



# MARKET REPORT

H2 2023 | Harrisburg Metro



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# MARKET OVERVIEW

## MARKET SUMMARY

In 2023, many factors contributed to slowing activity in the commercial real estate market, specifically higher interest rates and economic and geopolitical uncertainty. Locally, the Harrisburg market was widely impacted by increased interest rates; primarily those affected were Landlords and Buyers. The former having to adjust lease terms depending on tenant demands and the latter having to modify transaction timelines or deal terms as a result of pricing discovery during due diligence.

Understanding the impact of interest rates on the overall market is important, but equally significant is the impact of demand across all sectors, so let's discuss the good, the okay, and the ugly.

**The Good.** Retail performed generally well in 2023 due to consumer spending and retail tenant demand for quality space (also true for office space). Overall vacancy fell to 4.7%, well below the five-year average of 5.4%, with only 124,000 SF in the Harrisburg Metro pipeline. This demand has pushed rental rates by 3.5% YOY to \$16.78/SF/YR on average.

**The Okay.** Industrial demand slowed in the national market due to economic and supply-chain issues, resulting in an increase of vacancy in our local market to 4.0%. Despite this slowing, rent growth remains strong, increasing to \$7.98/SF/YR. 12-month net absorption totaled 1.7 million SF in 2023, compared to 4.8 million SF in 2022. This slowing may continue into 2024 as only two (2) industrial buildings totaling 444,000 SF are under construction in the Harrisburg Metro.

**The Ugly.** At YE 2023, office vacancy is 7.9%, though still below the national average of 13.5%. Important to note, that many office leases in our market are structured with a five (5) year term. A significant portion of the 'shadow-vacancy' we have discussed may come into the light in 2024, as those 5-year leases commenced pre-pandemic in 2019. As lease terms expire, tenants are becoming more efficient and demanding higher-quality spaces in buildings with a focus on amenities.

## DEMOGRAPHICS



POPULATION  
**599,135**



LABOR FORCE  
**366,614**



UNEMPLOYMENT RATE  
**2.6%**

OFFICE	RETAIL	INDUSTRIAL
VACANCY RATE		
▼ 7.9%	▼ 4.7%	▲ 4.0%
RENT PER SF		
▼ \$18.26 /SF	▲ \$16.78 /SF	▲ \$7.98 /SF
SALE PRICE PER SF		
▼ \$114 /SF	▲ \$145 /SF	\$90 /SF
12 MO. NET ABSORPTION		
▲ 581K SF	▼ 163K SF	▼ 1.7M SF
BUILDINGS UNDER CONSTRUCTION		
6 191K SF	4 124K SF	2 444K SF

Indicators reflect the year-over-year (YOY) change from 12/31/2022 to 12/31/2023.



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# BUSINESS SNAPSHOT

## POWER OF NAI GLOBAL

**LAS VEGAS, NV** - **Jack Shepley**, SIOR, Executive Vice President, utilized the NAI Global network to assist his client on a tenant representation assignment. Shepley and the NAI Excel team, based in Las Vegas, assisted the client in securing a new +/- 122,071 square foot lease in the +/- 150,000 square foot industrial warehouse located at 5902 E. Tropical Parkway, Las Vegas, NV. The tenant is based in Central Pennsylvania.

**SHIREMANSTOWN, PA** - **Robin Zellers**, SIOR, FRICS, CRE, assisted NAI Robert Lynn, based in Dallas, TX, on a tenant representation assignment. Zellers worked with the NAI Robert Lynn team to assist the client in securing a new 74,552 square foot lease of office/warehouse space located at 301 Railroad Avenue, Shiremanstown, PA. The tenant has multiple locations throughout the country including Seattle, WA, Salt Lake City, UT, Los Angeles, CA and Dallas, TX.

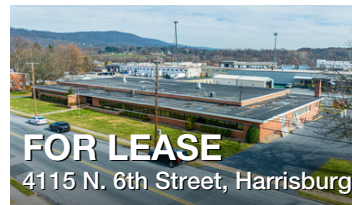
## NEWSROOM

**SOLD!** The +/-21,424 square foot, three-building medical office portfolio at 773, 777, and 785 Cherry Tree Court sold in August 2023. Advantage Lifts will renovate two of the three buildings, to relocate its administrative office which supports its family of companies. **Zellers** and **Khuri** handled this transaction.

**LEASED!** **Jack Shepley**, SIOR, and **Aaron Albright** represented wholesaler, Mr. Brands, in the successful leasing of +/-211,358 square foot warehouse at 1 Keystone Drive in Lebanon, PA. Mr. Brands will use the space to expand its growing wholesale/distribution business.

**LEASED!** **Nik Sgagias** and **Amber Corbo** represent Kinya, a popular ramen chain, as it expands its presence beyond its current 12 locations. They have successfully secured five new leases and aim to open an additional 10 locations in the near future.

## NEW INVENTORY



## NOTABLE TRANSACTIONS



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# COMPANY HIGHLIGHTS

## FROM THE CEO



2023 was a year of 'news' for NAI CIR: new branch office, new agents, new staff, new partner. In Spring 2023, we opened our first new branch office at 3 Jennifer Court in Carlisle, PA. Expanding into Carlisle allowed us to be the first exclusively commercial real estate firm to have an office in the Carlisle market, which provides this rapidly growing market with a more knowledgeable and engaged level of commercial real estate services. Joining this office is **Pamela Fisher**, Senior Vice President, who has a tremendous background in engineering and land development. Pam is also deeply connected to the business and municipal community. Carlisle native, **Kimberly Wickard**, joined the team as Agent Support for the Carlisle office. With proximity to Adams, Franklin and Fulton Counties, this new office will allow these markets to be better served by the entire NAI CIR team.

Three additional agents joined the NAI CIR team in 2023. **Cooper DeBernardis**, Associate, started in September following a residential real estate career with a renowned Camp Hill-based team. Cooper grew up in Mechanicsburg and has been a successful entrepreneur and salesperson for many years. Hanover native, **Tony Plakas**, Associate, also began his NAI CIR career in September. For over 30 years, Tony has managed his multi-family real estate portfolio and his family's successful Hanover restaurant. His connections in Hanover are unmatched and this market will benefit from having a local community member engaged in the commercial real estate activities. **Bryan Donovan**, Senior Associate, joined NAI CIR in late 2023. Following an 18-year career with an international grocery retailer, Bryan began buying and managing commercial real estate properties. His portfolio of experience includes industrial, multi-family, and manufactured home communities. A true entrepreneur, Bryan is also a proud co-owner of the Harrisburg Beach Club, a new establishment located at the 100-year-old bathhouse on the north end of City Island. Bryan's experience and network directly translate to his work as a commercial agent.

Finally, we have taken corporate steps to ensure the ongoing continuity and successful leadership of NAI CIR. **Nik Sgagias**, our President, and I are proud to announce the addition of **Casey Khuri** to our partner/ownership team. Casey has been an invaluable leader in our evolution, innovation and expansion. Her dedication to our community leadership roles exemplifies our company's commitment to Central PA. In addition to ownership duties, Casey has taken on the role of Chief Operating Officer of NAI CIR.

NAI CIR continues to grow, evolve and provide ethical, professional and industry leading commercial real estate services to our Central Pennsylvania Region. Thank you to all of our partners, clients and supporters. Watch for many more NAI CIR "news" in the coming year.

*"We are very proud of our expanding team and our increasing presence in the Central PA commercial real estate market"*

Robin Zellers, CEO

## IN THE COMMUNITY



Family Night @ Harrisburg Senators Game

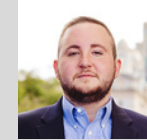


Hospice of Central PA Golf & Racquet Classic  
Proud Sponsors & Khuri gets a Hole in One!



YWCA Greater Harrisburg Giving Program

## NEW AGENTS



**Cooper DeBernardis**  
Associate  
Lemoyne Office



**Bryan Donovan**  
Senior Associate  
Lemoyne Office



**Pamela E. Fisher**  
Senior Vice President  
Carlisle Office



**Tony Plakas**  
Associate  
Lemoyne Office



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