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MARKET THOUGHTS

Absorption totaled 3,500 sq. ft. in 2014 a modest figure for a market which advanced significantly over the past five (5) years. As we enter 2015 the suburban markets, in nearly all instances, boast occupancy rates between 92% and 95%. We remain impressed with the outlook for owners of premier properties and anticipate they will be dealing from a position of strength going forward into 2015.

We expect the cycle of recovery to continue for those recently acquired assets just out of receivership as they are repositioned and become attractive to the marketplace. With respect to properties currently under receivership, we are revising our outlook, taking a more long term view of its recovery and anticipate stabilization may not be realized until mid to late 2016. We do not expect a pullback in the near term and feel the potential for additional gains is not out of the question.

We anticipate a surge in the conversion of Downtown office properties to residential uses, purging potentially thousands of square feet of office product from Downtown inventories. We view this event as pivotal to the recovery of the Downtown Business District over the next several quarters and feel market fundamentals are favorable for this conversion strategy to continue.

2014 HIGHLIGHTS

\$38 million in sales
413,331 sq. ft. in sales/leases
Over 80 transactions
500,000 sq. ft. of new availabilities




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YEAR END - 2014

Market Watch

2014 TRANSACTIONS

Camp Hill, LLC	81,530
PA Counseling Services	37,600
JST LLC	30,000
ITT	16,778
Keystone Service Systems	15,574
DHC USA	15,150
Jory Properties	14,827
Transcore	14,566
Saint Adams Properties	10,200
ARM Ener-Tech Associates	9,600
810 Associates	7,336
Vibra Management	7,310
Riverview Bank	6,857
CFACT Consulting	6,236
Aspire Fit	6,121
PSI	6,000
Correct Care Solutions	5,638
Albright College	5,548
Capital Region Vacation Bureau	5,236
TekSol	5,120
Peak Sales and Marketing Inc.	5,000
Infinity Charter School	5,000
CDM Smith	4,535
InsuranceNewsNet.com	4,147
Modis	3,500
Anapol Schwartz PC	3,500
2151 Associates	3,300
Web Clients	3,146
Residential Mortgage Service	3,000
Community Aid	2,800
G4S Solutions	2,650
Webber Gallagher	2,610
James Ronca	2,600
Mazzitti and Sullivan	2,500
PAR	2,402
CAIU	2,240
Francis Henry Health	2,200
National Life Insurance Company	2,101
A. Morton Thomas	2,024
Integrative Counseling Service	2,000
Commonwealth Business Technologies, Inc.	1,900
Kinber	1,864
GRU Appraisal	1,850
Ameriprise	1,700
Dawn Marie Realty	1,600
DUB Financial	1,420
Skin Deep Medical	1,416
Hener Healthcare	1,406
Regency Finance Company	1,400
Work Personnel Service	1,296
Clarity Hearing Aids	1,200
Dr. Jamie Bolton	1,195
Albert Daily	1,000
Inertia Massage	954
John Ramirez	900
Park Law Firm	868
AMS	800

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT



2014 was a year of recovery for the Downtown Business District, absorption totaled 12,208 sq. ft. up significantly from 2013. Bankruptcy concerns, incinerator issues and Mayoral races which fueled uncertainty in past

years are less pronounced as we enter 2015. We remain concerned with the current tax climate and the prohibitive costs associated with parking Downtown. These two issues have contributed to the less than spectacular growth in the Downtown Marketplace over the past five (5) Years. While we indicated that we felt prices may have bottomed in late 2013, we remain unimpressed with the continued lack of traction the Downtown Business District has had in recent quarters and will take a "wait and see" approach as we go forward in 2015.

Class A rates remained solid closing the year at 91% although absorption totaled a modest 2,100 sq. ft. Several large contiguous suites remain available at 30 North Third Street and the M & T building located on Market Square. We maintain that the increased tax liability and parking costs have priced most Downtown options out of the market. While we anticipate this segment should benefit from the recent surge in overall activity in the Mid State, we do not forecast a recovery for office rents in the near future and look for much of the same going forward over the months ahead.

Moderately priced Class B+ properties made solid gains in 2015 as absorption totaled 22,495 per sq. ft. Occupancy rates closed at 89% in light of increased pressure from Class A properties which failed to advance in recent quarters. We expect increased pressure on rental rates as we enter 2015 in an attempt to eliminate excessive availabilities from the market. We anticipate increased activity from buyers as prices remain attractive and interest rates continue to remain at all-time lows.

The Class B segment absorbed negative 12,367 sq. ft. in 2014. Occupancy rates closed the year at 90% as demand was unable to gain ground. We anticipate more office properties will be converted to residential uses going forward into 2015. We remain impressed with this trend over the past several quarters and expect this philosophy will continue as demand for residential uses continues to persist.

EAST SHORE BUSINESS DISTRICT



Absorption totaled 5,950 sq. ft. for the East Shore Business District in 2014. Class A properties performed well rallying from a slug-

gish 2013 although Class B assets struggled to reach positive territory as several buildings remain in receivership. We view the recent disposition of several of these properties as a positive development for the marketplace going forward and expect many of these buildings to reach financial stability over the next several months.

Class A occupancy rates increased slightly to 92%. Absorption totaled 17,000 sq. ft. Few first class opportunities remain and limited construction should keep rental rates trending upward. We believe owners of premier properties will be in a position of strength throughout 2015 as attractive options dwindle and demand heats up. We are not overly concerned with overall performance of the East Shore and conversely are impressed with the returns from premier properties over the past four quarters.

The Class B+ segment closed 2015 at 92% and absorption totaled negative 6,950 sq. ft. We remain impressed with the consistency of this segment over the past several quarters and expect significant activity to persist over the months ahead. We are optimistic that rental rates should continue to firm going forward and see the opportunity of a pullback as remote. We expect further improvement in the form of acquisitions as the interest rate environment remains attractive.

Occupancy rates for this Class B segment slipped two points to 89%. Absorption totaled negative 18,000 sq. ft. We expect improvement of this segment going forward in 2015 as several properties recently acquired out of receivership are repositioned. We view the lack of pronounced new construction as a significant development towards the increased stability of the Mid State and we look for an increase in migration of tenants from Downtown properties as parking challenges continue.

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WEST SHORE BUSINESS DISTRICT

While occupancy rates in all segments of the West Shore Business District remain near record highs, the West Shore Business District failed to produce solid gains in 2014 as

absorption totaled 3,508 sq. ft. It remains the premier market in the Mid State having absorbed over 120,000 sq. ft. in 2013 and we contend the potential for further gains is a strong possibility.

Class A occupancy rates closed the year at 95% and absorption totaled negative 19,700 sq. ft. We anticipate new construction will fuel demand as two new projects come on line in 2015. We remain impressed with the continued stability of rental rates and predict further improvement in occupancy rates throughout 2015.

Class B+ occupancy rates closed 2015 at 95% as absorption totaled negative 3,350 sq. ft. While absorption was underwhelming, we do not view the results as reason for concern. We continue to anticipate stabilization of this segment based on a pronounced lack of product and solid demand levels recorded over recent weeks. We expect further rental rate stability and look for occupancy rates to remain consistent going forward.

Class B occupancy rates remained unchanged and closed the year at 94%. Absorption totaled 8,400 sq. ft. as availabilities continue to remain slim and inventory levels dwindle. We are pleased with the consistency of this segment over the past several years. We expect an increase in acquisitions may occur in 2015 as interest rates continue hovering near the four (4%) percent range. We expect Class B product will be in demand from users as first class options remain scarce.



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1110 N. Mountain Road, Harrisburg, PA
5,900 SF office for sale. Excellent access and visibility. Priced to sell.



75 S Houcks Road, Harrisburg, PA
1,100 to 10,800 SF for lease. Terrific architecture. Excellent layout.



2000 Linglestown Road, Harrisburg, PA
1,000 to 2,500 SF available. Various sizes. New suites with first class finishes.



4601 Devonshire Road, Harrisburg, PA
1,500 to 4,200 SF available. Ideal medical suites for small users. Available immediately.



4800 Linglestown Road, Harrisburg, PA
New suites from 500 SF up to 13,000 SF. Available immediately. Excellent signage.



3601 Vartan Way, Harrisburg, PA
Up to 6,257 SF available immediately at this solid East Shore address. Great rates.



3901 North Front St, Harrisburg
1,397 SF for immediate occupancy. First class finishes. Ideal for any professional



4201 Crums Mill Road, Harrisburg, PA
1,960 SF available for lease. Terrific windows. Convenient Colonial Park address.



4807-4813 Jonestown Road, Harrisburg, PA
550 to 1,600 SF available for lease. Great signage and visibility. Great suites terrific layouts.

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5001 Louise Drive, Mechanicsburg, PA
Various suites available for immediate occupancy. Great windows. First class finishes.



1017 Mumma Road, Wormelysburg, PA
1,400 SF available at this first class facility. Excellent layout. Available immediately.



717 Market Street, Lemoyne, PA
Two suites for lease from 1,100 SF and up. Great signage and visibility.



4 Lemoyne Drive, Lemoyne, PA
2,611 SF Class A suites for immediate occupancy. Fantastic windows and layout.



55 Utley Drive, Camp Hill, PA
1,000 to 26,000 SF for lease. New finishes. Ample windows. Convenient Camp Hill address.



2 Lemoyne Drive, Lemoyne PA
Two (2) small suites available for immediate occupancy. First class finishes. Gorgeous window lines.



100 Winding Creek Blvd., Mechanicsburg
1,900 SF for lease. Owner will renovate to suit. Easy access. Close to everything.



4 Flowers Drive, Mechanicsburg, PA
Up to 7,000 SF available at this West Shore address. Owner will divide.



355 North 21st Street, Camp Hill, PA
600 to 2,100 SF available. New suites. Large windows. Covered parking. Great rates.



4660 Trindle Road, Camp Hill, PA
2,000 to 13,500 SF available. First class design. Ample parking. Available immediately. Easy access.



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MARKET ANALYSIS YEAR END - 2014

	Number of Buildings	Total Inventory	Total Available	4th Q 2014 Occup. Rate	3rd Q 2014 Occup. Rate	2nd Q 2014 Occup. Rate	1st Q 2014 Occup. Rate	4th Q 2013 Occup. Rate	Year End Current Asking Rent*	4th Q 2014 Absorption in SF	Year End Total Absorp. in SF
CITY											
Class A	23	1,563,975	145,100	91%	91%	91%	90%	90%	\$17.00-\$23.00	(10,600)	2,100
Class B+	62	1,702,742	181,665	88%	89%	89%	87%	88%	\$15.50-\$18.00	1,900	22,475
Class B	180	1,563,949	160,105	90%	90%	90%	91%	91%	\$13.00-\$15.50	2,800	(12,367)
TOTAL	265	4,830,666	486,870							(5,900)	12,208
EAST SHORE											
Class A	47	1,853,121	152,800	92%	91%	91%	90%	91%	\$18.65-\$23.00	13,700	17,000
Class B+	89	2,006,831	165,100	92%	92%	91%	91%	92%	\$16.50-\$18.75	(10,400)	6,950
Class B	150	1,651,189	179,400	89%	90%	89%	90%	91%	\$14.00-\$16.50	(10,400)	(18,000)
TOTAL	286	5,511,141	497,300							(7,100)	5,950
WEST SHORE											
Class A	65	2,340,340	106,400	95%	96%	96%	96%	96%	\$18.65-\$23.00	(5,300)	(19,700)
Class B+	118	2,464,990	131,400	95%	95%	95%	95%	95%	\$16.50-\$18.75	(17,600)	(3,350)
Class B	167	1,975,061	95,000	95%	94%	94%	94%	94%	\$14.75-\$16.50	6,300	8,400
TOTAL	350	6,780,391	332,800							(16,600)	(14,650)
GRAND TOTAL	901	17,122,198	1,316,970	<i>*Excluding interior suite janitorial services.</i>						(29,600)	3,508

In its twentieth year, this study analyzed 901 office buildings in the Greater Harrisburg Area over the past twelve months and tracked economic indicators such as absorption, occupancy rates and current asking rents. This endeavor was undertaken to provide statistical data to better understand the complexities of the Harrisburg Office Market. For a closer look at 2014 a specific quarterly breakdown is illustrated on page six of the analysis.

It is important to understand that this analysis excluded owner occupied facilities, medical and governmental buildings and single user facilities as these buildings are not periodically in circulation. Furthermore, facilities available for sublease are also excluded from the analysis in order to avoid the potential of overstating vacancy rates resulting from these specific sublease opportunities.

Implementing these methods provides an accurate measure and greatly reduces the probability of an analysis becoming skewed as a result of one or two specific transactions.



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