

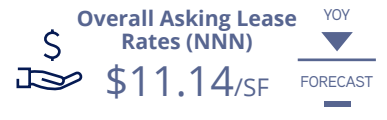
Key Takeaways

- The regional vacancy rate continued to trend upward from 7.1% to 7.7%
- Absorption fell into negative territory for the first time in four quarters
- The weighted average asking rent dipped slightly to \$11.14 NNN
- Investor interest remained steady—particularly for previous-generation facilities with stable occupancy or value-add potential



Philadelphia Regional

Industrial 25Q1



Highlights

The regional vacancy rate rose to 7.7%, driven by slower leasing velocity, new construction deliveries, and the return of previous generation space including roughly 500,000 square feet of additional sublease availability. While the pipeline of requirements was active, deal execution continued to lag, with occupiers taking longer to navigate a growing choice of space options. Developers, responding to limited demand for large-scale facilities, have pulled back on mega-projects. The average size of buildings under construction has trended downward to just under 300,000 square feet. Notably, there are no buildings of 1 million square feet or more currently underway, compared to six such projects in early 2023. The average asking rent ticked down slightly to \$11.14 per square foot triple-net, partly due to an influx of previous-generation direct and sublease space. While rents for new construction remain stable, longer rent-free periods, additional tenant improvements and lower annual escalations have become more common.

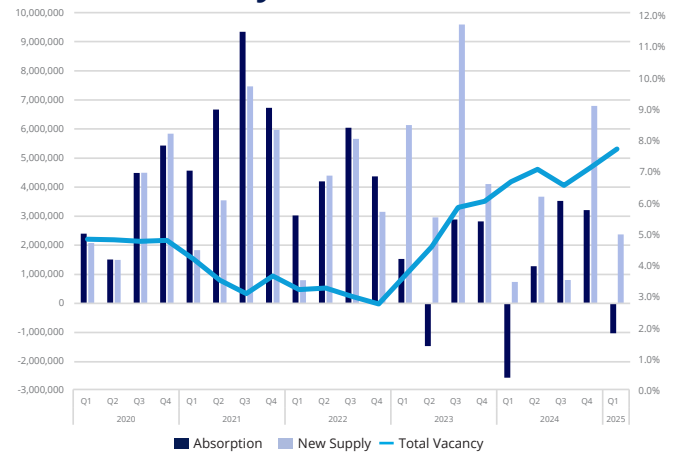
Market Indicators



Historic Comparison

	24Q1	24Q4	25Q1
Total Inventory (in Millions of SF)	536.93	548.18	550.55
New Supply (in Millions of SF)	0.74	6.79	0.00
Net Absorption (in Millions of SF)	-2.55	3.21	-1.02
Overall Vacancy	6.63%	7.08%	7.67%
Under Construction (in Millions of SF)	14.4	12.0	12.6
Overall Asking Lease Rates (NNN)	\$11.08	\$11.15	\$11.14

Market History



Forecast

As some predicted Q1 deliveries have been pushed back, the second quarter is likely to be the peak of new deliveries with 7.2 million square feet. The pipeline of new construction will be decreasing as the year progresses. The start of any new projects will be dependent on the absorption of the current new supply and could also be impacted by the price of construction materials and continued slow municipal entitlements. Economic uncertainty may also slow leasing decisions. There are indications that some landlords may begin adjusting rates downward for assets struggling to attract interest.

Recent Transactions

Lease Hershey Salty Snacks Lehigh Valley 539k SF	Lease Expansion Cirro Bucks County 529k SF	Lease JD.com South Jersey 401k SF	Sale 250 Rittenhouse Cir. Bucks County 242k SF	Sale 1035 Mill Road Lehigh Valley 161k SF	Sale 2709 Commerce Way Philadelphia 143k SF

Market Snapshots

Philadelphia County

Two newly completed spec buildings—totaling 774,808 square feet—at 2121 Wheatsheaf Lane and 6310 Passyunk Avenue came online in the first quarter, adding to the 759,210 square feet of spec space delivered at the end of 2024. The influx of unleased supply pushed the regional vacancy rate to 8.3%, the highest figure recorded in nine years, but below still below 10%.

Demand has largely centered on Class B industrial spaces under 100,000 square feet, evidenced by a trio of recently inked leases at Velocity Venture Partners' properties on Rising Sun and Whitaker Avenue.

Suburban Philadelphia

While the broader regional industrial market saw vacancy rise, the suburban four-county area bucked the trend in the first quarter, posting a full percentage point decline in vacancy to 5.6%. There were notable expansions from firms such as Cirro, PCI Pharma, Ballymore, and 3PL Pros. However, net absorption remained modest outside of one large lease. Only a single speculative building—at 4626 Somerton Road in Bucks County—was completed during the quarter, helping to limit additional vacancy.

Montgomery County's industrial inventory declined due to the destruction of the 631,434-square-foot SPS Technologies plant in Jenkintown following a fire.

Four speculative buildings totaling 2.3 million square feet are scheduled for delivery in the second quarter, a volume expected to push suburban vacancy higher in the near term. Beyond that, a sharp slowdown in new starts could help stabilize conditions through the remainder of 2025.

Southern New Jersey

The vacancy rate in the six-county Southern New Jersey market increased to 10.8%, the highest level in a decade. Despite a slowdown in new deliveries during the quarter, completions were added to an already substantial inventory built in 2024.

Compounding the issue, major occupiers such as Walmart and UPS Supply Chain returned large blocks of space to the market. Salem County remained the most impacted, weighed down by ongoing construction, new deliveries, and a vacant 705,000-square-foot former Walmart facility. Nonetheless, Walmart signaled continued interest in the region, with construction underway on an 896,000-square-foot perishable food distribution center in Pilesgrove.

It is expected that supply will remain greater than demand in the larger Southern New Jersey counties for the balance of the year. While there is the potential for several deals to be signed in Q2, this will not have a major impact on the number of vacant buildings.

Lehigh Valley

The Lehigh Valley market also showed stability, with the vacancy rate holding steady at 6.5%. For only the second time in five years, the submarket recorded no new construction completions in the quarter. Of the 1.2 million square feet currently under construction, a quarter is tied to an onsite expansion by Americold, leaving just four fully speculative projects scheduled for 2025—all under 250,000 square feet.

Leasing activity increased in Q1, indicating a drop in vacancy in Q2. WSI Supply Chain and Bazzini expanded in the Valley, and Hershey Salty Snacks took over another snack food operation.

New Castle County, DE

In New Castle County, the vacancy rate edged up slightly from 5.4% to 5.5%, reflecting a stagnant market defined by both limited tenant demand and a shortage of quality space between 20,000 and 100,000 square feet.

More than 886,000 square feet in two speculative buildings is slated for delivery over the next two quarters. While multiple projects remain in the planning pipeline, it's unclear how many will move forward. One likely exception is Aldi's planned 800,000-square-foot facility in Blue Diamond Industrial Park, which is expected to proceed.

Significant Lease Activity

Address	Submarket	Size (SF)	Tenant	Type
2600 Brodhead Road	Lehigh Valley	539,133	Hershey Salty Snacks	New
500 Ben Fairless Drive	Bucks County	528,670	US Elogistics/Cirro	Expansion
4259 US-130	Southern New Jersey	400,950	JD.com	New
103 Commerce Drive	Delaware County	247,401	Refresco	Renewal
2800 Liberty Drive	Lehigh Valley	167,085	WSI Supply Chain Solutions	New
3910 Burgess Place	Lehigh Valley	150,000	Bazzini	New
220-224 Shreve Street	Southern New Jersey	95,000	Beholy	New
2279 Center Square Road	Southern New Jersey	90,163	L&M Distribution	New
120 Phyllis Drive	Bucks County	87,278	PCI Pharma	Expansion
5660 Rising Sun Avenue	Philadelphia County	75,000	Cabinets HQ	New

Significant Sales Activity

Address	Submarket	Size (SF)	Buyer	Sales Price
250 Rittenhouse Circle	Bucks County	241,977	EQT Real Estate	\$36,000,000
1035 Mill Road	Lehigh Valley	160,861	Morgan Stanley & Co. LLC	\$17,500,000
635-653 E. Erie Avenue	Philadelphia County	146,450	Liberty Coca-Cola Beverages	\$10,750,000
2709 Commerce Way	Philadelphia County	143,060	Cabot Properties, Inc.	\$27,200,000
1547 N. Trooper Road	Montgomery County	112,868	Velocity Venture Partners, LLC	\$13,000,000
150 Rittenhouse Circle	Bucks County	101,250	Faropoint	\$13,570,000
333 Phoenixville Pike	Chester County	84,000	Cali Futures-Blacktop Industrial Trust	\$12,990,000
31-47 Reads Way	New Castle County	78,852	Velocity Venture Partners, LLC	\$6,000,000
401 Kaiser Drive	Delaware County	56,818	LBA Realty	\$14,950,000
509 Heron Drive	Southern New Jersey	55,000	DH Property Holdings	\$7,400,000
312 Cherry Lane	New Castle County	42,000	Eastern States Development Co., Inc.	\$4,800,000
601 Ryan Avenue	Southern New Jersey	30,000	Faropoint	\$3,275,000

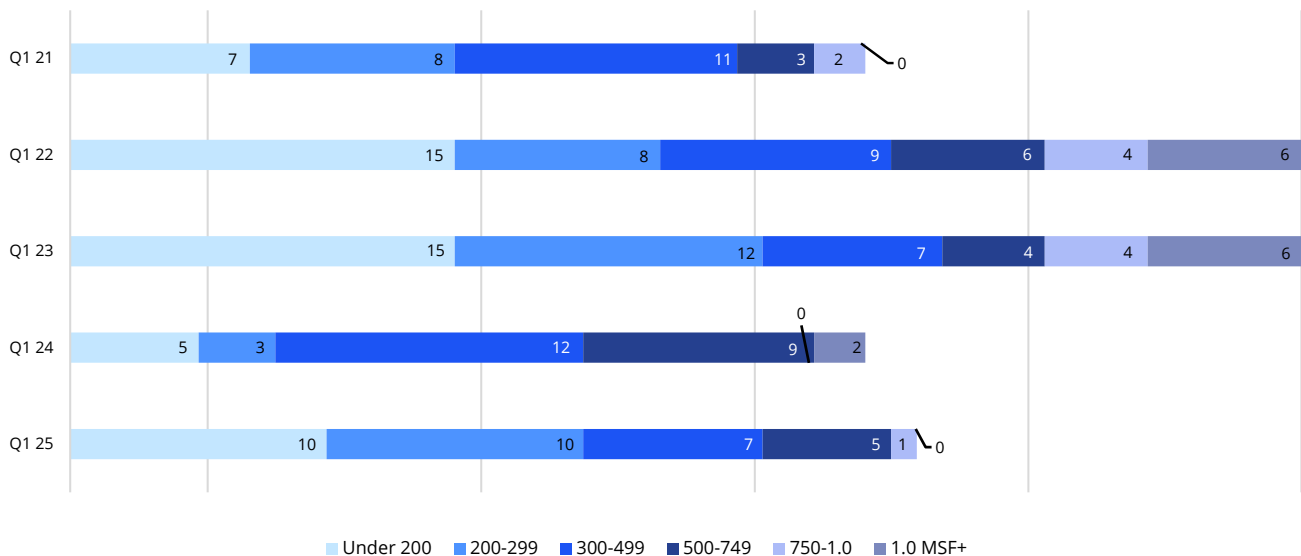


Submarket	Total Inventory SF	Total Vacant	Vacancy Rate	Vacancy Rate Previous Qtr.	Net Absorption Q1	Deliveries Q1	Under Construction	Avg Asking Rate (NNN)
Philadelphia County								
TOTAL	77,137,970	6,380,781	8.3%	7.0%	-249,962	774,808	2,366,669	\$10.01
Suburban Philadelphia								
Bucks	61,049,917	2,902,573	4.8%	4.9%	422,737	320,250	1,664,790	\$11.40
Chester	24,703,328	971,377	3.9%	4.2%	57,951	0	731,420	\$12.57
Delaware	22,098,530	1,645,180	7.4%	7.8%	74,011	0	105,000	\$11.15
Montgomery	55,354,143	3,634,717	6.6%	6.6%	29,050	0	442,880	\$10.66
TOTAL	163,205,918	9,153,847	5.6%	6.6%	583,749	320,250	2,944,090	\$11.19
Southern New Jersey								
Burlington	67,412,912	7,000,611	10.4%	9.5%	18,658	704,000	1,340,242	\$12.29
Camden	29,212,050	1,226,286	4.2%	4.2%	-10,736	0	0	\$11.02
Gloucester	37,984,328	3,309,647	8.7%	5.7%	-605,079	574,480	1,141,961	\$11.16
Atlantic	9,096,935	109,844	1.2%	1.2%	0	0	0	\$6.50
Cumberland	2,674,352	250,002	9.3%	7.9%	-40,002	0	0	\$9.78
Salem	10,714,000	5,068,768	47.3%	40.7%	-705,000	0	2,022,301	\$11.15
TOTAL	157,094,577	16,965,158	10.8%	7.6%	-1,342,159	1,278,480	4,504,504	\$11.56
New Castle County								
TOTAL	35,000,574	2,075,280	5.9%	5.8%	-53,322	0	1,532,974	\$11.22
Lehigh Valley								
TOTAL	118,111,753	7,654,562	6.5%	6.5%	37,620	0	1,206,767	\$11.09
GRAND TOTAL	550,550,792	42,229,628	7.7%	7.1%	-1,024,074	2,373,538	12,555,004	\$11.14

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

Construction by Size

Number of Buildings



FOR MORE INFORMATION
 Rosemary Penny
 Market Research Director
 Philadelphia Tri-State Region
 +1 215 928 7505
 rose.penny@colliers.com

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2025. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.