INDUSTRIAL OUTLOOK

PENNSYLVANIA MARKET | 2ND QUARTER 2026

MACKENZIE
COMMERCIAL REAL ESTATE SERVICES, LLC

CAPITAL INDICATORS* PA INDUSTRIAL MARKET	12-Month Volume	Total Square Feet	Average Price PSF	Average Cap Rate	Properties Sold	Volume vs. Prior Year
	$4,030,405,138	33,801,861	$123/sf	7.%	250	19.4%

ECONOMIC FACTORS

The balance of risks facing the U.S. economy has shifted dramatically during the first six months of 2026. At the start of the year, most forecasters expected slowing inflation, a weaker labor market, and rate cuts. Those forecasts, put simply, were wrong, though in fairness to the forecasters, no one anticipated the conflict in Iran and its massive inflationary effects.

Of course, oil prices have plummeted back down to roughly pre-conflict levels as of late June, and gas and diesel prices are slowly drifting lower as a result. From March to May, however, consumers spent $33.5 billion more on gasoline than they did during the same period of 2025. That resulted in a dramatically lower saving rate, yet at least for now it appears that consumers are content to keep spending despite rising prices.

As a result of stubbornly high borrowing costs, interest rate-sensitive segments like housing and certain construction segments will struggle to find momentum over the next several months. Unfortunately, that's been the case for the past several years.

Employment growth has slowed to a crawl in South Central Pennsylvania. Lancaster has outperformed the remainder of the region, adding jobs at the same sluggish 0.6% year-over-year pace as the entirety of Pennsylvania, while Harrisburg and York regions have added virtually no jobs over the past year. Despite a lack of growth, unemployment is stable in the area and remains significantly below the statewide and nationwide rate.

MARKET SIZE
1.551B SF

CONSUMER PRICE INDEX
3.6%

CIVILIAN LABOR FORCE
6,626,400

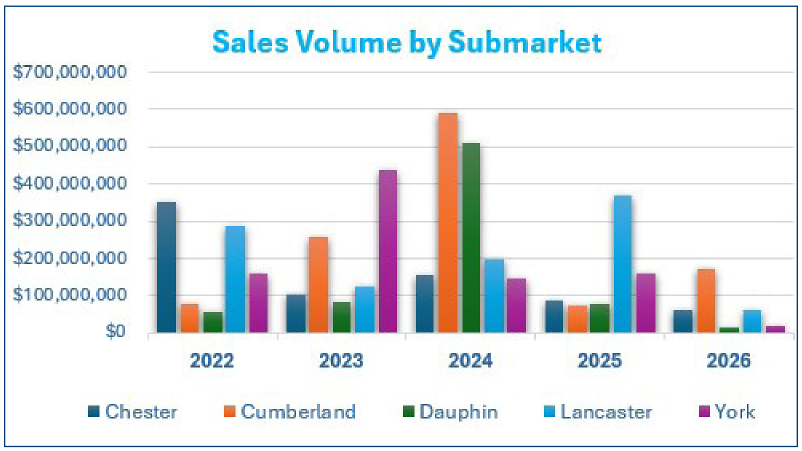
AVERAGE CAP RATE
7.6%

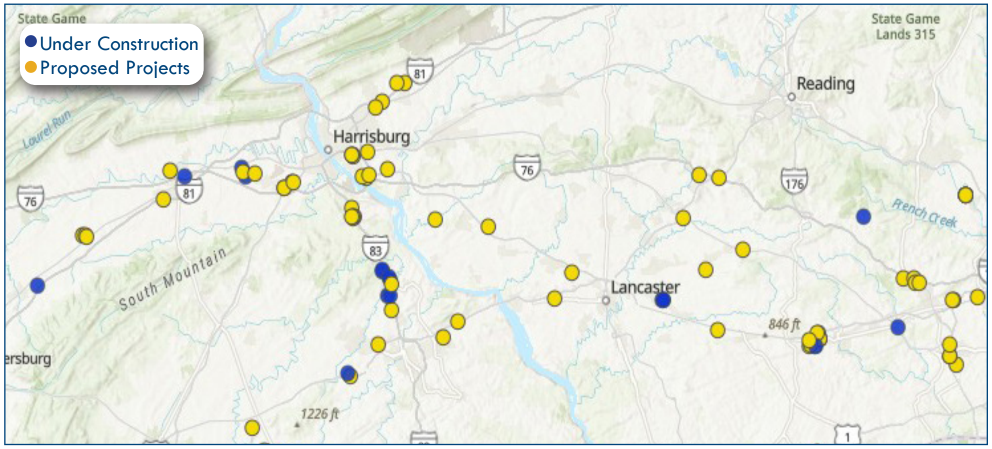
UNEMPLOYMENT RATE
4.2%

MANUFACTURING JOB GROWTH
-0.5%

SNAPSHOT

2Q26





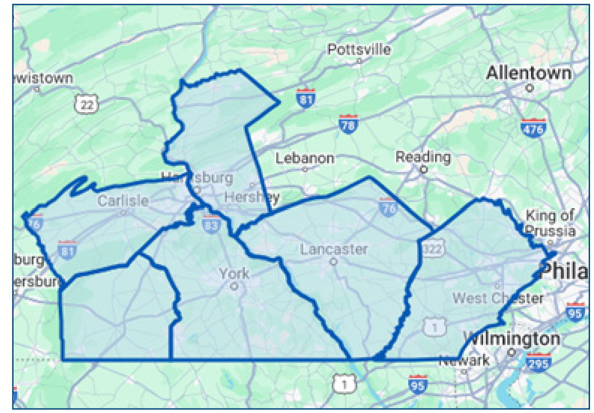
The construction industry has, at least in some ways, outperformed expectations over the past few months. Hiring has picked up from the dismal levels of 2025, and contractor backlog has grown, according to ABC's Construction Backlog Indicator. Despite that booming subsegment, total private nonresidential construction spending has now fallen in seven consecutive months and is down 8% from the December 2023 all-time high. Much of that decline has to do with CHIPS Act-incentivized megaprojects winding down, but there is little momentum to be found across most construction categories. Given stubbornly high borrowing costs and re-accelerating material price escalation, that will likely remain the case over the next several months.

*Indicators taken from MSCI Real Capital Analytics for a rolling 12-month period based on reported industrial sales for the State of Pennsylvania. Indicators and additional economic information taken from the Bureau of Labor Statistics for The State of Pennsylvania; May 2026.

INDUSTRIAL OVERVIEW

INDUSTRIAL INDICATORS

Market Size	Building Count	QTD Absorption	YTD Absorption	Vacancy	Rental Rate
328,556,804	**3,989**	**-527,769**	**-748,391**	**5.7%**	**$8.83/sf**

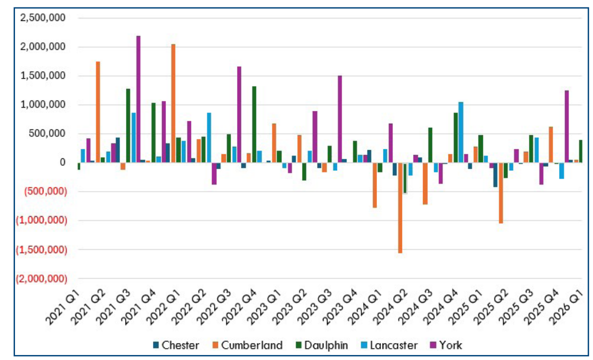


Southern Pennsylvania's industrial market remained resilient through 2Q 2026, even as supply additions and negative absorption continued to place upward pressure on vacancy. Overall vacancy ended the quarter at 5.7%, compared with 5.3% last quarter and 5.5% one year ago, while average asking rents increased to $8.83/sf. The market recorded 527,769 sf of negative absorption during 2Q and 748,391 sf YTD. Despite the recent softening, conditions remain strong relative to historical norms. Vacancy has risen from the all-time low of 2.4% recorded at the end of 2022. Since then, 18.3 million sf has been delivered across 84 buildings, with Class A vacancy now at 9.8%, compared with just 3.5% for Class C space.

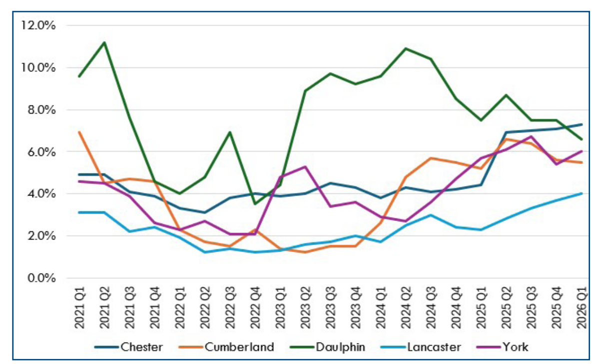
The warehouse segment weakened modestly, with vacancy increasing to 5.6% from 5.2% last quarter and 5.5% one year ago. The segment recorded -454,020 sf of absorption during the quarter and -629,885 sf YTD. Dauphin, Cumberland, and Chester accounted for most of the quarterly losses, posting -297,839 sf, -175,782 sf, and -167,049 sf, respectively. These declines were partially offset by positive absorption in York, Adams, and Lancaster, led by York County at 159,224 sf. Average warehouse asking rents rose to $8.63/sf, up from $8.06/sf last quarter and $7.55/sf one year ago.

Flex performance also softened during 2Q. Vacancy increased to 6.8%, compared with 6.5% last quarter and 5.6% one year ago, while absorption totaled -73,749 sf for the quarter and -118,506 sf YTD. Lancaster was the only flex submarket to record meaningful quarterly gains, with 36,898 sf of positive absorption, while Dauphin and Chester posted the largest declines at -41,650 sf and -37,682 sf, respectively. Average flex asking rents increased to $11.36/sf from $10.89/sf last quarter but remained below the $11.75/sf recorded one year ago, reflecting continued variation in performance across counties and asset classes.

ABSORPTION



VACANCY RATE



THE NUMBERS

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Adams County	289,670	32.5%	32.5%	32.5%	0	0	$6.95	$6.95	$6.95
Chester County	11,278,865	7.1%	6.8%	5.5%	-37,682	-98,415	$12.61	$12.36	$14.14
Cumberland County	1,967,656	4.6%	4.0%	4.8%	-10,740	-19,748	$11.38	$10.88	$11.91
Dauphin County	3,454,597	5.6%	4.4%	5.4%	-41,650	970	$11.31	$11.59	$11.47
Lancaster County	3,798,645	9.8%	10.7%	6.8%	36,898	6,166	$9.46	$9.39	$9.27
York County	2,990,303	2.2%	1.5%	3.0%	-20,575	-7,479	$9.53	$6.84	$6.56
Flex Totals	**23,779,736**	**6.8%**	**6.5%**	**5.6%**	**-73,749**	**-118,506**	**$11.36**	**$10.89**	**$11.75**
Adams County	8,385,792	3.7%	3.7%	4.5%	10,200	149,842	$7.72	$7.05	$5.66
Chester County	29,184,071	7.9%	7.4%	7.7%	-167,049	-56,154	$10.87	$11.13	$11.32
Cumberland County	69,658,291	4.6%	3.9%	5.1%	-175,782	-118,659	$8.86	$6.80	$6.43
Dauphin County	36,639,684	7.7%	6.9%	9.2%	-297,839	52,507	$7.66	$7.67	$7.36
Lancaster County	78,959,888	3.8%	3.7%	2.5%	17,226	-295,228	$9.18	$9.17	$8.53
York County	81,949,342	6.6%	6.3%	6.3%	159,224	-362,193	$7.64	$7.23	$6.48
Warehouse Totals	**304,777,068**	**5.6%**	**5.2%**	**5.5%**	**-454,020**	**-629,885**	**$8.63**	**$8.06**	**$7.55**
Totals	**328,556,804**	**5.7%**	**5.3%**	**5.5%**	**-527,769**	**-748,391**	**$8.83**	**$8.26**	**$7.85**

INDUSTRIAL OVERVIEW

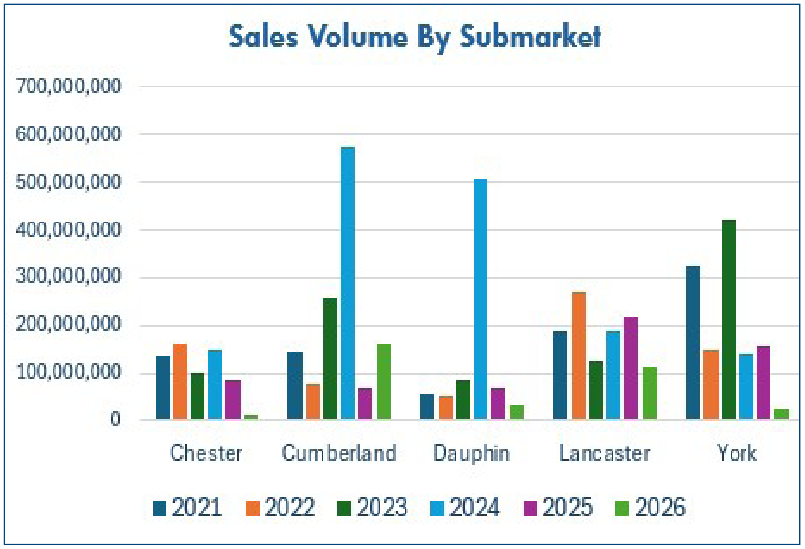
LEASE TRANSACTIONS

Type	Location	Submarket	Tenant	Leased (sf)
Industrial	2771 N Market St.*	Dauphin	Undisclosed	1,085,280
Industrial	4406 Freight St.*	Cumberland	GXO Logistics	413,867
Industrial	100 Capital Ln.*	Dauphin	Boxzooka Fulfillment	321,333
Industrial	1 S Shearer Dr.	Cumberland	Allen Distribution	260,600
Industrial	8051 Allentown Blvd.	Dauphin	Undisclosed	183,200

SALE TRANSACTIONS

Type	Location	County	Price	PSF	Bldg. Size (sf)
Industrial	221 Forney Dr	Lancaster	$13,783,000	$105.21	131,000
Industrial	43 Graybill Rd	Lancaster	$10,000,000	$100.07	99,930
Industrial	525 Mill St	Lancaster	$8,959,680	$67.50	132,736
Industrial	140 Ola Way	Lancaster	$5,350,000	$166.24	32,182
Flex	1514 Commerce Ave	Cumberland	$5,100,000	$224.39	22,728
Industrial	18 Industrial Way	Lancaster	$3,925,000	$98.37	39,900
Industrial	2001 Herr St	Dauphin	$3,340,984	$48.07	69,496
Flex	3909 Tecport Dr	Dauphin	$2,600,000	$127.58	20,380
Industrial	52 Mill St	Lancaster	$2,500,000	$67.25	37,176

Pennsylvania industrial investment activity strengthened during the first half of 2026. Rolling 12-month sales volume reached $4.03 billion, up 19.4% from the prior year, as 33.8 million sf traded across 250 properties. Average pricing increased to $123/sf, while the average cap rate edged up to 7.6%. The selected Southern Pennsylvania transactions totaled $55.6 million and 585,528 sf, with Lancaster County accounting for six of the nine reported sales.



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

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