

MARKET REVIEW

OFFICE | York County, PA | Q2 2021



Relocations / Downsizing Drive Demand, Leased Square Feet Set To Exceed Pre-Pandemic Levels By Year-End

HIGHLIGHTS

- With leased square feet already exceeding total square feet leased in 2020, the market is on track to meet or exceed pre-pandemic levels by year-end.
- Lease activity continues to escalate with relocations and downsizing continuing to drive demand.
- Despite early speculation that office demand could be negatively impacted by the pandemic, vacancy is at a five year low of 4.32%.
- The **ROCK Demand Index (RDI)** reveals that 46% of office demand is comprised of new businesses. The remaining 54% are existing businesses relocating or acquiring an additional location.
- 87% of office leases were signed in Greater York East, an area rich in Class A and Class B product.

OVERVIEW

After a strong start in Q1, leased square feet in Q2 exceeds total square feet leased in 2020. Demand continues to shift from large to smaller units as large office users contemplate mitigating building expense.

An increase in lease rates this quarter is attributed to Class A, triple net leases pushing upwards of \$14/SF. These Class A leases were primarily 10,000 SF or greater. Amidst rising lease rates, the York Market offers favorable lease rates compared to the Philadelphia or Baltimore metros. Corporations making a move to the area can expect to cut their rent expense by 50% as lease rates in larger metros continue to exceed \$35/SF.

With leased square feet already exceeding total square feet leased in 2020, the market is on track to meet or exceed pre-pandemic levels by year-end. The bulk of activity continues to be driven by relocating and downsizing to mitigate rent expense.

On-site and nearby amenities have become a focal point for Class A office users as they relocate or downsize their office footprints. Amenities can include access to wellness features such as gyms, daycares or walking trails and entertainment/ cultural activities such as restaurants, bars and bustling city centers.

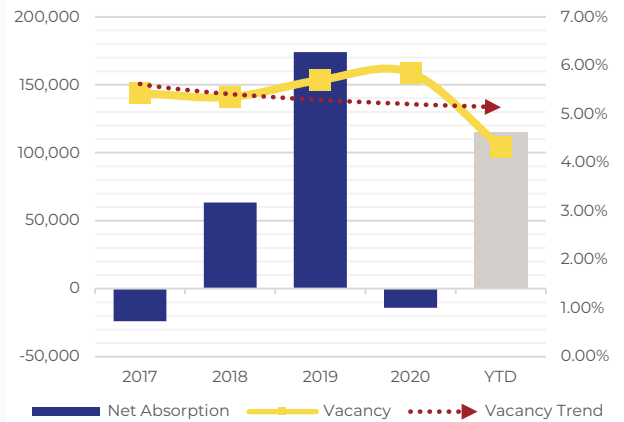
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After peaking at 6.09% in Q3, 2020, York County continues to deviate from a national trend of increasing vacancy. Vacancy decreased 98 basis points this quarter to 4.32% and trends well below the national average of 17.2%.

MARKET INDICATORS

Total Inventory	13.29 MSF	▶
Sales (\$)	\$5.87M	▼
Sales (SF)	107,533 SF	▼
Total Vacancy	4.32% (-98 bps)	▼
Total Leased (SF)	81,473 SF	▼
Average Rent	+\$0.79	▲
Average Rent <i>12-month rolling average</i>	-\$0.01	▼

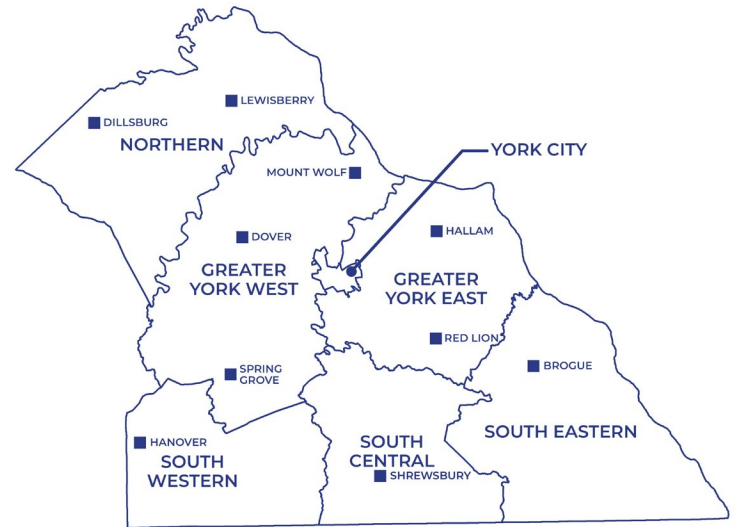
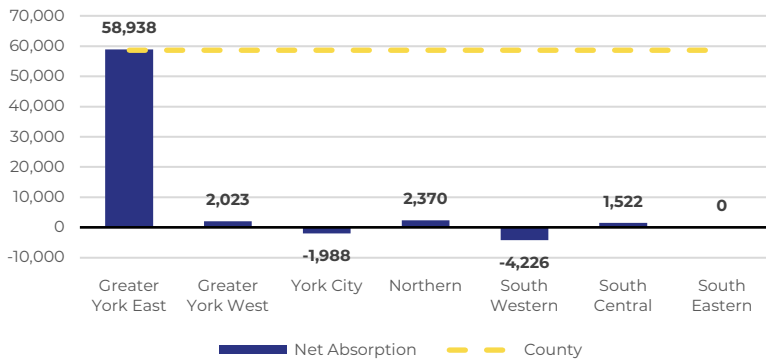
NET ABSORPTION & VACANCY



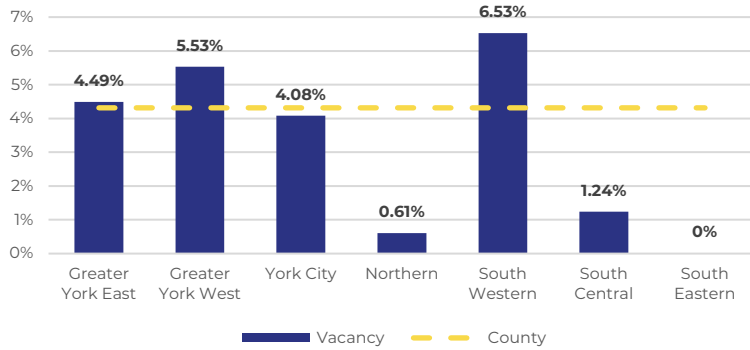
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q2 2021

PROPERTY	SF	TENANT	TRANSACTION
3501 Concord Rd, 2nd Floor, York	18,844	RKL, LLP	New
3501 Concord Rd, Ste 225, York	11,608	Storage Asset Management, Inc.	New
1410-1420 Sixth Ave, Ste 1410, York	4,071	York Home Care Services, LLC	New
2951 Whiteford Rd, York	2,018	Integrity Staffing Solutions, Inc.	New
867-885 Clare Ln, York	1,200	Crossroads Treatment Centers	New

Key Sales Transactions Q2 2021

PROPERTY	SF	SELLER/BUYER	PRICE
1750 Fifth Ave, York	42,000	Fifth Avenue Medical Condominium Owners' Association / Red Lion Controls	\$2,415,056
100 Penn St, Penn Med Center, Hanover	15,360	Webster Investment Group, LLC / Gettysburg Realty Associates, LLC	\$690,000
320 Loucks Rd, York	6,076	Gradison Management, LLC / Sunny Day Commercial Realty, LLC	\$612,000
335 Broadway, Hanover	5,190	Jeffrey Cole / Ismile Properties	\$285,000
8 W Broadway, Etters	7,261	Goldsboro, LLC / Todd W & Diane C. Walter	\$185,000

