

MARKET REVIEW

OFFICE | Lancaster County, PA | Q1 2020



Low Vacancy Remains Intact, Average Rent At Five Year High

OUTLOOK

- Infill development in prominent, accessible and convenient locations in Lancaster City continues to increase average lease rates.
- Preference in unit size decreased from Q4 2019. Units 1,800 SF or less were the unit size of choice this quarter and accounted for 73% of leases.
- Net absorption continued its downward trend from last quarter dipping negative to -35,811 SF, a five year low. With possible economic disruptions due to COVID-19, Q2 and beyond will help to indicate if demand remains for available office space.

OVERVIEW

Predictability of the office sector has received another variable thrown into the mix as COVID-19 prevents workers from commuting to traditional office space.

Once the green light is given to return to work, concerns over public health may impact tenant preferences in the workplace shifting from open concept work areas to closed private offices. Decrease in overall square feet of office leases could be expected as remote working proves to be increasingly viable and real estate expense can be cut.

At the close of Q1, infill development within and near Lancaster City continued to create accessible and sought after environments for office tenants. Offices located along the pikes leading into Lancaster City are easily accessible and rich with nearby amenities. North Pointe Center located along Oregon Pike signed a 3,905 SF office lease for \$29.98/SF. As more of this Class A, prime located office become available, with asking rents approaching \$30/SF, average lease rates will continue to see a boost.

Since the sharp decrease in 2017, vacancy has been mirroring the national trend by remaining historically low overall but increasing again this quarter. We have not yet seen a sharp swing up or down in vacancy due to disruption from COVID-19. Evidence of economic disruption may become more evident in Q2 and beyond.

Lease rates continue to increase and have exceeded the \$12.77 mark experienced back in 2016. The current average lease rate sits at \$13.22/SF.

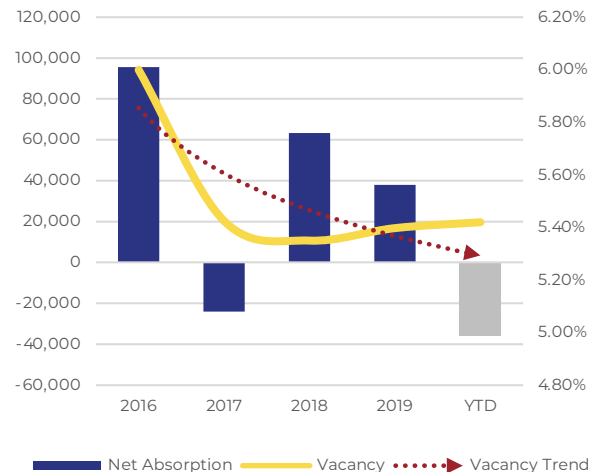
Construction of the Clio Health Building remains in flux and remains poised to add an additional 144,000 SF of high tech medical space. The building, however, remains unfinished and unoccupied due to funding concerns and its official completion date remains unknown.

Active office construction remains limited along with very few plans for development. Key project areas that remain proposed include Brownstown Commons along Route 272 in Brownstown, 3200 Columbia Avenue in Lancaster and the Clio Health Building at 1250 Marshall Avenue (The Stockyards) in Lancaster. Together these projects and others are poised to add 210,000 SF of inventory, though dates of delivery remains uncertain.

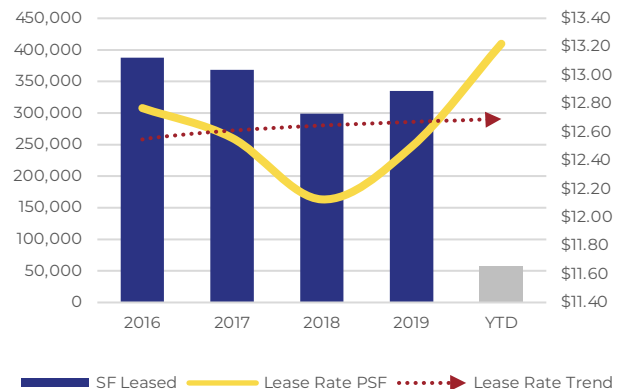
MARKET INDICATORS

Total Inventory	16.88 MSF	▲
Sales (\$)	\$18.05M	▲
Sales (SF)	436,000 SF	▲
Total Vacancy	5.42%	▲
Total Leased (SF)	57,180 SF	▲
Average Rent	\$13.22	▲

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

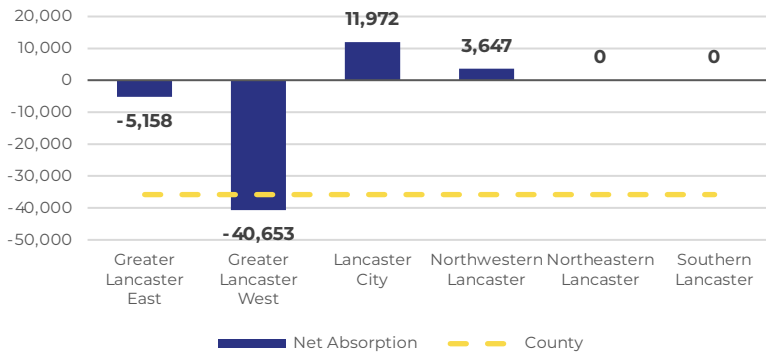


OFFICE

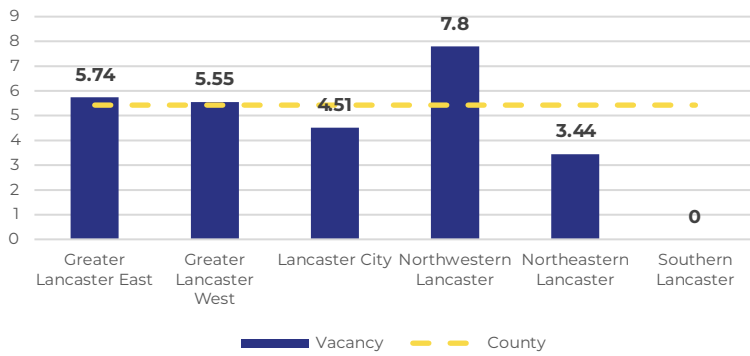
Lancaster County, PA

Q1 2020

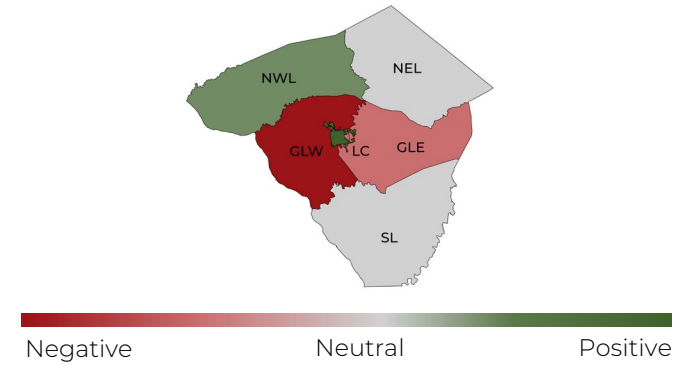
NET ABSORPTION BY SUBMARKET



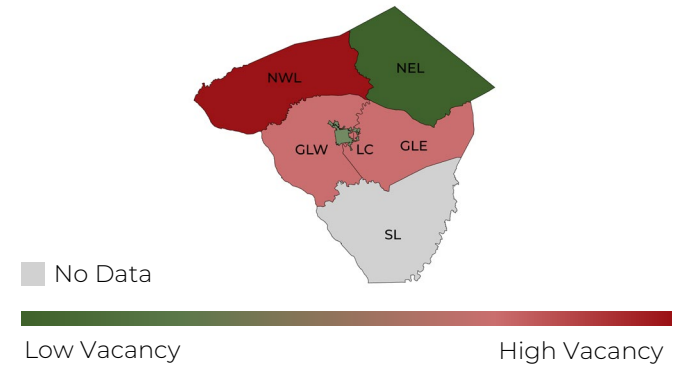
VACANCY BY SUBMARKET



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q1 2020

PROPERTY	SF	TENANT	TRANSACTION
100 Highlands Dr, Lititz	9,000	Name Withheld	New
160 North Pointe Blvd, Lancaster	3,905	Name Withheld	New
423-425 N Prince St, Lancaster	3,673	Name Withheld	New
131 Foxshire Dr, Lancaster	2,600	Name Withheld	New
2450 Noll Dr, Lancaster	2,381	Name Withheld	New

Key Sales Transactions Q1 2020

PROPERTY	SF	SELLER/ BUYER	PRICE
200 Rock Lititz Blvd, Lititz	250,000	Rock Lititz Properties, LP / Rock Lititz Studio	\$1,506,000
3040 Industry Dr, Lancaster	17,230	ADT, LLC / J Holdings, LLC	\$1,360,000
912 W Main St, New Holland	19,600	EVP Investments, LLC / Scott E. Sweigart	\$1,320,000
2260 Erin Ct, Lancaster	9,960	AFE Enterprise, LLC / UDS Foundation	\$1,300,000
17-19 E Main St, Lititz	7,192	Blackford Development, LTD / Aloo Alu, LLC	\$817,500

