Burlington County stands out as exception to supply/demand imbalance.

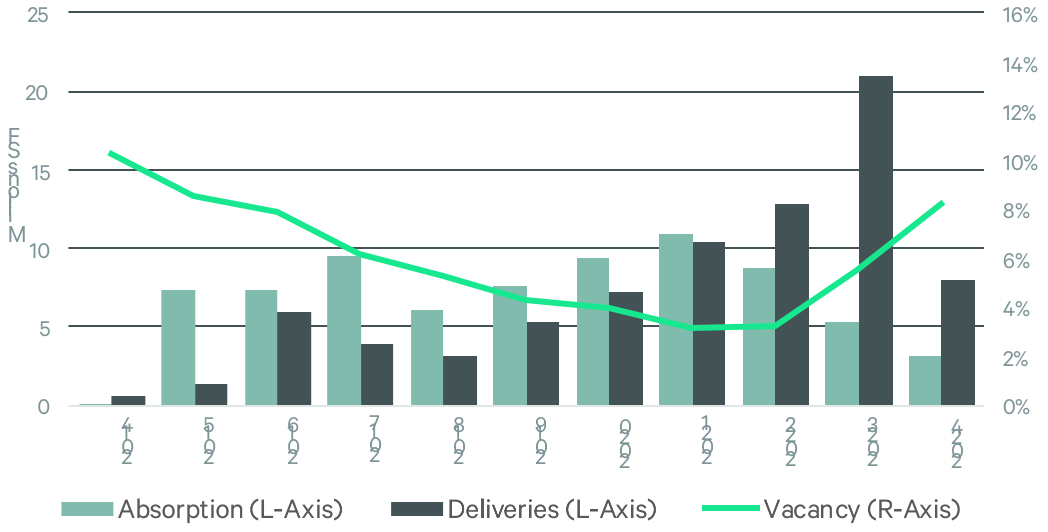
▼ 8.8%	▼ 1.1M	▼ 10.9M	▲ $12.26
Vacancy Rate	SF Net Absorption	SF Construction	NNN/ Lease Rate

Note: Arrows indicate change from previous quarter.

- Construction continued in the face of rising vacancy while leasing activity rebounded after a sluggish 2023, yet still below the historical 10-year average.
- Burlington County outpaced every other county in construction, leasing activity, and absorption in 2024.
- 3PL firms maintained their leasing dominance, accounting for more than half of all leasing activity in 2024.

Developers maintained their bullish stance on the Philadelphia Metro despite rising vacancy. In Q4 2024, vacancy rose 80 basis points (bps) to 8.8%, continuing the trend of supply outpacing demand that began in mid-2022. But drilling down geographically, Burlington County stands out as both the epicenter of logistics activity within the region and an exception to overarching market trends. As Burlington County became the region's "de-facto" 3PL hub, robust leasing activity grew occupancy and eroded vacancy during 2024.

FIGURE 1: Net Absorption, Construction Deliveries & Vacancy



Source: CBRE Research, Q4 2024

Supply

Within the Philadelphia Metro, the supply-side story is a tale of two markets: Burlington County, NJ -- and everything else. Developers bet big on the Philadelphia Metro, specifically within Burlington County. Historically, Metro construction starts averaged 2.6 million sq. ft. per quarter for the prior two years — less than the 2021-2022 averages of 3.9 million sq. ft., but well above the average during the five years prior to the pandemic. Burlington County accounted for one-quarter of available space within buildings delivered post-2022, and also claimed most of the positive absorption in the market, with 5.3 million sq. ft. of absorption since 2022. While supply outpaced demand in Burlington County during 2023, 3.4 million sq. ft. of net absorption in 2024 with only 1.1 million sq. ft. of deliveries erased over 400 bps of vacancy there.

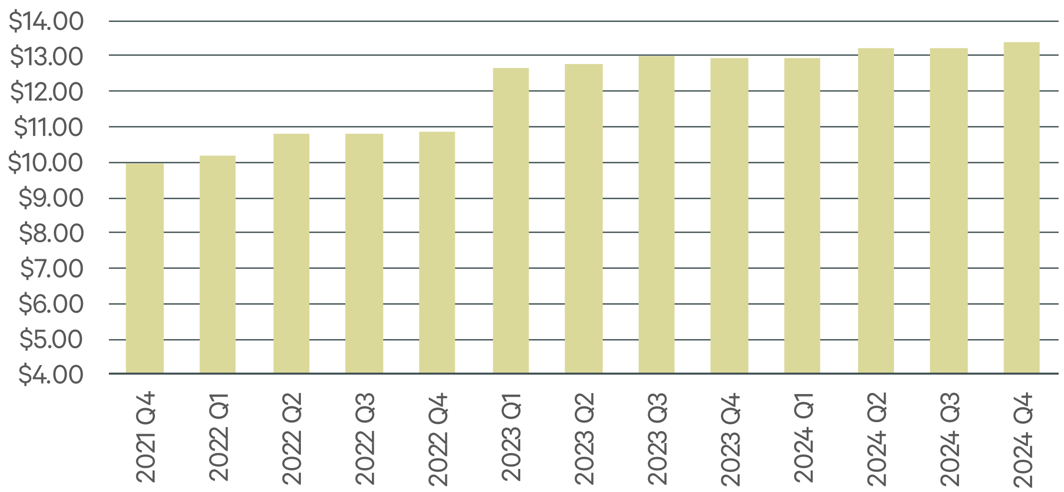
Outside Burlington County, however, oversupply issues remained as 6.9 million sq. ft. of new construction delivered this year with practically zero sq. ft. of net absorption. Overall vacancy outside of Burlington County also grew by nearly 200 bps, with the bulk of available Class A logistics space concentrated in Bucks, Philadelphia, Gloucester, and Salem Counties. Moving forward, around 11 million sq. ft. of space remains under construction in the Metro, including 1.8 million sq. ft. of projects from the Rockefeller Group — their first developments in the market.

Demand

Leasing activity rebounded from a down year in 2023, totaling 12.5 million sq. ft. in 2024, up from 9.4 million sq. ft. but slightly lower than the 10-year, 13.0 million sq. ft. average. Southern New Jersey continued to buoy the market, accounting for 7.7 million sq. ft. of the 12.5 million sq. ft. leased this past year — the third highest total on record, driving developers' optimism for that portion of the market. Overall, for the year, occupancy grew just 3.3 million sq. ft., outpaced by the 8 million sq. ft. delivered.

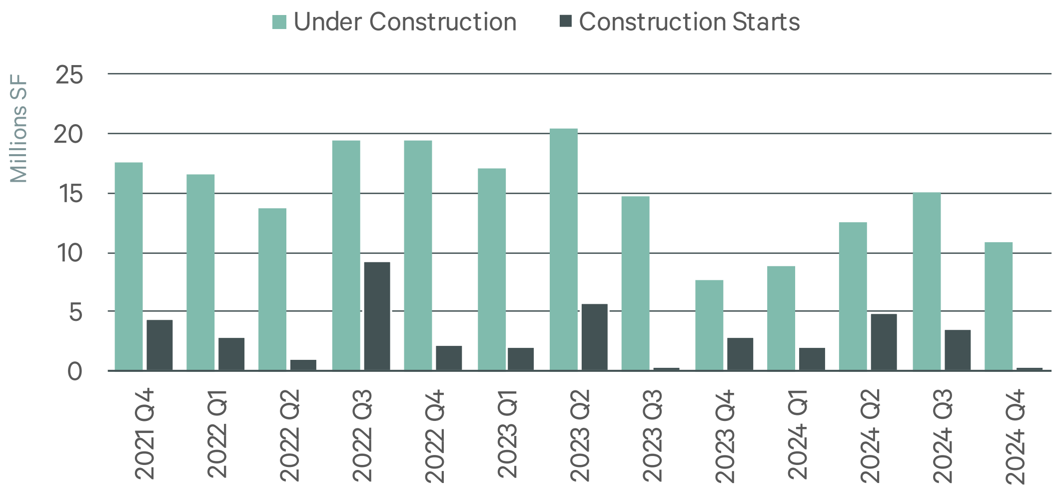
3PL tenants dominated overall leasing activity, accounting for over half of transactions this year and 74% of transactions in Southern New Jersey in 2024, headlined by two Lecangs leases at 1900 River Road totaling more than 1.5 million sq. ft., two US ELogistics leases over 1.5 million sq. ft. at Florence Columbus Road and HYTX Logistics' 610,183 sq.-ft. lease at 5206 US Route 130. Beyond Burlington County, leases signed right before the end of the quarter in Bucks County in the Keystone Trade Center added another 1.5 million sq. ft of activity for the year.

FIGURE 4: Average Class A Logistics[1] Asking Lease Rates



[1] Criteria: Warehouses measuring 100,000 SF+ (under construction or existing), 2004 delivery date or later, 32' clear or more, 1 dock per 7,500 SF of NRA, ESFR Sprinklered.

FIGURE 5: Development pipeline

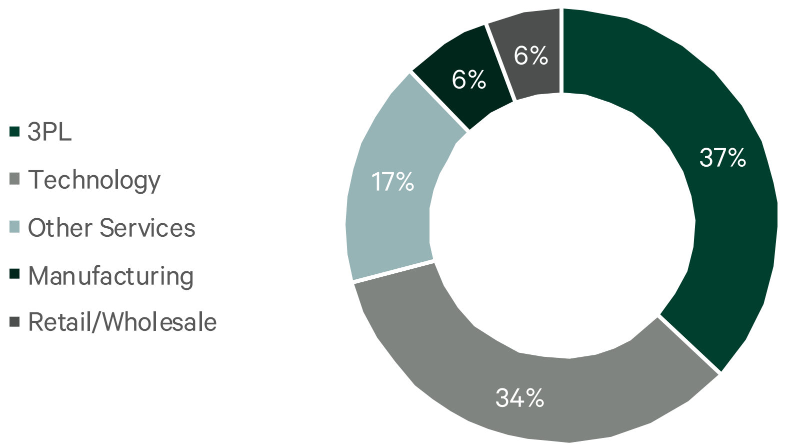


Source: CBRE Research, Q4 2024

The trend does not come without concern, however, as the bulk of 3PL activity was focused amongst Asian 3PLs, specifically Chinese companies, that could face significant tariff hikes under the incoming administration. This activity in the Philadelphia Metro, and the larger Northeast generally, was highlighted in CBRE's recent "Asian Third-Party Logistics" brief.

Pricing-wise, overall rents rose 2.7% to $12.26 quarter-over-quarter, while Class A logistics rents rose slightly to $13.37. Despite growing Class A distribution vacancy, landlords held firm on rents and looked to concessions to fill vacancies rather than dropping base rents. Moving forward, with over 10 million sq. ft. under construction, it is likely rental rates will tick up as this new product, underwritten at recent high water-marks, enters the market.

FIGURE 2: Q4 2024 Leasing Activity by Industry



Source: CBRE Research, Q4 2024

FIGURE 3: Top Lease Transactions

Tenant	Building	Size (SF)	Transaction Type
Five Below	5 Gateway Blvd	1,045,000	Renewal
Undisclosed	Keystone Trade Center 6	1,035,656	New Lease
HYTX Logistics	5206 US Highway 130	610,183	Renewal/Expansion
eLogistics	Keystone Trade Center 5	518,015	New Lease
Undisclosed	1250 Forest Pkwy	494,400	Renewal
Radial	200 Richards Run	416,440	Renewal
KAMPS	6400 Bristol Pike	152,000	Renewal
Pep Boys	477 N Lewis Rd	136,750	New Lease
Mancino Mats	1180 Church Rd	77,850	Renewal
Carbon X	1900 Bethlehem Pike	53,305	New Lease

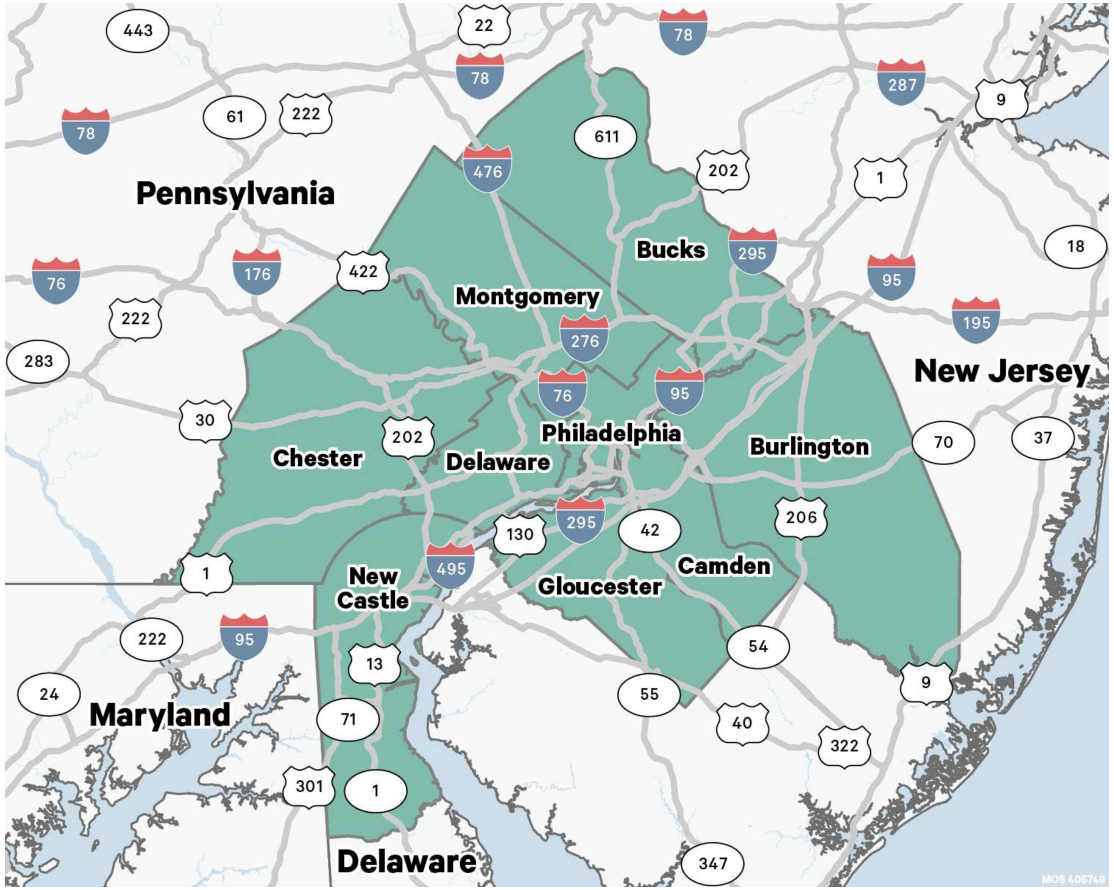
Source: CBRE Research, Q4 2024

FIGURE 6: Submarket Statistics

District	Inventory (SF)	Total Vacancy Rate (%)	Completions (SF)	Under Construction (SF)	YTD Net Absorption (SF)	Avg. Asking Rent ($/SF/Yr.)	Class A Logistics Asking Rent ($/SF/Yr.)
Bucks County	54,367,355	8.7	320,250	2,117,767	-309,043	$12.12	$13.26
Chester County	22,543,384	3.8	0	636,120	-41,688	$12.41	$14.00
Delaware County	21,463,981	6.3	0	105,000	36,548	$14.49	$15.57
Montgomery County	55,901,414	8.7	0	266,880	-901,330	$11.86	$12.03
Philadelphia County	57,312,262	6.2	759,210	1,903,841	414,327	$12.64	$16.27
Southeast PA Subtotal	**211,629,396**	**7.3**	**1,079,460**	**5,029,608**	**-801,186**	**$12.49**	**$14.63**
Burlington County	65,173,557	12.2	351,000	2,044,242	3,447,957	$12.77	$13.15
Camden County	27,229,538	5.2	360,000	225,000	-287,540	$11.87	$14.66
Gloucester County	37,268,705	9.7	891,355	602,195	148,314	$12.09	$12.56
Salem County	10,008,061	32.3	1,712,442	2,082,792	22,170	$12.11	$12.07
Southern NJ Subtotal	**139,679,861**	**11.6**	**3,314,797**	**4,954,229**	**3,330,901**	**$12.40**	**$12.74**
New Castle	33,468,090	6.9	0	933,000	709,383	$10.34	$11.97
Northern DE Subtotal	**33,468,090**	**6.9**	**0**	**933,000**	**709,383**	**$10.34**	**$11.97**
Total	**384,777,347**	**8.8**	**4,394,257**	**10,916,837**	**3,239,098**	**$12.26**	**$13.34**

Source: CBRE Research, Q4 2024

Market Area Overview



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