

# MARKETBEAT

## Philadelphia

### Industrial Q4 2018



#### PHILADELPHIA INDUSTRIAL

##### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Philadelphia Employment*	2.92M	2.96M	▲
Philadelphia Unemployment*	4.8%	4.1%	▼
U.S. Unemployment	4.1%	3.7%	▼

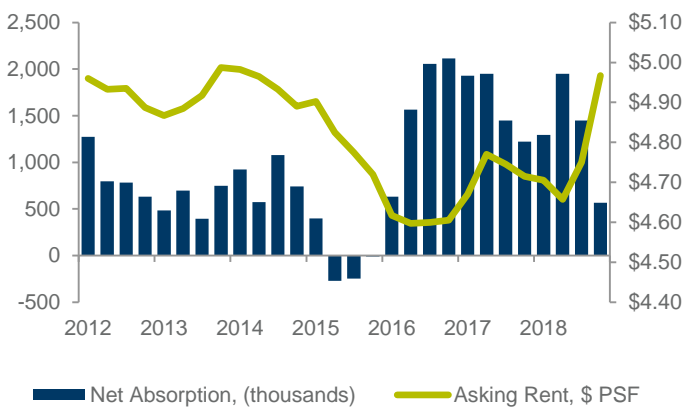
\* Numbers above are quarterly averages; November 2018 data used to represent Q4 2018

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

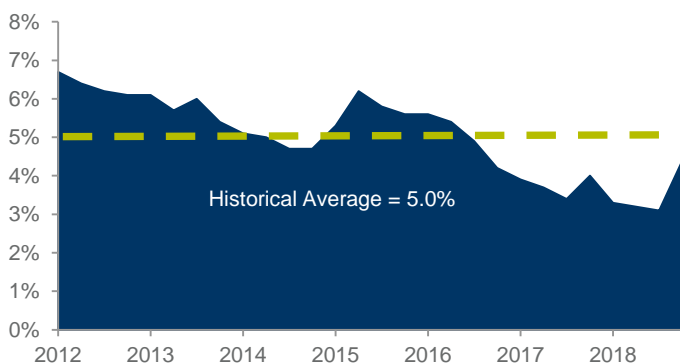
	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.0%	4.4%	▼
YTD Net Absorption (sf)	4.8M	2.3M	▲
Under Construction (sf)	3.5M	4.2M	▲
Average Asking Rent**	\$4.51	\$5.37	▲

\*\*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 fourth quarter of 2018, a 70-basis-point (bp) drop from the fourth quarter of 2017, while total nonfarm employment rose 1.4% during the same period.

## Market Overview

The Philadelphia industrial market's overall vacancy rate increased to 4.4% in the fourth quarter of 2018, up 40 basis points (bps) from the fourth quarter of 2017. The slight increase in vacancy was mainly due to the 1.7 million square feet (msf) of new speculative (spec) construction that delivered in Southern New Jersey in 2018, 43.2% of which is still vacant and available for lease and is expected to lease up in the first half of 2019. In Salem County the delivery of a 334,500-square-foot (sf) spec building representing 9.4% of total inventory increased fourth quarter vacancy to that amount, but will go back down once it leases up in 2019. Year-to-date overall absorption was positive at 2.3 msf, despite the addition of a sizeable amount of new spec space in Burlington and Salem Counties. In 2018, 2.6 msf of new construction was delivered to the Philadelphia industrial market, with 66.9% spec development projects. Pushed by increasing demand, average asking rates reached their highest levels in more than 10 years. Overall net asking rental rates for all property types increased to \$5.37 per square foot (psf) in the fourth quarter of 2018, up 19% from the fourth quarter of 2017.

New leasing activity totaled 1.7 msf in in the fourth quarter, pushing year-end total activity to 6.2 msf. The largest deal of the year was inked by Amazon.com for 1,016,000 sf at 1101 East Pearl Street in Burlington County. In Salem County, Jet.com leased 655,500 sf at 2 Sorbello Road in Pedricktown, NJ. Additionally, Urban Outfitters signed a 310,000-sf spec-to-suit lease at 2401 Green Lane in Lower Bucks County.

## Outlook

There are currently 14 projects totaling more than 4.2 msf of prime industrial space under construction throughout the Philadelphia industrial market. All these projects are scheduled for delivery by year-end 2019, representing close to 2.7% of the existing inventory. New construction is expected to continue increasing in Southern New Jersey, where a bulk of the new construction is taking place, as well as in Southeastern Pennsylvania, where limited functional inventory and appetite for space from tenants is beginning to drive spec development.

**MARKETBEAT**  
**Philadelphia**  
**Industrial Q4 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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Philadelphia County	104	23,629,843	321,833	264,329	4.4%	-351,556	207,500	0	\$6.11	N/A	\$4.49
Lower Bucks County	90	19,681,645	637,712	753,350	1.3%	433,346	310,000	0	\$4.75	N/A	\$5.05
Upper Bucks County	40	6,864,446	97,351	0	2.3%	110,077	362,120	0	\$5.25	N/A	\$6.36
Montgomery County	72	16,766,933	470,095	0	5.9%	-341,996	240,000	0	\$4.95	\$7.50	\$5.85
Chester County	55	9,228,116	137,106	0	8.3%	-154,678	0	0	\$4.95	\$5.85	\$5.00
Delaware County	28	5,339,902	243,466	0	3.3%	123,260	0	0	N/A	N/A	\$4.20
<b>SUBURBAN PHILADELPHIA</b>	<b>389</b>	<b>81,510,885</b>	<b>1,907,563</b>	<b>1,017,679</b>	<b>4.1%</b>	<b>-181,547</b>	<b>1,119,620</b>	<b>0</b>	<b>\$5.31</b>	<b>\$7.32</b>	<b>\$5.13</b>
Burlington County	103	28,110,074	2,360,330	163,000	4.4%	993,805	2,761,219	751,400	N/A	\$6.00	\$5.82
Camden County	78	14,700,057	232,610	115,681	0.9%	246,541	0	0	\$3.25	N/A	N/A
Gloucester County	84	19,676,625	1,040,561	0	6.8%	557,029	194,072	861,848	\$5.00	N/A	\$5.43
Salem County	8	3,560,969	655,500	0	9.4%	655,500	0	990,300	N/A	N/A	\$5.75
<b>SOUTHERN NEW JERSEY</b>	<b>273</b>	<b>66,047,725</b>	<b>4,289,001</b>	<b>278,681</b>	<b>4.6%</b>	<b>2,452,875</b>	<b>2,955,291</b>	<b>2,603,548</b>	<b>\$4.44</b>	<b>\$6.00</b>	<b>\$5.65</b>
Northern Delaware**	84	15,825,475	237,453	0	2.1%	935,350	0	400,000	N/A	N/A	\$4.95
<b>PHILADELPHIA MSA TOTALS</b>	<b>662</b>	<b>147,558,610</b>	<b>6,196,564</b>	<b>1,296,360</b>	<b>4.4%</b>	<b>2,271,328</b>	<b>4,255,911</b>	<b>2,603,548</b>	<b>\$5.07</b>	<b>\$7.25</b>	<b>\$5.43</b>

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

**Key Lease Transactions 2018**

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
1101 East Pearl Street	1,016,000	Amazon.com	Warehouse/Distribution	Burlington County
2 Sorbello Road	655,500	Jet.com, Inc.	Warehouse/Distribution	Salem County
33 Runway Road*	384,000	Interline Brands, Inc.	Warehouse/Distribution	Lower Bucks County
2401 Green Lane	310,000	Urban Outfitters, Inc.	Warehouse/Distribution	Lower Bucks County

\*Renewal

**Key Sales Transactions 2018**

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / \$PSF	SUBMARKET
Keystone Industrial Park Portfolio Sale	475,910	The Carson Companies / ASB Capital Management	Warehouse/Distribution	\$42,000,000 / \$88	Lower Bucks County
1-2 Altran Court	225,000	Equus Capital Partners / LBA Realty	Warehouse/Distribution	\$19,000,000 / \$84	Burlington County

**Key Construction Completions 2018**

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE
2 Sorbello Road	655,500	Salem County	Jet.com	Warehouse/Distribution
240 Mantua Grove Road	652,411	Gloucester County	Amazon.com	Warehouse/Distribution

**Key Projects Under Construction**

PROPERTY	SF	SUBMARKET	MAJOR TENANT	PROPERTY TYPE	COMPLETION DATE
1101 East Pearl Street	1,016,000	Burlington County	Amazon.com	Warehouse/Distribution	Q1 2019
1800 North Route 130	913,466	Burlington County	Speculative	Warehouse/Distribution	Q3 2019

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