

FIGURES | PHILADELPHIA INDUSTRIAL | Q2 2025

Supply remains out of balance as owners prioritize occupancy amid construction worries



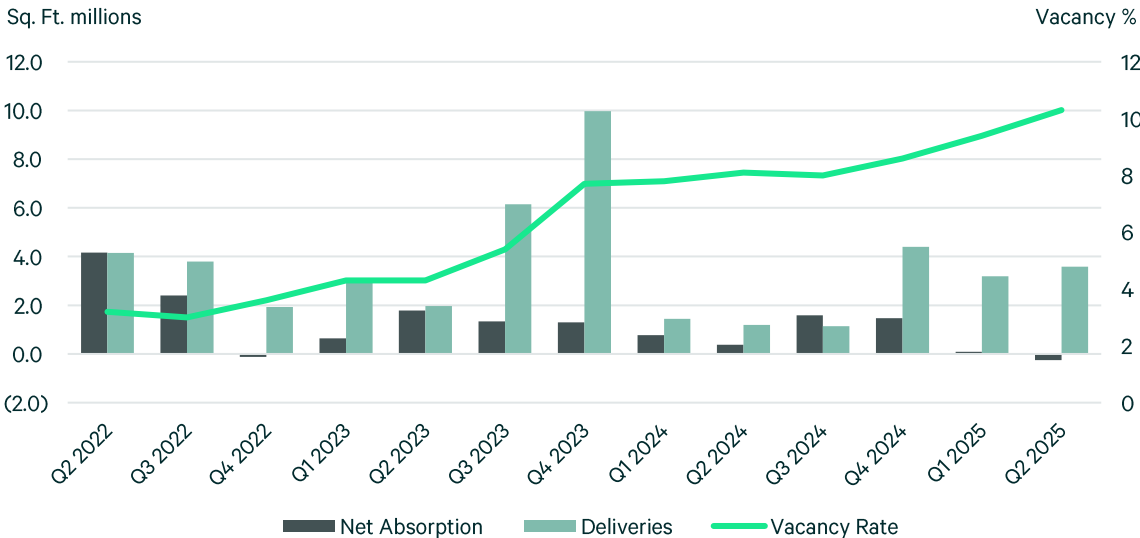
Note: Arrows indicate change from previous quarter.

SUMMARY

- The Philadelphia Metro industrial market posted negative absorption for the first time since Q4 2022, the highest since Q3 2015, while Class A logistics product grew occupancy.
- 3.5 million sq. ft. of construction delivered this quarter with over 7 million sq. ft. in the pipeline; new construction deliveries sat vacant as Class A vacancy climbed to 26%.
- Leasing rebounded, posting nearly 3.7 million sq. ft. of activity, a significant jump from the 1.3 million sq. ft. last quarter.

With 3.5 million sq. ft. of construction deliveries in the Philadelphia Metro market this quarter, supply-side concerns increased as the tenor of the market shifted in favor of tenants as landlords began to prioritize occupancy over asking rates. Overall, the Philadelphia market was a balancing act: construction continued as Class A vacancy rose past the 25% mark, yet leasing activity jumped 2.4 million sq. ft. quarter-over-quarter. And while absorption for the overall market was negative, Class A product absorbed 310,000 sq. ft. Burlington County, in particular, anchored the market. However, supply additions in newer, less-established locations weighed down vacancy recovery.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2025

Supply

Construction deliveries increased this quarter, adding 3.6 million sq. ft., bringing the year-to-date total to 6.7 million sq. ft. However, the construction pipeline slowed for the eighth consecutive quarter, reaching its lowest point since Q1 2021. Only 1.3 million sq. ft. of construction started, the lowest Q2 total since the pandemic began, due to market oversaturation with new supply, particularly in the Class A distribution and logistics space.

Since 2022, 50 million sq. ft. has been added to the inventory, with 46 million sq. ft. being Class A distribution and logistics space. Of this set, over 40% remained unleased. Counties like Burlington, Bucks, and Philadelphia struggled with high vacancy rates despite introducing 14.7 million, 7.4 million, and 4.2 million sq. ft. of Class A distribution and logistics product, respectively, since 2022. Location, elevated asking rates, and large building sizes are partly responsible, but as overall leasing activity remained healthy, the absorption of major “proof of concept” developments like the Bellwether District in Philadelphia could begin to steady the market.

Demand

Philadelphia registered 258,000 sq. ft. of negative absorption, the first negative figure since Q4 2022, as tenants vacated older space and new construction took longer to lease. However, 310,000 sq. ft. of Class A distribution and logistics supply was absorbed, demonstrating healthy demand. Leasing activity increased by 2.7 million sq. ft. quarter-over-quarter.

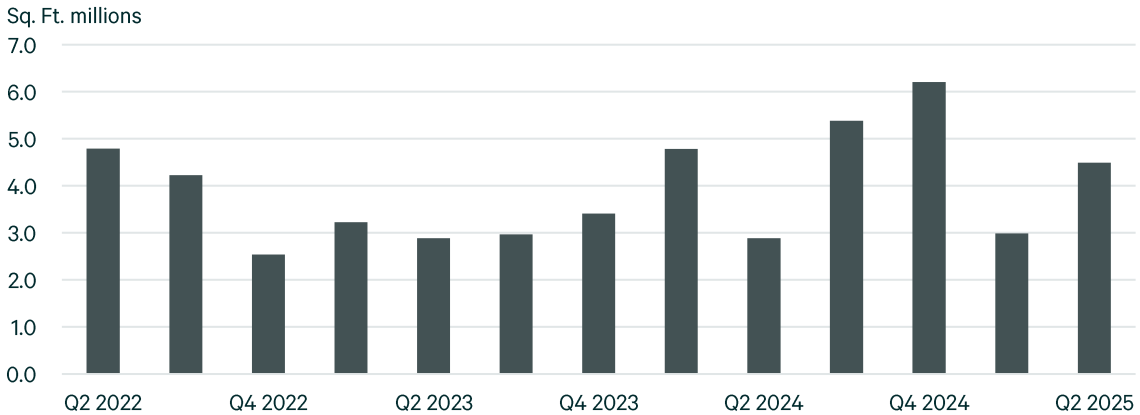
Leasing activity was a bright spot, tallying 3.9 million sq. ft and nearly tripling last quarter’s figure. Twelve new or expansion leases above 75,000 sq. ft. were signed, with Southern New Jersey home to the five largest leases. Maersk’s 1.2 million sq. ft. lease at the Box Park Logistics Center in Cinnaminson headlined the deal sheet. Burlington County secured 2.3 million sq. ft. of leasing activity, with over 300,000 sq. ft. pre-leased. Quarterly average leasing activity since 2022 was nearly identical to pre-pandemic levels, a healthy number despite market uncertainty.

FIGURE 2: Key Lease Transactions

Tenant	Sq.Ft. Leased	Transaction Type	Address	Submarket
Maersk	1,200,000	New Lease	995 Taylors Ln	Southern NJ
PSS Distribution Services	351,000	New Lease	3023-3299 US-206	Southern NJ
JD Logistics	303,750	Expansion	4259 US-130 S	Southern NJ
Confidential Tenant	291,200	New Lease	319 Dultys Ln	Southern NJ
ICS Corp	192,220	New Lease	1 Gateway Blvd	Southern NJ
AMS Fulfilment	181,074	New Lease	710 American Blvd	Northern DE
SPS Technologies	163,450	New Lease	121 Wheeler Ct	Southeast PA
GMB	155,738	New Lease	1804 River Rd	Southern NJ
RXO Logistics	105,840	Renewal	200 Arlington Blvd	Southern NJ
KEX Express	94,216	New Lease	700 Centerpoint Blvd	Northern DE

Source: CBRE Research, Q2 2025

FIGURE 3: Leasing Activity



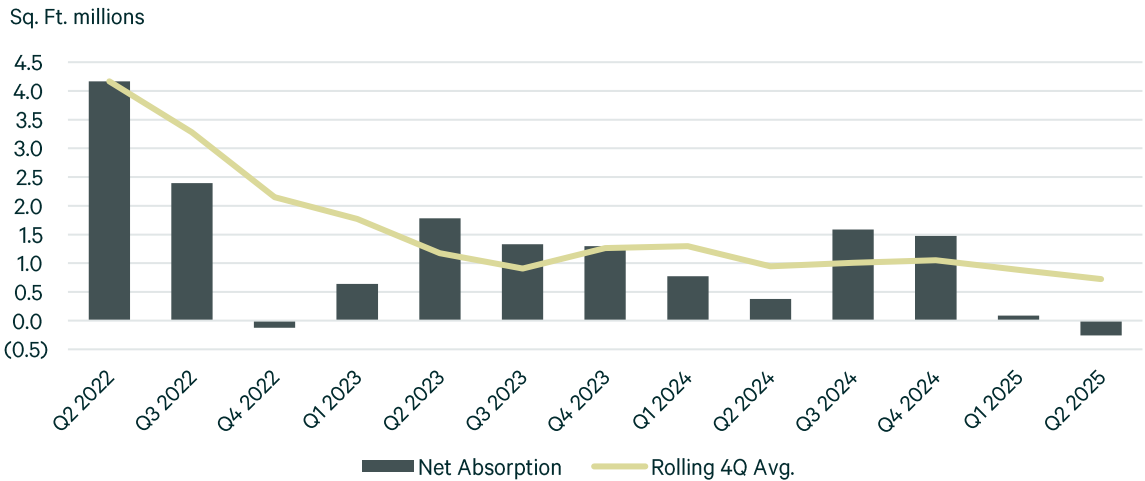
Source: CBRE Research, Q2 2025

Economic Overview

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

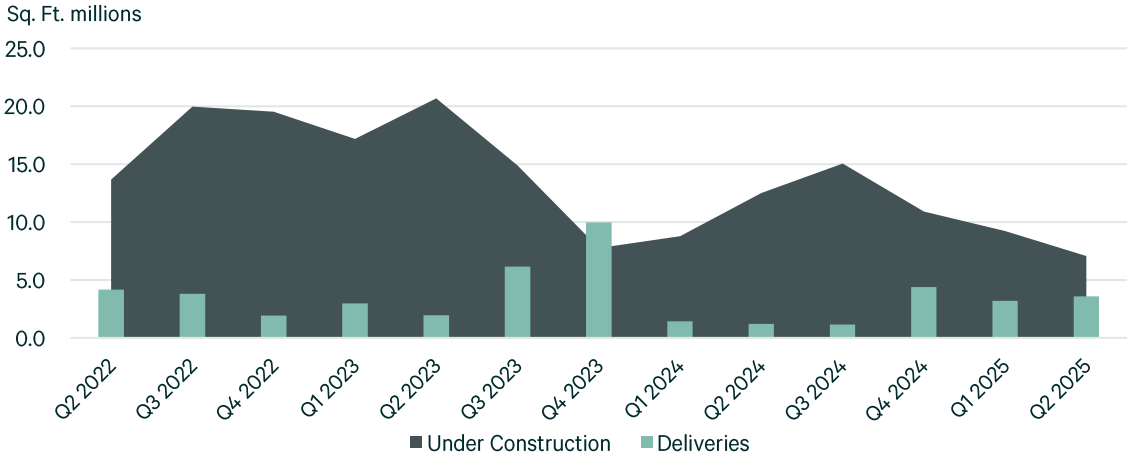
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q2 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q2 2025

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter O-Net Absorption	YTD O-Net Absorption	Deliveries	Under Construction
Northern DE	33,672,951	8.2	8.5	8.2	0.4	11.23	17,322	(52,379)	0	769,770
Southeast PA	214,434,658	8.5	9.0	8.1	0.8	12.95	53,077	483,904	2,349,648	3,129,886
Southern NJ	142,274,747	13.5	13.0	12.1	1.0	12.16	(328,325)	(599,380)	1,236,273	3,157,173
Total	390,382,356	10.3	10.4	9.6	0.8	12.43	(257,926)	(167,855)	3,585,921	7,056,829

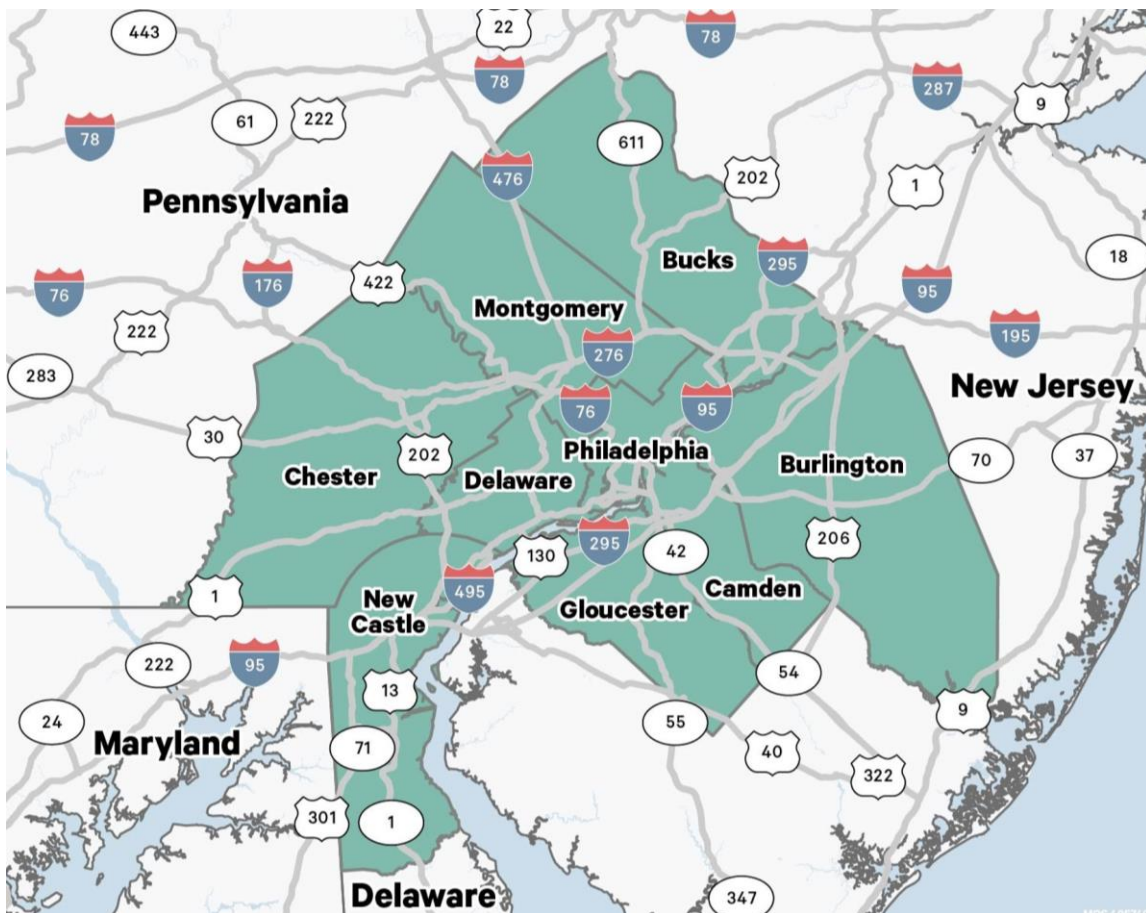
Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter O-Net Absorption	YTD O-Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	112,421,329	5.7	6.1	5.4	0.7	11.24	41,024	(648,614)	0	80,000
100,000-199,999 sq. ft.	80,584,453	7.7	8.1	7.5	0.6	11.15	393,962	16,029	359,030	1,287,240
200,000-299,999 sq. ft.	50,030,769	7.1	7.2	7.0	0.2	12.23	238,492	448,987	568,018	2,575,443
300,000-499,999 sq. ft.	57,228,629	15.3	16.8	14.3	2.5	13.70	(210,852)	(541,919)	453,110	1,682,874
500,000-749,999 sq. ft.	35,922,269	23.3	23.3	23.0	0.3	12.50	(720,552)	(691,635)	1,232,563	1,431,272
750,000 sq. ft.	54,194,907	12.6	10.4	9.9	0.6	12.22	0	1,249,297	973,200	0
Total	390,382,356	10.3	10.4	9.6	0.8	12.43	(257,926)	(167,855)	3,585,921	7,056,829

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter O-Net Absorption	YTD O-Net Absorption	Deliveries	Under Construction
Distribution / Logistics	289,301,814	12.3	12.3	11.3	1.0	12.59	22,004	255,837	3,585,921	6,923,829
Manufacturing	57,532,515	3.5	4.2	4.1	0.1	9.46	242,763	109,863	0	0
R&D / Flex	33,953,972	7.6	7.6	6.4	1.1	11.86	(458,693)	(469,555)	0	133,000
Other Industrial	9,594,055	1.3	1.3	1.3	0.0	9.87	(64,000)	(64,000)	0	0
Total	390,382,356	10.3	10.4	9.6	0.8	12.43	(257,926)	(167,855)	3,585,921	7,056,829

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. O-Net Absorption: The change in Occupied Sq. Ft. from one period to the next. A-Net Absorption: The change in Available Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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