



BALTIMORE OFFICE OVERVIEW

THIRD QUARTER | 2016



Solid Regional Job Growth Fails to Translate into Robust Leasing Activity

Presented by Anirban Basu, Sage Policy Group

Baltimore regional labor market data indicated that the regional economy has shifted into a higher gear. Over the past year, this region of 2.8 million people, one of the nation's most educated and affluent, has added more than 31,000 net new jobs. Though home to slightly less than one half of Maryland's population, the region has added more than 60 percent of its positions. In percentage terms, the pace of regional job growth has been faster than the national average. Regional unemployment has dipped to 4.8%, below the official U.S. rate.

There is also a growing sense of vitality in the region. The redevelopment of downtown Columbia, significant commercial projects in Towson, White Marsh, Owings Mills, and Hanover, large-scale apartment development in and around downtown Baltimore, a strengthening housing market in Carroll and Baltimore counties and in other parts of the region speak to a regional economy that is now on the move.

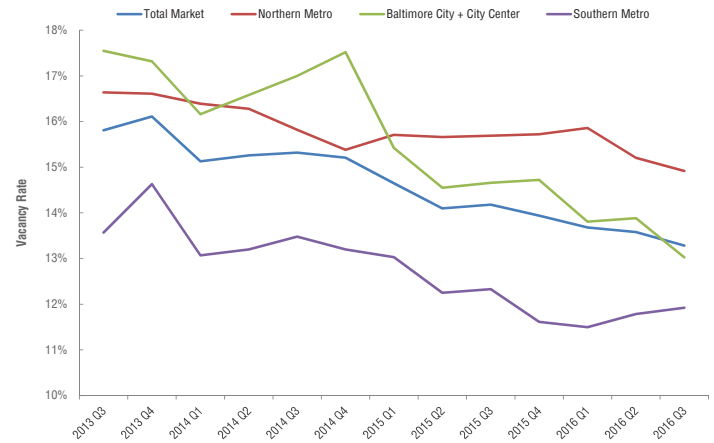
Despite all of this, the regional office market continues to languish, with net absorption remaining sluggish. Were it not for a dearth of new office construction, the situation would be considerably worse from the perspectives of vacancy and asking rent. Even with soft absorption, the regional office vacancy rate managed to dip to 13.3% during the 3rd Quarter 2016 according to data from MacKenzie Commercial Real Estate Services. Asking rent climbed to \$23.34/sf during the 3rd Quarter, up 2.5% from \$22.79/sf one year earlier.

Regional net absorption totaled a paltry 12,400 sf during the quarter, a far cry from the nearly 358,000 square feet net absorbed during the prior quarter. A number of sub-regional markets experienced negative net absorption, including City Center, where net absorption totaled -95,000 sf for the quarter. Net absorption was also negative in the southern portion of the metropolitan area, particularly in Columbia which sustained net absorption of -121,000 sf. There was only one significant marketplace to record positive net office space absorption during the 3rd Quarter and that was Baltimore County. Baltimore County West net absorbed nearly 66,600 sf. In the Reisterstown Road Corridor, about 47,700 sf were net absorbed.

There are many potential explanations for this state of affairs, which are primarily characterized by weak absorption and slow rent growth. It is conceivable that uncertainties emanating from the 2016 election cycle has put some decision-making on hold, translating into fewer signed leases. The types of jobs being created are another likely factor. Among the leading job adding segments in the region are leisure/hospitality, logistics, and healthcare; industries that are likely adding positions in non-office space using categories. Moreover, though the year-over-year regional job growth numbers are solid, the summer of 2016 was not a period of rapid net new employment generation.

Recession probabilities remain low in the near-term based upon available leading economic indicators. Wage pressures are building and that should translate into ongoing consumer spending. Consumer confidence numbers have been rising recently despite election year dynamics. However, asset prices and the broader economy have become extraordinarily vulnerable to interest rate increases, which represent a probable outcome in 2017 given rising healthcare costs, wages, and a variety of other inflationary pressures.

HISTORICAL VACANCY RATES



QUICK STATS | BALTIMORE METROPOLITAN OFFICE

13.28%
VACANCY RATE

12.382
ABSORPTION

\$23.34
AVG. RENTAL RATE

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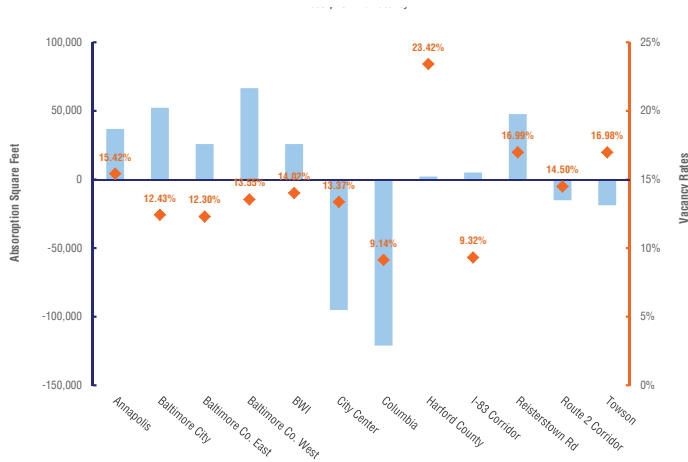
BALTIMORE OFFICE OVERVIEW

THIRD QUARTER | 2016



ABSORPTION/VACANCY RATES

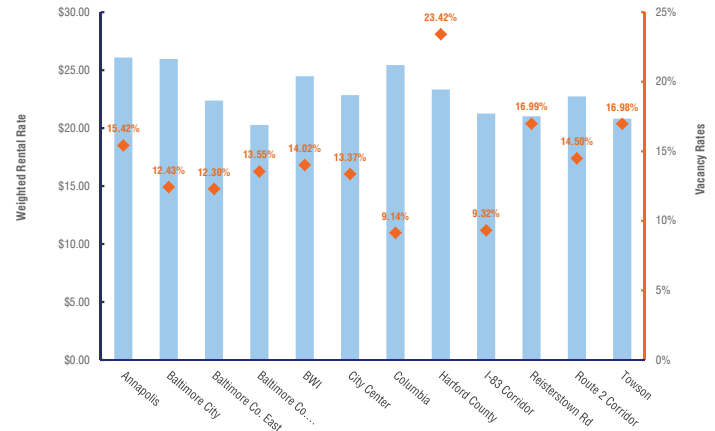
■ Vacancy Rates %
■ Absorption Rates



Absorption rates in the 3rd Quarter were positive, a mere 12,382 sf; significantly lower than the past several quarters combined. While absorption was generally spread out, Columbia experienced the greatest loss of tenants with a negative absorption of 121,055 sf; losses at Columbia Gateway alone totalled nearly 50,000 sf; however, Columbia remains at the top of the market's positive absorption year-to-date. Baltimore City Center as a whole lost 95,093 sf due to big losses at Oriole Park and 7 E. Redwood St. Baltimore County West saw the greatest positive change of 66,588 sf. This was due to large deals at Windsor Station (Northrup Grumman) and BW Tech @ UMBC (Tissue Banks International); both of which added up to 46,627 sf.

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



The slight positive absorption this quarter led to a decrease in overall vacancy of 0.30%, resulting in a rate of 13.28%. Notable changes were seen in Baltimore County West, Annapolis, and the Reisterstown Corridor, decreasing by 2.39%, 1.42%, and 1.30%, respectively. The average rental rate for the market increased by \$0.55/sf to \$23.34/sf. Aside from City Center's Class A+ product commanding \$29.28/sf, which is actually \$1.11/sf higher than last quarter, the next highest rental rates can be found in the Southern Metro, Annapolis at \$26.09/sf and Columbia at \$25.44/sf. Baltimore County East also increased by nearly \$1.00/sf during the Quarter. The best deal in town outside of the City's Class B product remains Baltimore County West at \$20.27/sf.

HIGHLIGHTS

- Bethesda-based Kenwood Management Company and its investment partner, Avanti Capital, completed the purchase of a five building office portfolio in White Marsh, MD from COPT. Known as Tyler Ridge, the buildings included are 8007, 8013, 8015, 8019, and 8023 Corporate Drive and total approximately 131,000 sf.
- Tissue Banks International, Inc., the largest provider of both fresh and sterile ocular tissue for transplants, has signed a lease for 11,154 sf at bwtech@UMBC Research & Technology Park, 5520 Research Park Drive, Baltimore, MD.
- Baltimore engineering firm RK&K inked a deal for 116,000 sf at The Candler Building, 111 Market Place, in an effort to consolidate three of its Baltimore offices next year.
- Northrup Grumman signed a lease for the remaining 35,329 sf at 2810 Lord Baltimore Drive.
- Douglas Development Corp. purchased West Garrett Place, two contiguous office buildings totaling 71,185 sf at 257 and 275 West St. in Annapolis, MD for \$11.9 million.
- Chesapeake Real Estate Group, LLC (CREG) acquired a two-building, 26,000 sf office complex from COPT located in the Hanover/Arundel Mills section of Anne Arundel County for \$2.9 million. The portfolio consists of 1341 Ashton Road, a 16,000 sf single-story building and 1343 Ashton Road, a 10,000 sf single-story building.
- QL2, a 15-year-old company that provides data to travel-oriented companies like airlines, hotels and rental-car companies, is opening a headquarter location in Brewers Hill. The company already has more than 200 employees, but expects the Baltimore location to grow with new hires, 60-80 employees over the next several years.

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THIRD QUARTER | 2016



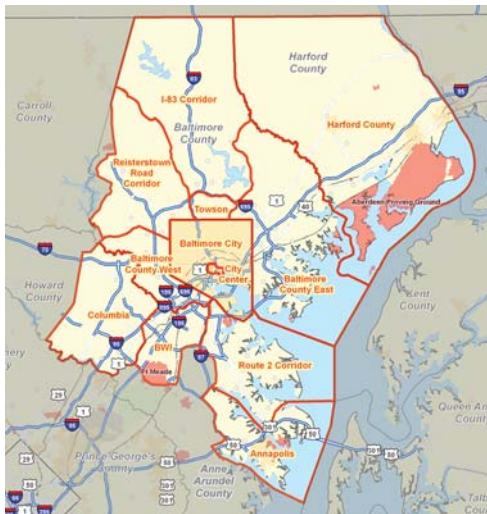
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
111 Market Place	City Center	RK&K	116,000 sf
133 National Business Parkway	BWI	Proteus Technologies	18,000 sf
11155 Red Run Boulevard	Reisterstown Rd Corridor	ClearView Group	17,351 sf
100 Light Street	City Center	Womble Carlyle Sandridge & Rice, LLP	15,676 sf
991 Broken Land Parkway	Columbia	LB&B Associates, Inc.	14,526 sf
1501 S Clinton Street	Baltimore City East	Care First	12,358 sf
10500 Little Patuxent Parkway	Columbia	American Medical Director's Association	9,865 sf
5575 Sterrett Place	Columbia	B&M Electric	4,812 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
7031 Ridge Road	BWI	\$19,117,048.00	\$216.24	88,405 sf
7923 & 7939 Honeygo & 8133 Perry Hall Blvd	Baltimore County East	\$15,400,000.00	\$126.09	122,133 sf
2601 Port Covington Drive	Baltimore City South	\$12,678,423.00	\$72.81	174,120 sf
11019 McCormick Road	I-83 Corridor	\$4,950,000.00	\$96.20	51,458 sf
8003 Corporate Drive	Baltimore County East	\$2,400,000.00	\$136.37	17,599 sf
10019 Reisterstown Road	Reisterstown Rd Corridor	\$1,250,000.00	\$113.64	11,000 sf



Number of Buildings 1,209

Market Size 76,834,902 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.

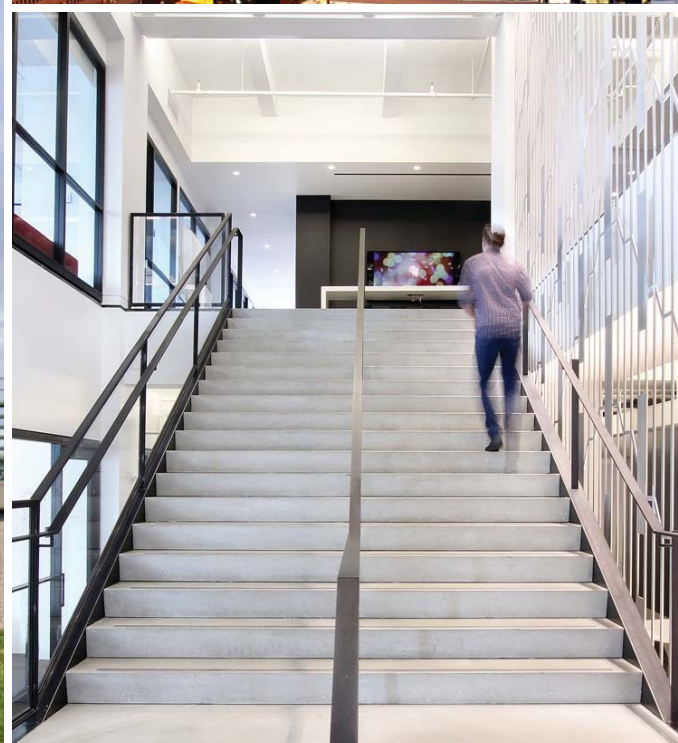
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ANNAPOLIS

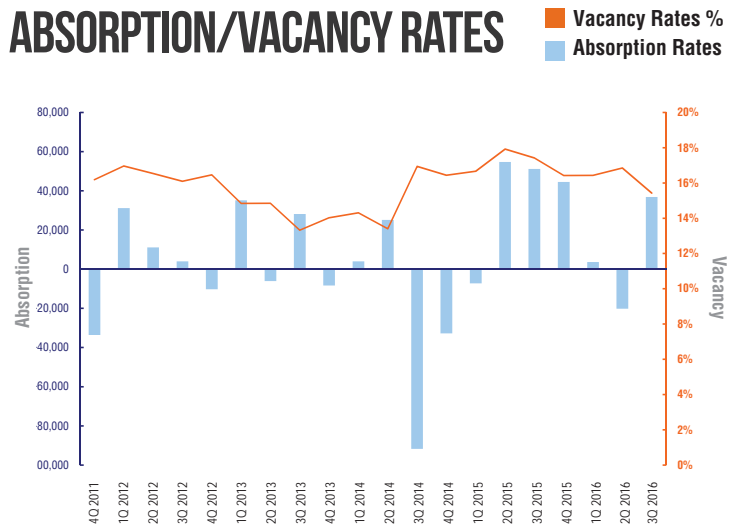
THIRD QUARTER | 2016



" The Annapolis office submarket continued to remain strong throughout the end of the 3rd Quarter. Vacancy continues to decline as we see close to a 1.5% improvement from the 2nd Quarter, holding steady at 15.42%; the lowest rates have been since the 3rd Quarter 2014 (15.22%). This declining vacancy can be attributed to landlords continuing to offer aggressive rental rates and concessions. Although we have seen a decline in rent over the quarter, an average asking rent of \$26.09 remains the highest in the southern metro market, second only to City Center Class A+ and Baltimore City West product. A mixture of small and large tenants shopping the market remained consistent throughout the quarter with there being a rise in activity of larger users (10,000+/- sf) planning for late 2017 occupancy dates."

- John Gallagher
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

15.42%
VACANCY RATE

Consistent activity lead to a decrease of 1.42% in average vacancy rates for the Annapolis submarket during the 3rd Quarter 2016. This quarter's rate of 15.42% is 2% less than the same quarter last year when rates hit 17.42%.

36,861
ABSORPTION

Decrease in vacancy during the 3rd Quarter led to a positive absorption of 36,861 sf. Year-to-date absorption total in Annapolis is a positive 20,353 sf.

\$26.09
AVG. RENTAL RATE

Rental rates decreased by \$0.31/sf during the 3rd Quarter 2016 and remain \$0.22/sf less than the 3rd Quarter 2015. Annapolis continues to hold top billing among the Southern Metro submarkets, closely followed by Columbia at \$25.44/sf.



Number of Buildings 137

Market Size 4,083,443 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*

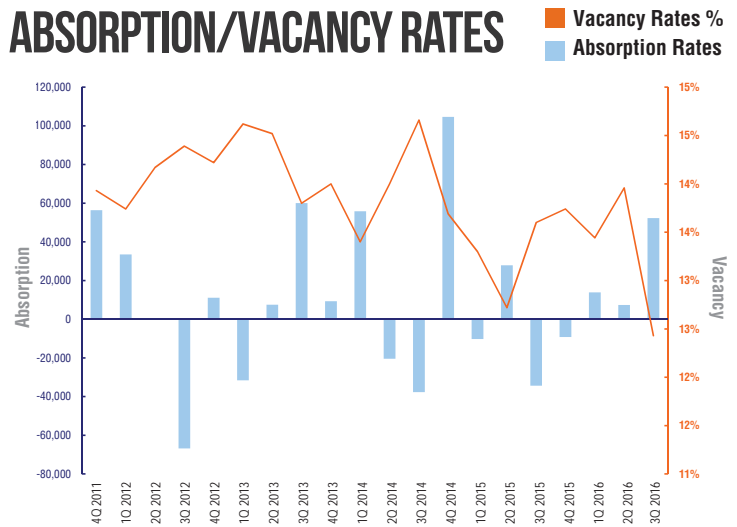
THIRD QUARTER | 2016



"The vacancy rate for the Baltimore City submarkets (which excludes City Center) for the 3rd Quarter improved slightly over the 2nd Quarter vacancy. Overall 52,313 sf of office space was absorbed during the 3rd Quarter, of which 37,685 sf was absorbed in the Baltimore City North submarket. In the Baltimore City South segment, Planit Advertising occupied their new, 26,815 sf location at 1414 Key Highway, moving from 500 E. Pratt. Planit joins a host of other businesses that have relocated from surrounding submarkets to South Baltimore and projects like McHenry Row. More activity in this market is expected to be seen with new leasing opportunities at Stadium Square now under construction. Other big news for Baltimore City South came in September with the approval of Port Covington. This \$5.5 billion mixed-use project will include office, retail and residential. Port Covington will transform the Baltimore City South submarket."

- Jim Grieves
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

12.43%
VACANCY RATE

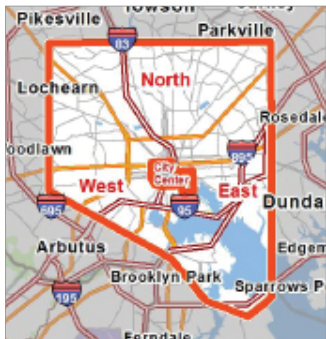
Overall, Baltimore City vacancy during the 3rd Quarter decreased by 1.53% from the 2nd Quarter rate of 13.96%. Vacancy among all segments of the Baltimore City submarket remain under 10% (and as low as 5.63% in Baltimore City South) except for the West which remains in the upper 20% range.

52,313
ABSORPTION

Absorption was positive during the 3rd Quarter bringing the year-to-date total to a positive 73,548 sf. Baltimore City North contributed the majority this quarter, absorbing 37,685 sf.

\$25.97
AVG. RENTAL RATE

Average rental rates for Baltimore City remained steady this quarter. Baltimore City West had the highest per square foot rate at \$28.60 due to medical research buildings in this segment commanding rates in the \$40/sf range. Baltimore City North fell second with rates of \$26.96/sf.



Number of Buildings 102

Market Size 8,398,348 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

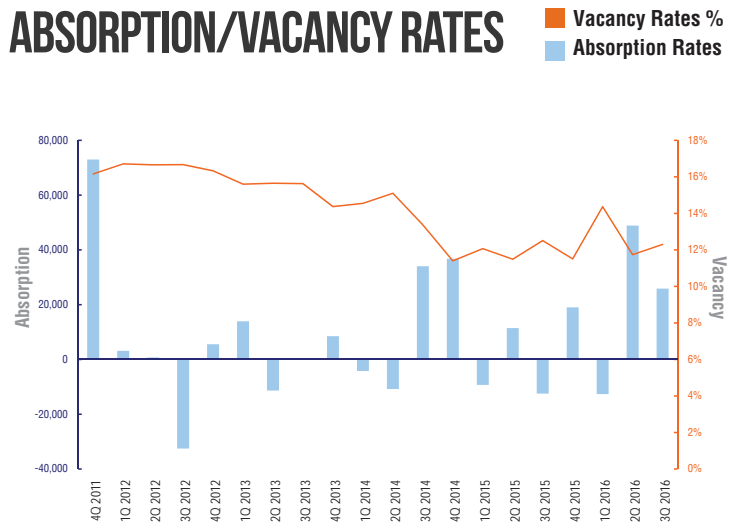
THIRD QUARTER | 2016



"Baltimore County East continued to see significant action on both the sales and leasing front during the 3rd Quarter. Bethesda's Kenwood Management Group purchased the 131,000 sf Tyler Ridge portfolio from COPT, and Douglas Legum Development purchased The White Marsh Professional Center and the Shops and Offices at Ridgely's Choice from Greenfield Partners. St. John Properties continued to lease up their Greenleigh at Baltimore Crossroads portfolio with Great Smiles Pediatric Dentistry leasing 5,534 sf. Closer to White Marsh proper, Advantage Psychiatric and Core Life MD combined to lease nearly 11,000 sf at 5020-5026 Campbell Blvd. COPT is continuing to market the sale of its remaining White Marsh portfolio, which will likely bring additional new landlords into the submarket by the end of 2016. With these ongoing transactions, along with the significant amount of new retail being built on Campbell Blvd., I expect an exciting and action packed end of the year."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

12.30%
VACANCY RATE

Vacancy increased a slight 0.56% during the 3rd Quarter. Even with this increase, overall activity remains lively in the Baltimore County East submarket. This 12.30% rate is the second lowest in the Northern metro, falling to the first place I-83 Corridor rate of 9.32%.

25.869
ABSORPTION

Despite a slight increase in vacancy, absorption remained positive, bringing the year-to-date total for the submarket to a positive 62,122 sf.

\$22.38
AVG. RENTAL RATE

Rental rates in the Baltimore County East submarket increased by nearly \$1.00/sf during the 3rd Quarter from the 2nd Quarter rate of \$21.46/sf. Rates were exactly the same this time last year.



Number of Buildings 58
Market Size 2,065,970 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

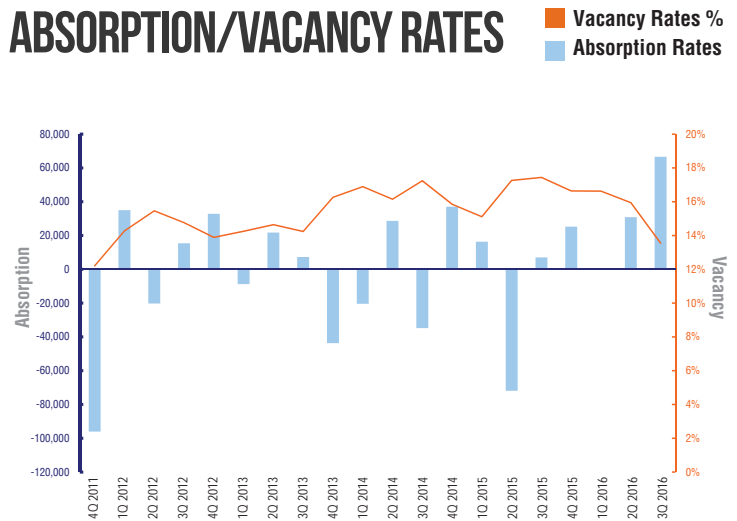
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"The Baltimore County West submarket experienced a respectable amount of activity during the 3rd Quarter. Vacancy rates decreased by 2.39% and are nearly 4% less than the same quarter last year. Government and medical organizations continue to drive interest in this submarket, interest that is expected to remain positive through year-end. Deals of note included the significant expansion of Northrup Grumman's space at 2810 Lord Baltimore Drive, absorbing the building's remaining vacancy of 35,329 sf. The group also extended their existing lease terms. Tissue Banks International, Inc. occupied their new 11,154 sf space this quarter at 5520 Research Park Drive. Construction was completed on Knott's single-story office building that is adjacent to the FBI headquarters and with significant activity on the building, it is expected that once leases are signed, tenants can begin build-out immediately."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

13.55%
VACANCY RATE

Growing interest and activity in the Baltimore County West was evident in the submarket's vacancy rate which decreased by 2.39% during the 3rd Quarter. This rate of 13.55% is nearly 4% less than rates this time last year, which were 17.44%.

66,588
ABSORPTION

The decrease in vacancy led to a positive absorption of 66,588 sf during the 3rd Quarter, the largest amount within the Northern Metro. This brings year-to-date totals to 97,787 sf.

\$20.27
AVG. RENTAL RATE

Rental rates have held steady over the past year, decreasing by \$0.67/sf during the 3rd Quarter and down by a mere \$0.11/sf from the same quarter last year.



Number of Buildings	65
Market Size	3,171,593 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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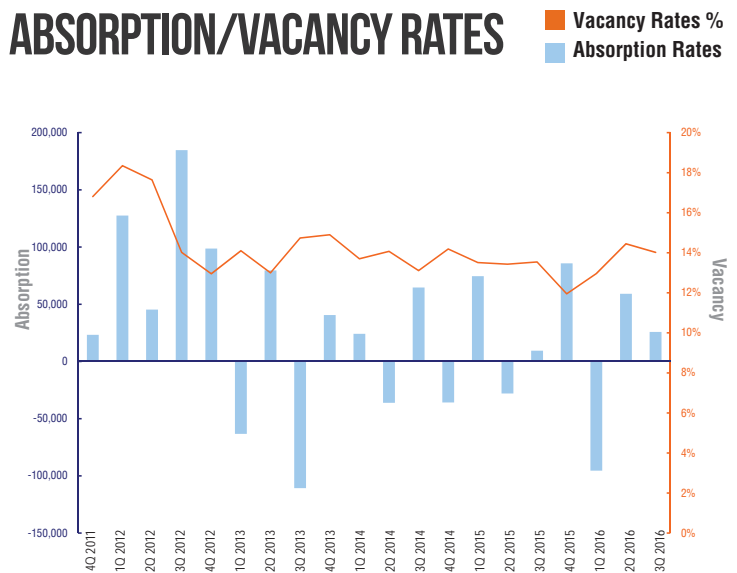
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"Little movement occurred in the BWI Corridor submarket during the 3rd Quarter. The contracting community has been quiet waiting for the government to spend its (fiscal) year-end budget. Pair this with the upcoming wild-card presidential election, and it's understandable that the market stood stagnant. We will likely see a correction of these market conditions coming up late 1st Quarter or 2nd Quarter 2017; the result of the correction [positive or negative] will largely depend on government spending as it relates to cyber."

- Dave Sciamarelli
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.02%
VACANCY RATE

3rd Quarter activity led to a decrease of 0.43% in vacancy from the 2nd Quarter rate of 14.45%. BWI has the second lowest vacancy among the Southern Metro submarkets, falling to first place Columbia with a rate of 9.14%.

25.827
ABSORPTION

The decrease in vacancy led to a positive absorption of 25,827 sf during the 3rd Quarter helping to improve the negative year-to-date total, now a negative 10,402 sf.

\$24.48
AVG. RENTAL RATE

Rental rates remained unchanged from the 2nd Quarter to the 3rd Quarter for the BWI submarket and also since the same time last year when rates were \$24.46/sf.



Number of Buildings 104

Market Size 8,851,355 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

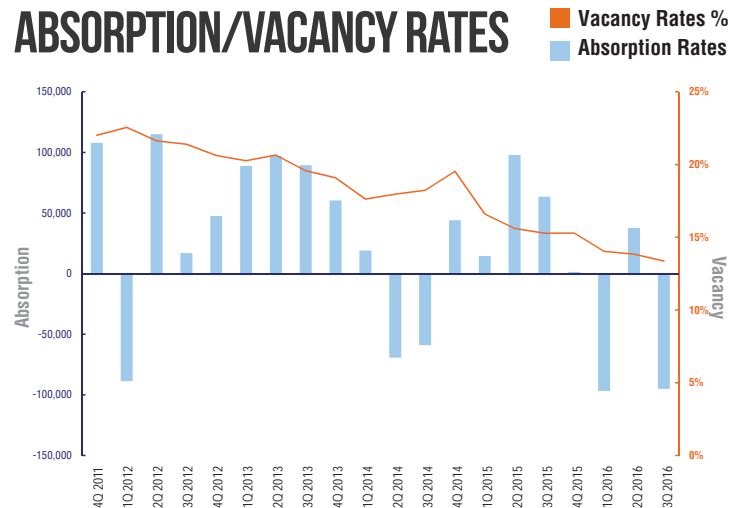
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"In one of the larger transactions to be completed downtown in over five years, RK&K leased 116,000 sf of space at The Candler Building at 111 Market Place with occupancy scheduled for July of 2017. RK&K will backfill part of the space that will be vacated by Exelon in their move to Harbor Point later this year. As RK&K now owns their building just north of City Center, this move will represent new occupancy in the City Center submarket. In another big block move, MECU is in the process of relocating to One South Street leaving a block of vacancy at their current location, 7 E. Redwood Street. Both of these transactions indicate strong leasing activity along Pratt Street and in Class A product."

- Terri Harrington
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

13.37%
VACANCY RATE

Vacancy rates for City Center decreased by 0.47% during the 3rd Quarter. Class A+ product remains the tightest area with vacancies of 4.67% while Class A product remains in the low 20% range, although down nearly 5% since the 2nd Quarter. B+ continues to perform in second place with vacancies of 13.28%.

-95,093
ABSORPTION

Positive absorption of 29,931 sf in Class A product was not enough to offset the negative absorptions in A+, B+, and B. Year-to-date, absorption remains negative at 154,226 sf.

\$22.85
AVG. RENTAL RATE

Although only increasing slightly during the 3rd Quarter (\$0.36/sf), rental rates over the past year have increased by \$1.17/sf since the same quarter last year.



Number of Buildings 73
Market Size 14,408,495 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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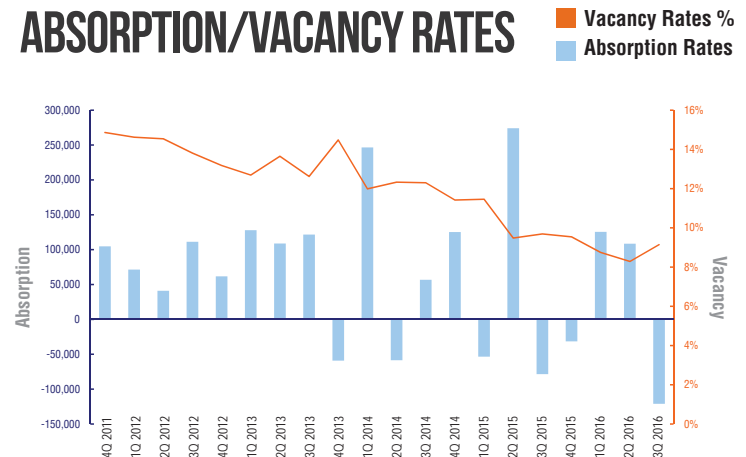


"The Columbia market showed a correction in the 3rd Quarter with vacancy increasing slightly to 9.14% from its previous 8.29%, and a slight drop in the average rental rate. This marks the end of a steady 2 ½ year reduction in the submarket's vacancy rate. By no means is this a cause for concern as vacancy rates below 10% are difficult to maintain; Columbia remains one of the healthiest submarkets. Mixed-use projects remain strong in this submarket as they are in others, with both downtown Columbia and Maple Lawn reaping the benefits of the "Live, Work, Play" atmosphere. With both projects delivering more product in the coming quarters, rents in the less desirable locations will continue to drop; however, they will still be at a regional premium, as landlords try to attract new tenants."

- Chris Bennett

Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

9.14%
VACANCY RATE

Vacancy rates for the Columbia submarket increased by .86% during the 3rd Quarter for the 2nd Quarter rate of 8.29%. This submarket remains the healthiest among those in the Southern Metro.

-121,055
ABSORPTION

Columbia experienced the greatest loss of tenants in the market with a negative absorption of 121,055 sf; losses at Columbia Gateway alone totalled almost 50,000 sf. Despite this quarter's loss, Columbia's year-to-date total absorbed remains a positive 113,007 sf.

\$25.44
AVG. RENTAL RATE

Rental rates decreased by a mere \$0.16/sf during the 3rd Quarter and remain only \$0.44/sf higher than the same quarter last year.



Number of Buildings 219

Market Size 13,139,696 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).

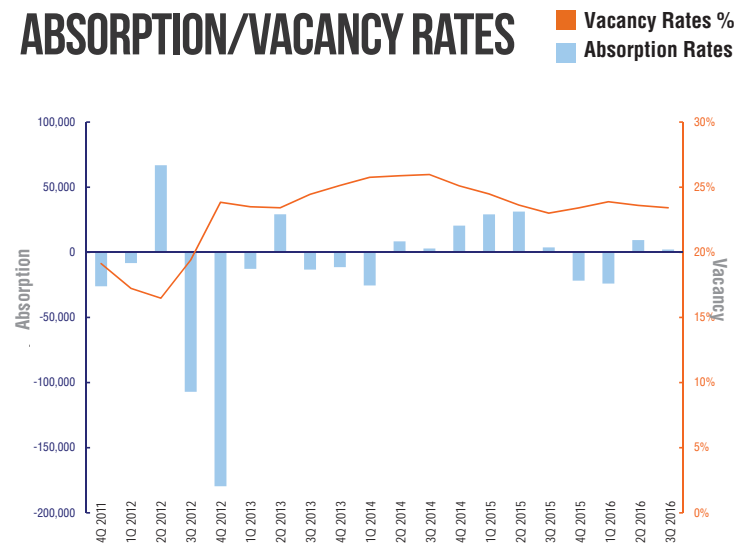




"Harford County remains a two-story market. The Aberdeen area which is heavily tied to the defense industry and Aberdeen Proving Ground remains sluggish; the only activity being Defense contractors trading contracts, thus the vacancy rates remain high with three Class A office buildings completely empty. However, warehouse product in the Aberdeen area remains in high demand and showing strong activity. In the other end of the county from Bel Air to I-95, the market remains active with small businesses and start-ups expanding and looking for new space. There has also been activity in the medical office market mostly related to the consolidation with the hospitals. Also, recent demand for pad sites has been on the rise in the markets surrounding Bel Air - Abingdon, Fallston, and Forest Hill."

- Beetle Smith
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

23.42%
VACANCY RATE

Average vacancy rates decreased slightly during the 3rd Quarter from the 2nd Quarter rate of 23.60%. Majority of vacancy remains in the Aberdeen portion of the county while Bel Air and outlying areas continue to see consistent activity.

2,161
ABSORPTION

The slight decrease in vacancy led to a small, positive absorption of 2,161 sf during the 3rd Quarter. Year-to-date for the county however remains a negative 12,402 sf.

\$23.33
AVG. RENTAL RATE

Rental rates were unchanged from the 2nd Quarter to the 3rd Quarter. This rate of \$23.33/sf is the highest among the Northern Metro submarkets with Baltimore County East following second at \$22.38/sf.



Number of Buildings 108

Market Size 3,730,243 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

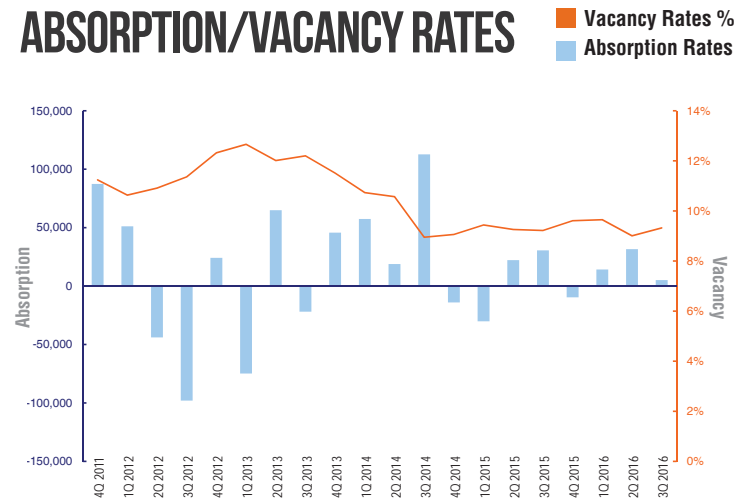
THIRD QUARTER | 2016



"The I-83 Corridor office market continues to thrive and remains among the healthiest and stable office markets in the region. It just seems that when a big vacancy comes on line, it is quickly backfilled. With the relocation and expansion of JMT and McCormick's commitment to Hunt Valley, there is further edification of the stability and desirability of this market. With quality office product and abundant amenities, this continues to be an area that employers seek to attract and retain a quality workforce. Notable I-83 corridor transactions this past quarter include the expansion of Omega Health Care (28,000 sf) and Berkeley Research (15,000 sf)."

- Joe Bradley
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

9.32%
VACANCY RATE

Holding steady for the past year and despite an increase during the 3rd Quarter of 0.31% in vacancy, the I-83 continues to hold top billing as the healthiest among the Northern Metro submarkets.

5,100
ABSORPTION

Despite a small increase in vacancy, absorption remained positive for the I-83 submarket during the 3rd Quarter bringing the year-to-date total to a positive 50,858 sf.

\$21.26
AVG. RENTAL RATE

Rental rates changed by a mere \$0.01/sf during the 3rd Quarter and are \$.70/sf less than the same quarter last year.



Number of Buildings 130

Market Size 7,598,997 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

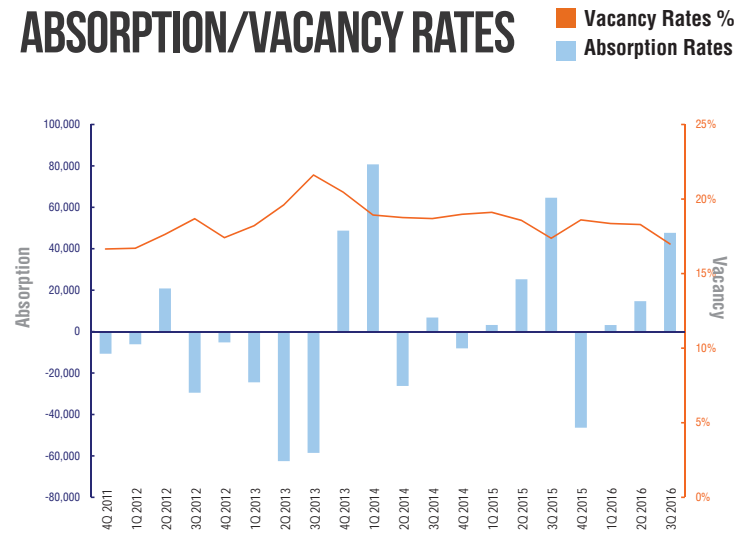
THIRD QUARTER | 2016



"The much anticipated opening of Foundry Row was a major 3rd Quarter highlight in the Reisterstown Road Corridor. Greenberg Gibbons showed off its new flagship retail and office development marking the completion of a three year process of renaissance at the former Solo Cup site. New retail is anticipated to breathe fresh air into the market and LifeBridge Health led the way, again, in the office building at Foundry Row taking 29,000 sf which continues the trend of strong medical office interest in this Corridor. Rents have remained healthy for Class A office and medical product in the area and vacancy is continuing to trend downward, even with some new deliveries looming at Metro Centre and continued vacancy in the Dolfield/Owings Mills Boulevard areas. Expect rents to remain strong in the market for the Class A product and incentives to diminish. There is healthy competition for good space which is in stark contrast to the remainder of the B and C Class product in the marketplace. High vacancy still exists for this product which should keep the rents stagnant and incentives high for small- to medium-sized tenants with more sensitive budgets. Overall, the Corridor should see more improvement as the potential successes of the new developments in the area flourish."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

16.99%
VACANCY RATE

Strong activity this quarter led to a decrease of 1.30% in vacancy from the 2nd Quarter rate of 18.29%.

47,694
ABSORPTION

Strong leasing activity led to a positive absorption of 47,694 sf during the 3rd Quarter. Year-to-date total remains positive at 65,537 sf.

\$21.03
AVG. RENTAL RATE

Rental rates decreased slightly during the 3rd Quarter, by only \$0.15/sf. Rents are expected to remain strong through year end.



Number of Buildings 86
Market Size 4,819,692 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

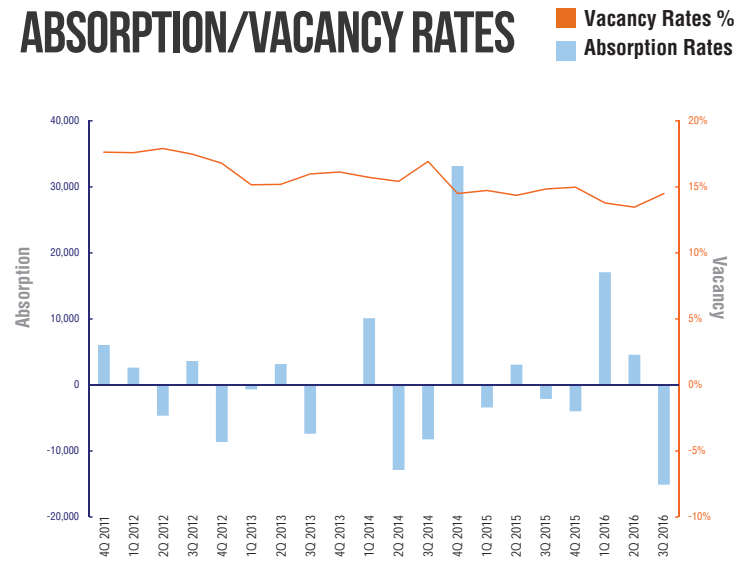
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"The Route 2 Corridor's vacancy remains virtually unchanged from one year ago at 14.5%. The highest demand in this submarket is from 800 to 3,000 square foot users, meaning a lot of options. This demand is mainly comprised of healthcare providers, professional services, sole proprietors, and satellite operations. While the vacancy offers options, it includes a wide variety of space types and quality. With abundant retail amenities with new and renovated product available, rates for the best spaces are holding steady in the low \$20.00/sf range."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.50%
VACANCY RATE

Vacancy increased by 1.03% during the 3rd Quarter in the Route 2 Corridor. This rate however remains 0.35% less than the same quarter last year.

-15,103
ABSORPTION

The increase in vacancy this quarter led to a negative absorption of 15,103 sf. Year-to-date for the submarket however remains a positive 6,539 sf.

\$22.73
AVG. RENTAL RATE

Rental rates increased by nearly \$1.00/sf during the 3rd Quarter. This rate of \$22.73/sf remains the lowest among the Southern Metro submarkets.



Number of Buildings	41
Market Size	1,436,333 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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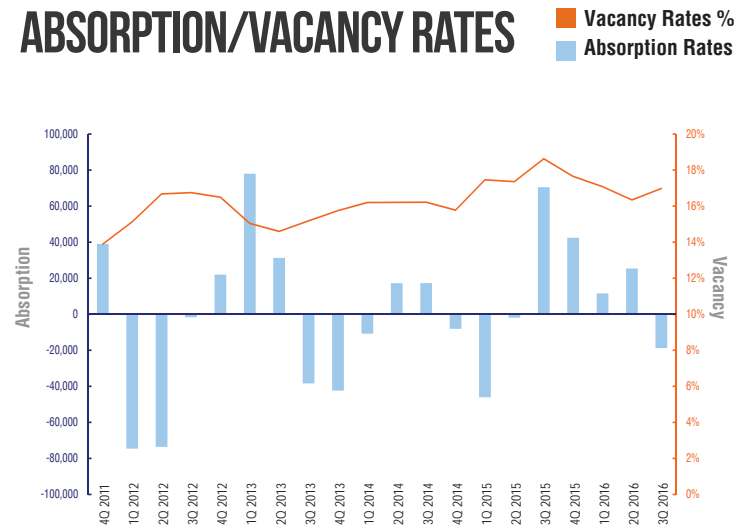
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"Towson's Central Business District (CBD) continues to be driven by the apartment and retail sectors. Towson Row has a commitment from Whole Foods, while Towson Square, which includes the movie theater complex, continues to do well especially Thursdays and throughout the weekend. Even though Bahama Breeze restaurant closed its doors, Canton's Nacho Mama's and Fells Point's Pierpoint restaurants are opening new locations in the Towson CBD later this fall. A new apartment project is under construction at Washington Avenue and Joppa Road, as well as a new townhome community located east of York Road at Pennsylvania Avenue and Virginia Lane. Unfortunately the office market continues to lag in the Towson CBD while the Baltimore Beltway buildings within this submarket are experiencing robust activity. Towson Row has down-scaled its office space component considerably because of this lack of activity. With everything considered, the office market should strengthen once the retail and residential projects approach completion in the next few years."

- Bill Whitty
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

16.98%
VACANCY RATE

Vacancy increased by 0.64% during the 3rd Quarter for an average rate of 16.98%. This quarter's rate is 1.65% less than the same quarter last year.

-18,780
ABSORPTION

Towson was the only Northern Metro submarket to experience a negative absorption. Year-to-date absorption remains positive at 18,182 sf.

\$20.82
AVG. RENTAL RATE

Average rental rates increased from by \$0.15/sf from the 2nd Quarter rate of \$21.18/sf.



Number of Buildings 86
Market Size 5,130,737 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.





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BALTIMORE RETAIL OVERVIEW

THIRD QUARTER | 2016



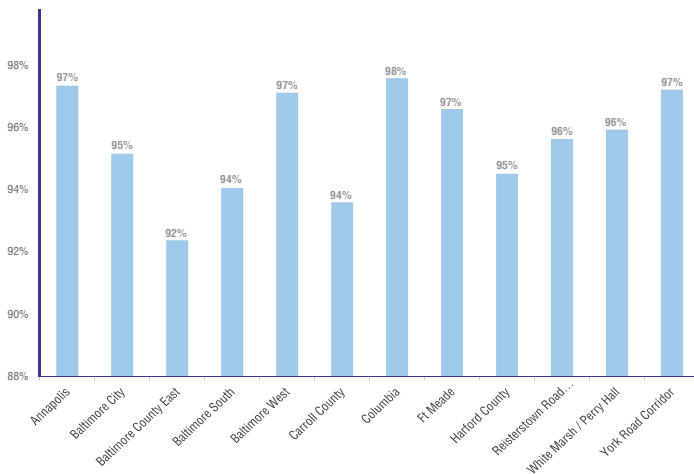
QUICK STATS

4.33%
VACANCY RATE

209,422
ABSORPTION

\$18.74
AVG. RENTAL RATE

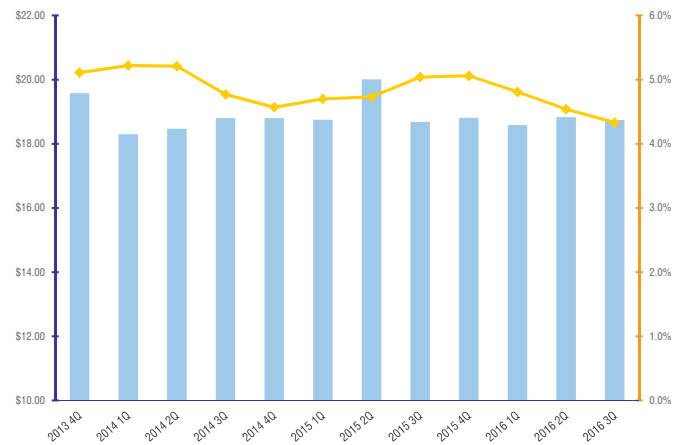
OCCUPANCY RATES



Market occupancy remains high as we move into the 4th quarter. Columbia has the least vacancy, totalling 2.42%, followed by Annapolis and the York Road Corridor with occupancy totals at 97.33% and 97.21%, respectively. The greatest absorption took place in Baltimore South, Baltimore West, and Baltimore City, between them totalling 253,966 sf. Key absorption in the city took place at 2000 W Lafayette, 13-15 W Eager St, and 3128 Greenmount Ave.

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



Rental rates have remained steady, decreasing by \$0.09/sf over the past quarter, and rising by \$0.06/sf over the past year. The most notable changes were in Baltimore County East, where rental rates went up by \$0.99/sf, and in Columbia where despite its low vacancy, the rental rates decreased by \$1.13/sf. The best deal can be found at White Marsh/Perry Hall, where the asking rates average \$14.09/sf.

HIGHLIGHTS

- Iron Rooster, popular for its homemade Pop-Tarts and chicken & waffles, is moving to the Joe's Crab Shack location in the Hunt Valley Towne Centre.
- Steak 'n Shake has opened at the BWI Airport food court in its main terminal. This is the second location in Maryland, coming two years after its initial location in Millersville.
- The SteelFire Kitchen and Bar is coming soon to Maple Lawn Farms. The restaurant recently signed a 10-year deal for 4,213 sf.
- Weis Markets is purchasing 38 Food Lion locations across Maryland, Virginia, and Delaware; six of which are in the Baltimore area, and 21 are in Maryland.
- Macy's Inc. business has seen a decrease of 4% in second quarter sales, leading to their announcement to close 100 of its 675 full-line stores - this is 15% of all stores of this size.
- DSW, a popular footwear and accessories retailer, has opened a new 15,000 sf store in White Marsh at 525 Campbell Blvd.
- Paulie Gee's, a pizzeria from Brooklyn, NY, opened in Hampden at 3535 Chestnut Avenue.
- Wilkes Riley, an online menswear retailer, will open its first store in early October at the Shops at Kenilworth in Towson.

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BALTIMORE RETAIL OVERVIEW

THIRD QUARTER | 2016



NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
118 Shawan Rd	York Rd Corridor	Bob's Discount Furniture	31,494 sf
825 Dulaney Valley Rd, Towson Town Center	York Rd Corridor	Zara	27,184 sf
20 S Hilton St	Baltimore City	Best Care Pharmacy	11,400 sf
8131-8159 Ritchie Hwy	Annapolis	Hancock Fabrics	11,150 sf
744 S Philadelphia Rd	Harford County	ChoiceOne Urgent Care	3,700 sf
2001 W 41st St	Baltimore City	The Local Oyster, LLC	2,400 sf
11811 W Market Pl	Columbia	Chipotle	2,200 sf
744 S Philadelphia Rd	Harford County	Verizon	2,000 sf
8406 Harford Rd	White Marsh/Perry Hall	Southern Blues	1,829 sf
2129 York Rd	York Rd Corridor	Starbucks	1,600 sf
2288 Blue Water Blvd	Columbia	America's Wings	1,554 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
Perry Hall Square & Perry Hall Centre (Belair & Ebenezer Rd)	White Marsh/Perry Hall	\$32,000,000.00	\$134.15	238,534 sf
Catonsville Plaza (5301-5457 Baltimore National Pike)	Baltimore West	\$28,600,000.00	\$102.29	279,585 sf
626 Admiral Dr	Annapolis	\$3,925,000.00	\$218.66	17,950 sf
4401 North Point Blvd & 8819 Wise Ave	Baltimore County East	\$3,150,000.00	\$193.99	16,238 sf
7408 Windsor Mill Rd	Baltimore West	\$2,100,000.00	\$282.26	7,440 sf
1918 West St	Annapolis	\$1,700,000.00	\$539.68	3,150 sf

Number of Buildings 2,346

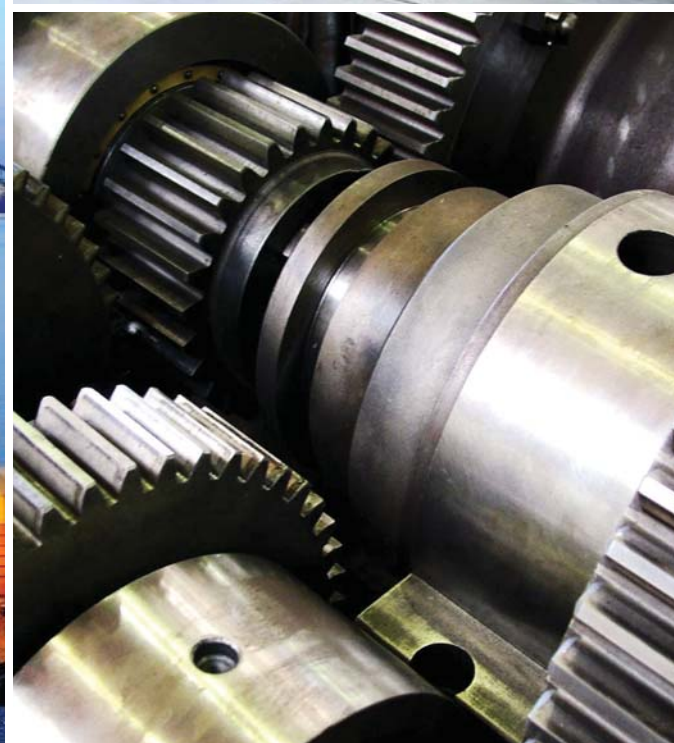
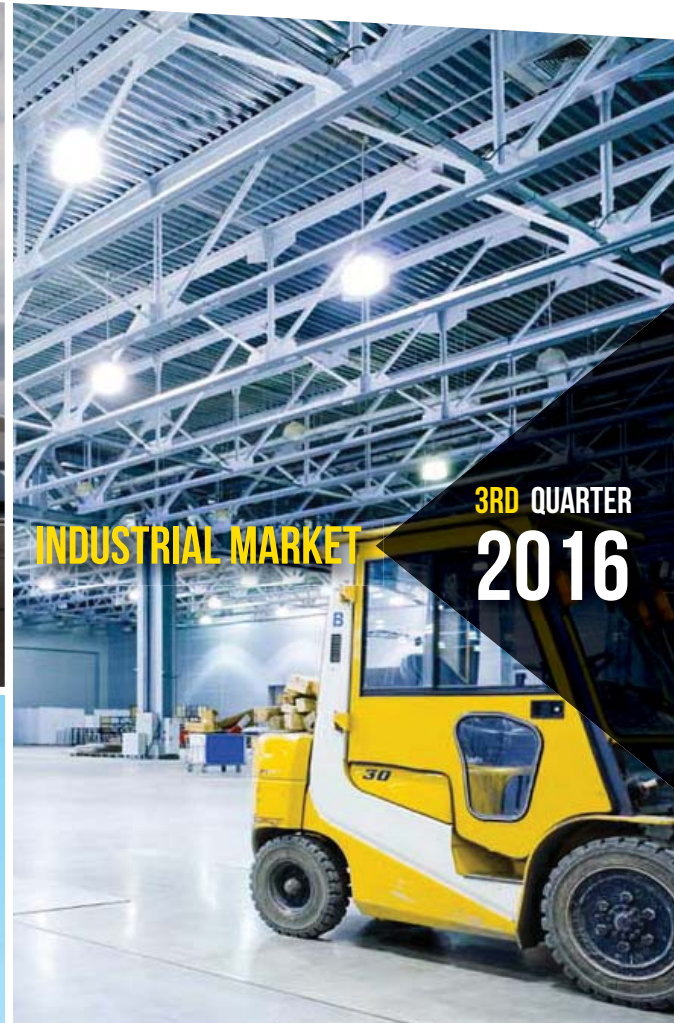
Market Size 100,959,583 sf

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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BALTIMORE INDUSTRIAL OVERVIEW

THIRD QUARTER | 2016



INDUSTRIAL ACTIVITY REMAINS BRISK, LONG-TERM OUTLOOK IMPROVING

Asking Rents on the Rise in Baltimore's Flex Market

Anirban Basu, Sage Policy Group

Nearly 133,000 square feet of space was net absorbed in the Baltimore Metropolitan warehouse market during the third quarter. Baltimore's total available warehouse space has declined by 3.5 million square feet over the past year, with vacancy almost a full percentage point lower. This has occurred despite a significant amount of new construction coming online. The e-commerce economy can take much of the credit for strong spatial demand.

On a quarterly basis, Carroll County and Baltimore County East experienced the most net warehouse space absorption (213,292 and 132,461 sq. ft., respectively). A year ago, the amount of available warehouse space in Carroll County approached 1.2 million square feet. By the third quarter of 2016, this figure had been nearly halved to about 640,000 square feet. Similarly, in the Baltimore County East market, approximately 4.3 million square feet were identified as available a year ago. The latest figure suggests an availability figure of approximately 3.5 million square feet. Despite the significant decline in vacancy, average asking rent actually declined in Carroll County from \$5.59/sq. ft. to \$5.29/sq. ft., with the implication being that much of the space that has been leased recently is of higher quality and therefore more expensive.

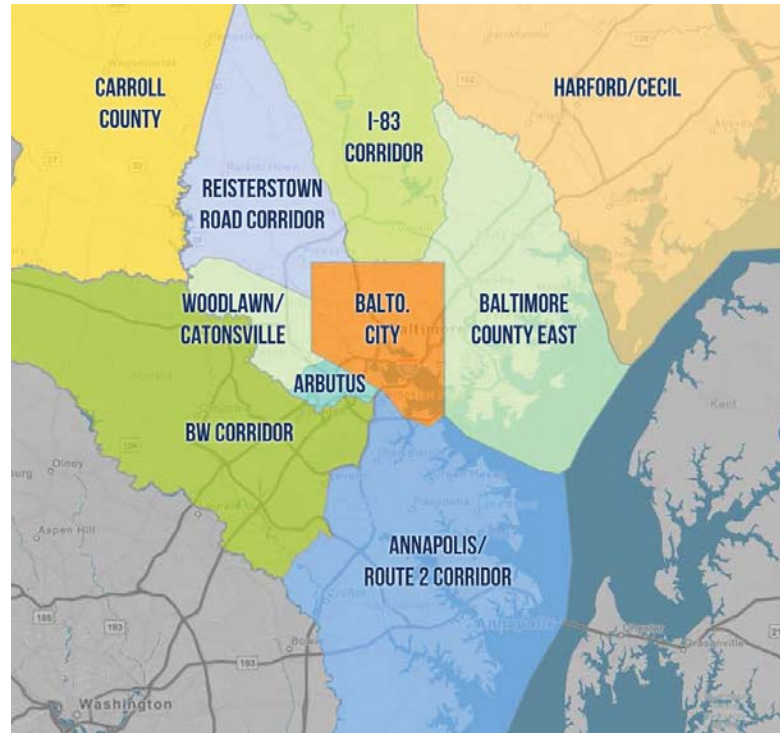
In terms of flex space, total available space had declined by more than 600,000 square feet, and the regional vacancy rate has dipped from 10 percent to less than 9 percent. During the third quarter, nearly a quarter million square feet of flex space were net absorbed, with the BW Corridor leading the way (151,800 sq. ft. net absorbed). The Harford/Cecil sub-market net absorbed nearly 86,000 square feet during the third quarter.

While industrial market momentum could be upset at some point by the next economic downturn, the longer-term outlook for industrial space in the Baltimore area remains robust. Ongoing discussions suggest that at some point, the State of Maryland and its partners will deal with the bottleneck that is the Howard Street tunnel, allowing for double-stacking of rail cargo. That would position the Port of Baltimore and the broader Central Maryland business community to meaningfully increase market share as it relates to logistics. The revenue and employment implications stand to be immense.

LOOKING AHEAD...

DAN HUDAK, SIOR, SENIOR VICE PRESIDENT/PRINCIPAL

"After a slowdown in industrial activity in Q1 2016, the Baltimore Metro market has picked up steam in Q3 as several large build-to-suits were announced making a statement about the national economy, not to mention changing consumer dynamics as last mile e-commerce deals continue to impact the market. Smaller deals, in the 20k-75k sf range, remained brisk giving confidence to the local economy. That said, recent news about slowing state job growth may impact overall activity, but for at least the next several quarters, we expect overall vacancies to continue to trend lower and rental rates to remain stable, if not, edge slightly higher."



AT QUICK GLANCE...

FLEX

WAREHOUSE



* Industrial market statistics are in comparison to this time last quarter

BALTIMORE INDUSTRIAL OVERVIEW

THIRD QUARTER | 2016

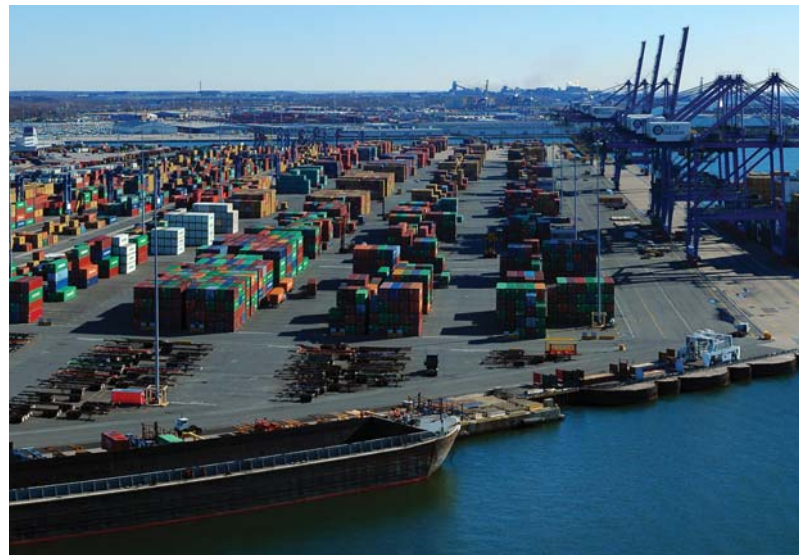


THE NUMBERS

FLEX INDUSTRIAL MARKET	Submarket	Bldgs	Market Size SF	Total Vacant SF	Total Vacancy	Absorption Current	YTD	Available SF %	Average Asking Rent
	Annapolis/Route 2 Corridor	170	5,108,100	333,472	6.53%	(2,162)	73,005	9.81%	\$13.23
	Arbutus	58	2,196,088	89,034	4.05%	5,406	30,289	4.67%	\$7.81
	Baltimore City	130	4,097,466	547,039	13.35%	47,052	101,111	18.11%	\$8.40
	Baltimore County East	113	3,710,683	335,682	9.05%	13,879	(25,111)	10.15%	\$9.32
	BW Corridor	334	15,018,019	1,461,469	9.73%	151,762	207,728	14.77%	\$14.00
	Carroll County	53	1,166,702	141,377	12.12%	28,499	38,971	15.27%	\$9.47
	Harford/Cecil	135	3,030,634	244,792	8.08%	85,887	127,916	8.15%	\$12.87
	I-83 Corridor	108	4,952,925	191,967	3.88%	22,468	8,029	7.52%	\$10.68
	Reisterstown Rd Corridor	85	3,113,685	460,652	14.79%	(133,525)	(25,981)	16.85%	\$9.37
WAREHOUSE INDUSTRIAL MARKET	Woodlawn/Catonsville	53	2,518,741	202,594	8.04%	29,514	(17,533)	16.03%	\$9.08
	Totals	1,239	44,913,043	4,008,078	8.92%	248,780	518,424	12.61%	\$11.59
	Annapolis/Route 2 Corridor	198	8,990,914	165,169	1.84%	(50,495)	29,014	7.74%	\$6.66
	Arbutus	101	7,584,111	783,280	10.33%	16,785	(9,603)	18.60%	\$4.72
	Baltimore City	1,091	40,295,530	2,117,177	5.25%	11,594	691,627	9.30%	\$4.84
	Baltimore County East	332	20,290,886	2,620,224	12.91%	132,461	651,719	17.43%	\$4.99
	BW Corridor	559	43,137,244	4,707,099	10.91%	(292,276)	310,702	14.53%	\$5.50
	Carroll County	152	7,018,916	471,003	6.71%	213,292	227,017	9.13%	\$5.29
	Harford/Cecil	335	33,001,081	1,941,089	5.88%	81,003	349,194	9.33%	\$4.49
	I-83 Corridor	83	4,381,581	115,899	2.65%	(5,000)	(18,000)	3.33%	\$10.46
	Reisterstown Rd Corridor	56	1,523,823	37,322	2.45%	25,432	6,767	7.31%	\$8.71
	Woodlawn/Catonsville	48	1,287,509	16,492	1.28%	0	8,650	3.76%	\$8.09
	Totals	2,955	167,511,595	12,974,754	7.75%	132,796	2,247,087	11.75%	\$5.16
Industrial Market Totals		4,194	212,424,638	16,982,832	7.99%	381,576	2,765,511	11.93%	\$6.60

HIGHLIGHTS

- The former Unilever margarine plant, a 160,000 SF food processing facility, located at 3701 Southwestern Boulevard in Baltimore City, was purchased by Apex, LLC, a partnership led by real estate investment firm, Shaw Real Estate, LLC in August 2016 for \$3.5 million. The new owners plan to re-purpose the building and lease it out to more conventional tenants.
- Under Armour agreed to a 1.3 million sf build-to-suit distribution facility at Tradepoint Atlantic in Sparrows Point and is expected to open in summer of 2018.
- Vend Central, Inc. signed a lease for approximately 29,000 sf of space at Canton Research Center at 1625 Knecht Avenue, a single-story, 47,000 sf bulk warehouse building.
- ABC Supply Company signed a lease for over 28,000 sf of additional space at Caton Research Center at 3900 Vero Road, a single-story, 192,000 sf bulk warehouse building.



BALTIMORE INDUSTRIAL OVERVIEW

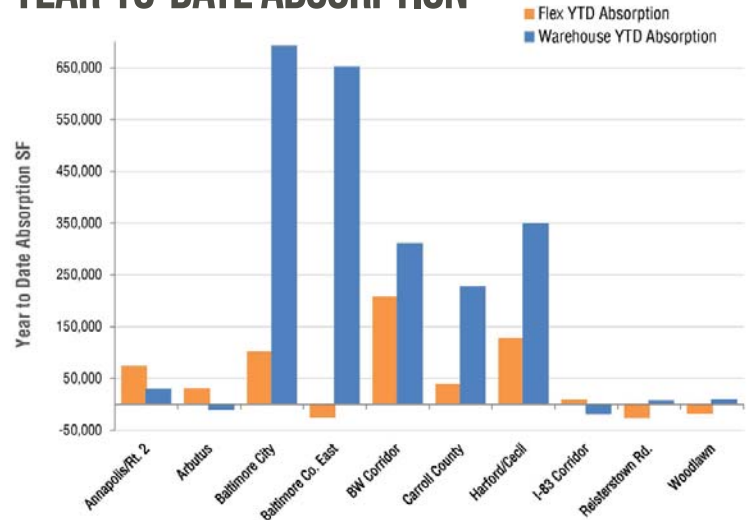
THIRD QUARTER | 2016



HIGHLIGHTS (cont.)

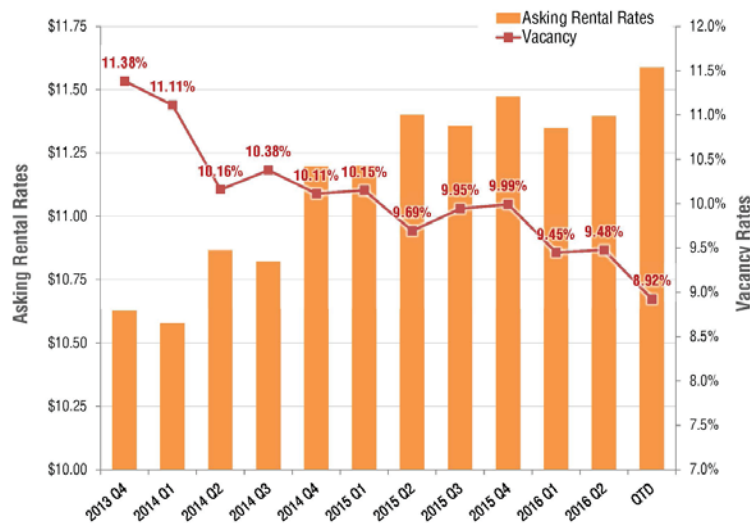
- Terreno Realty Corporation acquired an improved land parcel consisting of 13.4 acres of which 8.7 acres are paved at 7479 New Ridge Road in Hanover, MD for \$8.2 million.
- Bay Design, a custom designer, manufacturer and integrator of automation, ergonomic and material handling equipment, signed a lease for 24,000 sf at 1325 Western Avenue in Baltimore, a 185,600 sf industrial warehouse.
- 10820 Gilroy Road, a single-story, 115,000 sf industrial and warehouse building situated in Hunt Valley sold for \$8.33 million to FRP Development Corp. Built in 1967, the building is currently 100% leased to Webb Mason and a division of McCormick & Company.
- Institutional Logistics Partners (ILP), managed by Bentall Kennedy LP, executed a 33.7 acre ground lease and property at 9001 Whiskey Bottom Road for \$51 million. The warehouse is a 304,575 sf build-to-suit with ample refrigeration and cooling space, which drove the rental rate higher than the market average.
- 6845 Deerpath Road in Elkridge, MD which consists of a 44,000 sf flex building on 3.79 acres of TOD zoned land, immediately adjacent to the Dorsey MARC Station sold for \$3.8 million (\$86.36/sf) to Mosaic Christian Church. Mosaic plans to renovate and occupy the building.

YEAR-TO-DATE ABSORPTION



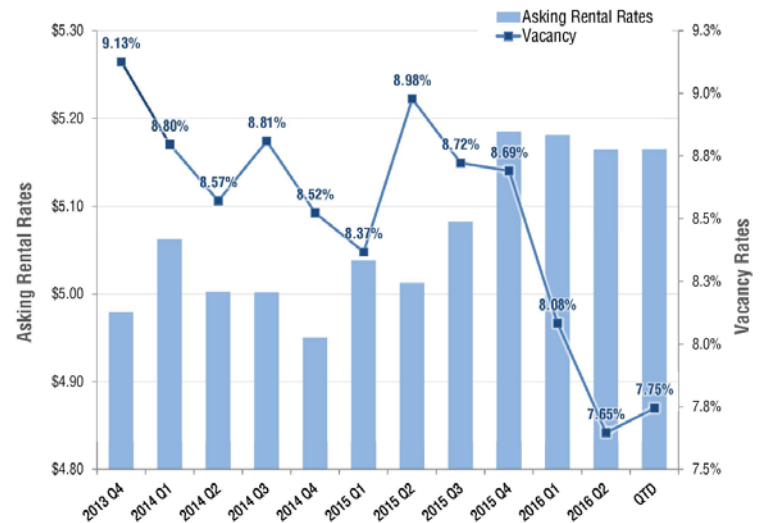
Year-to-date, Baltimore City and Baltimore County East Warehouse submarkets have pulled in the most absorption, together totalling 1,343,346 sf - almost half of all Warehouse absorption YTD. The Flex market has a YTD absorption of 518,424 sf. The most notable Flex changes this quarter occurred in the BW Corridor (151,762 sf) and along Reisterstown Road (-133,525 sf). While BW Corridor saw positive Flex absorption, it lost the most Warehouse space this quarter (-292,276 sf).

FLEX VACANCY & RENTAL RATES



The Flex market has shown steady but positive changes throughout the past year. Vacancy has dropped 1.02% to 8.92%, available space has gone down 606,306 sf, causing rental rates to increase slightly by \$0.23/sf. Decreases in vacancy were most present in the BW Corridor (-4%) and Baltimore City (-3.2%). Harford County saw the biggest increase in asking rent, rising \$1.49/sf to \$12.87/sf.

WAREHOUSE VACANCY & RENTAL RATES



While the Warehouse market saw minimal change in the past quarter, in the past year total vacancy dropped .98% to 7.75%, which along with last quarter (7.65%) is the lowest rate in the market in over a decade. The biggest drop was by 4% in Baltimore County East, compared to this time last year. There is a definite correlation between vacancy and the rise in rental rates shown in the past year, which are the highest the market has seen in equally as long.

BALTIMORE INDUSTRIAL OVERVIEW

THIRD QUARTER | 2016



NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
2200 Broening Hwy	Baltimore City	Henry Bath, LLC	532,515 sf
1470 Progress Way	Carroll County	Dal-Tile	356,400 sf
3901-3915 Benson Ave	Arbutus	ABC Supply Company	104,000 sf ⁽¹⁾
4611 Mercedes Dr	Aberdeen	McCormick & Co, Inc.	70,133 sf
7125 Riverwood Dr	Columbia	Advanced Programs, Inc.	30,000 sf
1325-1381 Western Ave	Baltimore City	2J Group	18,000 sf
508 Digiulian Blvd	BWI	Rebirth Steel	14,792 sf
9570 Berger Rd	Columbia	Lost Ark Distilling Company	5,000 sf

Sale

Location	Submarket	Price	PSF	Building Size
6610 Cabot Dr	Annapolis/Route 2 Corridor	\$17,525,000.00	\$87.96	199,249 sf ⁽²⁾
8309 Sherwick Ct	BW Corridor	\$5,800,000.00	\$58.00	100,000 sf ⁽²⁾
6845 Deerpath Rd	BW Corridor	\$3,800,000.00	\$86.37	44,000 sf
7251 National Dr	BW Corridor	\$3,632,800.00	\$80.00	45,410 sf
210 Najoles Rd	Annapolis/Route 2 Corridor	\$1,430,000.00	\$101.23	14,130 sf

(1) Renewal includes 28,000 sf of new expansion space; (2) Investment sale

Number of Buildings 4,194

Market Size 212,424,638 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 9/30/2016.



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