
2Q24

Greater Philadelphia Industrial Market Overview

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Market Observations

Economy

- Unemployment in Greater Philadelphia registered 3.6% as of May 2024, 10 basis points below the national rate. Annual employment growth for the region ticked up to 1.4% for the 12 months ending in May, driven by strong gains in the Leisure & Hospitality and Education & Health sectors.
- While the Manufacturing and Construction industries exhibited moderate growth during this period, the region’s largest industrial-using sector—Trade, Transportation & Utilities—contracted by 1.0%, marking its eleventh consecutive month of negative annual growth.

Major Transactions

- Southern New Jersey continued to be the center of major leasing activity during the second quarter of 2024, as many of the largest leases were executed in this market. HYTX Logistics and CIRRO each leased nearly 300,000 square feet in Burlington County, BDK Logistics subleased 220,000 square feet in Camden County, and Owens & Minor Distribution leased 165,000 square feet in Gloucester County.
- Industrial leasing activity declined to 2.5 million square feet in the second quarter, with no leases larger than 300,000 square feet recorded. Class A product captured 48.4% of industrial leasing volume in the Greater Philadelphia region through the first half of the year, buoyed by some of the largest leases year-to-date.
- Major projects that commenced construction in the second quarter include NorthPoint Development’s Turnpike I Trade Center - Building 4 in Salem County, which will total 956,349 square feet, and South Penn Logistics Center in Bucks County, which will total 973,200 square feet.

Leasing Market Fundamentals

- Industrial construction deliveries have declined significantly, with 3.4M square feet delivered through the first half of 2024. The 1.8M square feet of new supply delivered during the second quarter is less than half of the quarterly average of 3.9MSF over the past eight quarters. This is well-timed as demand has also slowed. The market has absorbed 2.3 MSF year-to-date.
- After six consecutive quarters of increasing sublease volume, available sublease space declined in the second quarter to 2.9 million square feet. With 1.4 million square feet of availability, Southern New Jersey constitutes 48% of the market’s sublease availabilities despite comprising only 28% of the region’s inventory.
- The lease-up of Class A space in Burlington County, coupled with moderating demand, has put downward pressure on asking rates in the Greater Philadelphia market. Rents have declined by 1.0% over the past 12 months after growing steadily since 2017.

Outlook

- The recent dip in asking rents is not expected to be part of a longer-term decline in industrial asking rates. Approximately 13.5M square feet of the market’s construction pipeline is still available for lease and has a weighted average asking rent of \$13.16/SF. New supply will buoy market averages despite normalizing leasing activity.
- Construction starts have continued to trend upwards after bottoming in the second quarter of 2023, with the second quarter of 2024 marking the fourth consecutive quarter of increases. Major projects set to commence soon in Philadelphia and Southern New Jersey could further elevate the volume of groundbreakings.

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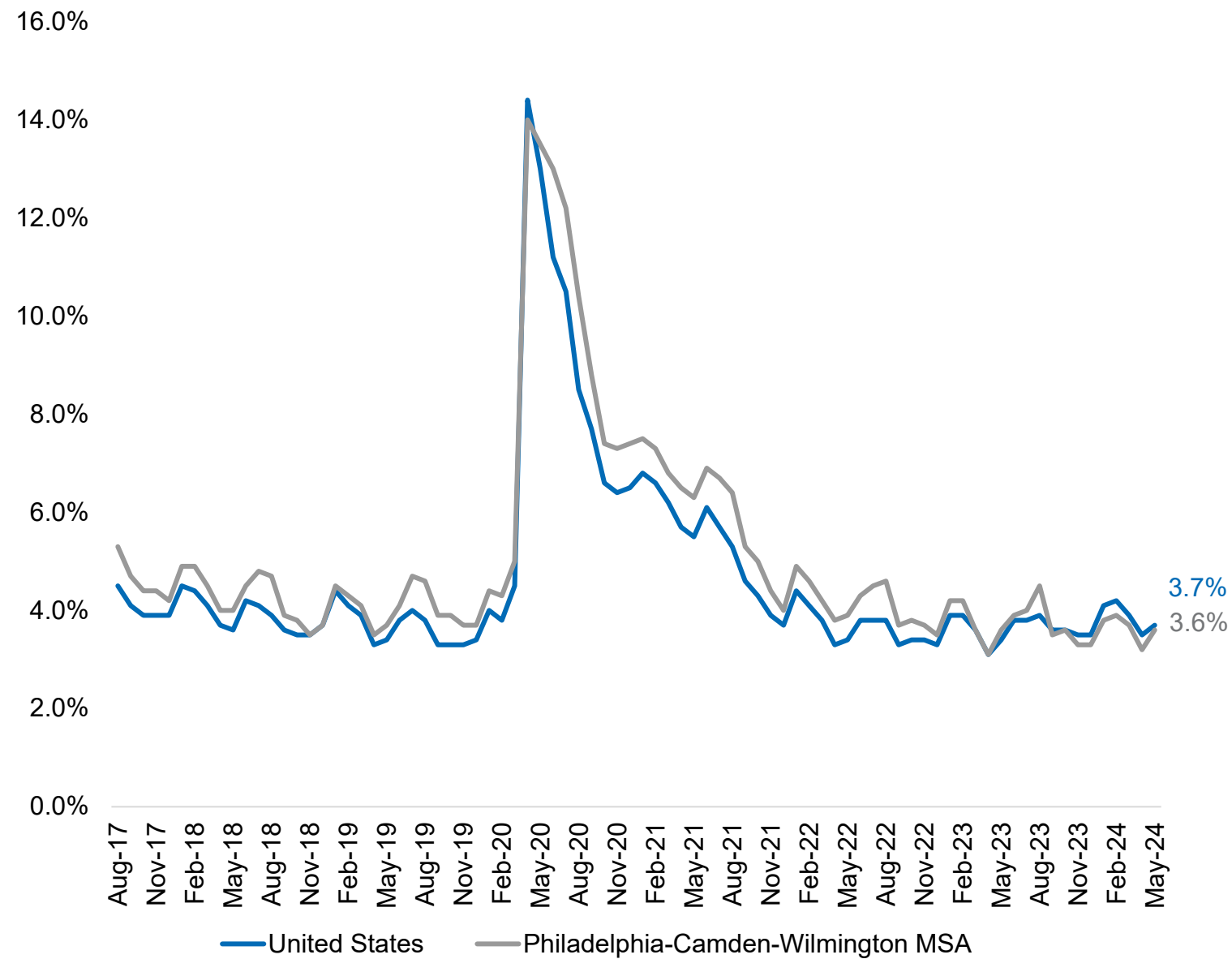
Economy



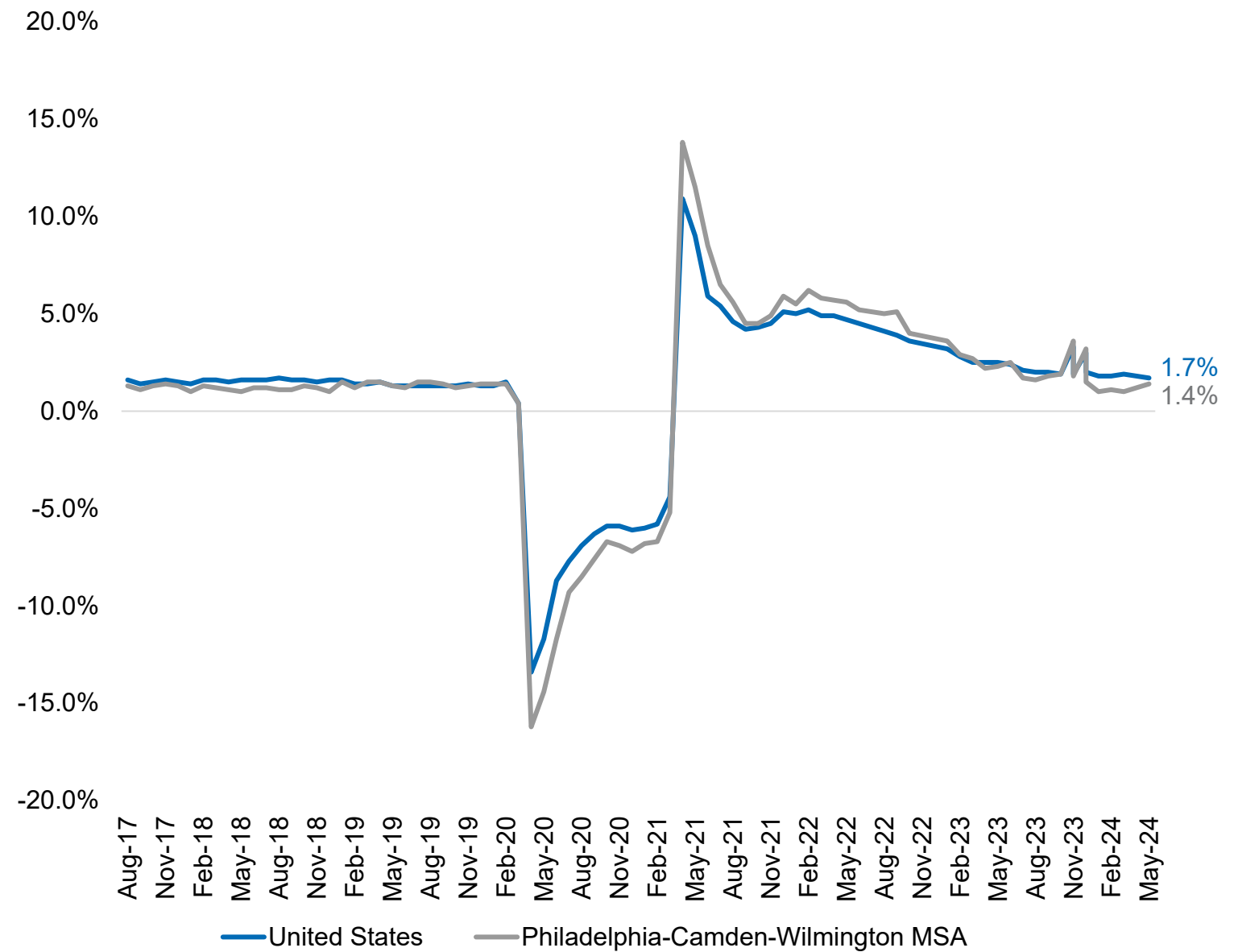
Philadelphia's Annual Employment Growth Ticks Up

Unemployment in Greater Philadelphia registered 3.6% as of May 2024, 10 basis points below the national rate. Annual employment growth for the region ticked up to 1.4% for the 12 months ending in May, driven by strong gains in the Leisure & Hospitality and Education & Health sectors.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

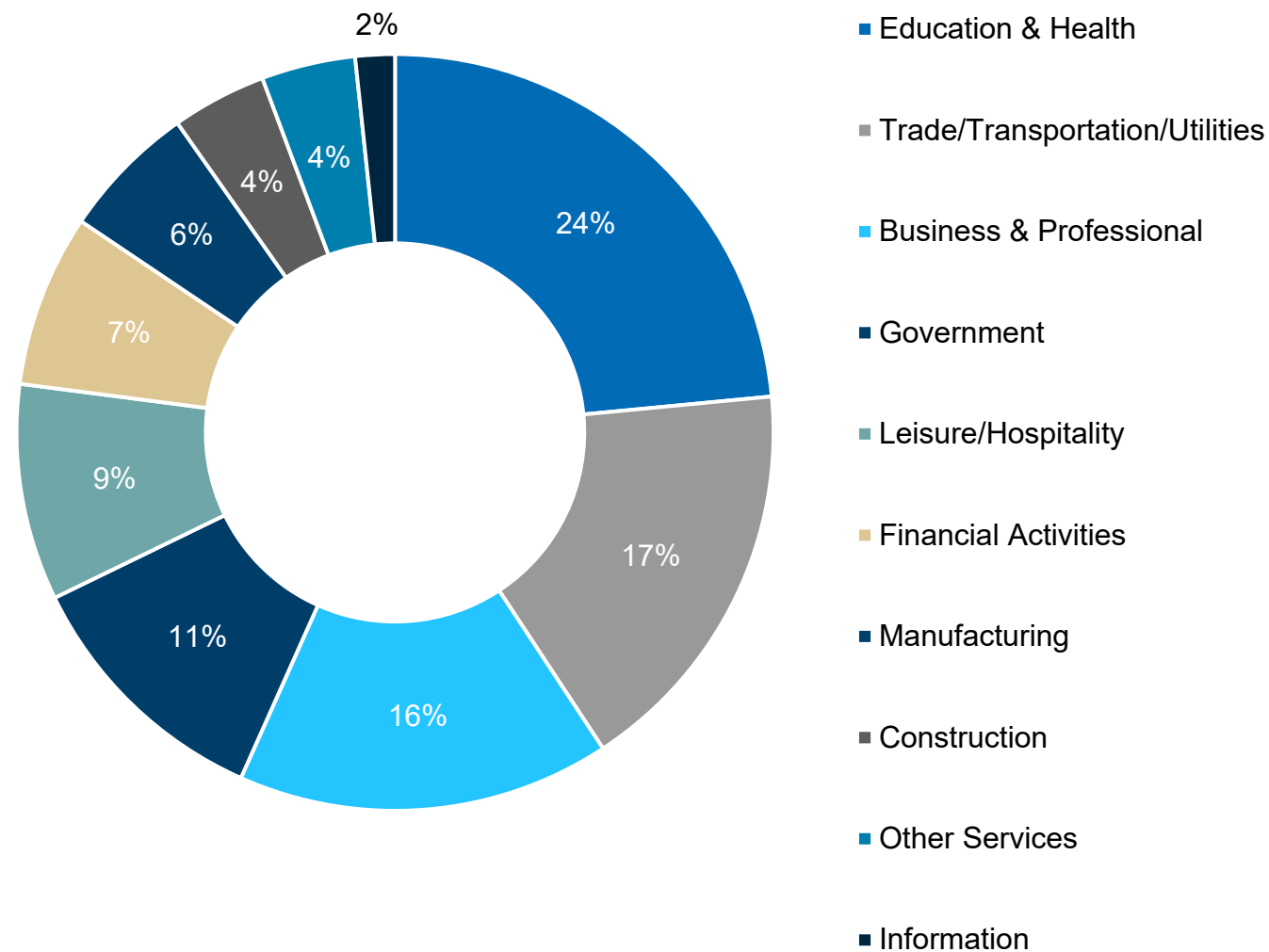


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

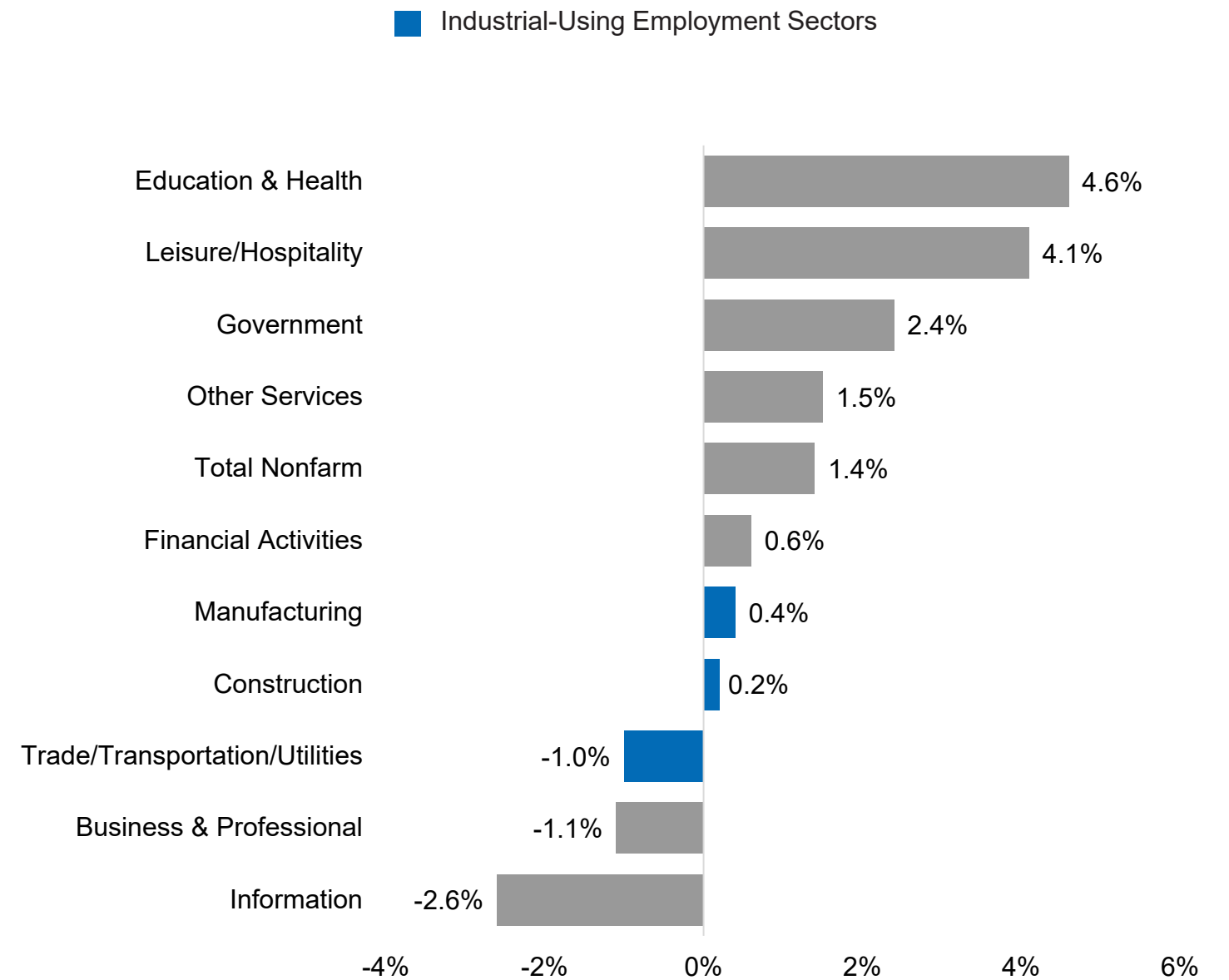
Region Sees Strongest Job Gains In Non-Industrial-Using Sectors

As of May 2024, total employment in Greater Philadelphia grew by 1.4% annually; however, the greatest gains were in non-industrial sectors such as Education & Health Services and Leisure & Hospitality. While the Manufacturing and Construction industries exhibited moderate growth during this period, the region's largest industrial-using sector—Trade, Transportation & Utilities—contracted by 1.0%.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

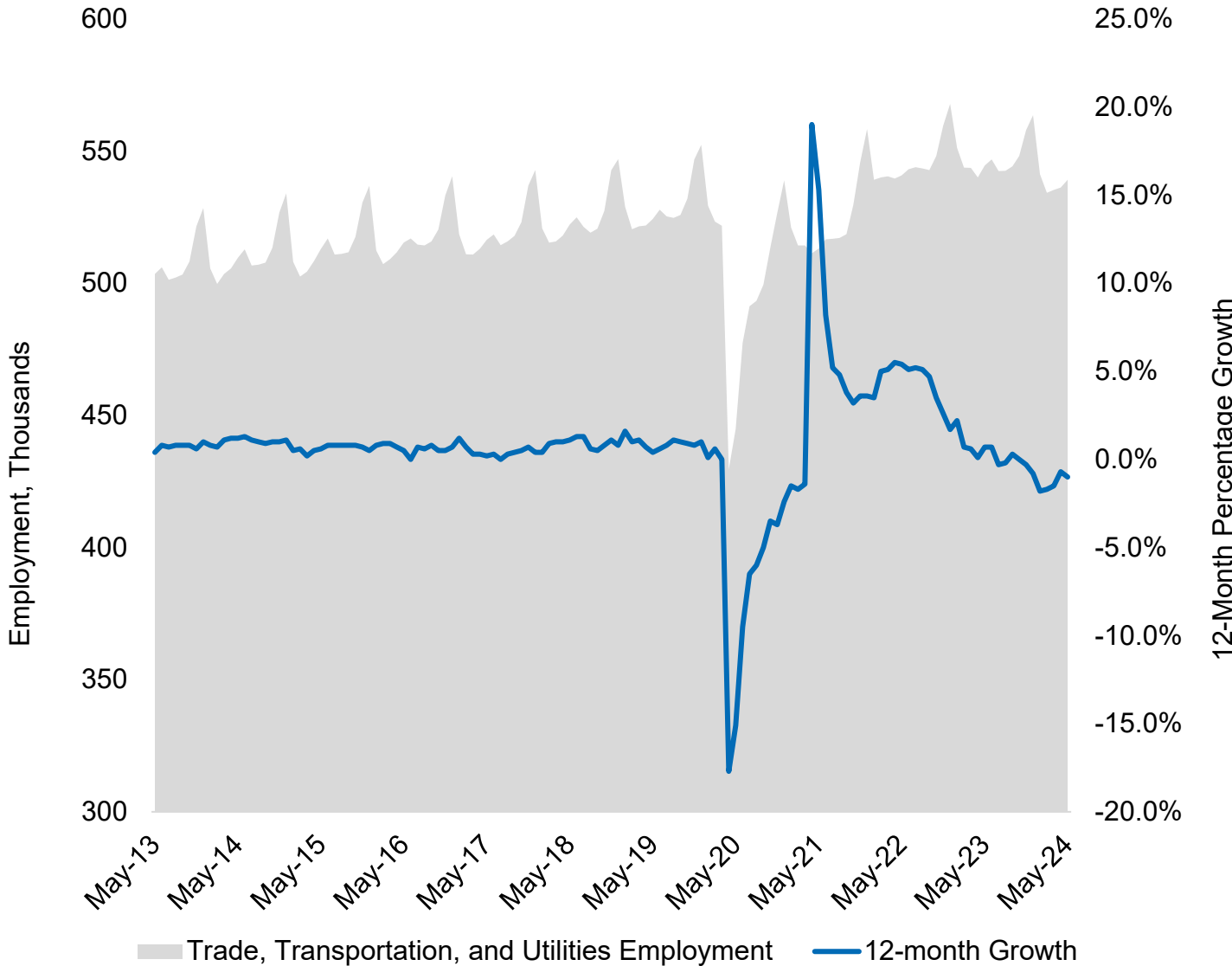


Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

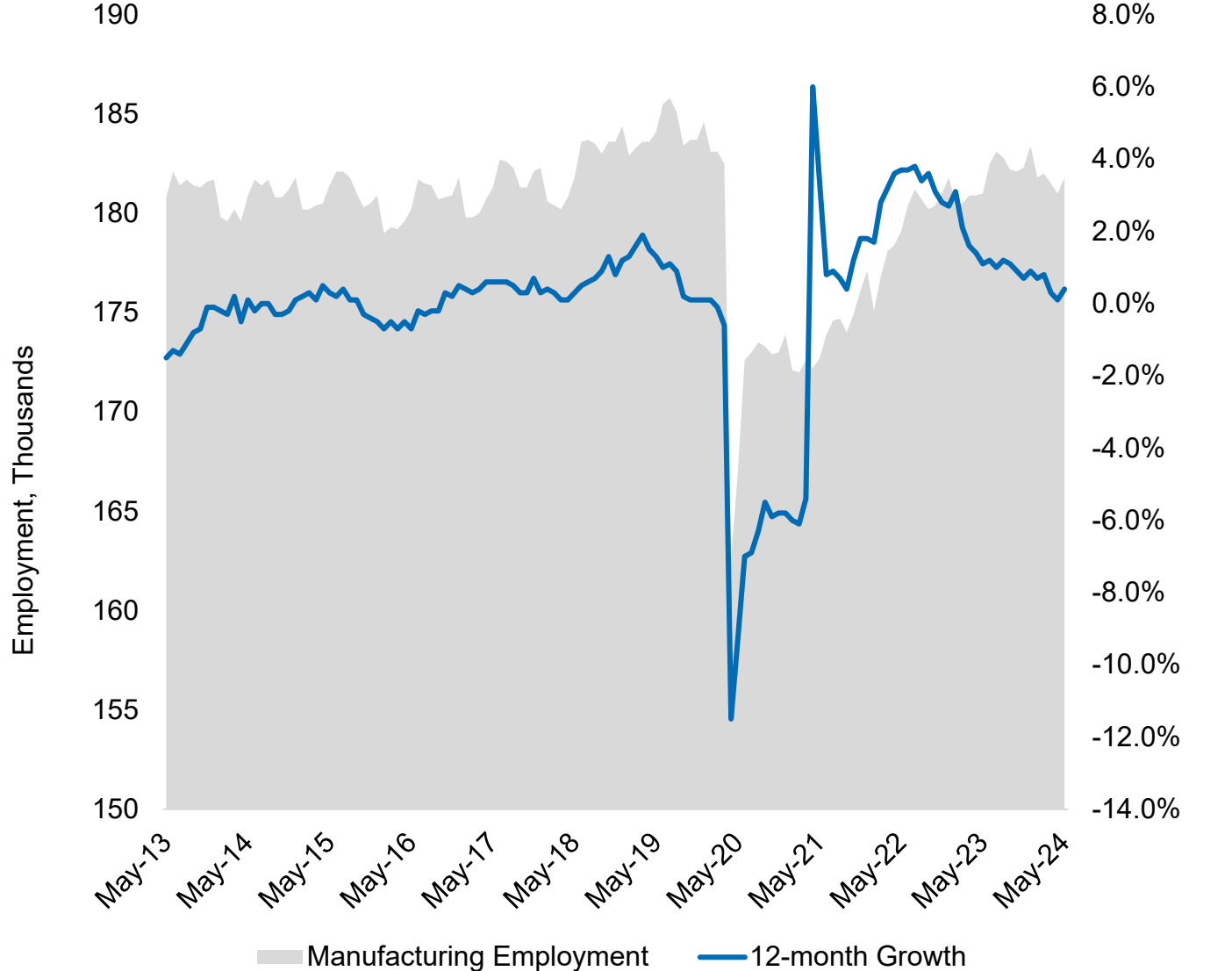
Steady Manufacturing Employment Growth Continues

The Trade, Transportation, & Utilities industry continued its trend of annual job losses, with a net change of -1.0% for the 12 months ending May 2024, marking the eleventh consecutive month of negative annual growth. Meanwhile, the manufacturing sector has experienced stable annual growth, albeit at a decelerating rate. The sector netted growth of 0.4% for the same period.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA

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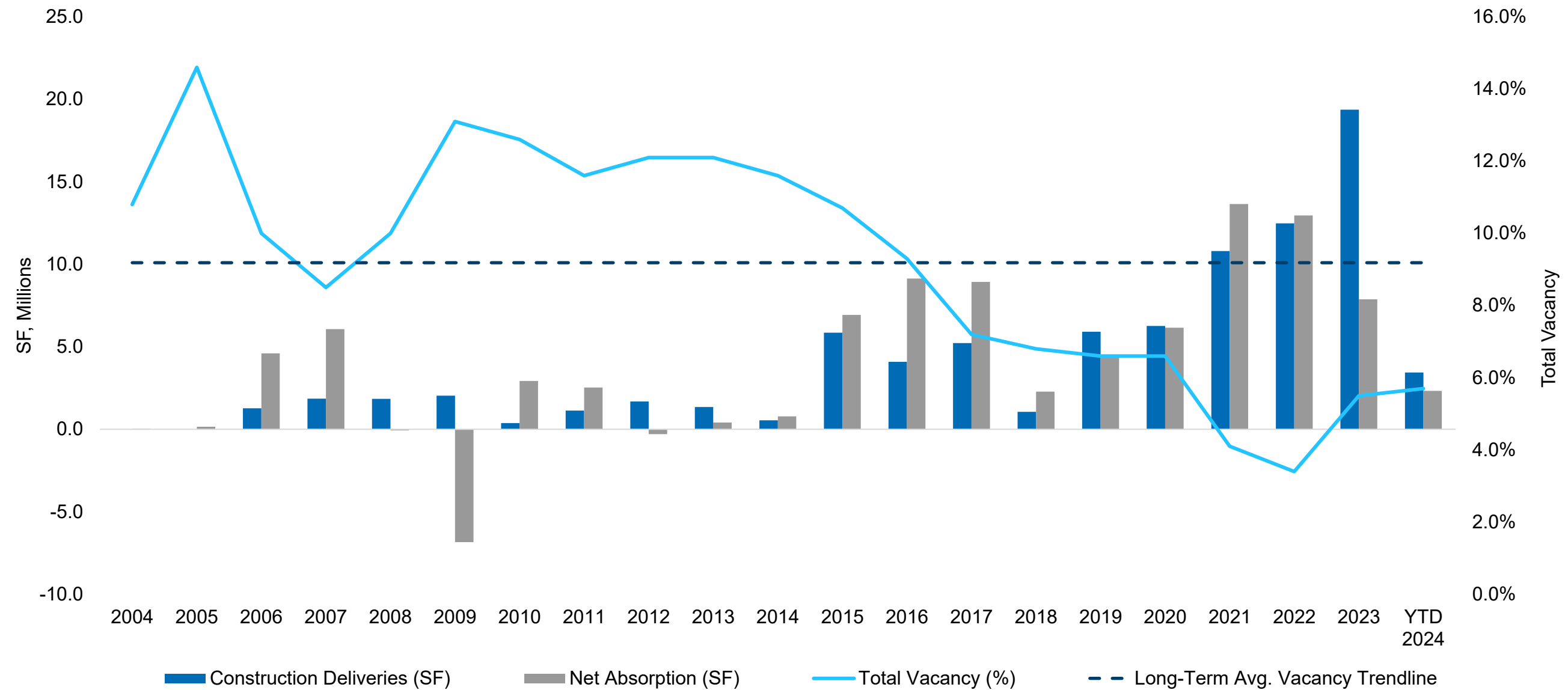
Leasing Market Fundamentals



A Slowdown In Deliveries Gives The Market A Chance To Absorb New Supply

Industrial construction deliveries have declined significantly, with 3.4 MSF delivered through the first half of 2024. The 1.8M square feet of new supply delivered during the second quarter is less than half of the quarterly average of 3.9 MSF over the past eight quarters. This is well-timed as demand has also slowed. The market has absorbed 2.3 MSF year-to-date. Occupancy gains have been strongest in the Burlington County submarket as HYTX Logistics, Loctek Ergonomic, CIRRO, and Rivian Automotive all occupied new warehouses in the first half of the year.

Historical Construction Deliveries, Net Absorption, and Vacancy

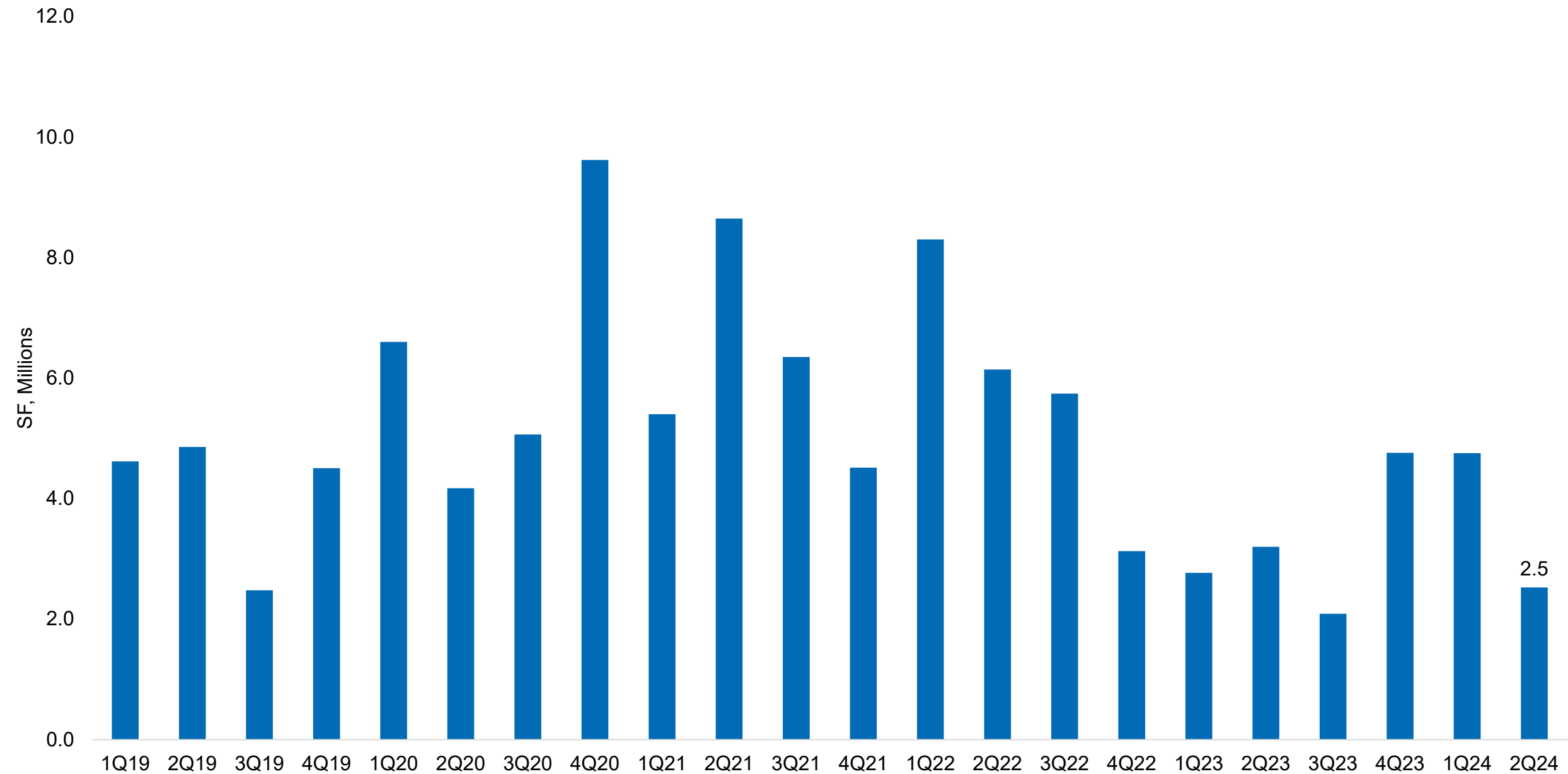


Source: Newmark Research

Industrial Leasing Activity Drops With Fewer Large Deals

Industrial leasing activity declined to 2.5 million square feet in the second quarter, with no leases larger than 300,000 square feet recorded. Large users in the market are considering sublease opportunities, with significant second-quarter transactions, including BDK Logistics Intelligence's sublease of 220,000 square feet at 1515 Burnt Mill Road in Camden County.

Total Leasing Activity (SF)

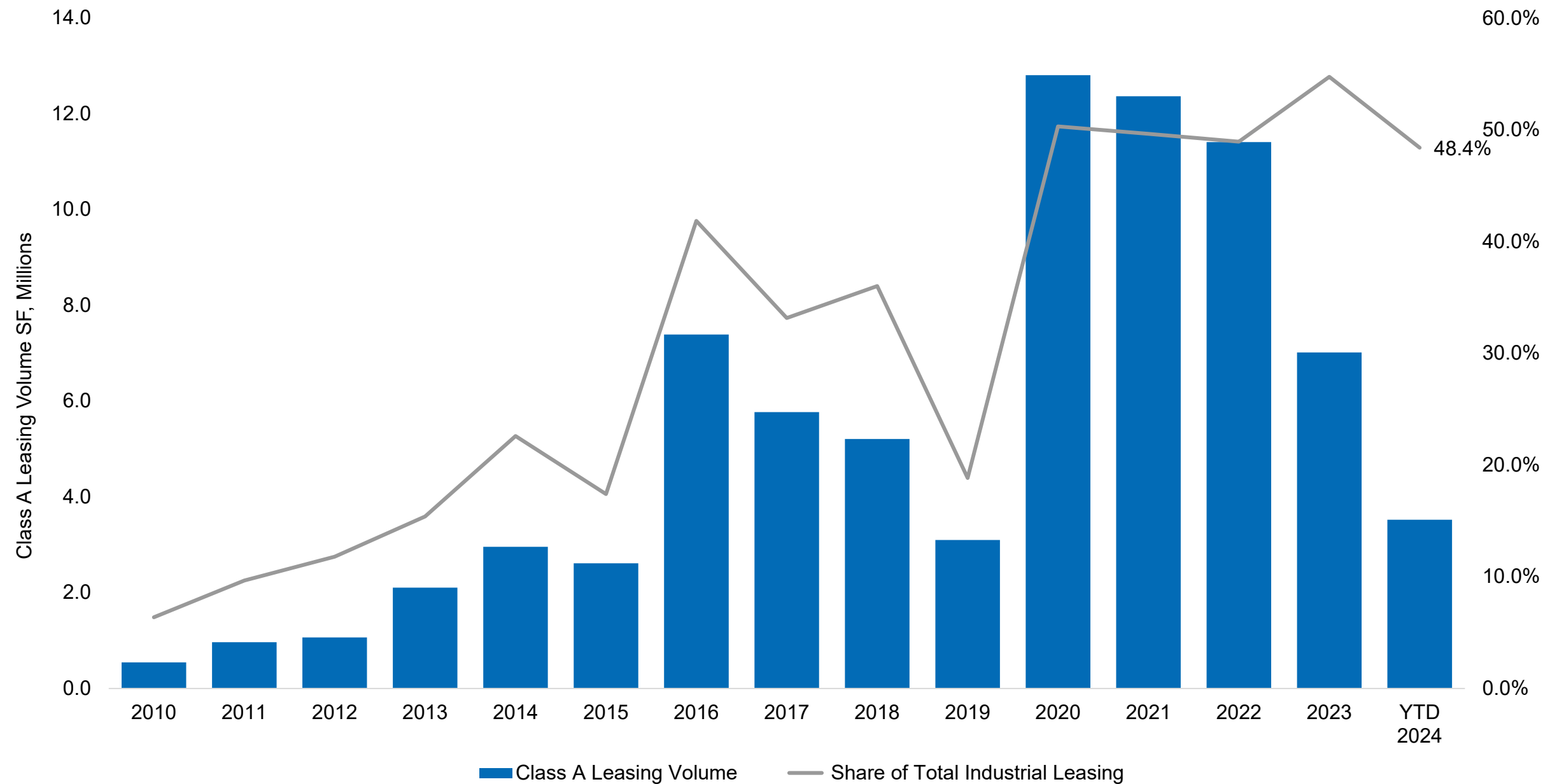


Source: Newmark Research, CoStar

Class A Industrial Captures 48% Of Quarterly Leasing Volumes

While leasing volume is down overall, Class A product remains attractive to large users with an offer of higher clear heights, wider column spacing, and greater power capacity as these users increasingly shift to more automated and power-intensive operations. Class A product captured 48.4% of industrial leasing volume in the Greater Philadelphia region through the first half of the year, buoyed by some of the largest leases year-to-date. Since 2020, Class A industrial assets have netted 50.3% of the market's leasing activity.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

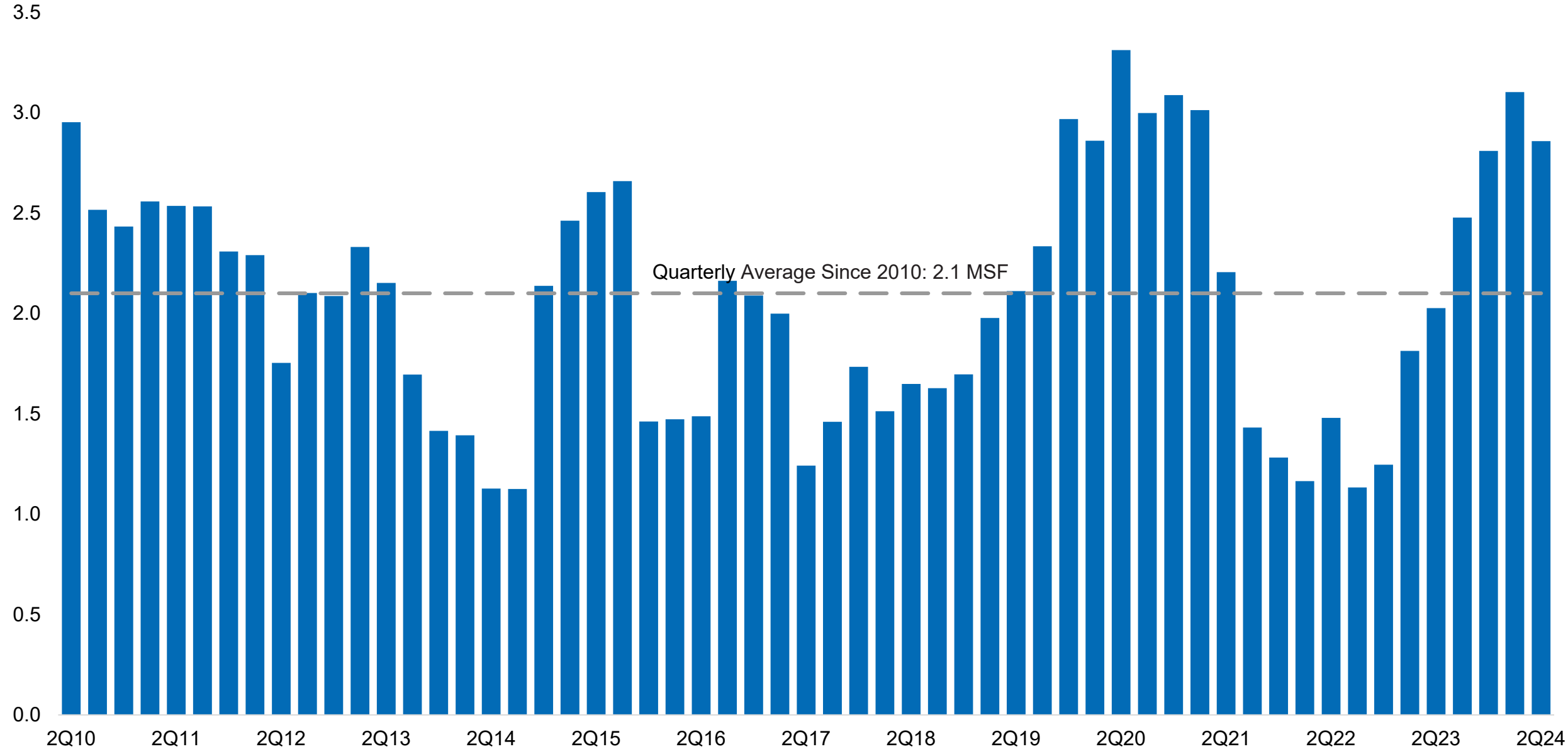


Source: Newmark Research, CoStar
 Note: Newmark defines Class A warehouses as buildings constructed since 2000 and over 100,000 square feet

Southern New Jersey Has Outsized Share Of Industrial Sublease Availability

After six consecutive quarters of increasing sublease volume, available sublease space declined in the second quarter to 2.9 MSF. With 1.4 MSF of availability, Southern New Jersey constitutes 48% of the market's sublease availabilities despite comprising only 28% of the region's inventory. However, that number is down from the 1.8 MSF of availability in Southern New Jersey last quarter. The decline was helped by BDK Logistics Intelligence's sublease of 220,000 square feet at 1515 Burnt Mill Road in Camden County.

Available Industrial Sublease Volume (msf)

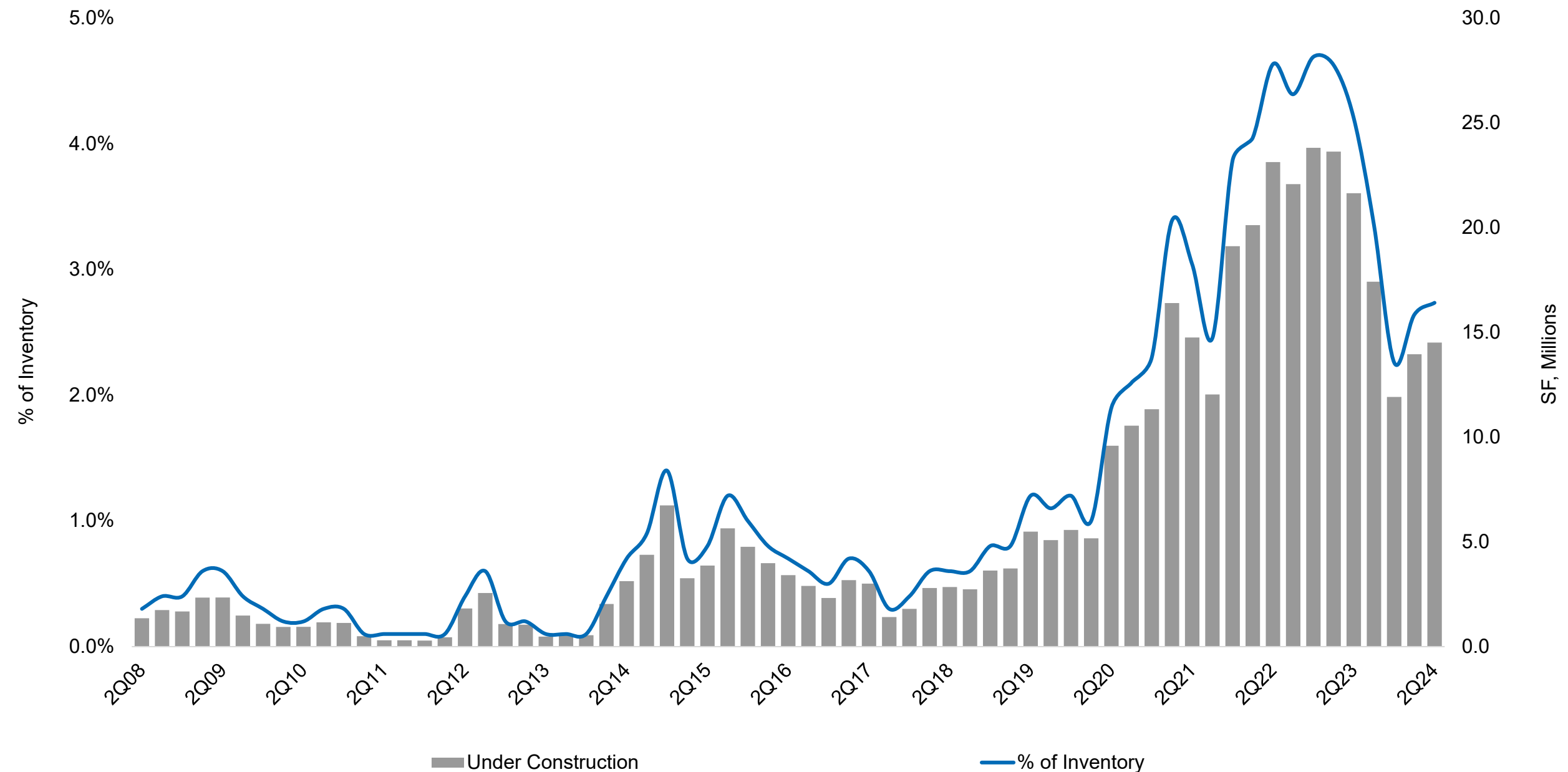


Source: Newmark Research, CoStar

Industrial Construction Pipeline Shows Signs Of Growth

The total construction pipeline for the Greater Philadelphia market was 14.5 MSF at the end of the second quarter of 2024, a 1.0 MSF increase from the previous quarter. Yet-to-start proposed developments are anticipated to backfill upcoming completions. Major projects that commenced construction in the second quarter include NorthPoint Development's Turnpike I Trade Center - Building 4 in Salem County, which will total 956,349 square feet, and South Penn Logistics Center in Bucks County, which will total 973,200 square feet.

Industrial Under Construction and % of Inventory

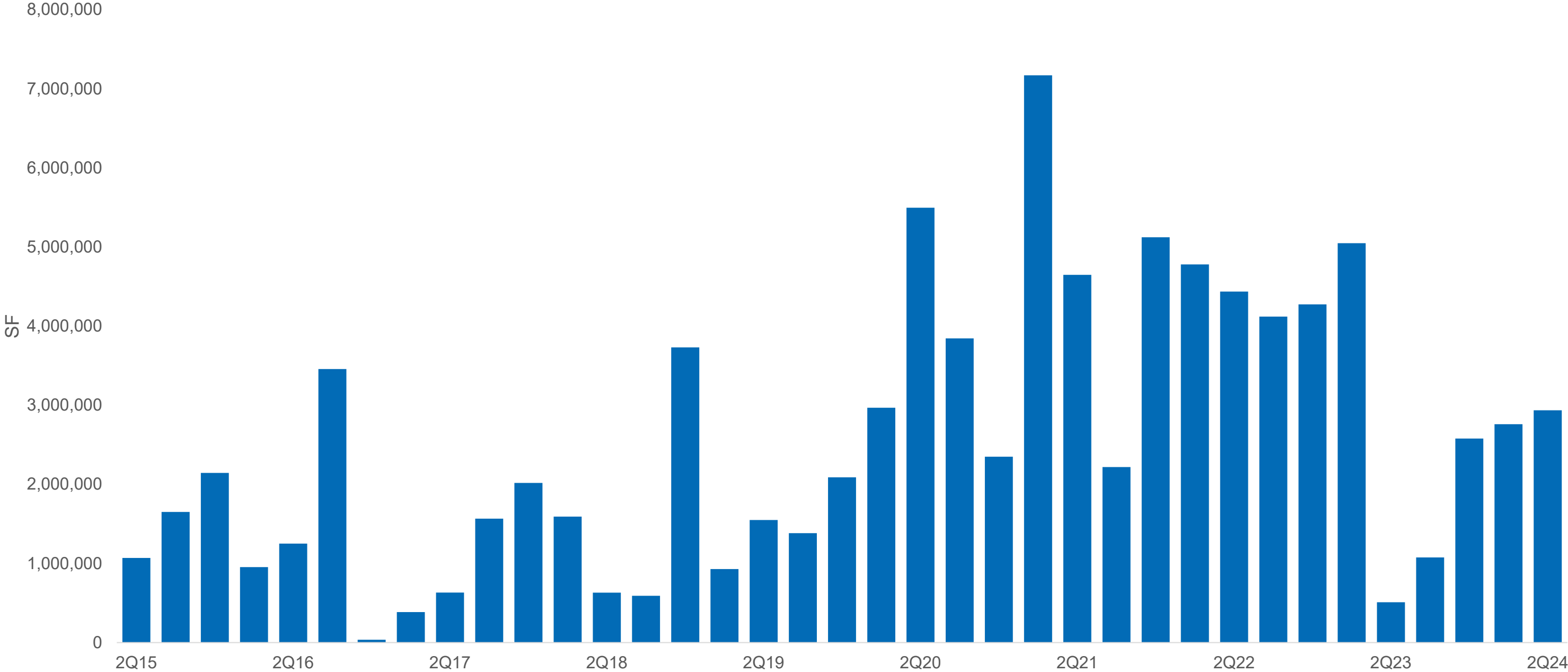


Source: Newmark Research, CoStar

Construction Starts Continue To Rise

Construction starts have continued to trend upwards after bottoming in the second quarter of 2023, with the second quarter of 2024 marking the fourth consecutive quarter of increases. Major projects set to commence soon in Philadelphia and Southern New Jersey could further elevate the volume of groundbreakings.

Construction Starts per Quarter (SF)

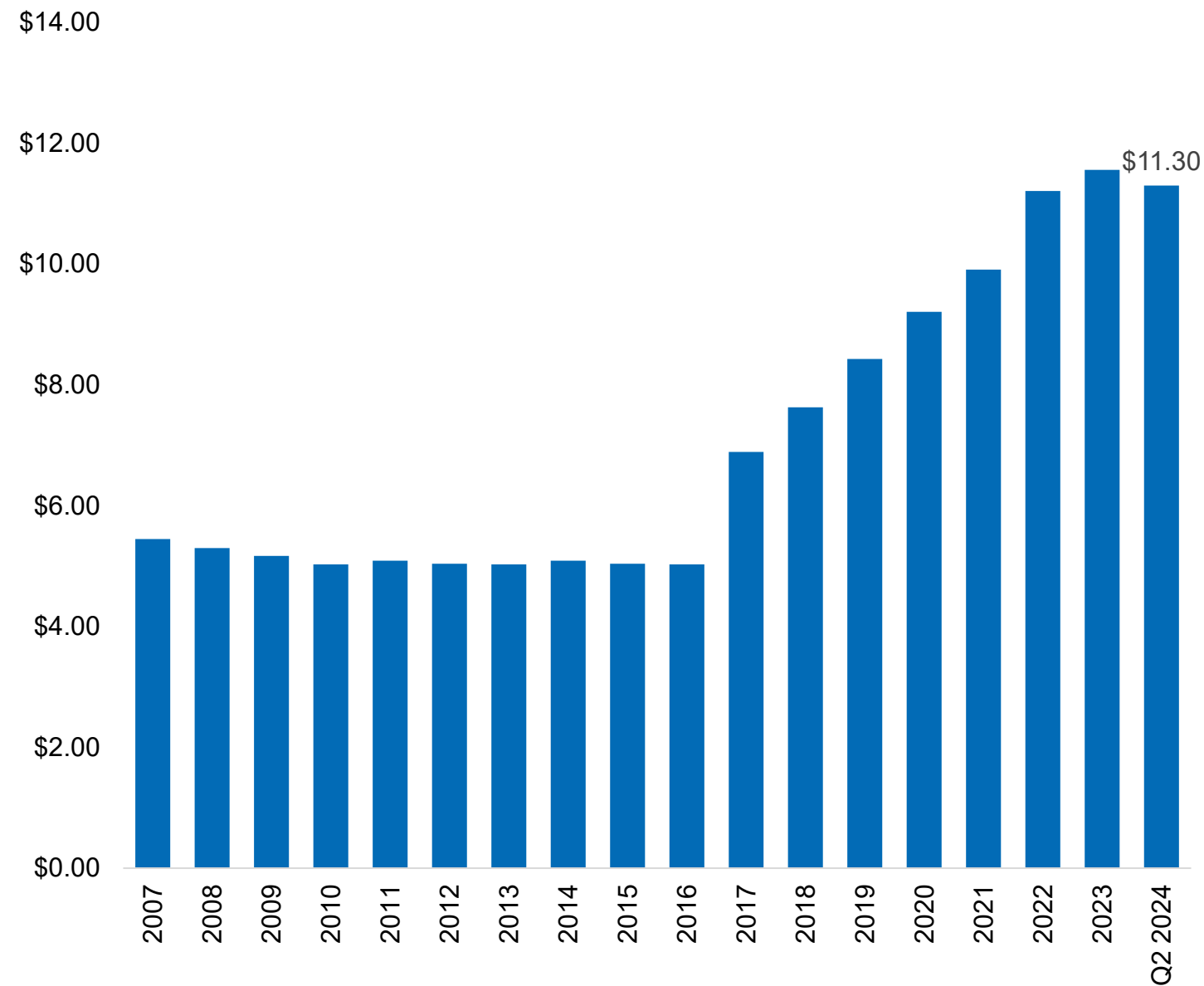


Source: CoStar, Newmark Research

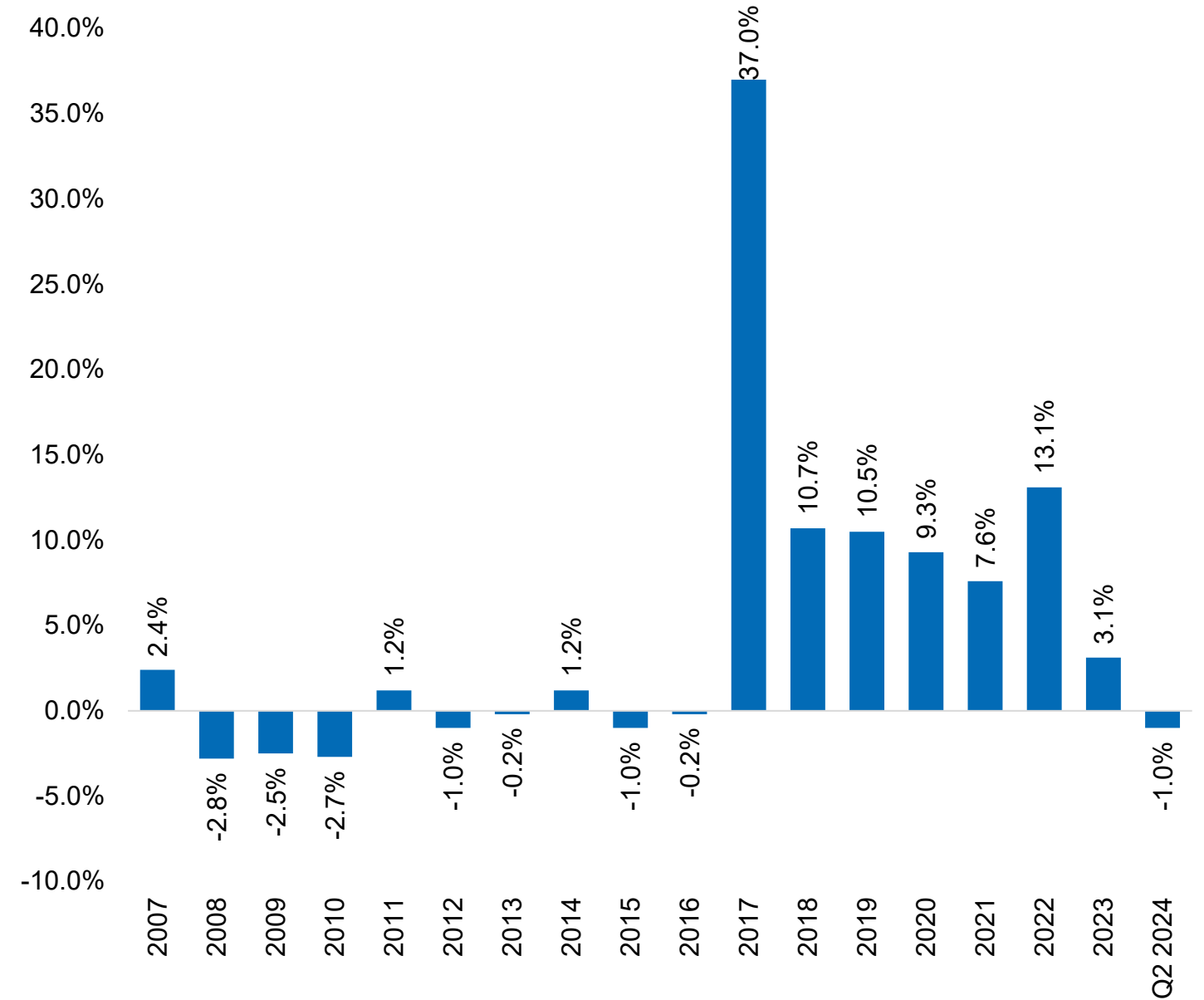
Asking Rates Decline Slightly, Providing Some Relief to Tenants

The lease-up of Class A space in Burlington County coupled with moderating demand has put downward pressure on asking rates in the Greater Philadelphia market. Rents have declined by 1.0% over the past 12 months, after growing steadily since 2017. This dip is not expected to be part of a longer-term decline in industrial asking rates. Approximately 13.5M square feet of the market's construction pipeline is still available for lease and has a weighted average asking rent of \$13.16/SF. New supply will buoy market averages despite normalizing leasing activity.

Industrial Average Asking Rent, \$/SF, NNN*



Year-over-Year Asking Rent % Change



Source: Newmark Research, CoStar

Note: Asking rates for periods between 2017 and 2022 were derived from lease comps

Asking rates between 2023 and 2024 are overall market averages

Southern New Jersey Continues To Dominate Leasing Activity

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Appendix / Tables



Submarket Overview (page 1 of 2)

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Submarket Overview (page 2 of 2)

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