

PA I-81/78 Corridor

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Newly delivered properties remain vacant due to weaker tenant demand

Vacancy in the Pennsylvania I-81/78 Corridor increased for the sixth consecutive quarter. During Q1 2024, the overall vacancy rate rose 50 basis points (bps) from year-end 2023 to 6.2%. All three market clusters recorded quarterly upticks in vacancy: Lehigh Valley increased 60 bps to 7.2%, Central PA rose 50 bps to 5.1% and Northeast PA increased 40 bps to 7.2%.

More than 23.0 million square feet (msf) of new warehouse and distribution space delivered within the I-81/78 Corridor over the past four quarters. However, tenant demand from retailers and e-commerce companies weakened in the post-pandemic economy, hindering the timely removal of this space from the market.

Rents slowly soften with rising vacancy

Quarter over quarter, the overall average asking rental rate declined 2.1% to \$8.24 per square foot (psf). Landlords have been reluctant to discount rents especially for new construction. However, asking rents are still significantly higher than pre-pandemic years. The largest quarterly decrease in average rent occurred in the Northeast PA submarket. It decreased 2.6% from year-end 2023 to \$6.79 psf.

The year begins with positive absorption

The I-81/78 Corridor posted 2.1 msf of positive absorption for the first quarter of 2024. Amazon occupied 1.3 msf at 251 Westwood Hill - Building 1, while Alexandria Moulding & US Lumber moved into 868,000 square feet (sf) at 159 Commonwealth Drive. Both locations are in the Northeast PA submarket. In addition, Church and Dwight occupied 764,400 sf at 250 Cloverleaf Road in Central PA.

At the start of 2024, Glenmark Pharma took 159,865 sf at 749 Route 100 and Sharp Corporation leased 157,500 sf at 7570 Industrial Park Way. Both properties are in the Lehigh Valley submarket.

Key Statistics

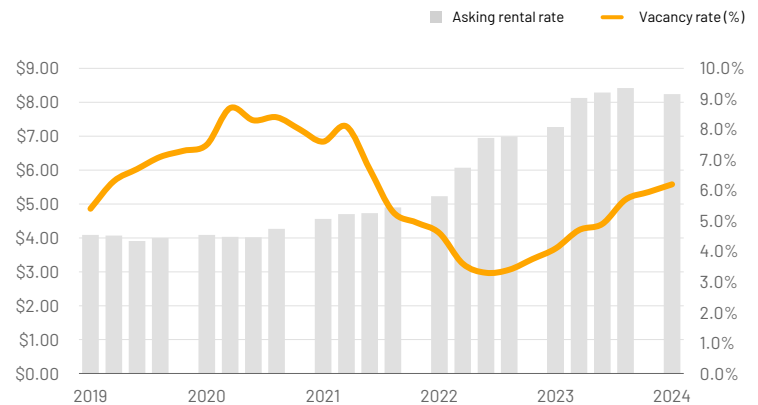
	Q1 2023	Q1 2024	Y-0-Y
Inventory	553.6 msf	585.0 msf	+31.4 msf
Vacancy Rate	4.1%	6.2%	+210 bps
Asking Rental Rate	\$7.27	\$8.24	+13.3%
Net Absorption	7.1 msf	2.1 msf	-5.0 msf
Under Construction	24.5 msf	13.2 msf	-11.3 msf
Deliveries	11.1 msf	5.1 msf	-6.0 msf

Outlook

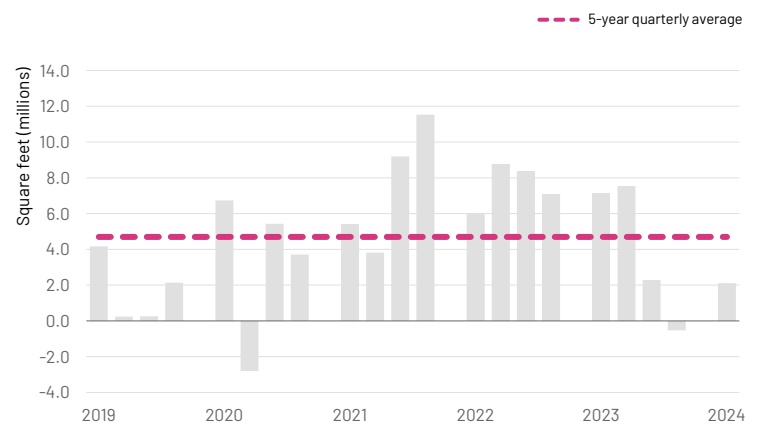
- 01** New construction starts will further slow as developers hold off breaking ground on new projects without a committed tenant
- 02** Developers will rely on concessions to attract tenants, particularly for recently delivered properties

- 03** While asking rents will soften, do not expect large discounts from owners despite rising vacancy

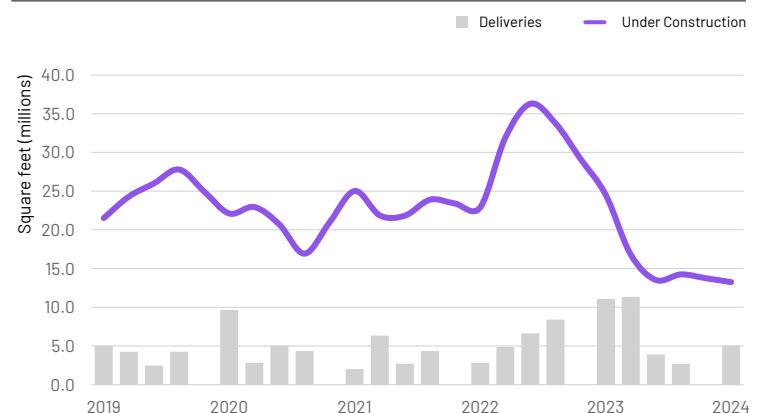
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

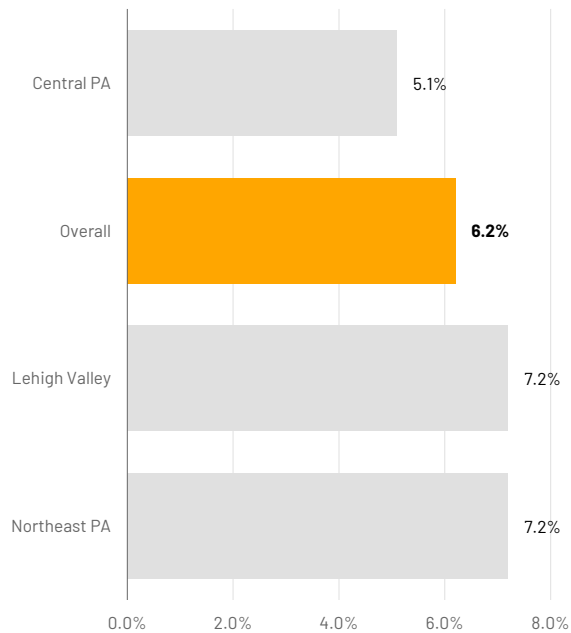
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Glenmark Pharma	159,865	Lehigh Valley	749 Route 100	New	Biosciences/Medical/ Pharmaceuticals
Sharp Corporation	157,500	Lehigh Valley	7570 Industrial Park Way	New	Consumer Goods
Undisclosed	124,100	Northeast PA	160 Research Drive	New	N/A
Albertson's	117,000	Central PA	425 S Muddy Creek Road	New	Food & Beverage
Biotechnology, LLC	111,367	Central PA	625 Willow Springs Lane	New	Biosciences/Medical/ Pharmaceuticals

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Lightstone Group JV Cerberus Capital Management, L.P.	812,425	Central PA	360 Independence Avenue	\$78.5M / \$97	New York Life Insurance Company
ExchangeRight	251,028	Lehigh Valley	615 Aviation Road	\$43.1M / \$172	SunCap Property Group
B&C Industries	239,918	Northeast PA	102 North River Street	\$11.5M / \$48	Rockford Holdings Group
Complete Liquidators	230,000	Northeast PA	180-184 Courtright Street	\$11.5M / \$50	Rockford Holdings Group
Manheim Industries, LLC	218,730	Central PA	258 S Cherry Street	\$3.4M / \$15	Mark R Will

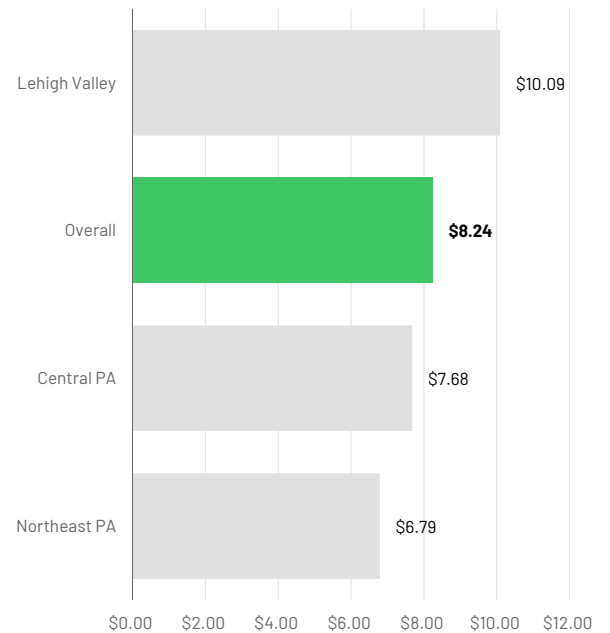
Vacancy Rate Comparison (%)

PA I-81/78 CORRIDOR SUBMARKETS



Rental Rate Comparison (\$/sf)*

PA I-81/78 CORRIDOR SUBMARKETS



*based on all classes of available inventory

PA I-81/78 Corridor Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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