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HARRISBURG COMMERCIAL

real estate REPORT

Stock Up For Lean Times

The self-storage industry is benefiting from continued economic growth, but storm clouds could be on the horizon.

By Bill Barnhill, CCIM, and Ben Vestal



Congratulations, America! In October, the economy entered its 123rd consecutive month of growth, beating the previous record of 120 months set in March 2001. This is the longest the country has gone without a recession since economists began tracking such things.

This growth has been slow but steady. Gross domestic product increased by nearly 25 percent during the current U.S. expansion, the slowest growth of any modern

expansion, and the economy has grown about 2.3 percent per year since June 2009, when the Great Recession ended. That's more than half the 4.3 percent average growth rate of the 10 previous economic expansions. And now, concerning economic factors have made the news of late - inverted yield curve, market volatility, and, to top it off, an approaching election year.

"Gross domestic product increased by nearly 25 percent during the current U.S. expansion, the slowest growth of any modern expansion, and the economy has grown about 2.3 percent per year since June 2009, when the Great Recession ended."

Looking at the economic downturns over past 25 years in the self-storage business - especially the Great Recession - many self-storage owners and investors were caught off guard by the timing and severity of these events. Although self-storage fared better than other real estate sectors, owners experienced occupancy declines and mortgage defaults. Many also had difficulty maintaining net operating income and cash flow.

While it is difficult to predict when a recession will occur, there doesn't seem to be a major one on the horizon. However, a small, stealthy recession could be coming soon, and it's prudent for those in self-storage to prepare now. The tricky thing about recessions is that we will already be in one by the time economic data from the previous two quarters are released to provide confirmation. We will most likely slip into a downturn without even knowing it.

From 2013 to 2018, the self-storage development wave was in full swing around the country; that growth is expected to taper off through 2020. Due to product awareness, developer confidence, low interest rates, and fluid debt and equity markets, an abundance of new self-storage projects have been built in every major market.

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New Listings



Land Sale - 755 Kriner Road, Chambersburg

- 4.73 - 7.82 Acres available
- Located between Chambersburg and Greencastle, PA off I-81, Exit 14, on Kriner Road across from the CSX Intermodal Terminal in Chambersburg, PA
- Average daily traffic on I-81 is 23,700 (north), and 24,778 (south)



Land Sale - Kriner Road, Chambersburg

- 4.64+/- Acres available
- Located near major industrial distribution centers; CSX Intermodal Terminal, Target, KMART, Nitterhouse Concrete Products
- Over 400' of exposure to I-81 and over 400' of frontage on Kriner Road

Commercial Listings



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



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

(Featured article...Continued from page 1)

With low short-term interest rates and a dip in long-term rates, the current market condition continues to push strong valuations and further compress cap rates. The Fed announced a decrease in short-term interest rates by 25 basis points in July. While this may be a preemptive measure to cushion the economy from a global slowdown and uncertainties around trade, this action by the Fed should be a warning sign that the economy is not growing as fast as it once was. It's time to proceed with caution.

The greatest risks to self-storage are overbuilding, rising interest rates, and lacking new financing to take down maturing construction loans or refinance maturing debt.

How can you prepare for the next economic slowdown? The greatest risks to self-storage are overbuilding, rising interest rates, and lacking new financing to take down maturing construction loans or refinance maturing debt. Here are five suggestions to help self-storage owners prepare:

1 Lock in long-term debt. With some of the lowest interest rates in recent history, be sure you have enough term on your debt to endure several years of a stalled economy and debt market. Do not over finance, and keep the loan-to-value in line so you can endure lower rental rates and fewer occupancies in the event of a slowdown.

2 Utilize professional management practices and keep current with new management tools, such as the ability to rent online, remote management, dynamic pricing, and revenue management.

3 Maintain your property. If there are any major maintenance projects that need to be completed, don't delay. It is better to replace a roof now than when under the stress of more competition, lower rental rates, and other recession-related challenges.

4 Maintain substantial cash reserves. Being able to act quickly when new acquisition opportunities present themselves will help ensure value creation and a more diversified real estate portfolio.

5 With the 2020 presidential election looming, any real change in the economy over the next six or nine months is unlikely. However, be able to anticipate changes in fiscal policy that could affect the economy in general. In particular, focus on the availability and cost of capital. Stay informed about the economy and how to remain competitive in your self-storage business.

Although the U.S. economy is still growing, albeit rather slowly, other countries could pull us into a global recession. Watch for signals like defaults on consumer debt, such as car loans, credit cards and student loans, that often precede more serious slowdowns. The time to prepare is now - the U.S. economy by most measures is healthy and doing well, but that can change in a few quarters. When this will happen, we don't know, but we can watch for signals and be well-prepared to weather the storm. ■

About the Authors:

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Commercial Listings



Sale - 16 E. Market Street, Leola

- Former bank site with good access (three points) 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



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



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

Employer Be Nible: Pennsylvania Swaps Wage and Hour Salary Threshold Regulation For Increase In Minimum Wage Rate

By Kathy Speaker MacNett, Esq.

Recently, we alerted you to a change in the salary threshold under the federal Fair Labor Standards Act (“FLSA”) for so-called White-Collar exemptions for Executive, Administrative and Professional employees. Those white-collar exempt employees would not need payment for overtime if they were paid at least \$684 a week effective January 1, 2020.

Then the action switched to the state level with a proposed Pennsylvania regulation for the same white-collar employees, which would have escalated the salary threshold far beyond the federal level. Now that proposed Pennsylvania regulation on the salary threshold has been withdrawn in favor of a legislative proposal, SB 79. This bill, in its current form, amends the Pennsylvania Minimum Wage Act (“PMWA”) to increase the minimum wage rate for non-exempt, usually hourly, employees.

Highlights include an increase in the minimum wage rate from its current level of \$7.25 per hour to \$9.50 by January 1, 2022 in steps:

July 1, 2020	\$8.00
January 1, 2021	\$8.50
July 1, 2021	\$9.00
January 1, 2022	\$9.50

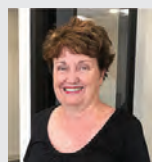
The bill also presently includes language eliminating many differences in interpretation between the PMWA and the FLSA, which should be helpful to employers in eliminating the Compliance Gap between state and federal laws. The bill also would add an exemption for outside salesman, a highly compensated employee, a computer system analyst, computer programmer, software engineer or other similarly skilled work from both minimum wage and overtime. Up to 10% of the salary or fee amount for the salary threshold may result from payment of non-discretionary bonus, incentive or commission.

The bill also contains a provision stating that an employer may not deduct from tips on credit cards, the amount charged by a credit card company for processing the transaction. The employer must pay the employee the tip no later than the next regular payday following the date the customer authorized credit card payment.

SB 79 has already passed the state Senate and is awaiting committee consideration in the Pennsylvania House of Representatives. It is not yet law. If the bill passes the state House, it would take effect 90 days after signature by the Governor.

Bottom Line: This bill contains pro-employee increases in the basic minimum wage, but also includes many provisions favorable to employers, and streamlines the compliance process between federal and state wage and hour laws. Stay tuned to see what happens during consideration by the Pennsylvania House of Representatives. ■

About the Author:



Kathy Speaker MacNett, Esq. is a Managing Member of SkarlatosZonarich, LLC, concentrating her practice in management-side labor and employment matters. She has advised a large array of public and private sector clients. She can be reached at ksm@skarlatoszonarich.com or (717) 233-1000.

Commercial Listings



1,282 SF

Lease - 418 Market Street, Lemoyne

- Highly visible location in Lemoyne
- Store front windows and off-street parking
- Open floorplan will allow for a variety of uses



2,712 SF

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



5,918 SF

Lease - 415 Market Street, Harrisburg

- First floor space available in the Harrisburg Transportation Center in Downtown Harrisburg
- Within walking distance to all the downtown restaurants, amenities, and Riverfront Park

Office Listings



10,984 SF

Sale - 75 Evelyn Drive, Millersburg

- Well-maintained, large office building located just minutes from Routes 147 and 209
- Functional layout offers the ability for a single user or multiple users
- Property boasts excellent parking, large windows and a versatile floorplan



120 - 5,074 SF

Lease - 1801 Oberlin Road, Middletown

- Charming three-story stone structure with professional office tenants
- Convenient access to both Harrisburg and Lancaster
- Easy access to Harrisburg International Airport



Price Reduced

3,600 SF

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



2,380 SF

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



8,403 SF

Lease - 101 N. Pointe Boulevard, Lancaster

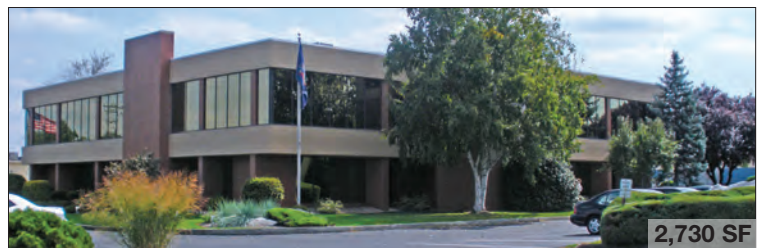
- Class A, multi-tenanted building in the heart of Lancaster County's business area
- This beautiful building boasts large window lines, in-suite cooling/heating, in-suite music system, a guarded lobby, a common area breakroom and many high-end finishes
- Great central location with ample parking available



800 - 885 SF

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



2,730 SF

Lease - 3425 Simpson Ferry Road, Camp Hill

- One suite available with great perimeter window lines designed for professional users
- Ample parking on-site and easy access to Route 15, Route 581, and the PA Turnpike (I-76)
- Amenities close by including banks, restaurants, shopping, and convenience stores



Lease - 301 Chestnut Street, Harrisburg

- Located at Pennsylvania Place, this is a one-of-a-kind development for the Harrisburg market that includes over 50,000 SF of Class A office space in the City's thriving downtown district
- The building offers an ultimate level of visibility, functionality and sophistication
- On-site parking, workout facility, a swimming pool and high-end finishes embody the urban luxury of this high-rise mixed-use building
- Call for **FREE RENT** details and certified opportunity zone benefits



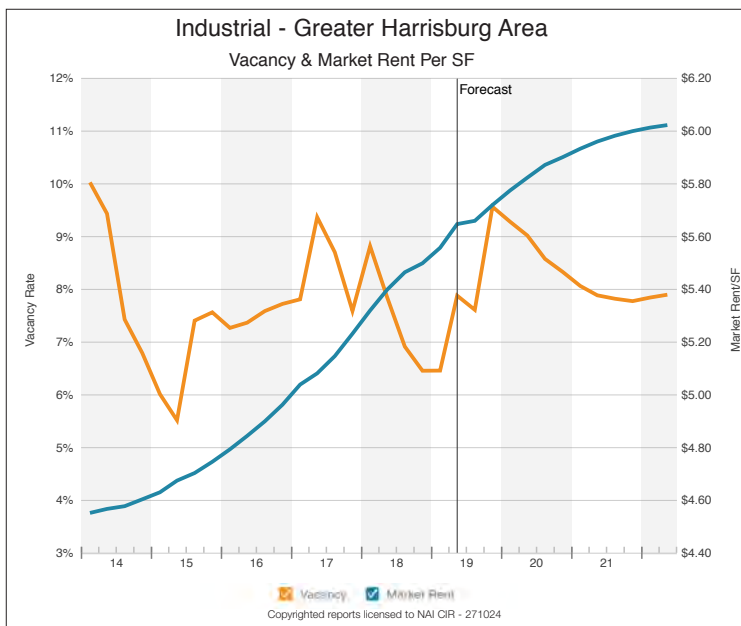
Lease - 208 N. Third Street, Harrisburg

- Office space in a prime central business district location
- Historic building faces the Capitol Complex with great window lines
- Downtown amenities are just a few steps away and parking is a block in every direction



Sublease - 3 Kennedy Street, Lancaster

- This 2,875 SF former bank has modern features and an intelligent layout for a variety of users
- The design includes 3 drive-thru lanes (1 ATM), 4 private offices, conference room, and a break room
- Located just minutes from the Route 30 interchange at Greenfield and Old Philadelphia Pike and Route 222



Industrial Listing



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



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



Sale - 100 Narrows Drive, Lebanon NEC of US Route 422 and Narrows Drive

- 2.2+/- Acres at the intersection of Route 422 and Narrows Drive adjacent to Holiday Inn Express
- Site has level topography, stormwater management plan already approved and driveway permits from the township
- All the site needs is a user to obtain plan approvals for their building and parking

Land Listings

Location	Acres	Zoning	Type
370 W. Main Street, Leola, Lancaster County	1.3 - 2.8	General Commercial	Sale/Lease
1301 Eisenhower Boulevard, Harrisburg, Dauphin County	1.86	ML-Light Industrial	Sale
5650 Derry Street, Harrisburg, Dauphin County	1.90+/-	Commercial Limited	Sale
Pending - Bent Creek Boulevard, Lot 2, Mechanicsburg, Cumberland County	2.02	Community Commercial	Lease
453 Jonestown Road, Jonestown, Union Township	2.05	Commercial	Sale
Price Reduced - 7700 Derry Street, Harrisburg, Dauphin County	2.12 (lot 4)	Commercial District General	Sale
Price Reduced - I-81 and W. Trindle Road, Carlisle, Cumberland County	2.18 (2 parcels)	Commercial Highway	Sale
Price Reduced - 100 Narrows Drive, NEC of US Route 422 & Narrows Drive, Lebanon	2.2	Commercial	Sale
Price Reduced - 7700 Derry Street, Harrisburg, Dauphin County	2.3 (lot 8)	Commercial District General	Lease
Pending - St. Johns Road, Camp Hill, Cumberland County	3.05	General Commercial District	Sale
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	4.87 (4 parcels)	Commercial/Light Industrial	Sale
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
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
Pending - Eisenhower Blvd & Highspire Road, Harrisburg, Dauphin County	10	Commercial District General	Sale
Pending - Gettysburg Pike & Spring Lane Road, Dillsburg NWC, York County	14.92	Commercial	Sale
Price Reduced - Allentown Boulevard, Harrisburg, Dauphin County	17+	Commercial Highway (CH)	Sale
Price Reduced - 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 to view listings not included in this issue.



LEASED - 4750 Westport Drive, Building C, Mechanicsburg

HEPACO, LLC, an environmental and emergency services company, leased 4,857 SF of flex space in Lower Allen Township. The Bill Gladstone Group of NAI CIR represented the tenant and Jason Sourbeer of Cushman & Wakefield represented the landlord.



SOLD - 1223 E. Chocolate Avenue, Hershey

Dax Investments, LLC purchased 2,850 SF of office space in Derry Township. The Bill Gladstone Group of NAI CIR handled the transaction.



SOLD - W. Suncrest Drive & Spring Road, Lot #10, Carlisle

New Visions, Inc. purchased 1.85+/- acres located in Cumberland County. The Bill Gladstone Group of NAI CIR represented the seller and Andrew Kronenberg of Keller Williams of Central PA represented the buyer.