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MARKETS ADVANCE

Markets advanced in the Third Quarter of 2016 as absorption totaled 71,652 sq. ft. fueled by solid demand from the West Shore and Downtown Business Districts. Over 160,000 sq. ft. has been absorbed over the past three Quarters. During this period occupancy and rental rates have continued to firm and tenants have had fewer and fewer options to consider.

We feel measured speculative development and impressive tenant demand has been a health restoring event for the marketplace. We look for demand to continue over the weeks ahead and expect options for premier properties to dwindle further. We believe the potential exists for the Downtown Business District to gain even more traction throughout 2017 and remain impressed with the surge in acquisitions from that marketplace.

Going forward we expect continued firming of rates, steady demand and further modest improvement in most segments of the Greater Harrisburg marketplace.



THOMAS T. POSAVEC, SIOR, Senior Vice President



2000 and 2040 Linglestown Road, Harrisburg, PA
 This 62,000 SF Class A office complex owned by Waterday Properties offers first class suites from 1,200 SF to 2,500 SF. These spectacular properties are located in the Heart of Harrisburg's East Shore Business District.

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT



3211 N. Front Street, Harrisburg, PA

The Third Quarter of 2016 produced positive gains for the Downtown Business District as absorption totaled 27,700 sq. ft. Demand has increased in recent months from users seeking a Downtown address and the outlook for the remainder of the year

should be strong if activity continues at its current pace. We expect further interest in the Front Street corridor as many properties are undergoing significant renovations at this writing. We have also seen traction in recent weeks from Suburban tenants requesting a Downtown presence.

Class A occupancy rates remained unchanged at 92% as absorption totaled negative 3,500 sq. ft. Over 25,000 sq. ft. had been absorbed over the past two Quarters and we anticipate market fundamentals to remain favorable going forward. Only a few larger properties continue to lag the market as a number of pending transactions are expected to be consummated in the weeks ahead which should push occupancy rates higher.

Class B+ occupancy rates increased one percentage point to 90% as absorption totaled 14,700 sq. ft. Available inventory continues to remain high as a number of buildings remain for sale in the Downtown Business District. 20,000 sq. ft. has been absorbed over the past two Quarters as owners are beginning to relax pricing in order to move properties rapidly. We anticipate this trend should continue into 2017.

Class B occupancy rates improved one percentage point to 91% in the Third Quarter of 2016 and absorption totaled an impressive 16,500 sq. ft., its third consecutive Quarter of positive gains. Demand has been solid in recent months with over 36,500 sq. ft. absorbed since the Third Quarter of 2015.



2843 N. Front Street, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

The East Shore Business District experienced modest gains in the Third Quarter as absorption levels totaled 7,002 sq. ft. We expect a further firming of rental and occupancy rates moving into the Fourth Quarter and anticipate the possibility of a pullback as remote.



4250 Crums Mill Road, Harrisburg, PA

Class A occupancy rates remained unchanged at 92% as absorption totaled negative 598 sq. ft. Opportunities continue to exist for users to upgrade facilities at reasonable rental structures. We remain impressed with the traction in this segment as it has absorbed over 22,000 sq. ft. since the First Quarter of the year.

The Class B+ segment saw absorption total negative 500 sq. ft. as occupancy rates remained unchanged at 92%. Rental rates continue to remain at favorable levels in spite of pressure from several buildings just out of receivership coming back on the market. We anticipate a solid push toward these properties over the next several weeks and expect further stabilization to follow.

Class B occupancy rates remained stable at 92% as absorption totaled 8,100 sq. ft. Over 25,000 sq. ft. has been absorbed in the past three Quarters and projections for the remainder of 2016 appear favorable as smaller users continue absorb inventory and further stabilize East Shore Business District. We expect continued expansion and demand should remain intact and we anticipate no signs of a pullback in this segment of the marketplace.



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WEST SHORE BUSINESS DISTRICT

The West Shore Business District continues to impress as absorption figures totaled 36,950 sq. ft. in the Third Quarter of 2016. This marks the second consecutive



900 Bent Creek Boulevard, Mechanicsburg, PA

Quarter of significant gains for the West Shore after negative returns were realized earlier in the year. We feel market fundamentals remain favorable going into 2017 and expect continued strengthening of the Marketplace to continue.

Class A occupancy rates improved one percentage point to 94% as absorption saw impressive positive gains of 31,150 sq. ft. Healthy inventory levels continue to fuel demand and tenant expansions have added to these gains over the past two Quarters. We see a balance between supply and demand continuing throughout the remainder of the year and see no signs of a pullback going forward.

Class B+ occupancy rates remained stable at 95% as absorption totaled 3,000 sq. ft. Rental and occupancy rates should maintain their levels over the next several months. Over 26,000 sq. ft. has been absorbed over the past three Quarters and several expansions are in the works which should commence in early 2017 pushing occupancy rates higher next year.

Class B occupancy rates remained at 94%. Absorption totaled 2,800 sq. ft. Developers made intelligent deals to entice new tenants and renegotiate existing tenant leases early throughout much of the year although we have seen less pronounced demand from smaller users in recent weeks and will continue to monitor this impact on the market.



4660 Trindle Road, Camp Hill, PA



2400 Thea Drive, Harrisburg, PA

Up to 133,000 SF available. Large flexible floorplates. Terrific window lines. Convenient on-site parking.



75 South Houcks Road, Harrisburg, PA

1,500 to 4,400 SF for lease. Great location in Lower Paxton Township. Close to all amenities. Easy access to all interstates. Ample parking.



100 Sterling Parkway, Mechanicsburg, PA

2,400 to 40,000 SF for lease. Terrific finishes. Minutes to Downtown Harrisburg. Terrific campus environment.




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3605 Vartan Way, Harrisburg, PA
 Suites from 900 to 4,500 SF and up. Terrific windows. Great location. 6 per 1,000 SF parking.



2704 Commerce Drive, Harrisburg, PA
 1,000 to 10,000 SF available. High end finishes throughout. Ample on site parking.



600/800 Corporate Circle, Harrisburg, PA
 1,700 to 4,500 SF for lease. Recently renovated. Terrific finishes. Easy access.



4230 Crums Mill Road, Harrisburg, PA
 1,800 to 4,831 SF available for lease. Excellent views. Terrific Colonial Park location.



2578 Interstate Drive, Harrisburg, PA
 Sale or lease. 13,800 SF building for sale. 1,900 SF for lease. Modern first class property.



4800 Linglestown Road, Harrisburg, PA
 New suites up to 4,500 SF. Available immediately. Excellent signage.



3540 North Progress Avenue, Harrisburg, PA
 Up to 2,350 SF for lease. Great floor plans. Priced to lease. Close to I-81.



940 East Park Drive, Harrisburg, PA
 1,500 to 10,000 SF available for lease. Located just off I-83. Signage available.



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



4807-4813 Jonestown Road, Harrisburg, PA
 600 to 2,500 SF available. Medical and Non Medical Suites for lease. Available immediately. Efficient small suites available.

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1017 Mumma Road, Wormleysburg, PA
800 SF available. First class facility. Excellent
layouts. Available immediately.



3314 Market Street, Camp Hill, PA
Suites from 900 SF to 2,903 SF for immediate
occupancy. Thousands in recent renovations.



1215 Manor Drive, Mechanicsburg, PA
One 1,464 SF suite remaining. Owner will Build to
Suit. Great windows.



1200 Camp Hill Bypass, Camp Hill, PA
1,157 to 18,879 SF for lease. Spectacular
address. Easy access.



1013 Mumma Road, Wormleysburg, PA
900 SF for lease. New suite. Great finishes.
Convenient West Shore location.



2 Lemoyne Drive, Lemoyne, PA
4,500 SF for lease. Terrific West Shore location.
Great floorplan. Gorgeous windows.



4 Flowers Drive, Mechanicsburg, PA
1,300 SF available at this West Shore address.
Owner will divide.



355 North 21st Street, Camp Hill, PA
600 to 2,700 SF available. New suites. Large
windows. Covered parking. Great rates.



20 Erford Road, Lemoyne, PA
Small suites now available for lease. Covered parking. Close to all
areas. Ideal for any small user. On-site parking garage.



3 Crossgates Drive, Mechanicsburg, PA
Up to 13,000 SF available. Convenient West Shore location.
Priced to lease. Available immediately.



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MARKET ANALYSIS Q3 2016

2016	Number of	Total	Total	3rd Q 2016 Occup.	2nd Q 2016 Occup.	1st Q 2016 Occup.	4th Q 2015 Occup.	3rd Q 2015 Occup.	3rd Q 2016 Current	3rd Q Absorp.
CITY										
Class A	23	1,567,975	129,400	92%	92%	91%	90%	91%	\$18.00-\$23.00	(3,500)
Class B+	61	1,722,315	171,836	90%	89%	89%	90%	90%	\$15.50-\$18.00	14,700
Class B	181	1,665,250	149,671	91%	90%	90%	90%	90%	\$13.00-\$15.50	16,500
TOTAL	265	4,955,540	450,907							27,700
EAST SHORE										
Class A	48	1,984,121	164,948	92%	92%	92%	92%	93%	\$18.65-\$23.00	(598)
Class B+	89	2,037,731	157,200	92%	92%	92%	91%	92%	\$16.50-\$18.75	(500)
Class B	151	1,725,589	138,200	92%	92%	92%	91%	90%	\$14.00-\$16.50	8,100
TOTAL	288	5,746,941	460,348							7,002
WEST SHORE										
Class A	65	2,513,340	147,140	94%	93%	93%	96%	95%	\$18.65-\$23.00	31,150
Class B+	118	2,522,990	125,280	95%	95%	94%	95%	95%	\$16.50-\$18.75	3,000
Class B	168	1,993,061	125,975	94%	94%	94%	94%	95%	\$14.75-\$16.50	2,800
TOTAL	351	7,029,391	398,395							36,950
GRAND TOTAL	904	17,731,872	1,309,650	<i>*Excluding interior suite janitorial services.</i>						71,652

In its twenty-first year, this study analyzed 904 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 2016 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.



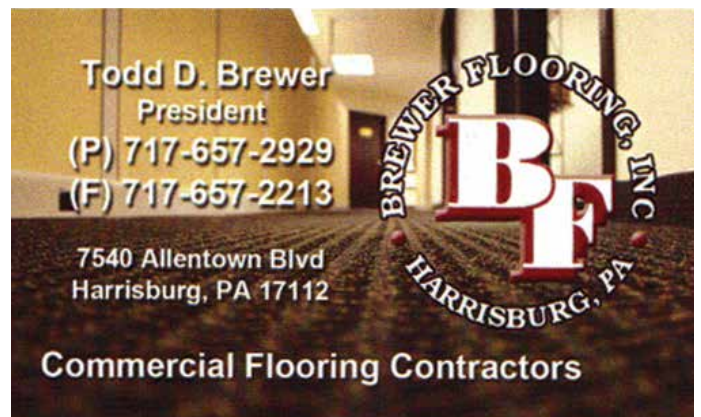
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