

YEAR END - 2017

Market Watch



LANDMARK

COMMERCIAL REALTY INC.



EAST SHORE ADVANCES

In 2016 the Greater Harrisburg Office Market made significant gains as absorption totaled over 250,000 sq. ft. In the First Quarter of 2017 we witnessed advances of over 55,000 sq. ft. and absorption totaled 305,000 sq. ft. for this five (5) Quarter period. The remainder of 2017 saw more modest advances and absorption closed the year at 130,663 sq. ft. as demand for office properties was less pronounced.

We view the continued advances of the East Shore Business District as a health restoring event which will only help to stabilize the Marketplace going forward. Additionally, we anticipate activity from owner/user groups who have made a spectacular run on office properties over the past several months, swallowing up over 200,000 sq. ft. on the East Shore alone.

The Downtown Business District should rebound in 2018 after a difficult year saw availabilities increase and demand waiver. The trend towards more conversions to residential uses could purge several availabilities from Downtown inventory.

We view West Shore occupancy rates as superb, anticipate rental rates may increase and expect available options for users will remain scarce later into 2018.

We remain impressed with the consistency among most segments of the Marketplace as occupancy rates remain at or above 93%. Going forward we rate Market Fundamentals as strong and view the probability of a pullback as remote.



THOMAS T. POSAVEC, SIOR, Senior Vice President

205 Grandview Avenue, Camp Hill

This 50,225 sq. ft. facility is now offering suites from 1,200 sq. ft. to 8,800 sq. ft. These are prime medical offices ready for occupancy. Call us for details: 717-731-1990



MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT

2017 was a down year for the Downtown Business District as traction for Downtown properties just never stabilized. Absorption totaled negative 69,386 sq. ft. as businesses fell out of favor with Downtown and made a run for suburban properties.



805 N. Front Street, Harrisburg, PA

The Class A segment was hit particularly hard as absorption totaled negative 41,696 sq. ft. Occupancy

rates closed the year down sharply at 90%. Suburban availabilities have persuaded several former Harrisburg tenants to relocate; offering excellent finishes, convenient free parking, and mercantile tax-free environment.

The Class B+ segment of the Downtown Business District managed to hold off significant losses closing the year at 90% as absorption totaled negative 5,381 sq. ft. Benign demand, unspectacular options and uninspired users kept this segment in negative territory.



123 Forster Street, Harrisburg, PA

After a record year in 2016 saw gains not realized in nearly 20 years, the Class B segment of Downtown produced significant losses in 2017. Absorption closed the year at negative 22,309 sq. ft. Occupancy rates remained at 93%. Fewer acquisitions, lessening of demand and an exodus towards the suburbs contributed to these results.

EAST SHORE BUSINESS DISTRICT

2017 was an excellent year for the East Shore Business District as absorption totaled 222,874 sq. ft. We indicated one year ago the interest level had increased for East Shore properties as buildings out of receivership were being repositioned physically and financially. We were correct. These buildings were in high demand as tenants and users raced to make deals for these value added finds.



659 Spring Garden Drive, Middletown, PA

Class A occupancy rates increased two (2%) percent closing the year at 94% as absorption totaled 67,653 sq. ft. Increased demand, acquisitions, and the repositioning of several premier assets pushed occupancy rates higher. Options for first class users are diminishing and should continue to remain limited throughout the remainder of 2018.

Class B+ absorption totaled 148,650 sq. ft. and occupancy rates improved to 94%. Several large acquisitions fueled this surge as several buildings were acquired and are in the process of renovation.

Class B occupancy rates remained stable in 2017 closing the year at 92%. Absorption totaled 6,571 sq. ft. We have witnessed several solid years from this segment of the East Shore Business District but anticipate the upside may be limited.



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WEST SHORE BUSINESS DISTRICT

The West Shore Business District had a mixed year in 2017 as the impressive occupancy rates from late 2016 were simply too high to maintain. Only Class A properties managed to advance in 2017 as additional availabilities hit the market throughout the year.



Class A occupancy rates closed the year at 94% as absorption totaled 19,525 sq. ft. Rental rates continue to increase modestly and this trend should continue over the months ahead. Only a handful of large first class opportunities remain for users and few properties exist for sale.

Class B+ occupancy rates closed the year at 94% as absorption totaled negative 24,150 sq. ft. While we remain impressed with the consistency of the Class B+ market over the past several months this segment was never able to gain traction throughout the year.

Class B occupancy rates closed 2017 at 94% as absorption slipped totaling negative 18,200 sq. ft. Pressure from first class properties pushed users away from this segment in 2017. This flight to quality was prevalent throughout much of the year as owners wanted to move availabilities and tenants searched for upgraded facilities.





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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 6,000 SF available. High end finishes throughout. Ample on site parking.



600/800 Corporate Circle, Harrisburg, PA
 1,700 to 2,000 SF for lease. Recently renovated. Terrific finishes. Easy access. Great ownership.



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
 13,800 SF building for sale or lease. Modern first class property. 907 SF to 9,500 SF for lease.



801 East Park Drive, Harrisburg
 20,230 SF first class facility for sale or lease. 1,000 to 7,980 SF available immediately.



2000/2040 Linglestown Road, Harrisburg, PA
 1,500 to 2,800 SF available for lease. Great windows and layouts. Solid finishes.



940 East Park Drive, Harrisburg, PA
 1,500 to 8,500 SF available for lease. Located just off I-83. Signage available.



4201 Crums Mill Road, Harrisburg, PA
 1,960 SF and 2,726 SF available for lease. Terrific windows. Convenient Colonial Park address.

PRIME TRANSFER, INC.

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AVAILABILITIES

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845 Sir Thomas Court, Harrisburg, PA
1,800 SF and 2,200 SF available for lease. Ideal for medical or professional users.



1017 Mumma Road, Wormelysburg, PA
770 SF to 1,704 SF available. First class facility. Excellent layouts. Available immediately.



4400 Deer path Road, Harrisburg, PA
Up to 20,000 SF for lease in this recently renovated Class A office building.



441 Friendship Road, Harrisburg PA
5,193 SF to 12,854 SF for sublease. Terrific East Shore location close to all interstates.



4800 Linglestown Road, Harrisburg, PA
Up to 3,600 SF available. Excellent signage. New finishes. Terrific suburban location.



4660 Trindle Road, Camp Hill, PA
Small suites for lease. Ideal for large user. Rare Camp Hill availability. On site storage available.



4642 Jonestown Road, Harrisburg, PA
Up to 14,000 SF available for lease in the Heart of Harrisburg's East Shore. Great signage.



4 Flowers Drive, Mechanicsburg, PA
1,300 SF available at this West Shore address. Owner will divide. Easy access to I-81.



355 North 21st Street, Camp Hill, PA
600 to 1,098 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.



5070/5072 Ritter Road, Mechanicsburg, PA
2,750 SF and 8,000 SF available for lease. Thousands in renovations to begin shortly. Convenient West Shore address. Renovations underway.



20 Erford Road, Lemoyne, PA 17043 • www.landmarkcr.com

THOMAS T. POSAVEC, SIOR • 717-731-1990 EXT. 3007 • 717-503-7755 MOBILE • TPOSAVEC@LANDMARKCR.COM

MARKET ANALYSIS YEAR END 2017

	Number of Buildings	Total Inventory	Total Available	4th Q 2017 Occup. Rate	3rd Q 2017 Occup. Rate	2nd Q 2017 Occup. Rate	1st Q 2017 Occup. Rate	4th Q 2016 Occup. Rate	4th Q 2017 Current Asking Rent*	4th Q 2017 Absorption in SF	Year End Total Absorp. in SF
CITY											
Class A	23	1,567,975	149,350	90%	90%	92%	93%	93%	\$18.00-\$23.00	7,800	(41,696)
Class B+	61	1,702,315	162,117	90%	91%	91%	90%	90%	\$15.50-\$18.00	867	(5,381)
Class B	181	1,574,749	113,455	93%	93%	93%	93%	93%	\$13.00-\$15.50	(300)	(22,309)
TOTAL	265	4,845,039	424,922							8,367	(69,386)
EAST SHORE											
Class A	48	2,011,921	112,945	94%	94%	93%	93%	92%	\$18.65-\$23.00	19,530	67,653
Class B+	89	2,123,831	132,450	94%	93%	92%	92%	92%	\$16.50-\$18.75	22,600	148,650
Class B	151	1,729,889	141,429	92%	91%	92%	92%	92%	\$14.00-\$16.50	17,200	6,571
TOTAL	288	5,865,641	386,824							50,330	222,874
WEST SHORE											
Class A	65	2,747,340	160,875	94%	94%	94%	95%	94%	\$18.65-\$23.00	5,125	19,525
Class B+	118	2,531,990	150,870	94%	94%	94%	95%	95%	\$16.50-\$18.75	(4,820)	(24,150)
Class B	168	1,993,061	109,800	94%	95%	95%	96%	96%	\$14.75-\$16.50	8,200	(18,200)
TOTAL	351	7,220,391	421,545							8,505	22,852
GRAND TOTAL	904	17,983,071	1,233,291	<i>*Excluding interior suite janitorial services.</i>						67,202	130,663

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 2017 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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