

# Q2 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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Lee & Associates of Eastern Pennsylvania LLC

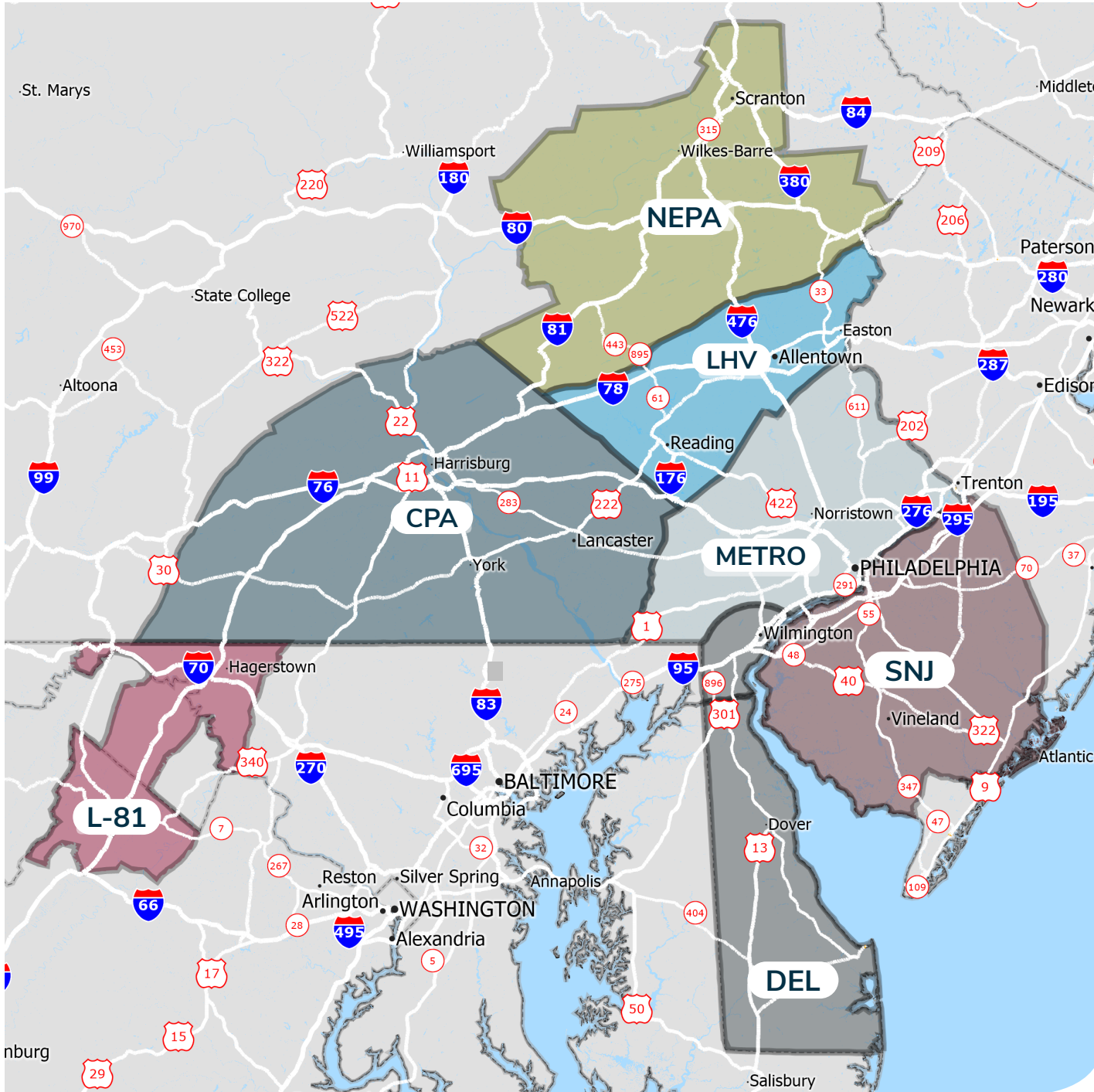
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# PHILADELPHIA REGION | SUBMARKET CLUSTERS



## Central PA (CPA)

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

## Lehigh Valley (LHV)

Reading: Berks Co.  
 Lehigh Valley West: Lehigh Co.  
 Lehigh Valley East: Northampton Co.

## Northeastern PA (NEPA)

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

## Southern New Jersey (SNJ)

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

## Philadelphia Metro (Metro)

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

## Delaware (DEL)

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

## Lower 81 (L-81)

Hagerstown, MD - Washington Co.  
 Martinsburg, WV - Berkeley Co.  
 Winchester, VA - Winchester/Frederick Co.

## 157 ▲

Active Requirements

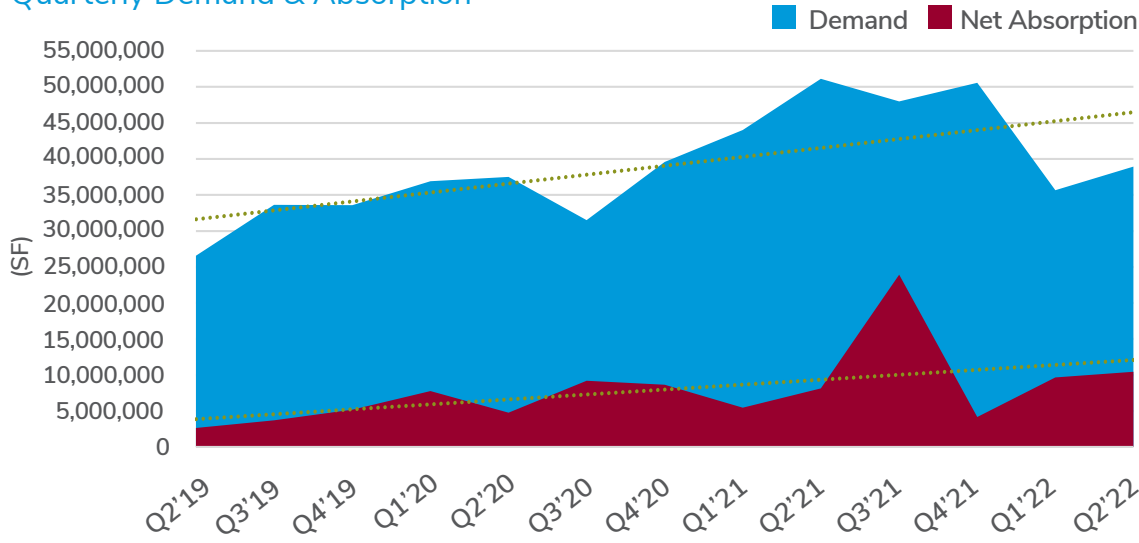
## 38,949,000 SF ▲

Aggregate Demand

## 248,083 SF ▲

Average Size

### Quarterly Demand & Absorption

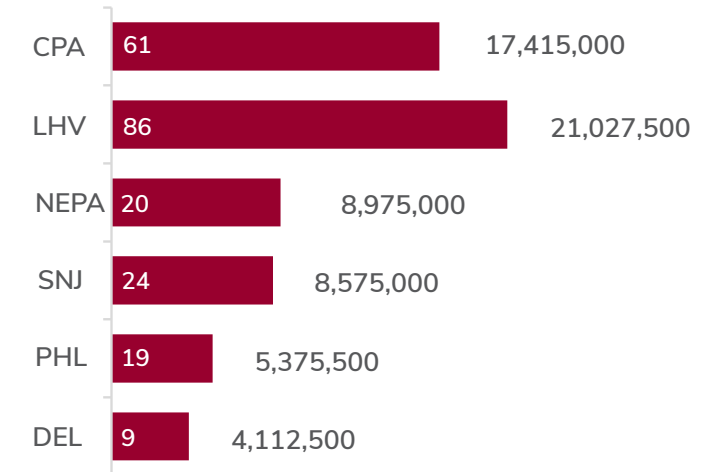


### Size Range

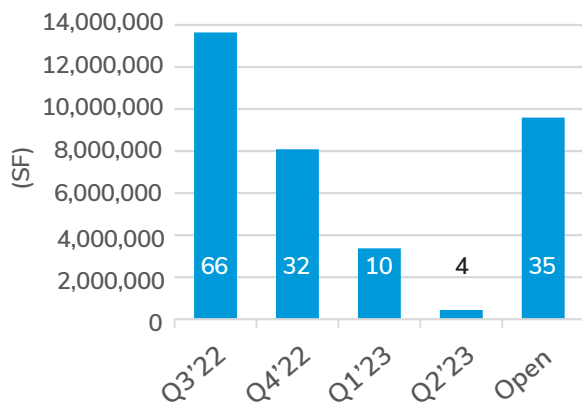
### Requirements

1,000,000 +	0
750,000 - 999,999	3
500,000 - 749,999	19
250,000 - 499,999	52
100,000 - 249,999	47
<100,000	33
Open	3

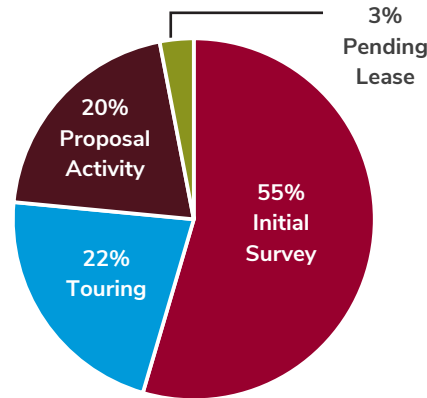
### Active Requirements <sup>1</sup>



### Target Occupancy



### Stages of Demand



### Supply Notes

### Vacancy

### Under Construction

1.99%

56,118,941 SF

**1.99%** ▲

Vacancy

**555,427,775** SF

Standing Stock

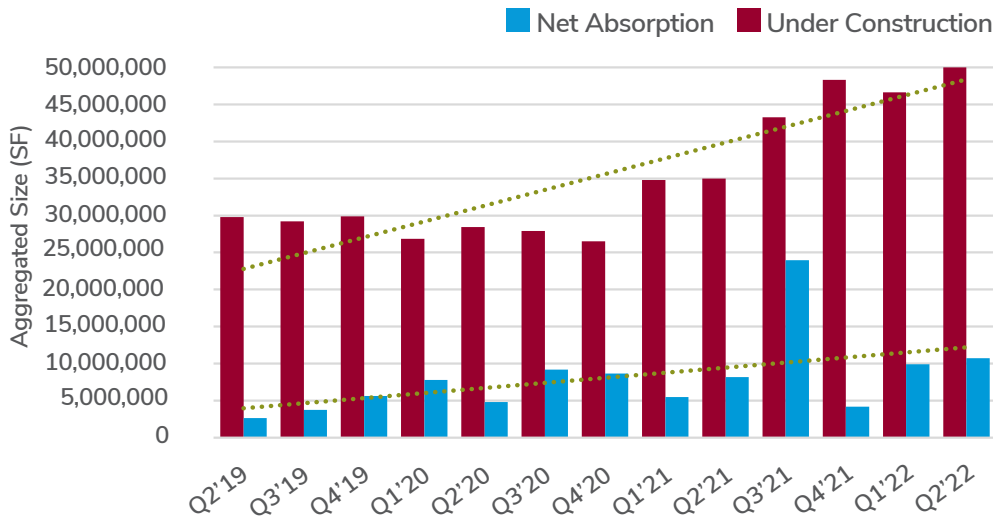
**10,710,356** SF ▼

Net Absorption

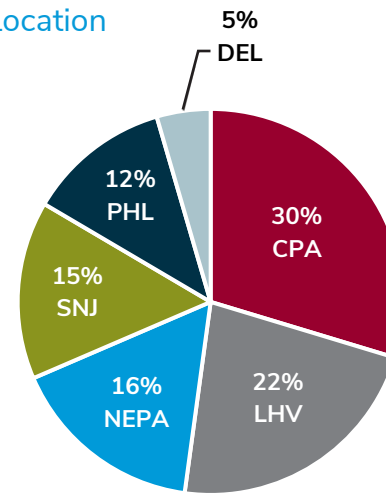
**56,118,941** SF ▲

Under Construction

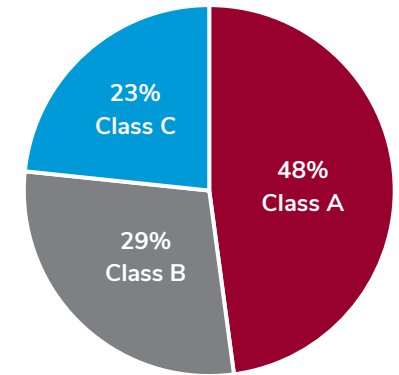
## Net Absorption | Under Construction



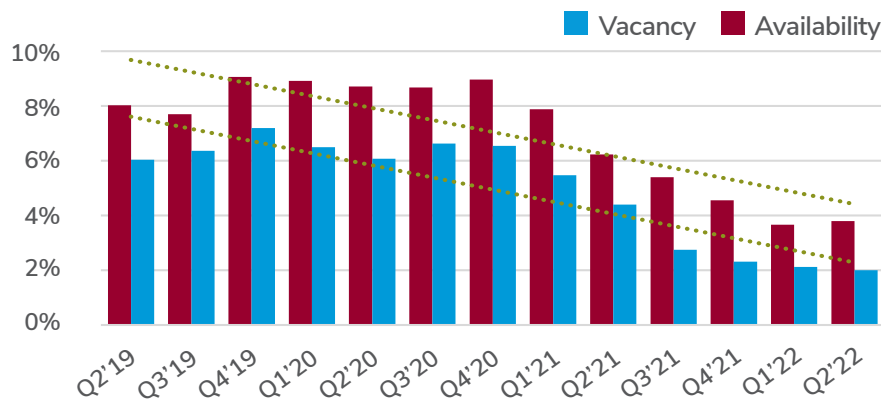
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

The Philadelphia Regional Industrial Market booked 10.7 MSF of net absorption for Q2'22, up from 9.9 MSF, still well ahead of new construction deliveries (9.3 MSF). Overall vacancy decreased by 12 bps to 1.99%.

Rolling construction levels increased to 56.1 MSF fueled by a combination of new starts and delivery delays tied to ongoing supply chain issues. Notably, more than 34 MSF is currently projected for delivery in the next 2 quarters, which could put modest upward pressure on vacancy rates. That said, Demand is strong at 39 MSF, with a majority of active requirements looking to occupy by COQ4'22. Land continues to price at near record levels, but growing construction costs, stubborn inflationary concerns and steadily rising interest rates have re-balanced the equation somewhat. As a result, land pricing may hit a temporary plateau or even slip in some sub-markets as pricing discovery takes root.

Looking forward expect net absorption to remain strong through the end of the year, at levels more or less in line with the last two quarters. Overall vacancy rates may rise slightly, but rents should continue their upward trajectory and the overall market should remain decidedly Landlord-favorable for the foreseeable future.

Disclaimer: Q1'22 vacancy rate changed to 2.11% after several retroactive changes to the supply set.

# PHILADELPHIA REGION LOGISTICS SET | Q2 2022 STANDING STOCK

## 1,693

Total Buildings

## 328,073 SF

Average Building Size

## 9,336,462 SF ▲

New Construction Deliveries

## 48%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Central Pennsylvania (CPA)</b>	<b>447</b>	<b>164,473,538</b>	<b>367,950</b>	<b>2.06%</b>	<b>1,086,588</b>	<b>5,499,696</b>	<b>7,187,406</b>
Class A	135	81,031,002	600,230	2.51%	203,222	4,214,886	5,086,405
Class B	177	51,614,757	291,609	1.34%	426,270	863,514	1,543,852
Class C	135	31,827,779	235,761	2.10%	457,096	421,296	557,149
<b>Lehigh Valley (LHV)</b>	<b>324</b>	<b>124,430,006</b>	<b>384,043</b>	<b>2.04%</b>	<b>3,565,780</b>	<b>5,827,977</b>	<b>11,614,445</b>
Class A	154	81,074,931	526,461	2.28%	3,569,154	5,689,101	10,552,236
Class B	88	26,646,855	302,805	0.17%	59,896	179,896	179,896
Class C	82	16,708,220	203,759	3.86%	(63,270)	(41,020)	882,313
<b>Northeastern Pennsylvania (NEPA)</b>	<b>270</b>	<b>90,621,931</b>	<b>335,637</b>	<b>1.59%</b>	<b>2,563,169</b>	<b>2,709,827</b>	<b>6,796,774</b>
Class A	75	41,434,475	552,460	0.89%	1,771,408	2,058,460	5,576,396
Class B	87	23,222,857	266,929	2.30%	662,761	898,127	809,900
Class C	108	25,964,599	240,413	2.08%	129,000	(246,760)	410,478
<b>Southern New Jersey (SNJ)</b>	<b>295</b>	<b>82,663,379</b>	<b>280,215</b>	<b>2.00%</b>	<b>1,527,173</b>	<b>2,733,229</b>	<b>6,920,705</b>
Class A	91	39,954,305	439,058	3.66%	1,079,907	1,199,528	5,712,170
Class B	102	24,688,211	242,041	0.00%	386,266	1,555,516	1,420,080
Class C	102	19,775,985	193,882	0.97%	61,000	(21,815)	(211,545)
<b>Philadelphia Metro (METRO)</b>	<b>273</b>	<b>66,515,579</b>	<b>243,647</b>	<b>2.79%</b>	<b>312,646</b>	<b>1,856,942</b>	<b>3,386,177</b>
Class A	43	11,353,871	264,044	3.26%	693,137	1,553,921	2,493,780
Class B	99	25,874,953	261,363	3.67%	(459,876)	(292,588)	596,203
Class C	131	29,286,755	223,563	1.84%	79,385	595,609	296,194
<b>Delaware (DEL)</b>	<b>84</b>	<b>24,968,220</b>	<b>297,241</b>	<b>0.68%</b>	<b>1,655,000</b>	<b>1,655,000</b>	<b>6,538,844</b>
Class A	16	11,163,592	697,725	0.00%	1,350,000	1,350,000	5,653,379
Class B	39	7,775,192	199,364	0.71%	5,000	5,000	555,673
Class C	29	6,029,436	207,912	1.90%	300,000	300,000	329,792
<b>TOTALS</b>	<b>1,693</b>	<b>555,427,775</b>	<b>328,073</b>	<b>1.99%</b>	<b>10,710,356</b>	<b>20,282,671</b>	<b>42,444,351</b>
Class A	514	266,012,176	517,533	2.29%	8,666,828	16,065,896	35,074,366
Class B	592	159,822,825	269,971	3.81%	1,080,317	3,209,465	5,105,604
Class C	587	129,592,774	220,771	4.69%	963,211	1,007,310	2,264,381



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**2.06%** ▼

Vacancy

**164,473,538** SF

Standing Stock

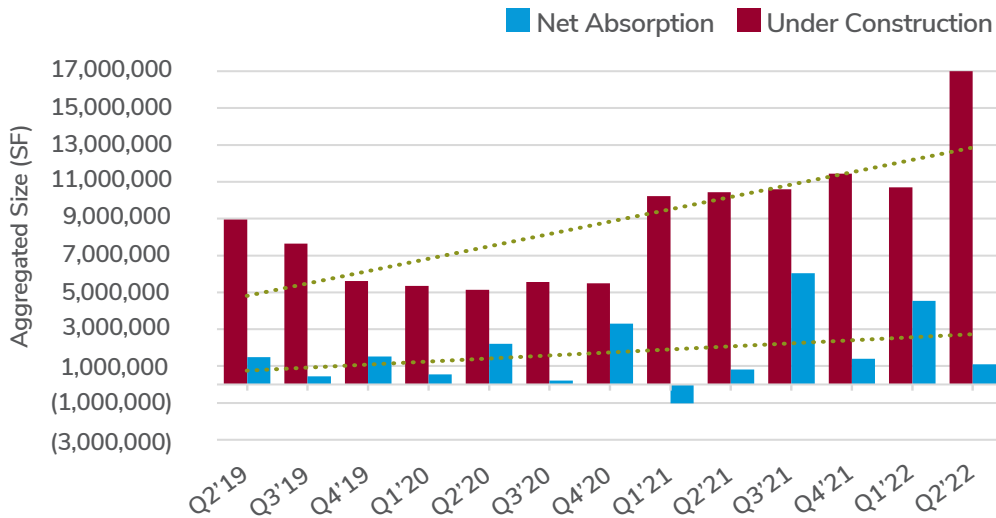
**1,086,588** SF ▼

Net Absorption

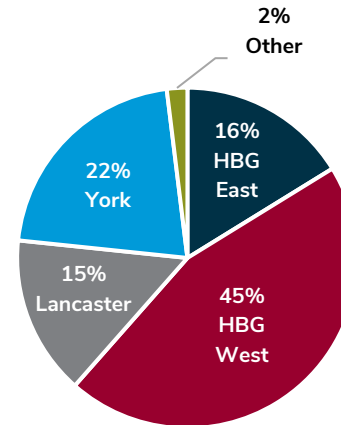
**16,973,078** SF ▲

Under Construction

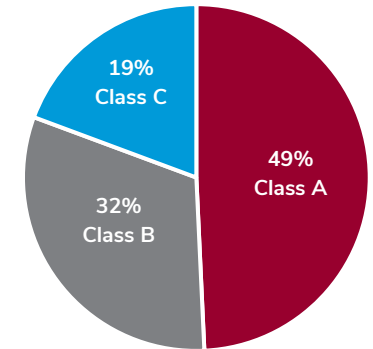
## Net Absorption | Under Construction



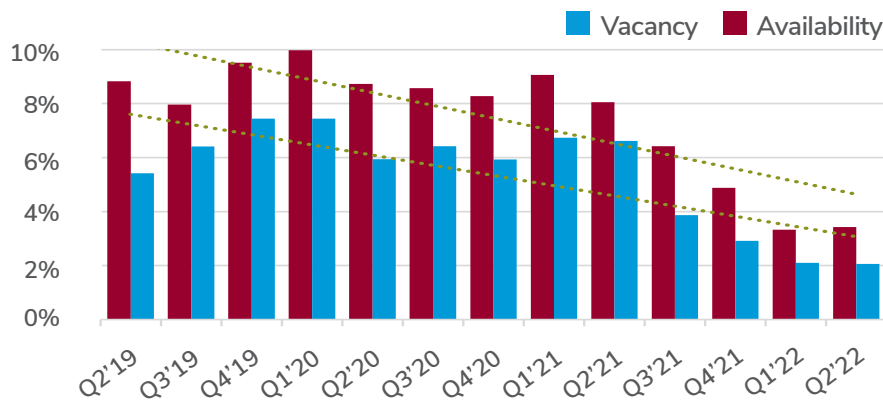
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

Net absorption in the region's largest submarket was off a bit this quarter, at only 1 MSF. The drop was largely due tight existing space conditions and only 750,000 SF of new space deliveries. Even with the decrease in absorption, vacancy dropped to 2.06%, another all-time low.

Like the rest of the region market conditions continue to favor Landlords, and rents keep growing. However, with 17.0 MSF of space currently under construction the rate of rent growth could slow slightly over the coming quarters if head-to-head competition becomes a factor. That said, Demand remains strong at 17.4 MSF, and while not every prospective requirement ends up a real deal there are enough users vying for space to keep Central Pennsylvania moving in the same direction for the foreseeable future.



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# CPA LOGISTICS SET | Q2 2022 STANDING STOCK

## 447

Total Buildings

## 367,950 SF

Average Building Size

## 752,450 SF ▼

New Construction Deliveries

## 49%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Harrisburg East</b>	<b>80</b>	<b>26,870,602</b>	<b>335,883</b>	<b>4.00%</b>	<b>574,843</b>	<b>1,373,194</b>	<b>1,540,905</b>
Class A	26	13,940,257	536,164	4.73%	251,200	1,051,200	941,400
Class B	31	8,283,242	267,201	2.98%	34,110	32,461	272,143
Class C	23	4,647,103	202,048	3.65%	289,533	289,533	327,362
<b>Harrisburg West</b>	<b>158</b>	<b>74,385,560</b>	<b>470,795</b>	<b>1.59%</b>	<b>241,514</b>	<b>3,133,697</b>	<b>3,669,269</b>
Class A	63	45,763,422	726,404	1.67%	99,022	2,579,516	2,933,309
Class B	60	19,518,743	325,312	2.15%	40,408	487,897	523,573
Class C	35	9,103,395	260,097	0.00%	102,084	66,284	212,387
<b>Lancaster</b>	<b>95</b>	<b>24,872,545</b>	<b>261,816</b>	<b>1.02%</b>	<b>264,727</b>	<b>515,977</b>	<b>987,337</b>
Class A	15	5,844,286	389,619	4.30%	0	251,250	472,250
Class B	45	10,563,559	234,746	0.00%	268,000	268,000	518,360
Class C	35	8,464,700	241,849	0.04%	(3,273)	(3,273)	(3,273)
<b>York</b>	<b>104</b>	<b>35,147,045</b>	<b>337,952</b>	<b>2.50%</b>	<b>(63,248)</b>	<b>408,076</b>	<b>921,143</b>
Class A	31	15,483,037	499,453	2.31%	(147,000)	332,920	739,446
Class B	38	11,957,208	314,663	0.19%	83,752	75,156	229,776
Class C	35	7,706,800	220,194	6.45%	0	0	(48,079)
<b>Other</b>	<b>10</b>	<b>3,197,786</b>	<b>319,779</b>	<b>0.00%</b>	<b>68,752</b>	<b>68,752</b>	<b>68,752</b>
Class A	0	0	0	-	0	0	0
Class B	3	1,292,005	430,668	0.00%	0	0	0
Class C	7	1,905,781	272,254	0.00%	68,752	68,752	68,752
<b>TOTAL</b>	<b>447</b>	<b>164,473,538</b>	<b>367,950</b>	<b>2.06%</b>	<b>1,086,588</b>	<b>5,499,696</b>	<b>7,187,406</b>
Class A	135	81,031,002	600,230	2.51%	203,222	4,214,886	5,086,405
Class B	177	51,614,757	291,609	1.34%	426,270	863,514	1,543,852
Class C	135	31,827,779	235,761	2.10%	457,096	421,296	557,149



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**2.04%** ▾

Vacancy

**124,430,006** SF

Standing Stock

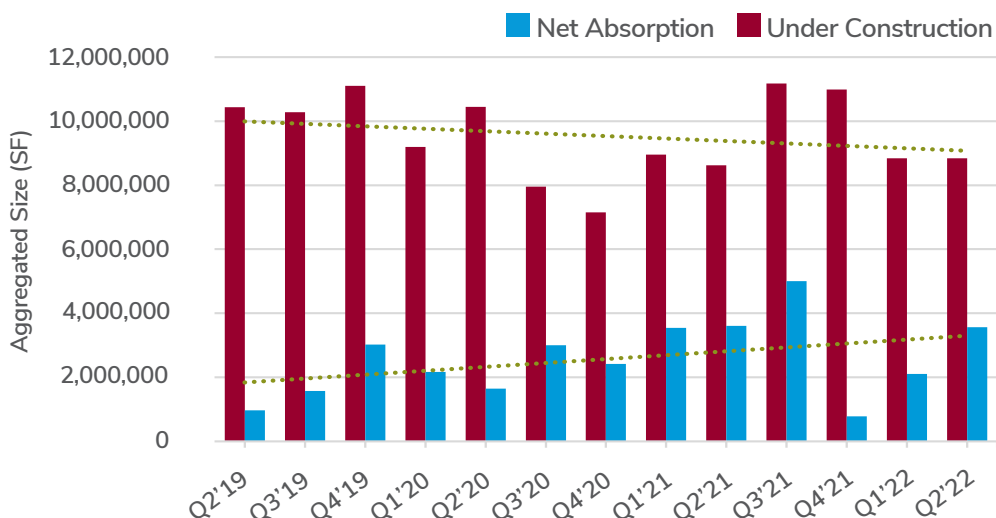
**3,565,780** SF ▲

Net Absorption

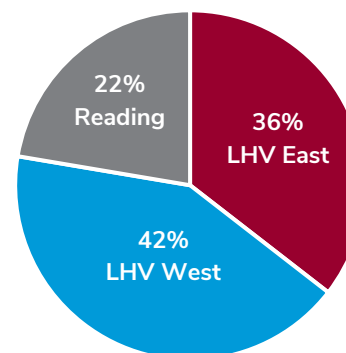
**8,519,632** SF ▾

Under Construction

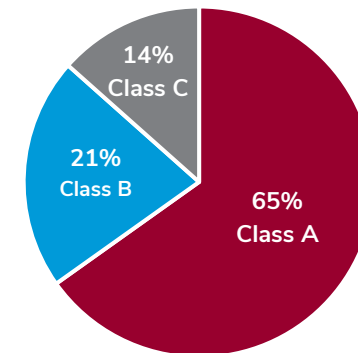
## Net Absorption | Under Construction



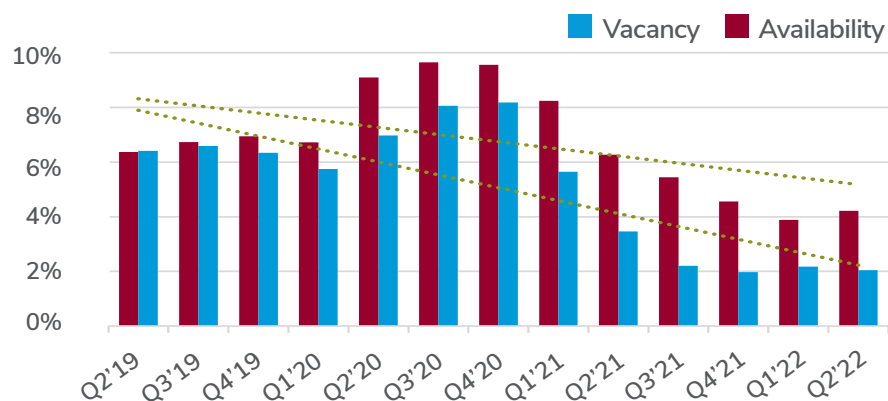
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

The Lehigh Valley posted another strong quarter, with net absorption of 3.6 MSF sitting well above the trailing 3 year average of 2.6 MSF. The occupancy gains were driven by large (900,000 SF+) deals with UNIS and ULINE in Northampton County (Watson-Jaindl) and Lehigh County (Prologis), respectively.

Vacancy decreased by 13 bps to 2.04%, due a mix several vacancies being filled and new speculative deliveries coming online pre leased. Expect the tight space conditions (and related rent growth) to continue for the foreseeable future, as Demand (21 MSF) continues to outpace rolling construction levels (9.0 MSF for the quarter) – by a lot. The biggest challenge for this red-hot submarket moving forward may be tight land conditions and a challenging entitlement environment across the board.

Disclaimer: Q1'22 Vacancy was changed to 2.17% after several retroactive changes to the supply set.

## 324

Total Buildings

## 384,043 SF

Average Building Size

## 3,479,890 SF ▲

New Construction Deliveries

## 65%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Lehigh Valley East</b>	<b>115</b>	<b>45,075,152</b>	<b>391,958</b>	<b>2.26%</b>	<b>2,314,185</b>	<b>2,981,124</b>	<b>5,088,044</b>
Class A	75	37,201,036	496,014	2.27%	2,217,539	2,862,228	4,923,148
Class B	20	4,452,804	222,640	0.00%	59,896	59,896	59,896
Class C	20	3,421,312	171,066	5.10%	36,750	59,000	105,000
<b>Lehigh Valley West</b>	<b>135</b>	<b>52,022,398</b>	<b>385,351</b>	<b>1.69%</b>	<b>893,640</b>	<b>1,013,640</b>	<b>4,012,195</b>
Class A	56	30,582,366	546,114	1.60%	993,660	993,660	3,351,910
Class B	48	14,747,044	307,230	0.05%	0	120,000	120,000
Class C	31	6,692,988	215,903	5.77%	(100,020)	(100,020)	540,285
<b>Reading</b>	<b>74</b>	<b>27,332,456</b>	<b>369,358</b>	<b>2.34%</b>	<b>357,955</b>	<b>1,833,213</b>	<b>2,514,206</b>
Class A	23	13,291,529	577,893	3.90%	357,955	1,833,213	2,277,178
Class B	20	7,447,007	372,350	0.50%	0	0	0
Class C	31	6,593,920	212,707	1.27%	0	0	237,028
<b>TOTAL</b>	<b>324</b>	<b>124,430,006</b>	<b>384,043</b>	<b>2.04%</b>	<b>3,565,780</b>	<b>5,827,977</b>	<b>11,614,445</b>
Class A	154	81,074,931	526,461	2.28%	3,569,154	5,689,101	10,552,236
Class B	88	26,646,855	302,805	0.17%	59,896	179,896	179,896
Class C	82	16,708,220	203,759	3.86%	(63,270)	(41,020)	882,313

**1.59%** ▼

Vacancy

**90,621,931 SF**

Standing Stock

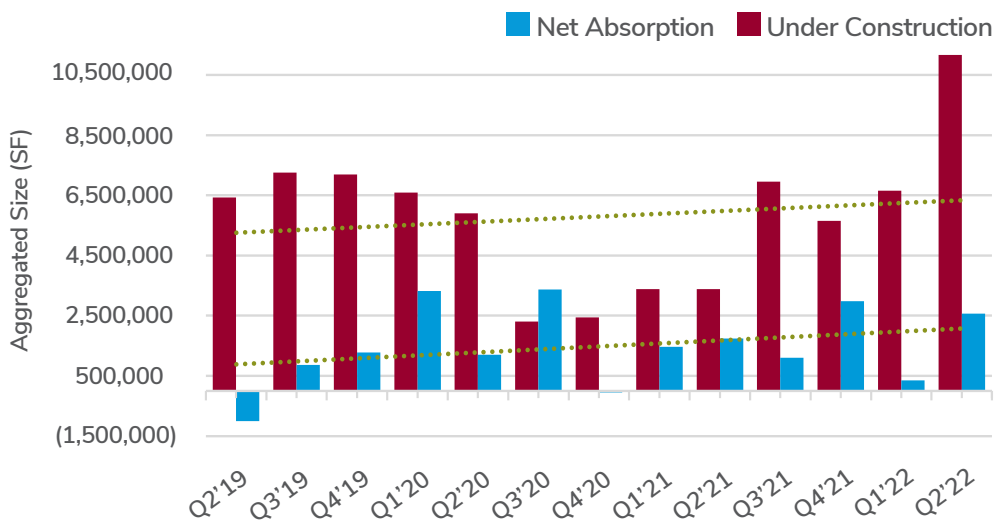
**2,563,169 SF** ▲

Net Absorption

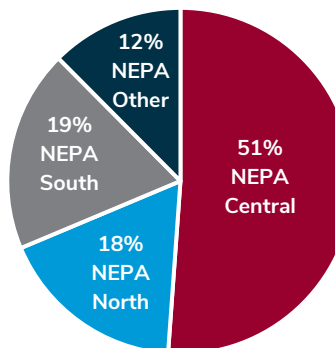
**11,535,947 SF** ▲

Under Construction

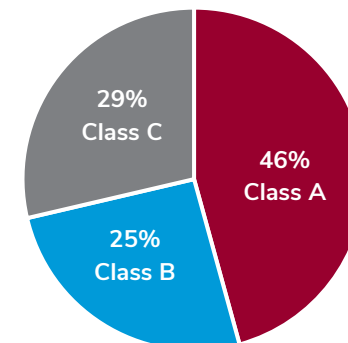
## Net Absorption | Under Construction



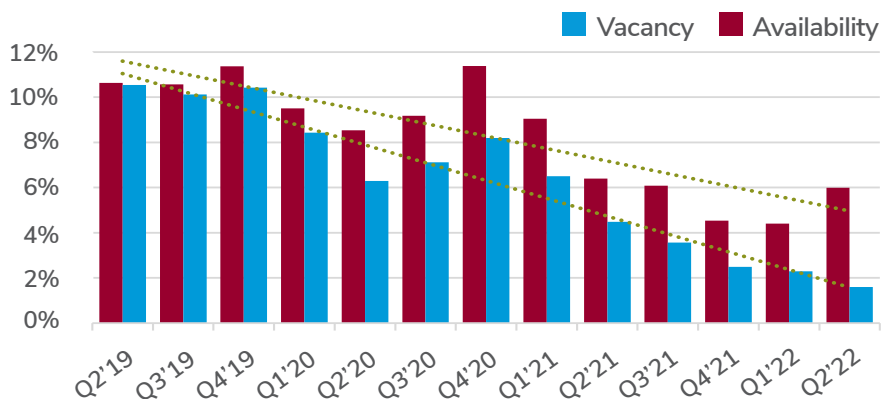
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

Northeast PA rebounded from a sluggish performance in Q1'22, booking over 2.5 MSF in net absorption in Q2. The gains were driven in large part by new construction deliveries totaling 1.8 MSF, all of which were pre-leased - new occupancies by Blue Buffalo (750,000 SF), Mason Hub (563,000 SF), and Thrive Market (458,000 SF) led the way. Vacancy continued to fall as a result, and now sits at an all-time low of 1.59%.

New challenges are around the corner though, as this rapidly evolving sub-market continues to expand. Rolling Construction levels nearly doubled to 11.5 MSF (58% higher than the previous record level of 7.3 MSF notched in Q3'19), and the Development Pipeline remains by far the deepest of any submarket in the Philadelphia Region at 64.6 MSF. Fortunately, Demand is strong at around 9 MSF, and persistently tight conditions and rising rents in the Lehigh Valley and Central PA seem likely to push some deals NEPA's way over the coming couple of years.

Expect only modest rent growth through the remainder of 2022 and into 2023 as in-progress speculative buildings are delivered, and new starts are launched; Luzerne and Schuylkill Counties are likely to be a big part of the story, given the concentration of rolling construction and entitlement efforts in each. The real question will ultimately be how fast the market can consume record levels of new construction, given average net absorption of just 3.9 MSF annually over the last 5 years.

# NEPA LOGISTICS SET | Q2 2022 STANDING STOCK

## 270

Total Buildings

## 335,637 SF

Average Building Size

## 1,771,408 SF ▲

New Construction Deliveries

## 46%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>NEPA Central</b>	<b>150</b>	<b>46,349,930</b>	<b>309,000</b>	<b>1.87%</b>	<b>1,458,854</b>	<b>1,737,512</b>	<b>4,411,545</b>
Class A	50	23,704,271	474,085	1.56%	1,021,408	1,308,460	3,742,660
Class B	51	12,211,835	239,448	0.23%	437,446	804,812	1,044,645
Class C	49	10,433,824	212,935	4.51%	0	(375,760)	(375,760)
<b>NEPA North</b>	<b>51</b>	<b>15,882,385</b>	<b>311,419</b>	<b>1.35%</b>	<b>712,206</b>	<b>712,206</b>	<b>1,177,723</b>
Class A	8	5,461,010	682,626	0.00%	750,000	750,000	967,000
Class B	15	3,253,997	216,933	6.59%	(166,794)	(166,794)	(102,745)
Class C	28	7,167,378	255,978	0.00%	129,000	129,000	313,468
<b>NEPA South</b>	<b>48</b>	<b>17,104,278</b>	<b>356,339</b>	<b>2.11%</b>	<b>392,109</b>	<b>260,109</b>	<b>138,920</b>
Class A	10	6,228,303	622,830	0.00%	0	0	117,000
Class B	16	5,614,635	350,915	5.20%	392,109	260,109	(132,000)
Class C	22	5,261,340	239,152	1.32%	0	0	153,920
<b>NEPA Other</b>	<b>21</b>	<b>11,285,338</b>	<b>537,397</b>	<b>0.00%</b>	<b>0</b>	<b>0</b>	<b>1,068,586</b>
Class A	7	6,040,891	862,984	0.00%	0	0	749,736
Class B	5	2,142,390	428,478	0.00%	0	0	0
Class C	9	3,102,057	344,673	0.00%	0	0	318,850
<b>TOTAL</b>	<b>270</b>	<b>90,621,931</b>	<b>335,637</b>	<b>1.59%</b>	<b>2,563,169</b>	<b>2,709,827</b>	<b>6,796,774</b>
Class A	75	41,434,475	552,460	0.89%	1,771,408	2,058,460	5,576,396
Class B	87	23,222,857	266,929	2.30%	662,761	898,127	809,900
Class C	108	25,964,599	240,413	2.08%	129,000	(246,760)	410,478



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**1.96%** ▲

Vacancy

**84,418,501 SF**

Standing Stock

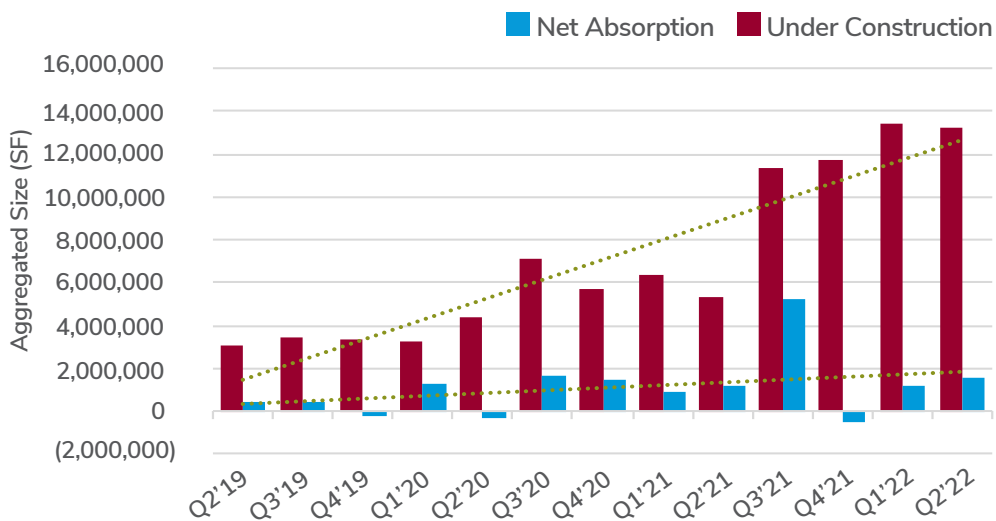
**1,527,173 SF** ▲

Net Absorption

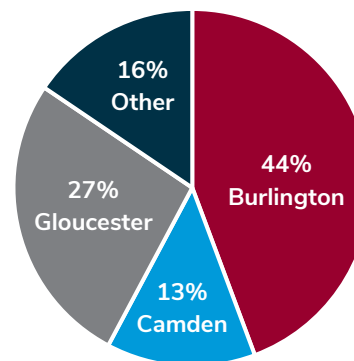
**13,204,385 SF** ▼

Under Construction

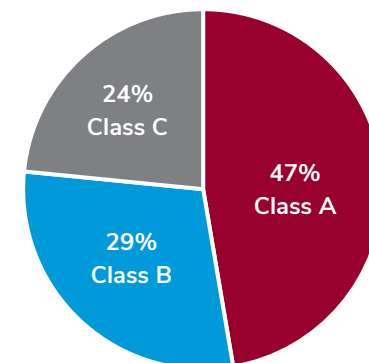
## Net Absorption | Under Construction



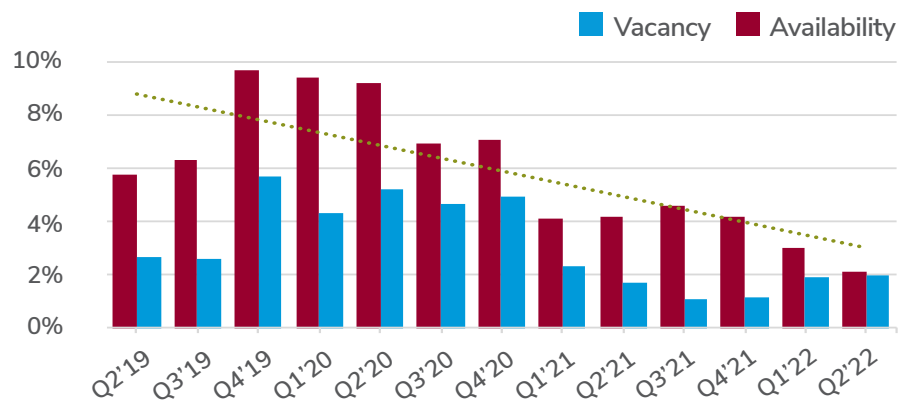
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

Southern New Jersey recorded net absorption gains of 1.5 MSF, up from 1.2 MSF in Q1'22. Given the scarcity of space it was a strong showing, and well over the trailing 5 year average of 1.0 MSF to boot. Vacancy levels increased slightly nonetheless, up 8 bps to 1.96% - the primary contributor a new speculative building of just over 800,000 SF which delivered fully vacant.

Rents have been on a strong upward trajectory for some time as a result of strong demand and tight space conditions here and in Central New Jersey - expect a continuation of that trend for now, with Demand solid at 8.5 MSF and only 5.0 MSF of the 13.2 MSF currently under construction set to deliver this year. That said, 2023 could see rents start to plateau if net absorption is less than robust over the next 4 quarters is and new building starts are launched in any quantity.

# SNJ LOGISTICS SET | Q2 2022 STANDING STOCK

## 295

Total Buildings

## 286,164 SF

Average Building Size

## 1,621,758 SF ▼

New Construction Deliveries

## 47%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Burlington</b>	<b>109</b>	<b>37,403,650</b>	<b>343,153</b>	<b>2.47%</b>	<b>856,680</b>	<b>1,667,236</b>	<b>3,872,648</b>
Class A	53	25,013,767	471,958	3.57%	885,680	1,005,301	3,210,713
Class B	35	8,331,810	238,052	0.00%	0	768,750	768,750
Class C	21	4,058,073	193,242	0.71%	(29,000)	(106,815)	(106,815)
<b>Camden</b>	<b>59</b>	<b>11,383,751</b>	<b>192,945</b>	<b>0.47%</b>	<b>140,000</b>	<b>135,000</b>	<b>145,270</b>
Class A	0	0	0	0.00%	0	0	0
Class B	12	3,090,837	257,570	0.00%	140,000	140,000	140,000
Class C	47	8,292,914	176,445	0.65%	0	(5,000)	5,270
<b>Gloucester</b>	<b>88</b>	<b>22,521,128</b>	<b>255,922</b>	<b>1.43%</b>	<b>358,493</b>	<b>358,493</b>	<b>1,339,883</b>
Class A	27	9,522,999	352,704	3.38%	194,227	194,227	1,299,227
Class B	42	9,695,228	230,839	0.00%	164,266	164,266	40,656
Class C	19	3,302,901	173,837	0.00%	0	0	0
<b>SJ Other</b>	<b>39</b>	<b>13,109,972</b>	<b>336,153</b>	<b>2.71%</b>	<b>172,000</b>	<b>572,500</b>	<b>1,562,904</b>
Class A	11	5,417,539	492,504	4.54%	0	0	1,202,230
Class B	13	3,570,336	274,641	0.00%	82,000	482,500	470,674
Class C	15	4,122,097	274,806	2.67%	90,000	90,000	(110,000)
<b>TOTAL</b>	<b>295</b>	<b>84,418,501</b>	<b>286,164</b>	<b>1.96%</b>	<b>1,527,173</b>	<b>2,733,229</b>	<b>6,920,705</b>
Class A	91	39,954,305	439,058	3.66%	1,079,907	1,199,528	5,712,170
Class B	102	24,688,211	242,041	0.00%	386,266	1,555,516	1,420,080
Class C	102	19,775,985	193,882	0.97%	61,000	(21,815)	(211,545)



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**2.79%** ▲

Vacancy

**66,515,579 SF**

Standing Stock

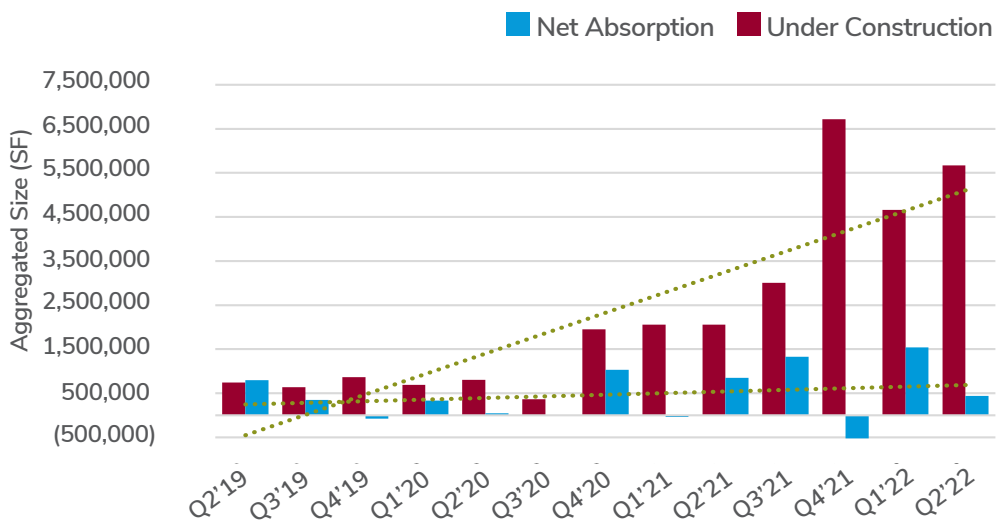
**312,646 SF** ▼

Net Absorption

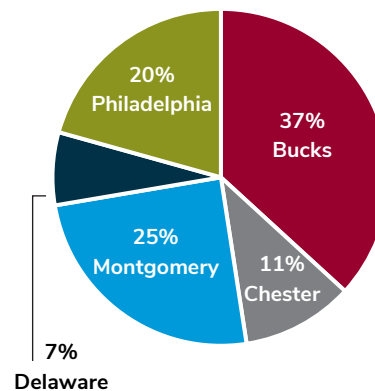
**5,310,899 SF** ▲

Under Construction

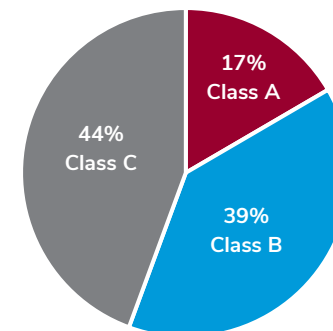
## Net Absorption | Under Construction



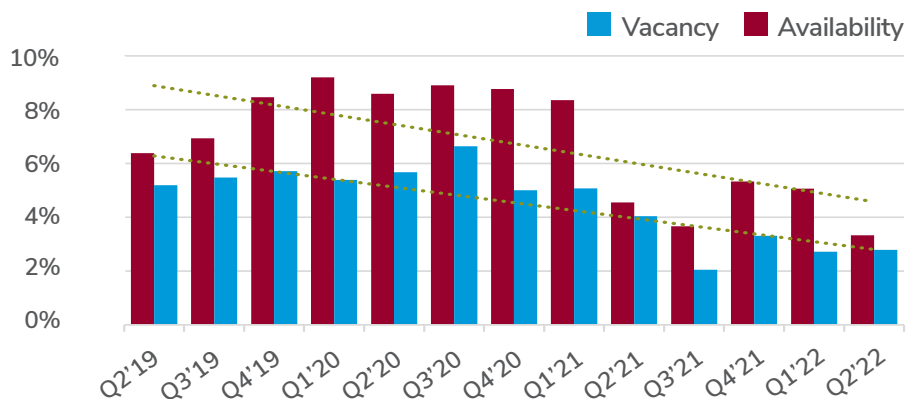
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

Not much changed in the Philadelphia Metro market, with net absorption (312,000 SF) held in check by already low vacancy levels and modest levels of new construction deliveries (360,000 SF). Vacancy increased slightly by 7 bps, to 2.79% - essentially remaining flat.

Looking forward, relatively high levels of rolling construction (5.3 MSF) have the potential to change that, especially with better than half of the space is expected to deliver by EOY 2022. However, solid Demand levels (5.4 MSF) should keep pace; as a result, expect modest rent growth, and stable vacancy conditions through the end of the year.

# PHL METRO LOGISTICS SET | Q2 2022 STANDING STOCK

## 273

Total Buildings

## 243,647 SF

Average Building Size

## 360,840 SF ▼

New Construction Deliveries

## 17%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Bucks</b>	<b>103</b>	<b>24,481,547</b>	<b>237,685</b>	<b>2.23%</b>	<b>558,772</b>	<b>1,116,470</b>	<b>1,796,370</b>
Class A	15	3,984,547	265,636	2.66%	573,750	573,750	854,600
Class B	44	11,883,638	270,083	2.72%	(112,368)	94,632	757,843
Class C	44	8,613,362	195,758	1.35%	97,390	448,088	183,927
<b>Chester</b>	<b>35</b>	<b>7,152,062</b>	<b>204,345</b>	<b>1.98%</b>	<b>0</b>	<b>65,684</b>	<b>58,816</b>
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	176,259
Class C	21	4,149,227	197,582	3.41%	0	11,000	(117,443)
<b>Montgomery</b>	<b>70</b>	<b>16,476,774</b>	<b>235,382</b>	<b>4.10%</b>	<b>(531,255)</b>	<b>109,984</b>	<b>488,718</b>
Class A	9	1,834,244	203,805	2.91%	0	587,184	640,582
Class B	27	7,093,267	262,714	7.30%	(456,255)	(456,255)	(240,608)
Class C	34	7,549,263	222,037	1.39%	(75,000)	(20,945)	88,744
<b>Delaware</b>	<b>19</b>	<b>4,652,030</b>	<b>244,844</b>	<b>8.49%</b>	<b>38,659</b>	<b>(187,742)</b>	<b>(187,742)</b>
Class A	5	1,056,452	211,290	19.92%	0	273,600	273,600
Class B	5	1,092,733	218,547	8.64%	0	(94,396)	(83,450)
Class C	9	2,502,845	278,094	3.61%	38,659	86,115	86,115
<b>Philadelphia</b>	<b>46</b>	<b>13,753,166</b>	<b>298,982</b>	<b>0.72%</b>	<b>246,470</b>	<b>299,485</b>	<b>766,008</b>
Class A	10	3,836,028	383,603	0.00%	119,387	119,387	724,998
Class B	13	3,445,080	265,006	0.40%	108,747	108,747	(13,841)
Class C	23	6,472,058	281,394	1.31%	18,336	71,351	54,851
<b>TOTAL</b>	<b>273</b>	<b>66,515,579</b>	<b>243,647</b>	<b>2.79%</b>	<b>312,646</b>	<b>1,856,942</b>	<b>3,386,177</b>
Class A	43	11,353,871	264,044	3.26%	693,137	1,553,921	2,493,780
Class B	99	25,874,953	261,363	3.67%	(459,876)	(292,588)	596,203
Class C	131	29,286,755	223,563	1.84%	79,385	595,609	296,194



**0.68%** ▼

Vacancy

**24,968,220 SF**

Standing Stock

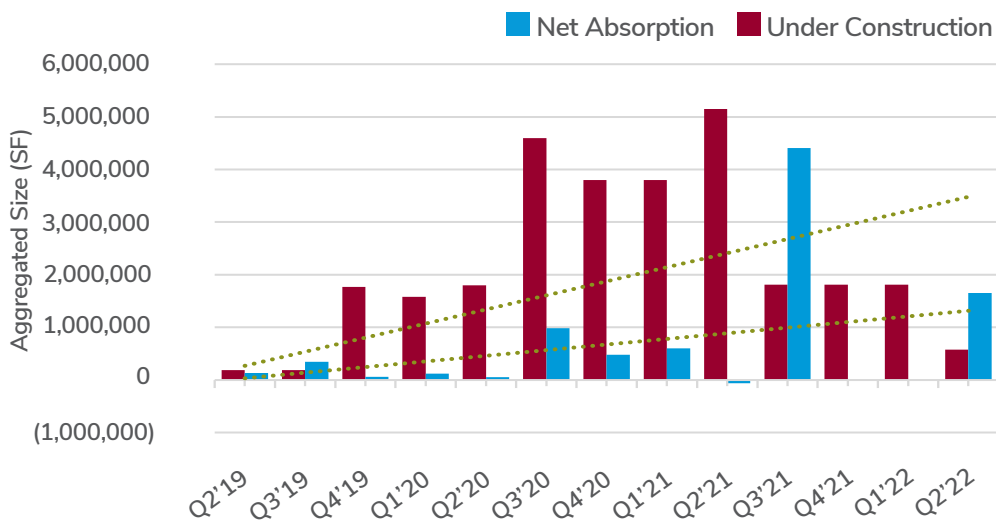
**1,655,000 SF** ▲

Net Absorption

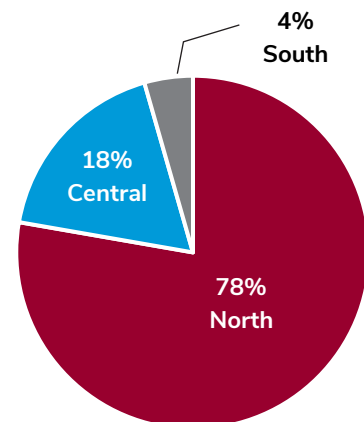
**575,000 SF** ▼

Under Construction

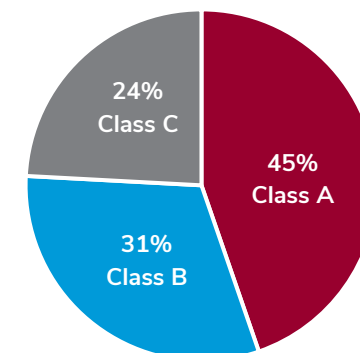
## Net Absorption | Under Construction



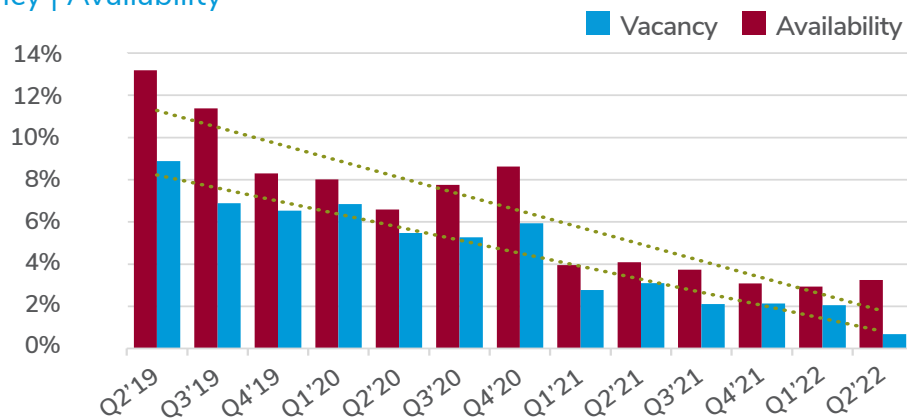
## Location



## Asset Quality



## Vacancy | Availability



## Market Notes

Net Absorption landed at 1.65 MSF for Q2'22, driven largely by delivery of a 1.35 MSF Amazon facility in New Castle County. That project also accounted for the entirety of the new construction deliveries in the market. The complete absence of vacant building deliveries, together with several smaller existing building leased events drove vacancy from 2.05% to just 0.68%.

There is little in the way of rolling construction (only 575,000 SF) to suggest much will change for the foreseeable future – with essentially nothing left to lease expect the 4.1 MSF of Demand to turn its attention to Build-To-Suit and Pre-Lease opportunities in the Development Pipeline (now at just under 9.0 MSF). As a result, look for steady rate growth, relatively strong net absorption and stubbornly low vacancy levels in this low-cost alternative to Southern New Jersey and the Metro Philadelphia market.

## 84

Total Buildings

## 297,241 SF

Average Building Size

## 1,350,000 SF ▲

New Construction Deliveries

## 45%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>North (New Castle)</b>	<b>67</b>	<b>19,410,871</b>	<b>289,714</b>	<b>0.00%</b>	<b>1,350,000</b>	<b>1,350,000</b>	<b>5,716,344</b>
Class A	15	10,107,531	673,835	0.00%	1,350,000	1,350,000	5,653,379
Class B	34	6,440,439	189,425	0.00%	0	0	33,173
Class C	18	2,862,901	159,050	0.00%	0	0	29,792
<b>Central (Kent)</b>	<b>13</b>	<b>4,448,849</b>	<b>342,219</b>	<b>2.47%</b>	<b>20,000</b>	<b>20,000</b>	<b>537,500</b>
Class A	1	1,056,061	1,056,061	0.00%	0	0	0
Class B	4	1,126,753	281,688	4.88%	5,000	5,000	522,500
Class C	8	2,266,035	283,254	2.42%	15,000	15,000	15,000
<b>South (Sussex)</b>	<b>4</b>	<b>1,108,500</b>	<b>277,125</b>	<b>5.41%</b>	<b>285,000</b>	<b>285,000</b>	<b>285,000</b>
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	6.66%	285,000	285,000	285,000
<b>TOTAL</b>	<b>84</b>	<b>24,968,220</b>	<b>297,241</b>	<b>0.68%</b>	<b>1,655,000</b>	<b>1,655,000</b>	<b>6,538,844</b>
Class A	16	11,163,592	697,725	0.00%	1,350,000	1,350,000	5,653,379
Class B	39	7,775,192	199,364	0.71%	5,000	5,000	555,673
Class C	29	6,029,436	207,912	1.90%	300,000	300,000	329,792

# LOWER 81 LOGISTICS SET | Q2 2022 STANDING STOCK

**5.98%** ▲

Vacancy

**44,103,548** SF

Standing Stock

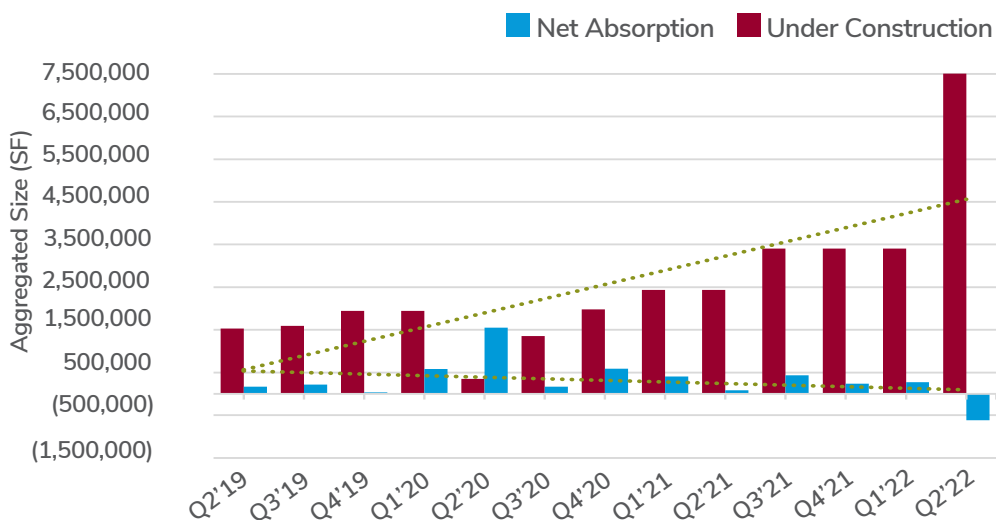
**(618,443)** SF ▼

Net Absorption

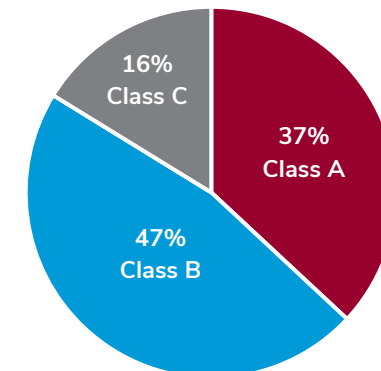
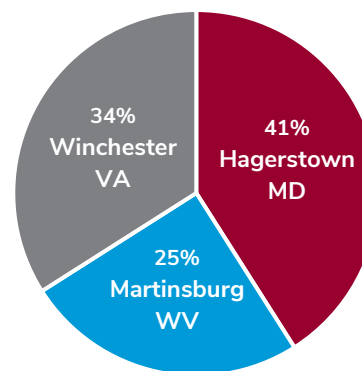
**7,544,037** SF ▲

Under Construction

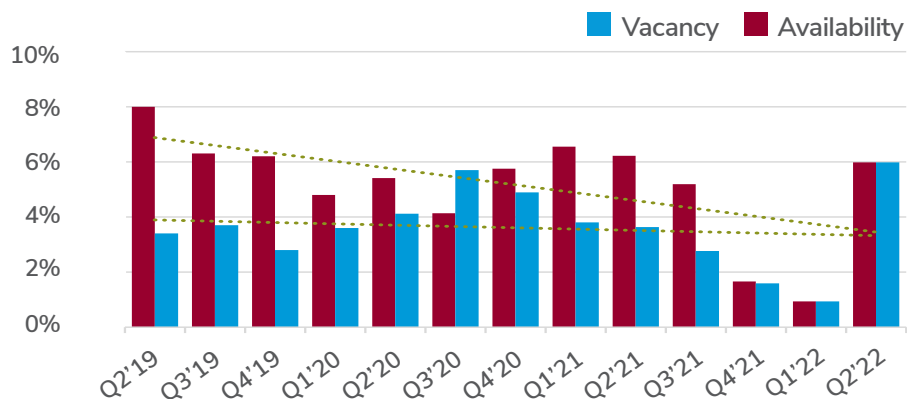
## Net Absorption<sup>1</sup> | Under Construction



## Location



## Vacancy<sup>2</sup> | Availability



## Market Notes

Vacancy jumped by over 500 bps to close the quarter at 5.98% as a result of speculative deliveries by Penzance (825,620 SF) and Panattoni (730,116 SF) in Hagerstown and scattered (new) vacancies across the submarket. With no incremental leasing events to report, net absorption fell into negative territory at -618,443 SF.

More new space is coming, with over 7.5 MSF of new space currently under construction including several large spec boxes likely to create head-to-head competition here and across the border in Pennsylvania. Rents should hold steady for the rest of 2022, but watch for free rent and other concessions to enter the scene in 2023 if new projects aren't quickly digested by this rapidly expanding market.

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

<sup>2</sup>Vacancy 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 | Q2 2022 STANDING STOCK

## 121

Total Buildings

## 364,492 SF

Average Building Size

## 1,555,736 SF ▲

New Construction Deliveries

## 37%

Class A Buildings

Submarket	Total Properties	Standing Stock (SF)	Average Building Size (SF)	Vacancy Rate (%)	Q2'22 Absorption (SF)	2022 YTD Absorption (SF)	12 Months Absorption (SF)
<b>Hagerstown, MD</b>	<b>46</b>	<b>18,076,417</b>	<b>392,966</b>	<b>11.90%</b>	<b>(318,443)</b>	<b>(318,443)</b>	<b>463,384</b>
Class A	13	8,041,432	618,572	22.05%	(217,193)	(217,193)	(173,892)
Class B	25	8,277,366	331,095	4.57%	(101,250)	(101,250)	637,276
Class C	8	1,757,619	219,702	0.00%	0	0	0
<b>Martinsburg, WV</b>	<b>19</b>	<b>11,030,302</b>	<b>580,542</b>	<b>0.67%</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
Class A	4	2,457,562	614,391	0.00%	0	0	0
Class B	10	7,594,648	759,465	0.97%	0	0	100,000
Class C	5	978,092	0	0.00%	0	0	0
<b>Winchester, VA</b>	<b>56</b>	<b>14,996,829</b>	<b>267,801</b>	<b>2.74%</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>(307,465)</b>
Class A	15	5,792,073	386,138	6.13%	(300,000)	(300,000)	(313,465)
Class B	23	4,783,173	207,964	0.53%	0	0	0
Class C	18	4,421,583	245,644	0.69%	0	0	6,000
<b>TOTAL</b>	<b>121</b>	<b>44,103,548</b>	<b>364,492</b>	<b>5.98%</b>	<b>(618,443)</b>	<b>(618,443)</b>	<b>255,919</b>
Class A	32	16,291,067	509,096	13.06%	(517,193)	(517,193)	(487,357)
Class B	58	20,655,187	356,124	2.31%	(101,250)	(101,250)	737,276
Class C	31	7,157,294	230,880	0.43%	0	0	6,000



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# PHILADELPHIA REGION | Q2 2022 CONSTRUCTION PIPELINE

**56,118,942 SF** ▲

Under Construction

**524,476 SF**

Average Building Size

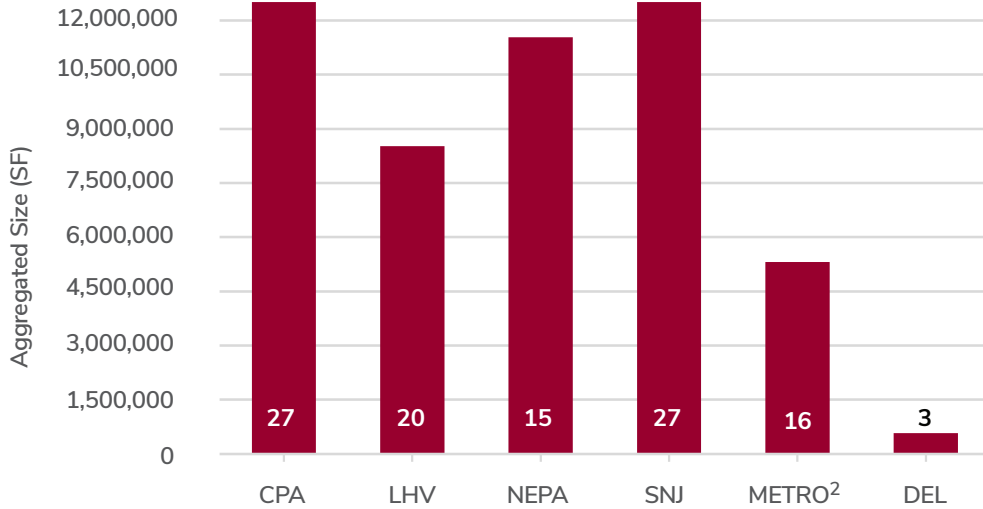
**2.21**

Trailer Stalls per 10,000 SF <sup>1</sup>

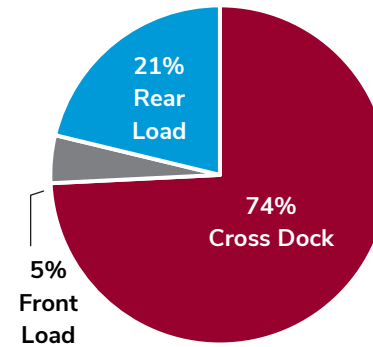
**4.54**

Car Stalls per 10,000 SF <sup>1</sup>

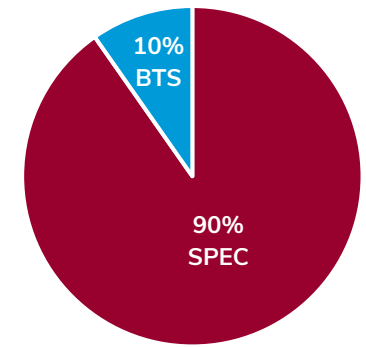
## Location



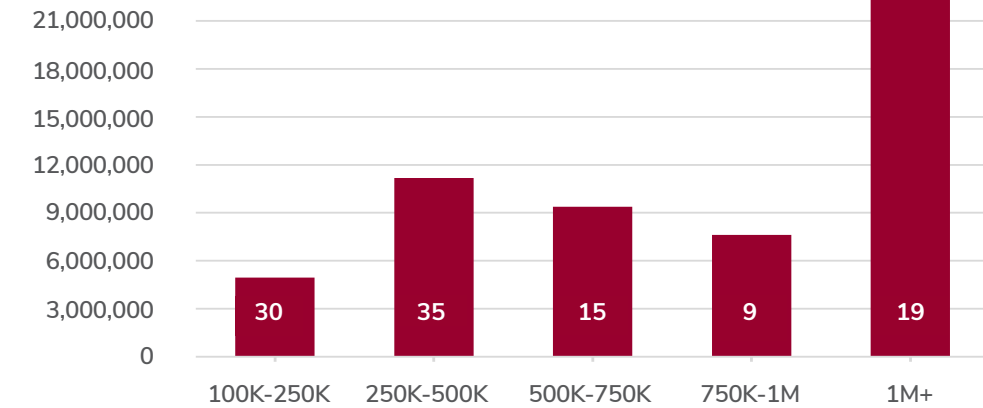
## Design



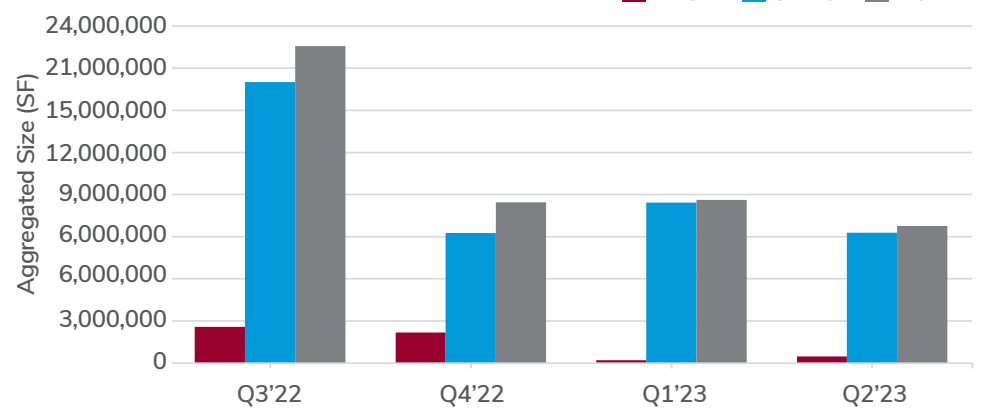
## Underwriting



## Size



## Projected Delivery



<sup>1</sup> Weighted Average. Banked and future spaces not included in parking counts.

<sup>2</sup> Includes Suburban Philadelphia and Philadelphia Submarkets

# PHILADELPHIA REGION | Q2 2022 CONSTRUCTION PIPELINE

## 46

Q3'22 Delivery <sup>1</sup>

## 20

Q4-22 Delivery <sup>1</sup>

## 18

Q1-22 Delivery <sup>1</sup>

## 22

Q2-23 Delivery <sup>1</sup>

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 <sup>2</sup>	Trailer Parking Single Load <sup>2</sup>
<b>Central Pennsylvania</b>	<b>26</b>	<b>16,973,078</b>	<b>945,081</b>	<b>238,503</b>	<b>584</b>	<b>284</b>	<b>2.22</b>	<b>2.04</b>
Harrisburg East	7	5,344,928	840,048	304,640	595	320	3.15	1.54
Harrisburg West	6	5,340,838	1,170,463	329,493	610	360	0.90	1.26
York	9	4,060,652	770,438	195,780	585	271	2.41	2.47
Lancaster	4	2,226,660	892,080	221,250	545	255	2.72	2.69
<b>Lehigh Valley</b>	<b>20</b>	<b>8,519,632</b>	<b>872,469</b>	<b>234,630</b>	<b>580</b>	<b>303</b>	<b>3.11</b>	<b>1.95</b>
Lehigh Valley West	4	670,800	-	167,700	-	260	-	1.40
Lehigh Valley East	11	4,622,148	828,766	266,981	555	317	3.67	2.02
Reading	5	3,226,684	916,171	239,086	605	310	2.61	2.40
<b>I-81 Corridor</b>	<b>15</b>	<b>11,535,947</b>	<b>933,770</b>	<b>274,827</b>	<b>599</b>	<b>275</b>	<b>3.06</b>	<b>2.53</b>
NEPA Central	10	7,297,518	1,005,506	274,827	596	275	2.67	2.53
NEPA North	3	1,661,800	553,933	-	585	-	4.48	-
NEPA South	2	2,576,629	1,288,315	-	623	-	3.07	-
Other	0	-	-	-	-	-	-	-
<b>Southern New Jersey</b>	<b>27</b>	<b>13,204,385</b>	<b>746,276</b>	<b>250,199</b>	<b>519</b>	<b>308</b>	<b>2.08</b>	<b>1.54</b>
Burlington	10	5,152,587	825,953	204,564	490	273	0.93	1.39
Gloucester	14	6,119,375	652,719	275,552	552	323	2.54	1.60
Camden	1	702,450	702,450	-	630	-	3.60	-
Other	2	1,229,973	614,987	-	470	-	2.83	-
<b>Philadelphia Metro</b>	<b>16</b>	<b>5,310,899</b>	<b>1,007,228</b>	<b>235,460</b>	<b>595</b>	<b>296</b>	<b>2.31</b>	<b>1.91</b>
Bucks Co	5	2,579,082	1,007,228	188,209	595	285	2.31	1.65
Philadelphia Co.	5	1,233,558	-	246,712	-	288	-	2.05
Delaware Co	2	770,000	-	385,000	-	350	-	1.43
Montgomery Co	4	728,259	-	182,065	-	280	-	2.36
<b>Delaware</b>	<b>3</b>	<b>575,000</b>	<b>-</b>	<b>212,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00</b>
New Castle	3	575,000	-	212,500	-	-	-	0.00
<b>TOTAL</b>	<b>107</b>	<b>56,118,941</b>	<b>867,699</b>	<b>240,677</b>	<b>570</b>	<b>298</b>	<b>2.54</b>	<b>1.83</b>

# PHILADELPHIA REGION | Q2 2022 DEVELOPMENT PIPELINE

**195,649,311 SF** ▼

Pre Construction

**501,665 SF** ▲

Average Building Size

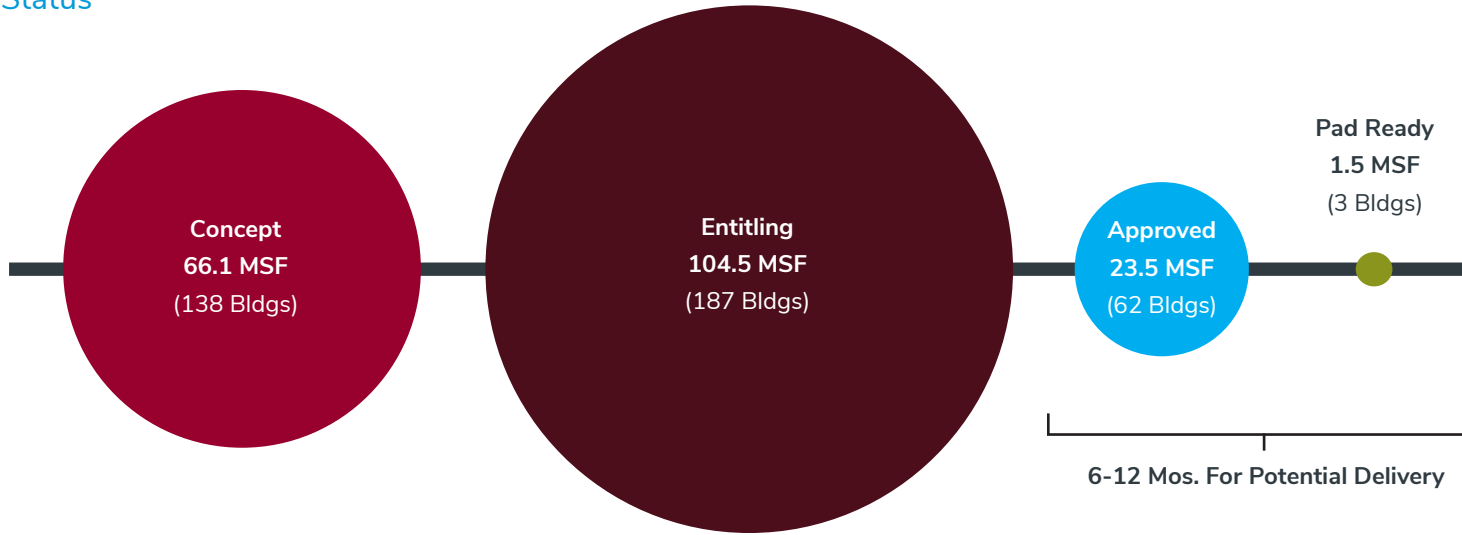
**2.80**

Trailer Stalls per 10,000 SF <sup>1</sup>

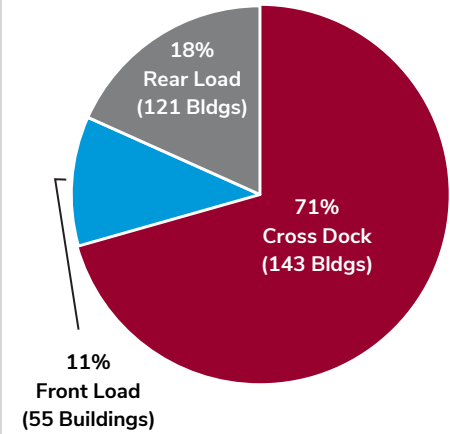
**6.06**

Car Stalls per 10,000 SF <sup>1</sup>

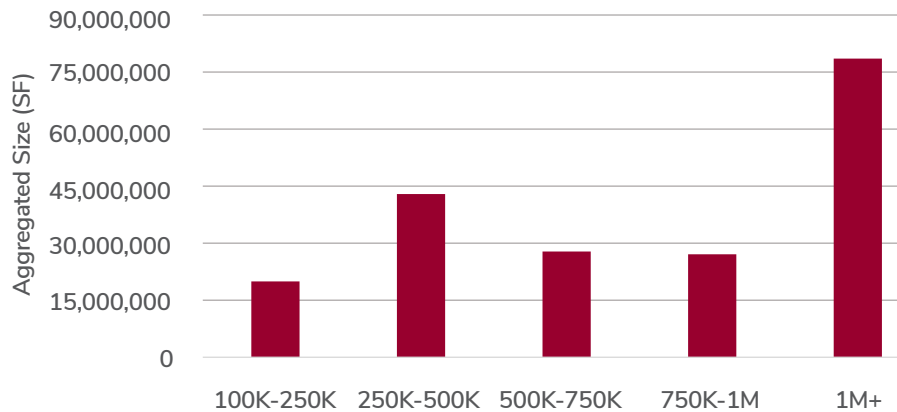
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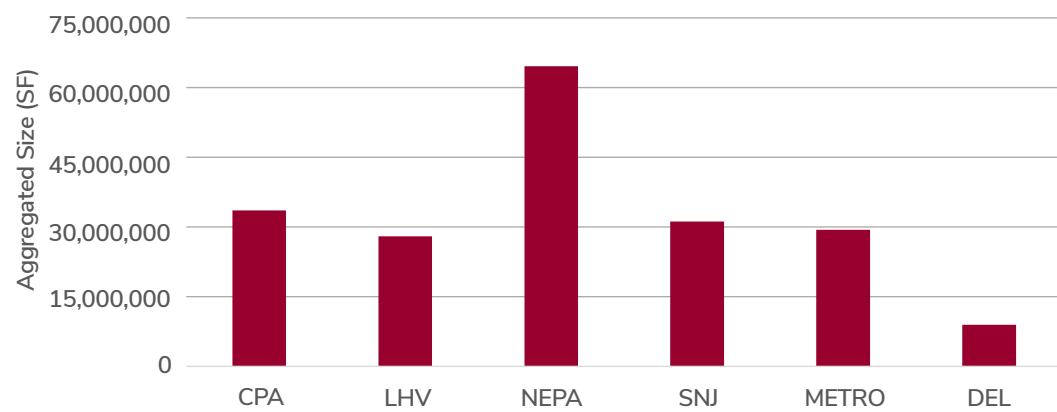
## Design



## Size



## Location



# PHILADELPHIA REGION | Q2 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 <sup>1</sup>	Trailer Parking Single Load <sup>1</sup>	Car Parking Single Load <sup>1</sup>
<b>Central Pennsylvania</b>	<b>75</b>	<b>33,588,270</b>	<b>681,039</b>	<b>275,758</b>	<b>523</b>	<b>297</b>	2.84	2.22	5.95
Harrisburg East	20	6,673,631	652,515	279,914	530	303	2.84	2.45	7.85
Harrisburg West	29	15,827,341	677,911	243,446	531	279	2.78	2.09	4.46
York	18	7,066,840	729,840	298,537	493	296	3.06	2.11	5.15
Lancaster	2	480,858	-	240,429	-	350	-	1.26	6.34
Other	6	3,539,600	665,920	210,000	517	300	2.56	2.81	10.10
<b>Lehigh Valley</b>	<b>70</b>	<b>27,971,512</b>	<b>674,643</b>	<b>301,382</b>	<b>467</b>	<b>299</b>	1.15	1.92	5.31
Lehigh Valley West	10	1,746,987	255,720	176,507	345	301	2.00	1.54	6.19
Lehigh Valley East	44	18,935,144	708,145	338,053	550	291	2.35	1.89	4.73
Reading	16	7,289,381	758,447	268,546	465	310	3.70	2.52	6.05
<b>Northeastern PA</b>	<b>109</b>	<b>64,597,655</b>	<b>897,695</b>	<b>286,750</b>	<b>533</b>	<b>309</b>	2.87	1.79	5.02
NEPA North	5	1,680,300	491,400	232,500	510	273	2.42	0.28	8.97
NEPA Central	71	37,254,541	868,441	241,954	506	289	2.90	2.15	5.44
NEPA South	25	18,080,988	974,486	396,183	564	386	2.84	0.49	3.52
Other	8	7,581,826	1,011,689	-	593	-	3.03	-	4.15
<b>Southern New Jersey</b>	<b>66</b>	<b>31,161,146</b>	<b>745,347</b>	<b>268,344</b>	<b>413</b>	<b>273</b>	2.84	2.83	3.82
Burlington	32	14,036,884	715,765	303,878	546	376	2.17	2.91	6.46
Gloucester	13	3,797,715	601,943	207,177	320	228	2.17	2.74	7.21
Camden	7	1,477,390	405,000	206,750	430	258	3.06	2.76	11.15
Other	14	11,849,157	958,623	307,005	134	79	2.81	2.70	7.78
<b>Philadelphia Metro</b>	<b>56</b>	<b>29,382,654</b>	<b>1,020,053</b>	<b>209,817</b>	<b>583</b>	<b>305</b>	2.84	5.94	3.40
Bucks	11	4,174,126	821,433	226,646	624	351	2.15	1.53	6.39
Chester	8	4,151,200	752,813	197,220	484	320	2.48	2.28	5.81
Delaware	3	547,275	-	182,425	-	-	-	3.50	10.68
Montgomery	13	2,099,925	-	167,260	-	246	-	1.81	9.54
Philadelphia	21	18,410,128	1,119,880	349,105	582	350	2.65	1.26	4.61
<b>Delaware</b>	<b>14</b>	<b>8,948,074</b>	<b>812,950</b>	<b>263,407</b>	<b>620</b>	<b>240</b>	2.88	2.22	8.02
New Castle	14	8,948,074	812,950	263,407	620	240	2.88	2.72	8.02
<b>TOTAL</b>	<b>390</b>	<b>195,649,311</b>	<b>817,678</b>	<b>276,735</b>	<b>516</b>	<b>297</b>	2.74	2.14	5.67



## 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.
- Preleased:** Tenant has been secured after a speculative building decision has been actualized, with leases signed prior to substantial completion.

<b>Quality Control:</b>	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.
<b>Speculative Construction:</b>	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.
<b>Submarkets:</b>	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.
<b>Under Construction:</b>	Buildings in a state of construction. Properties under construction do not impact standing stock or net absorption totals until delivery occurs.
<b>Vacancy Rate:</b>	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.
<b>Vacant Space:</b>	Space that is not currently occupied by a tenant, regardless of any lease obligation that may exist for the space.



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