

MARKET REVIEW

INDUSTRIAL | Lancaster County, PA | Q2 2021



Vacancy Below Pre-Pandemic Levels, Fully Leased Investments Drive Sales

HIGHLIGHTS

- Vacancy has fallen below pre-pandemic levels and trends below the national vacancy of 4.5%. Vacancy was at 2.85% in 2019 and is currently at 2.64%.
- Vacancy is expected to remain low throughout 2021 as no major speculation builds are expected to be completed until 2022 and demand remains high for warehousing.
- Low vacancy and favorable lease rates continue to draw investors. 65% of sales volume was attributed to three properties. All were 90-100% leased at time of sale.
- The **ROCK Demand Index (RDI)** reveals that 67% of users are interested in buying rather than leasing their next space.

OVERVIEW

Absorption continues to rise as more square feet are leased than made available on the market. Leased square feet year-to-date is 57% of 2020 levels and on track to meet or exceed last year's total by year end.

Vacancy remains 186 basis points (bps) below the national average of 4.5%. With no major speculation builds due for completion in 2021, vacancy is expected to remain low throughout 2021 as industrial demand does not appear to be abating.

As vacancy continues to decline amidst high demand, lease rates are on the rise; up \$0.10/SF on the twelve-month rolling average. This is on par with national trends.

732,250 SF of new inventory is to be delivered in Q1 2022 with another 740,000 SF proposed to meet future demand. Warehouse projects due for completion in 2022 include 229,000 SF at Ben Franklin Blvd in Lancaster, 701 Stony Battery Rd in Landisville and 252,000 SF at 2701 State Rd in Lancaster. 86,000 SF at Ben Franklin Blvd has been preleased to Thaddeus Stevens Institute of Technology.

With \$115M in sales this quarter, low vacancy and favorable lease rates have drawn attention of investors ready to cash in on fully leased, or near fully leased, buildings. The following transactions accounted for 65% of sales dollars in Q2:

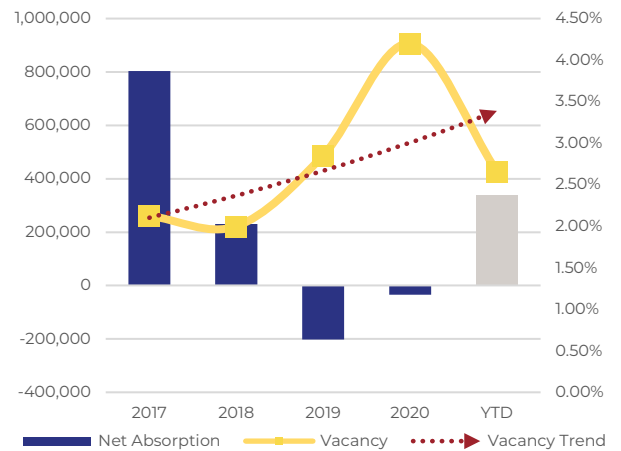
- Burle Business Park, Lancaster (\$30M – 90% leased at time of sale)
- 450 Richardson Dr, Lancaster (\$23.4M – sale leaseback)
- 1405-1473 Zeager Rd, Elizabethtown (\$21.9M – 100% leased at time of sale)

Lease rates are expected to continue increasing as vacancy continues to drive lower.

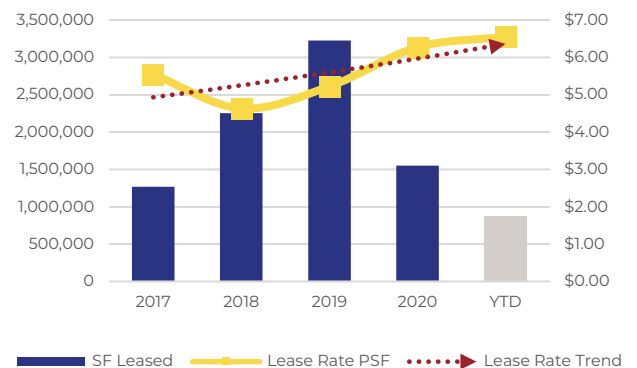
MARKET INDICATORS

Total Inventory	79.87 MSF	▶
Sales (\$)	\$115.04M	▲
Sales (SF)	1.84 MSF	▲
Total Vacancy	2.64% (-132 bps)	▼
Total Leased (SF)	557,909 SF	▲
Average Rent	-\$0.20	▼
Average Rent <i>12-month rolling average</i>	+\$0.10	▲

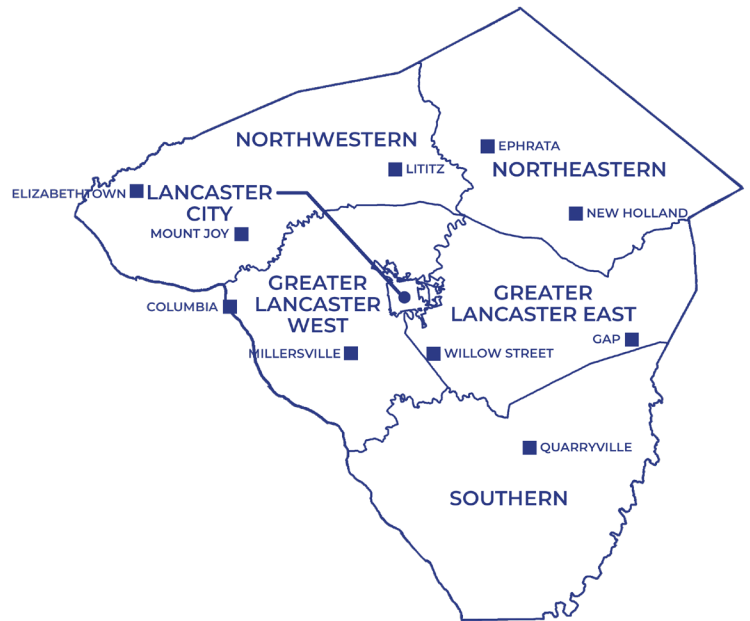
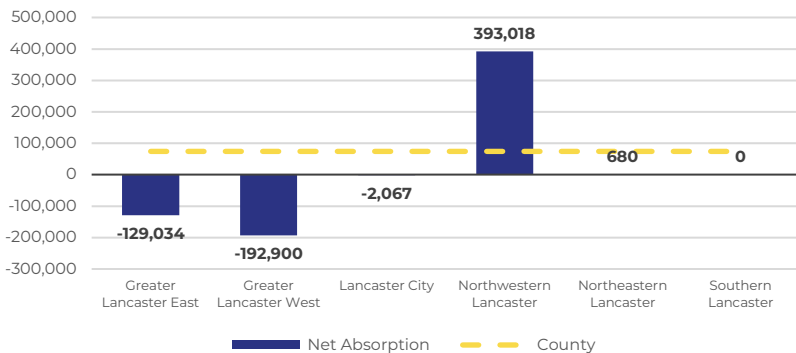
NET ABSORPTION & VACANCY



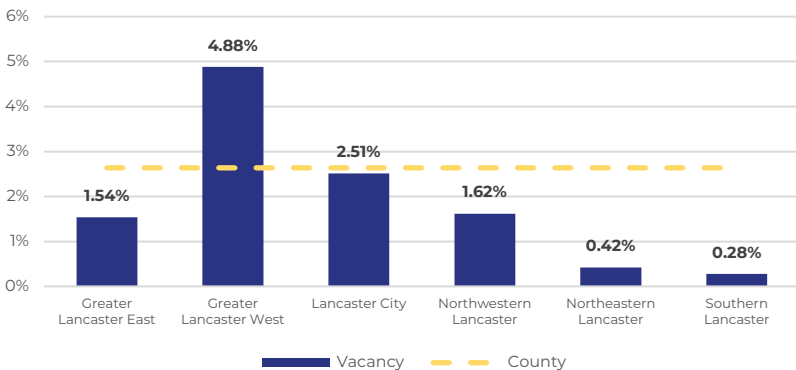
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q2 2021

PROPERTY	SF	TENANT	TRANSACTION
1156 Four Star Dr, Mount Joy	413,860	Amazon	New
1260 Corporate Blvd, Columbia	59,000	Name Withheld	New
1103 Ranck Mill Rd, Lancaster	21,435	Name Withheld	New
1834 Freedom Rd, Lancaster	16,540	Name Withheld	New
1004 New Holland Ave, Lancaster	6,799	GenHydro	New

Key Sales Transactions Q2 2021

PROPERTY	SF	SELLER/BUYER	PRICE
1004 New Holland Ave, Burle Business Park, Lancaster	1.2M	Burle Business Park, LP / Burle Corp Park, LLC	\$30,000,000
450 Richardson Dr, Lancaster	244,840	Omnimax International, LLC / U.S. Realty Advisors, LLC	\$23,445,675
1405 & 1473 Zeager Rd, Elizabethtown	71,550	Drake Real Estate Partners / Cabot Properties, Inc.	\$21,900,000
3449 Hempland Rd, Lancaster	117,838	Omnimax International, LLC / U.S. Realty Advisors, LLC	\$12,357,840
301 Richardson Dr, Lancaster	208,993	501 Richardson Drive, LLC / Eastern Poultry Distributors	\$11,000,000

