



Greater Philadelphia Industrial Market

New Construction Activity Robust; Asking Rents for Warehouse/Distribution Space Increase

Activity in the Greater Philadelphia industrial market, inclusive of Southeastern Pennsylvania, Southern New Jersey and Delaware, remains healthy. The overall vacancy rate at year end 2021 was 4.8%, up 40 basis points from the third quarter and down 20 basis points compared with the fourth quarter of 2020. Net absorption for calendar year 2021 climbed to 10.6 million square feet, a 71.0% increase from year-end 2020. Average asking rents for warehouse and distribution space also increased year-over-year, rising from \$5.20/SF year-end 2020 to \$5.64/SF. Construction activity remains robust with 20.0 million square feet currently in the pipeline; nearly 10.0 million of which is centered in Southern New Jersey.

Tenant demand in 2021 was strong in the Philadelphia segment of the market. While the Southern New Jersey market has seen a significant amount of new construction over the past several years, some new activity has spilled over into other nearby submarkets like Southeastern Pennsylvania and New Castle County, Delaware. Amazon was very active during the year, most notably finalizing construction of its new 3.8-million-square-foot warehouse and distribution facility in Wilmington, which ranks as one of the largest buildings of this type in the country. In general, ecommerce continued to be the primary driver for space demand this past year and the volume of goods consumers purchase online is expected to increase further in 2022.

Current Conditions

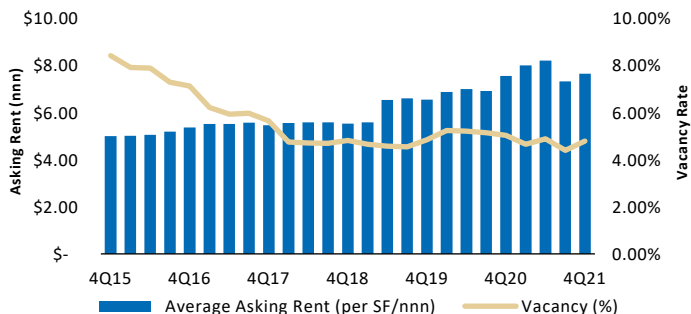
- There is 20.0 million square feet currently under construction, with the Southern New Jersey industrial market accounting nearly 10.0 million square feet of that future inventory.
- Market wide, vacancy fell from 5.0% to 4.8% year-over-year.
- Average asking rents for warehouse and distribution space increased by 8.5% from a year ago to \$5.64/SF.

Market Summary

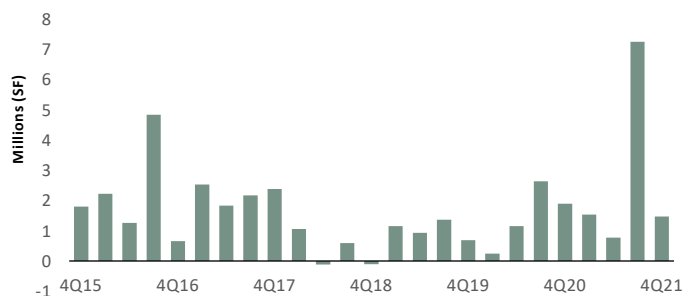
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	497M	494M	482M	↑
Vacancy Rate	4.8%	4.4%	5.0%	↑
Quarterly Net Absorption (SF)	1.5M	7.2M	2.0M	↑
Average Asking Rent/SF	\$7.66	\$7.33	\$7.56	↑
Under Construction (SF)	20.0M	12.1M	11.9M	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Southeastern Pennsylvania

The overall vacancy rate declined by 20 basis points year-over-year to 4.6%. Positive absorption was just over 1.0 million square feet in the fourth quarter bringing the year-to-date total to 1.7 million square feet. Asking rental rates for warehouse and distribution space increased by 3.1% year-over-year, from an average of \$5.43/SF to \$5.60/SF. New development activity picked up significantly in 2021 with 8.5 million square feet now under construction. Most notably, roughly half of the market's total development activity is centered in the Bucks County submarket where several projects over 1.0 million square feet are underway, including multiple buildings in the Keystone Trade Center in Fairless Hills.

The largest lease of the quarter was inked by The Shyft Group at 601 Stony Battery Road in the Lancaster County submarket for 252,800 square feet. In the Bucks County submarket, Dynamic Metals leased 134,000 square feet at 20 Steel Road South in Morrisville. There were several sizable investment sales in the market this quarter as well. The largest being the sale of 11200 Roosevelt Boulevard in Philadelphia. The building was purchased by Brickman Associates for \$33.5 million from Ivy Realty.

Southern New Jersey

The overall vacancy rate increased by 30 basis points year-over-year from 5.7% in 2020 to 6.0% in 2021. The increase in vacancy can be attributed to the construction completion of 1.7 million square feet of new speculative space which is 80.0% available for lease. Also impacting vacancy, Christmas Tree Shops recently vacated the 721,000-square-foot warehouse and distribution building at 270 Daniels Way in

the Haines Industrial Center and American Hotel Register left the 477,736-square-foot building at 1620 River Road in the Burlington Industrial Park. Despite the rise in vacancy, absorption was positive in the fourth quarter with 478,444 square feet, bringing the year-end total up to 3.7 million square feet. Asking rents rose by 16.7% year-over-year from \$4.86/SF to \$5.67/SF. Construction activity remains strong with 9.8 million square feet underway; 67.0% of that total is being constructed in Burlington County.

New Castle County, Delaware

The Delaware industrial market's vacancy declined to 1.9% for all industrial property types in the fourth quarter, down 4.0% from a year ago. In particular, there is a very limited amount of available warehouse and distribution space which has dropped the vacancy rate to 0.5%. There is a growing need for new speculative space as demand for sizable industrial facilities has increased in Delaware. As of the fourth quarter, Amazon's 1.3-million-square-foot build-to-suit at 780 South Dupont Highway in New Castle is the only project currently under construction. Asking rental rates increased to \$6.50/SF year-over-year, up from \$5.15/SF in the fourth quarter of 2020. New speculative construction is expected to increase in 2022 which will cause asking rental rates to rise.

Select Lease Transactions

Tenant	Market	Building	Type	Square Feet
The Shyft Group	Lancaster County	601 Stony Battery Road	New Lease	252,800
J&J Snack Foods	Gloucester County	LogistiCenter at Woolwich	New Lease	200,640
Dynamic Metals	Bucks County	20 Steel Road South	New Lease	134,000
Herman Warehouse	Burlington County	304 Bordentown Hedding Road	Sublease	120,000

Select Sales Transactions

Buyer	Market	Building	Type	Sale Price	Square Feet
Brickman Associates	PA – Philadelphia County	11200 Roosevelt Boulevard	Investment Sale	\$33.5M / \$75/SF	447,376
Wharton Equity Partners	PA – Bucks County	2955 State Road	Investment Sale	\$22M / \$113/SF	200,037
Okabe Real Estate Holdings Llc	PA – Montgomery County	250 Hansen Access Road	Investment Sale	\$18.5M / \$103/SF	180,000

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	339,254,121	8,478,490	4.6%	1,026,492	1,767,493	\$5.60	\$13.32	\$7.80
Bucks County	57,991,878	4,215,486	3.5%	660,472	1,302,537	\$5.27	\$11.96	\$7.00
Chester County	37,788,332	113,000	4.4%	274,497	688,206	-	\$10.48	\$8.30
Delaware County	29,346,843	919,000	3.5%	160,933	68,287	\$5.77	\$8.73	\$6.01
Lancaster County	57,369,101	1,451,380	2.5%	6,280	-271,812	\$5.33	\$9.41	\$6.25
Montgomery County	71,951,502	1,088,980	6.2%	-126,404	975,603	\$5.68	\$19.06	\$10.28
Philadelphia County	84,806,465	690,644	5.8%	50,714	-995,328	\$6.55	\$8.59	\$7.05
Southern NJ Total	126,142,379	9,819,549	6.0%	478,444	3,662,257	\$5.67	\$7.57	\$6.20
Burlington County	54,672,388	6,628,840	6.4%	-427,108	2,512,171	\$5.82	\$8.09	\$6.37
Camden County	33,295,385	-	2.7%	41,361	31,110	\$4.94	\$7.72	\$6.32
Gloucester County	31,543,807	2,640,705	6.2%	703,561	958,346	\$5.57	\$5.99	\$5.47
Salem County	6,630,799	550,004	18.1%	160,630	160,360	-	-	-
Delaware Total	31,836,054	1,332,144	1.9%	-31,729	5,131,987	\$6.50	\$15.26	\$11.31
New Castle County	31,836,054	1,332,144	1.9%	-31,729	5,131,987	\$6.50	\$15.26	\$11.31
Market	497,232,554	20,050,183	4.8%	1,473,207	10,561,737	\$5.64	\$12.77	\$7.66

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	497,232,554	20,050,183	4.8%	1,473,207	10,561,737	\$7.66
Warehouse/Distribution	171,930,235	15,946,670	6.6%	955,167	8,492,544	\$5.64
R&D/Flex	80,569,417	729,814	4.9%	71,272	1,310,294	\$12.77
General Industrial	244,732,902	3,373,699	3.4%	446,768	758,899	\$6.36

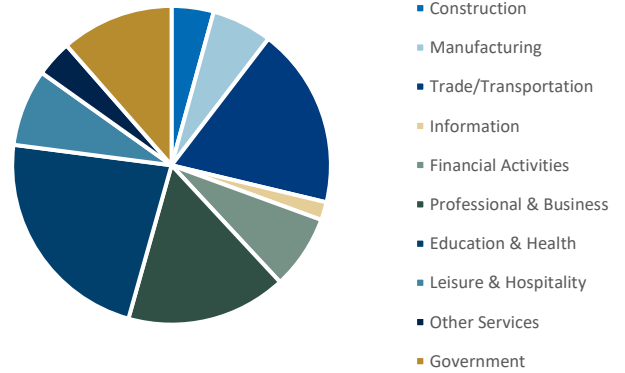
Economic Overview

The unemployment rate for the Philadelphia metropolitan statistical area (MSA) declined to 5.1% in October of 2021, down 230 basis points year-over-year. Despite the ongoing pandemic, all of Philadelphia's tracked industries exhibited growth over the past 12 months. The leisure and hospitality (+16.3%), information (+6.5%), and construction (+5.4%) sectors experienced the highest growth over the past year.

Despite the recent increase of the Omicron variant which is causing some return-to-work issues for many employers, the unemployment rate is forecasted to decline further in 2022. The market is in a much better place than it was a year ago and following seven consecutive months of positive payroll employment growth, more of the same is anticipated through the first half of 2022.

Employment by Industry

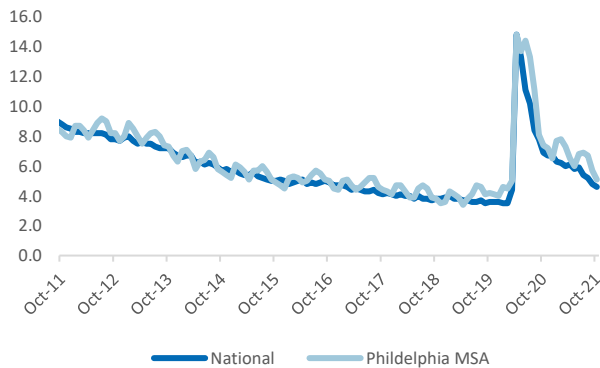
PHILADELPHIA MSA, ANNUAL AVERAGE, 2021



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

Unemployment Rate

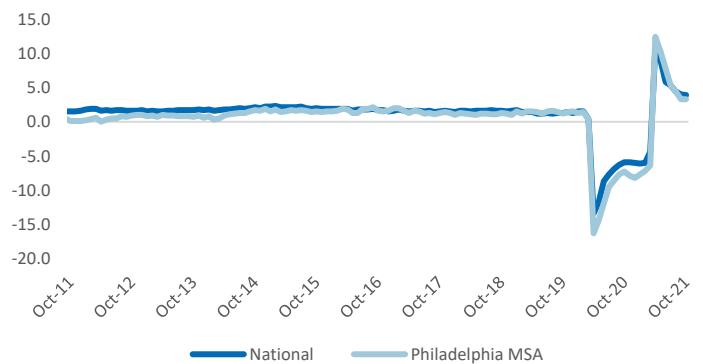
SEASONALLY ADJUSTED*



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

Payroll Employment, Total Nonfarm

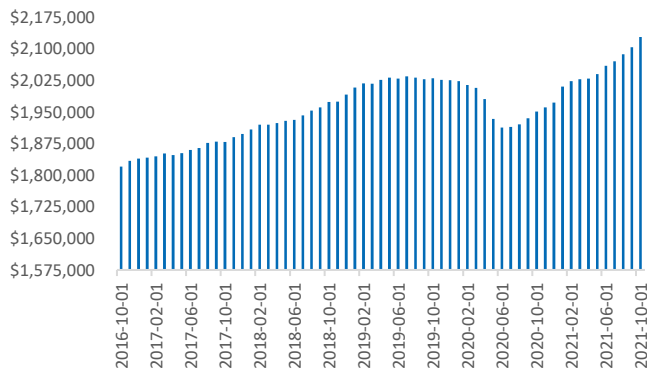
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

Total Business Inventories

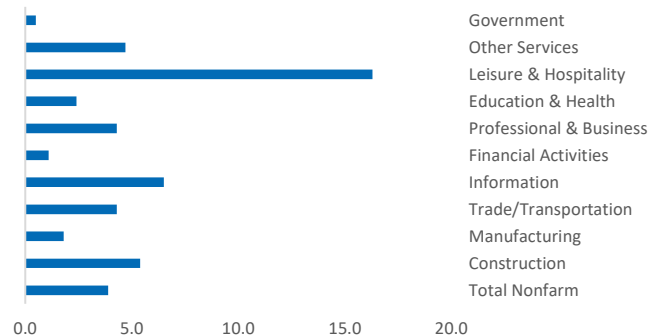
TOTAL, IN \$MILLIONS



Source: St. Louis FRED, October 2021

Employment Growth by Industry

PHILADELPHIA MSA, October 2021, 12 MONTH % CHANGE



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

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