

Market Watch



LANDMARK

COMMERCIAL REALTY INC.



MARKET THOUGHTS

While the Greater Harrisburg Office Market failed to make significant gains in the Second Quarter of 2018 we enter the Third Quarter with suburban markets boasting occupancy rates between 93% and 95%. Absorption totaled negative 7,134 sq. ft., although we are encouraged by the increase in activity from our small business users and remain impressed with the outlook for owners of premier properties as opportunities dwindle for first class options.

Two years ago, we revised our outlook for several properties acquired from receivership. We anticipated the stabilization of these assets would not be realized until late in 2017 or early 2018. We now have seen this stabilization take hold, in light of a number of significant events which developed in recent months. We remain confident that the upside for the marketplace is even more probable and view the opportunity of a significant pullback as remote.

We continue to see impressive progress in the stabilization of pricing over the past twenty-four (24) months, especially in Class B+ properties. The pronounced lack of construction has had a positive impact on existing buildings during this period. Owners are able to favorably reprice properties as leases renew and with interest rates remaining near record lows, continue to keep their cost of capital at superb levels.



THOMAS T. POSAVEC, SIOR
Senior Vice President



4400 Deer Path Road, Harrisburg, PA

Class A office space available for lease. Various options available. New finishes. Ample on site parking. Call us for information: 717-731-1990.

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT

Absorption totaled positive 1,535 sq. ft., as the Downtown Market segment failed to gain significant momentum.

The Class A segment of the Downtown Business District absorbed 3,700 sq. ft. as occupancy rates remained at 91%. We expect improvement of this segment going forward

over the next several quarters as several larger premier tenants pursue relocations to the Downtown Marketplace.

Absorption for

Class B+ properties totaled 2,450 sq. ft. in the Second Quarter of 2018. Occupancy rates remained at 91%. We view the upside for this segment as probable and continue to see the potential for occupancy rates to reach 92% if tenant demand continues to improve moving forward.

Class B occupancy rates remained unchanged and closed the Second Quarter of 2018 at 93%. Absorption totaled negative 4,615 sq. ft. We remain impressed with the consistency of this segment over the past several quarters and expect activity to persist over the months ahead.



1500 Paxton Street, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

The East Shore Business District produced modest advances in the Second Quarter of 2018 as absorption

totalled 2,461 sq. ft. Acquisitions continue to increase and more tenants have begun to expand to this market segment. Occupancy and rental rates continue to have improved as demand from both tenants and buyers continues to gain traction.

Class A occupancy rates slipped to 94% as absorption totaled negative 1,100 sq. ft. While the Second Quarter failed to produce solid gains, we remain impressed with the stability of rents for Class A properties and are encouraged as we consider the excellent levels currently being achieved.

Class B+ absorption totaled negative 1,656 sq. ft. during the Second Quarter of 2018. Occupancy rates remained at 93%. Very few large blocks of space exist and the number should continue to shrink over the upcoming months.

Class B occupancy rates rose slightly to 94% as absorption totaled 5,217 sq. ft. We continue to notice measured improvement in these entry level properties as market conditions improve.



659 Spring Garden Drive, Middletown, PA



6310 Allentown Boulevard, Harrisburg, PA



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WEST SHORE BUSINESS DISTRICT

After the First Quarter saw solid advances and occupancy rates for all segments remain at 94% or better, the West Shore



Business District failed to produce solid gains in the Second Quarter of 2018, as absorption totaled negative 11,130 sq. ft.

Class A occupancy rates remained unchanged closing the Second Quarter at 95%, as absorption totaled 6,800 sq. ft. Few first class opportunities remain and we anticipate owners of premier properties will be in a position of strength going forward into 2018.

Occupancy rates for Class B+ properties closed the Second Quarter at 94%. Absorption totaled negative 6,930 sq. ft. Solid demand has surfaced in recent weeks which should push figures high later in the year.

Class B occupancy rates closed the Second Quarter at 94% as absorption totaled negative 11,000 sq. ft. This segment has remained



solid for the past several quarters as the West Shore Business District continues to remain healthy.



2400 Thea Drive, Harrisburg, PA

Up to 133,000 SF available. Large flexible floorplates. Terrific window lines. Convenience on-site parking. Renovations just completed.



2704 Commerce Drive, Harrisburg, PA

1,000 to 6,000 SF available. High end finishes throughout. Ample on site parking. Ideal boutique building in terrific park.



650 Wilson Lane, Mechanicsburg, PA

1,000 to 15,000 SF for lease. Building also available for sale. Ideal owner user property. Ready for immediate occupancy.



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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.



75 South Houcks Road, Harrisburg, PA
 This gorgeous 29,000 SF first class building offers up to 2,500 SF for immediate occupancy.



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



4755 Linglestown Road, Harrisburg PA
 One suite consisting of 1,359 SF available. Priced to lease. Ready for occupancy.



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
 22,230 SF first class facility for lease. 1,000 to 5,200 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
 150 SF to 3,700 SF available for lease. Located just off I-83. Shared space 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.



5925 Stevenson Avenue, Harrisburg, PA
3,947 SF office for sale. Ideal for owner user. Located in the Heart of the East Shore Business District.



331 Schuylkill Street, Harrisburg, PA
2,842 SF office building available for sale. Priced to move. Located across from Pinnacle Health Campus.



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. Ideal for large user. Rare Camp Hill availability. On site storage available.



110 Sunset Avenue, Harrisburg, PA
6,300 SF mixed use office building with 4 apartments. Priced to sell. 1,665 SF for lease. Ideal for owner user.



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
Various 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 and 5,933 SF available for lease. Thousands in renovations completed. Convenient West Shore address. Additional renovations underway.

MARKET ANALYSIS Q2 2018

	Number of Buildings	Total Inventory	Total Available	2nd Q 2018 Occup. Rate	1st Q 2018 Occup. Rate	4th Q 2017 Occup. Rate	3rd Q 2017 Occup. Rate	2nd Q 2017 Occup. Rate	2nd Qtr. 2018 Current Asking Rent*	2nd Qtr. 2018 Absorption in SF
CITY										
Class A	23	1,567,975	140,850	91%	91%	90%	90%	92%	\$18.00-\$23.00	3,700
Class B+	61	1,702,315	145,706	91%	91%	90%	91%	91%	\$15.50-\$18.00	2,450
Class B	181	1,574,749	116,270	93%	93%	93%	93%	93%	\$13.00-\$15.50	(4,615)
TOTAL	265	4,845,039	402,826							1,535
EAST SHORE										
Class A	48	2,033,921	124,045	94%	95%	94%	94%	94%	\$18.65-\$23.00	(1,100)
Class B+	89	2,129,831	148,106	93%	93%	94%	94%	93%	\$16.50-\$18.75	(1,656)
Class B	151	1,729,889	111,812	94%	93%	94%	92%	91%	\$14.00-\$16.50	5,217
TOTAL	288	5,893,641	382,963							2,461
WEST SHORE										
Class A	65	2,787,340	151,275	95%	94%	94%	94%	94%	\$18.65-\$23.00	6,800
Class B+	118	2,531,990	139,300	94%	95%	94%	94%	94%	\$16.50-\$18.75	(6,930)
Class B	168	1,993,061	111,300	94%	95%	94%	95%	95%	\$14.75-\$16.50	(11,000)
TOTAL	351	7,312,391	401,875							(11,130)
GRAND TOTAL	904	18,051,071	1,188,664	<i>*Excluding interior suite janitorial services.</i>						(7,134)

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 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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