

MARKET REVIEW

RETAIL | Lancaster County, PA | Q2 2021



Class A Centers Driving High Lease Rates, Vacancy Falls To 4.32%

HIGHLIGHTS

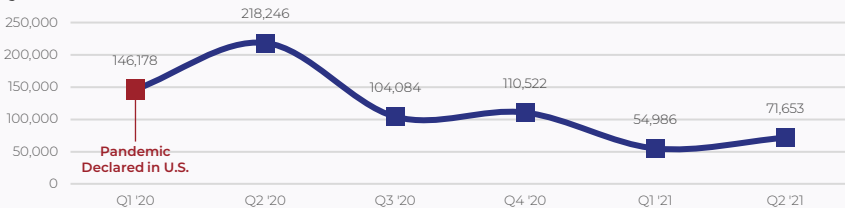
- Since a peak of 218,246 SF vacated in Q2 2020, there has been less space vacated each quarter since, allowing existing inventory time to be absorbed (see Figure 1).
- According to the Bureau of Economic Analysis, consumer spending increased 11.8% in Q2. Inflation looms as a threat to consumer confidence but, for now, desire to spend is outweighing those fears.
- Development of new Class A centers is continuing to drive lease rates to new heights. East Lancaster Plaza is the latest Class A delivery and is already 100% leased. Poké Bowl Station now occupies 2,191 SF of inline space.

OVERVIEW

Absorption was positive for a third consecutive quarter with more inventory leased than made available. After recovering from a low of -98,000 SF in Q3 last year to the current 70,785 SF, this is a positive sign that brick-and-mortar demand has not left the Lancaster market.

Contributing to this positive absorption and decline in vacancy rate has been less available inventory being placed on the market each quarter. Vacancy peaked in Q2 2020 during the pandemic at 218,246 SF but has trended downward since that time. 71,653 SF was vacated during Q2 2021 (see Figure 1).

Figure 1: VACANT SF ADDED TO THE MARKET



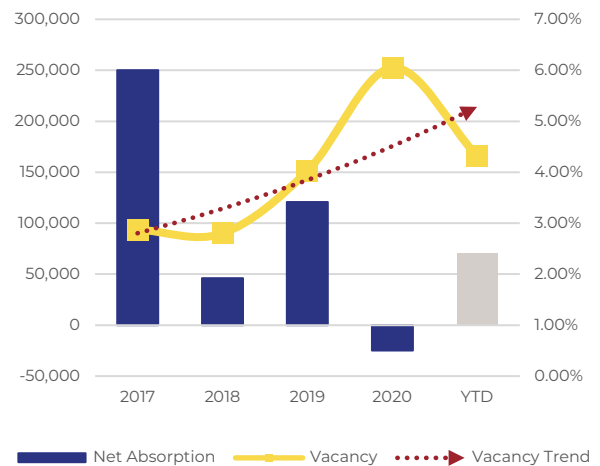
While inflation looms as a threat to consumer confidence, consumer spending increased 11.8% from Q1. Retail development continues to meet pent-up demand including the recent completion of East Lancaster Plaza at 2232 Lincoln Hwy East, Lancaster. The Class A property is 100% leased. Additional build-to-suit opportunities include 61,728 SF at Ephrata Crossings, 22,000 SF at Willow Valley Crossroads, and 11,000 SF at Overlook Town Center, Phase II.

Lease rates continue an upward trend driven by prime located centers pushing lease rates upwards of \$20/SF. Poké Bowl Station signed a 2,191 SF lease at 2232 Lincoln Hwy E, East Lancaster Plaza where the asking rate was \$40/SF.

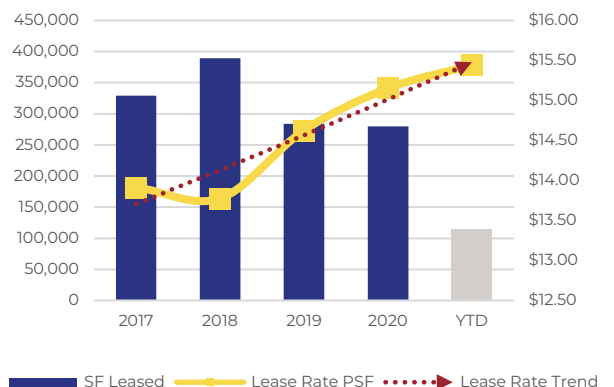
MARKET INDICATORS

| | | |
|---|------------------|---|
| Total Inventory | 31.25 MSF | ▲ |
| Sales (\$) | \$35.63 M | ▲ |
| Sales (SF) | 435,412 SF | ▲ |
| Total Vacancy | 4.32% (-100 bps) | ▼ |
| Total Leased (SF) | 63,650 SF | ▲ |
| Average Rent | +\$2.23 | ▲ |
| Average Rent <i>12-month rolling average</i> | +\$0.02 | ▲ |

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

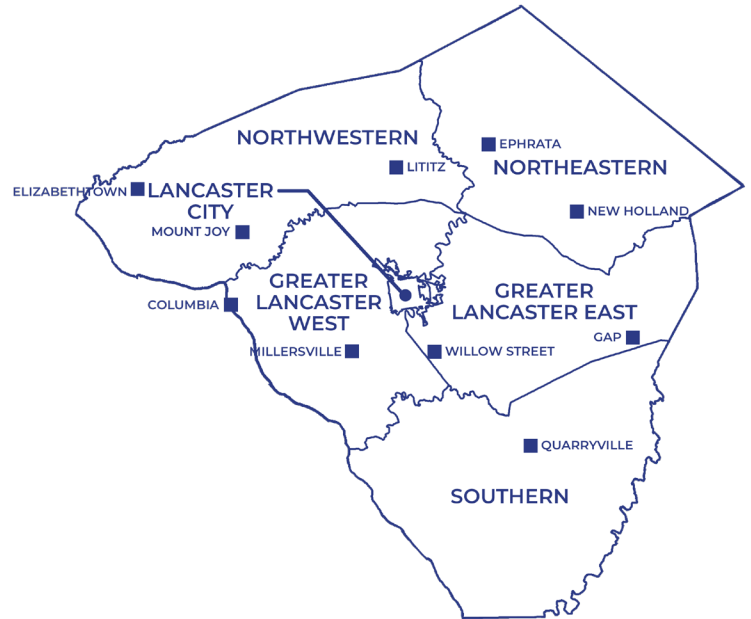
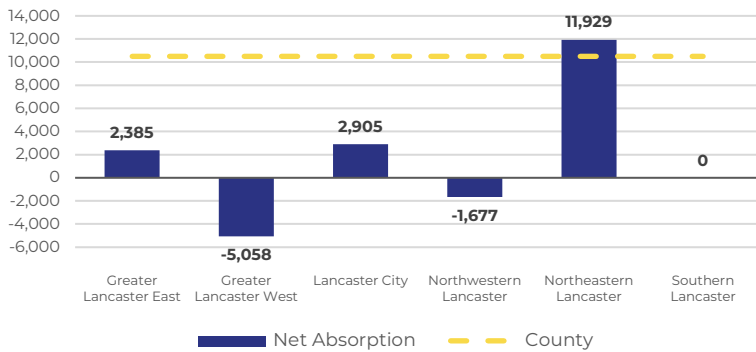


RETAIL

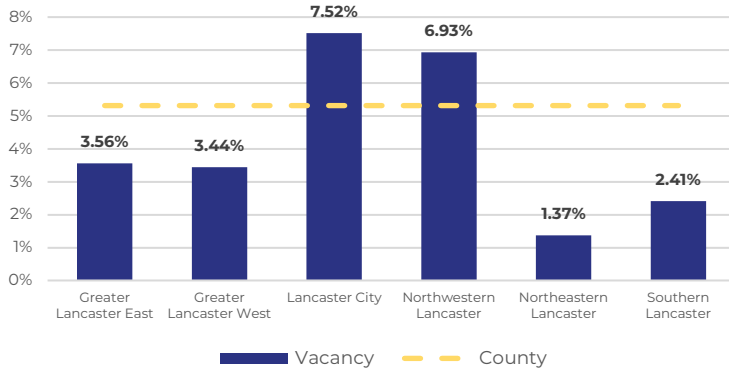
Lancaster County, PA

Q2 2021

NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q2 2021

| PROPERTY | SF | TENANT | TRANSACTION |
|--|-------|----------------------|-------------|
| 1021-1099 W Sharp Ave, Ephrata (Sharp Plaza) | 4,844 | Name Withheld | New |
| 2175 Lincoln Hwy E, Lancaster (Mill Creek Plaza) | 7,350 | Name Withheld | New |
| 1759 W Main St, Ephrata (Wildflower Commons) | 2,430 | Bank of Bird-in-Hand | New |
| 2232 Lincoln Hwy E, Lancaster (East Lancaster Plaza) | 2,191 | Poké Bowl Station | New |
| 101 N Queen St, Ste 113, Lancaster (101NQ) | 1,405 | Name Withheld | New |

Key Sales Transactions Q2 2021

| PROPERTY | SF | SELLER/BUYER | PRICE |
|--|--------|---|-------------|
| 1008 Lancaster Pk, Quarryville | 10,301 | TKC CLXIV, LLC / Realty Income Corporation | \$4,847,457 |
| 2800 N Reading Rd, Adamstown | 75,802 | Edward D. & Carol A. Stoudt / Dentech, Inc. | \$2,750,000 |
| 4247 Oregon Pk, Leola | 1,890 | JTD Holdings, LP / Chalak Group, Inc. | \$1,430,000 |
| 806 New Holland Ave, Lancaster (Turkey Hill Ground Lease Investment) | 3,483 | Stillmeadow Associates, LP / Tiburzio Properties | \$1,350,000 |
| 2141 Lincoln Hwy E, Lancaster | 3,139 | Angali, LLC / Govind Hari, LLC (Cigarette Outlet) | \$1,050,000 |