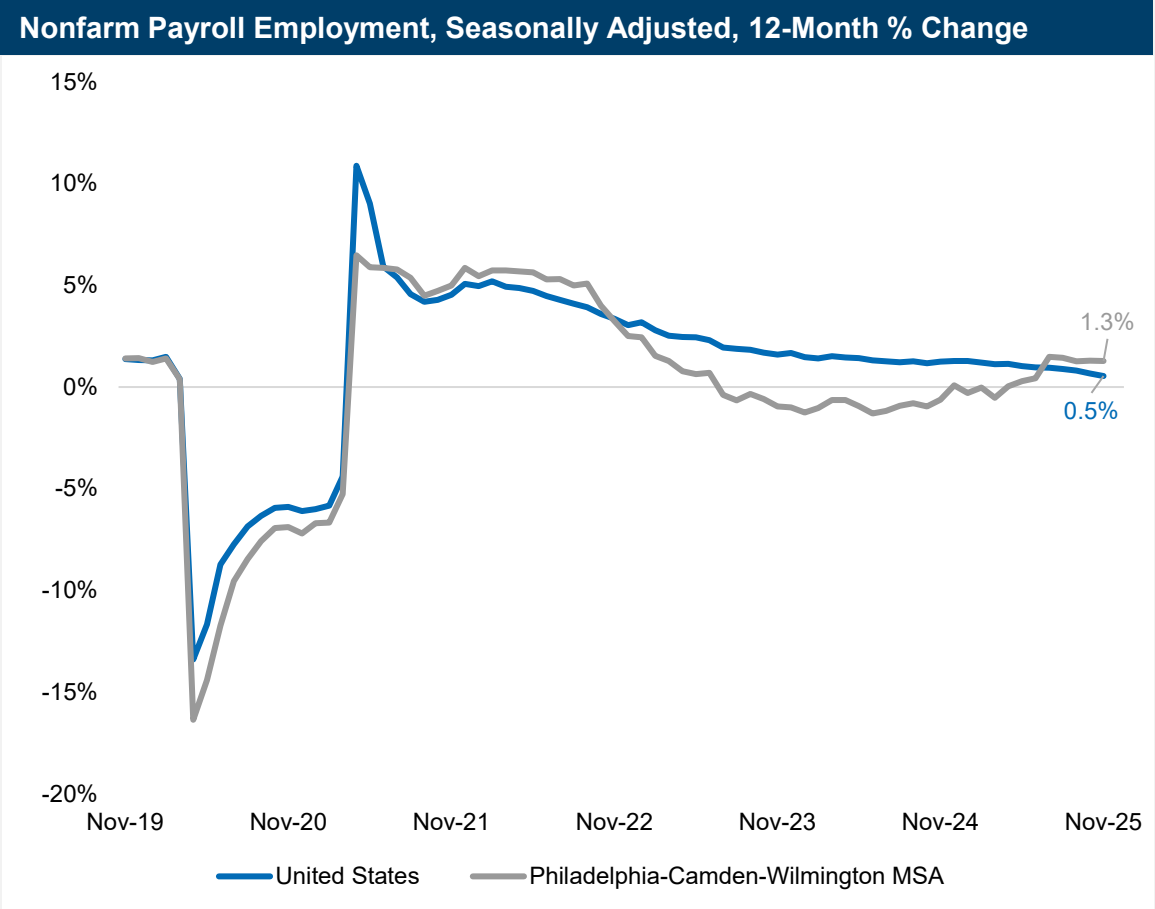
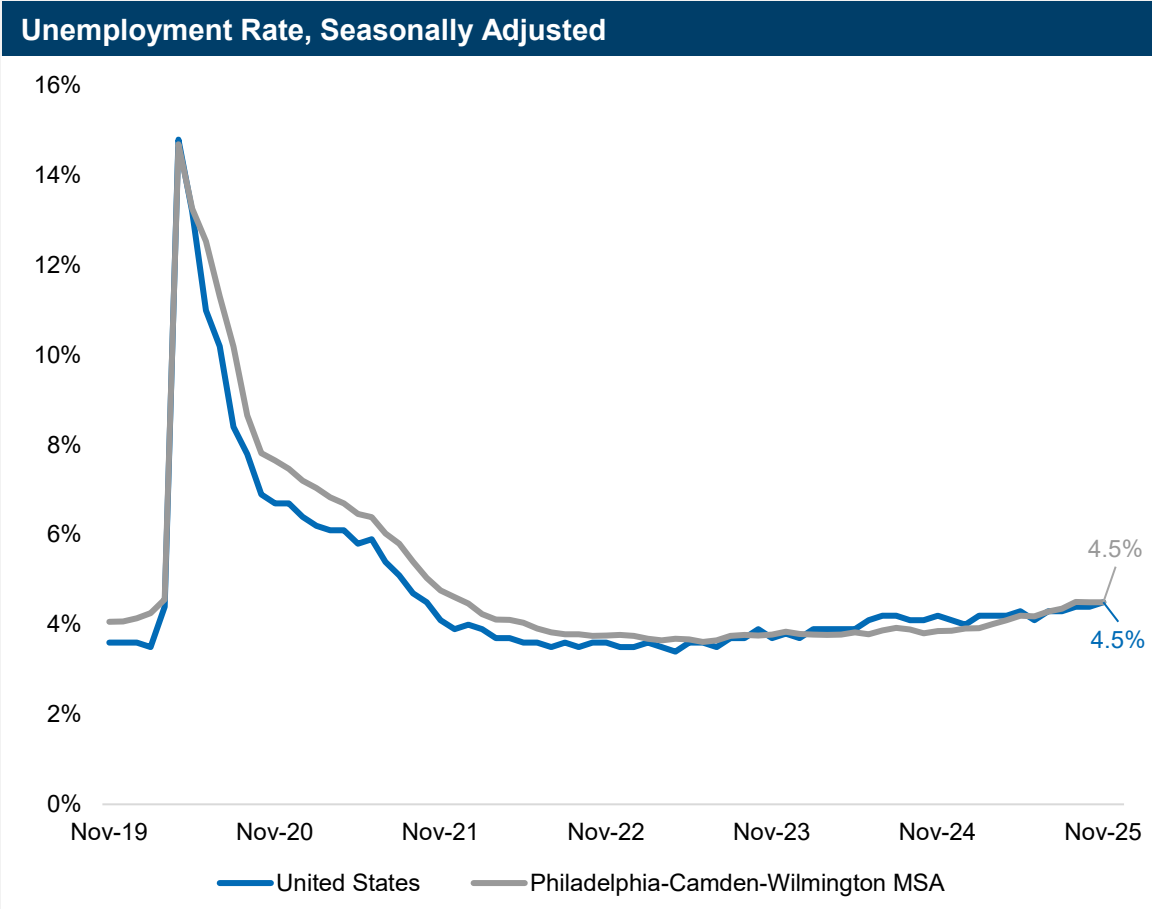
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Economy



Greater Philadelphia Maintain Favorable Labor Markets

The Philadelphia metro area’s economy showed some resiliency during the second half of 2025, with local payrolls increasing by 1.3% year-over-year as of November 2025. The unemployment rate has been steadily rising across the region, but local labor markets are trending in line with the U.S. average. Several sectors have contributed to recent economic growth, with key office-related industries reporting above-average job growth over the past 12 months.

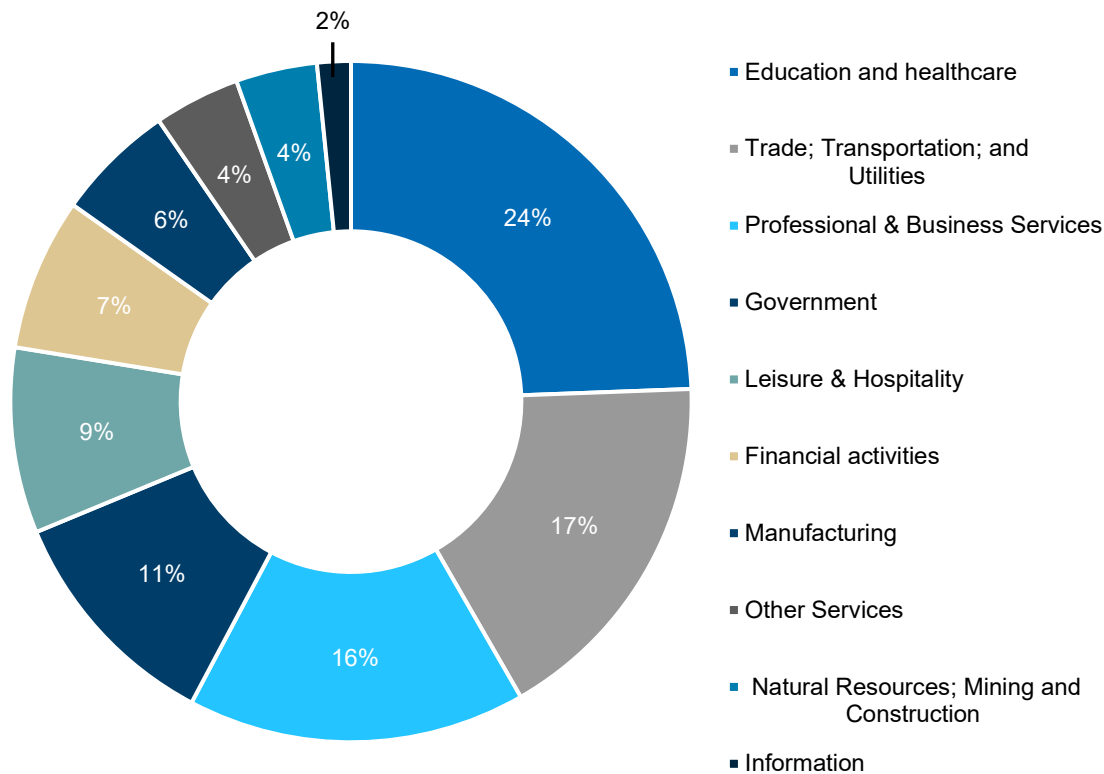


Source: Moody's, U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA. Employment data for October and November is limited due to the federal government shutdown. A national unemployment rate has been released for November, but the market unemployment is carried from September.

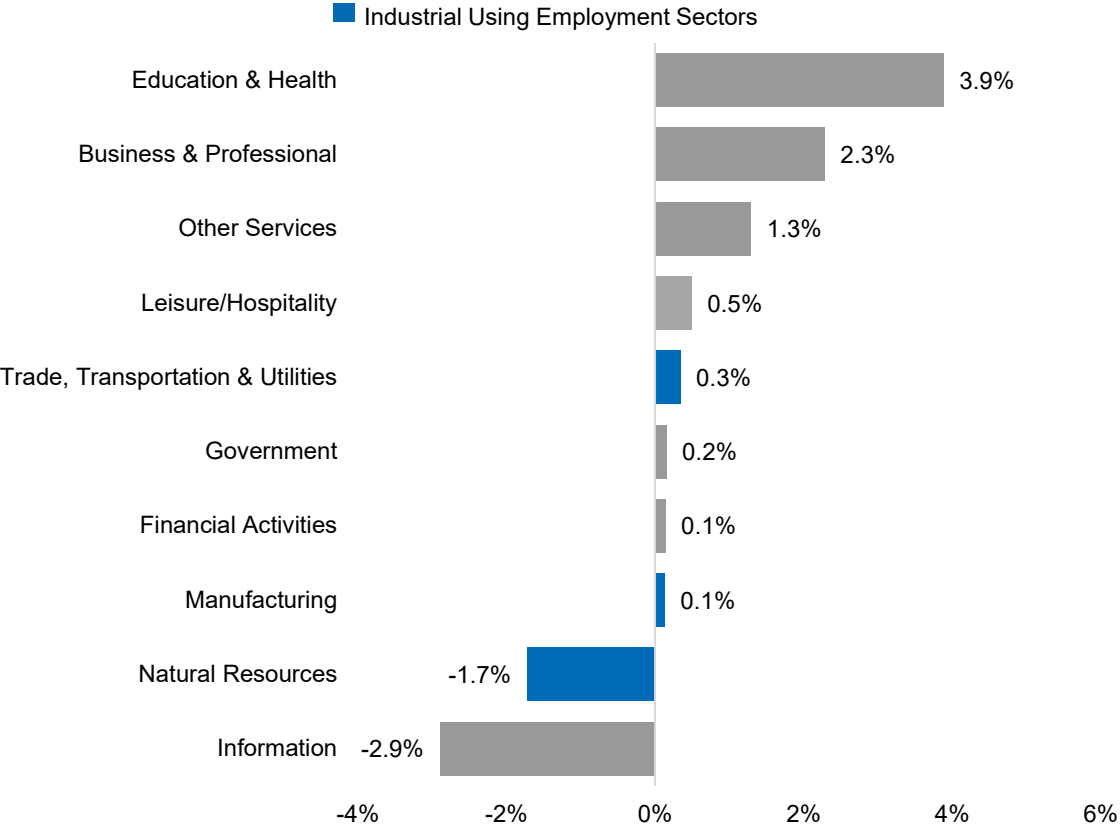
Eds & Meds Lead Local Job Growth

Education & Health stands alone as the regional leader for total employment and growth, increasing local payrolls by 3.8% over the last 12 months. Business & Professional, Financial Activities, and Leisure/Hospitality also posted above-average employment growth for the market. The industrial-using employment sectors recorded slight job gains for the 12 months ending in September. Trade, Transportation, and Utilities, the region's second-largest employment sector, reported a slight job gain. Manufacturing, the region's fourth-largest employment sector, reigned in a marginal gain. Natural Resources; Mining and Construction reported sizable job loss, though this sector holds a smaller share of regional employment.

Employment by Industry, September 2025

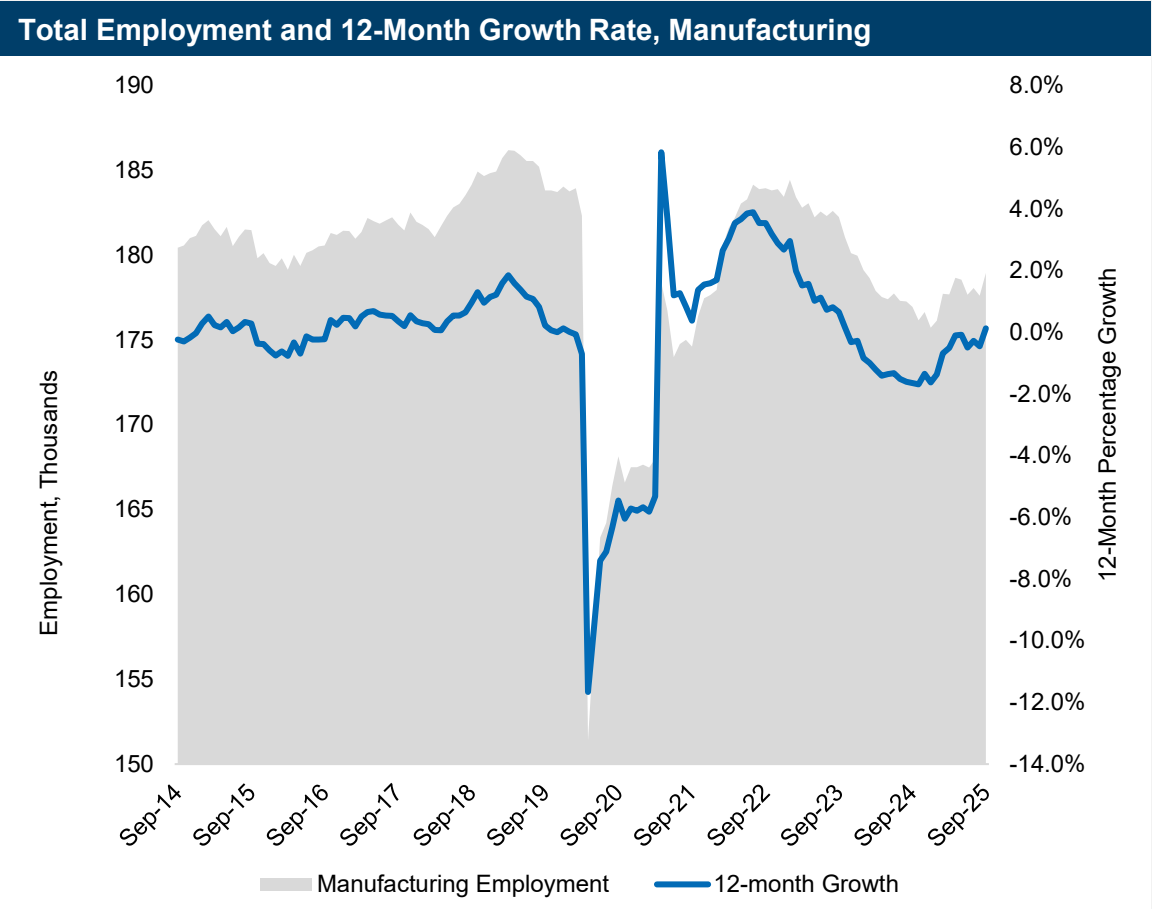
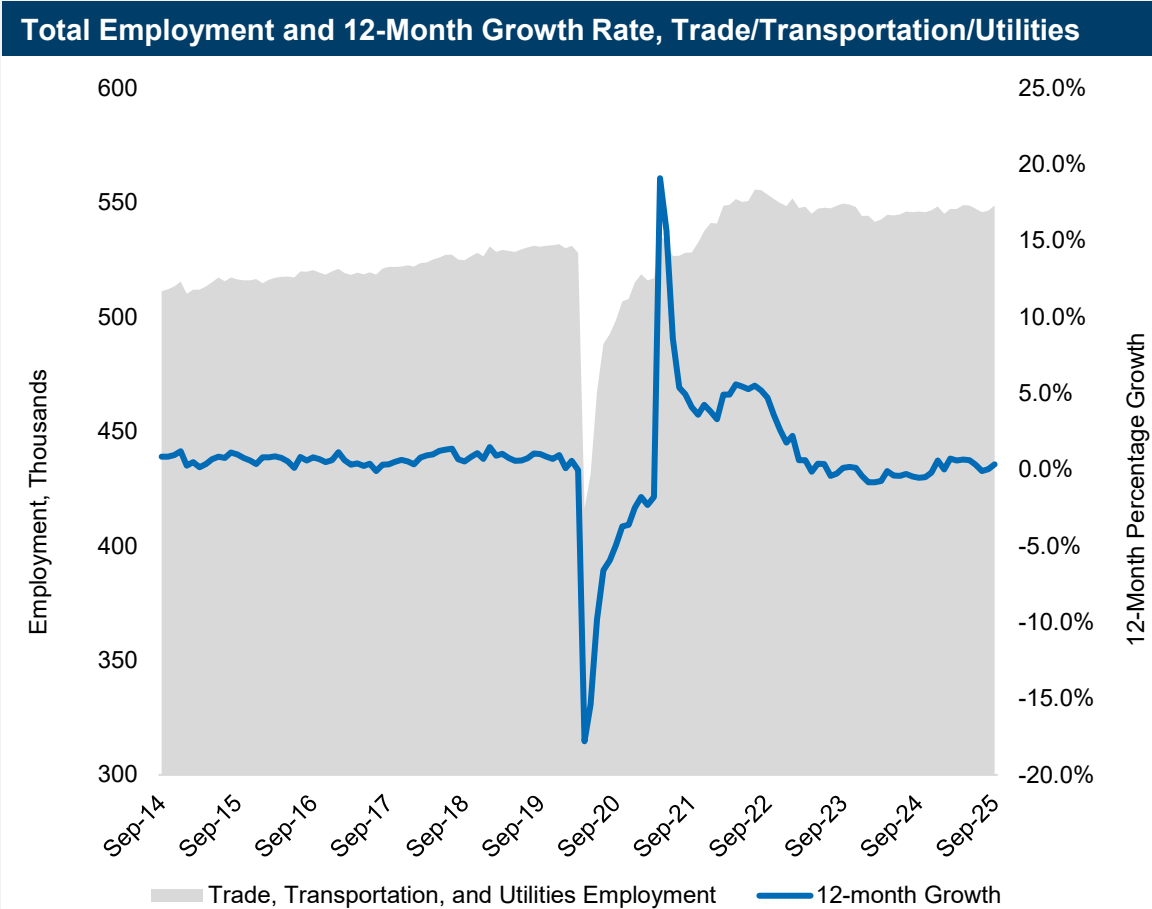


Employment Growth by Industry, 12-Month % Change, September 2025



Industrial Employment Shift

As industries adapt to a changing economic environment, two industrial sectors face different challenges in the region. The post-COVID years brought extraordinary job growth in Trade, Transportation, and Utilities. Since 2022, the sector has had a net loss of about 5,000 jobs, but remains 3.4% above the pre-pandemic level. The manufacturing sector fully recovered pre-pandemic employment by September 2022, but has experienced consistent annual job loss for most of the last two years. Both sectors have reported slight employment growth in the 12 months ending September 2025, a welcome change from the recent stagnation, particularly in the manufacturing sector.



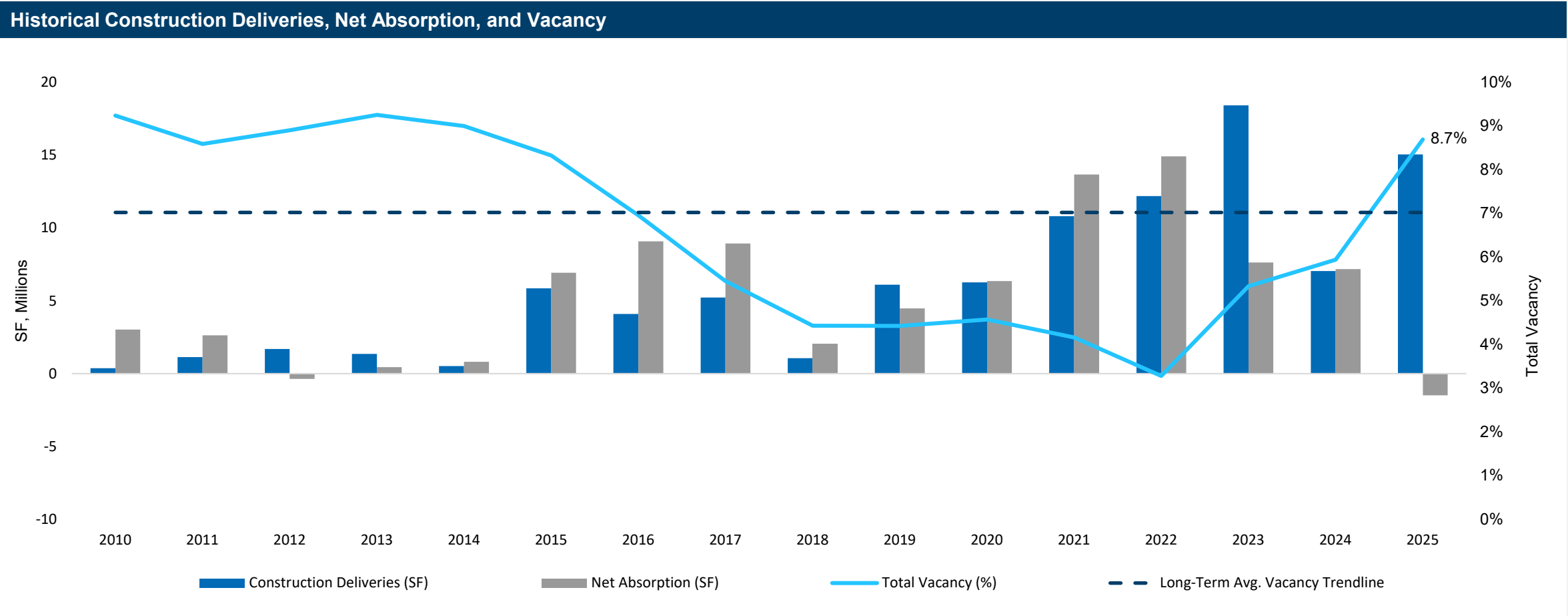
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Leasing Market Fundamentals



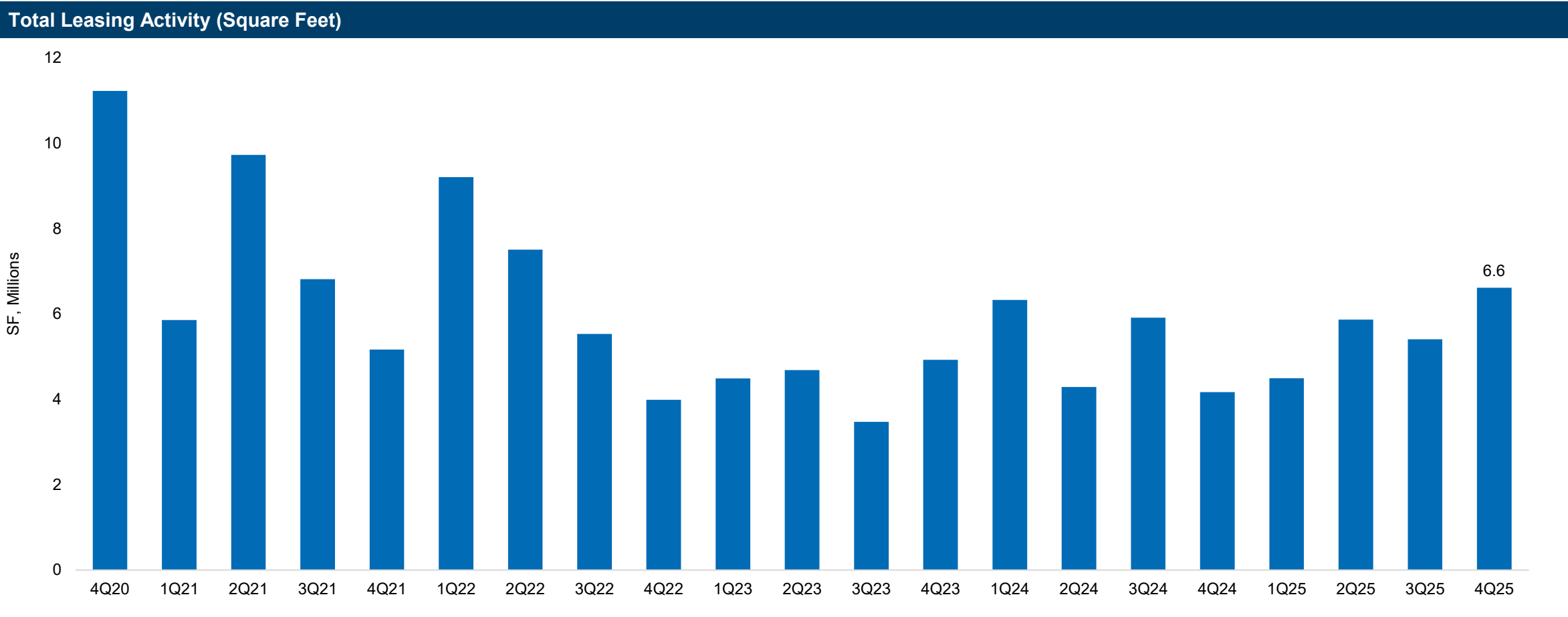
Vacancies End the Year Above Market's Long-Term Average

With new supply outstripping industrial demand for much of the last three years, the region's vacancy rate has more than doubled since 2022 to the fourth quarter of 2025 at 8.7%. Occupancy gains characterized the Southern New Jersey and Northern Delaware markets during 2025, with Greater Philadelphia experiencing losses over the past year. The continued abatement of new construction starts will help mitigate further vacancy increases, while more favorable leasing activity during the second half of the year bodes well for the region's near-term demand outlook.



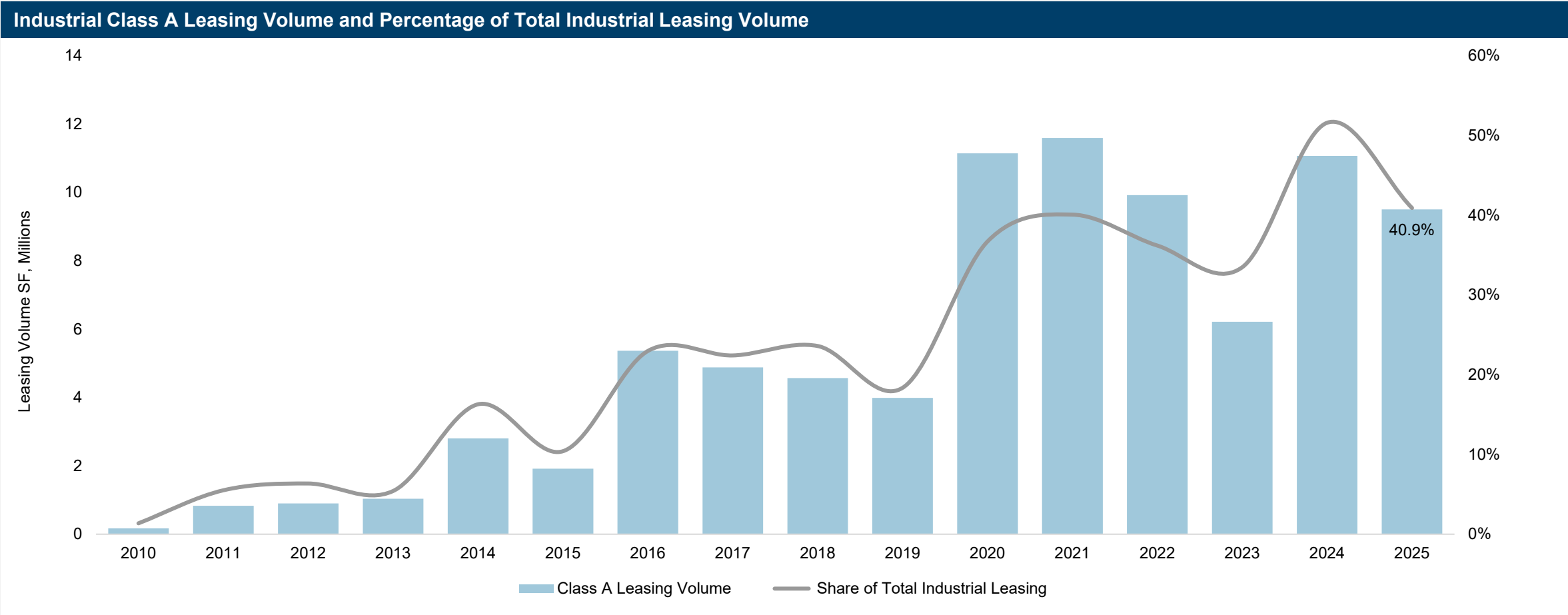
Industrial Leasing Activity Reaches Highest Level in Two Years

The Greater Philadelphia region ended 2025 with more than 22.0 million SF in industrial leasing, with a handful of transactions above 500,000 SF taking place late in the year. Significant contributions to this leasing activity included DrinkPAK’s lease of 1.4 million SF at 3144 W Passyunk Avenue in Philadelphia, which represents the largest industrial lease executed in this market since 2020. Cirro’s 750,757-square-foot lease at 2300 Mount Holly Road in Southern New Jersey and Amazon’s lease of 613,920 SF at 309 Ceder Lane in Burlington County also drove fourth-quarter leasing to 6.6 million SF.



Class A Industrial Remains a Significant Share of Quarterly Leasing Volumes

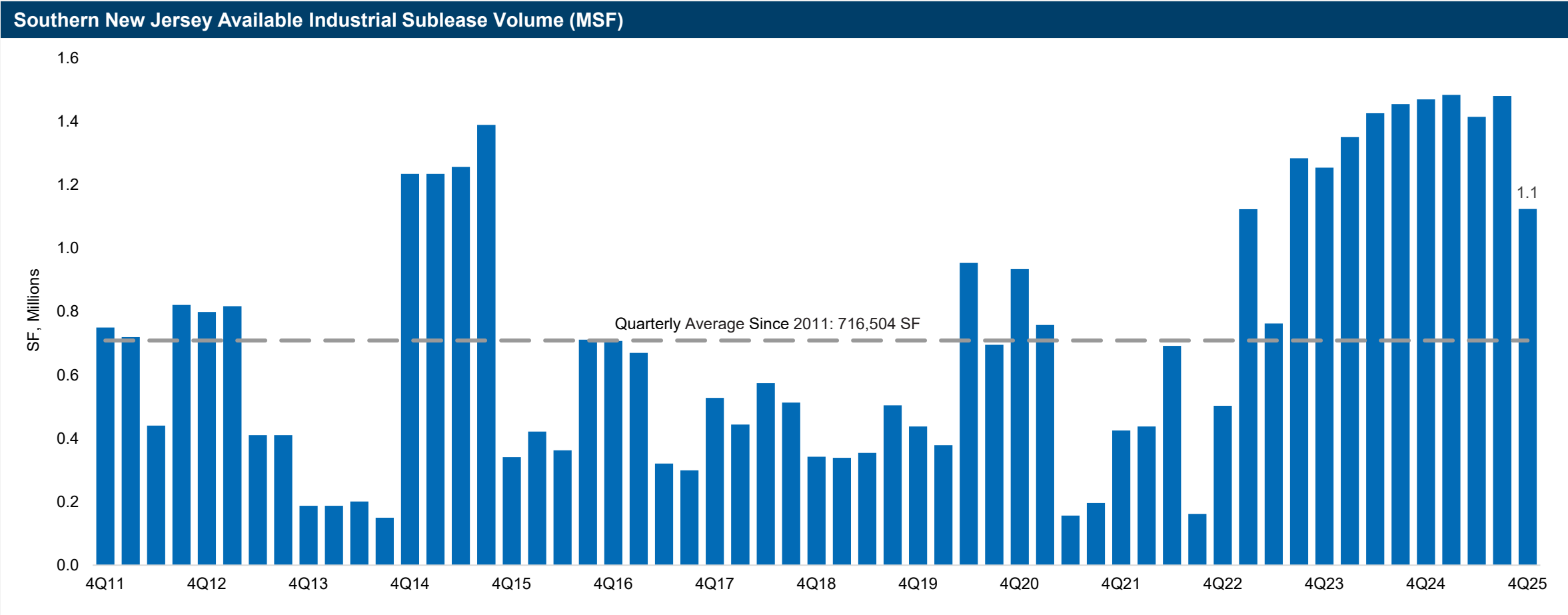
Class A properties continue to appeal to large users, with roughly 9.5 million square feet of leasing volume for 2025. These properties offer higher clear heights, wider column spacing, and greater power capacity, meeting the demands of users transitioning towards more automated and power-intensive operations. Class A properties have secured an impressive 40.9% of the industrial leasing market share in the Greater Philadelphia region despite representing approximately one-third of the inventory.



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

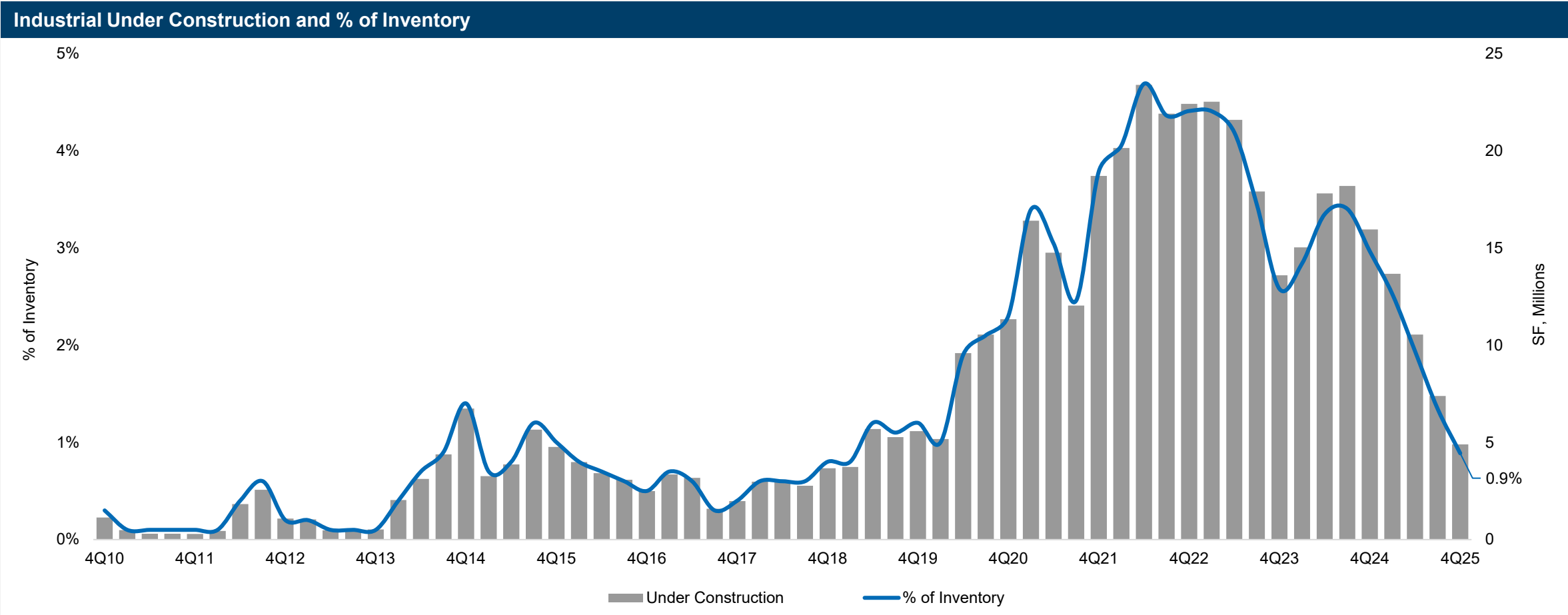
Sublease Availability Remains Elevated in Southern NJ Despite Improvements

As of the fourth quarter of 2025, Southern New Jersey maintained 1.1 million SF of available sublease space, with the availability rate declining 30 basis points over the quarter. Southern New Jersey accounts for 26.1% of the market's sublease availability despite comprising only 28.3% of the region's total inventory.



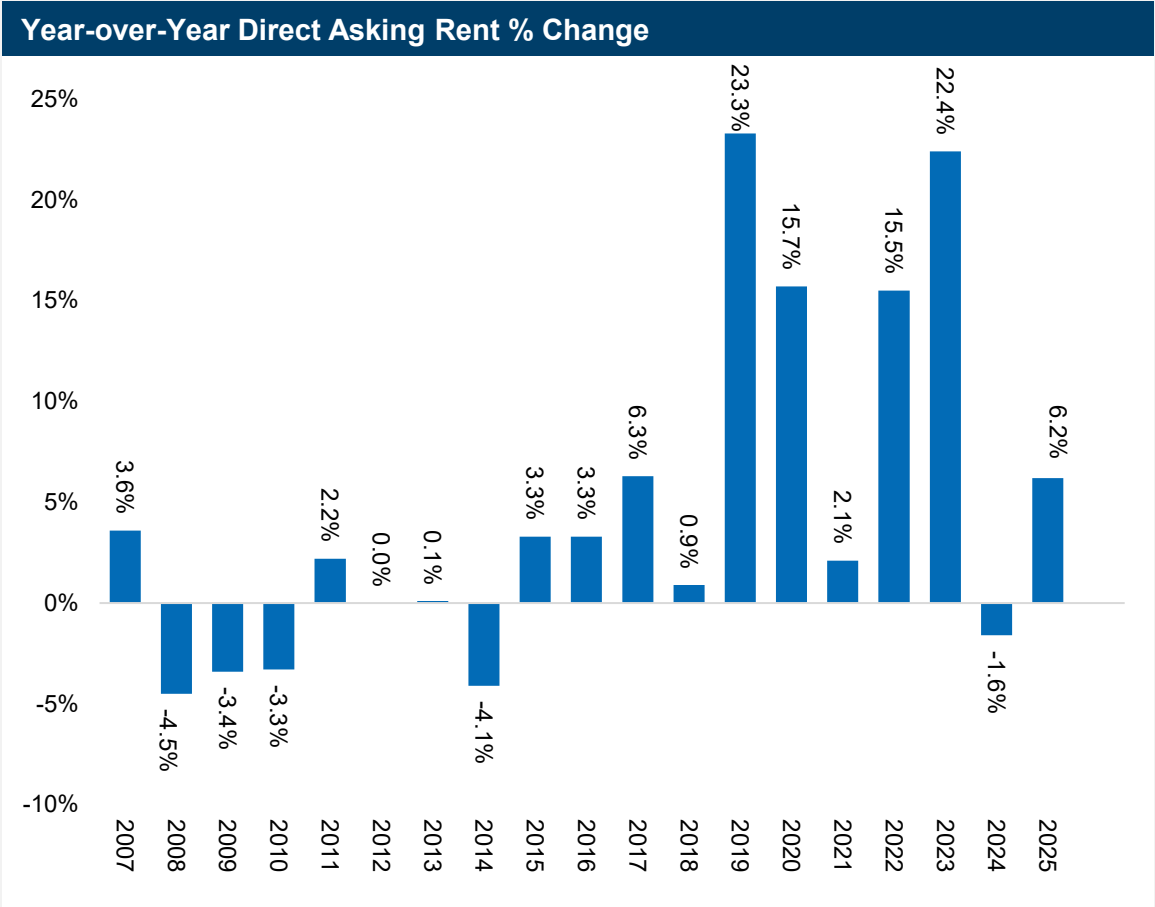
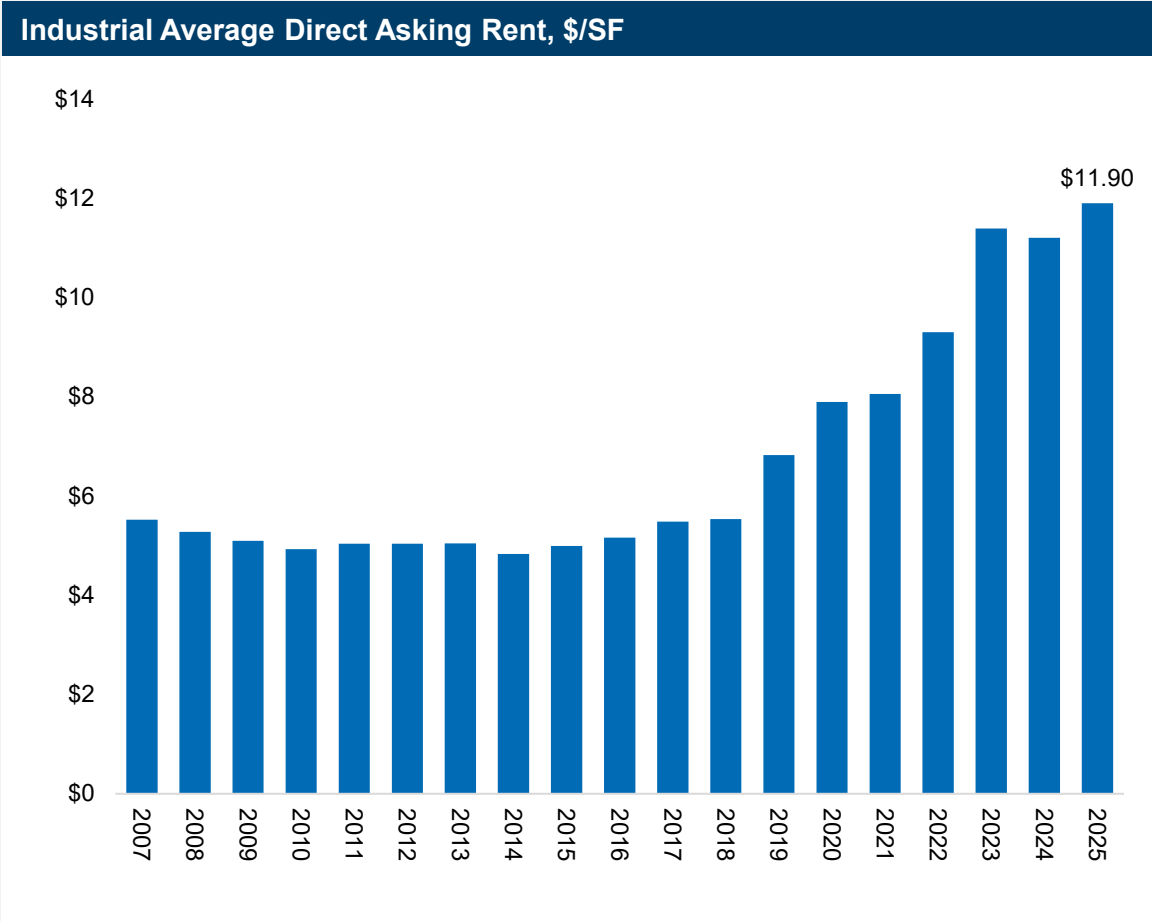
Development Continues to Retrench

Across the region, active development declined to a five-year low at the end of 2025. With 4.9 million SF of industrial product under construction as of the fourth quarter of 2025, supply-side risk has diminished. New groundbreakings include a 225,680-square-foot warehouse at First Industrial Realty Trust’s First Park at New Castle in Delaware and EQT Exeter’s 112,500-square-foot 555 Flint Hill Road in King of Prussia. Given the region’s elevated vacancy rates, developers will likely exercise caution in moving forward with new developments in the near term.



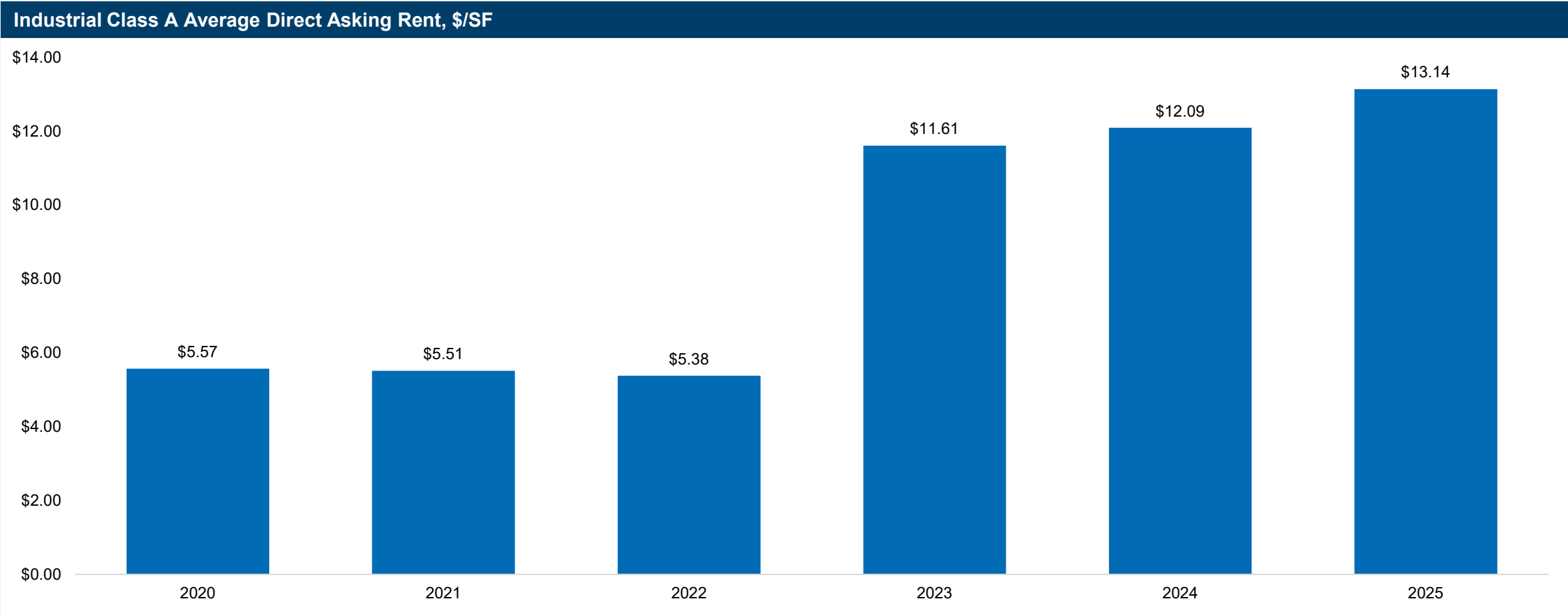
Asking Rents Reach New Heights in Greater Philadelphia

Ending the fourth quarter at \$11.90/SF, industrial asking rents in the region increased by 2.8% over the quarter and 6.2% over the year. Average direct lease rates are now nearing \$12.00/SF. New construction and continued demand for Class A logistics space are driving much of this recent growth in marketwide asking rents. While further pressure on industrial vacancies could curtail near-term gains, landlords with modern, high bay warehouse space will be able to maintain a pricing premium.



Class A Growth Maintains Lead Over Broader Market

Over the past few years, more than 14.8 million SF of Class A industrial space delivered to the market, greatly increasing Class A inventory and with it, asking rents. Following a significant jump in 2023, direct asking rents for Class A properties have sustained steady, year-over-year growth. Over the course of 2025, Class A rents increased by 8.7%. This continuing upward trend is supported by the value-added features of Class A spaces, including higher ceiling heights, expansive floor plates, and dock-high loading doors. These enhanced amenities continue to differentiate Class A properties in the marketplace, positioning them to secure higher asking rents than other property types.



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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)	2025 Net Absorption (SF)	Qtr. Construction Deliveries (SF)	2025 Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
New Castle County	36,692,315	1,295,680	8.00%	427,665	621,063	366,770	891,770	\$11.25	\$12.28
Southern New Jersey	155,916,338	2,454,999	12.2%	(583,825)	1,003,718	190,470	5,501,814	\$11.58	\$12.25
Greater Philadelphia	358,989,842	1,143,174	7.20%	(774,079)	(3,108,062)	2,261,669	8,650,602	\$12.15	\$14.56
Market	551,598,495	4,893,853	8.7%	(930,239)	(1,483,281)	2,818,909	15,044,186	\$11.85	\$13.44

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 Direct Asking Rent (Price/SF)	Total Class A Direct Asking Rent (Price/SF)
General Industrial	248,955,946	1,439,572	4.80%	(286,356)	(1,425,676)	420,770	942,965	\$10.06	\$12.75
R&D/Flex	81,526,531	0	5.60%	(133,777)	(455,078)	0	0	\$13.66	\$39.00
Warehouse Distribution	221,116,018	3,454,281	14.20%	(510,106)	397,473	2,398,139	14,101,221	\$12.06	\$13.31
Market	551,598,495	4,893,853	8.7%	(930,239)	(1,483,281)	2,818,909	15,044,186	\$11.90	\$13.44

Submarket Overview (page 2 of 2)

Submarket Statistics – All Counties and Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Annual Net Absorption (SF)	Qtr. Construction Deliveries (SF)	Annual Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Bucks County	65,524,098	208,980	8.60%	(116,449)	(29,548)	0	2,467,517	\$11.55
Chester County	38,200,917	372,850	4.80%	139,867	(10,862)	0	636,120	\$12.80
Delaware County	31,075,203	0	6.40%	(487,889)	(217,644)	54,000	159,000	\$11.38
Lancaster County	62,139,876	35,844	4.40%	(329,266)	(491,901)	218,768	1,096,402	\$9.16
Montgomery County	72,960,037	112,500	6.40%	192,027	(425,182)	176,000	442,880	\$1,162.00
Philadelphia County	89,089,711	413,000	10.20%	107,365	(1,932,925)	1,812,901	3,848,683	\$13.37
Greater Philadelphia	358,989,842	1,143,174	7.20%	(774,079)	(3,108,062)	2,261,669	8,650,602	\$12.15
Burlington County	71,851,319	1,243,844	9.70%	(469,988)	1,463,564	190,470	1,828,476	\$11.96
Camden County	33,721,671	541,456	7.40%	(34,783)	(473,466)	0	279,600	\$9.35
Gloucester County	37,809,473	395,299	12.30%	(134,054)	(339,175)	0	1,310,946	\$11.63
Salem County	12,533,875	274,400	39.60%	55,000	352,795	0	2,082,792	\$11.59
Southern New Jersey	155,916,338	2,454,999	12.20%	(583,825)	1,003,718	190,470	5,501,814	\$11.58
New Castle County	36,692,315	1,295,680	8.00%	427,665	621,063	366,770	891,770	\$11.25
Market	551,598,495	4,893,853	9.7%	(930,239)	(1,483,281)	2,818,909	15,044,186	\$11.85

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