

# EASTERN PENNSYLVANIA SOUTHERN NEW JERSEY DELAWARE



## “Growing” Demand

### Regional Overview

- > The regional vacancy rate decreased from 7.4 to 6.4 percent during the last two quarters of 2016.
- > Net absorption totaled 27.6 million square feet, the highest annual total on record.
- > Asking rents increased by 4.0 percent from the end of the second quarter.
- > Build-to-suit construction outpaced spec at year-end, but more speculative projects will be gearing up.
- > There were fewer investment-grade sales, but there were high-watermark prices achieved in a few submarkets.

The regional industrial market had a strong performance during the last two quarters of 2016. In addition to the existing demand drivers of e-commerce, food, electronics and consumer products, a new sector emerged: medical marijuana growers. In Pennsylvania, potential growers and processors are seeking locations in advance of license approvals.

In excess of 21.6 million square feet of new construction was completed in 2016. The 8.3 million square feet completed in the fourth quarter was higher than the annual totals for each year from 2009 through 2013.

Asking rents increased by \$0.16 to an average of \$4.89 per square foot. Suburban Philadelphia and the Lehigh Valley had the largest jumps in asking rents. Warehouse rents ranged from \$3.25 to \$6.75, depending on age, building feature, and location. New generation bulk warehouse rents ranged from \$4.75 to \$5.25 per-square-foot. User sale prices also increased by approximately 10.0 percent to an average of \$47.93 per-square-foot.

### MARKET INDICATORS

Relative to prior period

PA/NJ/DE  
Q2 2016

PA/NJ/DE  
Q2 2017\*

VACANCY



NET ABSORPTION



CONSTRUCTION



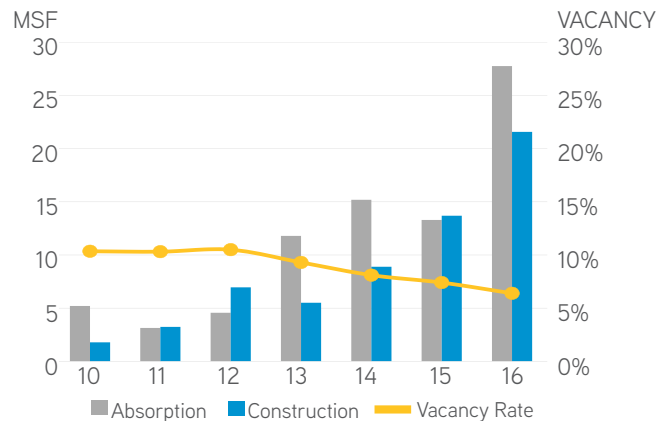
RENTAL RATE



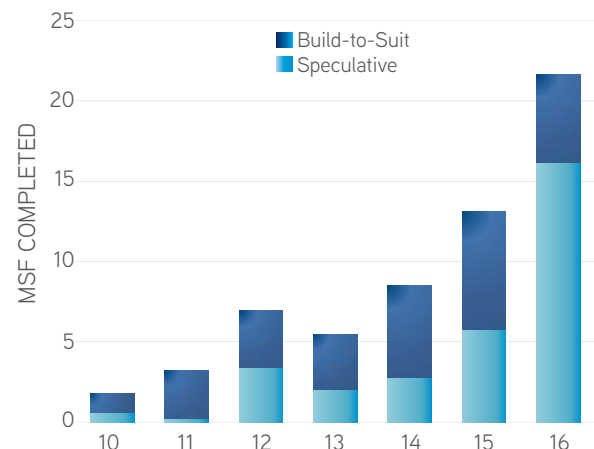
\*Projected

Arrows compare current period to the previous period and forecast the next period.

### NEW SUPPLY, VACANCY AND ABSORPTION



### CONSTRUCTION DELIVERIES



## Recent Transactions Q3 and Q4 2016

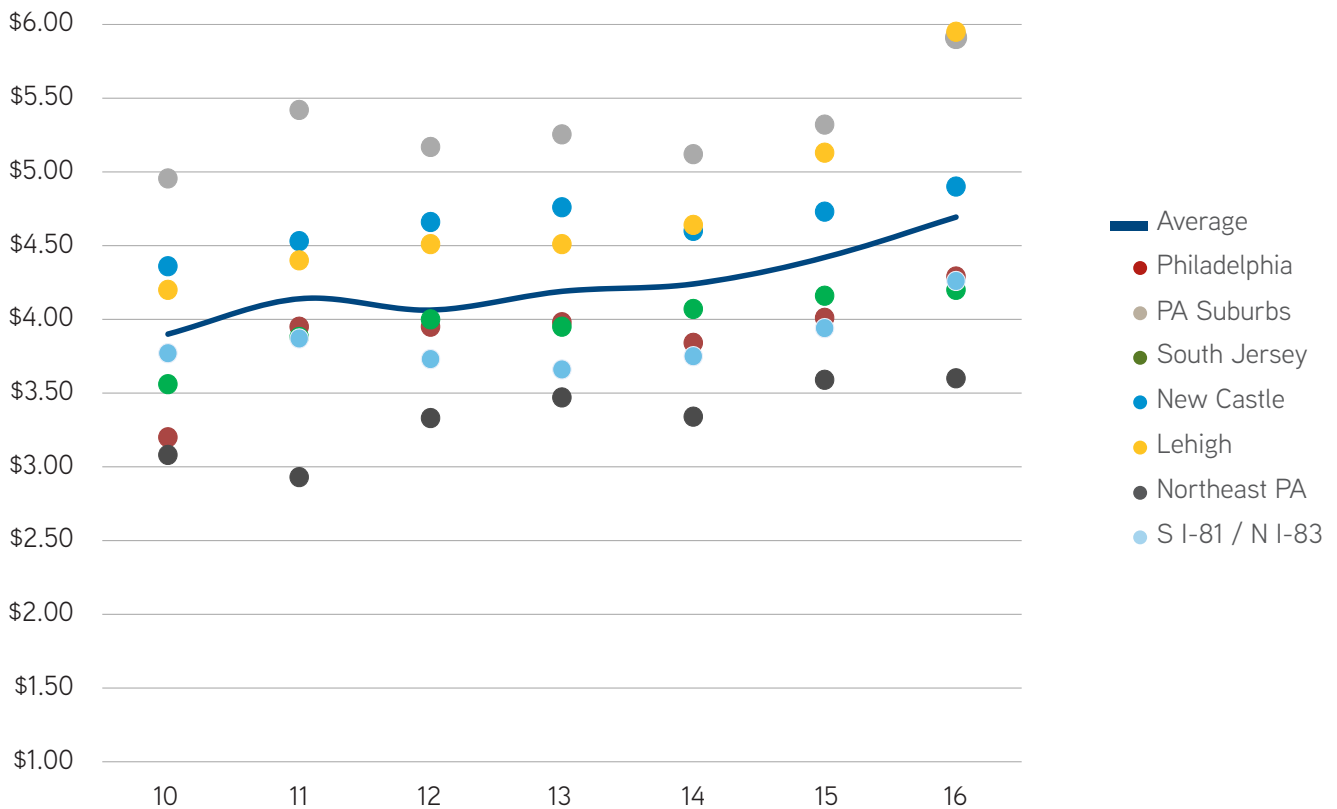
NOTABLE SALES ACTIVITY					
PROPERTY ADDRESS	LOCATION	BUYER	SIZE SF	SALES PRICE / SF	TYPE
2086 Corp. Center Dr. W.	Northeast PA	Exeter Property Group	1,369,000	\$52.96	Investor
125 Green Tree Road	Montgomery County	Goldman Sachs	823,731	\$65.56	Investor
856-950 E Erie Ave	Philadelphia County	Shift Capital	810,000	\$4.29	Investor
12000 Roosevelt Boulevard	Philadelphia County	Provco Group	650,000	\$15.69	Investor
400 Lukens Drive	New Castle County	STAG Industrial	485,987	\$56.59	Investor
Keystone Industrial Park	Bucks County	Carson Companies	476,530	\$54.74	Investor
2100 Oglestown Road	New Castle County	Reybold Venture Group	390,000	\$20.43	Investor
100 Highland Drive	Southern New Jersey	Exeter Property Group	300,802	\$63.16	Investor
11350 Norcom Road	Philadelphia County	5601 Tulip Llc	288,000	\$11.00	Investor
800 Coopertown Road	Southern New Jersey	SoHo Tile Company	271,336	\$36.85	User
4000 Miller Circle North	Northampton County	Lineage Logistics	265,000	\$121.13	User
3127 Lower Valley Road	Chester County	Victory Brewing Company	215,000	\$50.71	User
7501-7701 Edmund Street	Philadelphia County	Edmund Street LLC	208,000	\$9.13	User
1128 Roosevelt Avenue	York County	Sunrise Holdings, L.P	204,729	\$16.67	Investor
2303 Center Square Road	Southern New Jersey	Cabot Properties	203,229	\$58.55	Investor
2321 High Hill Road	Southern New Jersey	Gramercy Property Trust	197,500	\$77.72	Investor
4500 Westport Drive	Southern I-81/I-83	Foxfield Real Estate Ventures	178,600	\$35.83	Investor

LEASE ACTIVITY					
PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE	
8620 Congdon Hill Drive	Lehigh Valley	Verizon	1,200,000	New	
575 Old Forge Road	Southern I-81/I-83	Mattel	1,002,000	New	
Kost Road	Southern I-81/I-83	Whirlpool	1,000,000	New-BTS	
600 New Commerce Boulevard	Northeast PA	Chewy.com	843,000	New	
3000 AM Drive	Bucks County	Continental Tire	740,880	New	
32 Springside Road	Southern New Jersey	VCS Group	682,708	New-BTS	
8742 Congdon Hill Drive	Lehigh Valley	East Penn Manufacturing	650,000	New	
1445 Eden Road	Southern I-81/I-83	Malt-O-Meal	606,057	New	
400 Lukens Drive	New Castle County	Zenith Products	485,975	New-leaseback	
10874 Second Amendment Drive	Southern I-81/I-83	Genco/Pirelli	423,000	New	
501 Old Forge Road	Southern I-81/I-83	Dollar Express	405,000	New	
200 Capital Lane	Southern I-81/I-83	Kellogg's	400,600	New	
250 Enterprise Way	Northeast PA	Confidential	399,500	New	
2810 Oldmans Creek Road	Southern New Jersey	XPO Logistics	393,120	New	
100 First Avenue	Northeast PA	Innovel Solutions (Sears)	390,000	New	
201 Cumberland Parkway	Southern I-81/I-83	Schneider Electric	340,000	Renewal	
2359 Center Square Road	Southern New Jersey	Home Depot USA, Inc.	299,520	Renewal	
63 Green Mountain Road	Northeast PA	The Packaging Wholesalers	293,493	New	
7 Gateway Boulevard	Southern New Jersey	Confidential	263,500	New	
301 Bordentown-Hedding Road	Southern New Jersey	Owens & Minor	213,000	New	
400 Arlington Boulevard	Southern New Jersey	CTDI	210,600	New	
100 Friars Boulevard	Southern New Jersey	ICS Corporation	181,370	New	
4779 Hanoverville Road	Lehigh Valley	Wasserstrom	174,000	New	
1640 River Road	Southern New Jersey	HD Supply	172,173	New	

# Market Comparison Update

INDUSTRIAL MARKET										
SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	NET ABSORPTION QUARTER	NET ABSORPTION YTD	COMPLETIONS YTD	UNDER CONSTRUCTION	AVG. ASKING RENT
Philadelphia County	77,572,777	5,484,932	34,500	5,519,432	7.1%	218,798	731,579	145,000	-	\$4.29
Bucks County	52,368,736	2,842,657	122,168	2,964,825	5.7%	119,092	947,657	-	-	\$4.87
Chester County	22,868,404	1,427,328	-	1,427,328	6.2%	(87,467)	(279,197)	80,000	122,000	\$8.09
Delaware County	20,788,862	1,934,242	-	1,934,242	9.3%	15,092	319,974	247,452	-	\$5.99
Montgomery County	52,568,217	3,149,641	338,950	3,488,591	6.6%	220,044	981,304	565,376	-	\$5.86
<b>SUBURBAN TOTAL</b>	<b>148,594,219</b>	<b>9,353,868</b>	<b>461,118</b>	<b>9,814,986</b>	<b>6.61%</b>	<b>266,761</b>	<b>1,969,738</b>	<b>892,828</b>	<b>122,000</b>	<b>\$5.91</b>
Southern NJ	108,982,086	7,205,430	629,596	7,835,026	7.2%	1,153,641	7,455,600	5,088,976	1,687,048	\$4.20
Northern Delaware	24,715,829	2,091,979	15,400	2,107,379	8.5%	349,893	1,184,733	-	-	\$4.90
Lehigh Valley	74,157,211	2,161,493	-	2,161,493	2.9%	4,227,795	8,608,377	7,671,255	2,956,928	\$5.95
Northeast PA	86,103,732	4,145,243	711,000	4,856,243	5.6%	1,086,508	3,921,803	1,966,316	1,363,000	\$3.60
S I-81 / N I-83	114,026,751	8,356,732	52,700	8,409,432	7.4%	593,911	3,724,072	5,870,947	3,891,078	\$4.26
<b>MARKET TOTAL</b>	<b>634,152,605</b>	<b>38,799,677</b>	<b>1,904,314</b>	<b>40,703,991</b>	<b>6.39%</b>	<b>7,897,307</b>	<b>27,595,902</b>	<b>21,635,322</b>	<b>10,020,054</b>	<b>\$4.69</b>

## AVERAGE ASKING RENTS (NNN)



## 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 to 7.1 percent in the fourth quarter. The Provco Group's purchase of the former Kraft-Nabisco facility on Roosevelt Boulevard will result in the redevelopment of the property, leaving a 130,000-square-foot warehouse portion, which has been leased to JAKO Enterprises.

There is an extremely limited supply of single-story, single-occupant buildings under 100,000 square feet in Philadelphia.

### Suburban Pennsylvania

The vacancy rate decreased to 6.6 percent. Occupancy was boosted by the completion of build-to-suits for FedEx and Turn 14 Distribution in Montgomery County and Continental Tire's lease in Quakertown.

Prospective marijuana growing operations have been actively searching for freestanding buildings, but the supply is limited. Multiple development sites are in play and, while spec construction is anticipated until 2018, there may be additional build-to-suits commencing.

### Southern New Jersey

The vacancy rate decreased from 9.5 percent at mid-year to 7.2 percent as South Jersey posted its strongest results ever in absorption and new construction. The major counties of Burlington, Camden and Gloucester all had single-digit vacancy. Demand from e-commerce tenants, North Jersey requirements, and organic growth from existing companies resulted in 7.5 million square feet of absorption.

There was a temporary dip in the number of projects under construction, but more build-to-suit and spec projects will be starting in 2017. Land sale activity increased as developers are securing new sites.

### New Castle County, DE

The New Castle County industrial market rebounded strongly in 2016. The 8.5 percent vacancy rate was the lowest level in a decade and the 1.2 million square feet of absorption was the highest level in four years.

The increase in demand came from international locations, surrounding states, and expanding Delaware companies. Datwyler Sealing Solutions purchased land for a 275,000-square-foot manufacturing facility in Middletown, DE.

An additional large, persistent vacancy will be removed due to the sale of the Avon facility for redevelopment.

### Lehigh Valley, PA

The vacancy rate in the Valley hit an historically low 2.9 percent even with an historically high 7.7 million square feet of new construction. Uline's new buildings totaling 1.67 million square feet were completed, and Verizon and East Penn Manufacturing leased two recently completed spec projects.

Bulk construction starts were down at year-end while the next wave of projects gears up. Site work and road improvements have commenced on the new FedEx hub. With the limited supply of manufacturing and non-bulk warehouse, there were multiple build-to-suits underway for Reeb Millwork, Ecopax, Bakerly and Hovertech.

### Northeast Pennsylvania

Following two years of flat or negative demand, the Northeastern PA counties had a sharp uptick in activity and decrease in vacancy during 2016. Vacancy decreased from 7.4 percent at mid-year to 5.6 percent. Absorption was at the highest level since 2007.

Spec projects were underway in Centerpoint Commerce Park and Hanover Ridge Trade Center. The Hanover Ridge building was preleased by Chewy.com.

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

The vacancy rate remained in the 7.4 percent range during the last two quarters due to the delivery of four spec buildings totaling 1.9 million square feet.

Activity increased during the fourth quarter, particularly for projects in York and Lebanon County, with new deals signed by Malt-O-Meal, Pirelli, and Dollar Express.

Whirlpool will be moving from 800,000 square feet at Exit 44 of I-81 to a 1.0 million square foot building at Exit 52. Mattel has committed to a 1.0 million square foot building at the I-81/I-78 split in Lebanon County.

554 offices in  
66 countries

\$2.5B in annual revenue  
2B square feet under management  
Over 16,000 professionals



UNITED STATES:  
Colliers International | Philadelphia

Philadelphia, PA (headquarters)  
TEL +1 215 925 4600

Allentown, PA  
TEL +1 610 770 3600

Conshohocken, PA  
TEL +1 610 684 1850

Harrisburg, PA  
TEL +1 717 730 3752

Wilmington, DE  
TEL +1 302 425 4000

Mount Laurel, NJ  
TEL +1 856 234 9300



Colliers International  
Ten Penn Center  
1801 Market Street, Suite 550  
Philadelphia, Pennsylvania, 19103  
+1 215 925 4600  
colliers.com/philadelphia



Accelerating success.

Copyright © 2017 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.