

INVESTMENT FORECAST

Industrial
Philadelphia

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Dwindling Supply Pressure Aids Operations Despite Divergent Submarket Performances

Leasing concentrates in outer suburbs. Demand rebounded in the final three months of last year after recording net space relinquishment during the second and third quarters of 2025, the first consecutive decline since 2009. If demand continues this year, it supports the potential for vacancy compression in 2026 as the supply pipeline materially contracts. Much of last year's net demand growth was concentrated in Burlington and Cecil counties, both located along the metro's outer edge near neighboring gateways such as Baltimore and New York. This suggests Philadelphia's strategic East Coast location remains a key driver of tenant demand, despite nationwide economic uncertainty. By contrast, counties in and around the urban core — including Philadelphia, Delaware, Montgomery, and Camden — each recorded roughly half a million square feet of net space relinquishment in 2025. Philadelphia County, in particular, posted one of the highest vacancy rates in the metro as of March, and softness in this core submarket may persist as pre-2000 buildings experience consolidation-driven move-outs, while post-2000 assets continue to face elevated vacancy.

Institutional interest becomes more active. While transaction velocity in Philadelphia remained largely unchanged in the 12 months ending in March compared with the prior year-long period, deals above \$20 million increased by roughly 25 percent. Institutional buyers accounted for more than 60 percent of total dollar volume over the past 12 months, up from about 40 percent one year earlier. At the submarket level, transaction activity on the Delaware side of the metro nearly doubled, as investors position around the Port of Wilmington's ongoing expansion while also capitalizing on the submarket's relative pricing advantages and regional distribution access.

2026 MARKET FORECAST

+0.9%



Employment: After recording the largest job gain among major U.S. metros last year, Philadelphia is expected to remain among the top five this year, adding 28,000 positions on net.

3.2 million
sq. ft.



Construction: The delivery slate this year is projected to fall to less than one-quarter of last year's volume and roughly one-third of the metro's prior 10-year annual average.

-30 bps



Vacancy: After expanding by more than 500 basis points over the past four years, metrowide vacancy is projected to decline slightly to 9.2 percent by December.

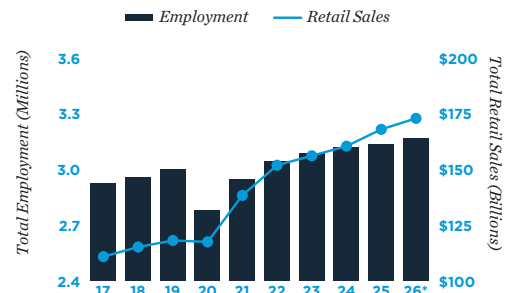
+1.7%



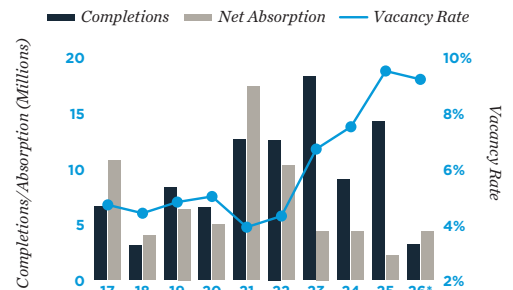
Rent: The average asking rent is expected to rise this year after a 6.5 percent decline in 2025, reaching \$10.36 per square foot by year-end. This increase would rank ninth among major metros.

INVESTMENT: Additional cold storage capacity at the Port of Philadelphia is expected to strengthen the metro's refrigerated logistics position, supporting industrial demand from temperature-sensitive distribution users.

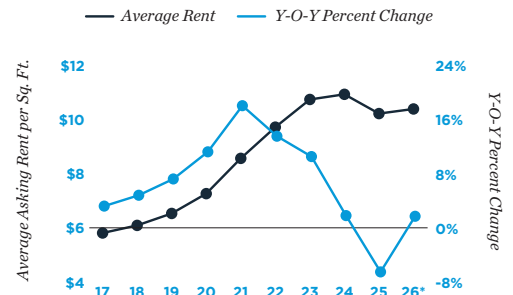
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.