

NAI KEYSTONE COMMERCIAL & INDUSTRIAL

By John Buccinno and Bryan E. Cole, NAI Keystone

Greater Reading Office Market Report

2009 is shaping up to be a stable year for the Greater Reading office market for both vacancy and rental rates with pockets of growth in the Wyomissing and Spring Township areas of the county. Coming off a poor net absorption rate in the Third Quarter 2008 the fulfillment of a 52,000 s/f lease to the utility concern UGI at Stone Point Office Center along with steady overall demand throughout the



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county contributed to a strong last quarter 2008. The premier office building at One Meridian which has a GLA of 377,000 s/f had a net absorption of nearly 40,000 in 2008 and stands as the marquis office building in terms of amenities and services in the area which helps maintain positive demand at its facility. In addition to commitments for existing space, over 200,000 s/f of new office space is under construc-

tion with signed tenants and should be completed in 2009 or early 2010.

Still, the market faces challenges in these difficult times with overall Class "A" building vacancies increasing from 7.5% to 10% in the fourth quarter, mainly from increased development and softening demand at the higher price points, and stiff competition from aggressive landlords. Traditionally a safe sector in this marketplace due to low inventory, the Class "A" building space is moving toward oversaturation with several properties being repositioned to compete at the low end of this sector along with an

additional 300,000 square feet of proposed space waiting to be built. Currently a 110,000 s/f facility located at 525 Lancaster Avenue and 40,000 square feet at 210 George Street are being upgraded to meet modern office standards and will only add to the pull from the Class "A" market.

Tenants are willing to pay higher base rental rates (ranging from \$14.50 NNN to 16.50 NNN) for Wyomissing's central location with its easy access to major roadways and proximity to supporting services and amenities but some of the other suburban locations in the county such as Exeter

Township and Muhlenberg Township are beginning to compete successfully on rental rates and amenities.

The Class "B" sector is experiencing a mixture of higher vacancy rates and lower rental rates, vacancy rates have slightly increased from 13.4% to 13.8% at the same time that rates have come down approximately 10%. Base rates for this sector are starting at \$8-\$9 psf and topping out at \$12 - \$13 psf and, with the decreased amenities generally provided, the gross rental rates struggle to get above \$16 psf.

Downtown City of Reading vacancy rates continue to increase with rates rising from 14.5% to 16.5% with much of the vacancy surrounding larger blocks of contiguous space. Although difficult and costly to divide and transition to smaller users, owners are becoming much more flexible and finding ways to meet the market demands. Owners and tenants are struggling with high parking costs and security concerns, which are continuing to be addressed by a committed City Administration.

The City of Reading and economic development groups have been working hard to improve and revitalize downtown which shows in the number of projects underway. The new IMAX Theater and the nearly completed addition to the Reading Eagle Headquarters in the CBD are welcome entrants to the market and kick off a multi-million dollar main street corridor project that includes a new \$67 million DoubleTree hotel and garage project across from the Sovereign Entertainment and Expo Center. This will help attract a more vibrant restaurant and entertainment segment with increased amenities and ultimately assist to bring tenants back downtown while decreasing vacancy rates and increasing the tax basis.

The suburban market has been flat on the sale side, due to the economic conditions and difficulty in obtaining financing. Most of the sales are occurring with owner/users with established and well capitalized businesses or from local organizations purchasing land to build. Utilities Credit Union and Reading Hospital are great examples of local organizations expanding

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EXETER RIDGE CORPORATE CENTER
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- Prominent east-side location
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- State of the art technology
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WYOMISSING CORPORATE CAMPUS
1166 Spring St.,
Wyomissing PA 19610
LEASE

- Spacious Park like setting
- Available: 13,250 SF divisible to 3,000 SF
- Design-Build available to 60,000 SF
- Close to Rt.422 & other major Wyomissing traffic corridors

- 2,000 SF to 45,000 SF
- Data center, raised floor space available
- Excellent amenities; on-site gym, cafeteria
- Conference center, large meeting rooms available to tenants



CLASS AAA OFFICE BUILDING
One & Three Meridian,
Wyomissing PA 19610
LEASE

- Multi-Tenanted Office Building
- Professionally managed
- Recent upgrades
- Suites from 2,500 to 25,000 SF
- Easy Access to Route 422 & 222
- High Profile Location

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Wyomissing PA 19610
LEASE



For more information or to arrange a tour of any of these properties

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NAI CIR

By Robin Zellers, NAI CIR

The early 2009 market: South Jersey overview

Major industry sectors that drive Central Pennsylvania's economy include Government, Manufacturing and Medical. As the capital of Pennsylvania, Harrisburg has a large public sector base. At the same time Central Pennsylvania has several Fortune 500 companies headquartered in the area along with regional



Robin Zellers

private businesses. The combination of public and private sectors has resulted in a strong local economy year to year.

Office rental rates held constant through 2008 continuing with a trend of positive absorption for Central Pennsylvania's office market. Engineering firm Skelly and Loy, Inc. leased 30,100 s/f of space at 449 Eisenhower Blvd., while Erdman Anthony Associates completed a 20,000sf deal in Cumberland County. Approximately 450,000 s/f of office is currently under construction in Dauphin and Cumberland Counties. With

the completion of most of these projects slated for 2009, look for a substantial increase in supply that will need to be met by an increase in demand.

Despite tightening markets, interest in the Mid-state's industrial market is high. Few deals, however, actually occurred, particularly in the 2nd half of 08. Current vacancy is approximately 11% and rental rates have dipped slightly. World Kitchen renewed a 1,000,000 s/f lease in Waynesboro and United Natural Foods moved into a 675,000 s/f facility in Northern York County. Lo-

gistics users have continually operated in Central Pennsylvania due to its location and transportation infrastructure. As such there is a large infill of planned industrial developments. USAA has an 833,300 s/f Carlisle Distribution Center in their pipeline while Lauth has started to go vertical in its 1,170,000 s/f Key Logistics Park. With high transportation costs and uncertainty in markets several companies are beginning to consolidate operations. This trend should continue into 2009 coupled with an expected reduction in spec

building.

Investment transactions were the highlight of the first half of 2008. The year began with a \$28.5 million dollar sale of Department of Environmental Protection's LEED Silver Certified 109,000 s/f office/laboratory building. Tristan Associates sold their medical office portfolio for \$26.8M in a sale/leaseback transaction. On the industrial side SuperValu completed the sale of a 735,600sf warehouse for \$30.25 million. Moderate investment activity continues to occur in Central Pennsylvania although velocity is expected to slow in 2009.

Freestanding commercial users continue a trend of underperforming site acquisitions and assemblage for pharmacies and convenience stores. The retail market has maintained steady rental rates despite slower vacancy absorption. Food Lion is making a resurgence in the market with three new planned locations. Retail development remains active with Cedar Shopping Centers breaking ground on two new grocery anchored neighborhood shopping centers in Palmyra and on Linglestown Road.

Robin Zellers is the broker of record and COO at NAI CIR. He is responsible for overseeing daily operations, transactional support and corporate services. ■

By Buccinno & Cole, NAI Keystone

continued from page 12G their overall market presence. Downtown, the Reading School District has been the main driver in demand for building and land purchases to accommodate strong enrollment and replacement of obsolete facilities but otherwise the purchase market for office buildings remains flat.

The Greater Reading Area offers affordable rents with good amenities and a well educated work force. The residential market has remained stable even in these most troubling times with below average declines in home prices. The desirable bedroom communities along with excellent schools makes the area a good location to raise families and run businesses.

John Buccinno and Bryan E. Cole are the office specialists for NAI Keystone Commercial & Industrial, LLC in Reading PA. ■

Central PA Office Properties

Sale
or
Lease



555 Gettysburg Pike, Mechanicsburg

- Office condominiums for sale or lease
- 2,000 - 8,000 SF
- Located just off Rt. 15 in Mechanicsburg
- New construction

Contact: Ida McMurray ext 151

Sale
or
Lease



2601 N. Front Street, Harrisburg

- 8,200 SF magnificent limestone mansion on 0.32 acres
- Breathtaking views of the Susquehanna River
- Private parking lot
- Seller financing available
- Sale \$950,000; Lease \$13.75/SF

Contact: Dan Alderman ext 132

Lease



2805 Old Post Road, Harrisburg

- 4,950 SF suite on 2nd floor; can subdivide to 2,200± SF
- 5,582 SF suite on 3rd floor
- Class A office building
- 5 parking spaces/1,000 SF
- \$13.75/SF NNN

Contact: Bill Gladstone ext 120

Lease



116 Pine Street, Harrisburg

- Convenient Harrisburg CBD location
- 961 - 6,500 SF available
- Offices designed to suit
- Common area renovations scheduled
- Short walk to Capitol Complex

Contact: Justin Shoemaker ext 149

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