

August 2020

HARRISBURG COMMERCIAL

# real estate REPORT

## Real Estate Strategies

By Joseph Larkin, CCIM, MCR, SIOR, SLCR



### Cost Segregation And Bonus Depreciation

Investors are capitalizing on the recent tax laws changes using cost segregation and bonus depreciation to decrease initial investment and increase returns.

### Increase Your Return On Your Real Estate Investment

A cost segregation study is a strategic planning tool that commercial and investment real estate owners can use to increase

their cash flow, improve their tax position, and improve their overall after-tax return on investment.

These cost allocation studies assess a taxpayer's real property assets and identify a portion of those assets that can be treated as personal property. By segregating personal property from the real property, the study reassigns costs that would have been depreciated over a 27.5-year or a 39-year period to asset groups that have a shorter cost recovery life. Once this is done, the accelerated cost recovery may, under certain circumstances, be expensed immediately.

**"By segregating personal property from the real property, the study reassigns costs that would have been depreciated over a 27.5-year or a 39-year period to asset groups that have a shorter cost recovery life."**

On average, 20% to 35% of a real estate investment may be reclassified into a tax class lives of 5-, 7-, or 15- years. This means much larger tax deductions for cost recovery are available in the early years of the investment than otherwise would be available with straight line depreciation over 27.5 for residential or 39 years for nonresidential. This can result in a substantially lower tax liability an increase in after-tax cash flow and return.

Recent tax law changes made two simple modifications to bonus depreciation, that will make cost segregation studies more valuable to long-term ownership of commercial and investment real estate. Real estate that has been placed in service after September 27, 2017 is eligible for 100% bonus depreciation treatment through tax year 2022.

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### Bill Gladstone Group of NAI CIR

Turning keys in commercial real estate for over 30 years.



# NAICIR

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## New Listings



9,720 SF

### NEW Industrial Sale - 40 Landings Drive, Annville

- Warehouse could fit a variety of uses - sandblasting, vehicle repair, painting and more
- Property features 18' x 16' doors (two drive-thru's), a 24.25' clear height and small office space
- The building can be turned over as a bare building or sold turn-key with all blasting and paint equipment in place



9,840 SF

### PENDING - Investment Sale - 5630-5638 Lancaster Street, Harrisburg

- Nine unit complex consisting of eight unit, 2-bedroom apartments and one two-story house
- Property has been well-maintained over the years
- To be sold together with 90 Kempton Avenue, Harrisburg



4,024 SF

### PENDING - Investment Sale - 90 Kempton Avenue, Harrisburg

- Four unit apartment complex
- Each apartment consists of two bedrooms, one full bathroom, a living area and kitchen
- Property has been well-maintained over the years
- To be sold together with 5630-5638 Lancaster Street, Harrisburg



2,400 SF

### NEW Office Lease - 30 E. Shady Lane, Enola

- Medical/professional office suite available at fiercely competitive rate in convenient location
- Property has recently been renovated and is well-maintained
- Current tenant has out-grown the space and will be leaving by the end of 2020



4,186 SF

### NEW Office Sale - 2451 N. 3rd Street, Harrisburg

- Commercial ADA accessible one story building in excellent condition that has been recently remodeled (carpet, paint and windows)
- Building offers 14 offices, waiting room, reception area, conference room, two restrooms and is located on the corner of N. 3rd Street and Schuylkill, next to the Polyclinic Medical Center
- Lower level has been finished and is useable for office space



2,024 SF

### NEW Office Sale - 815 Waynesboro Pike, Fairfield

- Freestanding, former financial institution on a corner parcel in the Borough of Carroll Valley
- This location offers good exposure and visibility
- Two drive-thru lanes protected by a 400+/- SF canopy



# Showcase Articles in 2020

Bill Gladstone Group of NAI CIR Accepting Articles for  
Harrisburg Publications



**What Are We Looking For?** Industry related articles that our readership of nearly 5,000 business decision makers and industry leaders would benefit from reading in print and online through social media and our website.

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.

(Featured article...Continued from page 1)

Bonus depreciation is a tax incentive that allows individuals and businesses to immediately deduct a certain percentage of their asset costs the first year they are placed in service rather than deducting them over the "useful life" of that asset. This bonus depreciation, which is also referred to as "additional first year depreciation deduction," allows the real estate investor to increase their tax deductions thus increasing their after-tax return.

## Unlocking The Equity In Your Real Estate And More

Any assets that are reclassified as personal property will be eligible for bonus and can be immediately expensed in the first year. This means that an investor acquiring an investment property and performing a cost segregation study may have a lower initial investment because of the tax savings during the year of acquisition.

## Consider The Following Example:

A taxpayer purchases a building for \$5 million. After performing a cost segregation study, the study reclassified 20-percent of the acquisition cost to be personal property. By assigning these assets a shorter depreciable life, the taxpayer could apply bonus depreciation and write off \$1,000,000 of the \$5 million purchase price in Year 1. A taxpayer in a 25 percent marginal tax bracket would save \$250,000 in taxes, or 5-percent of the purchase price.

Now is a good time to evaluate all your real estate assets. A cost segregation study does not have to occur in the year of the acquisition. The study could be performed on a property placed in service in a prior year where a tax return has already been filed. This is known as a look-back study.

A look-back study allows you to claim a catch-up depreciation tax deduction. The catch-up, taken in a single year, is equal to the difference between what was taken as depreciation and what could have been taken as depreciation if a cost segregation study

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## Commercial Listings



### 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



### Lease - 5129 E. Trindle Road, Mechanicsburg

- Brand new retail or office space along Trindle Road
- Great visibility and parking
- The 4,000+/- SF is an open shell - ready for your finishing touches



### Sale - 1440 State Street, Camp Hill

- Single-story, freestanding commercial building on heavily traveled State Street in Camp Hill
- The former NAPA store has an open floorplan which would allow for many commercial/retail uses
- Good parking and excellent visibility are just a few of this site's notable features



### Sale - 25 Carlisle Street, Hanover

- Stunning landmark in the Borough of Hanover available for sale
- This former bank building was beautifully constructed with great attention to detail and has been well-maintained throughout its years
- Over 55' frontage along Carlisle Street



(Continued from page 3)

had been performed. The IRS allows taxpayers to use a cost segregation study to adjust depreciation on properties placed in service as far back as January 1, 1987.

There are drawbacks to the use of a cost segregation study. On disposition, any asset that is converted to personal property will not qualify for 1031 exchange and maybe subject to tax at the taxpayer's ordinary income tax rate. In addition, all cost recovery that is taken is subject to recapture. All cost recovery take is subject to recapture tax.

Almost all taxpayers that plan to hold their commercial and investment real estate over the long run can benefit from a cost segregation study. A cost-benefit analysis of the study should be completed by a competent professional along with a comprehensive review of your individual tax situation with your tax advisor.

Cost segregation can reduce the owner's income tax liability, increase the property's cash flow, and enhance the after-tax internal rate of return that the property generates. To help with the analysis, the investor should engage qualified professionals with expertise in this, to help them decide if the benefits will outweigh the costs. ■

#### About the Author:



Joseph Larkin, CCIM, MCR, SIOR, SLCR is a commercial and investment real estate broker who provides transactional services and valuable counseling reports to his clients nationwide. Joe's core competencies include the investment performance and occupier analysis in the real estate markets and is an expert witness in litigation. He is a trusted advisor, agent advocate and an expert in financial modeling. He has received the Instructor of the Year Award from the CCIM Institute on three separate occasions. He is a proud alumnus of the Burns School at the University of Denver where he received a MS in Real Estate and has an appointed position as an adjunct professor. Joe was a lecturer at New York University (NYU) for 1-years. He has authored several articles and contributed to a number of books and publications on commercial and investment real estate topics. You can reach him at (720) 900-2044 or joelarkin@ccim.net.

## Industrial Listings



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

- Multi-use building with up to 8,000 SF available for lease
- Built in 2001, the space features newer upgrades including high ceilings (18'7" clear), 2 docks, 2 drive-in's, a sprinkler system and central air and heat
- Located minutes from the City of Harrisburg, Route 22 and I-81, this site is highly desirable



#### Sale - 140 - 148 Ole Lane, Grantville

- This nearly 1,400 SF industrial building sits on over 2 acres of paved parking
- Perfect for a trucking company or industrial user needing quick access to I-81
- Parking availability for 60+/- cars and trailers

## Office Listings



#### 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



#### Lease - 30 N. Third Street, Harrisburg

- 1,449 - 20,193 SF contiguous available in Class A office building
- Skywalk to Strawberry Square, Walnut Street Garage, Harrisburg Hilton, Whitaker Center, etc.
- This building is Energy Star Certified and utilizes the latest energy management systems for optimal energy efficiency



## Office Listings



### Lease - 4823 E. Trindle Road, Mechanicsburg

- Professional office space for lease in a highly visible, conveniently located building
- Space is available for lease on the first floor and the ground level and these areas can be leased together or separately
- Expansive lot with abundant on-site parking



### Lease - 300 N. 2nd Street, Suite 704, Harrisburg

- Seventh floor (sublease) office space available in this downtown high-rise with excellent access to Harrisburg amenities
- The building boasts a marble and glass entranceway
- The suite has a waiting area, large conference room, private office, a storage area, kitchenette, and all furniture is included in the rent



### Sale - 75 E. Derry Road, Hershey

- Attractive, well-maintained, single-story office building located 0.5 miles from Chocolate Avenue in downtown Hershey
- The building sits on 1.4+/- acres and has approximately 45 parking spaces on-site
- Interior includes private offices, open areas, conference/meeting room and plenty of storage



### Lease - 1665 Roosevelt Avenue, York

- Join OSS Health at their brand new location on Roosevelt Avenue, just off Route 30 and moments from I-83
- Approximately 14,438 USF available on the second floor with stunning views of York County
- Excellent opportunity for tenant to help design and customize their new facility to meet their unique space needs



### 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



# Office Listings



Price Reduced

11,563 SF

## Lease - 5275 E. Trindle Road, Mechanicsburg

- Two corner suites offering functionality and usability are available
- The east side office (4,545 SF) features perimeter offices with windows, a conference room, breakroom, and in-suite private restrooms
- The west side office (7,018 SF) has private offices and large conference room(s) lining the perimeter
- Watch video tour online



Price Reduced

2,380 SF

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

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



8,286 SF

## Sale - 1002 N. 7th Street, Harrisburg

- This former bank is located just moments from the heart of the business-friendly City of Harrisburg, and less than 0.5 miles away from the Capitol and downtown restaurant and retail areas
- The property features excellent on-site parking, an open first-floor layout and many private offices on the second floor
- 36+/- parking spaces 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



680 - 4,260 SF

## Sublease - 1801 Oberlin Road, Suites 302, 303, 304, Middletown

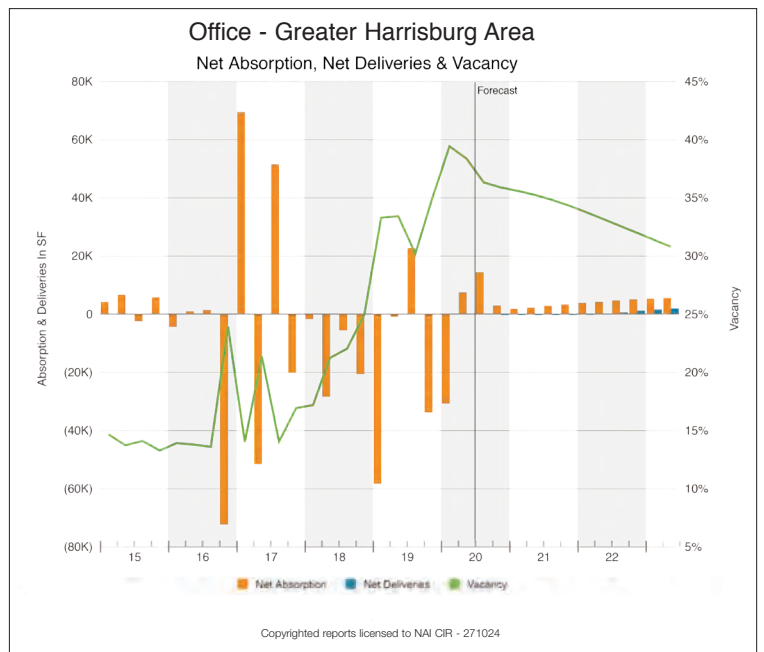
- Charming three-story stone structure with professional office tenants
- Great office setup featuring reception/waiting area, private offices with good views, a conference room, break room, and in-suite restroom
- Convenient access to both Harrisburg and Lancaster



3,500 SF

## Lease - 4300 Devonshire Road, Harrisburg

- Great corner location at Devonshire and Colonial Roads
- The property is well-maintained and the available space offers multiple private offices, an open area, reception/waiting areas, a kitchenette and four restrooms
- The space could be split into two separate suites if desired



## Investment Listing



### Sale - 905 E. Chocolate Avenue, Hershey

- 15 unit Travel Inn ideally located off E. Chocolate Avenue with excellent roadside visibility and moments from Hershey attractions
- This facility is made up of 2 buildings consisting of 10 exterior guest rooms, 5 apartments and a spacious on-site manager's suite with three bedrooms, living area and kitchen
- The Hershey Travel Inn has been renovated over the years and also has solid revenue history for many years

5,436 SF

## Featured Land



### Sale - Eisenhower Boulevard, Harrisburg

- Over 5 acres of relatively level land with 770' of frontage on Eisenhower Boulevard
- Property is located next to Cindy Rowe Auto Glass and close to the PA Turnpike and Route 283
- Great for a commercial or retail user

## 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	1.77	ML-Light Industrial	Sale
<b>Sold</b> - Bent Creek Boulevard, Lot 2, Mechanicsburg, Cumberland County	2.02	Community Commercial	Lease
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>Pending</b> - 7700 Derry Street, Harrisburg, Dauphin County	2.3 (lot 8)	Commercial District General	Lease
1345 Eisenhower Boulevard, Harrisburg, Dauphin County	4.46	ML-Light Industrial	Sale
Kriner Road, Chambersburg, Franklin County	4.64	Commercial Industrial	Sale
<b>Price Reduced</b> - 755-759 Kriner Road, Chambersburg, Franklin County	4.73 - 7.83	Commercial Industrial	Sale/Lease
W. Suncrest Drive and Spring Road, Carlisle, Cumberland County	4.87 (4 parcels)	Commercial/Light Industrial	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
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
<b>Pending</b> - Eisenhower Blvd & Highspire Road, Harrisburg, Dauphin County	10.0	Commercial District General	Sale
<b>Pending</b> - 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>Pending</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 and deals not included in this issue.



### **SOLD - Unit D/Lot 484, Legacy Park Drive, Mechanicsburg**

**Wolf Holdings, LLC** purchased this lot to be the future home of Wolf Brewing Co. in Market Square at Legacy Park in Mechanicsburg. It is projected to be built for March 2021. Follow Wolf Brewing Co. on social media (@wolfbrewco) for updates. The Bill Gladstone Group of NAI CIR represented the Buyer and Joe Eisenhauer, Land Acquisition Manager of Landmark Homes represented the seller.



### **SOLD - 117 N. Cameron Street, Harrisburg**

**RS3 Ventures LLC** purchased 3,797 SF of commercial space in Harrisburg. This purchase is an expansion of the company's existing location. RS3 Ventures LLC handles auto sales and detailing. The Bill Gladstone Group of NAI CIR represented the buyer and David Alderman of NAI CIR represented the seller.



### **SOLD - Bent Creek Boulevard, Lot 2, Mechanicsburg**

**Linlo Bent Creek LLC** purchased 2.02 acres of land located at Bent Creek Boulevard in Mechanicsburg. An 18,000 SF single-story medical building is planned for construction on the site. The Bill Gladstone Group of NAI CIR handled the transaction.