



BALTIMORE OFFICE OVERVIEW

SECOND QUARTER | 2016



Baltimore Posts Solid Second Quarter

Presented by Anirban Basu, Sage Policy Group

According to the Bureau of Labor Statistics, Maryland added 48,600 nonfarm jobs between May 2015 and May 2016. The Baltimore region added about two-thirds of those positions, adding 1.8% to employment totals over the past twelve months. That's a bit better than the corresponding national rate of job growth. Among other things, employment growth has translated into more leased office space. Net office space absorption totaled 312,902 sf during the 2nd Quarter, with Baltimore City and City Center net absorbing more than 45,000 sf. Class A+ space downtown was the big winner from a city perspective, net absorbing 42,213 sf.

While much attention has been given to the rally on Pratt Street and rising rents, the bulk of Baltimore regional office space absorption during the 2nd Quarter occurred in suburban markets. Leading the way was Columbia which is being redefined, and is positioned to add a variety of amenities, including a cultural arts center downtown. Columbia net absorbed approximately 108,500 sf during the second quarter, dragging the submarket's vacancy rate down from 8.8% to 8.3%. Over the first half of 2016, Columbia has experienced nearly a quarter million square feet of net absorption. Other submarkets experiencing positive net absorption during the second quarter were BWI (59,188 sf), the I-83 Corridor (31,568 sf), and Baltimore County West (30,885 sf).

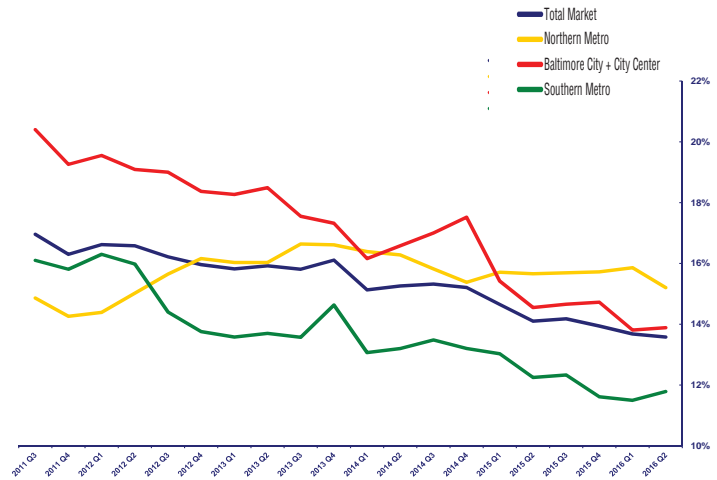
Towson is similarly being redefined, with its rapidly expanding retail and restaurant offerings; Towson is on the move and more employers are looking to expand and move there. Employers are increasingly focused on placing their employees in attractive and lively settings. This supports retention and recruitment, and may also contribute to enhancing productivity.

These markets have played a disproportionate role in bring the Baltimore regional office market vacancy rate down from 14.1% a year ago to 13.58% as of the second quarter. Correspondingly, asking rents have begun to slightly climb. During the second quarter of 2015, average asking rent in the region stood at \$22.50/sf. That figure is now at \$23.00/sf.

While developers have been actively bringing new hotels and apartment buildings to market, the office construction segment has generally not been as active. With job growth continuing and given a dearth of new construction coming online in many submarkets, vacancy rates should continue to edge lower. That implies gradually rising rents.

That said, the economic recovery has now completed seven years. Full employment is approaching. Inflationary pressures appear to be building, including in the form of rising apartment rents, labor costs and healthcare expenditures. Thus far, that has not translated into rising interest rates, but they cannot (presumably) fall forever. Recent macroeconomic data have also been flashing some warning signs, including in the form of slowing job growth nationally. Many economists agree that the 2017-2018 outlook is decidedly murky.

HISTORICAL VACANCY RATES



QUICK STATS | BALTIMORE METROPOLITAN OFFICE

13.58%
VACANCY RATE

357,954
ABSORPTION

\$22.79
AVG. RENTAL RATE

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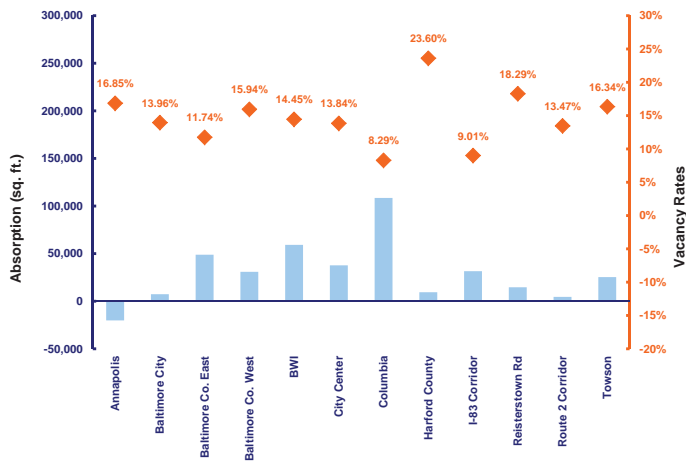
BALTIMORE OFFICE OVERVIEW

SECOND QUARTER | 2016



ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



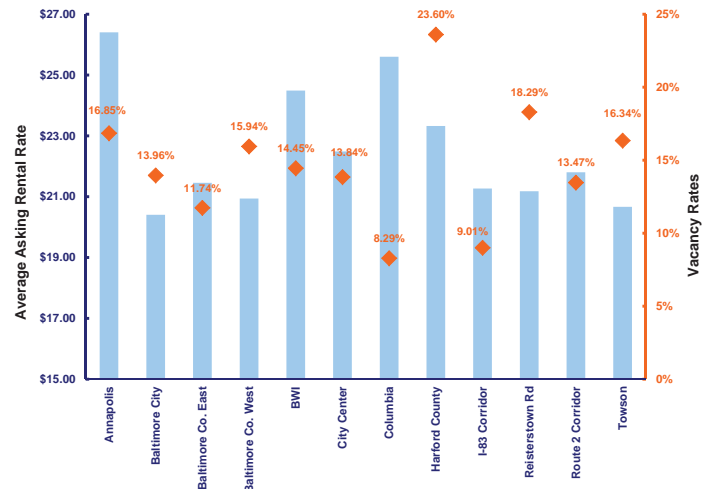
Activity during the 2nd Quarter 2016 remained relatively consistent throughout the entire Baltimore Metropolitan Office Market. Total market vacancy was 13.58%, representing a mere decrease of 0.10% from the 1st Quarter rate of 13.68%. Most notable improvement was seen in Baltimore County East, a decrease of 2.62% for a rate of 11.74%. This positions the submarket as the second healthiest in the Northern Metro, falling behind the I-83 Corridor's rate of 9.01%. Columbia continues to lead the Southern Metro as the healthiest submarket with an average vacancy of 8.29%. After starting the year with a negative absorption, things returned positive for the Baltimore Metropolitan during the 2nd Quarter for a total of 357,954 sf. Columbia contributed approximately one-third of this total with 108,496 sf of positive absorption. Annapolis reported the largest negative absorption, 20,145 sf.

HIGHLIGHTS

- Tissue Banks International, Inc. (TBI), the largest provider of both fresh and sterile ocular tissue for transplant, signed a lease for 11,154 sf at BW Tech Research and Technology Park, 5520 Research Park Drive, Baltimore, MD.
- The Goddard School signed a lease for 13,000 sf of space within 11560 Crossroads Circle at Baltimore Crossroads.
- Scarborough Capital Management purchased a 5,381 sf office condominium at Annapolis' premier destination center, Annapolis Towne Centre, bringing the building to fully occupied.
- 1001 Cromwell Bridge Road reached 100% occupancy this quarter with the signing of Rosen-Hoffberg Rehabilitation and Greg's Driving School.
- Columbia Property Trust, Inc. completed the sale of 100 East Pratt Street, a 653,000 sf Class-A office property in Baltimore, MD, to Vision Properties, an east coast real estate firm.

RENTAL RATE/VACANCY RATES

Vacancy Rates %
Rental Rates



Average rental rates for the Baltimore Metropolitan Office Market remained flat from the 1st Quarter to the 2nd Quarter, increasing on average by a slight \$0.05/sf for an average rate of \$22.79/sf. This 2nd Quarter 2016 rate is \$0.29/sf higher than the same time last year. The most notable change was among City Center's Class A+ product that saw a decrease of \$1.04/sf for a rate of \$28.17/sf. This remains the highest rate within the City Center (and total market), exactly \$10/sf more than that of City Center Class B product. Other leading submarkets include Annapolis, \$26.40/sf and Columbia, \$25.60/sf. The best deals in town this quarter, Baltimore City where average rates are \$20.41/sf and also the Route 2 Corridor (\$21.80/sf) and Reisterstown Road Corridor (\$21.18/sf), areas that are proving to be more aggressive with rental rates and concessions to compete with neighboring favored submarkets.



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SECOND QUARTER | 2016



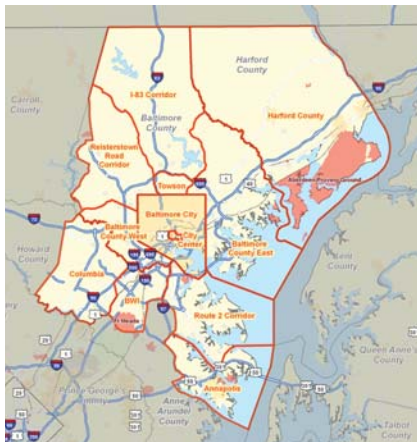
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
10490 Little Patuxent Parkway	Columbia	Harkins Builders, Inc.	21,916 sf
5520 Research Park Drive	BWI	Tissue Banks International	11,298 sf
1001 Cromwell Bridge Road	Towson	Rosen-Hoffberg Rehabilitation	8,793 sf
10330 Old Columbia Road	Columbia	Telligen	7,920 sf
201 N. Charles Street	City Center	Kowitz, Wise, St. Laurent	4,835 sf
8355 Court Avenue	Columbia	Architecture By Design	2,679 sf
1215 E. Fort Avenue	Baltimore City East	Hex Performance	2,500 sf
1419 Forest Drive	Annapolis	Children Speech	2,343 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
757 Frederick Road	Baltimore County West	\$3,950,000	\$138.60	28,500 sf
144 Duke of Gloucester Street	Annapolis	\$1,675,000	\$206.71	8,103 sf
8165 Cyprus Cedar Lane	Columbia	\$1,753,802	\$91.82	19,100 sf
7 Old Solomons Island Road	Annapolis	\$1,375,000	\$100.06	13,742 sf
1019 Cathedral Street	Baltimore City Midtown	\$595,000	\$106.23	5,601 sf
305 Allegheny Avenue	Towson	\$252,000	\$104.30	2,416 sf



Number of Buildings 1,203

Market Size 74,666,088 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 Area (MSA).

Office: Buildings 15,000 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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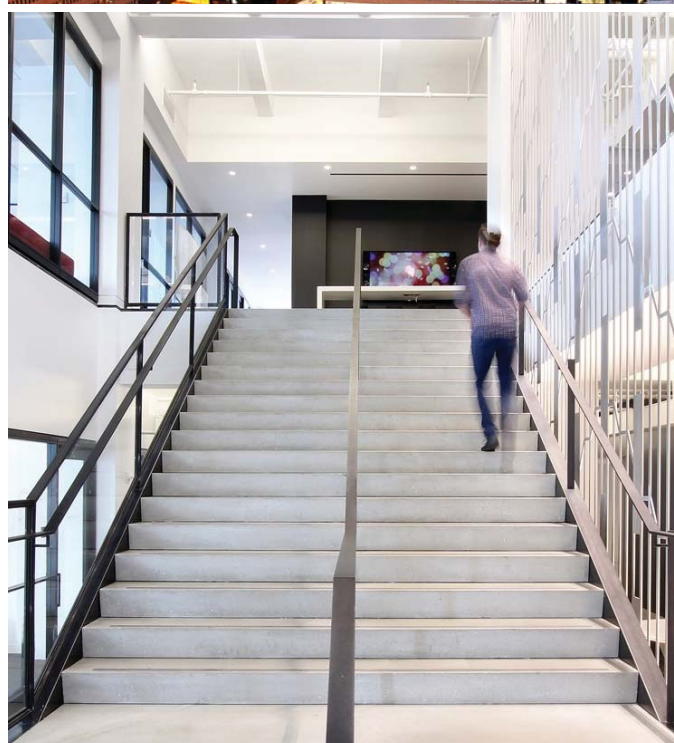
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OFFICE SUBMARKETS

**2ND QUARTER
2016**



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BALTIMORE

LUTHERVILLE

ANNAPOLIS

BEL AIR

COLUMBIA

ANNAPOLIS

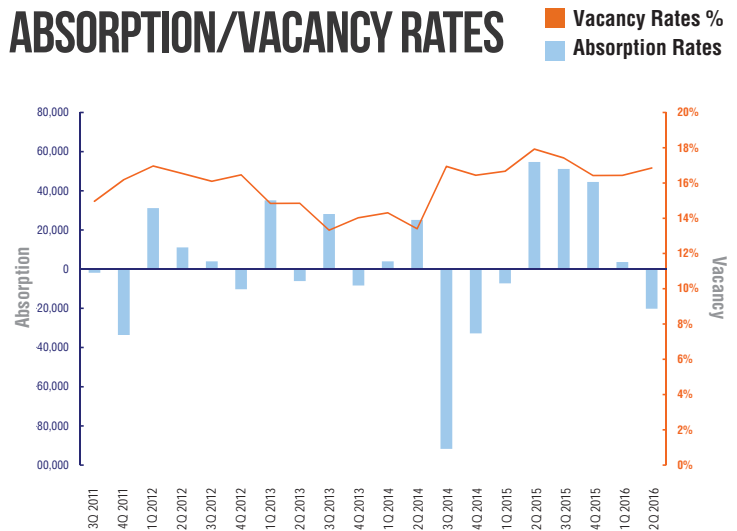
SECOND QUARTER | 2016



"Annapolis office activity remained robust during the 2nd Quarter, experiencing healthy activity from both small and large tenants in all sectors of the market. This activity was seen among all product types as well, Class A to lesser quality buildings. High vacancy rates are forcing landlords to be highly competitive with rental rates, terms, and concessions. During the second half of 2016, we expect to see positive absorption as large tenants who signed leases during the 1st and 2nd Quarters begin to take occupancy. Rents in top-tier buildings should remain high as availability is limited; however, second-tier buildings will likely continue to offer competitive deals in order to compete. Owner-occupied sale activity has slowed compared to past quarters as availability of product is becoming limited."

- Justin Mullen
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

16.85%
VACANCY RATE

Average vacancy rates increased by 0.42% during the 2nd Quarter 2016 from the 1st Quarter rate of 16.43%. This 16.85% rate is more than 1% less than the same quarter the year prior, when rates were 17.92%.

-20,145
ABSORPTION

After a slight positive absorption of 3,637 sf during the 1st Quarter 2016, 23,782 sf returned to the market resulting in a negative absorption of 20,145 sf during the 2nd Quarter.

\$26.40
AVG. RENTAL RATE

Rental rates in Annapolis remain steady. Average rental rates decreased by \$0.52/sf from the 1st Quarter rate of \$26.92/sf and remain \$0.50/sf higher than the same quarter during 2015.



Number of Buildings 135

Market Size 3,957,371 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*

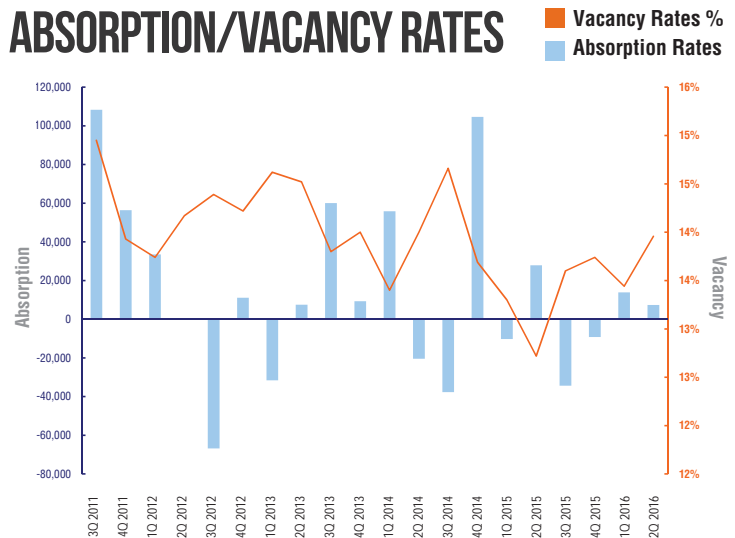
SECOND QUARTER | 2016



"The vacancy rate for the Baltimore City submarkets (which excludes City Center) for the 2nd Quarter remains relatively unchanged. All City segments remain very healthy with an average vacancy of 8.9%. This of course excludes Montgomery Park which accounts for 64% of the total square feet of the Baltimore City West segment and is currently 35% vacant, keeping the segment's vacancy at 27.21%. Construction is underway at Stadium Square which will add 72,000 square feet to the market by the 2nd Quarter of 2017 in Baltimore's Federal Hill area. This project is expected to lease quickly due to diminishing available options."

- Mark Deering
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

13.96%
VACANCY RATE

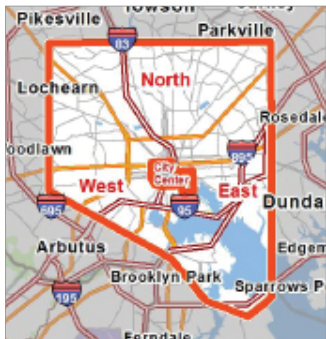
The Baltimore City South segment experienced the most positive activity, decreasing by 0.76%. However, this was offset by Baltimore City East's increase of 0.89%. This, coupled with minor changes in the North, Midtown, and West segments resulted in slight increase of 0.52% for Baltimore City during the 2nd Quarter.

7,354
ABSORPTION

Baltimore City absorbed 7,354 sf during the 2nd Quarter 2016, bringing the year-to-date total to a positive 21,235 sf. Baltimore City East absorbed the most during the quarter with 10,678 sf.

\$20.41
AVG. RENTAL RATE

Baltimore City average rental rates increased by \$0.42/sf during the 2nd Quarter. Baltimore City North remains the highest at \$26.56/sf with Baltimore City West the lowest at \$16.33/sf.



Number of Buildings 100

Market Size 7,881,862 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

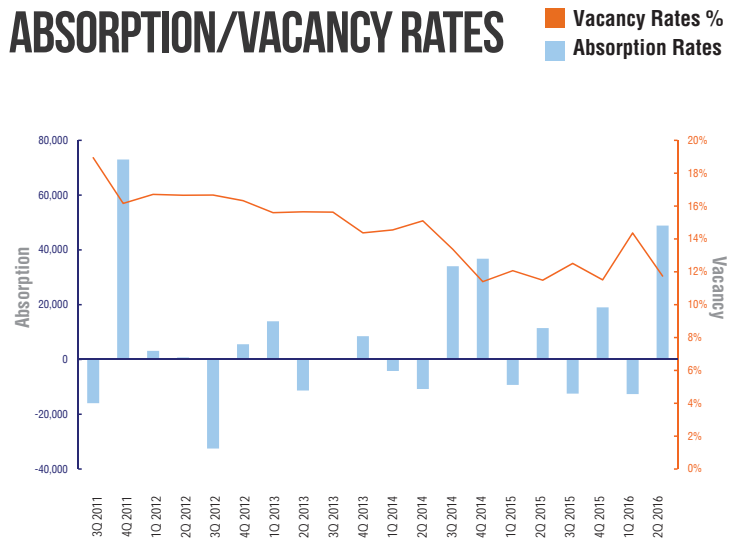
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"Baltimore County East had a nice bounce-back quarter as leasing activity was fairly significant, especially in the Crossroads 95 area with St. Johns Properties. The Goddard School leased nearly 13,000 square feet at 11560 Crossroads Drive. Also, the ground breaking of the new live-work-play community, Greenleigh, in the Crossroads area occurred this spring, with new office, retail, and residential construction underway. COPT continues to market the sale of their remaining White Marsh portfolio which contains over 500,000 square feet. Decent activity also continues in the heart of White Marsh with mid-sized users showing the most interest. If these interested parties continue to lease remaining space at this quarter's rate, this submarket may reach a 90% occupancy level by the end of 2016."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

11.74%
VACANCY RATE

Consistent activity led to a decrease in vacancy of 2.62% during the 2nd Quarter, resulting in an average rate of 11.74%. This represents the second healthiest submarket within the Northern Metro, falling second to the I-83 Corridor's 9.01%.

48,883
ABSORPTION

After starting 2016 with a negative absorption of 12,630 sf, the Baltimore County East submarket absorbed a positive 61,513 sf, resulting in a total of 48,883 sf for the 2nd Quarter.

\$21.46
AVG. RENTAL RATE

Rental rates remained steady, decreasing by \$0.25/sf during the 2nd Quarter from the 1st Quarter rate of \$21.71/sf. This 2nd Quarter rate is \$1.28/sf less than the same year prior, average rents were \$22.74/sf.



Number of Buildings 56
Market Size 1,950,489 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

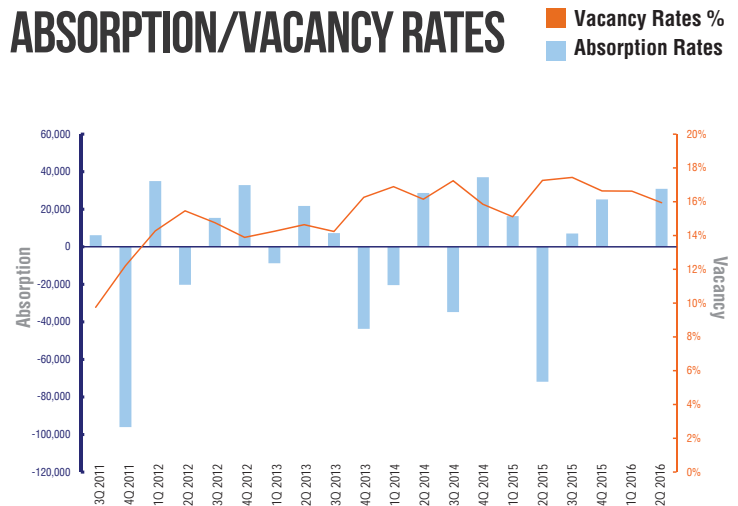
SECOND QUARTER | 2016



"Overall, office product on the West side of town did not change much from the 1st Quarter to the 2nd Quarter; however, as we noted previously, Lifebridge continues to expand and grow their presence as medical remains one of the most consistent components of this submarket. Rents have been especially aggressive in this market given that some landlords are looking to increase occupancy to position their assets for stronger sales; look for fewer buildings to trade by the 3rd Quarter this year. Beyond that, I suspect this more aggressive inventory will dwindle and rents should stabilize and tick upward, especially since larger tenants are lurking. Recent activity proves this to be a strengthening market, one that should further strengthen due to the success of buffering markets, Reisterstown Road and Owings Mills."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

15.94%
VACANCY RATE

Average vacancy rates decreased by 0.69% during the 2nd Quarter. This 15.94% rate is 1.32% less than the 17.26% average rate experienced during the same quarter the prior year.

30,885
ABSORPTION

Absorption remains positive for the year with an absorption of 30,885 sf during the 2nd Quarter bringing the year-to-date total to 31,199 sf.

\$20.94
AVG. RENTAL RATE

Average rental rates decreased by a mere \$0.16/sf during the 2nd Quarter and remain \$0.81/sf higher than rates witnessed during the 2nd Quarter one year prior.



Number of Buildings	65
Market Size	3,113,275 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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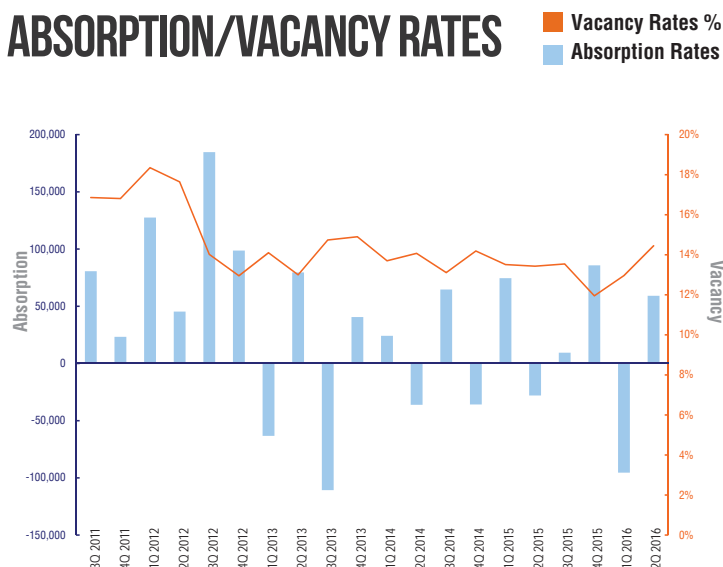
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"Following what seems was a temporary recovery, vacancy is up a point from this time last year. Rents remain steady and there is no new product. This quarter brings the \$79 million purchase by Northrop Grumman of 1508 A and 1508 B West Nursery Road totaling 315,350 square feet in a purported reverse 1031 exchange, primarily for its Mission Systems Unit. While the southern part of the market remains relatively strong, supported by defense and cyber security contractors, and businesses in support of NSA and Fort Meade, there are some gaps right now in the normally sought-after National Business Park. To the north surrounding the airport, outdated product struggles. Some are labeling these as 'opportunities'."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.45%
VACANCY RATE

The BWI submarket experienced an increase of 1.49% in average vacancy from the 1st Quarter rate of 12.96% and rates are just over 1% higher from the same quarter last year. This submarket has the second highest vacancy rate in the Southern Metro, falling behind the Annapolis rate of 16.85%.

59,188
ABSORPTION

Absorption returned to positive this quarter after experiencing a negative 95,417 sf absorption during the 1st Quarter. This brings the year-to-date total to a negative 36,229 sf.

\$24.49
AVG. RENTAL RATE

Rental rates increased slightly from the 1st Quarter rate of \$24.19/sf and remain among the highest in the Baltimore Metro.



Number of Buildings 104

Market Size 8,779,498 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

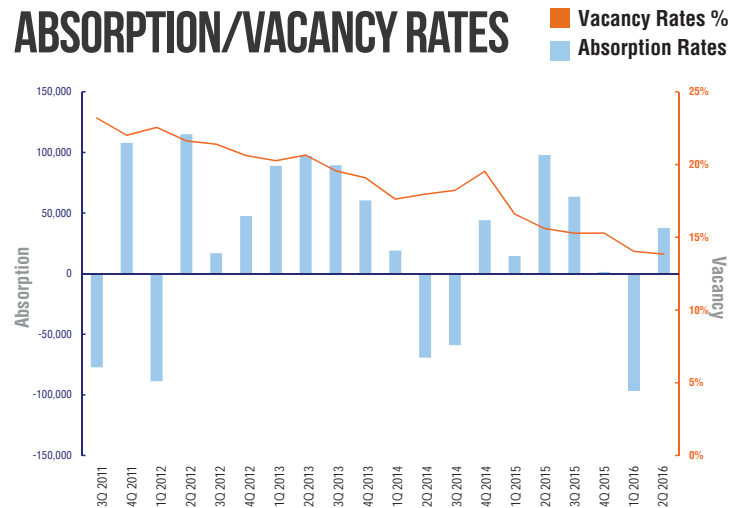
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"Baltimore's City Center remained a stable, but relatively flat submarket through the 2nd Quarter of 2016 with vacancy slightly decreasing from 14.03% to 13.84%. Class A+ buildings along Pratt Street and in Harbor East are the most desirable product, with vacancy as low as 4.39% and asking rents above \$28.00/sf. Exelon's relocation to Harbor Point in the 4th Quarter of this year will have a big effect on Pratt Street vacancy as they will vacate over 300,000 square feet at 750 E. Pratt Street and 111 Market Place. It was recently announced that 2 Hopkins Plaza will get new life as the Army Corps of Engineers signed a lease for 143,000 square feet to relocate to the building in 2018 from 10 S. Howard Street. 2 Hopkins Plaza will be a mixed use redevelopment with new office and residential units."

- Matt Curran
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

13.84%
VACANCY RATE

Overall vacancy decreased by 1.76% during the 2nd Quarter. Class A+ product continues to lead with the lowest, 4.39% with B+ falling second at 12.26%. The continued shuffling of tenants between the different product levels is holding the Class A segment at the highest, 28.50%.

37,698
ABSORPTION

After starting the year with a negative absorption of 96,831 sf, the City Center submarket recovered 37,698 sf during the 2nd Quarter bringing the year-to-date total to negative 59,133 sf. City Center Class A+ contributed the most to this increase, a positive absorption of 42,213 sf.

\$22.49
AVG. RENTAL RATE

Average rental rates increased by \$0.27/sf during the 2nd Quarter and remain \$1.12/sf higher than the same quarter last year. Class A+ holds top billing at \$28.17/sf, even after decreasing by \$1.04/sf during the 2nd Quarter. City Center Class B remains the best deal at \$18.17/sf.



Number of Buildings 74
Market Size 13,372,289 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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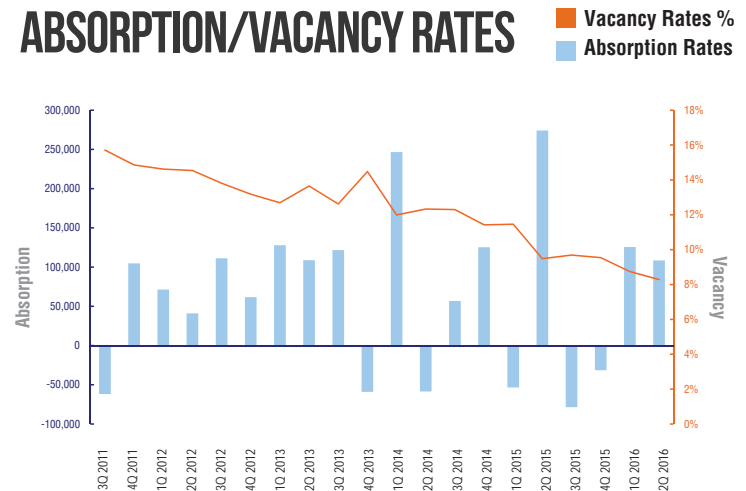


"The Columbia market continues to experience a strong presence with vacancy declining another half of a point. This decline is more difficult than it would appear, as a vacancy rate of 8.29% provides little product for new tenants or the expansion of those existing. With little product available in downtown Columbia, prospects are taking advantage of projects such as Maple Lawn, and even Columbia Gateway, which has suffered from the recent popularity of Maple Lawn and the revitalized downtown area. While the outlook for the market continues to be optimistic, absorption should slow with the summer months and fall-out from the lack of product. The pipeline for new, significant product is currently limited to Little Patuxent Square, committed to by QSSI, and the Maple Lawn community."

- Chris Bennett

Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

8.29%
VACANCY RATE

Average vacancy rates decreased by 0.46% during the 2nd Quarter and are 1.20% less than the 2nd Quarter last year. Columbia remains the healthiest market in not only the Southern Metro but the entire Baltimore Metropolitan Office market. The I-83 Corridor falls closely behind at 9.01%.

108,496
ABSORPTION

Absorption remained strong during the 2nd Quarter, absorbing a positive 108,496 sf bringing the year-to-date total to a positive 234,062 sf.

\$25.60
AVG. RENTAL RATE

Columbia rental rates continue to increase, this quarter by \$0.18/sf from the 1st Quarter rate of \$25.42/sf. Looking back at the 2nd Quarter 2015, rates remain \$1.45/sf higher in this submarket. Columbia falls second highest in the Southern Metro, Annapolis' average rate of \$26.40/sf holds top billing.



Number of Buildings 219

Market Size 13,101,196 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).

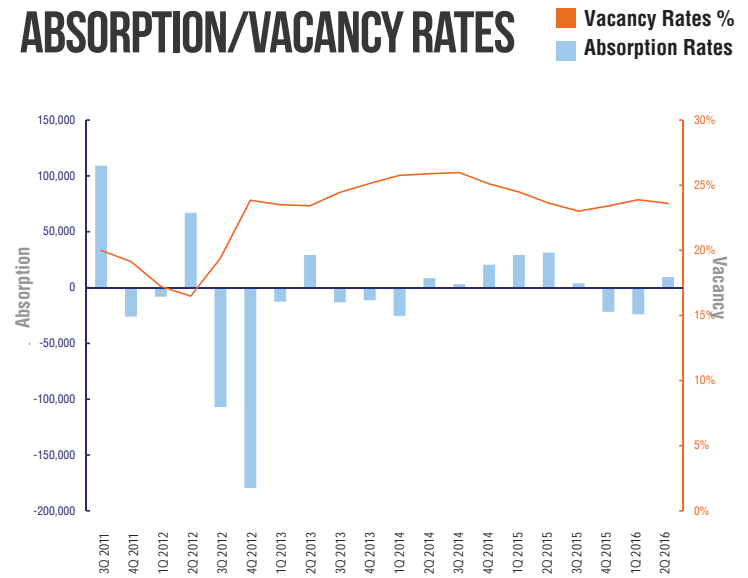




"The Aberdeen portion of Harford County continues to see little to no activity as it seems more companies are downsizing rather than moving or expanding. The remaining portion of Harford County continues to see a gradual increase in activity that spans all types of businesses. The newest trend seems to be that more individuals and small companies are looking to buy their space rather than lease; thus, it is a slow but steady growth in activity."

- Beetle Smith
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

23.60%
VACANCY RATE

The Average vacancy rate decreased slightly during the 2nd Quarter from the 1st Quarter rate of 23.88%. Harford County continues to experience the highest vacancy, largely in part to vacant product surrounding Aberdeen Proving Ground. Closer to Bel Air and the Rt. 24 Corridor, rates return to much healthier levels.

9,419
ABSORPTION

Harford County experienced a positive absorption of 9,419 sf; however, year-to-date totals remain a negative 14,563 sf.

\$23.33
AVG. RENTAL RATE

The highest in the Northern Metro, rental rates for Harford County increased during the 2nd Quarter by \$0.33/sf and are \$0.61/sf higher than 2nd Quarter 2105.



I-83 CORRIDOR

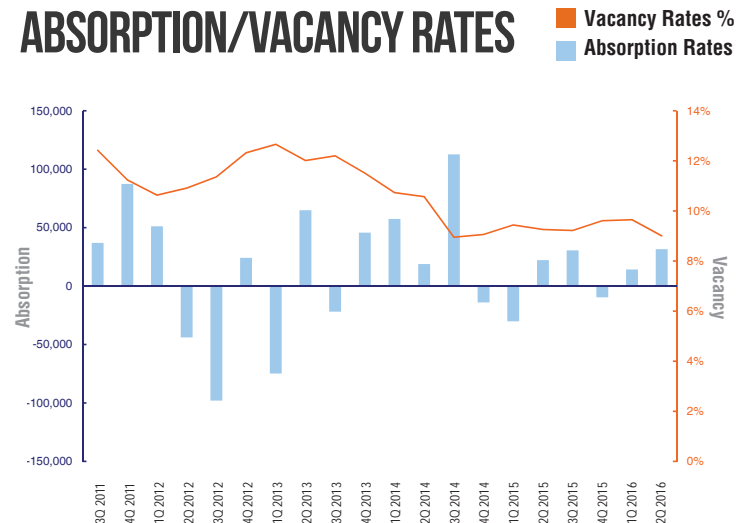
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"We have started recent quarterly reports off saying that the I-83 Corridor remains healthy, certainly one of the healthiest in the Metro area. With total vacancy again remaining below 10%, this conclusion still applies and is a trend that should continue throughout the remainder of 2016. The submarket's recent growth has been organic with some notable expansions, and rents are expected to continue on an upward trend. Hunt Valley remains a prestigious address, allowing employers to recruit and retain a quality workforce that demands abundant nearby amenities. Notable I-83 Corridor transactions this past quarter included the renewals and expansions of The University of Maryland (31,500 sf), All Risks (60,500 sf), and Wallace Montgomery (35,700 sf)."

- Joe Bradley
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

9.01%
VACANCY RATE

The healthiest in the Northern Metro and second among all submarkets in the Baltimore Metropolitan, I-83 Corridor experienced a decrease of 0.64% in vacancy during the 2nd Quarter.

31,568
ABSORPTION

Positive absorption continued in the I-83 Corridor submarket during the 2nd Quarter bringing the year-to-date total to a positive 45,758 sf.

\$21.27
AVG. RENTAL RATE

Rental rates increased by \$0.84/sf from the 1st Quarter rate of \$22.11/sf yet remain \$0.30/sf higher than the same quarter in 2015.



Number of Buildings 130

Market Size 7,589,401 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 lightrail 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

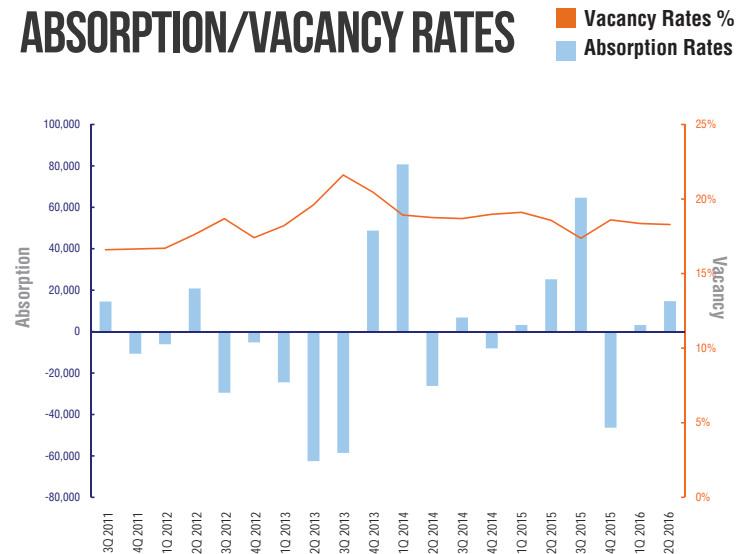
SECOND QUARTER | 2016



"The Reisterstown Road Corridor experienced a slight dip in vacancy rate during the 2nd Quarter. Most of the activity can be tracked to existing tenants expanding in the market; and, smaller tenants being drawn to value opportunities as some Class B/C Landlords are lowering their rental rates to combat vacancy. This portion is reflected in the drop of nearly \$0.70/sf during this last quarter. Good news came at the beginning of the quarter with CareFirst announcing the renewal of 665,000 square feet in several buildings which keeps their corporate headquarters in the corridor. However, we will likely see a large increase in vacancy over the coming quarters with large projects like Foundry Row and Metro Center scheduled to deliver. There are some tenants who have signed leases, namely Lifebridge at Foundry Row, but at this point both buildings will deliver with vacancy. In addition, Global Payments announced their intention to close their Owings Mills location over the next several months, which will land another large block of space on the market. Look for the trend of Class A product performing well, while Class B/C product will struggle unless priced aggressively."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

18.29%
VACANCY RATE

Vacancy rates during the 2nd Quarter remained relatively unchanged in the Reisterstown Road Corridor, decreasing by a mere 0.07%. Rates remain 0.28% lower than the 2nd Quarter last year.

14,674
ABSORPTION

The slight decrease in vacancy led to a positive absorption of 14,674 sf. This brings the year-to-date total to 17,843 sf.

\$21.18
AVG. RENTAL RATE

Rental rates decreased by \$0.68/sf during the 2nd Quarter from the 1st Quarter rate of \$21.86/sf and remain \$0.30/sf less than the same quarter during the prior year.



Number of Buildings 86
Market Size 5,025,501 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

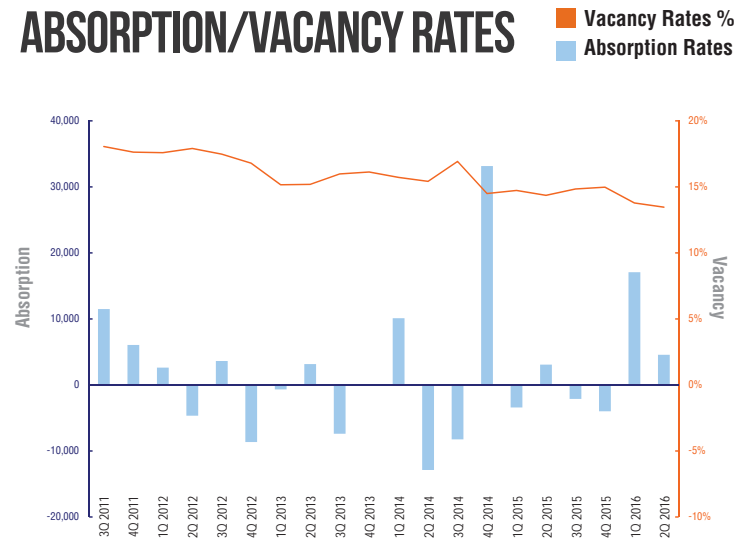
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"The Route 2 Corridor submarket continues to serve as an incubator for local operators in need of smaller office (500-2,500sf) space around areas populated mainly by retail and residential. The trend toward quality retail should bring a corresponding demand for nearby offices which can benefit from the proximity. Concierge medical/dental and traditional professional services lead current demand in the area. Rents still hover in the low \$20.00/sf range for the best quality space."

- Dave Sciamarelli
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

13.47%
VACANCY RATE

Vacancy rates continue to decrease in the Route 2 Corridor, dropping by 0.32% during the 2nd Quarter. This 13.47% rate is nearly 1% less than the same quarter last year. Route 2 is positioned as the second healthiest submarket in the Southern Metro.

4,564
ABSORPTION

The decrease in vacancy resulted in a positive absorption of 4,564 sf during the 2nd Quarter, bringing the year-to-date total to 21,642 sf.

\$21.80
AVG. RENTAL RATE

Rental rates during the 2nd Quarter increased by \$0.67/sf from the 1st Quarter rate of \$21.13/sf. Route 2 remains the best deal among the Southern Metro submarkets.



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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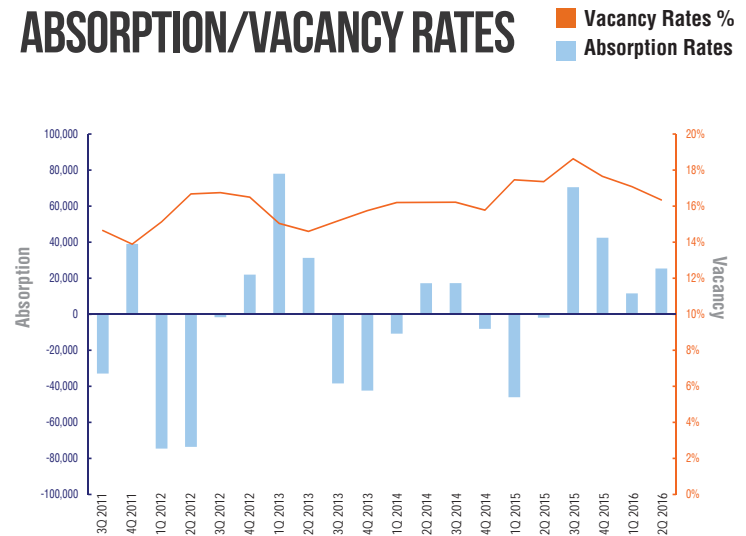


"The Towson office rental market continues to lag behind the multi-family and retail sectors. Office space in general is changing as millennials look for work space designed more as gathering areas versus the standard 10' x 12' offices or cubicle space. Working remotely is also being widely accepted by most employers, thus reducing the need for more office space. The aforementioned retail and multi-family development in the Towson core areas will hopefully spur the office market because of the live, eat, and shop mentality of the younger work force. Beltway buildings outside of the Towson core seem to be holding their own, as free surface parking and easy access of I-695 drive interested users to the convenience of those type of buildings."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

16.34%
VACANCY RATE

Vacancy rates for the Towson submarket decreased by 0.74% during the 2nd Quarter. This 16.34% rate is 1.01% less than rates during the same quarter in 2015 which saw an average vacancy of 17.36%.

25,370
ABSORPTION

Towson's slight decrease in vacancy led to a positive absorption of 25,370 sf during the 2nd Quarter. Although activity is noted as lagging, the submarket's year-to-date absorption remains positive, 36,962 sf.

\$20.67
AVG. RENTAL RATE

Rental rates during the 2nd Quarter remained relatively unchanged in the Towson Submarket, increasing by only \$0.07/sf. This \$20.67/sf rate remains less than the same quarter last year, a decrease of \$0.59/sf.



Number of Buildings 86
Market Size 4,751,004 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.





**2ND QUARTER
2016**



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BALTIMORE RETAIL OVERVIEW

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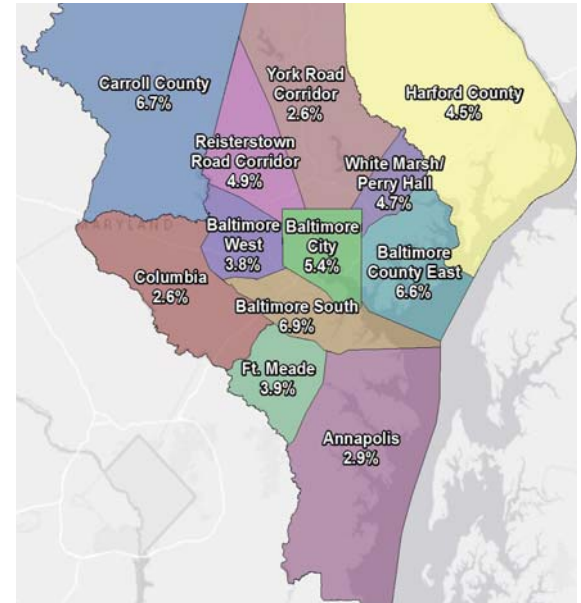


Grocery Market War Begins

Presented by Tom Fidler, Executive Vice President/Principal

What a difference 90 days makes. The recent announcement by Weis Markets, based in Sunbury, PA with 162 stores throughout MD, PA, NJ, and WV, to acquire 38 Food Lion locations and an additional five existing Mars stores; the closure of all other Mars locations totaling eight units; the ongoing efforts by Lidl Corporation to enter the Mid-Atlantic market; the continued expansion of Harris Teeter's pipeline for new store development; and, the acquisition of Food Lion by Ahold (Giant Foods); the battle for market share and brand dominance in the local market is underway. These events are significant to the changing landscape of the community grocer market. It is likely that the stars aligned perfectly for Weis Markets. The maturity of the local Baltimore DMA, lack of new potential sites for development, and the growing development costs for commercial properties, it became virtually impossible to make a new store, ground up construction, affordable and profitable. The complexity of the population and the lack of demographic growth are factors that make the need for brand growth and store expansion almost a stalled discussion upon arrival. Then, Food Lion becomes a target for Giant Foods, and then the opportunity becomes a reality for Weis Markets. Most importantly, Weis' cost of entry into new markets is likely to be substantially less than other competing grocery store chains; they are buying the Food Lion leases, fixtures, equipment, etc. for a fraction of what it would cost to build new. That will create a wave throughout the local industry. Other grocery providers will need to sharpen their pencils on marketing campaigns, sales promotions, and service performance. Who benefits the most? The consumer. Once the conversions begin, we expect the price wars to begin, and the battle for customers to commence. More favorable to the real estate market, the growth of Weis Markets and entry into new markets will certainly be positive. The immediate absorption of these anchor spaces has certainly provided developers and property owners with a sigh of relief. The last thing the local market needed was a dramatic increase in the amount of vacancy of numerous anchor-box locations.

HISTORICAL VACANCY RATES



Local Food Matters

During the 2nd Quarter of 2016, we continued to see the proliferation of quick serve restaurants (QSR's), fast food, and full-service restaurants. The dynamics and diversity of the new offerings is exciting. We expect another strong year in the leasing market for new retail centers, or retail opportunities for food uses, with projected deal activity to reach 70% of all retail leasing in 2016. Deal structures are becoming expensive and expansive with developers now seeing the need to increase their scope of work to include many of the critical infrastructure items for a food user – increased HVAC capacity, electric service, installation of grease traps for tenant use, and heightened design elements on exterior facades. What was once the norm, and rather minimal work scope, has become outdated and antiquated. Tenant improvement allowances are on the increase as well. Developers are having to fund more dollars per square foot and provide offsets if needed. Most important to the local real estate market, in a positive light, is the fact that the majority of the prospects are local and regional concepts, with proven success, and a track record of strong, local support. Consumers, and the larger world of "Foodies," are embracing this growth. The consumer market is showing a stronger tendency towards local concepts and providing brand loyalty. We expect Baltimore to continue its path towards becoming a well-recognized community market of great neighborhood food venues and concepts, that are unique, diverse, eclectic, and affordable.

QUICK STATS

4.54%
VACANCY RATE

Average vacancy remained flat from the 1st Quarter to the 2nd Quarter, decreasing by a mere 0.05%. This 4.54% rate is 0.34% less than the same quarter the prior year.

45,949
ABSORPTION

Absorption remained positive during the 2nd Quarter bringing the year-to-date total to just over 344,000 sf.

\$18.83
AVG. RENTAL RATE

For the past year, rental rates have fluctuated on average a mere \$0.25/sf. This quarter's rate is an increase from the 1st Quarter rate of \$18.58/sf.

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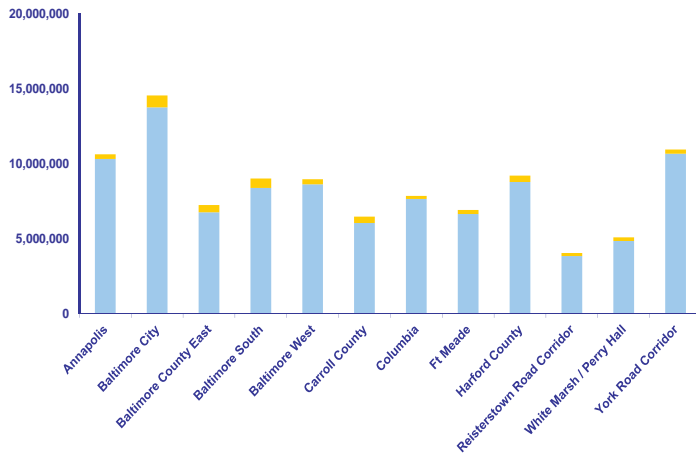
BALTIMORE RETAIL OVERVIEW

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ABSORPTION/VACANCY RATES

Vacant
Occupied



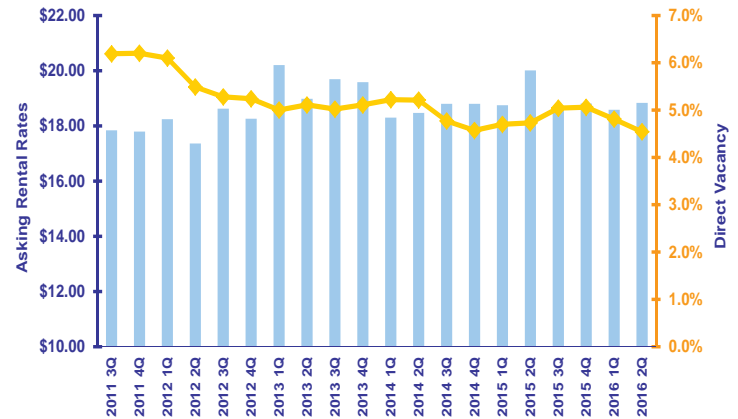
Overall vacancy for the Baltimore Metropolitan Retail Market was 4.54%. The York Road Corridor, Columbia, and Annapolis submarkets remain the tightest all with vacancies under 3%; 2.57%, 2.64%, and 2.95%, respectively. Despite Carroll County's negative absorption of 107,569 sf and Baltimore South's negative 56,793 sf, overall absorption for the market remained positive with 45,949 sf absorbed.

HIGHLIGHTS

- Former Shoo-fly space at Baltimore's iconic Belvedere Square, is slated to debut as The Starlite Diner by the end of August. The new project, spearheaded by former Red Maple owner Leonard Clarke, will be a family-friendly spot to enjoy comfort food, weekend brunch, and local craft beer.
- Weis Markets announced plans to purchase five Mars Super Market stores in Baltimore County, MD, including two in Dundalk and individual units in Essex, Arbutus and Carney. Weis Markets intends to complete the purchase in late July.
- Modern Cook Shop, a market, restaurant, bakery and cocktail bar from the owners of Fork & Wrench opened inside Bozzuto's Union Wharf Apartments. The 4,432 sf Modern Cook Shop will have enough seating for 150, with outdoor tables, and eventually offer room service for residents of the 281-unit complex.
- The owners of one of Howard County's most popular restaurants, Victoria Gastro Pub, announced they will open a new restaurant in a prime downtown Ellicott City spot. Manor Hill Tavern will replace The Diamondback Tavern at 3747 Old Columbia Pike.

RENTAL RATE/VACANCY RATES

Vacancy Rates %
Rental Rates



Overall average rental rates increased by a mere \$0.25/sf during the 2nd Quarter. One notable change occurred in the Columbia submarket, an increase of \$1.31/sf for a rate of \$25.93/sf, positioning the submarket with the highest average rental rate. The best deals can be found in the White Marsh/Perry Hall submarket, \$14.19/sf, followed by Baltimore County East at \$14.67/sf.

- Eggspectation opened its inaugural location in Baltimore County at Metro Centre at Owings Mills. Eggspectation joined Times Square Kitchen, Fractured Prune and Subway as part of the first wave of restaurants to open at Metro Centre.
- Hampden's iconic restaurant, The Food Market, selected Quarry Lake at Greenspring as the site of its second restaurant location and first in Baltimore County.
- General Growth Properties Inc. listed the Gallery at Harborplace for sale. The waterfront property at Pratt and Calvert streets consists of a total of 431,918 square feet. The Gallery at Harborplace is on the market, along with the office tower and parking. The Renaissance Hotel, also a part of the complex, is not included in the sales package.
- 26,000 sf of retail space has been leased in Greenebaum Enterprises' newest retail component at Maple Lawn. Delivered in three brand new buildings, Greenebaum has signed two new restaurants and a nail salon. Bliss Nails opens in July, with seafood restaurant Hudson Coastal and Steel Fire Grill both to follow in the fall.



BALTIMORE RETAIL OVERVIEW

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NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
8035-8067 Liberty Road	Baltimore County West	Alko Clothing & Shoe Outlet	20,104 sf
6612 Baltimore National Pike	Baltimore County West	Cozi Furniture	14,700 sf
5237-5275 Campbell Boulevard	Baltimore County East	Massage Envy Spa	4,200 sf
3400-3450 Annapolis Road	BWI	Chick Fresh A	3,740 sf
2620-2638 Quarry Lake Drive	Reisterstown Rd Corridor	La Food Marketa	3,479 sf
2341 Forest Drive	Annapolis	MOD Pizza	3,000 sf
3113 Saint Paul Street	Baltimore City Midtown	Kong Fu Tea	2,800 sf
11815 W. Market Place	Columbia	Bliss Nails & Spa	2,523 sf
41-83 Shipping Place	Baltimore County East	Full House Pizza	2,083 sf
2103-2159 W. Patapsco Avenue	Baltimore Southwest	Little Caesars	1,920 sf
574 Ritchie Highway	Route 2 Corridor	Firehouse Subs	1,800 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
110 Compromise Street	Annapolis	\$4,150,000	11,158 sf	\$371.93
14 Bel Air South Parkway	Harford County	\$2,056,391	6,090 sf	\$337.67
47 Randall Street	Annapolis	\$1,800,000	7,128 sf	\$252.53
996 Corporate Boulevard	BWI	\$1,432,316	6,330 sf	\$226.27
4110 Wholesale Club Drive	Baltimore County East	\$1,325,353	6,758 sf	\$196.12
170 Main Street	Annapolis	\$1,175,000	4,040 sf	\$290.84
4047-4057 North Point Road	Baltimore County East	\$850,000	6,000 sf	\$141.67

Number of Buildings 2,346

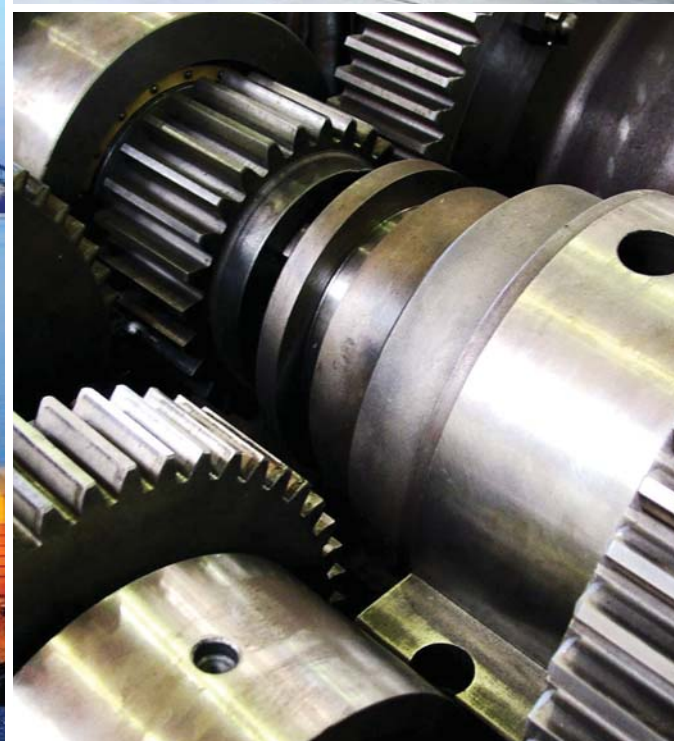
Market Size 100,988,442 sf

Criteria: The Baltimore Retail Market resembles 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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E-COMMERCE KEEPS INDUSTRIAL MARKET HUMMING

Absorption Remains Positive | Anirban Basu, Sage Policy Group

Generally, there are two types of markets – those that both produce and distribute goods and those that for the most part only distribute them. Baltimore is an example of the latter. Though there are still remnants of industrial production in Central Maryland, for the most part the Baltimore metropolitan area can be viewed as a center of throughput as opposed to output. That's too bad, because more production here would imply more value added contributions and higher quality jobs.

That said, with the e-commerce economy in full swing and with strategic investment having been made at the Port of Baltimore, the distribution economy continues to expand locally. More than 600,000 sf of warehouse space was net absorbed over the past three months. The region's warehouse vacancy rate declined by more than three-tenths of a percentage point during this period to 7.9%.

Warehouse space absorption was most prevalent in Baltimore City and Baltimore County East, which collectively absorbed approximately 500,000 sf of space. Vacancy in the eastern portions of Baltimore County declined from 14.4% to 13.1%. Most submarkets experienced declines in vacancy, including Baltimore City (-0.7%), Harford/Cecil (-0.5%), and Carroll County (-0.9%).

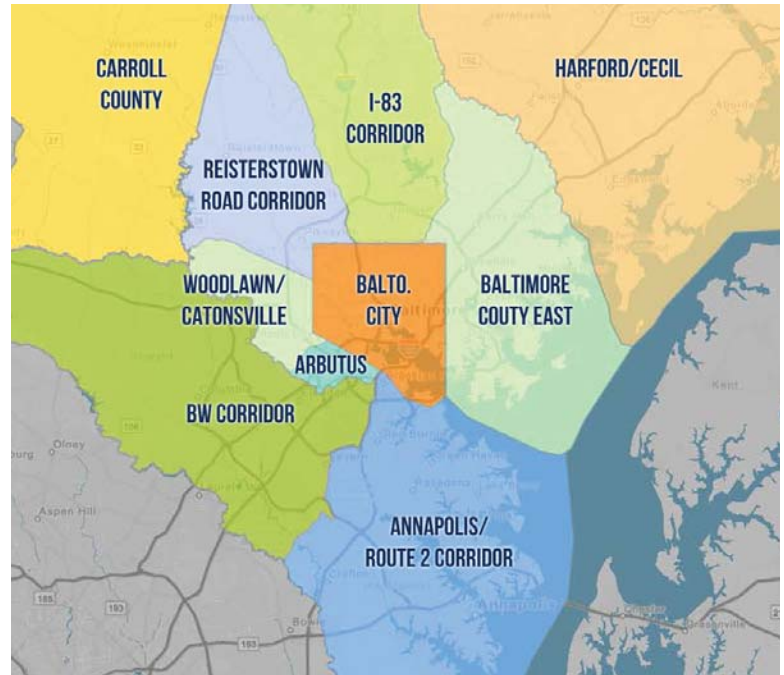
The region's flex market didn't fare quite as well, net absorbing a bit more than 22,200 sf during the second quarter. While Baltimore City and Baltimore County experienced negative net absorption, the Annapolis/Route 2 and Harford/Cecil County submarkets net absorbed 37,998 sf and 33,242 sf, respectively. The regional flex market vacancy rate was virtually unchanged during the quarter, and now stands at 9.7%.

Consumer spending should continue to drive warehouse and other forms of industrial space demand during the quarters ahead. Wages are beginning to expand more rapidly and further declines in interest rates recently will help unleash yet another mortgage refinancing boom. Fewer families are underwater on their mortgages relative to a few years ago, and can now qualify for a refinanced mortgage. That will help drive consumer spending during the balance of 2016.

LOOKING AHEAD...

MICHAEL SPEDDEN, SENIOR VICE PRESIDENT

After a decade of planning and building, and a cost of \$5 billion, the wider (180') and deeper (60') Panama Canal opened on 6/26/2016. Baltimore is one of three ports on the East Coast capable of receiving the larger "New Panama" ships that can now go through the canal rather than having to dock on the West Coast and ship goods by train or truck to the East Coast. Theoretically, this should result in increased industrial demand in the Baltimore Area. Our projection is that we'll see a bump in absorption for the first several years and then a leveling of demand as other East Coast ports dredge their waterways and replace their cranes to handle the new ships.



AT QUICK GLANCE...

FLEX

WAREHOUSE



BALTIMORE INDUSTRIAL OVERVIEW

SECOND QUARTER | 2016

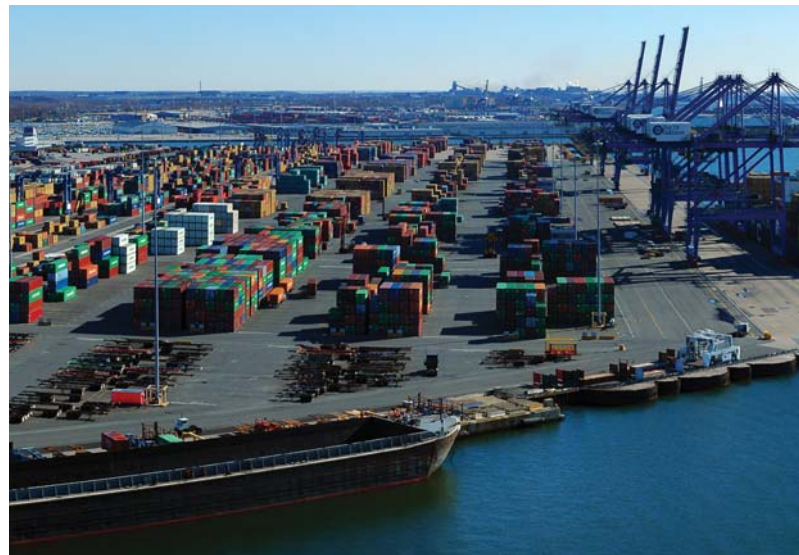


THE NUMBERS

FLEX INDUSTRIAL MARKET	Submarket	Bldgs	Market Size SF	Total Vacant SF	Total Vacancy	Absorption		Available SF %	Average Asking Rent
						Current	YTD		
	Annapolis/Route 2 Corridor	169	4,984,762	328,829	6.60%	37,998	75,167	10.53%	\$13.12
	Arbutus	57	2,127,088	85,740	4.03%	7,758	24,883	5.47%	\$8.92
	Baltimore City	131	4,144,438	594,091	14.33%	(74,637)	54,059	19.00%	\$7.79
	Baltimore County East	113	3,710,683	388,761	10.48%	(10,386)	(38,990)	11.73%	\$9.32
	BW Corridor	334	15,015,676	1,584,964	10.56%	7,346	55,966	15.12%	\$13.63
	Carroll County	53	1,166,702	169,876	14.56%	20,979	10,472	17.17%	\$9.13
	Harford/Cecil	136	3,059,260	324,679	10.61%	33,242	42,029	10.92%	\$13.20
	I-83 Corridor	108	4,942,752	214,435	4.34%	(24,948)	(14,439)	5.69%	\$10.56
WAREHOUSE INDUSTRIAL MARKET	Reisterstown Rd Corridor	83	3,066,084	344,607	11.24%	19,075	107,544	16.05%	\$9.79
	Woodlawn/Catonsville	54	2,601,841	315,208	12.11%	5,849	(47,047)	22.01%	\$8.96
	Totals	1,238	44,819,286	4,351,190	9.71%	22,276	269,644	13.42%	\$11.34
	Annapolis/Route 2 Corridor	197	8,988,017	115,039	1.28%	(5,000)	79,509	7.64%	\$6.73
	Arbutus	99	7,500,500	1,099,965	14.67%	(14,244)	(26,388)	17.66%	\$4.87
	Baltimore City	1,088	40,214,887	2,144,435	5.33%	248,143	680,033	10.57%	\$4.81
	Baltimore County East	329	20,166,321	2,639,884	13.09%	256,234	519,258	18.01%	\$4.95
	BW Corridor	560	43,559,326	4,582,067	10.52%	(113,461)	602,978	14.26%	\$5.48
	Carroll County	154	7,698,162	470,518	6.11%	70,140	13,725	15.34%	\$5.25
	Harford/Cecil	334	33,016,038	2,020,992	6.12%	168,078	268,191	9.82%	\$4.51
INDUSTRIAL MARKET TOTALS	I-83 Corridor	83	4,381,581	110,899	2.53%	(15,000)	(13,000)	3.25%	\$10.01
	Reisterstown Rd Corridor	56	1,519,823	62,754	4.13%	(20,754)	(18,665)	9.54%	\$8.13
	Woodlawn/Catonsville	48	1,287,509	16,492	1.28%	8,650	8,650	6.91%	\$6.90
	Totals	2,948	168,332,164	13,263,045	7.88%	582,786	2,114,291	12.42%	\$5.15
	Industrial Market Totals	4,186	213,151,450	17,614,235	8.26%	605,062	2,383,935	12.63%	\$6.53

HIGHLIGHTS

- RPM Warehouse has expanded into 435,000 sf of warehouse and distribution space at 1411 Tangier Drive, situated in the Baltimore Crossroads @95 business community.
- BGE Home Products & Services expanded its lease by approximately 16,600 sf of space within 1409 Tangier Road in the Baltimore Crossroads @95 bringing their total space to 72,000 sf.
- Urban Air Trampoline Park signed a lease for 30,000 sf of space at 11501 Pocomoke Court, situated within Baltimore Crossroads @95 business community.
- Sun Automation Group acquired a 180,000 sf building on 12201 Long Green Pike in Glen Arm, MD for \$5.7 million. Sun plans to consolidate two locations in Sparks and one in Edgewood into the new building that is situated on thirty-six acres.



BALTIMORE INDUSTRIAL OVERVIEW

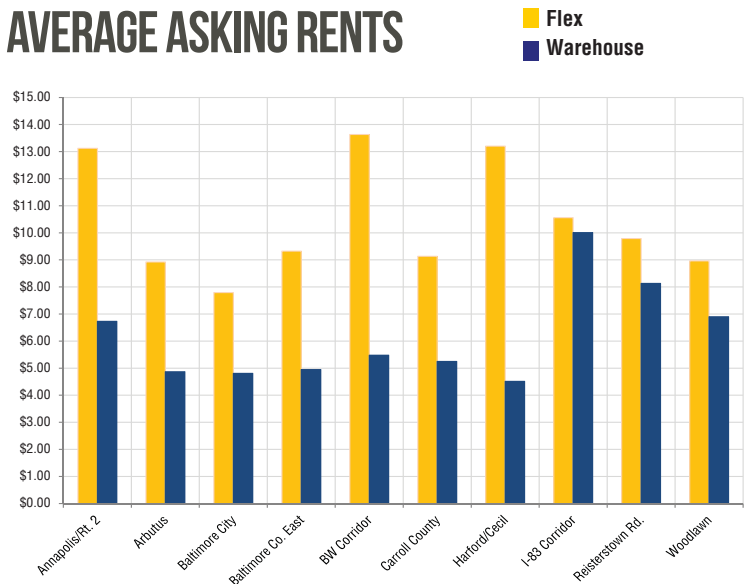
SECOND QUARTER | 2016



HIGHLIGHTS (cont.)

- Tollos, Inc. and Kershner Environmental Technologies, LLC signed leases, 18,000 sf and 6,000 sf, respectively, within the Dolfield Business Park located near Red Run Boulevard in Owings Mills.
- Lost Ark Distilling Company signed a lease for 5,000 sf at 9570 Berger Road in Columbia, MD and will be Howard County's first distillery.
- DCT Industrial paid \$6.275 million for 23.05 acres on either side of Dorsey Run Road in Elkridge. They purchased the land from Howard County in a deal that indicates spec industrial development. DCT will build two buildings totaling 219,500 sf.
- Elite Spice, Match Marketing and Forward Air all signed sizable leases within the Corridor this quarter. Elite Spice signed a lease for 144,000 sf of additional space at their Preston Gateway Industrial Park location at 1415 Magellan Road; Match Marketing signed a lease to occupy 88,000 sf at 7462 Candlewood Drive, in Hanover; and, Forward Air leased all 112,000 sf at 521 McCormick Drive.
- Oceaneering International, already in over 200,000 sf in Hanover, leased another 74,600 sf, taking all of 7010 Dorsey Road at the Hillside Business Park.

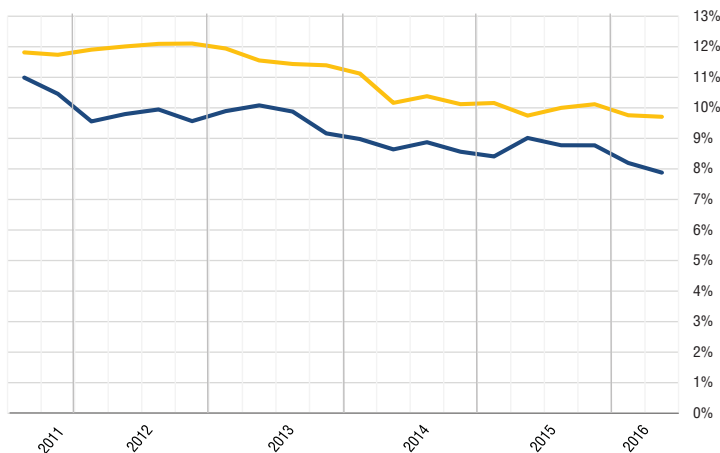
AVERAGE ASKING RENTS



Average asking rates for the Industrial Market remained flat, increasing on average by a mere \$0.02/sf for a rate of \$6.52/sf. Compared to the same quarter last year, rates have increased by only \$0.16/sf. BW Corridor flex product holds the top billing spot at \$13.63/sf; I-83 Corridor holds the same for the warehouse market at \$10.01/sf. The best deal in town is Harford County warehouse space at an average of \$4.51/sf.

HISTORICAL VACANCY

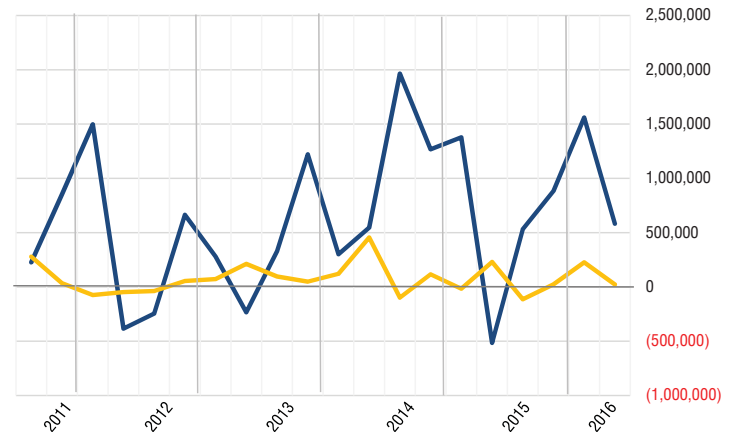
Flex
Warehouse



Overall market vacancy remained steady during the 2nd Quarter, decreasing by 0.26% for an average rate of 8.26%. This rate is nearly 1% less than the same quarter in 2015. The most notable changes in flex product was a decrease of 1.8% in Carroll County; warehouse was Baltimore County East with a decrease of 1.3%.

HISTORICAL ABSORPTION

Flex
Warehouse



The Baltimore Metropolitan Industrial Market absorbed a total of 605,062 sf during the 2nd Quarter, with the warehouse segment contributing the majority of this at 582,786 sf. Baltimore City and Baltimore County East warehouse product absorbed 248,143 sf and 256,234 sf, respectively. Absorption for the flex market was positive, however, only 22,276 sf was absorbed.

BALTIMORE INDUSTRIAL OVERVIEW

SECOND QUARTER | 2016



NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
8416 Kelso Drive	Baltimore County East	Restoration Hardware, Inc.	507,600 sf
7621 Energy Parkway	Route 2 Corridor	Reliable Churchill, LLLP	226,636 sf
1411 Tangier Drive	Baltimore County East	RPM	152,000 sf
7001 Quad Avenue	Baltimore County East	Ball Corporation	114,750 sf
7150 Troy Hill Drive	BWI	Northrop Grumman	78,271 sf
7010 Dorsey Road	BWI	Oceanneering International Technologies	74,000 sf
3051 Washington Boulevard	Baltimore City	Atlantic Lift Truck Inc.	25,920 sf
2305 Katcef Avenue	Annapolis	Severna Park Gymnastics	12,000 sf

Sale

Location	Submarket	Price	PSF	Building Size
4622 Mercedes Drive	Aberdeen	\$23,000,000	\$72.66	316,524 sf ^(1,2)
7630 Gambrills Cove Road	Route 2 Corridor	\$21,712,012	\$57.29	379,012 sf
7253 Ambassador Road	Woodlawn/Catonsville	\$5,790,000	\$148.34	39,032 sf ⁽²⁾
12201 Long Green Pike	Baltimore County East	\$5,728,000	\$31.30	183,000 sf
21132 Old York Road	I-83 Corridor	\$1,900,000	\$73.25	25,940 sf ⁽²⁾

(1) Part of a portfolio sale; (2) Investment sale

Number of Buildings 4,186

Market Size 213,151,450 sf

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.

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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 6/30/2016.



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