



Accelerating success.

# EASTERN PENNSYLVANIA SOUTHERN NEW JERSEY DELAWARE



## Regional Industrial Market

### Key Trends

- Regional vacancy rate remained at 5.9% during the first two quarters of 2019.
- Year-to-date absorption approached 4.0 million square feet, below the six-month totals for the previous five years.
- Asking rents increased by 1.4% with the Southern I-81 corridor and Southern New Jersey registering the largest increases.
- Construction deliveries were down, but the level of buildings under construction was 67% higher than one year ago.
- User and investor sales volume increased and is likely to surpass 2018's level.

The regional industrial market decelerated during the first half of 2019. Overall fundamentals remained strong—low vacancy, increasing rents, strong investor demand and new construction—but absorption and the pipeline of requirements slowed. In addition, weakness in the retail sector is impacting the industrial market.

Companies appear to be adopting more restrained growth projections and are carefully evaluating future space needs. However, most companies looking for space realize the value of a modern, efficient facility and are willing to pay the higher price for new construction. So while the current supply of new construction has not been as rapidly leased, there is still pent-up demand.

Investor interest in the market remains strong. Several large portfolios have traded, but there are limited quality opportunities for investors to deploy their pent-up capital. Many investors are holding on to their Class A properties and selectively pruning their other assets. Pricing is still quite strong with trades over \$100 per square foot for top-end properties. Class B properties are trading at higher levels due to the increase in rental rates and lack of Class A options.

Leasing and absorption are projected to increase over the next six months. However, with an additional 14 million square feet of speculative space scheduled to be completed by the end of the year, vacancy may increase as supply temporarily surpasses demand.

### MARKET INDICATORS

Relative to prior period

PA/NJ/DE  
Q4 2018

PA/NJ/DE  
Q4 2019\*

VACANCY



NET ABSORPTION



CONSTRUCTION

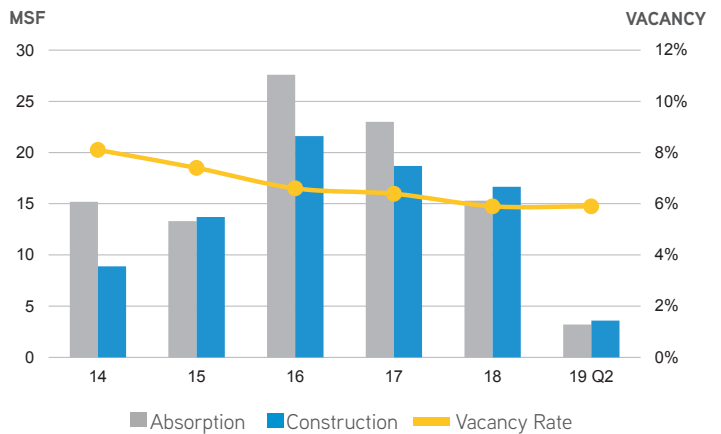


RENTAL RATE

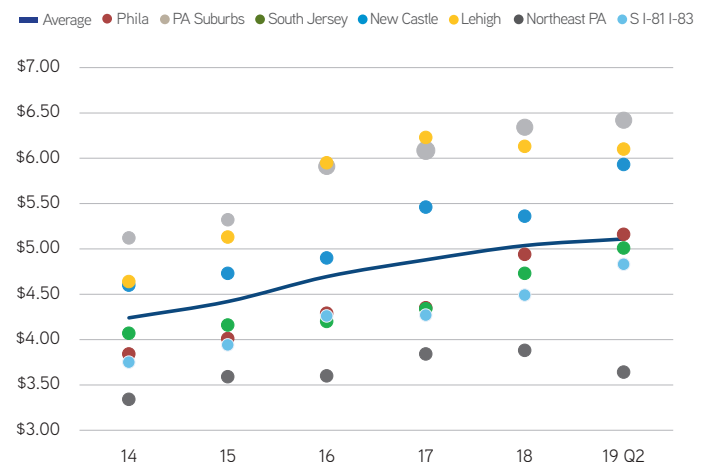


\*Projected Arrows compare current period to the previous period and forecast the next period.

### NEW SUPPLY, VACANCY AND ABSORPTION



### AVERAGE ASKING RENTS (NNN)



## Recent Transactions Q1 and Q2 2019

LEASE ACTIVITY					
PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE	
4532 United Drive	Southern I-81/I-83	Lowe's	1,200,000	New	
112 Bordnersville Road	Southern I-81/I-83	Ferrero USA	738,720	New	
TradePort 164	Northeast PA	Spreetail.com	612,560	New	
4200 Braden Boulevard East	Lehigh Valley	Radial	475,800	New	
1495 Dennison Drive	Southern I-81/I-83	Distribution Management	419,344	New	
1245 Forest Parkway	Southern New Jersey	SDR	376,903	New	
45 Logistics Drive	Southern I-81/I-83	National Business Furniture, LLC	276,249	New	
2239 High Hill Road	Southern New Jersey	ESCO	273,333	Renewal	
2505 Hollo Road	Lehigh Valley	Lulus Fashion Lounge	258,232	New	
151 Commerce Drive	Northeast PA	Corrugated Supplies Co.	220,959	New	
2900 Brodhead Road	Lehigh Valley	KPG Logistics	246,400	New	
1501 Distribution Drive	Southern I-81/I-83	Allen Distribution	208,000	New	
7601 State Road	Philadelphia County	JAKO Enterprises	200,665	New	
3000 AM Drive	Bucks County	XPO Logistics	194,660	Renewal	
2000 Bishops Gate Boulevard	Southern New Jersey	Lean Supply Solutions	186,000	Sublease	
1817 Route 130	Southern New Jersey	ELM Logistics	163,588	Renewal	
2750 Morris Road	Montgomery County	Keystone Technologies	159,300	New	
405 Heron Drive	Southern New Jersey	Lockheed Martin	150,000	Renewal	
36 Anderson Road	Chester County	Gallagher Tire, Inc.	143,092	New	
2207 Radcliffe Street	Bucks County	Complete Liquidators	142,443	New	
500 Griffith Morgan Lane	Southern New Jersey	Misfits Market	140,800	New	
2000 Bishops Gate Boulevard	Southern New Jersey	Maintenance Supply Headquarters	134,750	New	
2650 Oldmans Creek Road	Southern New Jersey	Premier Distribution	124,299	New	
7570 Industrial Park Way	Lehigh Valley	Kane Warehousing	157,500	New	

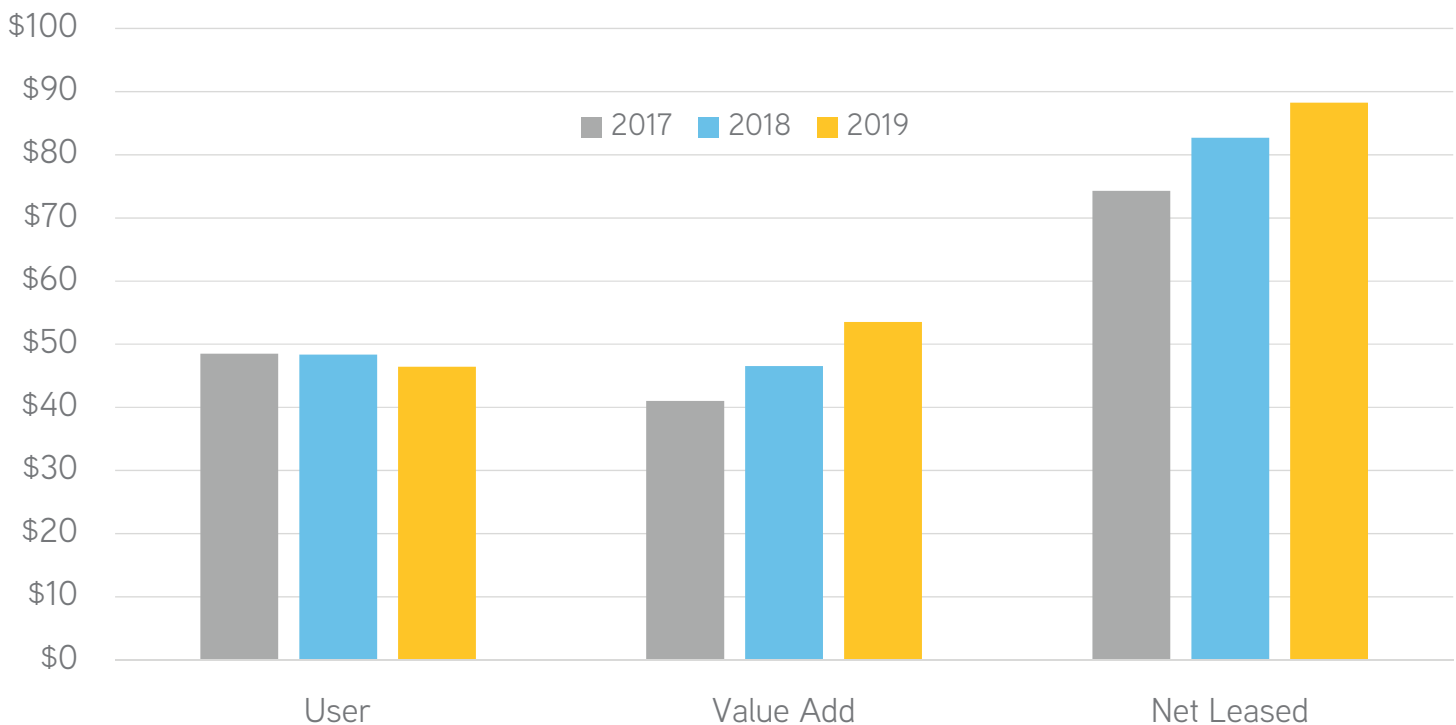
NOTABLE SALES					
PROPERTY ADDRESS	LOCATION	BUYER	SIZE SF	SALE PRICE / SF	TYPE
Capital Logistics Center	Southern I-81/I-83	Colony Capital	1,430,011	\$72.20	Investor
5501 Whitaker Avenue	Philadelphia County	NP Whitaker Ave Industrial LLC	1,347,146	\$22.68	Investor
1 Commerce Drive	Southern New Jersey	Sun Equity Partners	931,560	\$46.16	Investor
240 Mantua Grove Road	Southern New Jersey	Gramercy (Blackstone)	652,411	\$119.46	Investor
1380 Jacobsburg Road	Lehigh Valley	Duke Realty Corporation	349,012	\$118.19	Investor
26 Barnhart Drive	Southern I-81/I-83	Hanover Logistics	324,727	\$30.80	User
594 Can Do Expressway	Northeast PA	Endurance Real Estate	245,000	\$27.04	Investor
105 Industrial Drive	Montgomery County	Maguire Hayden Real Estate Company	200,000	\$44.50	Investor
2650 Oldmans Creek Road	Southern New Jersey	DWS	194,072	\$90.69	Investor
7 Campus Drive	Southern New Jersey	Glazzio Tiles	183,340	\$84.54	User
9 N. Olney Avenue	Southern New Jersey	Nessel Development	183,000	\$74.32	Investor
850 Sherman Avenue	Southern New Jersey	Lyons & Sons	180,000	\$35.69	User
4500 Westport Drive	Southern I-81/I-83	Blackstone Real Estate Income Trust, Inc.	178,500	\$67.65	Investor
519-525 Kaiser Drive	Delaware County	Black Creek Group	171,146	\$106.63	Investor
420 Emig Road	Southern I-81/I-83	STAG Industrial	170,090	\$60.85	Investor
20 Davidson Lane	New Castle County	Store Capital Acquisitions LLC	148,000	\$61.25	Investor
901 Pleasant Valley Avenue	Southern New Jersey	Blue Water	129,175	\$56.90	Investor
30 Keystone Boulevard	Southern I-81/I-83	Bonduelle Group USA	120,000	\$57.72	User

# Market Comparison Update

INDUSTRIAL MARKET									
SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	YTD NET ABSORPTION	COMPLETIONS YTD	UNDER CONSTRUCTION	AVG. ASKING RENT NNN
Philadelphia County	76,579,725	3,987,971	31,104	4,019,075	5.2%	348,545	-	415,000	\$5.16
Bucks County	52,785,603	1,789,699	70,442	1,860,141	3.5%	(96,706)	419,720	552,959	\$6.13
Chester County	23,497,023	1,333,596	70,396	1,403,992	6.0%	(3,585)	20,800	-	\$8.22
Delaware County	20,917,802	1,402,758	40,000	1,442,758	6.9%	60,432	-	-	\$5.76
Montgomery County	52,698,851	2,622,984	356,547	2,979,531	5.7%	583,596	-	295,082	\$6.08
<b>SUBURBAN TOTAL</b>	<b>149,899,279</b>	<b>7,149,037</b>	<b>537,385</b>	<b>7,686,422</b>	<b>5.1%</b>	<b>543,737</b>	<b>440,520</b>	<b>848,041</b>	<b>\$6.42</b>
Southern NJ	117,051,543	4,409,763	100,464	4,510,227	3.9%	1,468,973	370,396	2,668,491	\$5.01
Northern Delaware	24,889,532	1,286,823	129,050	1,415,873	5.7%	(31,702)	-	188,609	\$5.93
Lehigh Valley	90,795,905	3,651,191	269,457	3,920,648	4.3%	1,654,837	1,417,981	4,590,057	\$6.10
Northeast PA	92,998,632	8,170,985	-	8,170,985	8.8%	(1,886,230)	-	7,527,094	\$3.64
S I-81 / N I-83	126,603,781	9,912,695	361,258	10,273,953	8.1%	1,073,994	1,350,000	6,534,308	\$4.83
<b>MARKET TOTAL</b>	<b>678,818,397</b>	<b>38,568,465</b>	<b>1,428,718</b>	<b>39,997,183</b>	<b>5.9%</b>	<b>3,172,154</b>	<b>3,578,897</b>	<b>22,771,600</b>	<b>\$5.11</b>

Note: Berks and Lancaster counties are not included in the above statistics, but bulk warehouse data will be in the upcoming Colliers Big Box report.

## Sale Price History: Average \$/SF



### DEFINITIONS

**Inventory:** Flex, warehouse and manufacturing buildings over 20,000 SF or over 50,000 SF.

**Vacant Space:** All spaces that are physically vacant, excluding projects under construction or substantial rehabilitation.

**Net Absorption:** The difference in physically occupied space within a given time period for a particular market.

**Vacancy Rate:** Total vacant space divided by the total inventory.

**Average Asking Rent:** Weighted average rent per SF, triple net.

**Under Construction:** Counted when steel is up, not at the commencement of site work.

# Submarket Reviews

## Philadelphia County

The vacancy rate decreased from an adjusted 5.7% to 5.2%. The lack of quality space has driven asking rents up by 4.5% since the end of last year.

The 207,500-square-foot spec building in Byberry East was nearing completion. NorthPoint Development began razing 11601 Roosevelt Boulevard and renovating the existing 11501 building in the Boulevard Logistics Center.

Biotechnology company Invance announced plans to build a 136,000-square-foot production facility for cell therapy products at the Philadelphia Navy Yard.

## Suburban Pennsylvania

The vacancy rate in the four-county area decreased slightly from 5.2% at the end of 2018 to 5.1% but increased between the first and second quarters. This was due to the delivery of speculative space and additional previous generation facilities coming back on the market.

The Route 309 corridor between Hatfield and Quakertown and the I-95 corridor in Bucks and Delaware counties are the most active areas for speculative construction. There is an additional 723,000 square feet of build-to-suit construction underway, including on-site expansions.

## Southern New Jersey

Southern New Jersey had a strong second quarter. The vacancy rate decreased by almost a full percentage point from the end of 2018 to 3.9%. New-to-market requirements, particularly 3PLs, absorbed new construction and previous generation space. Demand coming down the New Jersey Turnpike continues to drive up rents in Burlington County.

Multiple land sites are in play in northern Burlington, western Gloucester and Salem counties. Clarion Partners purchased the Marketplace at Burlington, and is rumored to have adjacent land under agreement. If approved, the former mall complex will be redeveloped as warehouse space.

## New Castle County, DE

New Castle County's vacancy ticked up slightly from 5.6% to 5.7%. Leasing activity was light, partly due to a lack of quality space choices, but also to fewer requirements in the market.

NorthPoint Development purchased a 190-acre site from Akzo Nobel for the development of a four-building, 2.0 million-square-foot complex to be called New Castle Logistics Center.

## Lehigh Valley, PA

The Lehigh Valley vacancy rate dipped from 4.7% to 4.3%. Only one larger speculative building was completed during the first half, but another 2.9 million square feet is set to come online over the next two quarters.

While the majority of new development continues to be bulk warehouse, developers are adding buildings under 200,000 square feet that can be divisible for smaller warehouse and flex space users. Additionally, area manufacturers such as Freshpet and Martin Guitar are expanding and IQ Fibers is returning to the Valley. New Jersey-based Readington Farms is considering the Route 33 corridor for a 350,000-square-foot dairy and juice plant.

## Northeast Pennsylvania

The vacancy rate increased from 6.8% to 8.8%. A 1.0 million-square-foot spec building completed in the fourth quarter remained vacant, and 1.8 million square feet of Sears distribution space came back on the market.

While 36% of the 7.5 million square feet of space under construction is committed, there will be six fully speculative buildings totaling 4.4 million completed during the next two quarters.

Iris USA expects to open its new 500,000-square-foot plant in Humbolt in 2020. The expansion to Tyson Food's facility in Schuylkill Highridge will be completed in the third quarter.

## Southern I-81 and I-83 Corridors, PA

Vacancy along the Southern I-81 and I-83 increased during the first half from 8.0% to 8.1%.

Absorption was positive year to date but dipped during the second quarter due to the completion of a 1.1-million-square-foot spec building in Carlisle and the vacancy of a 850,000-square-foot former Kmart warehouse in Chambersburg.

Demand remains strong and 95% of the 2018 spec construction has been absorbed. Leasing of previous generation space also increased.



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**6** continents

United States: **155**  
Canada: **48**  
Latin America: **20**  
Asia: **44**  
EMEA: **119**  
ANZ: **50**

**\$3.3 billion**  
in annual revenue

**2.0 billion**  
sf under management

**17,000+**  
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