



BALTIMORE OFFICE OVERVIEW

FOURTH QUARTER | 2015



It was a Year of Progress in the Local Office Market

Presented by Anirban Basu, Sage Policy Group

Baltimoreans will want to quickly put 2015 in the rearview mirror. Disappointing performances by the Orioles and Ravens and monumental public safety issues in the city help set the stage for a better 2016. Despite poor optics, the fact of the matter is that the regional economy easily outperformed consensus expectations last year. The majority of the roughly 50,000 jobs added in Maryland last year were added in the Baltimore metropolitan area. Development has accelerated in the city, Towson, Owings Mills, Columbia and elsewhere.

Unlike prior years, the composition of the local economy actually helped last year. Both the Washington and Baltimore metropolitan areas were laid low by sequestration, which began impacting the economy in early-2013. Those impacts began to wane last year.

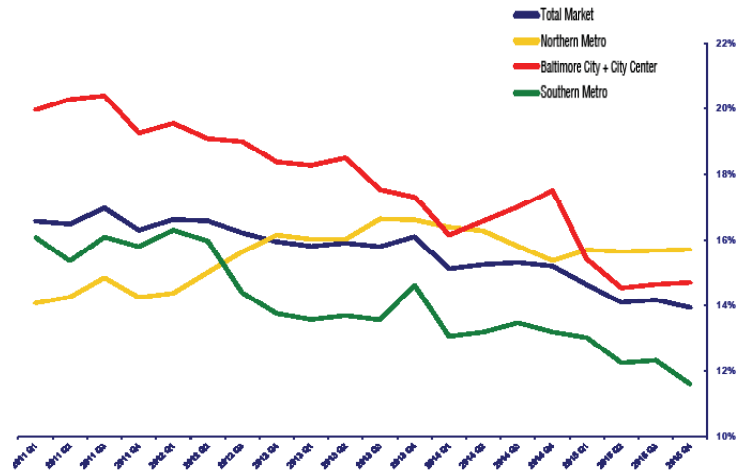
Moreover, the region was not impacted the way that many others were by collapsing commodity prices. While states like North Dakota and West Virginia are now in recession, Maryland benefits from lower input prices since we are much more likely to be consumers than producers. The strong U.S. dollar also tends to impact other communities more intensely. Maryland is not an export-intensive economy. While that causes Maryland to lag economically during periods of rapid global economic expansion, it improves relative economic performance when exports are lagging.

The region's positive economic performance in 2015 helped to drag regional vacancy lower. At the end of 2014, the total vacancy rate in City Center stood at 19.5%. By the end of 2015, it had fallen to 15.3%. Class A+ vacancy declined from 9.6% to 4.4%.

In the southern metro area, which disproportionately benefits from the spinoff activity at Fort Meade, office vacancy slid from 12.3 % to 11.6%. Another 95,000 sf were net absorbed during the fourth quarter and for the year the market absorbed nearly 400,000 sf. Among the southern metropolitan sub-markets, Annapolis and BWI registered the best net absorption tallies for the year (147,546 sf and 141,802 sf respectively). Vacancy in the northern metropolitan area, however, was essentially unchanged over the course of the year. No northern sub-market generated significantly positive net absorption last year. While Towson net absorbed 66,300 sf last year and Harford County net absorbed 52,200 sf, negative net absorption was registered along the I-83 Corridor and in Baltimore County West.

The current year is shaping up to be a good one. The regional economy appears positioned for additional job growth. The region's unemployment rate has been a few tenths of a percentage point above the national average. Viewed from the perspective of growth, that could be viewed as good news since expanding firms are more likely to find available employees here than in metropolitan markets with much lower unemployment rates like Minneapolis, Seattle and Washington, D.C. Better economic performance is also supporting higher asking rents, which rose \$0.50/sf last year to \$22.53. That translates into 2.3% asking rent growth. In City Center, asking rent expanded 7.8% to end the year at \$21.64.

HISTORICAL VACANCY RATES



QUICK STATS | BALTIMORE METROPOLITAN OFFICE

13.94%
VACANCY RATE

95.915
ABSORPTION

\$22.53
AVG. RENTAL RATE

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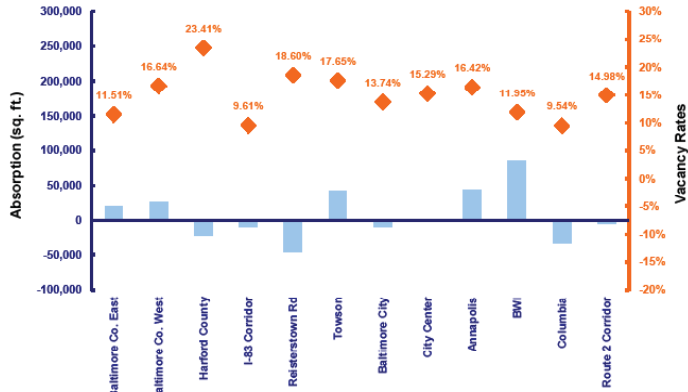
BALTIMORE OFFICE OVERVIEW

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ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



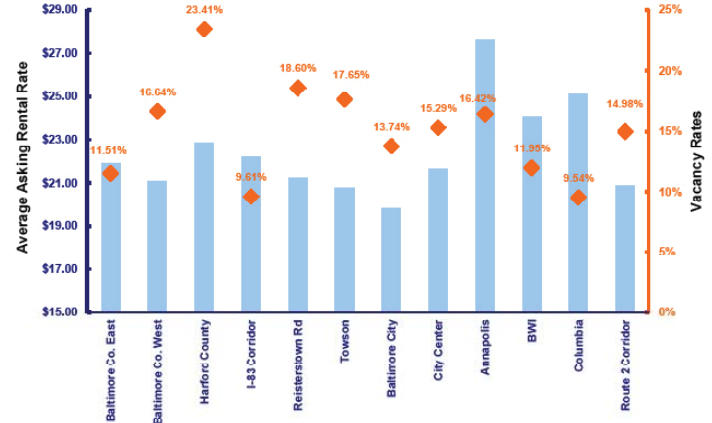
Vacancy for the Baltimore Metro Office Market remained relatively stable from the 3rd Quarter to the 4th Quarter. Overall in 2015, vacancy decreased by 1.27% from an average of 15.21% to 13.94%. Baltimore's City Center submarket saw the most notable change in vacancy over the past year, decreasing by 4.24% for an average vacancy of 15.29%. City Center Class A+ buildings currently lead the market with a vacancy of 4.35% for the 4th Quarter. Absorption has steadily increased throughout the year. 4th Quarter saw a net absorption of 95,915 sf, bringing the 2015 total to a positive 664,166 sf. The Southern Metro spearheaded the positive absorption trend, averaging 396,395 sf in 2015.

HIGHLIGHTS

- University of Maryland Medical System (UMMS) has decided to move forward with its plan from January to build a patient center in Baltimore. The ambulatory care center will take up around 100,000 sf on the University of Maryland Medical Center Midtown Campus.
- Carlyle Development Group, based out of upstate New York, purchased 100 S. Charles Street (Bank of America Tower) in November for \$45 million (\$90/sf). The property is 500,000 sf. Plans include building a 25,000 sf addition along Pratt Street that will be leased primarily to retailers.
- First Choice Services, Inc. signed a lease for 9,000 sf at Sulphur Spring Business Park.
- Arcsource Group, Inc., a government contractor, has signed a lease for 1,751 sf at 8825 Stanford Boulevard in Columbia.

RENTAL RATE/VACANCY RATES

Vacancy Rates %
Rental Rates



Overall, there has been minimal change in the average rental rates for the Baltimore Metro Office Market. Throughout 2015 the market rental rate increased from \$22.03/sf to \$22.53/sf. City Center Class A+ continues to set the highest rental rates at an average of \$27.84/sf. Annapolis (\$27.61/sf), Baltimore City North (\$26.51/sf), and Columbia (\$25.13/sf) followed up with the next highest rates for the area. There has been a slight shift in rental rates between Baltimore City and its City Center. While city rates fell by \$1.81/sf since 2014, City Center rates in turn increased by \$1.57/sf. This is also reflected in vacancy levels decreasing in the City Center, while Baltimore City saw a slight increase.

- The Law Offices of Dirska and Levin signed a lease for 3,400 sf at Maple Lawn in Howard County.
- The mailing services company, MDI Networx, LLC signed a lease at 717 E. Ordinance Road in Glen Burnie for 2,000 sf.
- CyberReliant, a technology firm, signed a lease for 16,738 sf and Environmental Resource Management signed a lease for 9,400 sf at 180 Admiral Cochrane Drive.
- Chesapeake Urology Associates was the first tenant to sign a lease at Merritt's Buckingham office park. The group will occupy 17,000 sf in the 53,000 sf building now under construction.
- Luxury real estate brokerage firm, Monument Sotheby's International Realty, signed a sublease for a total of 3,081 sf in the Roland Park Shopping Center located at 4800 Roland Avenue in Roland Park, Maryland.



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FOURTH QUARTER | 2015



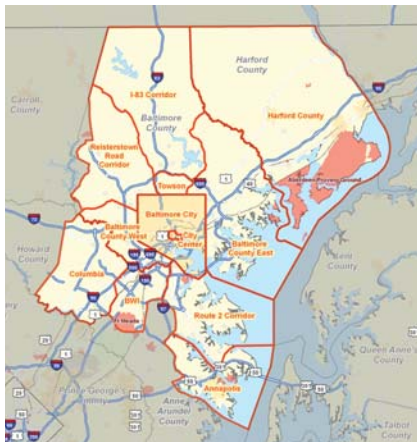
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
2211 Maryland Avenue	Baltimore City Midtown	Audacity of Hope Behavioral Health, LLC	80,000 sf
6315 Hillside Court	Columbia	BAE Systems Inc.	25,145 sf
1 E Pratt Street	City Center	International Youth Foundation	15,838 sf
303 International Circle	I-83 Corridor	Delmarva Surety Associates, Inc.	6,093 sf
20 Ridgely Avenue	Annapolis	National Wildlife Foundation	2,778 sf
21 Mellor Avenue	Baltimore County West	4 Oaks Physical Therapy, LLC	2,024 sf
3465 Box Hill Corporate Center Drive	Harford/Cecil County	Aurora Healthcare Resources, Inc.	2,000 sf
7601 Osler Drive	Towson	Englert Dermatology	1,696 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
23 Crossroads Drive	Reisterstown Road Corridor	\$14,850,000.00	\$260.16	57,081 sf
8600 Snowden River Parkway	Columbia	\$1,118,000.00	\$260.00	4,300 sf
6730 Holabird Avenue	Baltimore County East	\$600,000.00	\$107.14	5,600 sf
7 S High Street	City Center	\$425,000.00	\$96.59	4,400 sf
8846 Belair Road	Baltimore County East	\$335,000.00	\$96.07	3,487 sf
8435 Frederick Road	Columbia	\$254,000.00	\$127.00	2,000 sf



Number of Buildings 1,200

Market Size 74,790,400 sf

Criteria: MacKenzie tracks buildings that meet the following requirements and identifies these buildings as true reflectors of commercial real estate activity within the Baltimore Metropolitan Statistical Market (MSA).

Office: Buildings 15,000 square feet (sf) in size and greater in the Metro areas within Anne Arundel County, Baltimore City, Baltimore County, and Howard County, buildings 20,000 sf in size and greater within Baltimore's City Center, buildings 10,000 sf in size and greater in the Metro areas within Harford County, and buildings 5,000 sf in size and greater within Annapolis city limits. MacKenzie does not track owner occupied buildings or buildings leased exclusively to medical tenants.

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ANNAPOLIS

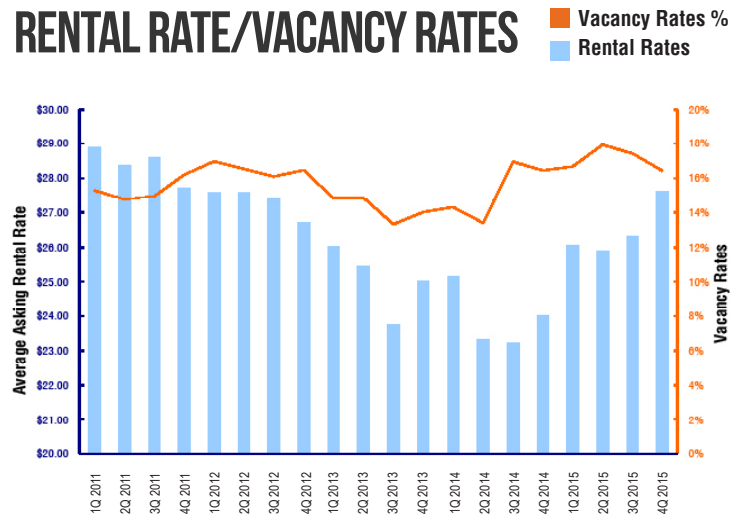
FOURTH QUARTER | 2015



"The Annapolis submarket continues to show high rents in the midst of limited leasing activity. Vacancy rates remain historically high; however, there is light at the end of the tunnel. We are seeing numerous tenants needing 5,000 square feet or more actively looking for space in the area, many of which are new to the market. Additionally, Annapolis saw continued strength in owner-occupied sales over the last quarter and it will remain strong into 2016."

- Justin Mullen
Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

16.42%
VACANCY RATE

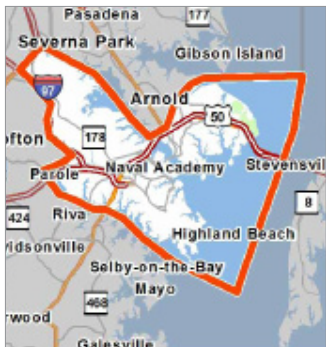
During the 4th Quarter, average vacancy rates for the Annapolis submarket decreased by 1.0% from the 3rd Quarter of 2015. Compared to the same quarter last year, rates remained relatively unchanged from the rate of 16.44% during 4th Quarter 2014.

44,491
ABSORPTION

The decrease in vacancy resulted in a positive absorption of 44,491 sf during the 4th Quarter of 2015. Overall for the year, Annapolis absorbed a total of 147,546 sf.

\$27.61
AVG. RENTAL RATE

Average rental rates remain strong, increasing during the 4th Quarter by \$1.30/sf from the 3rd Quarter rate of \$26.31/sf, and by \$3.60/sf from the 4th Quarter in 2014.



Number of Buildings 136

Market Size 4,002,826 sf

Overview: The State Capital of Maryland and the county seat of Anne Arundel County, Annapolis is situated on the Severn River. The office submarket is bounded by I-97 to the east, South River to the south, and includes the Route 50/301 corridor on both sides of the Severn River. Designated a "Central City" by the United States Department of Housing and Urban Development, the submarket is driven by a combination of government and tourism. This diverse blend of businesses is evidenced by the area's landscape which comprises an equal mix of historically significant buildings dating to the late 1600s and newer mixed-use lifestyle centers that have emerged over the last decade. Over the last 10 years, the United States Naval Academy along with the area's tourism and maritime industries have drawn the attention of firms looking for a more relaxed lifestyle for their employees. Steady growth in multiple sectors including healthcare, intelligence, and defense industries continue to drive market activity. Close proximity to major markets (the area is within 30 miles of both Baltimore and Washington, DC) has also proved beneficial in expanding the submarket's boundaries.

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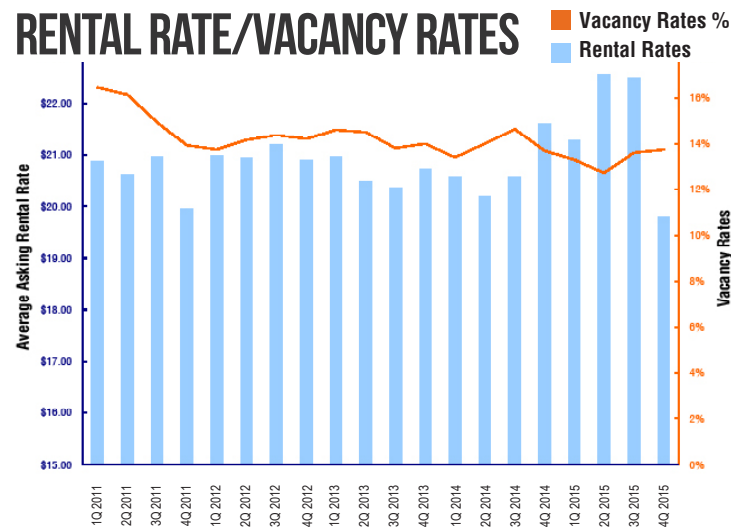
BALTIMORE CITY*

FOURTH QUARTER | 2015



"The Baltimore City office market, outside of the City Center, remained fairly flat during the 4th Quarter of 2015. Vacancy increased slightly in the submarket from 13.60% in the 3rd Quarter to 13.74% in the 4th Quarter of 2015. This small increase can largely be attributed to tenants vacating space in Baltimore City West, which owns the highest vacancy and the lowest asking rents in the City. On the other hand, South Baltimore continues to prove itself as the strongest sector in the submarket. The McHenry Row mixed-use project has been a success as tenants maintain the amenities of being in the City, but with free parking. Stadium Square, the mixed-use project planned for Federal Hill, is expected to break ground in 2016. The project will include new retail, residential units, and office space."

- Matthew Curran
Real Estate Advisor



QUICK STATS

13.74%
VACANCY RATE

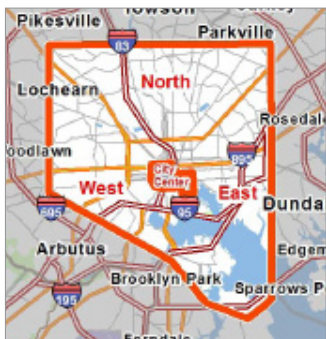
Overall vacancy for Baltimore City remained relatively steady, increasing by only 0.15% from the 3rd Quarter rate of 13.60%. The most notable changes in vacancy were in the Baltimore City South and West segments which experienced a decrease of 1.88% and an increase of 1.41%, respectively.

-9,186
ABSORPTION

Baltimore City's slight increase in vacancy resulted in a negative absorption of 9,186 sf for the 4th Quarter, closing the year with an overall negative absorption of 35,967 sf.

\$19.81
AVG. RENTAL RATE

Average rental rates decreased by \$2.70/sf from the 3rd Quarter rate of \$22.51/sf. Baltimore City West saw the most drastic change, decreasing by \$5.54/sf from the 3rd Quarter rate of \$21.04/sf to \$15.50/sf. Baltimore City North remains the highest at \$26.51/sf.



Number of Buildings 100

Market Size 8,005,795 sf

Overview: Baltimore City is located 38 miles north of Washington, DC and 95 miles south of Philadelphia. This submarket is divided into four main areas: Midtown, which is bounded by Centre Street to the south, I-83 to the east, Martin Luther King Jr. Boulevard to the west, and North Avenue to the north; Baltimore City North, which encompasses the remaining area north of Route 40; and Baltimore City East and Baltimore City West, which are south of Route 40 and separated by Hanover Street which runs north-south. Ranking 20th in population for U.S. Cities, Baltimore City is home to the world-renowned Johns Hopkins Hospital and School of Medicine and sports apparel giant Under Armour. Coupled with major investments by The University of Maryland Medical System in cooperation with the City, all are in the process of redefining Baltimore City's broader landscape. Further private redevelopments in Baltimore City's historic Midtown and North submarket buildings have also garnered interest as the City seeks to increase its residential population by attracting a highly educated and mobile workforce that seeks a live/work/play lifestyle. In response, growth in Baltimore's biotech parks and entrepreneurial incubators are helping Baltimore emerge as a technology hub.

*NOTE: The Baltimore City submarket does not include the City's central business district, which is a distinctly different submarket called City Center.

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BALTIMORE COUNTY EAST

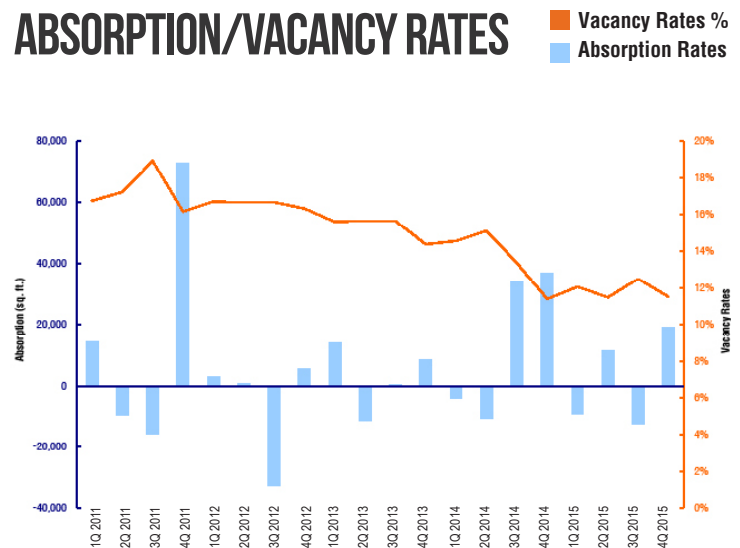
FOURTH QUARTER | 2015



"Leasing activity remained fairly flat in Baltimore County East for the 4th Quarter. The most significant leasing took place at 7600 Ridge Road, near the campus of Franklin Square Hospital. MedStar leased 10,000 square feet, while Mid Atlantic Nephrology leased just over 4,000 square feet. COPT is continuing to market the sale of its remaining White Marsh portfolio, which is over 500,000 square feet. This type of action should bring new owners and users alike into the market. Although vacancy decreased just slightly, it seemed there were more mid-sized groups touring the market needing to occupy new space in the first half of 2016. Seeing these new groups along with the sale activity, this submarket could have a strong beginning in 2016."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

11.51%
VACANCY RATE

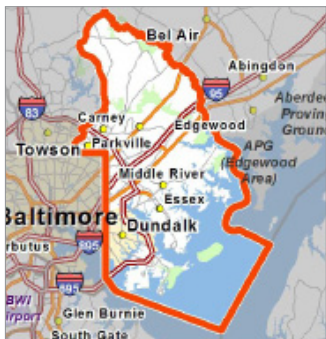
With the second lowest vacancy rate in the Northern Metro, Baltimore County East experienced a decrease in vacancy of 1.00% during the 4th Quarter of 2015.

19,016
ABSORPTION

After a year of modest absorptions, Baltimore County East absorbed 19,016 sf during the 4th Quarter, ending the year with 8,703 sf absorbed overall.

\$21.92
AVG. RENTAL RATE

Rental rates decreased slightly during the 4th Quarter from the 3rd Quarter rate of \$22.36/sf. This 4th Quarter rate is \$1.19/sf less than the same quarter in 2014.



Number of Buildings	54
Market Size	1,906,825 sf

Overview: The Eastern Baltimore County submarket is home to a diverse business community, including some of the region's largest manufacturers such as GM Power Train, Middle River Aircraft Systems, Lockheed Martin, and Signode. An integrated transportation network links Dundalk, Essex, Middle River, and Rosedale to I-95, I-695, Baltimore/Washington Thurgood Marshall International Airport, and Martin State Airport. MARC commuter rail is available in Middle River. Anchored by White Marsh, a planned 2,000 acre mixed-use community adjacent to I-95, and close proximity to Aberdeen Proving Ground, the U.S. Army's oldest military proving ground, has helped the Baltimore County East submarket grow substantially over the last decade as more than \$800 million in private, state, and county investment in infrastructure, parks, schools, and housing has encouraged employment-intensive development throughout the submarket. Notable investments in new office, flex, and industrial opportunities by regional developer Corporate Office Properties Trust (COPT) and Franklin Square Hospital are expected to continue adding additional office space to the submarket in the coming years.

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BALTIMORE COUNTY WEST

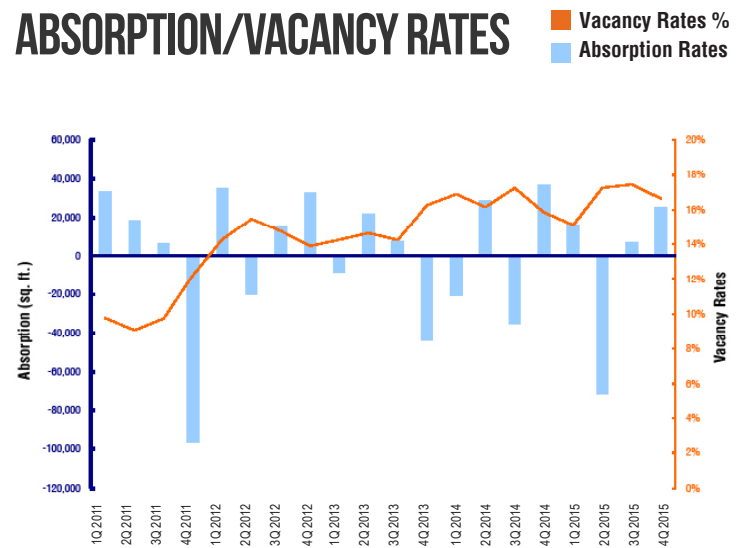
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"Baltimore County West activity remained relatively steady during the 4th Quarter, attracting continued interest from surrounding submarkets and tenants seeking an economic alternative from such areas. We expect this to continue into 2016 with possible increases in medical uses and tenants due to LifeBridge's purchase of Northwest Hospital earlier in the year and their investment in additional buildings surrounding the hospital."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

16.64%
VACANCY RATE

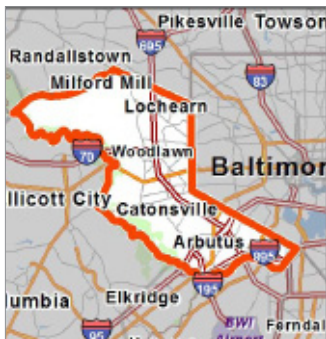
Vacancy in Baltimore County West decreased by 0.80% from the 3rd Quarter 2015 rate of 17.44%. This 4th Quarter rate is 0.79% higher than the same quarter in 2014 which was 15.85%.

25,239
ABSORPTION

Decreases in vacancy resulted in a positive absorption of 25,239 sf for the 4th Quarter. Year-to-date totals however remained negative at 23,266 sf for the submarket.

\$21.09
AVG. RENTAL RATE

Rental rates for Baltimore County West increased by \$0.71/sf during the 4th Quarter for an average rate of \$21.09/sf. This rate is \$1.19/sf higher than the same quarter one year prior.



Number of Buildings	66
Market Size	3,143,467 sf

Overview: Baltimore County West comprises three unincorporated, census designated communities; Woodlawn, Catonsville, and Arbutus/Halethorpe. The submarket is adjacent to Baltimore City, and bordered by Howard County to the west, and Anne Arundel County to the south. I-70 and I-695 provide easy access to Towson, the Baltimore/Washington Thurgood Marshall International Airport, and Frederick and Montgomery Counties. Home to the headquarters of the Social Security Administration (SSA) as well as The Centers for Medicare and Medicaid Services, two of the largest employers in the State of Maryland, the Woodlawn submarket is driven heavily by government-related activity. The area is often informally referred to as Security, Maryland, due to the importance of the SSA's headquarters as well as nearby Security Boulevard (Maryland Route 122) and Security Square Mall. Woodlawn has been designated an Enterprise Zone by the State of Maryland Business and Economic Development.

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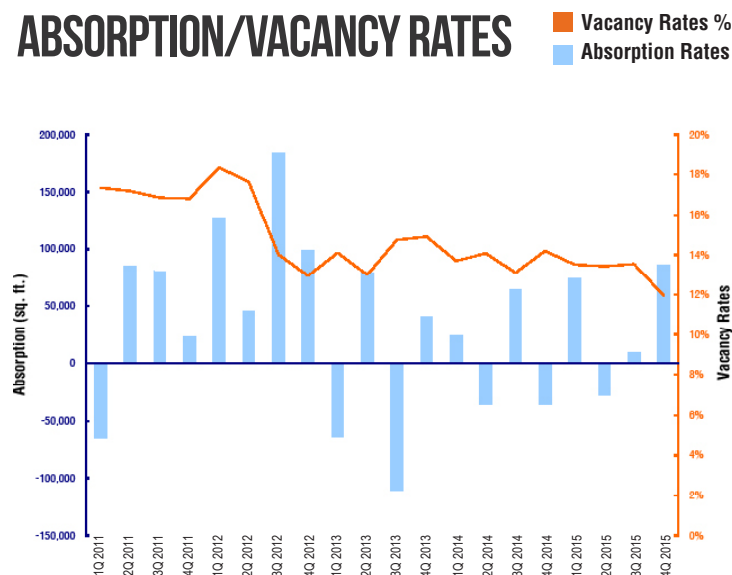
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"The BWI submarket continues to improve, albeit at a slow rate. Bifurcated primarily between National Business Park to the south with very low vacancy and very high rents, and Airport Square to the north with higher vacancy and more moderate rents, it has been difficult to gauge historically. During the 4th Quarter we saw an announcement from Northrup Grumman that they will be continuing to invest in their BWI/Airport Square campus. To add to that, COPT is wrapping up reconstruction of 1201 Winterson Road; and Heritage Properties is making headway in its leasing efforts at their newly acquired asset, 999 Corporate Boulevard. This confidence in Airport Square should trickle down for a positive impact on the market."

- Chris Bennett
Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

11.95%
VACANCY RATE

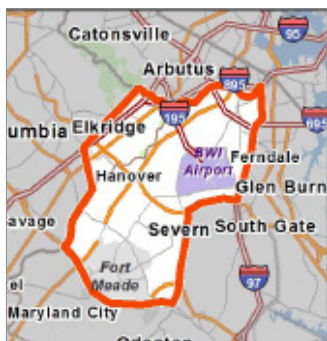
Activity increased steadily throughout the year in the BWI submarket with vacancy rates decreasing this quarter by 1.59% from the 3rd Quarter rate of 13.54% and by 2.24% from the same quarter in 2014 which saw rates of 14.19%.

85,797
ABSORPTION

Absorbing the most this quarter among the Southern Metro submarkets, BWI leasing activity led to the absorption of nearly 86,000 sf which helped close the year out with a total absorption of 141,802 sf for the submarket.

\$24.08
AVG. RENTAL RATE

Rental rates for the BWI submarket decreased by \$0.38/sf from the 3rd Quarter rate of \$24.46/sf.



Number of Buildings 104

Market Size 8,711,309 sf

Overview: Located in northern Anne Arundel County, just south of Baltimore, the BWI Office submarket surrounds Baltimore/Washington International Thurgood Marshall Airport and includes Glen Burnie, Linthicum, Hanover, and several smaller business districts. The area, which is home to the National Security Agency and Fort George Meade, is supported by a diverse set of economic drivers including world class private sector employers, telecommunications, health care, retail and distribution operations, and a rapidly expanding information and defense industry including eight of the top 10 defense contractors in the nation. Over the past 30 years, the BWI submarket has transformed as technology and intelligence communities take advantage of the submarket's close proximity to Fort Meade and major metropolitan markets in Baltimore and Washington, DC, growing total office inventory to nearly nine million sf of office space.



CITY CENTER

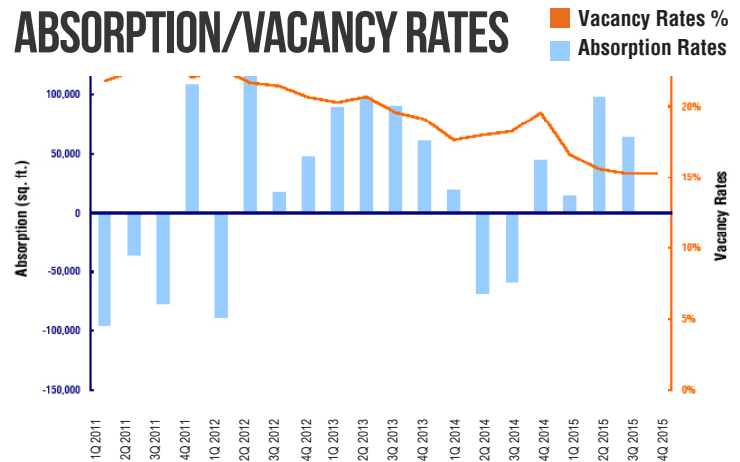
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"2015 trends continued through the 4th Quarter of 2015; vacancy rates remained virtually unchanged at 15.29%; tenants in large numbers are staying put, restructuring their leases and extending terms; and most lease extensions are 5-7 years. Tenants that do relocate are being rewarded by motivated Landlords. What to watch for: how much available space will be added to inventory when 1 Light Street comes on line in 2017? Will Stadium Square develop any speculative office space in 2016? Will Class A users have any other large blocks of space options besides 750 E. Pratt Street by 2017?"

- Mark Deering
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

15.29%
VACANCY RATE

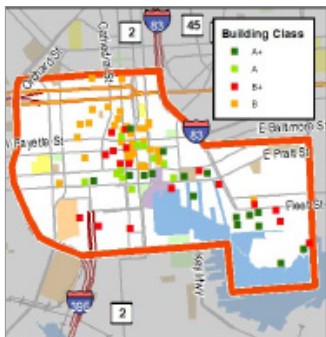
Vacancy rates for City Center remained virtually unchanged from the 3rd Quarter rate of 15.28%; however, this 4th Quarter rate is 4.24% less than the same quarter in 2014. Class A product saw the largest change this quarter with vacancy increasing by 1.77% for a rate of 26.43% while Class A+ decreased by 0.76% resulting in a vacancy of 4.25%.

1,333
ABSORPTION

Absorbing only 1,333 sf during the 4th Quarter, City Center closed the year with a total positive absorption of 177,196 sf.

\$21.64
AVG. RENTAL RATE

Rental rates for City Center decreased by a mere \$0.04/sf from the 3rd Quarter to the 4th Quarter. This 2015 rate is however \$1.57/sf higher than the same quarter in 2014. This quarter, Class A+ continues to command the highest amount at \$27.84/sf with Class B averaging \$16.90/sf.



Number of Buildings 75
Market Size 13,747,958 sf

Overview: As the downtown district of Baltimore City, the City Center submarket is defined by Broadway to the east, Martin Luther King Jr. Boulevard to the west, Centre Street to the north, and Cross Street to the south. City Center is Baltimore's dense Central Business District and easily accessible to both I-95 and 295. Baltimore's City Center continues to expand eastward along the water's edge to include Harbor East and the hotly debated Harbor Point. Total office inventory is nearly 14 million square feet. Drawn to City Center for its water views and amenities including Oriole Park at Camden Yards, M&T Bank Stadium, as well as easy access to a variety of ethnic restaurants, shops, and residences, Baltimore's City Center is a diverse mix of old and new. In 2011, The Downtown Partnership unveiled an ambitious proposal to transform the Central Business District's landscape to include \$100 million in new parks and public plazas adding up to revitalization of Baltimore's urban core. Major projects for the Inner Harbor, Charles Center, and west side are expected to generate new opportunities and encourage private growth.

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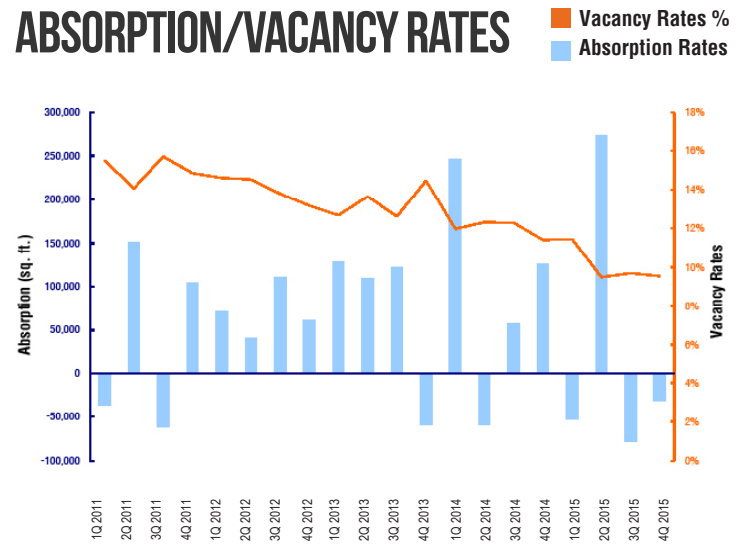
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"The Columbia submarket continues to prove to be the healthiest among all in the Baltimore Metropolitan area. Development plans in both Maple Lawn and the ever-transforming Town Center continue with large and long-term leases keeping old tenants and also bringing new ones to the county. Even though we only saw a slight uptick in rental rates and vacancy during the 4th Quarter, expect an upward swing to continue into 2016. Companies continue to expand and as leases expire, we continue to see these companies looking to upgrade their image, starting with the quality of their office space. Howard Hughes has already begun their next building in the Crescent and expect to see another building break ground in Maple Lawn in 2016."

- Dave Sciamarelli
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

9.54%
VACANCY RATE

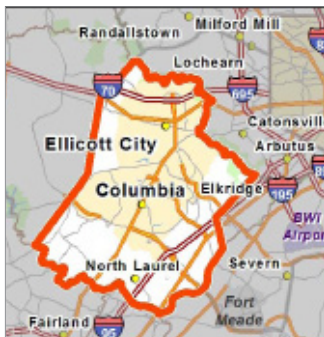
Total vacancy for the Columbia submarket decreased slightly by 0.15% from the 3rd Quarter rate of 9.69%. Columbia remains the healthiest submarket in the Southern Metro, consistently under the 10% vacancy mark.

-31,485
ABSORPTION

Due to development activity and delivery of new product primarily in Columbia's downtown area, absorption remained negative despite the slight bump in vacancy. Year to date absorption remains positive however at 113,477 sf.

\$25.13
AVG. RENTAL RATE

Rental rates remained relatively stable for the year, fluctuating slightly by an average of \$0.50/sf in either direction. During the same quarter last year, rates were \$24.50/sf.



Number of Buildings 219
Market Size 12,981,611 sf

Overview: Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses. Routinely recognized by national news organizations for its highly educated labor pool, the Columbia submarket boasts one of the largest concentrations of corporate, political, and financial centers outside of Washington, DC. Development is currently underway at Howard Hughes' 13 million square foot mixed-use project for the downtown area, part of an approved 2010 master plan that will ultimately transform Columbia into a national attraction. Columbia's long history of diversity and abundance of premier retail and recreational amenities has helped the Columbia market remain the largest within the Baltimore Metropolitan Statistical Area (MSA).

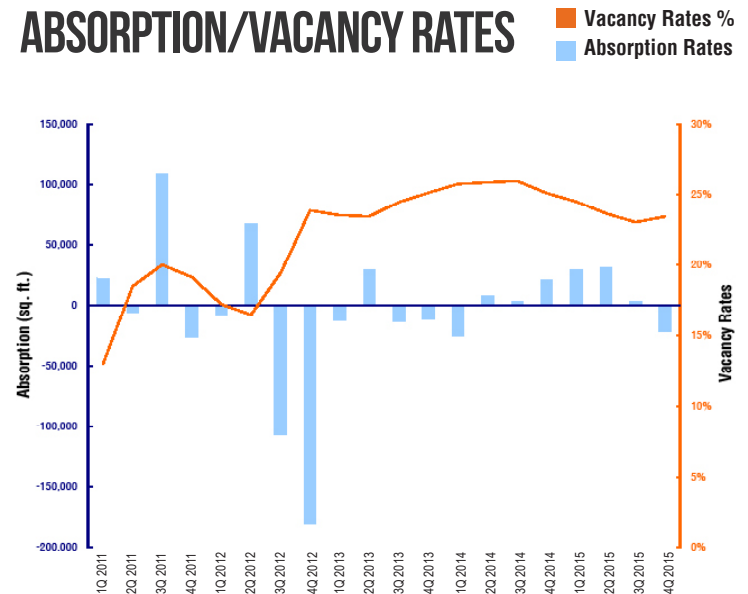




"2015 ends on a disappointing note for Harford County with a continued vacancy rate of nearly 24%. The Aberdeen market specifically makes up the majority of this product vacancy, having maintained an office vacancy rate of over 35% for the past two years. Rental rates are projected to remain the same with rent abatement and fixed rent options expected to elevate as inducements are needed to attract the little interest or activity in the market. Lease renewals continue at a steady pace, demonstrating that small business owners are taking a "wait and see" approach to any potential expansion or growth. As the market is dominated by small tenancies, this provides some level of strength to the market area with landlords of smaller, multi-tenant properties benefiting from pre-determined rental increases as part of the lease renewal. The continued lack of any substantive population growth will affect any potential demand for new construction, other than medical office space. With the aging population, the demand for more complex medical services will grow, thus pushing the average rents for existing space in this sector and the potential demand for new construction."

- Tom Fidler, Jr.
Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

23.41%
VACANCY RATE

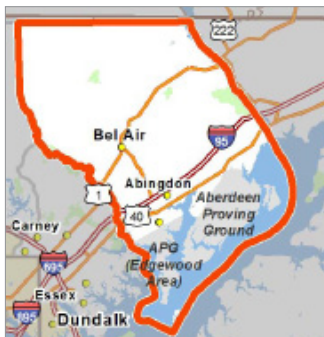
Although a slight increase of 0.40% from the 3rd Quarter rate of 23.01%, total vacancy has continued to drop slowly in Harford County due to steady activity primarily among smaller businesses. During the same quarter in 2014, total vacancy was 25.10%.

-21,771
ABSORPTION

With total vacancy increasing, absorption for Harford County was a negative 21,771 during the 4th Quarter of 2015. The county finished the year however on the positive side, absorbing a total of 52,216 sf.

\$22.86
AVG. RENTAL RATE

Boasting the highest rental rates among the Northern Metro submarkets, Harford County's average rental rate increased by a mere \$0.08/sf from the 3rd Quarter rate of \$22.86/sf.



Number of Buildings 106

Market Size 3,690,255 sf

Overview: Harford County is located along the I-95 Corridor just 23 miles north of Baltimore. Harford's major business districts fall within the County's development envelope and include Bel Air, the county seat, Aberdeen, Havre de Grace, Riverside, Joppa, and Edgewood. Interstate 95, U.S. Route 1, U.S. Route 40, and Maryland 24, traverse the County providing easy access to its more than 20 business parks including Box Hill Corporate Center, Water's Edge Corporate Campus, The GATE at Aberdeen Proving Ground, North Gate Business Park, and the HEAT Center. The U.S. Army's Aberdeen Proving Ground is an economic generator for the region and the County's largest employer with more than 13,000 employees.



I-83 CORRIDOR

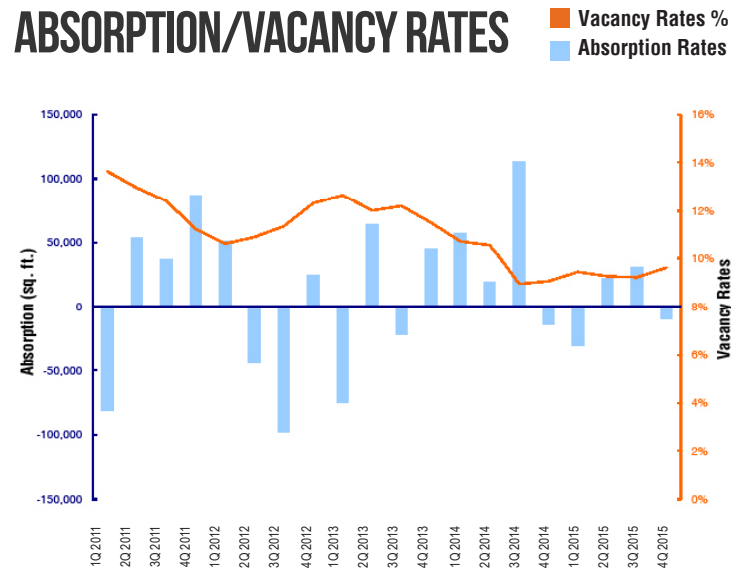
FOURTH QUARTER | 2015



"The I-83 market remains one of the healthiest and most active in the Baltimore Metro area. Vacancy is still below 10% which is a trend that should continue through 2016. Activity significantly increased in the 3rd and 4th Quarters with small and mid-sized groups making moves across many product types. I anticipate that there will be a few blips in 2016 as companies reposition some of their headquarter locations; however, for each loss there will be a net gain as the availability for development and larger blocks of space still make the 83 corridor target rich for county-based companies. Look for rents to continue increasing and competition to tighten for users looking to increase their footprint in the area."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

9.61%
VACANCY RATE

Despite a minimal increase of 0.39% during the 4th Quarter, the I-83 Corridor remains consistently under the 10% mark, a level that is deemed healthy and strong by industry standards.

-9,642
ABSORPTION

Absorption for the 4th Quarter was a negative 9,642 sf., which was the lion's share of the year-to-date number of negative 11,883 sf. Much of this can be attributed to timing; the market is expected to remain healthy despite this minor 4th Quarter blip.

\$22.18
AVG. RENTAL RATE

Rents remain steady and should continue to increase. The I-83 Corridor has increased by \$1.84/sf from the same quarter in 2014. This is a major indicator of an improving market.



Number of Buildings 129

Market Size 7,549,440 sf

Overview: The I-83 Corridor, which includes the business districts of Timonium, Hunt Valley, Loveton, and Sparks, encompasses the majority of Northern Baltimore County and stretches from Pennsylvania to Towson. Excellent infrastructure connects the Corridor to Baltimore City by way of Interstate 83 and Maryland Route 45, more commonly known as York Road. In addition, the light rail system offers easy access to Baltimore City, Washington, DC, and the Baltimore/Washington Thurgood Marshall International Airport. Arguably one of the most diverse submarkets, the I-83 Corridor is a blend of office, flex, and retail properties, dotted open land, and industrial landmarks. Attracted by numerous amenities including ease of access via Interstate 83, close proximity to Towson, and life-style epicenter Hunt Valley Towne Center, businesses in the Corridor are a blend of technology, professional services, and corporate and regional headquarter locations.

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REISTERSTOWN ROAD CORRIDOR

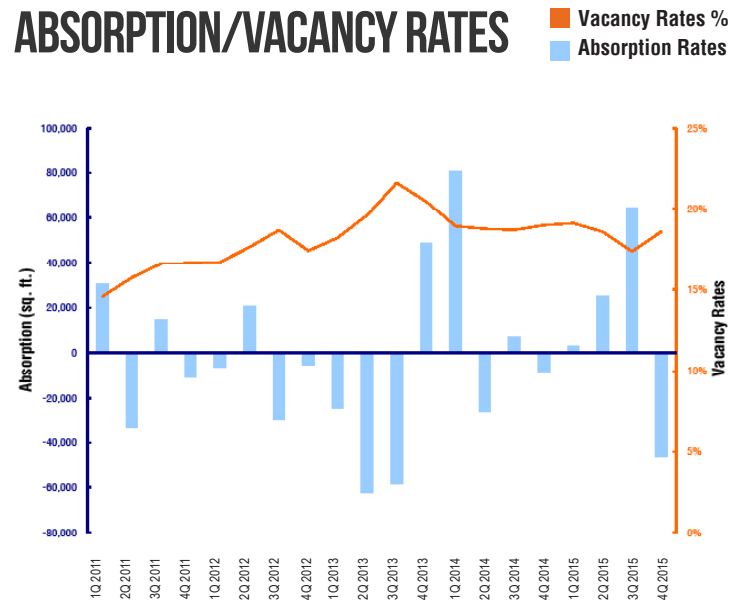
FOURTH QUARTER | 2015



"The Reisterstown Road Corridor started the year with slowly decreasing vacancies only to end on an increased rate, up by 1.23%. It is feast AND famine as the same buildings continue to command the interest in the market, mostly Class A office and medical, while Class B and C space continues to suffer from lack of solid and consistent activity. Action in the market has also been dominated by the conversion of commercial land, or "traditional office/industrial" land to fit other zoning requirements such as retail or even residential, uses that may be better fitted and attract more interest in this Corridor. High-end and highly publicized developments such as Foundry Row and Metro Center continue to command attention and should see quick absorption upon completion. Outliers, like the Red Run and, to an extent, the Owings Mills Boulevard corridors are seeing declining interest as activity continues to grow closer to Reisterstown Road. Look for rents to maintain at current levels as Class A and medical will continue to drive the market. Concessions will still be plentiful as the remainder of the market seeks a rebound in absorption. Mixed use developments will be the driver throughout 2016 and 2017."

- Joe Bradley
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

18.60%
VACANCY RATE

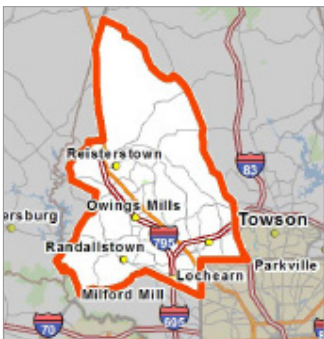
Total vacancy for the Reisterstown Road Corridor increased by 1.23% from the 3rd Quarter rate of 17.37%. A portion of this increase can be attributed to the delivery of new product in the market.

-46,372
ABSORPTION

After absorbing 64,630 sf during the 3rd Quarter, the submarket gave back 111,002 sf during the 4th Quarter resulting in a negative absorption of 46,372 sf. Year-to-date total for Reisterstown remained positive at 34,471 sf.

\$21.22
AVG. RENTAL RATE

Rental rates continue to decline slightly for this submarket, this quarter by \$0.23/sf from the 3rd Quarter rate of \$21.45/sf. This same quarter last year, rates were \$21.97/sf.



Number of Buildings 84
Market Size 4,599,422 sf

Overview: The Reisterstown Road Corridor submarket is bounded by Greenspring Avenue to the east, Liberty Road to the west, the junction of Butler Road, Hanover Pike and Reisterstown Road to the north, and the Baltimore City line to the south. It includes Pikesville, Owings Mills Town Center, McDonogh/Garrison, Historic Reisterstown, and the Red Run Boulevard corridor. The Reisterstown Road Corridor is an assorted stretch of retail, flex, and office properties connecting Baltimore City to the rolling hills of Northern Baltimore County via Interstate 795 and Reisterstown Road. The submarket is currently seeing revitalization as more than \$1 billion in improvements pour into the area. Most notably, Metro Centre at Owings Mills, a 47 acre, pedestrian-friendly development surrounding the Metro subway station, is under construction having Phase I of its master plan nearing completion. Designated by the State of Maryland as a transit-oriented development project, the project includes offices, shops, restaurants, a new public library, and a satellite campus for the Community College of Baltimore County.

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ROUTE 2 CORRIDOR

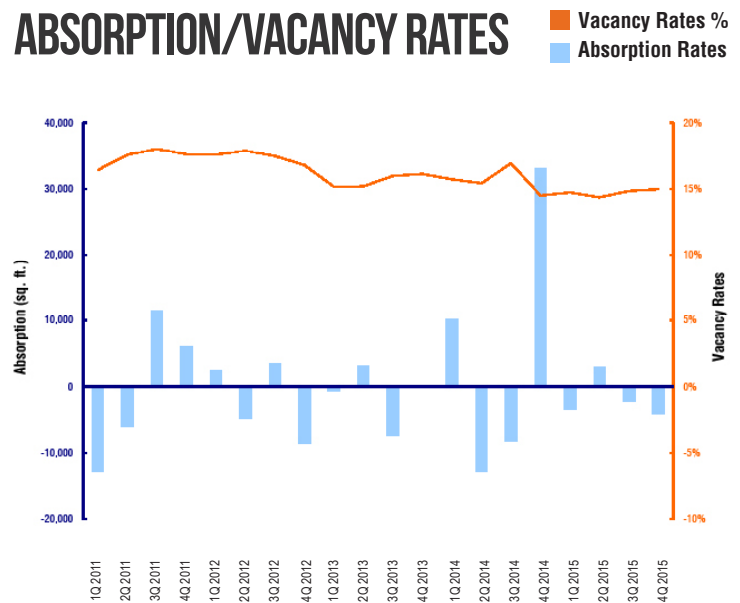
FOURTH QUARTER | 2015



"Northern Anne Arundel County's Glen Burnie, Severna Park, and Arnold areas bustle with activity. Most of it, however, is residential and retail. The commercial office component continues to average a mid-teens vacancy rate and lower than average rents compared to neighboring Annapolis and Howard County. While multi-story office like 10-story Empire Towers commands rents of \$20.00 to \$24.00/sf, single to multi-story Class C product is fortunate to hit a range of \$14.00 to \$16.00/sf. This market does sustain a vibrant community of smaller professional tenants, most of whom prefer the area to remain close to their customers and clients. As the residential volume increases steadily, we look forward to increased demand and absorption."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.98%
VACANCY RATE

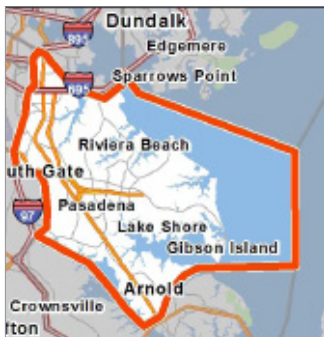
Total vacancy for the Route 2 Corridor remained relatively steady, increasing by a mere 0.13% from the 3rd Quarter to the 4th Quarter. This submarket continues to gain interest from those looking to upgrade their spaces yet remain cost conscious.

-3,989
ABSORPTION

The slight increase in vacancy resulted in a negative absorption of 3,989 sf. This submarket finished the year with a negative total absorption of 6,430 sf.

\$20.89
AVG. RENTAL RATE

Average rental rates decreased by \$1.03/sf from the 3rd Quarter rate of \$21.92/sf, keeping the Route 2 Corridor the lowest in the Southern Metro.



Number of Buildings 41
Market Size 1,433,959 sf

Overview: Located in northeast Anne Arundel County, the Route 2 Corridor stretches from Severna Park to Pasadena, and includes the business districts of Glen Burnie and Arnold. Route 2 (or Ritchie Highway) connects Annapolis and the Baltimore Beltway offering access to other points in Anne Arundel County. In addition, Route 50, which extends from the southern part of the market (Severna Park), makes travel to Washington, DC an easy drive. The smallest of the Baltimore submarkets, the Route 2 Corridor submarket of Anne Arundel County provides an assortment of office and retail facilities which cater to their local clientele. From the urbanized northern reaches of Glen Burnie, which is home to the MVA facility and other structures typical of an urban area, to the small strip centers that serve wealthy suburbanites in "South County", the Route 2 Corridor is a microcosm of our region. The larger buildings in the north that were once populated by the "nationals" have all seen a retrenchment, while the smaller "mom and pop" tenants along Route 2, are slugging it out as they compete for allegiance from their loyal neighbors.

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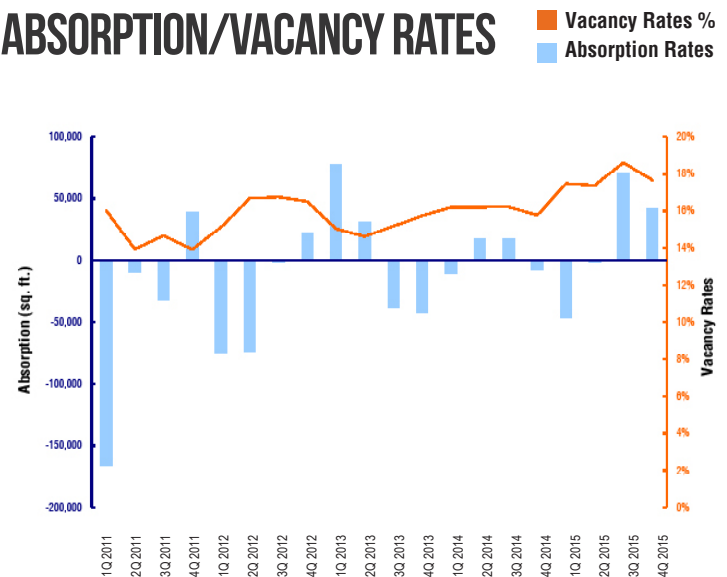


"The Towson office market continues to struggle as existing tenants remain in place and very few new tenants enter the Downtown Towson area. Free-standing buildings with surface parking outside the Towson core remain active with multiple showings and a few new leases being signed. The Towson Row project is starting to create increased "buzz" as demolition of existing buildings is completed and the landscape starts to take shape. The hope remains that with new multi-family construction and the new Whole Foods store, a better market will be created for the "live, work, play" crowd to lease additional office space."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

17.65%
VACANCY RATE

After decreasing by 0.98% during the 4th Quarter, total vacancy remains nearly 2% higher than the same quarter in 2014 which saw rates of 15.78%.

42,484
ABSORPTION

The Towson submarket absorbed more than 42,000 sf during the 4th Quarter of 2015, making up the majority of the year-to-date total positive absorption of 66,301 sf.

\$20.78
AVG. RENTAL RATE

Continuing the trend of changing by an average of \$0.25/sf in either direction over the past year, average rental rates decreased by \$0.27 during the 4th Quarter of 2015. Towson holds the spot for lowest rental rate among all Northern Metro submarkets.



Number of Buildings 86

Market Size 5,017,533 sf

Overview: Towson, the county seat of Baltimore County, is located directly north of Baltimore City, inside the beltway, east of I-83, and along York Road. It is home to two universities, Goucher College and Towson University, as well as three regional hospitals, Greater Baltimore Medical Center (GBMC), St. Joseph Medical Center, and The Sheppard Pratt Health System. Steady growth of business and development continues to stimulate Towson's local economy. Known for its four-story Towson Town Center shopping mall, downtown Towson continues to revitalize its retail, restaurants, residential, and office buildings with a private investment of roughly \$500 million. Mixed-use projects such as the newly developed Towson Square, a four-acre urban expansion that includes eight restaurants and a 3,400-seat Cinemark Theater, and Towson Row (slated to deliver Fall 2017), which will be anchored by Whole Foods and include a 200,000 sf office tower and more than 100,000 sf of dining and retail, continue to transform the Towson area and skyline.





**4TH QUARTER
2015**



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BALTIMORE RETAIL OVERVIEW

FOURTH QUARTER | 2015



Today's Retail Market

Presented by Joe Mekulski, Real Estate Advisor

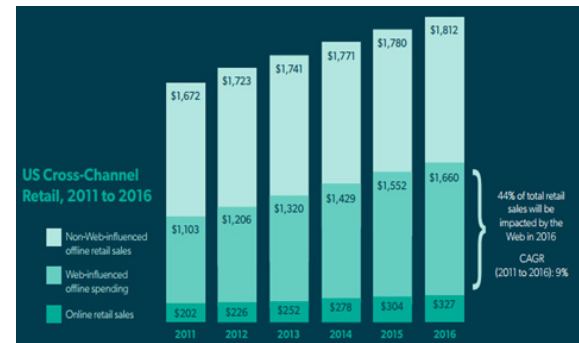
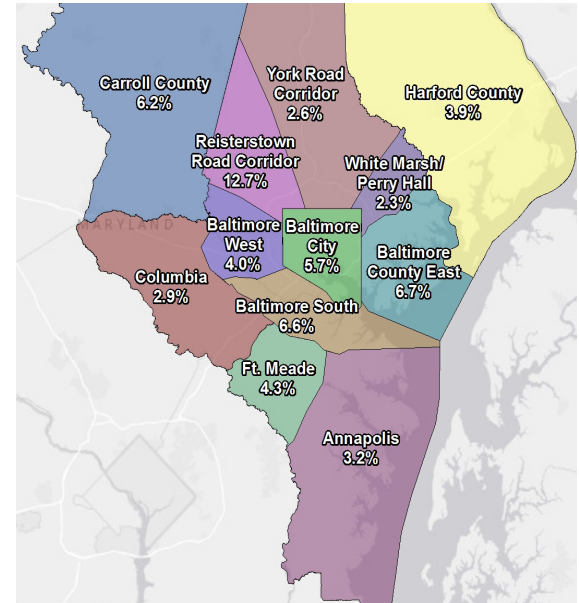
Now Trending. The continuing trend for the Baltimore retail market is growth driven by the reurbanization of key realms of Baltimore City and the major arteries of Towson, Owings Mills, and the 95 Corridor. As job prospects continued to improve in 2015 for every demographic group across the country, the demand for additional housing, particularly among Millennials who have reluctantly left the nest, has intensified. The surge in development in Baltimore City has certainly catered to the Millennial crowd that demands not only affordable and convenient housing, but also entertainment, dining, and lifestyle retail options at their doorstep. The "Live, Work, Play" trend that has developed both downtown and in the denser areas of the suburbs will continue to burgeon these attractive markets.

When asked how the "Live, Work, Play" trend will continue to affect the retail market in Baltimore and surrounding areas, Tom Fidler, Executive Vice President at MacKenzie Retail, responded, "while the real estate community had been expecting dramatic investment in multi-family and supporting retail to make up for lack of construction in the years following the recession, what was not expected was the continued lack of wage growth throughout 2015 has stifled middle class demand." This was evident in 2015 with the recorded sales growth among retailers that are on opposite ends of the price point spectrum – DollarTree, Ross Dress for Less, Marshalls, Nordstrom, and Bloomingdales. It is even visible in the restaurant categories with strong sales growth in pricey quick-serve concepts such as Panera Bread, Chipotle, and Starbucks, versus middle America casual dining chains like Applebee's, Ruby Tuesdays, and TGIFridays. Mr. Fidler went on to say, "this has created a 'haves and have-nots' oriented market amongst retailers." Specifically, Mr. Fidler mentioned that companies catering towards consumers seeking luxury products as well as companies targeting towards lower middle class consumers will continue to make more gains in 2016 as the market shows no signs of retracting from this trend.

Store vs. Online. Brick and mortar retail will face its most precarious assault yet from the rapidly growing online platforms that consumers are depending on for their shopping needs. The recent announcement of Amazon's one-hour delivery service in Baltimore is perhaps the biggest sign of the acceleration towards online platforms. Though, online retail sales make up only a small fraction of total retail spending, as shown in the chart to the right, web influenced sales are approaching the same level as brick and mortar sales.

Wage Growth Needed. The Baltimore area continues to experience lackluster wage growth which drives any increase in retail sales, above and beyond the needs of a consumer. The reduction in gasoline prices has certainly helped some buyer categories, but, wage growth would be the larger catalyst needed to position the area for changes of any impact. Demand for food will continue to fuel modest rental rate growth in specific markets, while less attractive, less accessible retail properties in sluggish communities will likely remain vacant or at rents below fair market values. Retail product development and growth are continuing to be driven by local density, area expenditures for certain use categories, and area co-tenancy which support overall strength of a retailer and their success.

HISTORICAL VACANCY RATES



QUICK STATS



Vacancy remained steady, decreasing slightly by 0.20% in the past quarter, from 5.04% in the 3rd Quarter to 4.84% in the 4th Quarter.



Absorption has seen a large increase from negative 126,073 in the 3rd Quarter to 172,346 in the 4th Quarter. This was a significant turn from the steady negative absorption throughout 2015.



Rental rates only increased by \$0.06/sf over the last year since the 1st Quarter. The consistency can be seen in the \$0.01/sf change from 4th Quarter 2014.

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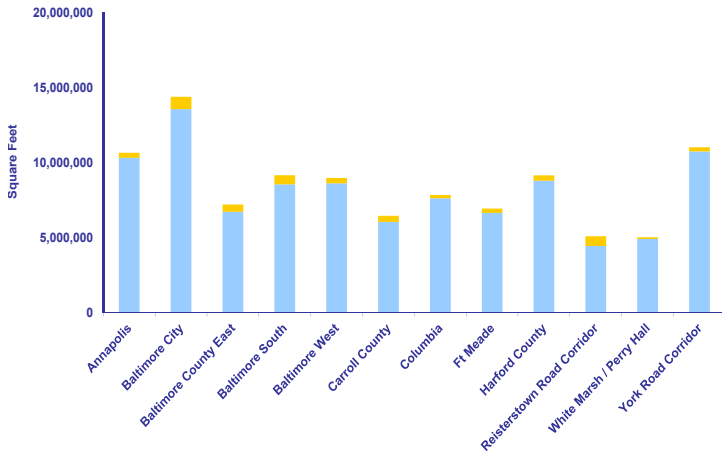
BALTIMORE RETAIL OVERVIEW

FOURTH QUARTER | 2015



ABSORPTION/VACANCY RATES

■ Vacant
■ Occupied



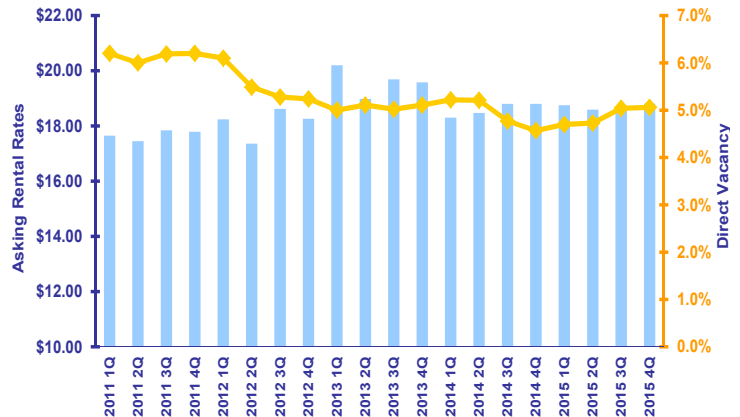
While vacancy has increased by 0.27% from 4th Quarter 2014, it did decrease from 5.05% in the 3rd Quarter 2015 to 4.84% in the 4th Quarter. The market is currently lead by White Marsh/Perry Hall, which had an average direct vacancy of 2.34%. Other strong markets include York Road Corridor (2.60%), Columbia (2.91%), and Annapolis (3.17%). The increase in absorption was primarily split between two strong markets: Annapolis (84,329 sf) and Baltimore West (88,200 sf). Although Carroll County saw a large decrease of negative 68,510 sf, the other markets' absorption balanced the average of 172,346 sf.

HIGHLIGHTS

- Towson Commons Retail LLC, a joint venture between Maryland Financial Investors (MFI) and Woodmont Properties, bought the entire ground floor (roughly 115,000 sf) of Towson Commons in November and plan to announce retail plans for the space by the end of 2016.
- Cooper's Hawk, winery and restaurant, signed a lease for over 9,773 sf at Annapolis Towne Centre. They will place a market/retail store on the first floor and eating and drinking on the second floor.
- Trader Joe's has announced they are moving from their Towson Circle location to The Shops at Kenilworth sometime in 2017. The new store is around 12,400 sf with 750 parking spaces, which is an upgrade from their current location with the addition of 600 parking spaces and 500 sf.
- Captain's Club, a Martha's Vinyard-based retailer, has signed a 2,580 sf lease at 168 Main Street in Annapolis.
- Nacho Mamas announced plans for a 6,700 sf second location in downtown Towson.

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



Rental rates in the Baltimore Metro Retail Market have remained steady throughout the past year, ending with an average of \$18.81/sf by the 4th Quarter. From the 3rd Quarter to the 4th Quarter, rates increased by \$0.13 going from \$18.68/sf to \$18.81/sf. Baltimore County East represents the lowest asking rates of \$14.47/sf, a decrease in \$0.61 from last quarter. Columbia has consistently maintained the highest rental rate in the market, starting the year at \$24.28/sf and ending 2015 at \$24.50/sf. Columbia is closely followed by Annapolis (\$22.95/sf), Baltimore West (\$20.91/sf), and Ft. Meade (\$20.78/sf).

- Retail Properties of America Inc. has purchased Towson Square for \$40.5 million. Towson Square already includes a movie theater and several restaurants including Bobby's Burger Palace, BJ's Restaurant and Brewhouse, and Bonefish Grill.
- The Orioles Pub at the Club (the Center Club) held its grand opening celebration. The Orioles Pub has taken over the former Grill Room on the Center Club's 16th floor.
- FoodPlenty Restaurant, which is a spinoff of the Victoria Gastro Pub, has entered into a project off of Route 108 for an 8,000 sf space. The entire project broke ground in October and will include around 40,000 sf of retail space.
- 9021 Snowden Square Drive was sold to GM Staten Island 2 LLC for \$6.62 million. The property is around 15,000 sf and will house several retail tenants.
- Yardhouse, home to more than 100 beers, is heading to Harborplace's Light Street Pavilion. This is the groups first Maryland location.

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BALTIMORE RETAIL OVERVIEW

FOURTH QUARTER | 2015



NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
3414 Merchant Boulevard	Harford County	Ocean City Brewing Company	10,547 sf
901 W 36th Street	Baltimore City North	Hampden Tavern	11,250 sf
1438 Liberty Road	Carroll County	Dollar Tree	8,400 sf
116 W. University Parkway	Baltimore City North	Cypriana	5,900 sf
3501 Boston Street	Baltimore City	Iron Rooster	5,500 sf
4009 North Point Boulevard	Baltimore County East	Express Care Urgent Care Centers	5,331 sf
9633-9645 Belair Road	Baltimore County East	Bank of America	3,000 sf
55 Market Place	City Center	Chicken Rico	2,800 sf
3410 Plum Tree Drive	Baltimore County West	Lax World	2,786 sf
541-C Baltimore Annapolis Boulevard	Annapolis	Kirsten's Cakery	2,300 sf
2145-2147 York Road	I-83 Corridor	Game Stop	1,685 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
1519 - 1525 Rockspring Road	Harford County	\$16,500,000.00	\$289.57	59,981 sf
12518 Eastern Avenue	Baltimore County East	\$2,172,477.00	\$217.25	10,000 sf
2120 Baldwin Avenue	Annapolis	\$2,030,000.00	\$86.45	23,481 sf
17 Annapolis Street	Annapolis	\$625,000.00	\$228.44	2,736 sf
8081 Main Street	Columbia	\$550,000.00	\$196.57	2,798 sf
4115 Norrisville Road	Harford/Cecil County	\$365,000.00	\$119.40	3,057 sf
6732 Holabird Avenue	Baltimore County East	\$230,000.00	\$208.52	1,103 sf

Number of Buildings 2,337

Market Size 101,846,643 sf

Criteria: The Baltimore Retail Market resemble a “hub and spoke” configuration, with many of the submarkets following the major roads in and out of Baltimore City. The region is broken down into twelve submarkets; Annapolis, Baltimore City, Baltimore County East, Baltimore County South, Baltimore County West, Carroll County, Columbia, Fort Meade, Harford County (including Cecil County) the Reisterstown Road Corridor, White Marsh/Perry Hall (Baltimore County East), and the York Road Corridor.

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BALTIMORE INDUSTRIAL OVERVIEW

FOURTH QUARTER | 2015



THE SHAPE OF THINGS TO COME

Presented by MacKenzie Commercial Real Estate Services, LLC

The Baltimore Metropolitan Industrial Market ended the year in a healthy position. Flex led the activity with steady growth while the warehouse market fluctuated throughout the year. Overall, 12 warehouse buildings and three flex buildings were added to the market's inventory in the past year, resulting in an additional 3,158,928 sf. The asking rental rates have increased in the past year from \$4.92 to \$5.13/sf. The BW Corridor saw the highest increase in absorption and remains in demand due to its prime location between Washington DC and Baltimore. However, vacancy numbers indicate plenty of room to grow in the future.

Global Logistic Properties, LTD (GLP), an international investment company based in Singapore, entered the US market with two separate portfolio purchases. The first transaction was in February when they bought a portfolio from IndCor Properties (The Blackstone Group), totalling \$8.1 billion and consisting of 1,131 properties. The actual cap rate was 6%. The second transaction was the purchase of a portfolio from the Industrial Income Trust in November that totalled \$4.55 billion with 295 properties at a pro forma cap rate of 5.6%. GLP has made several purchases in the past few years based on interest in the domestic consumption of its customer base due to increasing demands for e-commerce. Their top US customers include Home Depot, Amazon.com, Iron Mountain, Petco, and the Federal Government. These recent portfolios bring their presence to 36 markets across the United States averaging 90% occupancy. Of the 1,326 properties, 12% were in Maryland (with the majority in Baltimore City, Jessup and Hanover), demonstrating the growing confidence that international investment funds have in Baltimore and Maryland.

THE NUMBERS

FLEX INDUSTRIAL MARKET	Submarket	Bldgs	Market Size SF	Vacant SF	Total Vacancy	Current Absorption	YTD Absorption	Avg. Asking Rent
	Annapolis/Route 2 Corridor	169	4,984,762	396,731	7.96%	17,796	(14,936)	\$13.14
	Arbutus	57	2,127,088	110,623	5.20%	13,356	51,791	\$9.35
	Baltimore County East	129	4,112,824	651,150	15.83%	33,664	86,319	\$8.19
	Baltimore City	113	3,693,857	309,691	8.38%	(6,519)	60,241	\$9.77
	BW Corridor	332	14,899,231	1,577,092	10.59%	27,177	(83,643)	\$13.89
	Carroll County	52	1,121,502	180,348	16.08%	7,847	(14,095)	\$9.04
	Harford/Cecil	137	3,072,450	368,708	12.00%	(49,276)	(19,052)	\$11.51
	I-83 Corridor	108	4,935,452	199,996	4.05%	(5,173)	42,888	\$10.45
	Reisterstown Rd Corridor	83	3,066,003	447,918	14.61%	13,433	52,976	\$9.77
	Woodlawn/Catonsville	53	2,563,395	267,381	10.43%	(30,564)	(2,958)	\$8.86
	Totals	1,233	44,576,564	4,509,638	10.12%	21,741	159,531	\$11.43
WAREHOUSE INDUSTRIAL MARKET	Annapolis/Route 2 Corridor	195	8,878,184	194,548	2.19%	(75,172)	13,024	\$6.12
	Arbutus	98	7,506,604	975,138	12.99%	(4,962)	(28,454)	\$5.03
	Baltimore County East	1,081	39,655,126	2,511,434	6.33%	72,162	1,030,831	\$4.76
	Baltimore City	328	20,124,650	3,335,241	16.57%	(30,841)	421,924	\$4.94
	BW Corridor	559	43,486,279	5,155,340	11.86%	268,631	286,537	\$5.46
	Carroll County	155	7,465,786	943,043	12.63%	(518,823)	(493,150)	\$5.66
	Harford/Cecil	330	32,697,456	2,546,393	7.79%	(92,400)	(181,075)	\$4.47
	I-83 Corridor	82	4,377,081	97,899	2.24%	12,502	73,763	\$9.89
	Reisterstown Rd Corridor	54	1,478,569	43,589	2.95%	(11,961)	(1,819)	\$7.84
	Woodlawn/Catonsville	48	1,287,509	25,142	1.95%	3,372	(12,450)	\$6.59
	Totals	2,930	166,957,244	15,827,767	9.48%	-377,492	1,109,131	\$5.13
	Industrial Market Totals	4,163	211,533,808	20,337,405	9.61%	-355,751	1,268,662	\$6.53

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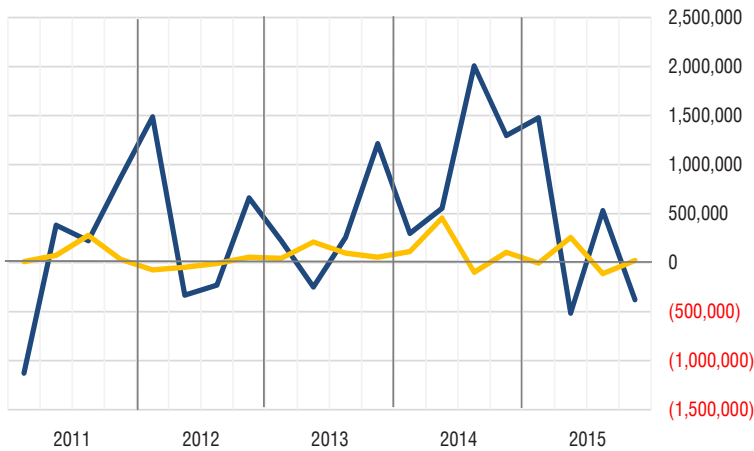
BALTIMORE INDUSTRIAL OVERVIEW

FOURTH QUARTER | 2015



HISTORICAL ABSORPTION

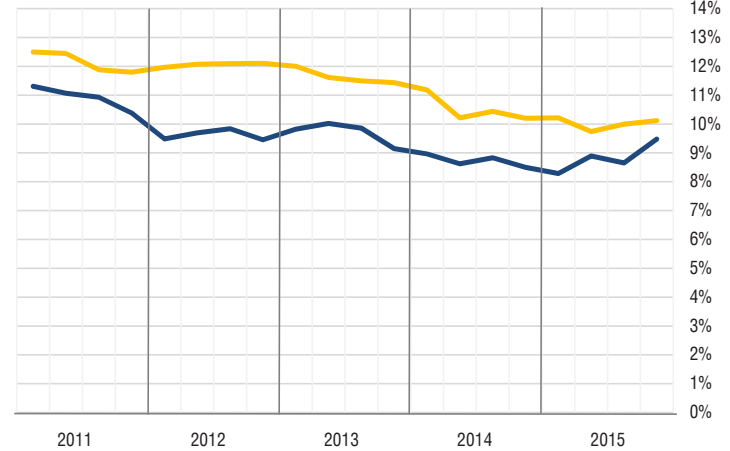
Flex
Warehouse



Absorption in the Baltimore Metro Industrial Market has steadily decreased over the past year. 4th Quarter 2014 saw a positive absorption of 1,402,553 sf while 4th Quarter 2015 had a negative absorption of 355,751 sf, the result of several new buildings being introduced to the market in Baltimore County East, BW Corridor and Harford County. Year to date absorption for 2015 was a positive 1,268,662 sf, mostly due to a significant absorption amount of 1,454,992 sf during the 1st Quarter.

HISTORICAL VACANCY

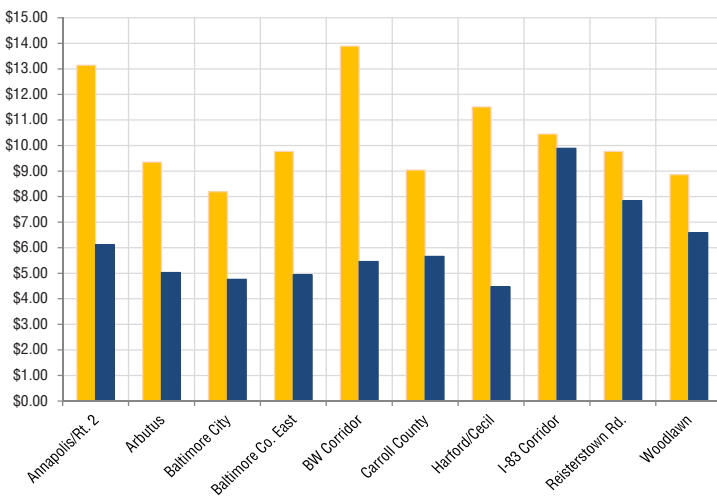
Flex
Warehouse



Since 4th Quarter 2014, vacancy in the Baltimore Metro Industrial Market has only risen 0.75%, increasing by 0.68% in the last quarter. Woodlawn is leading the market with the lowest warehouse vacancy of 2%. This is followed by vacancies in Annapolis (2.2%) and I-83 Corridor (2.2%). Carroll County has seen the highest increase in warehouse vacancy due to tenant movement and new buildings in the market. Flex vacancy has remained constant.

AVERAGE ASKING RENTS

Flex
Warehouse



Asking rents rose slightly over the past year. Evenly split between flex and warehouse, the average rent increased by \$0.16 since the 3rd Quarter, and by \$0.30 since the 4th Quarter 2014. Woodlawn warehouse rents saw the most significant change (\$2.02). Recent renovations and tightened market availability largely contributed to Woodlawn's warehouse rates. The highest warehouse rates continue to be along the I-83 Corridor (\$9.89/sf), while the BW Corridor leads the flex market at \$13.89/sf.

HIGHLIGHTS

- Max Finkelstein Inc. signed several deals in the 4th Quarter, primarily leasing 93,800 sf at the Preston Gateway Industrial Park in Hanover. This is a new location that will expand their New York-based company south.
- House of Spice leased 27,000 sf at 6745 Business Parkway in Elkridge. This was just one of the three deals completed at this address. Pet Nutrition relocated to the building and signed a lease for 65,000 sf; Maintenance Supply (HQ) took 53,000 sf.
- Three Dog Logistics, a mailing service company, expanded their 15,000 sf sublet at 8250 Preston Court to a 33,532 sf direct lease
- 10329, LLC sold a warehouse at 6650 Business Parkway in Elkridge to Clarion Partners for \$15.25 million. The Class A warehouse is approximately 156,340 sf with 80,000 sf available to lease.
- 9040 Junction Drive was purchased by IPT Industrial Trust for \$5 million. The building is just under 50,000 sf and is fully leased by Ironmark.
- 15 Lee Street, a 26,000 sf empty flex building, was purchased for \$1.83 million. Purchasers also have a prospective lease deal on the property that will hopefully close 1st Quarter 2016.
- Maines Paper & Food Service, Inc. signed a lease for 123,144 square feet at 1501 Perryman Road in Aberdeen
- Standard Energy Solutions (SES) signed a lease for 18,000 square feet at 9520 Gerwig Lane in Columbia, relocating their Rockville headquarters.

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BALTIMORE INDUSTRIAL OVERVIEW

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NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
4622 Mercedes Drive	Aberdeen	Sephora Americas	316,524 sf
7091 Troy Hill Drive	Route 1/BWI Howard	ASSCO	59,265 sf
1601-1629 Wicomico Street	Baltimore Southwest	Everything Warehouse	40,000 sf
6740 Baymeadow Drive	Route 2 Corridor	Board of Elections	33,865 sf
8989-8999 Yellow Brick Road	Baltimore County East	Climb Zone Production, LLC	18,000 sf
8246 Sandy Court	Route 1 Corridor	Classic Granite & Marble	14,553 sf
7100 Columbia Gateway Drive	Columbia South	FotoFinder	5,477 sf
10946 Beaver Dam Road	Rt 83 Corridor North	Master Security Co LLC	4,315 sf
603 Dundalk Avenue	Baltimore Southeast	Hirsch Electric, LLC	4,000 sf
8350 Bristol Court	Route 1 Corridor	Peterson Technologies LLC	2,625 sf

Sale

Location	Submarket	Price	PSF	Building Size
6685 Santa Barbara Court	Columbia	\$11,700,000.00	\$70.14	166,820 sf
8911 Kelso Drive	Baltimore County East	\$6,575,000.00	\$30.58	215,000 sf
9070 Maier Road	BW Corridor	\$4,475,000.00	\$74.58	60,000 sf
8911 Bethlehem Boulevard	Baltimore County East	\$2,737,500.00	\$20.05	136,524 sf
331 Baltimore Pike	Harford/Cecil County	\$2,488,000.00	\$86.91	28,626 sf
1123 Hanzlik Avenue	Baltimore County East	\$715,000.00	\$97.99	7,297 sf
1922 Benhill Avenue	Baltimore City	\$350,000.00	\$10.58	33,066 sf

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.

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