

# MARKET REVIEW

OFFICE | York County, PA | Q3 2020



## Office Sales Strong Heading Into Q4, Up 27.6% From Same Time Last Year

### OUTLOOK

- \$4.7M remains under contract at the close of Q3 providing the potential for strong sales performance in Q4.
- Although lease activity continues its downward trend, lease activity year-to-date is at 64% of 2019 levels and within 54,000 SF of the three year rolling average of 162,177 SF.
- Average lease rates year-to-date are at a five year high at \$12.82/SF with the highest lease rate recorded at \$16.67 / SF. This is on-par with the national trend seeing lease rates rise along with vacancy.
- Despite the five-year high in vacancy, York County remains well below the national average of 14.4%.
- 57% of pending sales dollar volume is attributed to medical office space.
- UPMC Pinnacle outpatient center on Brunswick Drive in Hanover has been completed, delivering 43,200 SF of outpatient medical office to York County.

### 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. Although lease activity is down compared to the past five years, potential exists to come close to matching 2019 levels at the close of Q4. An additional 60,505 SF will need to be leased in Q4 to match 2019 levels.

Lease activity continues its downward trend as demand appears to be weakening. While large urban metros have been hit hard by the COVID-19 crisis, prevalence of suburban office supply in York County is poised as an attractive alternative for tenants seeking affordable and amenity rich space outside of large urban metros. Over 930,000 SF of professional office and over 215,000 SF of medical office is available in York County.

Absorption continued negative this quarter with more inventory placed on the market than being leased. Absorption is currently at -63,241 SF year-to-date.

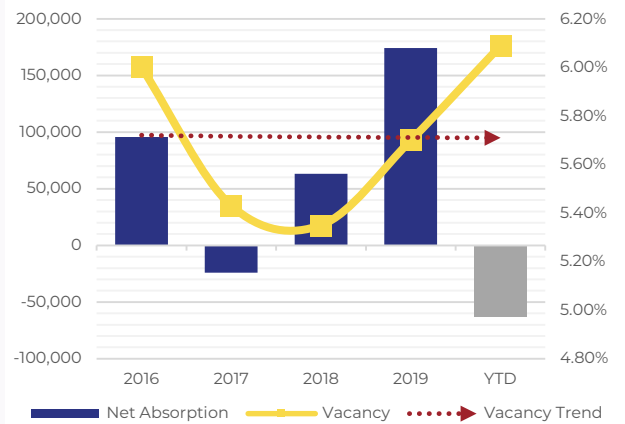
Vacancy rose this quarter to 6.09%, a 0.43% increase from last quarter and is at a five year high. This value, however, is well below the national average of 14.4%. Despite the overall increase in vacancy, the swing in vacancy remains tight varying no more than 0.74% over the past five years.

As vacancy rose, lease rates experienced only a slight decrease of \$0.84/SF from last quarter to \$11.92/SF. Year-to-date the average lease rate remains just shy of \$12.00/SF among Class A and Class B with 63% of leases negotiated for \$13.00/SF or above.

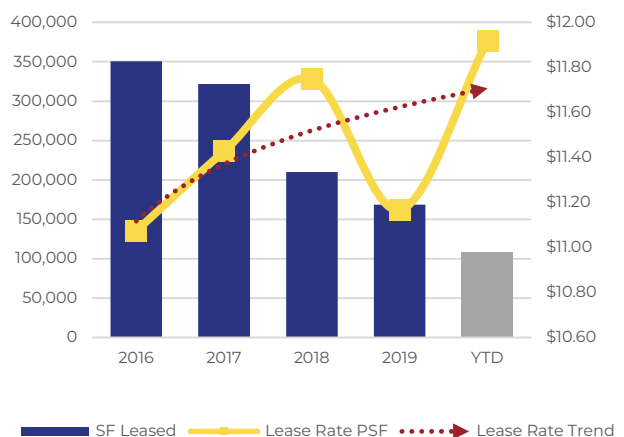
### MARKET INDICATORS

Total Inventory	13.22 MSF	▲
Sales (\$)	\$3.3M	▲
Sales (SF)	37,790 SF	▲
Total Vacancy	6.09% (+0.43%)	▲
Total Leased (SF)	33,791 SF	▲
Average Rent	\$11.92 (-\$0.84)	▼
Average Rent <i>12 month rolling average</i>	\$13.39 (-\$0.04)	▼

### NET ABSORPTION & VACANCY



### SF LEASED & AVG LEASE RATE

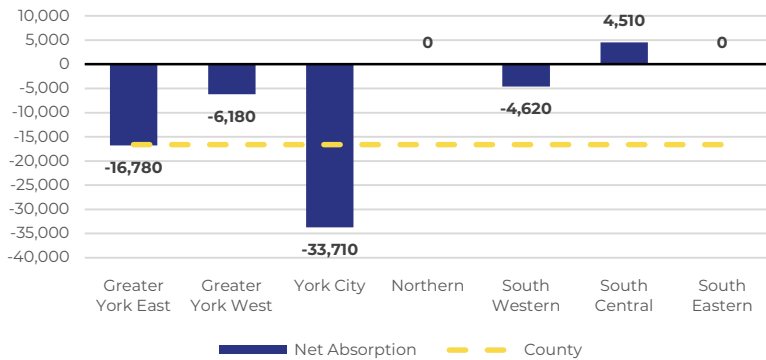


# OFFICE

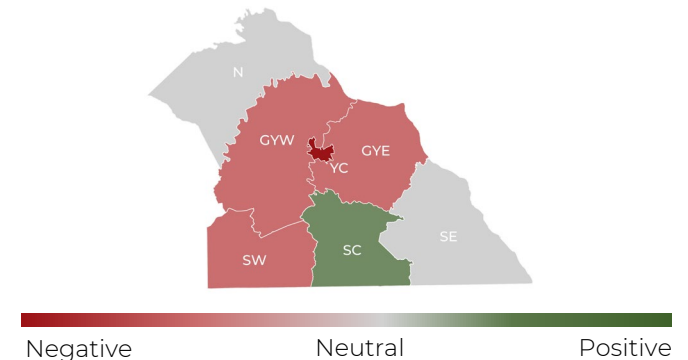
York County, PA

Q3 2020

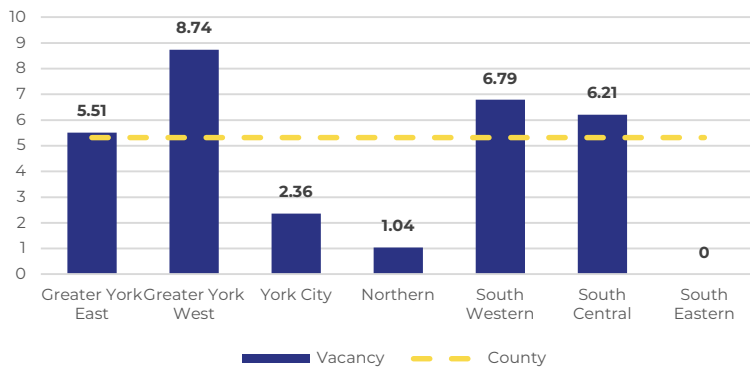
## NET ABSORPTION BY SUBMARKET



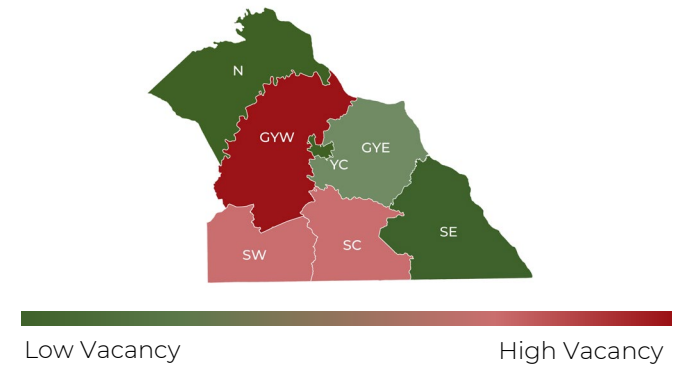
## NET ABSORPTION BY SUBMARKET



## VACANCY BY SUBMARKET



## VACANCY BY SUBMARKET



## Key Lease Transactions Q3 2020

PROPERTY	SF	TENANT	TRANSACTION
221 W Philadelphia St, Suite 2WBa, York	14,479	Dentsply International, Inc.	New
146 Pine Grove Cir, York	7,888	Springwood Hospitality, LLC	New
781 Far Hills Dr, New Freedom	4,510	Medical Optometry America, Inc.	New
555 Ryan Run Rd, York	3,000	ThirtyTech, Inc.	New
2 W Market St, York	1,175	Eastern York County Sewer Authority	New

## Key Sales Transactions Q3 2020

PROPERTY	SF	SELLER/BUYER	PRICE
2930 Carol Rd, York	6,976	James N. Stengel / RS2 Property Group, LLC	\$440,000
718 S Main St, Red Lion	6,352	Osterberg Chiropractic Centre / OM Medical Group, PC	\$430,000
1938 Security Dr, York	4,604	Foster Scarito Associates / Corto Financial Group	\$400,000
195 Stock St, Ste 114, Hanover	2,081	Joan Werleman, DDS / Bailey's Holdings, LLC	\$339,041
2050 Old York Rd, Dillsburg	4,472	John P. & Gregory C. Dolan / B&G Properties of Central PA, LLC	\$260,000

