



SECOND QUARTER - 2020

Market Watch

MARKETS RETREAT

Markets stalled in the Second Quarter of 2020 as absorption totaled negative 1,079 sq. ft. as concerns over the COVID-19 Pandemic forced holds on several decisions regarding office relocations. Prior to the outbreak, 1,020,000 sq. ft. had been absorbed over the previous 64 months. During this period rental rates had stabilized, fewer options existed and troubled buildings had been repositioned successfully.

As we outlined in the First Quarter 2020 analysis we will not attempt to give guidance going forward on the potential impact of the Coronavirus to our markets. We will offer the following strategies designed to better position a building for solid returns over the months ahead.

1. Exterior: It is critical to catch the eye of a potential tenant in the first seconds of a showing.
2. Flexibility: Make deals to attract tenants. Phase in square footage so a move affordable in the first year.
3. Space Design: Refreshing suites immediately when outdated to capture quick occupancies.
4. Financing: Know your rate and terms. If an early refi is a possible engage your bank on what terms may be available.

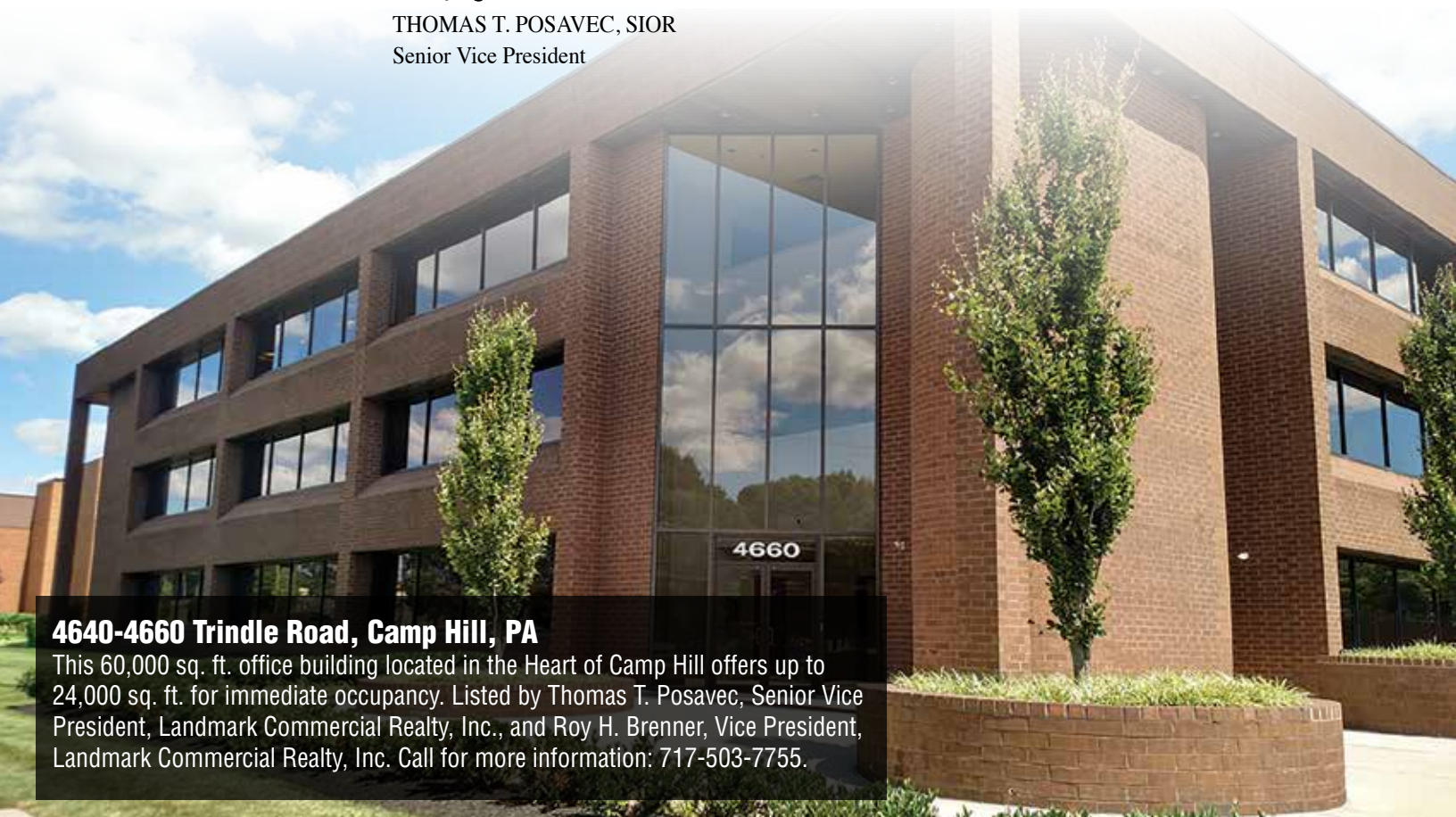
Going forward we will continue to monitor the marketplace over the months ahead and as we see shifts in trends we will be the first to report of them.

A handwritten signature in black ink, appearing to read "Thomas T. Posavec".

THOMAS T. POSAVEC, SIOR
Senior Vice President

4640-4660 Trindle Road, Camp Hill, PA

This 60,000 sq. ft. office building located in the Heart of Camp Hill offers up to 24,000 sq. ft. for immediate occupancy. Listed by Thomas T. Posavec, Senior Vice President, Landmark Commercial Realty, Inc., and Roy H. Brenner, Vice President, Landmark Commercial Realty, Inc. Call for more information: 717-503-7755.



MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT

The Second Quarter of 2020 remained stable in the Downtown Business District. Absorption totaled 12,370 sq. ft. as more firms elected to relocate to the City limits. All segments realized respectable gains throughout the Second Quarter as modest demand continued.



2411 N. Front St, Harrisburg, PA

Class A occupancy rates closed the Quarter at 93%. Absorption totaled 5,100 sq. ft. Class A inventory levels are now

at 106,000 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 remained at 91% in the Second Quarter. Absorption totaled 4,170 sq. ft. We continue to see a variety of adaptive reuses employed as properties transition but are unclear if these trends will continue into 2020 in light of recent events.

The Class B segment closed the Second Quarter at 94%. Absorption totaled negative 3,100 sq. ft. This segment has continued to improve over recent months and only 93,000 sq. ft of space remains available in the Class B segment.



123 Forster Street, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

Absorption totaled negative 1,288 sq. ft., its second straight quarter of givebacks after a solid 2019 saw absorption figures top 108,000 sq. ft.



5,000 SF AVAILABLE

945 East Park Drive, Harrisburg, PA

Class A occupancy rates closed the Quarter at 94%. Absorption totaled negative 6,000 sq. ft. Although occupancy levels remain well off their highs registered in 1999 when rates hit a record 97%, we are encouraged this segment held its own over the past quarter amidst the pressure in the marketplace.

Class B+ occupancy rates closed the Second Quarter at 95%. Absorption totaled negative 14,200 sq. ft. Recent increase in demand has surfaced although we are unsure if it will continue throughout the remainder of 2020.

Occupancy rates in the Class B segment closed the Second Quarter at 96% its best level in several years. Absorption totaled 19,912 sq. ft. Available inventory stands at 73,500 sq. ft. The upside for this particular segment may be limited but recent acquisitions have created impressive gains in this segment in recent quarters.



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WEST SHORE BUSINESS DISTRICT

The Second Quarter of 2020 was underwhelming for the West Shore Business District. Absorption totaled negative 12,161 sq. ft., a reasonable number considering the extraordinary events realized over the past five (5) months. Occupancy rates remain strong for Class A properties and rates remain near record highs in other segments.

Class A occupancy rates managed to close the Quarter at 97%. Absorption totaled a negative 3,742 sq. ft. As we

stated we will not give guidance going forward of the impact of COVID-19 on our markets but take solace in the fact that conditions continue to remain at healthy levels.

Class B+ occupancy rates closed the Quarter at 95%. Absorption totaled negative 2,950 sq. ft. Activity for Class B+ properties has been steady over the past nine quarters and we remain encouraged by the moderate level of losses sustained in this segment.

The Class B segment closed the Second Quarter at 95% as absorption totaled negative 5,469 sq. ft. after a solid 2019 produced strong gains for this segment the past two (2) quarters failed to gain traction.



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4800 Jonestown Road, Harrisburg, PA

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3601 North Progress Avenue, Harrisburg, PA

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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 and 1,485 SF available.



2578 Interstate Drive, Harrisburg, PA
1,500 to 2,000 SF available for immediate occupancy. Terrific buildouts.



4309 N. Front Street, Harrisburg, PA
4,244 SF to 8,480 SF for lease. Fantastic views of Susquehanna River.



5425 Jonestown Road, Harrisburg, PA
Up to 2,500 SF available immediately. Located in the Heart of Colonial Park. Terrific visibility.



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. Close to everything.



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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AVAILABILITIES

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845 Sir Thomas Court, Harrisburg, PA

Medical and professional offices for lease. Great layouts. One block from Pinnacle Campus.



5913 Linglestown Road, Harrisburg, PA

9,850 SF multi-level commercial office building located along highly traveled Linglestown Road corridor.



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

Across from Giant Foods. 7,124 SF professional condominium for sale. Over \$50,000 in recent renovations.



2690 Commerce Drive, Harrisburg, PA

10,300 SF office building for sale or lease in Commerce Park. Great access and eateries.



4201 Crums Mill Road, Harrisburg, PA

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



3544 N. Progress Avenue, Harrisburg, PA

1,072 SF to 2,610 SF available immediately. Excellent location with easy access to I-81, I-83, and Rt. 322.



2 Lemoyne Drive, Lemoyne, PA

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



717 Market Street, Lemoyne, PA

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



4550 Lena Drive, Mechanicsburg, PA

4,750 SF available immediately. Attractive new finishes. Modern updated lobby. Spectacular location and access.



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MARKET ANALYSIS Q2 2020

	Number of Buildings	Total Inventory	Total Available	2nd Q 2020 Occup. Rate	1st Q 2020 Occup. Rate	4th Q 2019 Occup. Rate	3rd Q 2019 Occup. Rate	2nd Q 2019 Occup. Rate	2nd Qtr. 2020 Current Asking Rent*	2nd Qtr. 2020 Absorption in SF
CITY										
Class A	23	1,570,475	101,700	94%	93%	94%	93%	92%	\$18.00-\$23.00	5,100
Class B+	61	1,708,315	153,700	91%	91%	90%	90%	90%	\$15.50-\$18.00	4,170
Class B	181	1,583,752	93,091	94%	94%	93%	92%	92%	\$13.00-\$15.50	3,100
TOTAL	265	4,862,542	348,491							12,370
EAST SHORE										
Class A	48	2,238,921	141,619	94%	94%	95%	94%	94%	\$18.65-\$23.00	(6,000)
Class B+	89	2,129,831	98,350	95%	96%	96%	96%	95%	\$16.50-\$18.75	(14,200)
Class B	151	1,738,889	73,500	96%	95%	95%	94%	95%	\$14.00-\$16.50	19,912
TOTAL	288	6,107,641	313,469							(1,288)
WEST SHORE										
Class A	65	2,918,340	79,850	97%	97%	97%	96%	96%	\$18.65-\$23.00	(3,742)
Class B+	118	2,531,990	123,000	95%	95%	95%	94%	94%	\$16.50-\$18.75	(2,950)
Class B	168	1,993,061	98,369	95%	95%	95%	95%	94%	\$14.75-\$16.50	(5,469)
TOTAL	351	7,443,391	301,219							(12,161)
GRAND TOTAL	904	18,413,574	963,179	<i>*Excluding interior suite janitorial services.</i>						(1,079)

In its twenty-sixth 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 2020 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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