



I-81/78 Corridor – Pennsylvania Industrial Market

I-81/78 Industrial Market Vacancy Continues to Decline; Construction Remains Strong

Activity in the I-81/78 industrial market remains robust. Taking rents are expected to stay elevated as demand by tenants in search of space persists. Compared to 2021, demand has decreased a bit; however, it has not negatively impacted the market, as occupancy in all three tracked submarkets remains solid. Areas continue to become more land-constrained, particularly in the Lehigh Valley. More spillover is expected to occur in the Northeastern and Central Pennsylvania submarkets as we move toward the end of the year and into 2023. Vigorous construction activity is still a prominent trend, with nearly 30 million square feet currently under construction. With demand slowing, it will be interesting to monitor how much of the available speculative space coming online will be pre-leased before completion. Land prices continue to rise to peak levels as tenants and developers seek the best available space options close to their consumers.

Vacancy declined to 5.3% in the third quarter, down 40 basis points from the previous quarter and 330 basis points from a year ago when the vacancy was 8.6%. The average asking rental rates for all property types rose to \$5.31/SF, an increase of 3.9% year-over-year. Positive absorption totaled just under 7 million square feet, bringing the year-to-date number to 19.1 million square feet.

Current Conditions

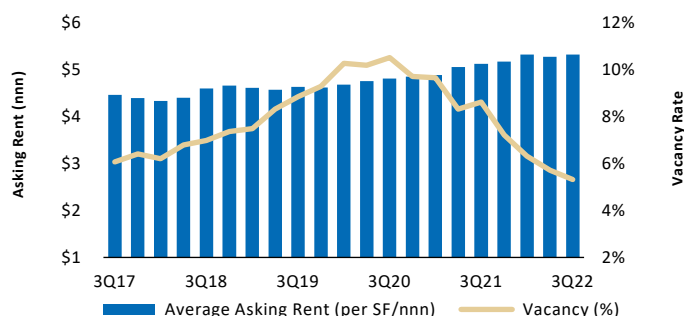
- Average asking rents were at \$5.31/SF in the third quarter, up from \$5.11/SF a year ago.
- 29.6 million square feet is currently under construction.
- Overall vacancy declined to 5.3% in the third quarter, down from 5.7% in the previous quarter.

Market Summary

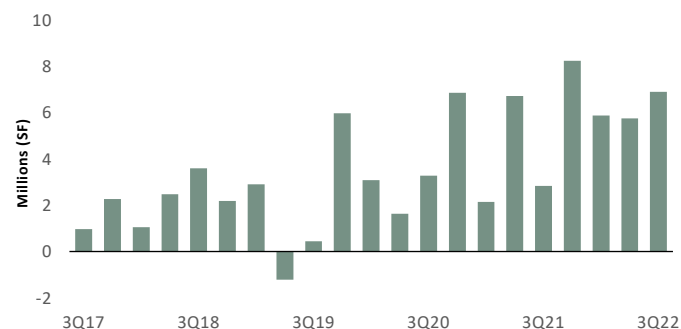
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	435.8M	428.2M	417.5M	↑
Vacancy Rate	5.3%	5.7%	8.6%	↓
Quarterly Net Absorption (SF)	6.9M	5.7M	2.84M	↑
Average Asking Rent/SF	\$5.31	\$5.26	\$5.11	↑
Under Construction (SF)	29.6M	30.5M	15.5M	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Central Pennsylvania

Of the three tracked submarkets in the I-81/78 Industrial Corridor, the Central Pennsylvania submarket continues to lead the way in positive absorption, climbing to 8.6 million square feet year-to-date. The third quarter experienced 3.1 million square feet of positive absorption, with multiple large tenants taking occupancy, including UPS moving into its newly built 775,000-square-foot East Zone Regional Hub at 2110 N. Union Street in Middletown; Life Technologies Corporation completing its move to the Greencastle Logistics Center at 1611 Ebberts Spring Court in Greencastle; and Sun Run taking occupancy of 423,000 square feet in the Susquehanna Logistics Center located at 10874 2nd Amendment Drive in Glen Rock.

Central Pennsylvania's vacancy rate declined by 60 basis points quarter-over-quarter, going from 4.3% in the second quarter to 3.7% in the third quarter. Asking rents for warehouse and distribution space are up 8.9% year-over-year, at an average of \$5.14/SF. Construction activity remains robust, with 13.0 million square feet under construction. Notable leases this quarter included Boohoo signing the largest lease of the quarter, taking 1.1 million square feet at 2771 N. Market St. in the First Logistics Center @ 283 in Elizabethtown. Amazon leased 551,030 square feet at 121 Commerce Avenue in the Matrix I-81 Logistics Center in Greencastle and Bowman Logistics renewed its lease for 447,000 square feet at 2294 Molly Pitcher Highway in Chambersburg.

Lehigh Valley

The Lehigh Valley submarket experienced 1.3 million square feet of positive absorption this quarter, bringing its year-to-date total up to 4.1 million square feet. BlueTriton Brands occupied the 526,260-square-foot building at 2460 Brodhead Road in the Lehigh Valley Distribution Center in Bethlehem, and Hain Celestial moved into 497,000 square feet of space at 7248 Industrial Boulevard in Allentown.

The vacancy rate declined by ten basis points since last quarter, going from 7.9% to 7.8%. Asking warehouse and distribution space rent decreased slightly quarter-over-quarter to \$5.34/SF, a 1.5% drop since last quarter. Like the other tracked submarkets in the I-81/78 Corridor, construction activity remains strong in the Lehigh Valley, with 7.8 million square feet underway.

GOAT at 3895 Eastgate Boulevard in the First 33 Commerce Center in Easton signed the largest lease this quarter in the Lehigh Valley. The most significant sale marked this quarter in the I-81/78 industrial market was in the Lehigh Valley. BentallGreenOak purchased the 310,238-square-foot building at 323 Logistics Drive from The Keith Corporation for \$54.5 million, or \$176/SF.

Northeastern Pennsylvania

Positive absorption totals climbed to 6.4 million square feet year-to-date, with 2.4 million square feet recorded in the third quarter. The overall vacancy rate for the Northeastern Pennsylvania submarket declined to 4.3%, a 70-basis-point drop from the second quarter. Activity this quarter, included Niagara occupying its newly constructed 1.2-million-square-foot warehouse building in Humboldt Northwest One in Hazle Township. Ryder also moved into its new location at 1 Commerce Road in Pittston for 437,446 square feet.

Asking rents increased by 5.5% year-over-year to an average asking rate of \$4.59/SF for warehouse and distribution space. New construction activity is solid, with 8.7 million square feet under construction and expected to deliver over the next 12 months. The largest lease signed this quarter in the submarket was by Lowe's at 209 Dziak Drive, located in Tradeport 164 in Nanticoke, for 1.2 million square feet. The building is scheduled for completion in the first quarter of 2023.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Lowe's	Northeastern PA	209 Dziak Drive	New Lease	1,229,136
Boohoo	Central PA	2771 North Market Street	New Lease	1,085,280
Saks Fifth Avenue	Northeastern PA	250 Highland Park Boulevard	Renewal	822,771
Amazon	Central PA	121 Commerce Avenue	New Lease	551,030
Bowman Logistics	Central PA	2294 Molly Pitcher Highway	Renewal	447,000
GOAT	Lehigh Valley	3895 Eastgate Boulevard	New Lease	341,400

Select Sale Transactions

Buyer	Submarket	Building	Sale Price	Square Feet
BentallGreenOak	Lehigh Valley	323 Logistics Drive	\$54.5M	310,238
Shanholt Glassman Klein Kramer & Co.	Lehigh Valley	5 East Pointe Drive	\$9.6M	135,000

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	196,658,606	13,048,423	3.7%	3,143,443	8,611,824	\$5.14	\$10.07	\$5.56
Lehigh Valley	152,419,543	7,816,060	7.8%	1,286,497	4,113,260	\$5.34	\$7.23	\$5.46
Northeastern Pennsylvania	86,725,590	8,746,372	4.3%	2,470,959	6,418,396	\$4.69	\$5.33	\$4.49
Market	435,803,739	29,610,855	5.3%	6,900,899	19,143,480	\$5.08	\$7.96	\$5.31

Submarket Statistics By Type						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Total	435,803,739	29,610,855	5.3%	6,900,899	19,143,480	\$5.31
Warehouse/Distribution	304,730,626	22,786,688	5.5%	6,341,347	15,974,065	\$5.08
R&D/Flex	14,133,081	-	6.1%	184,040	357,245	\$7.96
General Industrial	116,940,032	6,784,167	4.6%	375,512	2,812,170	\$5.01

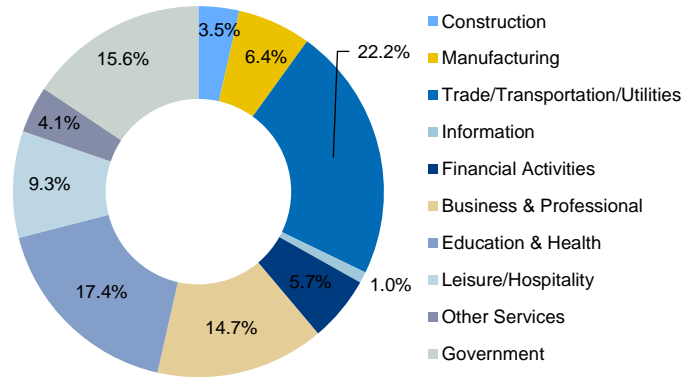
Economic Conditions

With the unemployment rate below 4% and the job growth rate at 3.8% for the month of August, the Harrisburg-Carlisle metropolitan statistical area is in a solid position heading into the end of 2022 and into 2023. Pennsylvania's labor force participation rate continued to rise this quarter, up to 62.4% for the month of August. Compared with January 2020, the labor force participation rate was 63.5%; the current number continues to close in on pre-pandemic rates.

The Harrisburg-Carlisle MSA's unemployment rate increased slightly to 3.9% in August 2022, up 30 basis points from the second quarter. While the unemployment rate increased quarter-over-quarter compared with a year ago, it is down 180 basis points from when it was 5.7%. The leisure and hospitality (+12.8%), trade, transportation and utilities (+9.0%), and business and professional services (+6.4%) sectors all experienced the most considerable growth over the past 12 months. The financial activities (-1.0%) and information (0.0%) sectors experienced negative or no change over the past year.

Employment by Industry

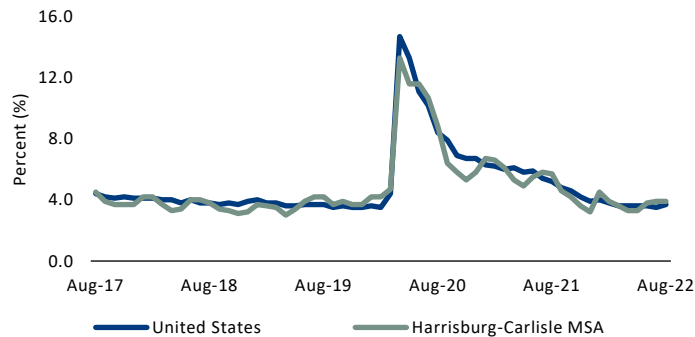
HARRISBURG-CARLISLE MSA, ANNUAL AVERAGE 2022



Source: U.S. Bureau of Labor Statistics, August 2022.

Unemployment Rate

SEASONALLY ADJUSTED*

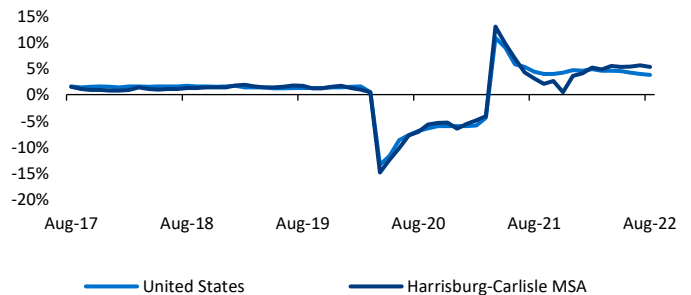


*Local data not seasonally adjusted

Source: U.S. Bureau of Labor Statistics, August 2022.

Payroll Employment, Total Nonfarm

NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, August 2022.

Labor Force Participation Rate

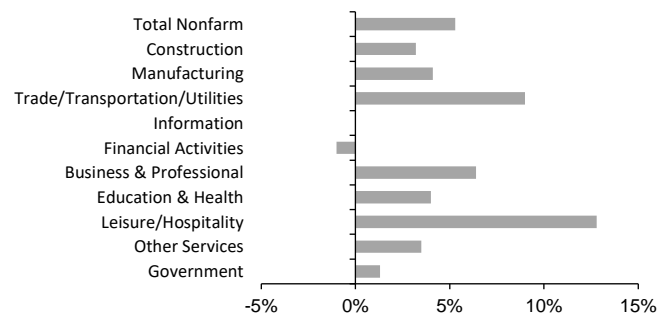
PENNSYLVANIA



Source: Federal Reserve, August 2022.

Employment Growth by Industry, June 2022

HARRISBURG-CARLISLE MSA, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, August 2022.

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