

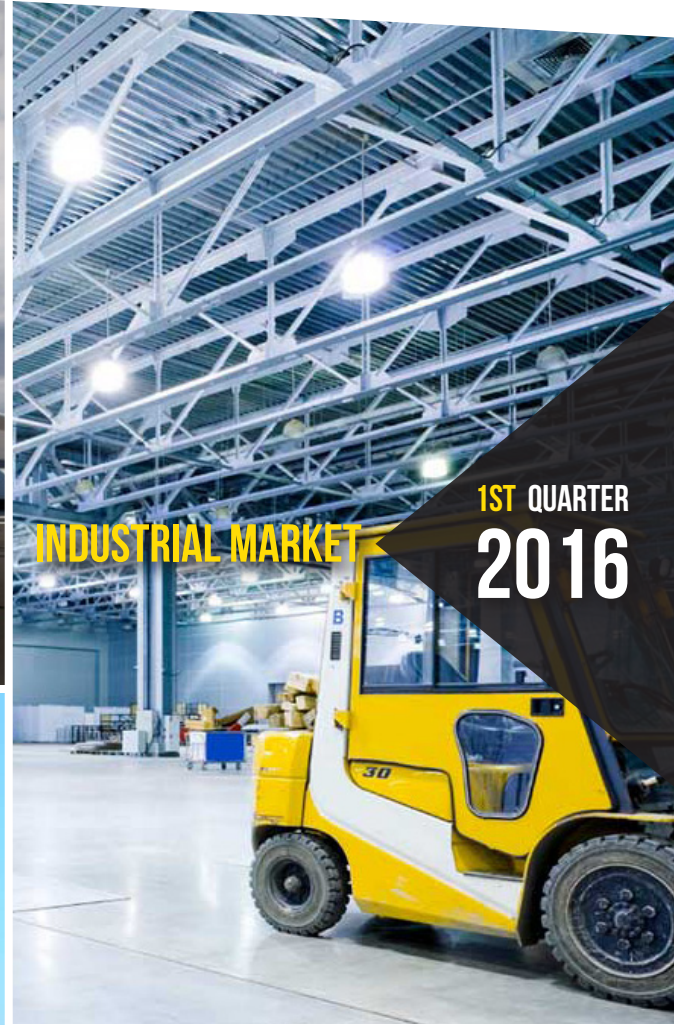


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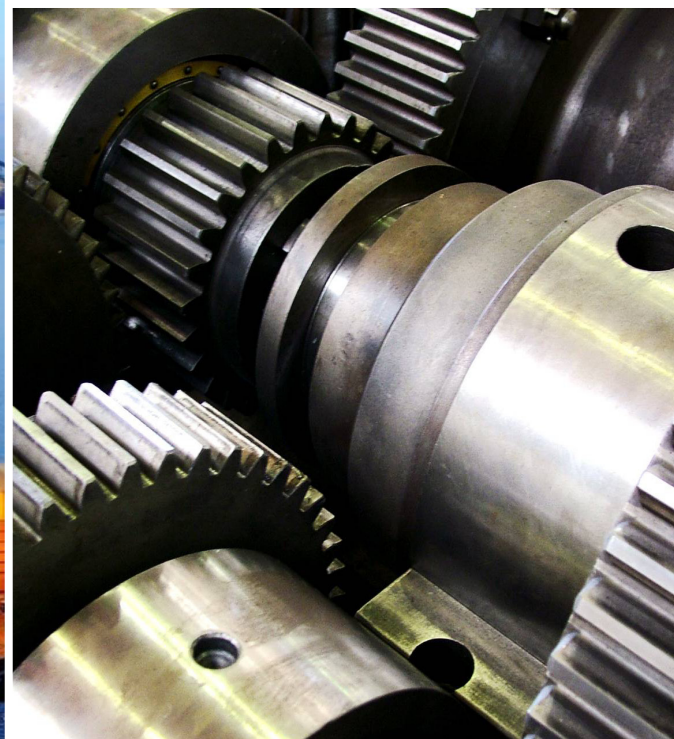


MARKET REPORT



INDUSTRIAL MARKET

**1ST QUARTER
2016**



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BALTIMORE

LUTHERVILLE

ANNAPOLIS

BEL AIR

COLUMBIA

BALTIMORE INDUSTRIAL OVERVIEW

FIRST QUARTER | 2016



Baltimore's Industrial Market Springs to Life During Winter Months

Presented by Anirban Basu, Sage Policy Group

First quarter net absorption in the Baltimore regional industrial market was strong. Nearly 1.8 million square feet of warehouse space was net absorbed during the year's initial three months, a reflection of strong Port-related activity, an economy driven largely by the movement and purchase of consumer goods, and greater urgency among lessees in the face of declining vacancy rates.

Warehouse space absorption was most pronounced in the BWI Corridor, Baltimore City, and in Baltimore County East, which collectively net absorbed approximately 1.4 million square feet of space. Vacancy rates continue to tilt lower. In the BW Corridor, for instance, vacancy has dipped from 11.2% to 10.1% over the past year. In Baltimore County East, vacancy has declined from nearly 16% to 14.2%. However, in a handful of submarkets, warehouse vacancy has actually risen over the past year, including in the Harford/Cecil submarket (6.3% to 7.5%). Accordingly, overall regional vacancy has barely shifted over the past year (8.4% to 8.3%) and average asking rents have hardly budged (\$5.02/sf to \$5.14/sf).

For its part, the region's flex market registered positive net absorption of 247,368 square feet during the 1st Quarter 2016, helping to bring vacancy down into the single digits (9.7%). Baltimore City led the way, with nearly 129,000 square feet net absorbed during the quarter. This is one of many indicators suggesting that the city's economy is coming back to life. Regionally, average asking rent has grinded higher over the past four quarters, from \$11.18/sf during the 1st Quarter of 2015 to \$11.33/sf one year later.

Recent national indicators of retail and manufacturing activity have been reasonably upbeat, suggesting that the ongoing economic recovery remains firmly in place. With the dollar weakening and the Port of Baltimore continuing to reap the benefits of recent investments and upgrades, the Baltimore regional industrial market is positioned to remain active in 2016.

THE NUMBERS

| | Submarket | Bldgs | Market Size SF | Vacant SF | Total Vacancy | Current Absorption | YTD Absorption | Avg. Asking Rent |
|---------------------------------|----------------------------|--------------------|--------------------|-------------------|------------------|--------------------|------------------|------------------|
| FLEX INDUSTRIAL MARKET | Annapolis/Route 2 Corridor | 169 | 4,984,762 | 356,362 | 7.15% | 37,169 | 37,169 | \$13.23 |
| | Arbutus | 57 | 2,127,088 | 93,498 | 4.40% | 17,125 | 17,125 | \$9.53 |
| | Baltimore County East | 130 | 4,130,324 | 522,454 | 12.65% | 128,696 | 128,696 | \$8.11 |
| | Baltimore City | 114 | 3,733,937 | 378,375 | 10.13% | (28,604) | (28,604) | \$9.46 |
| | BW Corridor | 333 | 14,928,605 | 1,560,270 | 10.45% | 48,620 | 48,620 | \$13.53 |
| | Carroll County | 53 | 1,166,702 | 190,855 | 16.36% | (10,507) | (10,507) | \$9.23 |
| | Harford/Cecil | 136 | 3,059,260 | 357,921 | 11.70% | 8,787 | 8,787 | \$11.36 |
| | I-83 Corridor | 107 | 4,929,452 | 189,487 | 3.84% | 10,509 | 10,509 | \$10.56 |
| | Reisterstown Rd Corridor | 83 | 3,066,003 | 363,682 | 11.86% | 88,469 | 88,469 | \$9.80 |
| | Woodlawn/Catonville | 53 | 2,564,283 | 320,277 | 12.49% | (52,896) | (52,896) | \$9.03 |
| | Totals | 1,235 | 44,690,416 | 4,333,181 | 9.70% | 247,368 | 247,368 | \$11.33 |
| WAREHOUSE INDUSTRIAL MARKET | Annapolis/Route 2 Corridor | 197 | 8,989,309 | 110,039 | 1.22% | 84,509 | 84,509 | \$6.29 |
| | Arbutus | 98 | 7,492,066 | 987,282 | 13.18% | (12,144) | (12,144) | \$4.78 |
| | Baltimore County East | 1,086 | 40,052,904 | 2,407,644 | 6.01% | 431,890 | 431,890 | \$4.75 |
| | Baltimore City | 327 | 20,021,177 | 2,847,867 | 14.22% | 263,024 | 263,024 | \$5.02 |
| | BW Corridor | 558 | 43,500,085 | 4,400,547 | 10.12% | 716,439 | 716,439 | \$5.54 |
| | Carroll County | 154 | 7,698,162 | 543,058 | 7.05% | (56,415) | (56,415) | \$5.31 |
| | Harford/Cecil | 331 | 32,735,243 | 2,447,780 | 7.48% | 100,113 | 100,113 | \$4.49 |
| | I-83 Corridor | 83 | 4,381,581 | 95,899 | 2.19% | 2,000 | 2,000 | \$9.94 |
| | Reisterstown Rd Corridor | 55 | 1,482,569 | 41,500 | 2.80% | 2,089 | 2,089 | \$8.13 |
| | Woodlawn/Catonville | 48 | 1,287,509 | 25,142 | 1.95% | 0 | 0 | \$6.90 |
| | Totals | 2,937 | 167,640,605 | 13,906,758 | 8.30% | 1,531,505 | 1,531,505 | \$5.14 |
| Industrial Market Totals | 4,172 | 212,331,021 | 18,239,939 | 8.59% | 1,778,873 | 1,778,873 | \$6.50 | |

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* 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 3/30/2016.

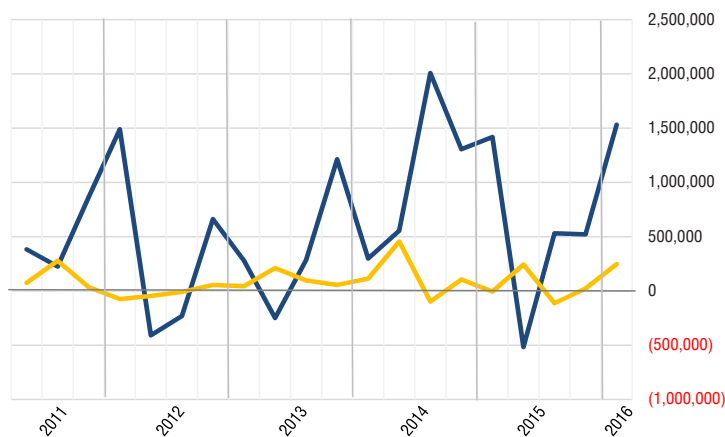
BALTIMORE INDUSTRIAL OVERVIEW

FIRST QUARTER | 2016



HISTORICAL ABSORPTION

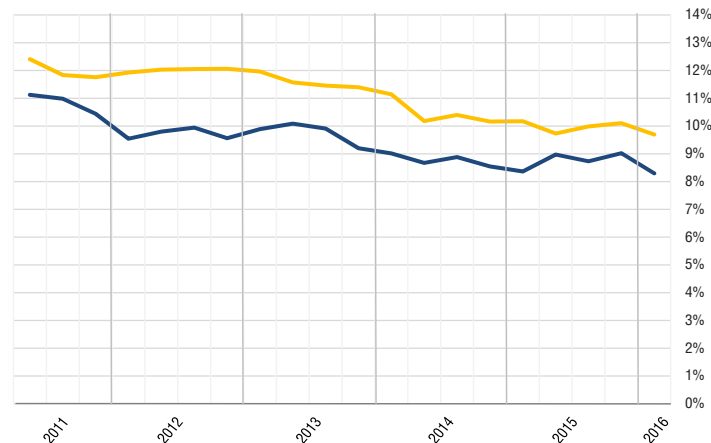
Flex
Warehouse



Strong activity during the 1st Quarter 2016 resulted in a positive 1.778 million square feet absorption for the overall industrial market. Among flex product, Baltimore City absorbed the most at 128,696 sf while Woodlawn noted the largest loss, a negative 52,896 sf. The leading submarket within the warehouse sector was the ever-popular BW Corridor with 716,439 sf absorbed. This was a result of not only consistent activity during the 1st Quarter 2016 but also tenants moving into spaces that signed during the very active 4th Quarter 2015.

HISTORICAL VACANCY

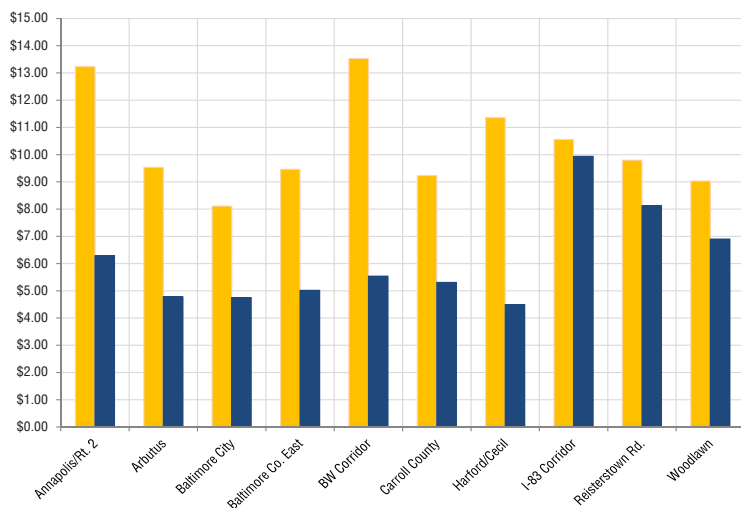
Flex
Warehouse



With the majority of both flex and warehouse submarkets experiencing a decrease in vacancy during the 1st Quarter 2016, the end result for the industrial market as a whole was a decrease of 0.66% for an average rate of 8.59%. Increases in vacancies in Baltimore County East and Woodlawn flex submarkets, 1.7% and 2.10%, respectively, hindered more of a positive result; however, the total average remains lower than the same quarter in 2015, a difference of 0.16%.

AVERAGE ASKING RENTS

Flex
Warehouse



Average rental rates during the 1st Quarter 2016 remained virtually unchanged for the Baltimore Metropolitan Industrial Market, decreasing by only \$0.12/sf for a rate of 11.33/sf for the flex market; and, increasing by a mere \$0.01/sf for a rate of \$5.14/sf for the warehouse market. Both flex and warehouse rental rates are higher than the same quarter in 2015, increasing by \$0.15/sf and \$0.12/sf, respectively.

HIGHLIGHTS

- 4611 North Point Boulevard, a 57,401 square foot industrial warehouse building situated on 17 acres in Baltimore County, Maryland sold this quarter.
- FedEx Ground has signed a lease for a new 300,000 sf distribution facility that will signal the start of a new era of commerce at the former Sparrows Point steel mill in eastern Baltimore County.
- Route 100 Distribution Center in the Baltimore Washington Corridor attracted three new tenants, leasing 67,300 sf total. The tenants include Old Castle Building Envelope, Wurth Wood Group and River City Cannery.
- Two-building, 51,600 sf flex/warehouse project situated at 1305 Governor Court, within the William Paca Industrial Park in the Abingdon section of Harford County, Maryland was purchased by Grander Capital Partners, a Boston-based real estate investment and management company, for \$3.25 million.
- Old Dominion Supply signed a lease for 81,240 sf at 6945 San Tomas Road in Elkridge. This lease brought the approximate 155,000 sf building to fully leased. The product supplier is expanding from about 45,000 feet in moving from Severn.
- RReef sold their two buildings located at 8255 – 8257 Patuxent Range Road to Colony Capital for \$17.625 million. Located in the Baltimore Washington Industrial Park, the pair of buildings are both older but functional and leased. Six tenants occupy the 193,525 sf space.

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BALTIMORE INDUSTRIAL OVERVIEW

FIRST QUARTER | 2016



NOTABLE TRANSACTIONS

Lease

| Location | Submarket | Tenant | Amount Leased SF |
|--------------------------|------------------------------|-------------------------------------|------------------|
| 1805 Fashion Court | Harford County | US Lumber | 258,710 sf |
| 8907 Bethlehem Boulevard | Baltimore County East | Caprock Milling and Crushing | 120,288 sf |
| 4711 Hollins Ferry Road | Arbutus | Bakery Express - Mid Atlantic, Inc. | 30,000 sf |
| 700 Evelyn Avenue | BW Corridor | A1 Pallet | 18,000 sf |
| 178 - 194 Alco Place | Arbutus | Charm City Hospitality, LLC | 12,500 sf |
| 10920 Pump House Road | BW Corridor | Cozi Furniture | 11,925 sf |
| 60-R Aileron Court | Carroll County | Airpark Automotive | 5,040 sf |
| 910 Bestgate Road | Route 2 Corridor / Annapolis | Prestige | 4,160 sf |

Sale

| Location | Submarket | Price | PSF | Building Size |
|-------------------------------|-----------------------|-------------|---------|---------------|
| 7565 Harmans Road | BW Corridor | \$6,000,000 | \$31.21 | 192,266 sf |
| 1760 - 1768 Union Avenue | Baltimore City | \$3,400,000 | \$22.67 | 150,000 sf |
| 1305 Governor Court | Harford County | \$3,250,000 | \$62.98 | 51,600 sf |
| 1120 - 1124 S. Hanover Street | Baltimore City | \$1,400,000 | \$33.03 | 42,380 sf |
| 1106 Business Parkway S | Carroll County | \$1,250,000 | \$80.50 | 15,528 sf |
| 3515 Marmenco Court | Baltimore County | \$950,000 | \$33.34 | 28,495 sf |
| 7677 Canton Center Drive | Baltimore County East | \$512,500 | \$42.35 | 12,102 sf |

INDUSTRIAL OUTLOOK 2016

PRESENTED BY DAN HUDAK

Although there was 1,700,000 sf of absorption in the 1st Quarter 2016, approximately 600,000 sf of this total was a result of deals that were signed in 2015 with occupancy (and thus absorption) taking place during the 1st Quarter of 2016. Our outlook moving forward is reduced demand for larger blocks of space and continued, steady demand for smaller blocks of space. Institutions' desire to dispose of industrial assets capitalizing on current market conditions hints that we may be at the top of the market.

Number of Buildings 4,172

Market Size 212,331,021

Report Criteria: MacKenzie's Industrial Market Report consists of currently available flex and warehouse properties throughout the Baltimore Metropolitan Area as noted on CoStar Property. We have classified the properties into 10 submarkets identified as the following: Annapolis, Arbutus, Baltimore County East, Baltimore City, BW Corridor, Carroll, Harford/Cecil, I-83 Corridor, Reisterstown Road Corridor, and Woodlawn/Catonsville. Flex buildings are limited to properties 5,000 sf and greater, while warehouse buildings are limited to single-story properties. Data does not include under construction or proposed projects. Contact: Katy Hayes, Marketing Director | 410.494.6649 | khayes@mackenziecommercial.com

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