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STEADY GROWTH

The markets have gained tremendous traction since the First Quarter of 2010 absorbing nearly 525,000 sq. ft. In 2013 absorption totaled 79,556 sq. ft. While we are encouraged that progress has continued, we were surprised at the lack of velocity the East Shore Markets were able to sustain over the Second and Third Quarters of 2013. We expected more pronounced demand from East Shore properties in particular and are especially concerned that momentum failed to develop for most segments of the Downtown Business District throughout the year.

We remain impressed by the exceptional resiliency of the West Shore Business District having absorbed over 120,000 sq. ft. throughout 2013. We anticipate these properties will continue to command higher rental rates and expect record level occupancy rates going forward into 2014. We view the threat of rising prices and interest rates as a health restoring event and as a result, anticipate a surge in acquisitions throughout the year.

THOMAS T. POSAVEC, SIOR, Vice President

2013 HIGHLIGHTS

\$39 million in sales
463,244 sq. ft. in sales/leases
Over 75 transactions
375,000 sq. ft. of new availabilities

2013 TRANSACTIONS

NGS	50,000 SF
4800 Associates	40,000 SF
ASM Enterprises	26,670 SF
Fused Link	19,699 SF
Dept. of Veteran Affairs	17,836 SF
Mass Mutual	16,952 SF
DHC USA	15,000 SF
2K Real Estate	15,000 SF
3601 Associates	14,500 SF
4 Flowers Assoc.	14,000 SF
Pinnacle Health System	13,431 SF
Community Care	10,600 SF
New Horizons	9,000 SF
GHAH	7,200 SF
CPARC	7,197 SF
REVA	6,053 SF
PBA	5,900 SF
Teksolv Inc	5,900 SF
CAIU	5,800 SF
1421 Associates	5,200 SF
Best Authentics PA	5,148 SF
3211 Associates	5,025 SF
Pro2 Respiratory Services	4,800 SF
Dilworth Paxson, LLP	3,500 SF
Anapol Schwartz, P.C	3,500 SF
PA State Nurses Assoc.	3,404 SF
Pressley Ridge	3,309 SF
West Main Assoc.	3,200 SF
Korber Medipak	3,175 SF
Bayada Home Health Care	3,015 SF
Collective Intelligence Inc	2,714 SF
Burn 30, LLC	2,635 SF
Linglestown Rd LLC	2,500 SF
Grove Miller Engineering	2,234 SF
Francis Henry Health Center	2,200 SF
Pion Johnston Attorneys	2,084 SF
Freedom Financial Wealth Mgmt	2,018 SF
Farmers Insurance	2,018 SF
Jackson Boyd	2,000 SF
Keystone Podiatric Medical Assoc.	1,908 SF
Winding Creek Counseling Services	1,900 SF
Keystone Human Services	1,889 SF
Greenworks Development, LLC	1,850 SF
GRU Appraisal Assoc	1,760 SF
ACBB-BITS LLC	1,660 SF
Dr. Tana Nazar	1,600 SF
Cohen Produce Marketing	1,525 SF
JCC Ventures LLC	1,500 SF
Mennonite Health Services	1,381 SF
WealthKare	1,200 SF
Law Offices of Roy Galloway	1,145 SF
Debra Kriete	1,093 SF
Dr. Edward Batista	1,036 SF
Connolly LLC	1,020 SF
33 Newton Inc	1,010 SF
Trecom Systems	980 SF
Dr. John Ramirez	918 SF
Law Offices of Aviv S. Bliwas	890 SF
Robert Langan	825 SF
COHLE Performance Chiropractic	712 SF
355 Associates	600 SF
Liberty Property Trust	425 SF



Tom Posavec, VP Landmark Commercial Realty, Susan Mumma, building owner and manager of Mann Realty Associates Inc., and Roy H. Brenner, Assoc. Partner, Landmark Commercial Realty are pictured in the lobby of the Waterworks building located at 614 N. Front Street, Harrisburg. The property offers 15,000 SF available for lease with 81 on-site parking spaces.

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT



614 N. Front Street, Harrisburg, PA

2013 was a mixed year for the Downtown Business District. Absorption totaled negative 31,814 sq. ft. Incinerator uncertainties were resolved late in the year and looming bankruptcy issues which had a devastating emo-

tional impact have been eradicated. While tax concerns remain on the minds of many owners, a number of recent transactions have sparked renewed optimism. We feel the recent transaction at Cameron and Herr Streets with developer John Moran will be an important step in the continued redevelopment of the Cameron Street Corridor. We are encouraged by the recent surge of activity along Front Street. We feel prices have bottomed and project the upside for these user oriented properties to be spectacular. We anticipate increased demand as conditions across the Mid State improve and expansions continue to rise.

Class A occupancy rates closed the year at 90% and absorption totaled negative 22,350 sq. ft. Premier users continue to be persuaded by options outside the city limits. The high cost of parking which has risen to over \$155 per month, has simply priced many viable prospects out of the market when compared to convenient suburban options.

Class B+ absorption totaled negative 26,614 sq. ft. in 2013. Occupancy rates closed the year at 88%.

Inventory levels rose modestly over the year and now total 206,160 sq. ft. We remain optimistic by the changes recently implemented by the City of Harrisburg and suggest demand should improve accordingly as a result. We predict the climate for business will rebound gradually over the months ahead and expect confidence and investment to return.

Occupancy rates increased modestly for Class B properties in 2013 closing the year at 91%. Absorption totaled 17,150 sq. ft. We remain encouraged with this trend but are concerned with the continued lack of velocity in the Downtown Market. We expect these properties should improve modestly with gradual firming of rental rates and moderate demand for growth over the next four quarters.



3211 N. Front Street, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

The East Shore Business District struggled to reach positive territory in 2013 absorbing negative 9,350 sq. ft. for the year. While we view potential large availabilities and receivership inventory as a concern, we recognize that quality ownership generally has been the recipe for performance over the long term. We expect these troubled assets to experience underwhelming returns throughout 2014 with stabilization being achieved by mid 2016.

Occupancy rates for Class A properties slipped in 2013 closing the year at 91%. Absorption totaled negative 2,000 sq. ft. as demand softened and tenants in the market fled to owners with financial stability and credibility. Less sophisticated lessors were not rewarded for their lack of preparation as competition for tenants increased throughout the year.

Moderately priced Class B+ properties were unable to make positive advances in 2013. Occupancy rates slipped to 92% and absorption totaled negative 15,950 sq. ft. We remain consistent with our recommendation that much of the poor performance is a result of a few underwhelming entities which are undercapitalized. We expect recovery to commence later in 2014 and stabilization in 2016.

Class B properties absorbed 8,600 sq. ft. in 2013 and occupancy rates managed to remain unchanged at 91%. We expect significant activity over the weeks ahead for single user buildings from firms who are contemplating acquisitions. We do not envision these same opportunities available for West Shore properties and feel market conditions are appropriate for this activity to commence. We view the threat of rising prices and interest rates as a health restoring event and expect this surge in activity as a result.



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WEST SHORE BUSINESS DISTRICT

The West Shore Business District has remained remarkably consistent over the past four years absorbing over 427,000 sq. ft. making it the premier market in Central Pennsylvania with respect to performance. Over 120,000 sq. ft.

was absorbed in 2013 raising rental rates and occupancy rates in the process. We feel builder and consumer confidence has improved and is in alignment for construction to advance in 2014.

Class A absorption totaled 95,036 sq. ft. in 2013 pushing occupancy rates to 96%. First class opportunities have dwindled and rents are increasing. We expect these markets will face few obstacles in 2014 and should continue their strong performance over the next several quarters.

Occupancy rates for Class B+ properties closed the year at 95% and absorption totaled 17,834 sq. ft. We remain impressed with the continued stability of rents and occupancy for Class B+ properties. We have witnessed superb performance

over the years and are not discouraged when we consider market conditions going forward. While upside may be limited simply when considering the suburb levels currently being achieved, we are of the opinion the potential of a substantial correction is remote.

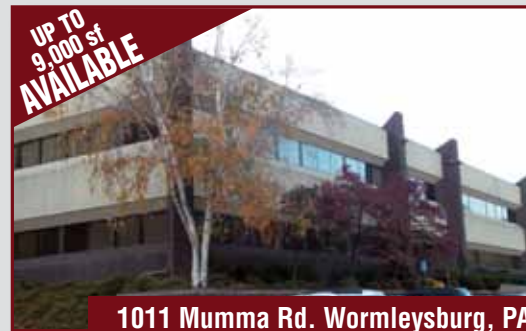
Absorption for Class B product was a more modest 7,850 sq. ft. in 2013. Rental rates remained stable and occupancy rates closed the year at 94%. While we remain impressed with the consistent returns of the market, we are less enthusiastic over the prospects of advancement over the next several quarters. We expect accelerated interest from users with acquisition motives in the face of recent Federal Reserve discussions which indicate a potential change in policy going forward in 2015.

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2000 Linglestown Road, Harrisburg, PA
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75 South Houcks Road, Harrisburg, PA
1,600 to 10,000 SF available at this first class office property. Terrific finishes. On-site parking.



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4660 Trindle Road, Camp Hill, PA

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MARKET ANALYSIS YEAR END - 2013

	Number of Buildings	Total Inventory	Total Available	4th Q 2013 Occup. Rate	3rd Q 2013 Occup. Rate	2nd Q 2013 Occup. Rate	1st Q 2013 Occup. Rate	4th Q 2012 Occup. Rate	Year End 2013 Asking Rent*	4th Q 2013 Absorption in SF	Year End Total Absorp. in SR
CITY											
Class A	23	1,563,975	153,772	90%	91%	91%	93%	93%	\$17.50-\$23.00	(2,000)	(22,350)
Class B+	62	1,702,742	206,100	88%	89%	89%	90%	90%	\$15.50-\$18.00	(10,400)	(26,614)
Class B	180	1,562,149	146,825	91%	91%	91%	91%	90%	\$13.00-\$15.50	(2,900)	17,150
TOTAL	265	4,828,866	506,697							(15,300)	(31,814)
EAST SHORE											
Class A	47	1,853,121	167,100	91%	92%	93%	94%	93%	\$18.65-\$23.00	(5,500)	(2,000)
Class B+	89	2,001,831	160,550	92%	91%	92%	93%	92%	\$16.50-\$18.75	10,200	(15,950)
Class B	150	1,651,189	155,300	91%	89%	89%	91%	90%	\$14.00-\$16.50	16,400	8,600
TOTAL	286	5,506,141	482,950							21,100	(9,350)
WEST SHORE											
Class A	65	2,340,340	98,700	96%	94%	94%	93%	93%	\$18.65-\$23.00	3,500	95,036
Class B+	118	2,450,990	120,350	95%	95%	95%	95%	94%	\$16.50-\$18.75	(100)	17,834
Class B	167	1,972,461	118,350	94%	94%	94%	94%	94%	\$14.75-\$16.50	2,000	7,850
TOTAL	350	6,763,791	337,400							5,400	120,720
GRAND TOTAL	901	17,098,798	1,327,047	<i>*Excluding interior suite janitorial services.</i>						11,200	79,556

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 2013 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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