



# Philadelphia industrial market report

Q3 2024

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**AVISON  
YOUNG**

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# Philadelphia industrial market trends

## 7.9%

**Total vacancy rose 100bps, fueled by new deliveries and large block vacancies**

A sharp increase in quarterly deliveries combined with multiple large block vacancies has led the total vacancy to rise 100bps from 6.9% to 7.9% in just one quarter. This, in conjunction with multiple large block vacancies and new sublease availabilities, has created a delta in vacancy rates between large format buildings and their smaller counterparts.

## 9.2 MSF

**Total new product delivered in Q3 24'**

New product deliveries in the third quarter reached 9.2MSF, a significant increase compared to the 4.8 MSF delivered in the first half of 2024. Of the 9.2 MSF delivered, 31% was preleased, equating to 2.8 MSF in pre-leasing activity for the quarter. Salem County saw the most amount of new product delivered this quarter, with 1.7 MSF, 100% of which is currently still available to lease.

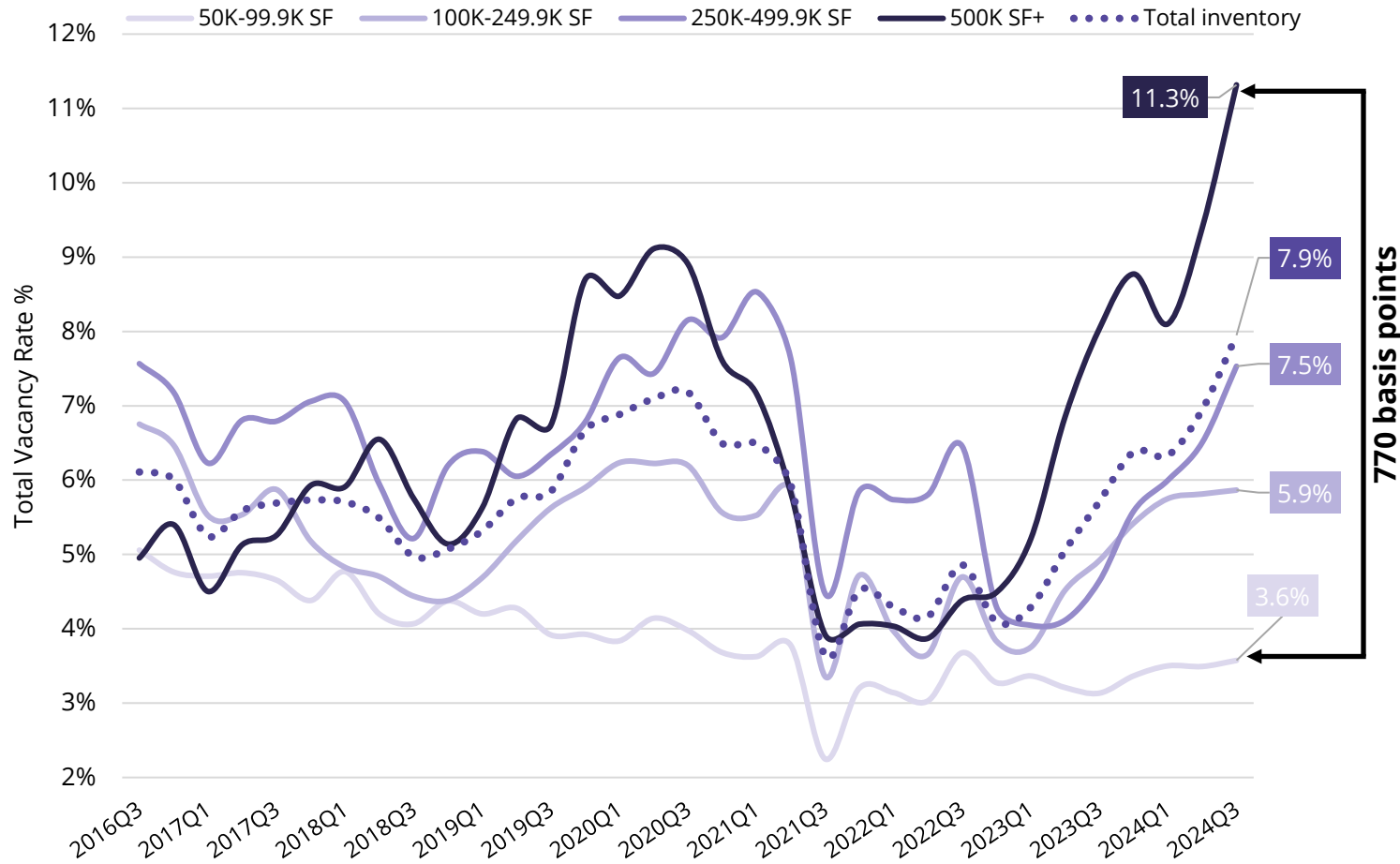
## \$1.49 Billion YTD

**Sharp increase in sales volume, surpassing \$1B this quarter alone.**

After a historically anemic first half of the year for investment sales, the third quarter saw a significant increase in sales volume. Total investment sales volume in third quarter, was 2.75x the investment volume recorded in the entire first half of 2024. Total investment sales volume YTD currently sits just shy of \$1.5 Billion.



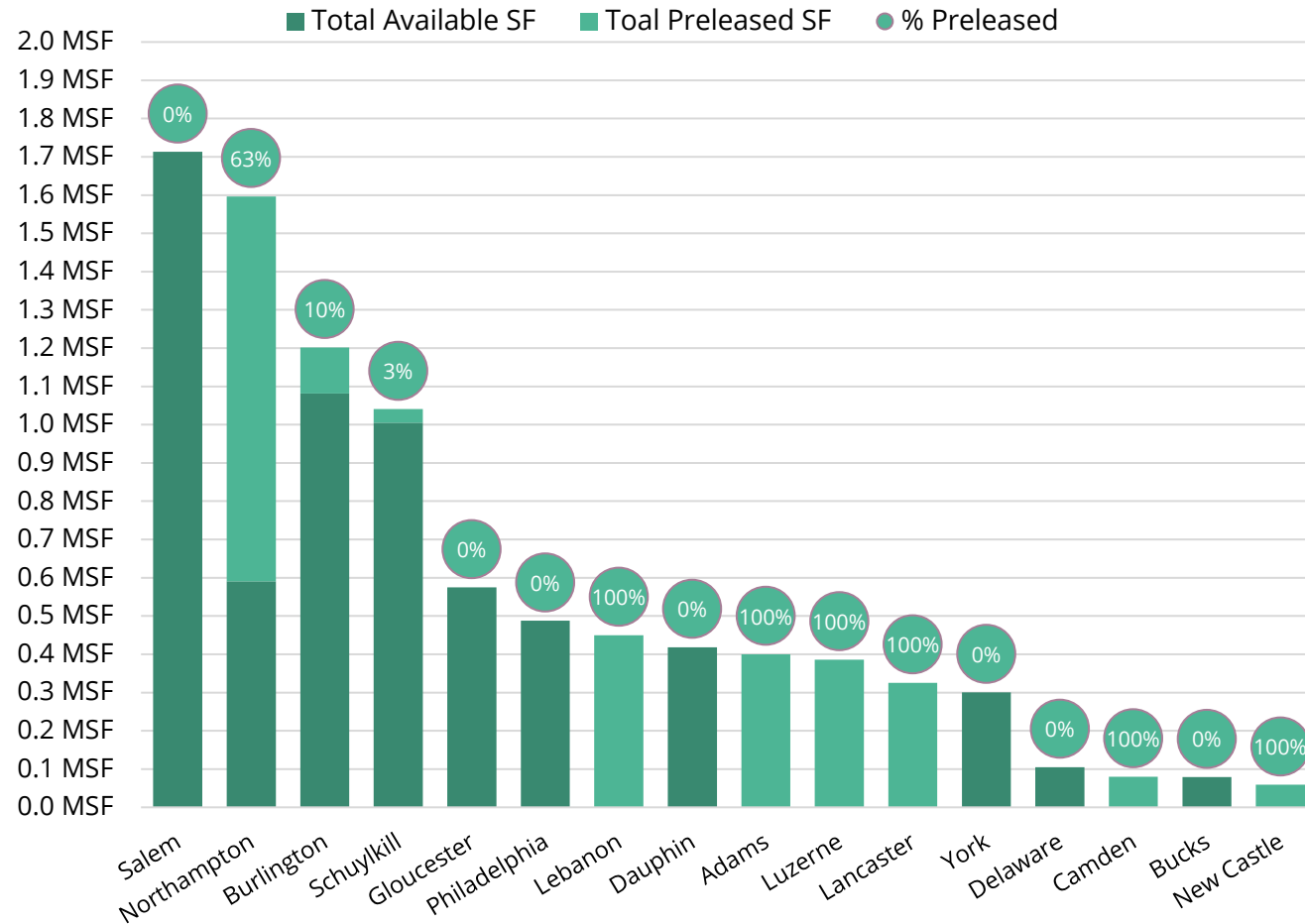
# Total vacancy % by building size



Following record amounts of large format building deliveries, combined with less demand for contiguous blocks of space above 500K SF, has led to a growing delta in the total vacancy rates across building size groups.

The total vacancy rate for buildings 500K SF+ finished the quarter at 11.3%, compared to 5.9% for buildings 100K-249.9K SF, a 590bps delta. The delta increases to 770bps when compared to the total vacancy for buildings 50K-99.9K SF, currently standing at 3.6%.

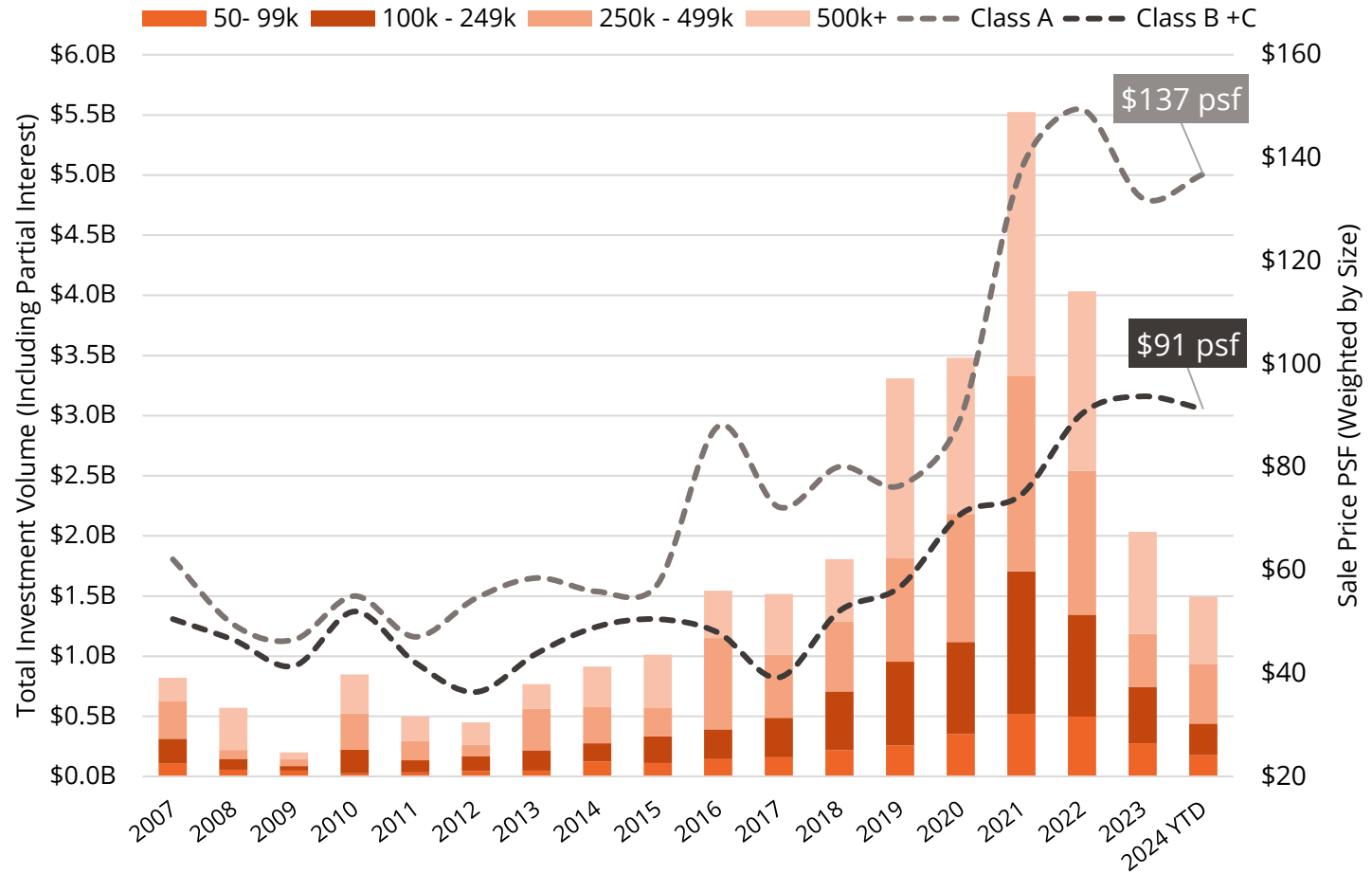
# Quarterly new deliveries by submarket



Of the 9.2 MSF delivered in the third quarter, 2.8 MSF was preleased by tenants equating to 31% of the total delivered space, a noteworthy increase compared to last quarter, when just 15% of delivered product had been preleased.

Salem county led the pack in new deliveries with 1.7 MSF of new product across two buildings, followed by Northampton county which had just shy of 1.6 MSF delivered, spread across three buildings.

# Investment sales



While there is still a ways to go, this quarter saw a welcome uptick in investment volume, with over \$1B SF in investment sales transactions in the third quarter alone. The average PSF paid for Class A product in the third quarter was \$137psf, up 3.5% from last quarter.

There was a notable increase in institutional capital inking deals across the market, which is likely to continue following the federal reserves first interest rate cut of 50bps.

# Let's examine more prevailing industrial trends





# Industrial development pipeline

**71 properties**

under construction

**23,621,672 SF**

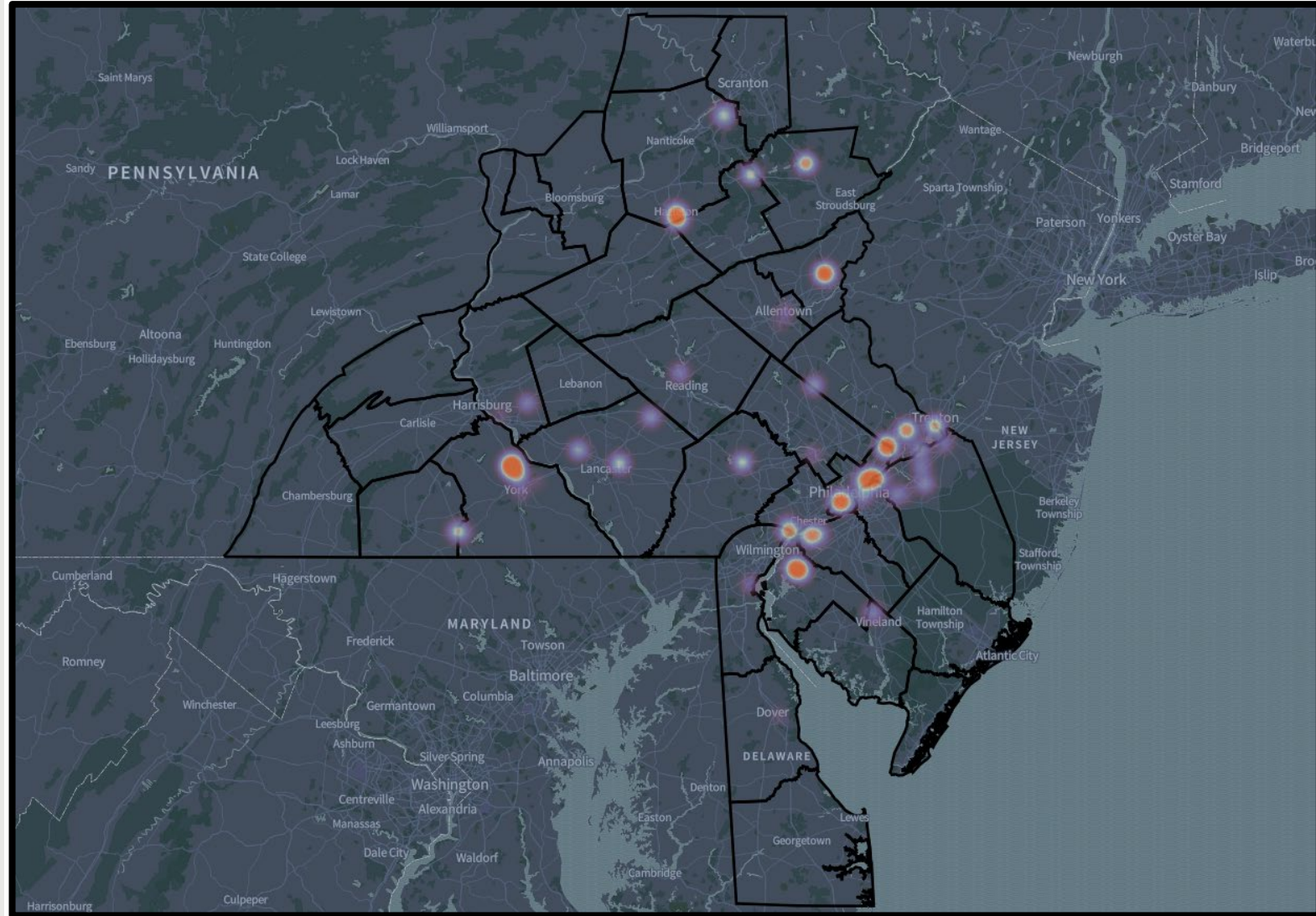
total sf under construction

**332,700 SF**

new development average building size

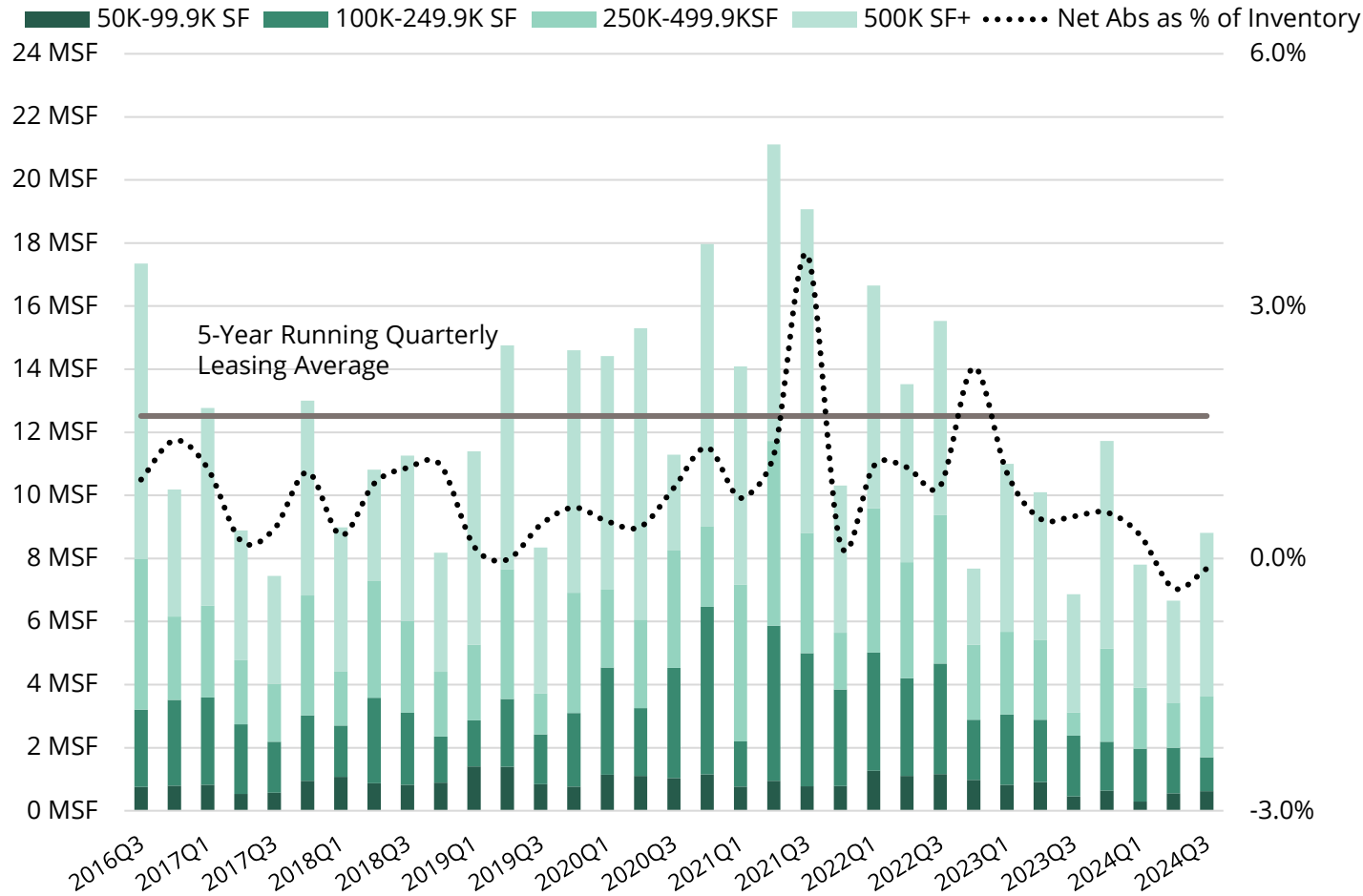
**2.4%**

share of industrial inventory



Source: AVANT by Avison Young, CoStar  
Eastern/Central PA, SNJ, & DE.

# Leasing activity

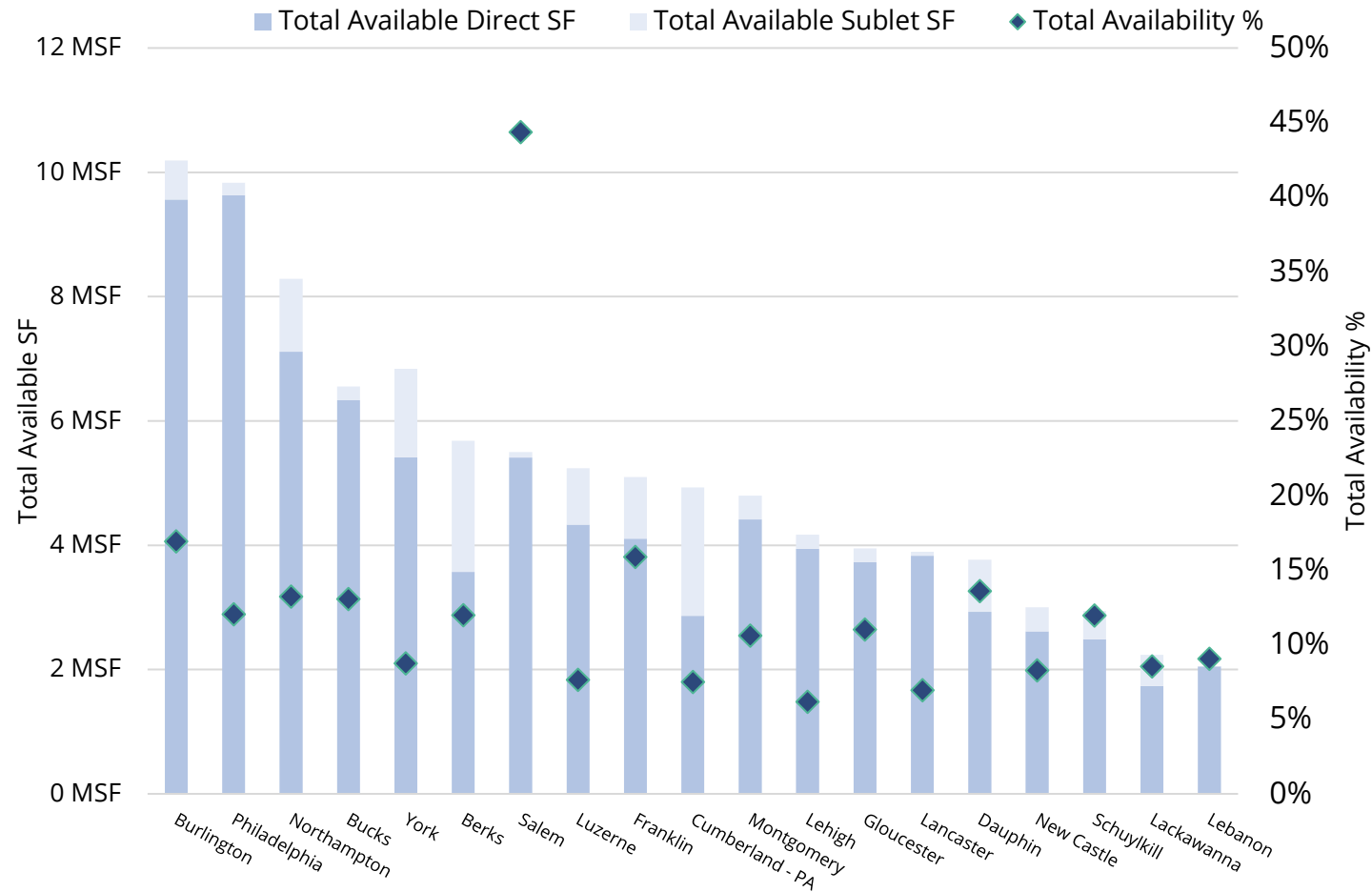


There was a 32.3% increase in total leasing activity this quarter with 8.8 MSF leased, compared to 6.7 MSF leased in the second quarter.

Despite the increase in leasing activity, net absorption as a percentage of existing inventory remained in negative territory ending the third quarter at -0.1%, equating to -1.19 MSF.



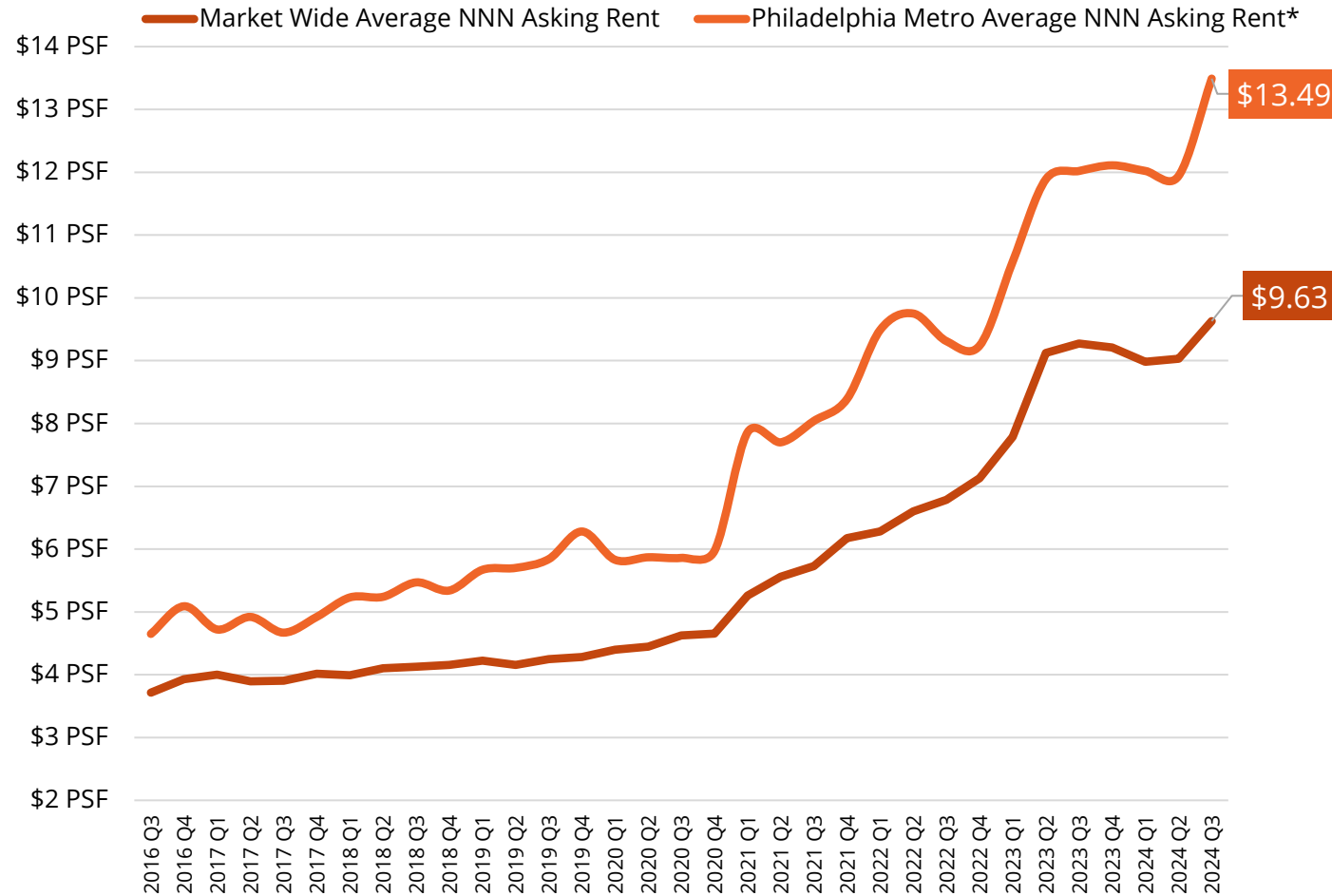
# Available SF by submarket



Burlington county leads the market for total available SF with just over 10 MSF currently available for lease. Berks county leads the pack for most available sublease space, currently with 2.1 MSF actively available for sublease.

Sublease availabilities continue to place upward pressure on total availability across the market, now with 13.9 MSF actively available for sublease, equating to 1.4% of the existing market inventory.

# Average NNN asking rents

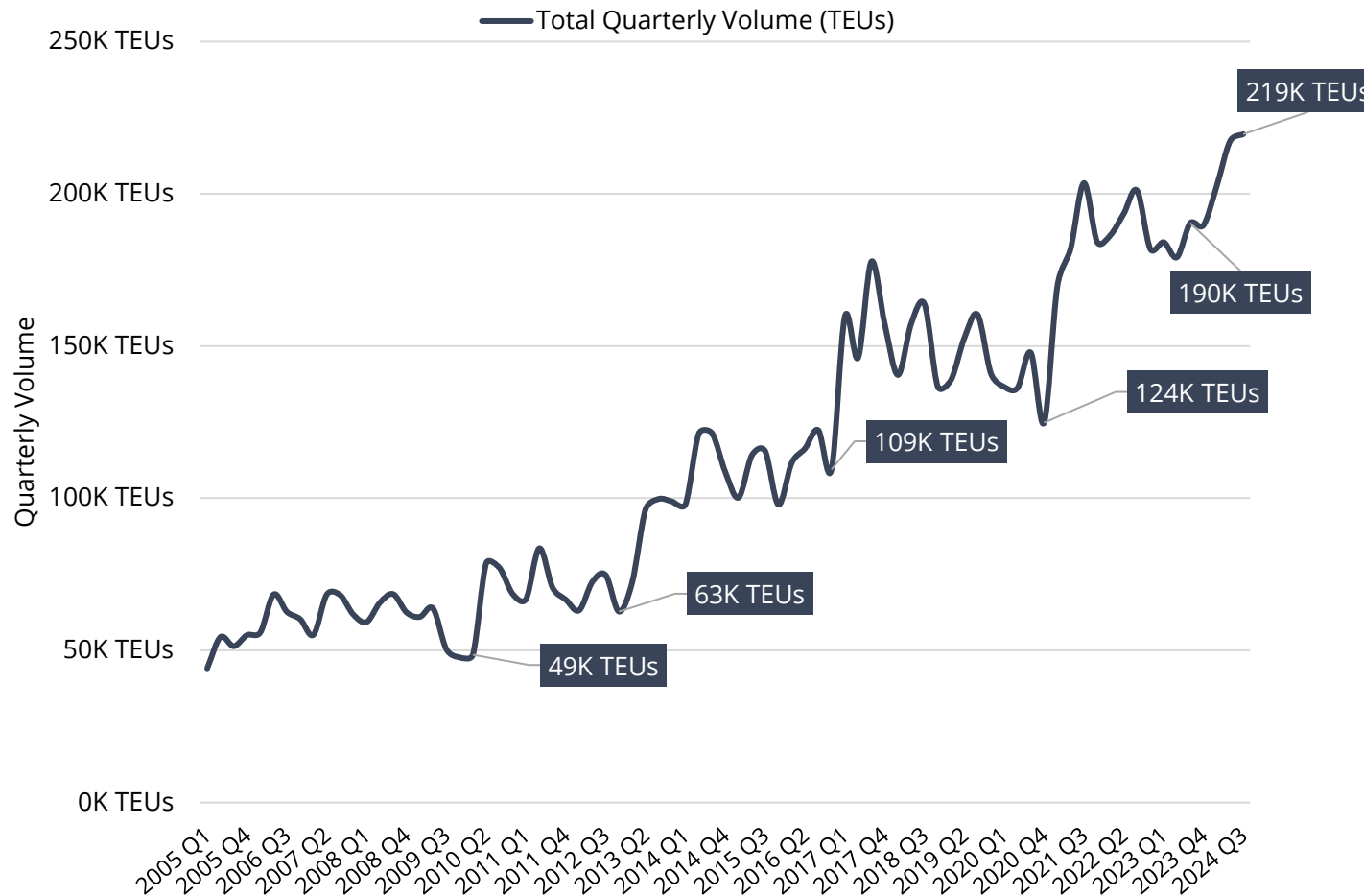


Rent growth continues to rise at a faster pace within the Metro Philadelphia\* submarkets, compared to rural submarkets outside the metro. The average NNN asking rent across Metro Philadelphia has reached \$13.49psf, while the market wide average closed the quarter at \$9.63psf.

Tenants continue to be willing to pay up for top tier industrial space, especially for Class A product in last mile locations.

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

# Loaded import container volumes

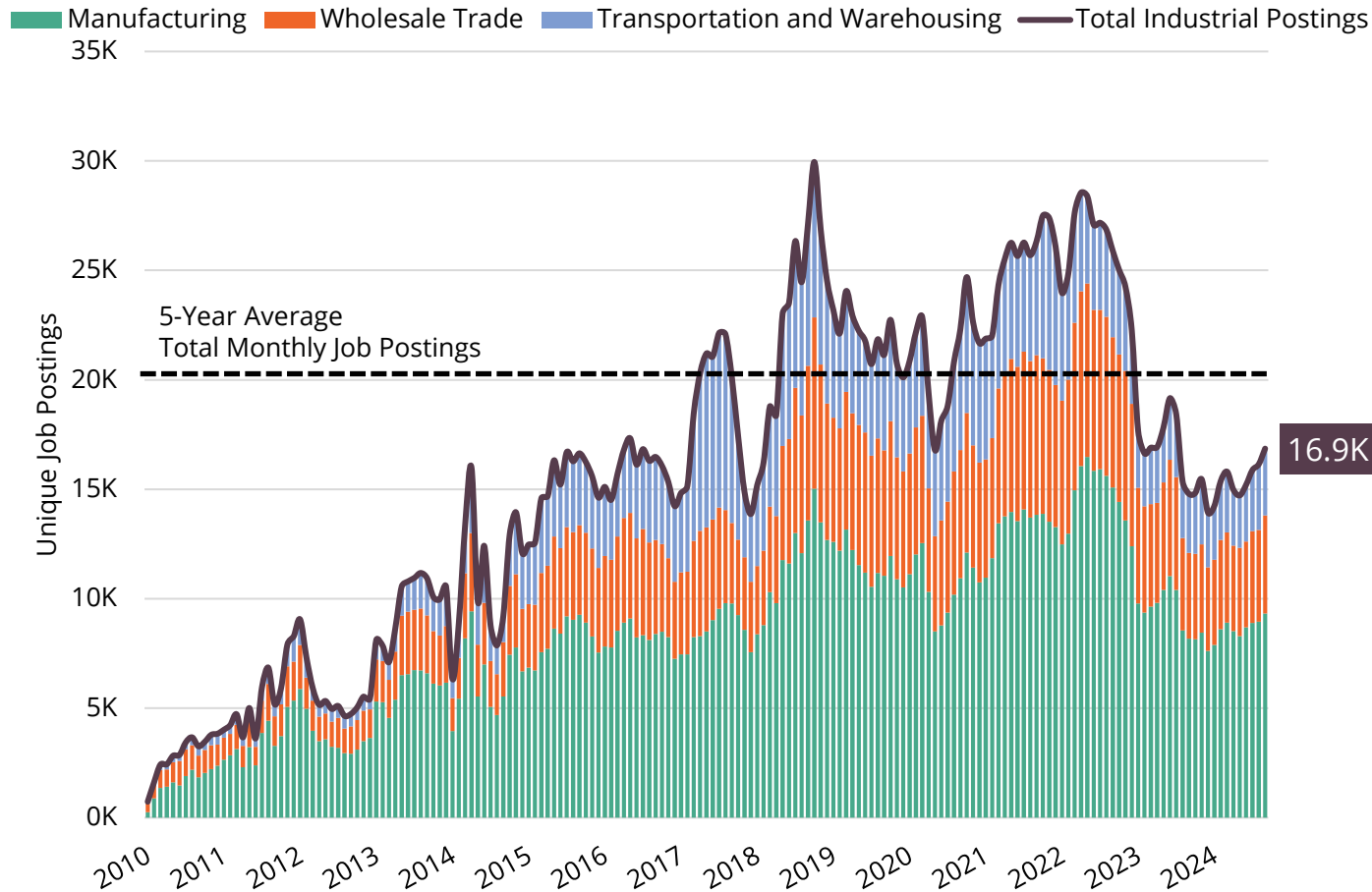


The Port of Philadelphia (PhilaPort) recorded a total of 219K TEUs passing through its facilities in Q3 24', with 109K TEUs imported and 110K TEUs exported, respectively.

PhilaPort has recently announced new details surrounding their significant expansion, to allow for up to 1 million TEUs of volume to pass through the port. The project will bring new berths, cranes, as well as additional dry and cold warehousing facilities to the port.



# Industrial job postings



Total industrial job postings across the Philadelphia MSA in the third quarter reached 48.8K, up 8.9% from 44.9K total postings recorded in the prior quarter.

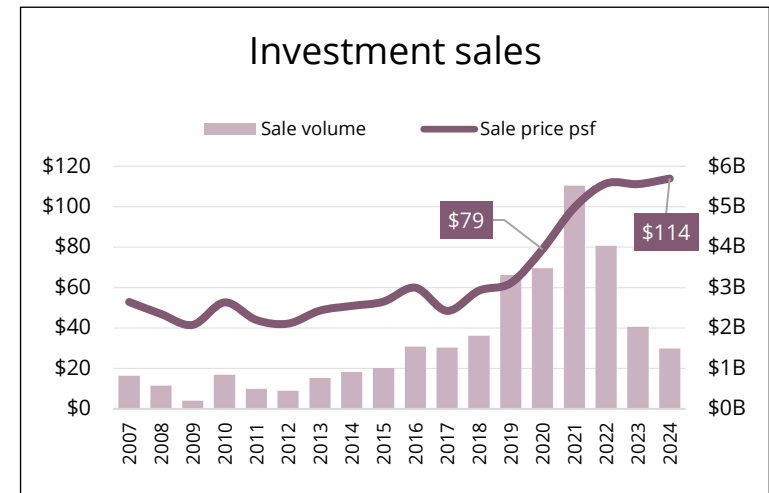
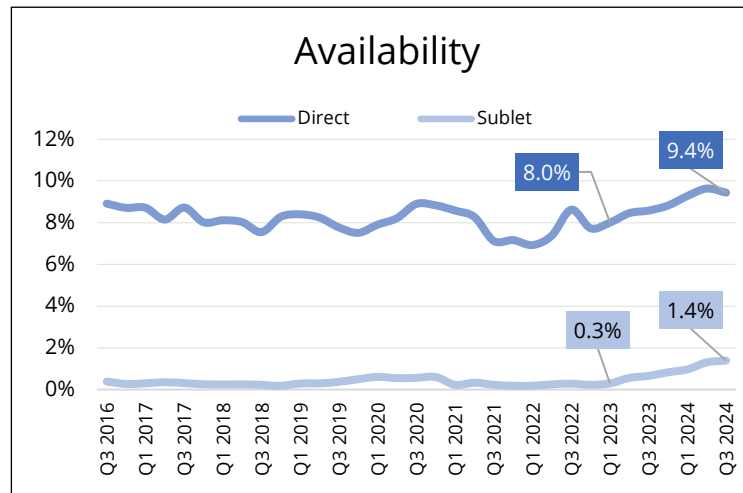
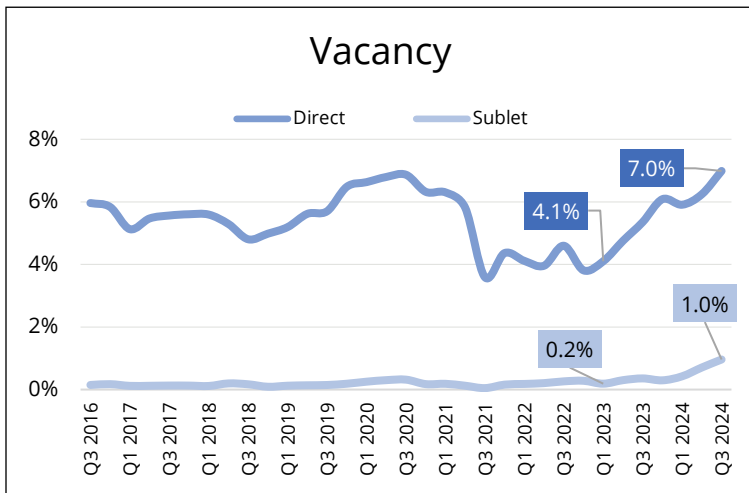
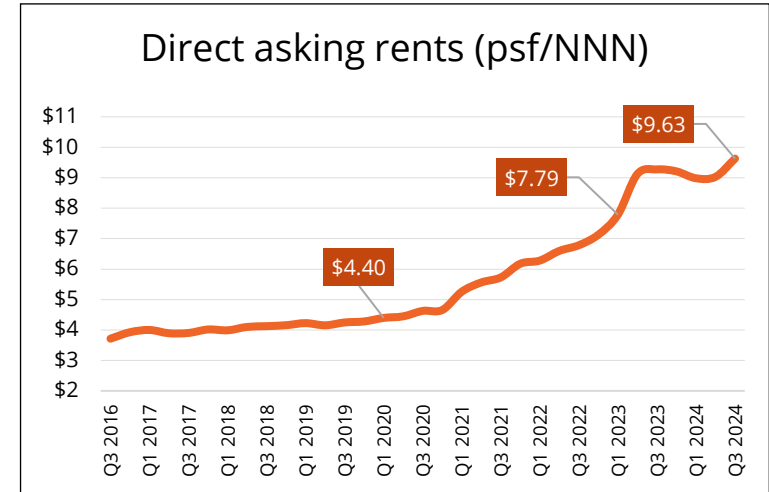
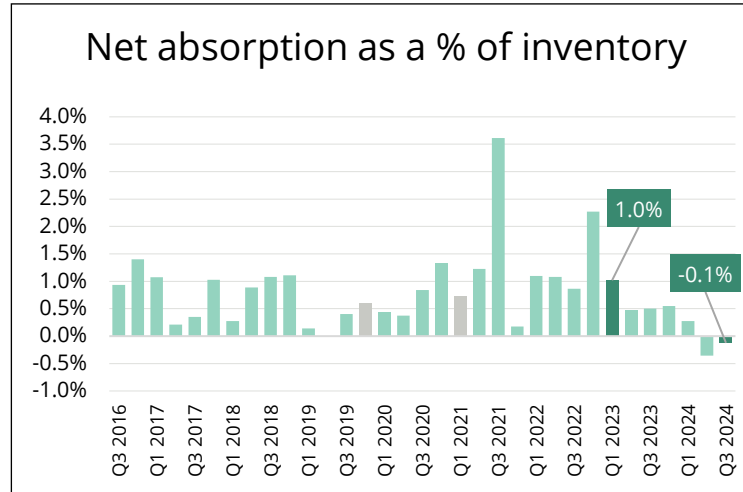
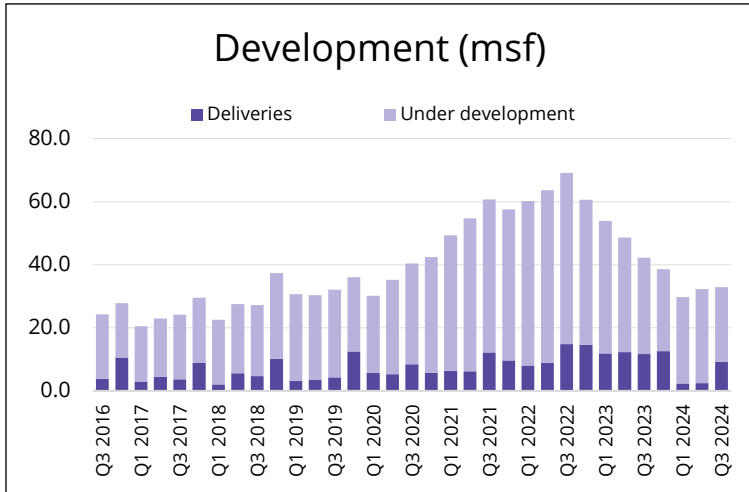
Two major projects are projected to bring a large increase in industrial labor demand to the region. The Bellwether District has announced their master planned project is projected to create 19,000 permanent jobs; and PhilaPort has projected 9,000 direct jobs to be created from their expansion project.

Source: Lightcast Note: Philadelphia MSA

# 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
Western Post	<b>3363 Gun Club Rd., Nazareth, PA</b> (East Valley Logistics Building 1)	Northampton	Aug 2024	1,006,050	Direct	New
Lecangs	<b>1900 River Rd., Burlington, NJ</b> (Building 1)	Burlington	Sept 2024	845,280	Direct	New
US Elogistics	<b>1183 Florence Columbus Rd., Bordentown, NJ</b> (Mansfield Logistics Park – Bldg 3)	Burlington	Aug 2024	806,000	Direct	New
Georgia Pacific	<b>180 Kost Rd., Carlisle, PA</b>	Cumberland-PA	Jul 2024	487,080	Direct	Renewal
Seva	<b>8032 PA Rt-183, Bernville, PA</b>	Berks	Jul 2024	470,781	Direct	New
US Elogistics	<b>1170 Florence Columbus Rd., Bordentown, NJ</b> (Burlington North Logistics Center)	Burlington	Aug 2024	412,320	Direct	New

## Recent sales activity

Buyer	Address (Building Name)	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
EQT Exeter	<b>1 S. Shearer Dr, 6 &amp; 70 Logistics Dr. Carlisle, PA</b> (Carlisle Distribution Center 3-property portfolio)	Sept 2024	1,867,981	\$210,000,000	\$112	Clarion Partners
EQT Exeter	<b>3327 E. Harrisburg Pike, Middletown, PA</b> (Building 1)	Aug 2024	1,219,021	\$170,500,000	\$140	Core5 Industrial Partners
KKR	<b>9801 Blue Grass Rd., Philadelphia, PA</b>	Sept 2024	282,737	\$83,500,000	\$295	DH Property Holdings
Lightstone Group	<b>6250 Yeadon Ave., Yeadon, PA</b> (Yeadon Industrial Center)	Sept 2024	468,000	\$59,000,000	\$126	Velocity Ventures

# Philadelphia industrial market activity

## Top projects under development

Address (Building Name)	Submarket	Delivery date	Building size sf	% Preleased	Developer
<b>5000 Richmond St., Philadelphia, PA</b> (PhilaPort Logistics Center Buildings A & B)	Philadelphia	Q4 2024	348,210 & 411,000	0%	DH Property Holdings
<b>3144 W Passyunk Ave., Philadelphia, PA</b> (Bellwether District - Building 1)	Philadelphia	Q4 2024	325,659	0%	HRP
<b>4500 Philadelphia Pike, Claymont, DE</b> (Agile Cold Storage- First State Crossing)	New Castle	Q4 2024	275,000	0%	Agile Cold
<b>1615 Garden Road, Vineland, NJ</b>	Cumberland-NJ	Q4 2024	256,100	100%	J.G. Petrucci

## Notable building deliveries

Address (Building Name)	Submarket	Delivery date	Building size sf	% Leased	Developer
<b>251 Rausch Creek Rd., Tremont, PA</b> (Rausch Creek Logistics Center - Building 2)	Schuylkill	Sept 2024	1,040,540	0%	Panattoni Development
<b>3363 Gun Club Rd., Nazareth, PA</b> (East Valley Logistics - Building 1)	Northampton	Aug 2024	1,006,050	100%	NorthPoint Development
<b>3105 US-206, Columbus, NJ</b> (Mansfield Distribution Center)	Burlington	Sept 2024	351,000	0%	Elion Partners
<b>3000 W 4<sup>th</sup> St., Chester, PA</b> (Commodore Logistics Center)	Delaware	Sept 2024	105,000	0%	Alliance HP

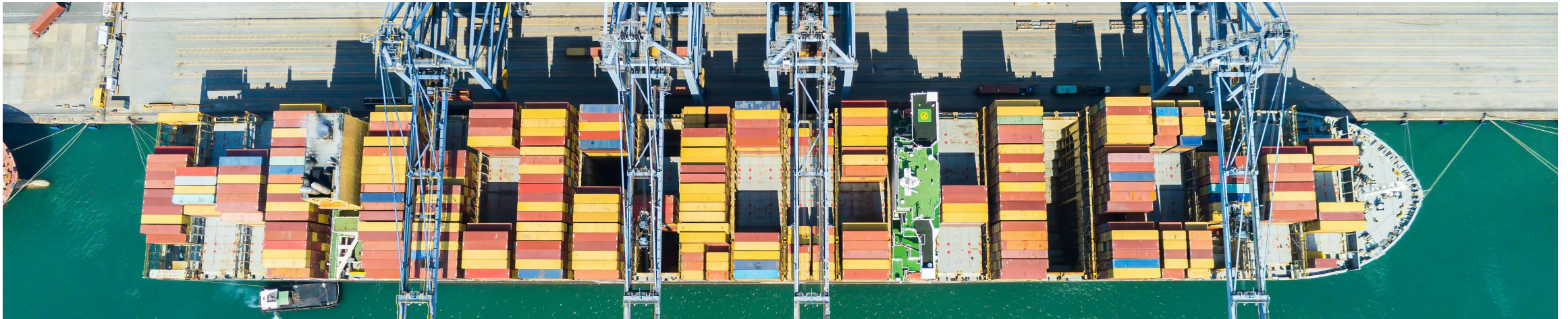
# Philadelphia industrial market stats

	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	5,771,578	400,000	650,000	0.0%	0.0%	0.0%	400,000	6.9%	-
Atlantic	3,296,605	0	0	6.9%	0.0%	6.9%	84,100	2.6%	\$13.56
Berks	46,477,281	91,555	234,880	6.5%	3.7%	10.2%	259,670	0.6%	\$8.23
Bucks	47,777,028	179,984	2,438,017	6.7%	0.0%	6.7%	632,561	1.3%	\$12.06
Burlington	58,176,761	1,201,790	2,012,809	13.3%	0.1%	13.3%	1,873,317	3.2%	\$12.84
Camden	24,207,223	80,000	279,600	2.8%	1.3%	4.1%	82,353	0.3%	\$9.20
Carbon	2,682,542	0	909,766	1.9%	0.0%	1.9%	-52,000	-1.9%	\$5.50
Chester	18,201,770	0	636,120	3.6%	0.5%	4.2%	-234,151	-1.3%	\$11.46
Columbia	7,238,269	0	0	7.5%	0.0%	7.5%	-446,000	-6.2%	\$3.68
Cumberland - NJ	14,107,813	0	256,100	4.9%	0.0%	4.9%	221,316	1.6%	\$3.85
Cumberland - PA	65,709,580	0	0	2.7%	3.0%	5.7%	-3,205,546	-4.9%	\$5.72
Dauphin	27,413,448	418,608	328,000	10.6%	2.3%	12.9%	-163,273	-0.6%	\$7.31
Delaware	16,769,379	479,400	105,000	8.6%	0.1%	8.7%	-264,889	-1.6%	\$15.76
Franklin	32,102,708	0	0	12.1%	1.5%	13.6%	-1,086,328	-3.4%	\$5.08
Gloucester	34,511,644	911,180	902,245	7.9%	0.4%	8.3%	-173,852	-0.5%	\$11.12
Kent	6,148,844	200,000	54,000	3.2%	0.0%	3.2%	213,339	3.5%	\$6.38
Lackawanna	26,212,971	0	0	8.5%	1.9%	10.4%	-658,441	-2.5%	\$5.02
Lancaster	54,899,777	717,540	1,143,928	3.1%	0.0%	3.1%	-143,310	-0.3%	\$7.52
Lebanon	22,713,202	450,000	0	10.5%	0.0%	10.6%	588,558	2.6%	\$4.98
Lehigh	64,802,718	224,000	185,074	3.1%	0.5%	3.6%	291,990	0.5%	\$9.95
Luzerne	66,444,660	851,907	2,161,163	3.5%	1.4%	4.9%	840,351	1.3%	\$6.97
Monroe	9,219,555	0	1,204,494	17.4%	0.0%	17.4%	-985,760	-10.7%	\$5.22
Montgomery	45,078,174	0	112,500	6.9%	0.3%	7.1%	82,321	0.2%	\$10.76
Montour	1,902,108	0	0	0.0%	0.0%	0.0%	0	0.0%	-
New Castle	35,368,723	593,403	950,000	6.7%	0.3%	7.0%	429,647	1.2%	\$11.93
Northampton	57,614,408	1,862,642	1,083,184	10.9%	0.2%	11.1%	-715,079	-1.2%	\$6.87
Perry	50,000	0	0	0.0%	0.0%	0.0%	0	0.0%	-
Philadelphia	78,354,760	1,376,902	3,356,988	9.5%	0.3%	9.8%	44,183	0.1%	\$12.08
Salem	10,316,607	2,300,449	2,082,792	26.5%	0.9%	27.4%	520,751	5.0%	\$10.59
Schuylkill	24,619,113	1,040,540	0	13.6%	1.9%	15.5%	-1,332,110	-5.4%	-
Sussex	4,629,718	0	0	0.0%	0.3%	0.3%	-14,600	-0.3%	\$5.03
Wyoming	1,999,516	0	0	0.0%	0.0%	0.0%	0	0.0%	-
York	67,585,047	700,139	2,535,012	2.0%	1.7%	3.6%	850,607	1.3%	\$6.28
<b>Market total</b>	<b>982,403,530</b>	<b>14,080,039</b>	<b>23,621,672</b>	<b>7.0%</b>	<b>1.0%</b>	<b>7.9%</b>	<b>-2,060,275</b>	<b>-0.2%</b>	<b>\$9.63</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	412,514,724	7,834,804	14,114,194	8.3%	1.9%	10.2%	-4,177,002	-1.0%	\$11.02
General Warehouse	328,373,349	6,245,235	9,257,478	8.0%	0.2%	8.2%	1,852,273	0.6%	\$9.40
Manufacturing	241,515,457	0	250,000	3.5%	0.3%	3.7%	264,454	0.1%	\$8.10
<b>Market total</b>	<b>982,403,530</b>	<b>14,080,039</b>	<b>23,621,672</b>	<b>7.0%</b>	<b>1.0%</b>	<b>7.9%</b>	<b>-2,060,275</b>	<b>-0.2%</b>	<b>\$9.63</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