Resilient demand and measured construction during 2025 should lead to stabilization in 2026

▲8.6%
Vacancy Rate

▲936,585
SF Net Absorption

▲2.7M
SF Construction Delivered

▲12.4M
SF Under Construction

▲$9.09
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

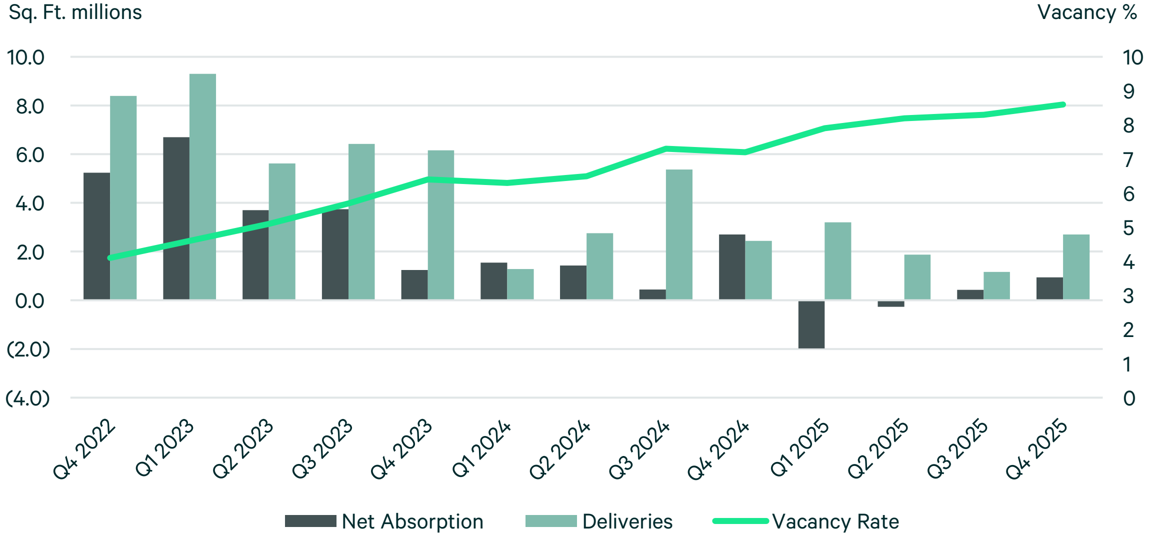
— Positive net absorption continued into Q4 2025, marking the second consecutive quarter of gains, though year-to-date figures remained negative due to occupancy losses at the start of the year. Even so, the flurry of leases signed at the end of 2025 signals continued occupancy growth for 2026.

— Groundbreakings increased this quarter as active construction projects expanded significantly, reaching 12.3 million sq. ft. of starts for the year—its highest point since 2022—driven by developer confidence in targeted size ranges, specifically big box.

— Vacancy rates saw a slight quarter-over-quarter increase, aligning with CBRE's forecast for a peak in early 2026, followed by expected stabilization later in the year.

Fundamentals within the PA I-78/I-81 Corridor industrial market strengthened as 2025 ended, despite starting the year with occupancy losses. While leasing activity kept pace with last year's totals, flight-to-quality trends generally resulted in consolidation, dragging on overall demand growth, as the market posted 886,000 square feet (sq. ft.) of negative absorption during the year. However, activity within certain size ranges and portions of the market signaled that peak

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

vacancy may be on the horizon. In fact, construction starts grew during the second half of 2025, signaling developer confidence heading into 2026. This optimism appears justified, as nearly half of the new construction delivered this quarter was already leased, while 30% of the current pipeline is already committed to.

Demand

After the first half of the year saw 2.2 million sq. ft. of occupancy losses, 936,585 sq. ft of positive absorption was recorded in Q4 2025, up from 422,000 sq. ft. last quarter. This marked a second consecutive quarter of gains, but not enough to offset earlier losses tallied during the first half of the year as the market posted 886,0000 sq. ft. of negative absorption for all of 2025.

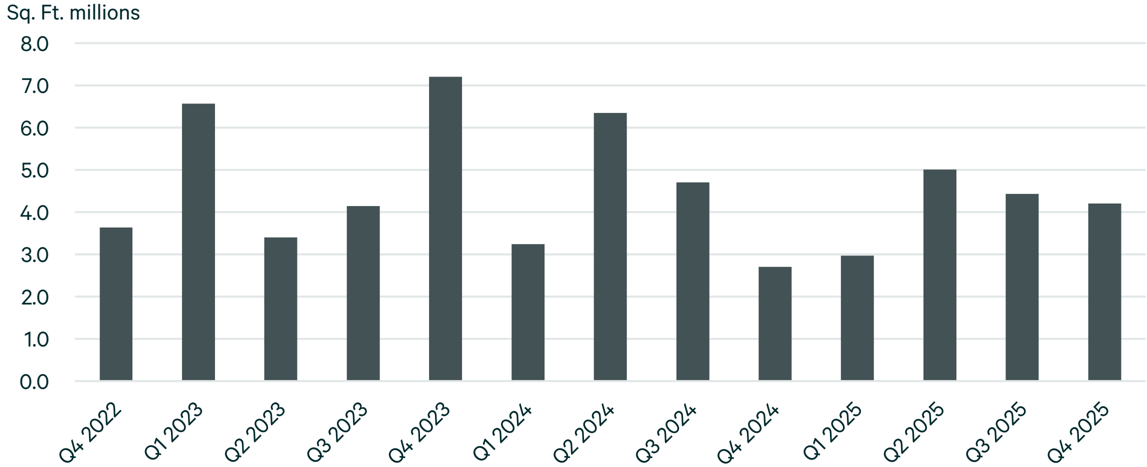
The overall market vacancy rate increased 30 bps. quarter-over-quarter, from 8.3% in Q3 2025 to 8.6%. Despite positive absorption, construction completions continued to outpace demand growth. This was mostly influenced by the return of older buildings to the market as tenants continued to demonstrate their “flight to quality” preference for modern infrastructure—especially as heavy power requirements become more commonplace.

Leasing activity remained in line with last quarter’s levels, posting 4.2 million sq. ft. of new or expansion leases and bringing year-to-date totals to 16.6 million sq. ft. The second half of the year recorded 655,617 sq. ft. more leasing activity, placing 2025 leasing totals just shy of the 17.0 million sq. ft. recorded in 2024. Of this activity, nearly 2.7 million sq. ft. or 64% took place within Class A assets. Notably, as the average lease size declined from Q3 to 107,838 sq. ft., the volume of transactions increased. 40 total transactions were recorded this quarter, matching the highest mark since Q1 2022. Additionally, the average starting rents on new deals jumped nearly 15%, rising to $10.05—a high quarterly watermark for the market. Geographically, Harrisburg/York and Lehigh Valley submarkets were responsible for the bulk of leasing activity throughout the year, while the Lehigh Valley primarily drove rents upwards.

Supply

The construction pipeline expanded for the third consecutive quarter, with 5.1 million sq. ft. breaking ground, bringing the total to 12.3 million sq. ft., the largest tally since mid-2023. More than 12.3 million sq. ft. of new projects broke ground this year, surpassing the past two years when developers quickly paused activity in the face of growing vacancy.

FIGURE 6: Leasing Activity Trend



Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	526,260	New Lease	2460 Brodhead Rd	Lehigh Valley
GXO Logistics	400,060	Renewal	200 Capital Ln	Harrisburg/York
Harley-Davidson	352,000	Renewal	693 N Hills Rd	Harrisburg/York
Schneider Electric	340,000	Renewal	201 Cumberland Pkwy	Harrisburg/York
Wolf Home Products	339,876	Renewal	3400 W Market St	Harrisburg/York
Confidential Tenant	305,746	New Lease	45 Logistics Dr	Harrisburg/York
Confidential Tenant	300,000	Renewal	7125 Grayson Rd	Harrisburg/York
Pattern	288,576	New Lease	4711 Hanoverville Rd	Lehigh Valley
Amer Sports	285,300	New Lease	460-480 Research Dr	Scranton
Crane Logistics	270,867	Consolidation	550 Willow Springs Ln	Harrisburg/York

Source: CBRE Research, Q4 2025

While there was plenty of Class A supply in size ranges and portions of the market, a dearth of options was created in specific ranges and pockets of the market. Specifically, vacancy amongst buildings 750,000 sq. ft. or greater was 60 bps. lower than the overall average of 8.6% vacancy. Comparatively, vacancy within the medium-format size range between 250,000-750,000 sq. ft. is 11%. As a result, more than two-thirds of construction activity was within buildings greater than 750,000 sq. ft.

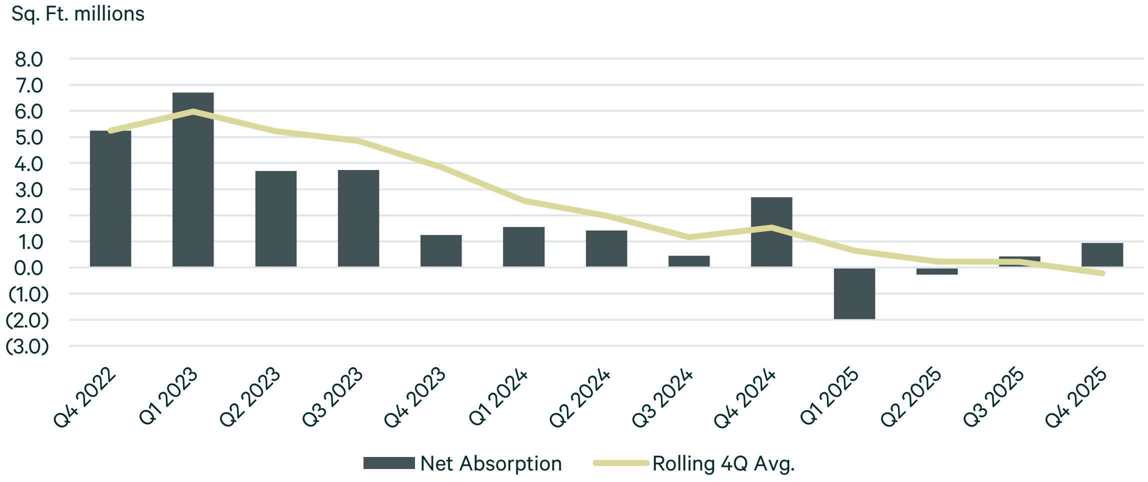
Eight new buildings totaling 2.7 million sq. ft. were delivered during the quarter, 48% of which was pre-leased. This brought the yearly deliveries total to 8.9 million sq. ft., the lowest total in nearly a decade as the medium-format size range struggled with oversupply. While base inventory grows, much of this new development continued to address specific tenant needs for Class A logistics space, particularly in underserved geographies and this specific box set. The Hazleton/Schuylkill and Harrisburg/York submarkets have accounted for the bulk of development in 2025 as construction stretches northward and the more established market of Harrisburg/York continues to buoy leasing activity. Moving forward, a headwind to vacancy stabilization is older second-generation buildings returning to market, which often lack modern infrastructure and may remain on the market longer.

Economic Overview

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

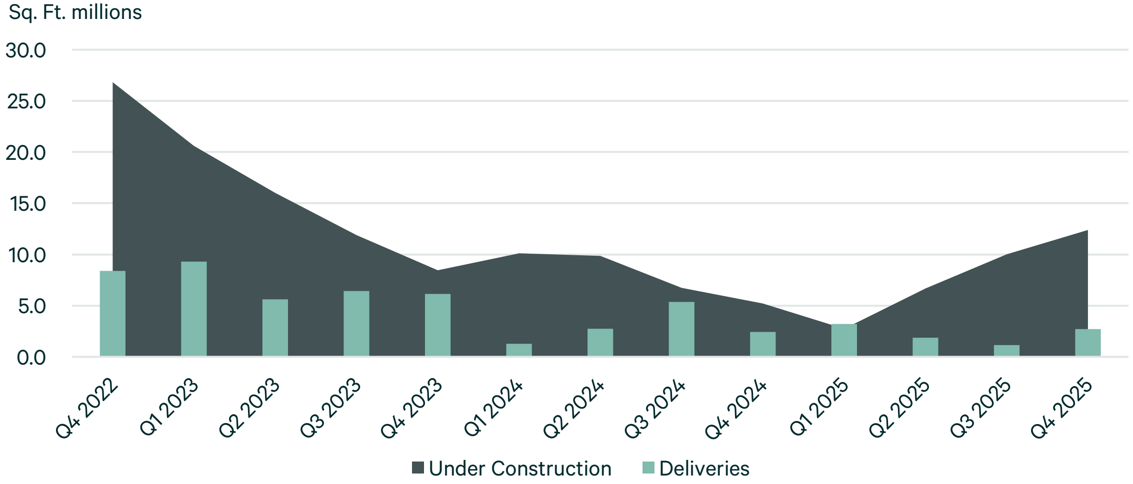
The picture becomes even more melancholy when examining households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that the annual average GDP growth will be steady in 2026, at 2%, but slightly softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2025

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Chambersburg	36,709,004	7.6	11.1	6.7	4.4	$6.53	-333,935	105,440	0	1,309,500
Harrisburg/York	165,673,733	5.6	9.0	7.1	1.9	$8.30	672,933	1,366,952	814,320	2,624,722
Hazleton/Schuylkill	38,583,022	17.4	14.9	14.2	0.6	$7.65	-419,000	-1,338,713	447,440	4,328,444
Lancaster	56,375,037	3.7	5.3	5.0	0.3	$9.57	431,731	509,550	0	0
Lehigh Valley	119,196,917	10.8	13.9	10.5	3.3	$11.53	564,896	-2,527,463	361,800	938,195
Reading	60,375,671	9.7	11.1	10.3	0.7	$8.93	296,692	316,533	661,000	2,282,862
Scranton	71,337,569	10.4	10.6	7.8	2.8	$7.20	-276,732	681,281	418,683	897,247
Total	**548,250,953**	**8.6**	**10.7**	**8.5**	**2.1**	**$9.09**	**936,585**	**-886,420**	**2,703,243**	**12,380,970**

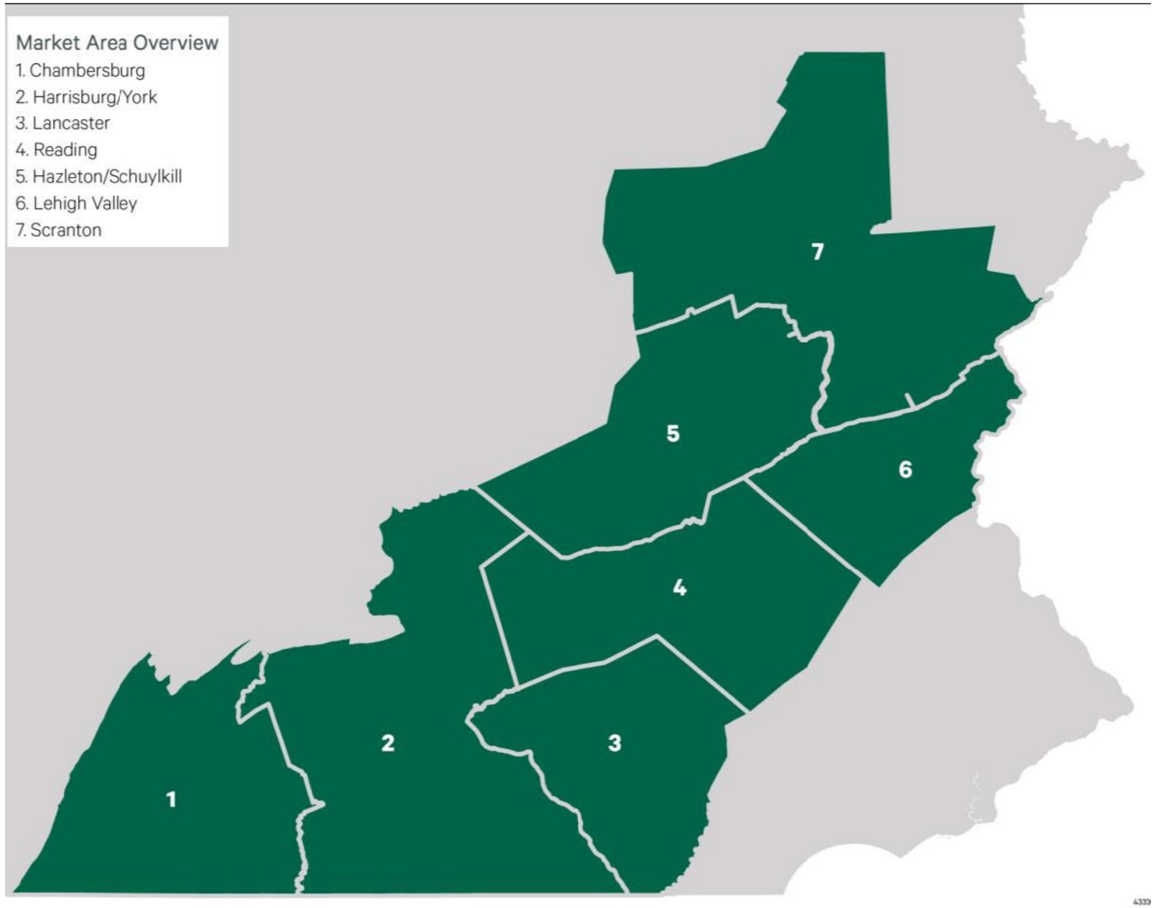
Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	72,946,779	3.8	3.9	3.6	0.4	9.17	(270,084)	(307,623)	0	88,000
100,000-199,999 sq. ft.	79,709,915	6.8	7.8	7.1	0.6	9.20	(345,438)	(1,418,698)	475,107	392,067
200,000-299,999 sq. ft.	60,548,266	11.5	11.4	9.8	1.5	9.57	(397,857)	439,267	466,376	1,252,295
300,000-499,999 sq. ft.	86,599,345	9.6	14.9	13.5	1.4	9.29	443,294	748,386	447,440	2,703,822
500,000-749,999 sq. ft.	80,323,812	12.6	16.9	13.8	3.1	9.15	1,026,260	836,799	500,000	0
750,000 sq. ft.	168,122,836	8.0	9.5	5.8	3.7	8.56	480,410	(1,184,551)	814,320	7,944,786
Total	**548,250,953**	**8.6**	**10.7**	**8.5**	**2.1**	**9.09**	**936,585**	**(886,420)**	**2,703,243**	**12,380,970**

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	456,654,729	9.6	11.8	9.4	2.4	9.12	524,419	(1,212,778)	2,203,243	12,380,970
Manufacturing	76,521,467	3.6	5.3	4.6	0.7	8.54	444,181	363,123	500,000	0
R&D / Flex	10,601,953	3.6	3.4	3.0	0.4	12.38	(77,015)	(49,640)	0	0
Other Industrial	4,472,804	2.1	1.3	1.3	0.0	9.95	45,000	12,875	0	0
Total	**548,250,953**	**8.6**	**10.7**	**8.5**	**2.1**	**9.09**	**936,585**	**(886,420)**	**2,703,243**	**12,380,970**

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.

Contacts

Joe Gibson
Director of Research, Philadelphia
+1 610 727 5922
joseph.gibson@cbre.com

Luke Lawlor
Research Analyst
+1 215 561 8900
luke.lawlor@cbre.com