

FIGURES | PHILADELPHIA INDUSTRIAL | Q2 2026

Market stabilizing amid backdrop of disciplined development, steady demand

▲ 11.4%

Vacancy Rate

▼ 633K

SF Net Absorption

▼ 1.1M

SF Construction Delivered

▲ 4.2M

SF Under Construction

▼ \$12.29

FSG/YR Direct Lease Rate

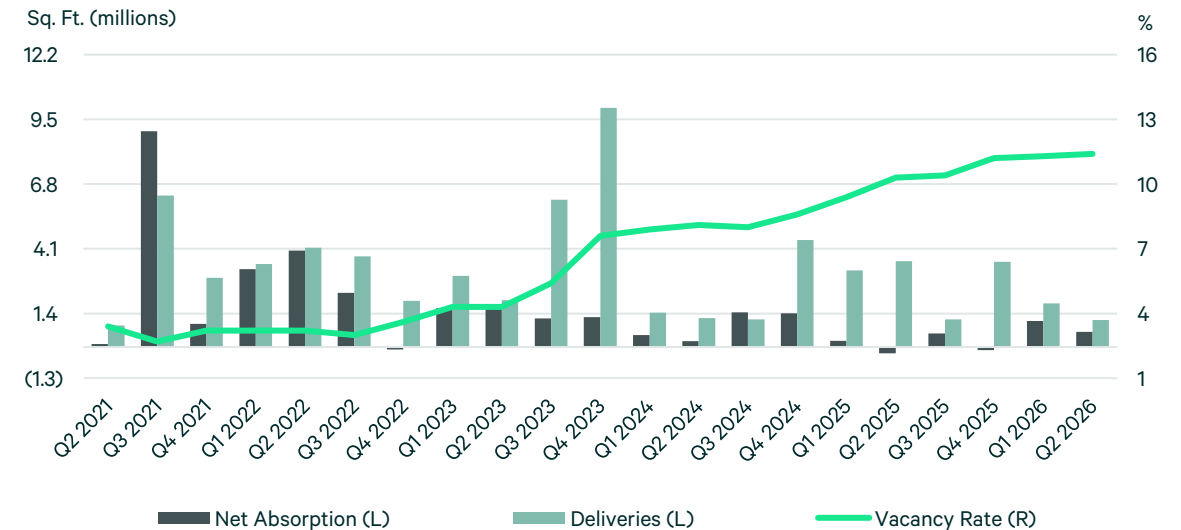
Note: Arrows indicate change from previous quarter.

Market Overview

While vacancy ticked up slightly this quarter, tenants continued to absorb space at a measured pace while construction deliveries remained modest, pointing toward a peak in vacancy in the near term. On a year-over-year basis, vacancy increased 120 bps, underscoring how new supply continued to outpace demand. Average asking rents in Q2 2026 declined 3.2% quarter-over-quarter, reflecting increased competition for active requirements among landlords with long-term vacancies.

And while rents slipped 1.2% year-over-year, they stayed elevated compared to recent history. From Q2 2021 to Q2 2026, face rents rose approximately 75.9%, highlighting the structural repricing that occurred despite the rise in vacancy. Heavy construction and deliveries earlier in the cycle reshaped the landscape, with new product peaking in Q4 2023 at roughly 10.0 million sq. ft. By Q2 2026 the active construction pipeline had moderated to about 4.2 million sq. ft., signaling a more cautious approach to new development.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



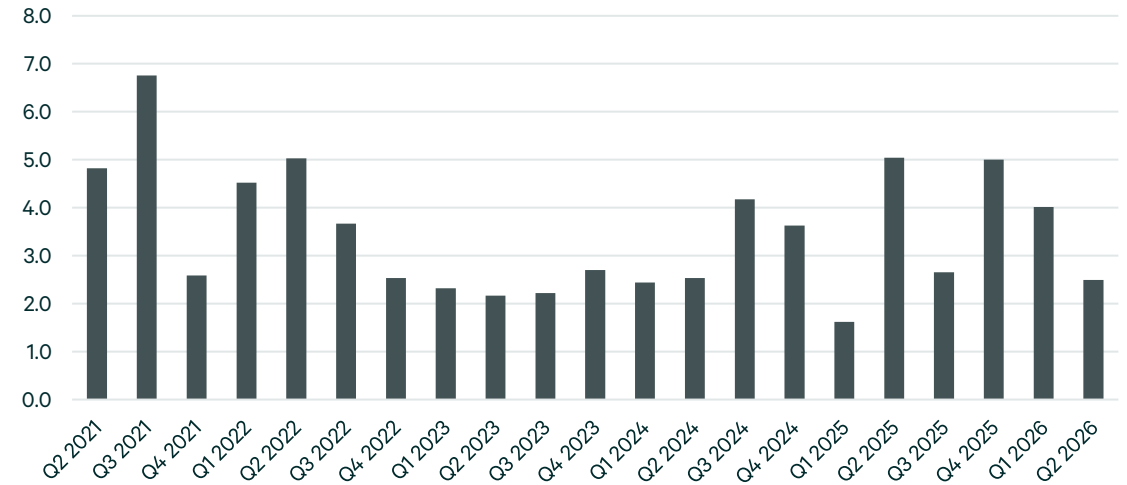
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity slowed in Q2 2026, totaling 3.0 million sq. ft. compared to 4.0 million sq. ft. last quarter and 5.0 million sq. ft. the quarter before then. But the end of last year and the start of this one saw a flurry of activity, the levels of which hadn't been seen since the pandemic-boom era, placing this quarter's performance well within the post interest-rate hike average range.

By submarket, activity was unusually evenly spread. Southern NJ tends to claim the most activity in any given quarter, but Southeast PA took that spot in Q2 2026, tallying more than 1.3 million sq. ft. of new or expansion leases. Southern NJ claimed the 2nd spot with just under 1.0 million sq. ft. of activity while Northern DE posted its busiest quarter of activity in nearly five years. There, Collectors Holdings, MEI Industrial Solutions, and SECO Seojin Industrial all signed leases measuring more than 100,000 sq. ft. this quarter.

Figure 2: Leasing Activity Trend
Sq. Ft. millions



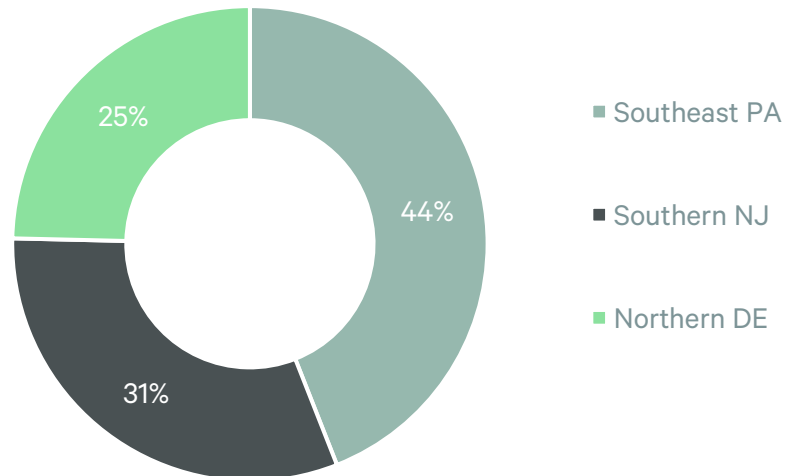
Source: CBRE Research, Q2 2026

Figure 4: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Mitsubishi	490,000	New Lease	2951 Orthodox St	Southeast PA
Quince	324,000	Renewal	24 N Game Creek Rd	Southern NJ
Northtec	296,000	Renewal	300 Crossings Dr	Southeast PA
SoJo	228,000	New Lease	905 Wheeler Way	Southeast PA
Collectors Holdings, Inc.	226,000	New Lease	313 Churchmans Rd	Northern DE
MEI Industrial Solutions	151,000	New Lease	700 Dusk Run Rd	Northern DE
Confidential Tenant	118,000	New Lease	Confidential	Southern NJ
SECO Seojin Industrial	115,000	New Lease	399 Churchmans Rd	Northern DE

Source: CBRE Research, Q2 2026

Figure 3: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Net Absorption

Overall occupancy grew for the second straight quarter as the market posted more than 630,000 sq. ft. of positive net absorption, bringing the year-to-date total to 1.7 million sq. ft. This was the first quarter of consecutive positive absorption since Q1 2025, underscoring some volatility in space demand in the face of economic uncertainty. Despite this, the four-quarter rolling net absorption average remained positive at 540,000 sq. ft.-per quarter.

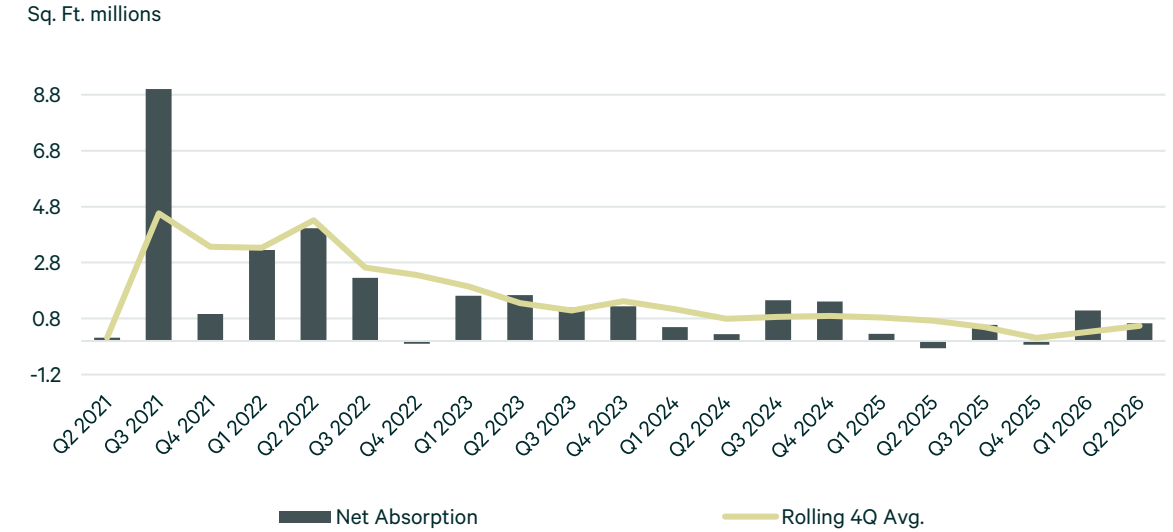
From a quality perspective, while the Class A distribution/logistics market has the highest vacancy rate out of all other classes and product types, it also claimed the highest amount of occupancy gains since the U.S. Federal Reserve Bank rose interest rates starting in mid-2022. Since then, Class A occupancy grew by more than 20 million sq. ft. In comparison, all other industrial product actually saw occupancy shrink by approximately 10 million sq. ft. Occupiers’ needs for modern, highly functional logistics space outweighs inexpensive real estate options.

Construction Activity

After contracting during the past six months, under construction volumes totaled 4.2 million sq. ft., up 64.3% quarter-over-quarter. But levels still lag the post-interest rate hike average of 11.0 million sq. ft. and are significantly off pandemic-peak numbers. This underscores developer discipline in the face of choppy demand and high construction and debt costs. Current buildings under construction are more than 57% pre-leased, a rate not seen since 2021. While inventory expansion may be slowing, measured development will help temper the overall vacancy rate from growing.

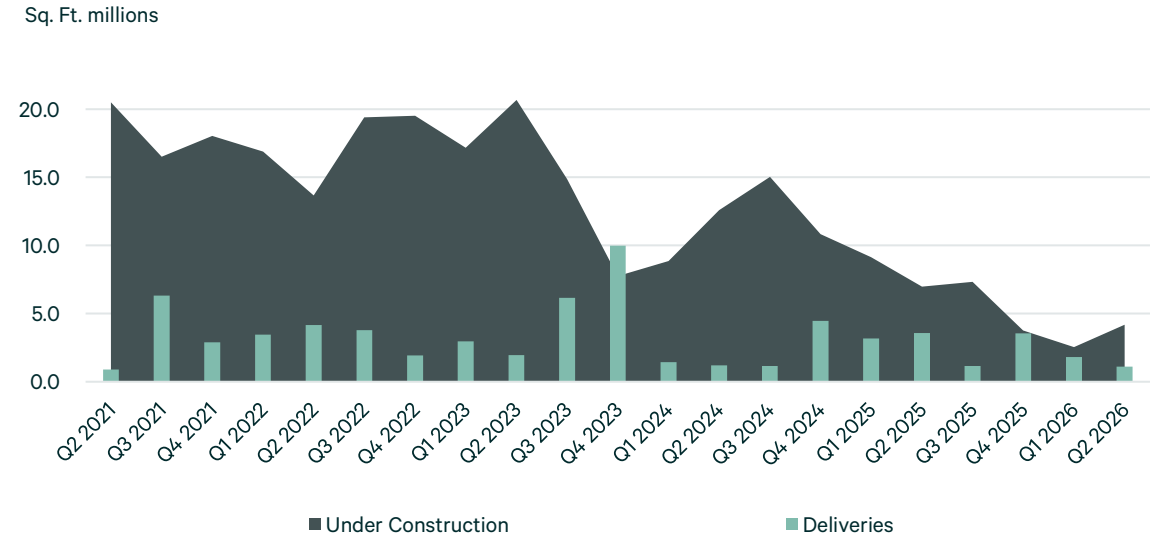
Construction deliveries reached 1.1 million sq. ft. in Q2 2026, down 38.4% quarter-over-quarter and 68.8% year-over-year, an expected consequence of a slowing construction pipeline. With only 4.2 million sq. ft. currently underway, supply additions are expected to be historically low for the remainder of the year.

Figure 5: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 6: Construction Activity



Source: CBRE Research, Q2 2026

Vacancy Rate

Overall vacancy reached 11.4% in Q2 2026, up 10 basis points quarter-over-quarter from 11.3% but still 120 basis points higher than one year earlier and 870 basis points higher than its most recent low of 2.7% posted in Q3 2021. Vacancy steadily increased since then, mostly as a result of supply-side excess as record-breaking active construction pipelines built up during the pandemic delivered nearly 60 million sq. ft. since mid-2021. While active construction slowed considerably during the past few quarters, sporadic demand performance accounted for the most recent uptick in vacancy.

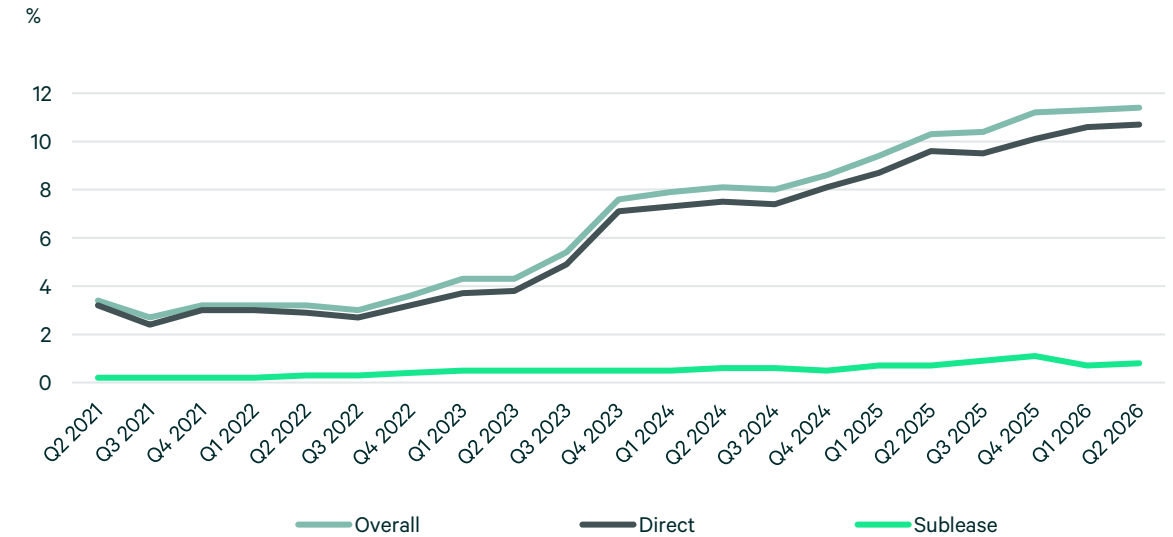
There are a few signs that the market is stabilizing beyond the post-interest rate hike volatility. One is dwindling sublease space. The Philadelphia Metro industrial market had not seen a significant uptick in sublease space as other markets across the country had, but there was an uptick in recent quarters. Those levels started to wane, a shift that generally portends overall vacancy moving lower in the near term.

Another sign pointing toward stabilization was consistent leasing activity. While levels are not as robust as they had been during the start of this decade, velocity has become more consistent, allowing for more measured development and less risk of oversupply.

Asking Rent

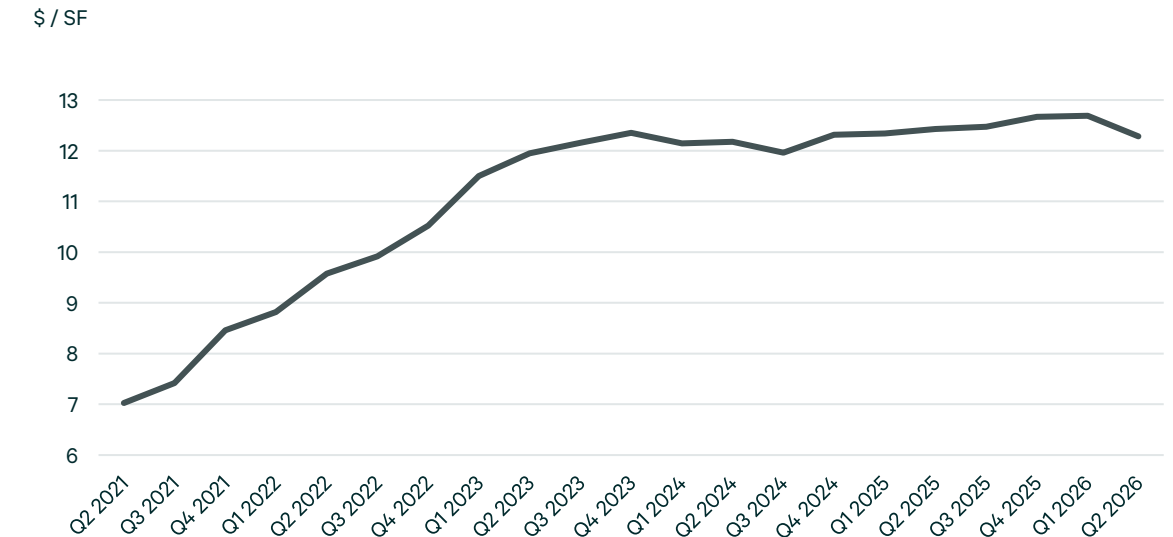
Average asking rent in Q2 2026 was \$12.29 per sq. ft., down 3.2% on a quarter-over-quarter basis from \$12.69 in Q1 2026 and 1.2% lower year-over-year from \$12.43 in Q2 2025. This pullback follows several quarters of very modest movement, including a 0.2% quarter-over-quarter increase in Q1 2026 and small fluctuations between about \$11.97 and \$12.70 per-sq.-ft. through 2024 and 2025. Looking over the full period from Q2 2021, when average asking rent was \$7.03 per-sq.-ft., the market has risen by \$5.26, a 74.8% increase, with gains strongest in 2022–2023 before moderating to low single-digit changes and occasional small declines in 2024–2026.

Figure 7: Vacancy Rate



Source: CBRE Research, Q2 2026

Figure 8: Average Direct Asking Rate



Source: CBRE Research, Q2 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 FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Northern DE	39.39M	10.2	9.8	9.2	0.6	10.72	55,000	(351,000)	203,000	535,000
Southeast PA	204.76M	10.8	10.6	10.1	0.6	12.61	95,000	407,000	484,000	1.86M
Southern NJ	142.57M	12.7	12.6	11.5	1.1	12.26	483,000	1.67M	433,000	1.80M
Total	386.72M	11.4	11.3	10.5	0.8	12.29	633,000	1.72M	1.12M	4.19M

Source: CBRE Research, Q2 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 FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	293.26M	13.1	12.9	12.1	0.8	12.44	1.04M	2.12M	987,000	2.70M
Manufacturing - General	58.79M	5.1	5.0	4.6	0.4	9.13	(513,000)	(600,000)	-	1.40M
R&D/Flex	31.73M	8.8	8.6	7.4	1.2	13.53	104,000	205,000	133,000	92,000
Other Industrial	2.94M	0.5	-	-	-	-	-	-	-	-
Total	386.72M	11.4	11.3	10.5	0.8	12.29	633,000	1.72M	1.12M	4.19M

Source: CBRE Research, Q2 2026

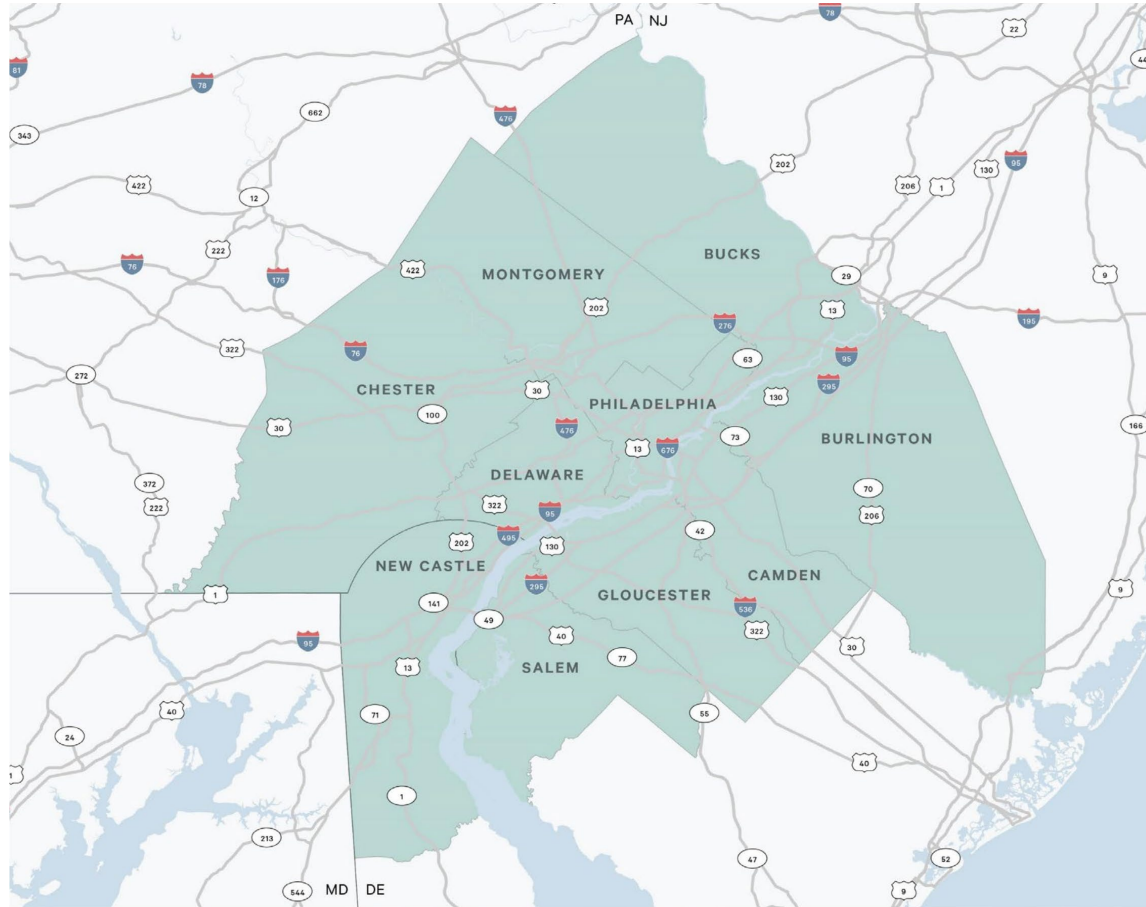
Market Statistics by Size

Figure 11

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	26.70M	4.7	4.8	4.3	0.5	11.63	75,000	(87,000)	-	-
50K-99,999 SF	81.54M	6.6	6.4	5.8	0.6	10.41	324,000	649,000	99,000	413,000
100K-249,999 SF	112.61M	10.2	10.8	9.9	0.9	11.67	(559,000)	(1.54M)	1.02M	398,000
250K-499,999 SF	80.46M	16.1	15.9	14.4	1.6	13.49	109,000	806,000	-	1.28M
500K-749,999 SF	34.75M	20.4	19.9	19.9	0.0	13.28	367,000	1.74M	-	700,000
750,000 SF +	50.67M	12.0	10.1	10.1	-	10.18	317,000	152,000	-	1.40M
Total	386.72M	11.4	11.3	10.5	0.8	12.29	633,000	1.72M	1.12M	4.19M

Source: CBRE Research, Q2 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.

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