



# I-81/78 Corridor – Pennsylvania Industrial Market

## Robust Development Pipeline Indicates a Strong 2021 for the Corridor

Following a year of record-setting occupancy gains in the I-81/78 Corridor, the first quarter of 2021 continued the trend of positive absorption, rent growth, and new construction activity amid challenging economic conditions. Occupancy gains measured 2.1 million square feet in the first quarter. Lowe’s occupied its 1.1-million-square-foot warehouse, accounting for more than half of the quarter’s absorption. A robust development pipeline of 20.3 million square feet of construction points to higher levels of absorption in the months to come; as construction deliveries increase, so will absorption numbers. Vacancy dropped 20 basis points quarter-over-quarter to 9.6% while asking rents continued to push upward to an average of \$4.87/SF.

Vaccine campaigns promise a return to normal in the coming months, yet ecommerce sales remain just as strong as in earlier phases of the pandemic and are forecasted to grow by another 14.3% in 2021. Coupled with additional fiscal and monetary stimulus measures passed at the federal level this quarter, a robust economic recovery is expected in 2021, which will continue to support strong demand for industrial/logistics space in the Corridor.

### Current Conditions

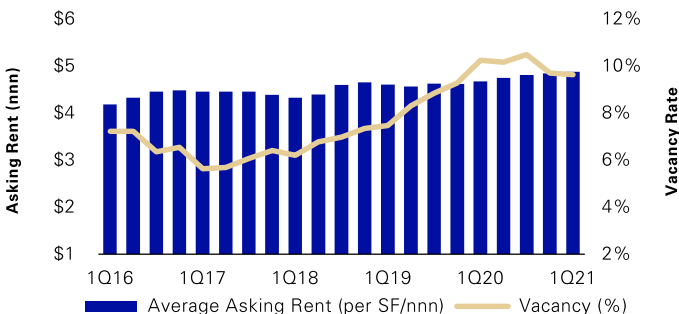
- 2.1 million square feet of net absorption was recorded in the first quarter, roughly in step with 2.3 million square feet of construction deliveries.
- Average asking rents settled at \$4.87 per square foot, up from \$4.84 in the preceding quarter.
- The construction pipeline reached 20.3 million square feet, the highest the Corridor has seen since 3Q19.
- Overall vacancy dropped to 9.6%, a 60-basis point decline year-over-year.

### Market Summary

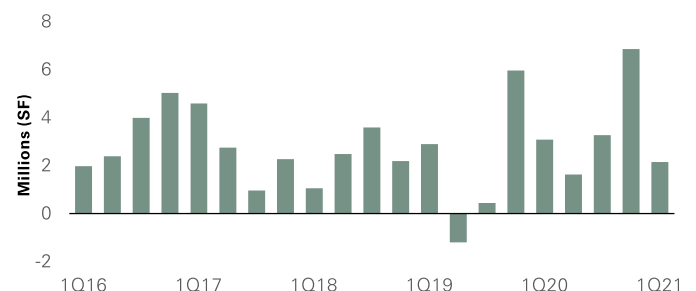
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	410.7M	407.2M	396.5M	↑
Vacancy Rate	9.6%	9.8%	10.2%	→
Quarterly Net Absorption (SF)	2.1M	6.8M	3.1M	↑
Average Asking Rent/SF	\$4.87	\$4.84	\$4.67	↑
Under Construction (SF)	20.3M	17.8M	12.9M	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH Q1 2021

### Central Pennsylvania

The Central Pennsylvania submarket continued to drive positive absorption in the Corridor with roughly 1.7 million square feet of net absorption in the first quarter, most of which can be attributed to Lowe's occupying its warehouse at 1 Walnut Bottom Road. A flurry of smaller occupancy gains in new construction buildings also contributed to the quarter's positive absorption in the Central Pennsylvania submarket, and the Corridor overall.

The construction pipeline is strong in Central Pennsylvania, with 9.3 million square feet under development, indicating higher absorption to come as the product delivers. One of the more significant projects that commenced was the 1.8-million-square-foot build-to-suit Walmart warehouse at 2281 United Drive. New construction and high demand pushed average asking rents slightly higher to \$4.69/SF, up from \$4.60/SF one year prior. Vacancy also settled much lower at 8.0%, down from 8.8% year-over-year.

### Lehigh Valley

A year into the pandemic, the Lehigh Valley continues to reap the benefits of a booming ecommerce market. Located proximate to major metro areas, the Lehigh Valley remains the center of the Corridor's logistics market. First-quarter 2021 recorded roughly 906,000 square feet of net absorption. The tenants driving these occupancy gains included Smart Warehousing, which expanded into an additional 201,000 square feet of space at 4270 Fritch Drive, and Pet Supplies Plus, which occupied 136,650 square feet of warehouse space at 250 Radar Drive. Victaulic, a manufacturer

of state-of-the-art pipe-joining mechanisms, also contributed to positive absorption, occupying 400,000 square feet of space at its newly delivered facility on Commerce Park Drive.

With over 10 million square feet of space under construction in the Lehigh Valley, average asking rents remain the highest in the Corridor at \$5.61/SF, a significant premium over rents in Central and Northeastern Pennsylvania. Vacancy remained low at 9.3% this quarter, indicating higher competition for supply that suits the needs of tenants in the market for new space in the Lehigh Valley.

### Northeastern Pennsylvania

Following a quarter of substantial positive absorption driven by expansions in manufacturing, the Northeastern Pennsylvania submarket pulled back a bit in first-quarter 2021, with 422,000 square feet of negative absorption. Among the companies giving back space was Romark Logistics, which vacated roughly 300,000 square feet at 1 Commerce Road, with plans to vacate the remaining 100,000 square feet in second-quarter 2021. MCS Industries also vacated 377,000 square feet at 400 Keystone Industrial Park.

Average asking rents in Northeastern Pennsylvania remain the lowest among the Corridor submarkets at \$3.94 per square foot. As rents in other Corridor submarkets continue to push higher, cost-conscious industrial occupiers may find the Northeastern Pennsylvania submarket increasingly attractive as they make real estate decisions in 2021.

### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Amazon	Northeastern Pennsylvania	Valley View Trade Center	New Lease	1.0M
Pregis	Lehigh Valley	9024 Old Route 22	New Lease	304K
Well Woven	Central Pennsylvania	2345 Newlins Mills Road	New Lease	243K

### Select Sale Transactions

Buyer	Submarket	Building	Sale Price	Square Feet
Exeter Property Group	Northeastern Pennsylvania	59-63 Elmwood Ave	\$24.5M	331K
Exeter Property Group	Northeastern Pennsylvania	31-45 Elmwood Ave	\$12.3M	200K

## Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Warehouse Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central Pennsylvania	188,038,661	9,322,045	8.0%	1,662,161	1,662,161	\$4.49	\$8.90	\$4.69
Lehigh Valley	139,727,735	10,298,159	9.6%	906,328	906,328	\$5.75	\$6.01	\$5.61
Northeastern Pennsylvania	82,885,625	731,527	13.4%	(422,205)	(422,205)	\$4.06	\$8.13	\$3.94
<b>Market</b>	<b>410,652,021</b>	<b>20,651,731</b>	<b>9.6%</b>	<b>2,146,284</b>	<b>2,146,284</b>	<b>\$4.75</b>	<b>\$7.18</b>	<b>\$4.87</b>

## Submarket Statistics By Type

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
<b>Total</b>	<b>410,652,021</b>	<b>20,651,731</b>	<b>9.6%</b>	<b>2,146,284</b>	<b>2,146,284</b>	<b>\$4.87</b>
Warehouse/Distribution	281,862,596	19,957,619	11.7%	1,574,504	1,574,504	\$4.75
R&D/Flex	14,153,081	-	8.7%	48,687	48,687	\$7.18
General Industrial	114,636,344	394,112	4.7%	523,093	523,093	\$4.63

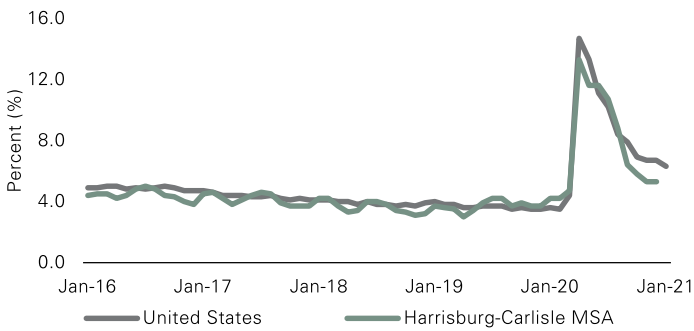
### Economic Conditions

The Harrisburg-Carlisle metropolitan statistical area continued to see a slow, but steady recovery in employment numbers. One year into the pandemic, the region is still experiencing lower employment than pre-pandemic levels, particularly in sectors like leisure and hospitality. But losses in manufacturing, construction and trade/transportation/utilities sectors have mostly recovered, indicating that the region’s strong industrial market is fostering economic growth.

With additional stimulus measures in place and vaccine campaigns underway, the nation’s economic recovery prospects appear promising; however, more robust social safety programs coupled with reluctance to return to the workplace may lead some to drop out of the labor force. This could pose a staffing challenge for industrial/logistics companies in upcoming months, potentially catalyzing greater investment into automation as companies consider long-term strategies.

### Unemployment Rate

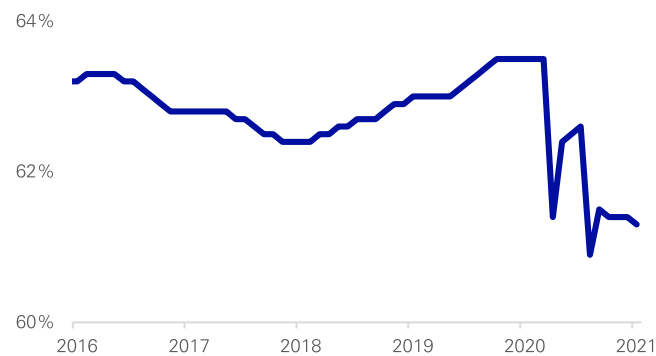
SEASONALLY ADJUSTED\*



\*Local data not seasonally adjusted  
Source: U.S. Bureau of Labor Statistics, March 2021.

### Labor Force Participation Rate

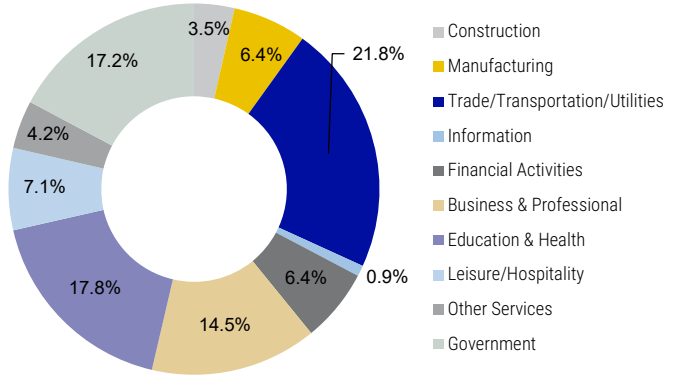
PENNSYLVANIA



Source: Federal Reserve, March 2021.

### Employment by Industry

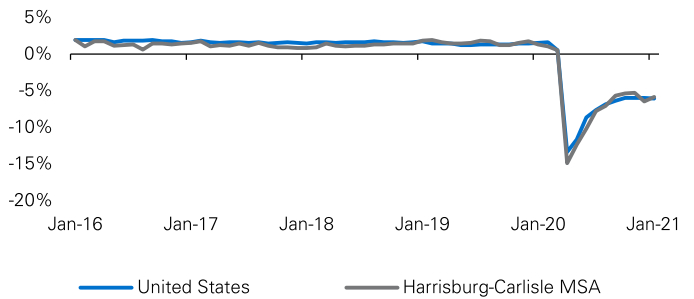
HARRISBURG-CARLISLE MSA, ANNUAL AVERAGE 2020



Source: U.S. Bureau of Labor Statistics, March 2021.

### Payroll Employment, Total Nonfarm

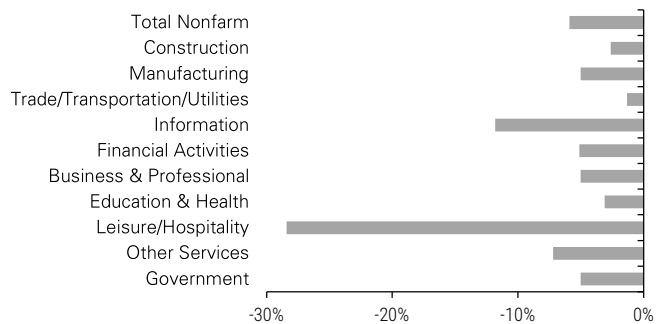
NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

### Employment Growth by Industry, 2021

HARRISBURG-CARLISLE MSA, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, March 2021.

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