

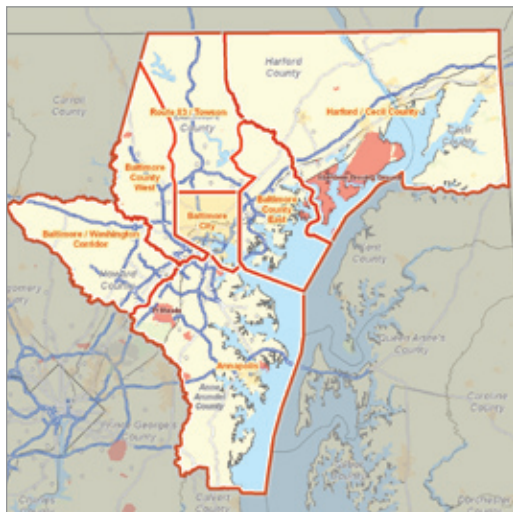


SECOND QUARTER | 2009

MacKenzie Market Report

Industrial Submarkets

Overview



Market Outlook

By: Anirban Basu, Sage Policy Group

In the flex category, direct vacancy inched higher from 9.36 percent in the 1st Quarter to 9.46 percent in the 2nd Quarter. Over the past twelve (12) months, however, the pace of direct vacancy increase has been more rapid. One year ago, direct vacancy in the Baltimore area flex market stood at 7.5 percent. Among regional submarkets, Baltimore County East experienced relatively significant negative net absorption while the Route 83/Towson and BW Corridor submarkets recorded materially positive net absorption. Notable flex transactions included three leases at 7361 Coca Cola Drive in the BW Corridor totaling 126,000 square feet (sf).

the highest vacancy rate is in the Harford/Cecil County submarket (13.8 percent) and the lowest is in Annapolis (7.9 percent). Net absorption was up for the quarter, but remains down year-to-date, though a number of submarkets are up year-to-date thanks to a handful of deals generated earlier in the year. These include Boise Cascade's lease of 204,253 sf in Baltimore County East and McCormick & Co.'s 252,400 sf lease in the Harford/Cecil submarket. ■

Within the warehouse industrial market, the direct vacancy rate stands at 10.5 percent, down from 11.2 percent last quarter, but up from 9.6 percent one year ago. Regionally,

Quick Stats

Number of Buildings	2,450
Market Size	175,642,471 sf

	CHANGE SINCE LAST	
	CURRENT	QTR YR
Direct Vacancy	10.29%	▼ ▲
Vacancy W/ Sublet	11.04%	▼ ▲
Net Absorption	993,207	▲ ▲
Avg. Asking Rate	\$5.91	▲ ▼

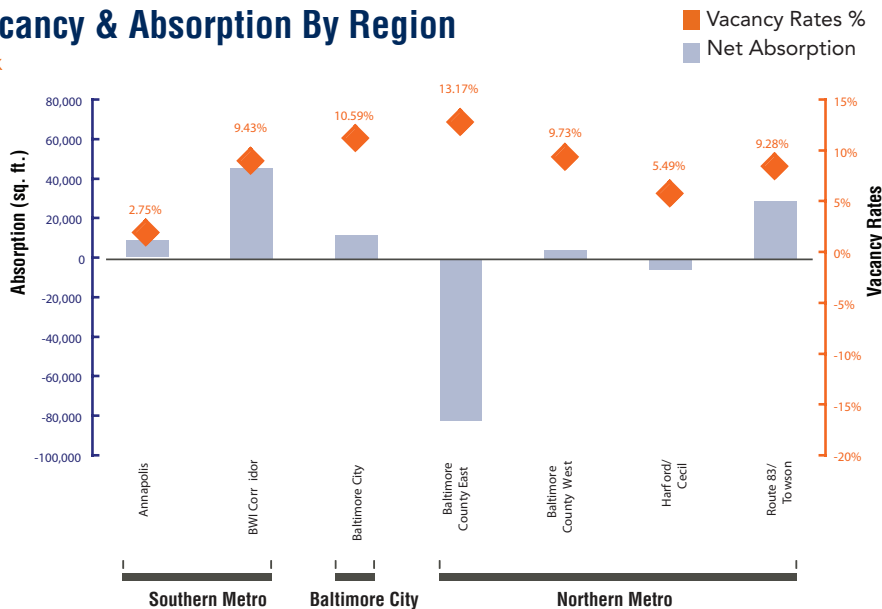
Quarter Highlights

- Though still at higher vacancy rates compared to last year, flex space saw mild positive absorption, with the exception of the Baltimore County East (-80,801 sf) and Harford/Cecil submarkets (-4,700 sf).
- Warehouse space experienced positive absorption and decreased vacancy due to several large deals done earlier in the year. This quarter, IDX occupied 434,490 sf in the Baltimore Washington Corridor, Boise Cascade occupied 204,253 sf in Baltimore County East, and McCormick & Co. occupied 252,400 sf in Harford County.

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Vacancy & Absorption By Region

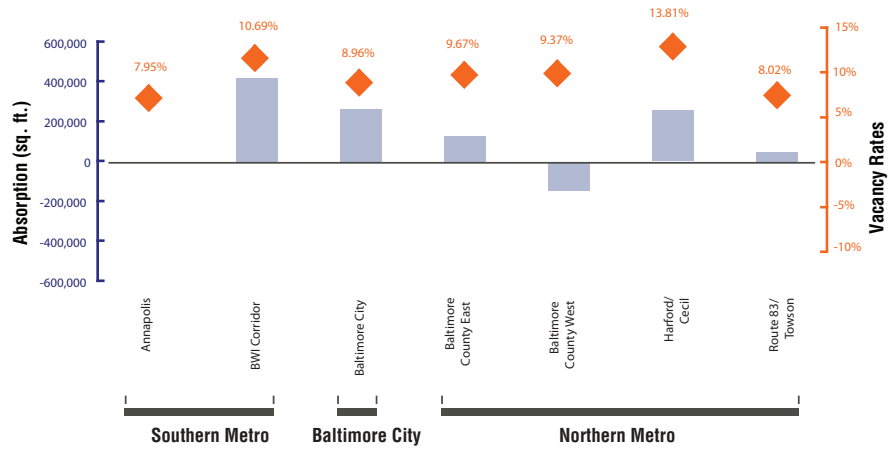
Flex



Above: Unlike last quarter, most submarkets experienced positive absorption and reduced vacancy in flex space, with Baltimore County East and Harford/Cecil being an exception.

Vacancy & Rental Rates By Region

Warehouse



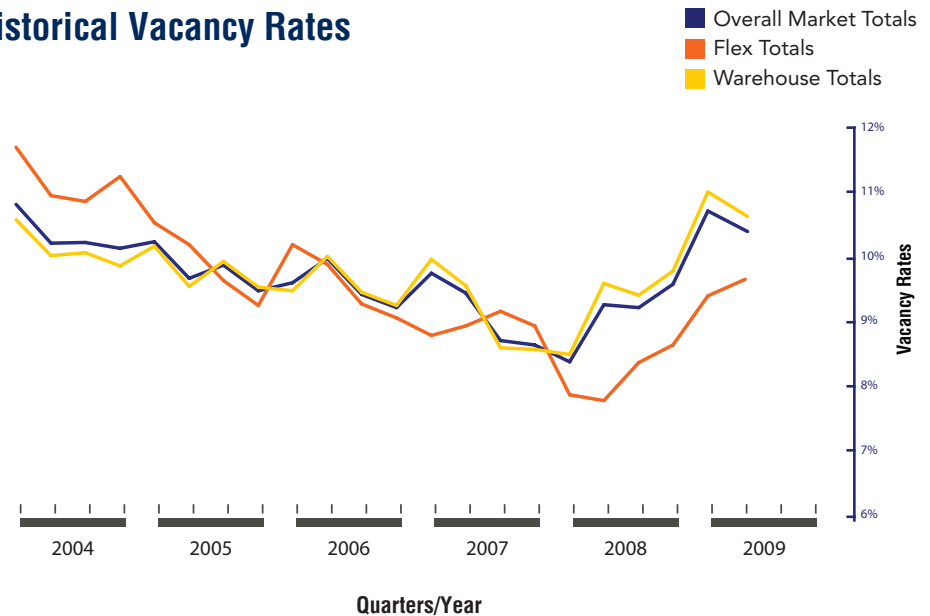
Quarter Highlights

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- Absorption in both Baltimore City and the Baltimore Washington Corridor warehouse markets felt a temporary bump due to several month-to-month deals. The temporary nature of these deals is to be expected in the current uncertain market.
- Construction is at a near standstill with few deliveries during 2009. The market is marked by continued lack of construction starts due to high availability of inventory coupled with struggling demand.
- Investment Sales in the region have been offered, but very few offerings have resulted in a transaction: Meadowridge bulk industrial building (6675 Business Parkway) was purchased by Cabot Properties and a local investor purchased 9050 Red Branch Road. It remains to be seen if the large portfolio sales that are currently being marketed (RREEF, Dexus, Invesco) will find buyers that meet sellers expectations.
- Seller's expectations have become more reasonable in recent months, but it appears that buyers continue to conserve capital for distressed asset acquisition. The Baltimore Metro Industrial Market has yet to see any significant distressed sales.
- Owner/Users have a tremendous opportunity to acquire real estate at depressed prices and take advantage of reduced occupancy costs, historically low interest rates, tax deductions, depreciation benefits, and potential future appreciation.

Above: Absorption was positive in most submarkets as a result of a handful of large users taking occupancy and more noteworthy, a higher number of temporary, month-to-month deals based on a "wait-and-see" economy.

Historical Vacancy Rates



Above: After rising steadily since early 2008, vacancy rates declined slightly this quarter.



Notable Transactions

*(r) Renewal

Flex Lease

Location	Submarket	Tenant	Amount Leased SF
7361 Coca Cola Dr	BW Corridor	Air Cargo Transport Services, Inc.	63,335
7361 Coca Cola Dr	BW Corridor	Convergence Marketing	41,553
7361 Coca Cola Dr	BW Corridor	Stanley Stephens Co	21,112

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
209-211 Chinquapin Round Rd	Annapolis	\$3,400,000	\$103.47	32,860

Notable Transactions

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
8410 Kelso Dr	Baltimore County East	DAP Inc	168,554 (r)
6300 Beckley St	Baltimore City	Graham Packaging	159,977
1041 Swan Creek Dr	Annapolis	Head USA, Inc.	106,366 (r)
8203 Fischer Rd	Baltimore County East	Edgemere Terminals	102,500
1101 DeSoto Rd	Baltimore City	Price Modern LLC	92,000

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
6675 Business Pky	BW Corridor	\$8,700,000	\$61.44	141,600
330-338 Clubhouse Ln	I-83/Towson	\$7,130,003	\$99.61	71,578
1 Beaver Ct	I-83/Towson	\$5,200,000	\$49.32	105,437
9050 Red Branch Rd	Columbia	\$4,500,000	\$50.06	89,898
225 North Point Blvd	Baltimore County East	\$1,750,000	\$101.27	17,280
11580 Pulaski Hwy	Baltimore County East	\$1,700,000	\$86.20	19,722

* All information furnished regarding property for sale, rent, exchange or financing is from sources deemed reliable. No representation is made as to the accuracy thereof and all such information is submitted subject to errors, omissions, or changes in conditions, prior sale, lease or withdrawal without notice. All information should be verified to the satisfaction of the person relying thereon. Portions of the base statistics are from CoStar Property data. Data as of 6/2009.

