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COMMERCIAL REALTY INC.




A LOOK BACK

The Greater Harrisburg Office Market made significant gains in 2019, as absorption totaled 234,549 sq. ft. Since the First Quarter of 2010 this market has advanced sharply absorbing over 1,564,911 sq. ft. Rental and occupancy rates have stabilized and expansion is rising.

With that said, 2008 and 2009 saw absorption levels in a free fall recording its worst returns in nearly twenty years. Since that period the recovery cycle commenced and was completed by late 2014. New construction, which had plummeted from 2008 to 2017 has surfaced in recent months. Several plans previously tabled, are now under consideration as more users anticipate growth going forward.

One of the most important keys in the recovery process is pressure on rental rates. We have witnessed impressive progress in the stabilization of pricing over several years, especially from Class A and Class B+ properties. The measured level of construction has had a strengthening impact for existing buildings during this period. Owners have been able to re-price properties at favorable terms as leases renew and with interest rates at record lows, significantly lower their



THOMAS T. POSAVEC, SIOR
Senior Vice President



**Author: Thomas T. Posavec, Senior Vice President,
Landmark Commercial Realty, Inc., with a 24½”
Brown Trout caught in September at Spruce Creek, PA.**

YEAR END - 2019

Market Watch

2019 TRANSACTIONS

Performance Food Group, Inc	277,200	Sq. Ft.
Transcore, LP	50,224	Sq. Ft.
Room One Corporation	28,700	Sq. Ft.
Patriot Investment Associates, LLC	25,657	Sq. Ft.
Cohen & Parker Properties, LLC	23,400	Sq. Ft.
Ten93, LLC	15,800	Sq. Ft.
DHC	15,000	Sq. Ft.
West Shore Window & Door, Inc.	13,900	Sq. Ft.
Keystone Insurers Group	11,664	Sq. Ft.
Platinum Prewound, LLC	10,092	Sq. Ft.
Diaz Transcription	9,874	Sq. Ft.
DSB Enterprises	9,468	Sq. Ft.
Suez Water Pa, Inc	9,315	Sq. Ft.
Stoneridge Partners, LLC	9,288	Sq. Ft.
Belco Community Credit Union	8,900	Sq. Ft.
Landmark Commercial Realty	8,000	Sq. Ft.
ALL RE, LLC	7,695	Sq. Ft.
EBO Solutions, LLC	6,527	Sq. Ft.
Brotherhood's Relief & Compensation Fund	6,070	Sq. Ft.
4931 Associates	5,245	Sq. Ft.
Saxton & Stump LLC	5,203	Sq. Ft.
Medspack LLC	5,113	Sq. Ft.
Duck Donuts Franchising Co. LLC	5,074	Sq. Ft.
Peak Sales & Marketing Inc.	5,000	Sq. Ft.
Shearer Locksmith	4,896	Sq. Ft.
Jory Properties II, LP	4,800	Sq. Ft.
IGT Glogal Solutions Corporation	4,776	Sq. Ft.
Hamilton Health Center Inc	4,200	Sq. Ft.
The Vista Foundation, Inc	4,168	Sq. Ft.
Dickie McCamey & Chilcote, PC	3,889	Sq. Ft.
Tetra Tech	3,869	Sq. Ft.
Pennsylvania State Nurses Association	3,785	Sq. Ft.
Remed Recovery Care Centers	3,500	Sq. Ft.
ACBB-Bits, LLC	3,420	Sq. Ft.
Penn State Community Medical Group	3,278	Sq. Ft.
KINBER	3,266	Sq. Ft.
NGT Corporation	3,172	Sq. Ft.
Western Ecosystems Technology, Inc.	3,147	Sq. Ft.
Cardin & Miller Physical Therapy	3,133	Sq. Ft.
Keystone Services Sys/ Keystone Human Svcs	3,076	Sq. Ft.
331 Associates	2,890	Sq. Ft.
Return Logic, Inc	2,660	Sq. Ft.
10 N. Progress Avenue, LLC	2,622	Sq. Ft.
Trailer Bridge, Inc	2,603	Sq. Ft.
4824 Londonderry Rd Associates, LLC	2,500	Sq. Ft.
Tax Matrix Technologies, LLC	2,230	Sq. Ft.
Outsource Services, LLC	2,101	Sq. Ft.
IVExpress, Inc	2,100	Sq. Ft.
D & R Realty Investment LLC	2,072	Sq. Ft.
Ideal Services Group, LLC	2,023	Sq. Ft.
Integrative Counseling Services PC	2,000	Sq. Ft.
Bowser Properties, LLC	1,955	Sq. Ft.
Candid Home Care, Inc	1,886	Sq. Ft.
Morrison & Fulginiti	1,868	Sq. Ft.
Premier Advisors Group	1,800	Sq. Ft.
Shannon & Myers, P.C.	1,739	Sq. Ft.
Compassus	1,723	Sq. Ft.
Don Jacobs Insurance Services, Inc	1,716	Sq. Ft.
Cosmetic & Plastic Surgery of Central PA, LLC	1,710	Sq. Ft.
NICUSA, Inc	1,618	Sq. Ft.
Kope & Associates, LLC	1,554	Sq. Ft.
Neoly Home Care, LLC	1,530	Sq. Ft.
Ascend Builders	1,485	Sq. Ft.
DVB Financial LLC	1,420	Sq. Ft.
Milestone Healthcare LLC	1,416	Sq. Ft.
Purposefully Soaring Counseling Services, LLC	1,359	Sq. Ft.
CIS PA LLC	1,354	Sq. Ft.
Pennsy Supply, Inc	1,347	Sq. Ft.
Homeland Homecare Services, LLC	1,337	Sq. Ft.
Downard Law Firm, LLC	1,337	Sq. Ft.
Prism Engineering, Inc.	1,320	Sq. Ft.
Focus HRO, LLC	1,296	Sq. Ft.
Gaston Carroll	1,295	Sq. Ft.
Katherman, Briggs & Greenberg, LLP	1,218	Sq. Ft.
Leidos, Inc.	1,198	Sq. Ft.
Interim Personnel of Lancaster, Inc.	1,145	Sq. Ft.
Prime Transfer, Inc	1,120	Sq. Ft.
Front Street Financial, LLC	1,098	Sq. Ft.
Keystone Podiatric Medical Associates PC	1,040	Sq. Ft.
Deblin, Inc	950	Sq. Ft.
Nancy J Patrick	945	Sq. Ft.
Pennsylvania Academy of Family Physicians (PAFP)	945	Sq. Ft.
Jibe Staffing	800	Sq. Ft.
4Consulting, Inc.	790	Sq. Ft.
Angelo's Soccer Center	700	Sq. Ft.

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT

The Downtown Business District posted solid gains in 2019 as 34,902 sq. ft. of space was absorbed. Several redevelopment projects converting office to residential uses pulled a number of buildings from the analysis, ensuring further stability for Downtown properties going forward.



123 Forster Street, Harrisburg, PA

First Class properties showed the most significant gains absorbing 40,250 sq. ft. during the year. Several larger availabilities from 2018 were subsequently

leased during the year as occupancy rates closed 2019 at 94%. Additionally, a number of acquisitions were made for substantial office properties from users. These buildings will have few opportunities for lease space and should be a positive step for the Downtown marketplace in 2020.

The B+ segment of the Downtown Business District saw occupancy rates slip to 90% as absorption totaled negative 17,870 sq. ft. These moderately priced properties have failed to attract the necessary number of tenants consistently over the past several Quarters, and it continues to be the worst performing segment in the Greater Harrisburg office market analysis. There are a number of concerns with the most prevalent being the cost associated with parking.

The Class B segment produced modest gains as absorption totaled 12,522 sq. ft. and occupancy rates remained unchanged at 93%. We continue to see conflicting signals in this segment as we enter 2020. We remain encouraged with the continued redevelopment and repositioning of several properties from office to residential uses and believe this trend will continue going forward. Conversely, we are concerned with the lack of traction from new businesses looking to enter the Downtown Business District.

EAST SHORE BUSINESS DISTRICT

2019 was a solid year for the East Shore Business District. Absorption totaled 108,330 sq. ft., a figure which represents strong returns as this market has completed the process of stabilizing availabilities left over from portfolios acquired out of receivership. In 2016, we anticipated this recovery may not be complete until late 2017 or early 2018 and now we are witnessing superb gains across the board from users and tenants as several of these properties have been repositioned.

Class A occupancy rates remained at 95% as absorption totaled 25,974 SF. 2019 produced robust advances, any interest from a number of large users should push absorption figures higher over the next several Quarters. We sense markets continuing to gain traction and expect solid numbers as buildings become stabilized and availabilities tighten further.

Absorption totaled 64,356 sq. ft. in 2019 as occupancy rates rose to 96% for Class B+ properties. We expect modest improvement over the First and Second Quarters and see the potential of a pullback as remote. We have seen increased energy from small users and expect a spike in acquisitions as interest rates continue to remain near record lows. We feel the window of opportunity



1250 N. Mountain Road, Harrisburg, PA

may be closing for tenants as we expect further strengthening of rental rates in the near term.

Occupancy rates for the

Class B segment closed 2019 at 95%. Absorption totaled 18,000 sq. ft., a solid figure for a segment under pressure only a few years ago from several buildings in transition. New construction remains benign which this should help the recovery process as few new availabilities come on line. We anticipate several large properties now under contract will be readapted for variety of uses further lessening inventory in the Marketplace.

PennianBank
DRAGAN DODIK
SVP & Market Executive

Member FDIC and Equal Housing Lender

PM: 717-497-8708 • dragan.dodik@pennianbank.com • pennianbank.com

RICK LIDDELL
President

GEO. W. WEAVER & SON, INC.
HARRISBURG STORAGE COMPANY
PENN HERSHEY TRANSFER
165 LAMONT ST. NEW CUMBERLAND, PA 17070
PHONE: 717/774-7835 CELL: 717/579-2140
FAX: 717/774-0774
EMAIL: gwwrick@verizon.net or geoww@aol.com

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WEST SHORE BUSINESS DISTRICT

The West Shore Business District absorbed 91,317 sq. ft. in 2019 as solid gains were realized over all segments of the Business District. Occupancy rates remain at superb levels and redevelopment projects are underway or nearing completion on several buildings. While some of this new redevelopment is speculative in nature, the majority will accommodate owner user groups which should insulate the market from an excess of new availabilities.

Class A occupancy rates closed the year at 97% as absorption totaled negative 33,967 sq. ft.



We anticipate further stabilization of this segment going forward into 2020. Few small suites exist and activity from larger users has increased over the past several weeks. We are encouraged with the velocity of interest from outside firms and expect that should translate to gains going forward.

Strong demand pushed absorption figures higher for the Class B+ segment as absorption totaled 34,650 sq. ft. in 2019. Occupancy rates stand at 95%. The new availabilities from the Class A segment may put some pressure on Class B+ rates in 2020. We expect activity from smaller user groups to remain on track and anticipate further traction from larger users later this year.

Class B occupancy rates closed 2020 at 95%. Absorption totaled 22,700 sq. ft. This segment had remained flat over the first two Quarters but spiked sharply in the Third Quarter to push levels into positive territory. We expect more of the same for 2020. The upside is limited from this point and pressure from premier properties will be an issue later in the year. For now we look for rates to remain stable and anticipate market fundamentals to remain favorable going forward.



2400 Thea Drive, Harrisburg, PA
Up to 133,000 SF available. Flexible sizes. New renovations. Spectacular finishes. New ownership.



4800 Jonestown Road, Harrisburg, PA
5,775 SF commercial property available immediately. Rare opportunity. Located on Route 22. Excellent signage and visibility.



3601 North Progress Avenue, Harrisburg, PA
Up to 7,500 SF of medical office space available for lease. Easy access to I-81. Priced below market. Ideal for medical user.



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Angela S. Martin
President



1631 North Front Street, Harrisburg, PA
 8,267 sq. ft. office building for sale. 3,646 SF 1st suite and 912 SF 2nd suite for lease.



75 South Houcks Road, Harrisburg, PA
 This gorgeous 29,000 SF first class building offers 1,500 to 4,300 SF for immediate occupancy.



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



5301 Jonestown Road, Harrisburg, PA
 Approx. 7,531 SF office building for sale. Ample on-site parking. 1,236 SF office suite available



2578 Interstate Drive, Harrisburg, PA
 Approx. 2,000 SF available for immediate occupancy. Gorgeous buildout.



4550 Lena Drive, Mechanicsburg, PA
 4,750 SF available immediately. Attractive new finishes. Modern updated lobby.



100 Winding Creek Blvd, Mechanicsburg, PA
 Up to 1,779 SF of shared professional office space. Located within Delta Pointe in Silver Springs.



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. Heart of Colonial Park.

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717-731-1990 EXT. 3007 • 717-503-7755 MOBILE • TPOSAVEC@LANDMARKCR.COM



845 Sir Thomas Court, Harrisburg, PA

Medical and professional offices for lease. Great layouts. Available immediately.



4720 Carlisle Pike, Camp Hill, PA

1,890 SF available for lease. Excellent location on Carlisle Pike. Priced to lease.



3314 Market Street, Camp Hill, PA

1,450 SF and 1,500 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.



2151 Linglestown Road, Harrisburg, PA

New availability. 7,124 SF professional condominium for sale. Over \$50,000 in recent renovations.



4660 Trindle Road, Camp Hill, PA

1,150 SF to 24,000 SF available for lease immediately. Rare opportunity for West Shore user.



4201 Crums Mill Road, Harrisburg, PA

Up to 8,400 SF for lease. Furniture available. Immediate occupancy. Spectacular Windows.



3605 Vartan Way, Harrisburg, PA

Various suites available at this East Shore address. Easy access to I-81. Great layouts. Large windows.



2 Lemoyne Drive, Lemoyne, PA

1,415 SF office space available for lease. Gorgeous windows and finishes. Premier property.



717 Market Street, Lemoyne, PA

2,300 SF professional office suite available for lease. Great signage and visibility. Ready for occupancy. Terrific architecture.



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.



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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 2019

	Number of Buildings	Total Inventory	Total Available	4th Q 2019 Occup. Rate	3rd Q 2019 Occup. Rate	2nd Q 2019 Occup. Rate	1st Q 2019 Occup. Rate	4th Q 2018 Occup. Rate	Year End Current Asking Rent*	4th Q 2019 Absorption in SF	Year End Total Absorp. in SF
CITY											
Class A	23	1,567,975	97,800	94%	93%	92%	91%	92%	\$17.00-\$23.00	10,400	40,250
Class B+	61	1,702,315	169,270	90%	90%	90%	91%	91%	\$15.50-\$18.00	(270)	(17,870)
Class B	181	1,580,749	117,388	93%	92%	92%	93%	94%	\$13.00-\$15.50	1,500	12,522
TOTAL	265	4,851,039	384,458							11,630	34,902
EAST SHORE											
Class A	48	2,238,921	122,819	95%	94%	94%	95%	95%	\$18.65-\$23.00	5,500	25,974
Class B+	89	2,129,831	74,550	96%	96%	95%	95%	95%	\$16.50-\$18.75	5,600	64,356
Class B	151	1,729,889	93,212	95%	94%	95%	94%	94%	\$14.00-\$16.50	10,300	18,000
TOTAL	288	6,107,641	290,581							21,400	108,330
WEST SHORE											
Class A	65	2,868,340	88,908	97%	96%	96%	96%	95%	\$18.65-\$23.00	11,400	33,965
Class B+	118	2,531,990	127,150	95%	94%	94%	95%	94%	\$16.50-\$18.75	32,200	34,650
Class B	168	1,993,061	94,700	95%	95%	94%	95%	95%	\$14.75-\$16.50	(5,075)	22,700
TOTAL	351	7,393,391	310,758							38,525	91,317
GRAND TOTAL	904	18,352,071	985,797	<i>*Excluding interior suite janitorial services.</i>						71,555	234,549

In its twenty-fifth 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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EIA ENDERS
ASSOCIATES INSURANCE

Andrew M. Enders, Esq.

5912 Linglestown Road
Harrisburg, PA 17112

o 717.652.4902
m 717.439.8606
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REALTY ASSOCIATES, INC. 3425 Market Street
Camp Hill, PA 17011
Office: 717.761.6300