

MARKET REPORT

OFFICE | Lancaster County, PA | Q1 2023



Excess Space Begins to Stack Up as Downsizing Persists

HIGHLIGHTS

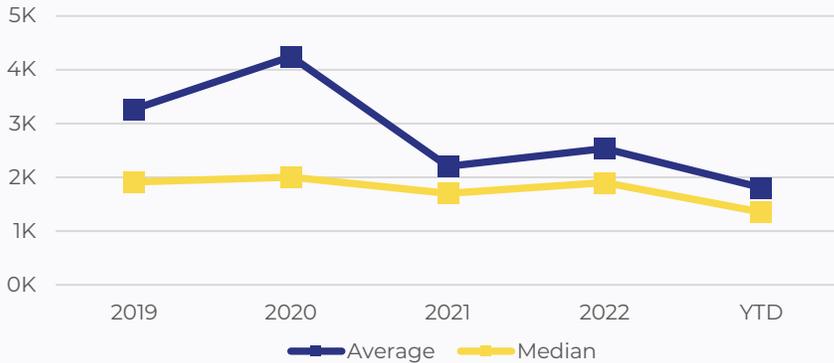
- Downsizing remains a significant factor for leasing decisions as average unit size is down 58% compared to 2019.
- Vacancy begins upward movement following a steep decline which began in 2020.

OVERVIEW

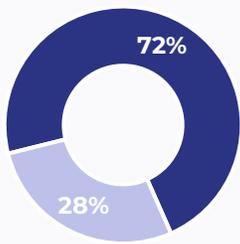
While a myriad of conditions at the macro level cloud predictions for office, local data is providing clarity as it reveals a relatively stable environment allowing landlords time to strategize and adapt to evolving demands from users.

Unit size remains a significant factor in leasing decisions going forward and observed in signed leases over the past five years. Average unit size is down 58% from 2019.

Average and Median Unit Size – Past Five Years



Units Larger than Avg Unit Size



- Exceeds Avg
- Below Avg

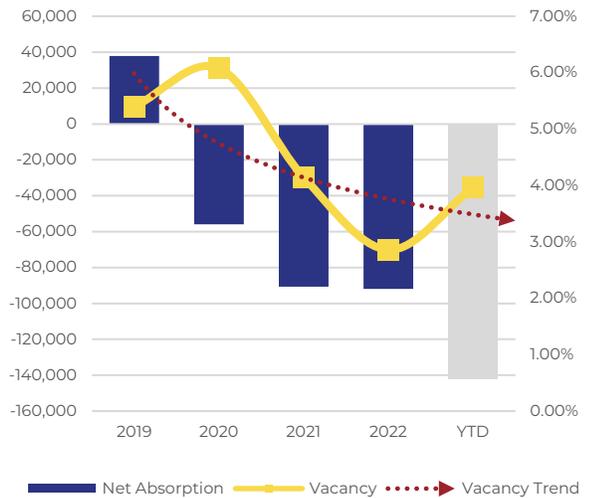
From a vacancy perspective, this phenomenon is resulting in the market working harder to absorb the excess space as larger units sit vacant longer than their smaller counterparts. Approximately 72% of vacant office units exceed the average unit size of 1,350 square feet.

Impacts of remote/hybrid work persist as landlords weigh strategies to fill vacant units including capital improvements for aging properties, exploring coworking/short-term leasing models, and adjusting ratio of dedicated office space compared to other uses at the property.

MARKET INDICATORS

Total Inventory	15.48 MSF	▶
Sales (\$)	\$6.28M	▼
Sales (SF)	28,866 SF	▼
Total Vacancy	3.96% (+110 bps)	▲
Total Leased (SF)	33,248 SF	▼
Avg Rent Change <i>12-month rolling average</i>	+\$0.54	▲

NET ABSORPTION & VACANCY



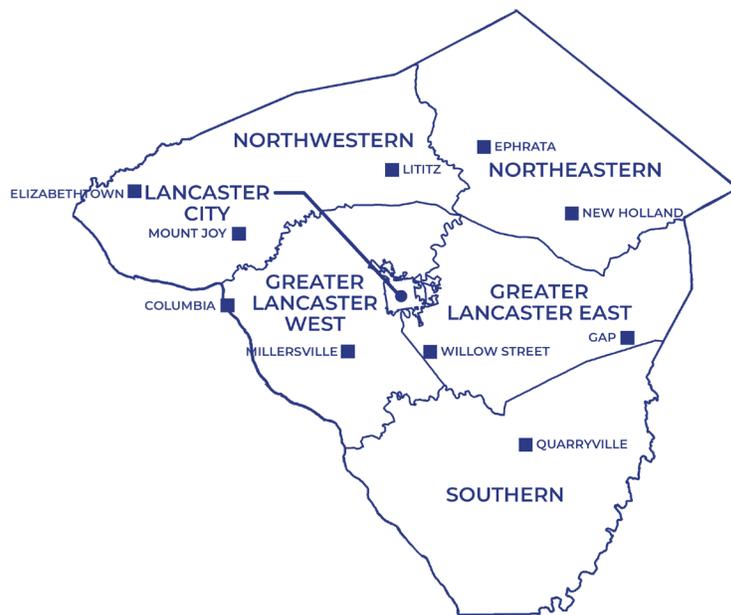
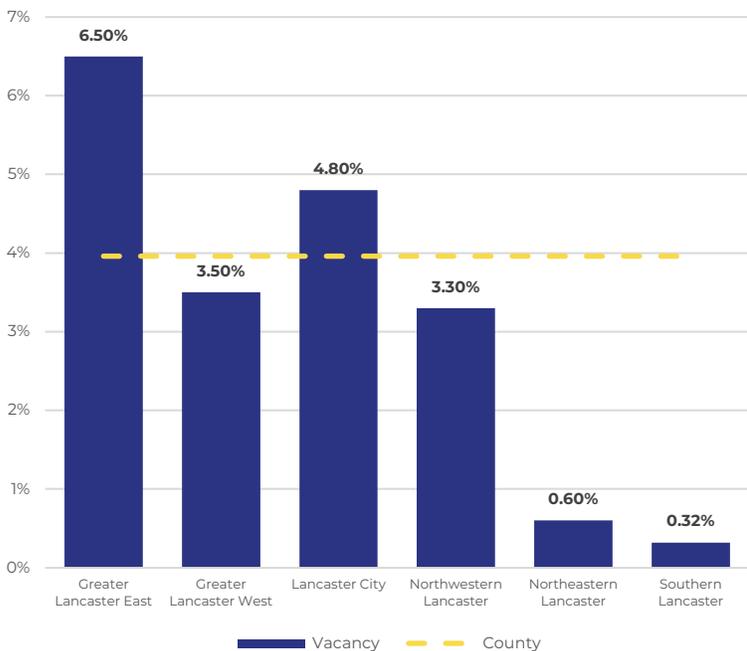
* Absorption & Vacancy for Class A, B & C

SF LEASED & AVG LEASE RATE



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

VACANCY BY SUBMARKET



Key Lease Transactions Q1 2023

PROPERTY	SF	TENANT	TRANSACTION
930 Red Rose Court, Suite 300, Lancaster	6,382	Name Withheld - <i>Medical User Coming Summer 2023</i>	New
1866 Colonial Village Lane, Lancaster	5,015	Elite Pallets	New
1656 West Main Street, Ephrata	3,800	Name Withheld	New
315 West James Street, Suite 203-204, Lancaster	3,675	Name Withheld	New
941 Wheatland Avenue, Lancaster	1,069	Milagro House, Inc.	New

Key Sale Transactions Q1 2023

PROPERTY	SF	SELLER/BUYER	PRICE
1882 Rohrerstown Rd, Lancaster	11,377	KE, LLC / WellSpan Properties, Inc.	\$2,800,000
132-134 South Prince Street, Lancaster	7,211	Milagro House, Inc. / Lancaster County Housing & Redevelopment Authority	\$750,000
131 West Airport Road, Lititz	4,000	Yeager Supply, Inc. / 131 West Airport Partners, LLC	\$640,000
7 Toll Gate Road, Lititz	2,869	Bill Whittaker & Christine Runnels / Oonakitty Real Estate Holdings, LLC	\$572,000
971 Ranck Mill Road, Lancaster	6,476	Robert D. Singer / Hykes, LLC	\$521,800

DREW M. STEFFENS

Director of Data Services
 (717) 854-7065
dsteffens@rockrealestate.net

KATIE P. SPURRIER

Research Analyst
 (717) 850-0848
kspurrier@rockrealestate.net

