

MARKET REVIEW

RETAIL | Lancaster County, PA | Q4 2020



Leased Square Feet Only 1% Shy Of 2019 Levels, Vacancy Rate Of Increase Continues To Diminish

HIGHLIGHTS

- Lancaster vacancy of 6.23% sits below the national average of 11%.
- The rate of increase for vacancy has diminished over the past year increasing only 0.01% in Q4. With absorption also recovering to only -25,000 SF, this could be a positive sign that the initial “shock” from COVID-19 has ended.
- As referenced in the latest Economic Intelligence Report from the Lancaster County Economic Development Company, it is important to note that impacts of the pandemic are not felt equitably across all retail sectors. Entertainment, hospitality and food service continue to experience hardships that retail shops may not feel as significantly.
- Retailers selling essential products and discounted goods, including grocers, home supply stores, value stores, and bulk item stores continue to fare the best during the pandemic. Restaurants able to sustain a steady flow of drive-thru and curbside pickup are also faring well.

OVERVIEW

With more inventory leased or removed from the market than made available, absorption recovered from a low -98,000 SF in Q3 to -24,949 SF. This is a positive sign that suggests that retail demand has not left the Lancaster market.

Although off to a slow start in 2020, leasing activity finished strong in Q4 stopping just 1% shy of matching 2019 levels. This lease activity coupled with low absorption certainly bucks the national trend where larger markets have experienced record levels of negative absorption and vacancy rates averaging 11%.

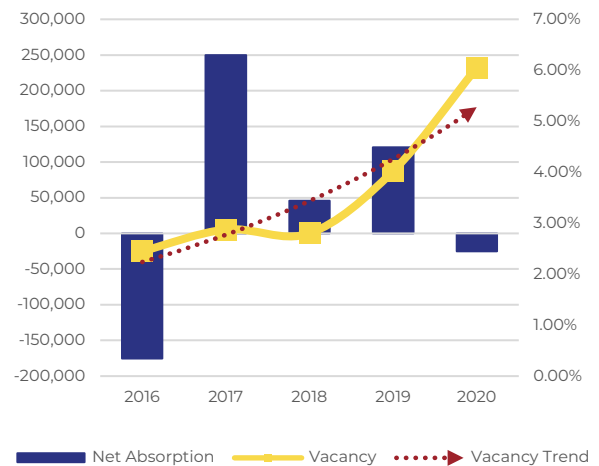
Lease rates increased again this quarter to \$17.49/SF up from \$15.82/SF reported in Q3. Notable leases pushing rates up this quarter include an end cap space leased to Chipotle at 2232 Lincoln Hwy E, Lancaster and another end cap space leased to Doceo at 1687-1697 Oregon Pike. Prime located shopping centers on the periphery of Lancaster City have witnessed lease rates upwards of \$25/SF.

Q4 reports the highest sale volume in 2020. Several investment sales contributed to this metric including a 65,146 SF Giant Food store at 1278 S Market St, Elizabethtown for \$7,338,000 and an 86,100 SF U-Haul retailer at 3975 Columbia Ave, Columbia. Seventy-eight percent of sales in Q4 sold for more than \$1M.

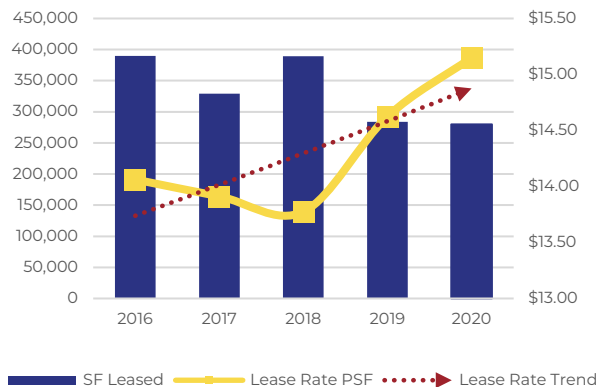
MARKET INDICATORS

Total Inventory	31.06 MSF	▲
Sales (\$)	\$25.6 M	▲
Sales (SF)	303,000 SF	▲
Total Vacancy	6.23% (+0.01%)	▲
Total Leased (SF)	239,318 SF	▲
Average Rent	\$17.49 (+\$1.67)	▲
Average Rent <i>12 month rolling average</i>	\$16.57 (+\$0.18)	▲

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

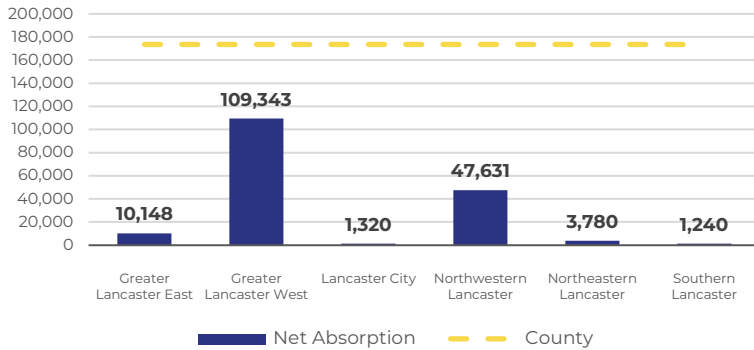


RETAIL

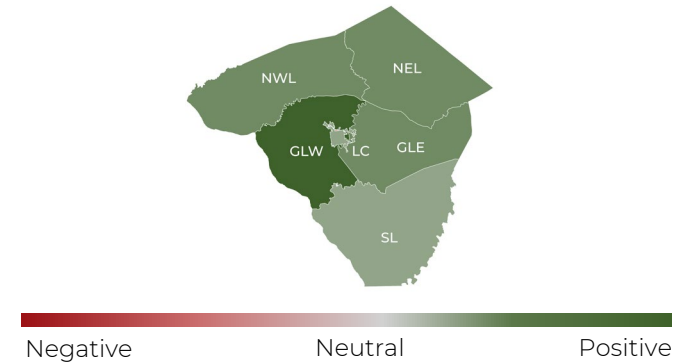
Lancaster County, PA

Q4 2020

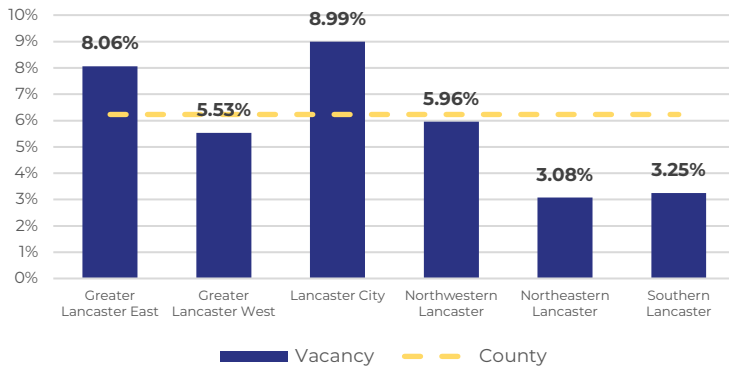
NET ABSORPTION BY SUBMARKET



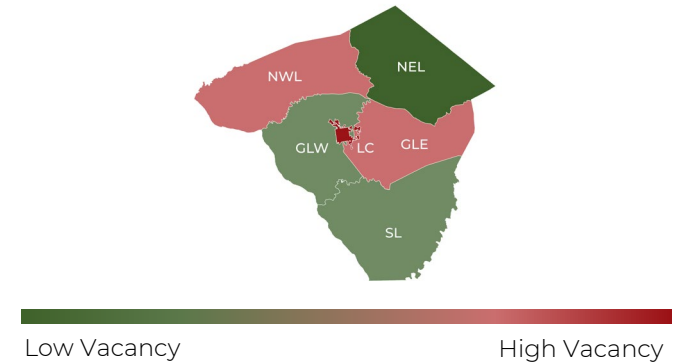
NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q4 2020

PROPERTY	SF	TENANT	TRANSACTION
3975 Columbia Ave, Columbia (Shops at Prospect)	86,100	U-Haul	New
919 E Main St, Mount Joy	44,761	Stauffers Fresh Foods	New
1262 Lititz Pk, Unit 15, Lancaster (Golden Triangle)	18,665	American Freight	New
2933-2993 Columbia Ave, Lancaster (The Shoppes)	2,834	Name Withheld	New
2232 Lincoln Hwy E, Lancaster	2,400	Chipotle Mexican Grill	New

Key Sales Transactions Q4 2020

PROPERTY	SF	SELLER/BUYER	PRICE
1278 S Market St, Elizabethtown	65,146	First City Donegal Partners, LP / Gibson Iii, LLC	\$7,338,000
3975 Columbia Ave, Columbia	86,100	Seritage KMT Finance, LLC / AMERCO Real Estate Company	\$3,300,000
479 W Fourth St, Quarryville	6,500	Quarryville Bohica, LLC / NS Retail Holdings, LLC	\$2,397,138
2817 Willow St Pk, Willow Street	7,590	Hess Properties / Willow Green Partners, LLC	\$2,248,333
2425 Old Philadelphia Pk, Lancaster	5,101	Deerin Companies / Mai-loan Tran & Kinh Nguyen	\$1,920,000

