

MARKET REPORT

INDUSTRIAL | Lancaster County, PA | Q1 2022



How Low Can It Go? Record Low Vacancy Approaching 1%

HIGHLIGHTS

- Vacancy dropped for a sixth consecutive quarter approaching 1% and is below the national vacancy rate between 3 - 3.5%.
- Low vacancy is expected to continue throughout 2022 as demand remains elevated, but the construction pipeline remains shallow. 1.05 MSF is currently under construction with 57% of projects 230,000-250,000 SF.
- Overall, sale prices are up considerably over the past five years across Class A, B and C product. Sale prices for assets between 50,000 and 100,000 SF are up 98.61% from just five years ago.

OVERVIEW

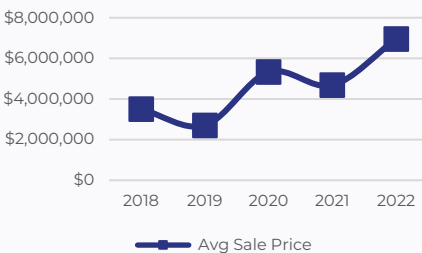
Demand continues to outpace supply, with some relief in sight from new construction. Over one million square feet is under construction to help meet demand with an additional 1.3 MSF of proposed development. Forty-five percent of these projects are for construction 100,000 SF or greater. Most speculation builds continue to be immediately absorbed upon completion contributing to the suppressed vacancy rate.

With such low vacancy, 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 \$6.65/SF among Class A & B inventory.

Headwinds from inflation, rising interest rates, increases to material handling and transportation costs may suppress the exponential growth seen throughout 2021 and 2022. After record high absorption in 2021, lower absorption in the start of 2022 may illustrate a slow down of leasing activity in 2022 due to lack of inventory.

Demand for warehousing and manufacturing facilities is expected to remain elevated to keep pace with retailer demand though headwinds mentioned above may slow this demand. Lancaster remains a highly desirable location for logistics operators due to proximity to major thoroughfares and access to a large labor pool. The 283 corridor is particularly attractive for distributors and manufacturers from the Harrisburg market.

Average Sale Price



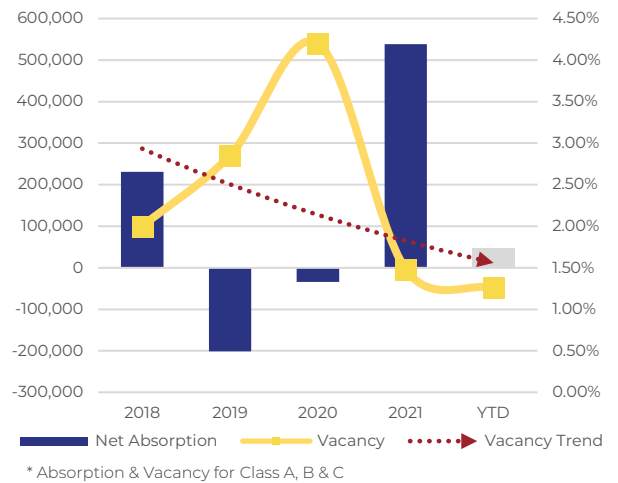
Overall, sale prices are up considerably and continuing to rise. Though Class A product will typically fetch a higher price than Class C space, this increase is being felt equitably across all classes of buildings. As an example, assets between 50,000 and 100,000 SF are up 98.61% from just five years ago. The scarcity of industrial product has pushed the average selling price in this size range upwards of \$6M from \$3M five years ago.

*Avg selling price for inventory 50K-100K SF

MARKET INDICATORS

Total Inventory	80.27 MSF	▲
Sales (\$)	\$122.5M	▲
Sales (SF)	1.85 MSF	▲
Total Vacancy	1.26% (-22 bps)	▼
Total Leased (SF)	126,200 SF	▼
Average Rent	+\$2.39	▲
Average Rent <i>12-month rolling average</i>	-\$0.11	▼

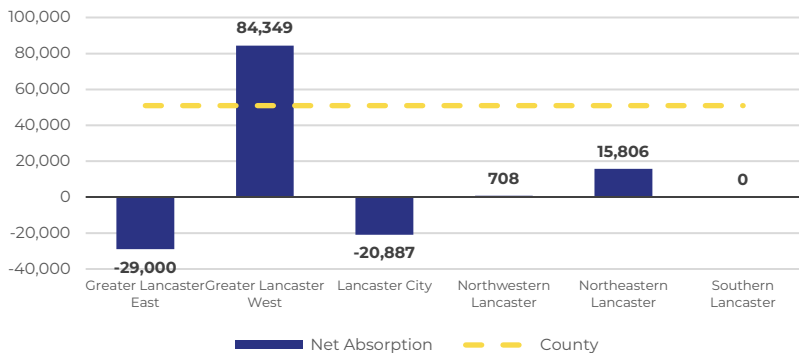
NET ABSORPTION & VACANCY



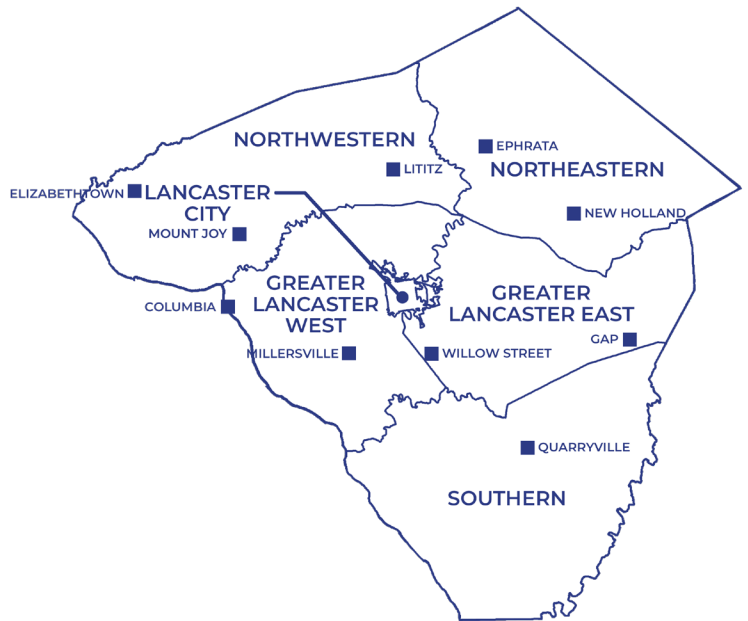
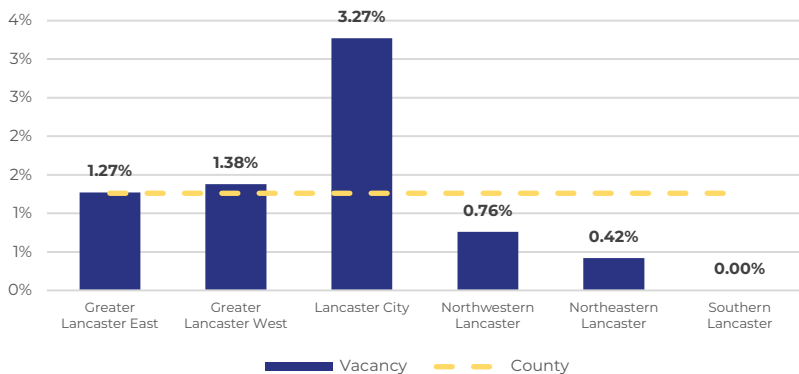
SF LEASED & AVG LEASE RATE



NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q1 2022

PROPERTY	SF	TENANT	TRANSACTION
11-33 Industrial Rd, Elizabethtown	110,000	Name Withheld	New
201-203 Enterprise Rd, Lititz	20,000	Name Withheld	New
20-40 Doe Run Rd, Manheim	18,700	Name Withheld	New

Key Sales Transactions Q1 2022

PROPERTY	SF	SELLER/BUYER	PRICE
1103 Ranck Mill Rd, Lancaster	86,236	Ranck Mill Road Real Estate, LLC / Ranck Mill Holdings, LLC	\$6,850,000
3975 Continental Dr, Columbia	121,370	Scantron / Buckeye Corrugated, Inc.	\$6,600,000
107 Pitney Rd, Lancaster	189,287	Pitney Road Industrial, LLC / Way Services, Inc.	\$5,300,000
187 W Airport Rd, Lititz	35,021	Heat and Control, Inc. / 187 West Airport Road Partners	\$3,495,000
1925 W Main St, Ephrata	57,885	Paumir Holdings, LP / Zimmco Ents	\$2,500,000

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