

Q4 2021 | OFFICE MARKET REPORT

WEST SHORE

EAST SHORE

INVENTORY

12.2M SF

24.4M SF

VACANCY

▼ 9.5%

8.3% ▲

AVAILABILITY

▲ 1.5M SF

2.8M SF ▲

NET ABSORPTION

▲ 231K SF

(679K) SF ▼

NNN RENT PER SF

▲ \$17.45

\$17.78 ▲

BUILDINGS UNDER CONSTRUCTION

4
228,534 SF

2
153,000 SF

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MARKET OUTLOOK

The Greater Harrisburg office market, while exposed to the ongoing risks associated with coronavirus, has strong base-level demand. Vacancy rates, healthy at the time of the early 2020 shutdown, remained relatively stable through 2020 and 2021. The overall vacancy rate has been adjusted by just 1.3% over the last twelve months to 10.2%. Although slightly elevated, these rates are within a few points of normal over the 3, 5, and 10 year market averages. Shadow vacancy (leased but not occupied office space) is not included in the overall vacancy rate.

With the built-in base of government, associated services, education, healthcare and a strong logistics support service industry, the market maintains a healthy base of demand. While there will be continued adjustments to occupancy as office occupiers' assess their office needs in light of the evolving workplace, this strong base of demand will offset any substantial disruption to the market.

This market has never been explosive in terms of rental growth, instead responding to market demand with a slow and steady rate growth. Overall asking rates are averaging \$17.70 per SF, which is slightly higher than quotes in most neighboring competitive markets. Year-over-year rental rate adjustments have been approximately - 0.4%. With the likelihood that rates may stagnate in the near future, demand will begin to dry up. Longer term, rates will then continue with the steady rate growth to which the market is accustomed.

Office sales market volume has slowed over the last 2 years; however, both owner-occupants and investors continue to purchase. Year-over-year office sales volume is approximately \$89.2 million. The average sales price hovered at approximately \$96 per SF with an average 7.8% cap rate (where applicable).

NOTABLE TRANSACTIONS



Alderman sold the 66,000 SF office at 4600 Westport Drive.



Sgagias & Corbo represented Questmont in the purchase of 1027 Mumma Road.



HARRISBURG DEMOGRAPHICS

