

FIGURES | PHILADELPHIA INDUSTRIAL | Q1 2025

Southern New Jersey tallies steady demand; remaining market struggles with supply

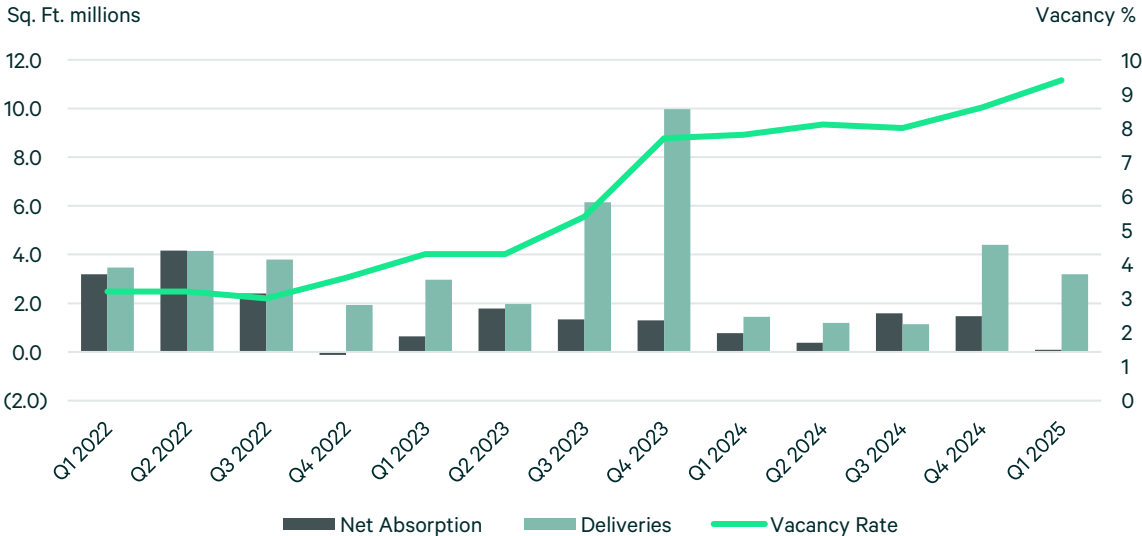


Note: Arrows indicate change from previous quarter.

- Overall leasing activity was down, posting its lowest measure since 2015, while the construction pipeline remained stable, predicated on New Jersey’s strength.
- With over 800,000 sq. ft. delivered this quarter, four million sq. ft. of new Class A construction has been built in Philadelphia County since 2022, the same amount delivered during the prior ten-year period.
- Third-party logistics (3PL) activity accounted for most transactions, a positive for the market as tariffs and challenging macro-economic factors sidelined other user types, specifically manufacturing.

Development moved forward in the Philadelphia Metro despite the same supply / demand imbalance of previous quarters. Notably, alongside the maturation of Southern New Jersey in recent years, development in Philadelphia County hit an historic peak — a recent phenomenon in which roughly the same amount of construction from 2010 to 2021 has delivered since the interest rate hikes of 2022. This mostly speculative construction activity persisted while vacancy rates were up, and leasing fell to a 10-year low. Within a hazy macroeconomic picture influenced by tariffs, leasing activity could remain dampened, particularly amongst this new Class A Philadelphia County stock.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

Supply

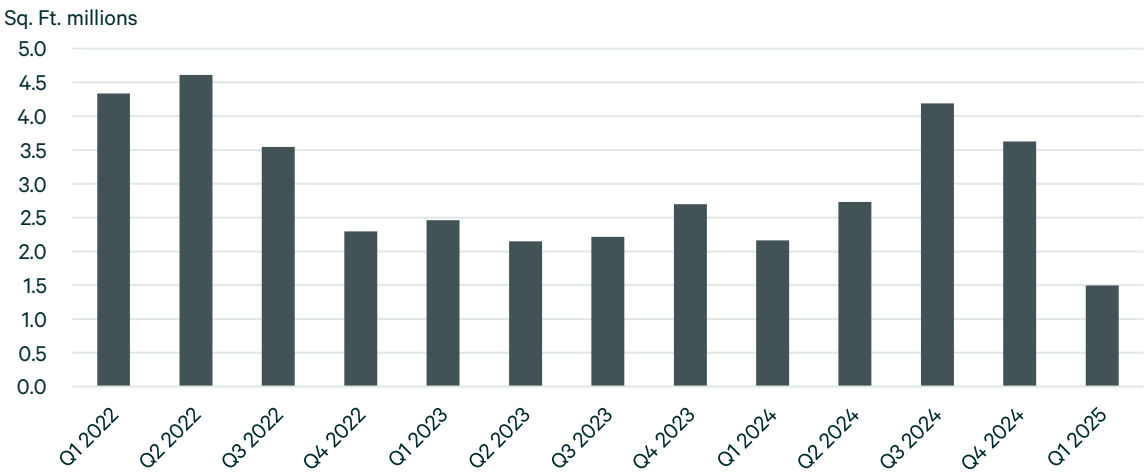
Over three million sq. ft. of new construction was delivered this quarter, with nearly 1.5 million sq. ft. in Southern New Jersey, 1.1 million sq. ft. within Philadelphia and Bucks Counties, and New Castle County accounting for 500,000 sq. ft. While deliveries totaled 4.3 million sq. ft., the construction pipeline remained relatively robust and well above the pre-pandemic average of 5 million sq. ft. Just over 9 million sq. ft. remained in the pipeline fueled by 1.5 million sq. ft. of projects starting this quarter, centered in Philadelphia and Gloucester counties. As this elevated construction level is expected to remain steady, vacancy rose, jumping 80 basis points (bps) to 9.4%.

With the evolution of Burlington County as Southern New Jersey’s “3PL Hub” and the emergence of the submarket as a logistics node, the construction pipeline outpaced Southeast Pennsylvania each quarter since 2018, until now. After an equal level of construction activity took place within the two markets last quarter, Southeast Pennsylvania eclipsed Southern New Jersey with 4.5 million sq. ft. under construction in Q1 2025 compared to 3.8 million sq. ft. in New Jersey portion of the market. This uptick in activity was within Philadelphia County, where new speculative Class A buildings — built in size ranges never seen before in the county — have been introduced by a range of developers following the pandemic-era boom. As construction slowed in nearby New Jersey amidst rising vacancy, 4.5 million sq. ft. of largely speculative buildings started construction in Philadelphia County since 2023 compared to a total of 2.9 million sq. ft. started from 2010 to 2022. Historically, development in Philadelphia County was limited to build-to-suit projects primarily involving smaller regional users in Northeast Philadelphia and not these larger speculative projects. This dynamic has shifted, however, with the addition of developers like Crow Holdings, DH Property Group, Rockefeller Group and HRP Group with their Bellwether District project. This came, however, at a time when the overall market’s Class A distribution and logistics vacancy rate climbed 100 bps, reaching 24%.

Demand

Leasing activity fell to just 1.3 million sq. ft. this quarter, the lowest quarterly total since Q3 2015. 3PL activity within Southern New Jersey claimed over half of all leasing. JD Logistics’ 400,950 sq.-ft. lease in Edgewater Park and LM Logistics’ 90,163 sq.-ft. lease in Bridgeport were just a few examples. Southern New Jersey outpaced the rest of the market in overall leasing activity for all but two quarters since the pandemic, in many instances accounting for two-thirds of overall activity.

FIGURE 2: Leasing Activity Trend



Source: CBRE Research, Q1 2025

FIGURE 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
JD Logistics	400,950	New Lease	4259 US-130 S	Southern NJ
Refresco Beverages US	247,401	Renewal	103 Commerce Dr	Southeast PA
Printed Solid	95,673	New Lease	1 Crowell Rd	Northern DE
LM Logistics	90,163	New Lease	2279 Center Square Rd	Southern NJ
PCI Pharma Services	86,922	New Lease	120 Phyllis Dr	Southeast PA
HIT Promotional Products	74,000	New Lease	281 Benigno Blvd	Southern NJ
Shoot Hoops	59,000	New Lease	320 S Henderson Rd	Southeast PA
Del Monte Fresh Produce	54,320	Renewal	1001 Industrial Hwy	Southeast PA
TeamWave	52,295	Expansion	11 Boulden Cir	Northern DE
RevZilla	51,560	Renewal	4020 S 26th St	Southeast PA

Source: CBRE Research, Q1 2025

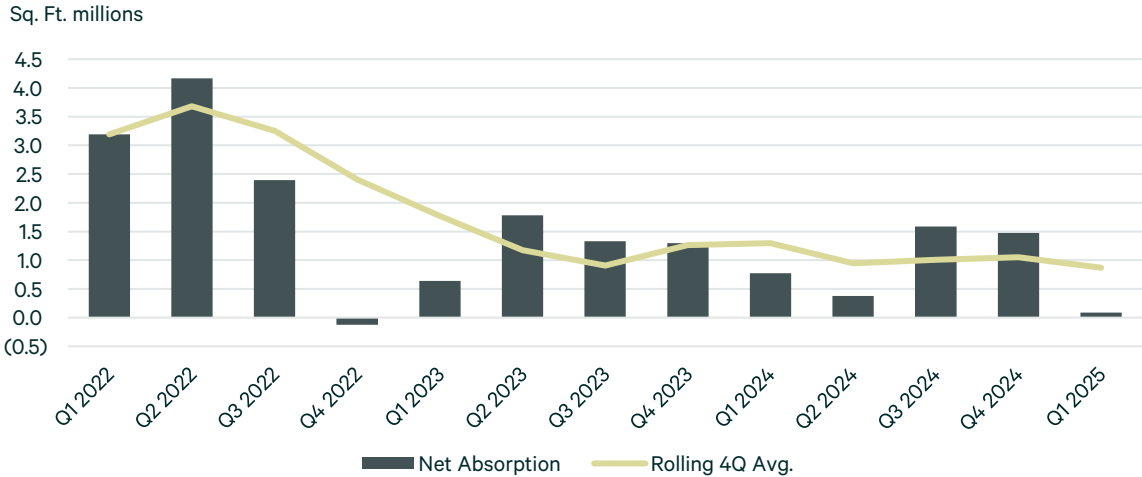
Since the mid-2022 interest rate increases, overall leasing activity has now slowed to an average 2.6 million sq. ft. per quarter, versus 4.5 million sq. ft. during the pandemic boom. This dip in leasing activity was attributed to tenant rightsizing and shifting space strategy trends in the face of rising rents and elevated capital costs. This existing state of play now comes with the added uncertainty of an historic tariff program that is likely to significantly impact whole sectors, specifically manufacturing, and certain user types. While the full impact of these developments remains to be seen, early returns suggest 3PL tenants — whose presence has helped to grow this market considerably — remain less vulnerable to looming import tariffs.

Economic Overview

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

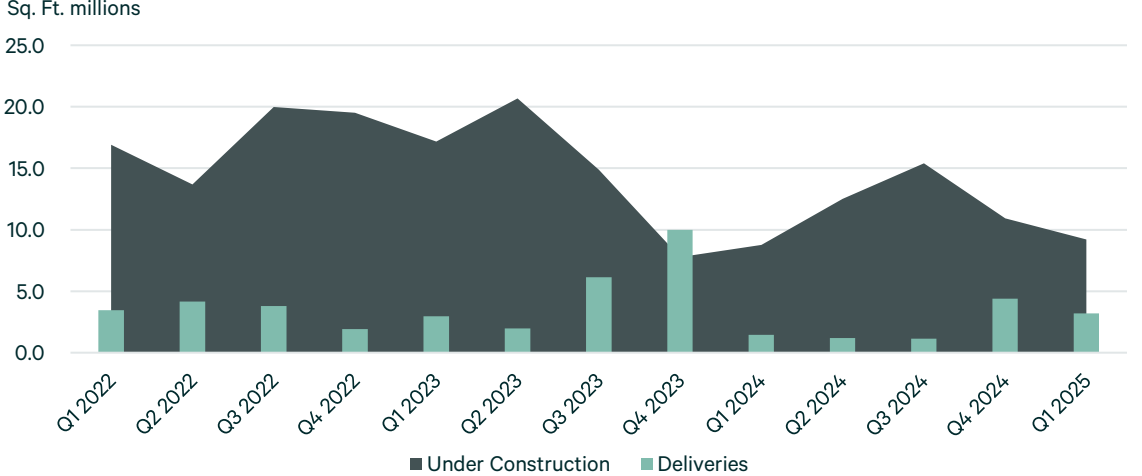
Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q1 2025

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Northern DE	33,672,951	8.2	8.4	8.1	0.4	11.12	(69,701)	(69,701)	525,000	769,770
Southeast PA	212,010,963	7.5	7.8	7.0	0.8	12.73	430,827	430,827	1,174,706	4,582,174
Southern NJ	141,038,474	12.6	13.4	12.2	1.2	12.2	(271,055)	(271,055)	1,486,349	3,863,179
Total	386,722,388	9.4	9.9	9.0	0.9	12.31	90,071	90,071	3,186,055	9,215,123

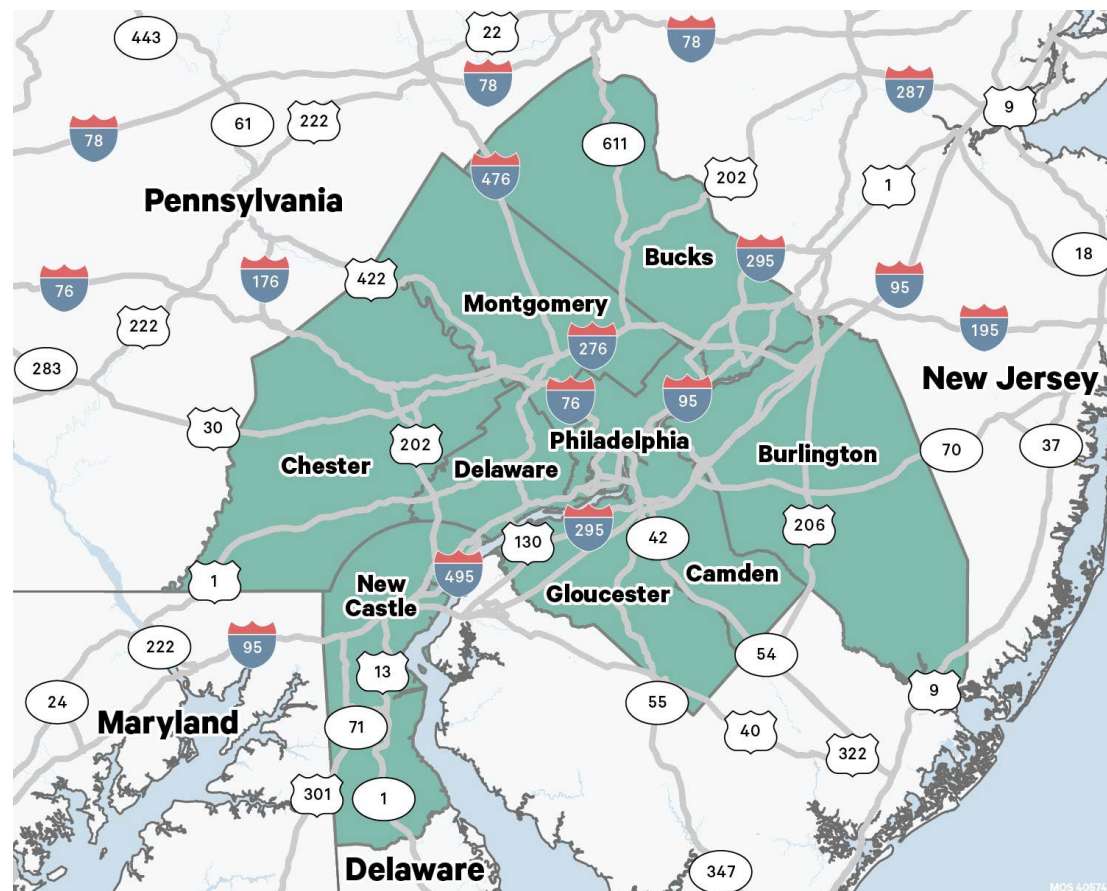
Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	112,347,282	5.7	5.8	5.0	0.8	11.21	(689,638)	(689,638)	0	80,000
100,000-199,999 sq. ft.	80,225,423	7.8	7.9	7.2	0.7	10.90	(377,933)	(377,933)	0	1,294,165
200,000-299,999 sq. ft.	49,462,751	6.5	6.9	6.7	0.2	11.39	210,495	210,495	0	2,067,939
300,000-499,999 sq. ft.	56,775,519	14.3	16.0	13.2	2.7	14.03	(331,067)	(331,067)	1,174,706	2,135,984
500,000-749,999 sq. ft.	34,689,706	18.5	20.7	20.4	0.3	12.39	28,917	28,917	1,055,000	2,663,835
750,000 sq. ft.	53,221,707	11.0	11.0	10.5	0.6	12.19	1,249,297	1,249,297	956,349	973,200
Total	386,722,388	9.4	9.9	9.0	0.9	12.31	90,071	90,071	3,186,055	9,215,123

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	285,682,366	11.2	11.8	10.7	1.1	12.41	233,833	233,833	3,186,055	9,082,123
Manufacturing	57,532,515	3.9	3.9	3.8	0.1	9.94	(132,900)	(132,900)	0	0
R&D / Flex	33,913,452	6.1	6.6	5.8	0.8	12.80	(10,862)	(10,862)	0	133,000
Other Industrial	9,594,055	0.6	0.6	0.6	0.0	9.87	0	0	0	0
Total	386,722,388	9.4	9.9	9.0	0.9	12.31	90,071	90,071	3,186,055	9,215,123

Market Area Overview



PHILADELPHIA DOWNTOWN

50 S 16th Street
Suite 3000
Philadelphia, PA 19102

PHILADELPHIA SUBURBAN

555 E Lancaster Avenue
Suite 120
Radnor, PA 19087

MT. LAUREL (SOUTHERN NJ)

1000 Howard Blvd.
Suite 104
Mt. Laurel, NJ 08054

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