

FIGURES | PHILADELPHIA INDUSTRIAL | Q1 2026

Demand rebounds as construction pipeline contracts sharply

▼ 11.0%

Vacancy Rate

▲ 2.4M

SF Net Absorption

▼ 1.6M

SF Construction Delivered

▼ 2.0M

SF Under Construction

▲ \$12.69

NNN/YR Direct Lease Rate

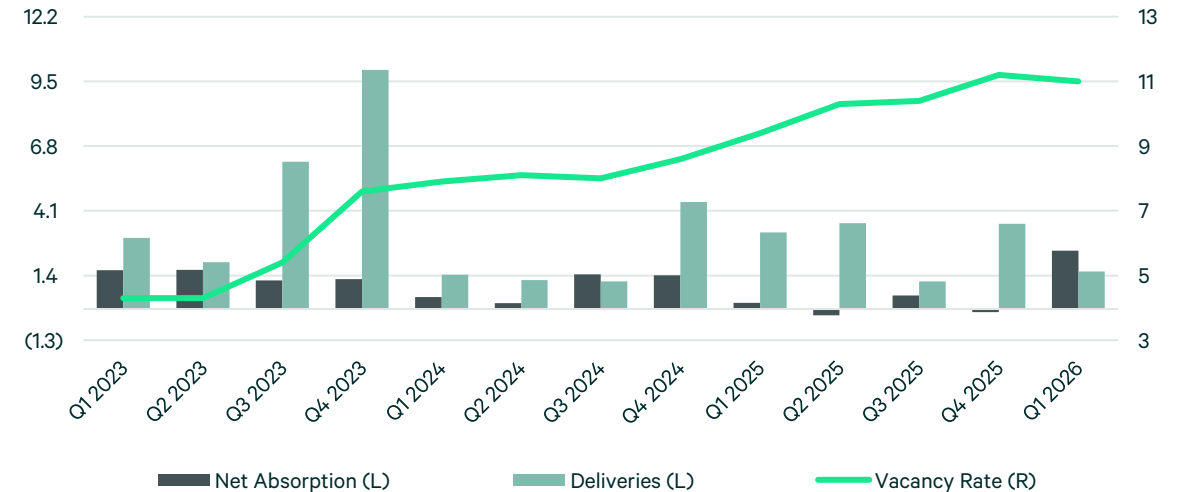
Note: Arrows indicate change from previous quarter.

Market Overview

By Q1 2026, the market was absorbing space at a strong pace while still contending with elevated vacancy and the tail end of a large construction cycle. Net absorption rebounded to 2.4 million sq. ft., a swing of 2.6 million sq. ft. from Q4 2025's modest contraction. This demand improvement trimmed vacancy by 20 basis points quarter over quarter to 11.0%, though it remained 160 basis points above Q1 2025, consistent with the substantial new supply added over the prior two years.

Development activity clearly pulled back. Space under construction fell 37.4% quarter over quarter and 77.7% year over year to 2.0 million sq. ft., following 19.7 million sq. ft. of deliveries over 2024–2025. Quarterly deliveries also slowed sharply, down 56.0% from the prior quarter to 1.6 million sq. ft. Despite higher vacancy, pricing held firm: average asking rents increased 0.2% over the quarter and 3.1% year over year to \$12.69 per-sq.-ft., indicating that landlords largely maintained rate discipline while the market worked through the recent wave of new product.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (millions) %



Source: CBRE Research, Q1 2026

Availability Rate

The industrial market availability rate finished Q1 2026 at 10.6%, down from 11.2% in Q4 2025. Specifically, large blocks leased up due to rising demand for big-box modern logistics space across the market, mostly in Southeast PA. The Southeast PA and Northern DE portions of the market posted sub-10% availability rates while Southern NJ recorded 12.4%. As construction completions outpaced demand in Southern NJ since mid-2022, availability grew as high as 13.6% at the start of 2025. But construction activity recalibrated during the past several quarters and was more in line with demand, putting modest downward pressure on existing available supply.

From a sublease perspective, availability levels shrank 30 basis points, quarter-over-quarter, following steady increases starting in mid-2022. And while levels are still above historic norms, shrinking sublease supply points towards an environment swinging away from a tenant’s market and closer to equilibrium leverage.

Asking Rent

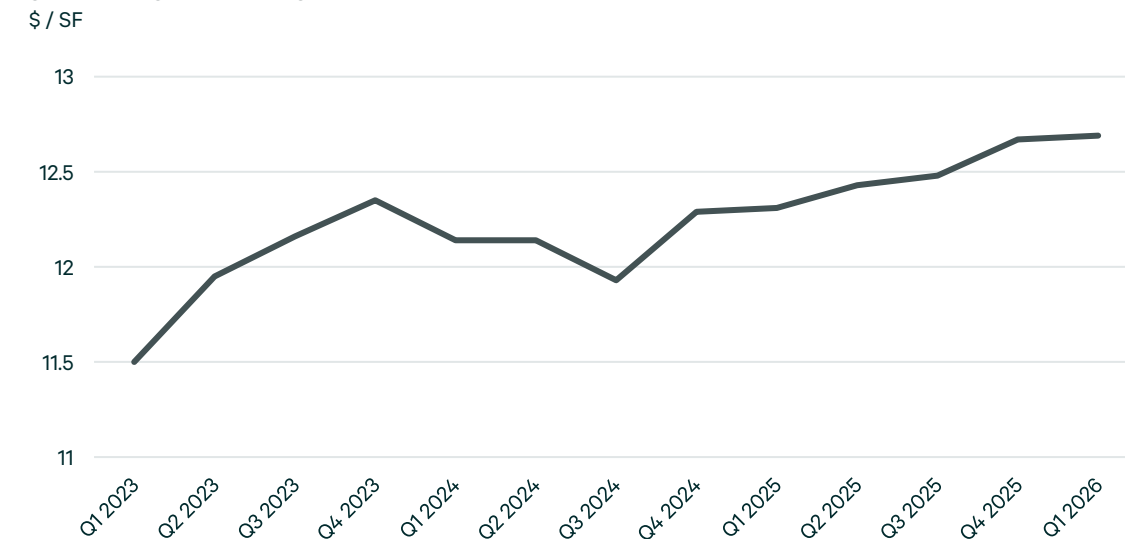
Philadelphia Industrial’s average asking rent settled at \$12.69 per-sq.-ft. in Q1 2026, up 0.2% quarter-over-quarter and 3.1% year-over-year. From Q1 2023 to Q1 2026, the market average asking rent increased 10.3%. Southeast PA posted the highest average asking lease rate in Q1 2026 at \$13.62 per-sq.-ft., followed by Southern NJ at \$12.15 per-sq.-ft. Northern DE recorded an average asking rate of \$11.04 per-sq.-ft. As availability in well-located submarkets continued to tighten, landlords were increasingly pushing asking rents. Amid ongoing consolidation and flight-to-quality trends, tenants are committing to longer-term leases to mitigate future sticker shock as rents are expected to rise over the foreseeable future.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Demand

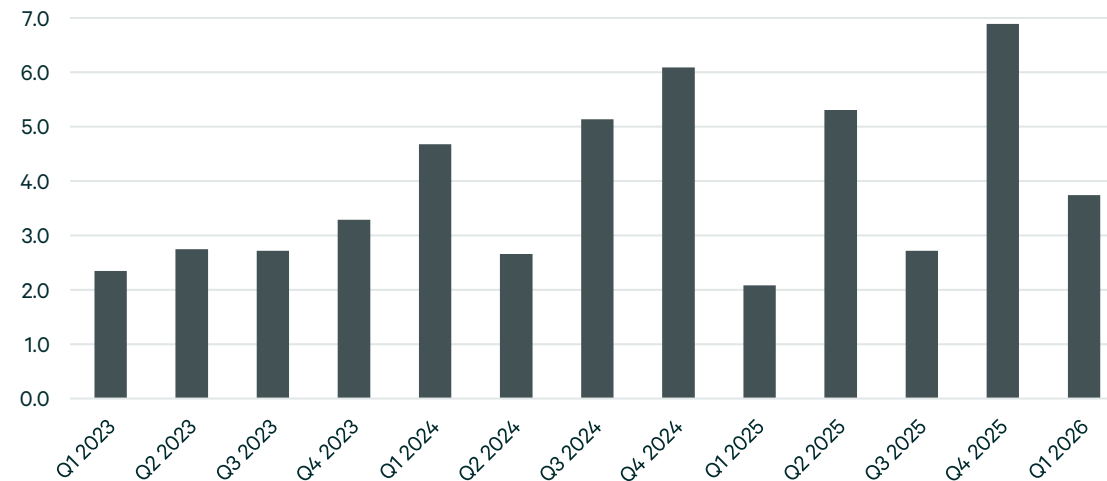
The market posted positive 2.4 million sq. ft. of net absorption in Q1 2026, a sharp rebound from negative 134,000 sq. ft. in Q4 2025 and exceeding the 260,000 sq. ft. total from Q1 2025. Over the last year and last three years, net absorption totaled positive 2.6 million sq. ft. and 10.5 million sq. ft., respectively, underscoring sustained demand despite recent volatility. This rebound was driven by both tenants and landlords eager to transact following Liberation Day, alongside a stabilizing macroeconomic environment.

Positive net absorption for Q1 2026 was concentrated primarily in the Southeast PA submarket with 1.6 million sq. ft. for the quarter, and the Southern NJ submarket with 1.2 million sq. ft. The port of Philadelphia and port of Wilmington continued to drive positive absorption in the market as tenants sought to ink long term leases in modern logistics facilities near ports and strong labor markets.

At the close of Q1 2026, leased area totaled 3.8 million sq. ft., down 44.9% quarter-over-quarter but up 82.6% year-over-year. Versus Q1 2023, activity is up 61.5% yet remains below the late-2025 peak of 6.9 million sq. ft. Over the last three years, cumulative leasing reached 48.1 million sq. ft. By submarket, Southeast PA records the highest leased area at 1.8 million sq. ft., followed closely by Southern NJ at 1.7 million sq. ft., together representing the strongest leasing volumes. Northern DE also posts positive leasing activity with 250,000 sq. ft. leased, though at a much smaller scale than the larger neighboring submarkets.

Figure 4: Leasing Activity Trend

Sq. Ft. millions



Source: CBRE Research, Q1 2026

Figure 5: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	973,000	New Lease	2300 S Pennsylvania Ave	Southeast PA
EDA Cloud	457,000	New Lease	RT-73	Southern NJ
37 South Warehousing	364,000	New Lease	37 S GOLFWOOD Ave	Southern NJ
Zenith Logistics, LLC and Onetwo Logistics	337,000	Renewal	2057 US Highway 322	Southern NJ
Confidential Tenant	95,000	New Lease	330-399 S Warminster Rd	Southeast PA
IMS Trading	92,000	Renewal	2525 Monroe Blvd	Southeast PA
ONExia	89,000	New Lease	14-48 Lee Blvd	Southeast PA
Mark IV Transportation & Logistics	84,000	Renewal	750 Cardinal Dr	Southern NJ

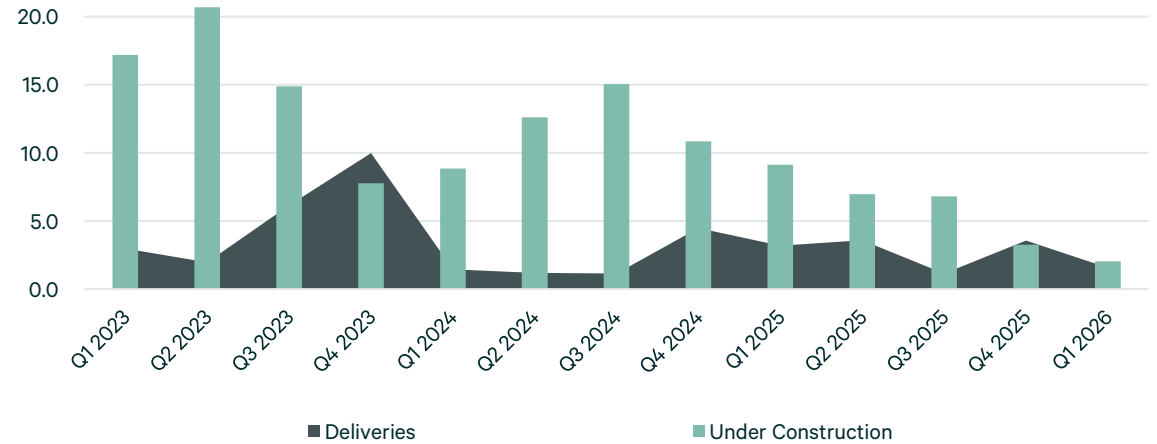
Source: CBRE Research, Q1 2026

Construction Activity

In Q1 2026, the market recorded 1.6 million sq. ft. of construction deliveries, with 2.0 million sq. ft. still under construction. Space underway declined 37.4% quarter-over-quarter and 77.7% year-over-year, while deliveries fell 56.0% from Q4 2025 and 50.8% versus Q1 2025, reflecting large declines in both under-construction and delivered volume. Amid rising vacancy, interest rate hikes, and uncertainty surrounding Liberation Day, construction activity across the market declined sharply as landlords pulled back on new groundbreakings to better align supply with demand. As the market approached one year post-Liberation Day and the macroeconomic environment stabilized, tenant demand largely caught up with the current level of construction activity. As a result, both vacancy and availability began to trend downward across the board.

In Q1 2026, reported under-construction activity is highest in Southern NJ, where four distribution/logistics projects totaled 992,000 sq. ft., followed by Northern DE with the 443,000 sq.-ft. Crossroads 95 at Christiana. Strong demand for infill logistics space coupled with favorable labor demographics drove construction activity in Southern New Jersey. A market once clouded by vacancy concerns is now turning a corner, as robust tenant demand and disciplined groundbreakings helped temper vacancy and availability levels.

Figure 6: Construction Activity
Sq. Ft. millions



Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 7

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Under 100,000 sq. ft.	108.18	6.3	6.2	5.5	0.7	11.72	0.16	0.16	0.08	0.08
100,000-199,999 sq. ft.	81.69	9.2	9.4	8.3	1.1	11.49	(0.92)	(0.92)	0.42	0.31
200,000-299,999 sq. ft.	52.65	10.0	10.3	9.6	0.7	12.27	0.59	0.59	0.73	0.89
300,000-499,999 sq. ft.	57.63	17.6	17.1	15.7	1.5	14.05	0.08	0.08	0.33	0.75
500,000-749,999 sq. ft.	34.75	21.5	20.1	20.1	0.0	13.26	1.37	1.37	-	-
750,000 sq. ft.	50.67	10.0	7.9	7.9	-	11.49	1.15	1.15	-	-
Total	385.57	11.0	10.6	9.8	0.7	12.69	2.43	2.43	1.57	2.03

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 18

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Distribution/Logistics	290.84	12.8	12.2	11.4	0.8	12.70	2.41	2.41	1.57	1.90
Manufacturing - General	56.13	4.4	4.5	4.3	0.2	9.62	(0.09)	(0.09)	-	-
R&D/Flex	30.33	8.8	8.2	6.8	1.4	17.17	0.11	0.11	-	0.13
Other Industrial	8.27	1.6	1.6	1.6	-	9.90	(0.01)	(0.01)	-	-
Total	385.57	11.0	10.6	9.8	0.7	12.69	2.43	2.43	1.57	2.03

Source: CBRE Research, Q1 2026

Market Statistics by Class

Figure 9

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Class A	91.09	25.5	23.9	23.9	0.0	13.55	2.04	2.04	1.10	1.82
All Other Industrial	294.48	6.5	6.4	5.5	1.0	10.70	0.39	0.39	0.47	0.21
Total	385.57	11.0	10.6	9.8	0.7	12.69	2.43	2.43	1.57	2.03

Source: CBRE Research, Q1 2026

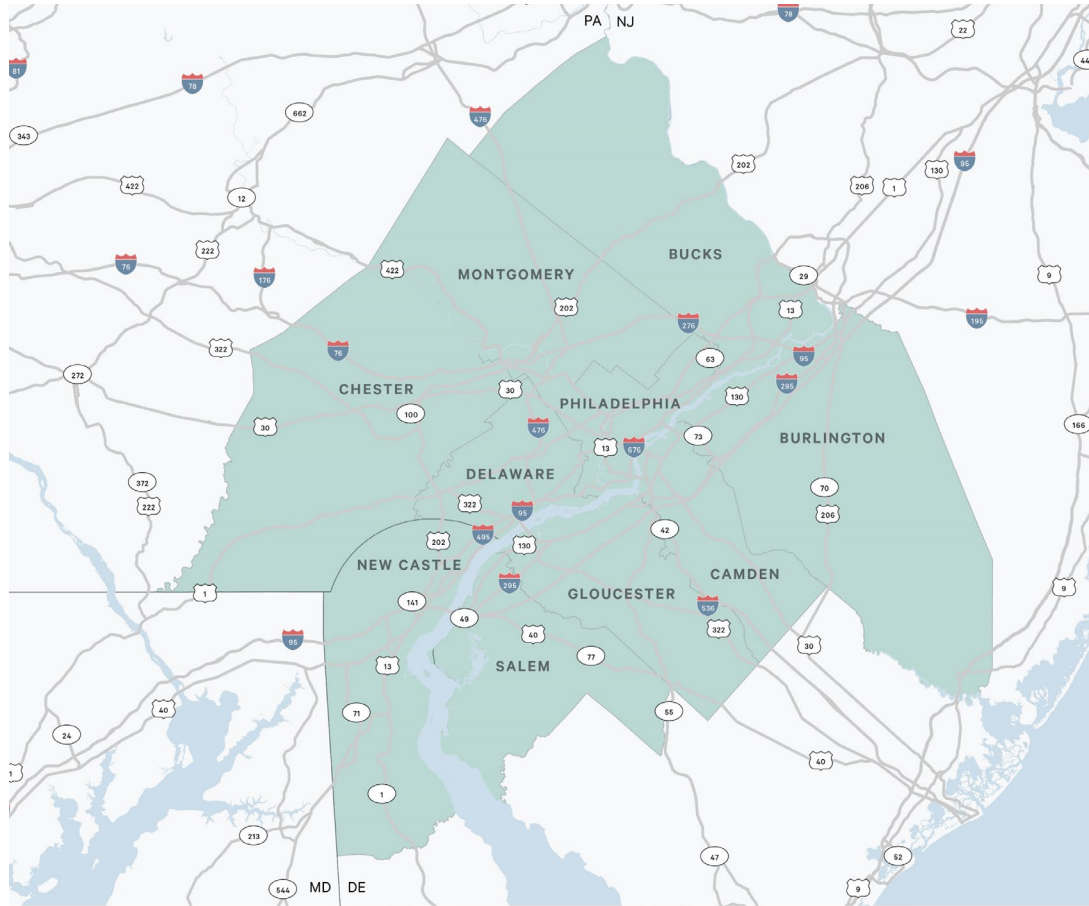
Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Northern DE	39.10	9.8	9.7	8.9	0.8	11.04	(0.41)	(0.41)	-	0.58
Southeast PA	204.33	10.0	9.5	8.7	0.7	13.62	1.62	1.62	0.25	0.47
Southern NJ	142.14	12.7	12.4	11.6	0.8	12.15	1.21	1.21	1.32	0.99
Total	385.57	11.0	10.6	9.8	0.7	12.69	2.43	2.43	1.57	2.03

Source: CBRE Research, Q1 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. O-Net Absorption: The change in Occupied Sq. Ft. from one period to the next. A-Net Absorption: The change in Available 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.

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