

FIGURES | PA I-78/I-81 CORRIDOR INDUSTRIAL | Q3 2026

Occupier demand grows while supply pipeline steadies

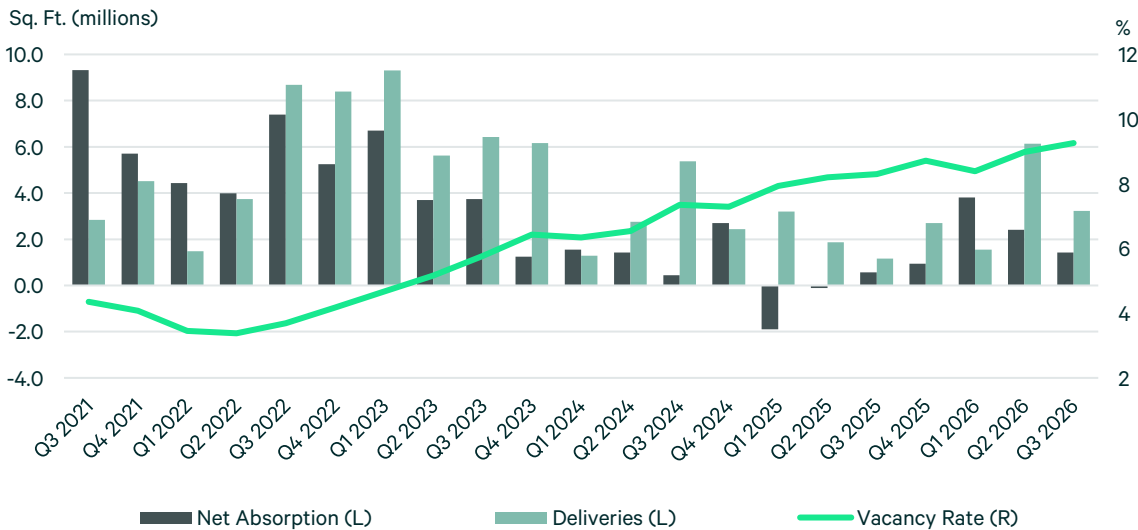


Market Overview

In Q3 2026, the vacancy rate rose for the second consecutive quarter as construction completions outpaced occupancy growth. At 11.0 million square feet (sq. ft.) the active construction pipeline persisted near its recent 4-quarter average of 11.2 million sq. ft. But, net absorption remained positive for the past five quarters while leasing activity during the past two quarters aggregated to more than 13.8 million sq. ft., portending demand/supply balance in the near term.

Despite the increase in activity on the demand side, supply continued to soften. Vacancy increased 30 basis points (bps) quarter-over-quarter while availability rose 20 bps quarter-over-quarter. From a longer-term perspective, vacancy climbed 100 bps since last year and availability advanced 90 bps during that same time period. Demand remains steady, with 5.9 million sq. ft. of leasing activity recorded in Q3 2026, marking the second-highest quarterly total in the past two years. Average asking rents grew 0.8% year-over-year although performance varied by size tranche with either smaller, less-than 200,000 sq.-ft. spaces or larger, greater than 900,000 sq.-ft. space driving pricing growth. The construction pipeline expanded slightly quarter-over-quarter as active development projects increased 988,000 sq. ft. In the Harrisburg/York corridor, a confidential tenant leased 1.13 million sq. ft. In Chambersburg, another confidential tenant signed for 864,000 sq. ft., adding to significant new leasing in the region.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q3 2026

Vacancy Rate

High vacancy across the market proved sticky in recent quarters as supply and demand remained out-of-balance. Since its most recent nadir tallied in Q2 2022, vacancy rose nearly 600 bps from 3.4% while overall availability rose more than 700 bps from 3.8%. But there are positive signs that this trend will moderate in the near term, pushing toward waning vacancy. Specifically, sublet availability has dropped consistently since its peak of 12.4 million sq. ft. in Q3 2025. Since then, the sublet availability rate dropped 110 basis points to just 1.2%

Although vacancy remains elevated by historical standards, availability is becoming increasingly constrained within certain size segments of the market. Most notably, the 900,000 sq. ft. and above tranche recorded a vacancy rate of just 6.8% in Q3 2026. Given several active large-block requirements currently in the market, vacancy within this size category is expected to continue tightening. Additionally, as occupiers increasingly favor newly-delivered, modern logistics facilities over older second-generation product, availability in select submarkets and building types is likely to become even more limited, further tightening market conditions.

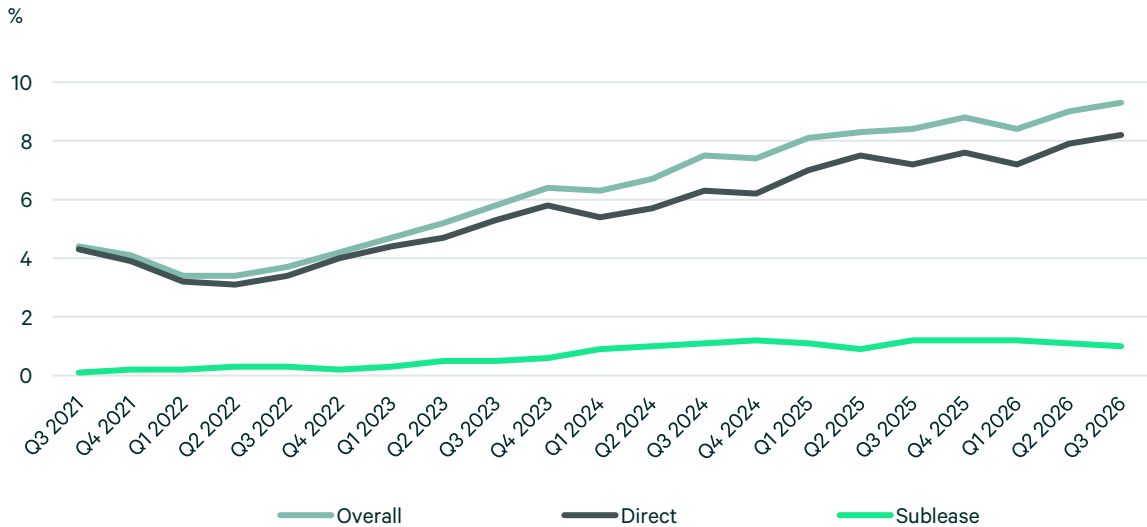
As noted prior, four consecutive quarters of an average 11.2 million sq. ft. under construction fueled new supply deliveries, contributing to a continued rise in vacancy. Submarket vacancy in the quarter remained uneven, with Lancaster posting the lowest overall vacancy at 5.0% and Reading the second lowest at 7.3%. At the other end of the spectrum, Hazleton/Schuylkill recorded the highest overall vacancy at 12.8%, with Chambersburg close behind at 12.4% and Lehigh Valley at 11.3%, highlighting materially more available space in these locations than in Lancaster and Reading.

Construction Activity

Construction activity in Q3 2026 remained robust, with both the development pipeline and completions registering appreciable volumes. Active under construction space totaled 11.0 million sq. ft., while 3.2 million sq. ft. of space was delivered during the quarter. The under construction pipeline increased 9.9% quarter-over-quarter and 9.0% year-over-year. Construction deliveries declined 47.4% quarter-over-quarter from Q2 2026 but rose 177.5% year-over-year relative to Q3 2025, so completions remained well above Q3 2025 levels despite a sharp pullback from Q2 2026.

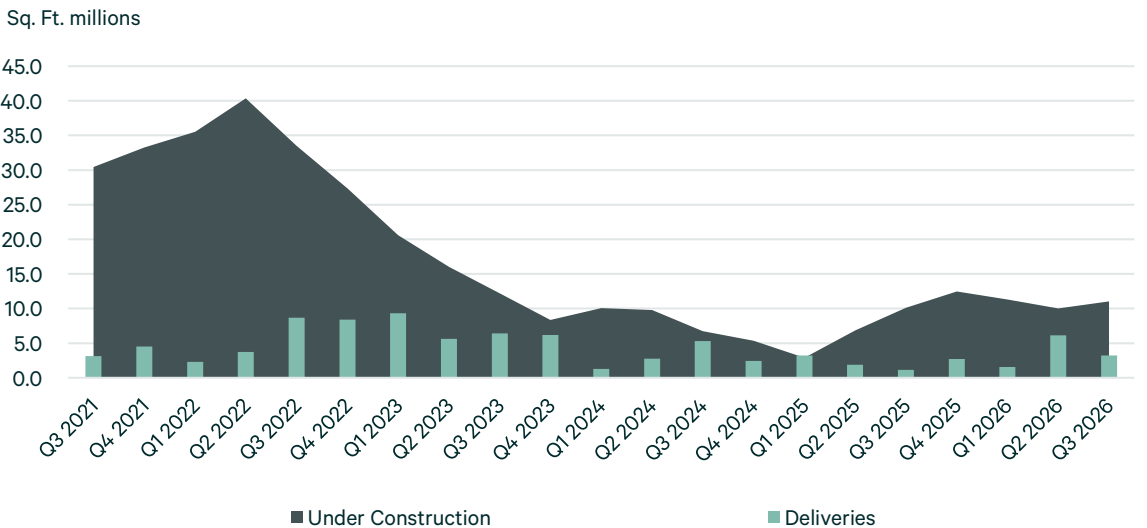
Reading and Lehigh Valley recorded the highest levels of space under construction in Q3 2026, with Reading accounting for 2.25 million sq. ft. across two projects and Lehigh Valley contributing 1.15 million sq. ft. in a single building. While vacancy remained at elevated levels, developers continued to start projects in specific size ranges and pockets of the market. Steady demand for logistics space in the size ranges of both less than 300,000 sq. ft. and more than 900,000 sq. ft. created opportunities in an otherwise supply-rich market.

Figure 2: Vacancy Rate



Source: CBRE Research, Q3 2026

Figure 3: Construction Activity



Source: CBRE Research, Q3 2026

Net Absorption

Net absorption indicated continued but moderated occupancy growth in the market in Q3 2026. Total net absorption for the quarter was 1.4 million sq. ft. This level was below the Q2 2026 total, as net absorption decreased 41.6% quarter-over-quarter, but exceeding the level in Q3 2025 with an increase of 149.5% year-over-year. Notably this quarter, 73.5% of completed construction was pre-leased, fueling positive net absorption. This demonstrates tenants’ appetite for modern logistics space. In comparison, occupancy within non-Class A distribution/logistics product shrank by nearly 3 million sq. ft. this quarter. Unsurprisingly, almost all of the pre-leased buildings fell within the less than 300,000 sq. ft. or greater than 900,000 sq. ft. size ranges.

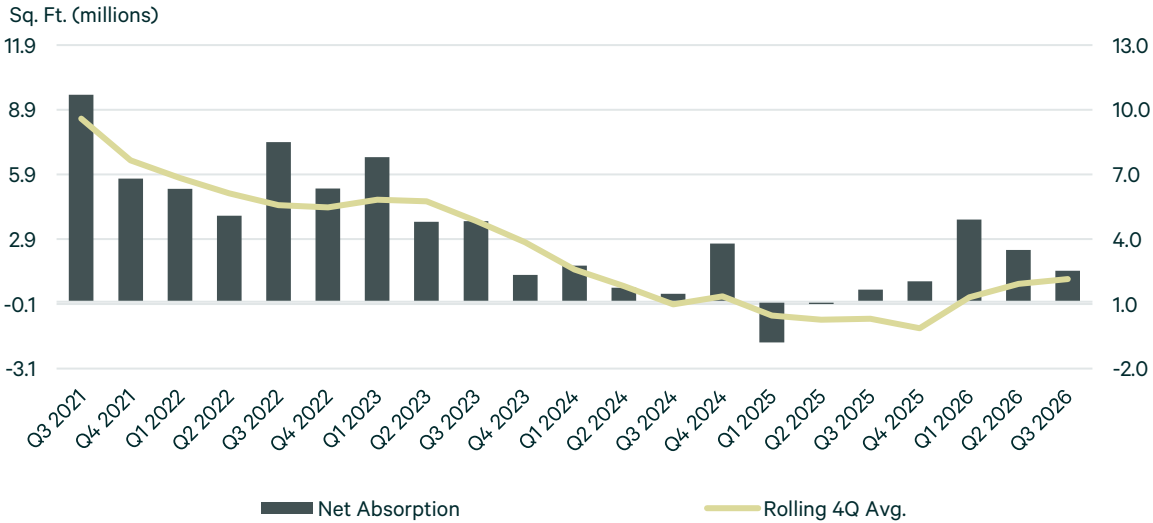
At the submarket level, Harrisburg/York and Hazleton/Schuylkill recorded the strongest occupancy gains, with positive net absorption in the quarter. Harrisburg/York posted net absorption of 2.31 million sq. ft., while Hazleton/Schuylkill recorded 802,000 sq. ft. Scranton was the only other submarket with positive net absorption above 10,000 sq. ft., totaling 516,000 sq. ft. in the quarter. Conditions softened most in Chambersburg and Lehigh Valley, where net absorption was negative 1.01 million sq. ft. and negative 773,000 sq. ft., respectively.

Leasing Activity

In Q3 2026, leasing activity totaled 5.9 million sq. ft., 1.9 million sq. ft. less than last quarter’s figure but well above the post-Federal Reserve Interest Rate hikes era starting in mid-2022. Since then, overall quarterly leasing activity averaged just 4.5 million sq. ft. Q3 2026 was the third consecutive quarter where leasing activity beat this average.

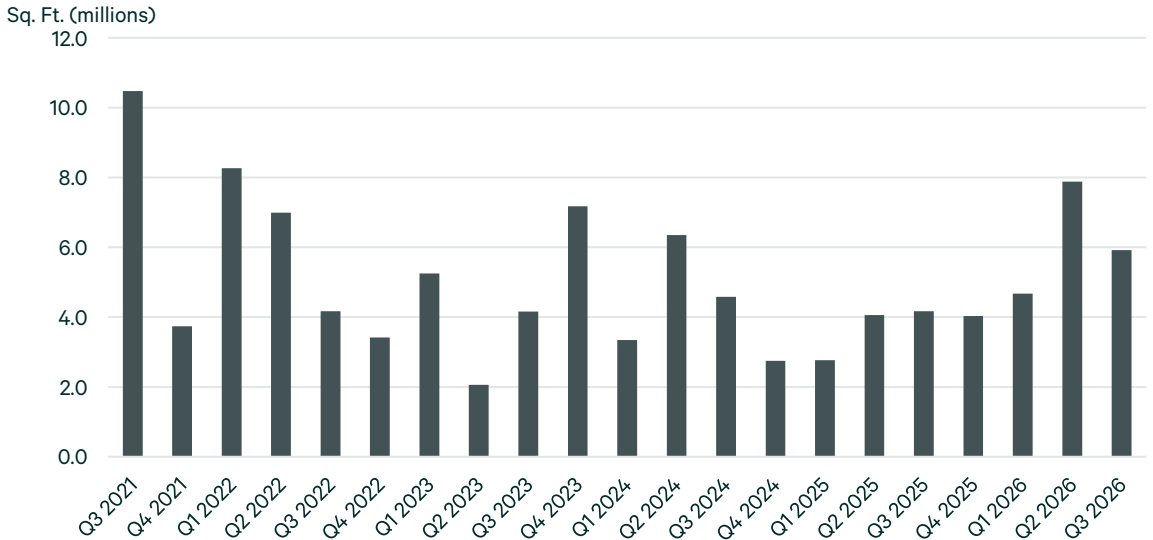
From a submarket perspective, activity was concentrated in Harrisburg/York Hazleton/Schuylkill which tallied more than 1.0 million sq. ft. each. Scranton, Lehigh Valley, and Chambersburg also posted near 1.0 million sq. ft. of leasing activity with Lancaster and Reading relatively quiet this quarter.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q3 2026

Figure 5: Leasing Activity Trend



Source: CBRE Research, Q3 2026

Asking Rent

In Q3 2026, the market’s average asking rent stood near its recent high, at \$9.15 per sq.-ft. This level represented a 0.7% increase quarter-over-quarter and a 0.8% gain year-over-year, signaling modest ongoing growth after a period of faster escalation earlier in the decade. Since the start of 2020, average asking rents more than doubled although growth started moderating in early 2024. Class A distribution/logistics new leases saw rents follow a similar pattern and even show signs of softening since the end of last year. While overall pricing remains relatively stable, rent levels are increasingly influenced by individual property characteristics, with factors such as property size, location, clear height, building quality, and overall functionality driving pricing differentiation. Within the region, Lehigh Valley and Lancaster carried the highest asking rents in the quarter, at \$11.40 per sq.-ft. and \$9.37 per sq.-ft., respectively. Reading and Harrisburg/York followed at \$9.02 per sq.-ft. and \$8.61 per sq.-ft., while Chambersburg, Hazleton/Schuylkill, and Scranton offered lower-priced options at \$7.97 per sq.-ft., \$7.91 per sq.-ft., and \$7.53 per sq.-ft.

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

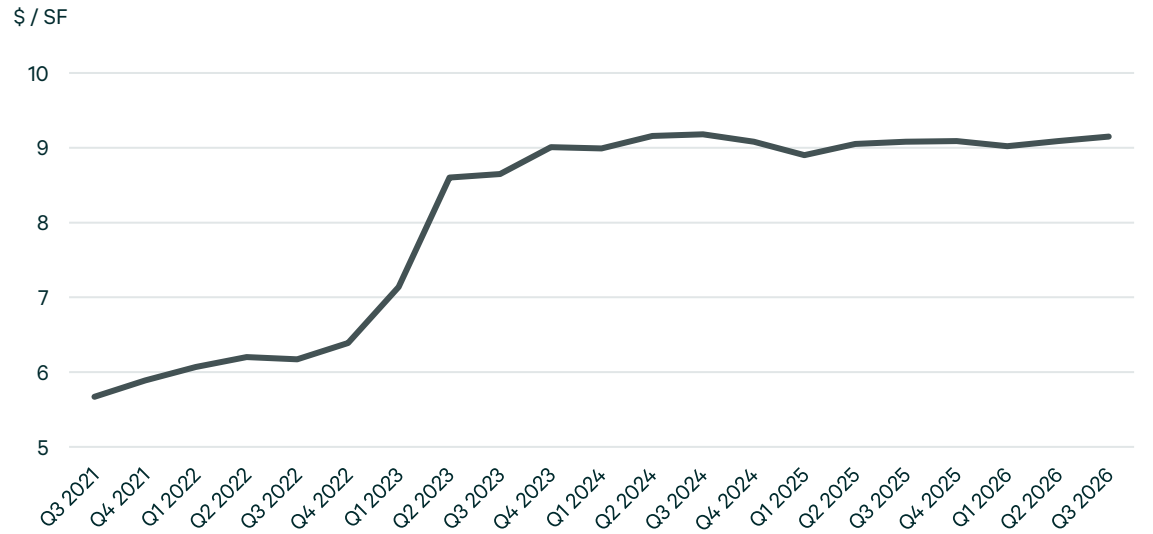
The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	1,241,000	New Lease	Confidential	Hazleton/Schuylkill
Confidential Tenant	1,127,000	New Lease	Confidential	Harrisburg/York
Confidential Tenant	864,000	New Lease	Confidential	Chambersburg
FedEx Express	770,000	New Lease	100 Quality Cir	Harrisburg/York
Westport Axle Company	515,000	Renewal	8801 Congdon Hill Dr	Lehigh Valley
Hormel Foods	400,000	New Lease	100 Louis Pkwy	Harrisburg/York
L'Oréal	353,000	Renewal	75 Steam Boat Blvd	Harrisburg/York
American Craft Brewery	283,000	New Lease	861 Nestle Way	Lehigh Valley

Source: CBRE Research, Q3 2026

Figure 7: Average Direct Asking Rate



Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Chambersburg	38.02M	12.4	13.3	12.1	1.2	7.97	(1.01M)	(603,000)	-	-
Harrisburg/York	160.30M	8.3	11.5	10.3	1.3	8.61	2.31M	(286,000)	304,000	1.12M
Hazleton/Schuylkill	42.94M	12.8	12.8	12.0	0.7	7.91	802,000	5.20M	2.49M	1.01M
Lancaster	54.78M	5.0	5.1	4.3	0.8	9.37	(316,000)	(777,000)	-	316,000
Lehigh Valley	118.98M	11.3	14.8	12.9	1.9	11.40	(773,000)	560,000	432,000	3.59M
Reading	61.61M	7.3	8.1	8.1	-	9.02	(95,000)	2.43M	-	3.86M
Scranton	70.58M	9.3	10.4	8.9	1.5	7.53	516,000	1.13M	-	1.12M
Total	547.21M	9.3	11.3	10.1	1.2	9.15	1.43M	7.65M	3.23M	11.01M

Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 10

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	459.76M	9.9	12.4	11.1	1.3	9.19	2.31M	9.26M	3.23M	10.50M
Manufacturing - General	74.94M	5.8	5.2	4.6	0.6	8.31	(927,000)	(1.54M)	-	518,000
R&D/Flex	11.12M	5.0	5.5	5.2	0.3	12.38	49,000	(70,000)	-	-
Other Industrial	1.40M	3.2	3.2	3.2	-	-	-	-	-	-
Total	547.21M	9.3	11.3	10.1	1.2	9.15	1.43M	7.65M	3.23M	11.01M

Source: CBRE Research, Q3 2026

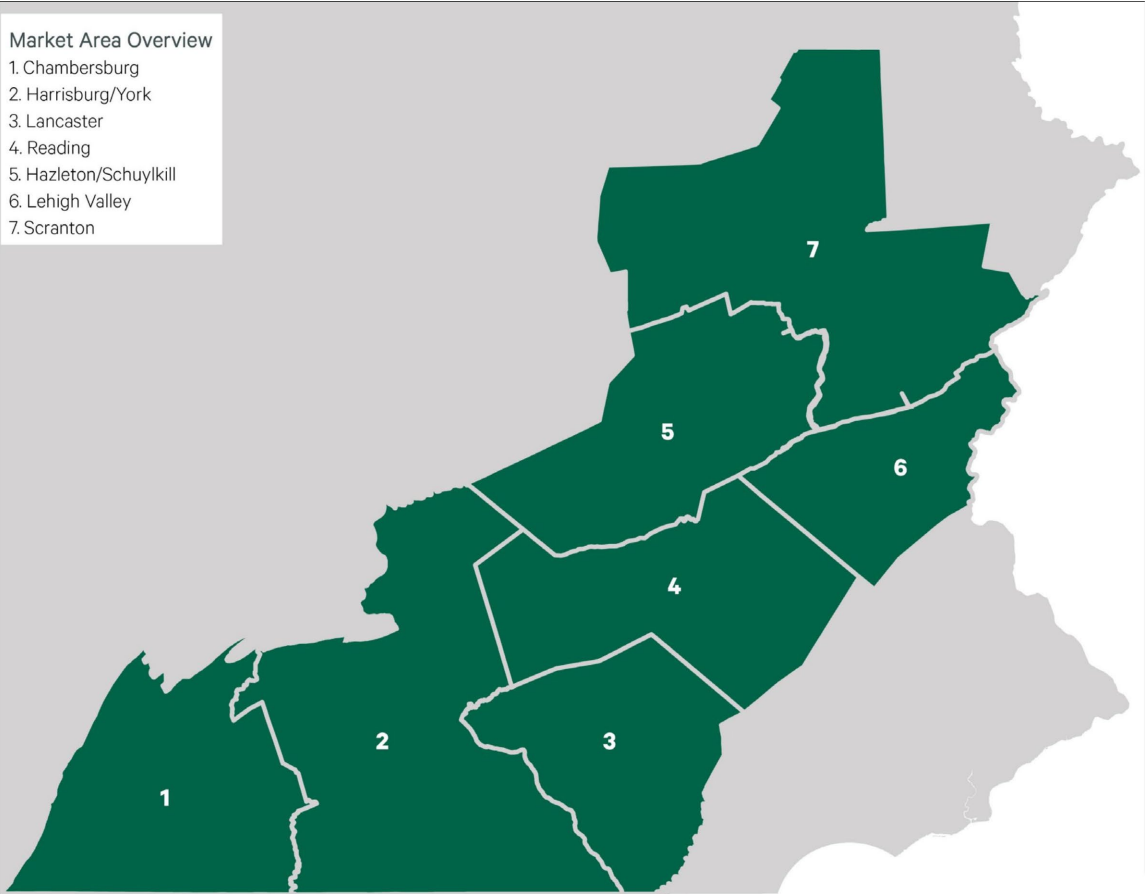
Market Statistics by Size

Figure 11

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	15.48M	5.0	4.8	4.6	0.3	9.04	(112,000)	(86,000)	-	-
50K-99,999 SF	53.94M	3.8	3.9	3.7	0.2	9.91	137,000	252,000	58,000	138,000
100K-249,999 SF	109.81M	9.2	10.4	9.5	1.0	9.23	(278,000)	(18,000)	678,000	420,000
250K-499,999 SF	112.97M	12.8	15.1	13.6	1.5	9.25	436,000	(430,000)	450,000	1.89M
500K-749,999 SF	79.68M	11.0	13.8	12.3	1.5	9.18	1.04M	1.22M	-	1.24M
750,000 SF +	175.34M	8.3	11.1	9.7	1.4	8.93	204,000	6.71M	2.04M	7.33M
Total	547.21M	9.3	11.3	10.1	1.2	9.15	1.43M	7.65M	3.23M	11.01M

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

[Insert survey Criteria here. Contact your manager for specific criteria]

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