

MARKET REVIEW

OFFICE | Lancaster County, PA | Q3 2021



Supply Outpacing Demand, Size Of Leased Units Continues to Shrink

HIGHLIGHTS

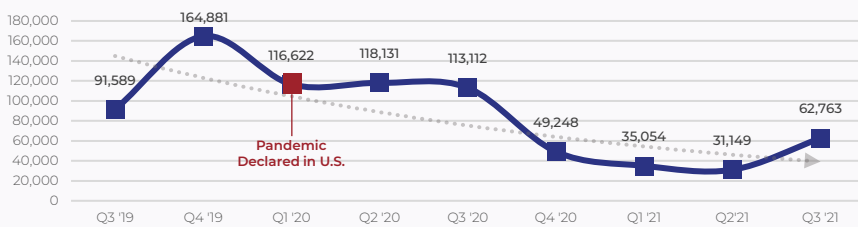
- Demand for larger office space continues to decrease. Since 2017, average unit size of signed leases has decreased 64.16% from 6,463 SF to 2,316 SF.
- The office sector remains in a holding pattern within the recovery phase of the market cycle with little need for additional supply. The construction pipeline remains shallow except for medical providers acquiring land for development.
- Penn State Health Medical Center at 2160 State Road in East Hempfield Township remains under construction and due for completion in Fall 2022.
- Lancaster General Health purchased 33,024 SF at 217 Harrisburg Ave, Lancaster.
- Leased square feet is down 27% from this time last year.

OVERVIEW

Supply outpaces demand as tenant preferences continue to favor smaller unit sizes leaving larger office units sitting vacant. Although leased square feet remains at a five-year low, it is important to note the shift from larger to smaller units has become more pronounced over the past year resulting in fewer square feet being leased. The average unit size of professional office has decreased 64.16% since 2017 from 6,463 SF to 2,316 SF in 2021.

Vacancy continues to decrease 14 basis points to 4.25% sustaining a five-year low. On average, vacant square feet added to the market is also on the decline, down 56.7% year-to-date since the pandemic began.

VACANT SF ADDED TO THE MARKET



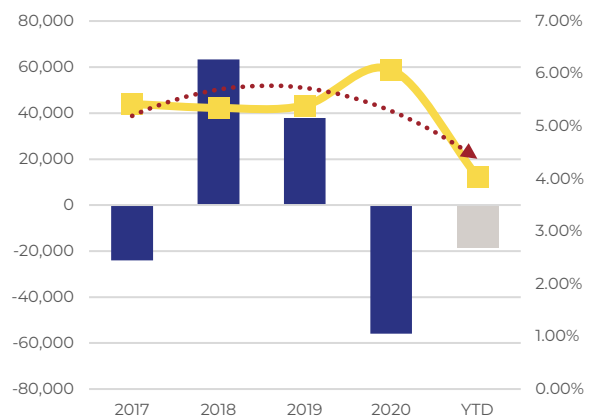
Lease rates remain elevated though decreasing five cents over the twelve-month rolling average. Lease rates are expected to remain elevated, driven by units sized appropriately to meet demand. Average unit size is 2,316 SF.

Medical users remain active in the market competing for territory and visibility in the community. Penn State Health is boosting its presence in East Hempfield Township with a new 341,000 SF medical center. Due to open Summer 2022, the facility will provide inpatient and outpatient services and employ nearly 700 staff.

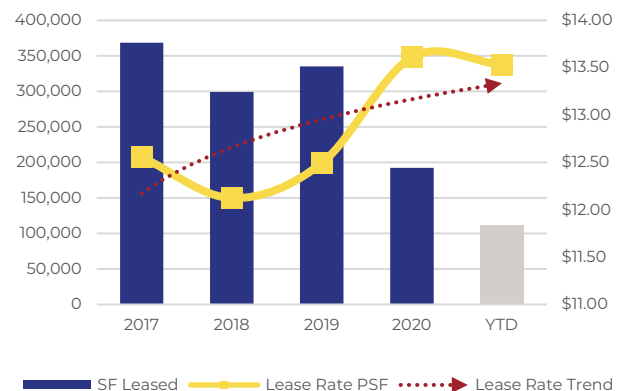
MARKET INDICATORS

Total Inventory	16.88 MSF	▲
Sales (\$)	\$30.33M	▲
Sales (SF)	107,824 SF	▼
Total Vacancy	4.04% (-28 bps)	▼
Total Leased (SF)	31,687 SF	▼
Average Rent	+\$0.97	▲
Average Rent <i>12-month rolling average</i>	-\$0.05	▼

NET ABSORPTION & VACANCY



SF LEASED & AVG LEASE RATE

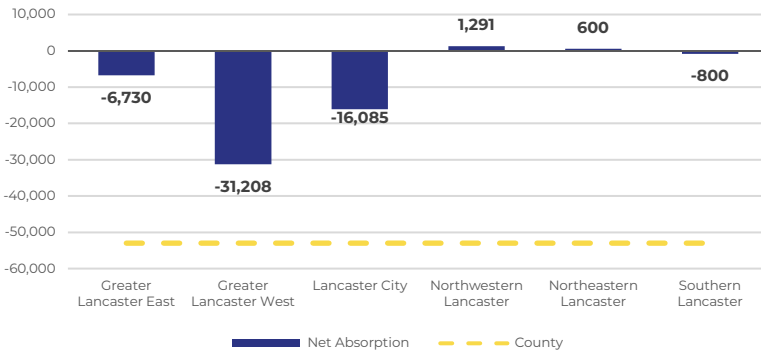


OFFICE

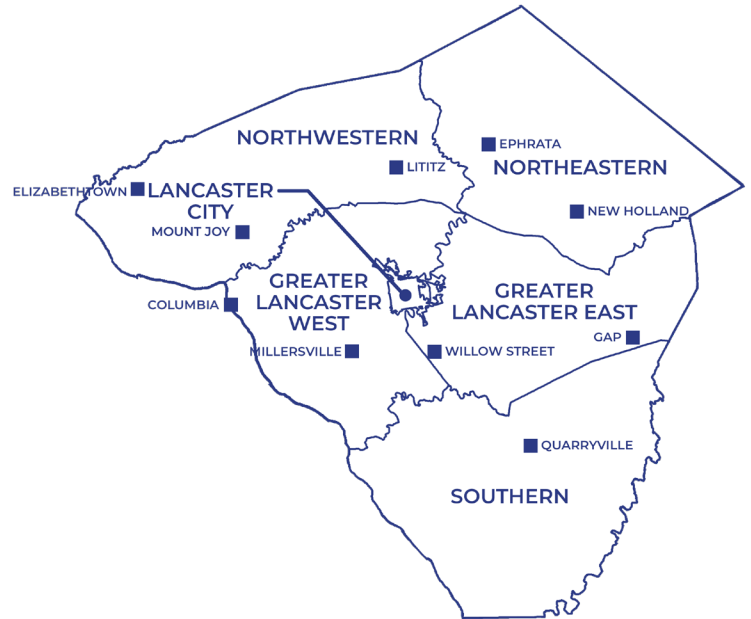
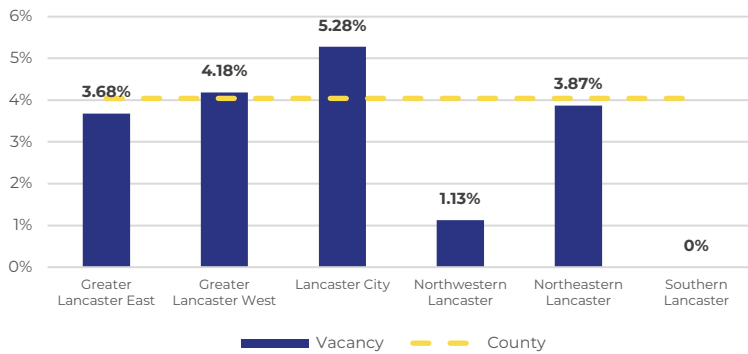
Lancaster County, PA

Q3 2021

NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q3 2021

PROPERTY	SF	TENANT	TRANSACTION
317 N Queen St, Lancaster	3,244	Name Withheld	New
160 N Pointe Blvd, Lancaster (North Pointe Center)	3,173	Name Withheld	New
1869 Charter Ln, Lancaster (Greenfield)	2,075	Name Withheld	New
202 Butler Ave, Lancaster (Edgewood Executive Park)	1,475	Karpinski & Associates	New
770 Lititz Pk, Lititz	1,291	Name Withheld	New

Key Sales Transactions Q3 2021

PROPERTY	SF	SELLER/BUYER	PRICE
217 Harrisburg Ave, Lancaster	33,024	THG Realty Partners, LP / Lancaster General Hospital	\$20,300,000
601 Conestoga Blvd, Lancaster	12,684	Michael D. & Patricia A. D'Arcangelo / Commonwealth of Pennsylvania	\$3,500,000
700 Eden Rd, Lancaster	7,447	Dominic C. & Judith L. Siviglia / Hudberger, LLC	\$1,010,500
2131 Oregon Pk, Lancaster	3,385	Linmar / Family Dental Care of Lancaster, LLC	\$950,000
114 E Main St, Ephrata	10,454	Ray H. Good / Brossman Center, LLC	\$900,000

DREW M. STEFFENS

Director of Data Services

(717) 854-7065

dsteffens@rockrealestate.net

221 W Philadelphia St, Ste 19, York, PA 17401
 313 W Liberty St, Ste 117, Lancaster, PA 17603
 717.854.5357 | ROCKrealestate.net

