

**FOR IMMEDIATE RELEASE**

## **Local Industrial Markets Prove Resilient During Pandemic**

**Wayne, PA (July 15, 2020)** — Newmark Knight Frank (NKF) released its second quarter 2020 industrial market reports for Greater Philadelphia and the I-81/78 Corridor. Healthy market activity recorded in the past three months clearly demonstrated the strength of both industrial product as an asset class, and the local industrial markets.

During the quarter, the region grappled with sharp economic losses and shelter-in-place mandates. However, during this period, activity in the I-81/78 Corridor industrial market was robust with 1.3 million square feet of net absorption noted. Multiple deals in the 500,000- to 1.0-million-square-foot range transacted, average asking rents increased 1.5 percent from the previous quarter, and eight new warehouse projects commenced construction despite a temporary ban on all active construction sites, which was lifted mid-quarter on May 1st. The Lehigh Valley submarket led the region in occupancy gains, accumulating 1.2 million square feet in net absorption primarily driven by Amazon's occupancy of the 1.0-million-square-foot warehouse at 3539 Mountain Road. According to NKF Senior Managing Director Tim Brogan, ecommerce firms like Amazon will continue building out their first- and last-mile supply chain network, with increased intensity catalyzed by COVID-19. "The 'shop-at-home' effect is driving even greater demand for online fulfilment facilities and we're seeing ecommerce requirements in the market increase," he said.

Greater Philadelphia's tri-state industrial market accumulated 1.1 million square feet in net absorption during the second quarter, realized healthy leasing activity and witnessed a handful of new groundbreakings. Among new groundbreakings was the region's first multistory warehouse, a project of unprecedented scope for the greater region. The 818,000-square-foot warehouse in the New Castle County, Delaware market will have 3.8 million cubic feet between five floors. Amazon will occupy it upon completion, and the ecommerce giant will employ more than 1,000 people at the site. Only a handful of multistory warehouses have been constructed across the country; this project brings an exciting new

prominence to the region. Amazon was also active elsewhere in the Greater Philadelphia industrial market this quarter. The ecommerce giant occupied a last-mile warehouse at 7575 Brewster Avenue in Philadelphia and leased two other last-mile facilities in Philadelphia and Bucks counties, respectively. In the Southern New Jersey market, Target was also a dynamic force this quarter, occupying a 913,000-square-foot warehouse in Burlington County and leasing a 1.1 million-square-foot warehouse to be constructed in Gloucester County.

While ecommerce demand has accelerated in both the Greater Philadelphia and I-81/78 Corridor industrial markets, the current economic environment has severely challenged some industrial and retail occupiers. An out-of-market brewery that planned to occupy a Roxborough warehouse for production and distribution canceled the effort, and a couple of other tenants committed to leases did not assume occupancy as scheduled and opted instead to list those spaces for sublease. Some parts of the Corridor have exposure to high-risk retailer warehousing operations; the Northeastern Pennsylvania submarket has already sustained an increase in vacancy over the past year due to struggling retailers vacating long-held space. Although the outlook for both regional markets is strong, it could evolve based on how severely the sharp uptick in coronavirus cases witnessed in many parts of the country impacts economic reopening and consumer spending.

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