

The Baltimore Metropolitan Office Market



Prepared for:

The Maryland Chapter of the Appraisal Institute's Skip Seward Commercial Update Seminar

January 24, 2012

Please fasten your
seatbelt...

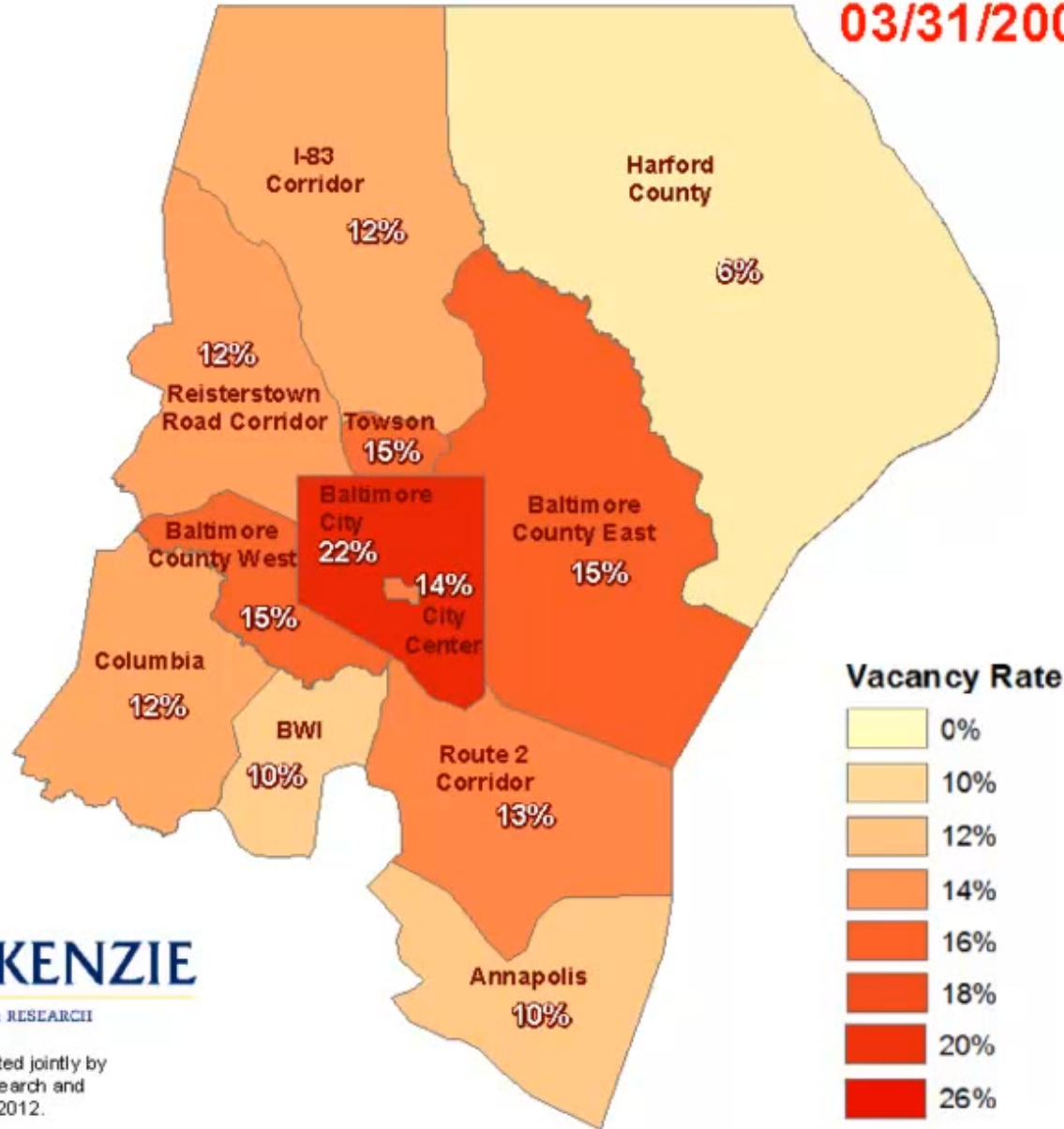
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Looking Back... 2004 - 2011



Baltimore Metropolitan Office Market - Vacancy for Quarter Ending: 03/31/2004



Data and animation created jointly by MacKenzie GIS and Research and Charles Meyer, January 2012.

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Local Baltimore Real Estate Issues/Concerns



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2011

- Development
 - Aberdeen
 - Towson/Hunt Valley
 - Owings Mills
 - Downtown
 - Columbia/BWI/Annapolis
- BRAC
 - Completed Sept. 15, 2011
- **We're better off than other markets**

Baltimore Metropolitan Office Market



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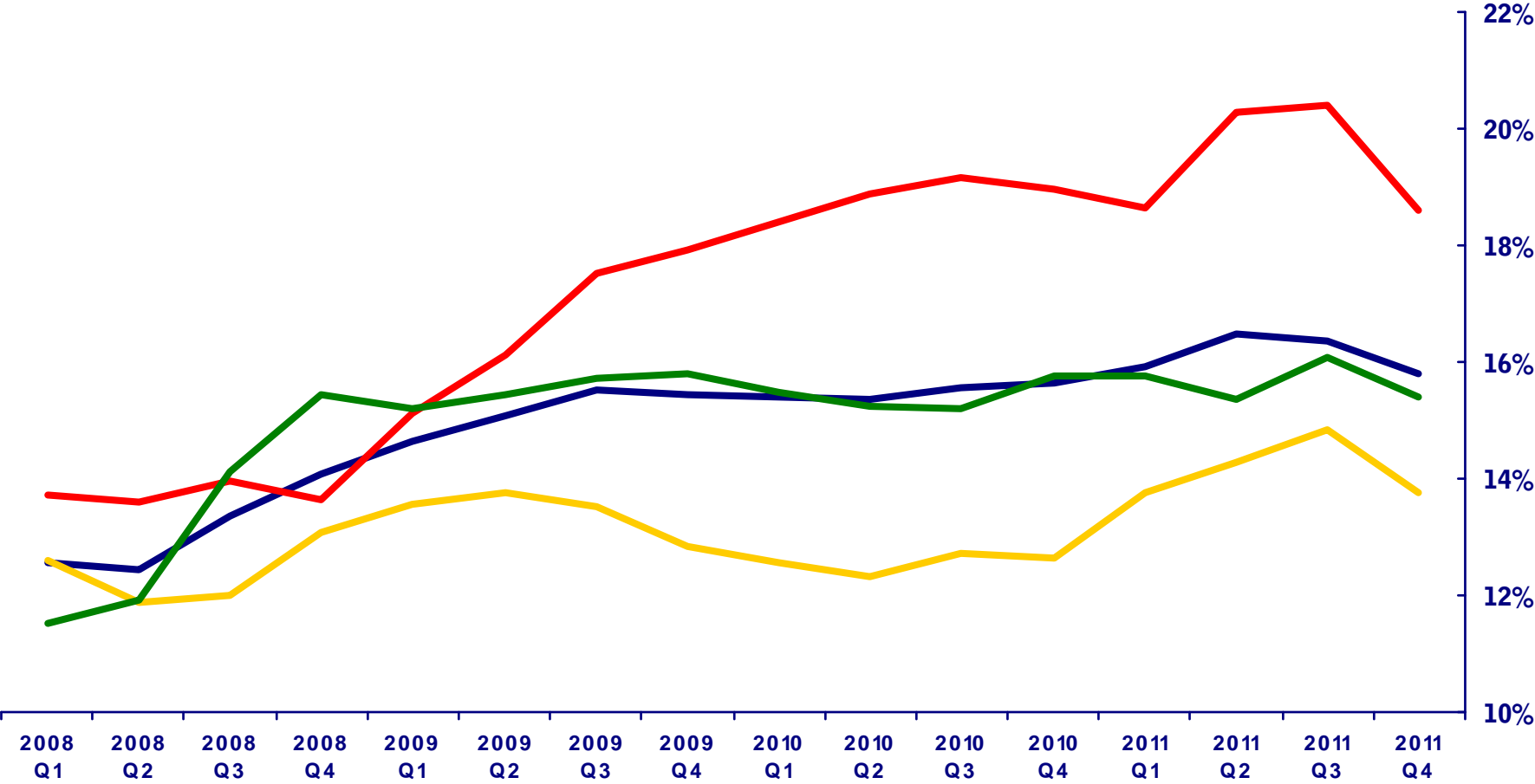
The # # #'s

- Approximately 75 million square feet (msf) of core space
 - 850,000 Under construction
 - Just over 1 msf delivered in 2011
- North – 26.2 msf
- City – 22.5 msf
- South – 26.5 msf

Direct Vacancy



Historical Vacancy Rate



— Total Market — Northern Metro — City Market — Southern Metro

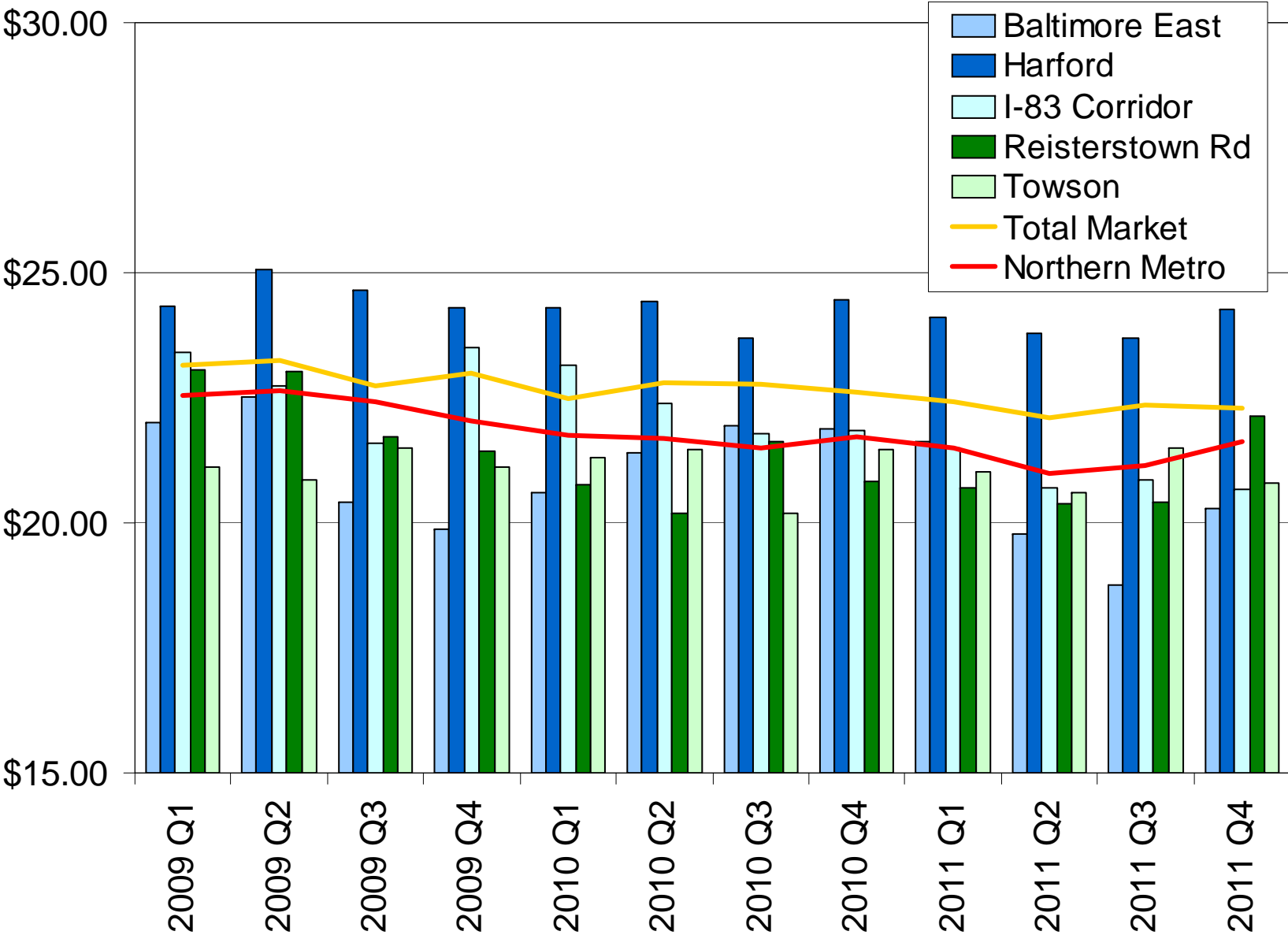
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What the BRAC?

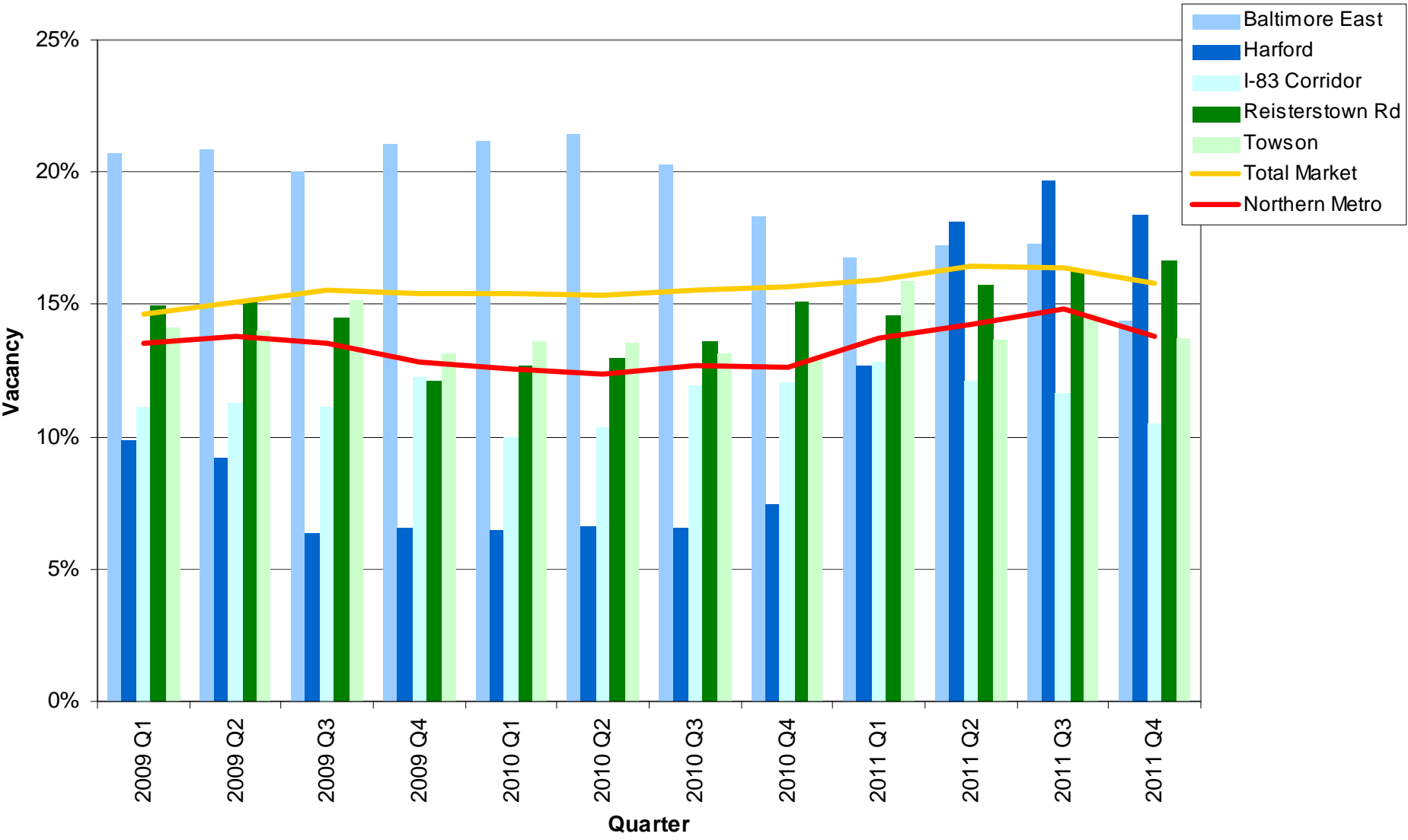
- BRAC Contractors / Tech Sector and Medical
- Movers & Shakers
 - Baltimore County East ended on a good note?
 - Harford County still has 300,000sf+ in the pipeline
- Trends and Indicators
 - Owings Mills Mall & Solo Cup to get a face lift
 - Towson's newest glass jewel Towson City Center
 - Hunt Valley welcomes everyone

Rental Rates



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Direct Vacancy



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Sale Activity 2011



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1 W. Pennsylvania Avenue

\$25,500,000



100 West Road

\$18,750,000



502 Washington Avenue Portfolio (4 Buildings)

\$16,000,000



216 Schilling Circle

\$4,700,000



Trends & Indicators

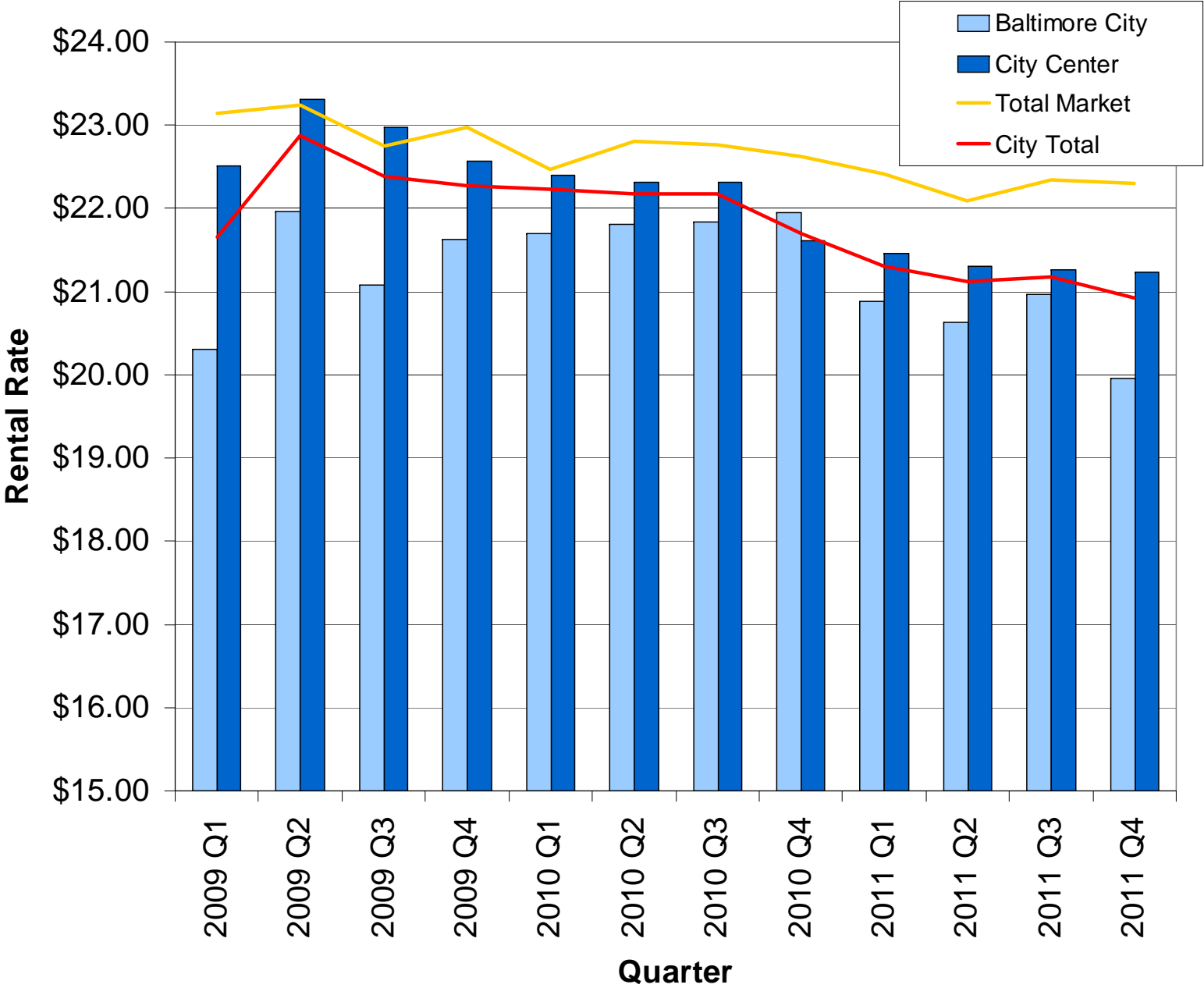
- What's coming
 - Still have 300,000 of new construction coming in Harford County
 - Delivery of Schilling and Towson City Center
- Look for...
 - Continued slow to moderate growth
 - More tenant movement via exploration of other opportunities
 - Increase in building sales
 - COPT to continue to sell non-core assets



The Headquarter Shuffle

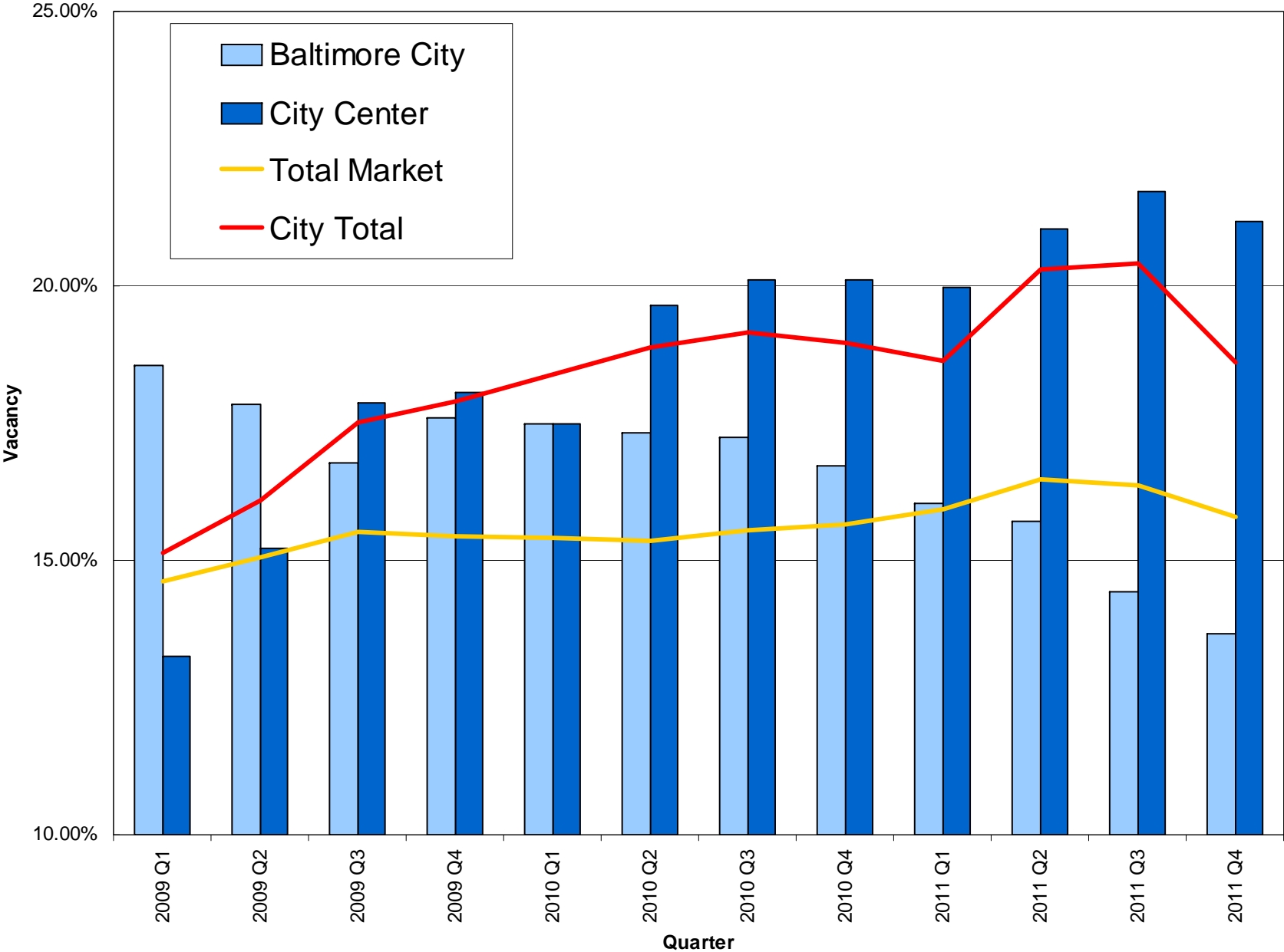
- Transamerica, Legg Mason, etc.
- Under Armour buys Tide Point project in Locust Point
 - Adding jobs
 - Locust Point encouraging growth via business/neighborhood partnership
- Constellation Energy MIGHT build
- Canton Crossing COULD be the next big thing – Big Box?
- Mid-town SHOULD take advantage of the University of Baltimore's growth
 - New/Expanded retail
 - Apartment demand

Rental Rates



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Direct Vacancy



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Sale Activity 2011



Hull Street Portfolio – Under Armour (owner/user)
\$60,500,000



1407 Fleet Street – Broom Building (owner/user/investor)
\$6,800,000



1111 N. Charles Street – Chase Brexton (owner/user)
\$6,700,000

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Trends & Indicators

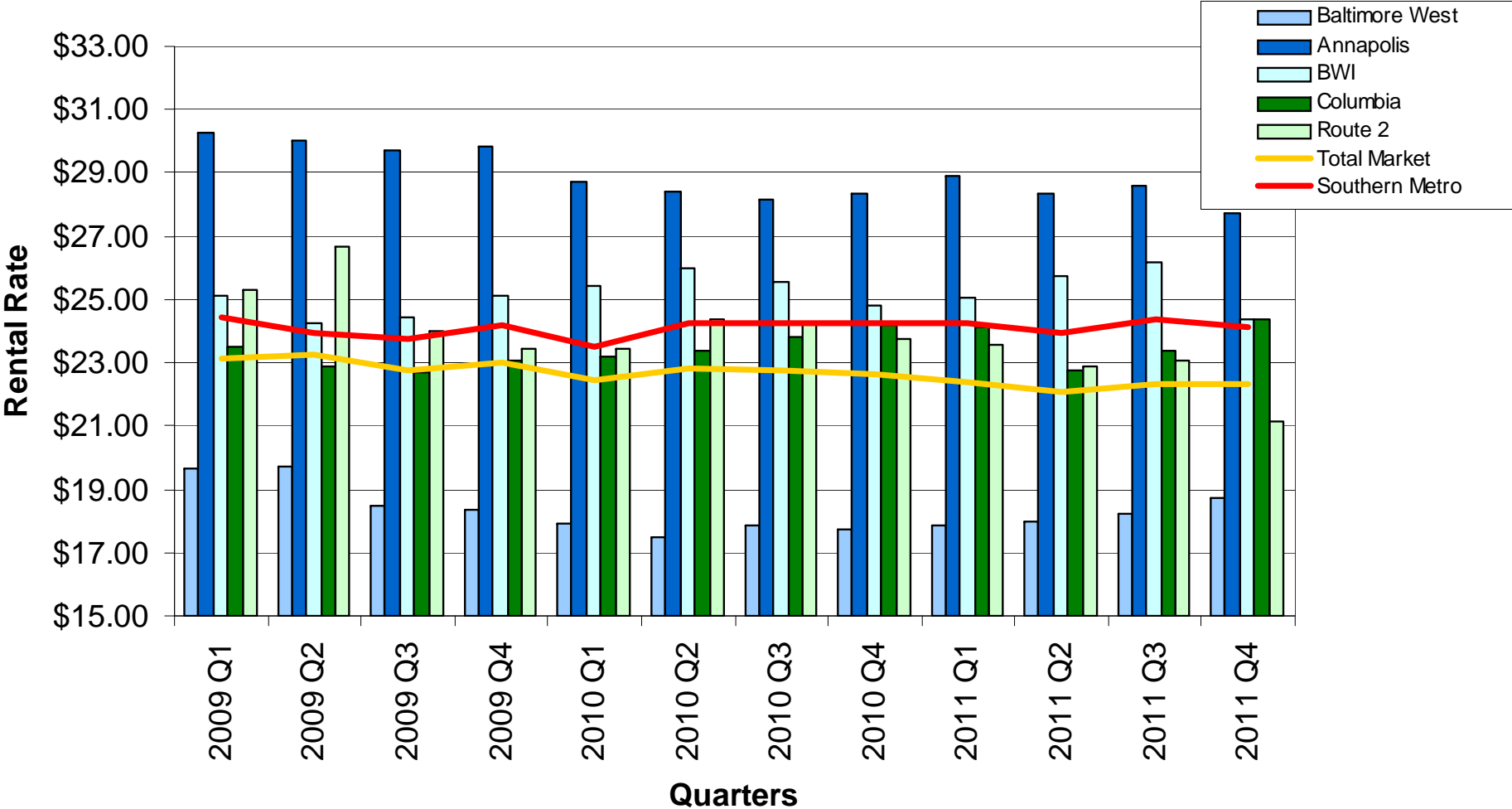
- What's coming
 - The only new construction is in Mid-town and Federal Hill
- Who's out in the market
 - No major users – some small law firms
 - Constellation – the only major user looking for new HQ
- Look for
 - Bargain hunting, but mostly restructures, stay-puts, as wise well-represented tenants will focus on immediate occupancy cost reductions
 - Delayed approval at State Center due to lawsuits, politics, and high occupancy costs



2011 Saved by Annapolis. Sort of.

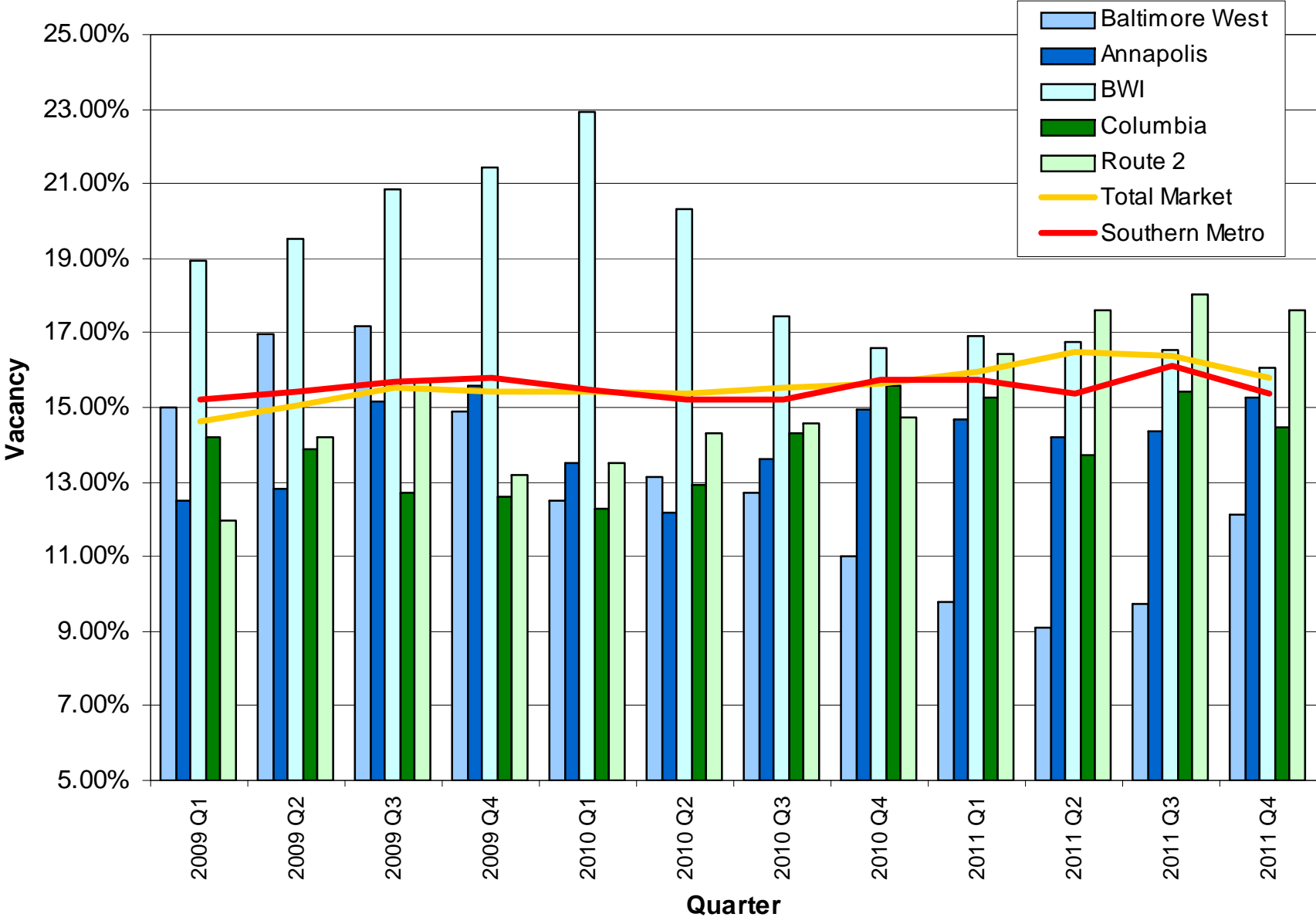
- Annapolis continues to be at the top of the heap
- BRAC is in place, now for Cyber Command
- The Corridor braces for impact
 - New developments including 400,000 sf under construction
 - Impact of the Inter-County Connector (ICC)
- YEAH for government!
 - Woodlawn gets a boost
 - BWI is filling up

Rental Rates



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Direct Vacancy



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Sale Activity - South



7210 Ambassador Road Portfolio (13 Properties)
\$32,500,000



6350 Stevens Forest Road
\$13,600,000



8930 Stanford Boulevard
\$26,000,000

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Trends & Indicators

- What's coming
 - Cyber Command – impact of Federal cutbacks will not effect be as dramatic for technology
- Who's out in the market
 - Small, technology contractors
 - DC Metro influence (The ICC Effect)
- Look for a steady decrease in vacancy which will blip as new projects break ground and a slow increase in rental rates and reduction in concessions

The Skinny



Who to watch in 2012

- Europe
- Washington DC Politics
- Annapolis

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The Baltimore Metropolitan Office Market



Please visit our website for our
4th Quarter Market Report.

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