



LANDMARK

COMMERCIAL REALTY INC.

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FIRST QUARTER - 2016

Market Watch

ACQUISITIONS HEAT UP

Absorption totaled 27,101 sq. ft. in the First Quarter of 2016, solid numbers for a market which had tens of thousands of square feet come on line due to the Deloitte relocation this spring. We continue to remain cautious with our expectations for properties just out of receivership and anticipate potential volatility as new availabilities are introduced to the Suburban West Shore Marketplace.

We view the recent disposition of several properties in receivership as a health restoring event. The 125,000 sq. ft. portfolio previously managed by DeSanto Realty Group was sold in recent weeks and is the first step toward the financial recovery for these assets.

We are encouraged by the increased number of acquisitions marketwide and conclude buyers are now off the sidelines at their strongest levels since mid 2008. While we continue to note these advances, we have seen less pronounced activity from larger buyers as activity from this segment has simply failed to gain momentum.

We view the probability of a pronounced pullback as remote and anticipate market fundamentals should remain favorable in spite of the potential of increased availabilities going forward.



THOMAS T. POSAVEC, SIOR, Senior Vice President



500 Nationwide Drive, Harrisburg, PA

This 18,026 SF facility was recently acquired by Clemens Realty Associates and is the new home of URL Insurance Group, Inc. Pictured from left to right, Paul B. Zwally, Senior Vice President & Senior Commercial Lending Officer of Centric Bank, Thomas T. Posavec, Senior Vice President of Landmark Commercial Realty, Inc., Kenneth M. Clemens, President & Chief Executive Officer of URL Insurance Group, Inc., and Roy H. Brenner of Landmark Commercial Realty, Inc.

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT



Absorption totaled 28,336 sq. ft. in the First Quarter of 2016, a figure greater than the previous twenty-four (24) months combined. Steady growth and several small transactions pushed absorption totals to their best levels in several Quarters. Acquisitions are on the rise after

modest growth in recent years and more tenants have begun to consider Downtown as an option in recent weeks. We are encouraged by the recent increase in activity along Front Street, feel prices have bottomed, and anticipate the upside for the user buyer category to be spectacular.

Class A occupancy rates closed the First Quarter of 2016 at 91% as absorption totaled 16,300 sq. ft. A few significant premier users have been targeting Downtown as a corporate address and we feel while the City has taken a beating in recent years the potential for advances remain a possibility. We are unsure whether the velocity in this segment will carry forward into the remainder of 2016 but remain encouraged with demand levels realized in recent weeks.

Class B+ absorption totaled negative 898 sq. ft. in the First Quarter of 2016. Occupancy rates closed the Quarter at 89%. Moderately priced Class B+ properties have made gains over the past two (2) years and although demand was benign for much of the First Quarter, we are not ruling out the possibility of gains for later in the year.

Absorption increased at impressive levels in the First Quarter of 2016 totaling 12,934 sq. ft. Occupancy rates remained unchanged at 90%. We expect these properties should improve modestly with the gradual firming of rental rates and moderate demand for growth over the next several quarters. We see the possibility of a severe pullback as remote and anticipate further improvement going forward.



614 North Front Street, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

The East Shore Business District produced solid gains in the First Quarter of 2016. Absorption totaled 56,260 sq. ft. topping all of 2015 figures as demand surged from all segments on the East Shore.



840 Sir Thomas Court, Harrisburg, PA

Class A absorption totaled 11,760 sq. ft. and occupancy rates remained at 92%. We continue to view the upside for this segment as high and continue to see the potential for occupancy rates to reach 94% if demand and acquisition activity continues at current levels. We expect to encounter increased levels of interest for several buildings acquired recently out of receivership as owners with well capitalized entities begin to financially stabilize these formerly troubled assets.

The Class B+ segment closed the First Quarter at 92%, up slightly from year end 2015 totals. Absorption totaled 26,350 sq. ft. as several substantial deals involving both acquisitions and leasing were completed. We have seen a surge from the user buyer market in recent weeks and anticipate this trend should continue to persist throughout much of 2016.

Occupancy rates for the Class B segment closed the First Quarter at 92%. Absorption totaled 18,150 sq. ft. as demand from a number of acquisition related transactions outpaced supply. Faced with pressure from assets in or just out of receivership we view the pace of the First Quarter results as encouraging and are pleased with market fundamentals as we move toward the second half of 2016.



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WEST SHORE BUSINESS DISTRICT

The West Shore Business District saw absorption slip in the First Quarter of 2016. Absorption totaled negative 57,495 sq. ft. as fallout from the Deloitte relocation simply added too much space to the marketplace.



Class A absorption dropped sharply in the First Quarter of 2016. Absorption totaled negative 35,140 sq. ft. as the Deloitte relocation forced figures lower. Occupancy rates slipped to 93%. Much of the office space currently available is located in Camp Hill Corporate Center, which is currently in receivership. The remainder of the Class A market continues to operate without issue as occupancy rates for these properties exceeds 95%.

The Class B+ segment had lower absorption totals in the First Quarter of 2016, closing the Quarter at negative 8,880 sq. ft. Occupancy rates slipped to 94%. With occupancy rates approaching 96% in late 2015, the upside for this segment was particularly limited. We remain impressed with the continued stability of rents for Class B+ properties, and are encouraged as we consider the excellent levels currently being achieved.

Absorption for Class B product totaled negative 13,475 sq. ft. in the First Quarter of 2016. Rental rates remain stable and occupancy rates remained unchanged at 94%. We believe the threat of an interest rate increase may have caused a surge in acquisitions actively since the Third Quarter of 2015. We view these events as important towards the stability of the Greater Harrisburg Marketplace and anticipate further activity going forward throughout 2016.



2400 Thea Drive, Harrisburg, PA

Up to 133,000 SF available. Large flexible floorplates. Terrific window lines. Convenient on-site parking.



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4601 Locust Lane, Harrisburg, PA
 800 to 1,900 sf available for lease. Great small suites. Heart of Colonial Park.



800 Corporate Circle, Harrisburg, PA
 1,700 SF and up for lease. Recently renovated. Terrific finishes. Easy access.



449 Eisenhower Boulevard, Harrisburg, PA
 Up to 10,600 SF for lease. Great signage. Easy access. Close to all Interstates.



2578 Interstate Drive, Harrisburg, PA
 Sale or lease. 13,800 SF building for sale. 1,900 SF for lease. Modern first class property.



4800 Linglestown Road, Harrisburg, PA
 New suites from 500 SF up to 6,000 SF. Available immediately. Excellent signage.



895 S. Arlington Avenue, Harrisburg, PA
 4,200 sf medical building for sale. Adjacent to Osteopathic Hospital.



4601 Devonshire Road, Harrisburg, PA
 1,500 to 7,200 SF available. Medical and Non Medical Suites for lease. Available immediately.



4201 Crums Mill Road, Harrisburg, PA
 1,960 SF available for lease. Terrific windows. Convenient Colonial Park address.

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4 Lemoyne Drive, Lemoyne, PA
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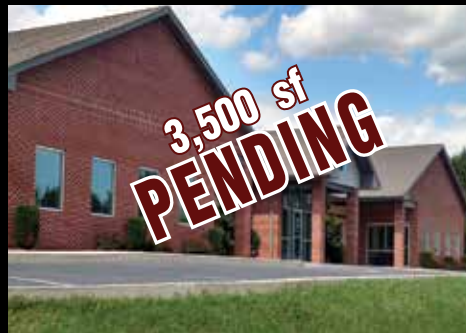
5001 Louise Drive, Mechanicsburg, PA
1,800 SF for lease. Class A finishes. Last suite
available. New Lobby. Easy access.



1013 Mumma Road, Wormleysburg, PA
900 SF for lease. New suite. Great finishes.



4661 Trindle Road, Camp Hill, PA
1,500 SF for lease. Great location in Camp Hill.
Flexible floorplan. Ample parking.



4 Flowers Drive, Mechanicsburg, PA
Up to 4,500 SF available at this West Shore
address. Owner will divide.



355 North 21st Street, Camp Hill, PA
600 to 3,100 SF available. New suites.
Large windows. Covered parking. Great rates.



20 Erford Road, Lemoyne, PA
Small suites now available for lease. Covered parking. Close to all
areas. Ideal for any small user. On-site parking garage.



3 Crossgates Drive, Mechanicsburg, PA
Up to 20,000 SF available. Convenient West Shore location.
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MARKET ANALYSIS Q1 2016

2016	Number of	Total	Total	1st Q 2016 Occup.	4th Q 2015 Occup.	3rd Q 2015 Occup.	2nd Q 2015 Occup.	1st Q 2015 Occup.	Year End Current	1st Q Absorp -
CITY										
Class A	23	1,567,975	134,900	91%	90%	91%	91%	91%	\$18.00-\$23.00	16,300
Class B+	61	1,722,315	193,736	89%	90%	90%	88%	89%	\$15.50-\$18.00	(898)
Class B	181	1,665,250	173,901	90%	90%	90%	90%	90%	\$13.00-\$15.50	12,934
TOTAL	265	4,955,540	502,573							28,336
EAST SHORE										
Class A	48	1,979,121	165,246	92%	92%	93%	92%	91%	\$18.65-\$23.00	11,760
Class B+	89	2,033,231	165,100	92%	91%	92%	92%	92%	\$16.50-\$18.75	26,350
Class B	151	1,725,589	143,650	92%	91%	90%	89%	90%	\$14.00-\$16.50	18,150
TOTAL	288	5,737,941	473,996							56,260
WEST SHORE										
Class A	65	2,513,340	185,190	93%	96%	95%	95%	96%	\$18.65-\$23.00	(35,140)
Class B+	118	2,522,990	148,530	94%	95%	95%	95%	95%	\$16.50-\$18.75	(8,880)
Class B	168	1,993,061	124,775	94%	94%	95%	95%	94%	\$14.75-\$16.50	(13,475)
TOTAL	351	7,029,391	459,495							(57,495)
GRAND TOTAL	904	17,722,872	1,436,028	<i>*Excluding interior suite janitorial services.</i>						27,101

In its twenty-first year, this study analyzed 903 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 2015 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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