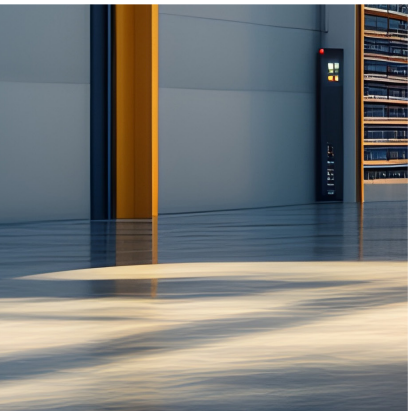


INDUSTRIAL OUTLOOK

PENNSYLVANIA MARKET | 2ND QUARTER 2025



MACKENZIE

COMMERCIAL REAL ESTATE SERVICES, LLC



CAPITAL INDICATORS* PA INDUSTRIAL MARKET

12-Month Volume
\$2,997,403,753

Total Square Feet
28,297,008

Average Price PSF
\$104/sf

Average Cap Rate
6.6%

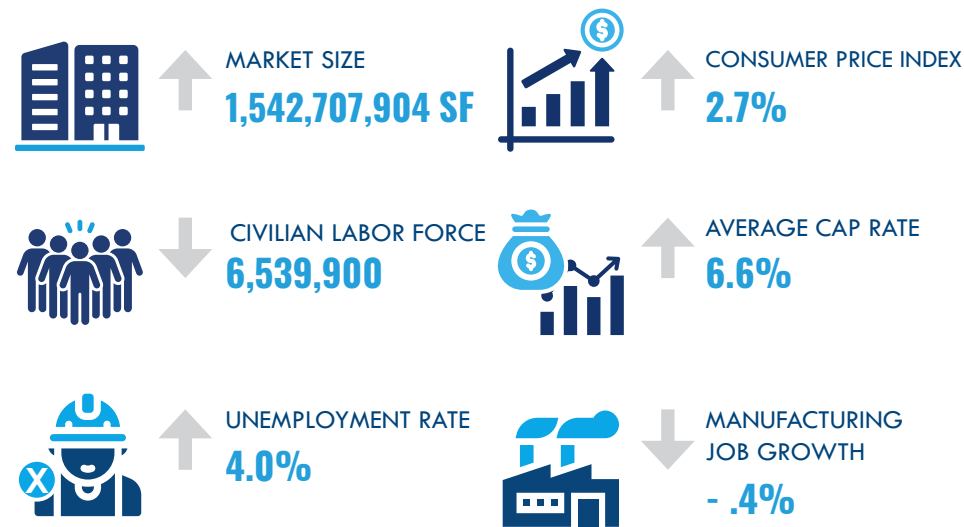
Properties Sold
227

Volume vs. Prior Year
7.1%

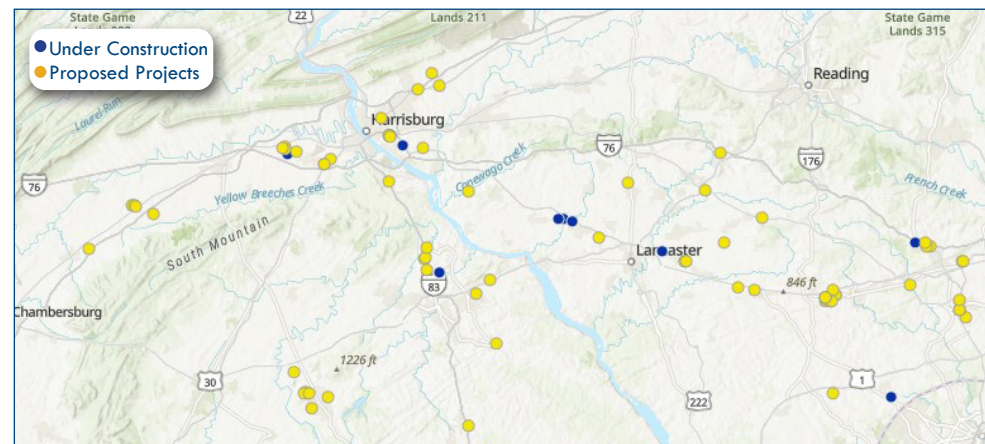
ECONOMIC FACTORS

The Federal Reserve's dual mandate—to maximize employment and maintain 2% inflation—is typically managed by adjusting interest rates, raising them to curb inflation or lowering them to spur job growth. While this strategy worked in 2022 and 2023 to slow both inflation and hiring, the Fed now faces the growing risk of stagflation, where inflation and unemployment rise simultaneously, making it difficult to address one goal without worsening the other. Inflation expectations have surged, fueled by unpredictable tariff policies, while labor market strength is increasingly concentrated in sectors like healthcare and education, with sluggish hiring and quits indicating broader weakness. New entrants to the workforce, especially recent graduates, are struggling to find jobs, and with economic uncertainty elevated—thanks to over 55 tariff adjustments and unclear immigration impacts—the Fed chose to hold rates steady in June, taking a cautious approach despite pressure from the White House.

South Central Pennsylvania has added jobs at a slightly faster than average pace over the past year, although growth has been a little slower in the York area, and unemployment remains low across the region, with rates ranging from 2.6% in Chester County to 3.4% in York County. Construction activity has held up decently well across the region, especially in the Harrisburg MSA where industry wide employment is up 3.2% year over year.



SNAPSHOT 2Q25



Construction industry momentum has slowed in recent months due to high interest rates, economic uncertainty, and rising material costs. Nonresidential construction spending has dipped slightly, with private sector activity trailing behind public projects. While data center construction remains a bright spot, most other segments—including manufacturing—have struggled, despite manufacturing spending still being significantly higher than five years ago. The residential sector has been hit hardest, with spending projected to fall 11% in 2025 and homebuilder sentiment at its lowest since 2012 (excluding the pandemic's early impact). High mortgage rates have discouraged buyers and led builders to scale back. Unless interest rates decline, especially as tariffs continue to raise material prices, a rebound in construction activity remains unlikely.

INDUSTRIAL OVERVIEW

SECOND QUARTER | 2025



INDUSTRIAL INDICATORS

Market Size
325,986,470

Building Count
3,936

Absorption
-1,471,581

YTD Absorption
-1,110,044

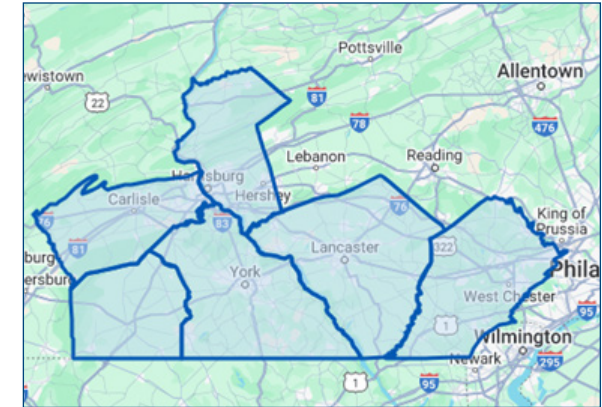
Vacancy
5.6%

Rental Rate
\$8.83/sf

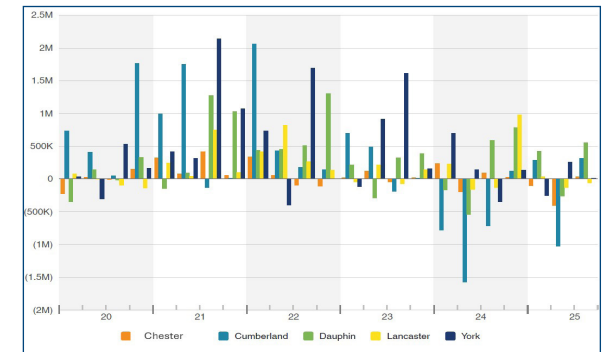
Flex product continues to make up a small portion of the overall industrial market, accounting for just 8% of total inventory. Flex vacancy rose slightly to 5.6%, up from 5.2% last quarter, though still below last year's 6.2%. Adams and York Counties maintained flat vacancy levels, while all other counties posted increases. So far in 2025, 40 flex spaces across 34 buildings have leased, with an average deal size of 7,642 square feet. One 60,300-square-foot flex building is currently under construction, and the full space remains available.

Despite economic uncertainty, leasing activity has picked up. Year-to-date, over 7.2 million square feet has been leased—already surpassing the 6.8 million square feet completed in 2024. Major deals include CoreWeave's 1.5 million square feet in data center space, followed by Amazon and GSK at 705,000 sf and 624,000 sf, respectively. Flex rents are holding firm at \$11.41/sf, while the broader industrial market has risen to \$8.83/sf, up from \$8.62/sf one year ago.

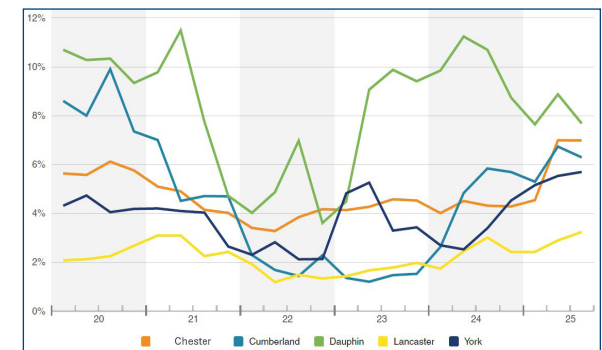
At the same time, industrial vacancy climbed to 5.6%, up from 4.6% last quarter, driven by notable negative absorption in Chester, Cumberland, and Lancaster Counties. Year-to-date absorption for the overall industrial market sits at -1.1 million square feet. New construction has slowed considerably, reducing the risk of oversupply, while tenants continue to refine their space requirements in light of increased costs.



ABSORPTION



VACANCY RATE



THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Adams County	305,068	30.8%	30.8%	30.8%	0	0	\$6.95	\$6.95	\$6.95
Chester County	11,610,015	5.1%	4.7%	5.9%	-50,057	46,290	\$14.30	\$14.16	\$13.65
Cumberland County	2,015,828	4.6%	4.0%	5.6%	-11,695	-7,225	\$8.42	\$8.44	\$10.78
Dauphin County	3,431,672	5.5%	5.5%	5.2%	-200	14,698	\$8.37	\$8.39	\$10.89
Lancaster County	4,114,948	7.7%	7.2%	8.1%	-20,331	-41,231	\$8.62	\$8.65	\$13.00
York County	3,306,223	2.7%	2.8%	3.7%	13,640	31,837	\$10.15	\$10.15	\$6.69
Flex Totals	24,783,754	3.2%	3.0%	3.4%	-68,643	44,369	\$11.41	\$11.36	\$11.92
Adams County	8,054,042	4.7%	0.0%	0.4%	-380,599	-380,599	\$5.66	\$5.66	\$5.50
Chester County	29,796,183	7.8%	4.5%	3.9%	-379,162	-580,134	\$14.30	\$14.16	\$13.65
Cumberland County	69,390,209	6.8%	5.3%	4.8%	-1,015,942	-737,207	\$8.42	\$8.44	\$8.13
Dauphin County	36,310,747	9.2%	7.9%	11.8%	-261,197	137,628	\$8.37	\$8.39	\$8.12
Lancaster County	75,986,684	2.7%	2.2%	2.2%	-134,054	-93,324	\$8.62	\$8.65	\$8.38
York County	81,664,851	5.0%	5.2%	2.5%	768,016	499,223	\$7.13	\$7.16	\$6.94
Warehouse Totals	301,202,716	5.6%	4.6%	4.1%	-1,402,938	-1,154,413	\$8.62	\$8.63	\$8.34
Totals	325,986,470	5.4%	4.5%	4.0%	-1,471,581	-1,110,044	\$8.83	\$8.84	\$8.62



LEASE TRANSACTIONS

Type	Location	Submarket	Tenant	Leased (sf)
Industrial	500 McCarthy Dr.*	York County	Amazon	705,000
Industrial	105 Willow Springs Ln.*	York County	GSK	624,000
Industrial	2040 N. Union St.	Dauphin County	Grocery Outlet	507,000
Industrial	500 Willow Springs	York County	Genuine Parts Napa	402,947
Industrial	105 Steam Boat Blvd.*	York County	Navistar Inc.	390,055

SALE TRANSACTIONS

Type	Location	Submarket	Price	PSF	Bldg. Size (sf)
Industrial	1250 Slate Hill Rd.	Cumberland County	\$12,448,000	\$54	230,000
Industrial	2821 Old Tree Dr.	Lancaster County	\$11,600,823	\$156	74,466
Industrial	3490 Board Rd.	York County	\$7,000,000	\$48	145,278
Industrial	11118 Susquehanna Trl. S.	York County	\$5,280,000	\$72	73,500
Industrial	120 North St.	York County	\$5,100,000	\$114	44,643
Industrial	523 S. 17th St.	Dauphin County	\$4,250,000	\$87	48,899
Industrial	7501 Derry St.	Dauphin County	\$3,850,000	\$59	65,345
Industrial	205 Bucky Dr.	Lancaster County	\$3,600,000	\$113	32,000
Industrial	700 Independence Ave.	Cumberland County	\$3,185,000	\$159	20,000

Despite recent volatility, pricing remains well above pre-pandemic norms. Between 2020 and early 2021, sale prices often ranged between \$40–\$65/sf, but the post-COVID industrial boom pushed values dramatically higher, especially during 2022 and 2023, when pricing consistently averaged above \$80/sf. The recent dip reflects increased market caution amid economic uncertainty, rising interest rates, and a more selective buyer pool. Still, current pricing suggests long-term value stability when viewed across a multi-year horizon.



INDUSTRIAL MARKET PARAMETERS

Flex properties are industrial buildings that have at least 70% office build-out, and single-story office buildings that have at least one dock door. Industrial buildings include warehouse, distribution, and manufacturing facilities. Both property types included are at least 10,000 sf in size and include all classes.

ABOUT US

MacKenzie Ventures, LLC (MacKenzie) possesses the multi-disciplined team necessary to excel in Maryland's corporate real estate community. Comprising six firms, MacKenzie provides clients a competitive, full service platform of offerings in leasing, sales, investments, tenant and landlord advisory services, general construction, property and asset management, debt and equity capital placement, and investment and development. With more than 225 employees and offices in Annapolis, Baltimore, Bel Air, Columbia, and Lutherville, Maryland, and Charlottesville, Virginia, MacKenzie is one of the largest full service commercial real estate firms in the Mid-Atlantic.

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