

# MARKET REPORT

INDUSTRIAL | Lancaster County, PA | Q2 2022



## Demand Remains High As Supply Runs Low, 781K SF Under Construction, 1.4MSF Planned For Future Development

### HIGHLIGHTS

- Vacancy dropped for a seventh consecutive quarter inching toward 1% and is below the national vacancy rate between 3 - 3.3%.
- Less absorption is taking place year-to-date. While typically illustrating less demand, the lack of absorption here is a symptom of lack of inventory.
- Low vacancy is expected to continue throughout 2022 as demand remains elevated and the construction pipeline remains shallow. 781,168 SF is currently under construction with 1.4 MSF proposed.
- The newly constructed 251,250 SF warehouse at 701 Stony Battery Road has been leased to an undisclosed tenant within a week of closing the sale.
- Grocery brand, Ahold Delhaize USA, nears completion of their 250,000 SF automated frozen warehouse expansion at 3800 Hempland Rd, Mountville.

### OVERVIEW

Demand continues to outpace supply, with only some relief in sight from new construction. Land for industrial development, like existing inventory, is in short supply. With speculation builds continuing to be immediately absorbed upon completion, the vacancy rate remains suppressed.

Demand is expected to remain elevated driven by e-commerce and order fulfillment. Supply chain disruptions have also caused companies to stockpile inventory at many regional hubs to protect against product shortages. Consumer demand does not yet appear to have been curbed despite efforts by the Federal Reserve to dampen demand by raising interest rates. Demand may wane in the coming months, but this will take time to permeate real estate.

The list of potential barriers to growth is lengthy including inflation, rising interest rates, increases to material handling costs and higher transportation costs. The shortage of developable land has an immediate impact to Lancaster Industrial development. The County's legacy of farmland preservation is now juxtaposed with the need for business growth.

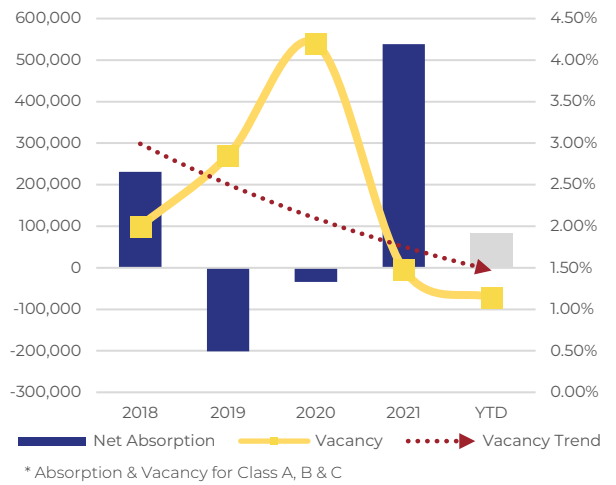
After record high absorption last year, lower absorption in the start of 2022 is a symptom of lack of inventory. Although demand exists, there is little inventory left to meet that demand. Coupled with land shortages and immediate absorption of any speculation builds, there is little short-term relief on the horizon contributing to rent inflation.

With historically low vacancy, the market remains incredibly tight for users desiring to enter the market. Lancaster remains a highly desirable location for logistics operators due to proximity to major thoroughfares and access to a large labor pool. Users who manage to 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 \$6.89/SF year-to-date among Class A and B inventory. Looking at individual transactions, lease rates have pushed upwards of \$8/SF.

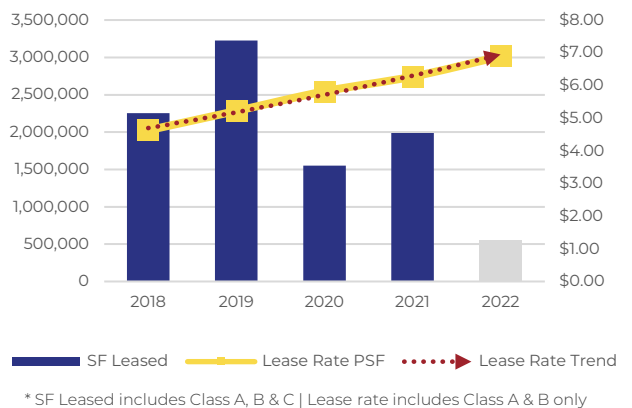
### MARKET INDICATORS

Total Inventory	81.26 MSF	▲
Sales (\$)	\$29.1M	▼
Sales (SF)	285,100 SF	▼
Total Vacancy	1.14% (-12 bps)	▼
Total Leased (SF)	414,193 SF	▲
Average Rent	+\$1.56	▲
Average Rent <i>12-month rolling average</i>	-\$0.07	▼

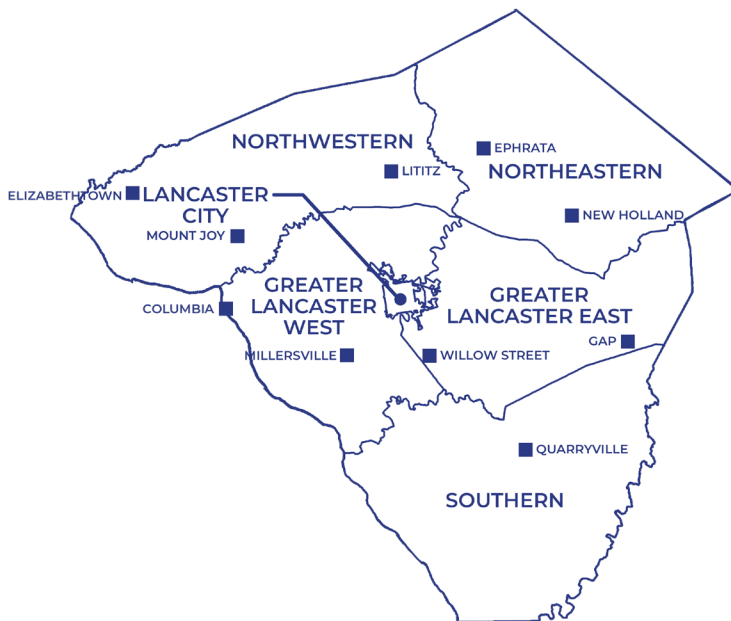
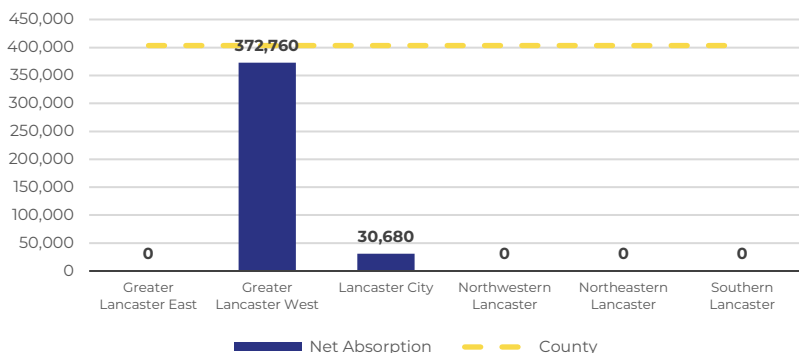
### NET ABSORPTION & VACANCY



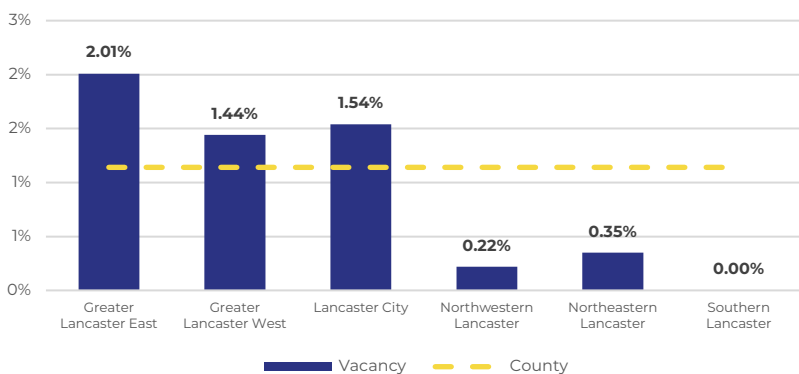
### SF LEASED & AVG LEASE RATE



**NET ABSORPTION BY SUBMARKET**



**VACANCY BY SUBMARKET**



**Key Lease Transactions Q2 2022**

PROPERTY	SF	TENANT	TRANSACTION
791 Stony Battery Rd, Landisville	251,250	Name Withheld	New
2331 Embassy Dr, Lancaster	57,000	Name Withheld	New
179 Airport Rd, Lititz	35,000	Name Withheld	New
217 Wohlsen Way, Lancaster	32,783	Name Withheld	New
1103 Ranck Mill Rd, Lancaster	15,180	Name Withheld	New

**Key Sales Transactions Q2 2022**

PROPERTY	SF	SELLER/BUYER	PRICE
701 Stony Battery Rd, Landisville	251,250	Catalyst Commercial Development / TA 701 Stony Battery Road, LLC	\$23,900,000
171 Greenfield Rd, Lancaster	26,250	Bypass Development / High Properties	\$2,600,000
425 S Muddy Creek Rd, East Petersburg * Land w/ Approval for 117,000 SF	-	Kasun & Associates, LLC / Lancaster County Solid Waste Management Authority	\$1,325,000
1401 Vermont Ave, Lititz	4,800	Shertzer Property, LLC / Psalm 100.4-5 Property Holdings, LLC	\$650,000
2878 Yellow Goose Rd, Lancaster	2,800	Donald A. Vogtman / Yellow Goose R/E Associates	\$625,000

**DREW M. STEFFENS**  
 Director of Data Services  
 (717) 854-7065  
[dsteffens@rockrealestate.net](mailto: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](http://ROCKrealestate.net)

