

POWERING PENNSYLVANIA:

Trends & Forecasts in INDUSTRIAL REAL ESTATE



What are we talking about today?

- Introduction
- Setting the Stage: US Industrial Market Context
- Pennsylvania's Competitive Edge
- Current Market Conditions and Forecasts
- Economic Development Tools
- Q&A



OUR MISSION TODAY

1

Understand the Big Picture: Review U.S. Industrial market trends to provide context for Pennsylvania's position.

2

Evaluate Market Drivers: Explore the factors influencing demand for industrial real estate nationally and regionally.

3

Highlight Opportunities: Identify how Pennsylvania can leverage its strengths to remain competitive in an evolving market.

4

Provide Actionable Insights: Share tools and forecasts to inform decision-making for economic growth and development.

Hi, everyone! My name is...

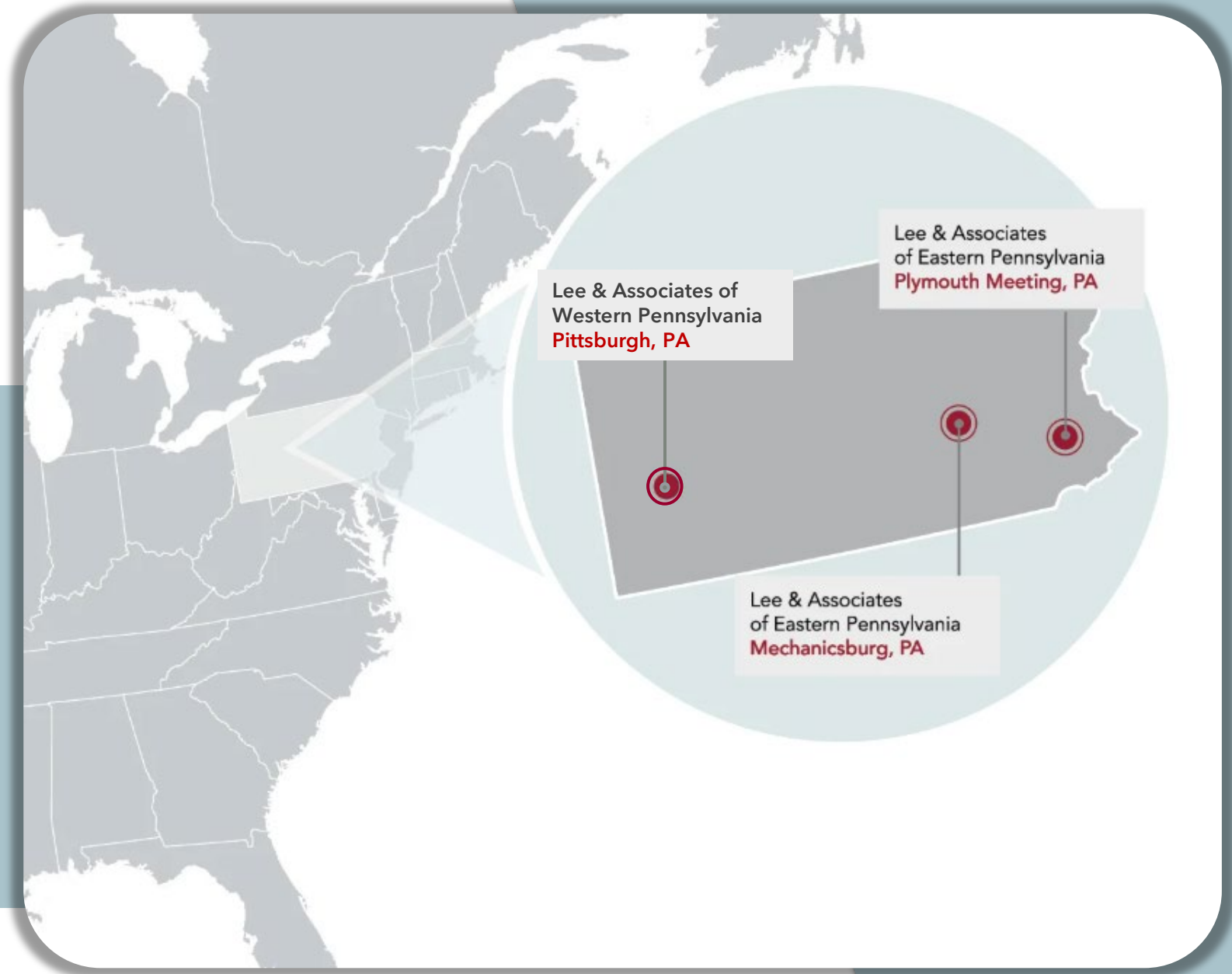
Heather M. Kreiger, CCIM

REGIONAL RESEARCH DIRECTOR
LEE & ASSOCIATES
OF EASTERN & WESTERN PA



The Lee & Associates PA Teams

Lee & Associates is a leading commercial brokerage specializing in industrial, office, retail, land, and investment services across the **Greater Philadelphia Region, Lehigh Valley, Central PA, and beyond**. Since joining the national network in 2015, we've expanded into **Western PA**, setting new standards for excellence and growth with a strong local presence and national platform.



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SETTING THE STAGE:

US INDUSTRIAL REAL ESTATE

MARKET CONTEXT

US INDUSTRIAL | E-COMMERCE NEEDS (2020)

**1B
SqFt**

In 2020, it was projected that the **US needed an additional 1 billion SF** of warehouse space.

**1.8B
SqFt**

Since then, the **US added an additional 1.8 billion SF** of warehouse space.

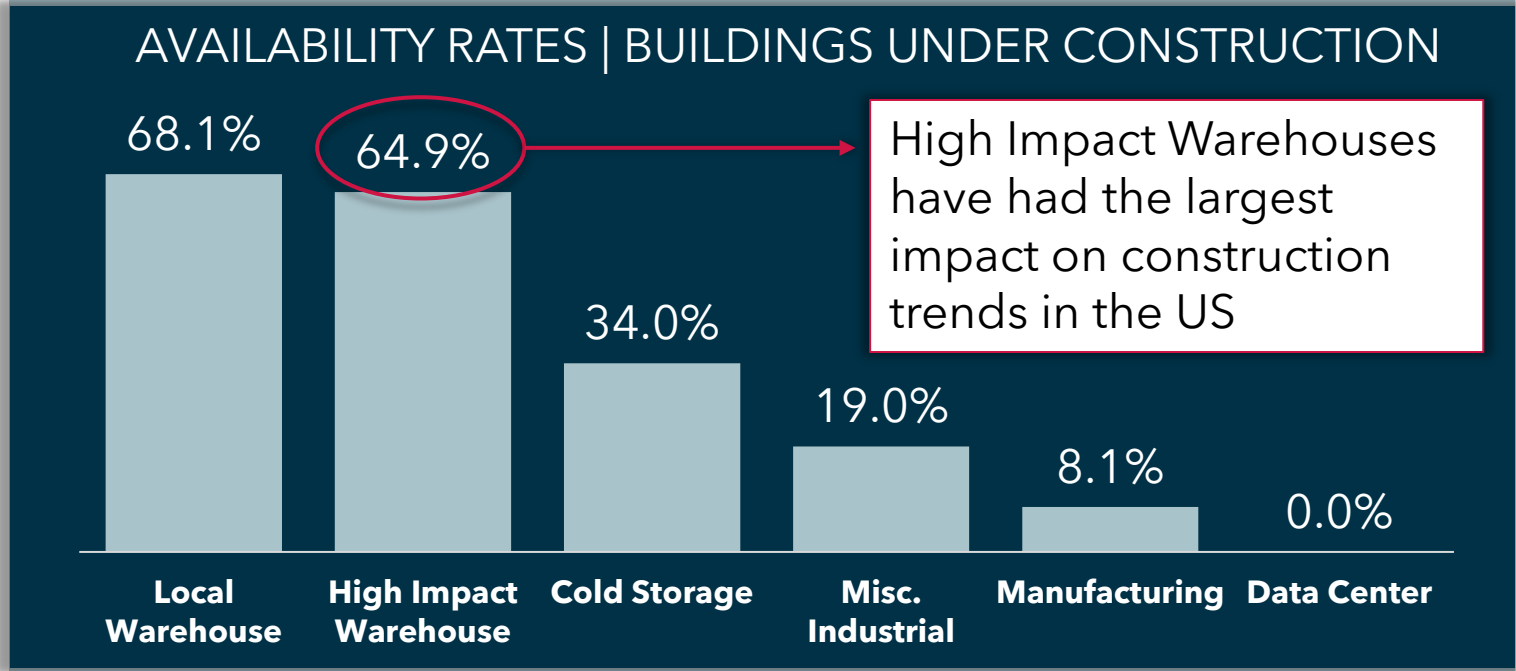
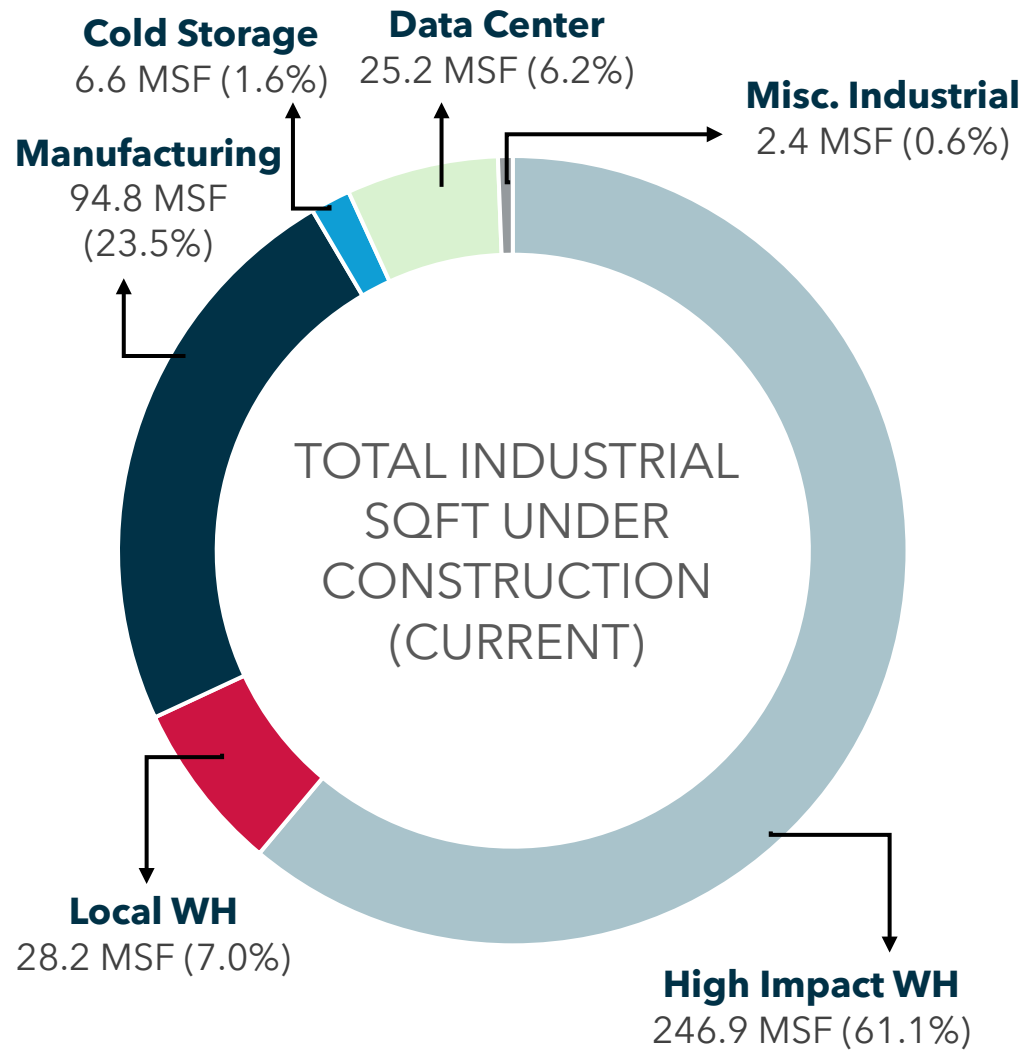
8.4%

8.4% of the new warehouse construction in the US is located in the **Eastern PA region**.

The image shows a screenshot of a CNBC news article. The headline reads: "U.S. may need another 1 billion square feet of warehouse space by 2025 as e-commerce booms". The article is categorized under "RETAIL" and was published on Thursday, July 9, 2020, at 8:00 AM EDT. The author is Lauren Thomas (@LAURENTHOMAS). The article includes a "KEY POINTS" section with two bullet points: "With more people clicking 'buy' online, demand for industrial real estate could reach an additional 1 billion square feet by 2025, according to commercial real estate services firm JLL." and "The boom for fulfillment centers comes as the traditional retail real estate industry is suffering with store closures piling up and rents plummeting, as companies look to negotiate new leases." There are also social media share buttons and a "WATCH LIVESTREAM" button.

Actual headline from CNBC in July 2020 about the e-commerce boom brought on by the COVID-19 pandemic.

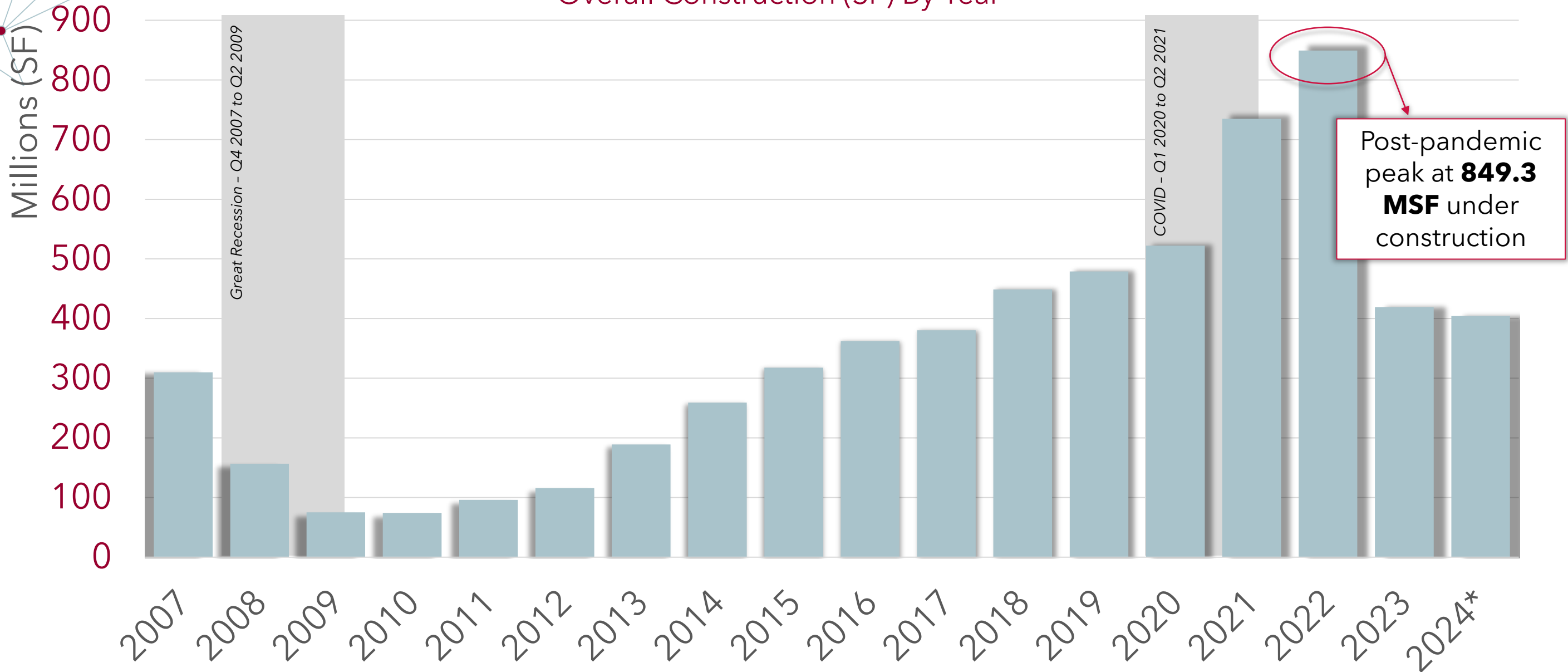
CONSTRUCTION TRENDS



*Data Source: Costar

CONSTRUCTION TRENDS

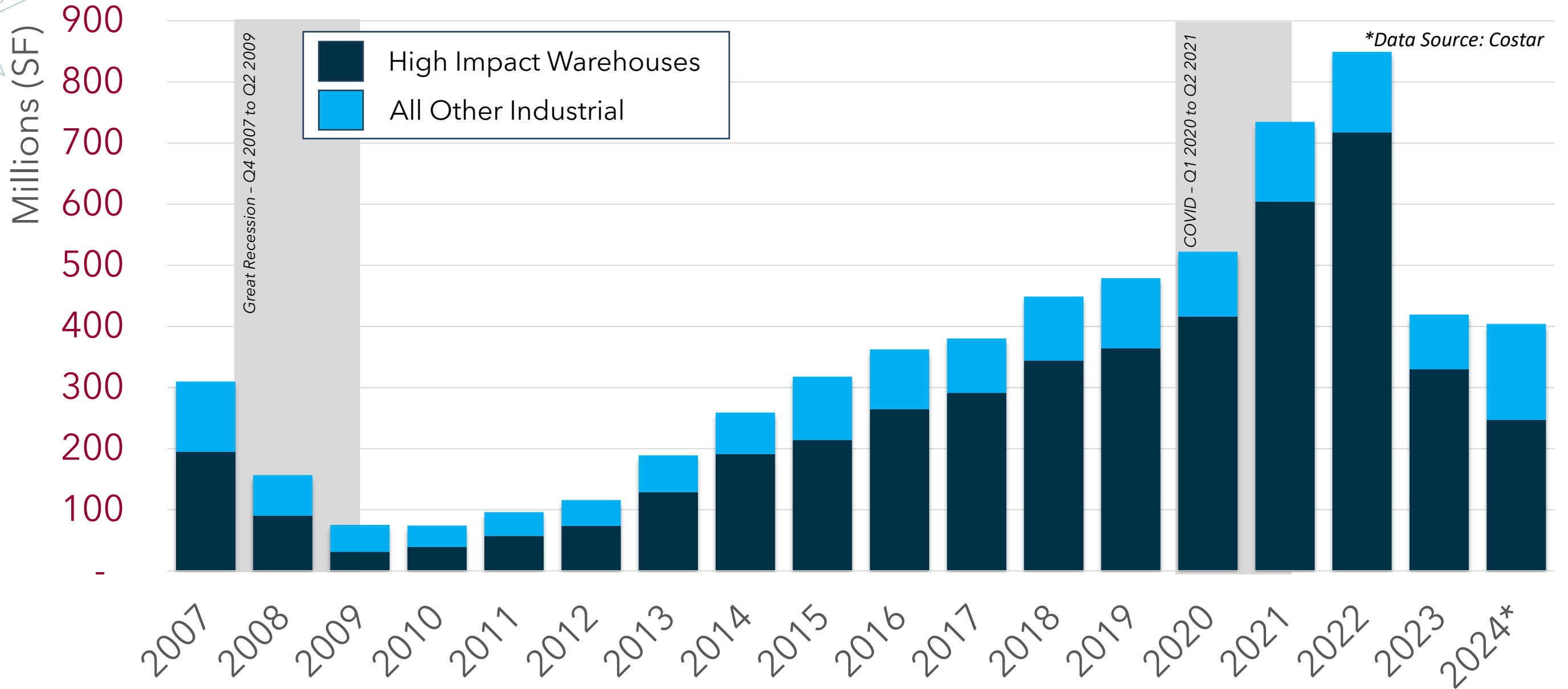
Overall Construction (SF) By Year



*Data Source: Costar

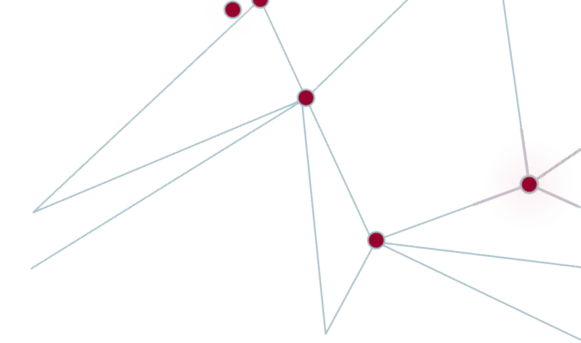
CONSTRUCTION TRENDS

Overall Construction (SF) By Year | High Impact Warehouses vs. All Other Construction



STANDING STOCK

Overall Standing Stock (SF) By Year | High Impact Warehouses

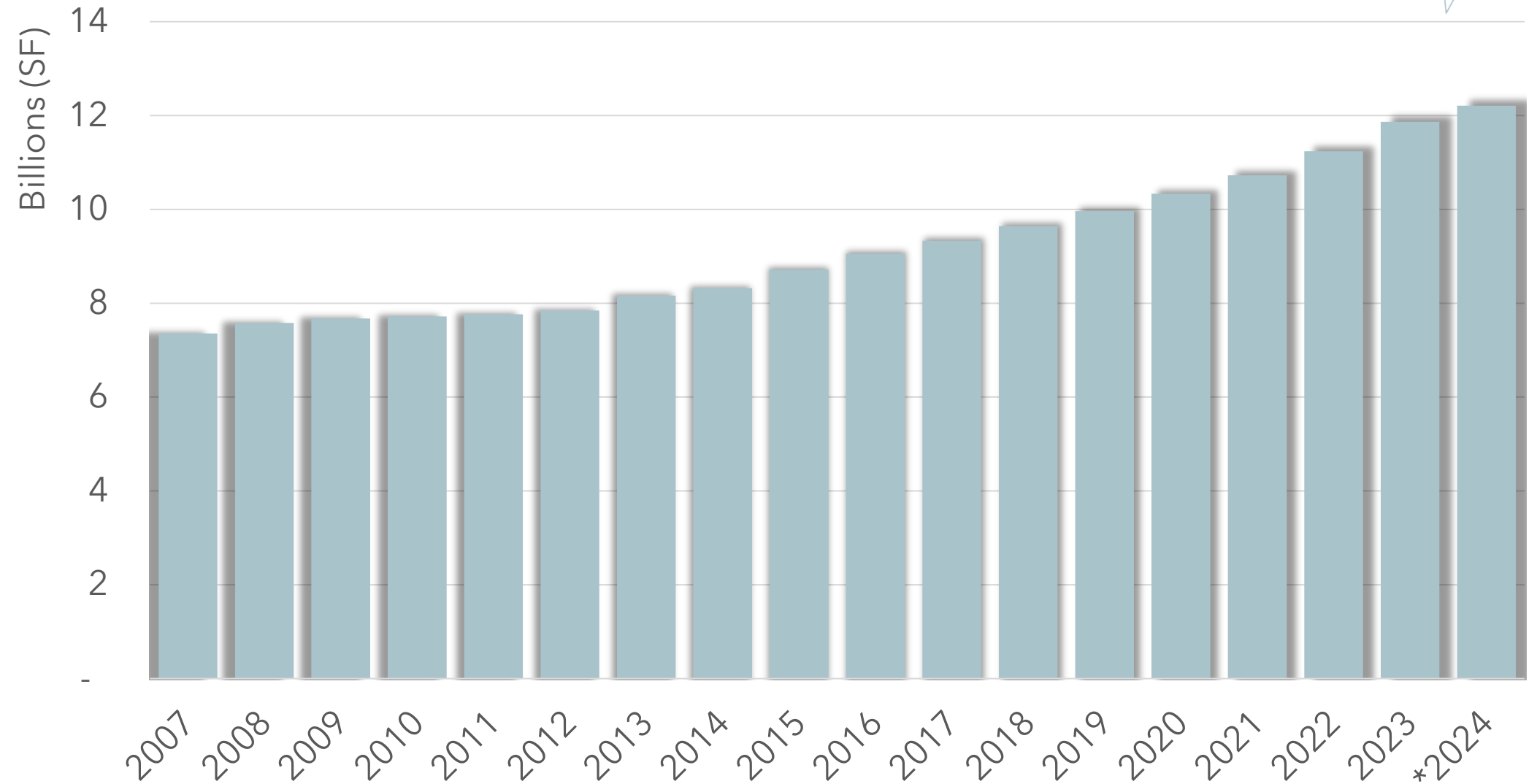


12.2 BSF
Total US Standing Stock

40%
Increase in standing stock since 2007

2.9%
Average annual growth rate since 2007

2.8%
Average annual growth rate for 2024

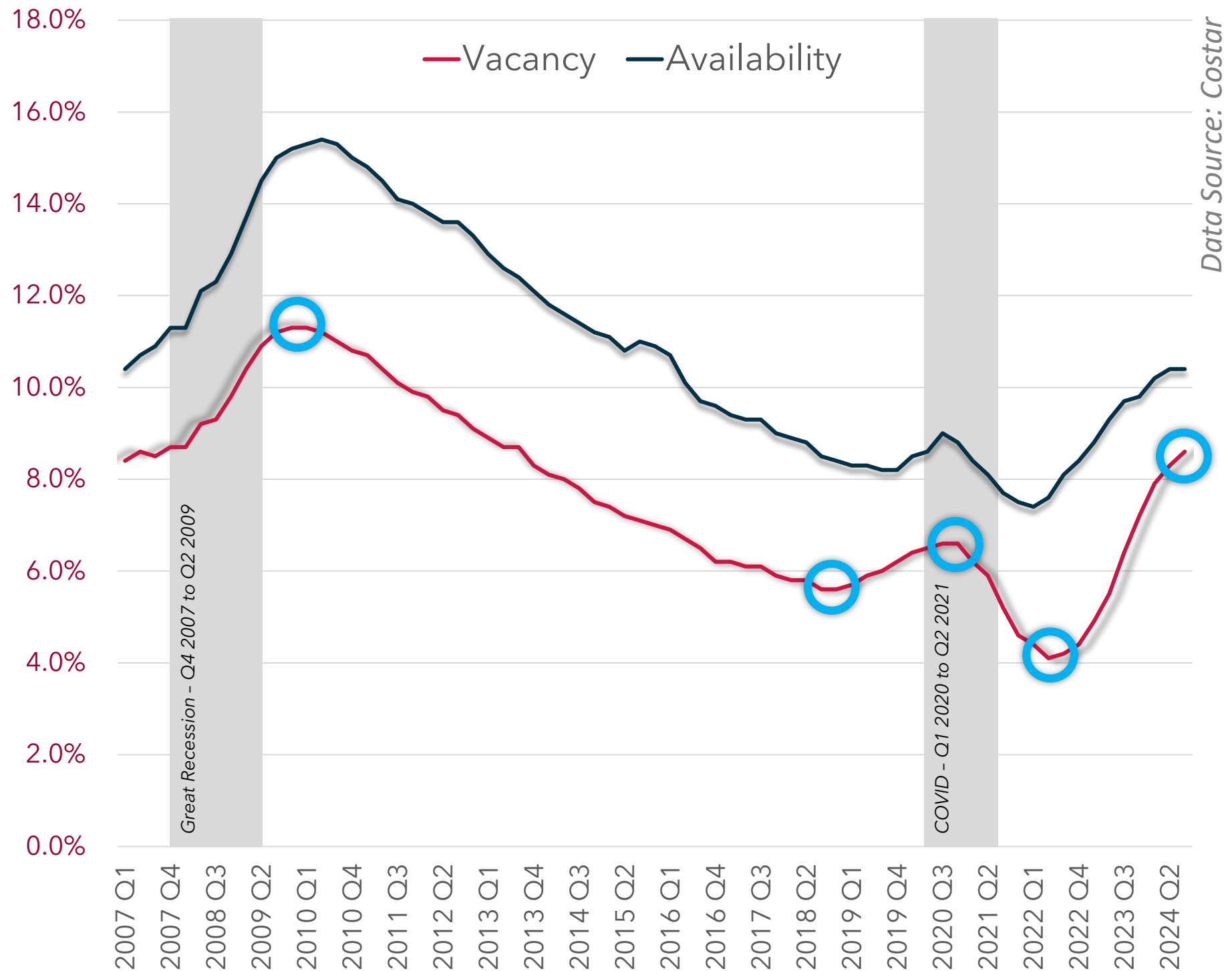


*Data Source: Costar

VACANCY & AVAILABILITY

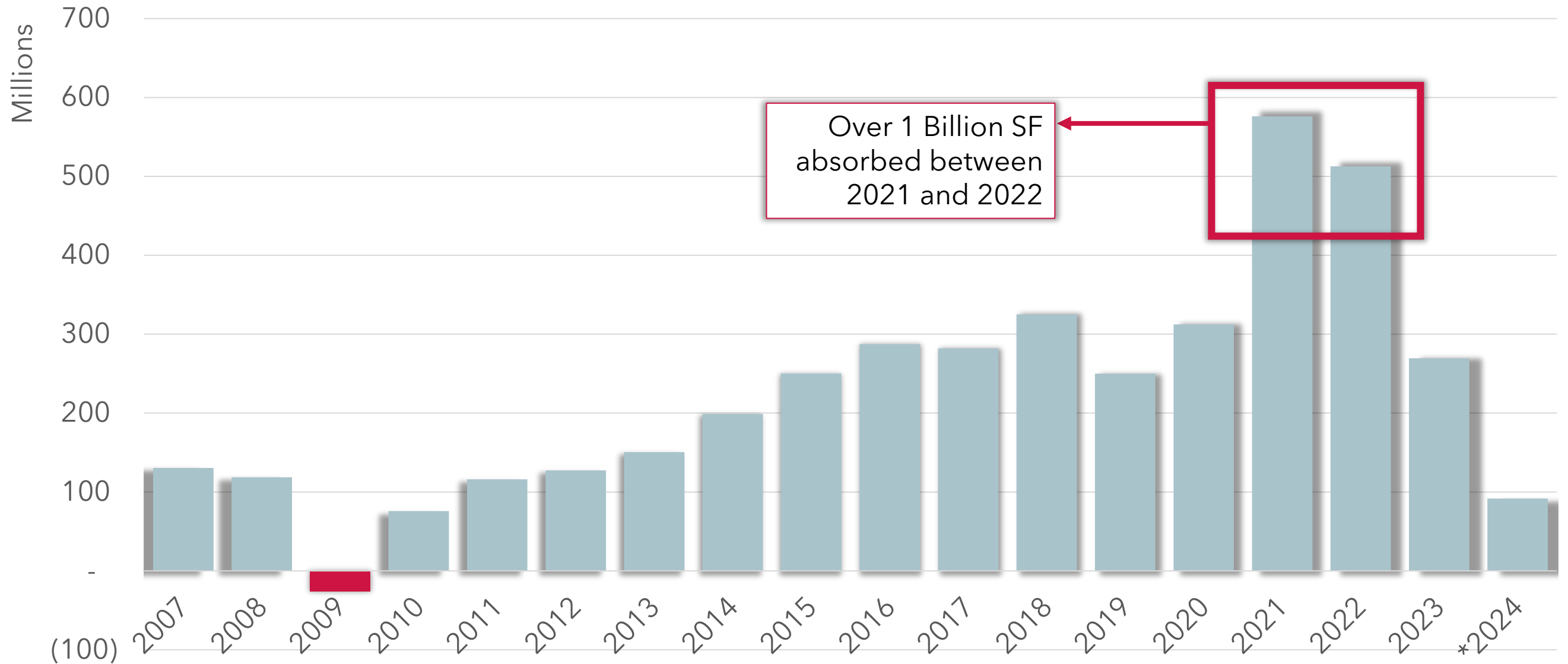
Overall Standing Stock | High Impact Warehouses

- 1 High peak vacancy at 11.3% following the GFR in Q1 2010
- 2 Low Peak vacancy at 5.6%, about 9 years after the high.
- 3 High peak during COVID was 6.6% vacancy.
- 4 E-commerce demand drove vacancy to all-time low at 4.1% in Q2 2022.
- 5 Vacancy more than doubled over the previous 5 quarters, landing at 8.6%



NET ABSORPTION

Overall Standing Stock (SF) By Year | High Impact Warehouses

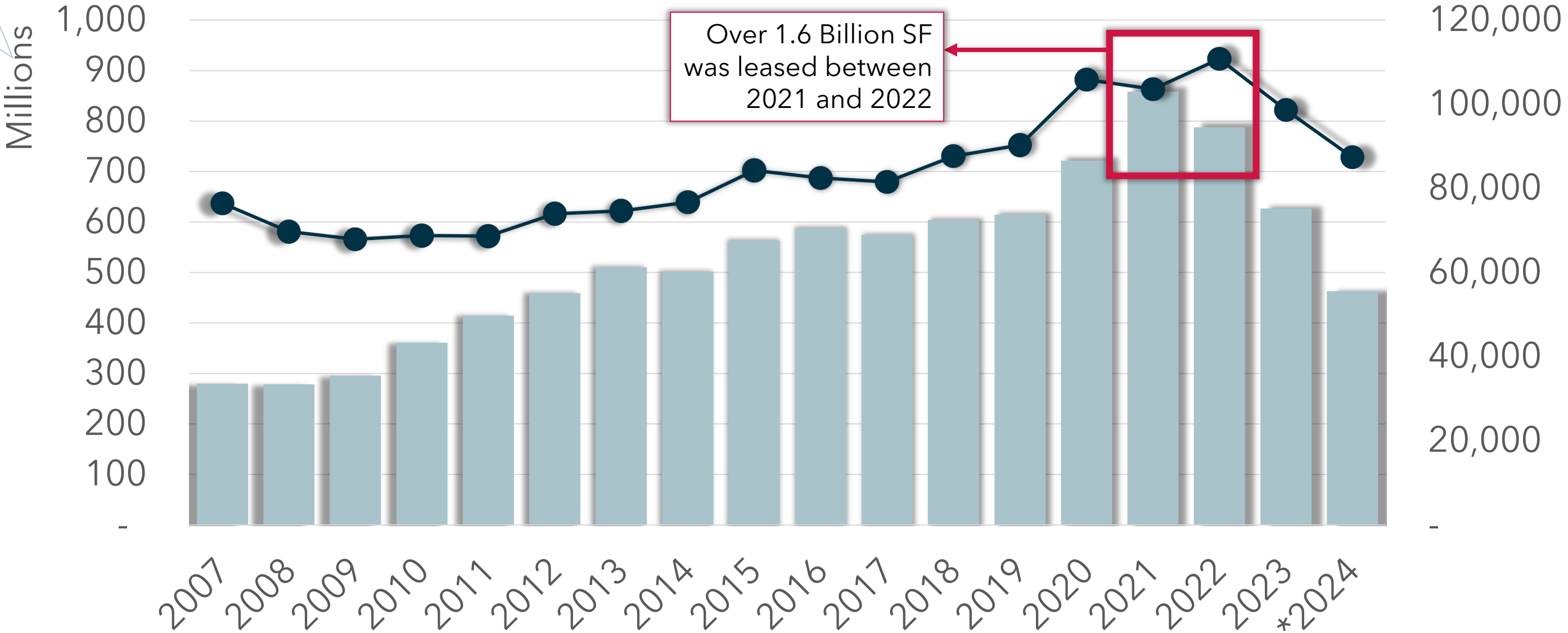


*Data Source: Costar

LEASING VELOCITY

High Impact Warehouses

- Average Lease Size
- Total SF Leased



*Data Source: Costar

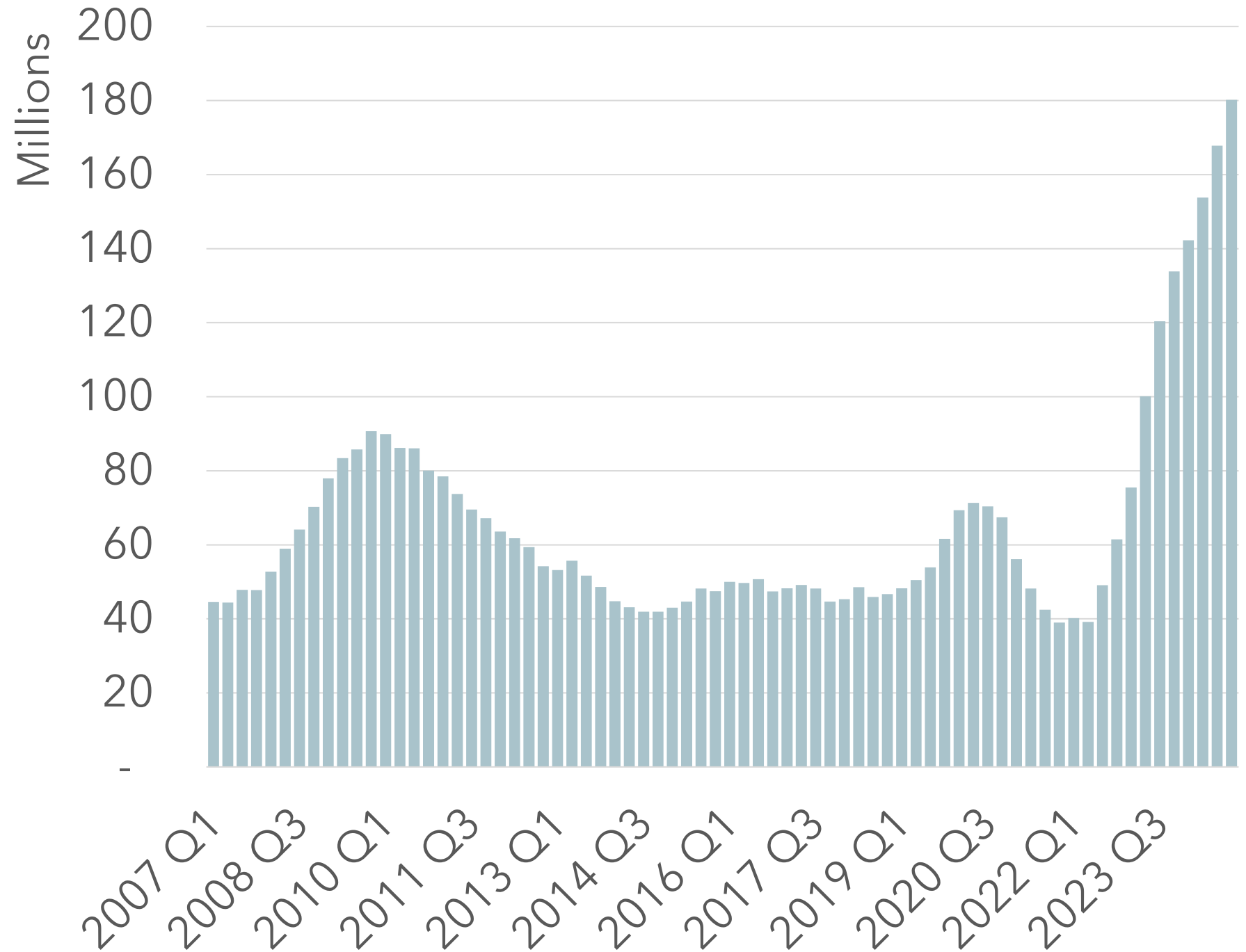
SUBLELEASES

High Impact Warehouses

Sublease space is double
what it was at the peak in
the GFC in 2009

Sublease space represents
1.5% of the total standing
stock sqft

Sublease space represents
13.9% of the total
available sqft on the
market

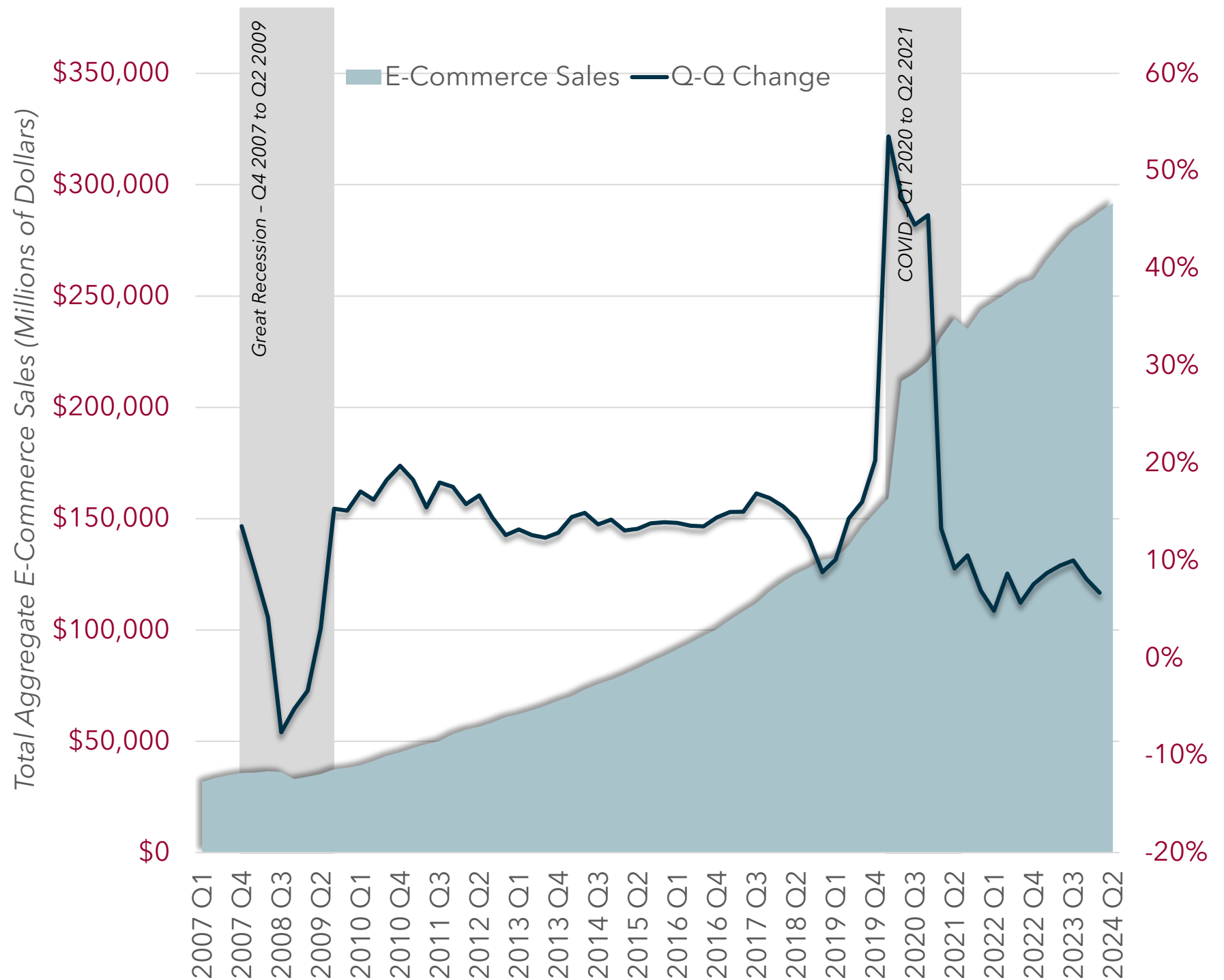


*Data Source: Costar

US E-COMMERCE SALES

2007 to 2024

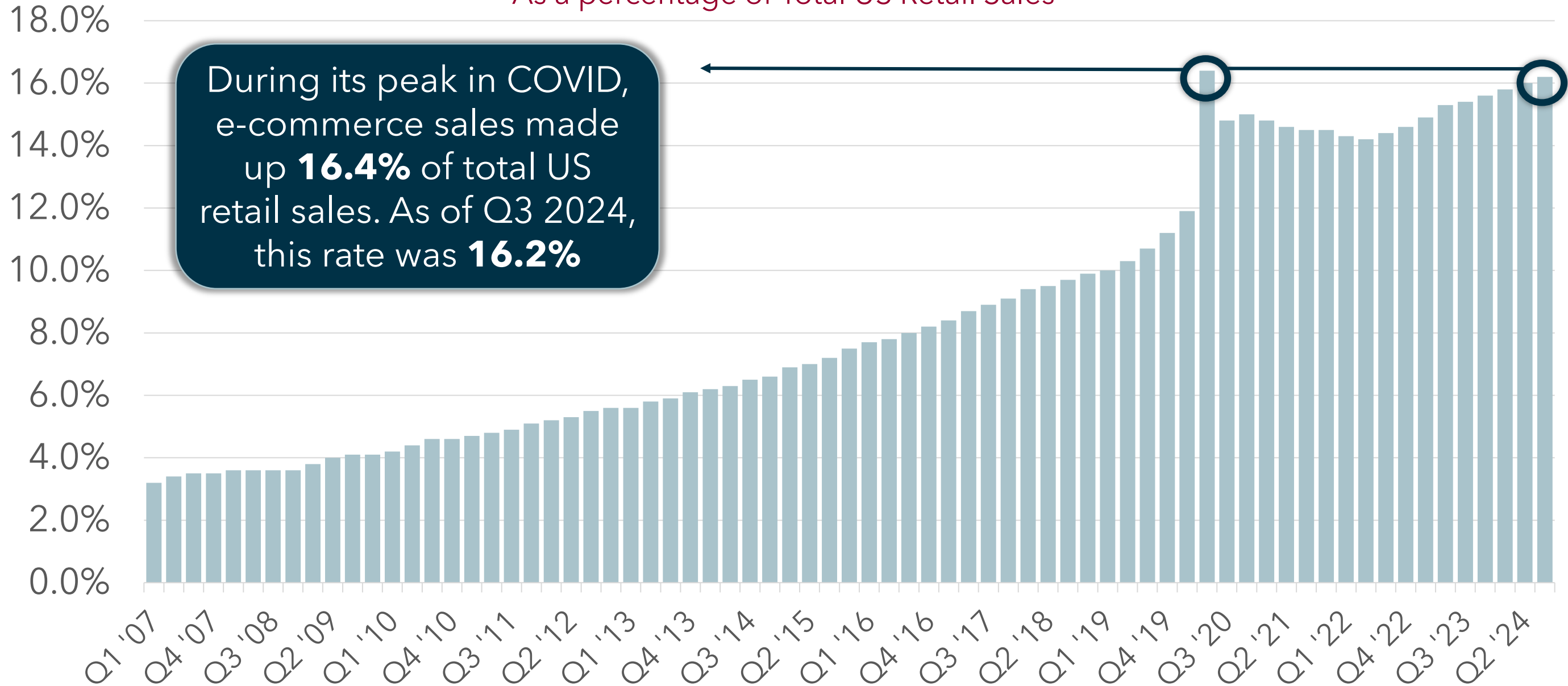
- Since 2007, US E-Commerce sales grew from **\$31.7 billion** per quarter to over **\$291.6 billion** in Q2 2024.
- In Q2 2020 during COVID, Q-Q growth soared to **53.5%**. This demand surge was directly responsible for increased warehouse demand that caused vacancy to drop to historic lows and demand pipelines to grow to historic highs.
- While E-Commerce sales continue to grow quarter-over-quarter, the growth rate has evened out.



Data Source: FRED

US E-Commerce Sales

As a percentage of Total US Retail Sales



Data Source: FRED

US E-Commerce Demand

Fast Facts and Future Growth Potential

331 Million

2024 internet users in this US
at the start of 2024

97.1%

Total US internet penetration

80%

Of households had
broadband subscriptions in
2023.

396 Million

Cellular mobile connections
were active in the US in early
2024

116.2%

Of the total US population
have a cell phone connection

239 Million

Social media users in the US as of
January 2024

\$83.3T

Projected global e-commerce
sales by 2030 (18.9% annual
growth rate)

\$1.19T

Projected 2024 e-commerce
sales in the US

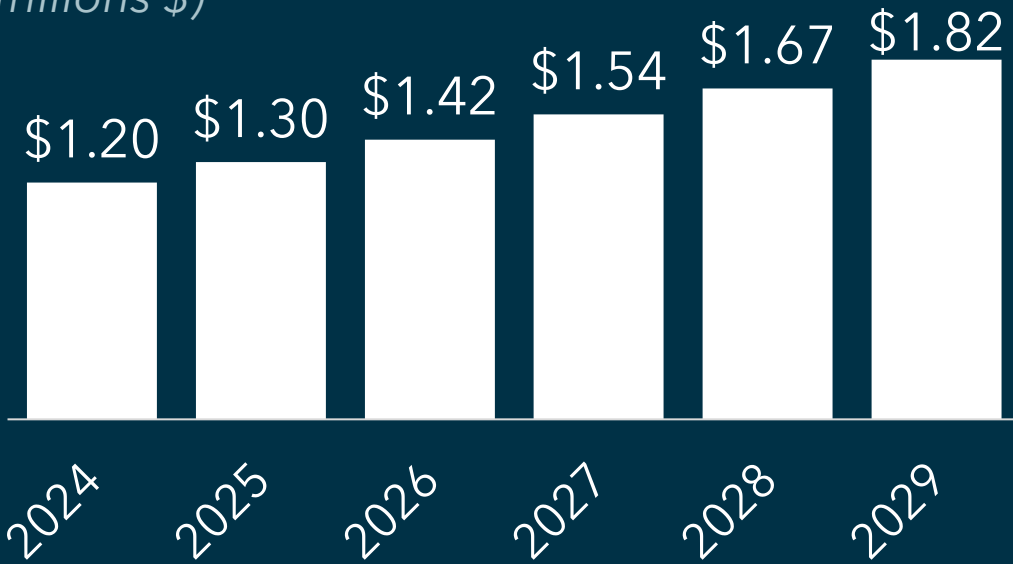
\$1.86T

Projected e-commerce sales
by 2029 (a **10.35%** annual
growth rate)

US E-Commerce Demand & Growth

Based on the compounded annual growth projections from 2024 to 2029 below, e-commerce retailers will require approximately **621.9 million square feet** of warehouse space.

E-Commerce Annual Projections | 2024-2029
(Trillions \$)



Data Source: Grandview Research

PENNSYLVANIA'S

COMPETITIVE EDGE:

LOCATION, WORKFORCE, & INFRASTRUCTURE

PENNSYLVANIA'S RANKINGS

6th

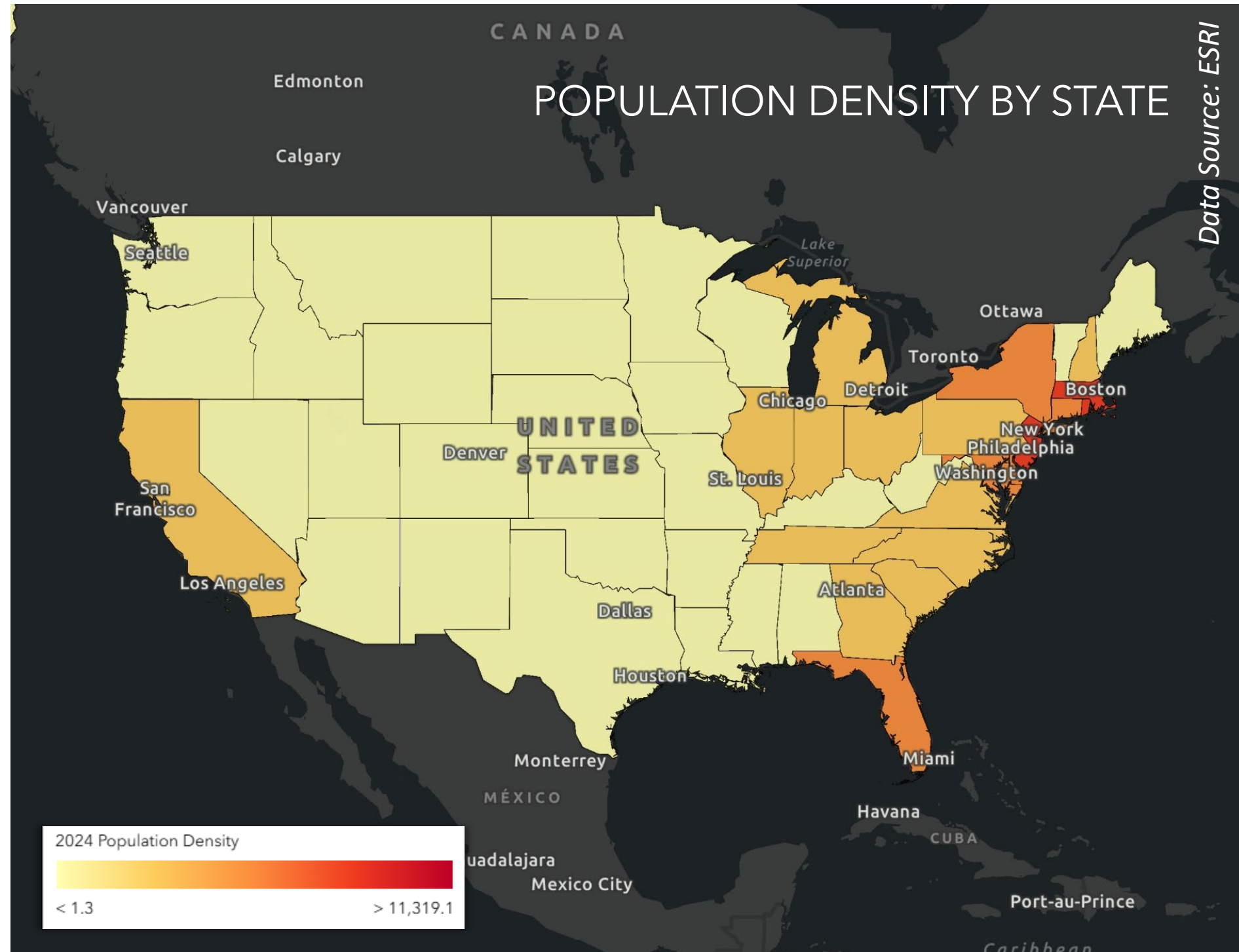
PA is the 6th largest warehouse market in the US

5th

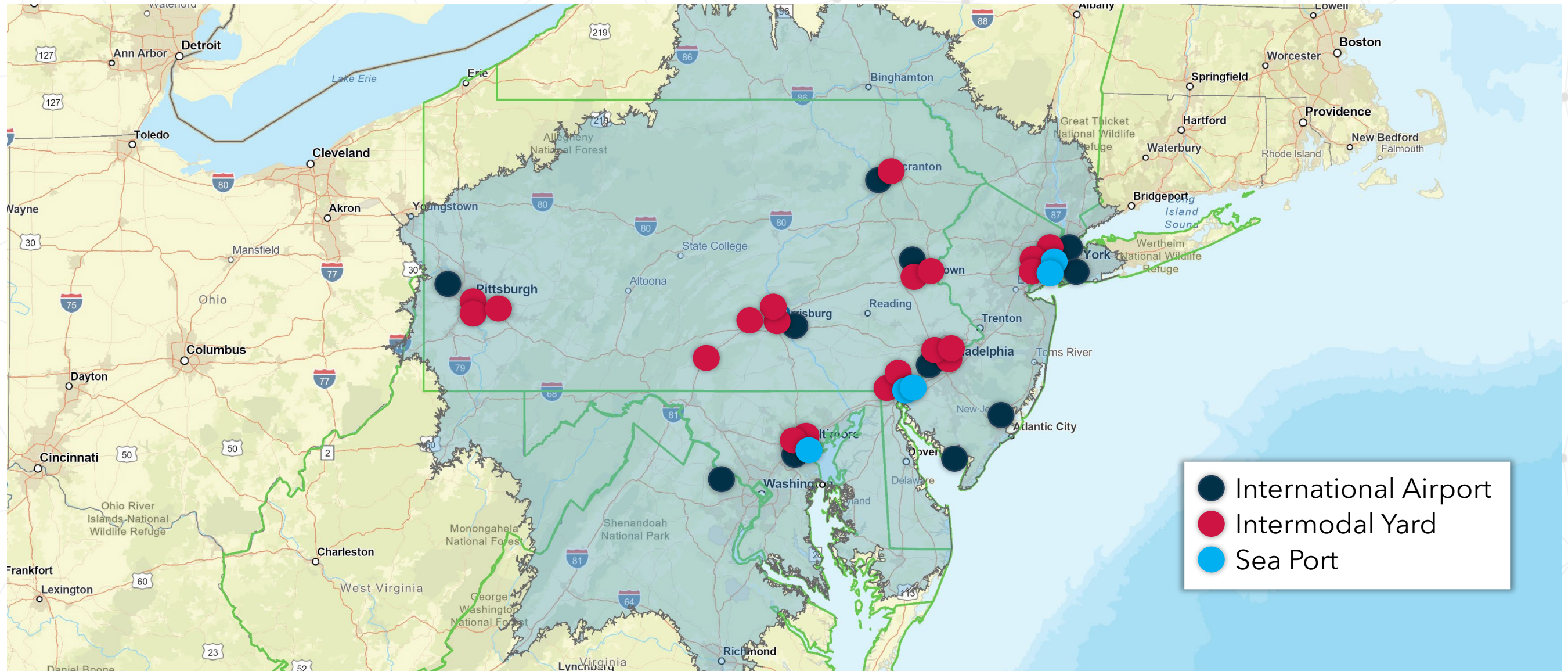
PA is the 5th most populated state in the US

6th

PA ranks 6th in the US for the total number of industrial workers.

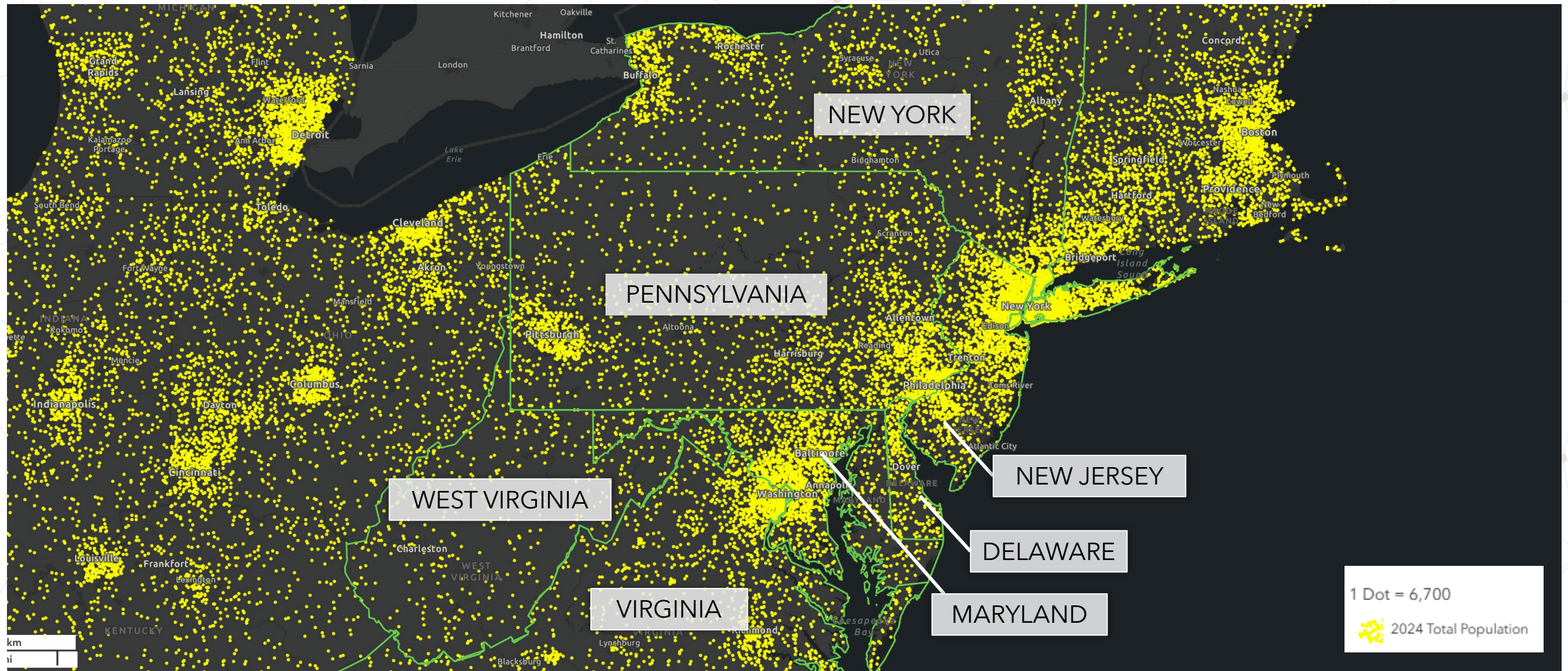


PORT ACCESS (AIR, INTERMODAL, SEA)



- International Airport
- Intermodal Yard
- Sea Port

POPULATION DENSITY



Data Source: ESRI

LOCATION | DRIVE TIME STATS



49.1 Million
Total Population



18.9 Million
Total Households



11.9 Million
Total Families



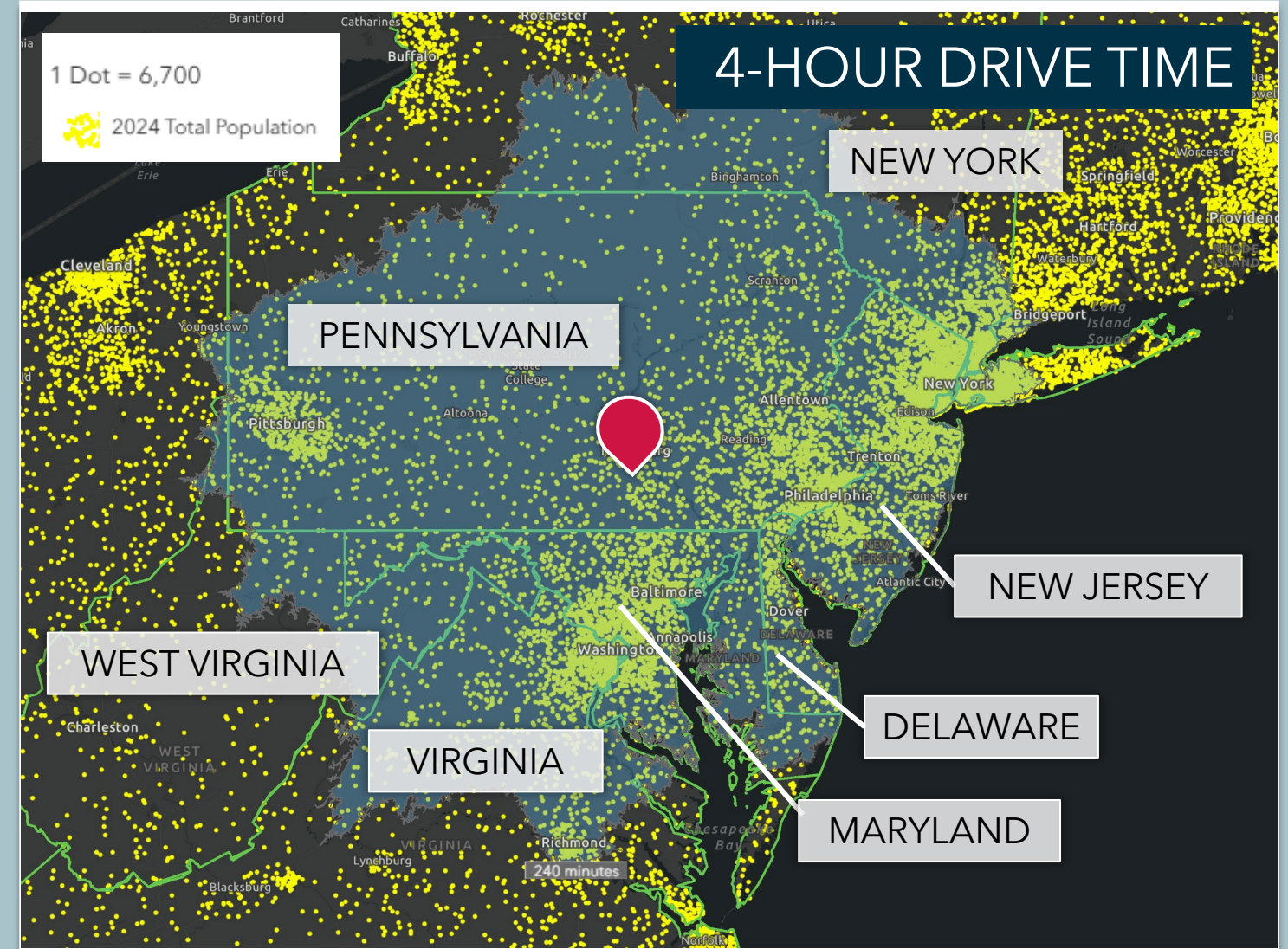
1.9 Million
Total Businesses



\$150,101
Avg Household Income

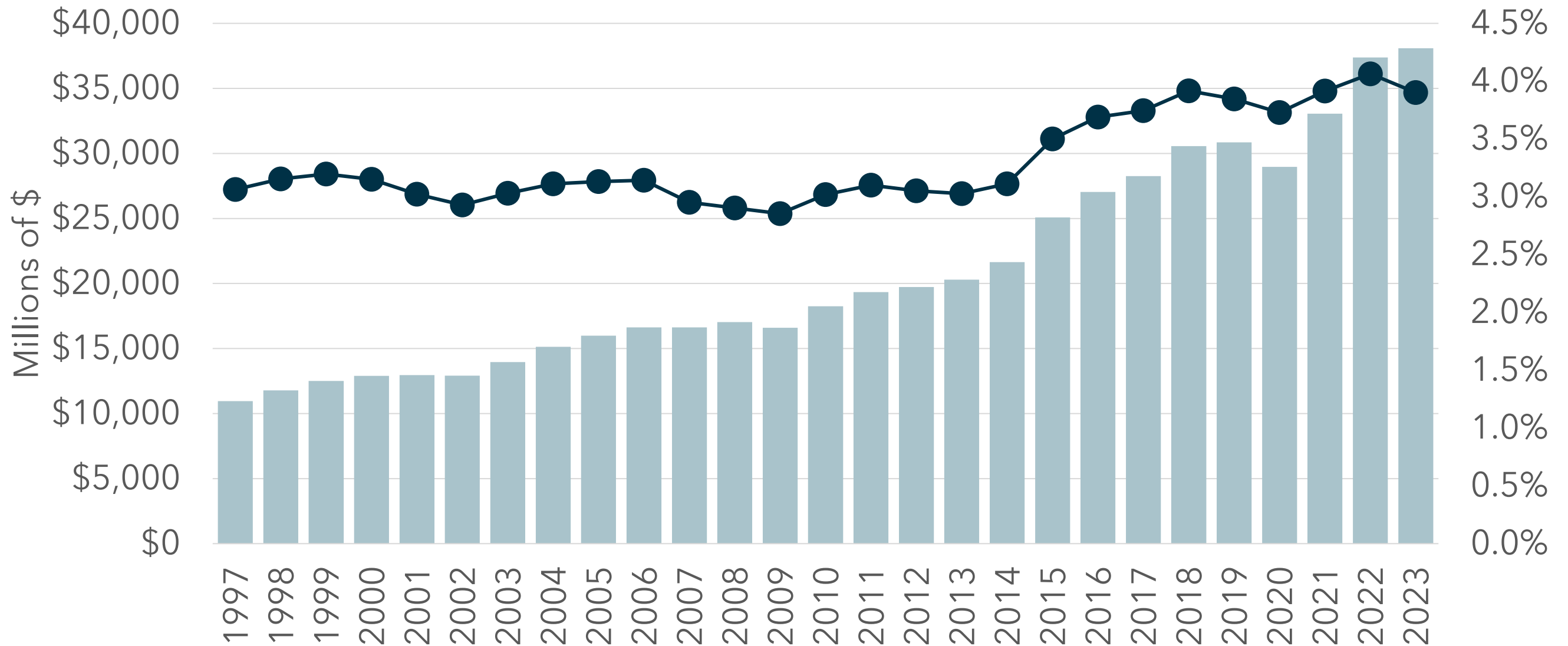


\$58,712
Per Capita Income



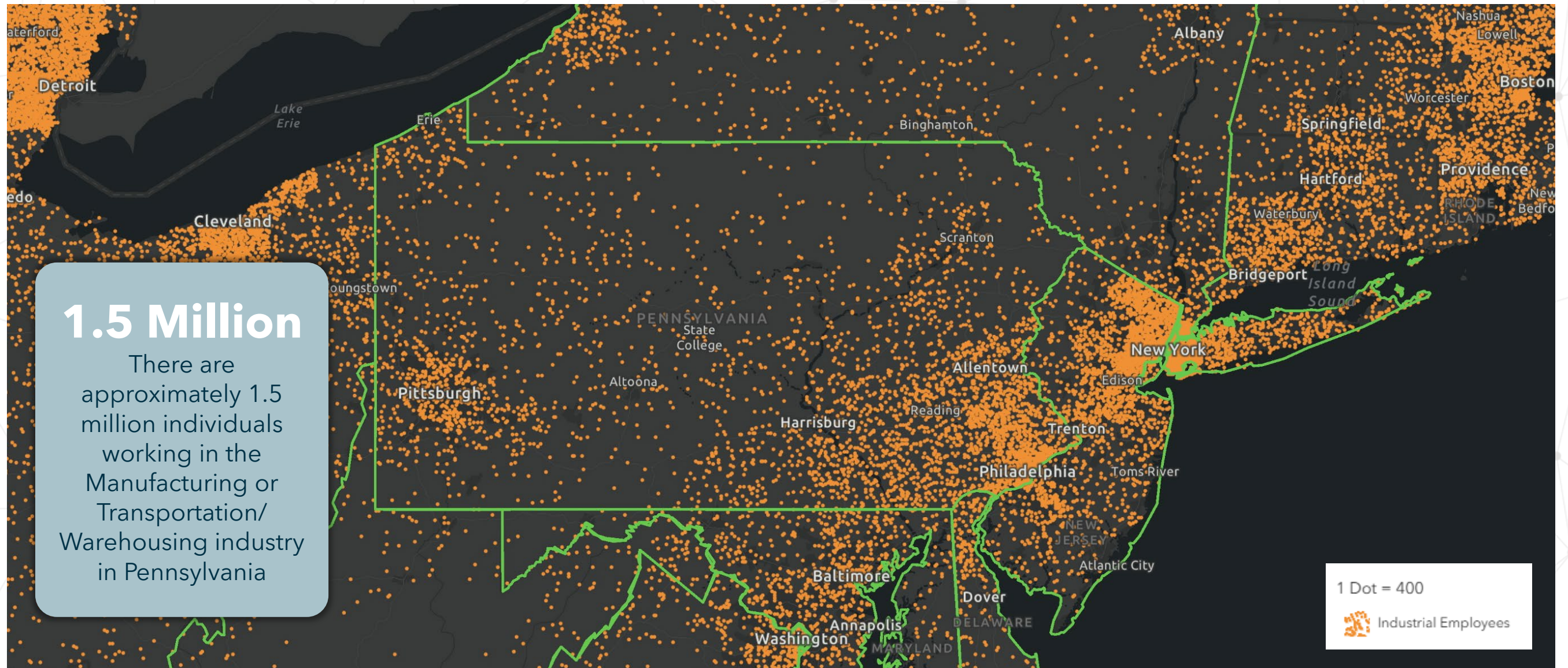
Data Source: ESRI

GDP CONTRIBUTION | WAREHOUSING

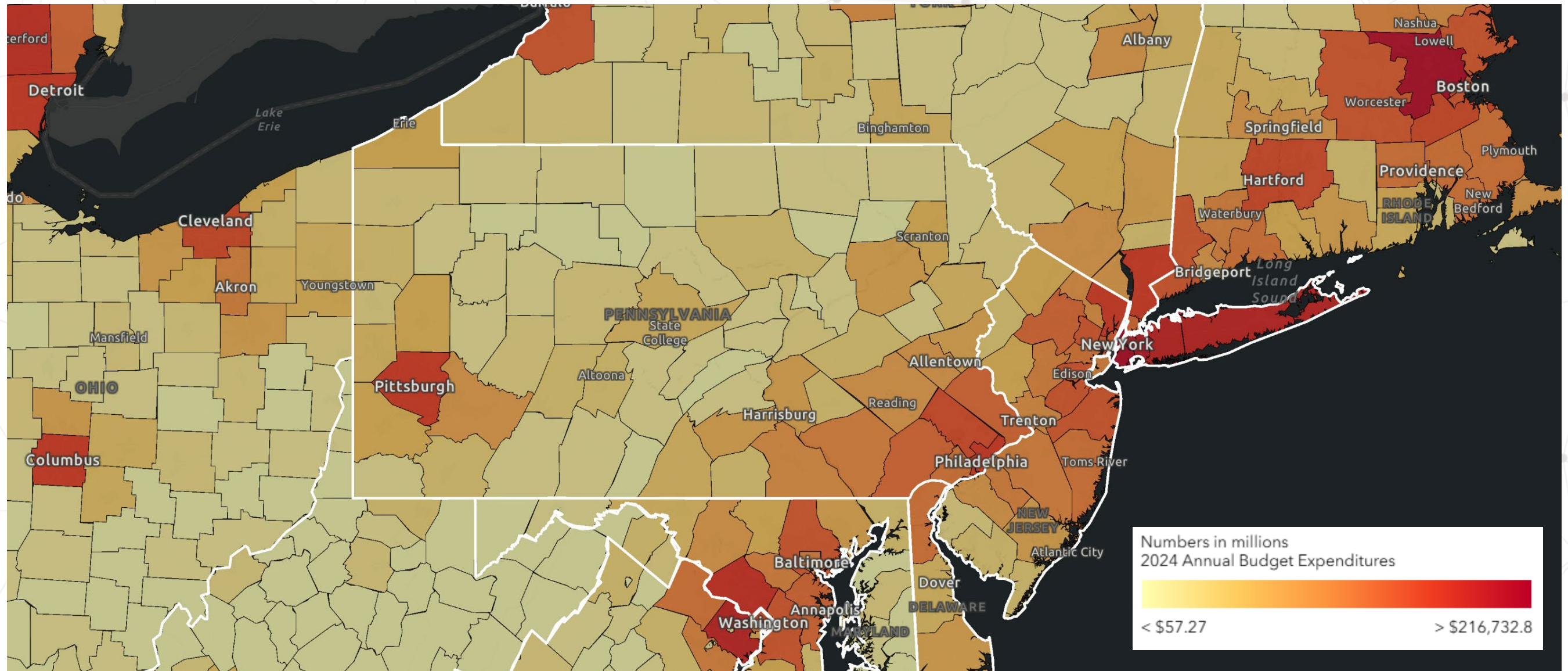


Data Source: Bureau of Economic Analysis

INDUSTRIAL WORKERS

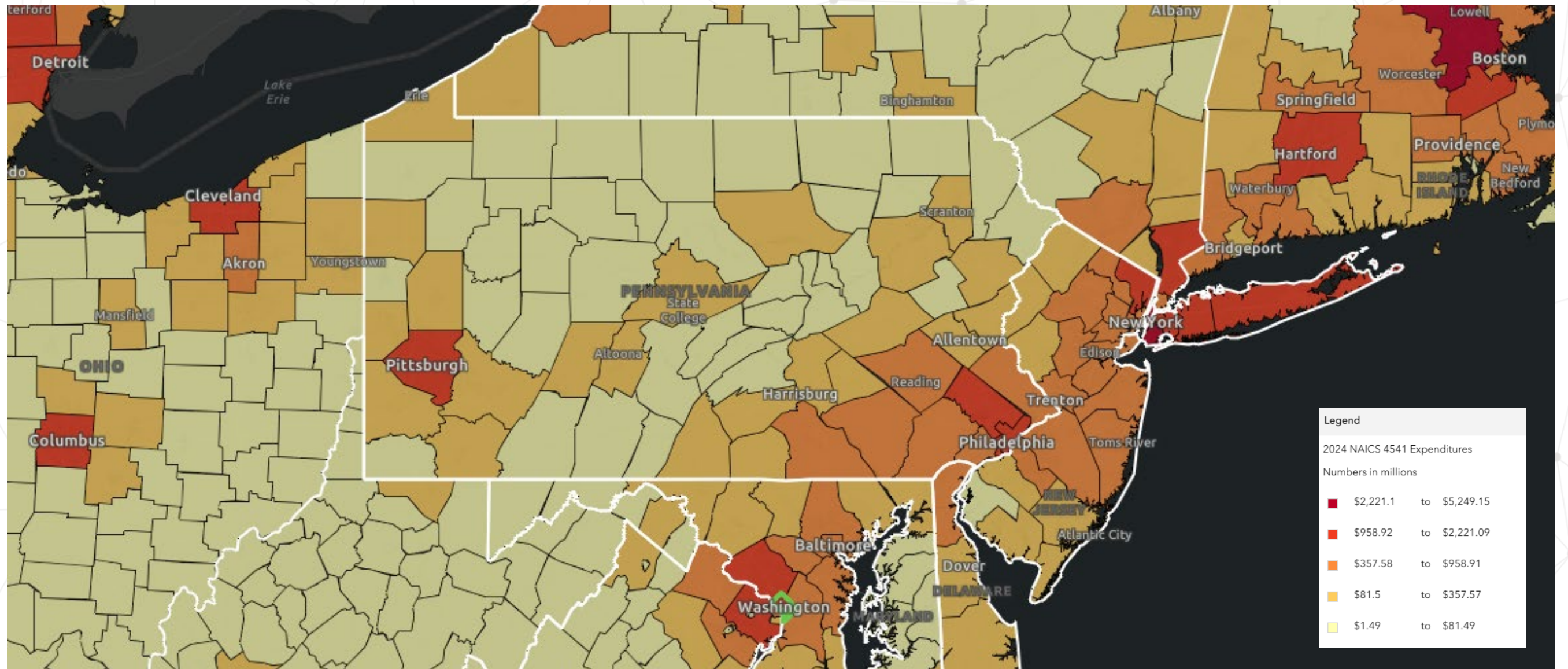


TOTAL RETAIL SPENDING BY COUNTY



Data Source: ESRI

E-COMMERCE SPENDING BY COUNTY



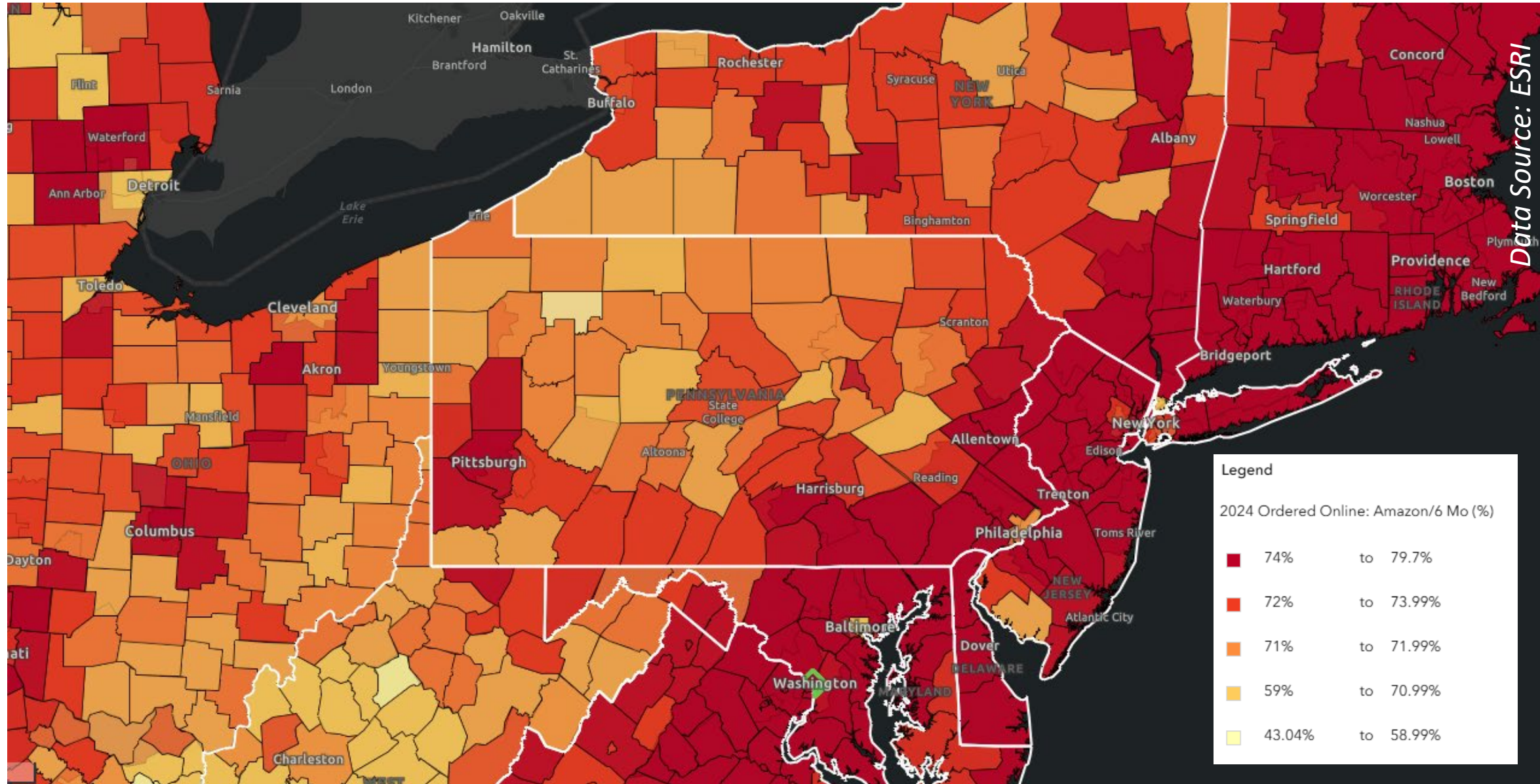
Data Source: ESRI

ORDERED FROM AMAZON | PAST 6 MONTHS

Percentage of Adults

72%

In 2024, **72%** of adults in Pennsylvania ordered from Amazon at least once in the past 6 months.



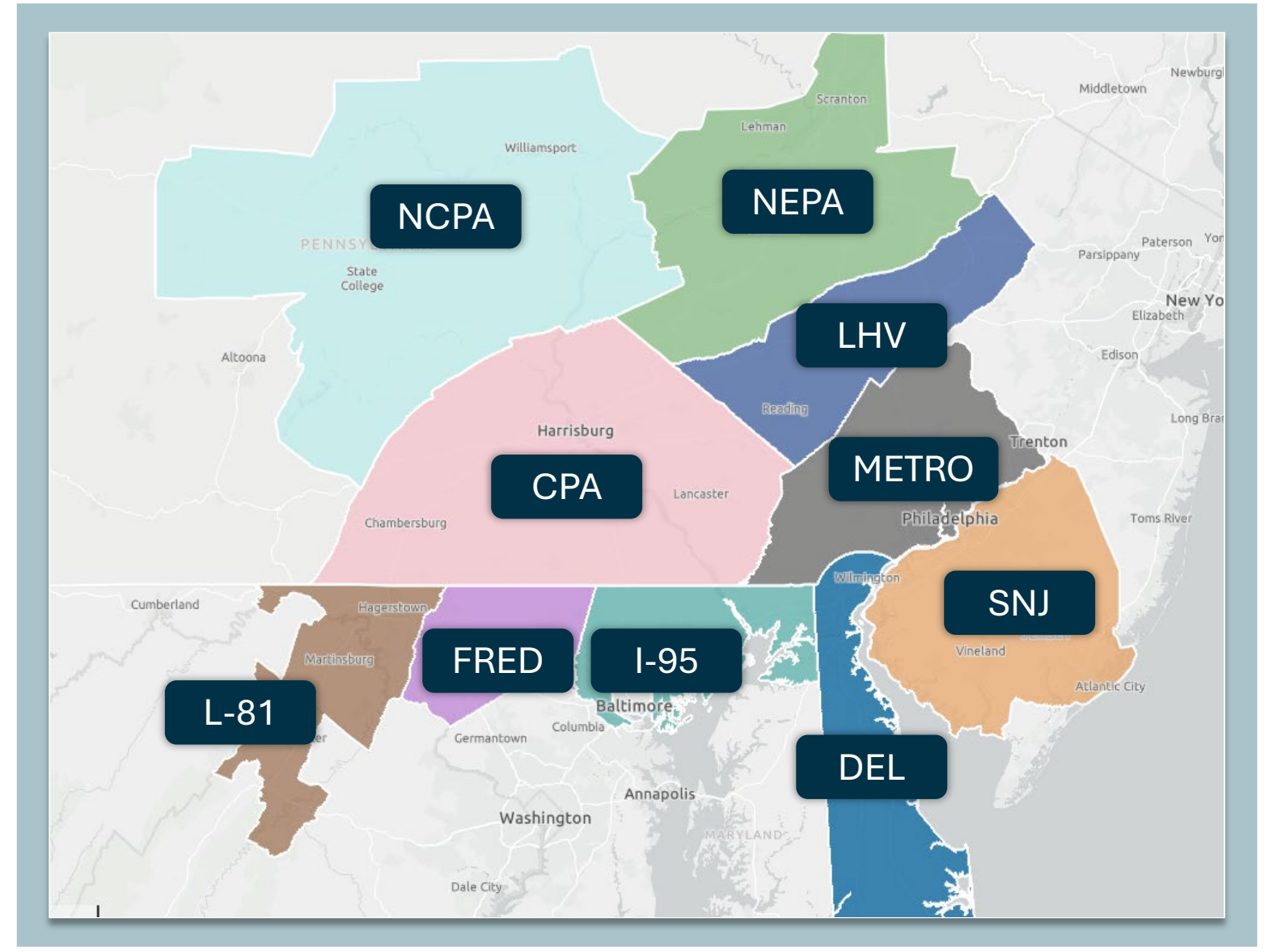
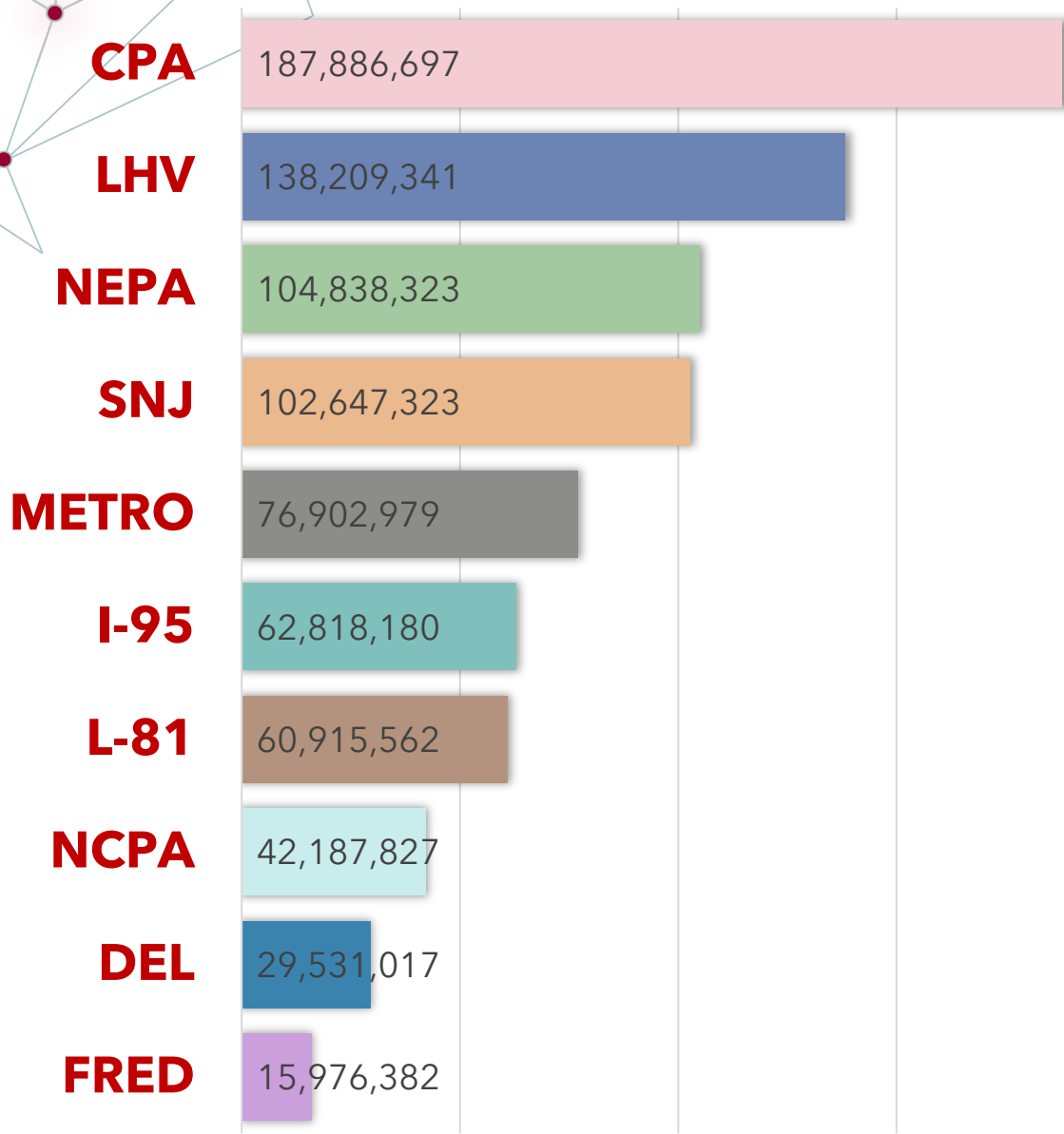
INDUSTRIAL MARKET

CONDITIONS & FORECASTS

EASTERN PENNSYLVANIA REGION | HIGH IMPACT WAREHOUSES

STANDING STOCK

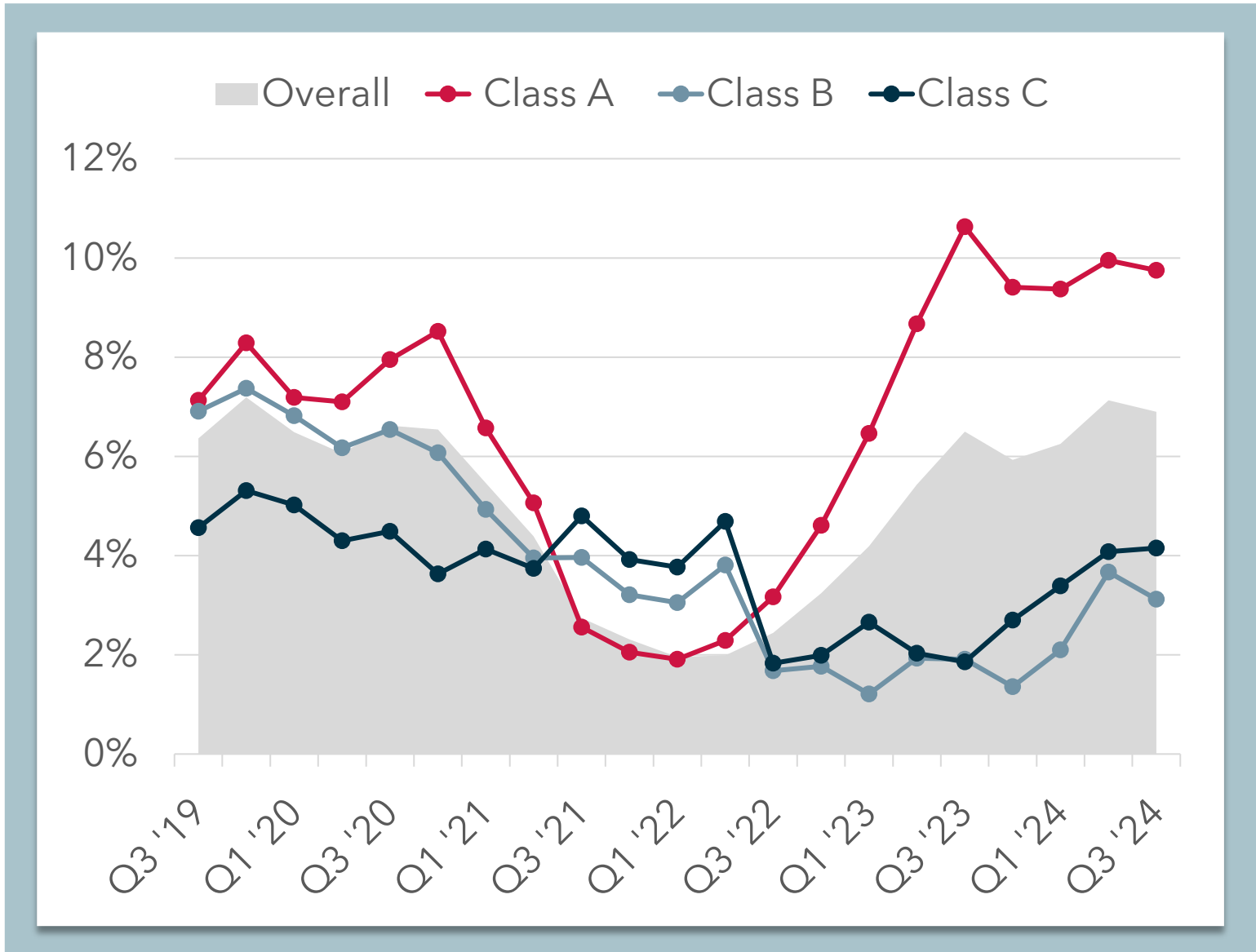
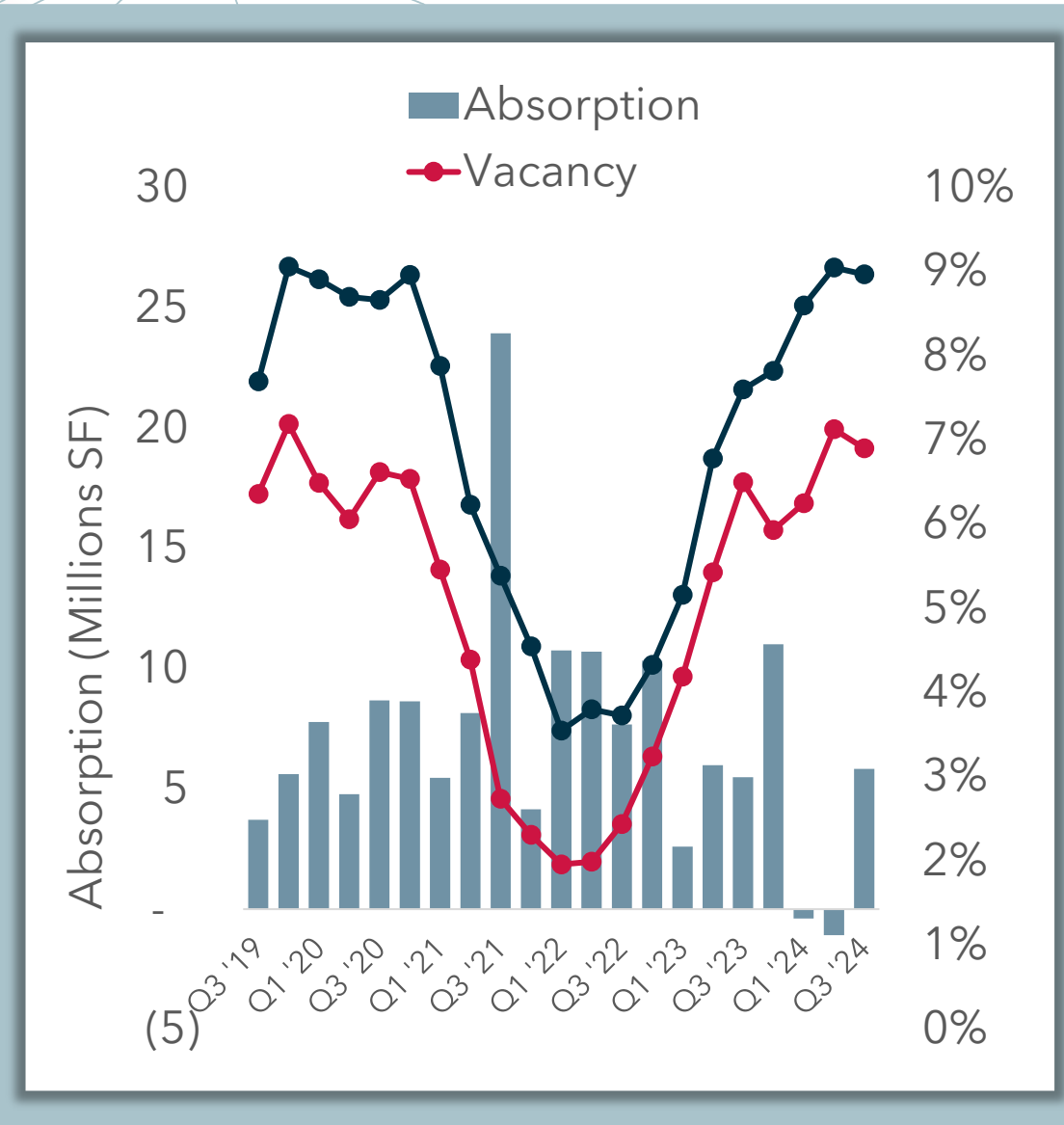
Eastern Pennsylvania and Surrounding Regions



*Data Source: LAEP

VACANCY & ABSORPTION

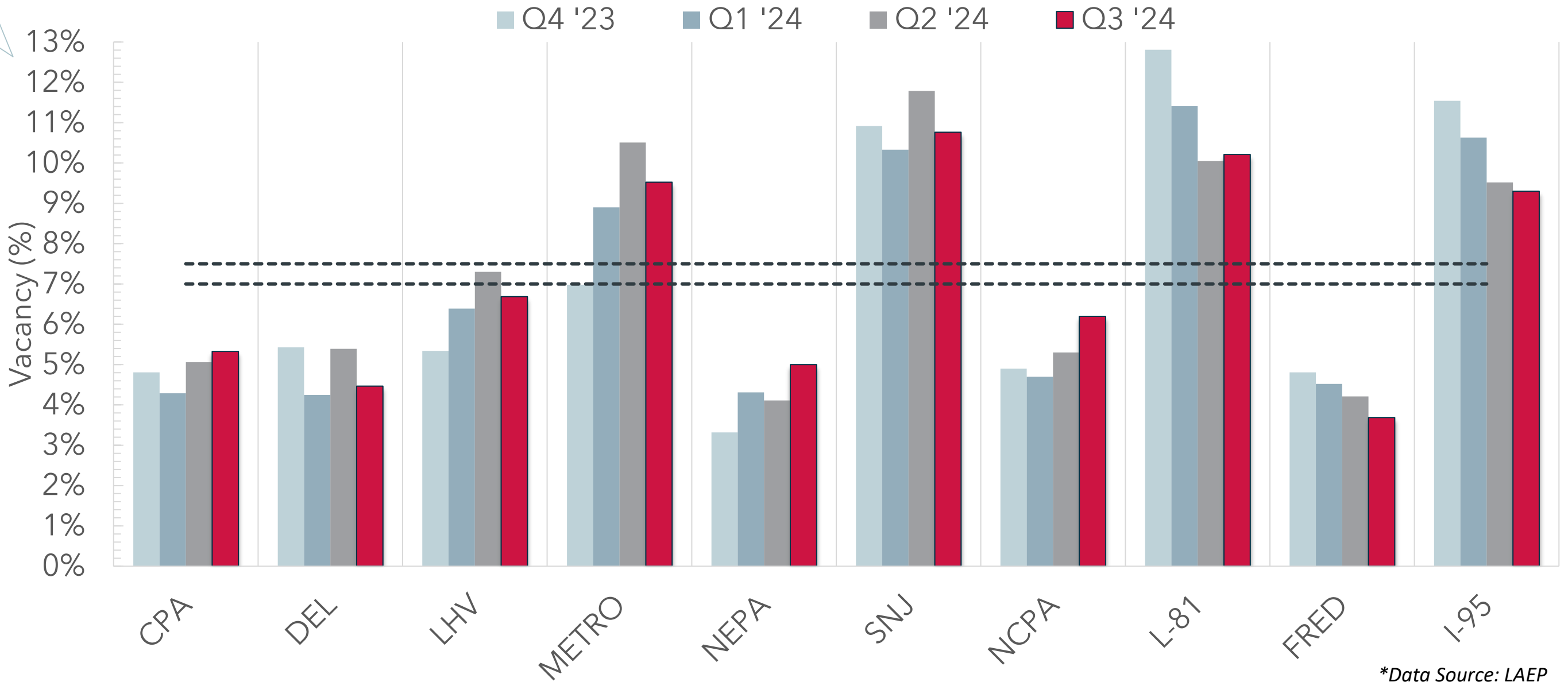
Eastern Pennsylvania



*Data Source: LAEP

VACANCY COMPARISONS

Eastern Pennsylvania and Surrounding Regions



*Data Source: LAEP

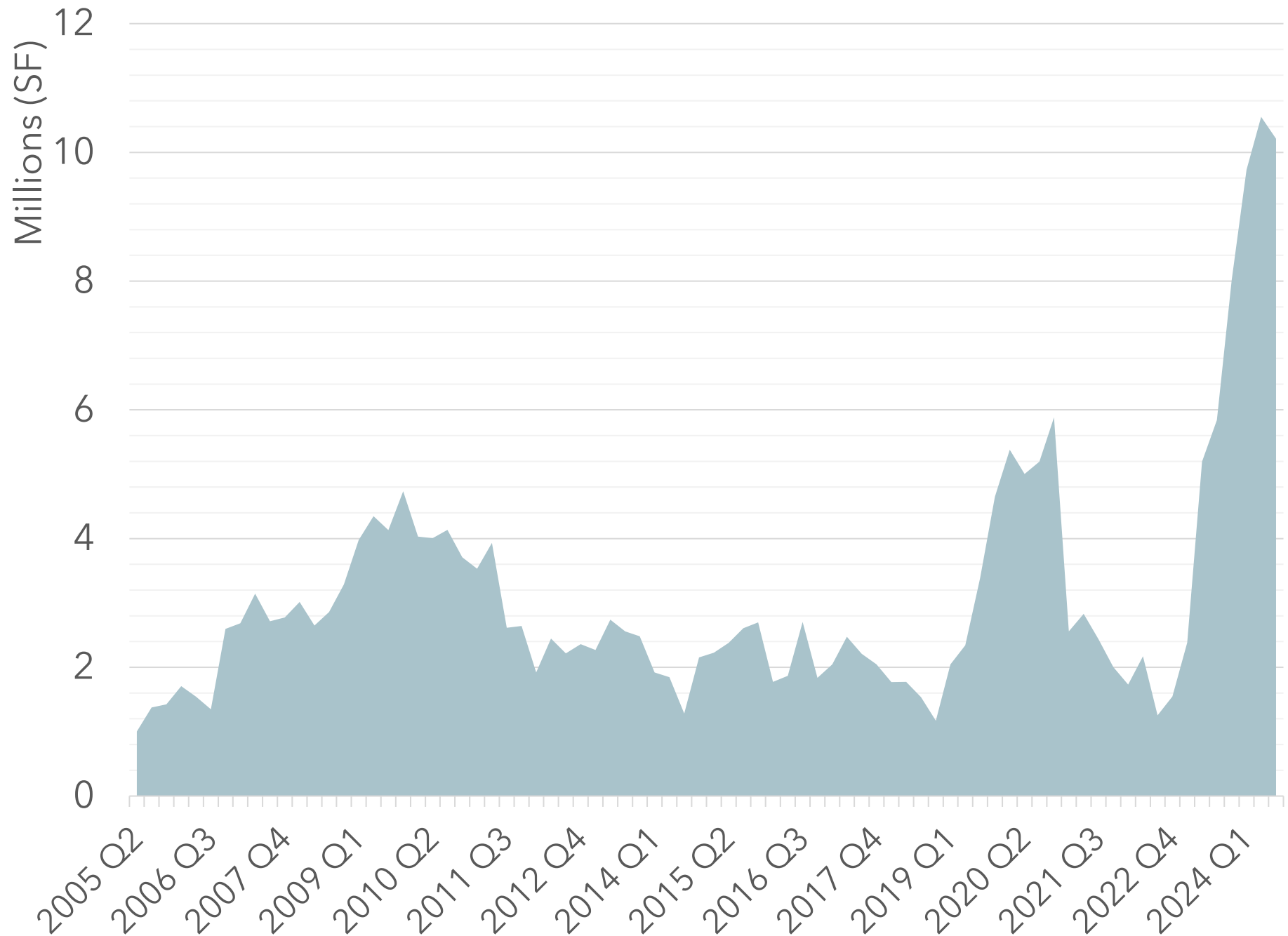
SUBLEASES

Eastern PA

Sublease space represents **1.6%** of the total standing stock sqft

Sublease space represents **17.8%** of the total available sqft on the market

CPA had the highest amount of sublease space in Q3 – just under 4 MSF (2.1% of total standing stock SF)

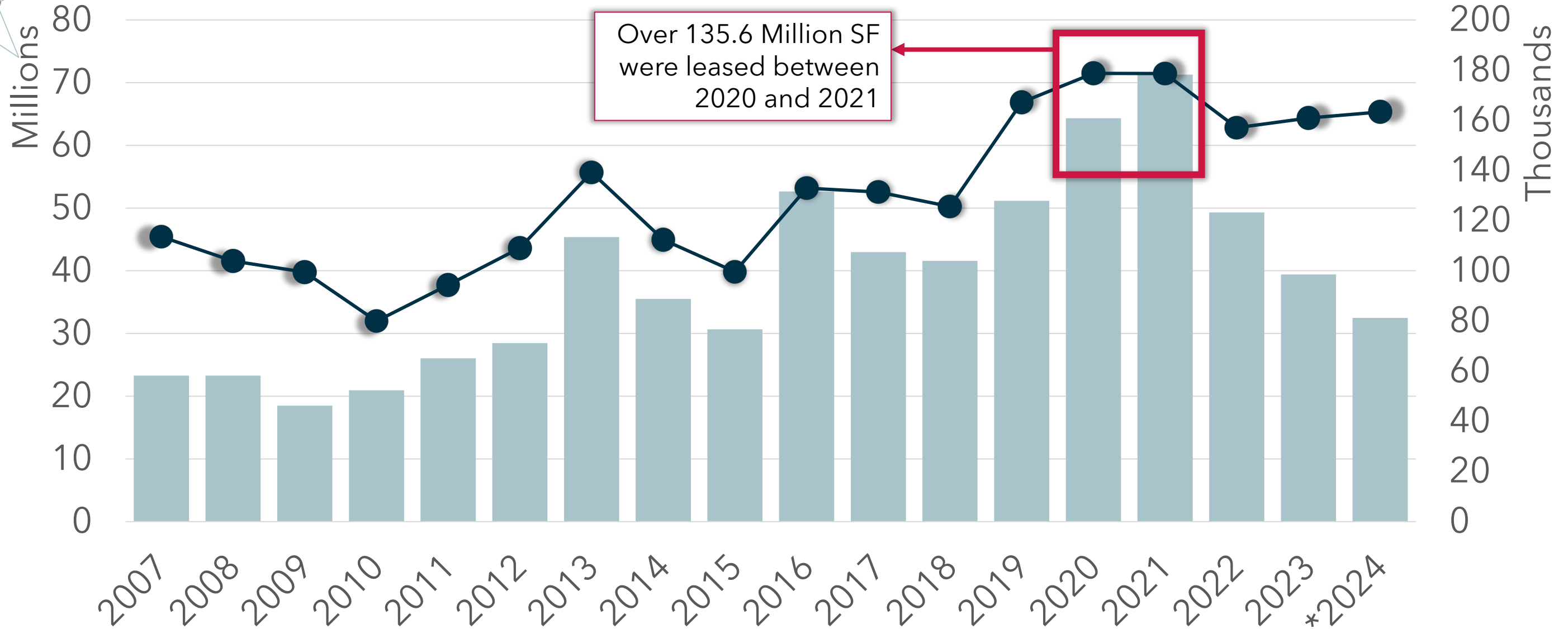


*Data Source: LAEP/Costar

LEASING VELOCITY

EASTERN PA AND SURROUNDING REGIONS

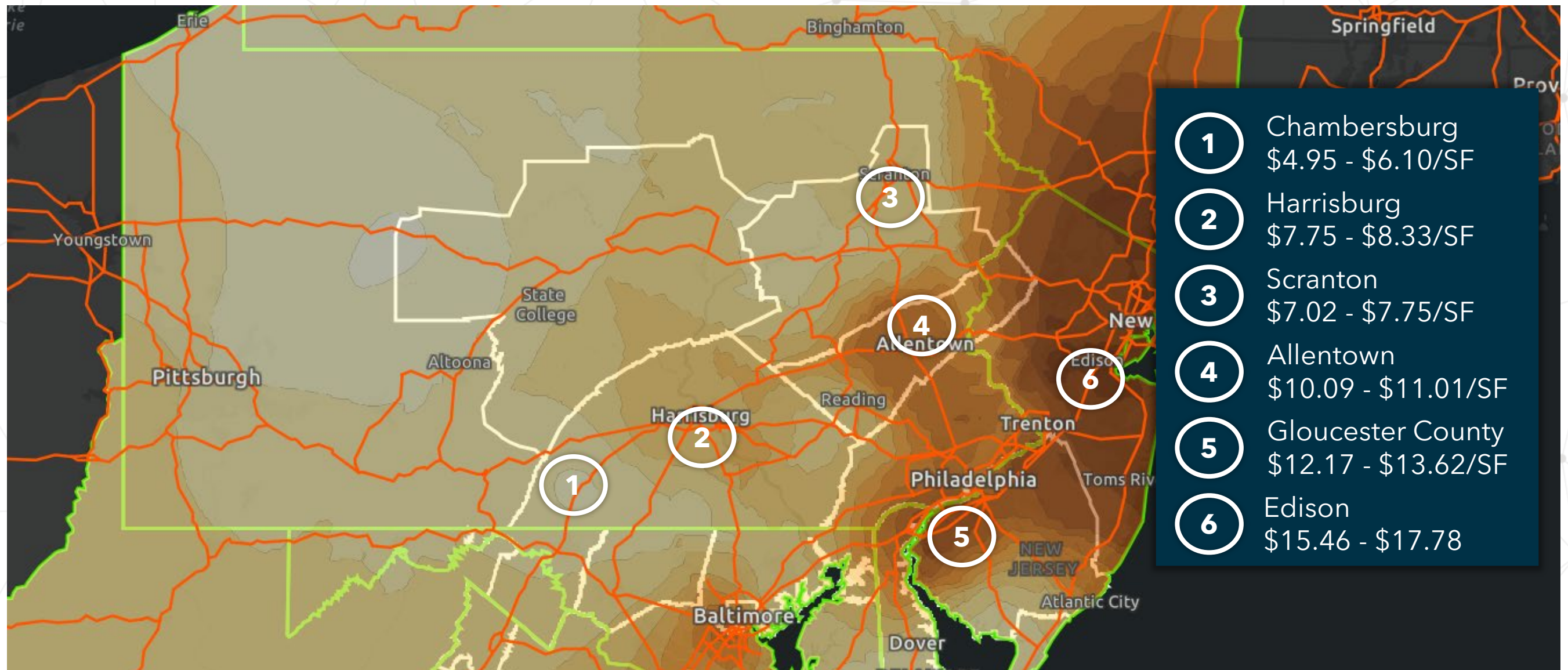
- Average Lease Size
- Total SF Leased



*Data Source: Costar

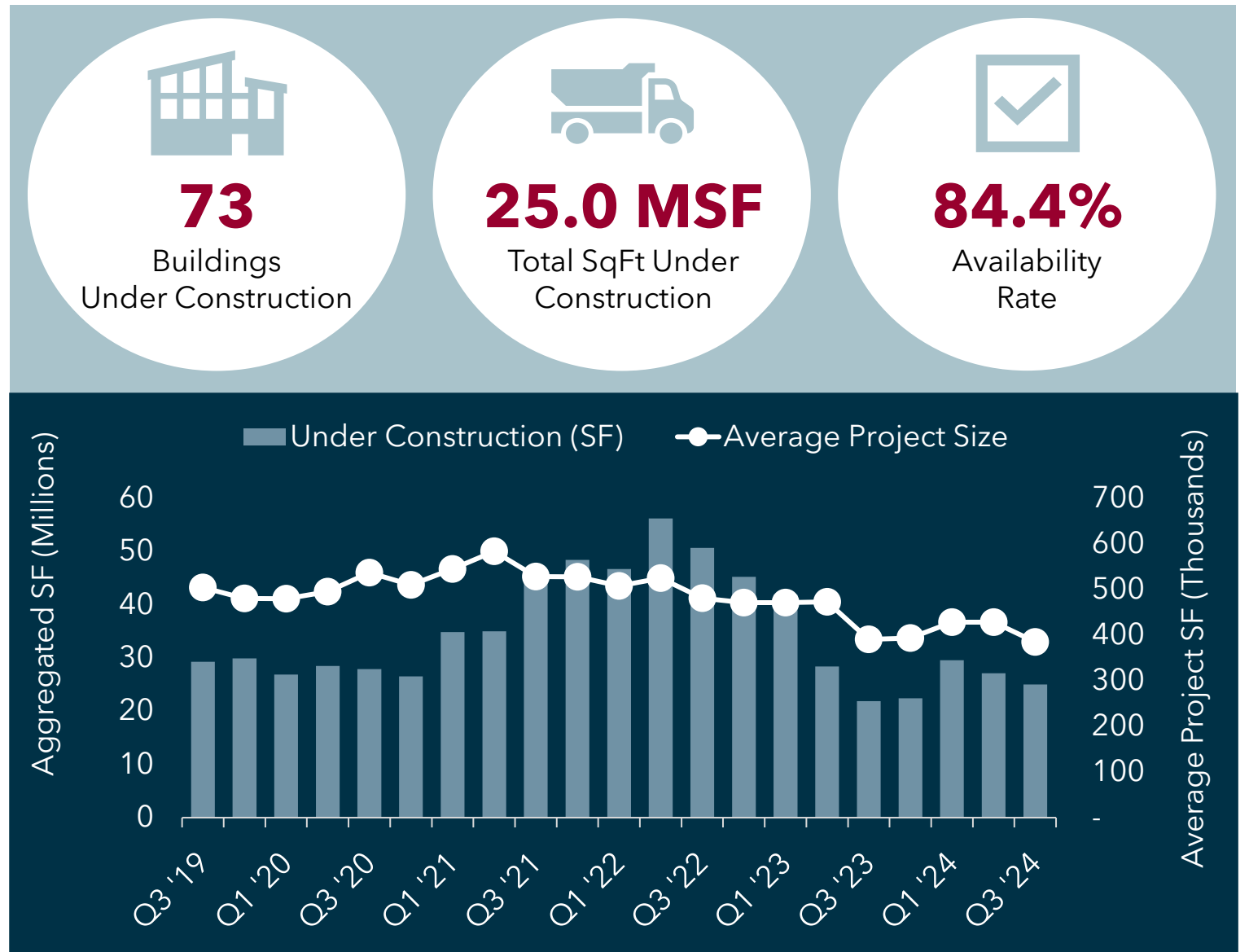
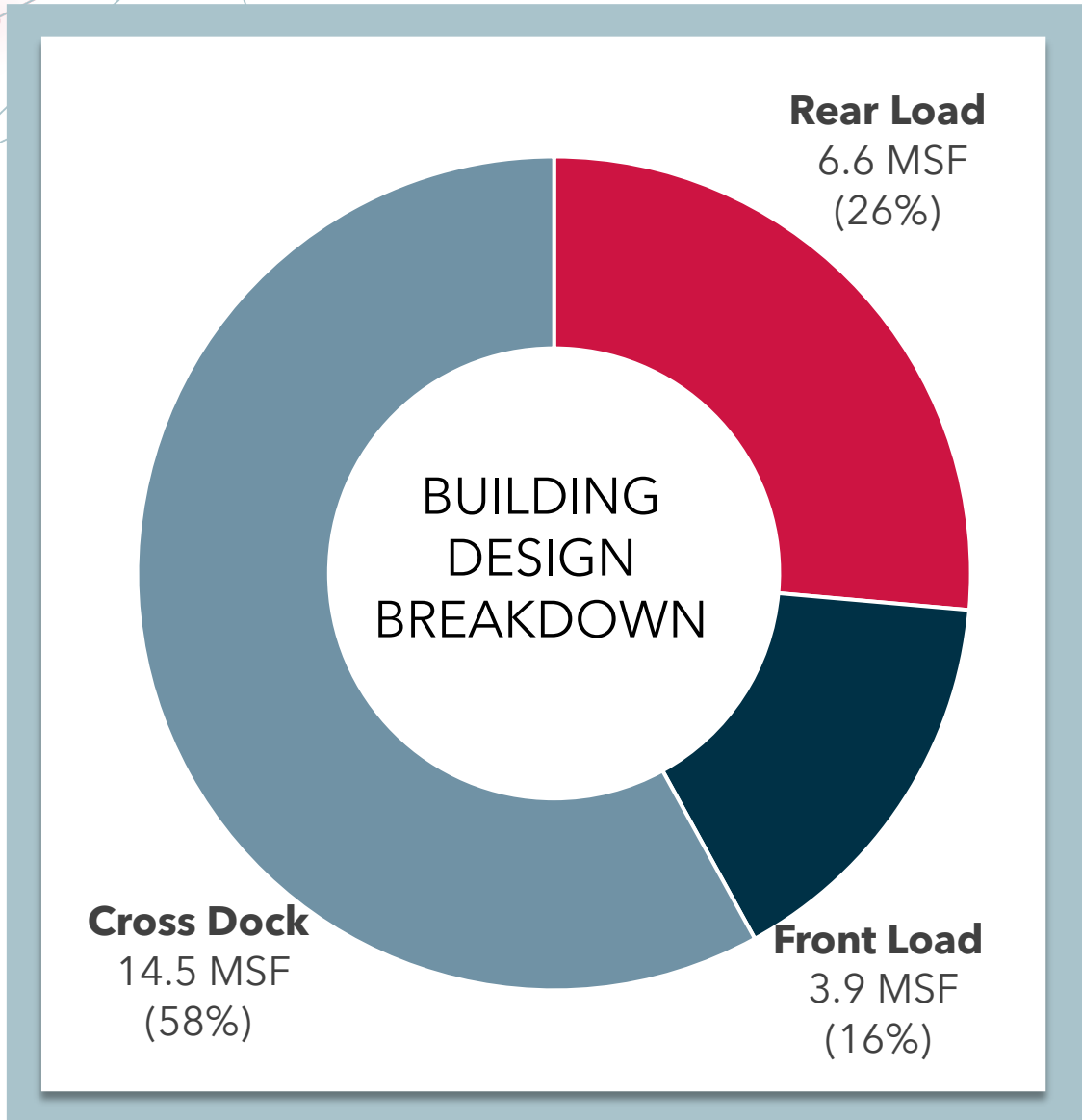
LEASE RATES HEAT MAP

All Warehouse Completed Leases in the Past 18 Months - 50,000 SF and Above



CONSTRUCTION TRENDS | Q3 2024

Eastern Pennsylvania (CPA, LHV, NEPA, METRO, SNJ, DEL)

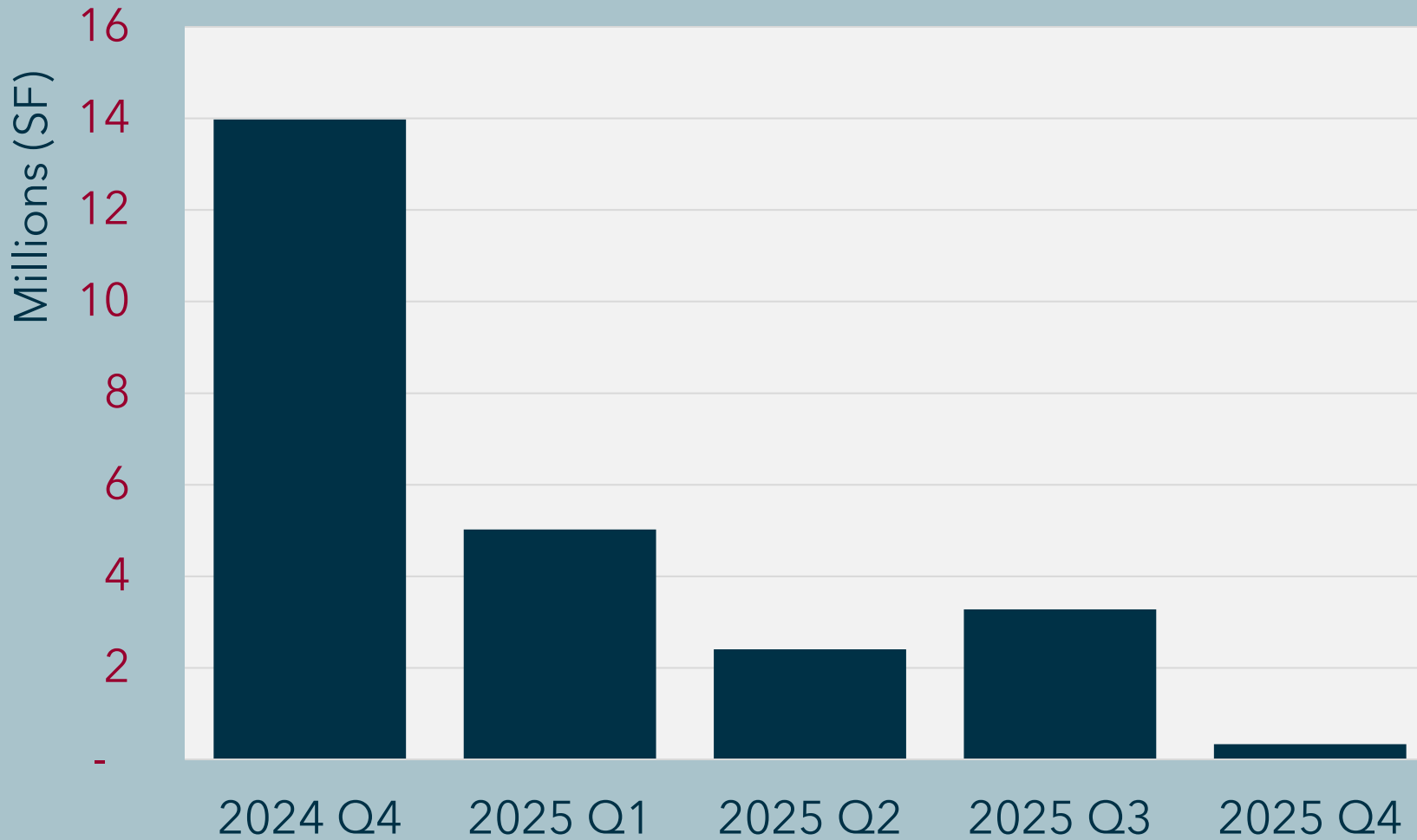


*Data Source: LAEP

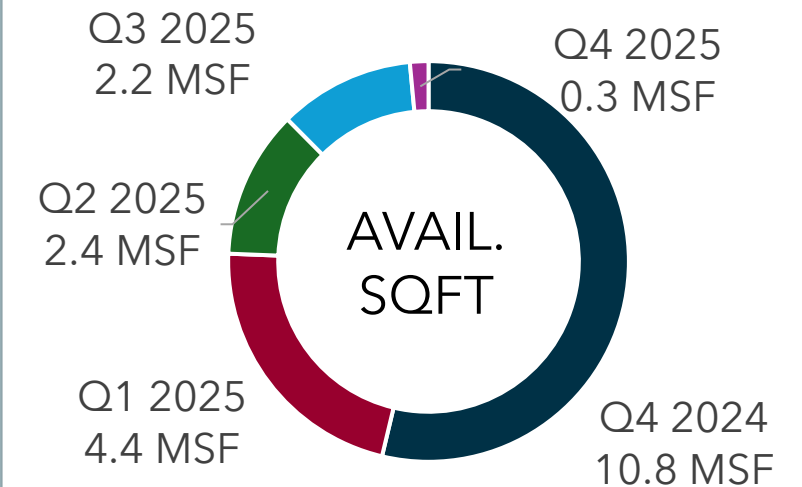
CONSTRUCTION TRENDS | Q3 2024

Eastern Pennsylvania (CPA, LHV, NEPA, METRO, SNJ, DEL)

UPCOMING DELIVERIES



Q4 2024	13.9 MSF
Q1 2025	5.0 MSF
Q2 2025	2.4 MSF
Q3 2025	3.3 MSF
Q4 2025	330 KSF



*Data Source: LAEP

CONSTRUCTION HOTSPOTS

Deliveries 2021-2024

207

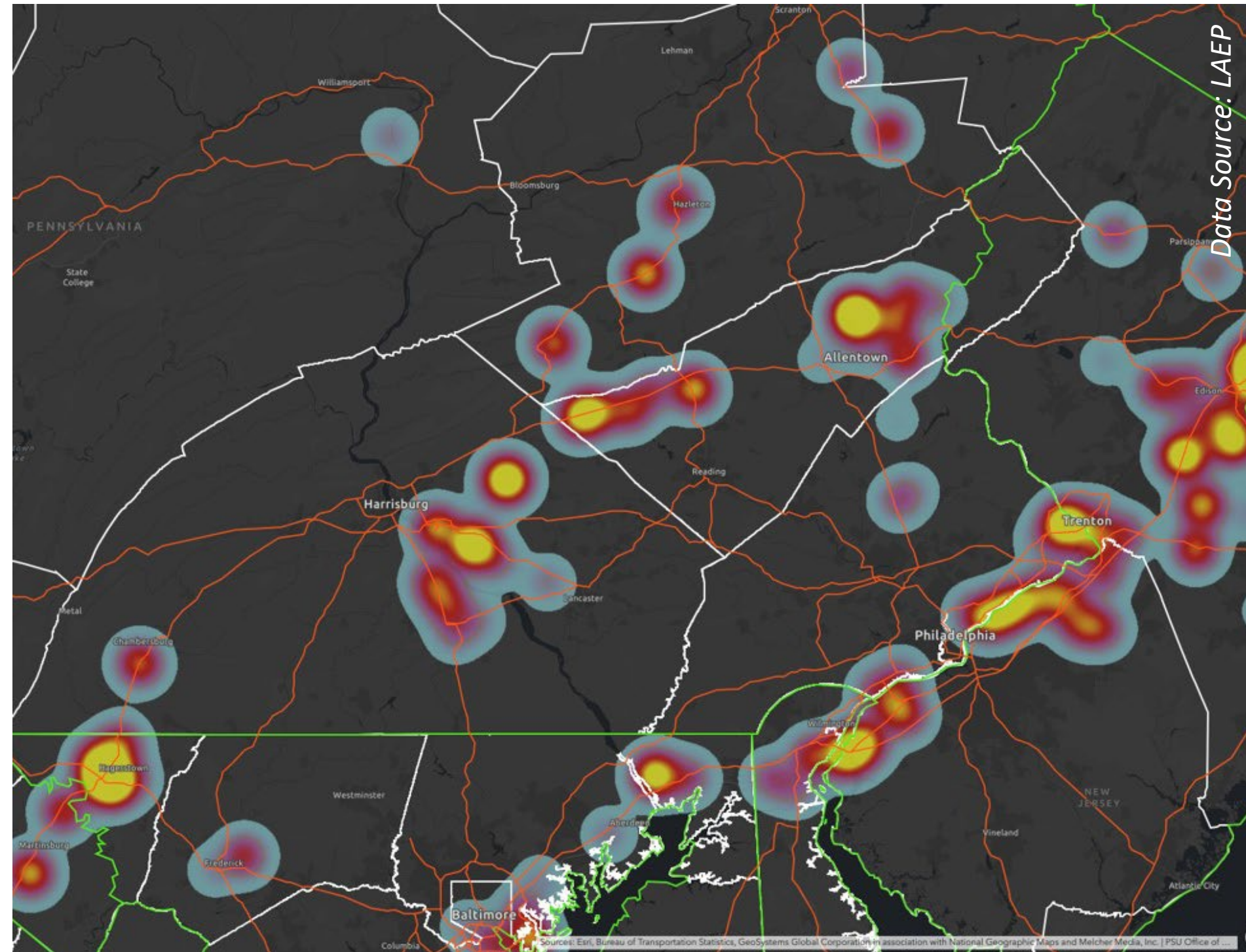
New warehouses delivered since 2021 in the EPA region.

84.2
MSF

Total SF of buildings delivered since 2021

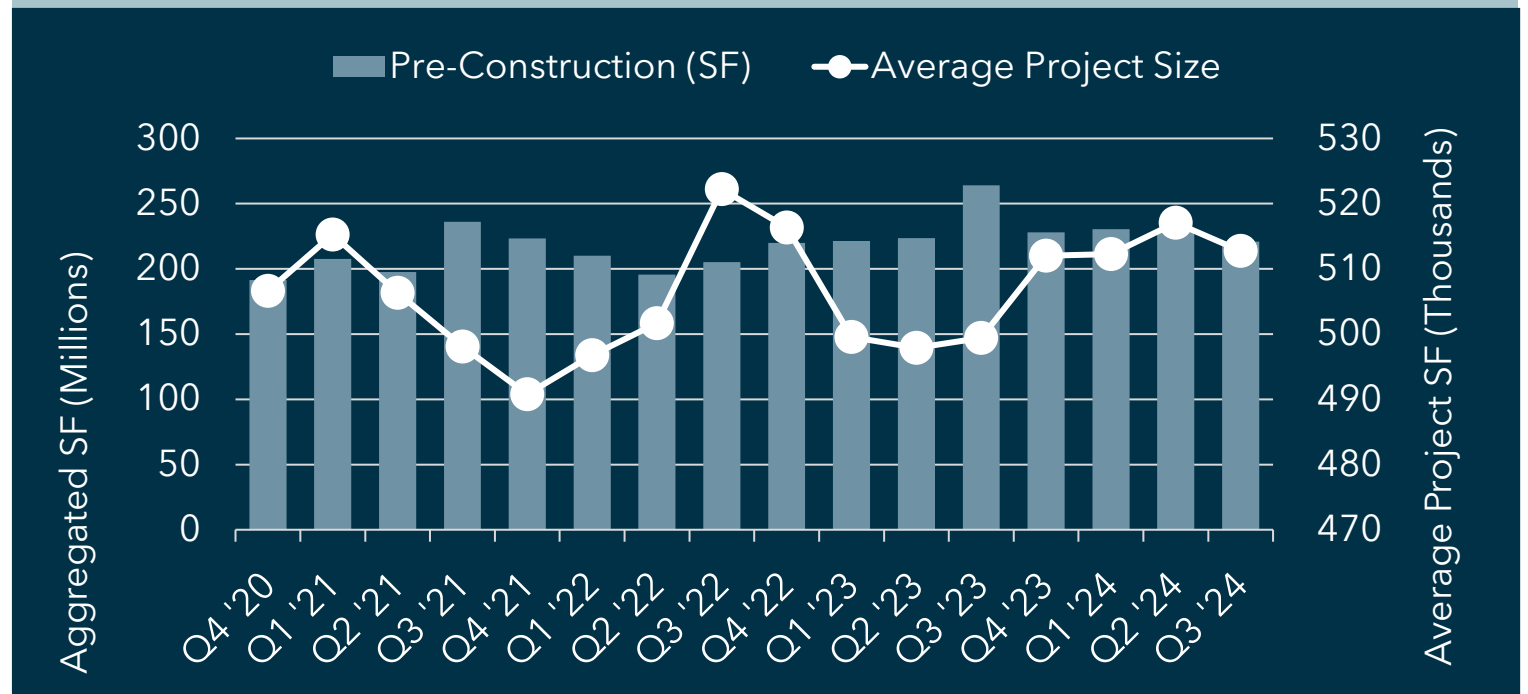
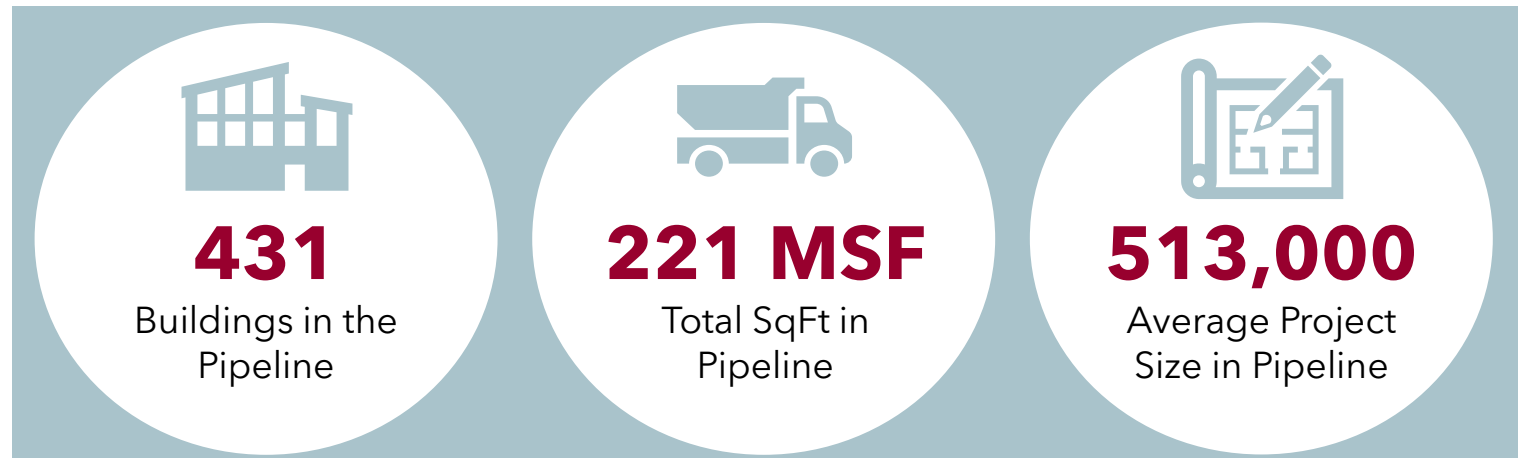
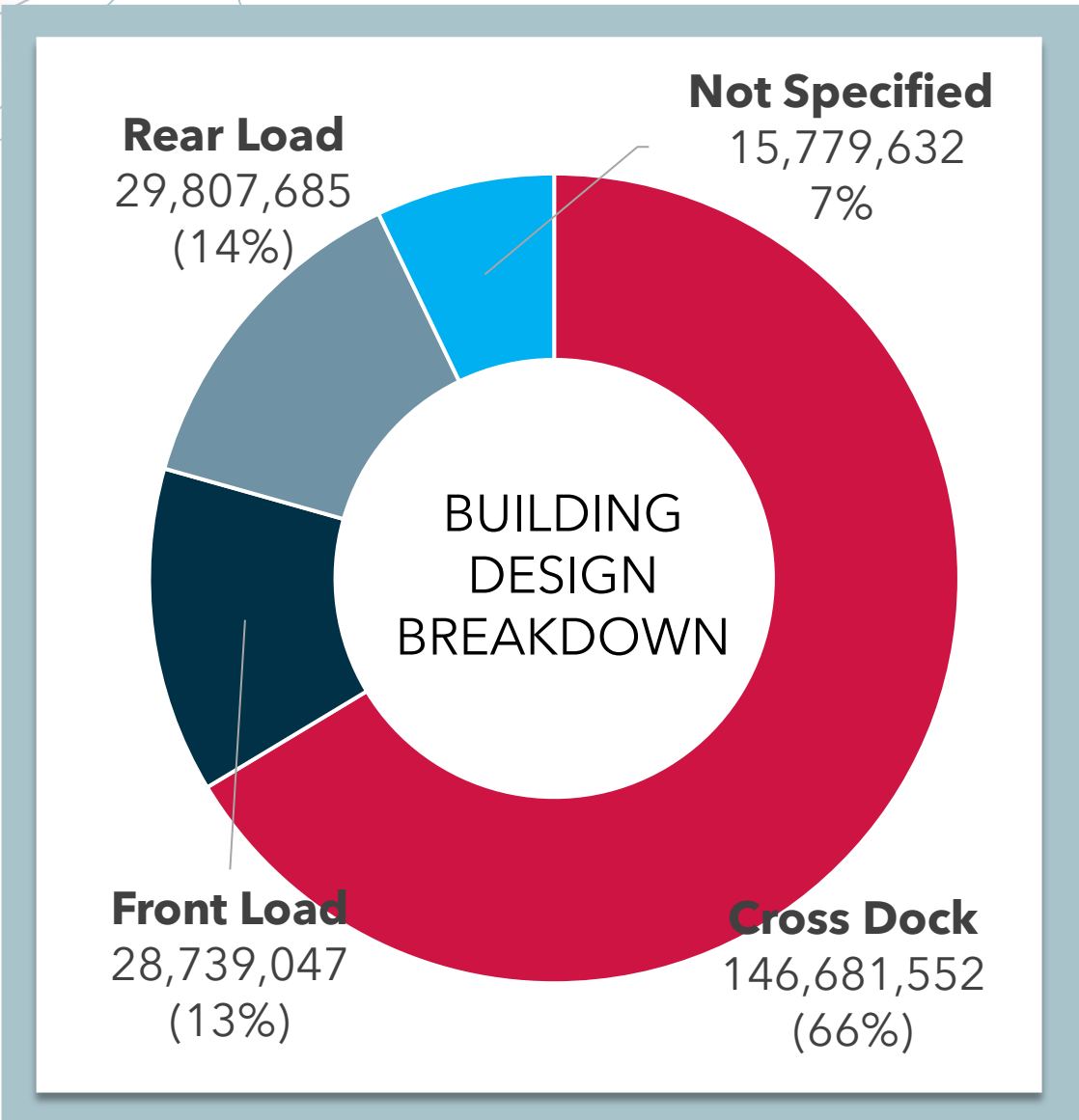
60
MSF

Total SF currently vacant (71.3%)



DEVELOPMENT PIPELINE | Q3 2024

Eastern Pennsylvania (CPA, LHV, NEPA, METRO, SNJ, DEL)

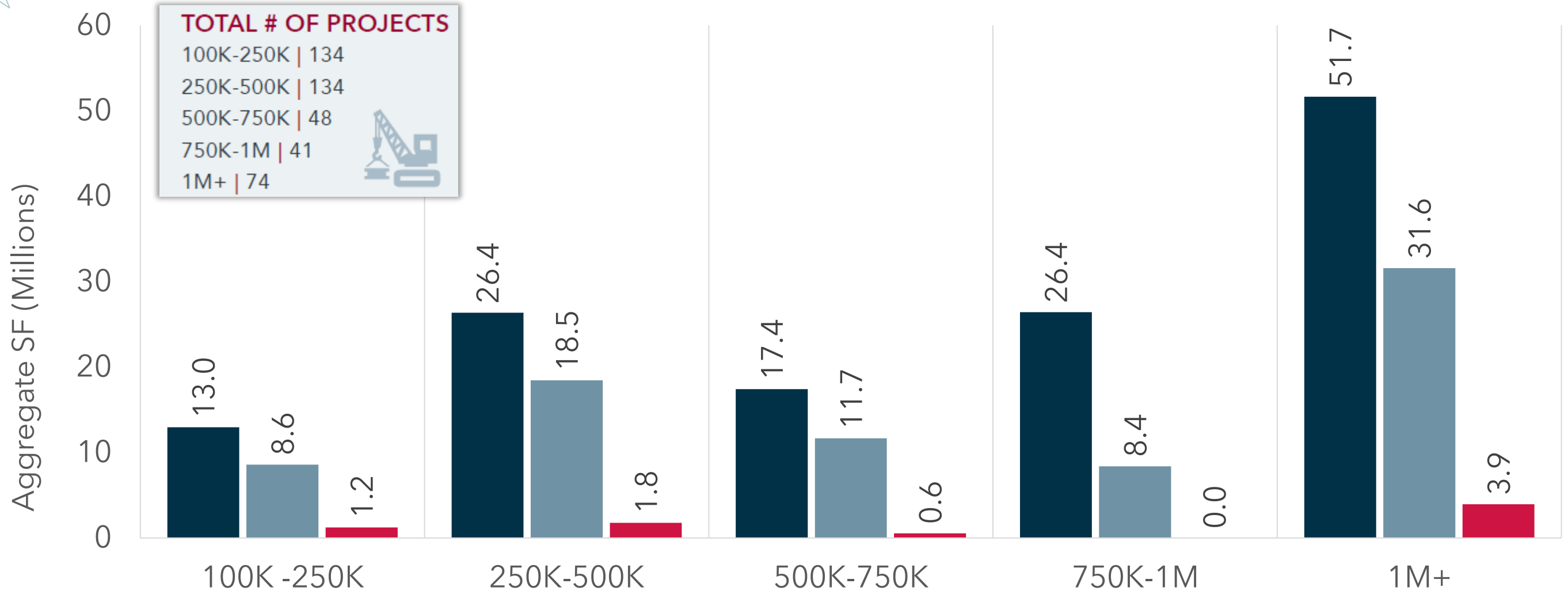


*Data Source: LAEP

DEVELOPMENT PIPELINE | Q3 2024

Eastern Pennsylvania (CPA, LHV, NEPA, METRO, SNJ, DEL)

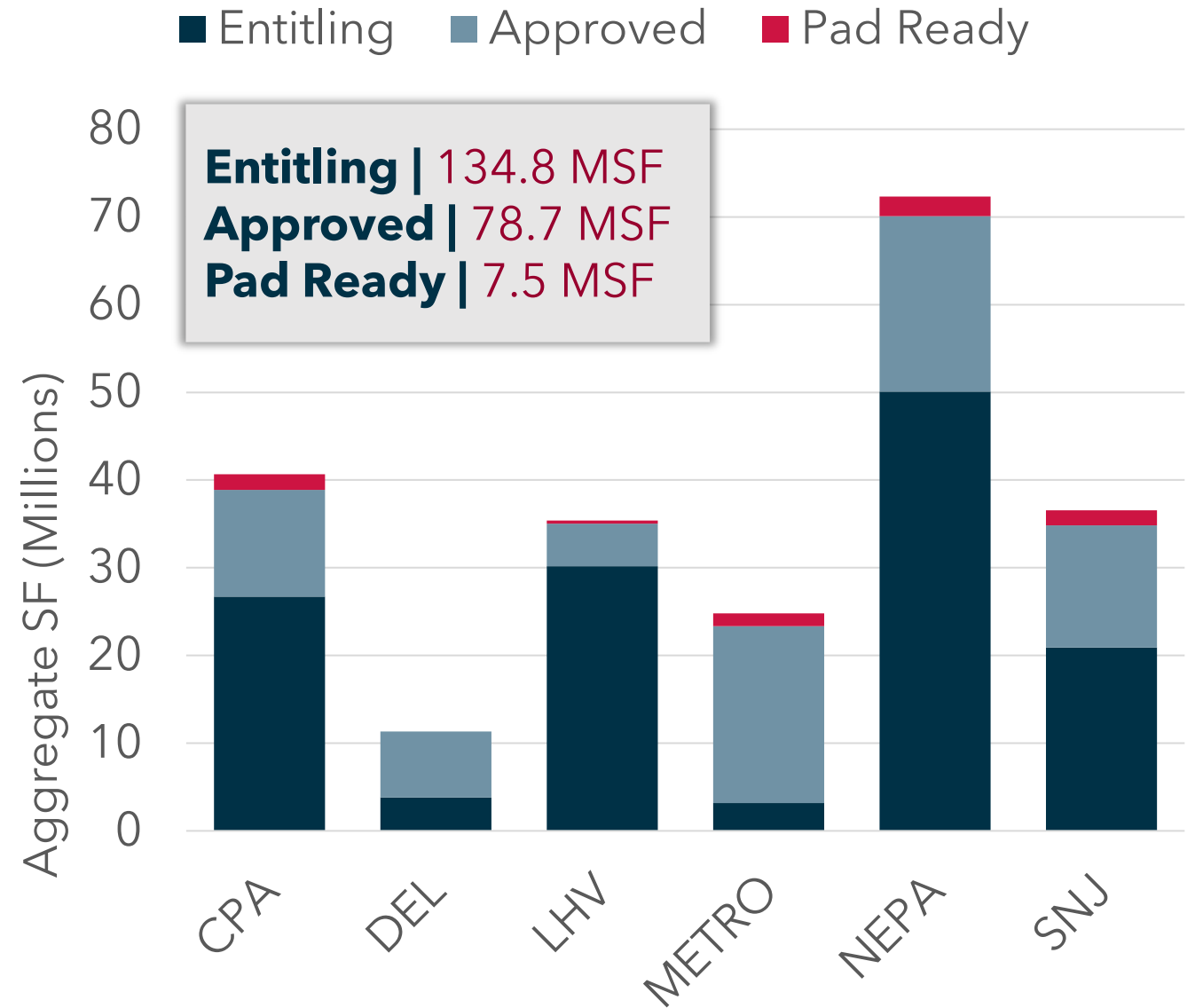
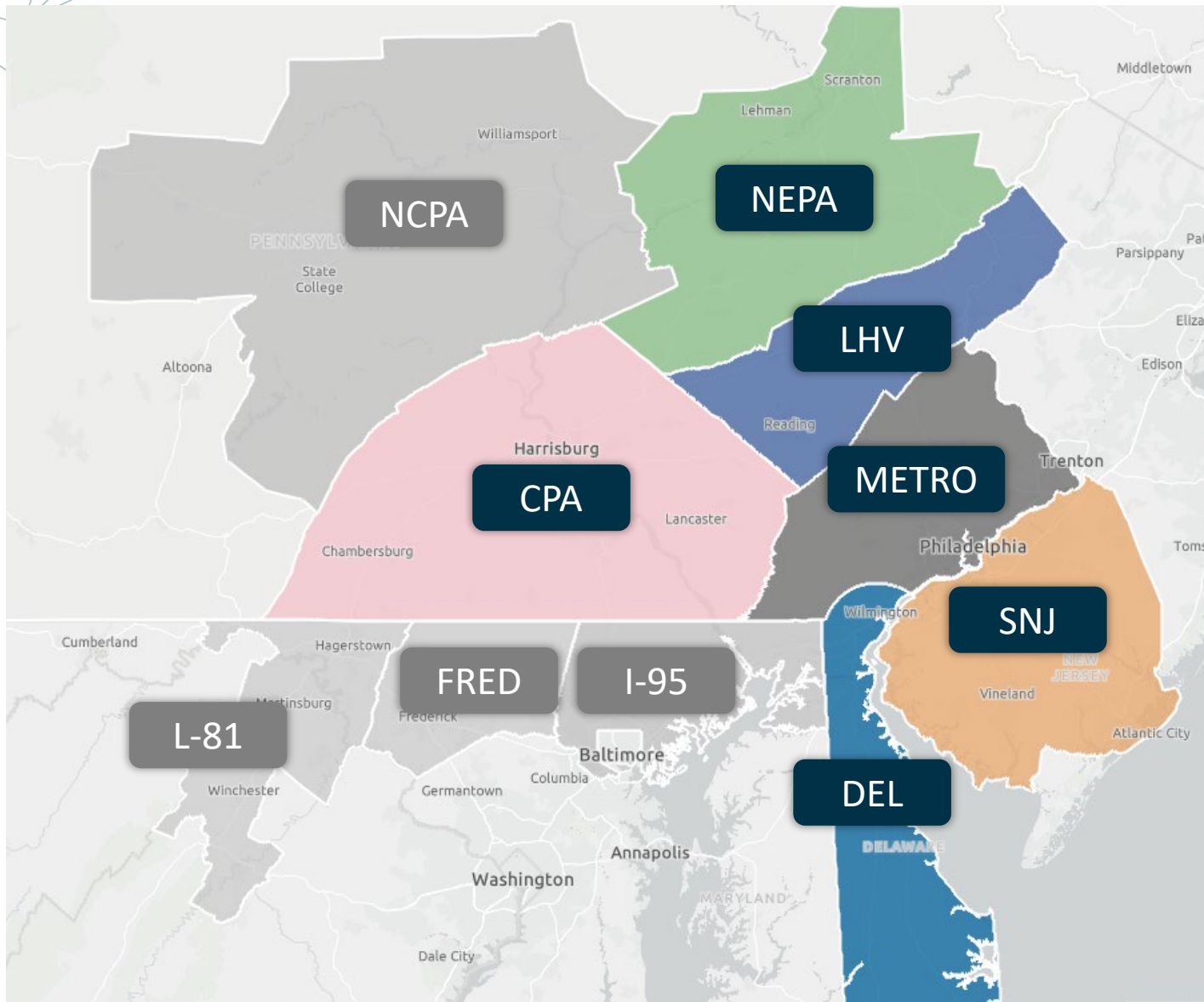
■ Entitling ■ Approved ■ Pad Ready



*Data Source: LAEP

DEVELOPMENT PIPELINE | Q3 2024

Eastern Pennsylvania (CPA, LHV, NEPA, METRO, SNJ, DEL)



*Data Source: LAEP

DEVELOPMENT HURDLES

NIMBY

- Local communities may resist new developments due to concerns over traffic congestion, environmental degradation, noise, or loss of community character.
- Opposition can lead to delays, increased costs, or even project cancellations.

TIMELINES

- Permitting and approval processes can be lengthy and vary across municipalities.
- Supply chain disruptions or labor shortages may extend construction timelines.
- Unforeseen site conditions (e.g., environmental remediation needs) can also delay progress.

POLICY

- Regulatory hurdles such as zoning, environmental compliance, and tax policies can create significant barriers.
- Changing regulations can introduce uncertainty for developers.



KEY TAKEAWAYS

US Industrial Market Context:

- Since 2020, the U.S. added 1.8 billion square feet of warehouse space, with Eastern Pennsylvania contributing 8.4% of that total.
- High-impact warehouses dominate construction trends, with a peak of 849.3 million square feet under construction post-pandemic.

Pennsylvania's Competitive Edge:

- Pennsylvania ranks 6th in the U.S. for both warehouse market size and industrial workforce, and 5th for population density.
- The state's strategic location offers excellent transportation access, reaching 49.1 million people within a four-hour drive.

Market Trends and Challenges:

- 84.2 million square feet of new warehouse space has been delivered in Eastern Pennsylvania since 2021, with a current vacancy rate of 71.3% for these spaces.
- Sublease space has grown significantly, accounting for 17.8% of available inventory in Q3 2024.
- Development hurdles include NIMBYism, prolonged permitting timelines, and regulatory complexities.

E-commerce as a Growth Driver:

- U.S. e-commerce sales reached \$291.6 billion in Q2 2024, sustaining demand for industrial real estate, with projections indicating the need for 621.9 million square feet of additional warehouse space by 2029.



NEW TOOLS

COMING SOON!

INTRODUCING OUR NEW REPORT



COMING SOON!

North Central PA Industrial Market Report

We are excited to announce that we are developing a **bi-annual industrial market for North Central Pennsylvania**, in collaboration with Focus Central Pennsylvania. **Launching in January 2025**, this report will provide key insights into industrial trends, supply, demand, and construction activity, supporting business attraction and retention in the region.

Q&A

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