

# MARKET REPORT

INDUSTRIAL | Lancaster County, PA | Q2 2023



## Speculative Construction Driving Vacancy Increase

### HIGHLIGHTS

- Nearly 80% of the construction pipeline completed in Q2 adding 1.3MSF of inventory, but 600,000 SF is pre-leased.
- Although experiencing the highest vacancy rate in two years, vacancy remains 127 basis points below the national average.
- Absorption is negative year-to-date as vacant square feet exceeds square feet leased.

### OVERVIEW

The market remains tight despite vacancy being at its highest rate in two years. Vacancy remains 127 basis points below the national average but continues to trend upward as speculative builds become available.

Recent Completions with Vacancy	Vacant SF
791 Stony Battery Rd, Landisville	251,250
1010 Cornerstone Dr, Mount Joy	231,338
425 S Muddy Creek Rd, Denver	117,000

Inventory increased by 1.3MSF in Q2 increasing inventory by 1.6%. However, nearly 600,000 SF is pre-leased to an undisclosed tenant. Scarcity of available inventory along with elevated demand, has contributed to a steadily increasing lease rate over the past five years with a blended lease rate among class A, B, and C rising 68% from 2018 to 2023.

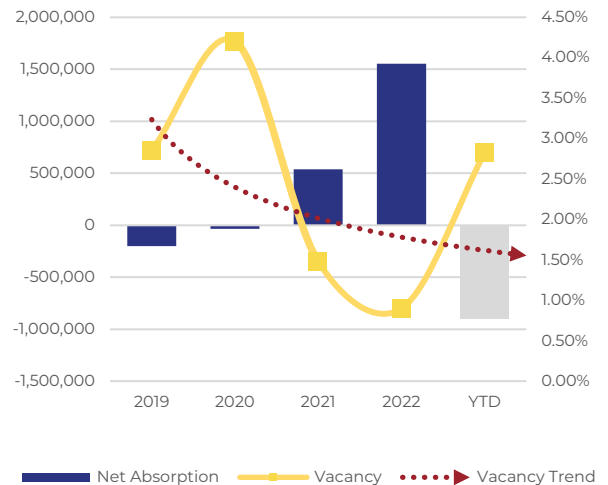
Compared to record high lease volume experienced in 2021 and 2022, lease volume is down nearly 90% compared to Q2 2021. Limited availability and increasing lease rates contribute to this trend.

1.8MSF of construction is proposed illustrating continued interest in industrial development. Proposed square feet, however, will not always result in available inventory. Public opposition or unfavorable zoning rulings can hinder development. Plans for a 1MSF warehouse at 2843 Mount Pleasant Road, Mount Joy recently fell through due to denial of special exception from the zoning hearing board. The building size exceeded the 50,000 SF limit for the light industrial district.

### MARKET INDICATORS

Total Inventory	83.89 MSF	▲
Sales (\$)	\$23.8M	▼
Sales (SF)	127,236 SF	▼
Total Vacancy	2.83% (+172bps)	▲
Total Leased (SF)	60,284 SF	▼
Avg Rent Change <i>12-month rolling average</i>	+\$0.56	▲

### NET ABSORPTION & VACANCY



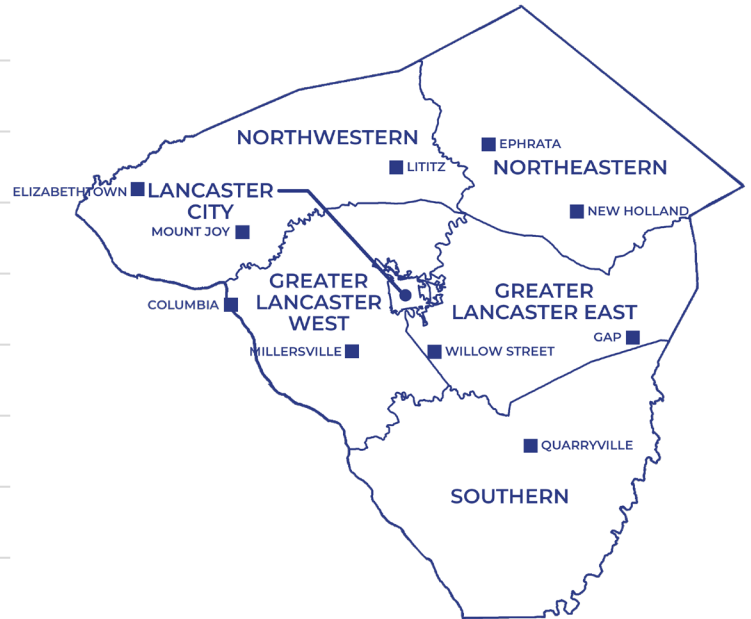
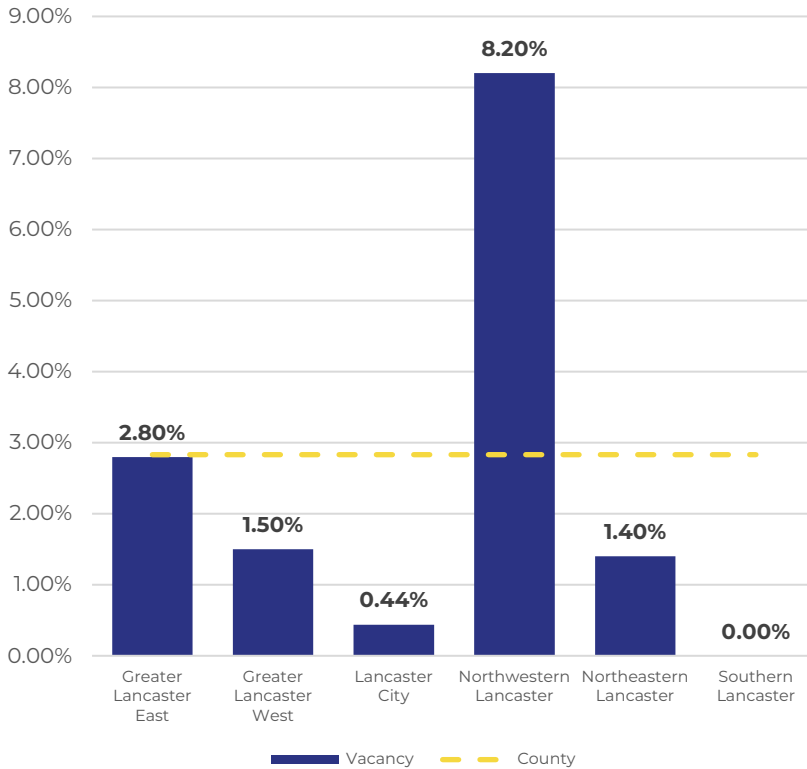
\* Absorption & Vacancy for Class A, B & C

### 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 Q2 2023**

PROPERTY	SF	TENANT	TRANSACTION
2570 Horseshoe Rd, Leola	31,518	Casual Comfort – E.G. Outdoors	New
283 S Hostetter Rd, Manheim	12,192	Name Withheld	New
1004 New Holland Ave, Lancaster	8,875	Name Withheld	New
1004 New Holland Ave, Lancaster	7,699	Name Withheld	New

**Key Sale Transactions Q2 2023**

PROPERTY	SF	SELLER/BUYER	PRICE
160 Rt 41, Gap	62,320	Dutchland Properties LP / MDV 1031, LLC	\$16,543,624
11 Black Hawk Ln, Elizabethtown	30,000	Melcon Investments, Inc. / Blackhawk Ventures, LLC	\$3,000,000
1195 Enterprise Rd, East Petersburg	11,119	JKL Real Estate, LLC / 1195 Enterprise Road Partners, LLC	\$1,400,000
201 Briar Hill Rd, Lititz	8,000	Thomas R. & Billy R. Shumate / Weaver Energy, Inc.	\$1,375,000
10 Parkview Heights Rd, Ephrata	10,504	MBZ Associates / HIS Steward Properties, LLC	\$1,150,000

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