

MARKET REVIEW

OFFICE | Lancaster County, PA | Q2 2021



Lease Rates Continue To Climb Amidst Five-Year Low In Vacancy

HIGHLIGHTS

- Less space is being vacated since the start of the Pandemic, allowing the market time to absorb the vacant square feet (see *Figure 1*).
- Demand for large office space has been decreasing. Since 2017, average unit size of signed leases has decreased 51.5% from 6,463 SF to 3,131 SF.
- The **ROCK Demand Index (RDI)** reveals that 60% 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 for the second consecutive quarter with more inventory leased than vacated. After a year of negative absorption throughout the pandemic in 2020, this is a positive indicator of demand for office space.

OVERVIEW

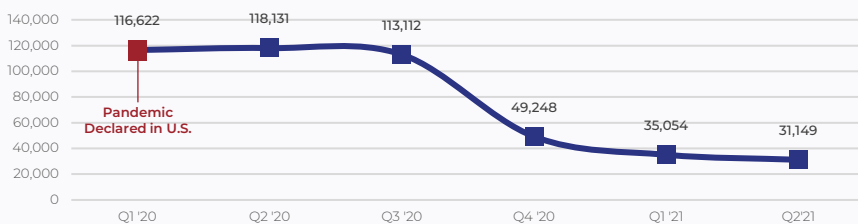
Lancaster continues to buck national trends of increasing vacancy and declining lease rates. Vacancy decreased dramatically since its increase in 2021. While national vacancy has risen again to 17.2%, the Lancaster market vacancy sits at 4.39%. Fewer vacant units are hitting the market for the third consecutive quarter though that curve is beginning to flatten as seen in *Figure 1* below.

While lease rates nationally are likely to decrease due to pressures of increasing vacancy, the Lancaster market is expected to sustain higher lease rates. Vacancy remains low at 4.39% providing leverage for landlords to ask higher rents.

Another nuance to the national trend of corporate downsizing, the **ROCK Demand Index (RDI)** reveals that 60% 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 appears to be subsiding with a mere 31,149 SF being vacated in Q2 2021. Q4 2019 through Q3 2020 saw more than 110,000 SF vacated each quarter (see *Figure 1*)

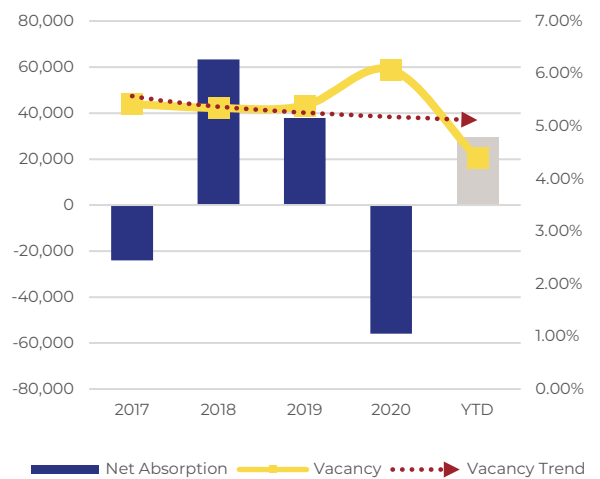
Figure 1: VACANT SF ADDED TO THE MARKET



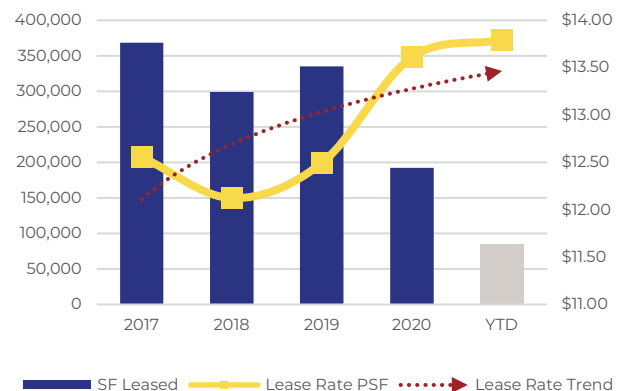
MARKET INDICATORS

Total Inventory	16.79 MSF	▲
Sales (\$)	\$9.98M	▼
Sales (SF)	114,216 SF	▲
Total Vacancy	4.39% (-133 bps)	▼
Total Leased (SF)	42,723 SF	▲
Average Rent	+\$1.18	▲
Average Rent <i>12-month rolling average</i>	+\$0.68	▲

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

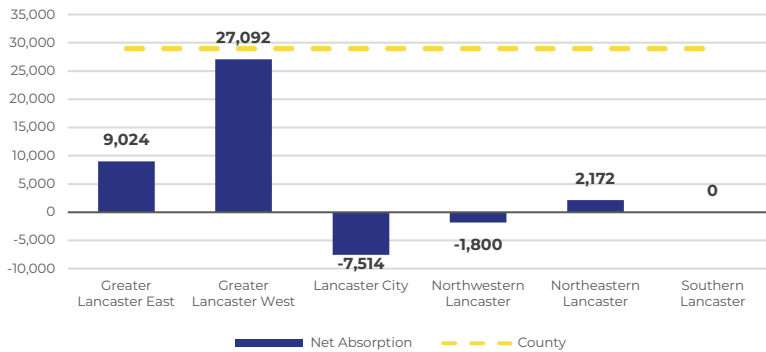


OFFICE

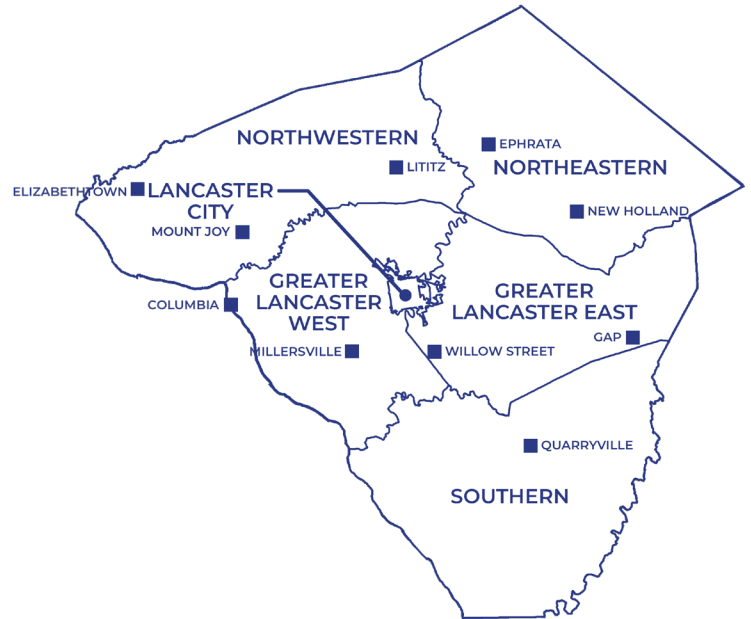
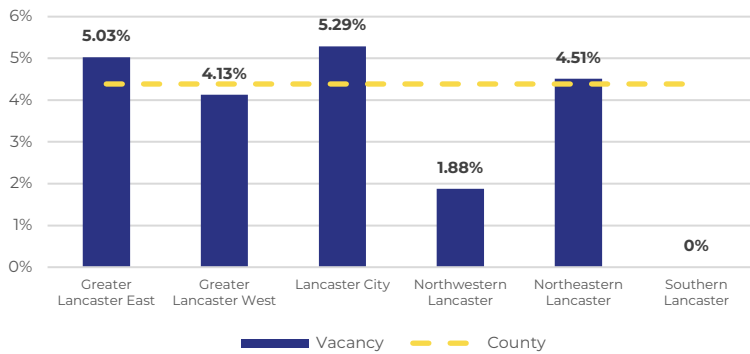
Lancaster County, PA

Q2 2021

NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q2 2021

PROPERTY	SF	TENANT	TRANSACTION
1866 Colonial Village Ln, Lancaster (Greenfield)	23,937	Hair Direct, Inc.	Renewal
147 Airport Rd, Lititz (Flyaway Business Park)	8,000	Name Withheld	New
1817 Olde Homestead Ln, Lancaster (Greenfield)	6,299	Name Withheld	New
711 Rohrerstown Rd, Lancaster	4,956	Name Withheld	New
1871-1891 Santa Barbara Dr, Lancaster (Executive Park North)	4,956	Name Withheld	New

Key Sales Transactions Q2 2021

PROPERTY	SF	SELLER/BUYER	PRICE
1004 New Holland Ave, Lancaster (Burle Business Park)	45,000	Burle Industries, Inc. / Jersey Holdings	\$2,699,086
1004 New Holland Ave, Lancaster (Burle Business Park)	27,000	Burle Industries, Inc. / Jersey Holdings	\$2,546,199
5139 Main St, East Petersburg	17,400	Philadelphia Trust Co. / Keller Williams Elite	\$2,000,000
3121 Mount Joy Rd, Manheim	17,466	Jeffrey Hostetter / Warby Holdings, LLC	\$1,400,000
323 N George St, Millersville	2,360	Pinnacle Realty Partners, LLC / Yianis & Eleni Kourgelis	\$570,000

