

MARKET WATCH

LANDMARK COMMERCIAL REALTY, INC.

FIRST QUARTER • 2010

HARRISBURG, PENNSYLVANIA • 717-731-1990

Landmark Commercial Realty, Inc. - ONCOR International

MARKET THOUGHTS

The Greater Harrisburg office market recorded solid gains in the First Quarter of 2010 as absorption totaled 83,378 sq. ft., its highest levels since the Third Quarter of 2006. Strong demand for premier properties pushed occupancy levels higher at suburban Class A buildings while interest in Class B properties has begun to stabilize with a sharp increase in property tours and tenant movement.

Now that tenant demand has begun to reappear it is critical to make as many intelligent deals as possible before this new wave of demand fades. Owners must

aggressively work to secure extensions from existing tenants as new deals have been scarce until recently.

If demand can continue at current levels into the Second Quarter I look forward to higher occupancy rates, improved absorption and further stabilization going forward.



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 2010 projects in which the group has assisted in consulting:

- **National Government Services** has recently subleased 35,000 sq. ft. of office space at 2400 Thea Drive, Harrisburg, PA from DST Realty. The three (3) story 200,000 sq. ft. facility located in Susquehanna Township will still offer nearly 50,000 sq. ft. of office space for immediate sublease. The firm plans to occupy in May 2010.
- **Pinnacle Health System** has recently executed a long term lease for approximately 7,500 sq. ft. of medical space located at 810 Sir Thomas Court, Harrisburg, PA from developer, Joe Kenny. The 15,000 sq. ft. of first class office building was completed recently and is now 100% occupied.
- **William P. Goodwin** has engaged the Office Services Group at Landmark Commercial Realty, Inc./ONCOR International to handle the disposition of its 12,000 sq. ft. first class office building located at 100 North 10th Street, Harrisburg, PA. The three (3) story property is strategically located close to the Capital, offers on-site parking and is ideal for a user or investor with a need for a Downtown Business District address.
- **Bukari Real Estate Holdings LLC** has recently acquired a 3,200 sq. ft. office condo located at 891 South Arlington Avenue, Harrisburg, PA from Dr. Sabir Ray. The project was listed and settled within forty-five (45) days.
- One of the Nation's top **Defense Contractors** has recently executed a long term lease renewal for 17,000 sq. ft. at its facility in Central Pennsylvania. After a thorough search of the market the corporation negotiated a favorable extension at its existing location. Renovations are

underway at this writing.

- **Childrens Dental Health Associates** has executed a long term lease for approximately 4,000 sq. ft. at 4230 Crums Mill Road, Harrisburg, PA with DeSanto Realty Group. The practice which specializes in pediatric dentistry will be open shortly as renovations are currently underway.

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MARKET ANALYSIS FIRST QUARTER 2010

	Number of Buildings	Total Inventory	Total Avail.	1st Q 2010 Occup. Rate	4th Q 2009 Occup. Rate	3rd Q 2009 Occup. Rate	2nd Q 2009 Occup. Rate	1st Q 2009 Occup. Rate	1st Q 10 Current Asking Rent*	1st Q 10 Total Absorp. in sq.ft.
CITY										
Class A	18	1,448,475	92,400	94%	94%	93%	97%	97%	\$17.00-\$23.00	(4,000)
Class B+	53	1,600,142	157,450	90%	90%	90%	94%	94%	\$14.50-\$17.00	2,105
Class B	169	1,543,549	185,025	88%	88%	88%	88%	89%	\$12.00-\$14.50	(3,401)
TOTAL	240	4,592,166	434,875							(5,296)
EAST SHORE										
Class A	43	1,713,672	106,000	94%	93%	92%	91%	93%	\$17.00-\$22.00	29,900
Class B+	86	1,926,421	231,496	88%	88%	89%	90%	89%	\$15.50-\$17.00	(1,400)
Class B	141	1,519,289	171,101	89%	89%	91%	91%	91%	\$13.25-\$15.50	(3,700)
Class C	48	401,625	52,700	87%	87%	88%	88%	89%	\$10.50-\$13.25	(2,000)
TOTAL	318	5,561,007	561,297							19,800
WEST SHORE										
Class A	60	2,211,340	220,576	90%	89%	90%	89%	89%	\$17.25-\$22.00	57,124
Class B+	101	2,340,890	215,060	91%	90%	91%	90%	91%	\$15.50-\$17.25	8,000
Class B	153	1,851,561	140,850	92%	92%	93%	92%	93%	\$13.75-\$15.50	3,450
Class C	46	476,220	51,700	89%	88%	87%	89%	89%	\$11.00-\$13.75	5,300
TOTAL	360	6,880,011	628,186							73,874
GRAND TOTAL	918	17,033,184	1,624,358						<i>*Excluding interior suite janitorial services.</i>	88,378

MARKET OVERVIEW

DOWNTOWN BUSINESS DISTRICT

Absorption totaled a negative 5,296 sq. ft. in the First Quarter of 2010, continuing a lackluster showing for the Downtown Marketplace.

Class "A" occupancy rates remained unchanged at 94% as absorption totaled negative 4,000 sq. ft. Class "B+" occupancy rates remained unchanged at 90% as absorption totaled positive 2,105 sq. ft. The Class "B" segment remained unchanged at 88% as absorption totaled a negative 3,401 sq. ft.

If occupancy rates are any indication, the Downtown Business District is on less solid footing after a sluggish First Quarter. Demand has been more moderate in recent months, although Class "A" and "B+" properties remain at respectable levels. Less spectacular properties continue to lag the market. This trend may continue to persist as users are demanding more sophisticated finishes and amenities in order to make long term commitments.

The outlook for the remainder of 2010 remains unclear and if current demand is any indication, further testing of the Downtown Business District is anticipated over the next several quarters.

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EAST SHORE BUSINESS DISTRICT

Absorption totaled a positive 19,800 sq. ft. in the First Quarter of 2010 marking its first positive gain in the last three Quarters.

Class "A" occupancy rates rose one percentage point to 94% as absorption totaled 26,900 sq. ft. Class "B+" occupancy remained unchanged at 88% as absorption totaled negative 1,400 sq. ft. The Class "B" segment saw occupancy rates remain unchanged at 89% as absorption totaled negative 3,900 sq. ft. The Class "C" segment absorbed negative 2,000 sq. ft. as occupancy rates remained unchanged.

Inventory levels continue to remain high as demand for office properties in the First Quarter improved. Demand from Class "A" and "B+" users has strengthened in recent weeks, pushing occupancy and rental rates higher for First Class properties.

Activity for these premier properties should continue to improve this year as no new significant construction is anticipated throughout the remainder of 2010. Properties with superior locations will be well received in a marketplace that has been plagued with lackluster growth over the past twenty-four (24) months.

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WEST SHORE BUSINESS DISTRICT

Absorption totaled a positive 73,874 sq. ft. in the First Quarter of 2010 a result of solid demand from an improving Market.

Class "A" occupancy rates rose one percentage point to 90% as absorption totaled 57,124 sq. ft. Class "B+" occupancy rates rose one percentage point to 91% as absorption totaled 8,000 sq. ft. The Class "B" segment saw occupancy rates remained unchanged at 92% as absorption totaled 3,450 sq. ft. and occupancy rates rose one percentage point. The Class "C" segment absorbed 5,300 sq. ft. and occupancy rates rose one percentage point.

All segments of the West Shore Business District continue to improve especially the Class "A" segment which increased sharply this Quarter. Options continue to dwindle for first class users, although the potential addition of new product in the Class "A" marketplace later this year may reverse this trend and offer premier users more choices with larger floor plates.

If early indications prove correct demand should continue throughout the remainder of 2010 as new development appears limited and additional availabilities should remain manageable.

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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