

PA I-81/78 Corridor

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Weaker market fundamentals curb construction

Construction activity levels fell by 48.0% from one year ago, which is attributed to the moderation in tenant demand and higher interest rates. The Pennsylvania I-81/78 Corridor recorded 6.9 million square feet (msf) of new warehouse and distribution space under construction in Q1 2025. Most construction activity was centered around York (1.5 msf), Schuylkill (1.4 msf) and Lancaster (1.1 msf) counties.

Quarterly deliveries amounted to 3.9 msf across the market, a 22.0% decrease from Q1 2024. Notable deliveries included the 1.2 million square feet (msf) at 3379 Pocono Summit Road and the 1.1 million square feet at Hazelton Logistics 141. Both are in the Northeast PA submarket.

Vacancy rises while rent growth slows

Year-over-year, the overall vacancy rate for the PA I-81/78 Corridor rose 160 basis points (bps) to 7.8%. At 6.4%, the Central PA submarket has the lowest vacancy in the market. Vacancy for Lehigh Valley and Northeast PA was 9.1% each. Despite an uptick in activity from third-party logistics (3PL) providers, it was not enough to chip away at new supply.

The high-velocity rent growth of the last few years slowed as developers contend with new market conditions. In Q1 2025, the overall average asking rent for the PA I-81/78 Corridor was \$8.30 per square foot (psf), a decrease of less than 1.0% compared to Q1 2024. Rents were highest in the Lehigh Valley, whose average was \$10.09 psf.

Absorption was positive but well below the 5-year average

Overall net absorption was positive at 719,690 square feet (sf) for Q1 2025. However, it was nowhere near the five-year quarterly average of 4.5 million square feet (msf). During the quarter, 3PL provider Ryder Logistics occupied 951,080 sf at 15651 Greenmount Road, Building 1, while manufacturer Kyocera Group moved into 467,990 sf at 2701 North Market Street. In addition, MasterBrand Cabinets occupied 425,000 sf at 221 Allen Road, Building 1. All three locations are in the Central PA submarket.

Key Statistics

	Q1 2024	Q1 2025	Y-O-Y
Inventory	585.0 msf	607.7 msf	+22.7 msf
Vacancy Rate	6.2%	7.8%	+160 bps
Asking Rental Rate	\$8.24	\$8.30	+0.8%
Net Absorption	2.2 msf	0.7 msf	-1.5 msf
Under Construction	13.2 msf	7.0 msf	-6.3 msf
Deliveries	5.1 msf	3.9 msf	-1.1 msf

Outlook

01

Tenant activity is slowly increasing, which may lead to more balanced market conditions from the current tenant-friendly environment

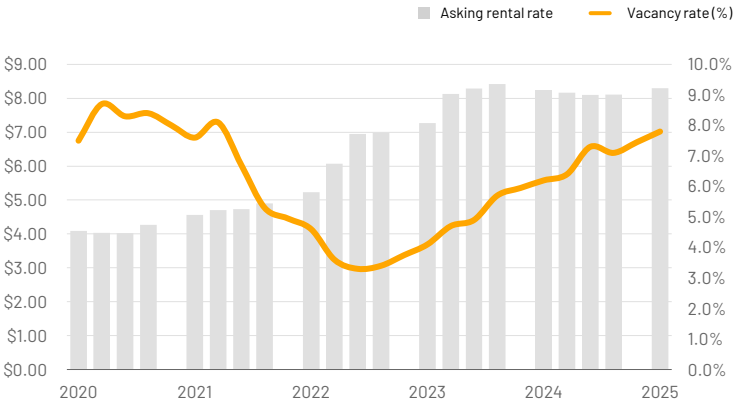
02

Speculative construction will move at a slower pace due to rising material costs and elevated vacancy

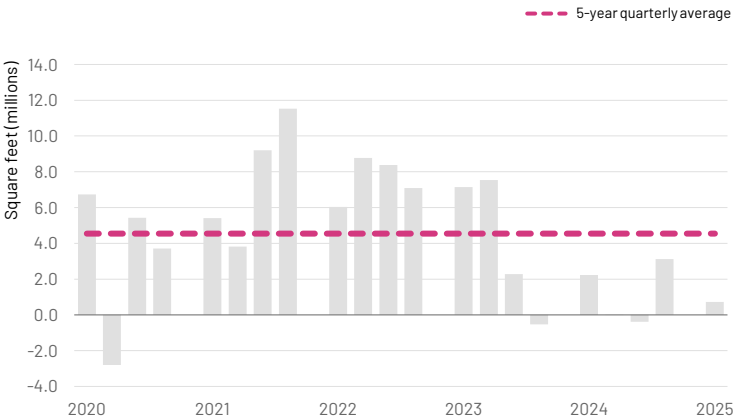
03

More subdividing of unleased big box warehouses is expected as properties over 1.0 msf remain unleased

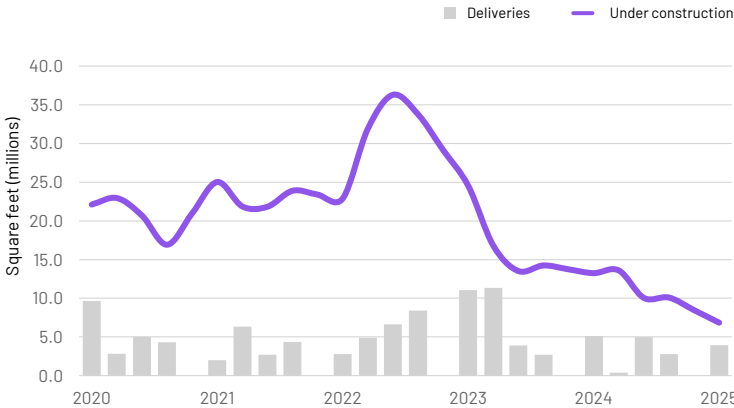
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

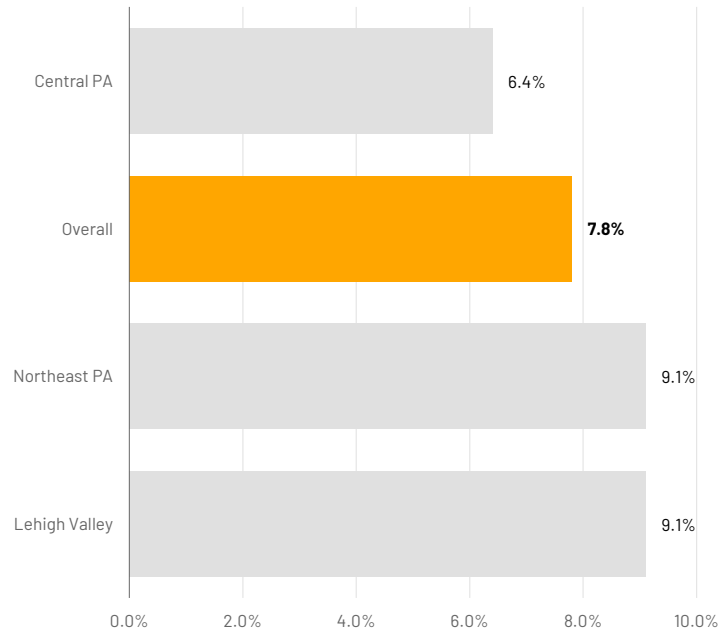
Tenant	Size (sf)	Submarket	Address	Transaction Type	Industry
Toyo Tire Group	409,976	Central PA	1055 Woods Road	New Lease	Automotive
Langham Logistics	224,595	Lehigh Valley	1571 Van Buren Road	New Lease	Logistics & Distribution/3PLs
WSI	166,085	Lehigh Valley	2800 Liberty Drive	New Lease	Logistics & Distribution/3PLs
Unicorn Tire	82,944	Lehigh Valley	9770 Commerce Circle	New Lease	Automotive
Savers Value Village	81,250	Lehigh Valley	4730 Hanoverville Road	New Lease	Retailer (Brick & Mortar)

Top Sales

Owner/Buyer	Size (sf)	Submarket	Address	Price / \$/sf	Seller
Broadstone Net Lease, Inc.	330,682	Lehigh Valley	40 Dennis Drive	\$41.09 M / \$124	Union Capital Associates, LP
Fundamental Income	187,288	Central PA	2220 Dutch Gold Drive	\$23.86 M / \$127	Dutch Gold Honey and Gamber Container Inc.
High Street Logistics Properties	201,600	Central PA	1875 Zeager Road	\$20.7 M / \$103	DAS Inc.
Lightstone Group	85,500	Central PA	503-509 Industrial Drive	\$9.0 M / \$105	High Street Logistics Properties
Peachey Rail Works	227,328	Central PA	244 N Lincoln Avenue – Building 2	\$5.14 M / \$23.0	Lincoln Fifth Corporation

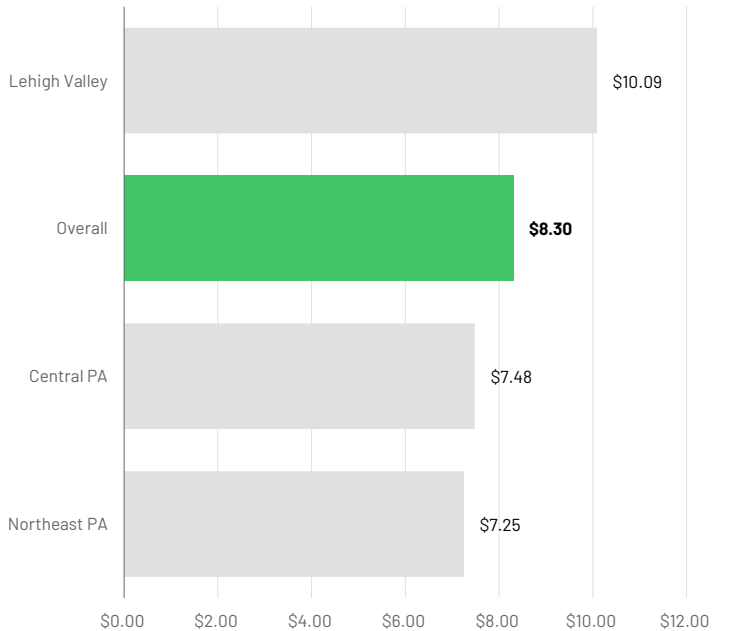
Vacancy Rate Comparison (%)

PA I-81/78 Corridor Submarkets



Rental Rate Comparison (\$/sf)*

PA I-81/78 Corridor Submarkets



*based on all classes of available inventory

PA I-81/78 Corridor Q1 2025 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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