

# MARKET REVIEW

OFFICE | Lancaster County, PA | Q1 2021



## Vacancy Falls for Second Consecutive Quarter Since Beginning of Pandemic

### HIGHLIGHTS

- Less space is being vacated, allowing the market to absorb the vacant square feet.
- The **ROCK Office Demand Index (RODI)** reveals that 62% of office users in need of space are doing so with the intention of relocating an existing business to increase their unit size.
- Absorption was positive in Q1 with more inventory leased than vacated. After a year of negative absorption throughout the pandemic in 2020, this is a positive indicator for the start of 2021.

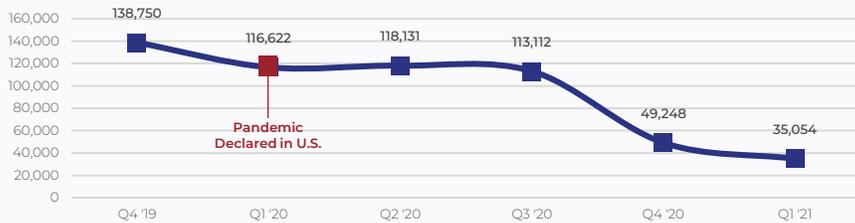
### OVERVIEW

While the national office market is reeling from effects of the pandemic, there are nuances to the Lancaster Market that differ from the national trends. Vacancy, for example, has shown signs of stabilizing rather than continuing a drastic increase in 2021. While national vacancy is around 16% and increasing, the Lancaster Market vacancy sits at 5.37% with fewer vacant units hitting the market for the second consecutive quarter. Vacancy peaked at 6.38% in Q3 2020 but has decreased each quarter since.

Another nuance to the national trend of corporate downsizing, the **ROCK Office Demand Index (RODI)** reveals that 62% of Lancaster office users in need of space are doing so with the intention of relocating an existing business to acquire more space. Downsizing will remain a driver for larger corporations, but smaller operations are experiencing success and in need of more space.

The influx of vacancies coinciding with COVID-19 and evolving office user preferences may be subsiding with a mere 35,000 SF being vacated in Q1 2021. Q4 2019 through Q3 2020 saw more than 110,000 SF vacated each quarter (see Figure 1)

Figure 1: VACANT SF ADDED TO THE MARKET

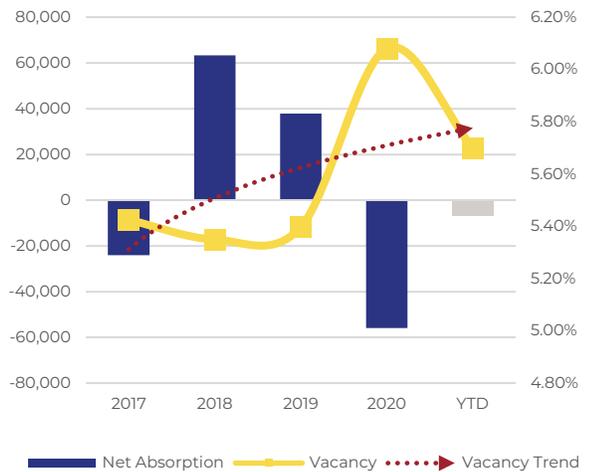


Rising construction costs and competing lease rates from existing inventory have led to minimal to no office construction. Proposed projects include 80,000 SF at Citygate Corporate Center, Building 2 at 1570 Fruitville Pk, Lancaster and 20,418 SF office and retail building at 609 Richmond Dr, Lancaster.

### MARKET INDICATORS

Total Inventory	16.68 MSF	▼
Sales (\$)	\$22.51M	▲
Sales (SF)	51,965 SF	▼
Total Vacancy	5.72% (-44 bps)	▼
Total Leased (SF)	27,047 SF	▼
Average Rent	\$12.72 (-\$0.51)	▼
Average Rent <i>12 month rolling average</i>	\$12.91 (+\$0.07)	▼

### NET ABSORPTION & VACANCY



### SF LEASED & AVG LEASE RATE

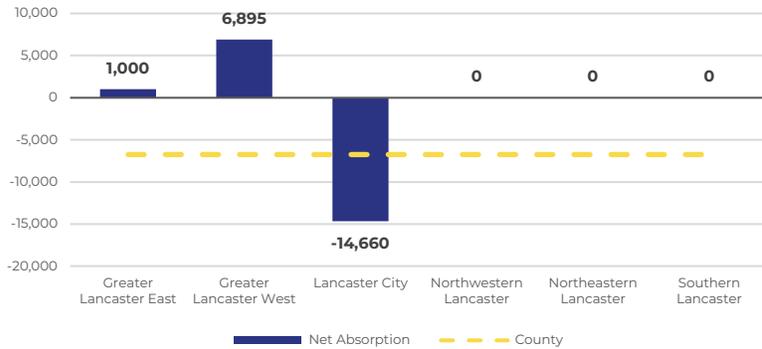


# OFFICE

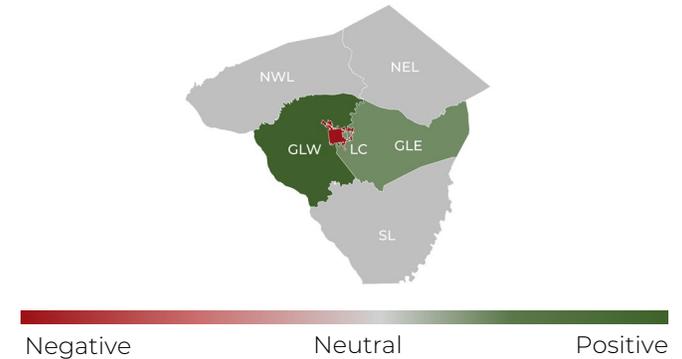
Lancaster County, PA

Q1 2021

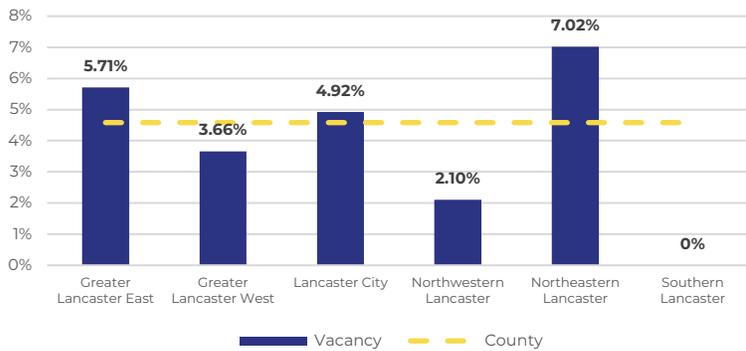
## NET ABSORPTION BY SUBMARKET



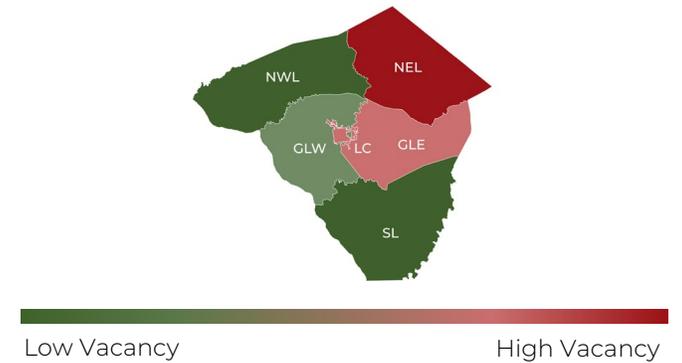
## NET ABSORPTION BY SUBMARKET



## VACANCY BY SUBMARKET



## VACANCY BY SUBMARKET



## Key Lease Transactions Q1 2021

PROPERTY	SF	TENANT	TRANSACTION
805 Estelle Dr, Lancaster	4,822	Charter Lane Consulting, LLC	New
423-425 N Prince St, Lancaster (The Swisher Building)	3,673	Name Withheld	New
423-425 N Prince St, Lancaster (The Swisher Building)	2,758	Name Withheld	New
1368 Harrisburg Pk, Lancaster (Northwest Business Park)	2,721	Name Withheld	New
10-60 Copperfield Cir, Lititz (Warwick Center)	1,800	BaxPlus	Renewal

## Key Sales Transactions Q1 2021

PROPERTY	SF	SELLER/BUYER	PRICE
730 Eden Rd, Lancaster (Eden Road Medical Center)	22,283	Montecito Medical Real Estate / Lancaster PA II MOB Owner, LLC	\$9,800,000
1671 Crooked Oak Dr, Lancaster	9,347	191 IV Montecito Medical Holdings, LLC / Lancaster PA I MOB Owner, LLC	\$9,430,000
110 N Duke St, Lancaster	6,951	HMR Associates General Partnership / DTCOD, LLC	\$1,500,000
3912 Abel Dr, Columbia	6,480	Asix, LLC / Abel Drive Holdings, LLC	\$1,100,000
1749 Old Rothsville Rd, Lititz (Rothsville Business Center)	8,000	Rothsville Business Center, LLC / Jaski Properties, LLC	\$1,040,000

