

MARKET REVIEW

OFFICE | York County, PA | Q1 2020



Vacancy and Lease Rates Hold Steady

OUTLOOK

- Vacancy and lease rates hold steady despite late quarter disruptions from the COVID-19 pandemic. Ramifications of these disruptions will become more evident in Q2 and beyond.
- Medical office continues to drive office sales in the York market with 68% of sales volume attributed to medical users.
- The most popular unit size among office tenants in Q1 were spaces less than 1,500 SF, accounting for 53% of all office leases.
- 74% of available office space can be found in Greater York East.
- The first phase of York City's Innovation District remains planned to break ground in June 2020 and be completed by late 2021. Phase 1 will deliver 60,000 SF of flex office space geared to attracting a line up of high tech tenants including York Exponential, a York based robotics manufacturer.

OVERVIEW

York County office has historically demonstrated low volatility in terms of vacancy and lease rates. The swing in vacancy over the past five years has been less than 1% with average rent between \$11.08 and \$11.75/SF. However, economic fallout from the COVID-19 pandemic will test this stability as threats of business closures remain and remote work scenarios become normalized.

Just as demand in the office market has become increasingly less predictable with co-working concepts, health concerns now present additional obstacles for traditional office buildings. Tenant preferences may shift from open concepts to closed private offices due to health concerns with shared spaces and decrease overall in size as remote working proves to be viable.

At the close of Q1 2020 the market has not yet observed a drastic swing in vacancy up or down. Vacancy remains steady at 5.59% though this number is projected to increase slightly in Q2. Similar to vacancy, lease rates also remain steady dropping only \$0.06 to \$11.09/SF.

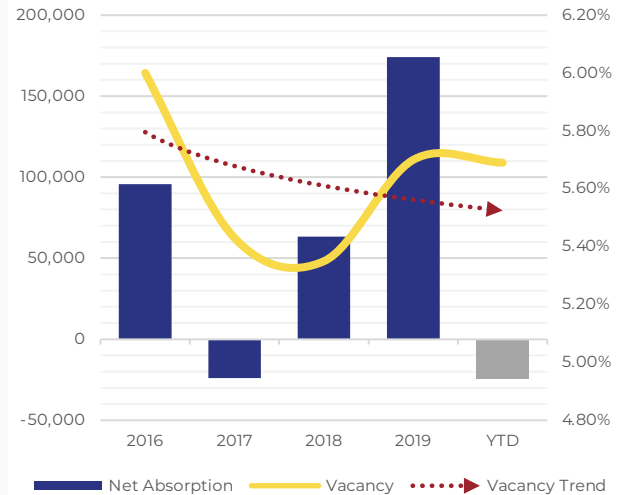
With more inventory supplied than what was leased, net absorption dropped negative following the high performance last quarter in terms of leased square feet. Sizeable vacancies at 96 S. George Street and City View Office Park in York drive the bulk of negative absorption this quarter. This negative absorption is also good news for tenants previously unable to locate suitable inventory.

UPMC Pinnacle outpatient center on Brunswick Drive in Hanover is in the final stages of construction. Completion is projected for Q2 of 2020 and will deliver 43,200 SF of outpatient medical office.

MARKET INDICATORS

Total Inventory	13.14 MSF	▼
Sales (\$)	\$24.9M	▲
Sales (SF)	430,000 SF	▲
Total Vacancy	5.69%	▲
Total Leased (SF)	19,997 SF	▼
Average Rent	\$11.09	▼

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

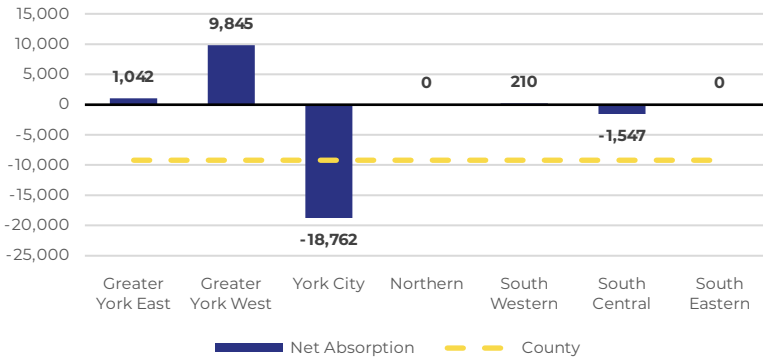


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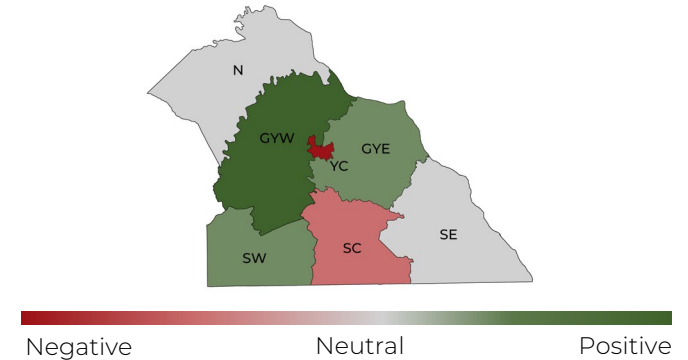
York County, PA

Q1 2020

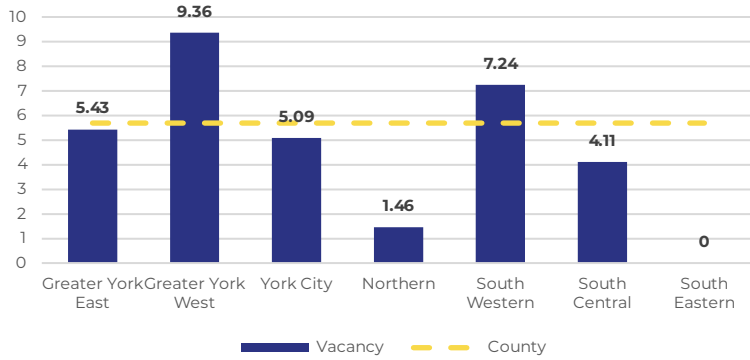
NET ABSORPTION BY SUBMARKET



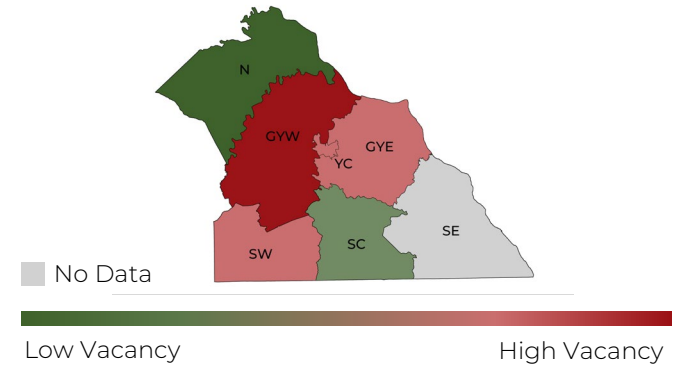
NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q1 2020

PROPERTY	SF	TENANT	TRANSACTION
50-56 Grumbacher Rd, York	4,494	Area Wide Protective	New
1273-1285 King St, York	3,864	imanpack North America	New
1010-1050 Plymouth Rd, York	2,250	WellSpan Properties, Inc.	Renewal
1805 Loucks Rd, York	2,663	HUB International	New
4375 W Market St, York	1,470	J. Hartley Construction, LLC	New

Key Sales Transactions Q1 2020

PROPERTY	SF	SELLER/ BUYER	PRICE
3687 Concord Rd, York	23,497	Concord Properties I / WellSpan Properties, Inc.	\$2,590,000
1702 Fifth Ave, York	2,362	UPMC Corporate Real Estate / Noble Colt, LLC	\$655,000
795 Cherry Tree Ct, Hanover (Units 1-4)	8,332	DDC Properties / CCARE, LLC	\$547,020
3301 W Market St, York	3,301	Krentz Family, LLC / PA Child Corp	\$400,000
9-11 E Market St, York	16,835	Rich Executive Building, LP / 25 N Duke Street, LLC	\$299,000