



SECOND QUARTER - 2019

# Market Watch

## MARKETS CONTRACT

Markets retreated in the Second Quarter of 2019 as absorption totaled negative 29,918 sq. ft. fueled by lower demand from the Downtown and Suburban Business Districts. Although demand was modest, over 850,000 sq. ft. has been absorbed over the previous 52 months. During this period occupancy and rental rates stabilized and tenants now have fewer options to consider.

We feel the lack of construction and impressive tenant demand has been a health restoring event for the Marketplace. We anticipate continued demand and expect premier options to continue to dwindle. We believe the potential exists for Class B+ availabilities to gain even more traction throughout the remainder of 2019 as business expansion persists. We have realized solid advances in the acquisition market from users who have entered the arena after years of being on the sidelines.

Going forward, with the exception of Downtown Markets, we expect continued firming of rental rates, continued solid demand and further improvement in occupancy rates for most segments of the Marketplace.

THOMAS T. POSAVEC, SIOR  
Senior Vice President

### **2080 Linglestown Road, Harrisburg, PA.**

This 20,600 SF building is available for sale located along bustling Linglestown Road. Second floor consisting of 9,458 SF can be made available for lease. Perfect for owner/user or investor. Listed by Roy Brenner, Senior Associate, Landmark Commercial Realty, Inc., Chuck Heller, Associate Broker, Landmark Commercial Realty, Inc., and Thomas Posavec, Vice President, Landmark Commercial Realty, Inc. Call for more information: 717-731-1990

## MARKET SUMMARY

### DOWNTOWN BUSINESS DISTRICT

The Second Quarter of 2019 remained stable in the Downtown Business District. Absorption totaled negative 7,700 sq. ft. as more firms elected to vacate the City limits. Although the Class A segment realized respectable gains throughout the Second Quarter the Class B+ and B segments underperformed.



**123 Forster Street, Harrisburg, PA**

Class A occupancy rates closed the Quarter at 92%. Absorption totaled 24,100 sq. ft. in large part due to two

substantial Downtown additions. Class A inventory levels are now at 125,000 sq. ft. Rental rates continue to range from \$18.00 to \$23.00 per sq. ft. with the most spectacular properties achieving superior rates with limited concessions.

Occupancy rates for the Class B+ segment slipped to 90% in the Second Quarter. Absorption totaled negative 12,500 sq. ft. Upgrades at many buildings are necessary and concessions needed in order to fuel demand. Six buildings account for nearly half of the existing available space in this segment.



**121 Pine Street, Harrisburg, PA**

The Class B segment closed the Second Quarter at 92%. Absorption totaled negative 19,300 sq. ft. While this segment has been a classic underperformer in the past, it continues to improve. With that said, over forty buildings still offer suites available for lease encompassing over 131,000 square feet of available space.

### EAST SHORE BUSINESS DISTRICT

Absorption totaled negative 13,094 sq. ft. down from its excellent totals in the First Quarter of the year. Available inventory remains at favorable levels totaling approximately 333,000 sq. ft.



**2300 Vartan Way, Harrisburg, PA**

Class A occupancy rates closed the Quarter at 94%. Absorption totaled negative 27,450 sq. ft. Although occupancy levels remain well off their highs registered in 1999 when rates hit a record 97%, the outlook for these premier office properties is strong as demand continues to improve and construction remains in check.



**6310 Allentown Boulevard, Harrisburg, PA**

Class B+ occupancy rates closed the Second Quarter at 95%. Absorption totaled 8,456 sq. ft. Occupancy rates remain consistent and

have maintained levels in the 92% to 94% range over the past several quarters.

Occupancy rates in the Class B segment closed the Second Quarter at 95% its best level in several years. Absorption totaled 5,900 sq. ft. Available inventory stands at 93,912 sq. ft., with many of the larger availabilities now located in one specific Business Center. Few large availabilities are anticipated and the outlook for these more moderately priced properties remain favorable.



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## WEST SHORE BUSINESS DISTRICT

The Second Quarter of 2019 was mixed segment for the West Shore Business District. Absorption totaled 9,124 sq. ft., a solid figure considering the extraordinary gains realized over the past several quarters. Occupancy rates remain strong for Class A properties and rates remain near record highs in other segments.

Class A occupancy rates managed to improve closing the Quarter at 96%. Absorption totaled a positive 18,750 sq. ft.

The lack of new construction enabled this segment to remain stable throughout the past several years. Fewer opportunities exist for mid-sized and larger users as tenant demand has continued to increase.

Class B+ occupancy rates closed the Quarter lower at 94%. Absorption totaled negative 26,650 sq. ft. Activity for Class B+ properties has been steady over the past six quarters and the outlook for the remainder of the year should remain favorable, in spite of this recent pullback.



**1017 Mumma Road, Wormleysburg, PA**



**5124 East Trindle Road, Mechanicsburg, PA**

rental rates in the process. Occupancy rates in the Class B segment remained at impressive levels closing the Quarter at 94%. Absorption totaled negative 1,224 sq. ft.

The lack of substantial West Shore construction has also helped to stabilize the Class B segment throughout much of the past four years, strengthening occupancy and



**575 East Chocolate Avenue, Harrisburg**

10,000 SF one-of-a kind property for sale in Derry Township. "Chimney's" building in Hershey built by artist Bruce Johnson.



**4400 Deer Path Road**

1,000 to 6,000 SF of Class A office space available for lease. New finishes. Ample on-site parking. Great pricing. Perfect location.



**4251 Chambers Hill Road, Harrisburg**

35,754 SF Commerical Building for lease located in Swatara Township. Adjacent to High Pointe Commons Shopping Center. Terrific windows.



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**Angela S. Martin  
President**





**2595 Interstate Drive, Harrisburg, PA**  
Professional office suites in Harrisburg's East Shore. 1,250 SF to 4,780 SF available for lease.



**75 South Houcks Road, Harrisburg, PA**  
This gorgeous 29,000 SF first class building offers 2,500 to 4,400 SF for immediate occupancy.



**2000/2040 Linglestown Road, Harrisburg, PA**  
1,500 to 2,850 SF for lease. Recently renovated. Terrific finishes. Easy access. Great ownership.



**4755 Linglestown Road, Harrisburg, PA**  
One suit consisting of 1,395 SF available. Priced to lease. Ready for occupancy.



**2578 Interstate Drive, Harrisburg, PA**  
1,200 to 3,300 SF available for immediate occupancy. Gorgeous new buildout.



**801 East Park Drive, Harrisburg**  
1,600 & 3,300 SF available immediately. Attractive new finishes. Modern updated lobby.



**4824 Londonderry Road, Harrisburg**  
1,500 SF available for lease immediately. Perfect for any professional/medical office user.



**940 East Park Drive, Harrisburg, PA**  
150 SF to 3,700 SF available for lease. Located just off I-83. Shared space available.



**600 North 12th Street, Lemoyne, PA**  
1,258 SF available for lease. Terrific windows. Convenient West Shore address.



**Olde Liberty Square, Harrisburg, PA**  
Various small suites available. Ready for occupancy. Terrific layouts. Ample on-site parking. Excellent visibility.

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# AVAILABILITIES

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



**845 Sir Thomas Court, Harrisburg, PA**  
2,200 SF available for lease. Ideal for medical or professional users. Great layouts.



**4720 Carlisle Pike, Camp Hill, PA**  
1,554 SF and 1,890 SF suites available for lease. Can be combined. Excellent location on Carlisle Pike.



**3314 Market Street, Camp Hill, PA**  
980 SF and 2,908 SF available for lease. Convenient to East /West Shores and just minutes to Harrisburg.



**1013 Mumma Road, Wormleysburg, PA**  
Various suites from 690 SF to 2,497 SF available immediately. Convenient both the East and West Shores.



**3540/3544 N. Progress Avenue, Harrisburg, PA**  
800 to 2,500 SF available for immediate occupancy. Efficient attractive layouts.



**4660 Trindle Road, Camp Hill, PA**  
Approx. 1,150 SF available for lease immediately. Rare turn-key opportunity for West Shore user.



**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.



**3605 Vartan Way, Harrisburg, PA**  
Various suites available at this East Shore address. Easy access to I-81. Great layouts. Large windows.



**27 Miller Street, Lemoyne, PA**  
1,302 to 4,993 SF office space available for lease. Can be combined for 6,295 SF. Recently renovated.



**717 Market Street, Lemoyne, PA**  
1,218 SF professional office suite available for lease. Great signage and visibility. Ready for occupancy.



**2090 Linglestown Road, Harrisburg, PA**  
1,444 SF office space available immediately. Excellent location with easy access to I-81, I-83 and Rt. 322. Ready for occupancy.



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 Q2 2019

	Number of Buildings	Total Inventory	Total Available	2nd Q 2019 Occup. Rate	1st Q 2018 Occup. Rate	4th Q 2018 Occup. Rate	3rd Q 2018 Occup. Rate	2nd Q 2018 Occup. Rate	2nd Qtr. 2019 Current Asking Rent*	2nd Qtr. 2019 Absorption in SF
<b>CITY</b>										
Class A	23	1,567,975	125,450	92%	91%	92%	91%	91%	\$18.00-\$23.00	24,100
Class B+	61	1,702,315	170,800	90%	91%	91%	91%	91%	\$15.50-\$18.00	(12,500)
Class B	181	1,574,749	132,168	92%	93%	94%	93%	93%	\$13.00-\$15.50	(19,300)
<b>TOTAL</b>	<b>265</b>	<b>4,845,039</b>	<b>428,418</b>							<b>(7,700)</b>
<b>EAST SHORE</b>										
Class A	48	2,233,921	136,819	94%	95%	95%	94%	94%	\$18.65-\$23.00	(27,450)
Class B+	89	2,129,831	106,850	95%	95%	95%	93%	93%	\$16.50-\$18.75	8,456
Class B	151	1,729,889	93,912	95%	94%	94%	94%	94%	\$14.00-\$16.50	5,900
<b>TOTAL</b>	<b>288</b>	<b>6,098,641</b>	<b>337,581</b>							<b>(13,094)</b>
<b>WEST SHORE</b>										
Class A	65	2,868,340	101,250	96%	96%	95%	96%	95%	\$18.65-\$23.00	18,750
Class B+	118	2,531,990	160,770	94%	95%	94%	94%	94%	\$16.50-\$18.75	(26,650)
Class B	168	1,993,061	111,000	94%	95%	95%	94%	94%	\$14.75-\$16.50	(1,224)
<b>TOTAL</b>	<b>351</b>	<b>7,393,391</b>	<b>373,020</b>							<b>(9,124)</b>
<b>GRAND TOTAL</b>	<b>904</b>	<b>18,337,071</b>	<b>1,139,019</b>	<i>*Excluding interior suite janitorial services.</i>						<b>(29,918)</b>

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 2019 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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**Andrew M. Enders, Esq.**

5912 Linglestown Road  
Harrisburg, PA 17112

o 717.652.4902  
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