

MARKET REPORT

OFFICE | Lancaster County, PA | Q4 2021



Leased Square Feet Closes Gap On 2020 Totals, Falls Short Of Achieving Pre-Pandemic Levels

HIGHLIGHTS

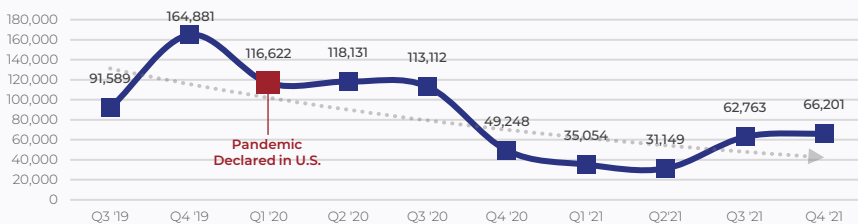
- Demand for larger office space continues to decrease. Since 2017, average unit size of signed leases has decreased 65.9% from 6,463 SF to 2,199 SF.
- Absorption ended negative in 2021 with 90,723 more square feet made available than leased. Leased square feet closed the gap on 2020 levels but fell short of exceeding pre-pandemic levels.
- Medical drove sales volume in 2021 with 49.6% of sale dollars attributed to medical office space.
- The construction pipeline remains shallow though Penn State Health Medical Center at 2160 State Road in East Hempfield Township remains under construction and on track for completion in Fall 2022.

OVERVIEW

Unlike larger U.S. cities, tertiary markets did not experience an exodus of office tenants like New York City or San Francisco during the pandemic. Shuffling occurred to downsize or relocate but, overall, Lancaster County continues to experience lower vacancy and elevated rents.

After falling for four consecutive quarters, vacancy has increased 11 basis points to 4.15% in Q4 2021. Data throughout 2022 will reveal if this will be a trend reversal or continued decline of vacancy. Vacant square feet added to the market is down 59.8% since the pandemic was declared in March 2020.

NEW VACANT SF ADDED TO THE MARKET



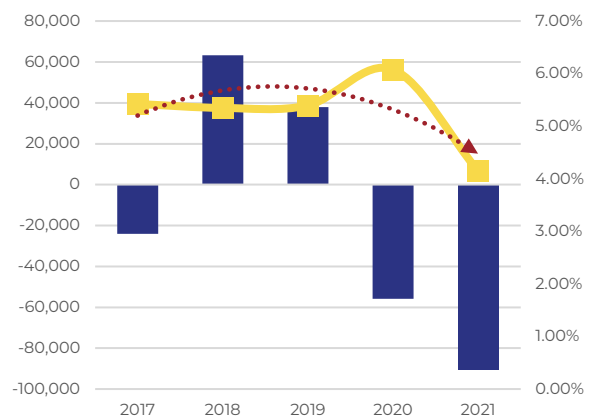
Lease rates remain elevated though decreasing seven cents from 2021. Elevated lease rates are expected to continue as vacancy remains at a five-year low. However, negative absorption in 2021 may indicate demand is slowing heading into 2022.

Medical users continue to 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 Fall 2022, the facility will provide inpatient and outpatient services and employ nearly 700 staff.

MARKET INDICATORS

Total Inventory	16.98 MSF	▶
Sales (\$)	\$9.59M	▼
Sales (SF)	60,945 SF	▼
Total Vacancy	4.15%(+11 bps)	▲
Total Leased (SF)	67,630 SF	▲
Average Rent	-\$2.28	▼
Average Rent <i>12-month rolling average</i>	-\$0.26	▼

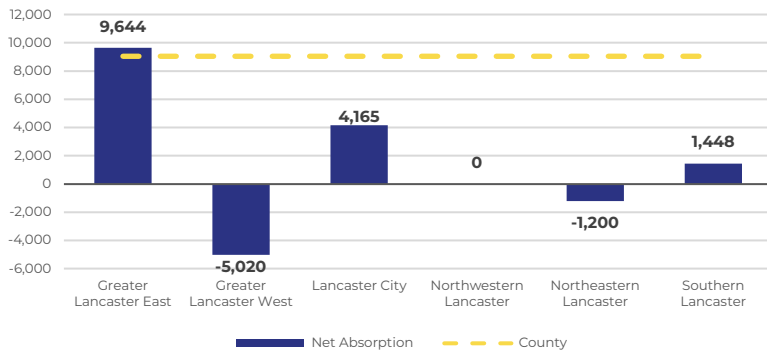
NET ABSORPTION & VACANCY



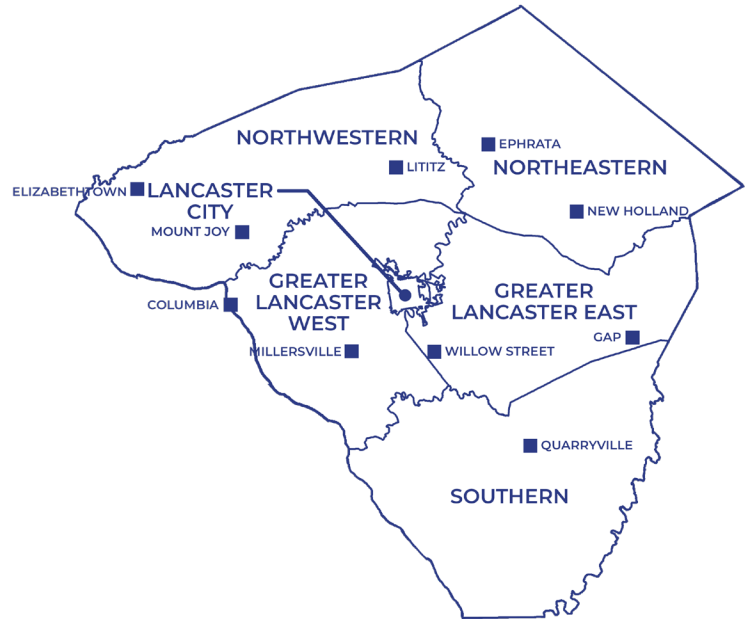
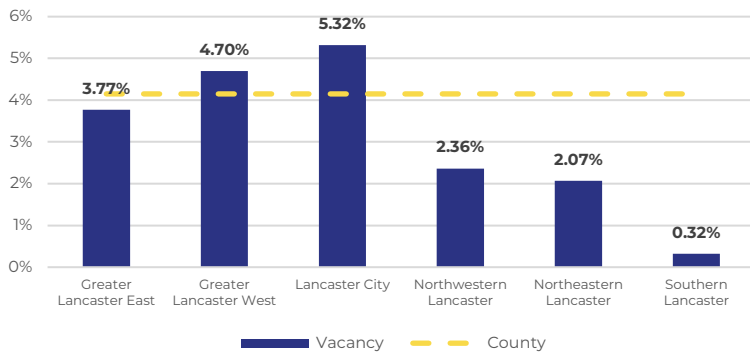
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q4 2021

PROPERTY	SF	TENANT	TRANSACTION
454 New Holland Ave, Lancaster	9,950	Name Withheld	New
1808 Colonial Village Ln, Lancaster	5,389	Name Withheld	New
28 Penn Sq, Lancaster	4,000	Name Withheld	New
1860-62 Charter Ln, Lancaster	3,625	Name Withheld	New
32-38 E King St, Lancaster (Cipher Building)	3,087	Internal Revenue Service	New

Key Sales Transactions Q4 2021

PROPERTY	SF	SELLER/BUYER	PRICE
562 W Second Ave, Lititz	6,540	562 West Second, Inc. / Moravian Manors, Inc.	\$2,396,157
1159 River Rd, Marietta	5,675	Robert H. Brewer / 1159 River Road Partners, LLC	\$1,750,000
1001 Millersville Rd, Lancaster	21,726	Courtright, LLC & Stone Bay Holdings, LLC / BMMC Property Group, LLC	\$1,700,000
240 N Seventh St, Akron	10,072	J Bean, LLC / Y&T Properties, LLC	\$1,637,500
120 N Shippen St, Lancaster	3,462	Sapient Management, LLC / CASA of Lancaster County	\$484,000

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

