

MARKET REPORT

OFFICE | Lancaster County, PA | Q3 2023



Health Care Driving Construction

HIGHLIGHTS

- Health care is driving construction activity accounting for 82% of square feet under construction.
- Inventory and leased square feet increased due to conversion and leasing of 50,000 SF.
- Vacancies are outpacing signed leases leading to negative absorption.

OVERVIEW

Inventory increased this quarter due to the conversion of the former YTI Career Institute to the office headquarters for The Wenger Group, an agricultural company. Wenger signed a 15-year lease for the 53,204 SF building with plans to move in 2024 following renovations.

Health care is driving construction activity accounting for 82% of square feet under construction.

Health Care Projects	User	Size
Citygate Corporate Center, Lancaster	WellSpan	34,000
Old Philadelphia Pk, Gordonville	The Clinic for Special Children	10,000
1860 Oregon Pk, Lancaster	Christman Periodontics (2 nd Floor)	3,867

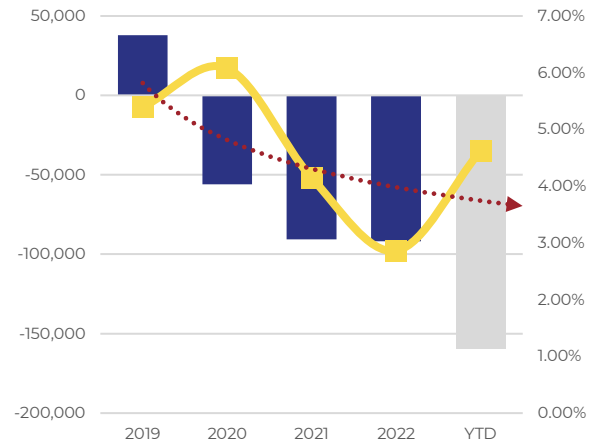
The 53,204 SF lease by The Wenger Group gave a dramatic boost to leased square feet year-to-date. The amount of square feet leased each year since 2020 remains very consistent. Despite decreasing this quarter, vacancies continue to outweigh new leases resulting in negative net absorption. The 120,000 SF flex office vacancy at 3725 Electronics Way, Mountville was the largest contributor to negative absorption in Q3.

Although negative absorption persists, so too does demand. The number of new leases signed this year already exceed last years total, albeit for mostly smaller spaces. Although average unit size remains 32% smaller since 2020, average unit size has steadily increased 30% since 2021. While this does not indicate a trend reversal from preference for smaller units overall, it does show demand from larger office users.

MARKET INDICATORS

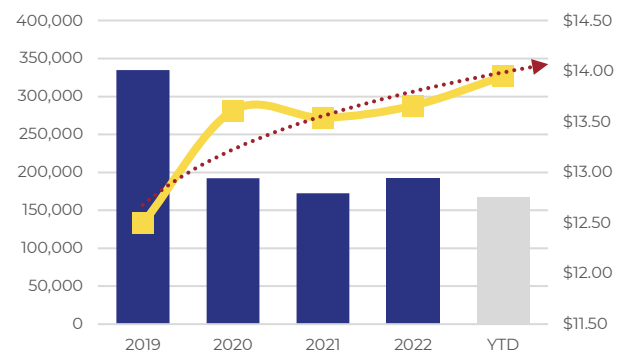
Total Inventory	15.69MSF	▲
Sales (\$)	\$3.77M	▼
Sales (SF)	24,087 SF	▼
Total Vacancy	4.62% (-39 bps)	▼
Total Leased (SF)	102,240 SF	▲
Avg Rent Change 12-month rolling average	+\$0.93	▲

NET ABSORPTION & VACANCY



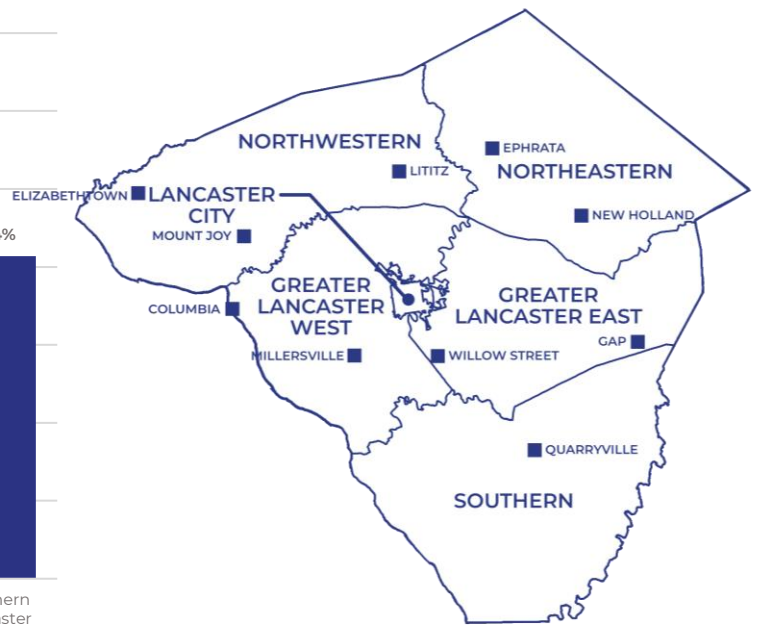
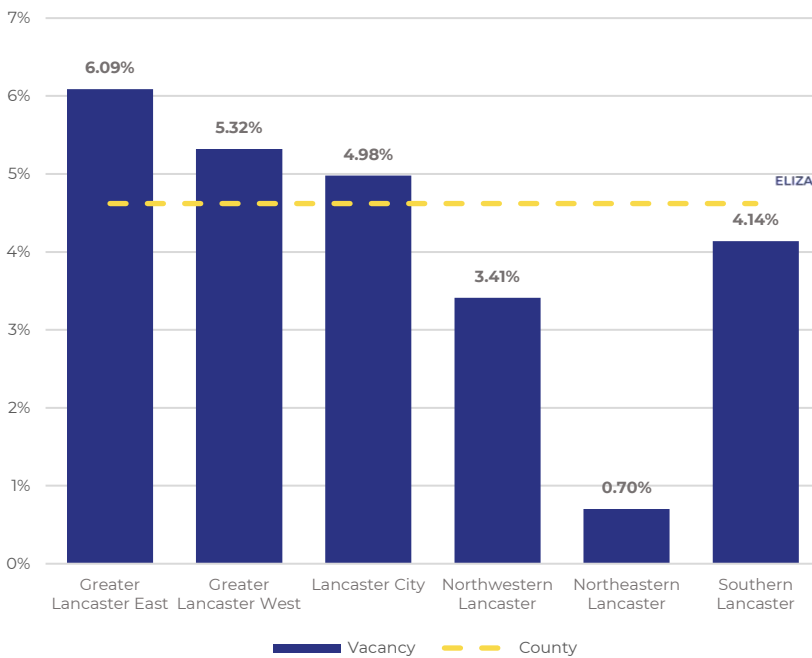
* Absorption & Vacancy for Class A, B & C

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	TRANSACTION
3050 Hempland Rd, Lancaster	53,204	The Wenger Group	New
1817 Olde Homestead Ln, Ste 203, Lancaster	8,952	Name Withheld	New
1848 Charter Ln, Ste 103, Lancaster	6,048	Name Withheld	New
54 Copperfield Cir, Lititz	1,800	Dr. Richard Berg	New
313 W Liberty St, Lancaster	1,683	Heatherstone Counseling Services, LLC	New

Key Sale Transactions Q3 2023

PROPERTY	SF	SELLER/BUYER	PRICE
351 Sprecher Rd, Lancaster	14,212	Sprecher 351, LLC / DLD Investments, LLC	\$1,550,000
101 W James St, Lancaster	6,237	Triple J Associates, LLC / SN Lombardo Capital II, LLC	\$1,500,000
1576 Lititz Pike, Lancaster	2,638	Criterion Partners, LLC / Eager Property, LLC	\$615,000
1525 Oregon Pike, Ste 1502, Lancaster	1,000	Michael J. Guadino / Condor Ventures, LLC	\$105,000

DREW M. STEFFENS

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

KATIE P. SPURRIER

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

