

MARKET REPORT

OFFICE | Lancaster County, PA | Q2 2022



Office Sector Stable, Steady Demand & Leasing Activity

HIGHLIGHTS

- Despite economic uncertainty, steady demand and leasing activity has resulted in positive absorption year-to-date.
- The most popular size category for office continues to be units between 1,000-2,000 SF. 44% of leases were signed in this size range in Q2.
- Penn State Health Medical Center at 2160 State Road in East Hempfield Township is due for completion in Fall 2022. The project accounts for 95% of new construction.

OVERVIEW

Economic factors are making predictions for the office sector increasingly difficult. Effects from inflation, labor shortages, rising interest rates, supply chain disruptions, and threats from global conflict continue to weigh on the overall market.

However, even as recession looms, the office sector in Lancaster County remains stable with vacancy declining and average lease rates relatively unchanged from last year's average of \$13.54. Nationally, employment in office related professions continues to expand, up 880,000 jobs compared to February 2020.¹ As of June, national unemployment is stable at 3.6% while Lancaster County is slightly lower at 3.4%. These metrics are reminiscent of pre-pandemic levels and can be an area of strength to combat possible downturns in the office market.

Steady leasing activity and declining vacancy has allowed absorption to take place, currently at +15,481 SF year-to-date. Demand for office space persists even as downsizing and work from home scenarios influence tenant size and location preferences.

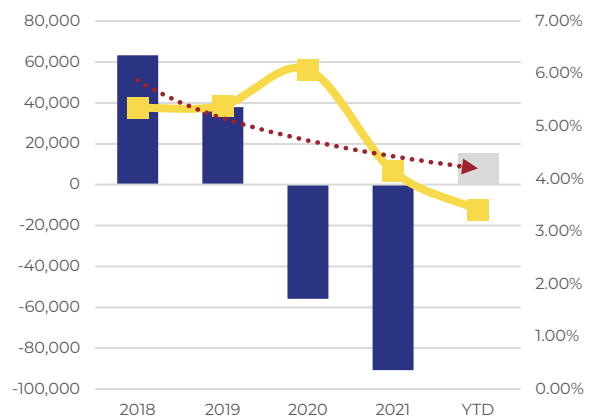
Lease rates among Class A and B inventory remains elevated but growth has been relatively flat since 2020. On the high end, rates have been observed to push upwards of \$18/SF. However, 78.95% of leases year-to-date are between \$10-15/SF.

The construction pipeline remains shallow. Though 357,254 SF are currently under construction, 95% is attributed to a new Penn State Health facility. Due to open Fall 2022, the facility will provide inpatient and outpatient services and employ nearly 700. Proposed projects total 146,148 SF.

MARKET INDICATORS

Total Inventory	16.93 MSF	▼
Sales (\$)	\$4.34M	▼
Sales (SF)	33,667 SF	▼
Total Vacancy	3.41% (-41 bps)	▼
Total Leased (SF)	37,501 SF	▲
Average Rent	-\$0.20	▼
Average Rent <i>12-month rolling average</i>	-\$0.54	▼

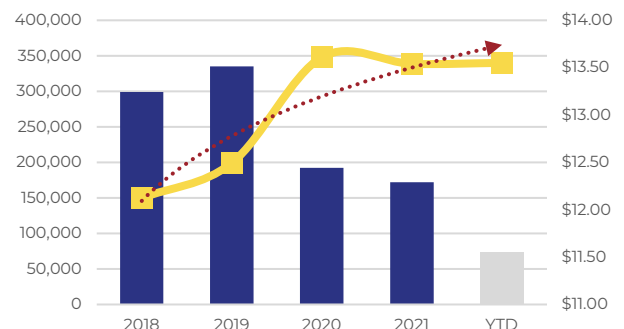
NET ABSORPTION & VACANCY



■ Net Absorption — Vacancy ●●●● Vacancy Trend

* Absorption & Vacancy for Class A, B & C

SF LEASED & AVG LEASE RATE



■ SF Leased — Lease Rate PSF ●●●● Lease Rate Trend

* SF Leased includes Class A, B & C | Lease rate includes Class A & B only

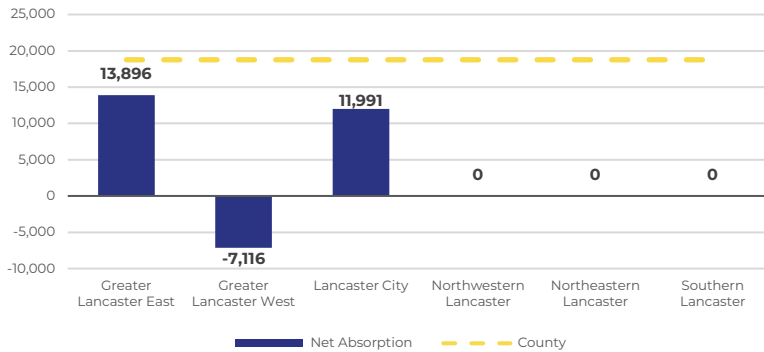
¹ Bureau of Labor Statistics, "The Employment Situation" report – June 2022

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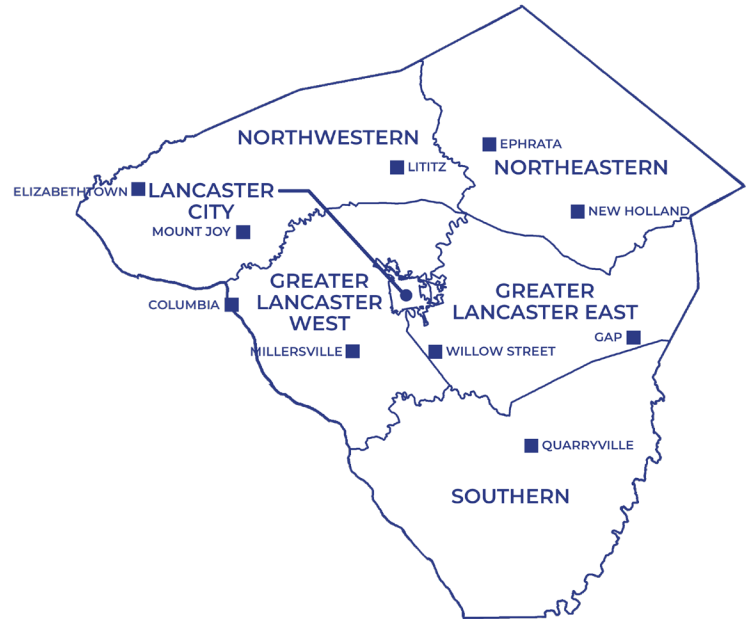
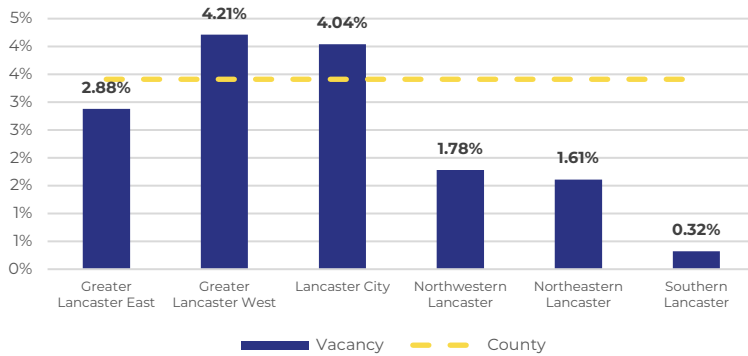
Lancaster County, PA

Q2 2022

NET ABSORPTION BY SUBMARKET



VACANCY BY SUBMARKET



Key Lease Transactions Q2 2022

PROPERTY	SF	TENANT	TRANSACTION
617 N Prince St, Lancaster	4,757	Name Withheld	New
684 W Main St, New Holland	4,000	Name Withheld	New
1861 Charter Ln, Lancaster	2,000	Name Withheld	New
1364 Harrisburg Pk, Lancaster	1,210	Name Withheld	New
31-37 E Orange St, Lancaster	1,200	Name Withheld	New

Key Sales Transactions Q2 2022

PROPERTY	SF	SELLER/BUYER	PRICE
1001 Cornerstone Dr, Mount Joy	12,928	Kinsley Equities II Ltd Partnership / Mount Joy Holding Co.	\$1,850,000
630 Delp Rd, Lancaster	5,200	630 Delp Road Partners, LP / PWA Partners, LLC	\$800,000
101 W James St, Lancaster	3,947	Wells Fargo Bank, NA / Triple J Associates, LTD	\$630,000
22-26 S Duke St, Lancaster	6,522	Trinity Square Associates / Inline Properties, LP	\$425,000
1801 Lititz Pk, Lancaster	2,764	Gerard F. Clunan / Thomas L. Bayles	\$174,784

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