



Greater Philadelphia Industrial Market

Occupancy Rates Remain High; Rental Rates Continue to Increase

Activity in the Greater Philadelphia industrial market, inclusive of Southeastern Pennsylvania, Southern New Jersey and Delaware, remains strong. E-commerce sales and robust consumer spending continues to drive the need for warehouse space. Building values continue to escalate, as a significant amount of capital is focused on the industrial sector compared to other commercial product types. The cost of land also continues to soar to record heights, which has not deterred developers and tenants from purchasing land for new warehouse facilities. Due to land constraints, particularly in the Southern New Jersey industrial market, tenants are less focused on cost and more on securing the right land option to suit their requirements. While rising fuel prices have not yet dissuaded local tenants from taking warehouse and distribution space, companies are becoming more conscious of possible disruptions in the supply chain. One concern has been the shortage of available labor, which has prompted an increasing number of companies to evaluate machine automation as a means of improving output.

Landlords have been signing deals at record rental rates due to the vigorous demand. In particular, Burlington County, New Jersey's, annual rent escalations have climbed to the 4% to 5% range. Speculative product is also being leased at a rapid pace, either prior to completion or shortly thereafter.

Current Conditions

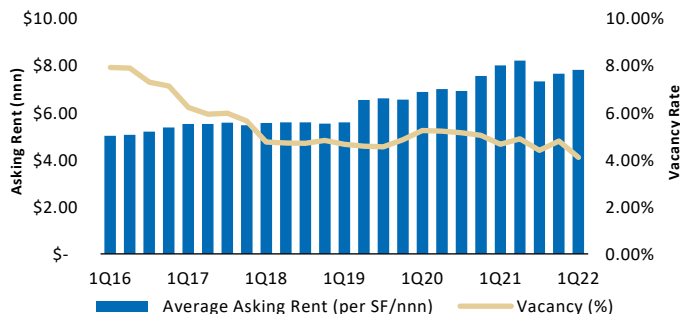
- There is 20.3 million square feet currently under construction, with the Southern New Jersey industrial market accounting for over half of that future inventory.
- Market wide, vacancy fell from 4.7% to 4.1% year-over-year.
- Average asking rents for warehouse and distribution space increased by 8.2% year-over-year.

Market Summary

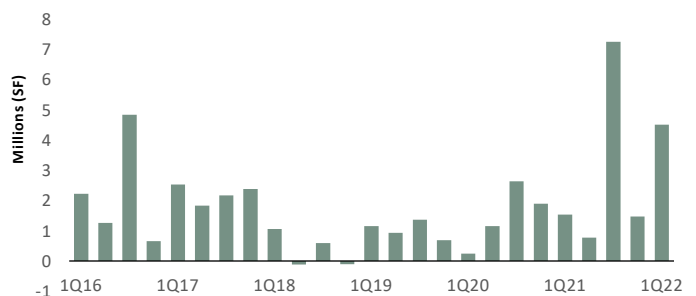
| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF) | 500M | 497M | 487M | ↑ |
| Vacancy Rate | 4.1% | 4.8% | 4.7% | ↓ |
| Quarterly Net Absorption (SF) | 4.5M | 1.5M | 1.5M | ↑ |
| Average Asking Rent/SF | \$7.83 | \$7.66 | \$8.02 | ↑ |
| Under Construction (SF) | 20.3M | 20.0M | 16.3M | → |

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Southeastern Pennsylvania

Demand in the Southeastern Pennsylvania market remains strong. Every submarket has less than a 6% vacancy rate; available space options, especially on the larger side, are becoming sparse as there is a growing need for new construction. Fortunately, construction activity is booming with 9.3 million square feet underway.

The overall vacancy rate for the Southeastern Pennsylvania market declined by 30-basis points since last quarter, from 4.6% to 4.3%, and overall absorption climbed to 1.4 million square feet. Notable first quarter leases included Savino Del Bene taking 506,269 square feet in the Keystone Trade Center in Fairless Hills and Thayer Distribution leasing 273,000 square feet at 500 Springbrooke Boulevard in Aston.

Southern New Jersey

Southern New Jersey remains the hottest industrial market in the Philadelphia MSA. Four of the five largest leases inked in the region this quarter were signed within the geographic boundaries of this market. In Burlington County, Performance Team signed the largest lease of the quarter, taking 721,000 square feet at 270 Daniels Way in the Haines Industrial Center. Noble House Furniture made the commitment to occupy the full 704,700-square-foot speculative building under construction at 4259 US-130 in Edgewater Park. The building broke ground in late 2021 and is expected to deliver this summer, which will significantly bolster positive absorption numbers later this year. Worldwide Logistics also inked a lease for 300,933 square feet at 100 Highland Drive in Westhampton.

In Gloucester County, UPS leased the 455,280-square-foot warehouse and distribution building under construction in Prologis' Park Commodore North in Swedesboro. The building is scheduled to deliver in the third quarter of 2022. LaserShip Logistics leased the 326,000-square-foot recently constructed building at 701 Crossroads Boulevard in the Logan North Industrial Park in Logan Township, contributing to first quarter positive absorption totals.

Due to continued demand, especially for new speculative product, the overall vacancy declined to 4.2% in the first quarter, down from 6.0% at the end of last year. Absorption was positive to kick off 2022 at 1.5 million square feet. Construction activity seems to be unstoppable, with nearly 10.0 million square feet underway.

New Castle County, Delaware

The Delaware industrial market's vacancy declined further this quarter to 1.2%, down from 1.9% at the end of 2021. The market received a significant boost in positive absorption this quarter with Amazon's 1.3-million-square-foot building completion at 780 South Dupont Highway in New Castle. This marks the second building over 1.0 million square feet Amazon has constructed over the past 12 months in Delaware. Amazon opened a 3.8-million-square-foot facility in Wilmington during the third quarter of 2021.

Select Lease Transactions

| Tenant | Market | Building | Type | Square Feet |
|-----------------------|-------------------|-------------------------------|-----------|-------------|
| Performance Team | Burlington County | 270 Daniels Way | New Lease | 721,000 |
| Noble House Furniture | Burlington County | 4259 US-130 | New Lease | 704,700 |
| Savino Del Bene | Bucks County | Keystone Trade Center | New Lease | 506,269 |
| UPS | Gloucester County | Prologis Park Commodore North | New Lease | 455,280 |
| LaserShip Logistics | Gloucester County | 701 Crossroads Boulevard | New Lease | 326,000 |

Select Sales Transactions

| Buyer | Market | Building | Type | Sale Price | Square Feet |
|-------------------------|---------------------|---------------------------|-----------------|-----------------|-------------|
| PennFab, Inc. | Bucks County | 20 Steel Road South | Investment Sale | \$8.2M/ \$35/SF | 233,485 |
| Bridge Investment Group | Philadelphia County | 11311 Roosevelt Boulevard | Investment Sale | \$33M/ \$149/SF | 222,500 |
| Way Delivery Services | Lancaster County | 107 Pitney Road | User Sale | \$5.3M/ \$24/SF | 216,000 |

| 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 | 339,893,527 | 9,332,572 | 4.3% | 1,441,362 | 1,441,362 | \$6.78 | \$13.35 | \$8.35 |
| Bucks County | 58,216,878 | 3,990,486 | 3.9% | -32,478 | -32,478 | \$5.41 | \$12.07 | \$7.37 |
| Chester County | 37,788,332 | 113,000 | 4.0% | 165,163 | 165,163 | - | \$11.33 | \$9.15 |
| Delaware County | 29,346,843 | 1,713,400 | 3.5% | -5,933 | -5,933 | \$7.78 | \$8.43 | \$6.13 |
| Lancaster County | 57,369,101 | 1,451,380 | 1.5% | 616,447 | 616,447 | \$4.46 | \$8.56 | \$6.65 |
| Montgomery County | 72,230,094 | 975,647 | 5.6% | 675,762 | 675,762 | \$7.86 | \$17.36 | \$10.94 |
| Philadelphia County | 84,942,279 | 1,088,659 | 5.7% | 22,401 | 22,401 | \$6.64 | \$8.60 | \$6.86 |
| Southern NJ Total | 127,356,381 | 10,936,225 | 4.2% | 1,517,520 | 1,517,520 | \$5.65 | \$6.97 | \$6.14 |
| Burlington County | 55,159,200 | 7,317,426 | 4.9% | 674,515 | 674,515 | \$5.87 | \$7.86 | \$6.36 |
| Camden County | 33,295,385 | - | 4.3% | -559,295 | -559,295 | \$4.26 | \$6.55 | \$5.93 |
| Gloucester County | 31,870,497 | 3,469,295 | 3.5% | 1,151,865 | 1,151,865 | \$4.00 | \$4.63 | \$4.77 |
| Salem County | 7,031,299 | 149,504 | 2.1% | 250,435 | 250,435 | - | - | - |
| Delaware Total | 33,168,198 | 0 | 1.2% | 1,549,575 | 1,549,575 | \$6.50 | \$8.04 | \$6.62 |
| New Castle County | 33,168,198 | 0 | 1.2% | 1,549,575 | 1,549,575 | \$6.50 | \$8.04 | \$6.62 |
| Market | 500,418,106 | 20,268,797 | 4.1% | 4,508,457 | 4,508,457 | \$6.36 | \$12.41 | \$7.83 |

| 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 | 500,418,106 | 20,268,797 | 4.1% | 4,508,457 | 4,508,457 | \$7.83 |
| Warehouse/Distribution | 174,914,973 | 15,634,055 | 5.3% | 3,236,235 | 3,236,235 | \$6.36 |
| R&D/Flex | 80,770,231 | 529,000 | 4.4% | 437,203 | 437,203 | \$12.41 |
| General Industrial | 244,732,902 | 4,105,742 | 3.1% | 835,019 | 835,019 | \$6.48 |

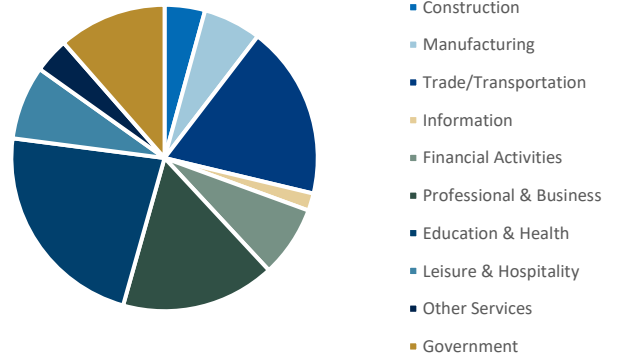
Economic Overview

The unemployment rate for the Philadelphia metropolitan statistical area increased to 5.3% in January 2022, up from 4.2% in December 2021. Despite this rise, all of Philadelphia’s tracked industries experienced positive growth over the past 12 months. The leisure and hospitality (+24.6%), professional and business services (+5.2%), and construction (+4.6%) sectors saw the most growth over the period.

E-commerce sales and consumer spending are expected to remain strong in 2022 which will bode well for Philadelphia’s industrial market. Labor shortages will continue to be a concern; however with COVID-19 waning, expect more employees to return to the workplace. Compared to pre-pandemic levels, Pennsylvania, New Jersey and Delaware’s labor force participation rate remains down, so expect to see that metric increase in the near-term.

Employment by Industry

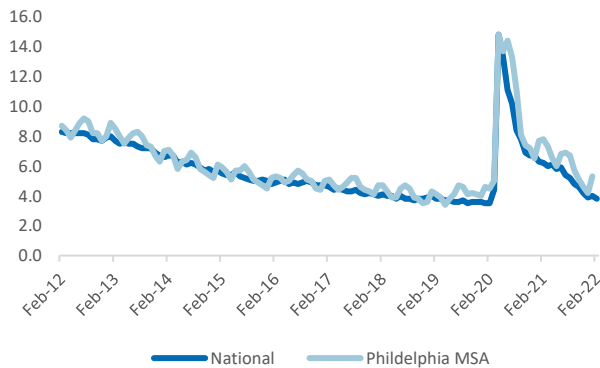
PHILADELPHIA MSA, ANNUAL AVERAGE, 2022



Source: U.S. Bureau of Labor Statistics, January 2022.

Unemployment Rate

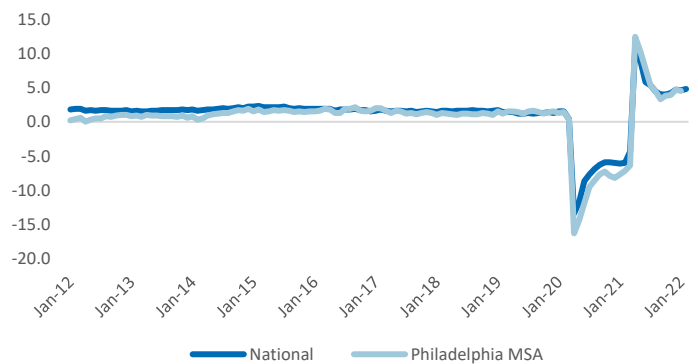
SEASONALLY ADJUSTED*



*Local data not seasonally adjusted
Source: U.S. Bureau of Labor Statistics, February 2022

Payroll Employment, Total Nonfarm

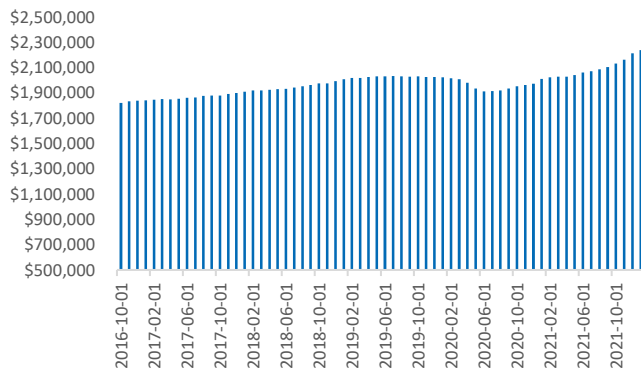
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, February 2022

Total Business Inventories

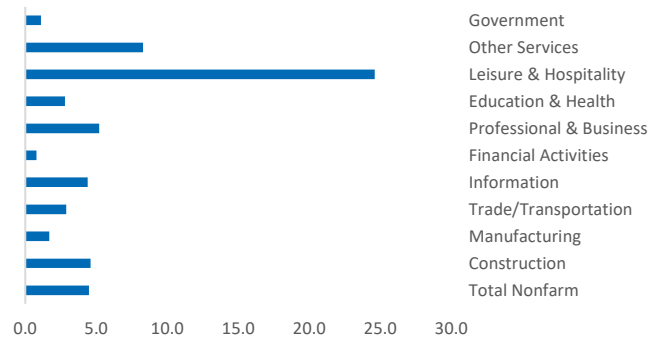
TOTAL, IN \$MILLIONS



Source: St. Louis FRED, January 2022

Employment Growth by Industry

PHILADELPHIA MSA, January 2022, 12 MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, January 2022.

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