

# MARKET REVIEW

OFFICE | York County, PA | Q3 2021



## Sales Volume Up \$38M From 2020, Leased Square Feet Exceeding Pre-Pandemic Levels by 10.4%

### HIGHLIGHTS

- Average sale price is up 61.2% since last year but down 32.3% since before the pandemic.<sup>2</sup>
- Leased square feet is up 59.7% from last year and now exceeds pre-pandemic levels. Vacancy remains at a five-year low year-to-date.
- The office sector remains in a holding pattern within the recovery phase of the market cycle. The construction pipeline remains shallow except for medical players acquiring land for development.
- The **ROCK Demand Index (RDI)** reveals that 57% of office demand is comprised of businesses engaged in professional services followed by 18% engaged in medical practice. Those engaged in professional services are seeking an average unit size of 3,100 SF. Medical users are seeking an average unit size of 2,700 SF.

### OVERVIEW

While uncertainty still looms over the future of offices in Central Business Districts throughout the United States, suburban office continues to carry the sector, enticing investors and tenants. In August, Real Capital Analytics cited a 14.8% year-over-year growth rate in office prices for suburban office while Central Business Districts witnessed a downturn of 3.7%.<sup>1</sup> This growth in suburban office price has been felt locally with sales volume already exceeding 2020 levels by \$38M or 287%.<sup>2</sup>

Lease activity continues at a steady pace as square feet leased year-to-date exceeds pre-pandemic levels. Demand continues to shift from larger to smaller units with users seeking to mitigate rent expense. However, demand for large offices has not completely disappeared. Although the minority, the **ROCK Demand Index (RDI)** reveals several large office users seeking units larger than 10,000 SF. 75% of these larger users are relocating to decrease their unit size.

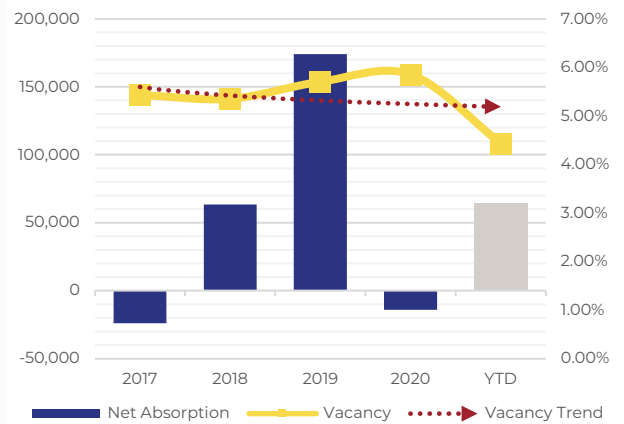
Medical users remain active in the market competing for territory, visibility and aesthetic. Medical uses including dentistry, orthodonture, dermatology, and walk-in care facilities are blurring the lines between retail and medical office. Medical users are increasingly willing to pay the same premiums as retailers to be visible to their customer base. Just like experiential retail emerged as a new way to shop in-person, "Retail Health" has emerged to meet new patient expectations.

WellSpan Health recently purchased 2550 Pine Grove Road, York. Plans for the property have not yet been disclosed but the location certainly establishes a highly visible and accessible presence to travelers along Interstate 83. New construction for a Shoe Orthodontics location in Hanover also capitalizes on the high visibility at the corner of Eisenhower Dr and Eichelberger St. The building is due for completion Q4 2021.

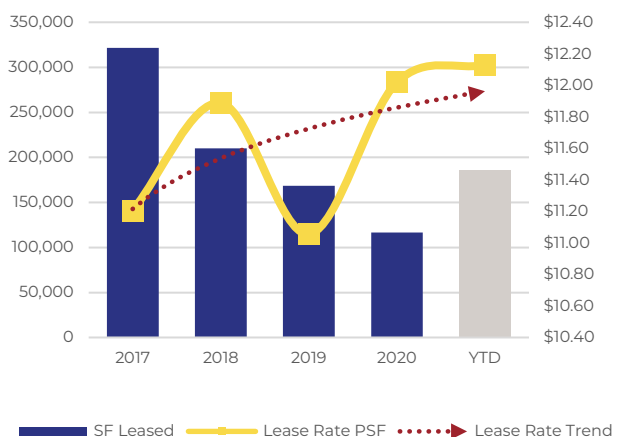
### MARKET INDICATORS

Total Inventory	13.46 MSF	▲
Sales (\$)	\$20.44 M	▲
Sales (SF)	26,460 SF	▼
Total Vacancy	4.43% (+11 bps)	▲
Total Leased (SF)	161,141 SF	▲
Average Rent	-\$0.31	▼
Average Rent <i>12-month rolling average</i>	-\$0.62	▼

### NET ABSORPTION & VACANCY



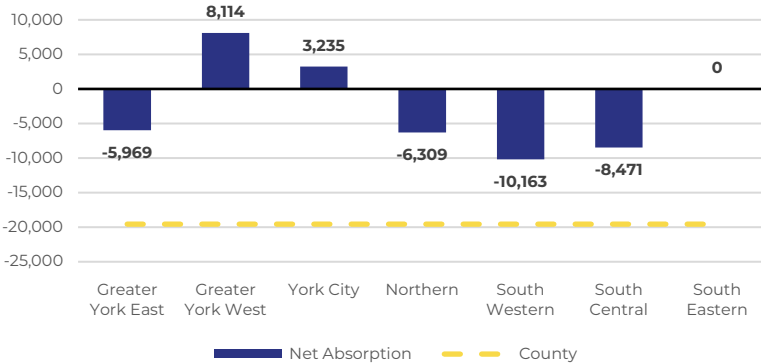
### SF LEASED & AVG LEASE RATE



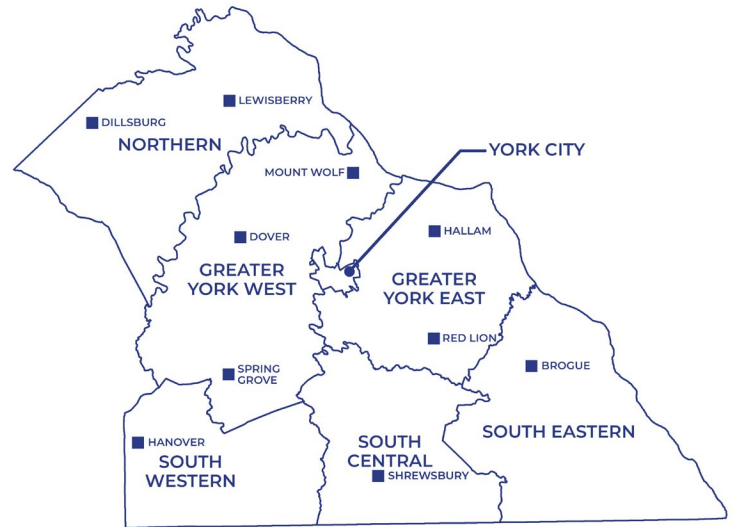
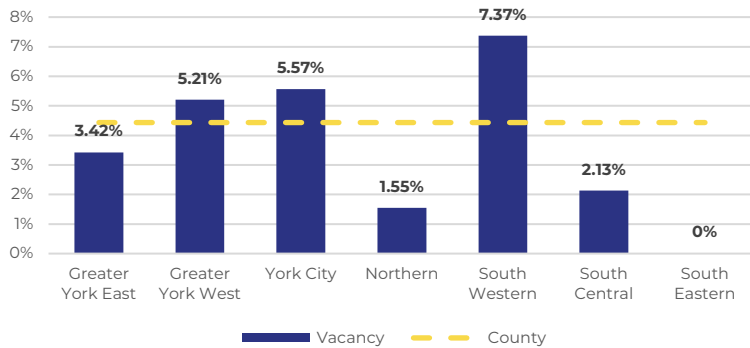
<sup>1</sup> Real Capital Analytics

<sup>2</sup> This metric is for inventory 50,000 SF or less and does not include the \$17.2M sale of 2401 Pleasant Valley Road, York or the office portion at Patriot Tech Center for \$15.7M. These transactions were deemed outliers.

NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q3 2021

PROPERTY	SF	TENANT	TRANSACTION
1410-1420 Sixth Ave, York	25,447	Promotion Centre, Inc.	New
3100 Farmtrail Rd, York	6,300	Investment Real Estate, LLC	New
1779 Fifth Ave, York	4,573	Pinnacle Health Medical Services	New
1805 Loucks Rd, York	4,193	BAPS Auto Paint Supply	New
2791 S Queen St, Dallastown	2,300	AIMED, Inc.	New

Key Sales Transactions Q3 2021

PROPERTY	SF	SELLER/BUYER	PRICE
601 S Richland Ave, York*	116,132	Patriot Equities, L.P. / SKM Property Management, LLC	\$15,741,145
2555 Cape Horn Rd, Red Lion	13,711	Red Lion Chiropractic, Inc. / TKO Real Estate, LLC	\$1,300,000
777 Cherry Tree Ct, Hanover	5,804	Elizabeth K. Hirsh / UPMC Hanover	\$1,000,000
2595 S George St, York	4,800	Roger and Delores Calabretta / PeoplesBank, A Codours Valley Company	\$506,000
221 W Philadelphia St, Suite 3EBb	3,746	Westwood Properties Management, LLC / Eisenhart 221, LLC	\$400,000

\*Amount allocated to office portion of the total \$73M purchase price for Patriot Tech Center

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