

FIRST QUARTER - 2017

Market Watch



LANDMARK

COMMERCIAL REALTY INC.

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MARKET THOUGHTS

The Greater Harrisburg Market made significant gains in the First Quarter of 2017 as absorption totaled 55,196 sq. ft. As we enter the Second Quarter the suburban markets boast occupancy rates between 92% and 96%. We are encouraged by the increase in activity from our small business users and remain impressed with the outlook for owners of premier properties as opportunities dwindle for first class options.

We feel the measured construction environment over the past several years has been a health restoring event for the Marketplace. We anticipate continued demand and expect first class space to constrict in upcoming months. The potential exists for Class B+ properties to gain traction throughout the remainder of the year and we remain impressed with the improvement of the acquisition market over the past several Quarters. Going forward, we see the firming of rental rates, continued demand and further modest improvement in most segments of the Marketplace.



THOMAS T. POSAVEC, SIOR, Senior Vice President



6310 Allentown Boulevard, Harrisburg, PA

Roy H. Brenner of Landmark Commercial Realty, Inc., Thomas T. Posavec of Landmark Commercial Realty, Inc., Attorney Matthew L. Owens, Principal Patriot Investments Associates, LLC; in front of 6310 Allentown Boulevard, Harrisburg, PA. This 25,657 SF office building is now offered for sale for the first time. Attractive well designed suites also available for lease. Call us for details: 717-731-1990

MARKET SUMMARY

DOWNTOWN BUSINESS DISTRICT



3211 N. Front Street, Harrisburg, PA

2016 was an excellent year for the Downtown Business District as unprecedented demand pushed absorption to its best gains in years. Over

143,000 SF was absorbed throughout the year. The market appears to be recovering after years of unspectacular returns which produce meager gains.

The Class A segment absorbed 2,643 sq. ft. in the First Quarter of 2017. Occupancy rates remained stable at 93%. Inventory remains at respectable levels as this segment continues to improve. A number of larger leases are anticipated to be executed later in the Second Quarter which should push occupancy rates even higher.

Occupancy rates for the Class B+ segment remained at 90%. Absorption totaled negative 2,000 sq. ft. We continue to see more calls for a Downtown presence. Additionally, the increase in requests for special HUB Zones have also been on the rise. The interest in Midtown continues to gain momentum and we expect this interest to continue going forward.

The Class B segment remained unchanged at 93% in the First Quarter of 2017. Absorption totaled negative 4,189 sq. ft. We are very encouraged with the recent repositioning of several Front Street properties which could total over 25,000 sq. ft. of absorption in the months ahead. We view this as an important needed event to further stabilize the Downtown Business District into 2018. We look for more activity in this segment going further and expect this trend of repositioning to continue.



234 State St, Harrisburg, PA

EAST SHORE BUSINESS DISTRICT

It was another strong Quarter for the East Shore Business District. Absorption totaled a solid 42,842 sq. ft., fueled by stronger demand across all segments of the Marketplace.



4250 Crums Mill Road, Harrisburg, PA

Class A occupancy rates pushed higher and closed the First Quarter of 2017 at 93%, their best levels in several Quarters. Absorption totaled 19,142 sq. ft. as buildings once in receivership concluded several mid-sized transitions. We expect rental rates will now have the opportunity to stabilize and anticipate pressure on concessions to dissipate as options narrow and demand continues to improve.

Occupancy rates in the Class B+ segment remained unchanged at 92%. Absorption totaled 18,700 sq. ft. While opportunities exist for larger users we anticipate these options will contract over the next several months as more improvements are made and properties repositioned. We view this segment as one which should see solid growth over the next eighteen (18) to twenty-four (24) months as these enhancements are implemented.

Class B occupancy rates remained at 92% as absorption totaled 5,000 sq. ft. We expect modest improvement in this segment, the degree will hinge on just how well the B+ inventory can be eradicated over the next several months. If demand continues and a pullback is averted the Class B segment could see better than anticipated gains going into 2018.



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WEST SHORE BUSINESS DISTRICT

The First Quarter of 2017 was solid as absorption totaled 15,900 sq. ft. in the West Shore Business District. Demand in most pockets of the West Shore has been favorable



with the exception of only a few areas which have continued to underperform in recent months.

Class A occupancy rates pushed higher and closed the First Quarter at 95%. Absorption totaled 11,700 sq. ft., a solid figure for a segment which has experienced impressive gains over several Quarters. While there still remains opportunities for Harrisburg's larger office users, we are of the opinion many of these options could be occupied by early 2018.

The Class B+ segment absorption totaled 2,700 sq. ft. in the First Quarter of 2017 and occupancy rates remained unchanged at 95%. Several deals are in the works and we view the opportunity for gains in the Second and Third Quarters as strong as we see no signs of a pullback in the immediate future.

Class B occupancy rates remained unchanged at 96% in the First Quarter of 2017 as absorption totaled a modest 1,500 sq. ft. Inventory levels remain remarkably low in this segment. We view the potential upside for this segment as limited although we anticipate the acquisition market to remain brisk as few opportunities exist for buyers. Going forward we

look for a modest increase in pricing as buyers simply have fewer choices.



5001 Louise Drive, Mechanicsburg



2400 Thea Drive, Harrisburg, PA

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



75 South Houcks Road, Harrisburg, PA

1,500 to 7,201 SF for lease. Great location in Lower Paxton Township. Close to all amenities. Easy access to all interstates. Ample parking.



4660 Trindle Road, Camp Hill, PA

Up to 14,000 SF for lease. Ideal for large user. Excellent window lines. Rare Camp Hill availability. On site storage available.




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3605 Vartan Way, Harrisburg, PA
 Suites from 900 to 4,500 SF and up. Terrific windows. Great location. 6 per 1,000 SF parking.



2704 Commerce Drive, Harrisburg, PA
 1,000 to 10,000 SF available. High end finishes throughout. Ample on site parking.



600/800 Corporate Circle, Harrisburg, PA
 1,700 to 3,533 SF for lease. Recently renovated. Terrific finishes. Easy access.



4230 Crums Mill Road, Harrisburg, PA
 1,800 to 4,831 SF available for lease. Excellent views. Terrific Colonial Park location.



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



4800 Linglestown Road, Harrisburg, PA
 New suites up to 4,900 SF. Available immediately. Excellent signage.



2000/2040 Linglestown Road, Harrisburg, PA
 1,500 to 2,800 SF available for lease. Great windows and layouts.



940 East Park Drive, Harrisburg, PA
 1,500 to 8,500 SF available for lease. Located just off I-83. Signage available.



4201 Crums Mill Road, Harrisburg, PA
 1,960 SF and 2,726 SF available for lease. Terrific windows. Convenient Colonial Park address.

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4 Lemoyne Drive, Lemoyne, PA
1,450 SF to 4,094 SF available for lease.
Terrific floor to ceiling windows.



1017 Mumma Road, Wormleysburg, PA
800 SF available. First class facility. Excellent layouts. Available immediately.



3314 Market Street, Camp Hill, PA
1,517 SF for immediate occupancy.
Thousands in recent renovations..



1215 Manor Drive, Mechanicsburg, PA
One 1,464 SF suite remaining. Owner will Build to Suit. Great windows.



1200 Camp Hill Bypass, Camp Hil, PA
1,157 to 18,879 SF for lease. Spectacular address. Easy access.



1013 Mumma Road, Wormleysburg PA
900 SF for lease. New suite. Great finishes. Convenient West Shore location.



2 Lemoyne Drive, Lemoyne, PA
4,500 SF for lease. Terrific West Shore location. Great floorplan. Gorgeous windows.



4 Flowers Drive, Mechanicsburg, PA
1,300 SF available at this West Shore address. Owner will divide.



355 North 21st Street, Camp Hill, PA
600 to 2,700 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.



5070/5072 Ritter Road, Mechanicsburg, PA
2,750 SF to 28,347 SF available for lease. Thousands in renovations to begin shortly.



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COMMERCIAL REALTY INC.



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MARKET ANALYSIS Q1 2017

2016	Number of	Total	Total	1st Q 2017 Occup.	4th Q 2016 Occup.	3rd Q 2016 Occup.	2nd Q 2016 Occup.	1st Q 2016 Occup.	4th Qtr. 2016 Current	4th Qtr. Absorp -
CITY										
Class A	23	1,567,975	105,011	93%	93%	92%	92%	91%	\$18.00-\$23.00	2,643
Class B+	61	1,722,315	166,236	90%	90%	90%	89%	89%	\$15.50-\$18.00	(2,000)
Class B	181	1,668,250	120,635	93%	93%	91%	90%	90%	\$13.00-\$15.50	(4,189)
TOTAL	265	4,958,540	391,882							(3,546)
EAST SHORE										
Class A	48	1,982,921	145,906	93%	92%	92%	92%	92%	\$18.65-\$23.00	19,142
Class B+	89	2,040,831	153,750	92%	92%	92%	92%	92%	\$16.50-\$18.75	18,700
Class B	151	1,725,589	141,000	92%	92%	92%	92%	92%	\$14.00-\$16.50	5,000
TOTAL	288	5,749,341	440,656							42,842
WEST SHORE										
Class A	65	2,689,340	146,500	95%	94%	94%	93%	93%	\$18.65-\$23.00	11,700
Class B+	118	2,537,990	116,320	95%	95%	95%	95%	94%	\$16.50-\$18.75	2,700
Class B	168	1,993,061	84,200	96%	96%	94%	94%	94%	\$14.75-\$16.50	1,500
TOTAL	351	7,220,391	347,020							15,900
GRAND TOTAL	904	17,928,272	1,179,558	<i>*Excluding interior suite janitorial services.</i>						55,196

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 2016 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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