

Q4 2022 | OFFICE MARKET REPORT

WEST SHORE

EAST SHORE

INVENTORY

12.4M SF

24.5M SF

VACANCY RATE

▼ **10.6%**

8.9% ▲

RENT PER SF

▲ **\$18.22**

\$18.47 ▲

MARKET SALE PRICE PER SF

▲ **\$144**

\$122 ▲

12 MONTH NET ABSORPTION

▼ **25.3K** SF

(16.9K) SF ▲

BUILDINGS UNDER CONSTRUCTION

5
102K SF

2
27K SF

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MARKET OUTLOOK

As it has throughout 2022, vacancy in the greater Harrisburg market ticked up slightly in the 4th quarter of 2022. Indicators show it may continue to increase into 2023, though this will mostly reveal the 'shadow vacancy' we have been discussing since the end of 2020. Vacancy is usually thought to include all space available in a given property or market; however, there is another category of space that is likely not captured in this reporting. "Shadow vacancy" refers to space that is shown as occupied but is underused by the tenant (example: a company who has adopted telework or aggressive flexible work policies now requires less office space). As we progress away from 2020 and further into lease terms, we may see an upswing in vacancy as lease renewals reveal the reality of the hybrid/remote office model from the last three years.

Office sales volume may be stifled in the short-term by rising interest rates and a slowing of capital available for office investment. However, this may unlock opportunities for investors in the long-term. Assets classified as distressed will become available in the upcoming year and the Harrisburg market has proven to be a stable investment for those looking to place capital.

WEST SHORE

VACANCY RATE ▼ Q4 10.6%
Q3 10.7%

ABSORPTION ▼ Q4 25,266 SF
Q3 53,140 SF

RENTAL RATE ▲ Q4 \$18.22
Q3 \$18.12

EAST SHORE

VACANCY RATE ▲ Q4 8.9%
Q3 8.8%

ABSORPTION ▲ Q4 (16,902) SF
Q3 (102,439) SF

RENTAL RATE ▲ Q4 \$18.47
Q3 \$18.23

NOTABLE TRANSACTIONS



Alderman leased 25,986 SF at 5031 Richard Lane in Mechanicsburg.



Gladstone sold two office buildings totaling 6,870 SF at 3510-3512 Trindle Road in Camp Hill.



Wilsbach sold 6,245 SF office at 61 Duke Street in Northumberland.

HARRISBURG DEMOGRAPHICS



POPULATION
595,656



HOUSEHOLDS
239,981



MEDIAN HH INCOME
\$72,224



LABOR FORCE
363,111



UNEMPLOYMENT RATE
3.3%