



# Philadelphia industrial market report

Q2 2024

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**AVISON  
YOUNG**

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# Philadelphia industrial market trends

27.9<sub>MSF</sub>

## Total SF under construction is back on the rise

After decreasing slightly over the past two quarters, total SF under construction has increased this quarter up 6.1% from Q1 24', now sitting at 27.9 MSF. Total new quarterly deliveries have remained relatively flat, with 2.3 MSF delivered in Q2 24'. When compared on a YoY basis, total new quarterly deliveries are down 80% from 12.2 MSF back in Q2 2023. Following a record breaking two years of new construction, the market has returned to pre-pandemic levels of development and delivery velocity.

10.7%

## Total availability reaches a new record high

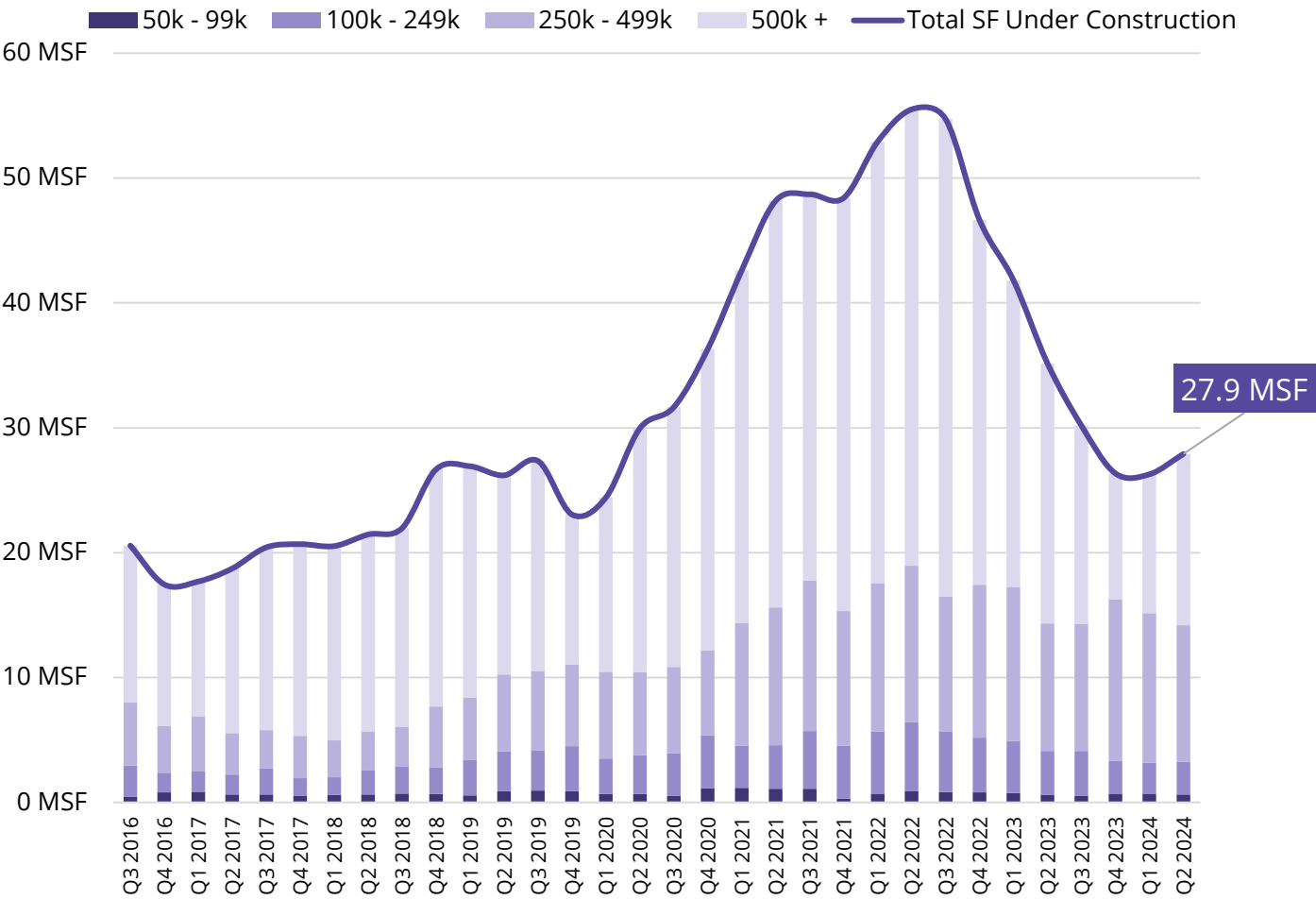
With record amounts of new supply being injected into the market, total availability across the market continues to face upward pressure, now at a record high of 10.7%. Two major components of this increase are from an increase in sublease availability, and a continuation of new product deliveries. Sublease availability saw a 35% QoQ increase up from 9.69 MSF in Q1 24' to 13.1 MSF in Q2 24', combined with 4.7 MSF of new product delivered in the first half of 2024.

14.4<sub>MSF</sub>

## Total SF leased in the first half of 2024

In the first half of 2024, 14.4 MSF was leased across the Philadelphia industrial market. While this is a YoY decrease of 33.8%, it is important to keep in mind the market is coming off two years of record-breaking amounts of leasing activity, with 39.5 MSF leased in 2023 alone. Of the 14.4 MSF space leased this past quarter, 67.5% was Class A space, equating to just over 9.7 MSF. 24.6% was Class B space with 3.5 MSF leased, with Class C accounting for the remaining 8%, at 1.1 MSF of leased, respectively.

# Total SF under construction



New developments continue to break ground across the market, with multiple master planned projects underway.

In the first half of 2024, projects 500K SF+ accounted for 46% of total active developments, with properties 250K-499K SF accounting for 42%. Notable projects include Keystone Trade Center (15 MSF), slated to be the largest new industrial park in the entire market, along with The Bellwether District (10.5 MSF) a major master planned campus located in south Philadelphia at the site of the prior PES refinery.



# Industrial development pipeline

**78 properties**

under construction

**27,902,935 SF**

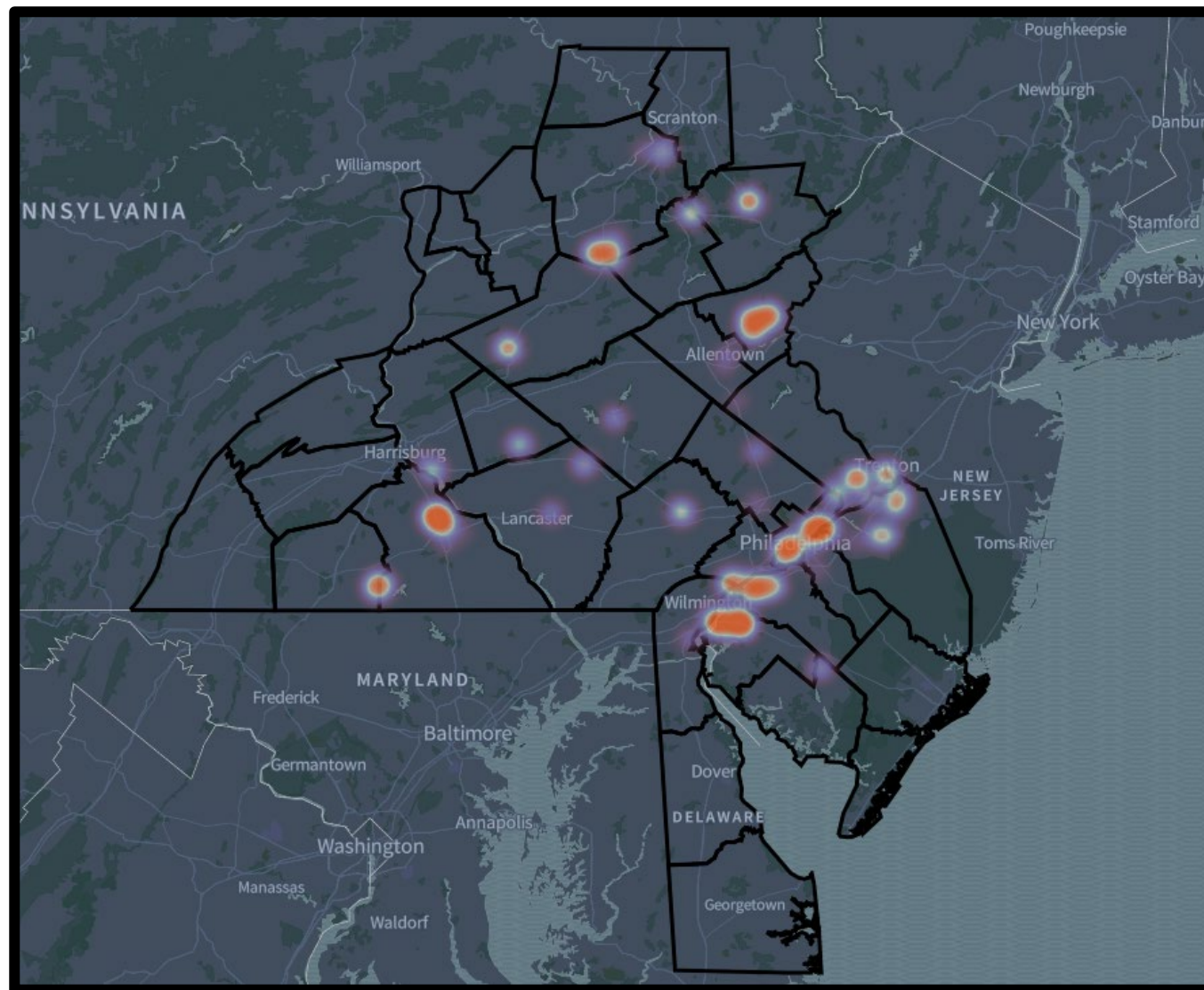
total sf under construction

**348,786 SF**

new development average building size

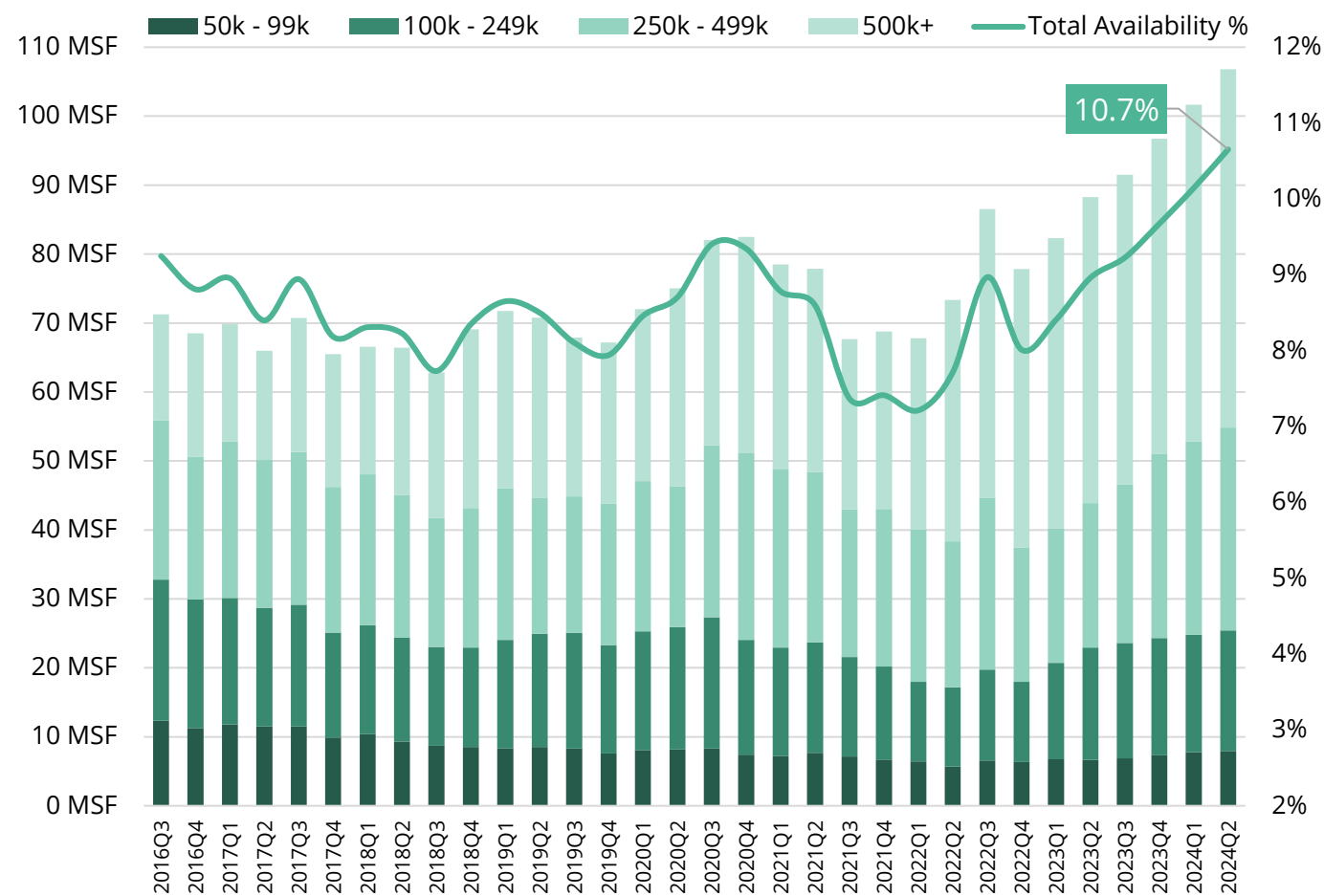
**2.9%**

share of industrial inventory



Source: AVANT by Avison Young, CoStar  
Eastern/Central PA, SNJ, DE. Encompass all property classes.

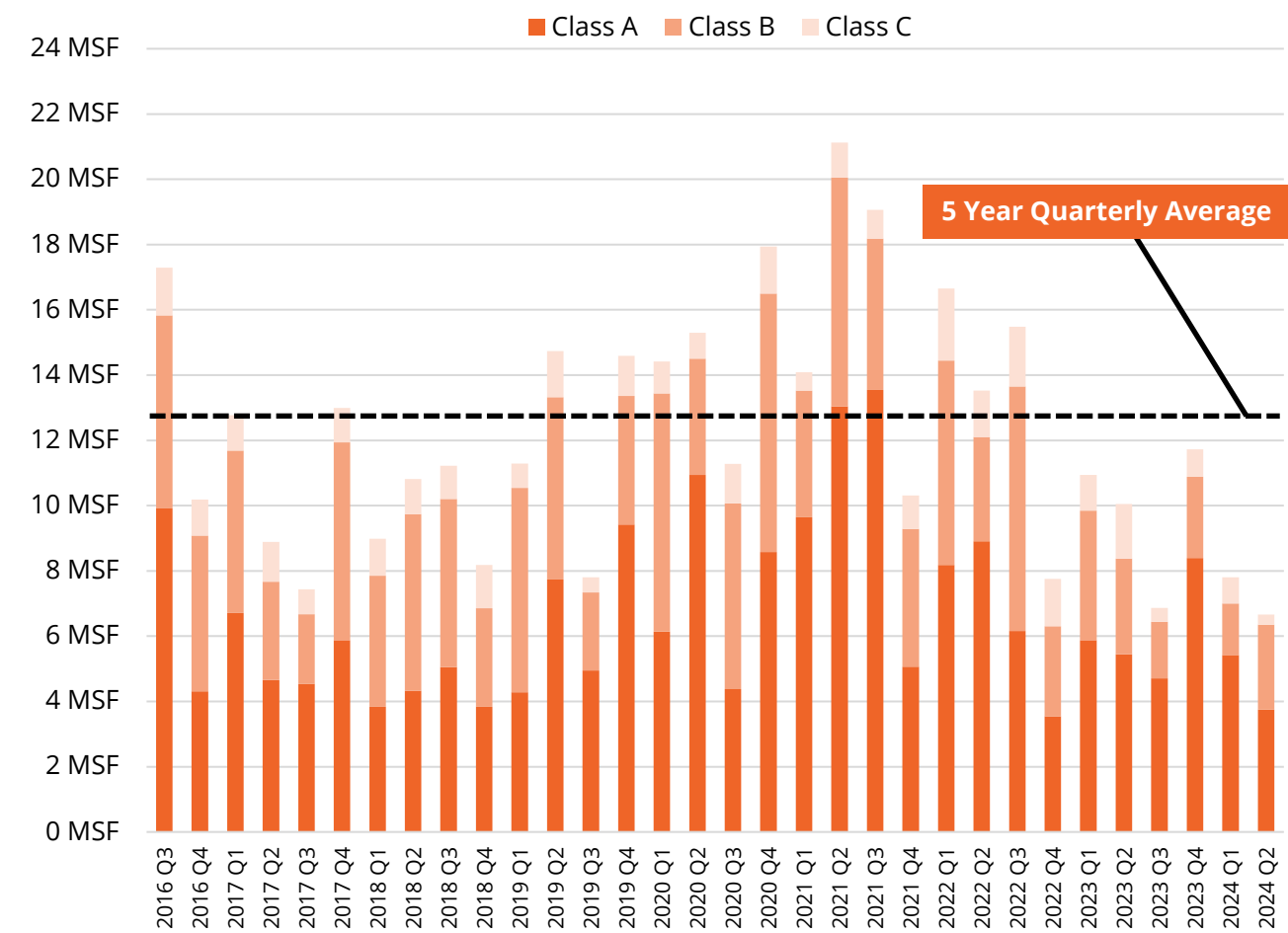
# Space availability by building size



Space availability continues to rise, bolstered primarily by large sublease availabilities and new product deliveries.

Tenants are likely to take advantage of these sublease availabilities as they seek high quality spaces at a significant discount.

# Leasing activity by building class



Leasing activity continues to show resiliency across the market, with multiple large deals inked this quarter.

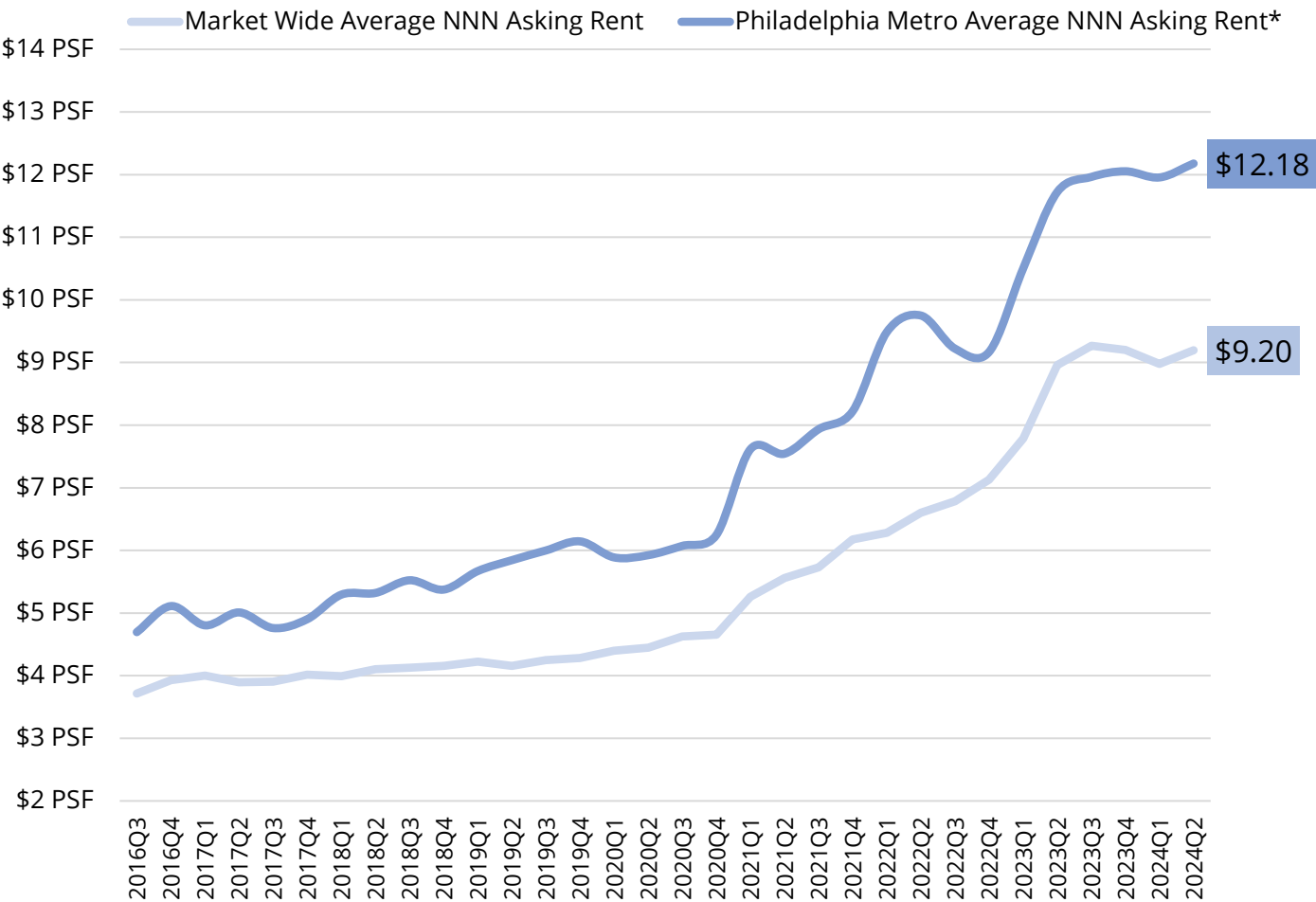
While the market has fallen from its record highs, demand for industrial space remains healthy especially in supply constrained submarkets and in areas with high population density.



# Let's examine more prevailing industrial trends



# Average NNN asking rents



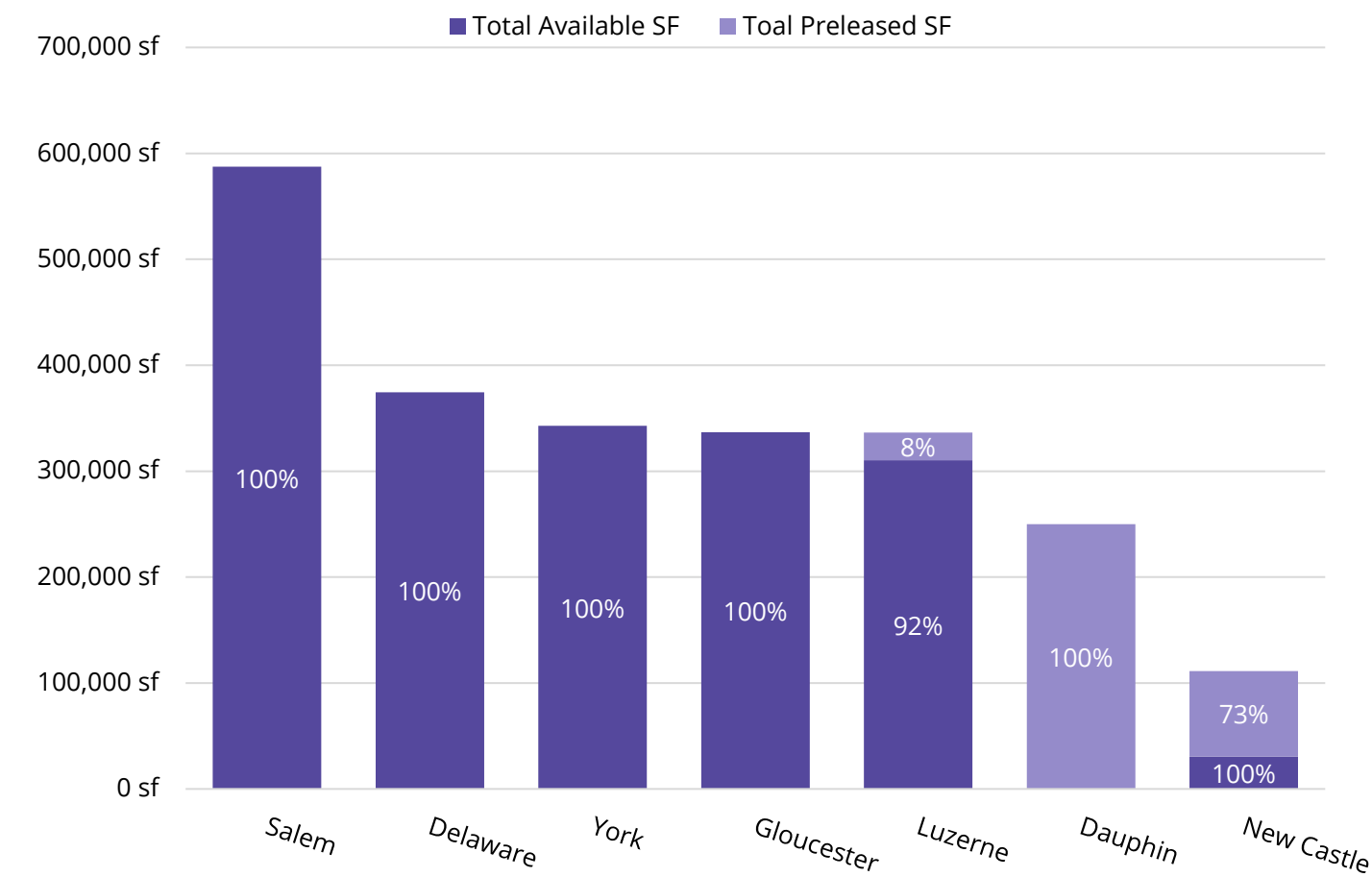
Following a significant uptick in rents during and directly after the pandemic, over 25% in some cases, rent growth has returned to a more stabilized level. In Q2 24' the market wide average NNN asking rent increased just 2.3%, now sitting at \$9.20 PSF.

One area that has seen significant rent growth over the last three years is the Philadelphia metro\*, with NNN asking rents now up 28.4% since the beginning of 2022.

\*Burlington, Camden, Gloucester, Salem, Philadelphia, Bucks, Delaware, Chester, Montgomery, & New Castle County Submarkets. Class A & B properties only



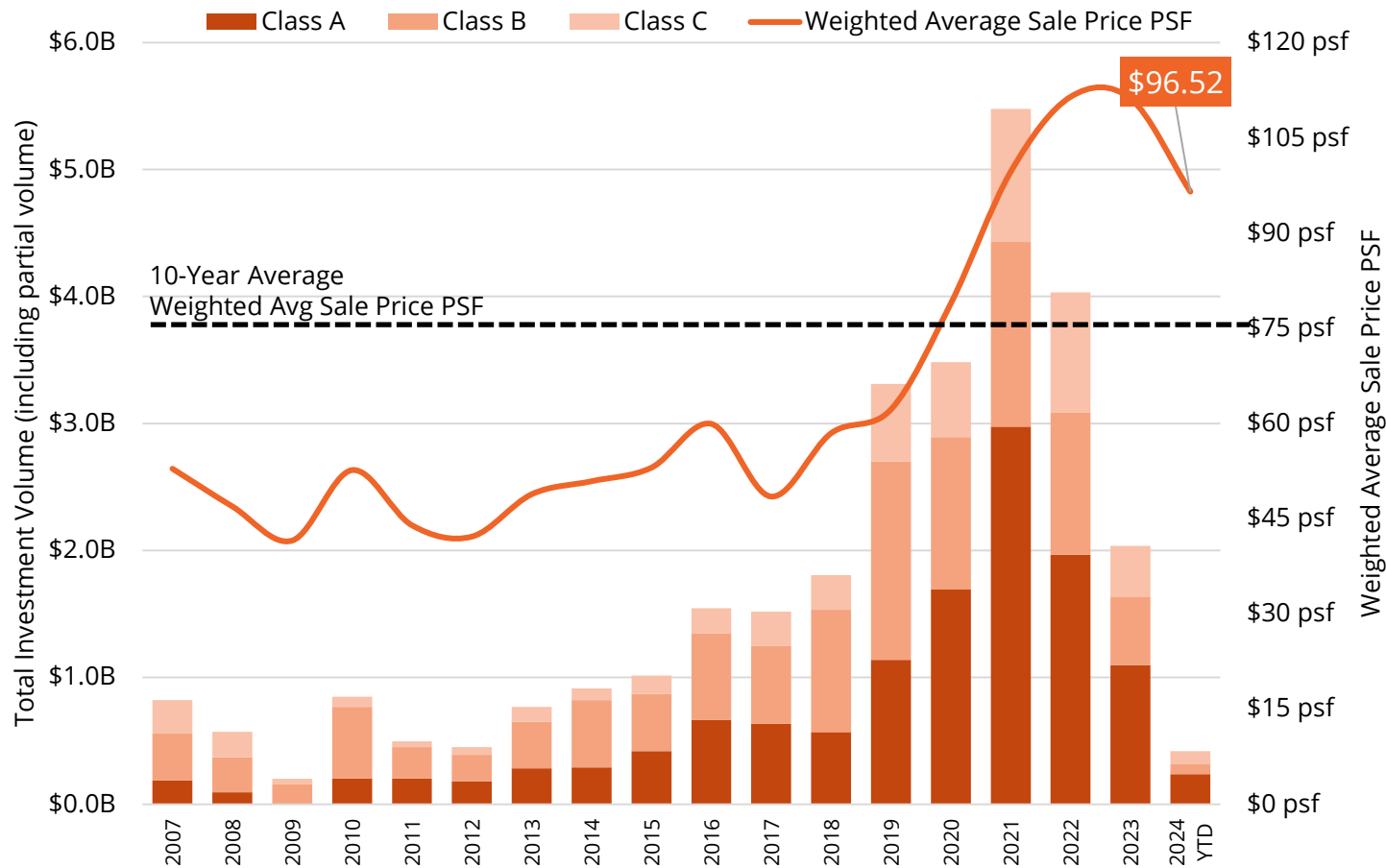
# Q2 2024 New Product Deliveries



Of the 2.3 MSF delivered this past quarter 85% is available for lease, with just 356K SF of preleasing deals inked during their development.

A major competitor for these new deliveries have been sublease availabilities, which potentially provide tenants the opportunity to decrease their occupancy costs while increasing the quality of their space.

# Investment Sales Volume

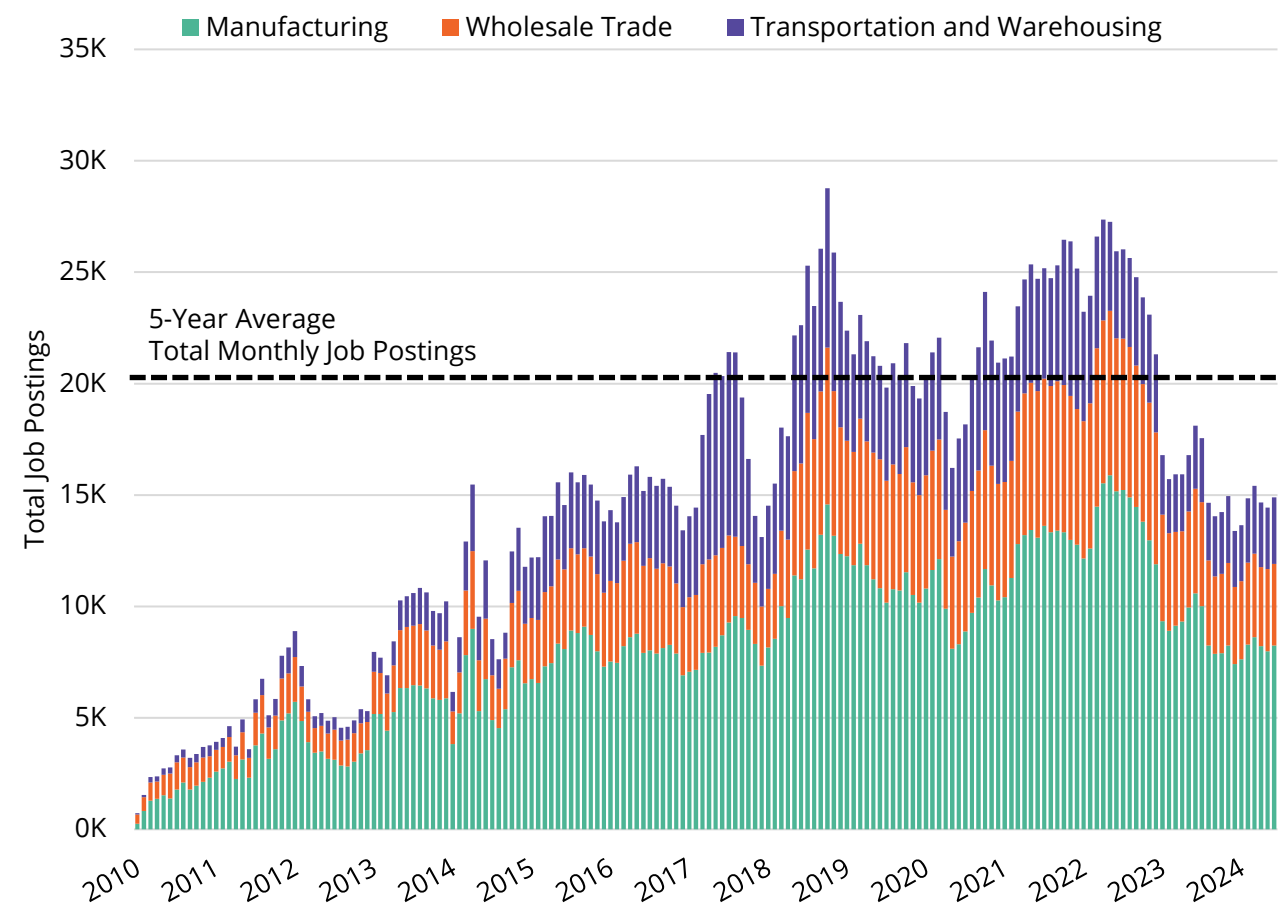


Investment sales continue to face the strongest headwinds when compared to other market fundamentals, with high costs of lending continuing to create friction amongst buyers, sellers, and lenders.

It has also resulted in properties selling at a discount, especially for lower quality opportunistic assets that require large amounts of renovations to create positive cash flow.

Source: AVANT by Avison Young, CoStar  
Note: Weighted Avg Sale Price PSF Includes Property Classes A-C

# Industrial job postings

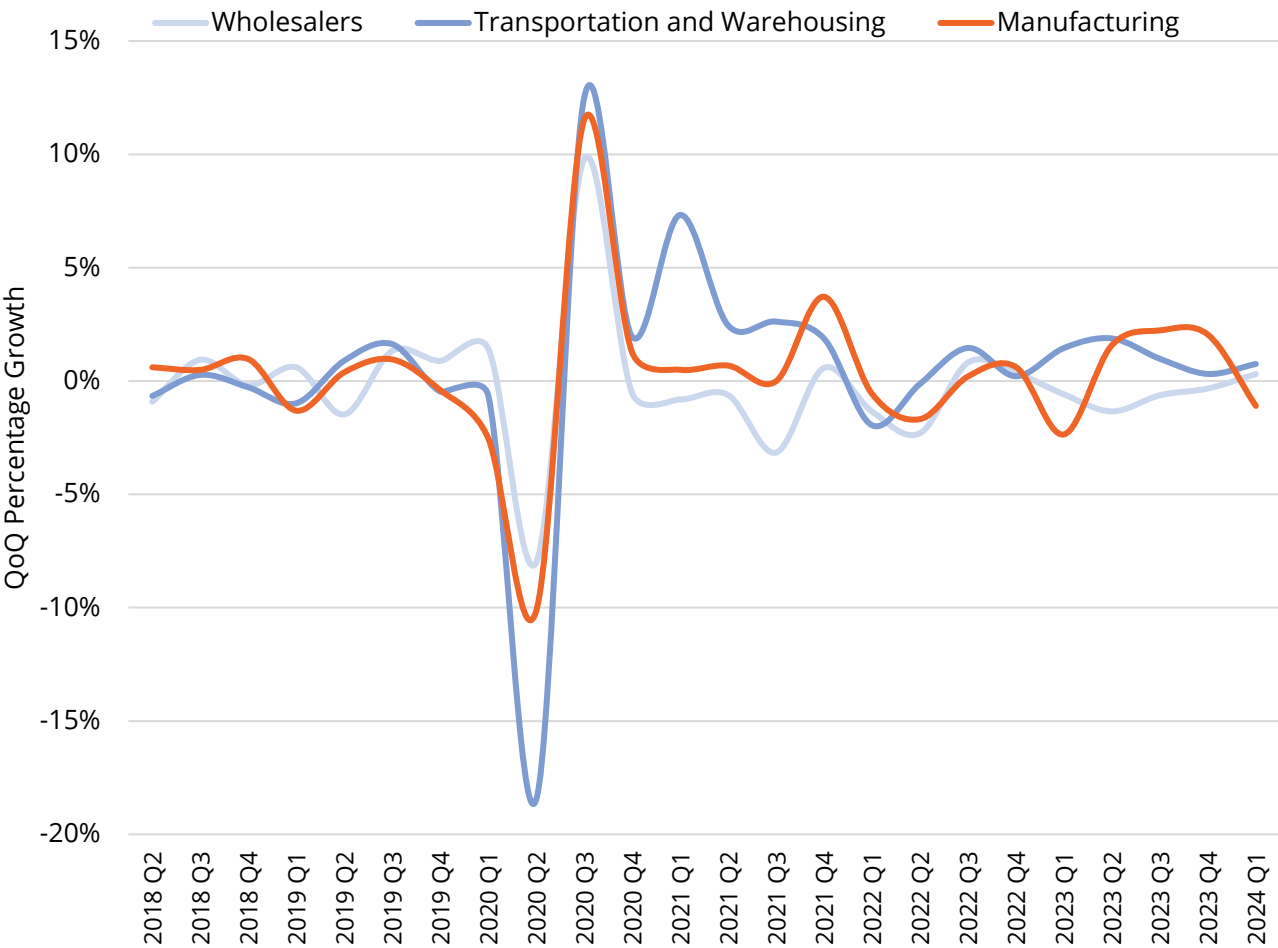


While industrial job postings have nearly returned to pre-pandemic levels, the composition of these postings has changed.

In just this past month (June 24') of the nearly 15K in total job postings, 6.6K postings, were for wholesale trade and transportation & warehousing jobs equating to 44.5% of the total industrial postings.

Source: Lightcast    Note: Philadelphia MSA

# U.S. industrial GDP growth

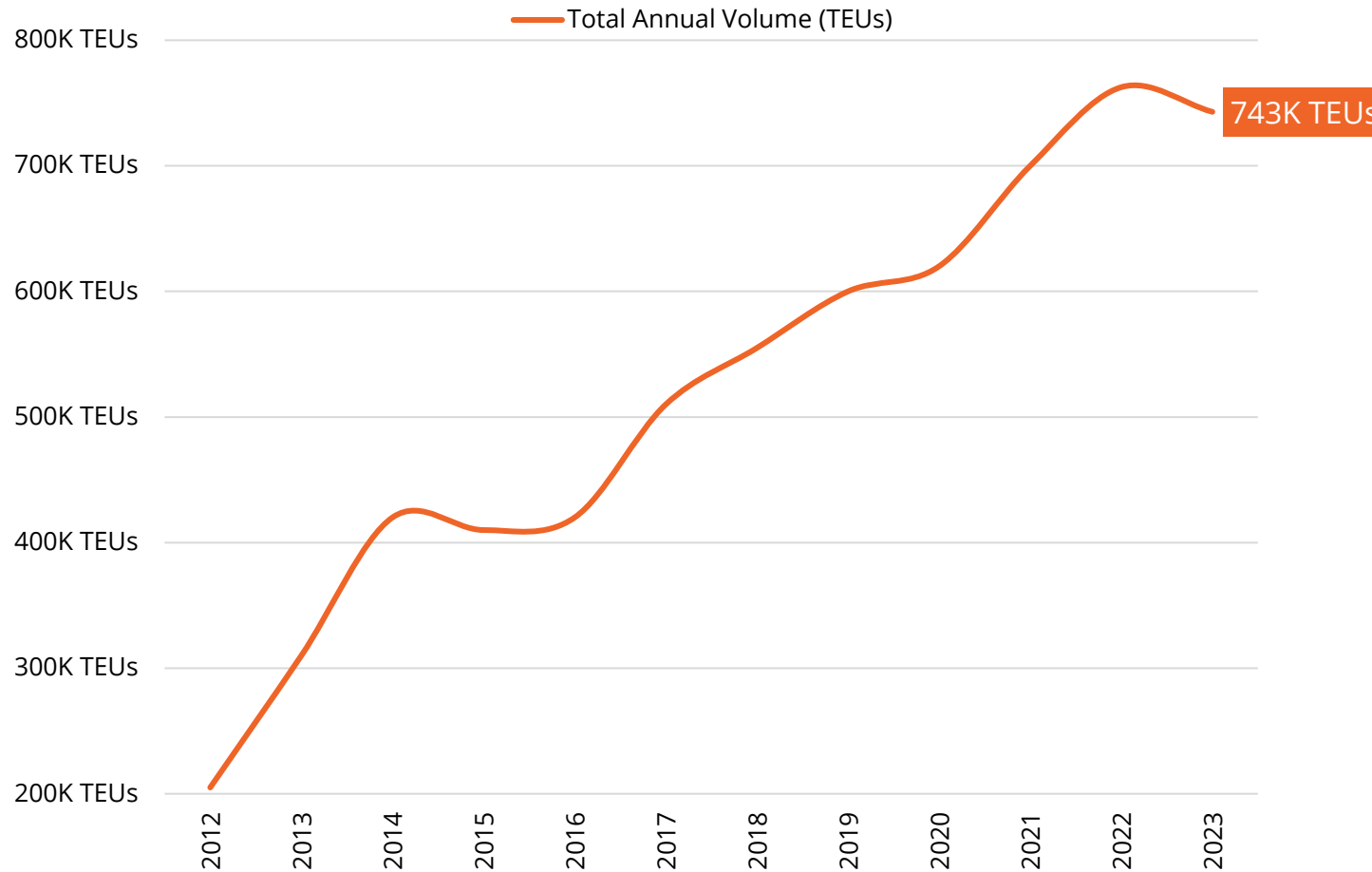


The U.S. continues to see growth multiple industrial industries including wholesalers, transportation & warehousing, and manufacturing.

This trend likely to continue with the increase of companies onshoring and nearshoring their company resources and labor.



# Loaded import container volumes



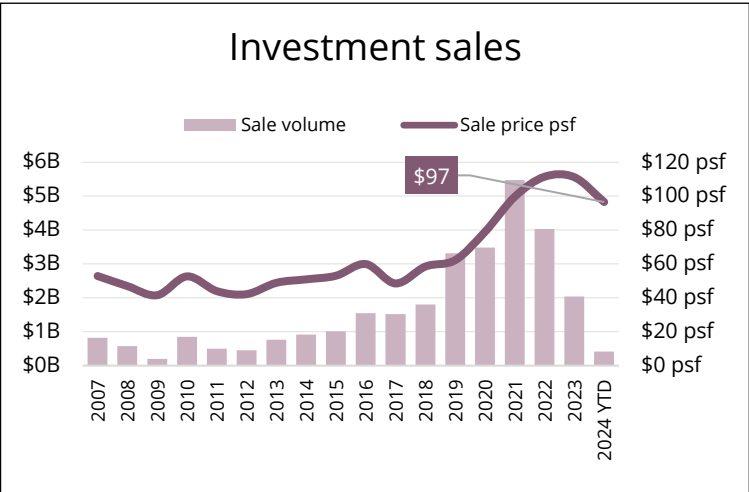
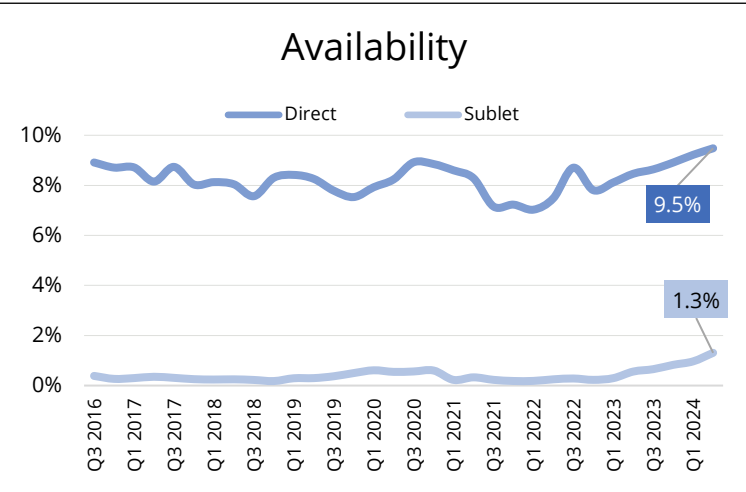
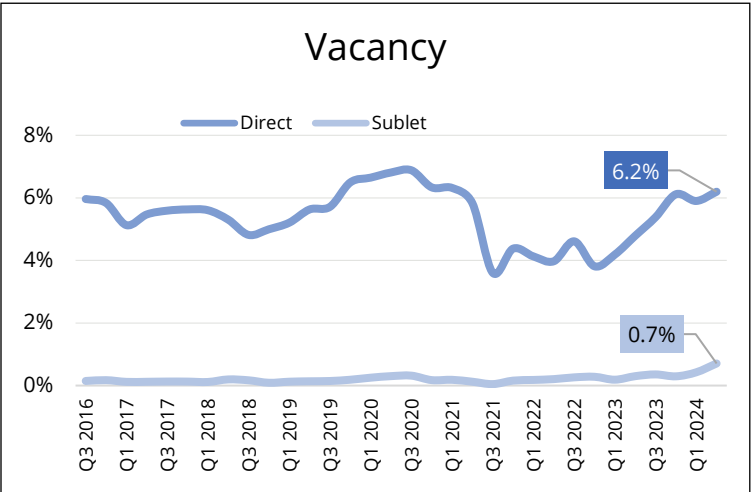
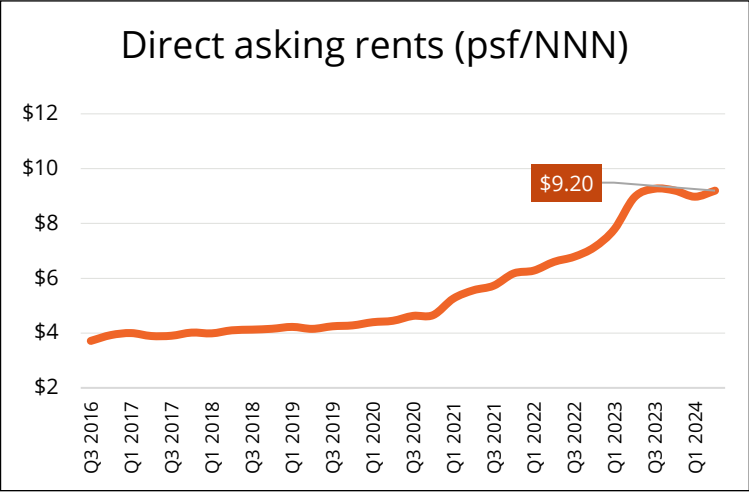
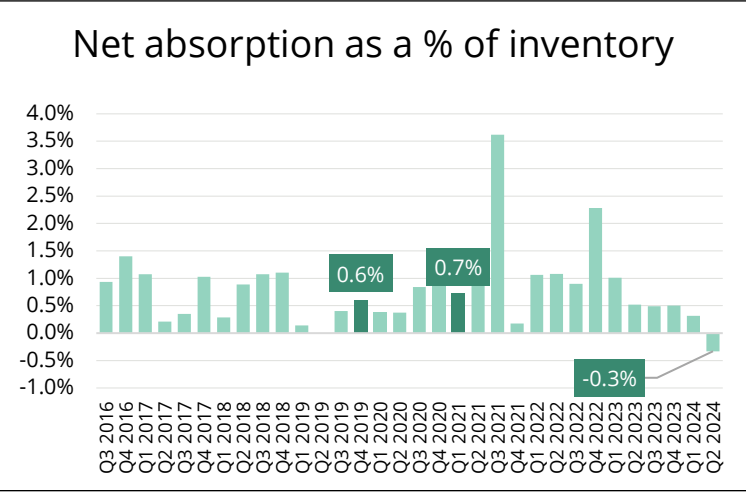
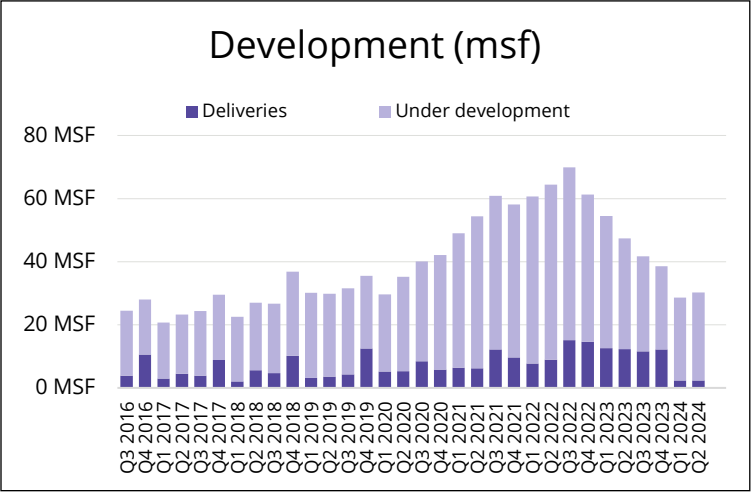
Total annual volume in 2023 at the Port of Philadelphia (PhillaPort) reached 743K TEUs, down 2.5% YoY from 762K TEUs.

Overall, PhillaPort continues to see robust cargo demand, as they work to scale up in size to meet demand for their services.

# Appendix



# Philadelphia industrial market indicators



# Philadelphia industrial market activity

## Recent leasing activity

Tenant	Address (Building Name)	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Hub Group	<b>6 Kane Ln., Taylor, PA</b> (Stauffer Industrial Park – Bldg 6)	Lackawanna	Jun 2024	966,573	Direct	New
Carbel	<b>3965 Easton-Nazareth Hwy., Nazareth PA</b> (JW Industrial Park Rt. 33 Bldg A)	Northampton	Apr 2024	469,259	Direct	New
PepsiCo	<b>4145-4147 Philadelphia Pike, Claymont, DE</b> (First State Crossing)	New Castle	Jun 2024	358,848	Direct	New
Shipfusion	<b>560 Busser Rd., York, PA</b> (Core 5 Logistics Center at Codorus Creek Bldg D)	York	Jun 2024	340,809	Direct	New
HYTX	<b>5206 US-130, Bordentown, NJ</b>	Burlington	May 2024	295,363	Direct	New
BDK Express	<b>1515 Burnt Mill Rd., Cherry Hill, NJ</b> (Cedar Lane Industrial Park)	Camden	Jun 2024	220,000	Sublease	New

## Recent sales activity

Buyer	Address (Building Name)	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Carson Companies	<b>1 Lee Blvd., Malvern, PA</b>	May 2024	440,000	\$58,753,711	\$134	Raymour & Flanigan
Ares Management	<b>2070 N Union St., Middletown, PA</b> (Middletown Logistics Center)	May 2024	251,200	\$38,000,000	\$151	Endurance Real Estate Group
Galvanize Real Estate	<b>1 Gateway Blvd., Pedricktown, NJ</b>	Jun 2024	245,749	\$28,850,000	\$117	STAG Industrial
Cabot Properties	<b>2411 N Kistler Ct., Kutztown, PA</b>	Apr 2024	105,000	\$22,550,000	\$215	Hillwood



# Philadelphia industrial market activity

## Top projects under development

Address (Building Name)	Submarket	Delivery date	Building size sf	% Preleased	Developer
<b>4<sup>th</sup> &amp; Booth St., Chester, PA</b> (Commodore Logistics Center)	Delaware	Q3 2024	105,000	0%	Alliance HP
<b>3379 Pocono Summit Rd., Mt Pocono, PA</b>	Monroe	Q4 2024	1,204,494	100%	Newland Capital Group
<b>3144 W Passyunk Ave., Philadelphia, PA</b> (The Bellwether District - Building 1)	Philadelphia	Q1 2025	325,659	0%	Hilco Redevelopment Partners
<b>1646 51 St., Philadelphia, PA</b> (Bartram's Mile)	Philadelphia	Q3 2025	162,000	0%	Alliance HP

## Notable building deliveries

Address (Building Name)	Submarket	Delivery date	Building size sf	% Leased	Developer
<b>37 S Golfwood Ave., Carney's Point Twsp., NJ</b> (Carney Commerce Center)	Salem	May 2024	587,500	0%	Portman Industrial
<b>601 E 10<sup>th</sup> St., Marcus Hook, PA</b>	Delaware	May 2024	373,400	0%	Prologis
<b>1090 E Boundary Ave., York, PA</b> (LogistiCenter at I-83)	York	Jun 2024	342,720	0%	Dermody Properties
<b>201 Oak Grove Rd., Woolwich Twsp., NJ</b> (LogistiCenter at Woolwich)	Gloucester	May 2024	336,700	0%	Dermody Properties

# Philadelphia industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Adams	5,371,578		1,050,000	0.0%	0.0%	0.0%	0	0.0%	-
Atlantic	3,296,605			9.2%	0.0%	9.2%	11,323	0.3%	\$ 13.56
Berks	46,477,281	91,555	234,880	6.5%	1.1%	7.7%	1,443,128	3.1%	\$ 9.03
Bucks	47,698,028	100,984	2,187,017	7.1%	0.1%	7.1%	351,160	0.7%	\$ 11.05
Burlington	57,328,595		2,608,233	14.9%	0.1%	14.9%	181,936	0.3%	\$ 12.89
Camden	24,221,600		225,390	1.2%	1.4%	2.6%	352,070	1.5%	\$ 9.50
Carbon	2,800,115		909,766	1.9%	0.0%	1.9%	-52,000	-1.9%	-
Chester	18,201,770		636,120	3.6%	0.6%	4.2%	-235,719	-1.3%	\$ 12.10
Columbia	7,238,269			1.3%	0.0%	1.3%	0	0.0%	\$ 3.68
Cumberland - NJ	14,107,813		256,100	5.5%	0.0%	5.5%	137,719	1.0%	\$ 3.85
Cumberland - PA	66,892,991			2.1%	2.7%	4.8%	-2,639,802	-3.9%	\$ 5.87
Dauphin	27,035,325	250,000	496,608	11.4%	2.4%	13.8%	-507,320	-1.9%	\$ 6.02
Delaware	16,664,379	374,400	105,000	8.2%	0.1%	8.2%	-283,222	-1.7%	\$ 15.49
Franklin	32,102,708			10.7%	0.0%	10.7%	-151,728	-0.5%	\$ 4.99
Gloucester	33,869,976	336,700	1,621,865	6.6%	0.3%	6.8%	-250,294	-0.7%	\$ 9.62
Kent	6,148,844	200,000		4.3%	0.0%	4.3%	141,339	2.3%	\$ 5.11
Lackawanna	26,212,971			9.3%	0.0%	9.3%	-365,741	-1.4%	\$ 4.99
Lancaster	54,543,116		908,040	1.7%	0.0%	1.7%	37,893	0.1%	\$ 10.9
Lebanon	21,950,024		450,000	10.9%	0.0%	10.9%	143,358	0.7%	\$ 5.34
Lehigh	65,141,274	224,000	185,074	3.7%	0.5%	4.2%	-126,389	-0.2%	\$ 9.51
Luzerne	64,808,080	452,000	1,555,720	3.7%	1.0%	4.8%	602,856	0.9%	\$ 7.04
Monroe	8,776,027		1,204,494	6.2%	0.0%	6.2%	0	0.0%	\$ 7.71
Montgomery	44,999,658		308,500	7.4%	0.3%	7.7%	46,608	0.1%	\$ 10.67
Montour	1,902,108			0.0%	0.0%	0.0%	0	0.0%	-
New Castle	35,309,788	534,468	733,935	4.9%	0.4%	5.3%	953,310	2.7%	\$ 11.52
Northampton	56,016,287	266,190	2,416,441	9.7%	0.5%	10.1%	-1,559,253	-2.8%	\$ 5.68
Perry	50,000			0.0%	0.0%	0.0%	0	0.0%	-
Philadelphia	77,930,890	889,312	2,905,419	8.8%	0.6%	9.4%	-80,740	-0.1%	\$ 8.85
Salem	8,605,658	587,500	3,795,741	11.9%	1.1%	13.0%	518,751	6.0%	\$ 10.59
Schuylkill	24,991,073		1,040,540	4.2%	1.8%	6.0%	-59,485	-0.2%	\$ 7.85
Sussex	4,629,718			0.0%	0.3%	0.3%	-14,600	-0.3%	\$ 5.95
Wyoming	1,999,516			0.0%	0.0%	0.0%	0	0.0%	-
York	67,284,578	399,670	2,068,052	1.6%	1.1%	2.6%	1,246,412	1.9%	\$ 6.07
<b>Market total</b>	<b>974,606,643</b>	<b>4,706,779</b>	<b>27,902,935</b>	<b>6.2%</b>	<b>0.7%</b>	<b>6.9%</b>	<b>-158,430</b>	<b>-0.02%</b>	<b>\$9.20</b>

# Philadelphia industrial market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Distribution	403,530,843	1,323,587	17,240,462	6.6%	1.3%	8.0%	-1,134,913	-0.3%	\$9.84
General Warehouse	327,042,026	3,383,192	10,662,473	7.7%	0.2%	7.9%	645,733	0.2%	\$9.06
Manufacturing	244,033,774	0	0	3.5%	0.3%	3.8%	330,750	0.1%	\$8.85
<b>Market total</b>	<b>974,606,643</b>	<b>4,706,779</b>	<b>27,902,935</b>	<b>6.2%</b>	<b>0.7%</b>	<b>6.9%</b>	<b>-158,430</b>	<b>-0.02%</b>	<b>\$9.20</b>



# Industrial insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

## Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales



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**Zachary Cutler**

Senior Analyst, Market Intelligence  
zachary.cutler@avisonyoung.com  
+1 610 557 0515

**Matthew Marshall**

Principal, Industrial  
matthew.marshall@avisonyoung.com  
+1 610 276 0502

**Jim Scott**

Principal, Industrial  
jim.scott@avisonyoung.com  
+1 215 932 1157