

# NORTHEASTERN PENNSYLVANIA OFFICE

Spring 2020



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## Key Market Trends

- > The following results were based on the two-and-a-half month period prior to the pandemic shutdown.
- > The overall vacancy remained at 9.0%. Class A vacancy increased from 11.5% to 12.1% due to smaller space givebacks. The Class B vacancy rate decreased from 7.3% to 7.0%.
- > The weighted average asking rent remained essentially flat for Class A and Class B space.
- > Leasing activity was very limited even before the statewide business shutdown. General uncertainty about the duration of this economic event and the assessment of longer term impacts are likely to impact business decisions for the next one to two quarters at the minimum.
- > No immediate, sharp increase in vacancy is anticipated and asking rental rates are projected to remain flat for the next quarter. However, there may be significant changes to future office space needs. Companies have had to adjust to having a remote workforce and are likely to have to provide flexibility for employees who want to continue working from home. The office environment may also be adjusted to provide more room for employees, ending the trend of tightly grouped, collaborative workspaces. With these changes, it is expected that despite the economic uncertainty going forward, office space needs will remain constant, and the amount of space needed per employee may actually increase.

## Market Update

### Summary Statistics

1Q 2020	Class A	Class B	Total Market
Total Inventory	2,077,623	4,144,509	6,222,132
Vacancy Rate	13.0%	7.0%	9.0%
Net Absorption YTD	-12,770	13,035	265

### Asking Rents

Full Service

Average Quoted	\$21.90	\$16.41	\$19.05
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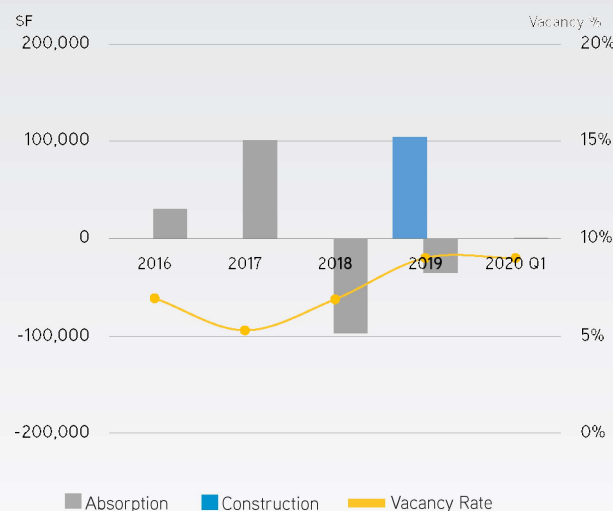
### Market Indicators (Relative to Prior Period)

	Q4 2019	Q2 2020*
VACANCY RATE	↔	↔
NET ABSORPTION	↔	↔
CONSTRUCTION	↔	↔
RENTAL RATES	↔	↔

\*Projected

Arrows compare current period to the previous period and forecast the next period.

### New Supply, Vacancy and Absorption



## Investment Activity: New to and on the Market

- > An 8,470 square foot, two-story office building on Layton Road in Clark's Summit came on the market at \$775,000 this past quarter, targeted to either an owner/user or investor.
- > The medical office building at 4437 N. Center Street in Pottsville is a high vacancy asset that was brought to market just after the New Year. It is being marketed to an owner/user for \$795,000.
- > A 10,000 square foot professional office complex on Route 611 in Tannersville is available as an REO sale.
- > After seven months the Waterfront Professional Park at 670 – 672 S River Street in Plains is still on the market for sale unpriced. This two-building, 122,000 square foot complex is just off the Cross-Valley Expressway (Plains exit) and minutes from Wilkes-Barre General Hospital.
- > A five-building portfolio of medical office buildings throughout Pennsylvania anchored by Dental Care Associates and containing 39,000 square feet is offered at \$7,225,000 which is purported to yield a 7% cap rate on existing NOI. One of the assets is in Montoursville, and another is in Selinsgrove. The properties may be purchased individually. The offering first came to market in October 2019.
- > The 417 Lackawanna Avenue building in downtown Scranton remains on the market since 2016 despite its 75% occupancy with credit tenants. Offered at \$3,850,000, this 31,420 square foot, Class A office building is being touted as soon to be 100% occupied.

## Completed Transactions

DATE	PROPERTY ADDRESS	PROPERTY NAME	CITY	COUNTY	BUILDING SF	BUYER TYPE	USE
Feb-20	221 Broad Street	Biondo Trust Building	Milford	Pike	8,480	Owner/User	Occupy
Feb-20	One E. Norwegian Street	Norwegian Plaza	Pottsville	Schuylkill	56,176	Owner/User	Healthcare
Feb-20	15 S. Franklin Street	Rosenn, Jenkins & Greenwald Building	Wilkes Barre	Luzerne	50,000	Developer	Apartment Conversion
Feb-20	703 Rutter Avenue	Eye Care Specialists	Kingston	Luzerne	25,000	Investor	NNN Single Tenant

### Footnote Regarding COVID-19

In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

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#### About Colliers International

Colliers International Group, Inc. (NASDAQ: CIGI) is a global leader in commercial real estate services with 15,000 professionals in 68 countries. Colliers is the only major real estate firm to have local representation in Northeastern Pennsylvania with professionals who are from the area and reside in the area. With local knowledge and a global reach, Colliers is able to provide comprehensive real estate strategies to clients who buy, sell, lease, develop, and invest in commercial real estate. Please contact either Jeff Algatt or John Susanin for more information as to how Colliers can help you.

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