

MARKET WATCH

LANDMARK COMMERCIAL REALTY INC.

SECOND QUARTER • 2010

Landmark Commercial Realty, Inc. - ONCOR International

MARKET THOUGHTS

The Greater Harrisburg Marketplace showed continuing signs of improvement in the Second Quarter of 2010, a promising sign after a dismal 2009 which saw absorption figures reach their lowest levels in 16 years. Absorption totaled approximately 48,000 sq. ft. once again, fueled by demand from the East and West Shore Business Districts, while the Downtown Business District was able to produce only modest gains.

Over 140,000 sq. ft. of office space has been absorbed in the past two quarters in the suburban markets as tenants are beginning to expand and relocation fears have begun to dissipate. Several tenants who have previously shelved plans to relocate have now accelerated these plans to take advantage of opportunities that still remain in the Marketplace.

Several large vacancies continue to impact all segments of the Downtown Business District. Demand for these availabilities has

lagged over the past 24 months and continued uncertainty regarding the financial stability of the City may impact parking fees going forward, as options for Harrisburg's Parking Garages are now on the table.

Several large suburban deals are in the works and should be executed in the Third Quarter of 2010. These new transactions should push absorption figures higher throughout the remainder of 2010 further stabilizing an already improving Marketplace. The outlook for 2011 is difficult to pinpoint and will depend on continued expansion and demand from Harrisburg's existing tenant base.



Thomas T. Posavec, Vice President

MARKET NEWS

Thomas T. Posavec, Senior Partner of the Office Services Group at Landmark Commercial Realty, Inc. highlights several Second Quarter 2010 projects in which the group assisted in consulting:

- **Comcast** has executed a long term lease for approximately 8,000 sq. ft. of office space at 297 Care Street, Harrisburg, PA from 297 Associates. The space will complement Comcast's nearby existing facility and will provide much needed expansion for the firm who has enjoyed tremendous growth over the past decade. After minor renovations are complete, Comcast plans an immediate move.
- **The Office Services Group at Landmark Commercial Realty, Inc.** has been engaged to assist a multi-national service company in its search for approximately 80,000 to 100,000 sq. ft. of office space in the Central Pennsylvania Marketplace. The firm plans to occupy early in 2011.
- The Office Services Group at Landmark Commercial Realty, Inc. has recently been appointed exclusive listing agent for the **Vartan Portfolio** located in Susquehanna Township, Harrisburg, PA. The prime office properties encompassing over 200,000 sq. ft. of space, consist of five multi-tenanted office buildings (2300, 2330, 3601, and 3605 Vartan Way and 3705 Elmwood Drive) offered for lease. The 14,000 sq. ft. 3601 Vartan Way facility will also be offered for sale.
- **KCI Technologies, Inc.** has executed a long term lease renewal at its Mechanicsburg, PA facility located at 5001 Louise Drive after an extensive survey of the Greater Harrisburg Marketplace. The 13,500 sq. ft. transaction was recently completed at the Class "A" facility which the firm has occupied since 1990.

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MARKET ANALYSIS SECOND QUARTER 2010

	Number of Buildings	Total Inventory	Total Avail.	2nd Q 2010 Occup. Rate	1st Q 2010 Occup. Rate	4th Q 2009 Occup. Rate	3rd Q 2009 Occup. Rate	2nd Q 2009 Occup. Rate	2nd Q 10 Current Asking Rent*	2nd Q 10 Total Absorp. in sq.ft.
CITY										
Class A	18	1,448,475	87,500	94%	94%	94%	93%	97%	\$17.00-\$23.00	4,900
Class B+	53	1,600,142	156,450	90%	90%	90%	90%	94%	\$14.50-\$17.00	(1,900)
Class B	169	1,543,549	180,725	88%	88%	88%	88%	88%	\$12.00-\$14.50	2,100
TOTAL	240	4,592,166	424,675							5,100
EAST SHORE										
Class A	43	1,713,672	109,600	94%	94%	93%	92%	91%	\$17.00-\$22.00	(5,600)
Class B+	86	1,926,421	220,696	89%	88%	88%	89%	90%	\$15.50-\$17.00	10,800
Class B	141	1,519,289	158,275	90%	89%	89%	91%	91%	\$13.25-\$15.50	10,826
Class C	48	401,625	50,950	87%	87%	87%	88%	88%	\$10.50-\$13.25	1,750
TOTAL	318	5,561,007	539,521							17,776
WEST SHORE										
Class A	60	2,211,340	207,936	91%	90%	89%	90%	89%	\$17.25-\$22.00	11,464
Class B+	101	2,340,890	197,960	92%	91%	90%	91%	90%	\$15.50-\$17.25	6,100
Class B	153	1,851,561	137,818	93%	92%	92%	93%	92%	\$13.75-\$15.50	3,032
Class C	46	476,220	46,700	90%	89%	88%	87%	89%	\$11.00-\$13.75	5,000
TOTAL	360	6,880,011	590,414							25,596
GRAND TOTAL	918	17,033,184	1,554,610						<i>*Excluding interior suite janitorial services.</i>	48,472

MARKET OVERVIEW

DOWNTOWN BUSINESS DISTRICT

Absorption totaled a positive 5,100 sq. ft. in the Second Quarter of 2010, bringing a change for the better from the last several quarters for the Downtown Marketplace.

Class "A" occupancy rates remained stable at 94% as absorption totaled a positive 4,900 sq. ft. The Class "B+" segment totaled a negative 1,900 sq. ft. and occupancy rates remained at 90%. The Class "B" segment absorbed 2,100 sq. ft. as occupancy rates remained at 88%.

Occupancy rates for this Quarter demonstrate a stabilizing effect for the Downtown Business District, with little change in these rates in the Second Quarter of 2010. Prospect activity has been modest in recent months and landlords should be prepared to make concessions on spaces in order to reduce vacancy levels.

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EAST SHORE BUSINESS DISTRICT

Absorption totaled a positive 17,776 sq. ft., marking the second straight Quarter of positive gains.

Class "A" occupancy rates remained unchanged at 94% as absorption for this sector totaled a negative 5,600 sq. ft. Class "B+" occupancy rose one percentage point to 89% as absorption totaled 10,800 sq. ft. The Class "B" segment also rose one percentage point to 90% as absorption totaled 10,826 sq. ft. The Class "C" segment absorbed 1,750 sq. ft. as occupancy rates remained unchanged.

While Class "B+" and "B" buildings continue to improve owners will still need concessions to push deals forward. Prospect traffic, while improving, remains less than spectacular, and more work must be done to stabilize these less sophisticated properties. Few large availabilities are anticipated over the next several months, therefore market conditions should continue to improve.

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WEST SHORE BUSINESS DISTRICT

Absorption totaled a positive 25,596 sq. ft. in the Second Quarter of 2010, demonstrating back to back solid quarters for 2010 and an improving market.

Class "A" occupancy rates increased one percentage point to 91% as absorption totaled 11,464 sq. ft. Class "B+" occupancy rates rose one percentage point to 92% as absorption totaled 6,100 sq. ft. The Class "B" segment also rose one percentage point to 93% as absorption totaled 3,032 sq. ft. The Class "C" segment absorbed 5,000 sq. ft. and occupancy rates rose one percentage point to 90%.

While all segments of the West Shore Business District continue to see improvement, the Class "A" and Class "B+" segments indicate a most noticeable change for the better. This trend demonstrates the appreciation for superior finishes and quality amenities in the Marketplace.

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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