

MARKET REVIEW

OFFICE | Lancaster County, PA | Q3 2020



Vacancy & Lease Rates Increase, On Par With National Trend

OUTLOOK

- Vacancy rose again in Q3 keeping to the national trend but remains well below national average of 14.4%. The swing in vacancy remains tight over the past five years varying no more than 0.65%.
- Lease rates continue to rise and have risen 9.71% since 2016.
- Average lease rates year-to-date are at a five year high at \$14.01 / SF. This is on par with the national trend seeing lease rates rise along with vacancy.
- With more inventory placed on the market than was leased, net absorption flipped negative year-to-date totaling -29,064 SF.
- 190,574 SF will need to be leased in Q4 to match total leased square feet in 2019.

OVERVIEW

Threats from teleworking, staggered scheduling and desire to reduce rent expense may still prove worrisome in the future as the health crisis continues heading into the winter months. Overall, lease activity is down significantly compared to the past five years with a shortfall of 190,574 SF needing to be leased in Q4 to match 2019 levels.

Absorption flipped negative this quarter and is now negative year-to-date. More inventory was placed on the market than was leased. 63,452 SF was placed on the market in Q3. A sublease opportunity at 48-50 W Chestnut Street, Lancaster contributed 17,000 SF to this metric in Q3.

Since the sharp decrease in 2017, vacancy remains well below the national average of 14.4%. Suburban markets, like Lancaster County, residing outside major metros have shown signs of being more resilient during the pandemic but not completely immune to its effects. Lancaster County offers small city culture, affordable and amenity rich space compared to the Central Business Districts of larger cities.

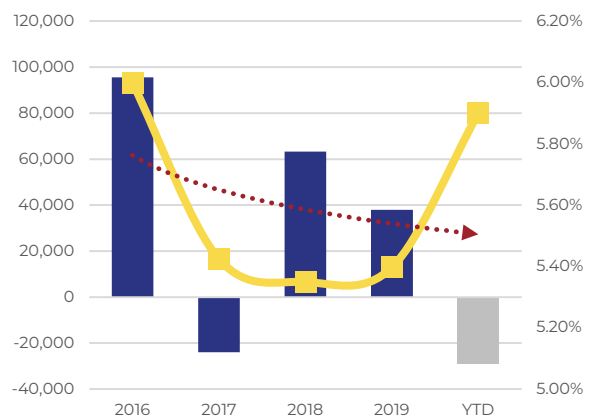
With increasing vacancy, opportunity abounds for office users seeking space in Lancaster County. For users searching for an office in the city, 377,806 SF of office is currently available for lease within Lancaster City limits accounting for 49% of all available office space in Lancaster County. The next most prevalent supply of office can be found in Greater Lancaster West with 271,124 SF accounting for 35% of office supply. Greater Lancaster West is known for its supply of professional centers and condominium units.

Even with an influx of inventory placed on the market, landlords appear to be holding firm on their asking rates as lease rates continue to rise. Lease rates among Class A and Class B inventory rose \$2.74 in Q3 and \$1.88 since 2018.

MARKET INDICATORS

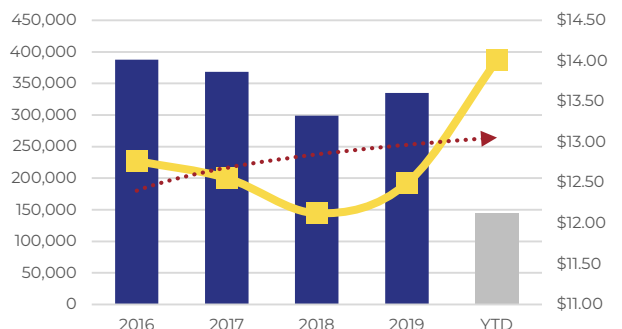
Total Inventory	16.96 MSF	▲
Sales (\$)	\$10.91M	▲
Sales (SF)	177,902 SF	▲
Total Vacancy	6.38%(+0.47%)	▲
Total Leased (SF)	12,176 SF	▼
Average Rent	\$13.94(+\$2.74)	▲
Average Rent <i>12 month rolling average</i>	\$13.30 (+\$0.74)	▲

NET ABSORPTION & VACANCY



Legend: Net Absorption (Blue Bar), Vacancy (Yellow Line), Vacancy Trend (Red Dotted Line)

SF LEASED & AVG LEASE RATE



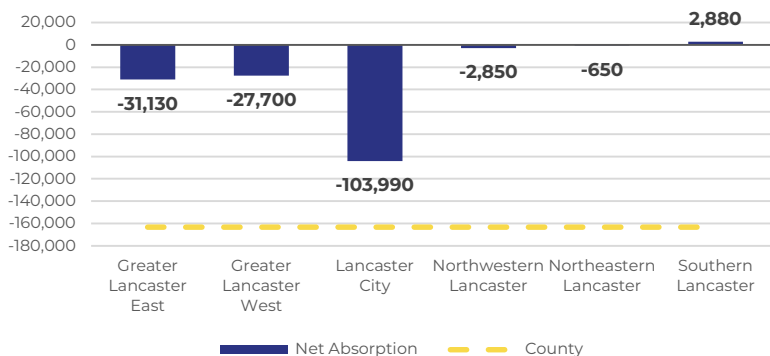
Legend: SF Leased (Blue Bar), Lease Rate PSF (Yellow Line), Lease Rate Trend (Red Dotted Line)

OFFICE

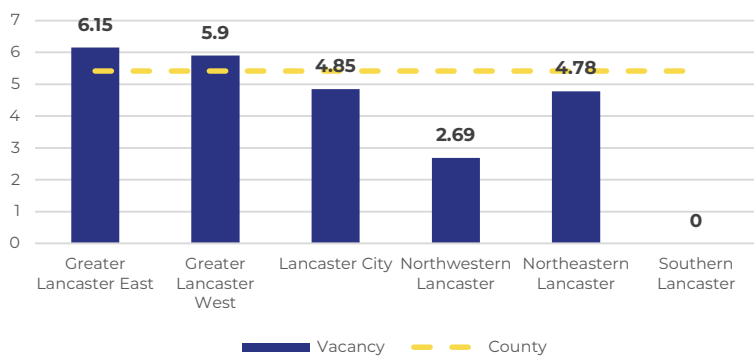
Lancaster County, PA

Q3 2020

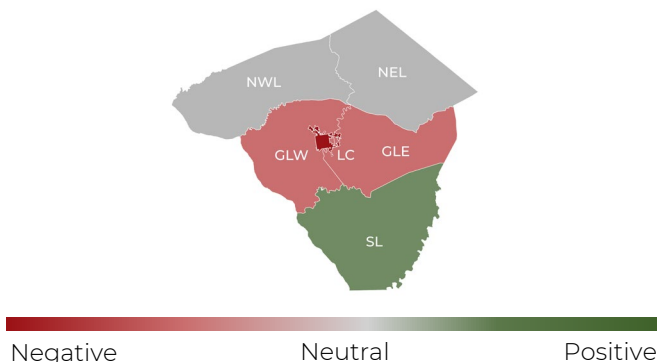
NET ABSORPTION BY SUBMARKET



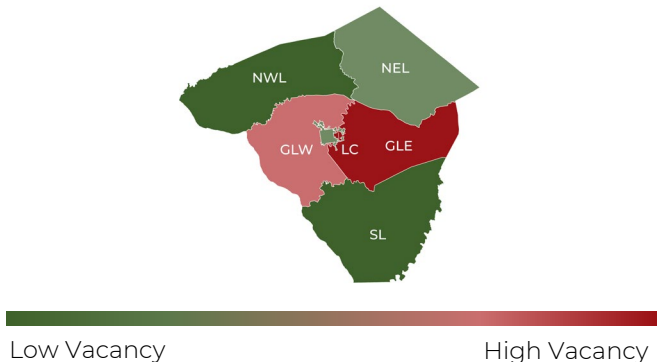
VACANCY BY SUBMARKET



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q3 2020

PROPERTY	SF	TENANT	TRANSACTION
823 Lancaster Pk, Quarryville	2,880	Name Withheld	New
2135 Noll Dr, Ste A, Lancaster	2,340	Name Withheld	New
385 E Roseville Rd, Lancaster	1,670	Name Withheld	New
300 Granite Run Dr, Ste 150, Lancaster	1,509	PeopleShare, Inc.	New
1525 Oregon Pk, Lancaster	1,000	Action Coach of Central Pennsylvania	New

Key Sales Transactions Q3 2020

PROPERTY	SF	SELLER/BUYER	PRICE
836 Houston Run Dr, Houston Run Professional Center, Gap	52,562	Houston Run Properties, LLC / Withheld	\$2,500,000
345 W Main St, Ste 500, Leola	4,200	Marathon Property Management, GP / Unknown	\$687,500
2741 Lititz Pk, Lancaster	4,004	Richard W. Keene Jr. / Unknown	\$285,000
1730 Columbia Ave, Lancaster	1,680	Lamphouse Creative, LLC / Kamal Kafley	\$240,000
22 E Roseville Rd, Lancaster	1,726	Samper, LLC / Unknown	\$239,000

