

MARKET REVIEW

OFFICE | Lancaster County, PA | Q4 2020



Vacancy Shrinks Following Sharp Increases Throughout 2020

HIGHLIGHTS

- Vacancy decreased slightly in Q4 well below the national average of 15.5%. Vacancy in 2020 represents a five year high at 6.08%. However, the swing in vacancy remains tight varying no more than 0.73% over the past 5 years.
- Although leased square feet is down compared to the past five years, demand is seeing a shift from larger to smaller units as large office users contemplate mitigating building expense through downsizing.
- With more inventory placed on the market than was leased, net absorption finished negative at -55,885 SF, by year-end.

OVERVIEW

Threats from teleworking, staggered scheduling and desire to reduce rent expense may still prove worrisome as the health crisis continues. However, demand for office has not disappeared. Although leased square feet is down compared to the past five years, demand is seeing a shift from larger to smaller units as large office users contemplate mitigating building expense through downsizing.

With more inventory placed on the market than was leased, absorption continued negative this quarter ending the year at -55,885 SF. The largest contributors pushing absorption negative this year have been 51,906 SF at 630 Janet Ave, Lancaster and 45,566 SF at 1004 New Holland Ave (Burle Business Park), Lancaster.

Vacancy decreased in Q4, the only quarter to see a decrease in vacancy in 2020. Despite the overall increase in 2020, vacancy remains well below the national average of 15.5%. Suburban markets, like Lancaster County, stand ready to capture corporations fleeing the higher rent costs of major metros where lease rates can exceed \$35/SF. Reducing rent by more than 50% is a valuable proposition to entice corporations planning to move.

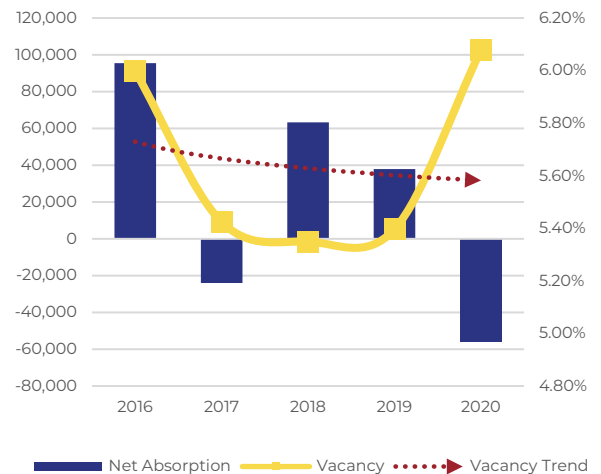
Lease rates decreased \$0.71 for the quarter but up \$0.31 on the 12 month rolling average. Even with an influx of inventory this year, landlords appear to be holding firm on their asking rates as lease rates continue to rise.

New office development is minimal. The combined total of proposed and active construction is 246,250 SF. A bulk of this square feet, however, is tied up in the Clio Health Building at 1250 Marshall Avenue (The Stockyards) in Lancaster totaling 152,000 SF. The details and timeline for this project remain uncertain.

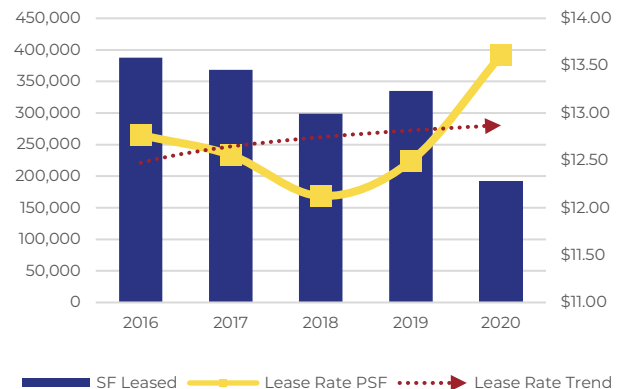
MARKET INDICATORS

Total Inventory	17.07 MSF	▲
Sales (\$)	\$8.14M	▼
Sales (SF)	77,631 SF	▼
Total Vacancy	6.16%(-0.22%)	▼
Total Leased (SF)	57,663 SF	▲
Average Rent	\$13.23(-\$0.71)	▼
Average Rent <i>12 month rolling average</i>	\$13.61 (+\$0.31)	▲

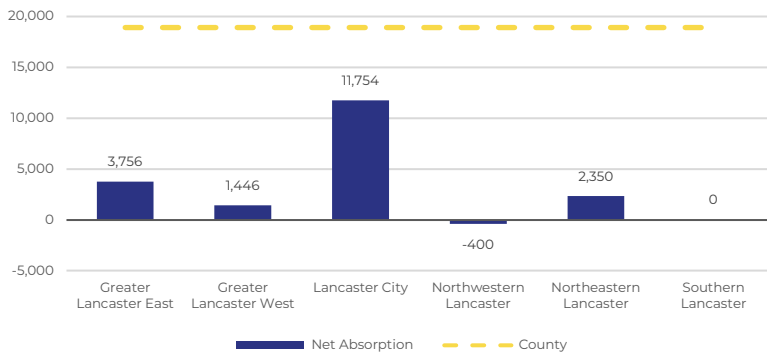
NET ABSORPTION & VACANCY



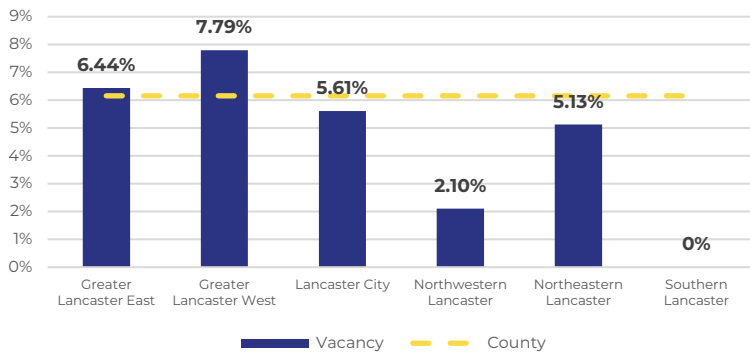
SF LEASED & AVG LEASE RATE



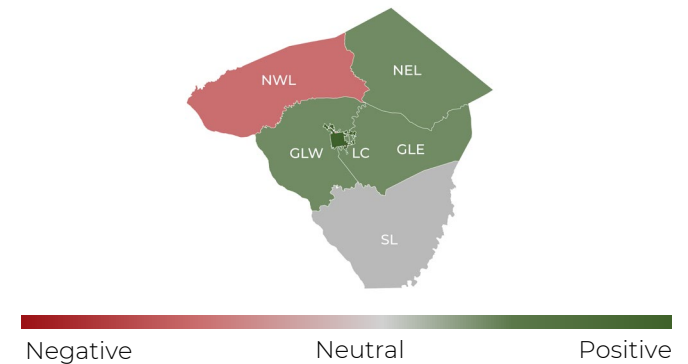
NET ABSORPTION BY SUBMARKET



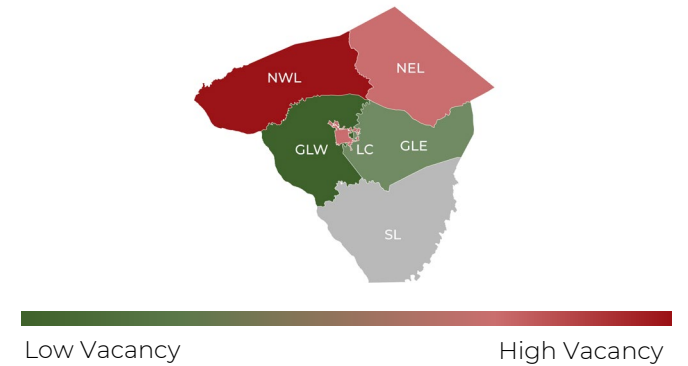
VACANCY BY SUBMARKET



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q4 2020

PROPERTY	SF	TENANT	TRANSACTION
1004 New Holland Ave, Lancaster (Burle Business Park)	10,608	Name Withheld	New
1825 Oregon Pk, Lancaster (Roseville Village)	7,500	Mid Penn Bank	New
425 N Prince St, Lancaster (The Swisher Building)	3,650	Name Withheld	New
Warwick Center, Lititz	2,200	Lancaster Orthodontic Associates, LLC	New
941 Wheatland Ave, Lancaster	1,558	Wallover Architects, Inc.	New

Key Sales Transactions Q4 2020

PROPERTY	SF	SELLER/BUYER	PRICE
3725 Electronics Way, Mountville	62,471	Clipper Magazine, LLC / 3275 Electronics Way, LLC	\$7,000,000
703 Lampeter Rd, Lampeter	8,805	Community Real Estate Associates / Hdp Real Estate, LLC	\$1,200,000
8 Marticville Rd, Lancaster	7,409	David B. Anderson / Tower Insurance Services, Inc.	\$1,100,000
306 Primrose Ln, Columbia	7,000	306 Primrose Lane, LLC / Kamal Kafley	\$495,000
31 S Lime St, Lancaster	5,716	Planned Parenthood Keystone / Symbiosis Property Holdings, LLC	\$465,000