



Philadelphia Regional

Industrial
24Q4

Key Takeaways

- The regional vacancy rate increased to 7.0%
- Absorption increased for the third consecutive quarter after a downward trend in 2023 and early 2024
- The weighted average asking rent stabilized at \$11.15 NNN
- Sales activity was driven by new to market investors

Vacancy Rate
7.0%Net Absorption
3.72M SFUnder Construction
12.0M SFOverall Asking Lease Rates (NNN)
\$11.15/SF

Highlights

The delivery of 13 vacant speculative buildings, ranging from 232,613 to 1,200,507 square feet, contributed to an uptick in the regional vacancy rate during the fourth quarter. Despite absorption topping 3.7 million square feet, the influx of new supply outpaced demand. Only two of the new and renewal lease transactions for the quarter exceeded 200,000 square feet, a sharp decline from the nine deals of that size in the previous quarter. Third party logistics operators remained the most active demand sector, particularly Asian-based companies building safety stocks in advance of potential tariffs. However, this surge in demand appears to have reached its peak. Landlords have become more realistic with rent expectations for new and renewal leases. Although asking rents have not dropped, TI and free rent have increased, particularly for deals over 100,000 square feet. Annual escalations have also come off the 4.0% standard, with the exception of smaller deals in infill locations where supply constraints still exist.

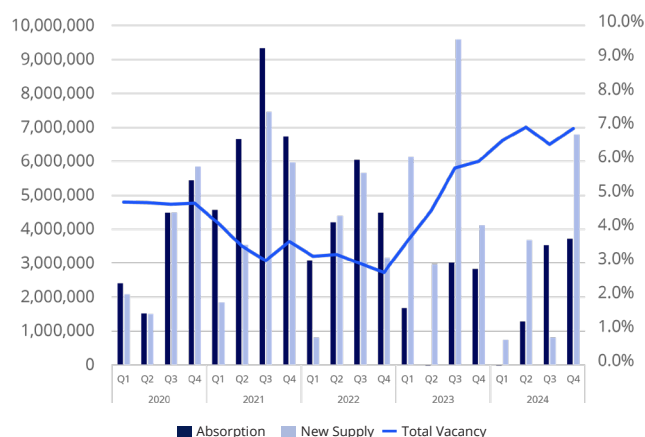
Market Indicators

4.01%-
7.29%
Unemployment Rates1.92%-
2.12%
GDP - Quarterly % change yr/yr4.596%
U.S. 10 Year Treasury Note

Historic Comparison

	23Q4	24Q3	24Q4
Total Inventory (in Millions of SF)	537.72	542.95	549.68
New Supply (in Millions of SF)	4.11	0.81	6.79
Net Absorption (in Millions of SF)	2.82	3.53	3.72
Overall Vacancy	6.00%	6.50%	6.97%
Under Construction (in Millions of SF)	12.9	17.0	12.0
Overall Asking Lease Rates (NNN)	\$11.05	\$11.14	\$11.15

Market History



Forecast

Scheduled construction deliveries are set to peak in the first quarter of 2025, with 6.3 million square feet expected to come online. However, subsequent deliveries are forecast to decline by 40-50% each quarter, signaling a slowdown in supply for the remainder of the year. With most market requirements concentrated in the 100,000 to 200,000 square foot range, vacancy rates are expected to decrease only gradually as 2025 progresses. Occupiers will continue to be extremely patient making leasing decisions, making timelines for deal completion hard to forecast. Investment sales activity is anticipated to pick up as capital markets begin to thaw.

Recent Transactions



Lease
US Elogistics
Bucks County | 518k SF



Lease
HYTX
South Jersey | 315k SF



Lease Renewal
Owens & Minor
South Jersey | 165k SF



Sale
11350 Norcom Rd
Philadelphia | 305k SF



Sale
1800 Route 38
South Jersey | 219k SF



Sale
805 N. Wilson Ave
Bucks County | 218k SF

Market Snapshots

Philadelphia County

The vacancy rate in Philadelphia increased from 6.2% to 7.0% in the latest quarter, primarily driven by the delivery of a two-building complex at 5000 Richmond Street, which added 759,210 square feet of new supply to the market. Martin Brower made a notable move in the region, expanding its footprint by preleasing the entire building under construction at 14515 McNulty Road.

However, overall demand for larger speculative buildings has remained tepid. As a result, some developers are reevaluating their strategies.

Suburban Philadelphia

The four-county vacancy rate dropped from 6.3% to 5.5%, driven by a combination of fewer speculative deliveries and an uptick in leasing activity across both new developments and previous generation facilities. Bucks County saw the most significant decline in vacancy, buoyed by strong demand at Keystone Trade Center. Additionally, the Pep Boys lease in Royersford helped absorb a block of space that had remained vacant for over two years.

The suburban market faces a near-term challenge as 2.8 million square feet of speculative space is set to deliver in the next two quarters, which is expected to push vacancy rates higher. However, with the development pipeline expected to slow in the second half of 2025, the market will have an opportunity to absorb the incoming supply, potentially stabilizing vacancy levels in the latter part of the year.

Southern New Jersey

The completion of 3.3 million square feet of speculative construction pushed the six-county vacancy rate from 7.6% to 9.1%, marking the highest level since Q3 2023. The influx of new supply has led to longer time-on-market for available space, especially in tertiary locations.

Salem County was particularly affected, with industrial inventory expanding by 43% throughout 2024, resulting in the region's highest vacancy rate of 40.4%.

While demand has not kept pace with the volume of new supply, there are signs of resilience in certain areas. Investor interest remains strong, and there were several renewals as companies like Owens & Minor opted to maintain their occupancy. Additionally, occupiers such as TD SYNEX and Performance Food Group expanded their facilities, signaling ongoing confidence in the market.

Despite these positive trends, utility access—particularly power—continues to be a significant challenge. Both large warehouses and smaller manufacturing operations are facing difficulties in securing the necessary power, escalating costs and complicating operational decisions.

Lehigh Valley

The vacancy rate in the Lehigh Valley rose from 5.7% to 6.5%, driven by speculative deliveries and sluggish leasing activity. Despite the near-term uptick in vacancies, the region is poised for a rebound in 2025. A robust pipeline of occupier requirements, combined with a significant slowdown in new development, positions the market for improved absorption in the coming year.

By the end of Q4, the only active construction projects were a smaller, half-preleased warehouse and an on-site expansion, marking the lowest level of construction in the region since 2013. The slowdown in new development is expected to continue, as a lack of approved sites and strong community resistance pose significant hurdles for developers.

New Castle County, DE

New Castle County's industrial vacancy rate held firm at 5.8% in the fourth quarter. While leasing activity remained subdued, there was marked decrease in speculative construction completions. The sole delivery during the quarter was Agile Cold Storage's 163,992-square-foot facility in Claymont.

Looking ahead, the vacancy rate is likely to rise in the first quarter of 2025 as the 525,000-square-foot Tri-State Distribution Center, also in Claymont, reaches completion.

Significant Lease Activity

Address	Submarket	Size (SF)	Tenant	Type
500 Ben Fairless Drive	Bucks County	517,641	US Elogistics	New
5206 US Highway 130	Southern New Jersey	314,820	HYTX	New
1240 Forest Parkway	Southern New Jersey	165,403	Owens & Minor	Renewal
6400 Bristol Pike	Bucks County	152,000	Kamps/BDL Supply	Renewal
14515 McNulty Road	Philadelphia County	146,470	The Martin-Brower Company LLC	New
477 N. Lewis Road	Montgomery County	136,750	Pep Boys	New
901 N. Lenola Road	Southern New Jersey	121,968	J Net Logistics	New
540 Pedricktown Road	Southern New Jersey	108,000	Coast Global	Renewal
1401 Wheaton Road	Southern New Jersey	102,210	Power Warehouse	New
115 Mt. Holly Bypass	Southern New Jersey	100,000	HomeSelecting/Patiomall	New
3267 Route 206	Southern New Jersey	120,120	Premier Warehousing	New
860 Nestle Way	Lehigh Valley	98,280	KeHE Distributors	Expansion

Significant Sales Activity

Address	Submarket	Size (SF)	Buyer	Sales Price
11350 Norcom Road	Philadelphia County	305,000	Eagle Cliff Real Estate Partners	\$33,700,000
1800 NJ-38	Southern New Jersey	219,123	Dalfen Industrial	\$34,300,000
805 N Wilson Avenue	Bucks County	218,410	Benchmark Real Estate	\$22,000,000
110 W. Pumping Station Road	Bucks County	145,800	Dalfen Industrial	\$22,300,000*
120 W. Pumping Station Road	Bucks County	114,400	Dalfen Industrial	\$16,400,000*
11 Twosome Drive	Southern New Jersey	69,000	STAG Industrial, Inc.	\$12,253,700
36-48 Vincent Circle	Bucks County	58,912	Yaakov Egert	\$5,800,000
7825 Holstein Avenue	Philadelphia County	51,229	Raith Capital Partners, LLC	\$8,450,000
1930 Olney Avenue	Southern New Jersey	42,571	Wharton Industrial	\$5,150,000

*Estimated Sale Price

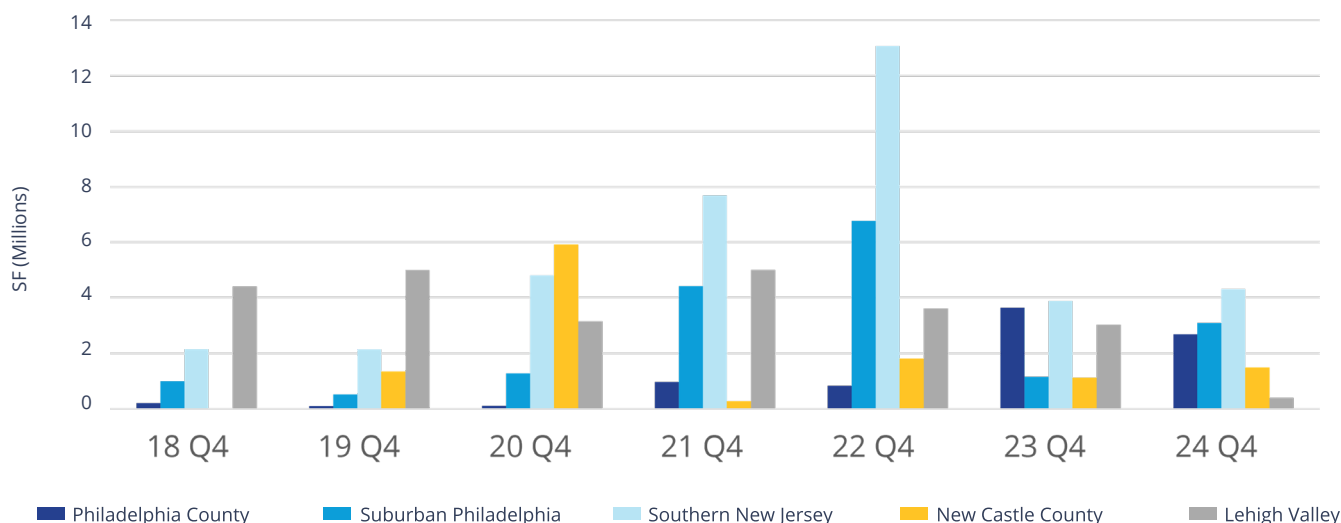
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Submarket	Total Inventory SF	Total Vacant	Vacancy Rate	Vacancy Rate Previous Qtr.	Net Absorption YTD	Deliveries YTD	Under Construction	Avg Asking Rate (NNN)
Philadelphia County								
TOTAL	76,986,658	5,414,956	7.0%	6.2%	-304,241	1,818,639	2,683,117	\$10.10
Suburban Philadelphia								
Bucks	60,818,278	2,523,230	4.1%	6.2%	1,475,090	633,094	1,985,040	\$11.59
Chester	24,678,149	1,029,328	4.2%	4.0%	-135,616	0	731,420	\$12.57
Delaware	22,146,200	1,719,191	7.8%	8.0%	-204,094	479,000	105,000	\$11.15
Montgomery	56,081,614	3,673,759	6.6%	6.8%	114,304	0	266,880	\$10.62
TOTAL	163,724,241	8,945,508	5.5%	6.3%	1,249,684	1,112,094	3,088,340	\$11.22
Southern New Jersey								
Burlington	66,661,242	6,447,499	9.7%	9.8%	2,819,992	1,201,790	1,853,772	\$12.29
Camden	29,240,225	1,257,550	4.3%	3.4%	-192,952	359,600	0	\$10.98
Gloucester	37,179,560	1,813,213	4.9%	5.2%	1,127,960	1,266,361	1,321,142	\$11.00
Atlantic	9,109,483	109,844	1.2%	1.8%	415,452	0	0	\$7.01
Cumberland	2,644,352	210,000	7.9%	10.0%	84,450	0	0	\$9.89
Salem	10,789,000	4,363,768	40.4%	20.9%	-427,220	3,256,798	1,126,443	\$11.12
TOTAL	155,623,862	14,201,874	9.1%	7.6%	3,827,682	6,084,549	4,301,357	\$11.57
New Castle County								
TOTAL	35,250,131	2,037,958	5.8%	5.8%	727,159	163,992	1,486,770	\$11.03
Lehigh Valley								
TOTAL	118,099,176	7,692,182	6.5%	5.7%	266,383	2,866,994	396,859	\$11.06
GRAND TOTAL	549,684,068	38,292,478	7.0%	6.5%	5,766,667	12,046,268	11,956,443	\$11.15

Note: the average asking rate is a weighted average of all building classes and types: warehouse, flex and manufacturing

Under Construction By Submarket



FOR MORE INFORMATION
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