

# MARKETBEAT

## Philadelphia

### Industrial Q3 2018



#### PHILADELPHIA INDUSTRIAL

##### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Philadelphia Employment*	2.91M	2.95M	▲
Philadelphia Unemployment*	4.7%	4.1%	▼
U.S. Unemployment	4.4%	3.9%	▼

\* Numbers above are quarterly averages; August 2018 data used to represent Q3 2018

##### Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	3.4%	3.1%	▼
YTD Net Absorption (sf)	4.5M	1.7M	▲
Under Construction (sf)	2.4M	6.8M	▲
Average Asking Rent**	\$4.58	\$4.96	▲

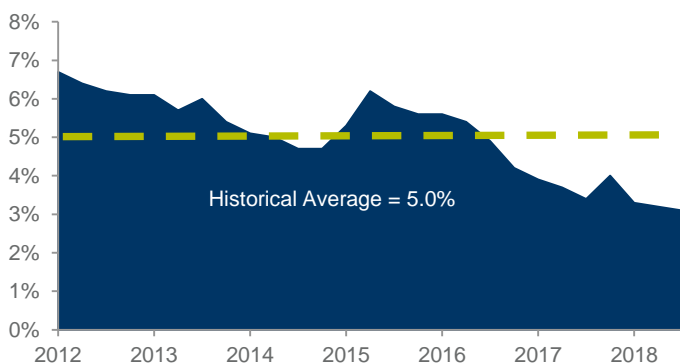
\*\*Rental rates reflect gross asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

The Philadelphia Metropolitan Area's (MSA) unemployment rate declined to 4.1% in the third quarter of 2018, a 60-basis-point (bp) drop from the third quarter of 2017, while total nonfarm employment rose 1.3% during the same period.

## Market Overview

The Philadelphia industrial market's overall vacancy rate declined to 3.1% in the first third of 2018, down 30 bps from the third quarter of 2017. Overall net asking rental rates for all property types increased to \$4.96 per square foot (psf) this quarter, up 8.3% from the third quarter of 2017. During the same period of time, the average asking rates for warehouse and distribution space increased from \$4.01 psf in the third quarter of 2017 to \$4.86 psf in the third quarter of 2018. Overall absorption for the quarter totaled positive 371,849 square feet (sf), bringing the year-to-date total to positive just under 1.7 million square feet (msf). Construction activity remains healthy as 4.3 msf of industrial space is under construction for 2018 delivery. The majority of new space will be added to the Southern New Jersey market.

The Southern New Jersey market captured the lion's share of leasing activity of the quarter with over 1.2 msf of new activity. The largest deal of the quarter was inked by Jet.com for 655,500 sf at 2 Sorbello Road in Pedricktown, NJ. The building is currently under construction and is set to deliver by the end of 2018. In Burlington County, Imperial Dade leased 333,548 sf at 425 Rising Sun Road in Bordentown, NJ. The 440,440-sf building is currently under construction with completion scheduled for late 2018. Additional leases inked in the Southern New Jersey market included Dunkin' Brands Group, Inc. renewing for 301,872 sf at 20 East Park Drive in Westampton and UPS, Inc. renewed for a total of 251,044 sf at 200 Birch Creek Road in Bridgeport, NJ. In the Philadelphia suburbs, the largest lease of the quarter was signed by Pitney Bowes Presort Services, Inc. renewing for 178,160 sf at 42 Runway Road in Levittown, PA.

## Outlook

There is currently 6.7 msf of prime industrial space under construction throughout the Philadelphia industrial market with approximately 70% of that inventory scheduled to deliver within the next three months. Notable projects scheduled to deliver by the end of 2018 include Amazon's 1.0-msf build-to-suit in Burlington, NJ, the 913,466-sf speculative building at 1800 North Route 130 in Burlington, NJ and the 655,500-sf building preleased to Jet.com at 2 Sorbello Road in Pedricktown, NJ.

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### Industrial Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Philadelphia County**	102	23,201,718	321,833	264,329	3.7%	-156,517	0	0	\$5.93	N/A	\$5.18
Lower Bucks County	90	19,681,645	327,712	753,350	0.6%	575,789	0	0	\$4.75	N/A	\$5.35
Upper Bucks County	40	6,864,446	10,074	0	3.3%	39,800	362,120	0	\$5.00	N/A	\$4.91
Montgomery County	72	16,744,933	161,055	0	4.7%	-151,670	150,000	0	\$4.35	\$7.50	\$4.99
Chester County	54	9,085,024	86,206	0	6.8%	-7,578	0	0	\$4.95	\$5.85	\$5.00
Delaware County	28	5,339,902	167,785	0	5.7%	-3,525	0	0	N/A	N/A	\$4.10
<b>SUBURBAN PHILADELPHIA</b>	<b>284</b>	<b>57,715,950</b>	<b>752,832</b>	<b>753,350</b>	<b>3.6%</b>	<b>452,816</b>	<b>512,120</b>	<b>0</b>	<b>\$4.88</b>	<b>\$7.32</b>	<b>\$4.81</b>
Burlington County	101	27,236,535	1,791,880	163,000	1.6%	1,052,665	3,392,619	0	N/A	\$6.00	\$4.86
Camden County	77	14,100,057	102,610	0	1.8%	130,860	600,000	0	\$3.60	N/A	N/A
Gloucester County	82	19,161,386	913,503	0	4.3%	208,487	1,249,992	0	\$5.00	N/A	\$4.71
Salem County	6	2,570,669	655,500	0	0.0%	0	990,300	0	N/A	N/A	N/A
<b>SOUTHERN NEW JERSEY</b>	<b>266</b>	<b>63,068,647</b>	<b>3,463,493</b>	<b>163,000</b>	<b>2.4%</b>	<b>1,392,012</b>	<b>3,573,850</b>	<b>0</b>	<b>\$4.34</b>	<b>\$6.00</b>	<b>\$4.80</b>
Northern Delaware***	84	15,825,475	197,553	0	2.2%	919,350	0	400,000	N/A	N/A	\$4.08
<b>PHILADELPHIA MSA TOTALS</b>	<b>652</b>	<b>143,986,315</b>	<b>4,538,158</b>	<b>1,180,679</b>	<b>3.1%</b>	<b>1,688,311</b>	<b>6,802,631</b>	<b>0</b>	<b>\$4.94</b>	<b>\$7.26</b>	<b>\$4.86</b>

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution \*Rental rates reflect asking \$psf/year \*\*Philadelphia County not included in Suburban Philadelphia Totals  
 \*\*\* Northern Delaware market not included in Philadelphia MSA Totals

### Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2 Sorbello Road	655,500	Jet.com, Inc.	Warehouse/Distribution	Salem County
425 Rising Sun Road	333,548	Imperial Dade	Warehouse/Distribution	Burlington County
20 East Park Drive* *Renewal	301,872	Dunkin' Brands Group, Inc.	Warehouse/Distribution	Burlington County

### Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
The Arden Group Portfolio Sale	607,635	High Street Equity Advisors / The Arden Group Inc.	Flex	\$44,875,000 / \$73	Lower Bucks County
3250 South 76th Street	264,329	Cambridge Hanover / University of Pennsylvania Health System	Warehouse/Distribution	\$14,343,239 / \$54	Philadelphia County

### Key Construction Completions Q3 2018

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE
N/A				

### Key Projects Under Construction

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
1101 East Pearl Street	1,016,000	Burlington County	Amazon	Warehouse/Distribution	Q4 2018
1800 North Route 130	913,466	Burlington County	Speculative	Warehouse/Distribution	Q2 2019
Park 309 / Building 1 & 2	260,200	Upper Bucks County	Speculative	Warehouse/Distribution	Q1 2019

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