NEWMARK

I-81/78 Corridor Industrial Market Overview

4Q25

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Key Takeaways

Headwinds in the industrial sector continue to impact market fundamentals in the I-81/78 Corridor, but stabilization is likely on the horizon in the second half of 2026.

Weaker demand pushed industrial vacancies to 8.2% on the year.

Annual net absorption totaled negative 1.7 million SF in 2025.

Square feet under construction increased to nearly 14.0 million SF at year end.

Active tenant requirements across Central and Eastern PA is roughly 19.0 million SF.

U.S. Market Observations

Economic Overview

- Regional payrolls in the I-81/78 Corridor increased by 0.7% year-over-year as of September 2025, slightly outpacing the national average.
- Employment in industrial-related industries; Trade, Transportation, and Utilities, Construction and Manufacturing have shown relative strength over the past year. All three sectors posted positive annual job growth year over year as of September 2025.
- The I-81/78 Corridor has maintained a structurally lower unemployment rate for the majority of the last 12 months. While unemployment has ticked up in recent months, the unemployment rate ended September of 2025 at just 4.2%.
- Favorable labor market conditions combined with below average unemployment bode well for the region's outlook.

Leasing Market

- Industrial vacancies in the I-81/78 Corridor ended the year in line with the region's long term historic average of 8.2%.
- Annual leasing activity in 2025 ended the year roughly 34.0% below the historical average of 35 million SF.
- Negative net absorption characterized the region during 2025, totaling negative 1.7 million SF for the year.
- The Northeastern PA submarket has led the region in asking rent growth, with year-over-year gains reaching 8.8% in the fourth quarter of 2025. This compares favorably to 0.8% annual growth reported for the greater metro area.

Major Transactions

- Despite lower leasing volumes, several large industrial transactions took place in the I-81/78 Corridor during the fourth quarter of 2025.
- Amazon signed a 1.0 million SF lease at Rausch Creek Logistics Center, located in the Northeastern PA submarket, at the end of the year.
- White Cap executed a lease for 526,260 SF of industrial space at the Lehigh Valley Distribution Center in the Lehigh Valley submarket late in 2025 as well.
- In one of the largest renewals of the fourth quarter of 2025, GXO is extending its 400,060-square-foot lease at 200 Capital Lane in the Central PA submarket.

Outlook

- Labor market strength, particularly among the industrial-specific employment sectors, bodes well for the I-81/78 Corridor's near-term demand outlook.
- Developers have begun to break ground on new product in the I-81/78 Corridor, with square feet under construction ending 2025 at nearly 14.0 million SF and signaling increased confidence in future market fundamentals in the region.
- The Warehouse/Distribution segment of the industrial market will continue to drive the bulk of tenant activity and new developments, given the region's strategic location as a top-tier logistics hub.

Table of Contents

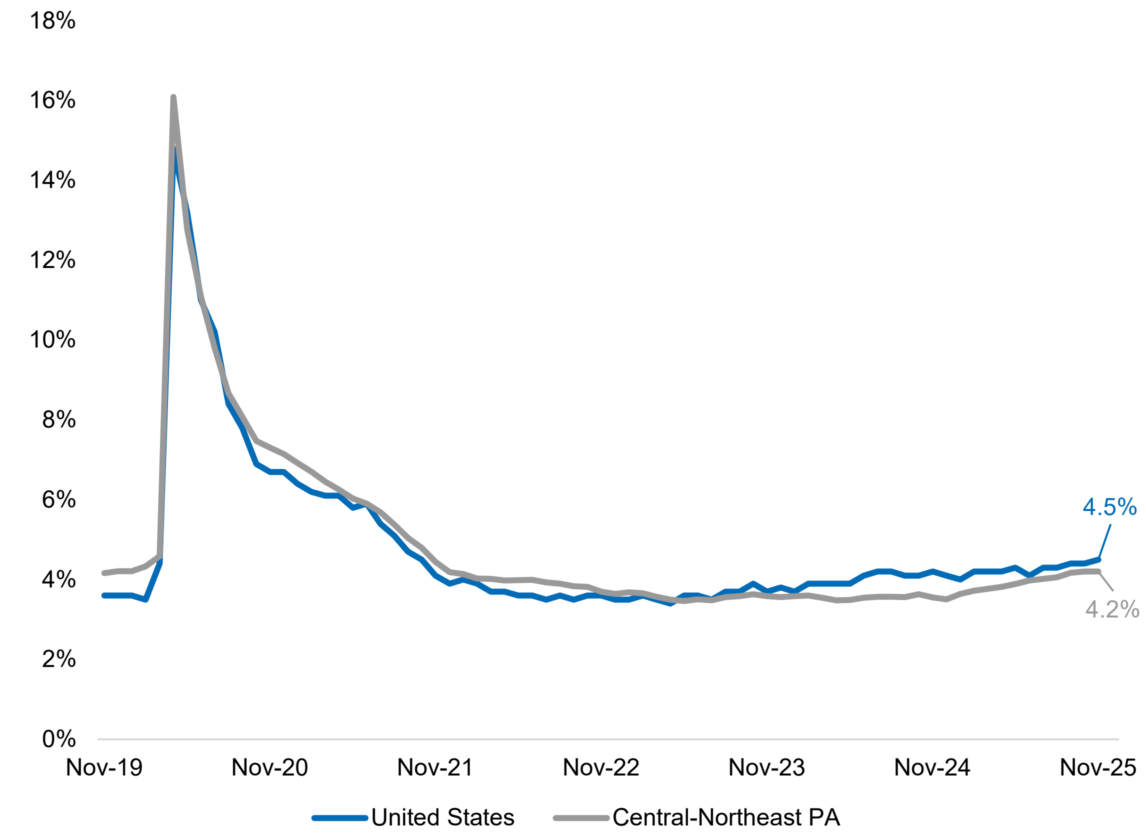
01

Economy

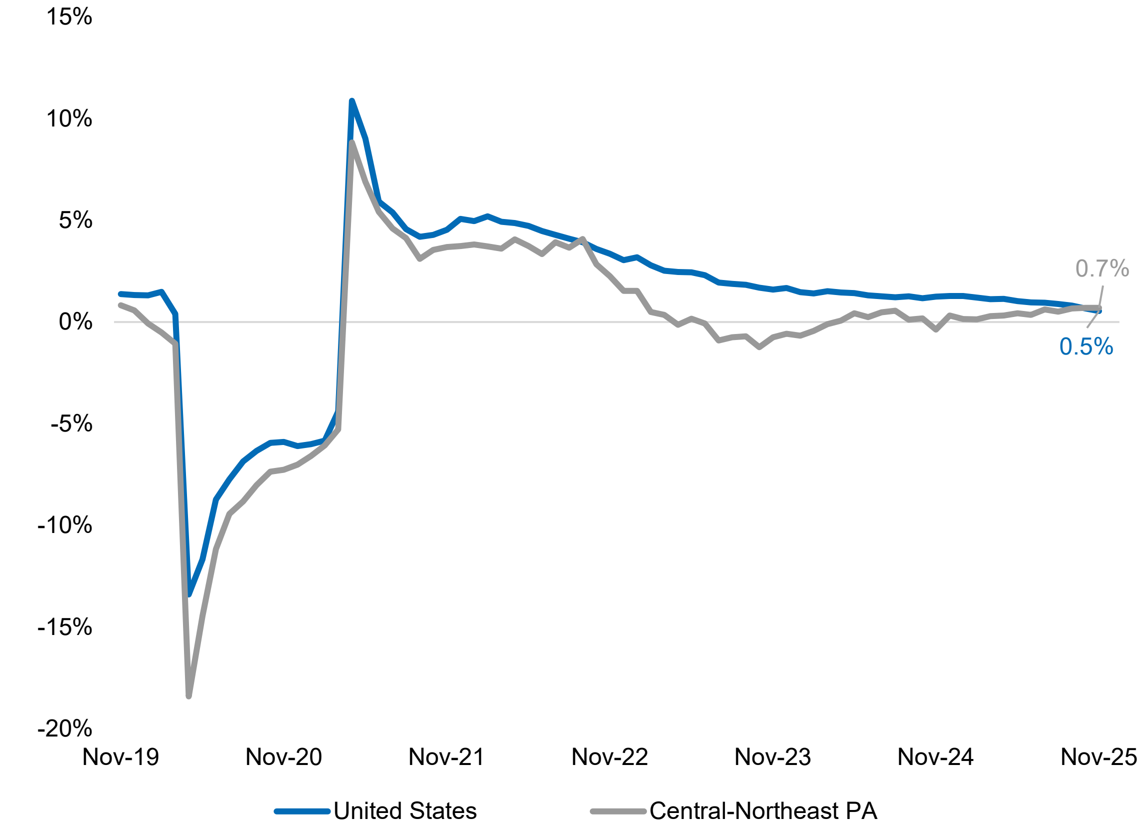
Regional Economy Maintains Favorable Labor Market

The I-81 Corridor from Central PA to Northeast PA has shown steady improvement in employment since the second quarter of 2024. Local payrolls increased 0.7% year-over-year as of September 2025, surpassing the national average. The unemployment rate has been slowly rising across the region as well, but the regional labor market maintains an advantage below the U.S. average. Several sectors have contributed to recent economic growth, with key industrial-related industries reporting above-average job growth over the past 12 months.

Unemployment Rate, Seasonally Adjusted



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

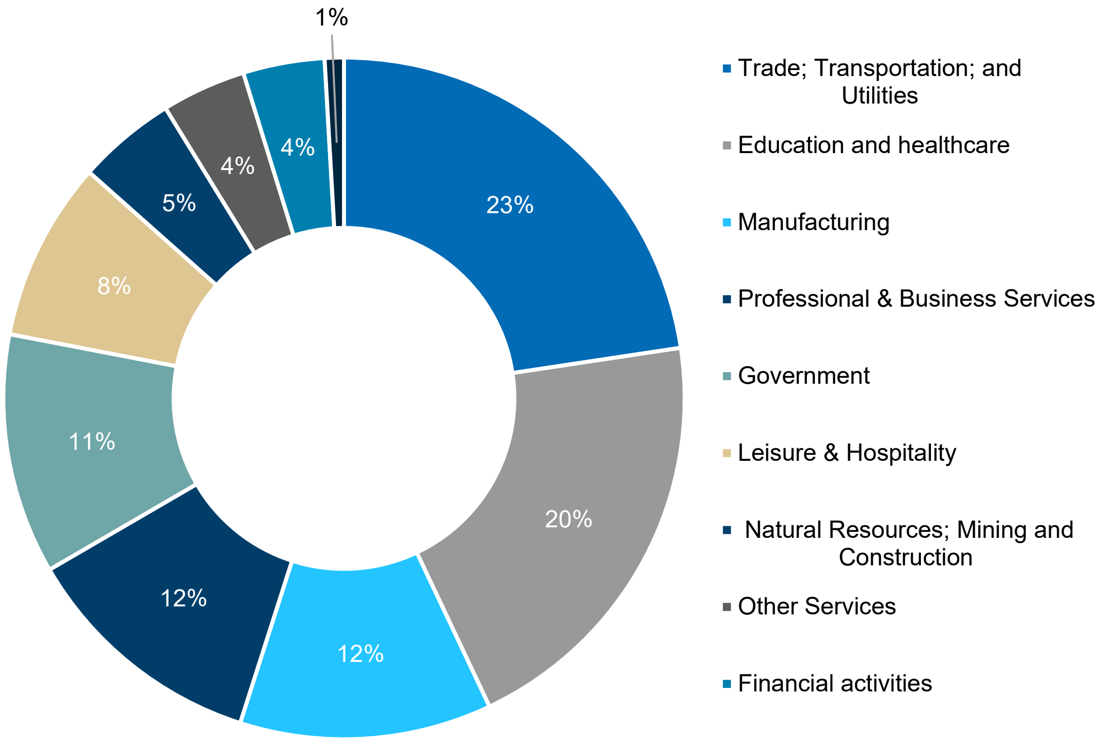


Source: Moody's, U.S. Bureau of Labor Statistics. Central-Northeast PA includes various MSAs in the region including Allentown-Bethlehem-Easton, Gettysburg, Harrisburg-Carlisle, Lancaster, Lebanon, Reading, Scranton-Wilkes-Barre and York-Hanover. Employment data for October and November is limited due to the federal government shutdown. A national unemployment rate has been released for November, but the market unemployment is carried from September.

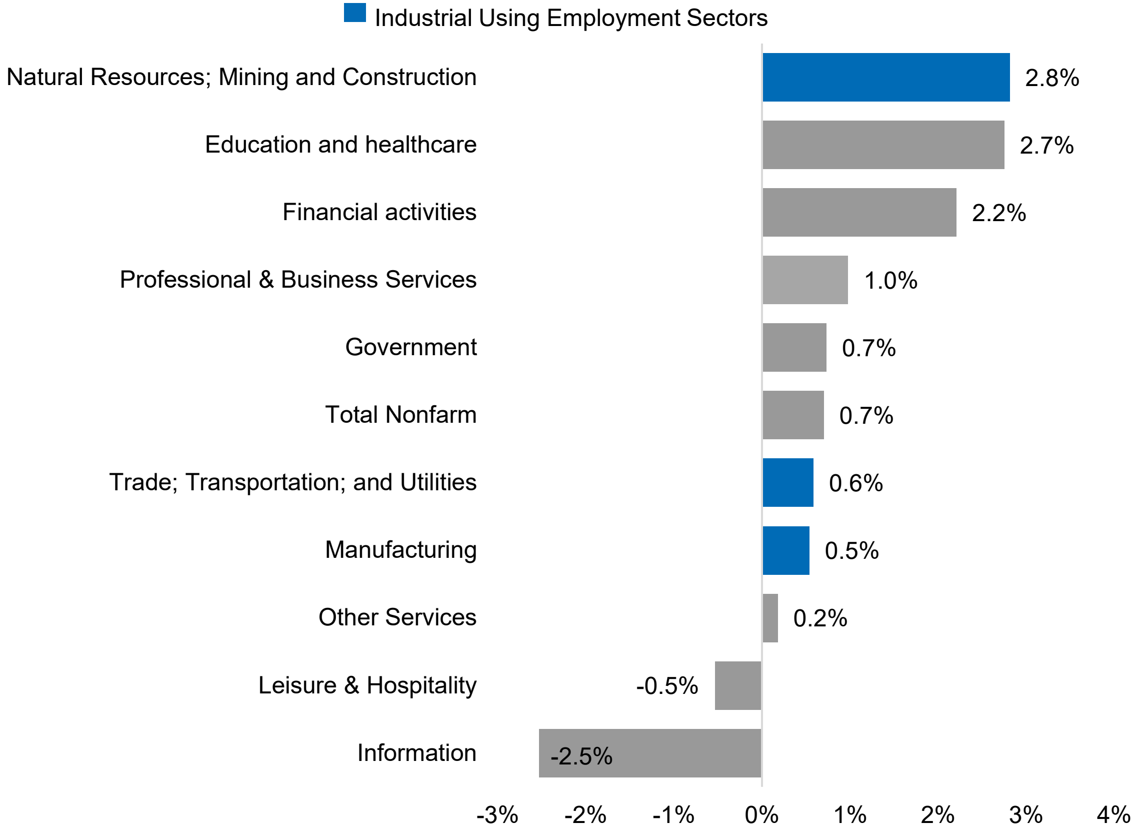
Industrial-Related Employment Remains Positive

Two of the region's top three employment sectors are industrial users in Trade, Transportation, and Utilities, and Manufacturing. These two sectors posted job growth just shy of the regional average, but in line with the national average. The growth in these sectors bodes well for continued industrial activity heading into 2026. Natural Resources; Mining and Construction reigned in strong job gains on the year ending September 2025, though this remains only 5.0% of total regional employment.

Employment by Industry, September 2025



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



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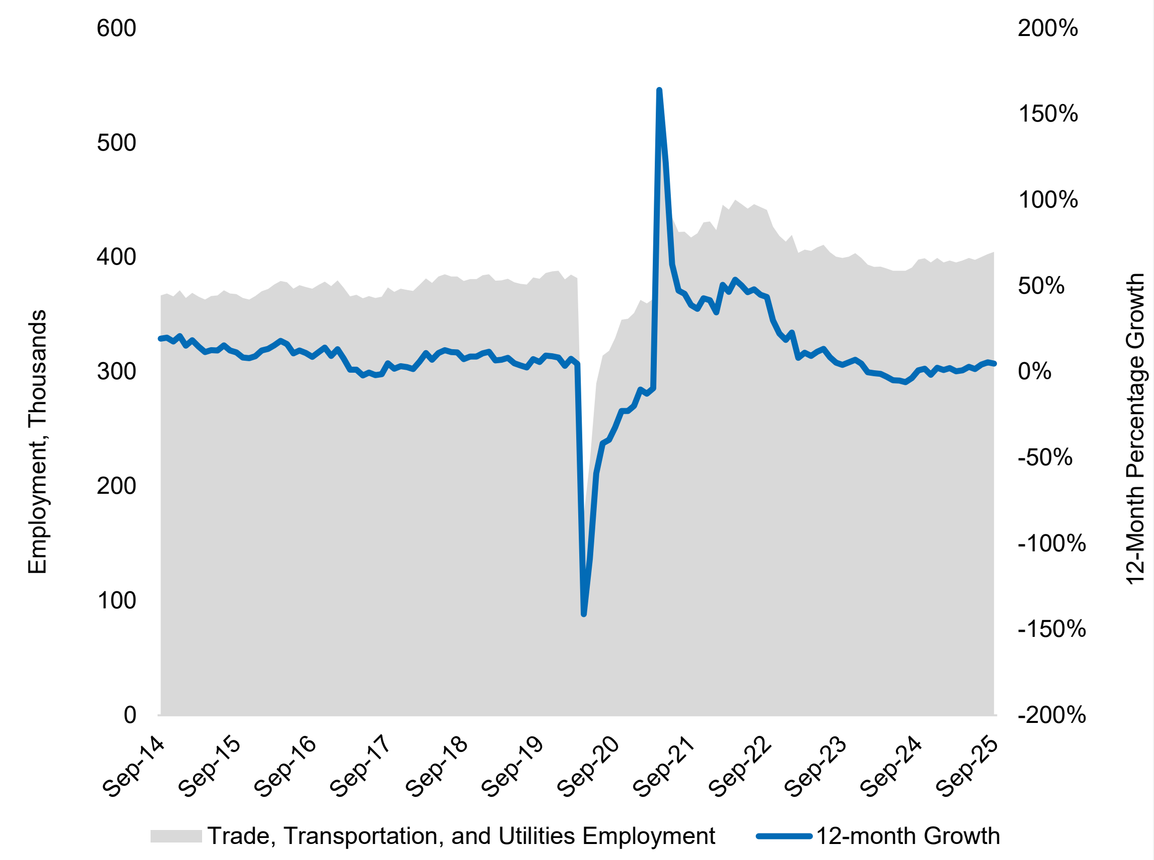
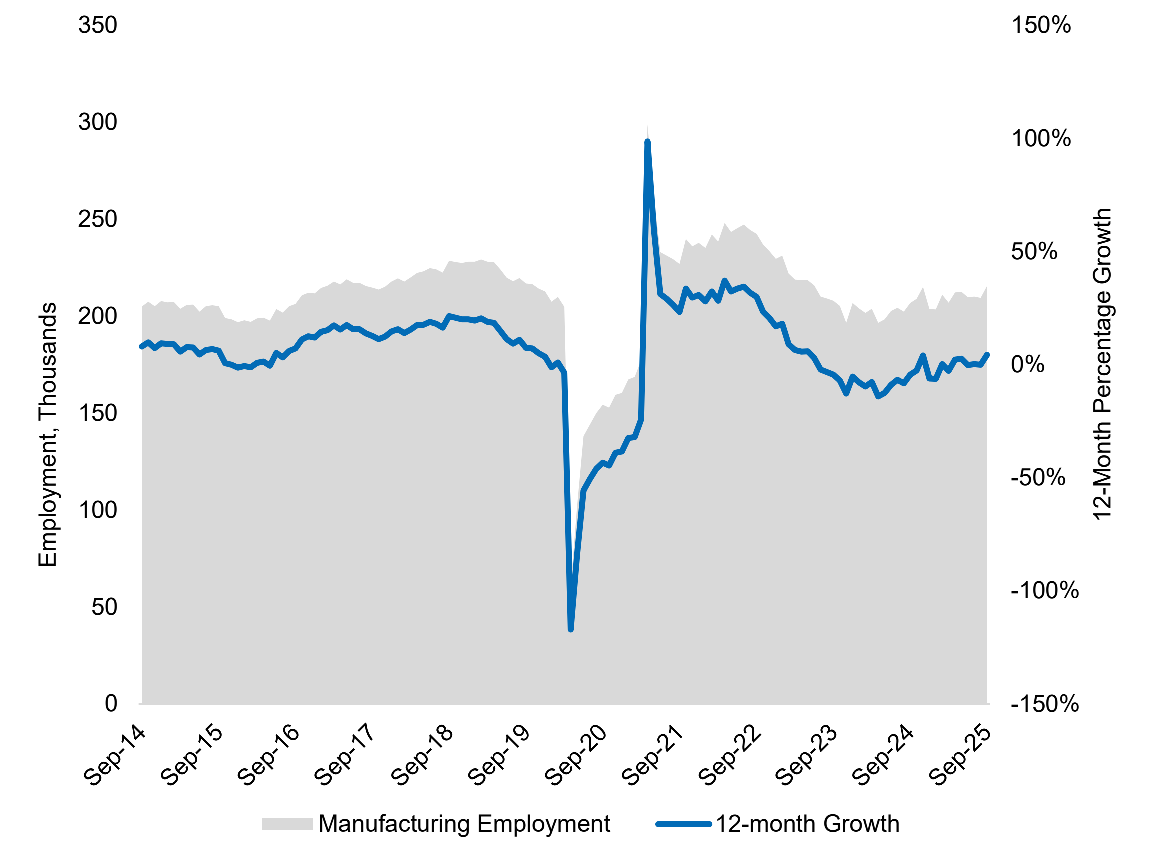
Industrial Employment Shift

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 37,000 jobs, but remains 6.2% above the pre-pandemic level. The manufacturing sector fully recovered pre-pandemic employment by April 2021, but has shown less resilience since 2023 than the trade sector. Both industries have reported strong employment growth in the 12 months ending September 2025, a welcome change from the recent stagnation, particularly in the manufacturing sector.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: Moody's, U.S. Bureau of Labor Statistics. Central-Northeast PA includes various MSAs in the region including Allentown-Bethlehem-Easton, Gettysburg, Harrisburg-Carlisle, Lancaster, Lebanon, Reading, Scranton-Wilkes-Barre and York-Hanover. 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.

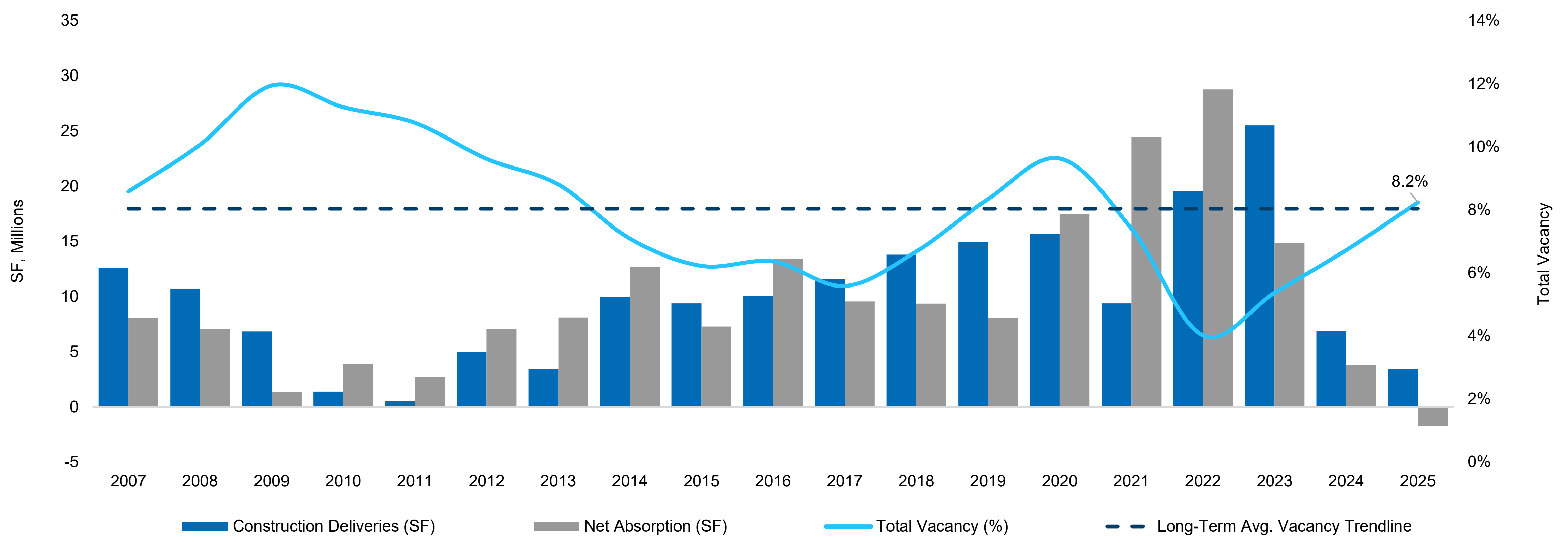
02

Leasing Market Fundamentals

Industrial Vacancies Reach Long-Term Historic Average in 2025

Despite a marked pullback in construction deliveries in the I-81/78 Corridor, a weaker demand outlook pushed industrial vacancies to 8.2% in 2025. Boasting a higher concentration of corporate retailers and e-commerce users, several major tenant moves-out, including Radial Dial, Ulta Beauty, and QVC, drove much of the occupancy losses reported in the region. Recent leasing activity bodes well for future industrial demand; however, developers have been ramping up new groundbreakings throughout the Corridor.

Historical Construction Deliveries, Net Absorption, and Vacancy

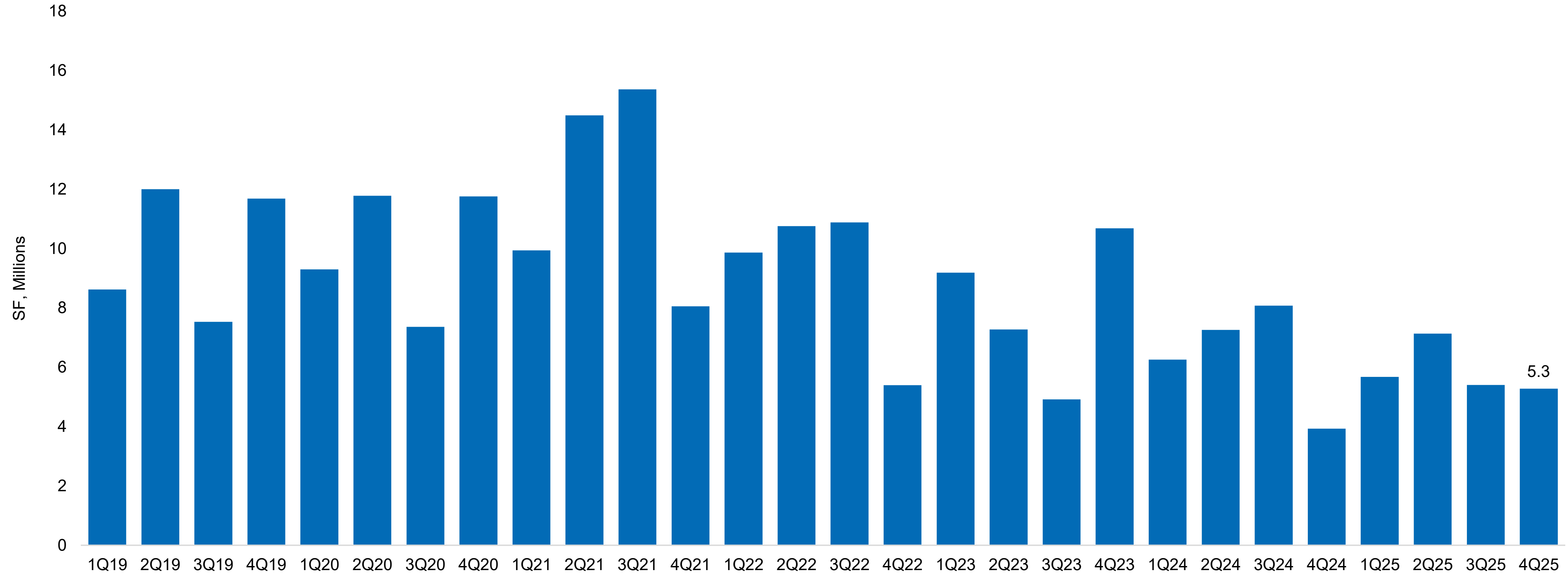


Source: Newmark Research

Industrial Leasing Velocity Softened in 2025

With more than 23.0 million SF in leasing executed during 2025 in the I-81/78 Corridor, volumes fell short of 2024 totals and are sitting well below the annual average of 35.1 million SF recorded since 2019. With that said, third-party logistics companies and e-commerce users dominated fourth-quarter leasing activity. A resurgence in tenant demand within these sectors bodes well for future industrial demand in the region.

Total Leasing Activity (Square Feet)

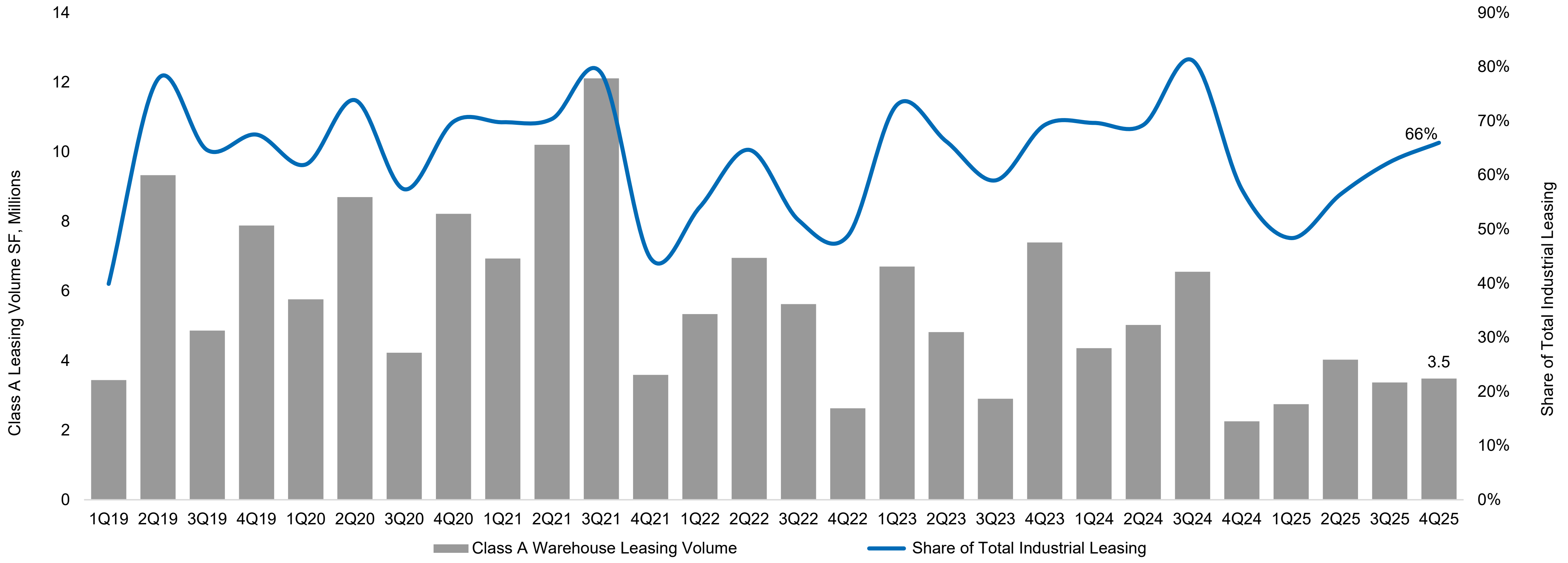


Source: Newmark Research, CoStar

Class A Leasing Represents a Growing Share of Overall Activity

While Class A leasing volumes in the Corridor declined from 2024 to 2025, the industrial market is exhibiting a noticeable flight to quality. Class A warehouse leasing volume has remained steady in terms of share of total leasing activity. The share ranges from 50% to 70% of the total volume over the last ten years, a trend that has continued through the slowdown of activity volume.

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



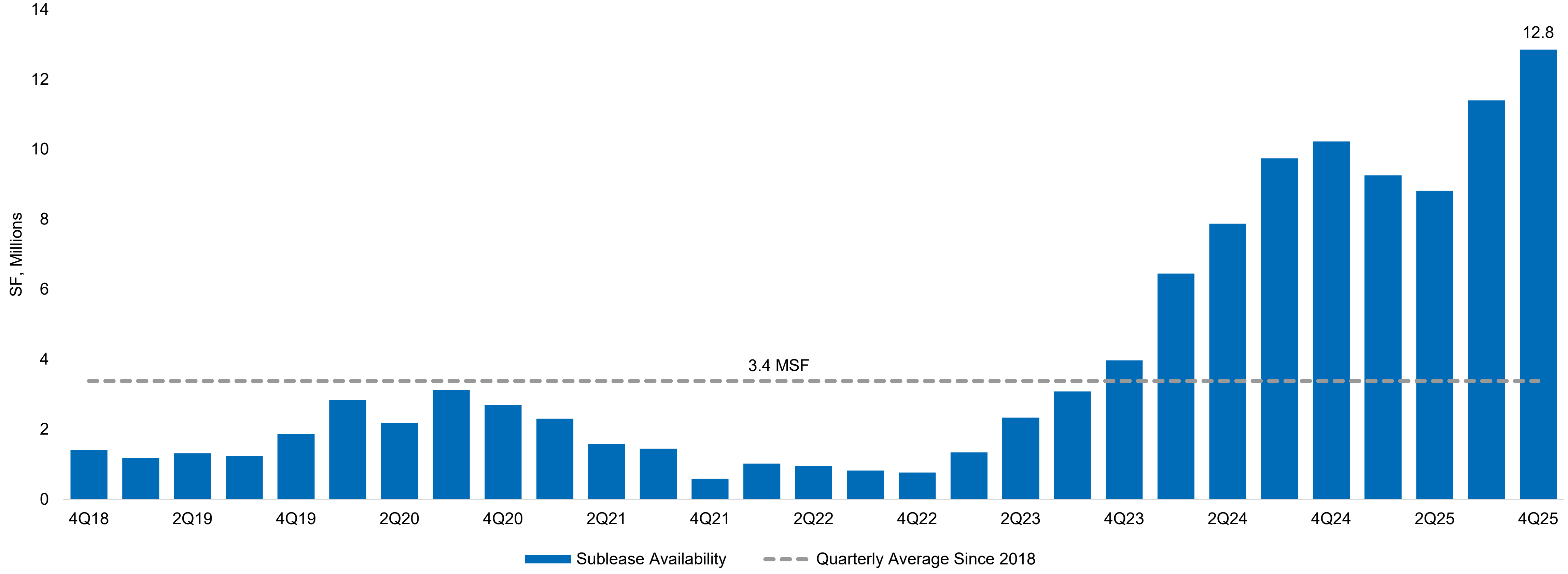
Source: Newmark Research, CoStar

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

Sublease Availability Increase to Historic High

The year rounded out with nearly 13.0 million SF of sublease space available in the region. This represents a continuing trend of growing sublease volume since 2023 and nearly quadruples the quarterly average since 2018. National retailers, third-party logistics companies, and e-commerce users continue to right-size following aggressive expansions executed from 2020 to 2023, and major retailers have been facing corporate bankruptcy. Improved growth in these key sectors will help ease growing availabilities in the sublet market.

Available Industrial Sublease Volume (MSF)

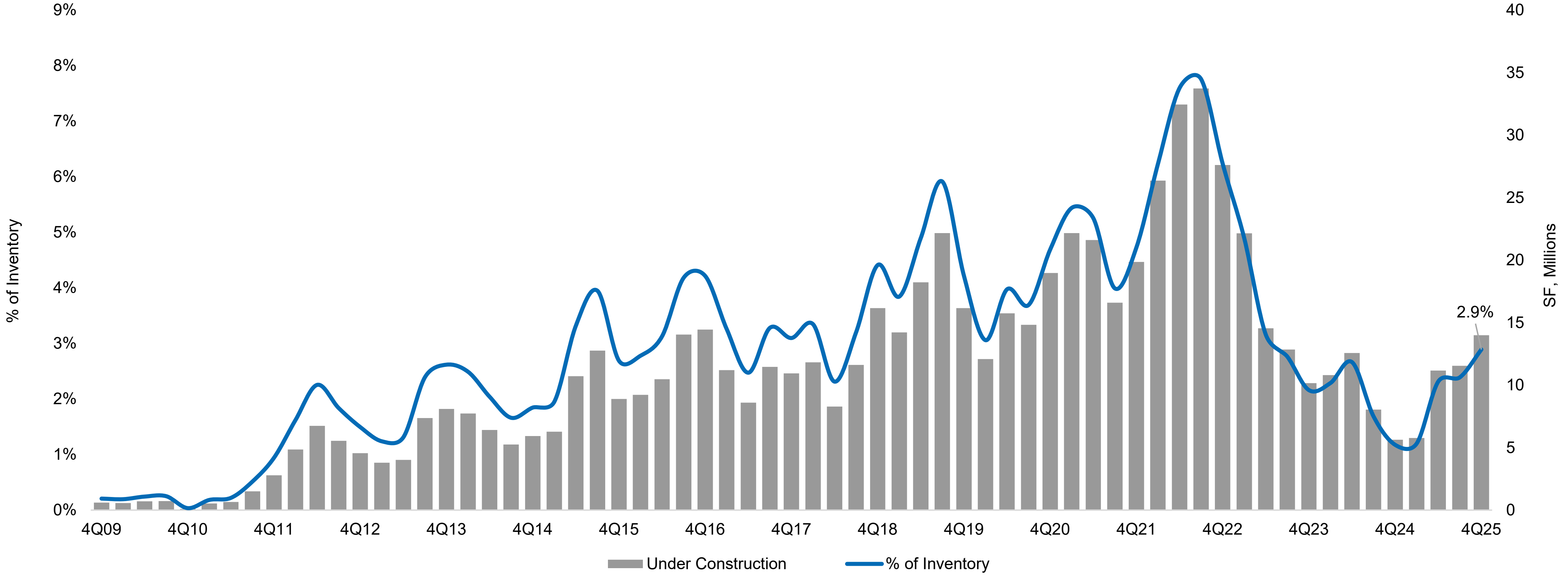


Source: Newmark Research, CoStar

The Corridor's Development Pipeline is Expanding

This quarter capped off a year that showed incremental growth in the industrial supply pipeline, which reached 2.9% of existing industrial inventory during the fourth quarter of 2025. In Tannersville, Core5 Industrial Partners broke ground on a 702,000-square-foot warehouse on a speculative basis, with plans to conclude construction in late 2026. Panattoni Development also recently began construction on a 925,000-square-foot first phase at the Gateway Commerce Center in Morgantown. Delivery is scheduled for late 2026 as well. An uptick in development activity could signal greater confidence in the region's industrial market fundamentals outlook.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

New Spec Developments in Central PA

Panattoni broke ground in November of 2025 on the former Bethlehem Steel property in Morgantown with plans to construct 1.2 million SF of logistics and manufacturing space to be deliver in the fourth quarter of 2026. This is the start of a 5.0 million SF master-planned industrial campus. Core5 Industrial also broke ground on a 702,000 SF Class A industrial facility dubbed Core5 at Stroudsburg. The project is slated to deliver in the third quarter of 2026.

Panattoni Development – Gateway Commerce Center, Morgantown, PA

1,217,280 SF

40’ Clear Height

0% Pre-leased

PANATTONI®

Core5 Industrial Partners – 246 Warner Road, Tannersville, PA

702,000 SF

40’ Clear Height

0% Pre-leased

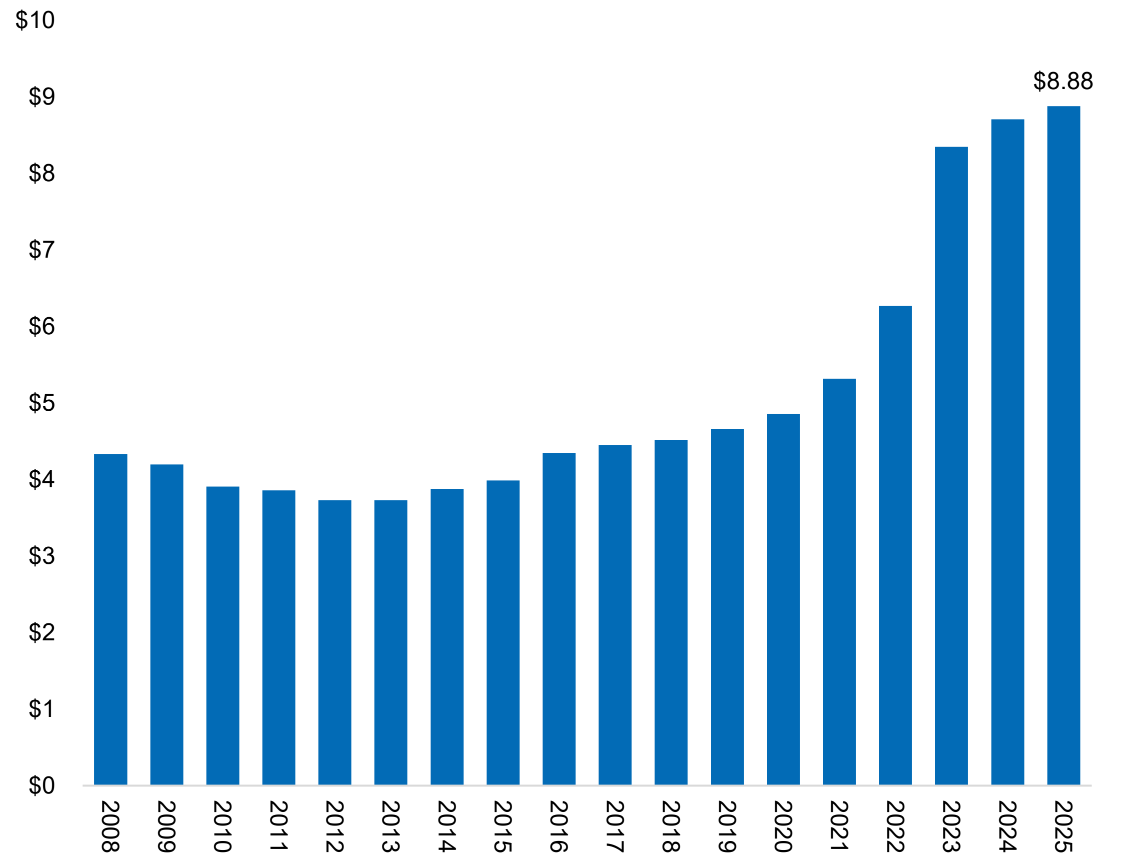
CORE5 INDUSTRIAL PARTNERS

Source: Newmark Research, CoStar

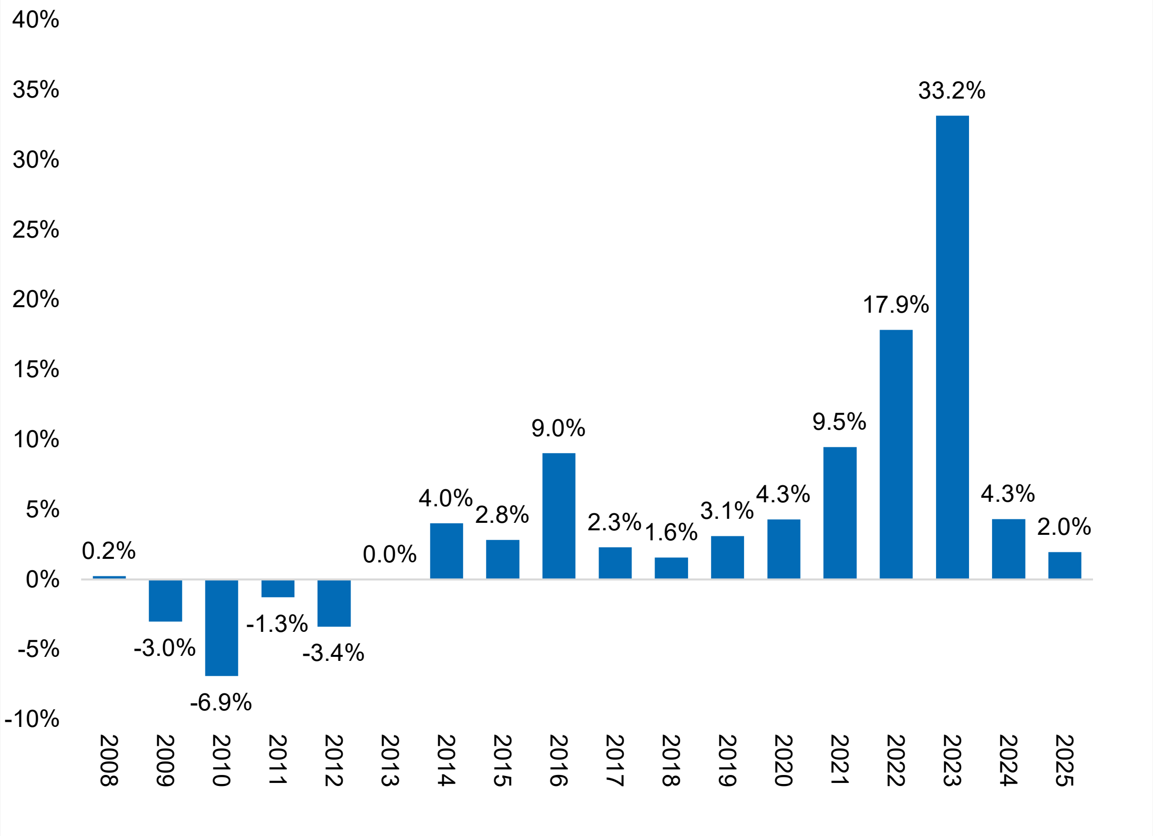
Rent Growth is Normalizing, but Maintains Upward Trajectory

Industrial rent has cemented itself at a rate over double that of ten years ago. Annual asking rent growth has, for the moment, normalized around 2.0%. Rapid rent growth has created headwinds for other fundamentals in the sector, but nominal rates appear sticky amid the evolving sector. Northeastern Pennsylvania has topped the submarket list for year-over-year asking rent growth at 8.8%. This submarket benefits from growing industrial employment, lower inventory, vacancy rates, and rental rates compared to Central PA and the Lehigh Valley. New construction is lined up to deliver in the submarket to feed increased demand.

Industrial Direct Average Asking Rent, $/SF



Year-over-Year Direct Asking Rent % Change



Source: Newmark Research, Costar

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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)	2025 Net Absorption (SF)	Qtr. Construction Deliveries (SF)	2025 Construction Deliveries (SF)	Total Direct Asking Rent (Price/SF)	YOY Direct Asking Rent Change
Central PA	218,820,131	5,837,903	8.0%	745,414	553,221	161,000	1,783,162	$7.79	(1.8%)
Lehigh Valley	164,514,418	3,719,270	9.6%	(1,491,895)	(2,282,059)	361,800	935,848	$10.65	1.0%
Northeastern PA	100,722,100	4,435,222	7.8%	(181,531)	(3,740)	162,907	1,777,809	$6.65	8.8%
I-81/78 Market	**484,056,649**	**13,992,395**	**8.5%**	**(928,012)**	**(1,732,578)**	**685,707**	**4,496,819**	**$8.80**	**0.8%**

Submarket Statistics By Subtype

	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)	YOY Direct Asking Rent Change
General Industrial	121,430,755	70,000	3.1%	569,192	732,116	0	748,880	$7.41	(2.6%)
R&D/Flex	14,291,503	0	5.5%	(314,208)	(74,591)	0	0	$11.58	17.7%
Warehouse/ Distribution	348,334,391	13,922,395	10.5%	(1,182,996)	(2,390,103)	685,707	3,747,939	$8.91	0.7%
I-81/78 Market	**484,056,649**	**13,992,395**	**8.5%**	**(928,012)**	**(1,732,578)**	**685,707**	**4,496,819**	**$8.80**	**0.8%**

Source: Newmark Research

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