INVESTMENT OUTLOOK

IPA INSTITUTIONAL PROPERTY ADVISORS

Industrial

Philadelphia Metro Area

MIDYEAR 2025

Trade Disruptions Shift Leasing Trends, While University City Expands as a Biomedical Hub

Goods-importing tenants scale back, while domestic distribution holds firm. After vacancy declined in early 2025 across Bucks, Montgomery and Chester counties, preliminary second-quarter data shows large negative net absorption in these areas. Tariff-induced cost pressures have likely prompted consolidation among manufacturing- and import-reliant tenants, such as electronics and home goods suppliers, adding renewed vacancy risk as completions remain elevated. In contrast, distribution-oriented properties focused on food and third-party fulfillment have seen more stable demand. A 1.2 million-square-foot lease signed by a logistics firm in Burlington County in April should help ease vacancy pressures after local rates exceeded 10 percent in March. Delaware, Salem and New Castle counties have also recorded an uptick in distribution-related big-box demand this year, better positioning them to absorb upcoming new supply.

Buyers stay defensive, while life sciences lift central outlook. Sales have slowed in 2025 amid economic headwinds and lingering supply pressures. Institutions pulled back sharply, while private investors stayed more active. Bucks County may continue to draw interest with sub-6 percent vacancy as of March, though leasing headwinds may shift focus toward stabilized assets. In Burlington County, steadier tenant demand could attract more buyers, even amid double-digit vacancy. Both counties are set to add around 2 million square feet of space this year — well below 5 million in 2023 — limiting further vacancy expansion. In contrast, Philadelphia County will see a record of nearly 3 million square feet open in 2025, possibly dampening near-term investment. Still, new life sciences-related openings, including Spark Therapeutics' 500,000-square-foot gene therapy plant, should bolster demand from health care firms and medical suppliers.

2025 MARKET FORECAST

+1.4% — **EMPLOYMENT:** Job growth will improve this year with 45,000 new roles, driven largely by the health care sector. The trade, transportation and utilities segment is also expected to expand modestly.

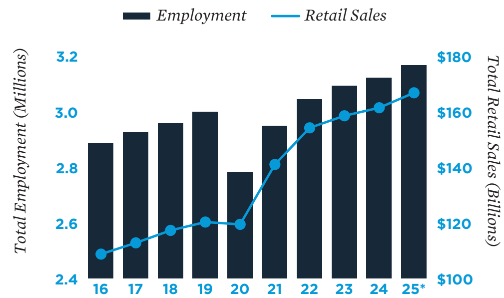
13.9 million *sq. ft.* — **CONSTRUCTION:** Completions for 2025 are set to rise roughly 65 percent above the 10-year average; however, total deliveries will still fall short of the 2023 peak of 17 million square feet.

+70 bps — **VACANCY:** Vacancy expansion will match 2024's pace, marking the fourth straight year of rising availability. At 8.2 percent, the metro's rate will sit 60 basis points above the national average.

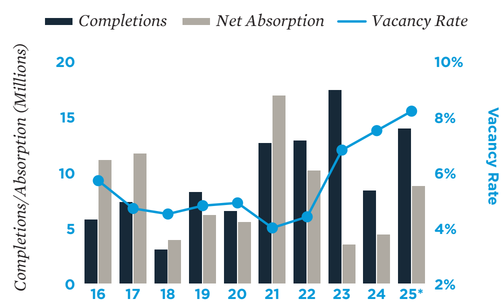
+2.1% — **RENT:** Elevated supply pressures and subdued tenant demand will keep rent growth modest this year. The metro's average asking rate is projected to reach $11.10 per square foot.

INVESTMENT: *An average asking rent 60 percent above the year-end 2019 rate — the widest spread among major Northeast markets — may prompt interest from investors confident in re-tenanting.*

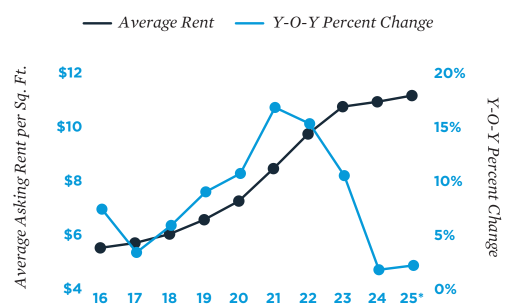
Economic Trends



Supply and Demand



Rent Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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