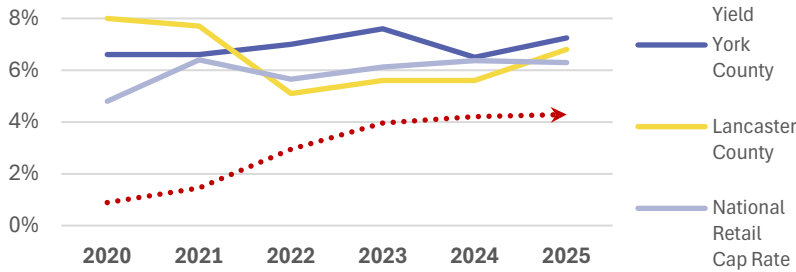


MID-QUARTER INSIGHTS - RETAIL

The 10-year Treasury yield serves as a benchmark indicator of investor confidence in economic conditions. A higher yield means higher borrowing costs which affects everything from consumer spending to business investments, making retail one of the most sensitive asset classes to its fluctuations. Years of upward pressure from inflation concerns have grown the 10-year Treasury yield from below 1% in 2020 to 4.29% by the end of 2025, with further growth already near 4.4% in Q1 2026.

During this time, York County median retail cap rates have held between 6.6%-7.6%, maintaining a lead on national pricing. York County's retail sector saw higher lease rates and transaction volumes but lower average sale prices, reflecting typical stability of a healthy secondary, suburban market. Conversely, Lancaster County's lower transaction volumes, higher median prices and sharper cap rate compression are indicative of a more selective investment market of larger, anchored shopping center properties.

Retail Cap Rates vs 10-Year Treasury Yield



National cap rates sourced from AEW, CBRE, Avison Young, and Lee & Associates 2020-2025 Retail Market Reports. 10-Year Treasury Yearly Averages Source: Board of Governors of the Federal Reserve System (US) via FRED®

New retail construction from 2020-2025 was under 420K SF, compared to the 1.59M SF built in 2015-2019, and shopping center construction ceased in 2024. Most new construction is purpose built for corporate-backed net lease tenants such as Wawa, Dollar General and Taco Bell.

Since 2020, average sale price/SF rose meaningfully in both counties, up 48% in York and 41% in Lancaster. Tenant demand within restricted inventories capped vacancy and grew average lease rates for all retail subtypes between 27-33%, outpacing the dragging force of higher yields and signaling that local retail fundamentals are likely to remain durable through 2026.

FAQ | TENANT REPRESENTATION

How can tenant representation help identify the cost of leasing beyond paying rent?

Cost of occupancy is a decisive factor for any tenant or business, and one of the more valuable services included in tenant representation. ROCK's team of real estate advisors help tenants understand and negotiate the actual cost of their space by considering operating and maintenance costs, tenant improvement allowances, insurance and tax obligations, property management and utilities and any other potential costs associated with leasing real estate.

Can tenant representation help tenants in need of a customized build-out?

Tenant representation is a collaborative process that includes strategy development and recommendations based on lease vs buy analysis and feasibility, market and demographic analytics, site selection and build-to-suit planning.

Tenant reps operate with fiduciary responsibility to work in the best interests of tenants, with the shared goal of identifying not only the ideal property for any business goals but also guiding tenants along the path to meeting their real estate needs.



ROCK TALK

Featuring
John Birkeland, CCIM

Q Retail construction in York and Lancaster counties is at a near standstill, and average retail lease rates are up 27-33% from 2020. While service-oriented retail, including restaurants, remain prime drivers of market activity, what creative deal structures are you seeing local, independent restaurant operators use to compete with national net-lease tenants?

John Birkeland "Demand increases, rent increases. Some markets can tolerate higher rent levels, some may not. In those struggling markets, new inventory supply is stifled, and demand for existing supply is increased. There is really no way for the smaller tenants to take on the larger national tenants head-to-head financially. Some common solutions for local restaurant operators have been to pivot to food trucks or repurposing well-located "brick & mortar" properties from former use as banks or service garages into restaurant or café space. Most national tenants are limited by rigid site criteria, so identifying locations that don't quite fit the national tenant mold but can be made competitive with some creativity is a key strategy advantage."