

MARKET REPORT

OFFICE | LANCASTER COUNTY, PA | Q3 2024



INVENTORY (SF)	VACANCY RATE	SALES (\$)	SALES (SF)	LEASED (SF)	RENT CHANGE
15.96M ↑	3.83% ↑	\$5.54M ↓	44,724 ↓	19,629 ↓	+\$2.02 ↑ 12-month rolling avg

Flight to Quality Elevates Sale Prices and Lease Rates

HIGHLIGHTS

- Larger Class A office spaces enters the market, sinking absorption to a record low and vacancy rises 26 bps
- Work completed in July on 1860 Oregon Pike, 10,000 SF Class A medical office with 2nd floor already leased and occupied by Christman Periodontics
- Average sale price drops another 8% overall, down 31% YOY
- YTD leasing trends designate 2024 with smallest overall average unit size and highest overall average rents since 2019

OVERVIEW

Sale activity remained steady but subdued this quarter as cautious borrowers avoided distress sales and awaited lower interest rates to reveal new price points for the sector. Less notable transactions occurred in Q3, and overall average sale price declined for Class B and C. However, Class A properties have seen a 9.5% increase YOY to average sale price, indicating the flight to quality trend continues to influence value in local markets.

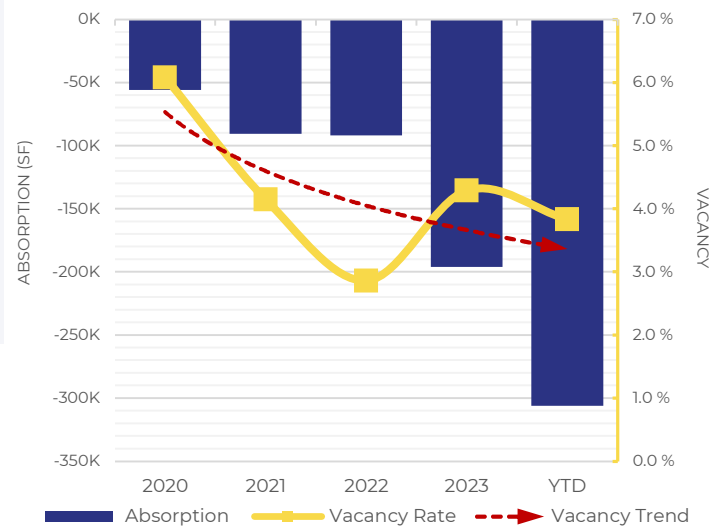
Less new leases have been signed and less square footage has been leased this year compared to the last five years. This is partially attributed to increased preference for smaller units, as average unit size shrunk 18% Q2Q and 38% YOY. Inversely, this year has seen the highest overall average rents for all classes, which increased 7.6% Q2Q and 11% YOY.

Competition over limited high-quality space drove up average rent for Class A units the most significantly, growing 56% from 2023-2024.

The Stockyards at 1280 N Plum St and Greenfield Corporate Center at 850 Greenfield Rd brought a combined 108,695 SF of vacant Class A office space to the market this quarter. Vacancy increased 26 bps and absorption rate slowed, however minimal growth in inventory suggests vacancy will remain low.

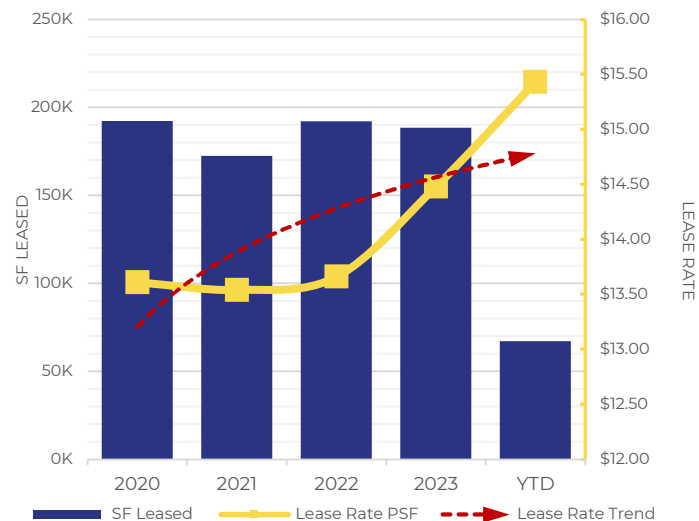
WellSpan Health Surgical Center at 35 Erick Rd in Lancaster will be completed by the end of the year according to Heck Construction Company. Work on the 34,000 SF outpatient surgery center began almost a year ago, and once completed will provide surgical, diagnostic and preventative care to patients.

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

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Q3 2024

Key Sale Transactions

354 N Prince St #100, 210 and 300, Lancaster

SIZE 16,290 SF

SELLER Lance & Pura Robson

BUYER Polaris Holdings LLC

PRICE \$2,622,725

60 W Church St, Denver

SIZE 9,474 SF

SELLER Beiler Investments LLC

BUYER JZ Realty LLC

PRICE \$825,000

136-140 E King St, Lancaster

SIZE 5,228 SF

SELLER Robert & Margaret Going

BUYER Mundorf's on King LLC

PRICE \$755,000

1268 Reading Rd, Denver

SIZE 4,380 SF

SELLER Graffus Holdings LTD

BUYER SI Better Place LLC

PRICE \$405,000

449 Stevens Rd, Reamtown

SIZE 4,000 SF

SELLER Cocalico Biologicals Inc

BUYER Paragon Property Holdings LLC

PRICE \$400,000

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Key Lease Transactions

320 Granite Run Dr #200, Lancaster

SIZE 3,763 SF

TENANT Summit Service Solutions

TRANSACTION New

617 N Prince St, Lancaster

SIZE 3,760 SF

TENANT Name Withheld

TRANSACTION New

1821 Oregon Pike #2, Lancaster

SIZE 3,520 SF

TENANT Acclaim Autism

TRANSACTION New

941 Wheatland Ave #401, Lancaster

SIZE 2,931 SF

TENANT August Mack Environmental Inc.

TRANSACTION New

941 Wheatland Ave #201, Lancaster

SIZE 1,913 SF

TENANT Milagro House Inc.

TRANSACTION New

