

August 2019

HARRISBURG COMMERCIAL

# real estate REPORT

## Secondary Markets Are Becoming First-Choice Investments

Smart money is looking outside major urban centers for new opportunities.

By Keith Pierce



The commercial investment market is always searching for properties that offer reasonable costs of entry and attractive returns upon exit. For many investors, office properties have long been a staple of asset allocation. They offer good returns throughout most of the real estate cycle, and historical data support rent growth expectations over the long term. The risks may be greater than industrial or smaller retail properties, but the rewards are correspondingly substantial.

Traditionally, larger funds have focused attention on gateway cities around the world. These are typically, but not always, coastal cities or national capitals with large populations and a diverse, often high-paying range of industries. Major companies are often headquartered in gateway cities, providing access to a large, well-educated talent pool. Tokyo, Hong Kong, London, and Paris are examples of global gateway cities. The U.S. has New York, Los Angeles, San Francisco, Boston, and Chicago. For years, these cities have been considered safe bets and the most profitable for office investors.

Recently, investors have placed more bets in secondary markets and, perhaps more surprisingly, in suburban properties in those markets.

### Where Are We in the Cycle?

The economy has been expanding for several years, which influences the commercial investment market in a few ways. First, demand for quality product skyrocketed in recent years as rents rose and investors realized value in the commercial investment market, both while

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Articles are typically 1,200 – 1,500 words and include an author bio, headshot, and recognition for your company.

**Contact:** Leah Wentz (717) 761-5070, ext. 116 or [lwentz@naicir.com](mailto:lwentz@naicir.com).

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(717) 761-5070 ext. 120  
[wgladstone@naicir.com](mailto:wgladstone@naicir.com)  
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# NAICIR

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## New Listings



### Commercial Sale - 16 E. Market Street, Leola

- Former bank site with good access (three points of access) and visibility
- Freestanding commercial building offers excellent on-site parking and a versatile layout that would be conducive for office, medical, or commercial users
- Over 20 lined parking spaces



### Commercial Sale - 2221 N. Sixth Street, Harrisburg

- Historic church was founded in 1890, rebuilt in 1895 and expanded in 1916 as a memorial to Camp Curtin, the largest northern military camp of the Civil War
- The church stands out as a prominent important architectural landmark for the city of Harrisburg and the region
- Property features the ability to seat over 700 congregants, beautiful stained glass windows, one of the largest organs in Harrisburg, many offices and classrooms, and a large commercial kitchen with adjacent fellowship hall



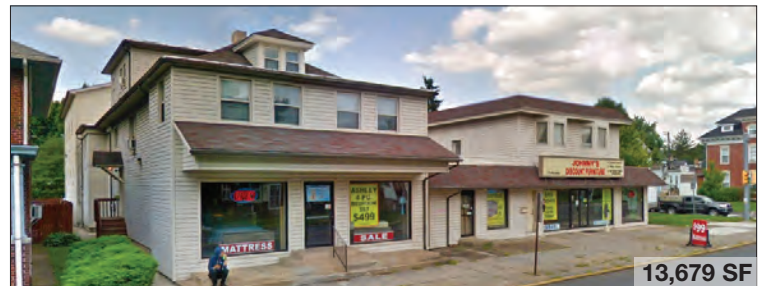
### Warehouse Lease - 1900 Crooked Hill Road, Harrisburg

- Multi-use building with up to 12,000 SF available for lease
- Built in 2001, the space features newer upgrades - high ceilings (18'7" clear), 3 docks, 3 drive-in's, a sprinkler system, central air, and heat
- Located minutes from the City of Harrisburg, Route 22 and I-81, this site is highly desirable



### Commercial Sale - 260 Boas Street, Harrisburg

- Two-story brick building features a fully finished basement, an adjacent courtyard, fellowship hall, kitchen, classrooms, and office
- The property is elevator serviced and the second floor sanctuary holds approximately 250 people
- Built in 1881, this historic building features many architectural details



### Commercial Sale - 3432 - 3440 Derry Street, Harrisburg

- Well-maintained, mixed-use property located on a corner site on a heavily traveled section of Derry Street and Paxtang Avenue
- Stand-alone building features street-level retail, second floor apartments and an attached warehouse
- All apartments are fully occupied



### Commercial/Land Sale - 453 Jonestown Road, Jonestown

- Over 2 acres of commercial land located just moments from Route 72 and Route 22
- Two-story home on the property could be utilized or removed for a redevelopment opportunity
- Excellent access and visibility from heavily traveled Jonestown Road

holding the assets and upon their exits. As a result, pricing has done what pricing always does: It rises precipitously in response to increasing demand.

Given the length of the current expansion, a second dynamic emerged recently. No one knows for sure what the next year or two will hold, but many investors are beginning to hedge their bets in advance of an economic slowdown. This has created a rush to find high-quality product (e.g., office buildings along with multifamily and industrial properties) that will hold or increase its value in the coming years while providing a reliable revenue stream. The competition for these investment properties is also elevating prices. According to research from Transwestern Commercial Services, average price per square foot for Class AAA office buildings in gateway markets increased 19 percent over the past two years, to an average of \$623 per square foot.

## Running Out of the Usual Suspects

Many investors are struggling to find enough high-quality assets under these conditions. As a result, many fund managers are apprehensive about spending capital in cities and sectors that may have already peaked in price.

Over the past couple of years, investors have started to consider alternatives. Self-storage facilities, for instance, have grown in popularity due to a reputation for holding value and providing a reliable, consistent source of revenue. Even bundled single-family assets are being purchased and managed by real estate investment trusts in search of steady revenues and healthy returns.

**"Over the past couple of years, investors have started to consider alternatives. Self-storage facilities, for instance, have grown in popularity due to a reputation for holding value and providing a reliable, consistent source of revenue."**

Regarding locations, both U.S.-based and international investors are taking another look at second-tier markets such as Atlanta, Dallas, and Phoenix - thriving Sunbelt cities with strong population and job growth, but without the same level of price appreciation as Boston, San Francisco, or Washington, D.C. Investors see opportunities in these cities for more attractive pricing and, therefore, higher yields, with economies that still offer confidence and a successful exit strategy.

For example, in 2018, Atlanta's office sector saw a continuing surge in investor interest, with nearly \$4 billion in sales, well above the metro area's historical average. (By way of comparison, the figure for Boston was \$6.4 billion.) This activity came from a range of buyers and buyer types, both domestic and international, reflecting deep and wide interest in Atlanta. In Dallas, the office sector saw \$4.4 billion in office sales during 2018, one of the highest annual figures in that market. The smaller Phoenix area achieved nearly \$2.8 billion in sales in 2018, a new annual peak for that market.

(Continued on page 4)

## New Listings



### Investment Sale - 205 Grandview Avenue, Camp Hill

- Class B medical/office investment opportunity
- The building is located in a prestigious West Shore location and boasts gorgeous views
- Property is undergoing major renovation including new HVAC units



### Office Lease - 1773 W. Trindle Road, Suites B & D, Carlisle

- Newly updated office space for lease along busy Trindle Road
- Easy access to I-81 and the rapidly growing areas of Carlisle
- Located right in the heart of new retail and adjacent to Target anchored Carlisle Crossing Shopping Center



### Land Sale - 1301 Eisenhower Boulevard, Harrisburg

- 1.86 Acres available on Eisenhower Boulevard in Harrisburg
- Property is located in the retail, commercial and industrial sector of Harrisburg, just one mile from the Pennsylvania Turnpike/I-76
- Average daily traffic on Eisenhower Boulevard is 12,000



### Land Sale - 1345 Eisenhower Boulevard, Harrisburg

- 3.95 Acres available located in Harrisburg on Eisenhower Boulevard at a traffic controlled intersection of Quarry Road
- Property is on the corner of a retail, commercial and light industrial sector of Harrisburg just one mile from the Pennsylvania Turnpike/I-76
- Average daily traffic on Eisenhower Boulevard is 12,000

## Reconsidering the Suburbs

Increasingly, many opportunities for both attractive pricing and higher yields are coming from the suburbs. Looking again at Atlanta's top office sales of 2018, the property types and locations are striking. Unsurprisingly, sales activity in newly constructed towers was strong, but older, renovated properties also commanded strong pricing. Six of the top 10 sales in Atlanta in 2018 occurred outside of the central business district. In Dallas, 90 percent of 2018's office sale volume was in the suburbs, while suburban properties accounted for 85 percent of Phoenix's sale volume. In contrast, 71 percent of Boston's sales volume in 2018 was found in its central business district.

This new interest is due in large part to the urbanization of the suburbs. Neighborhoods that once had traditionally suburban qualities now offer urban amenities, such as entertainment and public transit, which give office users and residents an experience often associated with urban centers - all at price points lower than those in urban centers. These projects become beacons, generating successful leasing results with above-market rates that capture investor attention.

With prices continuing to skyrocket in New York and Los Angeles, this heightened level of activity in second-tier cities should continue, with suburban assets gaining more attention. New players entering those markets will seek to bring more value to their portfolios. Between the added attention given to urbanized developments in the suburbs and the fact many investors are just beginning to take notice of these properties, well-leased and amenitized suburban office buildings may be where the greatest opportunities will be found for the foreseeable future. ■

### About the Author:

Keith Pierce is director of research for the Southeast U.S. at Transwestern Commercial Services. Contact him at [keith.pierce@transwestern.com](mailto:keith.pierce@transwestern.com).



### Lease - 4647 Jonestown Road, Harrisburg

- Popular retail site - freestanding, updated building with great curb appeal and visibility on highly traveled street
- Bright, open floorplan on first floor and lower level floor features a separate entrance and drive-in door
- 13 Parking spaces on-site

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## Commercial Listings



Price Reduced

2,854 SF

### Sale - 5 N. Market Street, Duncannon

- Prime retail/commercial space in the Borough of Duncannon
- Former bank boasts a notable exterior facade and a clean, functional interior with vault
- Call for additional details and to schedule a tour



11,000 SF

### Sale - 25 S. 28th Street, Harrisburg

- Beautiful stone church in the heart of Penbrook Borough with 30'+ chapel ceilings, stain glass windows, and a large organ
- Features multiple chapels, classrooms, offices, and a large social hall with adjoining kitchen
- Property conveys with a large parking area



62,621 SF

### Sale - 2801 North Third Street, Harrisburg

- Stunning landmark in the City of Harrisburg available for sale
- The Zembo Shrine Center was beautifully constructed with the Moorish Revival style architecture and has been well-maintained throughout its years
- Over 300 lined parking spaces

# NAICIR

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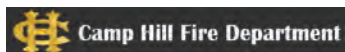


Our 8th Annual community event benefiting children with special needs and their families took place on July 30, 2019 at the beautiful venue, The Grace Milliman Pollock Performing Arts Center in Camp Hill, PA. The Bill Gladstone Group of NAI CIR hosted the event with TrueNorth Wellness Services with there being about 200 attendees. Children enjoyed balloons, face painting, hair styling, crafts, character meet and greet, musical talent, therapy dogs, and light food and refreshments. There was also a live, theatrical performance of Seussical The Musical, JR. We organized this event at zero cost to families in an effort to provide a free and fun family activity in a supportive and understanding environment.

We were pleased to have another successful event and could not have done so without our sponsors below! Thanks to our sponsors, the Bill Gladstone Group of NAI CIR and TrueNorth Wellness Services were able to supply attendees with goodie bags, provide treats prior to the show, and some volunteered their time during the activities. Some sponsors contributed a monetary donation, directly benefiting TrueNorth Wellness Services.

Contact Leah Wentz at lwentz@naicir.com or (717) 761-5070 ext. 116 for details on how to contribute for future events.

## Thank You Sponsors



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Bridgette Campbell  
Hershey Entertainment & Resorts Company

## Industrial Listing



29,280 SF

### Sale - 700 Angenese Street, Harrisburg

- Functional warehouse property for sale along the 6th Street industrial corridor
- Convenient access to I-81, Route 22/322 and the City
- A 5,500 SF temporary canvas building has been setup at this location, which can also be purchased for an additional cost

## Investment Listing



Price Reduced

28,000 SF

### Sale - 3101 N. Front Street, Harrisburg

- Well-maintained, 3-story masonry building overlooking the Susquehanna River
- Five (5) year lease renewal started January 1, 2019
- No deferred maintenance and on-site parking available
- Tenant is an agency of the Commonwealth of PA
- Signed Confidentiality Agreement needed for additional information

## Featured Land



5.23 - 57.5 Acres

### Sale - 700 S. Baltimore Street, Dillsburg

- Exceptional property made up of three parcels with great topography and accessibility from Baltimore Street (Route 74)
- Only moments from Route 15, this is a truly unique opportunity with a great country setting for a residential neighborhood
- Properties can be sold together or individually

# Office Listings



## Lease - 4386 Sturbridge Drive, Harrisburg

- Class A office space for medical or professional use
- Space in shell condition, ready to accept a build-out designed to suit tenant
- Located along Route 39 with access to amenities such as lodging, eateries, gas, banking and all major transportation corridors



## Sale - 4825 E. Trindle Road, Mechanicsburg

- Various opportunities exist at this location
- For the office user, the building lays out well for a small professional or business office
- For an investor, there is an acre of land for a potential larger office or construction of multi-family units behind the current office building



## Sale - 5650 Lancaster Street, Harrisburg

- Newly renovated building conveniently situated on Derry Street, just moments from Route 322 and 283/83 interchange
- The building underwent major upgrades in 2017 and has been well-maintained throughout the years
- The unique set-up offers many possible options for an office or commercial user



## Sale/Lease - 1001 S. Market Street, Mechanicsburg

- Two-story professional medical office available
- Recently renovated with high quality finishes and an efficient floorplan
- Desirable location in Southpoint Office Center at the intersection of Market Street and Shepherdstown Road and near Cumberland Parkway exit of Route 15



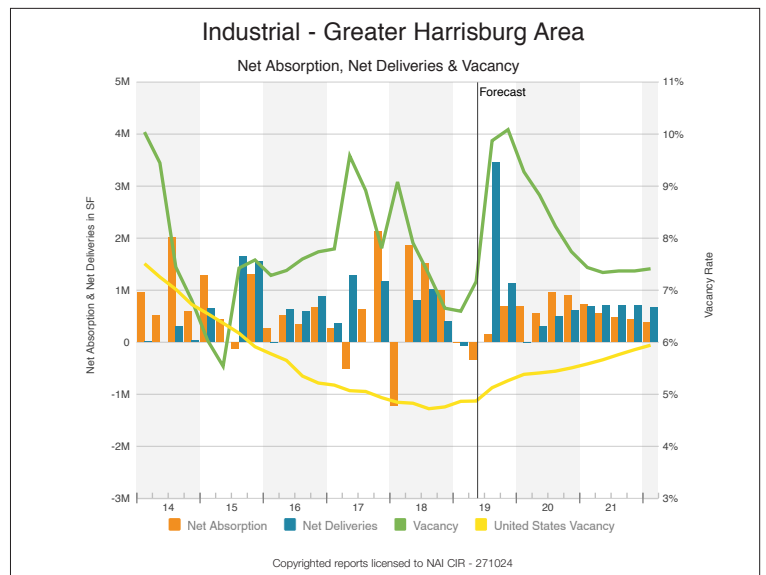
## Lease - 1007 N. Front Street, Harrisburg

- Attractive office space on North Front Street with beautiful views of the Susquehanna Riverfront
- The entire building is going through interior upgrades and boasts new carpet, fresh paint and many amenities including large shared conference room, a court-yard with seating, parking, and wi-fi
- Turn-key and within walking distance of the Capitol with quick access to I-83, I-81 and West Shore



## Lease - 1100 N. Mountain Road, Suite 1, Harrisburg

- Large, open office suite in this brick, single-story office building in Lower Paxton Township
- Great signage and visibility on Mountain Road
- Close proximity to I-81



# Office Listings



266 - 4,453 SF

## Lease - 415 Market Street, Harrisburg

- Attractive office spaces at the Harrisburg Transportation Center
- In walking distance to all the downtown restaurants, amenities, and Riverfront Park
- Located in Technology Corridor Enterprise Zone
- **HALF PRICE RENT for the first year on a 3 or 5 year deal (promotion ends October 31, 2019)**



1,500 SF

## Lease - 3507 Market Street, Suite 102, Camp Hill

- Located within the heart of the West Shore, this aesthetically pleasing building has one suite available for lease
- The property is centralized on Camp Hill's main travel artery and is close to many restaurants and businesses
- 45 Parking spaces available

## Land Listings

Location	Acres	Zoning	Type
370 W. Main Street, Leola, Lancaster County	1.3 - 2.8	General Commercial	Sale/Lease
<b>NEW</b> - 1301 Eisenhower Boulevard, Harrisburg, Dauphin County	1.86	ML-Light Industrial	Sale
5650 Derry Street, Harrisburg, Dauphin County	1.90+/-	Commercial Limited	Sale
Bent Creek Boulevard, Lot 2, Mechanicsburg, Cumberland County	2.02	Community Commercial	Lease
<b>NEW</b> - 453 Jonestown Road, Jonestown, Union Township	2.05	Commercial	Sale
<b>Price Reduced</b> - 7700 Derry Street, Harrisburg, Dauphin County	2.12 (lot 4)	Commercial District General	Sale
<b>Price Reduced</b> - I-81 and W. Trindle Road, Carlisle, Cumberland County	2.18 (2 parcels)	Commercial Highway	Sale
<b>Price Reduced</b> - 100 Narrows Drive, NEC of US Route 422 & Narrows Drive, Lebanon	2.2	Commercial	Sale
<b>Price Reduced</b> - 7700 Derry Street, Harrisburg, Dauphin County	2.3 (lot 8)	Commercial District General	Lease
<b>Pending</b> - St. Johns Road, Camp Hill, Cumberland County	3.05	General Commercial District	Sale
<b>NEW</b> - 1345 Eisenhower Boulevard, Harrisburg, Dauphin County	3.95	ML-Light Industrial	Sale
Peters Mountain Road & River Road, Halifax, Dauphin County	5.1	None	Sale
700 S. Baltimore Street, Dillsburg, York County	5.23 - 57.5	Agricultural - Conservation (AC)	Sale
Eisenhower Boulevard, Harrisburg, Dauphin County	5.39	Commercial General	Sale
W. Suncrest Drive and Spring Road, Carlisle, Cumberland County	6.72 (5 parcels)	Commercial/Light Industrial	Sale
1706 Good Hope Road, Enola, Cumberland County	6.78	Office Park	Sale
<b>Pending</b> - 503 Jonestown Road, Jonestown, Lebanon County	7.91	Commercial	Sale
Route 441 and Orchard Drive, Harrisburg, Dauphin County	8.34	Single Family Residential District	Sale
<b>Pending</b> - 730 Limekiln Road, New Cumberland, York County	8.64	Commercial Business	Sale
Carlisle Pike (Route 11) Waterford Square, Mechanicsburg, Cumberland County	8.78 (8 lots)	Community Commercial (C2)	Sale
1900 State Road, Duncannon, Perry County	9.46	Commercial	Sale
<b>Price Reduced</b> - Eisenhower Blvd & Highspire Road, Harrisburg, Dauphin County	10	Commercial District General	Sale
Gettysburg Pike & Spring Lane Road, Dillsburg NWC, York County	14.92	Commercial	Sale
<b>Price Reduced</b> - Allentown Boulevard, Harrisburg, Dauphin County	17+	Commercial Highway (CH)	Sale
<b>Price Reduced</b> - 349 Pleasant View Road, New Cumberland, York County	45.48	Commercial Business	Sale

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## Check Out Our Recent Deals

Visit [www.billgladstone.com](http://www.billgladstone.com) to view listings not included in this issue.



### **SOLD – 1309 Bridge Street, New Cumberland**

**Tathaastu, LLC** purchased a 12,925 SF office building at 1309 Bridge Street in New Cumberland. The Bill Gladstone Group of NAI CIR represented the seller and Art Campbell with Campbell Commercial Real Estate, Inc. represented the buyer.



### **SOLD - 920 Linda Lane, Camp Hill**

**A printing company** purchased a 9,468 SF office building located in Lower Allen Township. The Bill Gladstone Group of NAI CIR represented the seller and Roy Brenner of Landmark Commercial Realty, Inc. represented the buyer.



### **SOLD - Linglestown Road, Harrisburg**

**Pledge WD Investments, LLC** purchased 60+ acres located on Linglestown Road in Harrisburg. The Bill Gladstone Group of NAI CIR handled the transaction.