

# MARKET REPORT

OFFICE | Lancaster County, PA | Q4 2022



## Medical Office Users Dominate the Market

### HIGHLIGHTS

- Sale dollar volume exceeded \$53M in 2022, greater than 2018, 2019, and 2020 totals but falls short of \$71M in 2021.
- Medical office users continue to drive office activity and demand from the medical industry is expected to increase.
- Vacancy is at a 5-year low while average lease rate remains elevated, both positive indicators for this sector.
- Since 2020, leased square feet has remained consistent although absorption continues to fall. Rising rents and downsizing contribute to tamping down lease volume.

### OVERVIEW

The U.S. Bureau of Labor Statistics (BLS) unemployment rate for the Lancaster, PA area is 2.5% as of November 2022. This is down 1.1% from the previous year and well below the national unemployment rate of 3.4%.<sup>1</sup> Other positive indicators include elevated sale volume; up 98.59% from 2020, vacancy below 3%, and average lease rate increasing over the trailing twelve-month average.

However, the office sector remains in a state of flux influenced by elevated costs and evolving user preferences. Unit size, for example, has decreased 37.9% since 2020 coinciding with the start of the COVID-19 Pandemic. During this same time, lease rates have also increased 12.6%. Remote/hybrid work combined with elevated lease rates have hampered demand.

Not all office users have felt the necessity to downsize. Medical users significantly contributed to office activity in Q4 2022. For example, UPMC purchased a 28,000 SF outpatient center at 1160 Manheim Pike, Lancaster for \$13.9M, and Lancaster General Medical Group leased 15,710 SF at 3045 Marietta Ave, Lancaster.

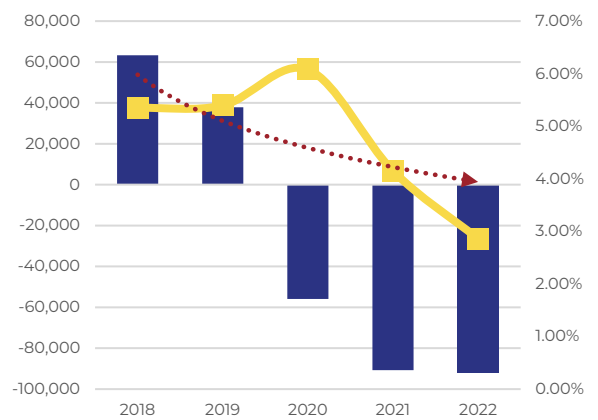
Increased demand for medical office space is expected to continue in 2023. Factors influencing this include an aging U.S. population, rising life expectancy, and new technologies allowing for outpatient procedures which require additional space.<sup>2</sup> Medical office will be a submarket to watch in the new year.

<sup>1</sup> [https://www.bls.gov/regions/mid-atlantic/summary/blssummary\\_lancaster.pdf](https://www.bls.gov/regions/mid-atlantic/summary/blssummary_lancaster.pdf)  
<sup>2</sup> <https://www.coxcastle.com/publication-office-leasing-in-2023-continued-hesitancy-in-the-return-to-office>

### MARKET INDICATORS

Total Inventory	15.33 MSF	▲
Sales (\$)	\$28.86M	▲
Sales (SF)	95,486 SF	▲
Total Vacancy	2.86% (-22 bps)	▼
Total Leased (SF)	53,163 SF	▲
Average Rent	-\$2.43	▼
Average Rent 12-month rolling average	+\$0.11	▲

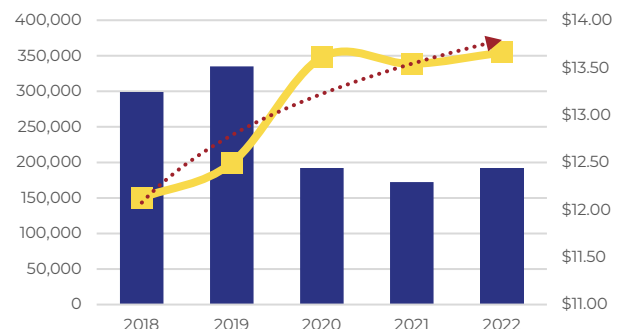
### NET ABSORPTION & VACANCY



■ 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

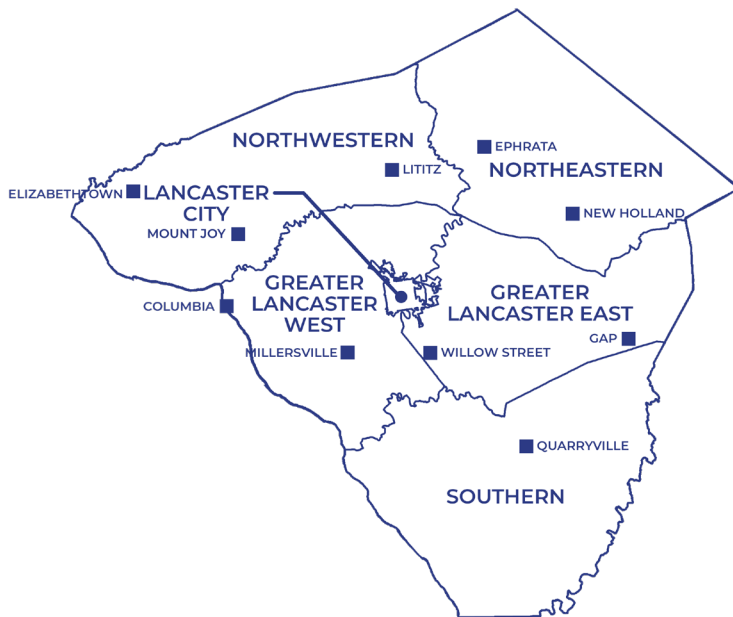
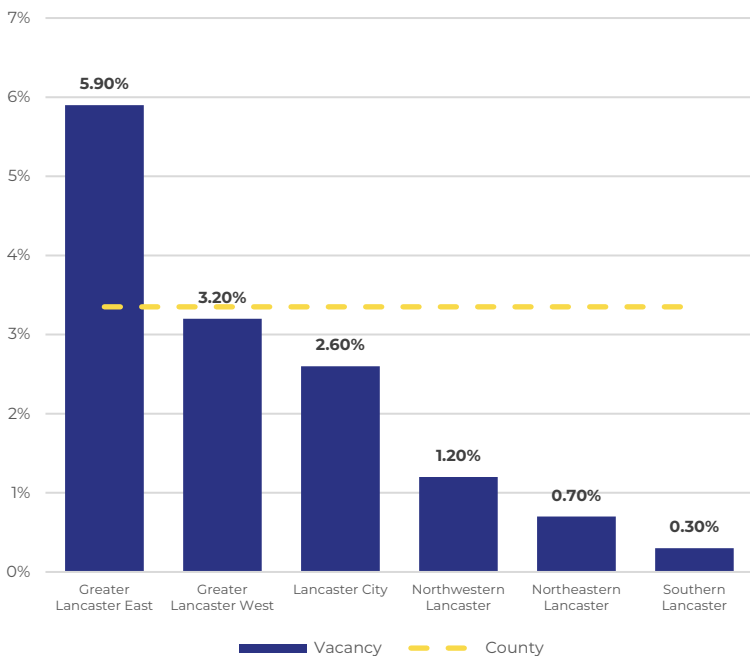
\* SF Leased includes Class A, B & C | Lease rate includes Class A & B only

# OFFICE

Lancaster County, PA

Q4 2022

## VACANCY BY SUBMARKET



## Key Lease Transactions Q4 2022

PROPERTY	SF	TENANT	TRANSACTION
3045 Marietta Ave, Lancaster	15,710	Penn Medicine Lancaster General Health	New
1850 William Penn Way, Lancaster – Ste 204	4,850	Name Withheld	New
902-906 Columbia Ave, Lancaster	3,800	Name Withheld	New
1200 Corporate Blvd, Lancaster	3,273	Name Withheld	New
8 W King St, Lancaster – Ste 824	2,685	Name Withheld	New

## Key Sales Transactions Q4 2022

PROPERTY	SF	SELLER/BUYER	PRICE
1160 Manheim Pike, Lancaster	28,320	1160 Manheim Pike CAF, LLC / Comref Lancaster Mob, LLC	\$13,900,000
33 Glenola Dr, Leola	9,600	HM Stauffer & Sons Inc. / Leola Real Estate, LLC	\$6,412,000
240 N Plum St, Lancaster	19,260	Tobacco Avenue, LLC / Catherine Hershey Schools for Early Learning	\$4,500,000
20-22 N Mulberry St, Lancaster	5,804	Mulberry Tree Investments, LLC / Brentwood Investment Properties, LLC	\$1,000,000
566 E Main St, New Holland	11,175	Chateau Farms, Inc. / CWD Properties, LLC	\$775,000

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