

# MARKET REPORT

INDUSTRIAL | Lancaster County, PA | Q4 2021



## Market Remains Tight As Vacancy Plummets Below 1.5%, Institutional Investors Boost Sale Volume in Q4

### HIGHLIGHTS

- Vacancy dropped for a fifth consecutive quarter and trending below the national vacancy rate of 3.7%.
- Low vacancy is expected to continue throughout 2022 as demand remains elevated and the construction pipeline remains shallow.
- 1405 & 1473 Zeager Road, Elizabethtown were included in a nationwide portfolio purchase totaling \$2.3B.

### OVERVIEW

Demand is outpacing supply with some relief in sight from new construction. 480,000 SF is under construction to help meet demand with an additional 1.7 MSF of proposed development. Most speculation builds continue to be immediately absorbed upon completion contributing to the suppressed vacancy experienced throughout 2021.

Demand from e-commerce and manufacturing remained strong throughout 2021. Variants of COVID-19 and pressures of inflation have potential to negatively influence growth in 2022, but the overall trajectory of demand from e-commerce is expected to remain elevated.

Vacancy is experiencing record lows in markets nationwide. The local impact mirrors this national trend as vacancy is trending 222 basis points below the national average of 3.7%. 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. As a result of high demand and low inventory, lease rates continue an upward trajectory currently averaging \$6.27 / SF.

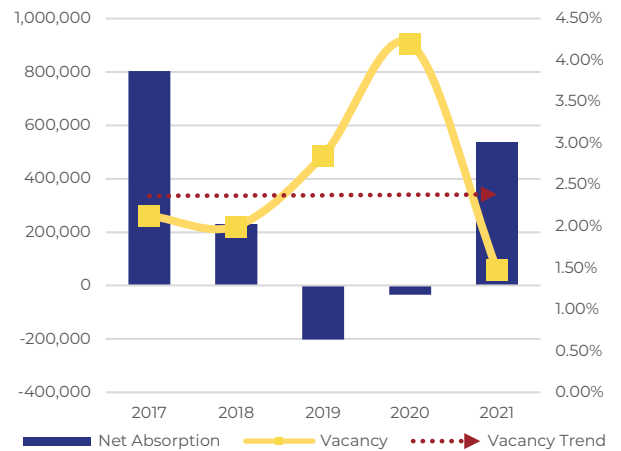
Demand for warehousing and manufacturing facilities is expected to remain elevated to keep pace with retailer demand. Lancaster remains a highly desirable location for logistics operators due to proximity to major thoroughfares and access to a large labor pool.

Institutional investors continue nationwide portfolio purchases worth billions of dollars. 1405 & 1473 Zeager Road, Elizabethtown was recently acquired by Blackstone REIT as part of a 91-property portfolio valued at \$2.3B. The exact amount allocated to the Zeager Road properties has not been disclosed but is estimated around \$25M.

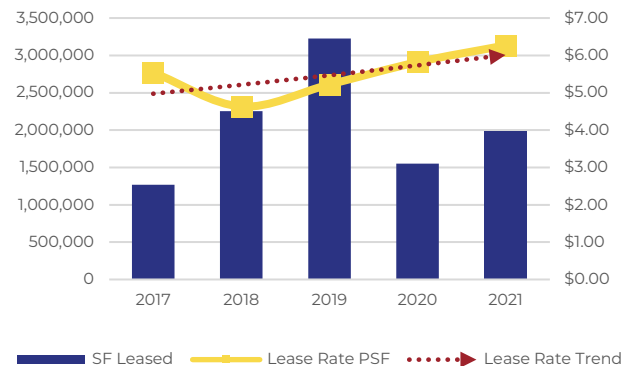
### MARKET INDICATORS

Total Inventory	80.18 MSF	▲
Sales (\$)	\$59.69M	▼
Sales (SF)	943,070 SF	▼
Total Vacancy	1.48% (-86 bps)	▼
Total Leased (SF)	722,686 SF	▲
Average Rent	-\$0.45	▼
Average Rent <i>12-month rolling average</i>	-\$0.12	▼

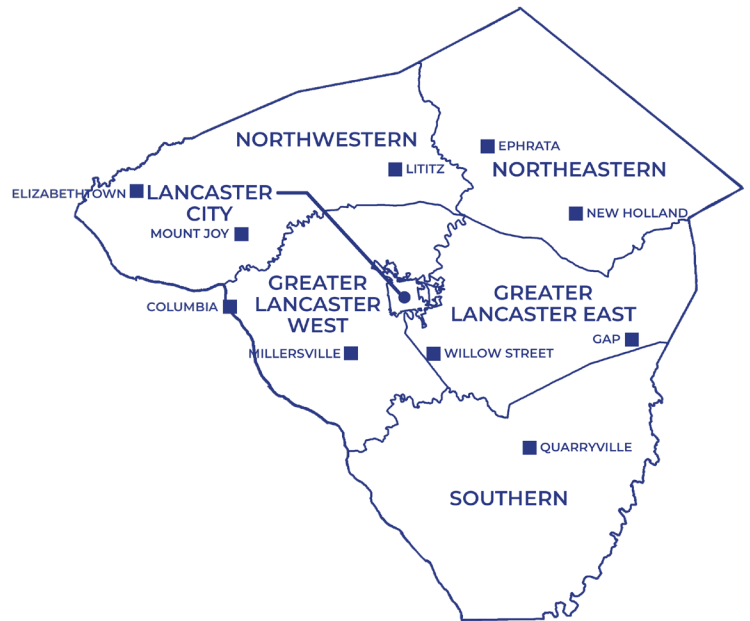
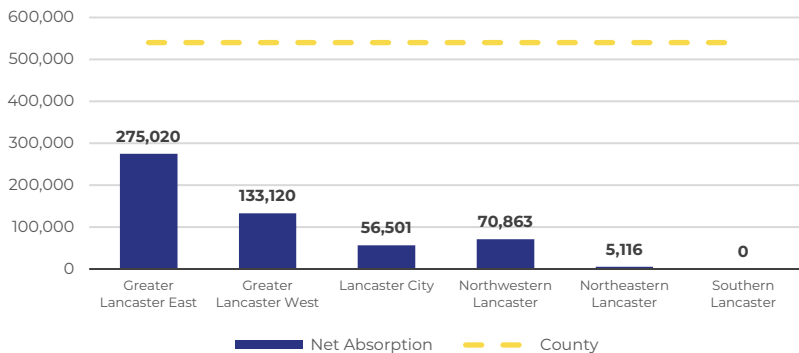
### NET ABSORPTION & VACANCY



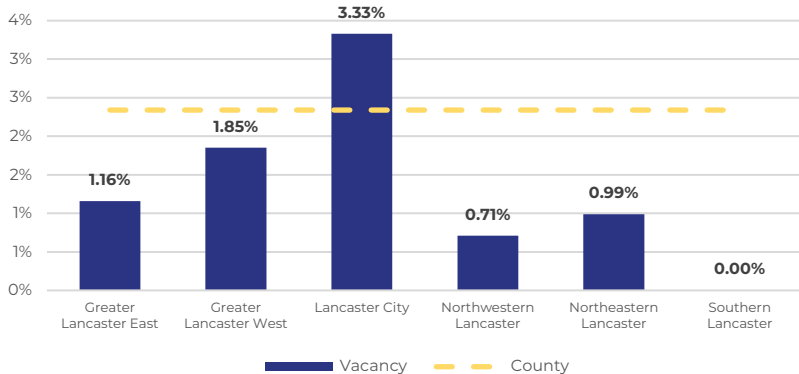
### SF LEASED & AVG LEASE RATE



**NET ABSORPTION BY SUBMARKET**



**VACANCY BY SUBMARKET**



**Key Lease Transactions Q4 2021**

PROPERTY	SF	TENANT	TRANSACTION
601 Stony Battery Rd, Landisville	252,800	Name Withheld	New
1905 Horseshoe Rd, Lancaster	250,320	Name Withheld	New
1004 New Holland Ave, Lancaster	70,000	Stoner, Inc.	New
909 Strickler Rd, Manheim	40,200	Name Withheld	New
308-334 W Main St, Mount Joy	13,363	Trulee Family, LLC	New

**Key Sales Transactions Q4 2021**

PROPERTY	SF	SELLER/BUYER	PRICE
1405 & 1473 Zeager Rd, Elizabethtown	198,721	Cabot Properties, Inc. / Blackstone REIT	*\$25,000,000
350 Richardson Dr, Lancaster	112,889	Shanks Properties / Shanks Extracts, LLC	\$8,157,496
53 Eby Chiques Rd, Manheim	56,250	Donegal Partners / Envision Outdoor Living, LLC	\$4,425,000
451 Richardson Dr, Lancaster	60,024	Shanks Properties / Shanks Extracts, LLC	\$4,181,824
731 Martha Ave, Lancaster	185,100	ACME Manufacturing Company, Inc. / Tower Road Properties, LLC	\$2,946,000

\* Part of portfolio sale totaling \$2.3B. Value represents estimated allocation to these two properties based on anticipated appreciation in value and average selling price of all properties in the 91-property portfolio.

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