

Philadelphia

Industrial | Q2 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$11.26/SF

↑ Vacancy
7.2%

↓ Net Absorption
861,910 SF

Occupier's Perspective

Employing advanced labor analytics for site selection provides occupiers with significant advantages over their competitors by enhancing their understanding of employee retention and competitive pay.

As the supply has increased, lease negotiations have shifted more favorably towards tenants. In response to these market conditions, local owners are actively offering concessions such as free rent periods and enhanced tenant allowances to attract tenants, potentially dampening area rent growth.

New construction continues to slow due to economic uncertainty, inflation, and market saturation. However, this slowdown benefits tenants by offering a wider choice of locations, increased incentives, greater negotiating power, and more time to plan an optimal move.

During the second quarter, Philadelphia's industrial market showed resilience, sustained by its strategic location, robust economy, skilled workforce, and ongoing infrastructure investments. Second quarter warehouse leasing in Greater Philadelphia softened after reaching unprecedented levels in recent years. The latest annual leasing volume of 19.5 million square feet reflects a 28 percent decrease from 2022 levels. Despite this decline, industrial leasing activity has stabilized around historical norms.

Burlington County registered 3 million square feet of annual net absorption, followed by Bucks County with 1.1 million square feet. Overall, there has been a slowdown in leases exceeding 500,000 square feet over the past year, reverting to long-term norms. Lehigh Valley showed negative absorption of -1.4 million square feet, however, when Berks County is excluded from the results, Core Lehigh Valley is experiencing tight supply dynamics. Specifically, suites under 100,000 square feet have low vacancy and continue to see strong rate increases. On the 1 million square foot + end of the spectrum, the core Lehigh Valley only has two available buildings and two buildings in the development pipeline for bulk distribution.

Across the region, small-bay warehouses below 50,000 square feet remain in high demand with a tight 3.5 percent vacancy rate, contrasting with warehouses exceeding 500,000 square feet that have seen vacancy rates rise to 13.5 percent in the second quarter of 2024.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Hub Group	955,935 SF	I-81 Corridor, PA	New Lease	Industrial
Carbel LLC	469,259 SF	Lehigh Valley, PA	New Lease	Industrial
Shipfusion	340,809 SF	York County, PA	New Lease	Industrial
HYTX	295,363 SF	Burlington, NJ	New Lease	Industrial
Elogistics	286,180 SF	Burlington, NJ	New Lease	Industrial
PODS	130,000 SF	New Castle County, DE	New Lease	Industrial
Bazzini	129,890 SF	Lehigh Valley, PA	New Lease	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
5.8%	▲	\$8.50	1-81/NEPA: Class A
6.1%	▲	\$9.25	Central PA: Class A
10.6%	▲	\$9.50	Berks: Class A
7.1%	▲	\$12.00	DE: Class A
6.5%	▲	\$12.25	Lehigh Valley: Class A
11.4%	▲	\$13.75	Southern NJ: Class A
7.8%	▲	\$14.25	Philadelphia: Class A
7.6%	▲	\$14.25	Suburban Philadelphia: Class A
5.6%	▲	\$15.75	Central NJ: Class A