

FIGURES | PA I-78/I-81 CORRIDOR INDUSTRIAL | Q1 2026

Industrial fundamentals improve behind class A big box demand resurgence

▼ 8.3%

Vacancy Rate

▲ 3.8M

SF Net Absorption

▼ 1.5M

SF Construction Delivered

▼ 11.4M

SF Under Construction

▼ \$9.01

NNN/YR Direct Lease Rate

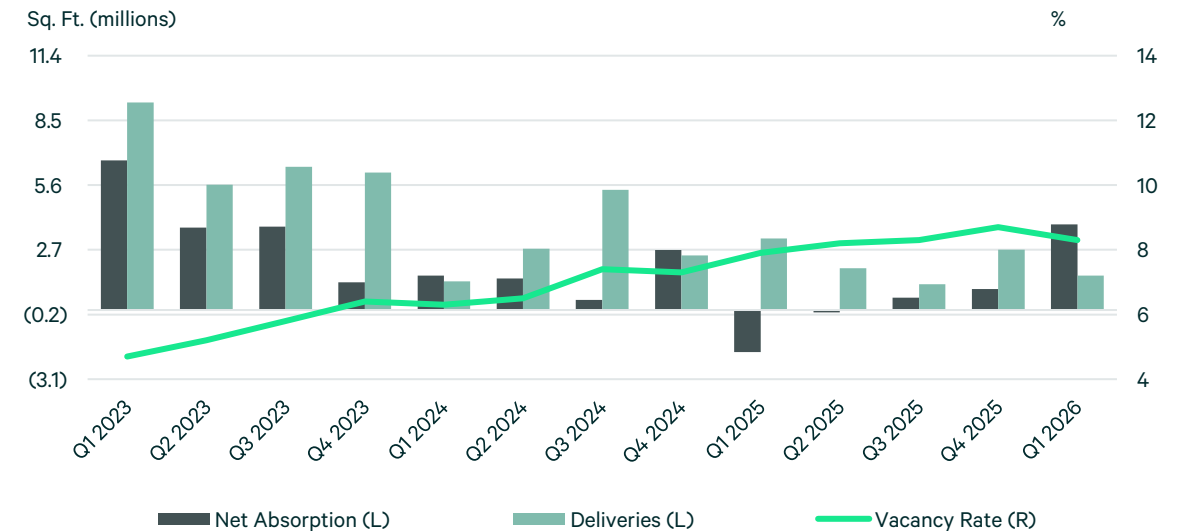
Note: Arrows indicate change from previous quarter.

One year removed from a first quarter with nearly 2 million square feet (sq. ft.) of occupancy losses, 2026 started off rather strongly, tallying 3.8 million sq. ft. of positive absorption and posting the most significant quarter of vacancy rate decline since mid-2022. And while 2025 was the first year in the PA I-78/I-81 Corridor’s history where distribution/logistics occupancy shrank, Q1 2026’s performance erased the less than 1 million sq. ft. of negative absorption in 2025.

Nearly surpassing the 5 million sq. ft. mark, the 4.8 million sq. ft. of new or expansion leasing activity this quarter was buoyed by the influx of activity from ecommerce activity, that accounted for 1.7 million sq. ft. of leasing in the Hazleton/Schuylkill and Lehigh Valley submarkets. In addition, Monster inked a lease in the Scranton submarket for 749,000 sq. ft. Two of these three leases were in second generation space, notably uncommon in this market.

As demand grew from a variety of industries, vacancy within the big box (750,000 sq. ft. or greater), class A logistics market fell by 220 basis points to 7.1% this quarter. While nearly 7 million sq. ft. of big box class A product is now under construction, CBRE anticipates vacancy within this larger size segment to continue to tighten and outperform the market.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy and Availability

The market vacancy rate finished the quarter at 8.3%, a decrease from 8.6% in Q4 2025. On a year-over-year basis, vacancy rose from 7.9% in Q1 2025 to 8.3%, and over the past three years the rate climbed from 4.3% in Q1 2023 to 8.3%. Vacancy started rising in earnest in mid-2022, mostly as a function of robust construction activity delivering space to a market showing waning demand. Last year, vacancy rose, primarily, as a function of demand contraction. But, as construction levels moderated while demand showed signs of growth in the latter half of 2025, CBRE expects vacancy to tick lower during 2026.

Whereas vacancy rates remained elevated versus their historical norms, the uptick in leasing activity brought many long-term availabilities off the market. Looking at the big box class A logistics supply, in particular, availability rates fell to 10.5% in Q1 2026, down 210 bps. from Q1 2025. And for buildings larger than 1 million sq. ft., availability declined to just 8.1% in Q1 2026.

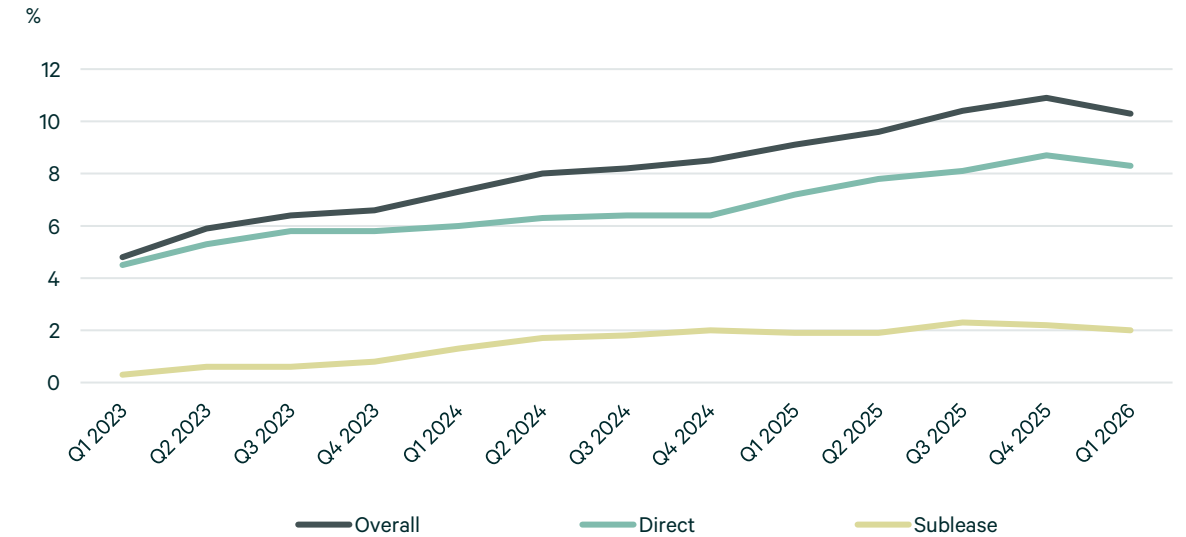
Sublease space edged down in Q1 2026, with an availability rate of 2.0% compared to 2.2% in Q4 2025. In total, there was 10.7 million sq. ft. of sublease space on the market in Q1 2026.

Asking Rent

The market-wide average asking rent was \$9.01 per-sq.-ft. in Q1 2026, down 0.9% quarter-over-quarter but up 1.2% year-over-year. Compared with Q1 2023, the average asking rent has risen 26.2%, reflecting substantial growth over the period despite recent quarterly softening.

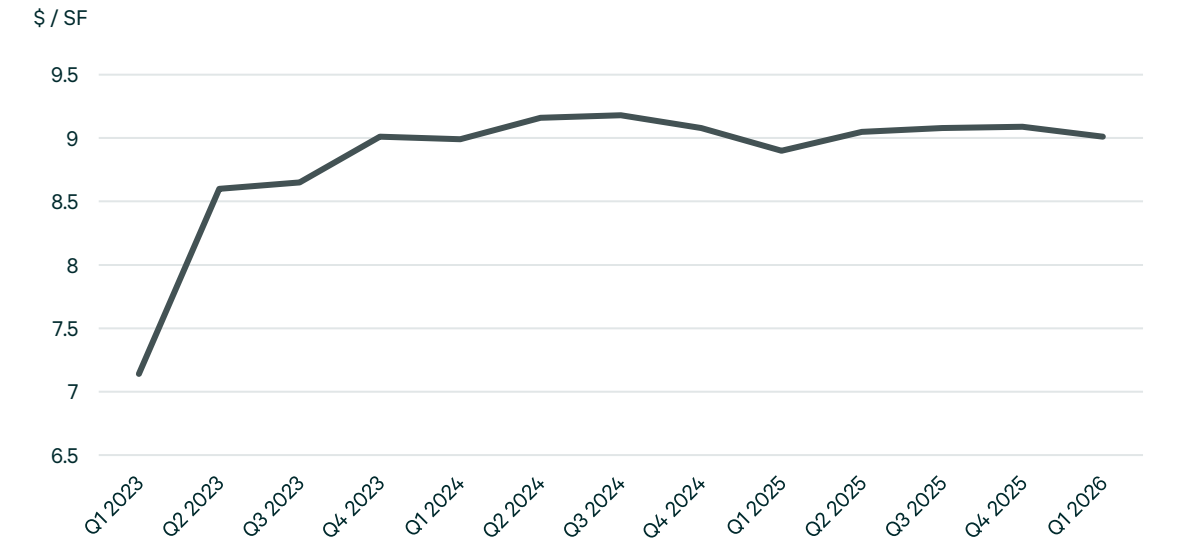
Lehigh Valley recorded the highest average asking lease rate in Q1 2026 at \$11.51 per-sq.-ft., followed by Lancaster at \$9.36 per-sq.-ft. The remaining submarkets include — Reading (\$8.85 per-sq.-ft.), Harrisburg/York (\$8.40 per-sq.-ft.), Hazleton/Schuylkill (\$7.88 per-sq.-ft.), Scranton (\$7.18 per-sq.-ft.), and Chambersburg (\$6.42 per-sq.-ft.).

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

The industrial market posted positive 3.8 million sq. ft. of net absorption in Q1 2026, a stark difference from the negative 1.9 million sq. ft. recorded in Q1 2025. Positive net absorption for Q1 2026 was concentrated primarily in the Hazleton/Schuylkill submarket with 3.1 million sq. ft. for the quarter, and the Reading submarket with 1.4 million sq. ft. These were a function of build-to-suit projects delivering and tenants taking occupancy. Lehigh Valley and Chambersburg were the other submarkets recording positive net absorption with 227,000 sq. ft., and 178,000 sq. ft., respectively. Three submarkets recorded negative net absorption, Harrisburg/York with negative 393,000 sq. ft., Lancaster with negative 392,000 sq. ft., and Scranton with negative 362,000 sq. ft. This was mostly a function of a few tenants giving back large blocks of class B and C space such as Wolf Home Products at 515 N Zarfoss Drive or Saadia Furniture Group at 1000 Stony Battery Road.

As leasing activity climbs back toward pre-pandemic norms, we expect absorption to remain positive through 2026, especially as the larger, 500,000 sq.-ft. or greater leases that signed this quarter take occupancy later in the year.

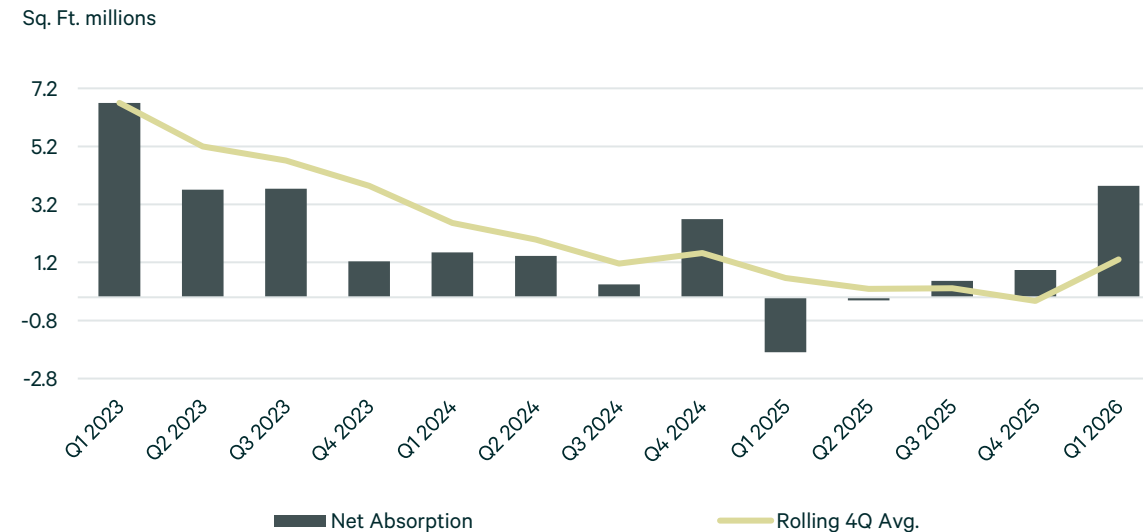
Construction Activity

At the end of Q1 2026, the market had 11.4 million sq. ft. under construction and delivered 1.5 million sq. ft. of new product. The construction pipeline grew by a factor of 4 compared to Q1 2025 when construction activity was at a post-pandemic low. But the uptick in construction has not created any oversupply concerns as the pre-lease rate sat at 36%, slightly above pre-pandemic averages and not far off pandemic-peak levels.

Construction activity was concentrated in the Hazleton/Schuylkill and Reading submarkets, which host the largest distribution/logistics projects underway. Hazleton/Schuylkill features PNK Mountain Valley Logistics Center – Building B at 1.2 million sq. ft., alongside the 1.1 million sq. ft. NFI build-to-suit project at Hazleton Creek Commerce Center, fully committed for Q2 2026. Other submarkets with notable construction include Reading, with Maiden Creek Crossings (930,000 sq. ft., 100.0% pre-leased, 2026 delivery) and Southern Berks Industrial Park – Building 1 (926,000 sq. ft., speculative, 2026 delivery), and Chambersburg, where United Business Park totals 900,000 sq. ft.

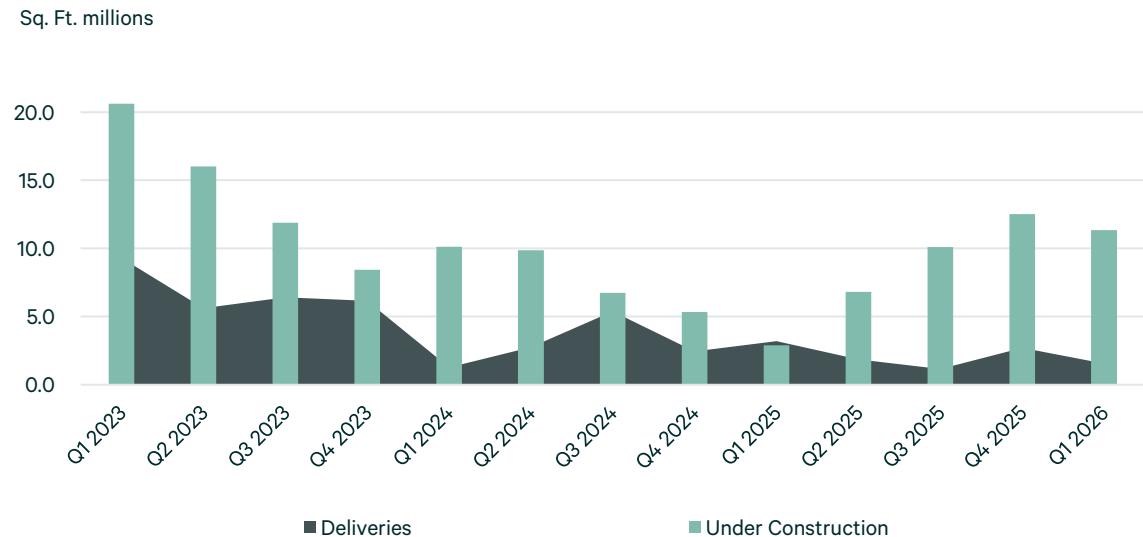
In total, nearly 7 million sq. ft. of class A logistics product 750,000 sq. ft. or greater was currently under construction across the market with a 42% pre-lease rate.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

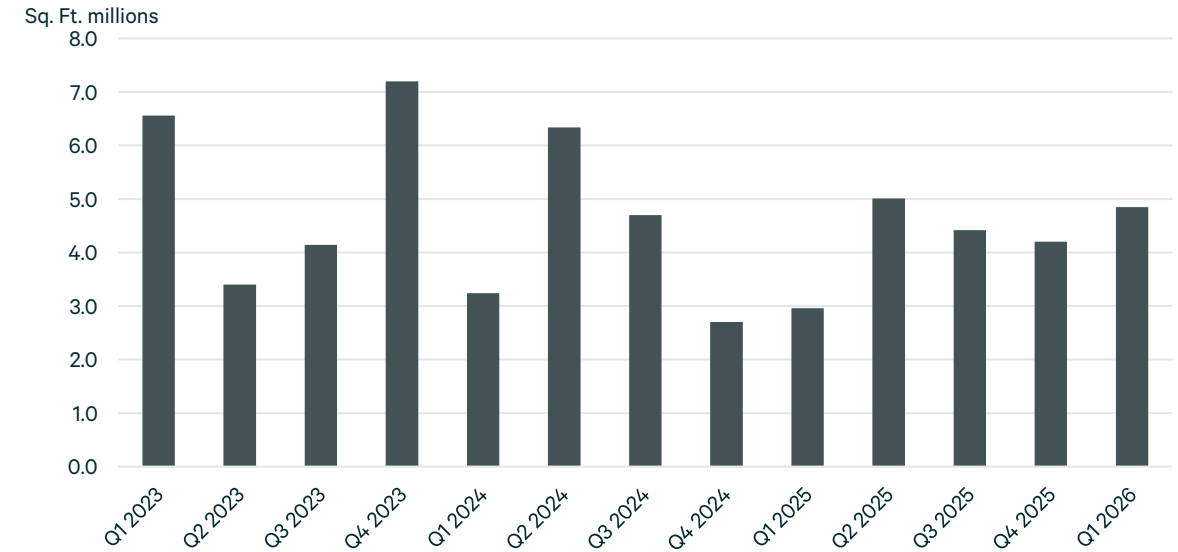
Leasing Activity

At the close of Q1 2026, leasing activity totaled 4.8 million sq. ft., up 650,000 sq. ft. quarter-over-quarter and grew 61% year-over-year from 2.9 million sq. ft. in Q1 2025. Whereas the first half of 2025 produced a cloud of uncertainty related to tariffs that resulted in the lowest amount of leasing activity in the first half of any year prior to 2019, activity has squarely rebounded and largely concentrated on the east side of the market to date.

The 4.8 million sq. ft. leased this quarter slightly outperformed the recent rolling four-quarter average of 4.6 million sq. ft. as activity remained relatively steady. In 2025, tenants leased a total of 16.6 million sq. ft. of new or expansion leases.

For new or expansion leases by submarket, the Lehigh Valley led the way with 2 million sq. ft. of total leasing activity. Outside of a large ecommerce leases, four separate deals were signed in Lehigh Valley above 100,000 sq. ft.: Geodis in Easton, ShipBob in Bethlehem, Resideo in Easton, and MyDepot’s expansion in Easton.

Figure 7: Leasing Activity Trend



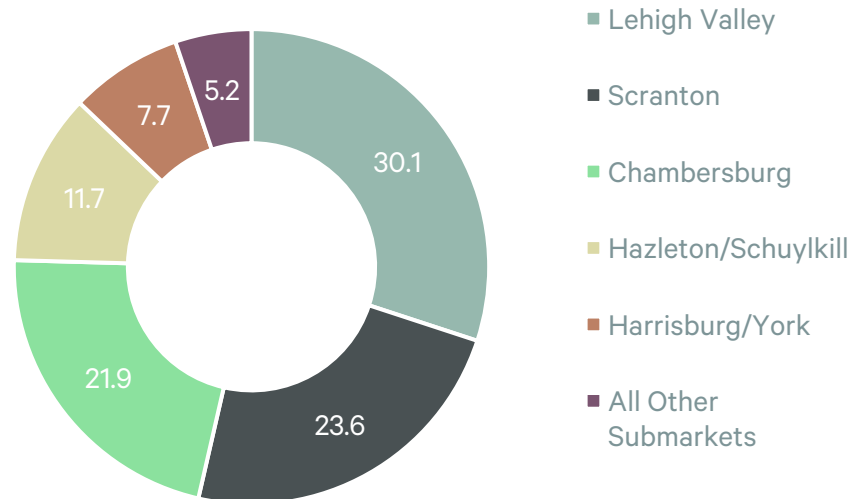
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Georgia-Pacific	1,496,000	Renewal	234 Walnut Bottom Rd	Chambersburg
Confidential Tenant	1,005,000	New Lease	251 Westwood Hill	Hazleton/Schuylkill
ID Logistics Warehousing	921,000	Renewal	880 State Route 940	Scranton
Monster Energy	749,000	New Lease	145 Market Way	Scranton
Confidential Tenant	726,000	New Lease	8400 Industrial Blvd	Lehigh Valley
Geodis	396,000	New Lease	1571 Van Buren Rd	Lehigh Valley
Shipbob	302,000	New Lease	4043 Hanoverville Rd	Lehigh Valley
Resideo	266,190	New Lease	3200 Richmond Rd	Lehigh Valley

Source: CBRE Research, Q1 2026

Figure 6: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

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.	69.22	4.1	3.9	3.7	0.2	9.26	(0.08)	(0.08)	0.03	0.20
100,000-199,999 sq. ft.	76.10	7.1	8.1	7.9	0.2	8.82	(0.12)	(0.12)	0.14	0.27
200,000-299,999 sq. ft.	58.59	11.5	12.5	10.3	2.2	9.74	0.49	0.49	0.25	1.49
300,000-499,999 sq. ft.	84.77	10.8	13.4	12.6	0.8	9.16	(0.70)	(0.70)	-	2.70
500,000-749,999 sq. ft.	79.68	12.6	15.2	13.1	2.1	8.93	(0.05)	(0.05)	-	-
750,000 sq. ft.	169.40	6.1	9.2	5.1	4.0	8.61	4.30	4.30	1.13	6.70
Total	537.75	8.3	10.3	8.3	2.0	9.01	3.84	3.84	1.54	11.36

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 10

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	449.35	9.1	11.0	8.7	2.3	9.13	4.35	4.35	1.54	11.22
Manufacturing - General	73.28	4.4	6.9	6.3	0.7	7.94	(0.51)	(0.51)	-	0.14
R&D/Flex	10.57	4.2	4.7	4.6	0.1	11.64	(0.01)	(0.01)	-	-
Other Industrial	4.55	2.0	1.3	1.3	-	9.95	-	-	-	-
Total	537.75	8.3	10.3	8.3	2.0	9.01	3.84	3.84	1.54	11.36

Source: CBRE Research, Q1 2026

Market Statistics by Class

Figure 11

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	214.33	12.1	14.5	11.0	3.6	9.66	5.76	5.76	1.54	9.79
All Other Industrial	323.43	5.8	7.4	6.5	0.9	8.00	(1.93)	(1.93)	-	1.57
Total	537.75	8.3	10.3	8.3	2.0	9.01	3.84	3.84	1.54	11.36

Source: CBRE Research, Q1 2026

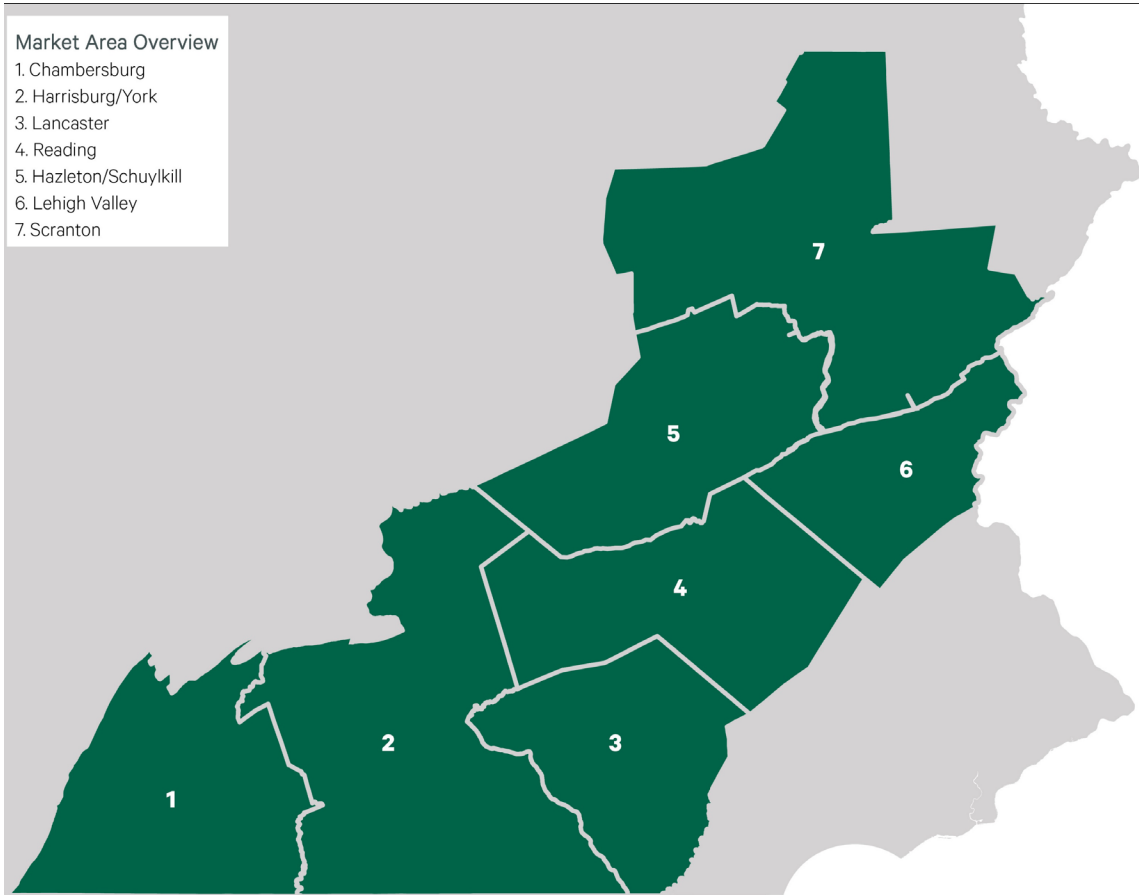
Market Statistics by Submarket

Figure 12

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)
Chambersburg	36.71	7.1	13.4	9.0	4.4	6.42	0.18	0.18	-	1.31
Harrisburg/York	159.82	6.8	10.7	8.6	2.1	8.40	(0.39)	(0.39)	1.13	1.80
Hazleton/Schuylkill	38.98	9.2	9.9	9.1	0.8	7.88	3.14	3.14	0.25	3.96
Lancaster	54.78	4.5	4.1	4.1	0.1	9.36	(0.39)	(0.39)	-	-
Lehigh Valley	118.04	10.9	12.4	9.6	2.8	11.51	0.23	0.23	0.14	1.08
Reading	59.10	7.4	9.3	8.6	0.7	8.85	1.44	1.44	-	2.52
Scranton	70.32	11.1	9.7	7.4	2.3	7.18	(0.36)	(0.36)	0.03	0.68
Total	537.75	8.3	10.3	8.3	2.0	9.01	3.84	3.84	1.54	11.36

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. 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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