

FIGURES | PHILADELPHIA INDUSTRIAL | Q3 2026

The ongoing flight-to-quality continues to define resilient market fundamentals

▼ 11.1%

Vacancy Rate

▲ 1.5M

SF Net Absorption

▼ 866K

SF Construction Delivered

▼ 3.2M

SF Under Construction

▼ \$12.21

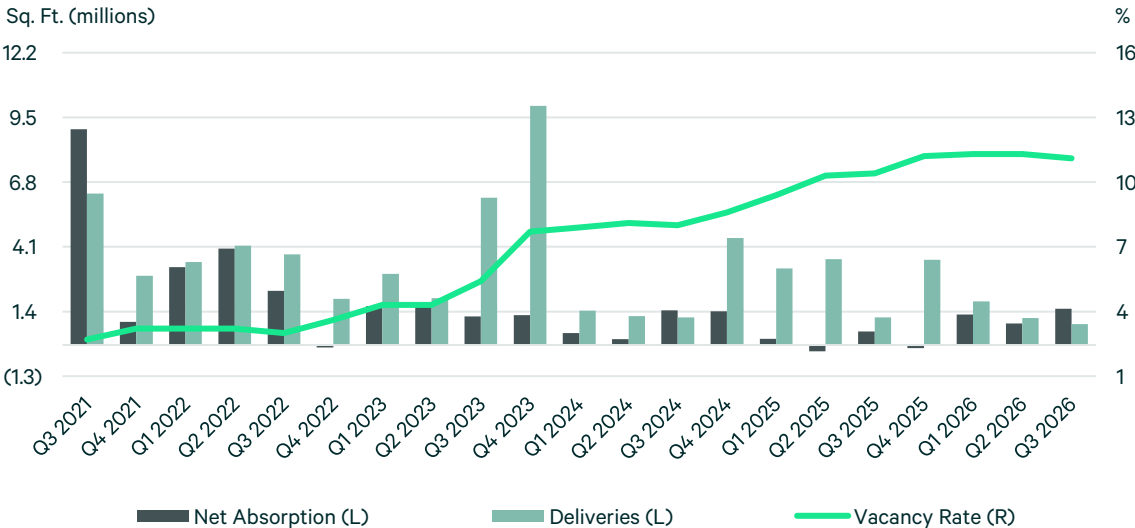
FSG/YR Direct Lease Rate

Market Overview

While the overall market showed signs of reaching equilibrium in Q3 2026, Burlington County sat poised to transition into an expansion phase as vacancy dwindled and demand grew. Since the Federal Reserve Bank increased rates starting in mid-2022, overall market vacancy rose from its post-pandemic low of 2.7% tallied in Q3 2021 to 11.1% by Q3 2026, an 840-basis point (bps) increase. Over the same span, availability rose to 11.3%, with Class A distribution/logistics space becoming considerably more plentiful. Supply pressure was most pronounced in 2023, when the construction pipeline peaked at 20.5 million square feet (sq. ft.), but has dropped to just 3.2 million sq. ft. since then. Demand, which mostly stalled during 2025, remained resilient, growing for the third consecutive quarter and posting a year-to-date total more in line with 2023 and 2024 levels.

While most of the Philadelphia Metro market was positioned for recovery by quarter's end, Burlington County's market fundamentals were stronger and pointing toward moving into the expansion phase. There, vacancy peaked in Q4 2023, sitting at 16.3%. In Q3 2026, overall vacancy sat at just 9.1% while direct vacancy (less sublease) sat at 7.1% - a level much closer to the long-term historic average. Unlike the rest of the Philadelphia Metro, net absorption in Burlington County remained positive during 2025, helping to erode the excess supply brought to market during the pandemic-boom era. With current construction in the county relegated to just one 250,000 sq.-ft. project, supply-side pressure is nearly all but absent from the equation.

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



Source: CBRE Research, Q3 2026

Vacancy Rate

Market vacancy conditions remained elevated in Q3 2026, even as headline rates eased slightly quarter-over-quarter. Overall vacancy edged down from 11.3% in Q2 2026 to 11.1% in Q3 2026, a decline of 20 basis points, while direct vacancy fell from 10.6% to 10.4%, also down 20 bps, and sublease vacancy held at 0.7%. The easing of development activity has supported a gradual decline in vacancy, as the market absorbed the wave of new supply delivered over recent quarters. Year-over-year, overall vacancy increased from 10.4% to 11.1%, a rise of 70 bps, with direct vacancy up from 9.5% to 10.4%, a 90 bps increase, and sublease vacancy down from 0.9% to 0.7%, a 20 bps reduction. The lack of sublease availability, specifically, indicates how shallow the recent market correction was while demonstrating the market’s underlying strength despite demand softening in 2025.

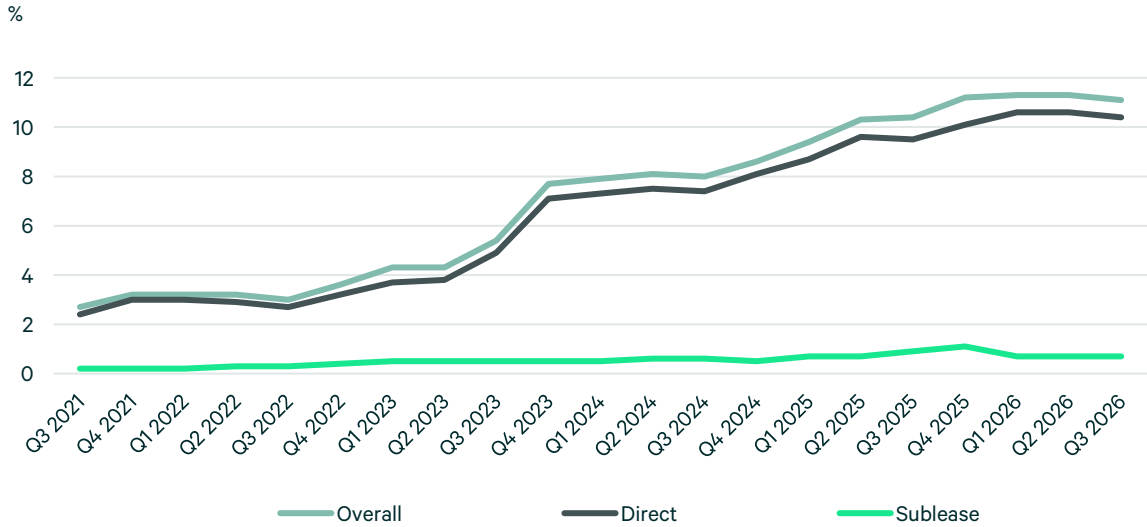
Vacancy differences across submarkets in Q3 2026 remained pronounced, offering distinct conditions for both occupiers and investors to benefit. Northern DE recorded the lowest overall vacancy at 9.1%, driven by an 8.7% direct vacancy rate and a 0.5% sublease component. Southeast PA was the second lowest, with overall vacancy of 10.5% and direct vacancy of 9.8%, while Southern NJ posted the highest overall vacancy at 12.6% alongside an 11.7% direct vacancy rate and 0.9% sublease vacancy.

Construction Activity

In Q3 2026, the market recorded 3.2 million sq. ft. under construction and 866,000 sq. ft. of newly delivered space, with under construction down 56.9% year-over-year and deliveries falling 25.0% year-over-year. The pronounced slowdown in construction activity should ease supply pressures enough to allow vacancy to decline in earnest, especially as nearly 73% of current construction projects were pre-leased.

Of the construction underway in Q3 2026, activity was concentrated in the Southeast PA and Southern NJ submarkets, led by The Bellwether District’s 1.4 million sq.-ft. built-to-suit for DrinkPAK in Southeast PA and three distribution/logistics projects totaling 1.1 million sq. ft. in Southern NJ. Crossroads 95 at Christiana and Duck Creek Business Campus was underway in Northern DE totaling 535,000 sq. ft.

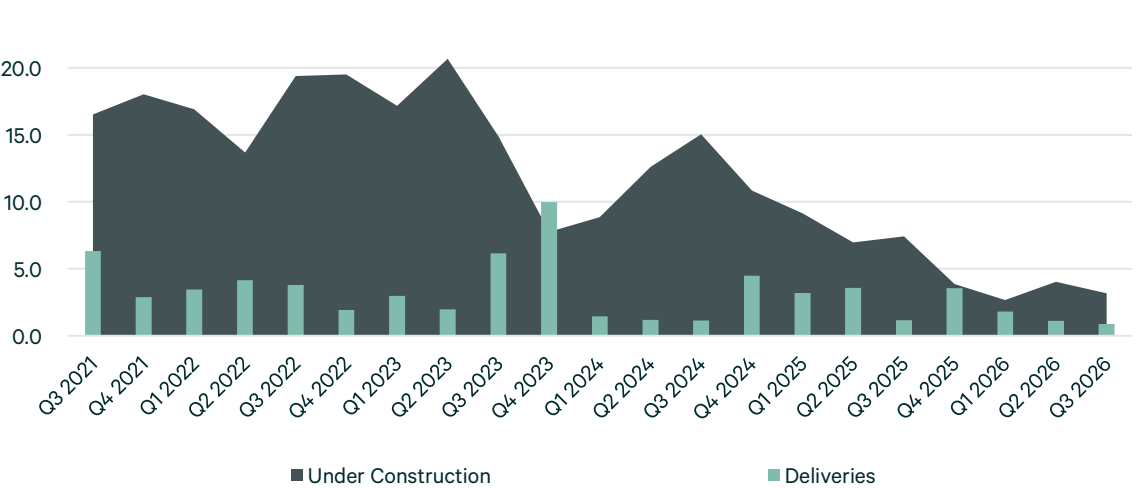
Figure 2: Vacancy Rate



Source: CBRE Research, Q3 2026

Figure 3: Construction Activity

Sq. Ft. millions



Source: CBRE Research, Q3 2026

Net Absorption

In Q3 2026, net absorption totaled 1.5 million sq. ft. bringing the year-to-date total to 3.7 million sq. ft. – more inline with Q3 totals from 2023 and 2024. This quarter’s net absorption exceeded Q2 2026’s total by 600,000 sq. ft. and was the second quarter in 2026 where absorption crested the 1.0 million sq. ft. mark, indicating growing momentum this year.

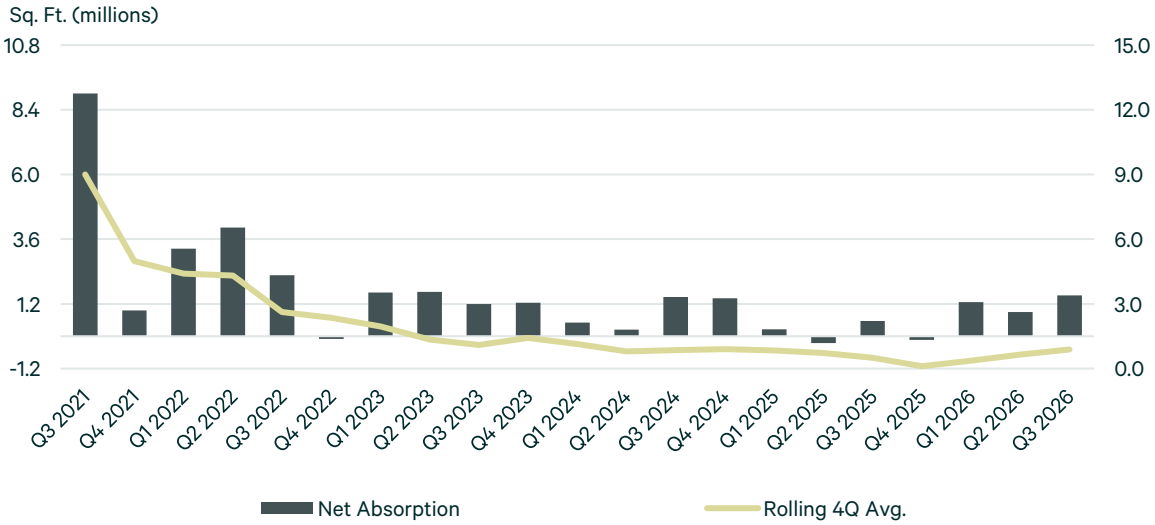
Within the market, Southeast PA recorded the highest positive net absorption at 833,000 sq. ft. this quarter, followed by Southern NJ at 374,000 sq. ft. Northern DE also achieved positive net absorption of 304,000 sq. ft. With a focus on Southern NJ, Burlington County posted 680,000 sq. ft. of positive net absorption, exceeding the overall market’s total as Camden and Gloucester Counties posted occupancy declines. To put into perspective, Burlington County accounted for 45% of industrial occupancy growth across the Philadelphia Metro region during Q3 2026, further demonstrating its advanced position in the market cycle.

Leasing Activity

Leasing activity slowed slightly in Q3 2026 as tenants signed less space than in each of the prior two quarters. Executed leases totaled 2.7 million sq. ft., down 21.8% quarter-over-quarter. But, on a year-to-date basis, Q3 2026 is outpacing the last three years’ Q3 cumulative totals demonstrating consistent demand recovery during 2026.

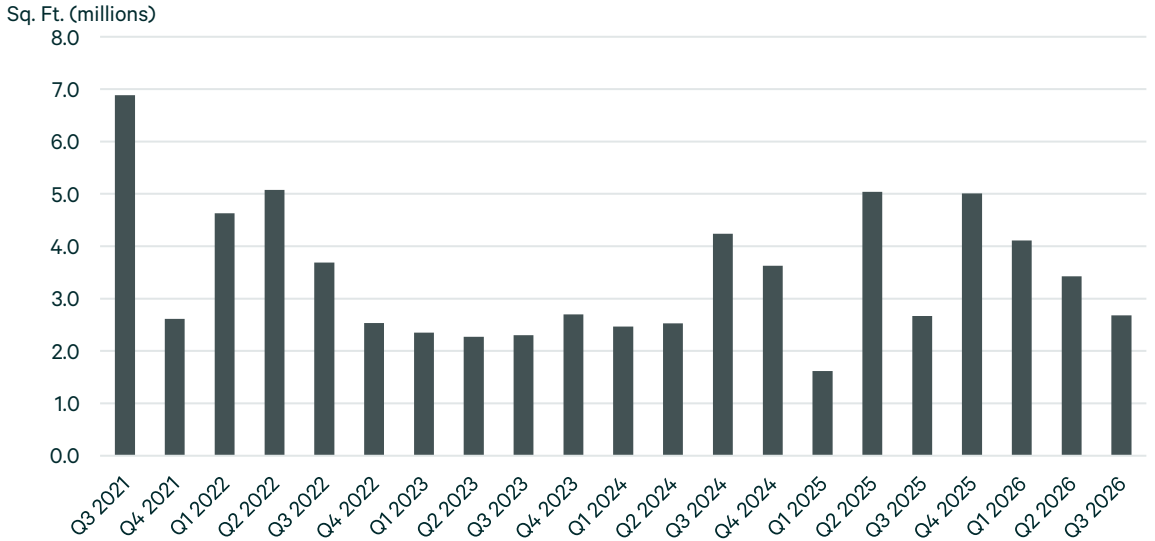
This quarter, Southern NJ recorded the highest positive leasing activity, with Southeast PA second-highest, as tenants signed 1.87 million sq. ft. and 590,000 sq. ft., respectively. In Southern NJ, specifically, three new large-block leases signed totaling 621,000 sq. ft., highlighting demand for modern logistics space in that portion of the market. Northern DE also posted positive demand, with 216,000 sq. ft. of leasing activity, indicating that all submarkets contributed to overall market volume even as the quarter’s totals moderated.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q3 2026

Figure 5: Leasing Activity Trend



Source: CBRE Research, Q3 2026

Asking Rent

In Q3 2026, the market’s average asking rent stood at \$12.21 per sq.-ft., compared with \$12.48 per sq.-ft. posted in Q3 2025. This represented a year-over-year decline of 2.2%. While demand persisted in recent quarters, several quarters of double-digit vacancy rates triggered a pricing correction. A look at first year rates signed in recent leases supports this trend seen in asking rents as landlords holding long-term vacancies are more motivated to fill space.

Across submarkets in Q3 2026, Southeast PA recorded the highest average asking rent at \$12.39 per sq.-ft., with Southern NJ second-highest at \$12.33 per sq.-ft. Northern DE was priced lower at \$10.75 per sq.-ft., underscoring a distinct rent spread within this regional cluster.

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

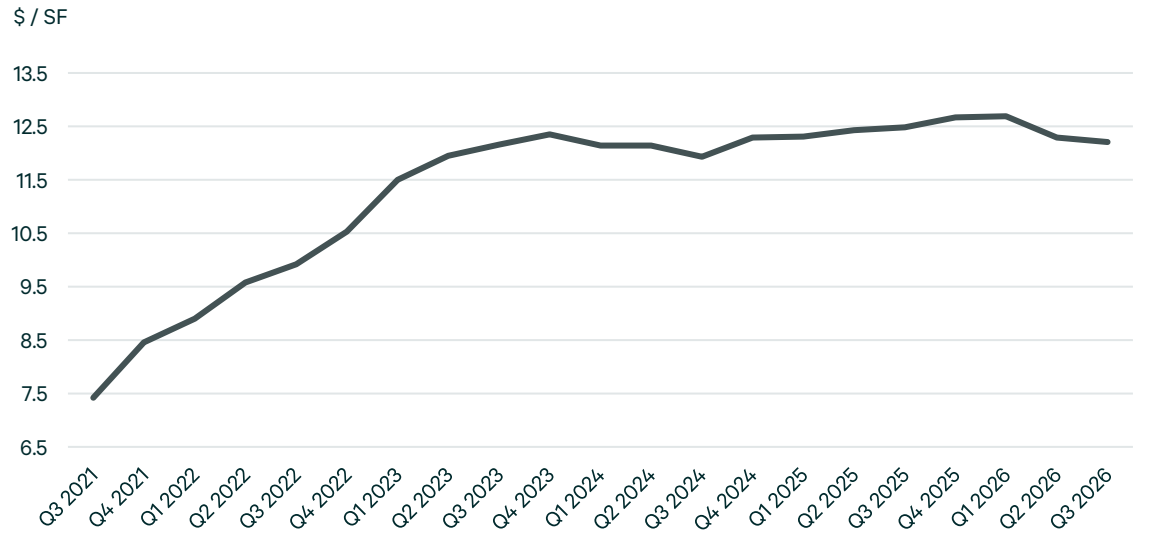
The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	274,000	New Lease	201 Elizabeth St	Southern NJ
US Elogistics Service	250,000	New Lease	900 Richards Run	Southern NJ
Ironink Logistics	97,000	New Lease	1130 Commerce Blvd	Southern NJ
Luminous Logistics	84,000	New Lease	2303 Center Square Rd	Southern NJ
Confidential Tenant	82,000	New Lease	300 White Clay Center Dr	Northern DE
Colonial Marble & Granite	82,000	New Lease	250 King Manor Dr	Southeast PA
Confidential Tenant	65,000	New Lease	520 Pedricktown Rd	Southern NJ
Confidential Tenant	61,000	New Lease	27-43 Great Valley Pkwy	Southeast PA

Source: CBRE Research, Q3 2026

Figure 7: Average Direct Asking Rate



Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	294.12M	12.8	13.0	12.2	0.8	12.36	1.22M	3.72M	866,000	1.66M
Manufacturing - General	58.79M	4.9	5.0	4.4	0.6	8.84	123,000	(477,000)	-	1.40M
R&D/Flex	31.73M	8.1	7.9	6.9	1.0	13.37	159,000	420,000	-	92,000
Other Industrial	2.94M	-	-	-	-	-	13,000	13,000	-	-
Total	387.59M	11.1	11.3	10.5	0.8	12.21	1.51M	3.68M	866,000	3.16M

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Northern DE	39.39M	9.1	9.4	9.0	0.4	10.75	304,000	78,000	-	535,000
Southeast PA	204.97M	10.5	10.7	10.0	0.7	12.39	833,000	1.30M	208,000	1.49M
Southern NJ	143.23M	12.6	12.6	11.7	1.0	12.33	374,000	2.31M	658,000	1.14M
Total	387.59M	11.1	11.3	10.5	0.8	12.21	1.51M	3.68M	866,000	3.16M

Source: CBRE Research, Q3 2026

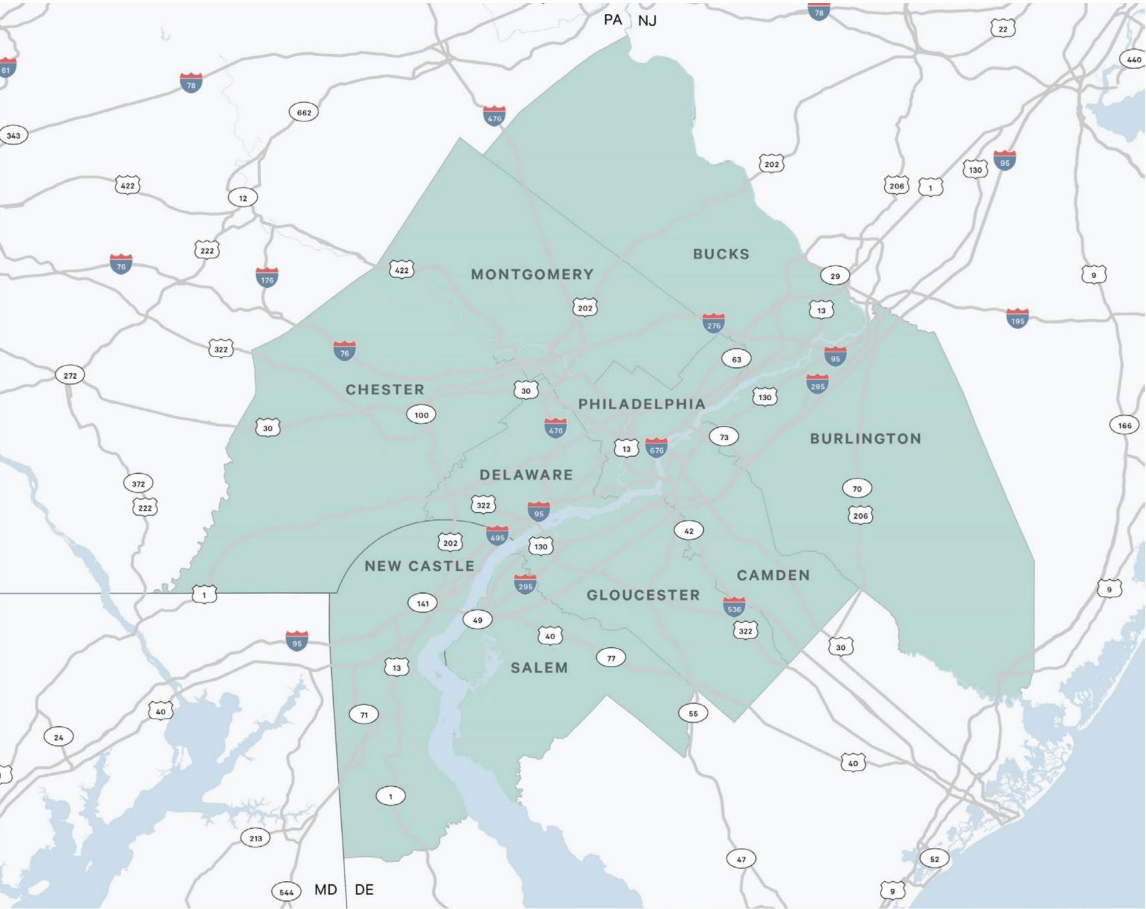
Market Statistics by Size

Figure 11

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	26.70M	5.0	4.8	4.4	0.4	11.49	(78,000)	(165,000)	-	-
50K-99,999 SF	81.61M	7.1	7.5	6.3	1.2	10.47	(388,000)	260,000	74,000	173,000
100K-249,999 SF	112.81M	10.5	11.0	10.1	0.9	11.73	(335,000)	(1.74M)	208,000	191,000
250K-499,999 SF	81.04M	15.4	15.3	14.3	1.1	13.41	779,000	1.91M	584,000	693,000
500K-749,999 SF	34.75M	18.8	18.4	18.4	0.0	13.07	548,000	2.29M	-	700,000
750,000 SF +	50.67M	10.1	10.1	10.1	-	10.18	985,000	1.14M	-	1.40M
Total	387.59M	11.1	11.3	10.5	0.8	12.21	1.51M	3.68M	866,000	3.16M

Source: CBRE Research, Q3 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.

Survey Criteria

[Insert survey Criteria here. Contact your manager for specific criteria]

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