

MARKET REVIEW

INDUSTRIAL | Lancaster County, PA | Q3 2021



Low Vacancy And High Lease Rates Create Tight Market

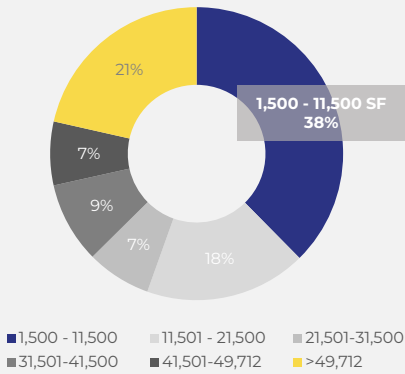
HIGHLIGHTS

- Vacancy dropped for the fourth consecutive quarter and trends well below the national vacancy rate of 4.1%.
- Vacancy is expected to remain low throughout 2021 as no major speculation builds are to be completed until 2022 and demand does not show signs of abating.
- Susquehanna Valley Emergency Medical Services (SVEMS) has partnered with Penn State Health resulting in a three-property purchase of 66, 118 and 126 Keller Ave in Lancaster by Penn State Health. The facilities totaling 41,829 SF were sold for \$2.6M and will continue operating as a service location for EMS vehicles.
- Dalfen Industrial, a buyer of last-mile facilities nationwide, purchased two warehouse properties totaling \$70M and 572,800 SF.

OVERVIEW

Vacancy is experiencing record lows in markets nationwide. The local impact mirrors this national trend as vacancy trends 176 basis points below the national average of 4.1%. With vacancy continuing to decline, the market remains tight for users desiring to enter the market. Users who can locate space matching their size requirement will pay a premium as lease rates remain elevated from lack of new supply.

Vacant Units by Size Range



Vacancy is expected to remain low throughout 2021 as no sizeable speculation builds are to be completed until 2022. High demand will quickly occupy the most desirable locations.

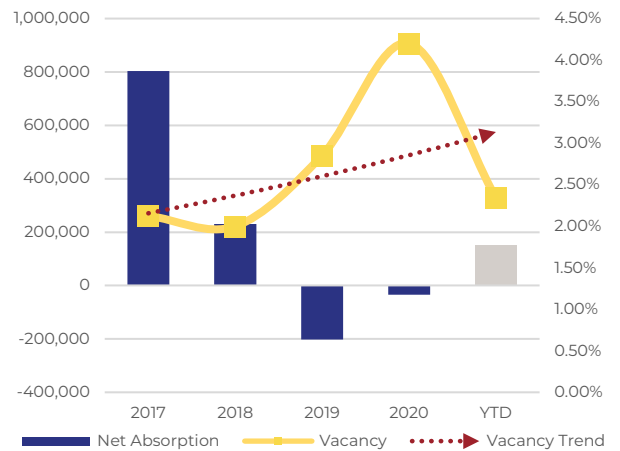
Demand for warehousing and manufacturing facilities is expected to remain elevated to keep pace with retailer demand. Strategic location of warehousing will be critical to fulfill last-mile delivery for consumers. For this reason, Lancaster remains a highly desirable location for logistics operators due to proximity to major thoroughfares and access to a large labor pool.

Sale prices are also increasing as investors continue to bet on potential returns. These returns are not just realized from rental income but also short-term appreciation of the real estate. Six months after being purchased by TA Realty for \$23.75M, 601 Stony Battery Road, Landisville was sold in August for 28.42% above the previous purchase price to Dalfen Industrial. The building was built on speculation and remains unoccupied.

MARKET INDICATORS

Total Inventory	79.87 MSF	▶
Sales (\$)	\$140.56M	▲
Sales (SF)	1.19 MSF	▼
Total Vacancy	2.34% (-30 bps)	▼
Total Leased (SF)	378,610 SF	▼
Average Rent	-\$0.03	▼
Average Rent <i>12-month rolling average</i>	-\$0.10	▼

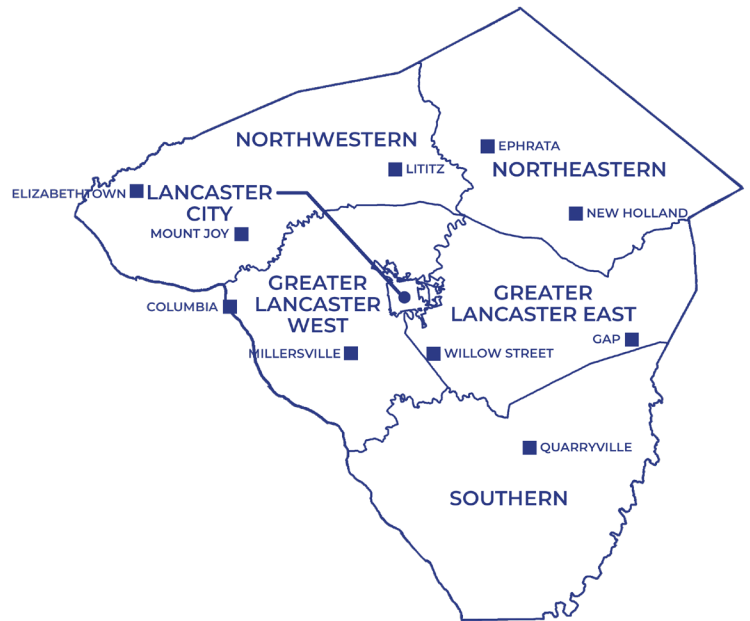
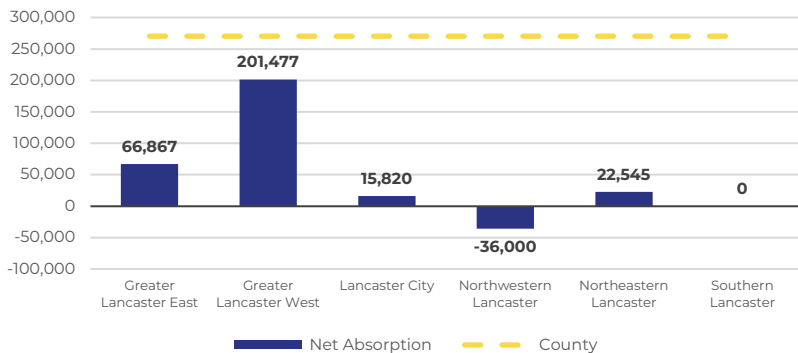
NET ABSORPTION & VACANCY



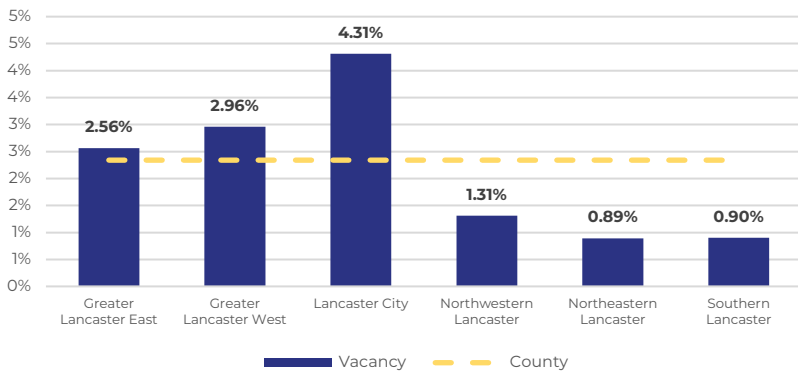
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q3 2021

PROPERTY	SF	TENANT	TRANSACTION
2919 Old Tree Dr, Lancaster	240,528	Name Withheld	New
1817 Colonial Village, Lancaster	27,550	PAP Technologies, Inc.	New
1828 William Penn Way, Lancaster	24,803	Name Withheld	New
1140 Enterprise Rd, East Petersburg	23,270	Name Withheld	New
460 Running Pump Road, Lancaster (Under Construction)	22,168	Name Withheld	New

Key Sales Transactions Q3 2021

PROPERTY	SF	SELLER/BUYER	PRICE
237 Weaver Rd, Ephrata	500,908	Denver Realty Associates, LLC / Exeter Realty Group	\$60,000,000
35 Conewago Dr, Elizabethtown	320,000	TA Conewago, LLC / Dalfen Industrial	\$39,500,00
601 Stony Battery Rd, Landisville	252,800	TA Realty / Dalfen Industrial	\$30,500,000
125 King Ct, New Holland	55,600	King Court Properties, LLC / Samuel E. Stoltzfus	\$5,200,000
66/118/126 Keller Ave, Lancaster (3 properties)	41,829	Robert Manning / Penn State Health	\$2,643,712

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