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HARRISBURG COMMERCIAL

real estate REPORT

What You Need to Know About Inflation in 2021

By Jonathan Freeman, CFP®, CFA, CIMA®



I bought my house in August of 2010. At the time, it seemed like a great deal. Interest rates were low, and residential real estate was still considerably cheaper than before the real estate crash. Nine years later, my home, then around 40 years old, was barely holding its value. I was told it was because home buyers only wanted new homes, and the cost to build a new home was very reasonable due to very low commodity prices.

Fast-forward two years. Despite a deep recession, stock market crash and global pandemic, our home, and every other old home that nobody wanted just a couple of years ago, has risen in value dramatically. Both lumber and copper prices are at record highs. The cost of lumber alone has increased sevenfold since its low a little over a year ago.

On top of rising materials and commodity costs, we are hearing a lot of anecdotal evidence about employers having a very difficult time hiring people for the same wages they were paying pre-COVID. While our government's economic response to the pandemic was clearly a success, creating the V-shaped recovery that nobody thought possible, it is ending with an extremely strong consumer balance sheet, a wealth effect from a rising stock market and real estate values and many broken supply chains that are leading to inflation concerns.

The Federal Reserve is referring to inflation as transitory, the same language it used when inflation became a problem in 2011.

In 2011, it was spot on. There was simply too much damage from the global financial crisis for inflation to be anything worse than transitory. In fact, for the next several years, the world

(Continued on page 3)

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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 website.

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

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In This Issue

- 1, 3-4.....Featured Article
- 2-7.....Featured Listings
- 8.....Recent Deals



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Autumn Addley, front right, is not a licensed REALTOR.

Bill Gladstone Group of NAI CIR

Turning keys in commercial real estate for over 30 years.



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New Listings



NEW Office Sale- 265 S. Houcks Road, Harrisburg

- Well maintained two-story office building
- Layout offers many uses and location is easily accessible to the Harrisburg business communities
- Don't miss the opportunity to own this prime real estate



NEW Office Sale- 6340-6390 Derry Street, Harrisburg

- Nearly 11,000 SF single-story, multi-tenanted, flex building on heavily traveled Derry Street
- The property features two office tenants (2,300+/- SF and 2,268+/- SF) and a warehouse user in the rear
- Perfect investor or owner/user opportunity



NEW Office Sale- 212 N. Third Street, Harrisburg

- Two suites now available in this attractive brick office building, perfectly suited for attorneys, lobbyists, associations or any other professional user
- The building is centrally located just steps from the Capitol Complex as well as many eateries, retail shops and downtown attractions
- New aggressive rates include in-suite janitorial



NEW Office Sale- 850 Walnut Bottom Road, Carlisle

- Medical or professional office space available for lease in the Belvedere Professional Center.
- Ask about half price rent for the first year on a 3+ year lease
 - Lease must be signed by 8/31/21
 - Subject to review of financials
 - Tenant pays utilities and operating expenses during half rent

Industrial Listings



Sale - 140-148 Ole Lane, Grantville

- This nearly 1,400 SF industrial building sits upon over 2 acres of paved parking
- Perfect for a trucking company or any industrial user
- Quick access to Interstate 81



Lease - 5610 Derry Street, Harrisburg

- Ideal industrial location in Harrisburg with accessibility to I-83 and other highly traveled corridors
- Warehouse space contains one dock, one drive-in, and 18'+ clear ceiling height
- Good space for contractors, small distribution and storage

continued to provide very loose monetary policy just to prevent deflation and another recession, eventually culminating in trillions of dollars of debt with negative interest rates.

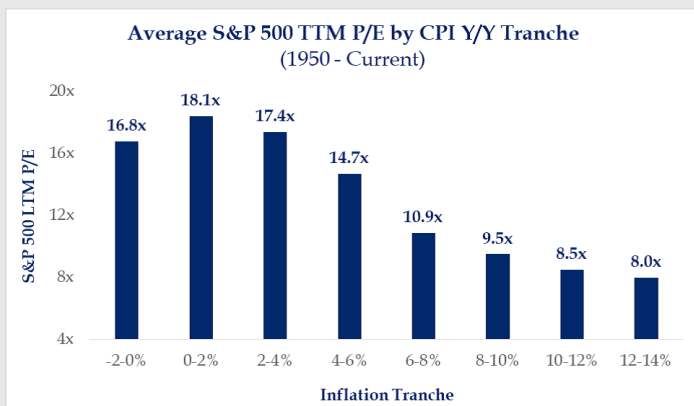
Is it possible that the Fed could be wrong this time? It has already indicated it would allow inflation to rise more than usual as it focuses on job loss from the pandemic. Could it be that its continued expansionary policy is the next big misstep?

'What If Interest Rates Actually Normalize?'

When we examine the history of valuations during different inflationary periods, you can see that we have been in the sweet spot for quite some time. While stock valuations are certainly elevated when compared with most historical periods, one can justify these valuations if we expect interest rates and inflation to continue to hover near all-time lows.

There Is No Alternative (TINA) is what we tend to hear all the time, and there is some truth to this argument. If my crystal ball told me that interest rates would remain near 0% for eternity, I could easily justify paying almost anything for an asset. But what if inflation consistently rises above 2%? What if interest rates actually normalize?

We don't doubt that the economy over the next several quarters



is likely to have record growth. Assuming this is the case, and we have only moderate tax increases, stocks may be trading at less than 20 times 2022 earnings. Not cheap, but justifiable given the current rate environment.

However, what if inflation rises to 4% and doesn't appear to be transitory, as the Fed suggests? Then, we may have to settle for valuations well below 20 times earnings. This could lead to poor stock market returns regardless of economic activity.

Will Diversification Matter Again?

For years, diversified portfolios experienced little to no benefits as FAANG stocks were pretty much the only game in town. Now, there is a good chance diversification will once again matter (like it did after the late '90s).

As of the end of 2020, the information technology sector comprised over 27% of the S&P 500. Meanwhile, materials and energy, sectors that may benefit from inflation, were both less than 3% of the S&P.

This is certainly not the same tech sector that we saw in the late

Commercial Listings



Lease - 3460 Paxton Street, Harrisburg

- Former Planet Fitness and CJ Tires located on heavily traveled Paxton Street, directly across from the Harrisburg Mall
- Don't miss the opportunity to lease this prime real estate
- Large warehouse/storage area with a drive-in door, front office or retail space with sprinklers



Lease - 4647 Jonestown Road, Harrisburg

- 2,230 SF available in this popular retail site
- Freestanding, updated building with great curb appeal and visibility on highly traveled street
- Bright, open floorplan on first floor



Lease - 611 N. 12th Street, Lebanon

- Join Save-A-Lot grocery store in this newly constructed Old Forge Point Shopping Center located in Lebanon City
- Tenants can acquire one suite (25' x 64') or all five up to 8,000+/- square feet for retail or office use
- The vanilla shell is ready for the finishing touches



Sale - 930 Century Drive (Suite 102), Mechanicsburg

- Attractive office suite in recently renovated building
- Inside features carpet tiles, neutral colors and an open area allowing for various future configurations
- Good parking and easy access from Route 15

(Continued from page 3)

'90s. In fact, I would suggest that today's major tech stocks are somewhat similar to yesterday's utility stocks. On average, they have fortress-like balance sheets, growing dividends and not all that much economic sensitivity. Because of this, their valuations have risen substantially over the past several years. In large part, this was justifiable, as there didn't appear to be much else to invest in.

However, what if these formerly beaten-down sectors (we should probably throw financials and industrials into the mix) are the new growth sectors? The S&P has very little exposure to this. Accordingly, you might want to consider an idea that has barely worked for a decade: diversification.

Other Asset Classes to Consider

On top of stock diversification, it may also make sense to consider other asset classes. Treasury bond prices are hurt by rising interest rates, and interest rates typically rise due to an expectation of inflation. Treasury Inflation-Protected Securities (TIPS), on the other hand, benefit from inflation that is higher than expectations. Inflation expectations are already high, so there is a chance that TIPS are fully priced, but with the 10-year breakeven rate at just over 2.5% (the amount of inflation necessary for TIPS to earn as much as treasury bonds with the same maturity), TIPS could still be an exceptional asset class in the event of runaway inflation.

Natural resource stocks also tend to be a good inflation hedge. These investments largely outperformed the broad market during the inflationary period of the late 1960s to early 1980s. We just got through a horrible bear market for these stocks, so there could be more room to run if inflation lasts longer than the Fed expects.

Another possibility is real estate. Residential real estate has been incredibly hot lately due largely to a lack of inventory after new home development slowed down for years following the financial crisis. It could make sense to wait until things cool off just a bit, but investments in real estate investment trusts (REITs) that own rental real estate could make some sense since leases can be adjusted over time to account for inflation.

Finally, alternative asset classes like managed futures funds, which have largely been out of favor since the financial crisis, may provide valuable diversification benefits and some protection during an inflationary environment. This asset class gained acceptance during the late 1970s inflationary environment and stands to benefit from rising interest rates. ■

About the Author:

As one of the Directors of Stonebridge Financial Group, Jonathan helps individuals, families, corporations and nonprofits achieve their financial goals through disciplined investment strategies that emphasize risk-adjusted returns and cost and tax efficiency. He works closely with clients to articulate their aims and implement plans to fulfill the objectives formulated by Stonebridge's investment strategies committee. You can contact Jonathan at (717) 736-7007 or jonathan.freeman@stonebridgefg.com



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Office Listings



2,875 SF

Lease - 3 Kennedy Street, Lancaster

- Office space available for lease in West Lampeter Township. This 2,875 square foot 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



2,000 SF

Lease - 1335 N. Front Street, Harrisburg

- Functional first floor office space includes four offices, a work room, reception area, kitchen, and two bathrooms
- Parking available in a lot on the next block for the first floor tenant
- Conveniently located minutes from I-81 and I-83



1,843 SF

Lease - 156 Cumberland Parkway, Mechanicsburg

- First floor office space in this Class A, high profile building
- The location offers easy access to Route 15 and the PA Turnpike (I-76), plus great local amenities
- It is hereby disclosed that a partner in the ownership of this property is a licensed real estate salesperson in the Commonwealth of Pennsylvania

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Office Listings



Lease - 30 E. Shady Lane, Enola

- Medical/professional office suite available at fiercely competitive rate in a convenient location
- Property has recently been renovated and is well-maintained
- Current tenant has out-grown the space and has vacated



Lease - 4300 Devonshire Road, Harrisburg

- Great corner location at Devonshire and Colonial Roads
- The property is well-maintained and the available space offers a reception/waiting area, offices, and an open area that can be utilized in many configurations
- Private restrooms are also offered



Lease - 301 Chestnut Street, Harrisburg

- Pennsylvania Place is a one-of-a-kind development for the Harrisburg market that includes over 50,000 square feet 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



Price Reduced

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



Lease - 415 Market Street, Harrisburg

- Suites ranging from 266 - 4,453 SF on the second and third floors
- Located in Enterprise Zone; permits professional offices, personal services and other common office use
- Within walking distance to all the downtown restaurants, amenities, and Riverfront Park
- Call about rent promotion details



Price Reduced

Lease - 5275 E. Trindle Road, Mechanicsburg

- Corner office suite available which offers functionality and usability
- The professional office space features executive sized offices, large conference room(s) lining the perimeter, private in-suite restrooms and two entrances
- Space can be left as one large suite or made into two suites; Suite A - 2,318 RSF and Suite B - 4,133 RSF
- Watch our video tour online

Office Listings



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



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



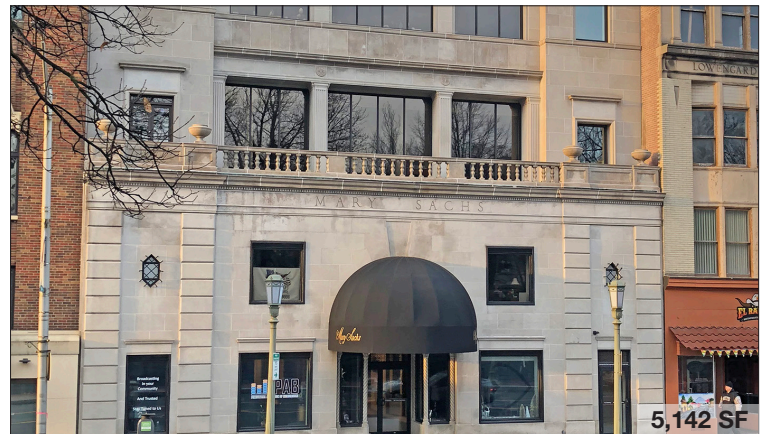
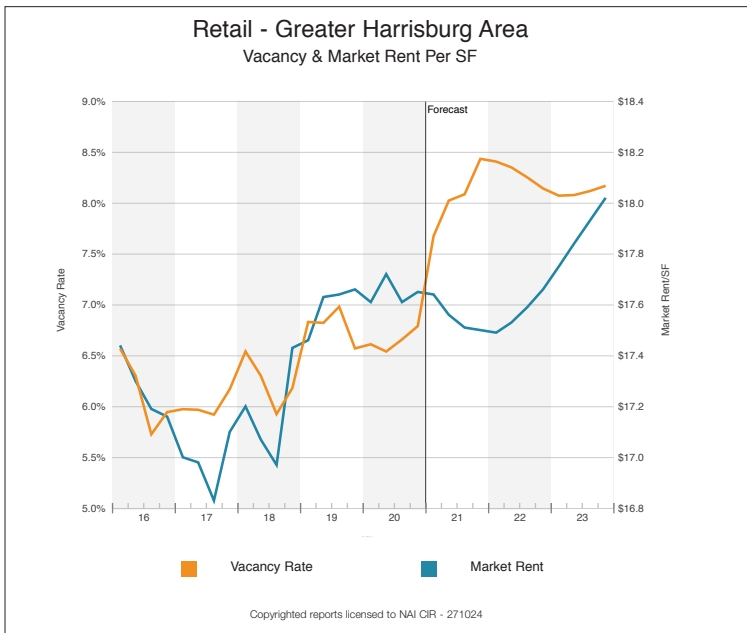
Lease - 800 N. Third Street, Harrisburg

- Prominent downtown office building across from the State Museum and one block from the Capitol Complex
- Perfect location for attorneys and associations
- On-site parking available to tenants at below market rates
- Furnished suites available



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 - 208 N. Third Street, Harrisburg

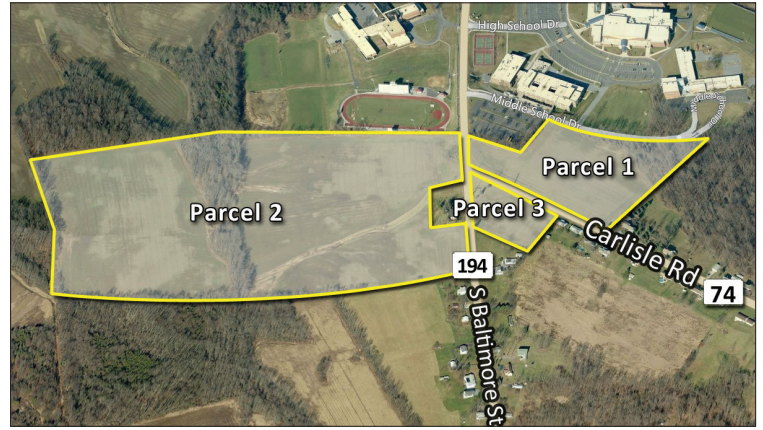
- Office space in a prime Central Business District location
- This historic building faces the Capitol Complex with the largest expanse of glass window lines in a privately owned building
- All the downtown amenities are a few steps from the doors and parking is a block in every direction

Featured Land



Sale - Rt. 441 & Orchard Drive, Harrisburg

- Tremendous opportunity for your church relocation or home business on this vacant parcel
- The 8+ acre site features a controlled intersection and has utilities on site
- Just moments away from the Harrisburg Mall and TecPort Business Campus
- Great access to Route 283, I-83 and the PA Turnpike (I-76)



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 separately: Parcel 1: 16.5+/- Acres - \$495,000 Parcel 2: 57.5 +/- Acres - \$1,200,000 Parcel 3: 5.23+/- Acres - \$149,500

Land Listings

Location	Acres	Zoning	Type
940 E. Main Street, Palmyra, Lebanon County	TBD	Highway Commercial	Lease
1700 Quentin Road, Lebanon, Lebanon County	TBD	General Commercial	Lease
Kim Acres Drive & Aspen Drive, Mechanicsburg, Cumberland County	1.03	Highway Commercial	Sale
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
Pending - 7700 Derry Street, Harrisburg, Dauphin County	2.12 (lot 4)	Commercial District General	Sale
I-81 and W. Trindle Road, Carlisle, Cumberland County	2.18 (2 parcels)	Commercial Highway	Sale
1345 Eisenhower Boulevard, Harrisburg, Dauphin County	4.46	ML-Light Industrial	Sale
Kriner Road, Chambersburg, Franklin County	4.64	Commercial Industrial	Sale
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
Pending - 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
Cherry Street (Lot #9) & Walnut Street, Highspire, Dauphin County	7.77	Residential Low Density	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
Price Reduced - Hanshue Road, Tract 2, Hummelstown, Dauphin County	9.42	Residential Agriculture	Sale
Eisenhower Blvd & Highspire Road, Harrisburg, Dauphin County	10.0	Commercial District General	Sale
Allentown Boulevard, Harrisburg, Dauphin County	17+	Commercial Highway (CH)	Sale

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Check Out Our Recent Deals

Visit www.billgladstone.com to view listings and deals not included in this issue.



LEASED - 5060 Ritter Road, Mechanicsburg

Skill Master Gaming, LLC leased 5,000 +/- SF of office space in Mechanicsburg. The Bill Gladstone Group of NAI CIR represented the landlord and Chris Slike of RSR Realtors represented the Tenant.



LEASED - 4823 E. Trindle Road, Hampden Township

Cody Financial Mortgage Services Inc. leased 3,192 SF of office space in Mechanicsburg. Cody Financial Mortgage Services Inc. is a full-service mortgage broker that offers each customer the best rate and service. The Bill Gladstone Group of NAI CIR represented the Landlord and Jason Petronis of Coldwell Banker represented the Tenant.



SOLD - 2221 N. Sixth Street, Harrisburg

608 N. Third, LLC purchased this 15,852 SF two-story religious facility in Harrisburg also known as Camp Curtin Memorial – Mitchell United Methodist Church. In 1895, Camp Curtin was a focal point in history, this site was the central training camp for soldiers during the civil war. 608 N. Third, LLC at the time is undecided on what changes will be made. The Bill Gladstone Group of NAI CIR handled the transaction.