

# Market Watch



# LANDMARK

COMMERCIAL REALTY INC.



## MARKETS ADVANCE

Absorption totaled 18,745 sq. ft. in the Second Quarter 2017. Solid figures considering the run this market has enjoyed over the past several quarters.

Remarkable consistency has been established over the past ten quarters pushing rental rates upward for premier properties and stabilizing rental rates for Class B+ buildings with superior locations, and solid ownership. Noteworthy expansions consummated in recent months include Deloitte's relocation to Mechanicsburg and PinnacleHealth's significant campus development in both Lower Paxton Township and Hampden Township.

Several buildings locally are just out of receivership, we expect their stabilization period will continue to play out over the next twelve to twenty-four months. These properties have experienced higher vacancies and have forced occupancy rates lower especially in the Class B segment of the East Shore Business District.

Going forward we are encouraged with the lack of speculative construction and are pleased with the increased number of acquisitions marketwide. We feel steady absorption of existing product is healthy for the marketplace, and view the probability of a pullback as remote.



THOMAS T. POSAVEC, SIOR, Senior Vice President



### **4800 Linglestown Road, Harrisburg, PA**

This 40,000 sq. ft. facility owned by Linlo Properties has undergone substantial renovations recently. This state of the art facility now is offering one 3,600 sq. ft. Class A office suite. Call us for details: 717-731-1990.

## MARKET SUMMARY

### DOWNTOWN BUSINESS DISTRICT



**224 Pine Street, Harrisburg, PA**

The Downtown Business District which experienced solid gains in 2016 saw more modest returns in the First Quarter and Second Quarters of 2017. Absorption totaled negative 24,336 sq. ft. as interest in Downtown Properties failed to gain traction.

The Class A segment of the Downtown Business District absorbed negative 13,800 sq. ft. and occupancy rates slipped to 92%. Much of Class A

product has been on the market for several quarters. After a strong 2016, premier users have not been persuaded by the advantages of a Downtown address and are continuing to consider options outside City limits. Several law firms have vacated the City limits in the last two years in favor of better availabilities, superior pricing and free on-site parking. With demand slowing, incentives are necessary to stimulate activity before occupancy levels will have a chance to improve.

Absorption for Class B+ properties totaled 10,419 sq. ft. in the Second Quarter of 2017. Occupancy rates rose to 91%. We feel the recovery processes commenced in the First Quarter of 2015, but after a two year run of advances the Downtown Business District has failed to produce meaningful gains in the Second Quarter.

Class B occupancy rates remained unchanged and closed Second Quarter of 2017 at 93%. Absorption totaled negative 20,955 sq. ft. In 2016 this segment made significant progress over 70,000 sq. ft. was absorbed and occupancy rates soared to nearly ten year highs. Decision makers must be enticed to relocate to Downtown. Those considering a purchase are starting to move off the sidelines as more transactions have commenced in recent weeks.



**234 State St, Harrisburg, PA**

### EAST SHORE BUSINESS DISTRICT

The East Shore Business District produced solid advances in the Second Quarter of 2017 as absorption totaled 73,271 sq. ft. Expansions fueled demand



**4250 Crums Mill Road, Harrisburg, PA**

as several companies increased their square footage requirements. Additionally, we were impressed at the number of new firms not presently in the market who executed leases in the Second Quarter. This new business creation was at a rate not witnessed in several quarters and is encouraging going forward.

Class A occupancy rates remain unchanged at 93% as absorption totaled 16,300 sq. ft. Very few large options exist in the East Shore Business District. We feel this may pose a significant concern for users looking for superior product over the next several Quarters. Options exist for small tenants although rates should remain firm as owners exploit this improving market.

Class B+ absorption totaled 54,700 sq. ft. during the Second Quarter of 2017. Occupancy rates remained at 92%. This strong figure was fueled by a large expansion from one particular firm. Much of the remaining absorption was from small to mid-sized firms.

Class B occupancy rates remained unchanged at 92% as absorption totaled 2,271 sq. ft. Rental rates still have not be able to gain traction as availabilities remain higher than other suburban segments. Several of these properties are just out of receivership and will begin to become stabilized over the next several Quarters. We anticipate measured expansion going forward as these recently acquired properties become repositioned.



**845 Sir Thomas Court, Harrisburg, PA**



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## WEST SHORE BUSINESS DISTRICT

The West Shore Business District failed to produce gains in the Second Quarter of 2017, as absorption totaled negative 30,190 sq. ft.

Occupancy rates for most segments of the West Shore Business District remained near 94%. We feel there is potential for additional gains as Market fundamentals remain favorable and activity continues to improve.

Class A occupancy rates managed to remain steady closing the Second Quarter at 94%. Absorption totaled negative 4,500 sq. ft. Several large transactions were offset by a number of unanticipated vacancies. Large deals are pending and should improve occupancy rates going forward throughout 2017. Most buildings are unable to offer suites in excess of 10,000 sq. ft. Fewer sublease opportunities exist and several assets just out of receivership are being repositioned.

Occupancy rates for Class B+ properties closed the Second Quarter at 94%. Absorption totaled 17,190 sq. ft. Occupancy and rental rates remain at exceptional levels and fewer opportunities exist for users looking for solid Class B+ options on the West Shore. Rossmoyne Business Center remains near full occupancy and the Camp Hill Business Center has improved sharply over the past twelve months.

Class B occupancy rates slipped slightly to 95% as absorption totaled negative 8,500 sq. ft. Occupancy rates have remained at remarkable levels for several Quarters. Rental rates continue to increase and fewer concessions are being offered. Owners should enjoy further stability going forward throughout 2017.



**2120 Market Street, Camp Hill, PA**



**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. 907 SF to 9,500 SF for lease.



**801 East Park Drive, Harrisburg**  
 20,230 SF first class facility for sale or lease. Up to 7,980 SF available immediately. Great 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.

**PRIME TRANSFER, INC.**

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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**  
770 SF to 1,197 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 Hill, PA**  
1,157 to 13,000 SF for lease. Spectacular  
address. Easy access.



**1013 Mumma Road, Wormleysburg PA**  
790 SF and 925 SF available for lease. 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 1,098 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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## MARKET ANALYSIS Q2 2017

2017	Number of	Total	Total	2nd Q 2017 Occup.	1st Q 2017 Occup.	4th Q 2016 Occup.	3rd Q 2016 Occup.	2nd Q 2016 Occup.	2nd Qtr. 2017 Current	2nd Absorp - Qtr.
<b>CITY</b>										
Class A	23	1,567,975	118,811	92%	93%	93%	92%	92%	\$18.00-\$23.00	(13,800)
Class B+	61	1,722,315	155,917	91%	90%	90%	90%	89%	\$15.50-\$18.00	10,419
Class B	181	1,569,449	111,590	93%	93%	93%	91%	90%	\$13.00-\$15.50	(20,955)
<b>TOTAL</b>	<b>265</b>	<b>4,859,739</b>	<b>386,318</b>							<b>(24,336)</b>
<b>EAST SHORE</b>										
Class A	48	1,995,921	142,606	93%	93%	92%	92%	92%	\$18.65-\$23.00	16,300
Class B+	89	2,120,831	179,050	92%	92%	92%	92%	92%	\$16.50-\$18.75	54,700
Class B	151	1,721,889	138,729	92%	92%	92%	92%	92%	\$14.00-\$16.50	2,271
<b>TOTAL</b>	<b>288</b>	<b>5,838,641</b>	<b>460,385</b>							<b>73,271</b>
<b>WEST SHORE</b>										
Class A	65	2,747,340	170,000	94%	95%	94%	93%	93%	\$18.65-\$23.00	(4,500)
Class B+	118	2,511,990	148,360	94%	95%	95%	95%	94%	\$16.50-\$18.75	(17,190)
Class B	168	1,993,061	95,200	95%	96%	94%	94%	94%	\$14.75-\$16.50	(8,500)
<b>TOTAL</b>	<b>351</b>	<b>7,252,391</b>	<b>413,560</b>							<b>(30,190)</b>
<b>GRAND TOTAL</b>	<b>904</b>	<b>17,950,771</b>	<b>1,260,263</b>	<i>*Excluding interior suite janitorial services.</i>						<b>18,745</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 2017 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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