

MARKET WATCH

LANDMARK COMMERCIAL REALTY, INC.

FIRST QUARTER • 2009

HARRISBURG, PENNSYLVANIA • 717-731-1990

Landmark Commercial Realty, Inc. - ONCOR International

MARKET THOUGHTS

The Greater Harrisburg Office Market saw the superb gains realized from 2005 thru 2007 continue their retreat in the First Quarter of 2009. Absorption totaled a negative 53,920 sq. ft., a result of weakened demand throughout much of the Marketplace.

Expansion and relocation plans were essentially shelved in the First Quarter of 2009. Fewer tours, fewer transactions. Those who made deals likely offered concessions except for a few well positioned office properties. Less sophisticated properties will undoubtedly face more challenges over the months ahead compared to modern upscale buildings which traditionally offer more amenities.

The outlook for the immediate future remains mixed as new construction, coupled with fewer anticipated expansions may place more space on an already burdened Marketplace.

While much of the marketplace continues to remain quite healthy operating at occupancy levels over 91%, owners should be prepared to make deals over the next several months in order to attract new tenants and retain existing ones.



Thomas T. Posavec, Vice President

MARKET NEWS

Thomas T. Posavec, Senior Partner of the Office Services Group at Landmark Commercial Realty, Inc. - ONCOR International wishes to share highlights of several First Quarter 2009 projects in which the group has assisted in consulting:

- **Owens Barcavage and McInroy** has recently opened a Law Office at 2000 Linglestown Road, Harrisburg, PA. The firm relocated earlier this year.
- **DST Realty** has engaged Thomas T. Posavec at Landmark Commercial Realty, Inc. - ONCOR International to lease 75,000 sq. ft. of first class office space located at 2400 Thea Drive, Harrisburg, PA. The third floor suite should be available later in 2009.
- **Crawford Insurance Company** has recently executed a long term lease renewal for its 9,900 sq. ft. location at 5001 Louise Drive, Mechanicsburg.
- **DeSanto Realty Group** has engaged Thomas T. Posavec of the Office Services Group at Landmark Commercial Realty, Inc. - ONCOR International to lease office space at its Crums Mill Office Center located in Lower Paxton Township. The 130,000 sq. ft. complex property is situated in the heart of Colonial Park and will be ideal for a wide variety of professional or medical users.

- Construction will commence on a 15,000 sq. ft. two story office building being built by **Joe Kenny** at Sir Tomas Court, Old English Gap Lot 5D, Harrisburg, PA. Activity at this writing has already been brisk for the building which should be completed later in 2009.

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MARKET ANALYSIS FIRST QUARTER 2009

	Number of Buildings	Total Inventory	Total Avail.	1st Q 2009 Occup. Rate	4th Q 2008 Occup. Rate	3rd Q 2008 Occup. Rate	2nd Q 2008 Occup. Rate	1st Q 2008 Occup. Rate	1st Q 09 Current Asking Rent*	1st Q 09 Total Absorp. in sq.ft.
CITY										
Class A	18	1,408,475	45,800	97%	97%	98%	98%	98%	\$17.00-\$23.00	(7,400)
Class B+	53	1,535,542	88,550	94%	95%	93%	93%	93%	\$14.50-\$17.00	(5,000)
Class B	169	1,515,948	167,500	89%	91%	89%	88%	91%	\$12.00-\$14.50	(20,800)
TOTAL	240	4,459,965	301,850							(33,200)
EAST SHORE										
Class A	43	1,636,672	118,700	93%	93%	93%	92%	94%	\$17.00-\$22.00	(100)
Class B+	86	1,916,421	201,920	89%	91%	93%	93%	93%	\$15.50-\$17.00	(28,420)
Class B	141	1,514,289	138,326	91%	91%	91%	93%	94%	\$13.25-\$15.50	5,200
Class C	48	400,425	43,500	89%	89%	87%	87%	89%	\$10.50-\$13.25	1,500
TOTAL	318	5,467,807	502,446							(21,820)
WEST SHORE										
Class A	60	2,061,340	222,500	89%	90%	90%	90%	91%	\$17.25-\$22.00	(4,500)
Class B+	101	2,321,090	208,000	91%	92%	93%	93%	94%	\$15.50-\$17.25	(1,400)
Class B	153	1,830,493	132,300	93%	93%	93%	93%	94%	\$13.75-\$15.50	(1,500)
Class C	46	476,220	50,100	89%	88%	88%	88%	91%	\$11.00-\$13.75	8,500
TOTAL	360	6,689,143	612,900							1,100
GRAND TOTAL	918	16,616,915	1,417,196							(53,920)

*Excluding interior suite janitorial services.

MARKET OVERVIEW

DOWNTOWN BUSINESS DISTRICT

Absorption totaled a negative 33,200 sq. ft. in the First Quarter of 2009, another setback after several quarters of gains.

Class "A" occupancy rates remained unchanged as absorption totaled negative 7,400 sq. ft. Class "B+" occupancy rates slipped one percentage point to 94% as absorption totaled negative 5,000 sq. ft. The Class "B" segment saw absorption total negative 20,800 sq. ft. as occupancy rates slipped two percentage points to 89%.

While occupancy rates remain strong, activity in recent weeks has been mixed. Few large users have toured and the majority of tenants in the Marketplace appear to be from smaller users under 1,500 sq. ft.

Construction on the 40,000 sq. ft. Class "A" office building being developed by Tom Flynn and Tony Pascotti should be completed shortly at 3003 North Front Street, Harrisburg. The first class project may have an impact on occupancy and rental rates for the entire Harrisburg Office Market going forward. Its location draws from all areas and may put pressure on the Downtown, East Shore and West Shore Business Districts.

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EAST SHORE BUSINESS DISTRICT

Absorption totaled negative 21,820 sq. ft. in the First Quarter of 2009, its second straight quarter of significant losses.

Class "A" occupancy rates remained unchanged at 93% as absorption totaled negative 100 sq. ft. Class "B+" occupancy rates slipped two percentage points to 89% as absorption totaled negative 28,420 sq. ft. The Class "B" segment absorbed 5,200 sq. ft. as occupancy rates remained unchanged at 91%. The Class "C" segment absorbed 1,500 sq. ft. as occupancy rates remained unchanged at 89%.

All segments of the East Shore Business District continue to remain flat including the Class "B+" segment which slipped from 93% level in the Third Quarter of 2008. Activity for premier properties which as remained steady over the past several months should continue throughout the remainder of 2009. The demand from cost-conscious Class "B" office users has been steady as occupancy rates have remained respectable.

New suburban construction may put downward pressure on occupancy rates and levels going forward in 2009, as over 80,000 sq. ft. has been completed over the past nine months with only 30,000 sq. ft. actually occupied.

WEST SHORE BUSINESS DISTRICT

Absorption totaled a positive 1,100 sq. ft. in the First Quarter of 2009, its second straight quarter of disappointing gains.

Class "A" occupancy rates slipped one percentage point to 89% as absorption totaled negative 4,500 sq. ft. Class "B+" occupancy rates slipped one percentage point to 91% as absorption totaled negative 1,400 sq. ft. The Class "B" segment saw occupancy rates remain unchanged at 93% as absorption totaled negative 1,500 sq. ft. Occupancy rates in the Class "C" segment rose one percentage point to 89% as absorption totaled 8,500 sq. ft.

After a dramatic increase in inventory levels over the past several quarters the West Shore Business District saw levels hold their own in the First Quarter of 2009.

Much of the available space remains in only a few specific properties. The 80,000 sq. ft. medical project being constructed by Kinsley nearing completion, will have an impact on the medical office market in the Heart of Camp Hill over the next twelve (12) to twenty-four (24) months.

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GLOSSARY

Total Inventory: Excludes owner occupied facilities, medical and governmental buildings and buildings under construction or proposed.

Vacancy Rates: Total available office space divided by total inventory.

Occupancy Rates: Total available office space divided by total inventory. This calculation is then subtracted from 100.

Current Asking Rent: Projected gross asking rents per square foot considering current market conditions excluding interior suite janitorial services.

Gross Asking Rents: Rents which include all operating expenses of the facility.

Class A: Modern, upscale buildings that command the highest market rents and attract upscale tenants.

Class B+: Newer buildings or facilities that have received substantial upgrades.

Class B: Older buildings that have received some renovations and upgraded from Class C facilities and attract mid-tier rental rates.

Class C: Older buildings that have not been upgraded and command lower market rents.

Absorption: Change in occupied space for a specific period in time.



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