

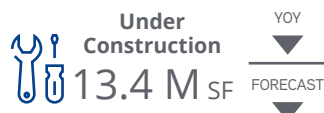
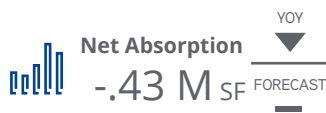


Philadelphia Regional

Industrial  
24Q1

## Key Takeaways

- The regional vacancy rate increased from 6.1% to 6.5% in Q1
- There was an overall occupancy loss for only the second time in five years
- The weighted average asking rent rose by under 1.0% to \$11.14 NNN
- Sales volume decreased and was predominantly opportunistic investor or user purchases



## Highlights

Vacancy continued to trend upward in the first quarter. Unlike in the previous five quarters, the reason for the increase was the result of existing space returning to the market rather than speculative construction completions. These space contractions were due to a variety of reasons such as occupiers realigning operations, 3PLs and other companies losing accounts or those that overestimated space needs during the post-pandemic rush to secure locations. There was also a slowdown in leasing activity, so these spaces were not being absorbed as quickly as was the case in the previous three years. Only two spec buildings were completed in Q1 along with an onsite expansion and a build-to-suit, the lowest level of deliveries since Q1 2019. Philadelphia and Salem counties led the region in projects underway. Investor interest has rebounded but the prolonged high interest rate environment continued to complicate acquisitions.

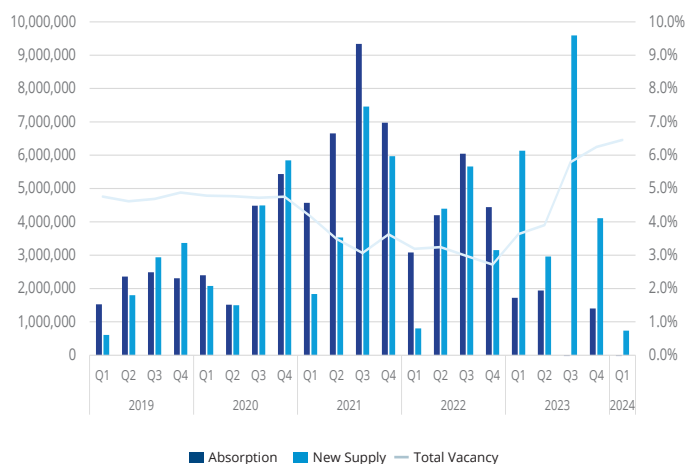
## Market Indicators



## Historic Comparison

	23Q1	23Q4	24Q1
<b>Total Inventory (in Millions of SF)</b>	521.03	538.70	539.44
<b>New Supply (in Millions of SF)</b>	6.14	4.11	0.74
<b>Net Absorption (in Millions of SF)</b>	1.72	1.40	-0.43
<b>Overall Vacancy</b>	3.63%	6.25%	6.46%
<b>Under Construction (in Millions of SF)</b>	23.6	13.4	14.5
<b>Overall Asking Lease Rates (NNN)</b>	\$10.78	\$11.09	\$11.14

## Market History



## Forecast

The anticipated delivery of 5.9 million square feet of speculative construction in the second quarter will increase vacancy rates further. There are likely to be more developers willing to divide large format buildings as large occupier demand has trended back to the I-78 and I-81 corridors. Average asking rents will increase with the delivery of new supply but likely in the 1-2% range rather than the double-digit increases of 2021 and 2022.

## Recent Transactions



**Lease Renewal**  
Amazon  
New Castle County |  
1.0 MSF



**Lease**  
Locktek  
Burlington County |  
667k SF



**Lease Renewal**  
NFI  
Lehigh Valley |  
337k SF



**Sale**  
Lehigh Valley Corp Ctr,  
Lehigh Valley | 535k SF



**Sale**  
3127 Lower Valley Rd.  
Chester County | 222k SF



**Sale**  
10975 Dutton Road-  
Philadelphia | 143k SF

## Market Snapshots

### Philadelphia County

The vacancy rate in Philadelphia County increased slightly from 4.4% to 4.7%. Although there has been an increase in occupier and investor interest, the decision process has slowed. This will be a factor as 2.0 million square feet of speculative supply is scheduled to be delivered in the 2nd quarter and another 1.7 million set to delivery in 2025.

With multiple new projects in the 300,000 to 750,000 square foot range, developers are now targeting future projects under 200,000 square feet

### Suburban Philadelphia

The vacancy for the four suburban counties increased from 5.7% to 6.1%. Only one 100,984-square-foot speculative building was completed in Quakertown, Bucks County, so the rise in vacancy was more a factor of previous generation space availabilities.

Additional space will be returning to the market, most notably the 653,000 square feet in King of Prussia as First Quality transitions operations to its Northeast Pennsylvania properties. Northeast Building Products will also be vacating 106,000 square feet in Bensalem.

Leasing activity was sluggish but there were deals signed in the 2022 and 2023 spec projects. There has also been an uptick in manufacturing/R&D requirements from companies looking to expand local operations

### Southern New Jersey

The vacancy rate in Southern New Jersey was the only market with positive absorption during the 1st quarter. The vacancy rate decreased from 8.9% to 8.5% as activity from the end of 2023 spilled over into early 2024.

Activity has since dropped off, and there was a notable increase in previous generation space availability in the 30,000 to 125,000 square foot range. Parks such as Pureland that historically have limited vacancies now have more space opportunities.

The construction pipeline remains robust, particularly in Salem County. Additional projects in infill areas in Camden and Burlington are in the works, with additional projects spreading out into more tertiary locations

### Lehigh Valley

The Lehigh Valley vacancy rate increased from 4.5% to 5.2%. Although leasing activity increased from the end of 2023, this activity was mainly renewals or new leases under 100,000 square feet and was not a level to offset previous generation space coming back on the market. There was also limited movement of the remaining spec deliveries from 2022 and 2023.

Following a beneficial slowdown in spec deliveries during the 1st quarter, over 2.2 million square feet is set to be delivered over the next quarter. This is likely to push up vacancy through at least the third quarter; however, there will be limited construction starts during that time.

### New Castle County, DE

New Castle County's vacancy increased from 7.4% to 7.7%. Leasing activity remained slow and additional spaces in the 10,000 to 40,000-square-foot range came back on the market as companies such as Mayzon (formerly Zenith Home Products) and MISHimoto shed excess space.

The majority of new development is centered in Claymont with the recently completed First State Crossing, the speculative Tri-State Distribution Center and Agile Cold Storage's build-to-suit project.

The State of Delaware is hoping to attract and expand green energy companies, particularly with its position as part of the Mid-Atlantic Clean Hydrogen Hub.

## Lease Deals

Q1

Tenant	Building	Submarket	Type	Square Feet
Amazon	560 Merrimac Avenue	New Castle, DE	Renewal	1,015,740
Locktek	1900 River Road Building 2	Burlington County	New	667,560
NFI	9611 West Hills Center	Lehigh Valley	Renewal	336,901
Rivian Automotive	25 N. Golfwood Road	Salem County	New	317,000
UPS Supply Chain	200 Birch Creek Road	Gloucester County	Renewal	251,044
Awesung	280 Daniels Way	Burlington County	New	208,476
Glenmark Pharmaceuticals	749 Route 100	Lehigh Valley	New	159,865
Sharp Services	7570 Industrial Park Way	Lehigh Valley	New	157,500
Continental Automotive Services	6755 Snowdrift Road	Lehigh Valley	Renewal	125,000
AramSCO	301 Crossroads Boulevard	Gloucester County	New	117,452
LBB Specialties	2301 Hunter Road	Bucks County	New	102,750
Judge Organization Logistics	30 Runway Road	Bucks County	Renewal	100,800
Yahee Corporation	1809 Underwood Boulevard	Burlington County	New	77,087

## Sale Transactions

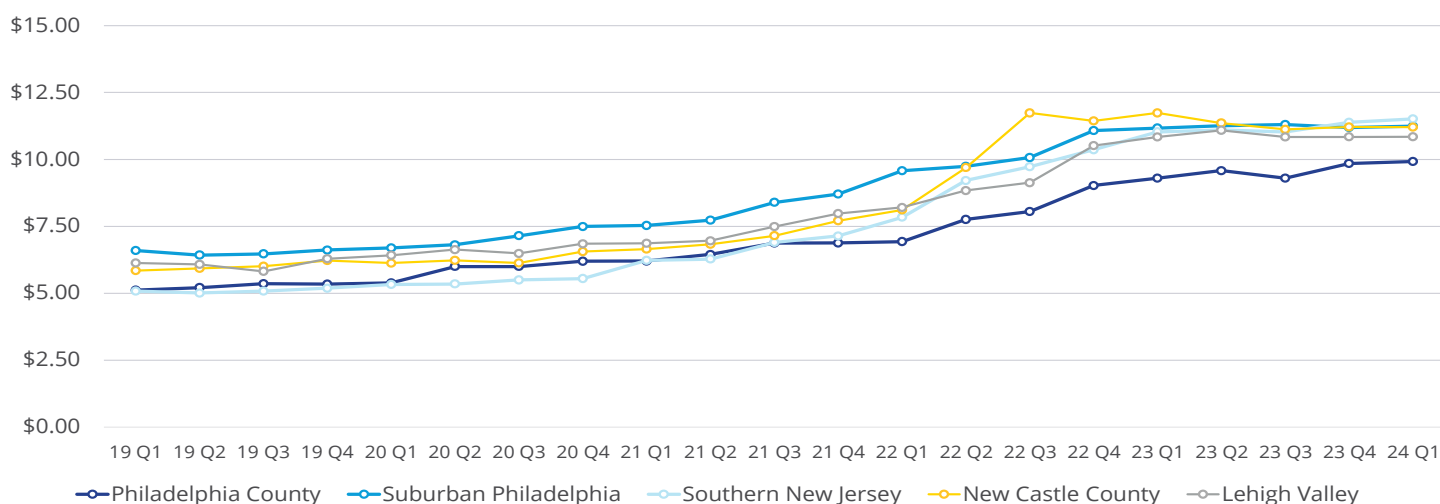
Q1

Buyer	Building	Submarket	Sale Price	Square Feet
Denholtz Properties	PennCap Lehigh Valley Corp. Ctr. Portfolio (industrial/flex portion)	Lehigh Valley	\$59,683,328	535,520
Fortress Net Lease REIT	3127 Lower Valley Road	Chester County	\$21,790,000	222,311
Maola Local Dairies	10975 Dutton Road	Philadelphia County	\$12,612,000	142,936
Nessel Development	520 Mantua Boulevard	Gloucester County	\$12,000,000	110,000
Industrial Park LLC	701 Industrial Drive	New Castle County	\$6,000,000	88,650
Alliance Partners HSP	550 S. Henderson Road	Montgomery County	\$11,750,000	82,732
KPK Development	299 Canal Road	Bucks County	\$5,750,000	67,045
DocuVault	1273 Imperial Way	Gloucester County	\$8,820,000	63,000
The Seyon Group	9001 Torresdale Avenue	Philadelphia County	\$5,285,000	62,441

Submarket	Total Inventory SF	Total Vacant	Vacancy Rate	Vacancy Rate Previous Qtr.	Net Absorption Quarter	Deliveries YTD	Under Construction	Avg Direct Asking Rate (NNN)
<b>Philadelphia County</b>								
<b>TOTAL</b>	75,460,404	3,534,474	4.7%	4.4%	-72,281	170,117	3,516,261	\$9.92
<b>Suburban Philadelphia</b>								
<b>Bucks</b>	60,528,509	3,618,552	6.0%	5.6%	-152,342	100,984	893,700	\$11.43
<b>Chester</b>	24,695,236	852,655	3.5%	3.1%	41,057	0	636,120	\$13.14
<b>Delaware</b>	21,667,200	1,414,100	6.5%	4.8%	-378,003	0	479,000	\$11.11
<b>Montgomery</b>	56,036,869	3,996,518	7.1%	7.0%	-62,784	0	0	\$10.72
<b>TOTAL</b>	162,927,814	9,881,825	6.1%	5.7%	-552,072	100,984	2,008,820	\$11.25
<b>Southern New Jersey</b>								
<b>Burlington</b>	66,027,509	8,183,290	12.4%	14.3%	1,288,554	0	850,790	\$12.22
<b>Camden</b>	28,922,587	768,987	2.7%	2.4%	-63,989	0	80,000	\$10.85
<b>Gloucester</b>	36,276,306	1,922,427	5.3%	4.7%	89,085	336,700	1,094,391	\$11.08
<b>Atlantic</b>	9,109,483	490,904	5.4%	5.8%	34,392	0	0	\$6.94
<b>Cumberland</b>	2,644,352	305,761	11.6%	11.1%	-11,311	0	0	\$9.35
<b>Salem</b>	7,541,812	1,116,580	14.8%	9.0%	-436,830	0	3,426,892	\$10.16
<b>TOTAL</b>	150,522,049	12,787,949	8.5%	8.9%	899,901	336,700	5,452,073	\$11.52
<b>New Castle County</b>								
<b>TOTAL</b>	35,075,756	2,698,896	7.7%	7.4%	-97,771	0	1,288,992	\$11.21
<b>Lehigh Valley</b>								
<b>TOTAL</b>	115,449,486	5,926,621	5.1%	4.5%	-609,092	131,529	2,241,997	\$10.85
<b>GRAND TOTAL</b>	<b>539,435,509</b>	<b>34,829,765</b>	<b>6.5%</b>	<b>6.2%</b>	<b>-431,315</b>	<b>739,330</b>	<b>14,508,143</b>	<b>\$11.14</b>

## Asking Rents

Weighted Average, NNN



### For More Information

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