

MARKET REPORT

INDUSTRIAL | Lancaster County, PA | Q3 2023



Tight Market for Small Industrial Users

HIGHLIGHTS

- Vacancy increasing overall but remains 222 basis points below the national average. Vacancy rate among buildings less than 50,000 SF is at a mere 0.64%.
- Q3 lease volume is the highest it's been in 5 years increasing year-to-date absorption.
- Lease rate has increased almost 50% since 2019 due to few leases signed for scarcely available Class B spaces.

OVERVIEW

There were no construction completions this quarter following the summer's staggering 1.3MSF of new inventory. About 135,000 SF is due by the end of the year, and roughly 1.6MSF is proposed for the county overall.

The market remains tight especially for certain types of inventory. Vacancy increased from its historic low below 1% in 2022 but has not returned to pre-pandemic state. It is still 222 basis points below the national average. The top 4 vacancies all exceed 230,000 SF. Spaces between 50,000 SF and 100,000 SF are hard to find with a vacancy rate of 0.95%, 123 basis points lower than the county average which again is low compared to the national rate. Respectively, spaces smaller than 50,000 SF have an incredibly low vacancy rate of 0.64%.

Year-to-date absorption is nearly 0 indicating supply and demand are evenly matched. Q3 lease volume was the highest it's been in 5 years boosted by a 349,242 SF lease at Building B of First Logistics Center at 283. Current lease volume is behind 2021 and 2022 totals, but several large vacancies remain on the market. If any are leased before the end of the year, lease volume could exceed past years.

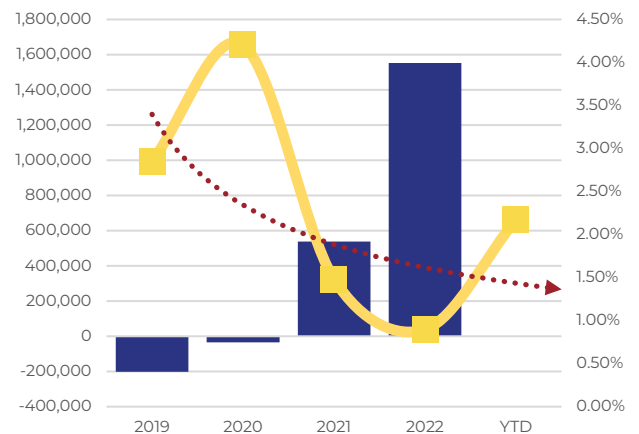
Despite a strong quarter, year-to-date sale volume is reminiscent of 2020 which saw the lowest sale volume the past 5 years. It is not expected to outperform 2021, a record-breaking year for sales. For example, sale volume has decreased 82% since Q3 2021. Average sale price has also declined 67% since Q3 2021 contributing to the trend.

Lease rate continues to climb upward increasing nearly 50% since 2019. Lease rate will increase as few leases are signed for Class B spaces due to scarce availability.

MARKET INDICATORS

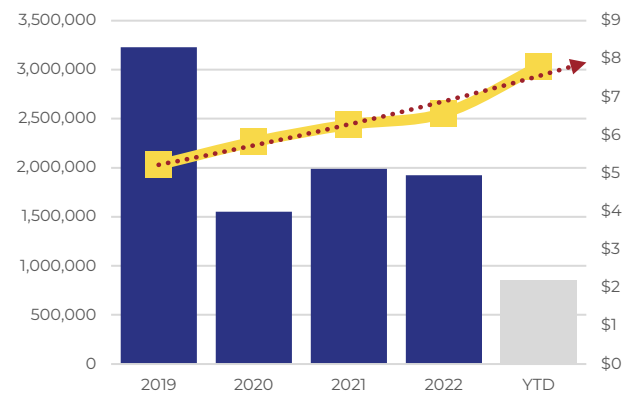
Total Inventory	84.12 MSF	▶
Sales (\$)	\$37.5 M	▲
Sales (SF)	458,179 SF	▲
Total Vacancy	2.18% (-65 bps)	▼
Total Leased SF	560,503 SF	▲
Avg Rent Change 12-month rolling average	+\$1.47	▲

NET ABSORPTION & VACANCY



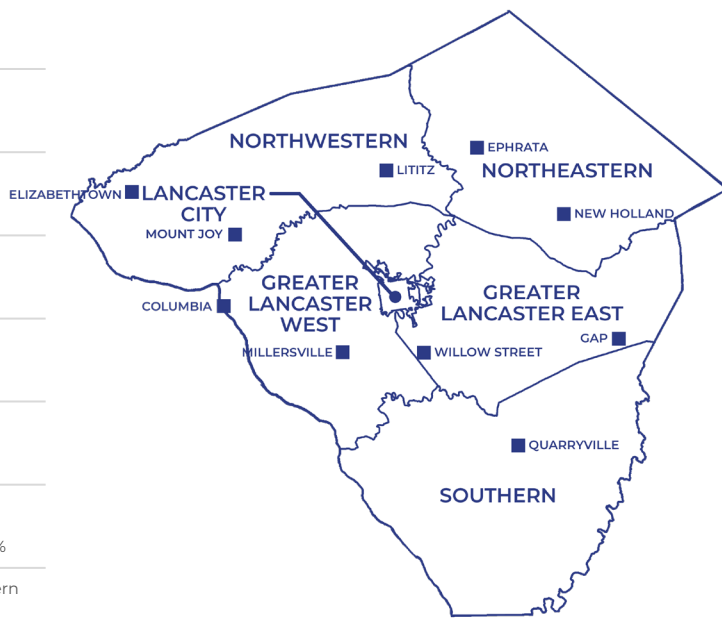
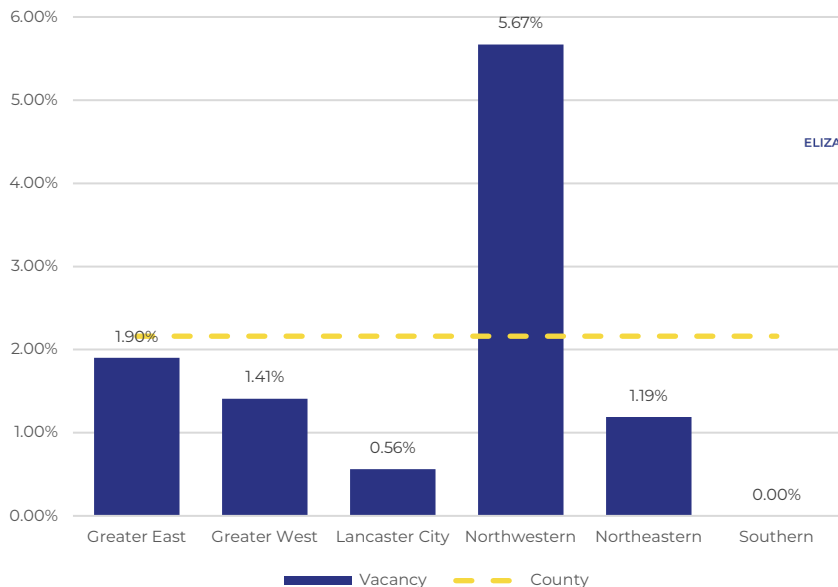
* Absorption & Vacancy for Class A, B & C

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 Q3 2023

PROPERTY	SF	TENANT	TYPE
2701-2771 N Market St, Elizabethtown	349,242	Name Withheld	New
1135 Dillerville Rd, Lancaster	57,662	Name Withheld	New
125 King Court, New Holland	40,050	Name Withheld	New
217 Wohlsen Way, Lancaster	32,783	Ironstrong Metal Fabrication	New
283 S Hostetter Rd, Manheim	17,625	Name Withheld	New

Key Sale Transactions Q3 2023

PROPERTY	SF	SELLER/BUYER	PRICE
221 Forney Dr, Ephrata	108,917	Ten Thousand Villages / 221 Forney Drive, LLC	\$12,100,000
47 Industrial Rd, Elizabethtown	111,650	Platinum Owner PA, LLC / EQT Exeter	\$10,300,000
156 W Harrisburg Ave, Elizabethtown	90,587	Pennsylvania Growers, LLC / 156 W Harrisburg Ave Assoc.	\$5,500,000
208-210 Bucky Dr, Lititz	25,175	Richland LP / SN Lombardo Capital III, LLC	\$2,495,000
615 Florence St, Columbia	33,508	Andreas Heisey / AIS Leasing Co	\$1,500,000

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