

Philadelphia

Industrial | Q1 2024 Market Report

Quarterly Snapshot

↔ Average Rent
\$11.00/SF

↔ Vacancy
6.7%

↓ Net Absorption
1,483,669 SF

Occupier's Perspective

Large-scale spec warehouses over 500,000 square feet may offer opportunities for occupiers in certain markets that have higher vacancy, and certain buildings that have been vacant for an extended period.

The demand for longer average lease terms for warehouses stems from tenants' increasing reliance on automation in manufacturing and distribution. With automation technology reaching a point where the benefits in efficiency and safety are too significant to overlook, businesses are actively pursuing such advancements.

The demand for cold storage has surged due to major shifts in grocery shopping, restaurant operations, pharmaceutical storage, online ordering including meal kits, agriculture, food manufacturing, and grocery logistics. These sectors increasingly require more refrigerated and frozen storage space, with preferred energy efficiency, high ceilings, and high degrees of automation.

Greater Philadelphia remains one of the East Coast's most resilient industrial markets, maintaining a quarterly vacancy rate of 6.7 percent. The area continues to offer exceptional value for occupiers compared to the high-rent environment of the New York City and Northern New Jersey metros. This quarter, leases were signed across diverse industries, benefiting from the area's distribution networks across the northeast's ample ports and highways. Demand is also being buoyed by manufacturing requirements driven by the commercialization of new technologies, network optimizations, and foreign direct investment.

While Philadelphia's yearly industrial rent growth has receded to 6.8 percent from its high of 12.6 percent in mid-2022, it still outperforms the national average of 5.3 percent. Construction starts have declined due to higher interest rates, available inventory, and the impending arrival of 13.9 million square feet of new space by mid-2024.

Due to the recent collapse of the Francis Scott Key Bridge in Baltimore, Maryland, from a container vessel collision, container traffic is being diverted to other Ports along the East Coast, including NY/NJ, PhilaPort, and Wilmington all of which will have a short-term impact on demand for warehouse space, 3PL capacity levels, and demand for outside storage (due to Baltimore's large automotive import volumes).

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Amazon	1,015,740 SF	New Castle County, DE	Renewal	Industrial
Loctek	667,560 SF	Burlington County, NJ	New Lease	Industrial
Woodstream Corporation	586,780 SF	York County, PA	New Lease	Industrial
Sylvamo North America	431,720 SF	Burlington County, NJ	Renewal	Industrial
Performance Food Group	300,618 SF	Glouster County, NJ	New Lease	Industrial
Victory Brewing Company	212,000 SF	Chester County, PA	New Lease	Industrial
Sardo & Sons Warehouse	125,000 SF	New Castle County, DE	Renewal	Industrial
Aramsco	117,452 SF	Glouster County, NJ	New Lease	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
5.0%	▼	\$8.00	1-81/NEPA: Class A
9.0%	▼	\$9.00	Berks: Class A
4.6%	▲	\$9.34	Central PA: Class A
5.8%	▲	\$12.00	DE: Class A
5.3%	▲	\$12.00	Lehigh Valley: Class A
10.6%	▼	\$13.59	Southern NJ: Class A
5.3%	▼	\$13.81	Philadelphia: Class A
7.2%	▲	\$14.39	Suburban Philadelphia: Class A
5.2%	▲	\$14.57	Central NJ: Class A