NAI Summit

Q2 2026 INDUSTRIAL REPORT

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INDUSTRIAL
REPORT

Market Overview

Lehigh Valley Industrial Market

The Lehigh Valley's strategic position along the Northeast corridor makes it a critical logistics hub along I-78 and I-81. Excellent proximity to major metros Baltimore, Washington, New York City, and Philadelphia feeds demand from national retailers and third-party logistics providers.

The market offers a distinctly lower operating costs than nearby gateway markets such as northern New Jersey and New York. The cost savings remain a key draw for occupiers.

The Lehigh Valley industrial market continued to stabilize during the second quarter of 2026 as the pace of speculative development moderated and leasing activity remained steady. While vacancy remains above the record lows experienced during the post-pandemic expansion, the market is gradually working through the significant volume of new inventory delivered over the past several years. Demand remains healthy for well-located industrial facilities, particularly those offering modern specifications and footprints under 100,000 square feet.

Occupiers continue to prioritize operational efficiency, placing a premium on buildings with strong transportation access, functional loading configurations, ample power, and move-in-ready improvements. Larger bulk distribution facilities continue to experience longer lease-up periods, while mid-sized warehouse and flex properties have generally demonstrated greater leasing velocity.

Despite ongoing economic uncertainty and elevated financing costs, the Lehigh Valley remains one of the Northeast's most desirable industrial markets. Its strategic location, extensive transportation infrastructure, and skilled workforce continue to attract manufacturers, logistics providers, and regional distributors. As new construction slows and existing inventory is absorbed, market fundamentals are expected to continue improving throughout the remainder of 2026.

Building Class	**All Classes**	**Class-A & Class-B**
Minimum Building Size	No Minimum	50K+ SqFt
Inventory Sq Ft	**146M** *+0.3% prior period*	**111M** *+0.4% prior period*
Vacancy Rate	**8.1%** *+0.1% prior period*	**9.5%** *+0.3% prior period*

Average Industrial NNN Rent

Lehigh Valley	$11.30
New York	$20+
Philadelphia	$11.70+
Northern New Jersey	$16.20+

Source: CoStar® & NAI Summit - July 2026

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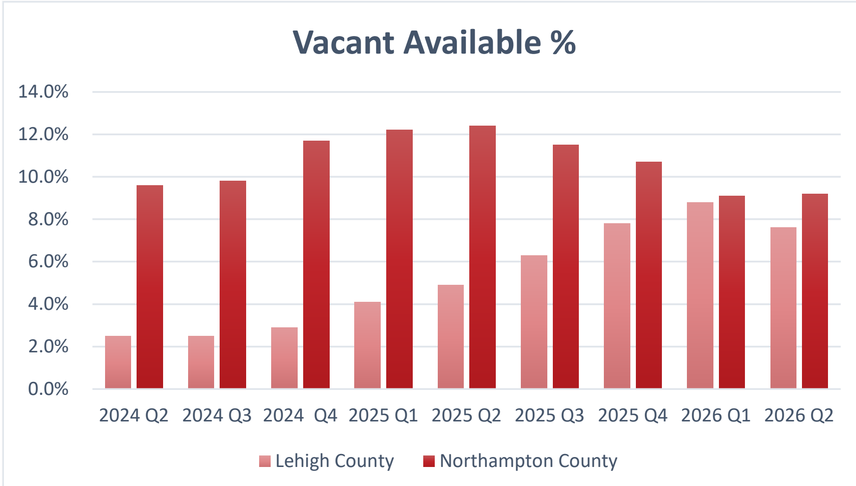
Market Trends

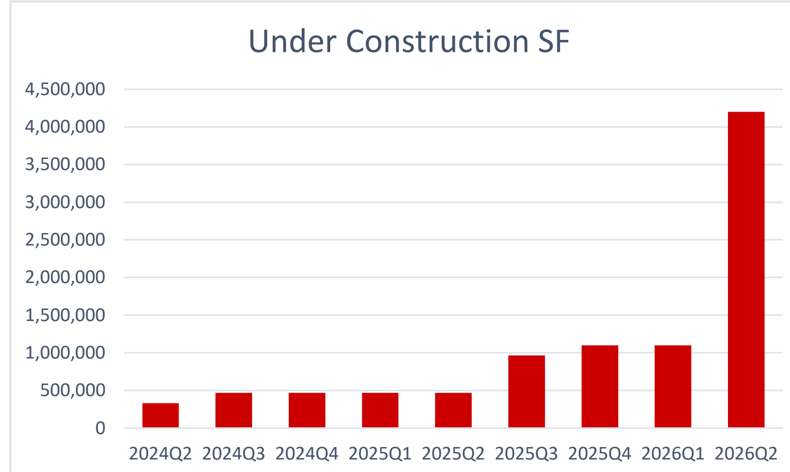
Vacancy Trend 2024-2026

Lehigh & Northampton Counties



Under Construction Pipeline

Lehigh & Northampton Counties



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National Q2 Highlights

Data centers were a major topic of discussion among the Industrial & Logistics Group during the second quarter, with notably different perspectives emerging by region. Brokers from Texas reported a generally welcoming environment for data center development, while their Northeast counterparts described significantly greater local opposition. In the Lehigh Valley and throughout the Northeast, proposed data center projects are increasingly facing challenges at the municipal level, including concerns surrounding land use, infrastructure capacity, power consumption, and community impact. These local challenges are creating additional hurdles for developers and may influence the pace and location of future data center development.

Construction Projects

PROPERTY ADDRESS	CITY	RBA	COMP. DATE	DEVELOPER NAME
1112 American Parkway	Allentown	210,714	4Q 2027	Watson Land Company
8120 Sauerkraut Lane	Macungie	338,287	4Q 2027	Prologis
2400 Liberty Dr	Northampton	295,760	4Q 2027	Watson Land Company
3900 Commerce Way	Center Valley	1,153,250	4Q 2026	Panattoni/Kay Builders
4600 Industrial Lane	Center Valley	535,360	4Q 2026	Panattoni/Kay Builders
1561 Van Buren Road	Easton	263,195	4Q 2026	Carson Companies
2141 Commerce Center Blvd	Bethlehem	216,000	4Q 2026	J.G. Petrucci
3800 Commerce Way	Center Valley	82,500	4Q 2026	Panattoni/Kay Builders
1150 Conroy Place	Easton	55,100	4Q2026	J.G. Petrucci
2843 Mitchell Avenue	Allentown	70,000	4Q 2026	ACA Realty Company
2680 Commerce Center Blvd	Bethlehem	136,000	3Q 2026	Sage Design Build
142 Commerce Park Drive	Easton	90,000	3Q 2026	Kervan
2300 City Line Road	Bethlehem	50,000	3Q 2026	J.G. Petrucci
770 Savage Road	Northampton	357,780	3Q 2026	Hanover Company
Route 940	Blakeslee	699,847	3Q 2026	PNK Holdings LLC
6681 Snowdrift Road	Allentown	251,420	3Q 2026	-
757 Hellertown Road	Bethlehem	101,000	3Q 2026	J.G. Petrucci

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Recent Transactions

TOP SALE TRANSACTIONS	SIZE	SALE PRICE	BUYER/SELLER	BUILDING CLASS
Denholtz LVIP III Allentown/Bethlehem, PA	470,260	$69,300,000	Investcorp	Class A
100 Kuebler Road Easton, PA	85,053	$7,000,000	Regal Ventures / Broadshore Capital Partners	Class B
500 S 9th St Lehighton, PA	60,421	$1,100,000	Jlm Leasing Llc / New Jersey Partnership	Class B
744 Roble Road Allentown, PA	46,800	$4,965,000	Serfass Contracting Co. / GI Partners	Class B

TOP LEASE TRANSACTIONS	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
2800 Baglyos Circle Bethlehem, PA	13,550 SF	Pimlico Holdings	United Smoke	Wholesale Distribution
196 Commercial Blvd Blakeslee, PA	52,800 SF	196 Commercial LLC	Bada Boom Fireworks	Retail/Wholesale
6823 Schantz Road Allentown, PA	100,000 SF	6932 Schantz Road LLC	Casella Recycling	Resource Management
8400 Industrial Blvd Breinigsville, PA	728,000 SF	Prologis	Amazon	Retailer
861 Nestle Way PA	550,000 SF	Link	BMS Logistics	Logistics
8120 Sauerkraut Ln Alburtis, PA	338,000 SF	Prologis	Life Science Logistics	Logistics
5210 Jaindl Blvd Bethlehem, PA	120,000 SF	INDUS	Evases Universales	Transportation & Warehousing
3100 Alburtis Road Macungie, PA	211,709 SF	Ares Management	Pratt Industries	Manufacturing
9670 West Hills Court Kutztown, PA	241,500 SF	Watson Land	Behr Paints	Manufacturing

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Major Corporations Activity in the Market

- **SUBLEASE** ID Logistics listed its 497,000 SF facility in Lehigh County for sublet.
- **LEASED** Hershey Company full lease-up of 528,670 SF facility in Northampton County.
- **RENEWAL** RR Donnelley renewed its lease of 542,244 SF facility in Lehigh County.

Lehigh Valley Economic Development Corporation continues to highlight the growth potential and influence of the Lehigh Valley.

- With the recent approval of the PA Budget, there is a heavy investment in life sciences including funding for clinical trials, capital for startups, and support for work development partnerships. This comes as the largest life science project, Eli Lilly and Company, prepares to break ground in Upper Macungie.
  Learn more
- The region continues to attract food and beverage manufacturers. A recent announcement that FlexXray held a ribbon cutting at its new East Coast operations facility in Upper Macungie. They relocated from New Jersey to serve their clients in the Lehigh Valley and surrounding regions. Learn more

Key Takeaways

- Sublease inventory accounts for 3.2% of total existing inventory, but represents more than 25% of available space.
- Newer buildings, assets with outdoor storage, and properties near major transportation arteries, such as Route 22 and I-78, achieved premium sale valuations. Older buildings without significant upgrades required longer on-market periods and sold at lower rates than new builds and build-to-suit projects.
- Vacancy appears to have peaked in 2026 and recovery is expected to be gradual as excess space is absorbed. However, the Lehigh Valley market has the highest overall vacancy in the I-78 and I-81 area.
- **Macro-Economic Factors**
  - *DRIVERS:* The strategic logistics market continues to attract distribution, manfacturing, and e-commerce users. The region also boasts steady population growth and job creation which will support long-term industrial demand by expanding both regional labor pool and consumer base.
  - *HEADWINDS:* Speculative development, acquisition activity, and tenant expansion decisions continue to be affected by occupiers cautiously regarding their long-term lease commitments, capital expenditures, and financing requirements.
- **Local Economic Factors:** The Lehigh Valley industrial market continues to be influenced by local development dynamics. Municipalities have become increasingly selective in their review of new industrial projects, resulting in greater entitlement risk through more restrictive zoning, infrastructure capacity considerations, and heightened environmental review. As approval timelines lengthen and development becomes more complex, existing industrial properties and sites that are already approved or shovel-ready are becoming increasingly valuable to users seeking certainty and speed to market.

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85 TRANSACTIONS IN 2025

1.4M SQUARE FEET SOLD AND LEASED IN 2025

$20.4 MILLION - VALUE OF SALE TRANSACTIONS IN 2025

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