

THIRD QUARTER | 2011

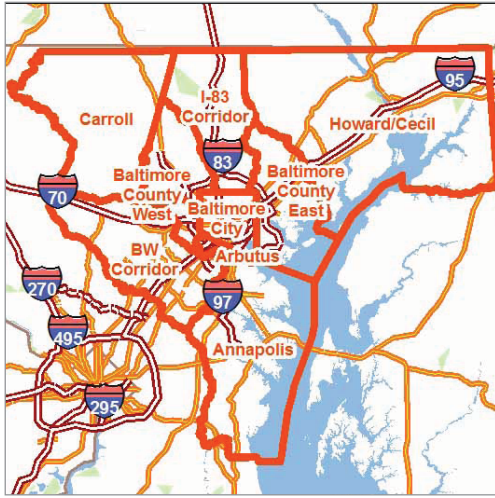
MacKenzie Market Report

Industrial Submarkets



MACKENZIE

Overview



Market Outlook

By: Anirban Basu, Sage Policy Group

Local Warehouse Market Continues Positive Gain.

To the extent that real estate activity has been robust, it has been in the industrial category. This is a reflection of a number of factors, including the fact that industrial production has been one of the most rapidly expanding aspects of the global economy since the worldwide downturn ended in 2009.

Net absorption of warehouse space in the Baltimore area totaled 451,600 square feet (sf) for the third quarter following 577,700 sf of absorption in the second quarter. During the third quarter, positive net absorption in Harford/Cecil Counties (652,200 sf) was virtually offset by negative net absorption in Baltimore City (-651,004 sf). The direct vacancy

rate for the regional warehouse market stood at 9.4 percent in the third quarter, down from 9.6 percent in the second quarter and 10.4 percent the same time last year.

The flex industrial market in the Baltimore area posted quarterly net absorption of 288,000 sf. Year-to-date absorption stands at 411,100 sf. The Baltimore/Washington Corridor led the way with 96,800 sf of positive net absorption. The Baltimore area flex industrial market direct vacancy rate for the third quarter was 10.2 percent, up from 10.0 percent in both the last quarter and at the same time one year ago. ■

Quick Stats

Number of Buildings	4,827
Market Size	240,712,633 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	9.55%	▼	▼
Vacancy W/ Sublet	9.95%	▼	▼
Net Absorption	739,600 sf	▲	▼
Avg. Asking Rate	\$5.69	▲	▼

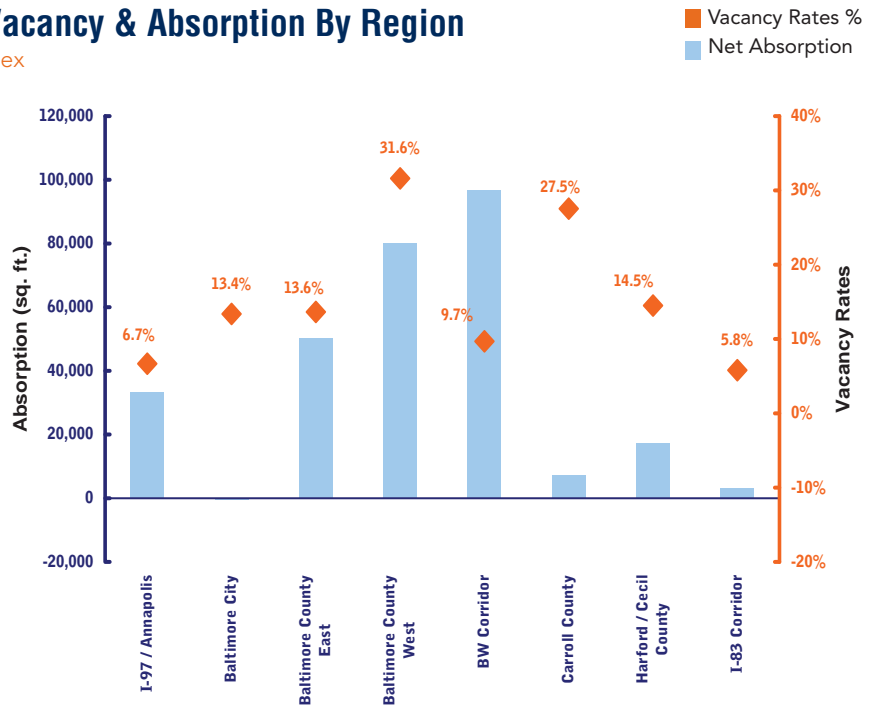
Quarter Highlights

- Partnering with Emory Properties, LLC, Ryan Commercial LLC broke ground on a 700,000 square foot industrial complex in Perryman that hopes to lure Procter & Gamble and Amazon as tenants. If demand increases, the duo has the capability to option to expand up to 1.4 msf (million square feet)
- Prologis continues to unload its Baltimore Industrial portfolio, the sale of which could bring the company more than \$50 million in revenues. The company currently has nearly 600,000 sf of industrial space on the market.
- LifeScience Logistics took 302,687 sf at 8901 Snowden River Parkway in Gateway Commerce Park in Columbia. The third-party logistics company services the health care industry.

Continued on next page...

Vacancy & Absorption By Region

Flex



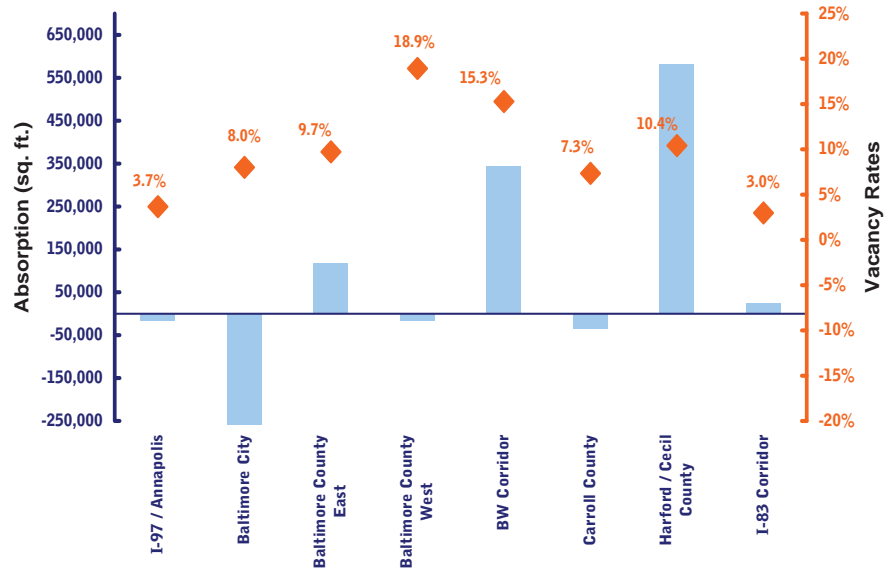
Above: The I-83 Corridor and I-97/Annapolis submarkets continue to enjoy low vacancy rates but the BW Corridor leads the market in absorptions thanks to large leases signed by logistic and technology firms. Baltimore City remains relatively unchanged with a negative absorption of 450 sf.

Overview

Vacancy & Absorption By Region

Warehouse

Vacancy Rates %
Net Absorption



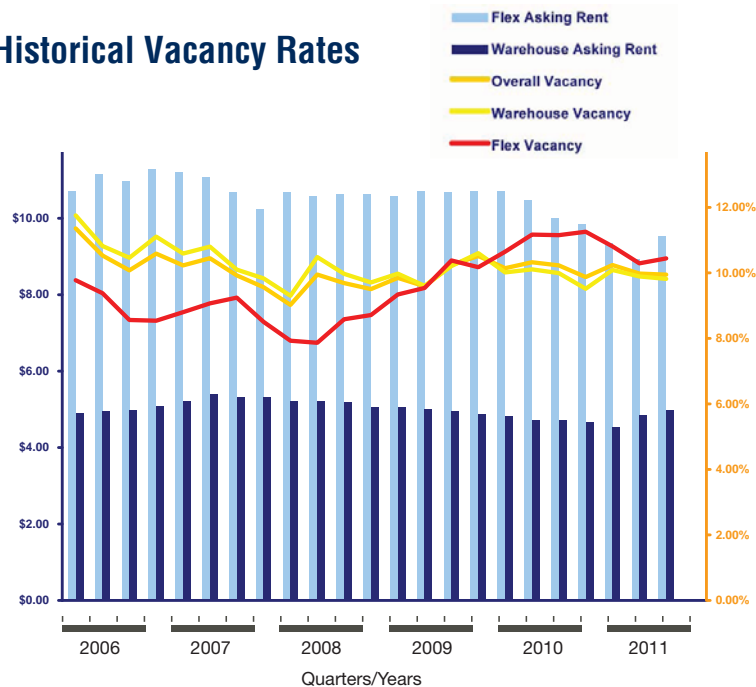
Above: The BW Corridor and Harford/Cecil County submarkets saw substantial positive absorption, as the I-97/ Annapolis Corridor, Baltimore County West, Carroll County, and I-83 Corridors remained quiet.

Quarter Highlights

Continued from previous page...

- The Solo Cup Building at 10100 Reisterstown Road sold for \$16,000,000. The 1.7 msf manufacturing building is expected to be redeveloped.
- IPX International is relocating from Rockville to a new location at 6930 San Tomas, in the Route 100 Industrial Park in Elkridge taking 37,200 square feet. IPX is a product of a federal stimulus grant to promote fiber optic cable installations.
- Jones Lang LaSalle's third annual Port, Airport and Global Infrastructure (PAGI) report reveals that real estate in the markets surrounding the country's seaports is leading the U.S. industrial real estate recovery. According to the report, which ranks each port using proprietary scoring system, the largest gains were seen in Baltimore, which jumped 8.7 points to reach 82.5, followed by Charleston at 80.8 rising by 7.8 points and Houston, which scored 89.5 up from 84.8 last year.
- Evolve Composites, a manufacturer of building materials, has signed a lease for a 113,800-square-foot manufacturing plant in Hancock, Maryland. The company, headquartered in Torrance, California, specializes in lightweight environmentally friendly pads made of polymer plastic, composite, lightweight concrete and ultra-lightweight concrete for air-conditioning units and heat pumps among other uses.

Historical Vacancy Rates



Above: Overall vacancy continues to improve from a high in mid-year 2010 (18 percent) with rental rates in both flex and warehouse markets also inching up.



Market Forecast

The Baltimore industrial market is currently enjoying a reprieve from the harsh economic conditions that have plagued the commercial real estate industry over the last three years. Vacancy rates are trending down in most submarkets with the exception of the traditionally strong Baltimore Washington Corridor which still suffers a 15% overall vacancy rate. Tenants maintain the flight to quality leaving Class B and C product for Class A buildings attracted by reduced rental rates and financial incentives offered by Landlords. Although vacancy levels edged slightly lower in the 3Q, smaller blocks of space remain in abundant supply. This could be a reflection of non-existent small business growth which usually fills this void and typically fuels job creation in the economy. Investors continue to have an appetite for institutional grade product betting that no new construction coupled with improving market conditions will cause upward pressure on rental rates.



Daniel A. Hudak, SIOR
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial
Real Estate Services, LLC

Notable Transactions

*(r) Renewal

Flex Lease

Location	Submarket	Tenant	Amount Leased SF
504 McCormick Drive	BW Corridor	Unknown	17,700 sf
6200-6210 Frankford	Baltimore City	Unknown	15,851 sf
6655 Amerton Drive	BW Corridor	Unknown	9,600 sf

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
9145 Liberty Road	Carroll County	\$7,250,000	\$95.94	76,360 sf
7519 Solley Road	Annapolis	\$5,650,000	\$97.41	58,000 sf
9472-9494 Deereco Road	I-83 Corridor	\$4,155,000	\$103.48	40,151 sf
6798 Oak Hall Lane (Unit A - Condo)	Columbia	\$819,540	\$142.90	5,735 sf
2014 Renard Court (Unit F - Condo)	Annapolis	\$233,250	\$186.60	1,250 sf

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
8901 Snowden River Parkway	Columbia	LifeSciences Logistics	302,687 sf
1300 Mercedes Drive	BW Corridor	DTLR, Inc.	139,690 sf
350 Winmeyer Avenue	BW Corridor	IQ Solutions*(r)	78,800 sf
8730 Greenwood Place	Carroll County	E&G Classics	51,180 sf

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
40 Building Portfolio	Multiple	\$235,800,000	\$1,1440.47	2,059,992 sf
10100 Reisterstown Road	Reisterstown Road Corridor	\$15,000,000	\$8.81	1,703,292 sf
7549 Harmans Road	Annapolis	\$12,600,000	\$315.00	40,000 sf
1852 Frankfurst Avenue	Baltimore City	\$5,350,000	\$153.59	34,832 sf

* 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 9/2011.

