

MARKET REPORT

OFFICE | York County, PA | Q4 2021



Leased Square Feet Ends At 3-Year High, Vacancy Remains Below 5%

HIGHLIGHTS

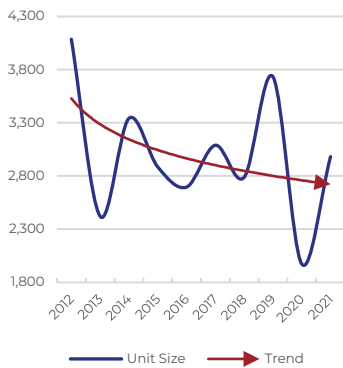
- Leased square feet continues to climb and exceeds pre-pandemic levels. Vacancy remains at a five-year low.
- 50% of office sale transactions were attributed to medical use in Q4 and 39% of transactions for 2021.
- Average unit size continues to decrease, though 2021 witnessed an uptick in due to several transactions for units greater than 10,000 SF.
- York County's positioning as a tertiary market has thus far been insulated from large influxes of vacancy that affect larger metros.
- York County office continues to remain stable boasting low vacancy and elevated lease rates.

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, York County continues to experience rising occupancy and elevated rents.

Absorption ended positive in 2021 with 84,507 more square feet leased than made available. Leased square feet continues to climb and exceeds pre-pandemic levels.

UNIT SIZE TREND



Average unit size continues to decrease over the ten-year period, though an uptick in 2021 may indicate this trend is slowing. Several leases in 2021 were signed for units 10,000 SF or greater contributing to the uptick in average unit size. Lease data in 2022 will help indicate if this metric will continue to decrease or stabilize.

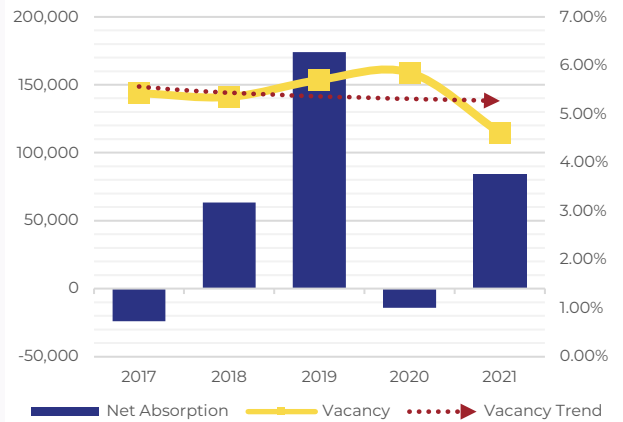
Although metrics point to continued demand for office in York County, the sector also remains in a holding pattern as speculation abounds on what the office landscape will look like in 2022 and beyond. Although there has been unit downsizing driving demand, recent leases to larger office users indicate demand for larger units has not evaporated completely.

Moving forward, remote and hybrid work will influence leasing decisions as businesses evaluate what purpose the office will serve rather than accepting the office as a 'de facto' expense of business. Is the goal to host a collaboration space between employees, a flagship location to meet with clients, or a satellite office to establish presence in a new market? The key here is that we may witness tenants being more deliberate in their consideration of office space.

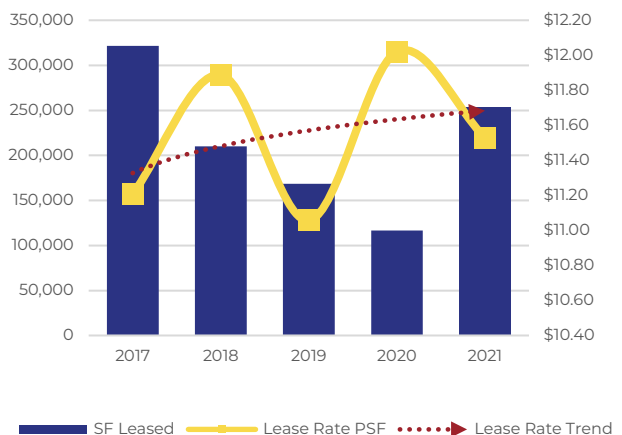
MARKET INDICATORS

Total Inventory	13.44 MSF	▼
Sales (\$)	\$3.91 M	▼
Sales (SF)	59,012 SF	▲
Total Vacancy	4.61% (+18 bps)	▲
Total Leased (SF)	65,855 SF	▼
Average Rent	-\$0.68	▼
Average Rent <i>12-month rolling average</i>	+\$0.74	▲

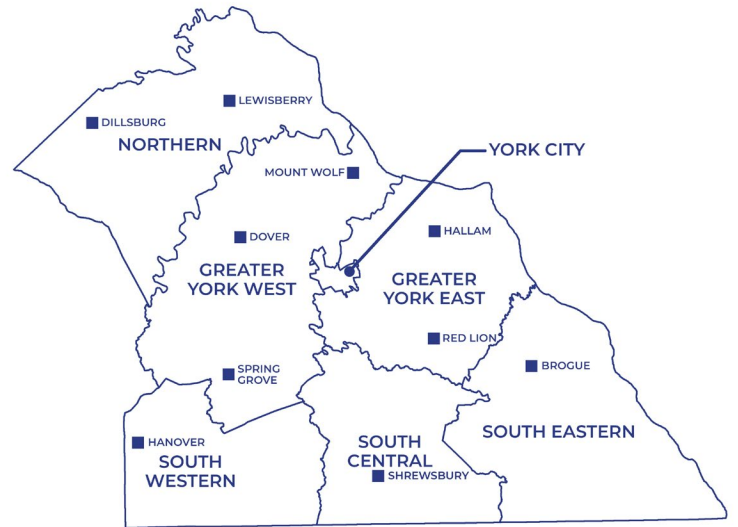
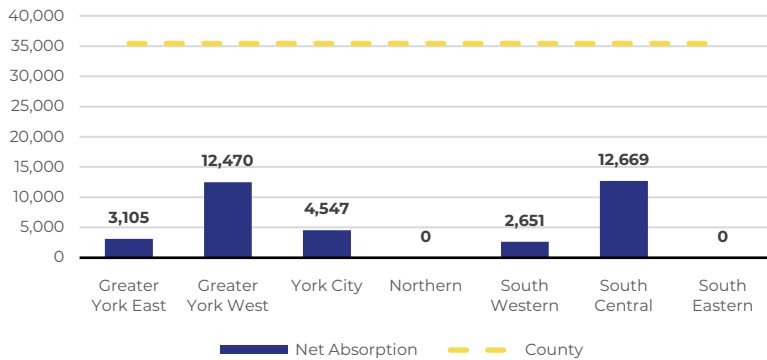
NET ABSORPTION & VACANCY



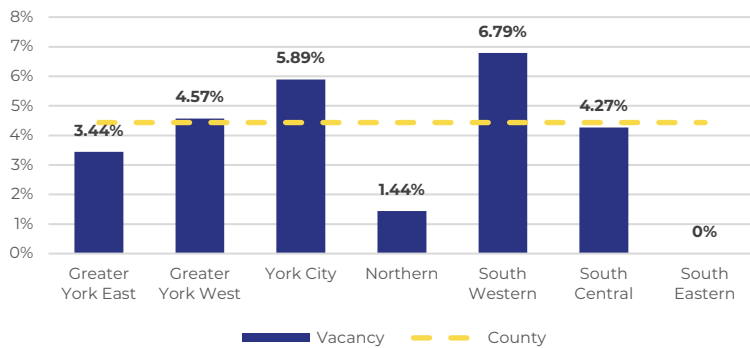
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q4 2021

PROPERTY	SF	TENANT	TRANSACTION
96 S George St, Fifth Floor, York	16,138	MPL Law Firm, LLP	New
15842 Elm Dr, New Freedom	12,000	International Logistics Systems	New
1805 Loucks Rd, York	5,885	Stackie Enterprise, LLC	New
130 Leader Heights Rd, York	5,592	The Milton S. Hershey Medical Center	New
1600 Sixth Ave, York	5,366	Wellsparn Properties, Inc.	New

Key Sales Transactions Q4 2021

PROPERTY	SF	SELLER/BUYER	PRICE
148 Penn Street, Hanover	18,633	PCA Corrugated and Display, LLC / McGrew Equipment Company	\$1,100,000
2021 E Market St, York	6,043	White Rose Family Chiropractic, LLC / White Rose Family Real Estate	\$540,000
2240-42 S Queen St, York	3,896	Tomas Friedrich / 2240 S Queen St, LLC	\$319,000
3201 Carlisle Rd, Dover	4,281	Pietropola & Associates / Brian Lehman	\$260,000
422 Monocacy Trl, Spring Grove	2,005	Tactical Real Estate, LLC / Fleming Family Trust	\$245,000

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