Leasing momentum holds as supply remains elevated

▲11.0%
Vacancy Rate

▼43,198
SF Net Absorption

▲3.6M
SF Construction Delivered

▼3.3M
SF Under Construction

▲$12.63
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

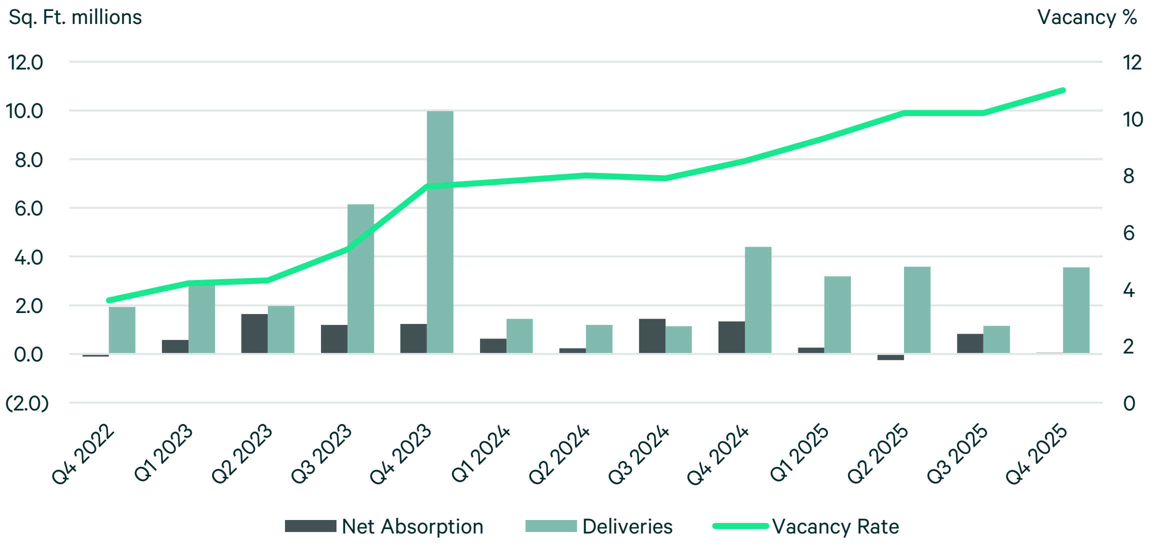
– Net absorption was positive 43,198 sq. ft., a decline from the positive 829,052 sq. ft. of last quarter.

– Leasing activity in 2025 posted 14.0 million sq. ft. of new or expansion leases signed, slightly better than last year's total of 12.7 million sq. ft.

– 3.6 million sq. ft. of new supply was added this quarter despite sticky vacancy. As a result, total vacancy slightly increased to 11.0% from the 10.2% seen last quarter.

The sharp leasing rebound seen following a slowdown at the start of the year continued into the final quarter of 2025. Despite continued uncertainty surrounding tariffs broader macroeconomic concerns, 4.8 million square feet (sq. ft.) of new or expansion leases were signed this quarter, accelerating from last quarter's pace of 2.5 million sq. ft. Leasing activity accelerated after slowing at the start of the year as tariffs were either negotiated or rolled back entirely, abating much of the concerns that arose around that policy shift. As a result, the market ended the year with 874,000 sq. ft. of positive net absorption despite hovering around zero at mid-year.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

Class A logistics continued to post steady demand growth while a new manufacturing/bottling facility for DrinkPAK at HRP Group's Bellwether District project accounted for nearly one-third of leasing activity this quarter. DrinkPAK plans on mixing, canning, and packaging product at this facility that will be operational by early 2027. This was the first lease signed at the new mixed-use project at the former Philadelphia Energy Solutions refinery site.

Supply

Construction deliveries totaled 3.6 million sq. ft. this quarter, bringing the 2025 annual total to 11.5 million sq. ft – a slight increase from the previous year's total of 8.2 million sq. ft. but still below the highs of 2023 which posted an annual total of 21.1 million sq. ft. The sharp decline from 2023 reflects more cautious groundbreakings aimed at countering oversupply and elevated vacancy across the market. To note, total construction starts in 2025 amounted to 4.3 million sq. ft., a steep drop from 10.9 million sq. ft. in 2024. Furthermore, no new groundbreakings were reported this quarter, underscoring the significant pullback in development as the market works through elevated supply.

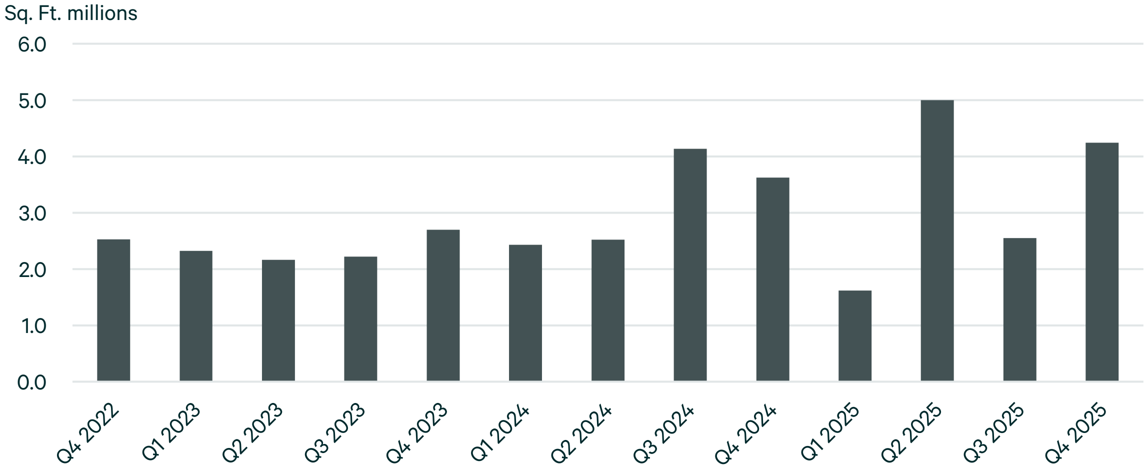
Class A distribution and logistics vacancy ended the year at 26.5%, up from 24.3% last quarter as 3.6 million sq. ft. of new supply delivered this quarter with only 774,000 sq. ft. of Class A positive net absorption. Burlington County remained the standout submarket with vacancy at 9.9%, demonstrating continued tenant demand for modern logistics facilities in key locations.

Demand

Flight-to-quality trends persisted as nearly 7.2 million sq. ft. of leasing activity was inked in Class A logistics facilities during 2025, slightly less than last year but greater than 2022 and 2023 totals. Most of the leasing activity was concentrated in the Southern New Jersey portion of the market as this portion of the market is home to 58.8 million sq. ft. or nearly two-thirds of the Philadelphia Metro's Class A inventory. Outside of DrinkPAK's manufacturing lease at the Bellwether District, Southern New Jersey secured the largest logistics lease signed this quarter with Cirro's 750,787 sq.-ft. deal at 2300 Mount Holly Road, reaffirming the submarket's appeal to tenants seeking efficient logistics space.

While the market ended the year with nearly 900,000 sq. ft. of positive absorption, only 43,198 sq. ft. of positive absorption was recorded during Q4 2025. This reflects the combined impacts of consolidation and flight-to-quality trends. As decision-makers became more price conscious,

FIGURE 2: Leasing Activity Trend



Source: CBRE Research, Q4 2025

FIGURE 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
DrinkPAK	1,404,000	New Lease	3144 W Passyunk Ave	Southeast PA
Cirro	750,787	New Lease	2300 Mount Holly Rd	Southern NJ
Confidential	613,920	Renewal	309 Cedar Ln	Southern NJ
Bunzl Retail Services	388,299	Renewal	3600 Progress Dr	Southeast PA
DVM Power Control	266,880	New Lease	1600 Delp Dr	Southeast PA
Federal Express Corporatation	257,875	Renewal	5 Commerce Dr	Southern NJ
GXO Logistics	194,660	Renewal	3000 Am Dr	Southeast PA
Stylex	157,716	New Lease	2000 Bishops Gate Blvd	Southern NJ
Confidential Tenant	138,391	Renewal	500 Maryland Dr	Southeast PA
Rheem Air Distribution	99,783	New Lease	1480 Grandview Ave	Southern NJ
Wayfair	98,030	Renewal	15 Campus Dr	Southern NJ

Source: CBRE Research, Q4 2025

many were choosing to consolidate from multiple outdated Class B or C properties into a single, well-located Class A asset and creating net vacancy as a result. As the construction pipeline cools and demand for Class A logistics space persists, vacancy is expected to reach peak vacancy during 2026.

Pricing

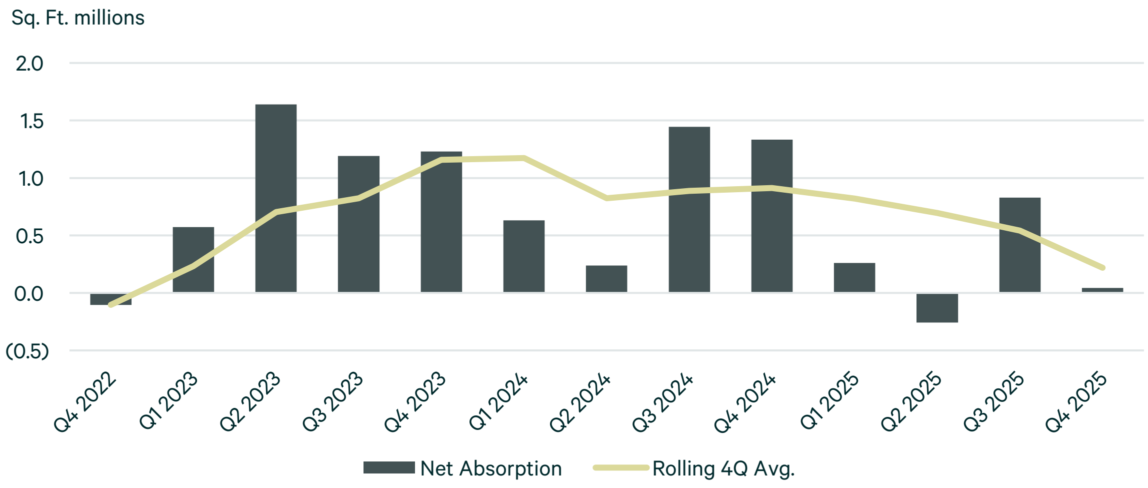
Except for Burlington County, rental rates declined across the market as persistent oversupply and elevated vacancy created a tenant favored environment. In many submarkets, pricing fell 10–15% year over year. Amid persistent oversupply, landlords are offering more generous concessions such as extended free-rent periods and larger tenant-improvement packages to draw tenants to their buildings. With ample options available, tenants have greater flexibility to select high-quality, well-located Class A space. As a result, landlords are assembling increasingly competitive concession packages to attract new tenants and retain existing ones.

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.

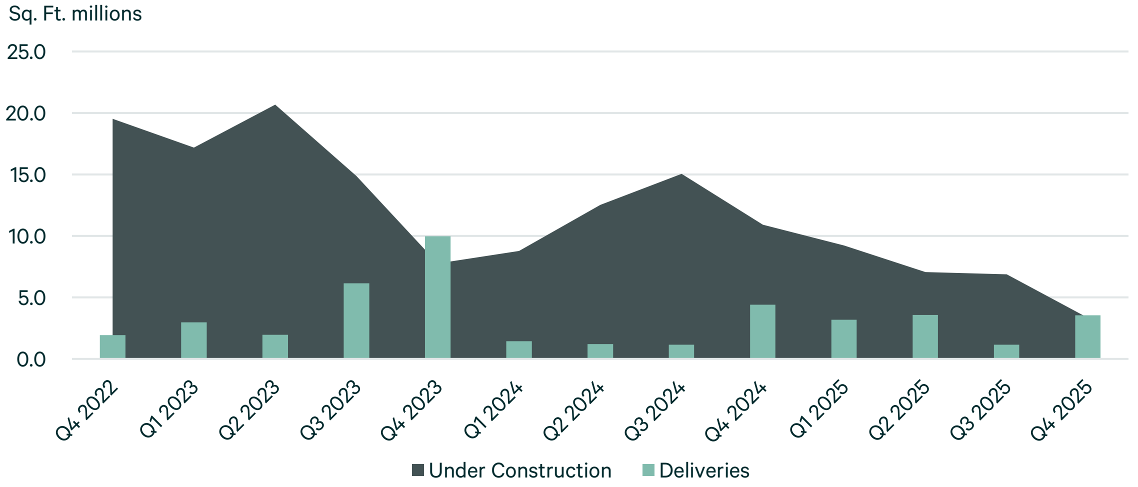
The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key 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 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.	112,337,675	6.3	6.3	5.5	0.8	11.83	(253,662)	(1,380,096)	0	80,000
100,000-199,999 sq. ft.	81,138,918	7.4	8.3	7.7	0.6	11.45	312,157	515,110	366,470	732,775
200,000-299,999 sq. ft.	51,412,080	9.0	8.6	7.9	0.7	12.31	314,179	772,315	1,106,311	1,871,590
300,000-499,999 sq. ft.	58,577,303	17.2	17.4	15.2	2.1	13.76	(197,152)	(523,683)	656,904	644,200
500,000-749,999 sq. ft.	37,353,541	25.3	23.9	23.6	0.3	12.87	(673,978)	(368,268)	1,431,272	0
750,000 sq. ft.	54,194,907	11.5	11.5	9.3	2.2	11.86	541,654	1,858,791	0	0
Total	**395,014,424**	**11.0**	**11.0**	**9.9**	**1.1**	**12.63**	**43,198**	**874,169**	**3,560,957**	**3,328,565**

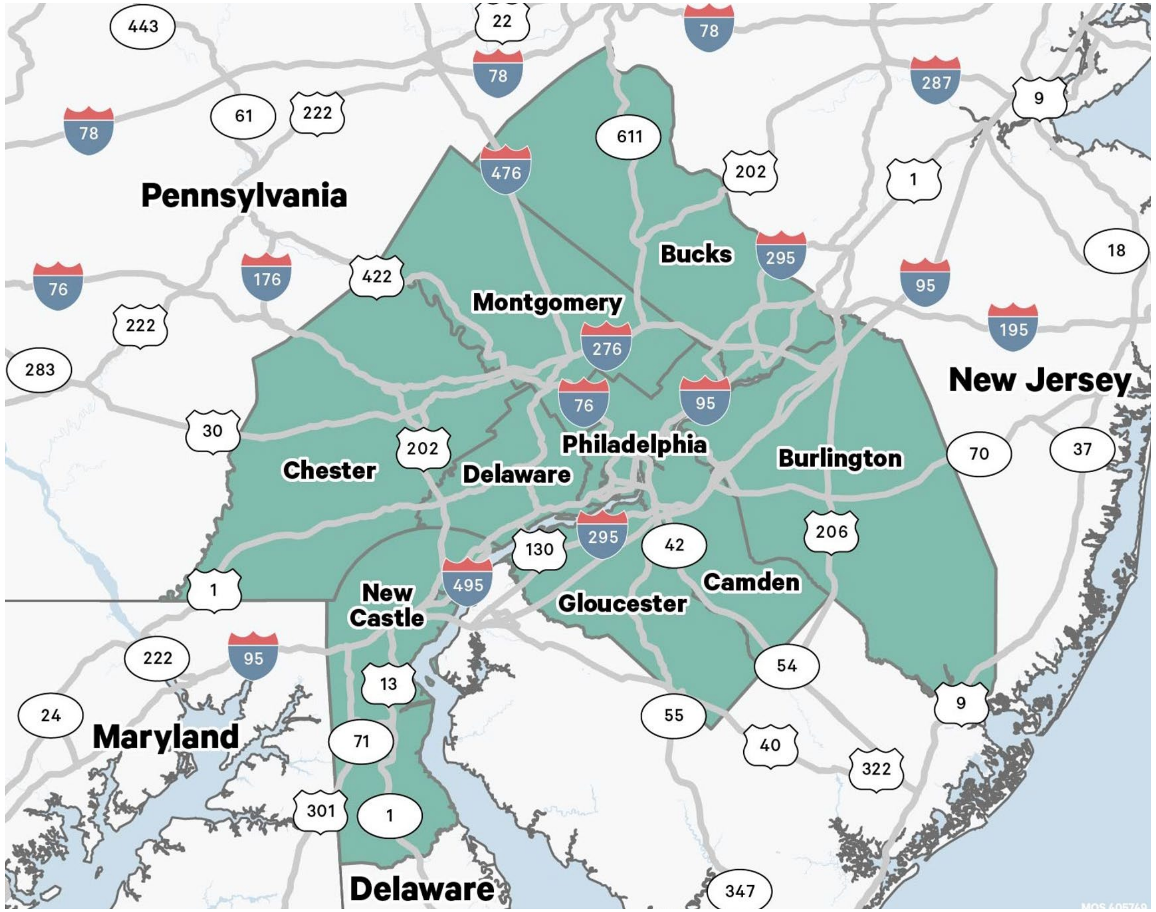
Market Statistics by Product Type

	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	293,933,882	13.1	13.1	11.9	1.3	12.74	(59,365)	1,608,239	3,560,957	3,195,565
Manufacturing	57,532,515	3.7	4.1	3.9	0.2	9.29	154,754	(108,860)	0	0
R&D / Flex	33,953,972	7.8	7.4	6.2	1.3	13.89	(57,208)	(564,815)	0	133,000
Other Industrial	9,594,055	1.3	1.3	1.3	0.0	11.66	5,017	(60,395)	0	0
Total	**395,014,424**	**11.0**	**11.0**	**9.9**	**1.1**	**12.63**	**43,198**	**874,169**	**3,560,957**	**3,328,565**

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
Bucks County	56,739,345	11.6	11.6	10.0	1.6	$12.50	-420,172	479,694	263,000	208,980
Chester County	23,270,816	7.1	7.6	7.1	0.6	$14.69	-162,058	-145,654	0	0
Delaware County	21,074,981	7.5	7.5	6.7	0.8	$14.52	-30,154	-219,573	0	105,000
Montgomery County	55,938,154	10.4	10.1	9.0	1.0	$10.95	-258,040	-510,888	442,880	0
Philadelphia County	60,030,019	11.9	12.2	10.2	2.0	$15.00	28,857	-1,252,665	1,666,431	322,575
Southeast PA Total	**217,053,315**	**10.5**	**10.5**	**9.2**	**1.4**	**$13.34**	**-841,567**	**-1,649,086**	**2,372,311**	**636,555**
Burlington County	66,507,718	9.9	10.0	9.2	0.8	$12.34	638,540	2,864,612	1,188,646	1,525,044
Camden County	27,456,117	6.3	6.3	6.1	0.2	$11.88	33,534	-310,957	0	0
Gloucester County	37,456,700	11.2	10.3	9.0	1.3	$12.00	237,607	-469,068	0	1,023,966
Salem County	12,230,853	42.1	41.7	41.4	0.3	$12.10	-33,000	168,830	0	0
Southern NJ Total	**143,651,388**	**12.3**	**12.1**	**11.3**	**0.8**	**$12.14**	**876,681**	**2,253,417**	**1,188,646**	**2,559,010**
New Castle County	34,309,721	8.9	9.8	9.2	0.5	$11.12	8,084	269,838	0	133,000
Northern DE Total	**34,309,721**	**8.9**	**9.8**	**9.2**	**0.5**	**$11.12**	**8,084**	**269,838**	**0**	**133,000**
Philadelphia Total	**395,014,424**	**11.0**	**11.0**	**9.9**	**1.1**	**$12.63**	**43,198**	**874,169**	**3,560,957**	**3,328,565**

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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