



COMMERCIAL REAL ESTATE SERVICES

A photograph of two men in business attire walking through a vast, empty industrial warehouse. The warehouse has a high ceiling with a complex steel truss structure. The entire image is overlaid with a semi-transparent red filter.

Q4 2022

Philadelphia Industrial Market Report | Logistics Set

Central PA | Lehigh Valley | Northeastern PA | Southern New Jersey | Philadelphia Metro | Delaware | Lower 81

Lee & Associates of Eastern Pennsylvania LLC

Central PA | 4550 Lena Drive, Suite 104, Mechanicsburg, PA 17055 | 717.695.3840

Suburban Philadelphia | 220 W. Germantown Pike, Suite 200, Plymouth Meeting, PA 19462 | 610.400.0499

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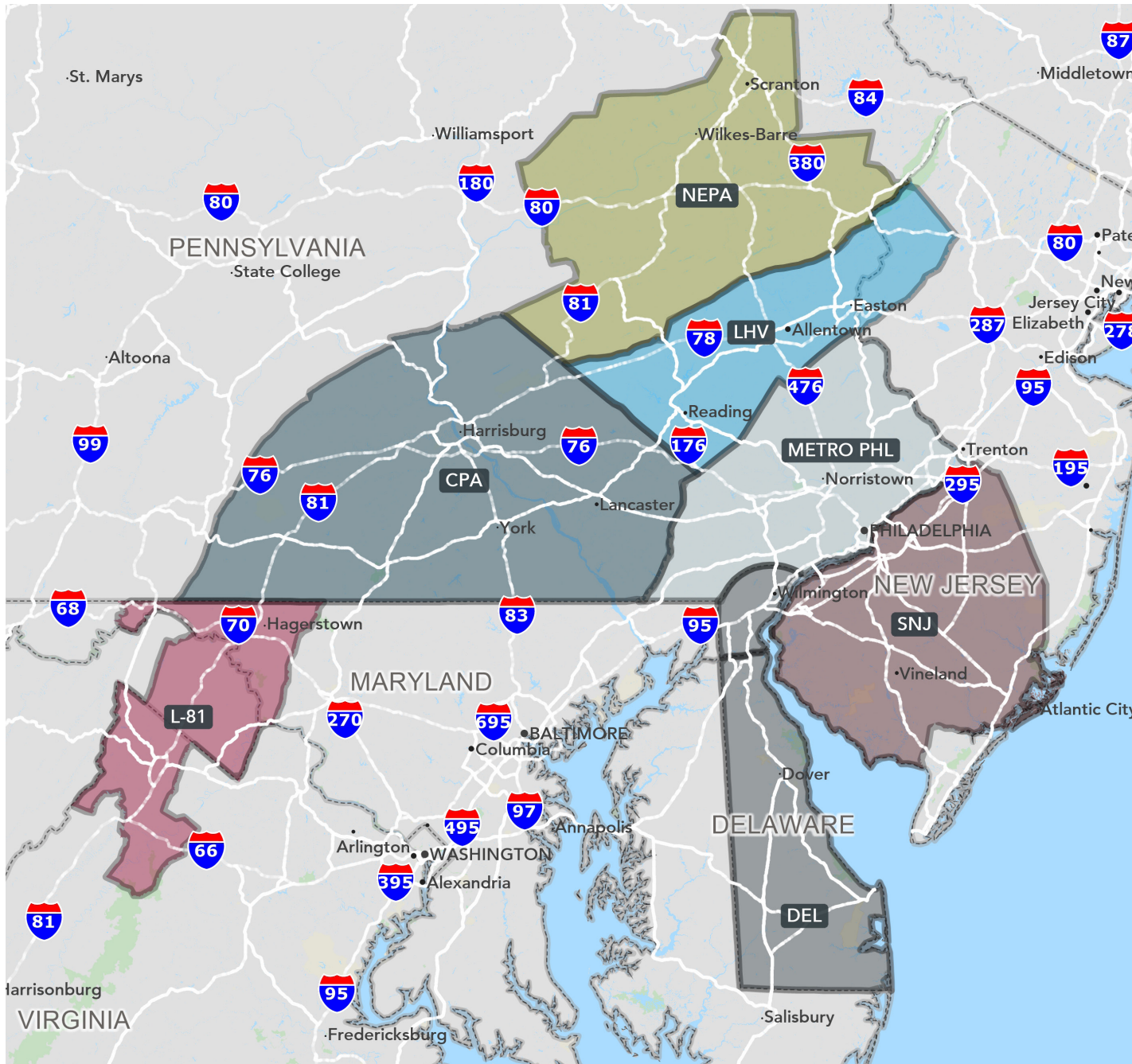
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Central PA (CPA)

Harrisburg East: Dauphin Co./Lebanon Co.
Harrisburg West: Cumberland Co./Franklin Co.
Lancaster: Lancaster Co.
York: York Co.
Other: Perry Co./Adams Co.

Lehigh Valley (LHV)

Reading: Berks Co.
Lehigh Valley West: Lehigh Co.
Lehigh Valley East: Northampton Co./Warren Co., NJ

Northeastern PA (NEPA)

NEPA Central: Luzerne Co.
NEPA North: Lackawanna Co.
NEPA South: Schuylkill Co.
Other: Columbia Co./Carbon Co./Monroe Co.

Southern New Jersey (SNJ)

Burlington: Burlington Co.
Camden: Camden Co.
Gloucester: Gloucester Co.
Other: Cumberland Co./Salem Co./Atlantic Co.

Philadelphia Metro (Metro)

Suburban East: Bucks Co.
Suburban West: Chester Co.
Suburban South: Delaware Co.
Suburban North: Montgomery Co.
Philadelphia: Philadelphia Co.

Delaware (DEL)

North: New Castle Co.
Central: Kent Co.
South: Sussex Co.

Lower 81 (L-81)

Hagerstown, MD - Washington Co.
Martinsburg, WV - Berkeley Co./Jefferson Co.
Winchester, VA - Winchester Co./Frederick Co.
Front Royal, VA - Warren Co.

162 ▲

Active Requirements

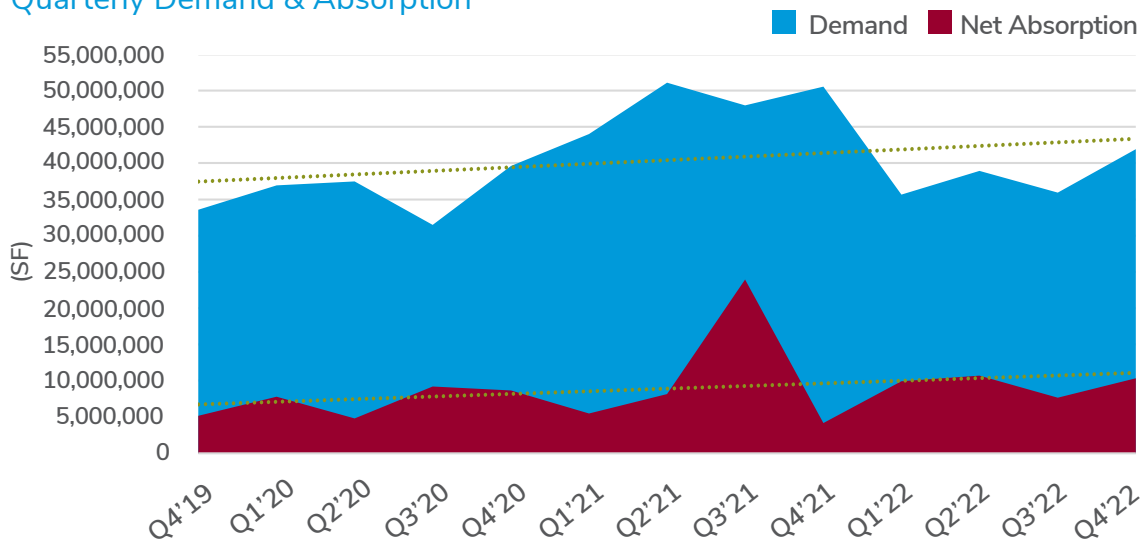
41,910,000 SF ▲

Aggregate Demand

258,642 SF ▼

Average Size

Quarterly Demand & Absorption

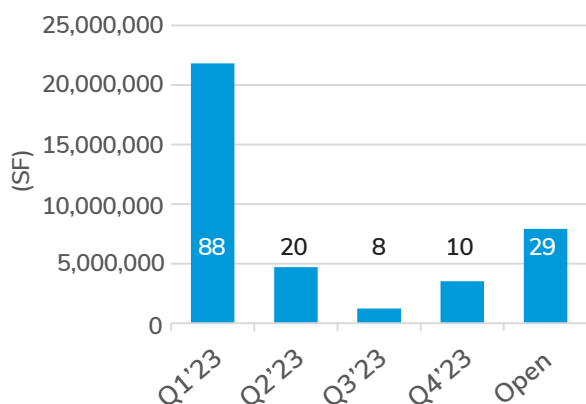


Size Range

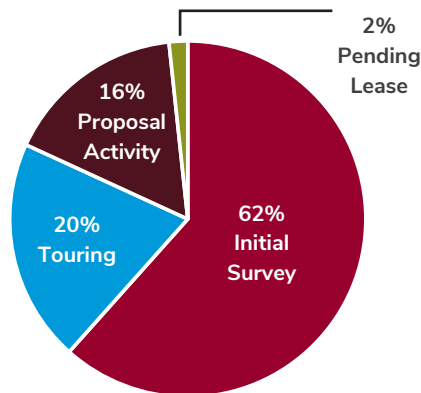
Requirements

1,000,000 +	3
750,000 - 999,999	3
500,000 - 749,999	14
250,000 - 499,999	56
100,000 - 249,999	56
<100,000	30

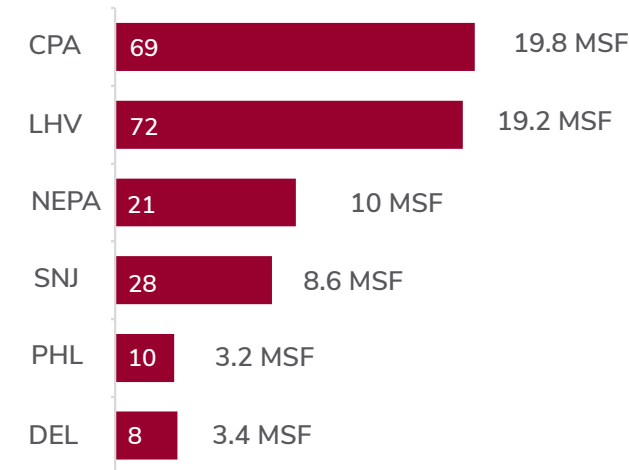
Target Occupancy



Stages of Demand



Active Requirements ¹



Supply Notes

Vacancy

Under Construction

3.24%

45,201,605 SF

PHILADELPHIA REGION LOGISTICS SET | Q4 2022 STANDING STOCK

3.24% ▲

Vacancy

581,978,333 SF

Standing Stock

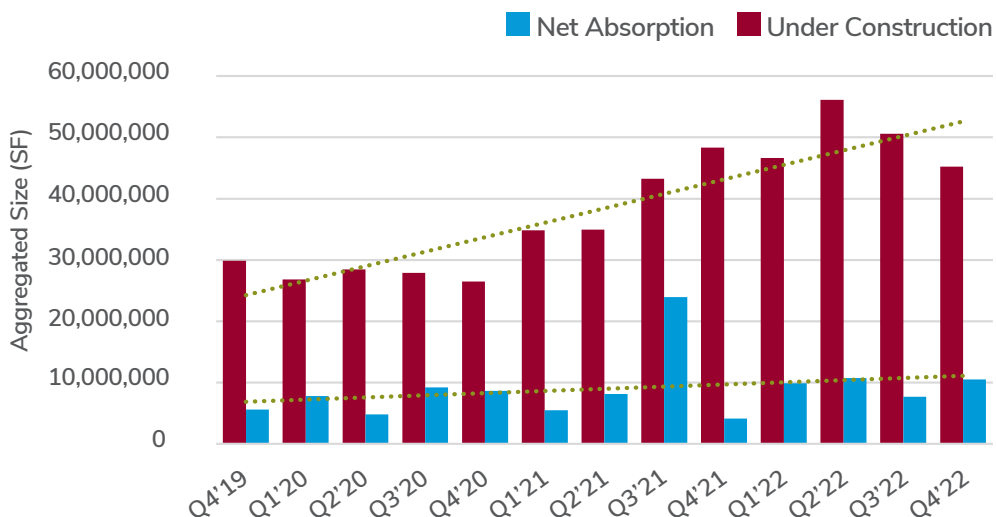
10,507,353 SF ▲

Net Absorption

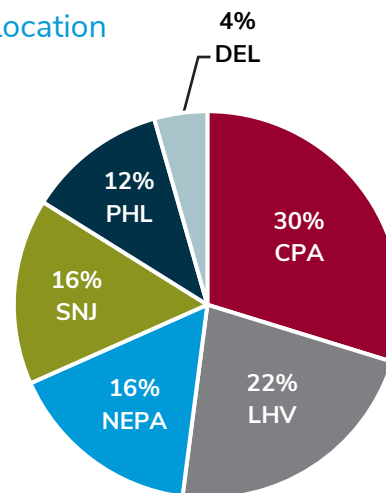
45,201,605 SF ▼

Under Construction

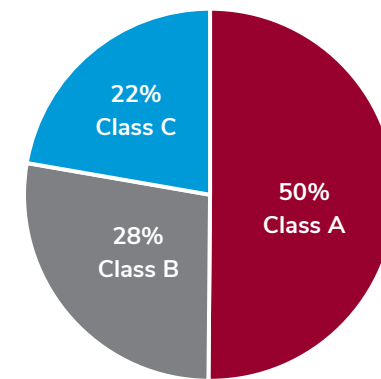
Net Absorption | Under Construction



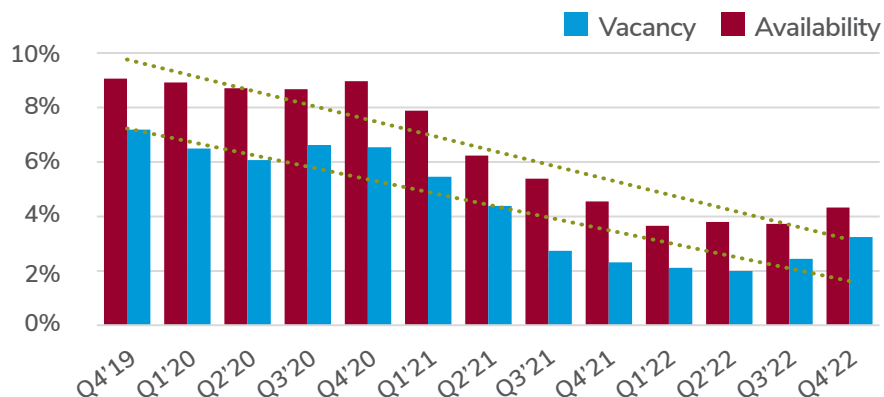
Location



Asset Quality



Vacancy | Availability



Market Notes

Overall, the Philadelphia Region continues to be one of the strongest markets in the country. Vacancy increased 80 bps to 3.24%, reflecting a combination of new Construction Deliveries (15.3 MSF), Net Absorption (10.3 MSF) and some newly vacant second generation space (836,000 SF). Rolling Construction levels are off 10% for the 2nd straight quarter, down 10.9 MSF from their Q2'22 peak; as it stands roughly 80% of the 45.2 MSF under way is not committed. Given a trailing Net Absorption figure averaging 9.3 MSF per quarter the current pipeline represents a m/l a one year supply of space. High level that shouldn't concern portfolio level owners much – even if leasing Demand and Net Absorption taper dramatically, it seems unlikely the market as a whole will approach structural vacancy levels in 2023.

Central PA led the way across the big four submarket clusters booking the highest Net Absorption and lowest Vacancy Rate for the second straight quarter. Steady Demand, rent growth and overall strong fundamentals persist there, as well as in the Lehigh Valley and Southern New Jersey. Northeast PA remains a bit of an enigma – Demand and Vacancy levels are encouraging, but 2022 Net Absorption was off relative to the 3Y trailing average, Construction activity is relatively high, and the Development Pipeline is oversized in comparison to the other markets.

PHILADELPHIA REGION LOGISTICS SET | Q4 2022 STANDING STOCK

1,743

Total Buildings

333,895 SF

Average Building Size

15,301,176 SF ▲

New Construction Deliveries

50%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Central Pennsylvania (CPA)	457	173,220,474	379,038	1.93%	4,632,597	14,349,845	14,570,845
Class A	146	89,825,485	615,243	2.57%	4,825,468	12,730,752	12,951,752
Class B	177	51,614,757	291,609	0.45%	(70,809)	1,319,859	1,319,859
Class C	134	31,780,232	237,166	2.49%	(122,062)	299,234	299,234
Lehigh Valley (LHV)	333	129,716,861	389,540	4.10%	402,755	8,223,171	8,223,171
Class A	163	86,361,786	529,827	5.28%	467,919	8,149,459	8,149,459
Class B	88	26,646,855	302,805	0.41%	(65,164)	114,732	114,732
Class C	82	16,708,220	203,759	3.86%	0	(41,020)	(41,020)
Northeastern Pennsylvania (NEPA)	277	94,842,039	342,390	3.66%	3,405,377	4,853,756	4,853,756
Class A	82	45,602,005	556,122	3.12%	3,113,949	5,172,409	5,172,409
Class B	87	23,222,857	266,929	7.30%	207,894	(262,979)	(262,979)
Class C	108	26,017,177	240,900	1.34%	83,534	(55,674)	(55,674)
Southern New Jersey (SNJ)	309	90,417,540	292,613	4.79%	1,485,379	5,782,841	5,782,841
Class A	104	45,680,662	439,237	8.57%	1,485,379	4,470,964	4,470,964
Class B	103	24,960,893	242,339	0.00%	0	1,555,516	1,555,516
Class C	102	19,775,985	193,882	2.10%	0	(243,639)	(243,639)
Philadelphia Metro (METRO)	278	67,986,901	244,557	3.14%	363,545	3,052,581	3,052,581
Class A	48	12,829,958	267,291	8.75%	547,337	2,276,598	2,276,598
Class B	99	25,870,188	261,315	2.81%	(224,393)	(70,082)	(70,082)
Class C	131	29,286,755	223,563	0.98%	40,601	846,065	846,065
Delaware (DEL)	89	25,794,518	289,826	1.14%	217,700	1,827,299	1,827,299
Class A	18	11,487,890	638,216	1.02%	(117,300)	1,232,700	1,232,700
Class B	42	8,277,192	197,076	0.99%	275,000	252,849	252,849
Class C	29	6,029,436	207,912	1.56%	60,000	341,750	341,750
TOTALS	1,743	581,978,333	333,895	3.24%	10,507,353	38,089,493	38,310,493
Class A	561	291,787,786	520,121	4.61%	10,322,752	34,032,882	34,253,882
Class B	596	160,592,742	269,451	1.77%	122,528	2,909,895	2,909,895
Class C	586	129,597,805	221,157	1.99%	62,073	1,146,716	1,146,716



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1.93% ▲

Vacancy

173,220,474 SF

Standing Stock

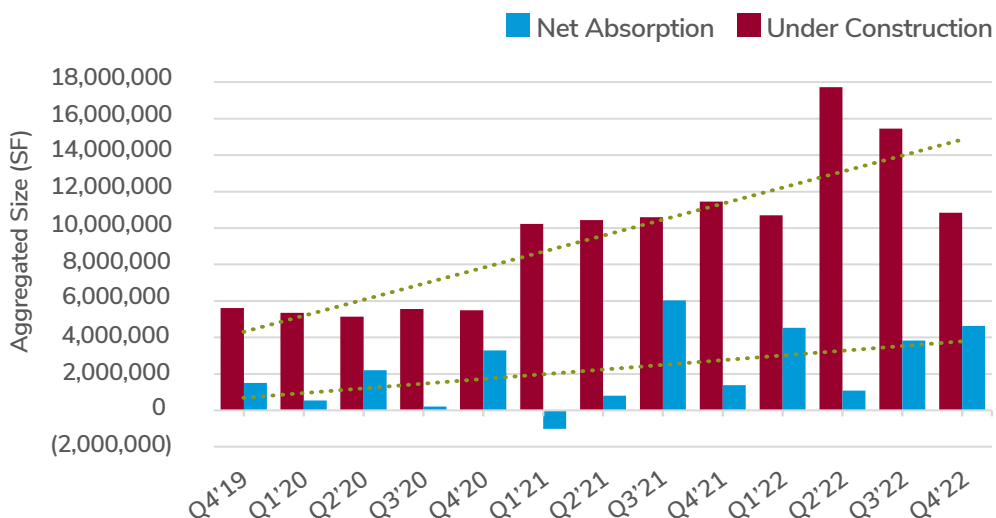
4,632,597 SF ▲

Net Absorption

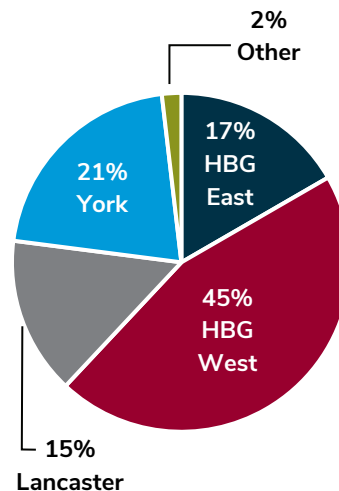
10,837,293 SF ▼

Under Construction

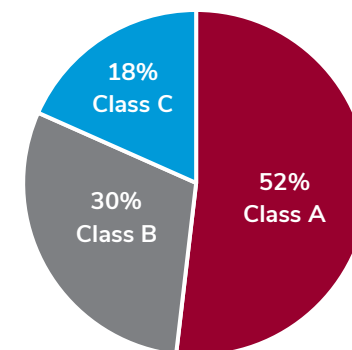
Net Absorption | Under Construction



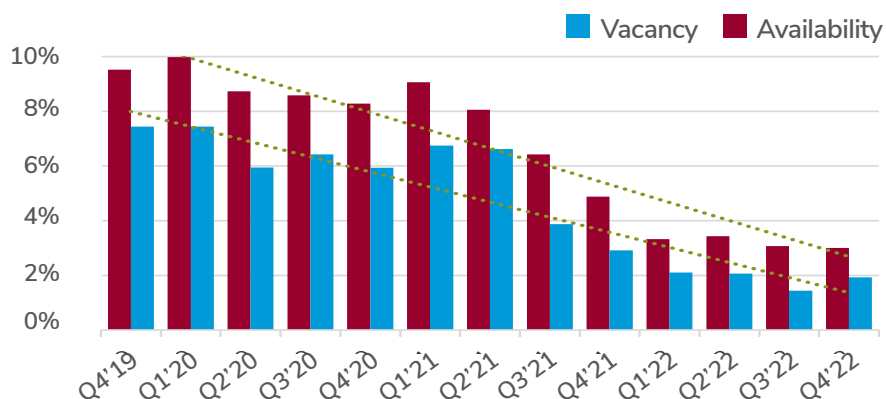
Location



Asset Quality



Vacancy | Availability



Market Notes

The sun continues to shine in Central Pennsylvania. Net Absorption capped off a 14 MSF year, weighing in at over 4.6 MSF for the quarter thanks to new occupancies by Wal-Mart, Geodis, UPS and Amazon. Rents also showed strength on the back of declining Construction activity (down nearly 40% from its Q2'22 peak) relatively strong Demand, and extraordinarily low vacancy rates.

Expect some clouds in 2023 though, as new speculative projects work their way towards delivery, economic headwinds threaten to slow Pre-Leasing and Demand activity, and a select few neighboring sub-markets deal with a potential over supply of new SPEC space deliveries. All in all, though, the future looks bright in CPA.

CPA LOGISTICS SET | Q4 2022 STANDING STOCK

457

Total Buildings

379,038 SF

Average Building Size

5,559,773 SF ▲

New Construction Deliveries

52%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Harrisburg East	82	28,857,442	351,920	2.88%	802,260	3,774,248	3,774,248
Class A	29	16,097,097	555,072	3.42%	775,000	3,317,840	3,317,840
Class B	31	8,283,242	267,201	2.15%	(38,740)	100,875	100,875
Class C	22	4,477,103	203,505	2.31%	66,000	355,533	355,533
Harrisburg West	162	78,508,053	484,618	1.46%	2,913,409	7,293,684	7,293,684
Class A	67	49,885,915	744,566	2.23%	2,945,478	6,351,572	6,351,572
Class B	60	19,518,743	325,312	0.16%	(32,069)	875,828	875,828
Class C	35	9,103,395	260,097	0.00%	0	66,284	66,284
Lancaster	96	26,080,333	271,670	0.97%	993	1,602,250	1,823,250
Class A	16	6,929,566	433,098	3.63%	0	1,336,530	1,557,530
Class B	45	10,563,559	234,746	0.00%	0	268,000	268,000
Class C	35	8,587,208	245,349	0.03%	993	(2,280)	(2,280)
York	107	36,565,860	341,737	3.02%	904,935	1,599,911	1,599,911
Class A	34	16,912,907	497,438	2.34%	1,104,990	1,724,810	1,724,810
Class B	38	11,957,208	314,663	0.19%	0	75,156	75,156
Class C	35	7,695,745	219,878	8.91%	(200,055)	(200,055)	(200,055)
Other	10	3,208,786	320,879	0.00%	11,000	79,752	79,752
Class A	0	0	0	0	0	0	0
Class B	3	1,292,005	430,668	0.00%	0	0	0
Class C	7	1,916,781	273,826	0.00%	11,000	79,752	79,752
TOTAL	457	173,220,474	379,038	1.93%	4,632,597	14,349,845	14,570,845
Class A	146	89,825,485	615,243	2.57%	4,825,468	12,730,752	12,951,752
Class B	177	51,614,757	291,609	0.45%	(70,809)	1,319,859	1,319,859
Class C	134	31,780,232	237,166	2.49%	(122,062)	299,234	299,234



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4.10% ▲

Vacancy

129,716,861 SF

Standing Stock

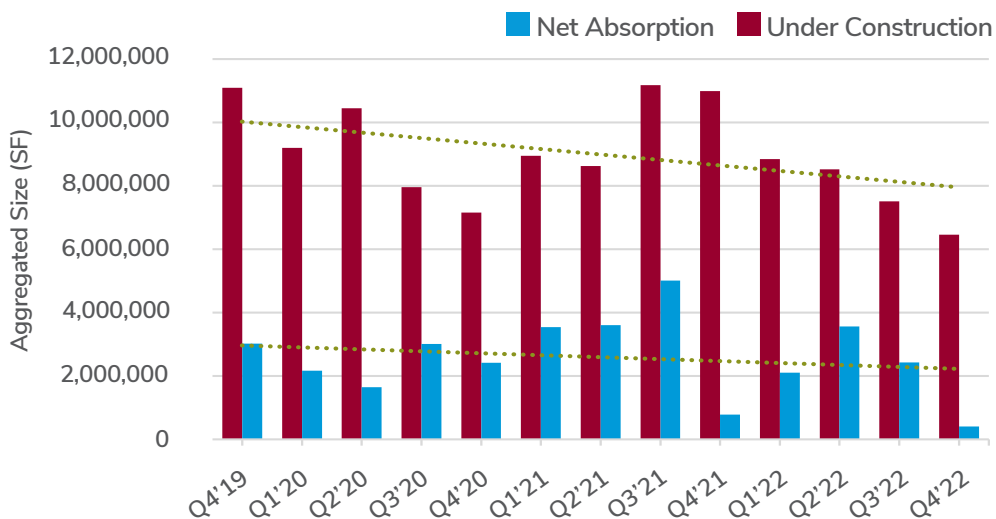
402,755 SF ▼

Net Absorption

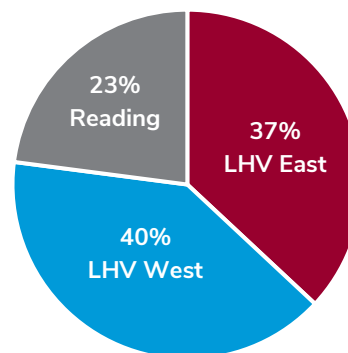
6,452,608 SF ▼

Under Construction

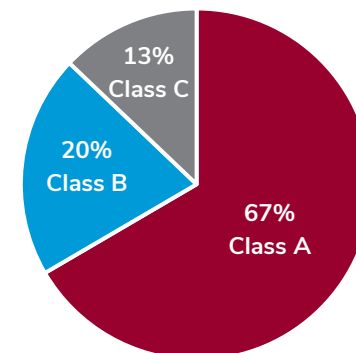
Net Absorption | Under Construction



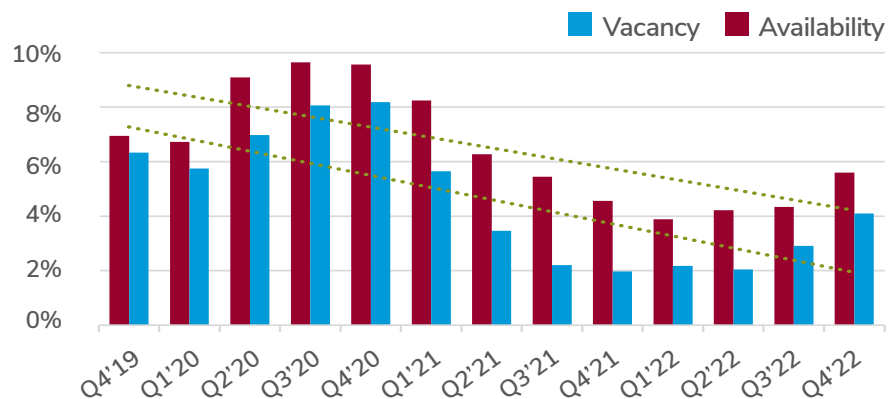
Location



Asset Quality



Vacancy | Availability



Market Notes

Vacancy in the Lehigh Valley increased for the second consecutive quarter, up 119 bps to 4.10%. The uptick was driven by speculative deliveries of 833,280 SF in Bethlehem, 469,259 SF in Nazareth and 700,213 SF in Myerstown. Net absorption weighed in at only 400,000 SF, likely due to scarcity of product in preferred Core LHV locations, high landlord rent expectations, and macro economic factors.

Rolling Construction levels sit at 6.5 MSF, down 42% from their Q3'21 high of 11.2 MSF. New construction starts have slowed as developers wait out proforma uncertainty, reversing the aggressive speculative trend of the last two years. With Core LHV fundamentals strong and a slowing construction trend expect rents there to grow modestly through 2023. We believe Reading / Berks Co. will unfold differently - persistently high vacancy and modest Demand levels seem to suggest a combination of flat rents and growing concessions are in store for 2023.

LHV LOGISTICS SET | Q4 2022 STANDING STOCK

333

Total Buildings

389,540 SF

Average Building Size

2,002,752 SF ▼

New Construction Deliveries

67%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Lehigh Valley East	120	47,943,287	399,527	3.75%	467,919	4,953,382	4,953,382
Class A	80	40,069,171	500,865	4.05%	467,919	4,834,486	4,834,486
Class B	20	4,452,804	222,640	0.00%	0	59,896	59,896
Class C	20	3,421,312	171,066	5.10%	0	59,000	59,000
Lehigh Valley West	135	52,022,398	385,351	0.95%	(101,064)	1,400,676	1,400,676
Class A	56	30,582,366	546,114	0.00%	0	1,481,760	1,481,760
Class B	48	14,747,044	307,230	0.74%	(101,064)	18,936	18,936
Class C	31	6,692,988	215,903	5.77%	0	(100,020)	(100,020)
Reading	78	29,751,176	381,425	10.16%	35,900	1,869,113	1,869,113
Class A	27	15,710,249	581,861	18.69%	0	1,833,213	1,833,213
Class B	20	7,447,007	372,350	0.02%	35,900	35,900	35,900
Class C	31	6,593,920	212,707	1.27%	0	0	0
TOTAL	333	129,716,861	389,540	4.10%	402,755	8,223,171	8,223,171
Class A	163	86,361,786	529,827	5.28%	467,919	8,149,459	8,149,459
Class B	88	26,646,855	302,805	0.41%	(65,164)	114,732	114,732
Class C	82	16,708,220	203,759	3.86%	0	(41,020)	(41,020)



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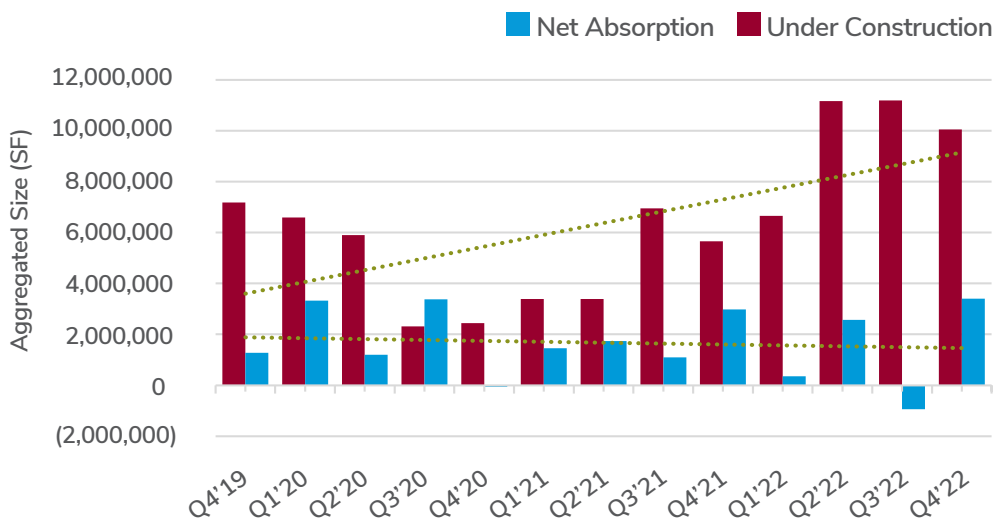
3.66% 
Vacancy

94,842,039 SF
Standing Stock

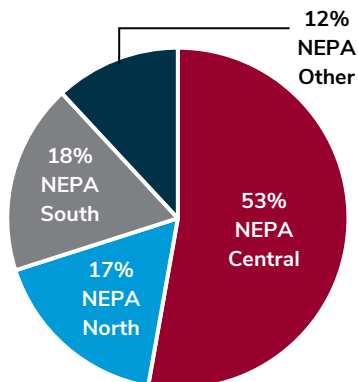
3,405,377 SF 
Net Absorption

10,045,079 SF 
Under Construction

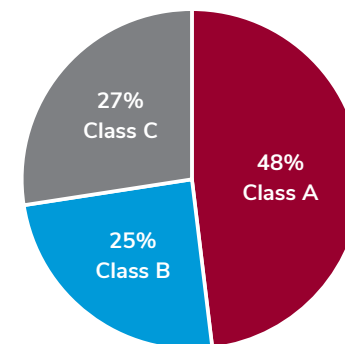
Net Absorption | Under Construction



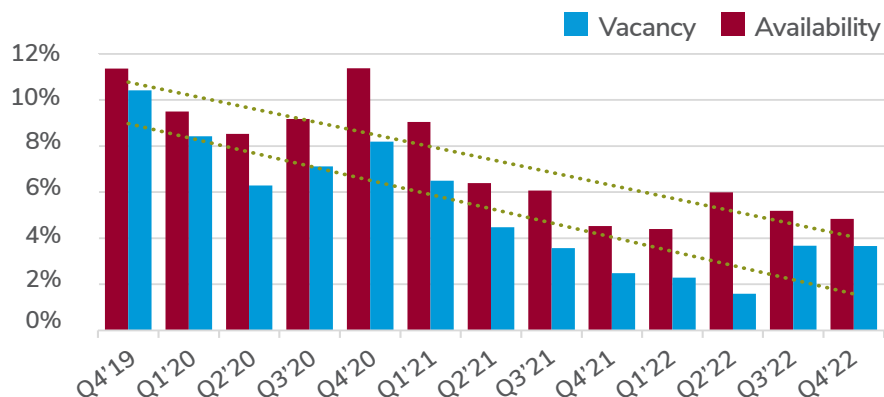
Location



Asset Quality



Vacancy | Availability



Market Notes

Vacancy in Northeast PA was m/l unchanged, despite a very active 4th quarter. The sub-market saw over 3.4 MSF in net absorption, the highest total we've tracked in 7 years, and twice the average level (1.7 MSF) of the last 3 years. Contributing occupancies were headlined by Samsung (1.2 MSF in Hazleton); other notable transactions included deals by Neiman Marcus (494,000 SF), Safelite (327,676 SF) and A2b Fulfillment (262,000 SF). Of the 3.2 MSF delivered in Q4'22, only 15% was not pre-leased.

Rolling Construction levels are down, weighing in at just over 10.0 MSF. Importantly, of the 8.7 MSF expected to deliver in H1'23 over 40% is pre-leased, and forward Demand remains steady. Assuming Net Absorption keeps pace with past performance expect Vacancy to remain below structural levels through EOY'23, and modest rent growth to occur. The real wildcard – NEPA's development pipeline is by far the largest of any in the Philadelphia Region, and absent an acceleration of Demand the specter of head-to-head competition across both BTS and Spec inventories seems likely to keep rent growth in check for the foreseeable future.

NEPA LOGISTICS SET | Q4 2022 STANDING STOCK

277

Total Buildings

342,390 SF

Average Building Size

3,246,174 SF ▲

New Construction Deliveries

48%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
NEPA Central	156	50,068,438	320,952	1.92%	3,197,483	5,312,547	5,312,547
Class A	56	27,370,201	488,754	3.37%	3,113,949	4,422,409	4,422,409
Class B	51	12,211,835	239,448	0.23%	0	804,812	804,812
Class C	49	10,486,402	214,008	0.09%	83,534	85,326	85,326
NEPA North	52	16,383,985	315,077	5.73%	47,658	489,864	489,864
Class A	9	5,962,610	662,512	8.41%	0	750,000	750,000
Class B	15	3,253,997	216,933	5.13%	47,658	(119,136)	(119,136)
Class C	28	7,167,378	255,978	3.77%	0	(141,000)	(141,000)
NEPA South	48	17,104,278	356,339	1.18%	160,236	420,345	420,345
Class A	10	6,228,303	622,830	0.00%	0	0	0
Class B	16	5,614,635	350,915	2.35%	160,236	420,345	420,345
Class C	22	5,261,340	239,152	1.32%	0	0	0
NEPA Other	21	11,285,338	537,397	12.13%	0	(1,369,000)	(1,369,000)
Class A	7	6,040,891	862,984	0.00%	0	0	0
Class B	5	2,142,390	428,478	63.90%	0	(1,369,000)	(1,369,000)
Class C	9	3,102,057	344,673	0.00%	0	0	0
TOTAL	277	94,842,039	342,390	3.66%	3,405,377	4,853,756	4,853,756
Class A	82	45,602,005	556,122	3.12%	3,113,949	5,172,409	5,172,409
Class B	87	23,222,857	266,929	7.30%	207,894	(262,979)	(262,979)
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4.79% ▲

Vacancy

90,417,540 SF

Standing Stock

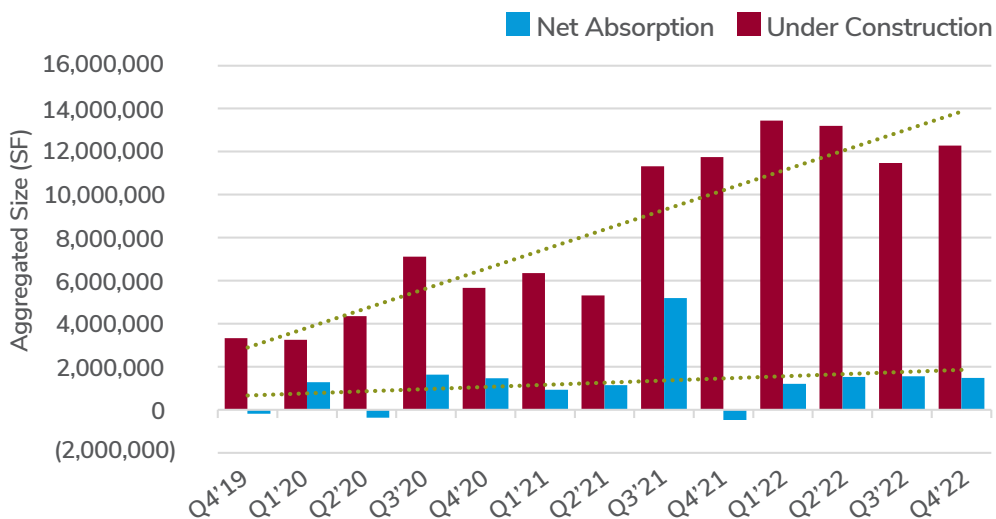
1,485,379 SF ▼

Net Absorption

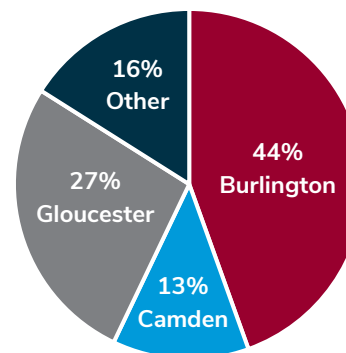
12,277,515 SF ▲

Under Construction

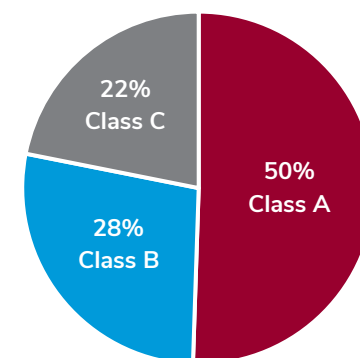
Net Absorption | Under Construction



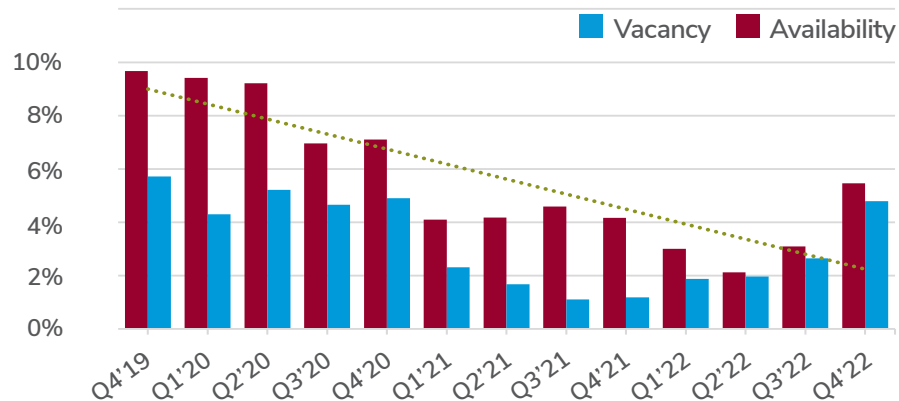
Location



Asset Quality



Vacancy | Availability



Market Notes

Vacancy jumped over 200 bps to 4.79%, driven by roughly 2.0 MSF of unleased SPEC construction deliveries. Net absorption of 1,485,379 SF helped keep vacancy in check, as 6 new projects came on line fully pre-leased. Occupancies of note in those buildings included deals by UPS (455,280 SF), UDS (384,895 SF) and Herman Warehousing (200,000 SF).

Rents continue to show strength in Burlington and Gloucester Counties, and additional gains seem likely through Q2'23. The outlook for Salem County is less certain, where rents are still unproven and roughly 2.7 MSF of SPEC space is expected to find the sub-market in 2023 and early 2024. Looking forward, the back half of 2023 and early 2024 could be challenging. With approximately 12 MSF of Spec space underway and average Net Absorption of only 1.38 MSF per quarter (2020-2022), Southern New Jersey is facing a 2 year supply of space. Absent a meaningful uptick in Demand its likely Vacancy will reach or exceed structural levels, and developers with aging proformas may be forced to consider modest concessions before things level out.

SNJ LOGISTICS SET | Q4 2022 STANDING STOCK

309

Total Buildings

292,613 SF

Average Building Size

3,511,390 SF ▲

New Construction Deliveries

50%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Burlington	116	40,243,351	346,925	7.75%	331,700	2,038,331	2,038,331
Class A	59	27,580,786	467,471	10.20%	331,700	1,652,027	1,652,027
Class B	36	8,604,492	239,014	0.00%	0	768,750	768,750
Class C	21	4,058,073	193,242	7.51%	0	(382,446)	(382,446)
Camden	59	11,383,751	192,945	0.00%	0	188,807	188,807
Class A	0	0	0	0.00%	0	0	0
Class B	12	3,090,837	257,570	0.00%	0	140,000	140,000
Class C	47	8,292,914	176,445	0.00%	0	48,807	48,807
Gloucester	92	24,289,908	264,021	0.00%	619,280	2,448,804	2,448,804
Class A	31	11,291,779	364,251	0.00%	619,280	2,284,538	2,284,538
Class B	42	9,695,228	230,839	0.00%	0	164,266	164,266
Class C	19	3,302,901	173,837	0.00%	0	0	0
SJ Other	42	14,500,530	345,251	8.36%	534,399	1,106,899	1,106,899
Class A	14	6,808,097	486,293	16.19%	534,399	534,399	534,399
Class B	13	3,570,336	274,641	0.00%	0	482,500	482,500
Class C	15	4,122,097	274,806	2.67%	0	90,000	90,000
TOTAL	309	90,417,540	292,613	4.79%	1,485,379	5,782,841	5,782,841
Class A	104	45,680,662	439,237	8.57%	1,485,379	4,470,964	4,470,964
Class B	103	24,960,893	242,339	0.00%	0	1,555,516	1,555,516
Class C	102	19,775,985	193,882	2.10%	0	(243,639)	(243,639)



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3.14% ▲

Vacancy

67,986,901 SF

Standing Stock

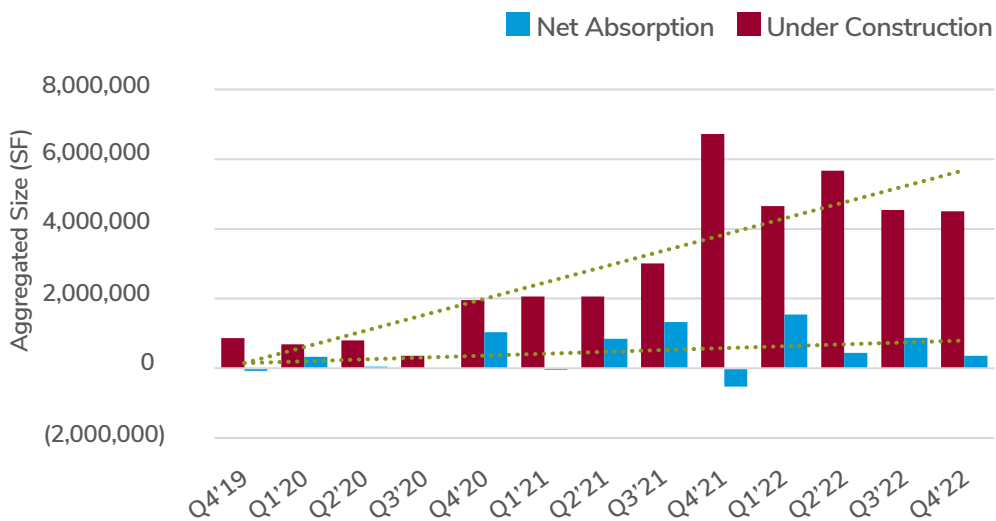
363,545 SF ▼

Net Absorption

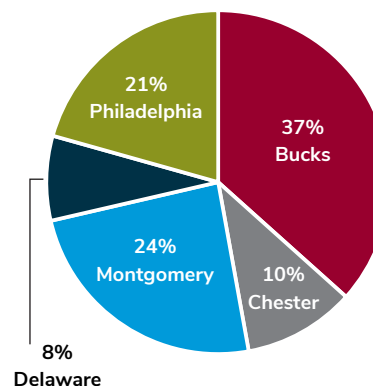
4,501,510 SF ▼

Under Construction

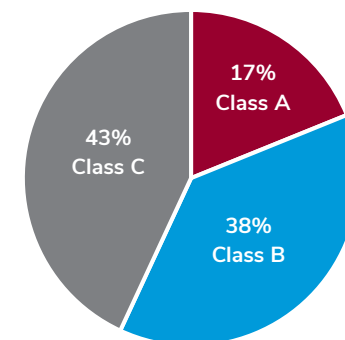
Net Absorption | Under Construction



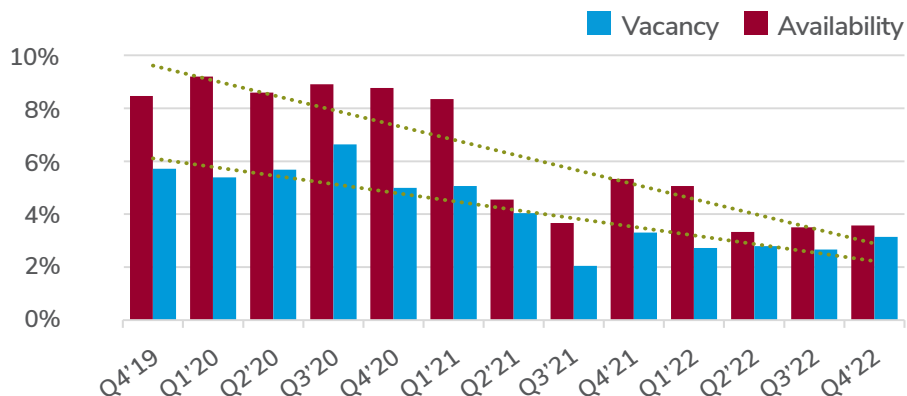
Location



Asset Quality



Vacancy | Availability



Market Notes

The Philadelphia Metro market booked 363,545 SF in Net Absorption, thanks in large part to deals by TJX (282,737 SF) and NFI (264,600 SF). Vacancy was still up slightly though, due to an unleased Spec delivery and some second generation space coming back to market. All in all a pretty quiet end to the year.

That will change in 2023, with 4.4 MSF of new Construction expected to land in H1'23 – in and of itself representing a 6.5% increase in the size of the market. Fortunately, 2.7 MSF of that space is already committed, and if average Net Absorption levels (580,000 SF quarterly) hold through 2023 the balance of the deliveries should be absorbed over the course of the year. 2024 will bring new challenges though; at 38 MSF+ the Development Pipeline sits at record high levels, including a number of projects expected to break ground in the first half of 2023.

PHL METRO LOGISTICS SET | Q4 2022 STANDING STOCK

278

Total Buildings

244,557 SF

Average Building Size

706,087 SF ▼

New Construction Deliveries

17%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Bucks	105	24,904,897	237,189	2.21%	29,133	1,536,277	1,536,277
Class A	17	4,407,897	259,288	6.00%	264,600	838,350	838,350
Class B	44	11,883,638	270,083	2.00%	(218,867)	179,839	179,839
Class C	44	8,613,362	195,758	0.54%	(16,600)	518,088	518,088
Chester	35	7,152,062	204,345	0.07%	11,916	202,384	202,384
Class A	4	642,600	160,650	0.00%	0	0	0
Class B	10	2,360,235	236,024	0.00%	0	54,684	54,684
Class C	21	4,149,227	197,582	0.12%	11,916	147,700	147,700
Montgomery	70	16,476,774	235,382	2.95%	113,505	299,746	299,746
Class A	9	1,834,244	203,805	0.00%	0	640,582	640,582
Class B	27	7,093,267	262,714	5.21%	113,505	(308,162)	(308,162)
Class C	34	7,549,263	222,037	1.55%	0	(32,674)	(32,674)
Delaware	21	5,417,265	257,965	19.71%	(119,031)	(187,742)	(187,742)
Class A	7	1,826,452	260,922	47.00%	0	395,542	395,542
Class B	5	1,087,968	217,594	10.94%	(119,031)	(119,031)	(119,031)
Class C	9	2,502,845	278,094	3.61%	0	86,115	86,115
Philadelphia	47	14,035,903	298,636	0.21%	328,022	651,548	651,548
Class A	11	4,118,765	374,433	0.00%	282,737	402,124	402,124
Class B	13	3,445,080	265,006	0.00%	0	122,588	122,588
Class C	23	6,472,058	281,394	0.45%	45,285	126,836	126,836
TOTAL	278	67,986,901	244,557	3.14%	363,545	3,052,581	3,052,581
Class A	48	12,829,958	267,291	8.75%	547,337	2,276,598	2,276,598
Class B	99	25,870,188	261,315	2.81%	(224,393)	(70,082)	(70,082)
Class C	131	29,286,755	223,563	0.98%	40,601	846,065	846,065



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1.14% ▲

Vacancy

25,794,518 SF

Standing Stock

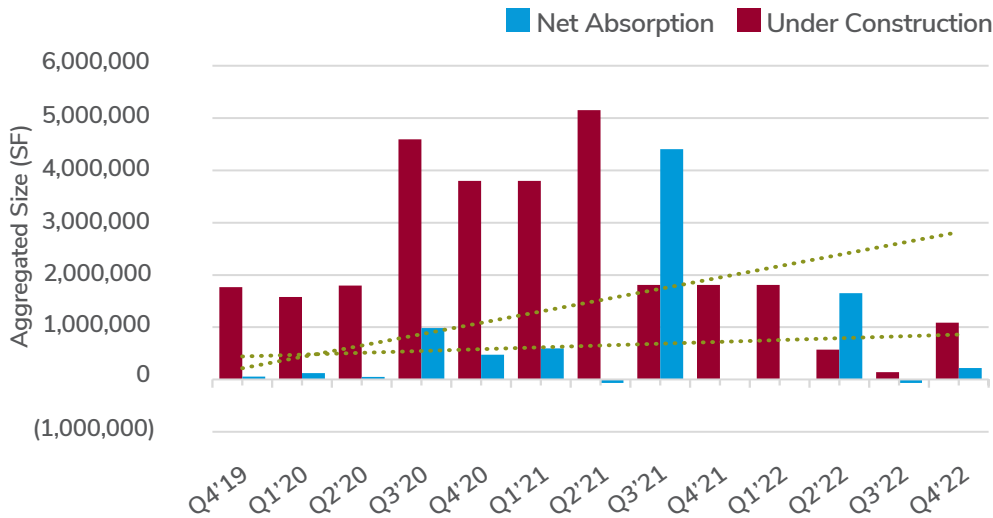
217,700 SF ▲

Net Absorption

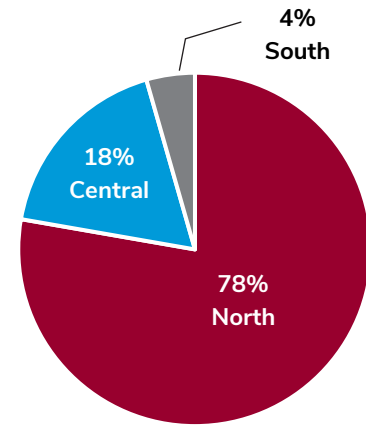
1,087,600 SF ▲

Under Construction

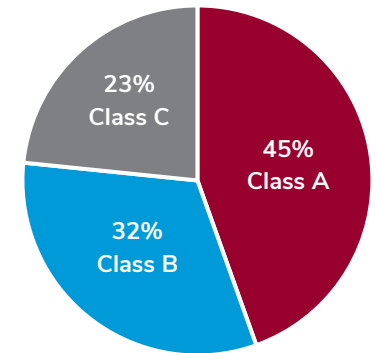
Net Absorption | Under Construction



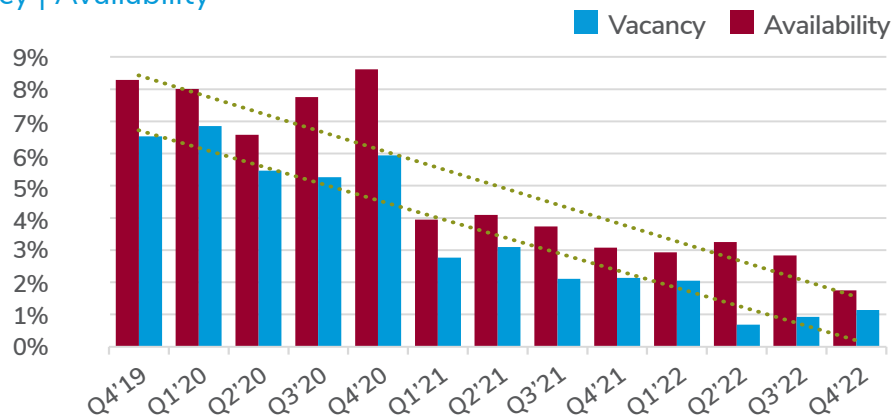
Location



Asset Quality



Vacancy | Availability



Market Notes

NKS Distributors was the only mover in Delaware this quarter, taking occupancy of a newly delivered 275,000 SF building in Smyrna. The move created a 117,298 SF vacancy in New Castle County – nudging the overall Vacancy Rate to 1.14%.

New supply is emerging slowly. Logistics Property Company has broken ground on First State Logistics Park, a 3 building project in Newark totaling nearly 1.1 MSF. With 385,000 SF pre-leased to DuPont the prospects for First State Logistics Park appear bright. LPC is not the only player with First State intentions – several others have staked out development positions, and it only seems a matter of time until Spec development takes root in earnest.

89

Total Buildings

289,826 SF

Average Building Size

275,000 SF ▲

New Construction Deliveries

45%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
North (New Castle)	71	19,962,169	281,157	0.92%	(117,300)	1,187,299	1,187,299
Class A	17	10,431,829	613,637	1.12%	(117,300)	1,232,700	1,232,700
Class B	36	6,667,439	185,207	0.41%	0	(27,151)	(27,151)
Class C	18	2,862,901	159,050	1.37%	0	(18,250)	(18,250)
Central (Kent)	14	4,723,849	337,418	2.32%	275,000	295,000	295,000
Class A	1	1,056,061	1,056,061	0.00%	0	0	0
Class B	5	1,401,753	280,351	3.92%	275,000	280,000	280,000
Class C	8	2,266,035	283,254	2.42%	0	15,000	15,000
South (Sussex)	4	1,108,500	277,125	0.00%	60,000	345,000	345,000
Class A	0	0	0	0.00%	0	0	0
Class B	1	208,000	208,000	0.00%	0	0	0
Class C	3	900,500	300,167	0.00%	60,000	345,000	345,000
TOTAL	89	25,794,518	289,826	1.14%	217,700	1,827,299	1,827,299
Class A	18	11,487,890	638,216	1.02%	(117,300)	1,232,700	1,232,700
Class B	42	8,277,192	197,076	0.99%	275,000	252,849	252,849
Class C	29	6,029,436	207,912	1.56%	60,000	341,750	341,750

6.44% ▲

Vacancy

50,982,108 SF

Standing Stock

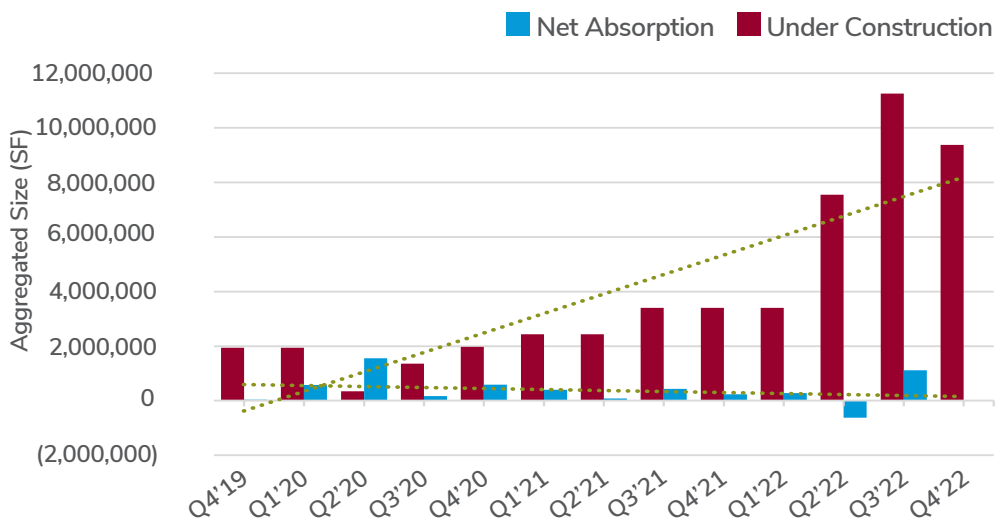
0 SF ▼

Net Absorption

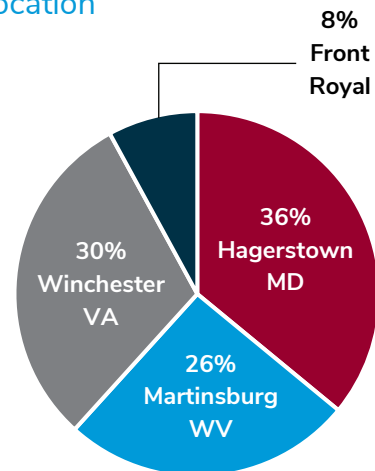
9,370,888 SF ▼

Under Construction

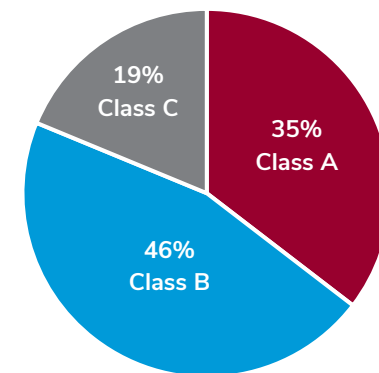
Net Absorption¹ | Under Construction



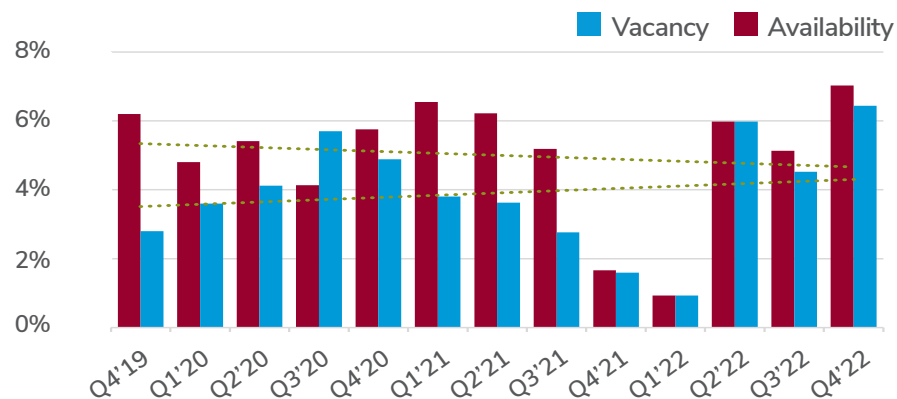
Location



Asset Quality



Vacancy² | Availability



Market Notes

Vacancy increased nearly 200 bps to 6.44% on the back of three speculative deliveries totaling 1,054,800 SF, all located in Martinsburg, WV. With average Net Absorption of only 400,000 SF per quarter (2020-2022), that translates to roughly 2 years of supply in the cupboard, with more coming as Spec projects queue up for this year.

The good news for this satellite market - at least two large projects slated for delivery in H1'23 are rumored to be pre-leased, and Central Pennsylvania (to the North) remains as tight as a drum. The bad news - Spec construction activity remains high, and absent a meaningful uptick in large format leasing Demand its a near certainty Vacancy will jump past structural levels and Tenant - favorable conditions will emerge.

¹The Lower-81 data set has been expanded from 105 to 130 buildings as of Q2'21.

²Vacancy in the Lower-81 Corridor for Q2'21 has been adjusted from 2.08% to 3.63% due to a new addition.

LOWER 81 LOGISTICS SET | Q4 2022 STANDING STOCK

137

Total Buildings

372,132 SF

Average Building Size

1,054,800 SF ▲

New Construction Deliveries

35%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q4'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
Hagerstown, MD	45	18,336,040	407,468	11.11%	0	852,710	852,710
Class A	13	8,341,568	641,659	21.25%	0	456,424	456,424
Class B	24	8,236,853	343,202	3.20%	0	396,286	396,286
Class C	8	1,757,619	219,702	0.00%	0	0	0
Martinsburg, WV	25	13,127,602	525,104	8.59%	0	608,592	608,592
Class A	8	4,092,362	511,545	25.77%	0	580,000	580,000
Class B	10	7,594,648	759,465	0.97%	0	28,592	28,592
Class C	7	1,440,592	0	0.00%	0	0	0
Winchester, VA	59	15,465,942	262,135	0.55%	0	242,330	242,330
Class A	16	6,001,186	375,074	0.92%	0	209,560	209,560
Class B	24	4,898,173	204,091	0.52%	0	0	0
Class C	19	4,566,583	240,346	0.09%	0	32,770	32,770
Front Royal, VA	8	4,052,524	506,566	0.80%	0	340,000	340,000
Class A	1	340,000	340,000	0.00%	0	340,000	340,000
Class B	3	2,091,606	697,202	0.00%	0	0	0
Class C	4	1,620,918	405,230	2.00%	0	0	0
TOTAL	137	50,982,108	372,132	6.44%	0	2,043,632	2,043,632
Class A	38	18,775,116	494,082	15.36%	0	1,585,984	1,585,984
Class B	61	22,821,280	374,119	1.59%	0	424,878	424,878
Class C	38	9,385,712	246,992	0.39%	0	32,770	32,770

PHILADELPHIA REGION | Q4 2022 CONSTRUCTION PIPELINE

45,201,605 SF ▼

Under Construction

470,850 SF

Average Building Size

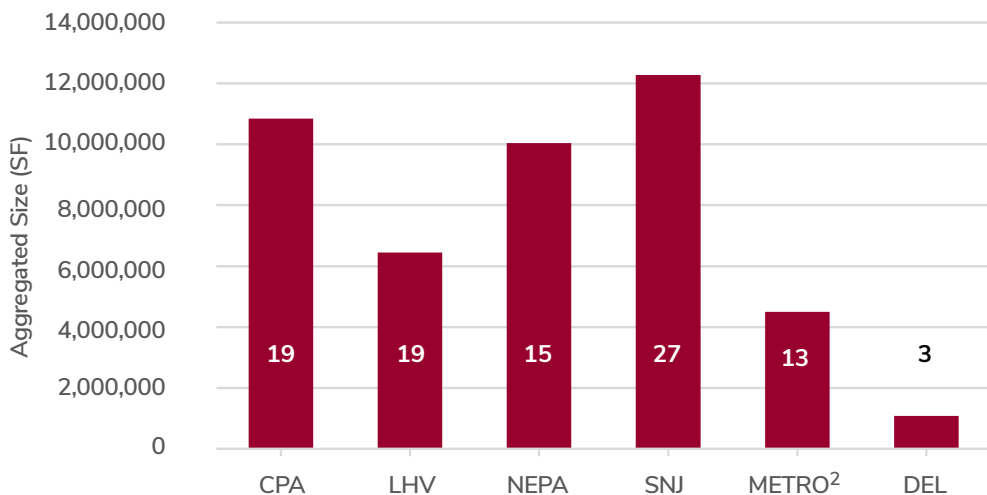
2.54

Trailer Stalls per 10,000 SF ¹

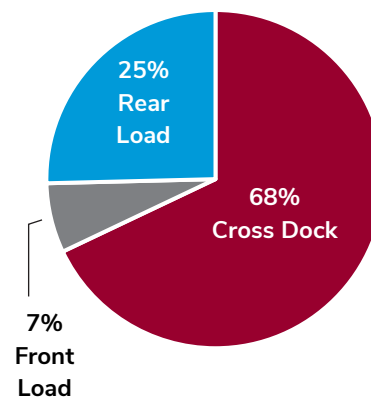
5.85

Car Stalls per 10,000 SF ¹

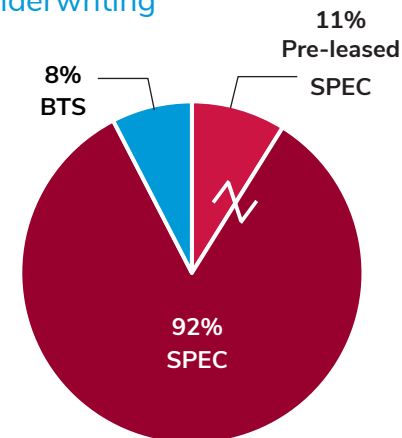
Location



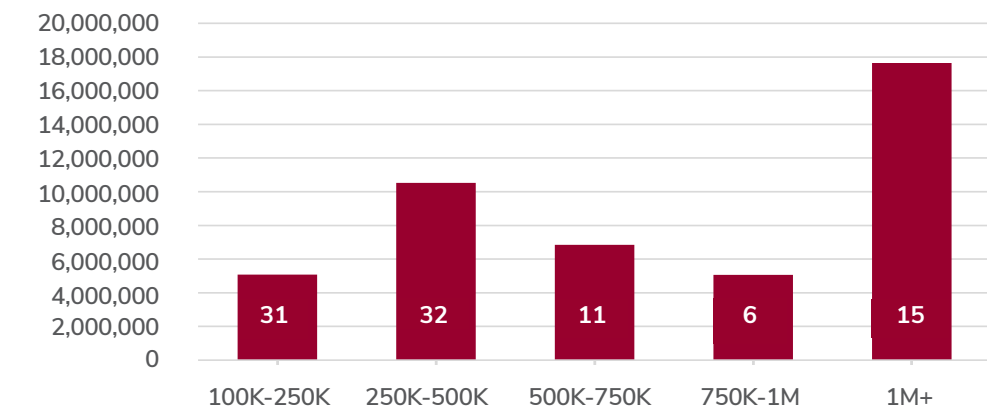
Design Size Range



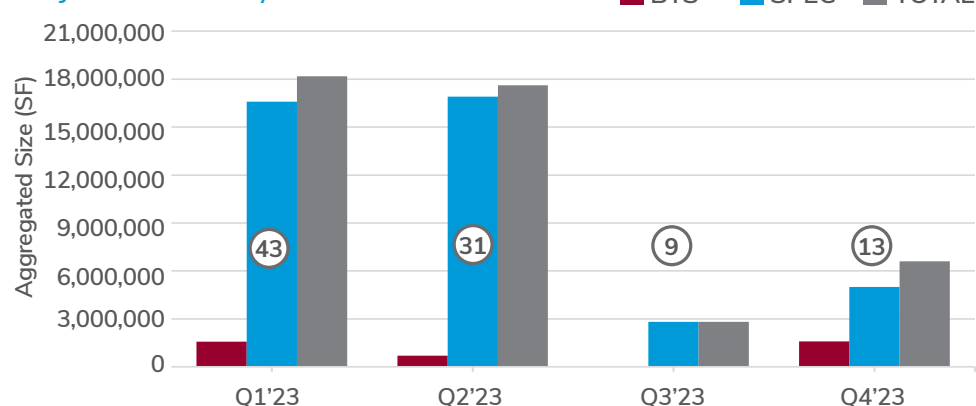
Underwriting



Size



Projected Delivery



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¹ Weighted Average. Banked and future spaces not included in parking counts.

² Includes Suburban Philadelphia and Philadelphia Submarkets

PHILADELPHIA REGION | Q4 2022 CONSTRUCTION PIPELINE

43

Q1-23 Delivery ¹

31

Q2-23 Delivery ¹

9

Q3-23 Delivery ¹

13

Q4-23 Delivery ¹

Submarket	Total Properties	Total (SF)	Average Cross Dock (SF)	Average Single Load (SF)	Average Depth Cross Dock	Average Depth Single Load	Trailer Parking Cross Dock ²	Trailer Parking Single Load ²
Central Pennsylvania	19	10,837,293	859,293	249,374	594	286	2.48	1.84
Harrisburg East	4	3,189,598	961,653	304,640	595	320	2.73	1.54
Harrisburg West	4	2,616,565	978,790	329,493	615	360	1.93	1.26
York	6	3,358,172	917,090	202,301	630	264	2.65	2.19
Lancaster	5	1,672,958	499,560	224,613	520	255	2.39	2.23
Lehigh Valley	19	6,452,608	609,247	217,267	583	288	2.23	1.67
Lehigh Valley West	6	1,102,665	-	155,133	-	245	-	1.39
Lehigh Valley East	10	3,699,639	622,701	261,648	585	313	2.38	1.79
Reading	3	1,650,304	730,190	-	580	-	2.53	-
Northeastern PA	15	10,045,079	1,015,709	215,103	623	274	3.25	1.79
NEPA Central	9	4,703,616	1,124,379	178,096	630	248	2.87	1.81
NEPA North	2	1,160,200	580,100	-	600	-	4.76	-
NEPA South	2	2,576,629	1,288,315	-	623	-	3.07	-
Other	2	1,604,634	-	-	-	-	-	-
Southern NJ	27	12,277,515	825,513	255,966	559	323	2.49	1.87
Burlington	13	6,367,481	850,341	180,777	572	267	2.13	2.02
Gloucester	9	3,238,335	563,533	311,878	513	360	3.00	1.76
Camden	0	-	-	-	-	-	-	-
Other	5	2,671,699	1,200,507	319,583	573	-	3.51	-
Philadelphia Metro	13	4,501,510	1,084,000	212,137	595	264	2.14	1.54
Bucks Co	4	2,429,276	1,084,000	130,638	595	217	2.14	1.19
Philadelphia Co.	5	1,343,975	-	268,795	-	279	-	1.16
Delaware Co	0	-	-	-	-	-	-	-
Montgomery Co	4	728,259	-	182,065	-	280	-	2.36
Delaware	3	1,087,600	-	362,533	-	-	-	2.68
New Castle	3	1,087,600	-	362,533	-	-	-	2.68
TOTAL	96	45,201,605	851,647	239,627	588	293	2.61	1.82

PHILADELPHIA REGION | Q4 2022 DEVELOPMENT PIPELINE

219,953,425 SF ▲

Pre Construction

516,323 SF ▼

Average Building Size

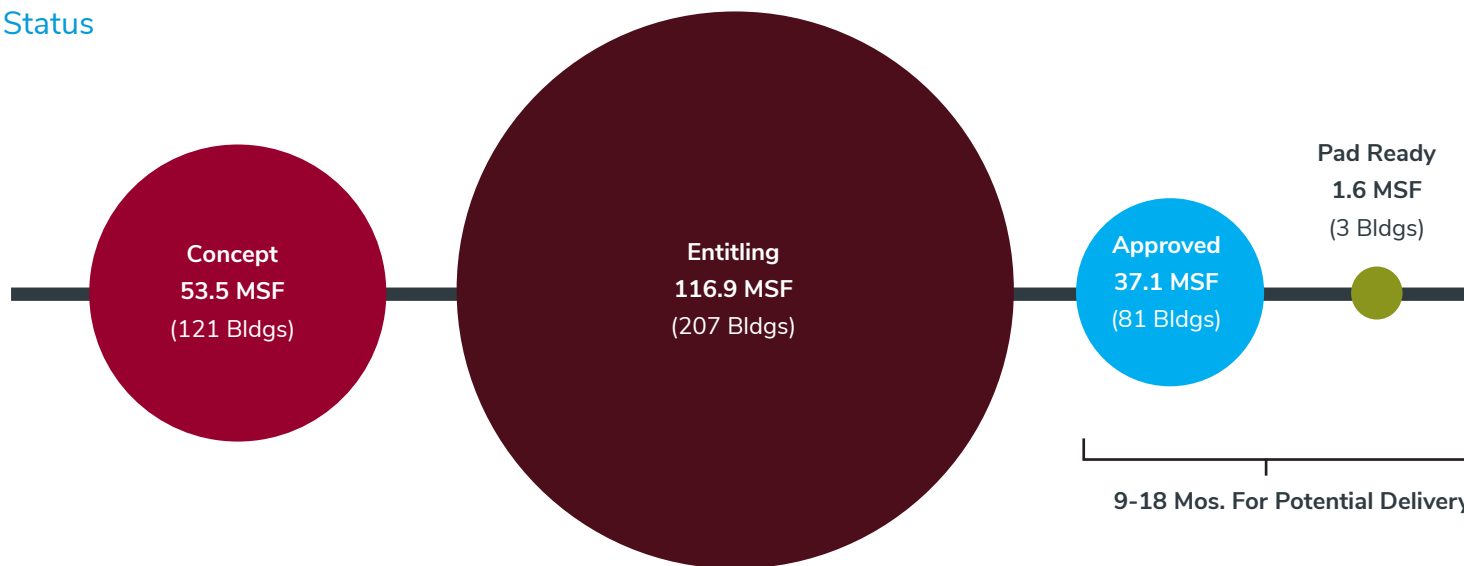
2.79

Trailer Stalls per 10,000 SF ¹

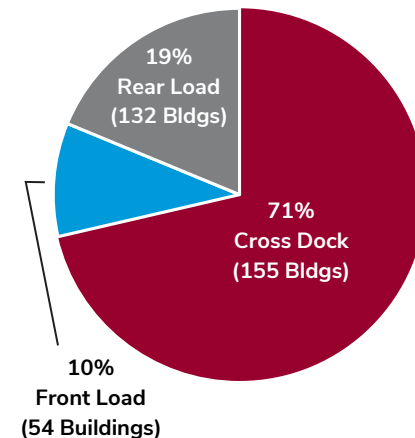
6.22

Car Stalls per 10,000 SF ¹

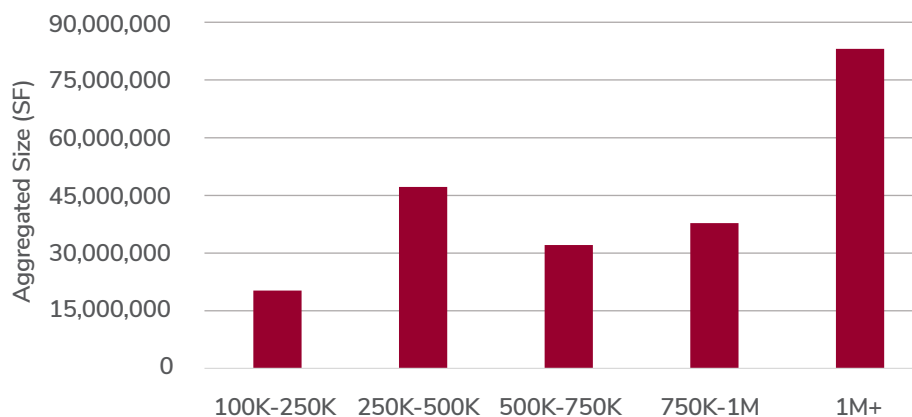
Status



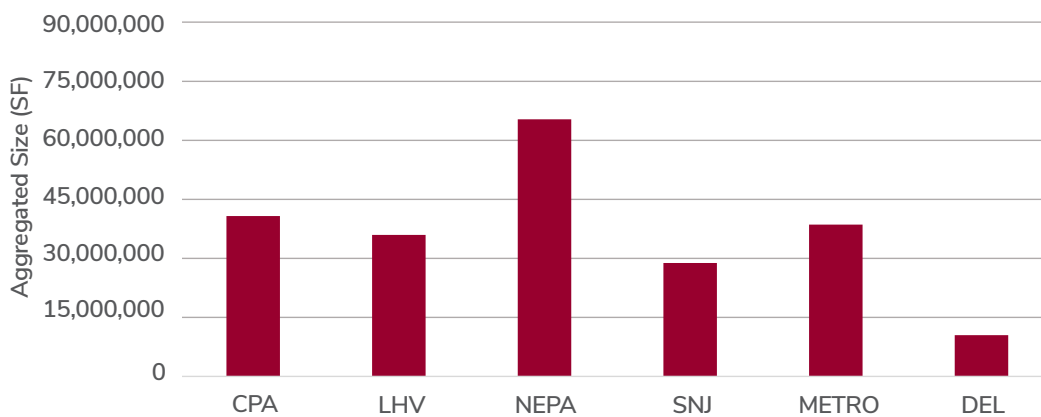
Design



Size



Location



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¹ Per 10,000 SF of RBA. Weighted Average

PHILADELPHIA REGION | Q4 2022 DEVELOPMENT PIPELINE

Submarket	Total Properties	Total (SF)	Average Size Cross Dock (SF)	Average Size Single Load (SF)	Average Depth Cross Dock	Average Depth Single Load	Trailer Parking Cross Dock ¹	Trailer Parking Single Load ¹	Car Parking Single Load ¹
Central Pennsylvania	83	40,759,633	722,047	299,902	525	310	2.84	2.22	5.95
Harrisburg East	15	6,041,031	768,343	297,664	520	319	2.84	2.45	7.85
Harrisburg West	28	15,541,506	744,480	263,423	529	281	2.78	2.09	4.46
York	31	14,733,370	700,124	329,249	524	320	3.06	2.11	5.15
Lancaster	3	880,138	-	293,379	-	330	-	1.26	6.34
Other	6	3,563,588	670,718	210,000	517	300	2.56	2.81	10.10
Lehigh Valley	82	35,950,762	697,421	309,850	490	303	1.15	1.92	5.31
Lehigh Valley West	11	2,047,347	255,720	191,988	345	296	2.00	1.54	6.19
Lehigh Valley East	42	18,736,334	708,145	354,511	550	300	2.35	1.89	4.73
Reading	29	15,167,081	762,102	270,705	503	310	3.70	2.52	6.05
Northeastern PA	107	65,345,838	921,514	299,206	539	310	2.87	1.79	5.02
NEPA North	11	7,553,180	929,383	261,875	600	273	2.42	0.28	8.97
NEPA Central	68	37,836,741	891,771	254,477	497	289	2.90	2.15	5.44
NEPA South	21	13,716,414	1,007,300	396,183	549	386	2.84	0.49	3.52
Other	7	6,239,503	956,584	-	593	-	3.03	-	4.15
Southern New Jersey	64	28,825,354	760,919	260,437	426	250	2.84	2.83	3.82
Burlington	11	3,860,354	447,468	300,844	485	332	2.17	2.91	6.46
Gloucester	24	10,142,450	790,904	243,099	570	282	2.17	2.74	7.21
Camden	10	2,868,314	546,563	229,198	430	292	3.06	2.76	11.15
Other	19	11,954,236	1,001,360	280,004	164	93	2.81	2.70	7.78
Philadelphia Metro	73	38,590,700	1,011,120	207,617	576	282	2.84	5.94	3.40
Bucks	25	13,520,962	968,760	205,702	598	351	2.15	1.53	6.39
Chester	9	3,536,533	752,813	229,523	484	320	2.48	2.28	5.81
Delaware	4	853,035	305,760	182,425	-	-	-	3.50	10.68
Montgomery	13	2,099,925	-	167,112	-	206	-	1.81	9.54
Philadelphia	22	18,580,245	1,119,880	349,105	582	350	2.65	1.26	4.61
Delaware	18	10,481,138	989,808	244,140	560	273	2.88	2.22	8.02
New Castle	18	10,481,138	989,808	244,140	560	273	2.88	2.72	8.02
TOTAL	427	219,953,425	835,787	282,688	520	297	2.74	2.14	5.67



COMMERCIAL REAL ESTATE SERVICES

Information contained in this report has been obtained from sources deemed reliable, but no warranty is made as to the accuracy thereof. Certain information is forward looking in nature, and represents estimates of development timing and design, all of which are subject to change. All information is submitted subject to error and omission, as well as change in availability. All rights are reserved, and any use, re-use or distribution of this report without the express written permission of Lee & Associates of Eastern Pennsylvania, LLC is strictly prohibited.

¹ Per 10,000 SF of RBA. Weighted average.

² Data sets with limited information skewing results inaccurately have been omitted.

Methodology:

The Lee & Associates of Eastern Pennsylvania ("LAEP") Industrial Supply Report is a compilation of statistics and other metrics reflecting tenant activity and a base of existing industrial buildings and development sites located across the Philadelphia Regional market. Our tracking set includes industrial buildings 100,000 square feet and larger, which are used, designed for, or readily adaptable to warehouse, distribution or light manufacturing uses.

LAEP's research goal is to verify the information in our reports through the first-hand observations of our research team, the personal market knowledge of our brokers, and information received by the company through regular interactions with the broader industrial development and brokerage community. Other inputs include general Internet research across a variety of sources, Google Earth, and the analysis of information available through CoStar, LoopNet, CREXI and other subscription resources.

While reasonable effort is made to ensure the accuracy of our reports, errors of fact and calculation may occur. Moreover, many of the statements contained in this report are forward looking in nature. Consequently, all information is submitted subject to error and omission, and the user is encouraged to reach their own conclusions regarding current and future market conditions.

Terms and Definitions:

- Approval:** A Development Approval is a legal document obtained through government entities, allowing for a development project to commence. An Approval specifies the location, design, structural details, and time frame for which the project will take place.
- Availability Rate:** The ratio of available existing space to total rentable space, expressed as a percentage.
- Available Space:** The total amount of existing space that is currently marketed as available for occupancy within six months of the end of the quarter reported. It includes any space that is available, regardless of whether the space is vacant, occupied, or available for sublease.
- Build-to-Suit (BTS):** A term describing a particular property, developed, designed, and underwritten specifically for a certain tenant to occupy. A build-to-suit can be leased or owned by the occupier.
- Class A:** Extremely desirable, investment-grade properties which command the highest rents or sale prices when compared to other buildings in the same submarket. Class A buildings are well located, provide efficient tenant layouts and site designs, and also meet and/or exceed current desired key building specifications such as clear height, parking ratios, and construction material.
- Class B:** Buildings that satisfy most operating needs, but fall short of preferred building specifications and designs, typically due to their age. Class B properties typically command lower rents or sale prices compared to Class A properties.
- Class C:** Buildings that offer basic space but exhibit significant levels of functional obsolescence. Class C properties command lower rents or sale prices compared to other buildings in the same market.

Lee & Associates of Eastern Pennsylvania's Industrial Market Supply:

- Concept:** A development scheme which is not the subject of active entitlement efforts. A Concept plan typically serves as the starting point in the site development process, and is an essential part of the initial planning of any development project. Failed entitlement efforts are often carried as Concepts, given the potential for future re-submittal.
- Construction:** Activity tied to the physical construction of a building, usually triggered by building permits, footer excavations, steel orders or other confirmation of vertical intention. Earth disturbance and grading activities are not themselves considered Construction activity, unless the researcher is satisfied regarding the developer's intention to proceed with vertical construction.
- Demand:** A forward looking measurement of prospective occupier activity, based largely on inquiries, property tours, RFP and proposal documents and negotiations. When prospective occupiers express interest in more than one submarket cluster, the activity is recognized in each submarket. Total Demand, though, does not 'double count' the activity; as a result, Total Demand is typically lower than the sum of the reported activity levels across the submarkets.
- Delivered:** Buildings that have completed shell construction within the quarter reported. Completed construction includes properties that have been granted or are awaiting a certificate of occupancy.
- Development:** Reports regarding Development activity are intended to reflect Pre-Construction activities from conceptualization through entitlements, and ultimately grading activities. Because Graded or Pad Ready sites are not always coupled with a vertical building schedule and permit, grading independent of vertical intention is considered to be a Development activity.
- Entitlement:** A legal right conveyed through approvals from government entities to develop a property/building for a specific use.
- Grading:** The process of preparing a site to receive a physical structure, including the removal of vegetative growth, topsoil removal, earthmoving, compaction and other site shaping activities. Unless it is coupled with a commitment to proceed with vertical Construction, Grading is considered to be a Development activity.
- Net Absorption:** The net change in occupied space over a given period of time. We typically report Net Absorption on a quarterly, year-to-date, and trailing 12 month basis.
- Pad Ready:** A "Pad Ready Site" is one that is entitled, fully graded, and ready for Construction.
- Pre-Construction:** A term describing a particular property which is not yet under construction. Pre-Construction includes properties that may or may not have full entitlements. For purposes of our reports, the term Pre-Construction is synonymous with Development.
- Pre-leased:** Tenant has been secured after a speculative building decision has been actualized, with leases signed prior to substantial completion.

Quality Control:	The process of Constant Quality Control (“CQC”) entails regular evaluation of the entire data set used in the development and reporting of this Logistics Set. This entails regular changes/adds/ corrections/deletions to previously reported data in order to ensure accuracy and adherence to criteria required for inclusion in the reported Logistics Set. Most often such adjustments result in differences which are statistically or measurably insignificant, and as such are not noted. Where such adjustments are impactful, however, they are footnoted on the page in question.
Speculative Construction:	A term describing a particular property which was underwritten without a known or specific tenant to occupy the building upon delivery. Speculative Construction (sometimes referred to as “Spec” can be constructed and leased or purchased prior to delivery.
Submarkets:	Specific geographic boundaries that serve to delineate a group of buildings that are competitive with each other and constitute a generally accepted primary competitive set. Submarkets are non-overlapping, contiguous geographic designations which cumulatively match the boundaries of the Market (or Submarket Cluster) they are located within.
Under Construction:	Buildings in a state of construction. Properties under construction do not impact standing stock or net absorption totals until delivery occurs.
Vacancy Rate:	A measurement expressed as a percentage of the total amount of physically vacant space, divided by the total amount of existing inventory within a given Market or Submarket.
Vacant Space:	Space that is not currently occupied by a tenant, regardless of any lease obligation that may exist for the space.



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