

Philadelphia Industrial Market Weathers Pandemic As New York Activity Spills Over

May 10, 2020 | Jonathan Berr, Bisnow (<https://www.bisnow.com/author/jonathan-berr-222258>) (<mailto:jdberr@>



The market for industrial real estate appears to be weathering the coronavirus pandemic better than other classes of commercial real estate in Philadelphia.

Before the health crisis struck in March, the Philadelphia area had more than 2.7M SF of industrial occupancy gains this year, which outpaced the 2M SF of new construction deliveries in Q1, according to CBRE. Vacancy rates are 4.5%, their lowest rate since at least 2015.

That strength is expected to continue as the economic fallout of the pandemic takes hold, though no one can predict for how long.

"Relative to other asset classes, industrial rents will be more stable through the COVID-19 crisis," Avison Young (<https://www.bisnow.com/tags/avison-young>) principal Matthew Marshall said. "We are in a cycle. Clearly, you could look at 2019 as being the peak of the cycle. What happens from here is anyone's guess."

Like other industrial markets, Philadelphia is benefiting from the growth in e-commerce sales, including next-day delivery and the boom of online grocery shopping. Area property owners are also reaping the rewards from the expansion in recent years at the Port of Philadelphia (https://www.joc.com/port-news/us-ports/port-philadelphia/philaport-counts-volume-growth-expansion-nears-end_20191104.html).

The Philadelphia region also is less than 100 miles from New York City, making it attractive for customers who want to do business in the Big Apple at lower rates.

San Francisco-based Prologis (<https://www.bisnow.com/tags/prologis>) completed the acquisition of Liberty Property Trust (<https://www.bisnow.com/tags/liberty-property-trust>) of Malvern, Pennsylvania, near Philadelphia, in February for \$13B in

stock (<https://www.bisnow.com/philadelphia/news/industrial/prologis-acquires-liberty-property-trust-12b-transaction-all-stock-101507>), enabling the largest industrial landlord to increase its foothold in key markets, including Pennsylvania and New Jersey.

During Prologis' recent earnings conference (<https://seekingalpha.com/article/4338974-prologis-inc-pld-q1-2020-results-earnings-call-transcript?part=single>) call with Wall Street analysts, Chief Investment Officer Eugene Reilly said the company was pleased with the performance of its Pennsylvania properties.

"Pennsylvania has done a lot better than we thought previously, because a lot of the New York adjacent demand and the big-boxes have, for some strange reason, taking up a lot of space in Pennsylvania," he said. A spokesperson for Prologis didn't respond to a request for comment.

The price differences between Pennsylvania and the Big Apple can be stark.

Over the past three years, average contract rental rates in Southern New Jersey on new development surged 33%. CBRE estimates the average rent in the region at \$6.55 per SF. The average taking rents in high-demand areas in Northern New Jersey such as the Meadowlands (<https://www.bisnow.com/tags/meadowlands>), Hudson Waterfront and Newark (<https://www.bisnow.com/tags/newark>) are \$13 to \$14 per SF, the researcher says.

The strong rental and absorption fundamentals are driving construction. CBRE reported about 1.7M SF of new warehouse space broke ground in the first quarter.

"We are tracking 21M, 22M SF that should be built in the next 24 to 36 months," Avison Young principal Brian Hilger said.

Both older spaces and newer developments are benefiting from the boom.

The 28-year-old Bristol Industrial Park in Bucks County, Pennsylvania, has seen "tremendous rent growth" over the past 12 to 18 months, according to Alex Motiuk, acquisitions and development analyst at Greek Development, which owns the property. "It has held up pretty strongly during the COVID pandemic. We believe we will see continued strength in that market."

Greek Development and Advance Realty Investors are developing the master-planned Logan North Industrial Park in Gloucester County, New Jersey. The facility is near the Commodore Barry Bridge, which provides access to Philadelphia and is about 100 miles south of New York City. Logan North, which sits on 415 acres, has more than 3M SF. The companies are also investors in the Linden Logistics Center project in Linden, New Jersey, the largest industrial project in the Port of New York/New Jersey region.

"We're plowing forward with all infrastructure and we have signed up two built-to-suits, one for a 1.1M SF building, and the other is plus or minus 200K SF built-to-suit for a cold storage freezer user," Motiuk said. "We are highly optimistic about the park's future."

Greek and Advance Realty Investors haven't disclosed the amount of money they are spending on their industrial parks nor have they provided the expected completion date.

CORRECTION: MAY 11, 12:07 P.M. ET: Corrects name of Advance Realty Investments.

Contact Jonathan Berr at jdberr@gmail.com (<mailto:jdberr@gmail.com>)

See Also: Industrial Outdoor Storage Veterans Warn Newcomers Of Potential Pitfalls (</national/news/industrial/industrial-outdoor-storage-not-all-sunshine-roses-107073>)

Related Topics: Avison Young (<https://www.bisnow.com/tags/avison-young>), Prologis (<https://www.bisnow.com/tags/prologis>), Matthew Marshall (<https://www.bisnow.com/tags/matthew-marshall>), Eugene Reilly (<https://www.bisnow.com/tags/eugene-reilly>), Brian Hilger (<https://www.bisnow.com/tags/brian-hilger>), Bristol Industrial Park (<https://www.bisnow.com/tags/bristol-industrial-park>), Alex Motiuk (<https://www.bisnow.com/tags/alex-motiuk>), Greek Development (<https://www.bisnow.com/tags/greek-development>)