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SOLID FIRST QUARTER

The Greater Harrisburg Office Market made significant gains in the First Quarter of 2018, as absorption totaled 93,461 sq. ft. Since the First Quarter of 2017 the market has advanced sharply absorbing nearly 225,000 sq. ft.

2015 through 2017 saw a number of significant acquisitions completed with several troubled assets then in receivership. Since that period the recovery cycle has been well underway and should be nearing completion by Mid-2019. New construction, which had been benign, has begun to surface. We anticipate more development will be considered as users anticipate growth going forward.

In our view we do not expect significant pressure on rental rates to surface in the near future. We have witness impressive progress in the stabilization of pricing over the past eighteen (18) months, especially in Class A and Class B+ properties. Lastly, occupancy rates have approached record highs and our expectation is even further advances may continue throughout 2018.



THOMAS T. POSAVEC, SIOR
Senior Vice President



4201 Crums Mill Road, Harrisburg

22,500 sq. ft. Class A office property offers two recently finished office suites from 1,960 to 2,726 sq. ft. Wonderful window lines and thoughtful office layouts. First class management. Call us for information: 717-731-1990



75 South Houcks Road, Harrisburg

This gorgeous 29,000 sq. ft. first class building offers 2,500 to 4,400 sq. ft. for immediate occupancy. High end finishes and convenient location. Call us for details: 717-731-1990

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT

The Downtown Business District which experienced losses in 2017 saw solid gains in the First Quarter of 2018. Absorption totaled 20,561 sq. ft. as interest in Downtown Properties gained traction.

The Class A segment of the Downtown Business District absorbed 4800 sq. ft. and occupancy rates increased to 91%. Much of the Class A product has been on the market for several quarters. Premier users have not been persuaded



805 N. Front Street, Harrisburg, PA

by the advantages of a Downtown address and are continuing to consider options outside city limits. Several law firms have vacated the City limits in the last two years in favor of better availabilities, superior pricing and free on-site parking. With demand modest at best, incentives are necessary to stimulate activity before occupancy levels improve.



123 Forster Street, Harrisburg, PA

Absorption for Class B+ properties totaled 13,961 sq. ft. in the First Quarter of 2018. Occupancy rates closed at 90%. Markets are not significantly improving enough to stimulate the recovery process Downtown. Solutions to remedy the parking dilemma Downtown are paramount in setting in motion a recovery process that will be sustained.

Class B occupancy rates remained unchanged and closed

the First Quarter of 2018 at 93%. Absorption totaled a modest 1,800 sq. ft. This segment has failed to gain significant ground for several years and occupancy rates have not reached 94% since the First Quarter of 2003. Decision makers continue to lack interest in a relocation to Downtown.

EAST SHORE BUSINESS DISTRICT

The East Shore Business District produced gains in the First Quarter of 2018 as absorption totaled 29,400 sq. ft. Expansions fueled demand as several companies increased their square footage requirements. Additionally, we were impressed at the number of new firms not presently in the market who executed leases in the First Quarter.



Class A occupancy rates rose slightly to 95% as absorption totaled 13,000 sq. ft. Very few large options exist in the East Shore Business District. We feel this will pose a significant concern for users looking for superior product over the next several Quarters. Options exist for small tenants although rates will remain firm as owners exploit this improving market.

Class B+ absorption totaled negative 11,000 sq. ft. during the First Quarter of 2018. Occupancy rates dipped slightly to 93%. Demand slowed after this segment realized solid gains in 2017 fueled by several expansions and acquisitions.

Class B occupancy rates rose one percent to 93% as absorption totaled 27,400 sq. ft. Rental rates have been able to gain traction as availabilities have lessened over the past several Quarters. Several properties previously in receivership have been repositioned. We feel this segment will continue to benefit from significant expansions and expect continued measured demand going forward.



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WEST SHORE BUSINESS DISTRICT

The West Shore Business District produced solid gains in the First Quarter of 2018, as absorption totaled 43,500 sq. ft. Occupancy rates for most segments of the West Shore



3 Crossgates Drive, Mechanicsburg, PA

Business District remained near 95%. This is an extraordinary figure in light of market conditions only a few years ago.

Class A occupancy rates managed to remain steady closing the First Quarter at 94%. Absorption totaled negative 15,800 sq. ft. Several large transactions were offset by a number of unanticipated vacancies. Large deals are pending and should improve occupancy rates going forward throughout 2018. Rental rates have firmed and very few large floor plates remain.

Occupancy rates for Class B+ properties closed the First Quarter at 95%. Absorption totaled 18,200 sq. ft. Fewer opportunities exist for solid Class B+ options on the West Shore. Rossmoyne Business Center remains near full occupancy and the Camp Hill Business Center has improved sharply over the past twelve months. We feel if expansions can continue regionally, as have been demonstrated in recent months, continued improvement across all segments of the West Shore Marketplace can occur.



650 Wilson Lane, Mechanicsburg

Class B occupancy rates closed the First Quarter at 95% as absorption totaled 9,500 sq. ft. Occupancy rates have remained at remarkable levels for several Quarters. Rental rates have increased and fewer concessions are being offered. We expect to see further improvement in this West Shore segment as start-up companies have resurfaced, and confidence has improved.



2400 Thea Drive, Harrisburg, PA

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



2090 Linglestown Road, Harrisburg, PA

1,040 SF and 2,600 SF suites available for immediate occupancy. Excellent layout. On site parking.



4400 Deer Path, Harrisburg, PA

Class A office space available for lease. Up to 6,068 SF available on the lower level. New finishes. Ample on site parking.



945 East Park Drive, Harrisburg, PA, Harrisburg, PA

3,000 SF available for lease. Great finishes. Excellent small suite. New finishes.



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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. Boutique property ideal for any user.



2000 Linglestown Road, Harrisburg, PA
 1,500 SF for lease. Recently renovated. Terrific finishes. Easy access. Great ownership.



3601 N. Progress Avenue, Harrisburg, PA
 One suite consisting of 1,350 SF available. New finishes. Priced to lease.



2578 Interstate Drive, Harrisburg, PA
 13,800 SF building for sale or lease. Modern first class property. Ideal for owner/user.



801 East Park Drive, Harrisburg
 220,230 SF first class facility for lease. 1,000 to 7,980 SF available immediately.



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. Aggressive pricing.



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



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
Class A office space available for lease. Up to 14,000 SF available. New finishes. Ample on site parking. Easy access.



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.



3540 N. Progress Ave, Harrisburg, PA
Up to 2,500 SF for lease. Upgraded finishes. Convenient East Shore location.



6230 Jonestown Road, Harrisburg, PA
991 and 1,295 SF available at this East Shore address. Easy access to I-81. Great layout.



355 North 21st Street, Camp Hill, PA
600 to 2,750 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. Easy access.



5070/5072 Ritter Road, Mechanicsburg, PA
2,750 and 8,000 SF available for lease. Thousands in renovations. Convenient West Shore address. New finishes throughout.



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

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MARKET ANALYSIS Q1 2018

	Number of Buildings	Total Inventory	Total Available	1st Q 2018 Occup. Rate	4th Q 2017 Occup. Rate	3rd Q 2017 Occup. Rate	2nd Q 2017 Occup. Rate	1st Q 2017 Occup. Rate	1st Qtr. 2018 Current Asking Rent*	1st Qtr. 2018 Absorption in SF
CITY										
Class A	23	1,567,975	144,550	91%	90%	90%	92%	93%	\$18.00-\$23.00	4,800
Class B+	61	1,702,315	148,156	91%	90%	91%	91%	90%	\$15.50-\$18.00	13,961
Class B	181	1,574,749	111,655	93%	93%	93%	93%	93%	\$13.00-\$15.50	1,800
TOTAL	265	4,845,039	404,361							20,561
EAST SHORE										
Class A	48	2,011,921	99,945	95%	94%	94%	93%	93%	\$18.65-\$23.00	13,000
Class B+	89	2,123,831	143,450	93%	94%	93%	92%	92%	\$16.50-\$18.75	(11,000)
Class B	151	1,729,889	116,029	93%	92%	91%	92%	92%	\$14.00-\$16.50	27,400
TOTAL	288	5,865,641	359,424							29,400
WEST SHORE										
Class A	65	2,787,340	158,075	94%	94%	94%	94%	95%	\$18.65-\$23.00	15,800
Class B+	118	2,531,990	132,670	95%	94%	94%	94%	95%	\$16.50-\$18.75	18,200
Class B	168	1,993,061	100,300	95%	94%	95%	95%	96%	\$14.75-\$16.50	9,500
TOTAL	351	7,312,391	391,045							43,500
GRAND TOTAL	904	18,023,071	1,154,830	<i>*Excluding interior suite janitorial services.</i>						93,461

In its twenty-second 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 2018 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.



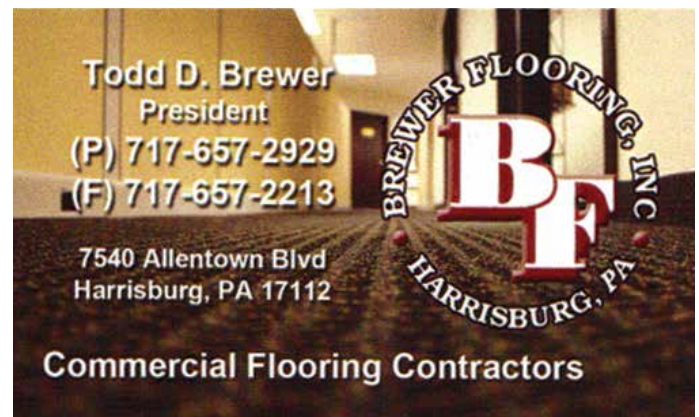
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