

# MARKET REPORT

OFFICE | York County, PA | Q1 2022



## Year Starts With Uptick In Demand From Smaller Office Users, Potential Slowdown Amidst Economic Uncertainty

### HIGHLIGHTS

- A plethora of economic factors are coalescing, making predictions for the office sector difficult. Although unemployment remains on the decline, effects from inflation, labor shortages, rising interest rates, supply chain disruptions, and threats from global conflict continue to work against progress made in the economic recovery.
- Q1 2022 is the highest performing quarter since the start of the pandemic in terms of square feet sold. 240,000 SF sold this quarter.
- Although rate of decrease is slowing, vacancy remains at a five-year low falling 53 basis points in Q1.
- Absorption starts the year negative after trending positive for 2021.
- Lease rates received a boost from Class A units leasing upwards of \$20/SF.

### OVERVIEW

Economic factors and evolving tenant preferences make the office sector increasingly harder to predict. Labor shortages particularly in the retail sector but also affecting office occupations continue to pose risks to the office market. Although unemployment remains on the decline, effects from inflation, labor shortages, interest rate increases, supply chain disruptions, and threats from global conflict continue to work against economic recovery.

Despite these challenges, demand is predominantly focused on smaller unit sizes less than 5,000 SF. 90% of leases in Q1 were attributed to this size range. There is no shortage of supply with over 586,000 SF available throughout York County with 41% of vacant square feet being units 5,000 SF or less. Tenants are also taking advantage of the current environment to not only move to new space but also negotiate to maintain their current lease rates.

Several leases contributed to the increase in average lease rate in Q1. Among the highest lease rates were the York Executive Center (2555 Kingston Road) and 220-224 Saint Charles Way. Both properties are Class A facilities near busy retail corridors.

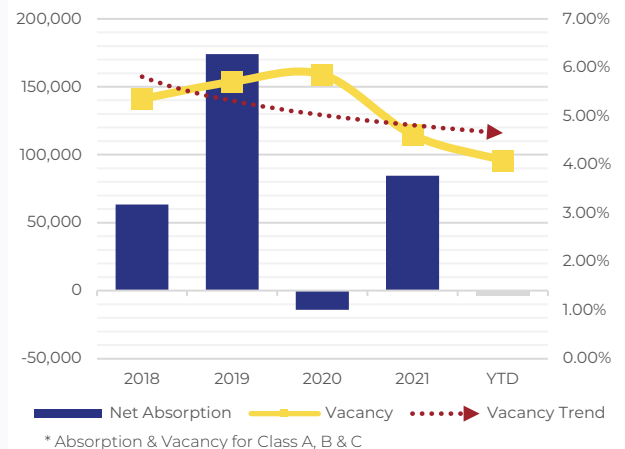
Although increasing 29 basis points during Q3 and Q4 last year, vacancy fell 53 basis points to a five-year low of 4.08%. The rate of decrease in vacancy has been slowing in recent months as absorption falls negative in the start of 2022. Data in coming months will help reveal if demand is waning.

The construction pipeline remains shallow with just 28,000 SF under construction. Class A projects under construction include 18,000 SF of professional/medical office suites at Westgate adjacent to UPMC Memorial Hospital and 10,000 SF professional office at 3190 East Prospect Road, York.

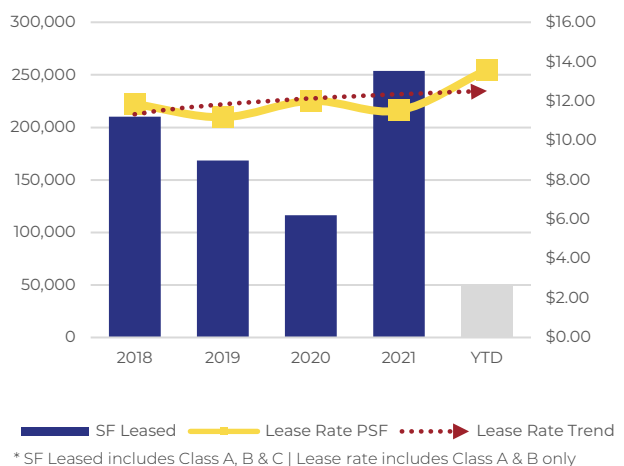
### MARKET INDICATORS

Total Inventory	13.25 MSF	▶
Sales (\$)	\$18.66 M	▲
Sales (SF)	239,854 SF	▲
Total Vacancy	4.08% (-53 bps)	▼
Total Leased (SF)	51,162 SF	▼
Average Rent	+\$1.97	▲
Average Rent <i>12-month rolling average</i>	+\$3.87	▲

### NET ABSORPTION & VACANCY



### SF LEASED & AVG LEASE RATE

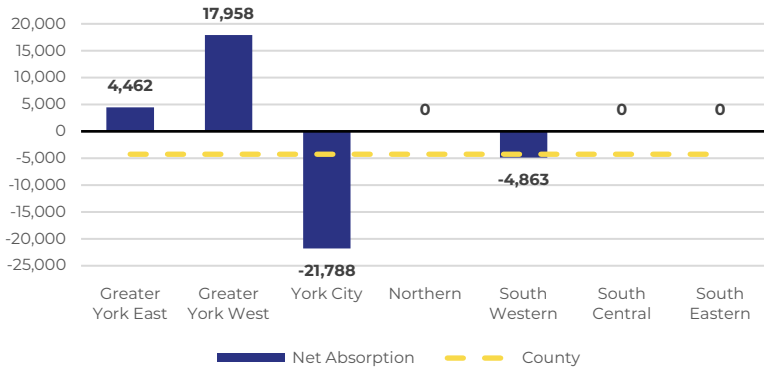


# OFFICE

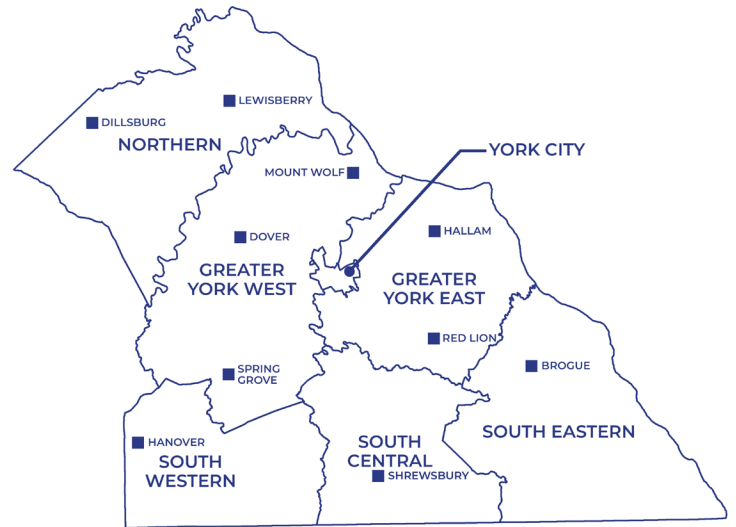
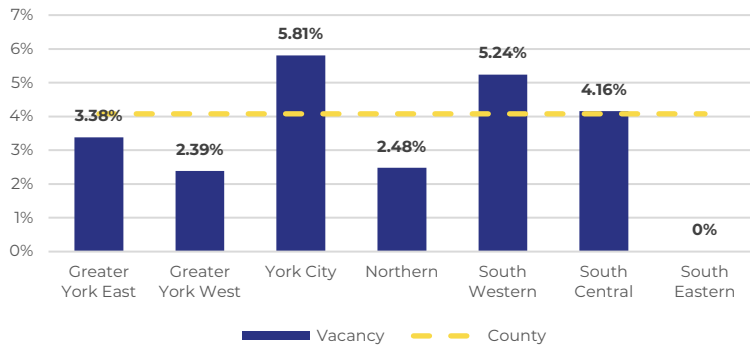
York County, PA

Q1 2022

## NET ABSORPTION BY SUBMARKET



## VACANCY BY SUBMARKET



## Key Lease Transactions Q1 2022

PROPERTY	SF	TENANT	TRANSACTION
2600 Eastern Blvd, York	13,756	HR Pharmaceuticals, Inc.	New
1643-1653 Rodney Rd, York	5,040	BI Inc.	New
2951 Whiteford Rd, York	4,758	McLean Mortgage Corporation	New
1600 Sixth Ave, York	2,064	Vascular Health Specialists, LLC	New
227 W Market St, York	2,035	Cybercon IQ, Inc.	New

## Key Sales Transactions Q1 2022

PROPERTY	SF	SELLER/BUYER	PRICE
3995 E Market St, York	13,934	2901 Whiteford Rd, LLC / Name Withheld	\$2,425,000
195 Stock St, Ste 312, Hanover	6,823	RLH Hanover Real Estate, LLC / BSSF Properties, LLC	\$1,114,000
200 Bailey Dr, Stewartstown	21,265	Statewide Properties, LP / Cornerstone Plaza, LLC	\$718,357
60 E North St, York	5,760	Barry Carbaugh / VR OZ Fund	\$395,000
200 E Walnut St, Hanover	5,395	Bischopoly, LP / Sara L. Hines	\$310,000

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