

FIGURES | PA I-78/-81 CORRIDOR INDUSTRIAL | Q2 2025

Leasing activity up as landlords fill long-term vacancies



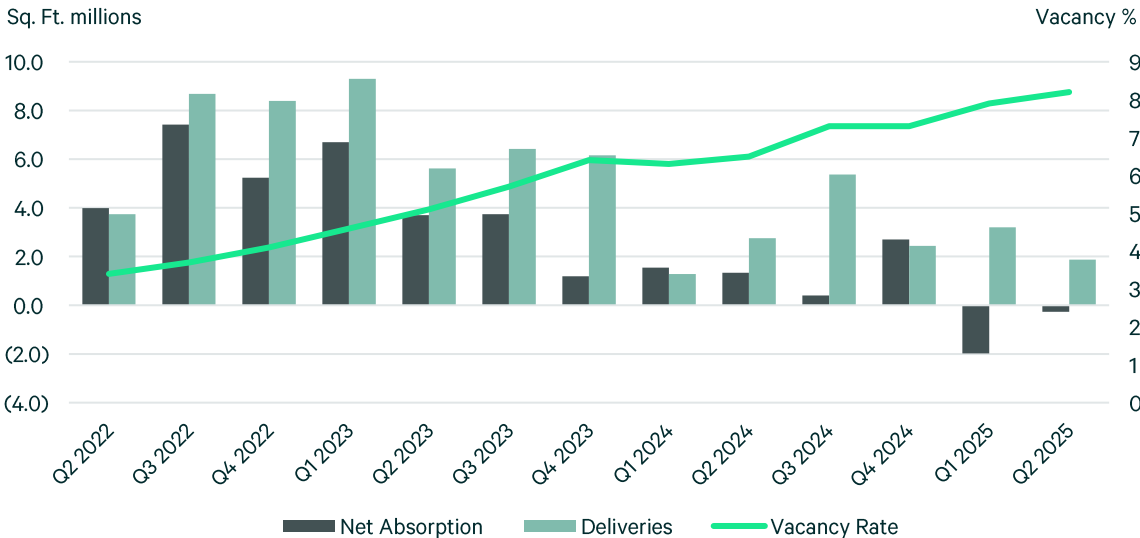
Note: Arrows indicate change from previous quarter.

CBRE has redefined the PA I-78/I-81 Corridor submarkets to better reflect evolving tenant demand, development trends, and logistical efficiencies in the region. These updates aim to provide clients with more precise market intelligence and strategic insights for site selection and investment decisions. A map detailing these regions can be found on the back page.

Following a period of tenant hesitancy driven by policy uncertainty, leasing activity rebounded significantly during Q2 2025, with new and expansion leases reaching 5.0 million sq. ft., a substantial increase from the previous quarter. Renewal activity continued to dominate deal volume, reflecting tenants' focus on flexibility and cost-effectiveness, even as asking rents climbed significantly over the past three years. Finally, from a supply perspective, while developers maintained their cautious approach to adding supply to the market, construction activity ticked up slightly.



FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2025

Demand

The theme amongst tenants in the first quarter of the year was patience, with many extending due diligence timelines in light of policy uncertainty. But as concerns abated, decision makers were more comfortable with real estate commitments, culminating in a total of 5.0 million sq. ft. of new or expansion leases signed in the second quarter, up 2.2 million sq. ft. compared to Q1 2025. Renewal activity reached 4.2 million sq. ft. accounting for 45.6% of total deal volume, an increase from the 35.9% share seen three years ago in Q2 2022. The upward trend in renewals is expected to persist as tenants continued to prioritize flexibility and cost-efficiency in a market still adjusting to post-pandemic dynamics and economic uncertainty. Some of the delays in leasing resulted from sticker shock as tenants with long-term leases expiring in recent quarters were met with pricing that could be as much as 50% higher than they had paid just a few years ago. And while rent growth in recent quarters has slowed, the average asking rent was \$9.03 per sq. ft. at the end of Q2 2025, up 45.6% during the last three years. But landlords were motivated to fill long-term vacancies so concessions in the form of free rent and some base rent easement created a favorable environment for inking leases.

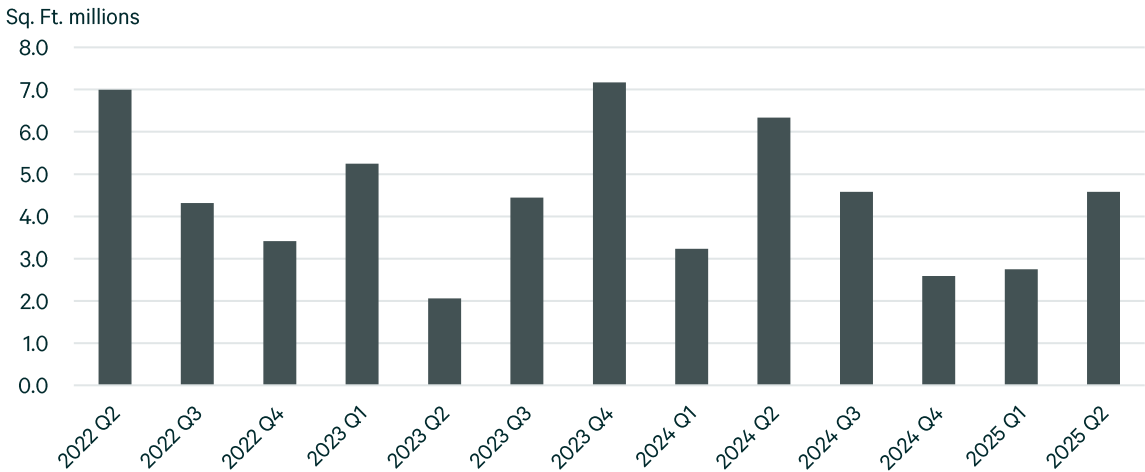
Harrisburg/York was the highly sought-after submarket in the corridor, accounting for 917,000 sq. ft. of positive absorption in Q2 2025. The many options among Class A buildings coupled with favorable rents were the drivers behind tenant demand in that submarket. For context, the average asking rent in Harrisburg/York is \$8.16, whereas the average asking rent in Lehigh Valley is \$11.52. As tenants reconsider real estate strategies against a backdrop of significantly higher rents, Harrisburg/York was the hotbed for those conscious of pricing with Class A vacancy in Harrisburg/York sitting at 9.3% compared to the market average of 14.0%.

Supply

Developers maintained a cautious stance in recent years due to longstanding vacancies resulting from robust development during 2021 and 2022. In Q2 2025 there were 18 projects underway, totaling 6.7 million sq. ft.

Although under construction activity accelerated quarter-over-quarter from 2.8 million sq. ft. to 6.7 million sq. ft., current levels were a fraction of the volume seen during the development

FIGURE 2: Leasing Activity



Source: CBRE Research, Q2 2025

FIGURE 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
RJW Logistics Group	1,058,483	New Lease	450 E Arthur Gardner Pkwy	Hazleton/Schuylkill
E-Commerce Company	705,000	Renewal	500 McCarthy Dr	Harrisburg/York
GSK	624,000	Renewal	105 Willow Springs Ln	Harrisburg/York
RR Donnelley	542,344	Renewal	700 Nestle Way	Lehigh Valley
Grocery Outlet Inc.	507,000	New Lease	2040 N Union St	Harrisburg/York
Genuine Parts NAPA	402,947	New Lease	500 Willow Springs Ln	Harrisburg/York
Navistar	390,000	Renewal	105 Steamboat Blvd	Harrisburg/York
Southwire	348,075	Renewal	1500 Bartlett Dr	Harrisburg/York
Dentsply Sirona	263,528	New Lease	1800 Cloister Dr	Lancaster
Group O	235,402	New Lease	6360 Brackbill Blvd	Harrisburg/York

Source: CBRE Research, Q2 2025

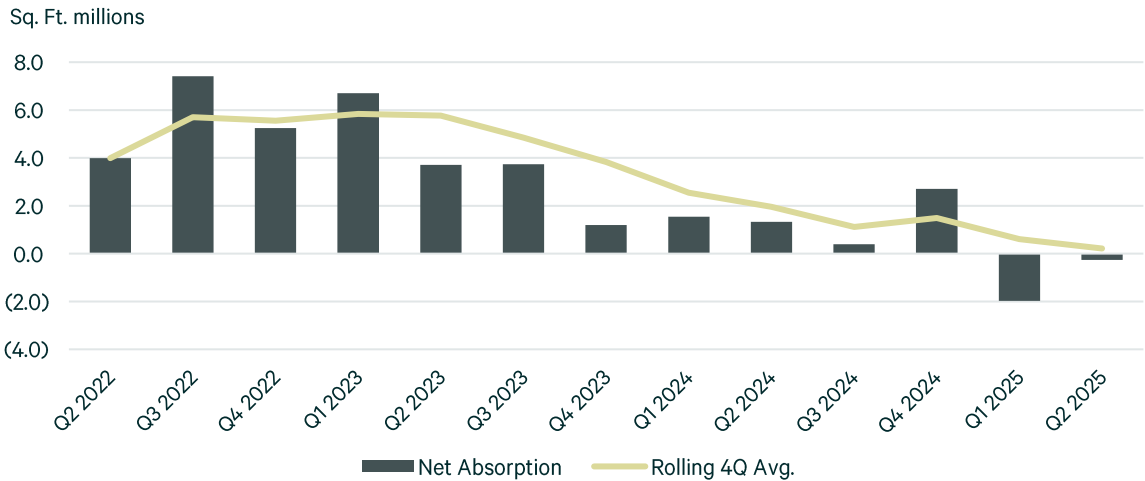
boom when the construction pipeline grew as high as 41.6 million sq. ft. But excess supply was starting to concentrate in specific size ranges. For context, in the second quarter of the year the 500,000 to 749,999 sq. ft. size range had a total vacancy rate of 13.8%. With such vacancies in this size range, developers were wary of supply additions as the market continued to deal with lingering vacancies. The bright spot within development woes was in the 750,000 sq. ft. or greater size range as the total vacancy rate sat at 7.5% in the second quarter. Two leases in this size range signed during the quarter, leaving less than a dozen existing options for 750,000 sq. ft. or more across the entirety of the PA I-78/I-81 Corridor.

Economic Overview

Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But as we enter 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 more steady economy. Nonetheless, it could take time for the costs associated with higher tariffs and global uncertainty to filter through.

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 returning 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
Chambersburg	36,709,004	9.4	12.3	7.9	4.4	6.79	0	(567,125)	0	409,500
Harrisburg/York	164,700,653	5.9	8.0	5.4	2.6	8.16	917,188	254,539	995,347	1,285,902
Lehigh Valley	118,521,017	9.0	10.8	10.2	0.6	11.52	(179,439)	(905,357)	174,444	939,095
Reading	59,714,671	9.4	10.6	8.9	1.7	8.86	(34,804)	(134,878)	0	1,591,000
Hazleton/Schuylkill	38,135,582	15.4	14.4	13.8	0.6	7.66	(1,282,000)	(1,063,094)	0	1,348,000
Scranton	70,918,886	10.2	10.1	7.1	3.0	7.09	518,345	435,601	699,847	418,683
Lancaster	55,684,789	3.8	4.7	4.4	0.3	8.74	(202,289)	(260,221)	0	690,248
Total	544,384,602	8.2	9.6	7.7	1.9	9.04	(262,999)	(2,240,535)	1,869,638	6,682,428

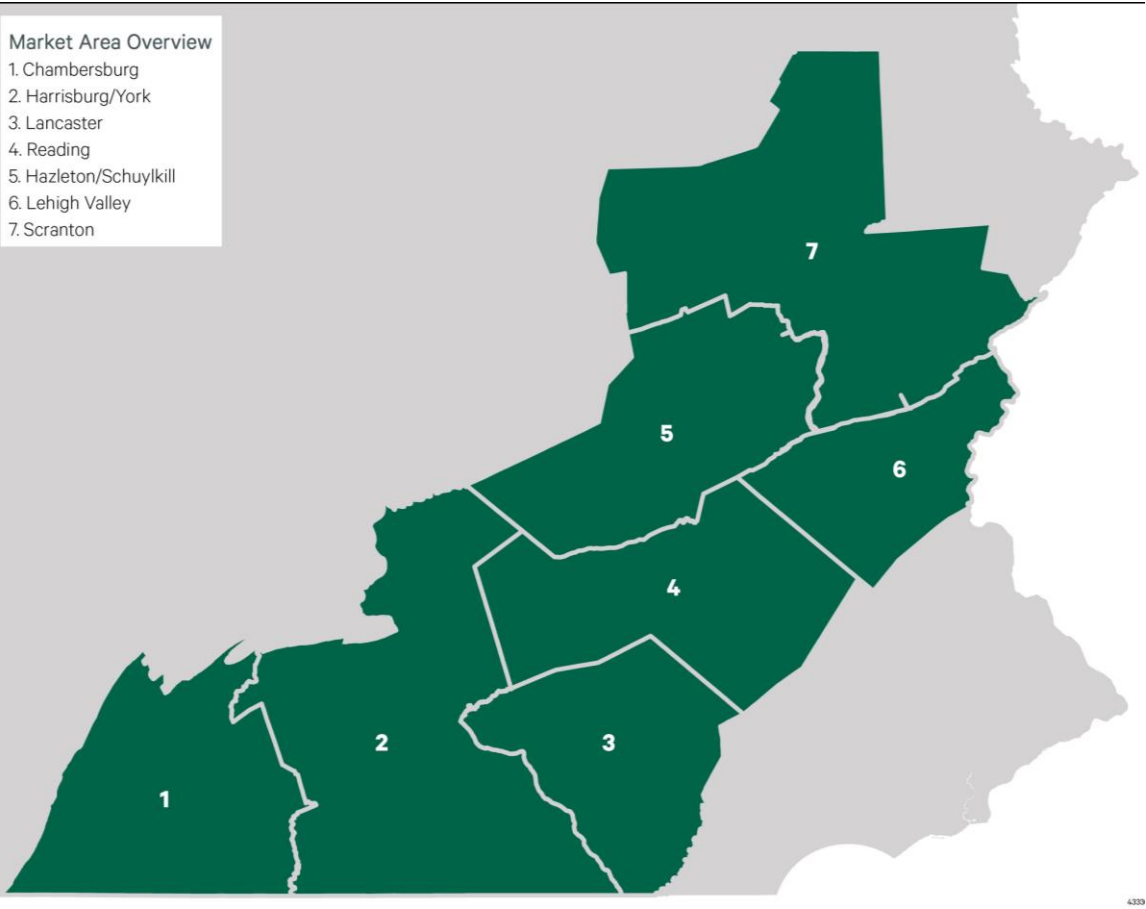
Market Statistics by Size

	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.	72,856,679	3.5	3.7	3.4	0.3	8.76	85,223	(144,469)	66,000	90,100
100,000-199,999 sq. ft.	79,076,048	5.4	6.2	5.3	0.8	7.97	(802,678)	(924,079)	174,444	633,867
200,000-299,999 sq. ft.	59,167,642	9.1	10.1	8.4	1.7	9.76	289,560	521,852	0	1,891,819
300,000-499,999 sq. ft.	86,151,905	10.4	12.7	11.2	1.5	9.47	870,107	(263,905)	402,947	409,500
500,000-749,999 sq. ft.	79,823,812	13.8	15.7	13.7	2.0	8.87	69,789	(494,896)	1,226,247	500,000
750,000 sq. ft. or greater	167,308,516	7.5	9.0	5.8	3.2	8.75	(775,000)	(935,038)	0	3,157,142
Total	544,384,602	8.2	9.6	7.7	1.9	9.04	(262,999)	(2,240,535)	1,869,638	6,682,428

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	453,530,915	9.1	10.5	8.4	2.1	9.13	186,618	(1,689,966)	1,869,638	6,182,428
Manufacturing	75,778,930	3.6	5.1	4.5	0.6	7.67	(365,898)	(540,222)	0	500,000
R&D / Flex	10,601,953	2.8	3.7	3.1	0.6	11.14	(83,719)	33,778	0	0
Other Industrial	4,472,804	3.3	2.3	2.3	0.0	9.95	0	(44,125)	0	0
Total	544,384,602	8.2	9.6	7.7	1.9	9.04	(262,999)	(2,240,535)	1,869,638	6,682,428

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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