

# Lancaster, Pennsylvania



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Lancaster continues its growth trend as the diversified economy stabilized by strong conservative, agriculturally-based operations and a large manufacturing sector. The first half of 2007 experienced increased activity primarily in the suburban and office segments. Suburban office and class A industrial had solid absorption. In the industrial market, demand continues to be strong; however, new product introduction has been

limited primarily due to construction costs outpacing rent appreciation. Cost, land availability and a tightening lending market have helped the leasing market, keeping some users as tenants instead of owners.

Center City/Downtown is the most active and robust part of the Lancaster area with anticipation rising now that the Convention Center construction has begun. Many improvements are taking place involving existing structures and businesses including the Lancaster Press Building, Lancaster General Hospital, Armstrong World Industries, Franklin and Marshall College and a host of other properties. Infrastructure is seen as the major concern facing revitalization. Local and outside investment remains brisk. Tourism remains relatively strong driving retail, hotel, restaurant, and entertainment uses to achieve continued high overall occupancy rates.

Lancaster City's class B industrial product has a net positive absorption corresponding to a 4.1% vacancy rate in 2007. Suburban class A industrial product for the last 18 months has experienced positive absorption. Class B product, as well as flex-type products, experienced negative absorption in the past year and vacancy rates remained unchanged at 17.4%. Industrial activity has been strong for the last 18 months and is anticipated to continue for the next 6 to 12 months, limited by the supply of available, quality buildings. Lease rates locally increased between 2-4% and are expected to continue through mid-2008.

In the first half of 2007, the office sector yielded very limited activity in Lancaster City. The City, however, is expected to end the year with positive absorption. The vacancy rate remains unchanged at 4 percent. The suburban office market had solid activity during the first half of 2007, with net positive absorption. Suburban class B space has experienced an up-tick in activity over 2006 with positive absorption.

Existing retail projects had a soft first half of 2007 with increased vacancy rate level on both freestanding retail and unanchored centers. Anchored shopping centers performed well in 2006 with 97,465 square feet absorbed, with no additional absorption in 2007, leaving the vacancy rate at 3%. Even with the activity of multiple new projects being proposed, the Lancaster market is considered under-retailed as is Central Pennsylvania, thus rates will continue to rise. The lack of land for new centers will force Class A locations to be redeveloped from other use types to retail locations.

## Lancaster At A Glance

(Rent/Square foot/Year)	Low	High	Effective Avg.	Vacancy
<b>DOWNTOWN OFFICE</b>				
New Construction (AAA)	\$12.50	\$12.50	\$12.50	100.0%
Class A (Prime)	\$15.00	\$15.00	\$15.00	12.0%
Class B (Secondary)	\$12.00	\$12.00	\$12.00	4.0%
<b>SUBURBAN OFFICE</b>				
New Construction (AAA)	\$18.00	\$28.00	\$23.00	20.0%
Class A (Prime)	\$16.00	\$22.50	\$18.60	20.0%
Class B (Secondary)	\$13.00	\$16.50	\$14.00	16.0%
<b>INDUSTRIAL</b>				
Bulk Warehouse	\$3.50	\$4.50	\$4.00	10.0%
Manufacturing	\$3.50	\$4.25	\$4.12	5.0%
High Tech/R&D	\$4.50	\$9.75	\$7.00	14.0%
<b>RETAIL</b>				
Downtown	\$7.00	\$13.00	\$10.00	2.0%
Neighborhood Service Centers	\$13.00	\$21.00	\$15.18	3.0%
Community Power Center	\$23.00	\$32.00	\$27.00	2.0%
Regional Malls	\$25.00	\$42.00	\$33.50	6.0%
<b>DEVELOPMENT LAND</b>				
	Low		High	
Office in CBD (per buildable SF)	\$20		\$35	
Land in Office Parks (per acre)	\$200,000		\$350,000	
Land in Industrial Parks (per acre)	\$90,000		\$110,000	
Office/Industrial Land~Non-park (per acre)	\$80,000		\$100,000	
Retail/Commercial Land (per acre)	\$175,000		\$800,000	
Residential (per acre)	\$60,000		\$110,000	

## Metropolitan Area Economic Overview

### POPULATION

Total Est. 2007	498,211
Population Growth Index - 2012	0.69
Income Index	0.99
Affordability Index	1.00
Education Index	0.78
Age Index	1.02

### EMPLOYMENT

Total Est. 2007	256,435
Office Index	0.81
Health Services Index	0.72
Government Index	0.67
Retail Services Index	1.03
Wholesale Index	1.29

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