

MARKET REVIEW

INDUSTRIAL | Lancaster County, PA | Q4 2020



Lease Rates Increase For Fourth Consecutive Quarter, Vacancy 1.24% Below National Average

HIGHLIGHTS

- Average lease rates are expected to continue to increase throughout 2021. The 12 month rolling average of \$6.27/SF is slightly behind the national average of \$6.76/SF.
- Vacancy remains below the national average of 5.2%.
- 63.4% of leases in Q4 were for units 10,000 SF or above. This was the only quarter in 2020 where a majority of industrial leases were not less than 10,000.
- The average unit size leased this quarter was 19,400 SF; above average for the year where average unit size was 17,698 SF.
- Over 1 MSF is currently under construction with 72% already preleased or to be owner occupied.
- 80% of total active construction projects are to be 230,000-250,000 SF in size.

OVERVIEW

Supply is keeping pace with demand as absorption has hovered right around zero throughout 2020. Even amidst straining economic conditions due to COVID-19, industrial lease rates have increased every quarter in 2020 while vacancy is on track to remain below 4% in Q1 2021.

Sales dollar volume ended at \$84.3M, attributed in large part to the sale of 320,000 SF at 35 Conewago Rd, Elizabethtown. This sale is responsible for 39% of sales volume this quarter selling for \$33M. The property is adjacent to the Nordstrom distribution facility in the Conewago Industrial Park.

The effect of speculative builds on vacancy will be minimal in Q1, 2021. Although over 1 MSF is currently under construction, 72% will be immediately absorbed as it is already preleased or to be owner occupied.

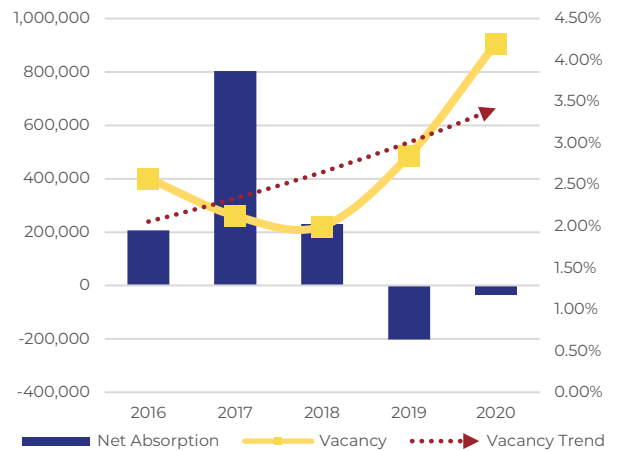
Properties to be absorbed upon completion in 2021 include Ahold Delhaize constructing an additional 252,000 SF cold storage facility at 3800 Hempland Drive in Mountville, 250,000 SF warehouse at Lime Spring Farm, Lancaster preleased to an undisclosed tenant, and 85,894 SF preleased to Thaddeus Stevens College of Technology at Ben Franklin Blvd. Lancaster.

An additional 1.2 MSF of warehouse remains proposed to be built though development dates remain uncertain. The largest developments include 502,500 SF at 791 Stony Battery Road, Landisville and 251,250 SF at 701 Stony Battery Road, Landisville, and Vintage Business Park with several lots and full build-out could total +/- 300,000 SF.

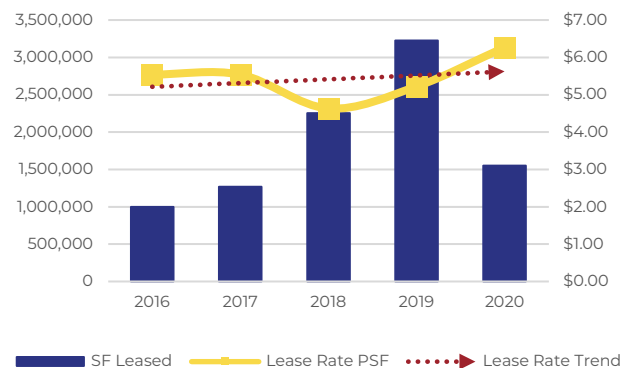
MARKET INDICATORS

Total Inventory	79.65 MSF	▶
Sales (\$)	\$84.3 M	▲
Sales (SF)	1.16 MSF	▲
Total Vacancy	3.96% (-0.74%)	▼
Total Leased (SF)	280,328 SF	▲
Average Rent	\$7.35 (+\$0.70)	▲
Average Rent <i>12 month rolling average</i>	\$6.27 (+\$0.61)	▲

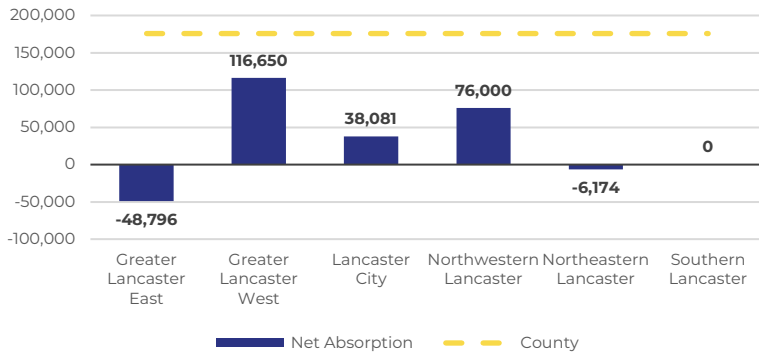
NET ABSORPTION & VACANCY



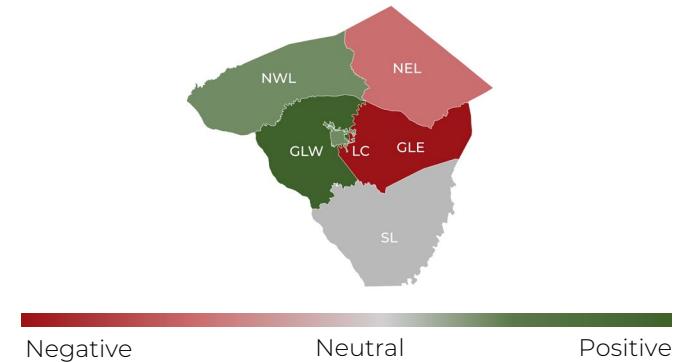
SF LEASED & AVG LEASE RATE



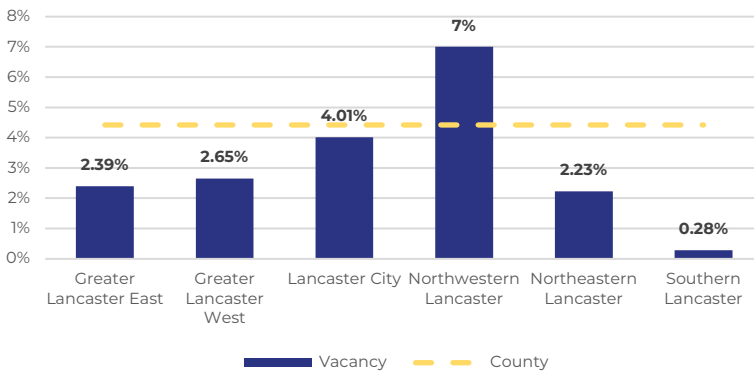
NET ABSORPTION BY SUBMARKET



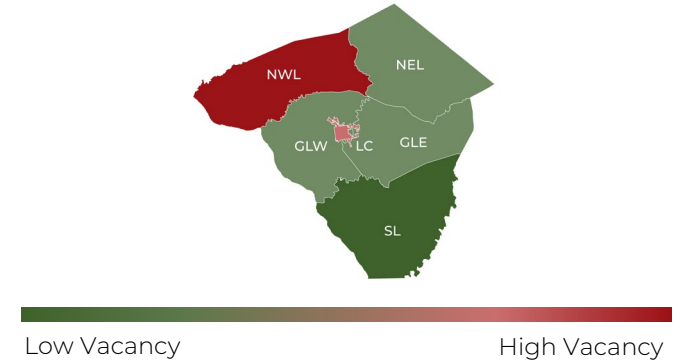
NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q4 2020

PROPERTY	SF	TENANT	TRANSACTION
47 Industrial Rd, Elizabethtown	111,650	Name Withheld	New
425 E Front St, Lititz	55,000	Name Withheld	New
2749 Creek Hill Rd, Leola	48,750	Name Withheld	New
1405 Zeager Rd, Elizabethtown	31,800	Bel-Aqua Pool Supply, Inc.	New
216 Shellyland Rd, Manheim	21,000	Nutrify	New

Key Sales Transactions Q4 2020

PROPERTY	SF	SELLER/BUYER	PRICE
35 Conewago Rd, Elizabethtown	320,000	High Street Logistics Properties, LLC / TA Conewago, LLC	\$33,000,000
561 S Muddy Creek Rd, Denver	197,000	Muddy Creek Partners, LLC / Pet Food Experts	\$17,900,000
34 Zimmerman Rd, Leola	124,900	Harbinger Properties, LP / Steinman Real Estate	\$7,610,000
47 Industrial Rd, Elizabethtown (part of portfolio)	111,650	High Street Logistics Properties, LLC / Kohlberg, Kravis, Roberts & Co. LP	\$7,000,000
10 Industrial Rd, Elizabethtown (part of portfolio)	6,432	High Street Logistics Properties, LLC / Kohlberg, Kravis, Roberts & Co. LP	\$6,641,802

