

SUBURBAN PHILADELPHIA

Key Trends

- > The vacancy rate increased slightly from 5.1 to 5.2 percent in the second quarter, the same level as at the end of 2017.
- > Net absorption has lagged year-to-date, totaling just under 115,000 square feet.
- > The weighted average asking rent increased to \$6.23 per square foot, triple net, after decreasing in the first quarter.
- > Investment activity was up sharply in the second quarter after a slow start to the year. One-off opportunities are fewer and have contributed to continuing lower cap rates from aggressive bidding.

Vacancy in the suburban counties has essentially been flat in 2018. Absorption has been artificially low as some older manufacturing facilities came back on the market, and the lack of supply constrained activity.

The flat results for the first half do not reflect the pent-up demand for new space and the developer response. Local developers, and increasingly national players, are busily securing land and redevelopment sites. FAR prices for land sites have increased sharply, driving up the competition for existing buildings to retrofit or scrape and rebuild.

An 80,000-square-foot spec building in Bristol Commerce Center was nearing completion. Solar Manufacturing Incorporated broke ground on a 57,000-square-foot headquarters and manufacturing facility in Sellersville, Bucks County. Two additional build-to-suits were pending in Linfield Corporate Center in Montgomery County. Spec projects may commence before the end of 2018 in Quakertown and Souderton.

There have been numerous companies shuttering facilities in 2018. This trend is continuing as Teva Pharmaceuticals announced it will be moving operations to New Jersey. This will potentially impact three buildings the company leases in Bucks and Montgomery counties, a total of 690,000 square feet.

MARKET INDICATORS

Relative to prior period

Q1 2018

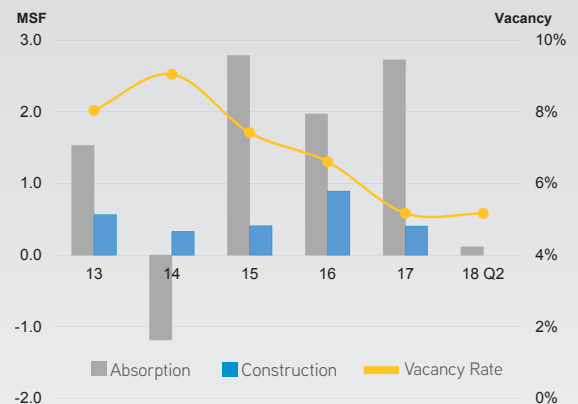
Q3 2018*

Indicator	Q1 2018	Q3 2018*
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↑

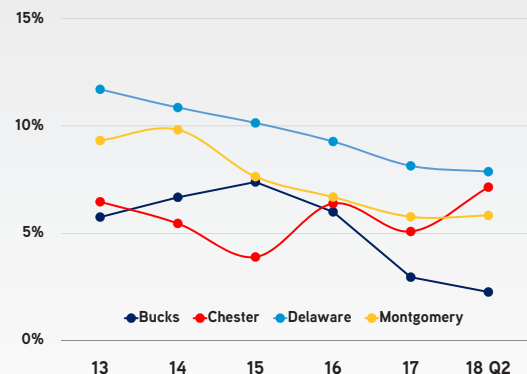
*Projected

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

NEW SUPPLY, VACANCY AND ABSORPTION



VACANCY BY COUNTY



Recent Transactions in the Market 2Q 2018

LEASE ACTIVITY

PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE
101 Gordon Drive	Chester County	USSC Group	262,900	New
191 S. Keim Street	Montgomery County	A. Stucki Company	125,000	Renewal
450 Winks Lane	Bucks County	National Refrigeration	64,505	Expansion
841 Nina Way	Bucks County	PPC Lubricants	45,000	Renewal

NOTABLE SALES

PROPERTY ADDRESS	LOCATION	BUYER	SIZE SF	SALES PRICE / SF	TYPE
8 Lee Boulevard	Chester County	Mapletree Investments	291,349	\$107.77	Investor
444 North Lane	Montgomery County	Cabot Properties, Inc.	174,400	\$94.04	Investor
6400 Bristol Pike	Bucks County	Mapletree Investments	152,000	\$52.63	Investor
32 Anderson Avenue	Chester County	Suburban Management Company	143,092	\$26.21	Investor
260-280 Hansen Access Road	Montgomery County	Mapletree Investments	130,870	\$84.82	Investor
2375-2379 Philmont Avenue	Montgomery County	Premier Storage Investors	92,535	\$38.90	User

Market Statistical Update

INDUSTRIAL MARKET

SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	ANNUAL NET ABSORPTION	COMPLETIONS YTD	UNDER CONSTRUCTION	AVG. ASKING RENT NNN
Bucks County	52,304,072	1,259,042	105,940	1,364,982	2.6%	176,873	-	80,000	\$5.57
Chester County	23,427,567	1,354,888	71,300	1,426,188	6.1%	13,381	-	-	\$8.75
Delaware County	20,735,830	1,644,943	-	1,644,943	7.9%	43,258	-	-	\$5.35
Montgomery County	52,45,881	3,232,345	20,000	3,252,345	6.2%	(118,688)	116,000	49,100	\$5.84
SUBURBAN TOTAL*	148,797,350	7,491,218	197,240	7,688,458	5.2%	114,824	116,000	129,100	\$6.23

Note: modifications were made to the surveyed inventory during the 2nd quarter with corresponding adjustment to results in previous periods.

PROPOSED INDUSTRIAL DEVELOPMENT

