LANDMARK
COMMERCIAL REALTY INC.

TCN WORLDWIDE REAL ESTATE SERVICES

YEAR END - 2016

Market Watch

RECORD ABSORPTION

2016 HIGHLIGHTS

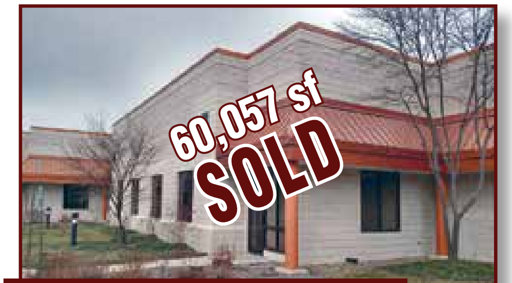
$41.5 million in volume
512,600 sq. ft. in sales/leases
Over 93 transactions
500,000 sq. ft. of new availabilities

Markets continued their advance in 2016 as absorption totaled 250,333 sq. ft., its highest total in over 20 years. Since the First Quarter of 2010 the market has gained over 948,000 sq. ft. Rental rates have stabilized and market fundamentals have continued to strengthen.

One year ago, we revised our outlook for those properties just out of receivership. We anticipated the stabilization of these assets would not be realized until later in 2017 or early 2018. We stand by that call and in light of a number of significant events which developed in recent weeks, we remain confident that the upside for the marketplace is even more probable and view the opportunity of a significant pullback as remote.

We remain impressed with the resiliency of the Downtown Business District which achieved its best gains in over a decade. We anticipate well managed properties will continue to command higher rental rates and expect continued strength in occupancy rates going forward. We view the threat of further hikes in interest rates as a health restoring event and predict further increases in acquisitions throughout the remainder of the year.

THOMAS T. POSAVEC, SIOR, Senior Vice President



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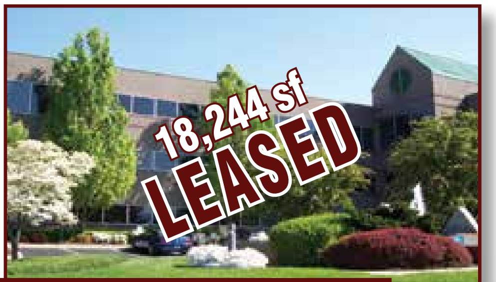

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5021 Louise Drive, Mechanicsburg, PA

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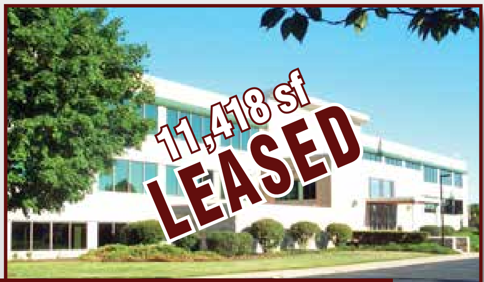
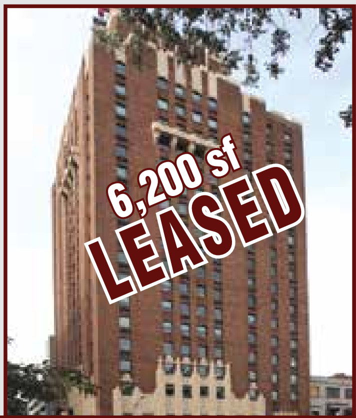
4230 Crums Mill Road, Harrisburg, PA



449 Eisenhower Blvd., Harrisburg, PA

DOWNTOWN BUSINESS DISTRICT



200 N. 3rd Street, Harrisburg, PA

2016 was a terrific year for the Downtown Business District as 143,091 sq. ft. was absorbed marking its best four Quarters in over 20 years. In 2014 we anticipated a surge in the conversion of Downtown office properties to residential uses and we continue to expect this trend will gain even more traction Downtown over the remainder of 2017 and into 2018.

Class A occupancy rates increased to 93% in 2016 as absorption totaled 44,100 sq. ft. Over half of these gains were realized in the Fourth Quarter and we anticipate demand will continue in light of activity levels recognized in recent weeks. We continue to see a variety of adaptive reuses employed as properties transition. We expect these trends will carry forward into 2018 further stabilizing premier properties.

Class B+ occupancy rates remained unchanged at 90% as 28,602 sq. ft. was absorbed in 2016. Demand increased from small users as expansion plans previously tabled were executed. The city has made some strides in softening the parking burden and several new restaurants are entering the market creating further interest in Downtown opportunities. We anticipate further firming of pricing and occupancy rates over the next several months.

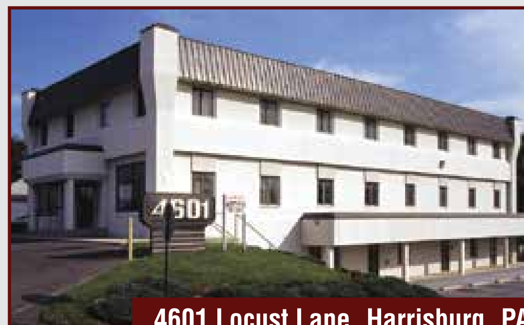
The Class B segment absorbed over 70,389 sq. ft. marking its best year since 1999 when the city began its Downtown revitalization push. Occupancy rates rose to 93% as dozens of buildings were repositioned and financially stabilized. We are encouraged by this solid showing of growth and are impressed with the number of creative and technical firms which now have a passion for a Downtown address. We see no signs of a slowdown of the next two Quarters and anticipate continued moderate growth going forward.

EAST SHORE BUSINESS DISTRICT

2016 was a mixed year for the East Shore Business District. While absorption totaled 65,162 sq. ft., that figure reflected a more modest return as the market continues to process a number of office availabilities left over from portfolios acquired out of receivership. We anticipated this recovery may not be complete until late 2017 or early 2018 but we have already witnessed superb interest across the board from users and tenants as several properties begin to be repositioned.

Class A occupancy rates remained at 92% as absorption totaled 20,762 SF. While 2016 failed to produce robust advances, Fourth Quarter interest from a number of large users should push absorption figures higher over the next two Quarters. We sense markets gaining traction and expect solid numbers as buildings become stabilized and availabilities tighten.

Absorption totaled 21,600 sq. ft. in 2016 as occupancy rates rose slightly to 92% 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 have the potential for increases. We feel the window of opportunity may be closing for tenants as we expect further strengthening of rental rates in the near term.



4601 Locust Lane, Harrisburg, PA

Occupancy rates for the Class B segment closed 2016 at 92%. Absorption totaled 22,800 sq. ft., a solid figure for a segment under tremendous pressure from several buildings in transition. New construction remains benign which this should help the recovery process as few new availabilities come on line. Additionally, we anticipate several large properties now under contract will be readapted for variety of uses further lessening inventory in the Marketplace. We remain pleased with the current outlook the market has projected in light of several significant obstacles realized in recent months.

WEST SHORE BUSINESS DISTRICT

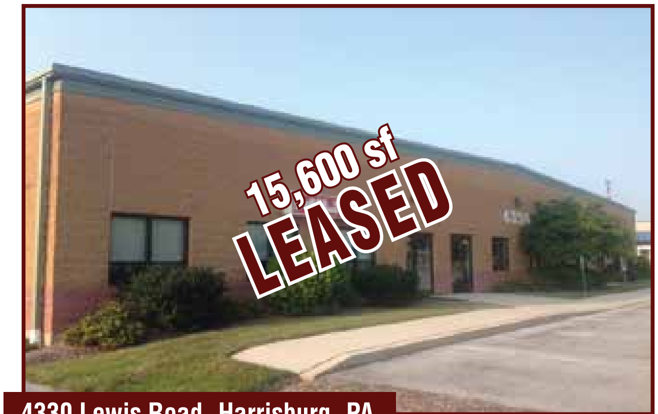
The West Shore Business District absorbed 42,080 sq. ft. in 2016 as moderate losses in the Class A segment tempered gains. Occupancy rates remain at superb levels and new construction is underway or nearing completion on several new office buildings. While some of this new development is speculative in nature, the majority will accommodate owner user groups which should insulate the market from an excess of new availabilities.

99 November Drive, Camp Hill, PA

Class A occupancy rates closed the year at 94% as absorption totaled negative 13,150 sq. ft. We anticipate further stabilization of this segment going forward into 2017. 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 will translate to gains going forward.

Strong demand pushed absorption figures higher for the Class B+ segment as absorption totaled 29,630 sq. ft. in 2016. Occupancy rates stand at 95%. The new availabilities from the Class A segment may put some pressure on Class B+ rates in 2017. We expect activity from smaller user groups to remain on track and anticipate further traction from larger users going into the Third and Fourth Quarters of 2017.

Class B occupancy rates rose to 96% in 2016. Absorption totaled 25,600 sq. ft. This segment had been flat over the first three Quarters but spiked sharply in the Fourth Quarter to push levels into positive territory. We expect more of the same for 2017. The upside is limited from this point and pressure from premier properties will be an issue as we reach the Third Quarter. For now we look for rates to remain stable and anticipate market fundamentals to remain favorable going forward.



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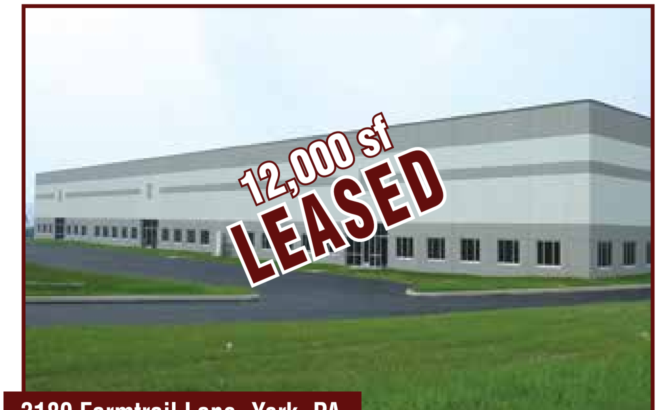

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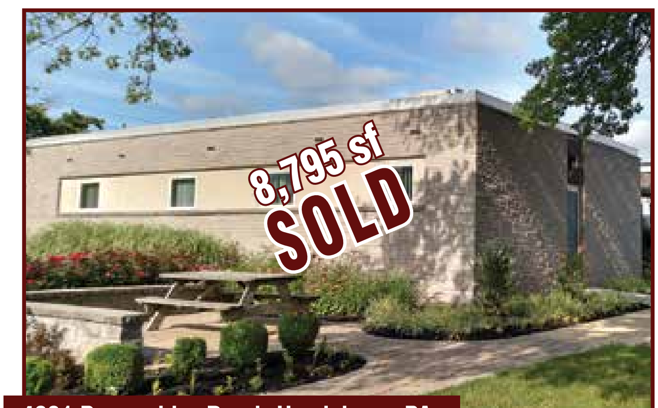

4601 Devonshire Road, Harrisburg, PA

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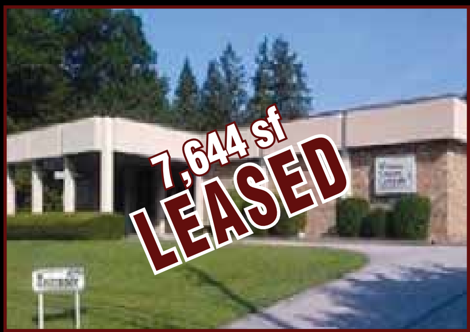
EAST SHORE TRANSACTIONS



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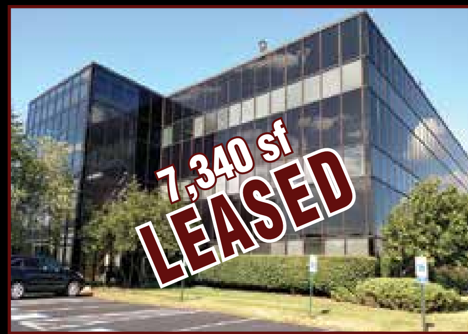

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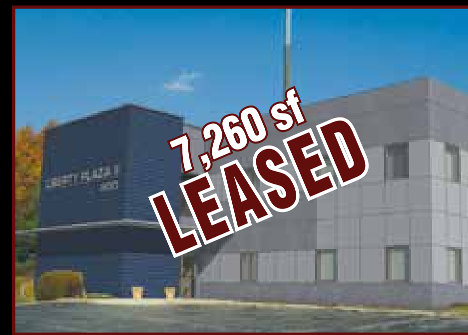

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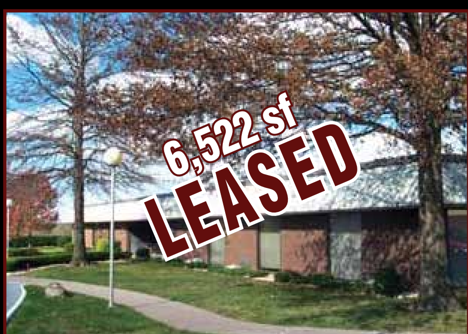

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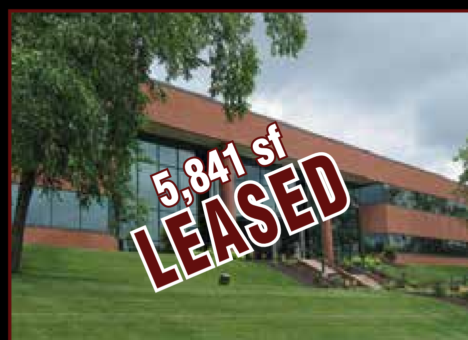

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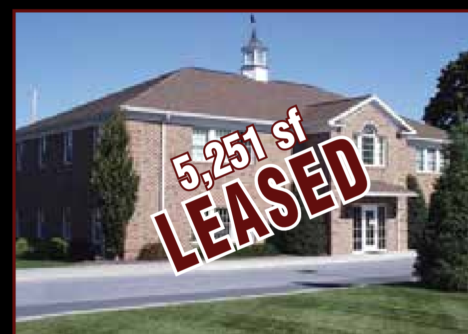

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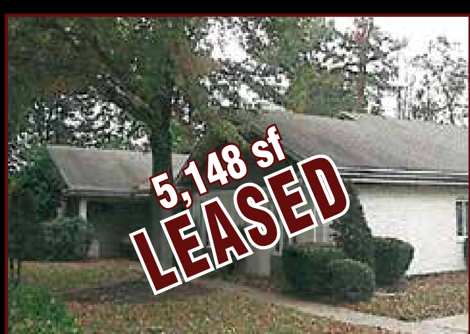

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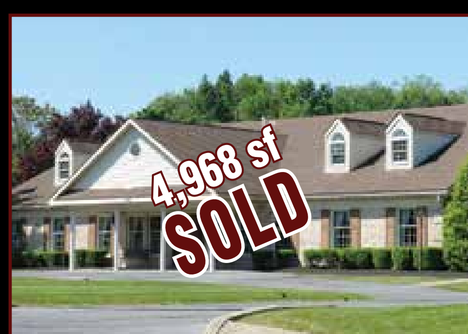

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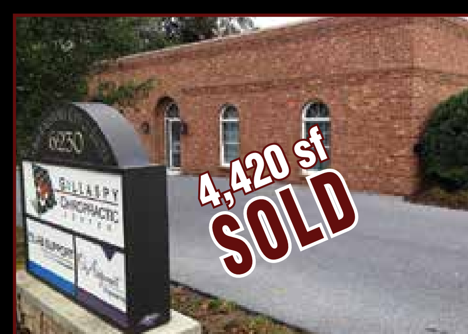

6230 Old Jonestown Road, Harrisburg, PA

6041 Linglestown Road, Harrisburg, PA

WEST SHORE TRANSACTIONS

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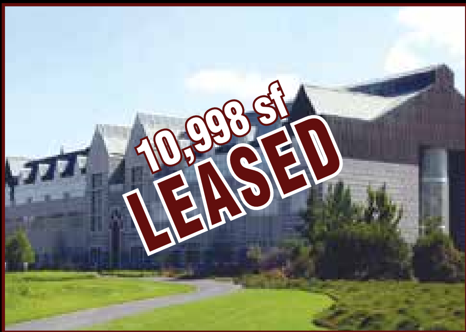

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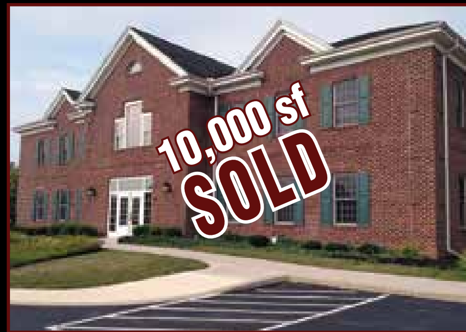

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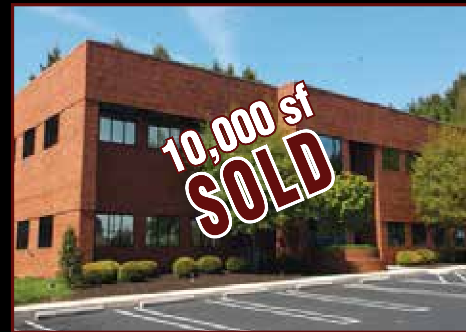

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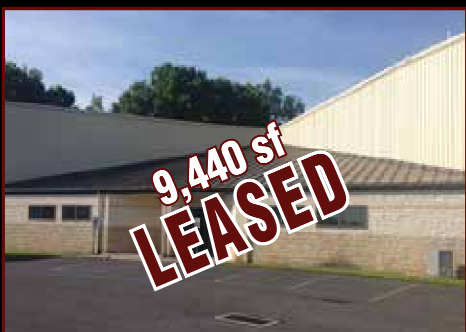

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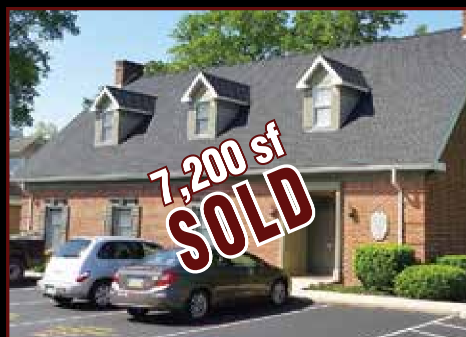

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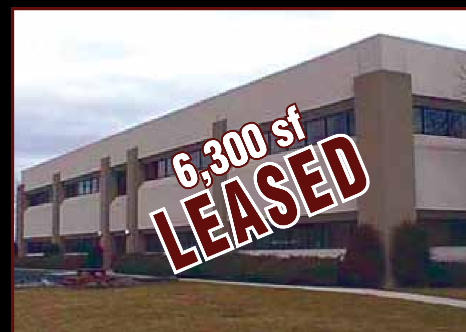
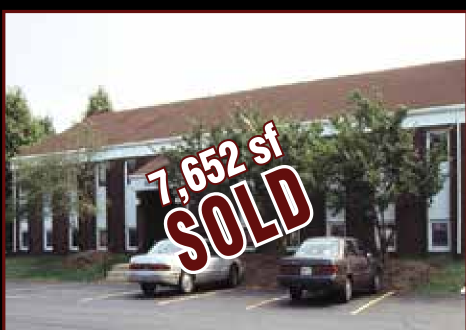


3 Crossgates Drive, Mechanicsburg, PA



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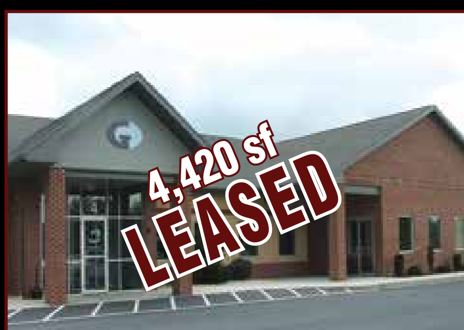
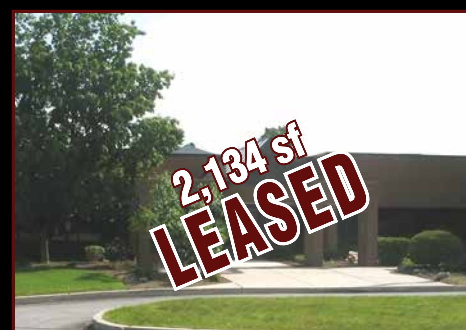


4 Flowers Drive, Mechanicsburg, PA



500 N. 12th Street, Lemoyne, PA

LANDMARK
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TCN WORLDWIDE REAL ESTATE SERVICES

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MARKET ANALYSIS YEAR END 2016

	Number of Buildings	Total Inventory	Total Available	4th Q 2016 Occup. Rate	3rd Q 2016 Occup. Rate	2nd Q 2016 Occup. Rate	1st Q 2016 Occup. Rate	4th Q 2015 Occup. Rate	Year End Current Asking Rent*	4th Q 2016 Absorption in SF	Year End Total Absorp. in SF
CITY											
Class A	23	1,567,975	107,100	93%	92%	92%	91%	90%	$18.00-$23.00	22,300	44,100
Class B+	62	1,722,315	164,236	90%	90%	89%	89%	90%	$15.50-$18.00	7,600	28,602
Class B	180	1,668,250	116,446	93%	91%	90%	90%	90%	$13.00-$15.50	33,225	70,389
TOTAL	265	4,958,540	387,782							63,125	143,091
EAST SHORE											
Class A	47	1,982,921	165,048	92%	92%	92%	92%	92%	$18.65-$23.00	(1,100)	20,762
Class B+	89	2,040,831	172,350	92%	92%	92%	92%	91%	$16.50-$18.75	(12,650)	21,600
Class B	150	1,725,589	146,000	92%	92%	92%	92%	91%	$14.00-$16.50	(800)	22,800
TOTAL	286	5,749,341	483,398							14,550	65,162
WEST SHORE											
Class A	65	2,689,340	158,200	94%	94%	93%	93%	96%	$18.65-$23.00	(16,060)	(13,150)
Class B+	118	2,537,990	119,020	95%	95%	95%	94%	95%	$16.50-$18.75	15,260	29,630
Class B	167	1,993,061	85,700	96%	94%	94%	94%	94%	$14.75-$16.50	40,275	25,600
TOTAL	350	7,220,391	362,920							40,475	42,080
GRAND TOTAL	901	17,928,272	1,234,100	*Excluding interior suite janitorial services.*						118,150	250,333

In its twenty-first year, this study analyzed 904 office buidings 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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