



Greater Philadelphia Industrial Market

Expanding Demand Drives Expanding Market Boundaries

Greater Philadelphia’s industrial market, inclusive of Southeastern Pennsylvania, Southern New Jersey and Delaware, realized over half a million square feet in absorption gains, strong rent growth, and record development levels in the first quarter of 2021. The confluence of nine consecutive quarters of positive absorption, a vacancy rate that has remained below 6.0% since 2017, and the fact that developers were slower to react to the market’s need for new supply, has caused tenants to chase available space wherever it can be found – or built.

This has become most apparent on the perimeter of the geography that bounds the Greater Philadelphia market, where less-expensive, abundant and developable land is to be found. In Delaware, institutional-grade warehouse development has gone from effectively nonexistent, to measuring 6.0 million square feet in the first quarter. In Southern New Jersey, the region’s epicenter of warehouse construction, activity continues to push south into Salem County, rendering it a truly competitive part of this market. In recognition of the expanding nature of demand and development, Salem County’s industrial inventory was incorporated into Newmark’s statistical survey this quarter.

Current Conditions

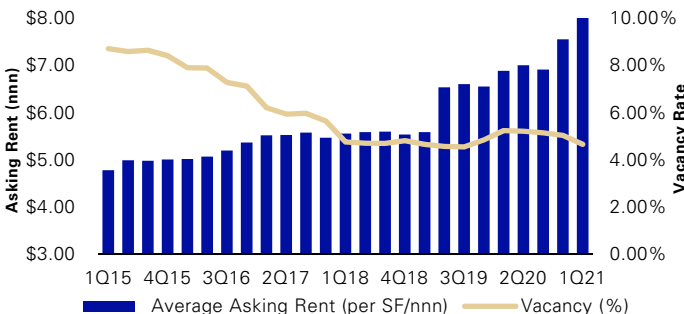
- The competitive industrial inventory in Salem County, New Jersey was incorporated into the Greater Philadelphia industrial market this quarter.
- Market wide, vacancy fell from 5.0% to 4.7%, quarter-over-quarter.
- Average asking rents broke the \$8.00/SF for the first time on record.

Market Summary

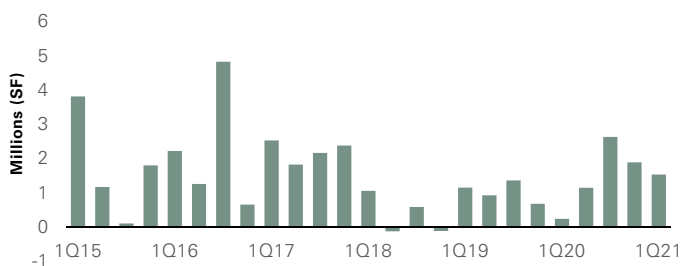
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	487M	482M	477M	↑
Vacancy Rate	4.7%	5.0%	5.2%	↑
Quarterly Net Absorption (SF)	1.5M	1.9M	246K	↑
Average Asking Rent/SF	\$8.02	\$7.56	\$6.89	↑
Under Construction (SF)	16.3M	11.0M	4.7M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Southeastern Pennsylvania

Southeastern Pennsylvania commenced the new year with 142,568 square feet in positive net absorption, trimming vacancy ten basis points to 4.8%. Driving the occupancy gains were firms such as Caesarstone, which occupied 172,000 square feet at 2525 Monroe Boulevard; Mid-Atlantic Packaging, which moved into 81,000 square feet at 425 Stump Road; and Amazon - a mainstay of quarterly leasing activity over the past year – which moved into the 148,000-square-foot warehouse at 6300 Bristol Pike, backfilling space left by the closure of Interstock Cabinets.

The development pipeline in Southeastern Pennsylvania rose to 2.1 million square feet this quarter upon the commencement of four new projects: Baldor's 222,000-square-foot cold storage warehouse at 7101 Milor Street and the 201,621-square-foot warehouse build-to-suit for Holt Logistics at 445 Pattison Avenue, both in Philadelphia County. In addition, the 249,600-square-foot industrial building at 350 Ivyland Road broke ground and will be partially occupied by Mygrant Glass Company upon delivery. The 225,000-square-foot warehouse at 85 Ben Fairless Drive was the only project to break ground speculatively this quarter. In total, roughly half of the current development pipeline is already spoken for, so while 2021 will bring some relief to supply constraints, more development is likely needed to keep pace with demand.

Southern New Jersey

Activity in the Southern New Jersey industrial market continues to amaze. Driven by demand from a variety of users such as ecommerce, food & beverage, third-party logistics and retail/wholesale, this market is the perennial net absorption leader

in the greater region. This quarter was no exception, as Southern New Jersey tallied 1.3 million square feet in occupancy gains, driving vacancy down to 4.4%. Average asking rents grew over a dollar per square foot from measures one year ago, to \$6.38/SF, driven by new-construction rates that grow seemingly by the week, especially in Burlington County. The rent differential between the southernmost and northernmost edges of the market is significant – around Exit 7A, new construction is going for rates exceeding \$8.00/SF, whereas in Salem County, rates are approximately \$2.00/SF less – but also rising.

New Castle County, Delaware

The Delaware industrial market maintained the lowest vacancy rate of the three regional markets, at 3.9% in the first quarter, trimming 10 basis points from the previous quarter on the heels of roughly 66,000 square feet in positive absorption. Average asking rents continued to climb, surpassing the \$10.00/SF mark for the first time on record, and the development pipeline grew to 5.9 million square feet with the groundbreaking of another Amazon warehouse, the 1.33-million-square-foot facility at 780 S. DuPont Highway.

Amazon is the single largest driver of the recent development explosion in Delaware. The ecommerce giant has preleased 5.2 million square feet of the current volume of space under construction, and this quarter, signed a lease that will further expand the development pipeline. An approximately 220,000-square-foot warehouse will be constructed on the same site of its 3.8-million-square-foot, multistory facility underway on Boxwood Road.

Select Lease Transactions

Tenant	Market	Building	Type	Square Feet
Amazon	NJ-Burlington County	2471 Old York Road	New Lease	434,250
DNA Motoring	NJ-Burlington County	839 Railroad Avenue	New Lease	300,700
Green Chef	NJ-Gloucester County	1130 Commerce Boulevard	Renewal	170,160
Hughes Relocation Services	PA-Montgomery County	1180 Church Road	New Lease	127,661

Select Sales Transactions

Buyer	Market	Building	Type	Sale Price	Square Feet
Certified Lumber Corporation	PA-Bucks County	1101 New Ford Mill Road	User Sale	\$32.1M / \$69/SF	467,257
Realty Income Corp.	PA-Bucks County	6300 Bristol Pike	Investment Sale	\$21.3M / \$143/F	149,180
Raymour & Flanigan	PA-Bucks County	130 Enterprise Drive	User Sale	\$12.1M / \$110/SF	110,075

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Warehouse Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Southeastern PA Total	338,646,213	2,083,627	4.8 %	142,568	142,568	\$5.80	\$16.15	\$8.19
Bucks County	57,692,801	511,600	4.9 %	214,453	214,453	\$6.41	\$8.88	\$6.58
Chester County	37,766,112	-	6.3 %	-37,856	-37,856	\$6.50	\$9.91	\$8.13
Delaware County	29,346,843	484,000	3.8 %	-238	-238	\$5.11	\$8.91	\$5.42
Lancaster County	57,369,101	250,000	2.2 %	-73,548	-73,548	\$5.52	\$8.01	\$5.61
Montgomery County	71,733,282	278,592	6.7 %	350,794	350,794	\$5.68	\$25.51	\$13.88
Philadelphia County	84,738,074	559,435	4.6%	-311,037	-311,037	\$5.86	\$8.57	\$5.68
Southern NJ Total	121,515,794	8,283,513	4.4 %	1,332,145	1,332,145	\$6.11	\$7.56	\$6.38
Burlington County	53,057,419	3,498,267	6.5 %	973,179	973,179	\$7.40	\$8.32	\$7.21
Camden County	33,094,135	201,250	1.6 %	174,402	174,402	\$3.98	\$7.73	\$6.49
Gloucester County	29,935,671	2,983,496	4.1 %	184,564	184,564	\$4.86	\$6.06	\$5.01
Salem County	5,428,569	1,600,500	2.9 %	-	-	\$6.00	-	\$6.00
Delaware Total	27,216,477	5,945,721	3.9 %	65,525	65,525	\$5.55	\$14.42	\$10.53
New Castle County	27,216,477	5,945,721	3.9 %	65,525	65,525	\$5.55	\$14.42	\$10.53
Market	487,378,484	16,312,861	4.7 %	1,540,238	1,540,238	\$5.88	\$15.00	\$8.02

Submarket Statistics By Type						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Total	487,378,484	16,312,861	4.7 %	1,540,238	1,540,238	\$8.02
Warehouse/Distribution	162,508,973	15,825,447	5.7 %	1,016,953	1,016,953	\$5.88
R&D/Flex	80,419,520	237,814	6.3 %	44,323	44,323	\$15.00
General Industrial	244,449,991	249,600	3.4 %	478,962	478,962	\$5.52

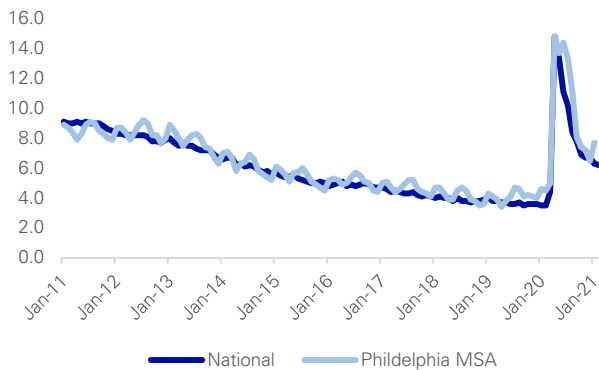
Economic Overview

The new year started with a setback in the economic recovery for the Philadelphia Metropolitan Statistical Area amid a stronger wave of COVID-19 cases, yet by February 2021, a positive gain was reestablished, as 30,000 jobs were recuperated. With a cautiously improved health outlook amid widespread vaccine distribution, the economy is set to improve significantly in 2021.

During the pandemic, some firms have been stressed by a reliance on the prevalent “just-in-time” model of inventory management, which is predicated on sophisticated supply chain systems – and few disruptions. The weeklong disruption of global trade due to a ship stranded in the Suez Canal in March may also prompt companies to consider storing more inventory or diversifying their supply chain further, which may result in additional demand for industrial space.

Unemployment Rate

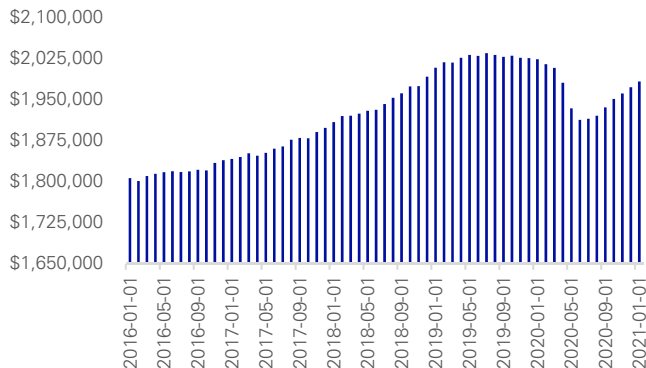
SEASONALLY ADJUSTED*



*Local data not seasonally adjusted
Source: U.S. Bureau of Labor Statistics, March 2021

Total Business Inventories

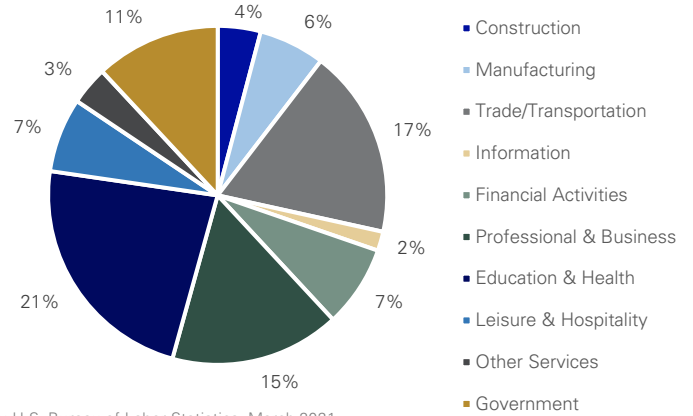
TOTAL, IN \$MILLIONS



Source: St. Louis FRED, March 2021.

Employment by Industry

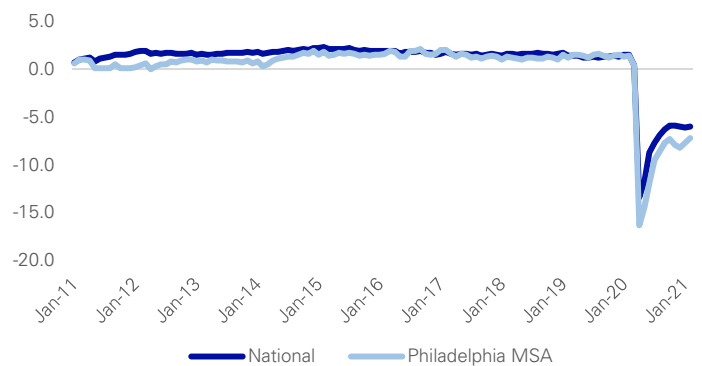
PHILADELPHIA MSA, ANNUAL AVERAGE, 2020



Source: U.S. Bureau of Labor Statistics, March 2021.

Payroll Employment, Total Nonfarm

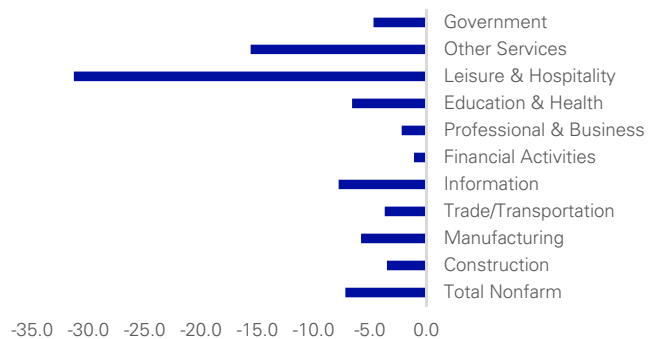
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

Employment Growth by Industry

PHILADELPHIA MSA, FEBRUARY 2021, 12 MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

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