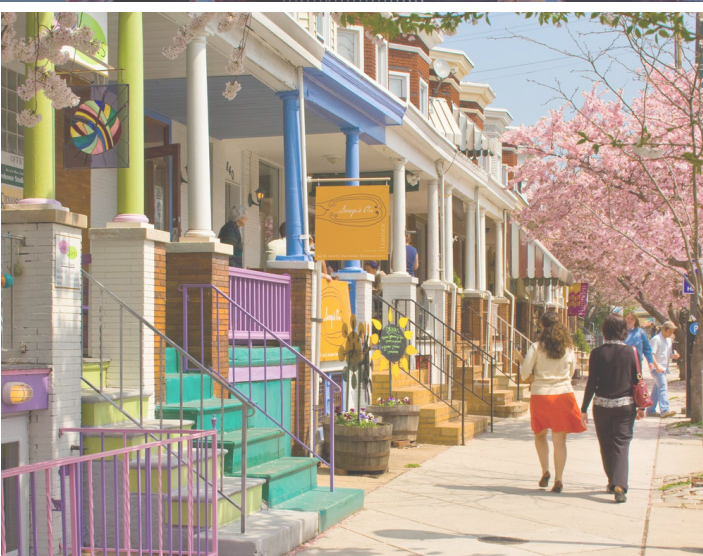


MACKENZIE'S LOCAL OUTLOOK

**BALTIMORE METRO
COMMERCIAL REAL ESTATE
MARKET REPORT
2ND QUARTER
2018**

ECONOMY | CAPITAL | CONSTRUCTION | OFFICE | RETAIL | INDUSTRIAL





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ECONOMIC INDICATORS*

Employment 1.42 Mil	Unemployment Rate 3.9%	Employment Growth +1.5%	Average Salary \$56,400	Wage Growth +1.4%	Consumer Price Index (CPI) -0.1%
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Baltimore (MSA) Rankings in the News

- Baltimore ranks 29th in most **EXCITING FOOD CITIES** in America (Zagat)
- Baltimore ranks in the top 10 **COOLEST CITIES TO VISIT** (Forbes)
- Columbia ranks 4th in Top 10 **SAFEST CITIES** in America (CBS)
- 5 Maryland employers among **BEST FOR DIVERSITY** in U.S. (Patch)
- Sagamore Pendry makes list of **BEST NEW HOTELS IN WORLD** (Travel + Leisure)
- Baltimore Metro ranks 33rd of 383 metro areas in **ECONOMIC STRENGTH** (EAGB)

Metro Area Employment Growth by Industry Sector (YOY)*



The Baltimore Metro Area's top employer continues to be the Healthcare/Education Services industry, employing 281.8 thousand, followed by Trade/Transportation/Utilities, and Professional/Business Services.

ECONOMIC MOMENTUM HITS POLICY TURBULENCE

Strong Economy Buffeted by Political Uncertainty

Despite fears of additional rounds of retaliatory tariffs and a full-blown trade war between the world's two largest economies, there is presently much that is right with the U.S. economy. Here's what we know as of early-summer 2018. **The U.S. economy has added jobs for an unequalled 91 consecutive months as of this writing.** This represents an unrivaled winning streak. Since employment bottomed out in February 2010, the nation has added approximately 18.7 million new jobs. By May, unemployment had declined to 3.8%, the lowest rate in 18 years. The most recently available data indicate that there are 6.7 million available job openings in America, a prodigious tally that actually exceeds the total number of unemployed Americans.

A recovery that was once characterized as a 2% recovery is now a 3% recovery, with the difference largely coming from capital expenditures. America's economy is now associated with a level of momentum that it had at least arguably not enjoyed during any prior portion of the economic expansion.

But as with most things economic, nothing is pure good news. The economic expansion working in conjunction with certain public policies (e.g., tariffs, immigration) has begun to produce burgeoning inflationary pressures. **This is increasingly apparent in wages, steel and softwood lumber prices, trucking charges, healthcare, apartment rents, and of course the price of fuel.** Partially in response to rising inflation expectations, the Federal Reserve raised short-term rates once again in June and indicated that the rest of the year is likely to bring two additional rate hikes (as opposed to just one).

Longer-term rates have also been on the rise, including the rates of 15-year and 30-year fixed rate mortgages. Freddie Mac reports that as of mid-May, the rate on a 30-year fixed rate mortgage stood at approximately 4.6%, up almost precisely a percentage point from a year earlier. With home prices also rising and with home selection becoming increasingly scant, it is likely that some prospective homebuyers have decided to take a pass on transacting for now.

The combination of rising inflationary pressures and tighter monetary policy could produce significant headwinds for those in real estate management, development, and construction going forward. That said, as long as economic momentum persists, demand for commercial and other forms of space will likely be stable or better. **This represents a good time for owners to consider their portfolios, consult with real estate professionals, and ensure that there is a healthy dose of cash on balance sheets.**

While Maryland's job growth has recently been slower relative to the nation in percentage terms, unemployment remains low by historic standards, home prices are rising, and economic and development momentum remains apparent in a number of markets, including Bethesda/Chevy Chase, Frederick, College Park, Laurel, Hanover, Tradepoint Atlantic, Towson, Columbia, downtown Baltimore, and in a number of other submarkets. For now, the state's near-term economic outlook remains benign, but Maryland's economy is especially sensitive to shifts in federal policymaking, including shifting patterns of federal procurement. This means that while 2018 should be just fine, the outlook for 2019 is decidedly murky.

Contributed by industry partner
Anirban Basu, CEO of Sage Policy Group, Inc.
For more information, please visit <http://www.sagepolicy.com>.



*Indicators and additional economic information taken from the Bureau of Labor Statistics.



CAPITAL INDICATORS*

12-Month Volume
\$1.94 Billion

Total Square Feet
19.2 Million

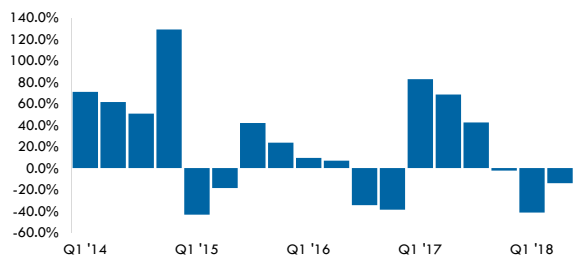
Average Price PSF
\$99

Average Cap Rate
7.8%

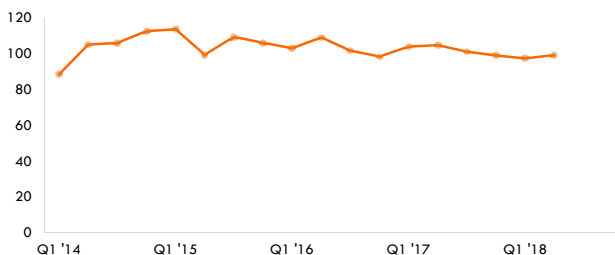
Properties Sold
172

Volume vs. Prior Year
-10.1%

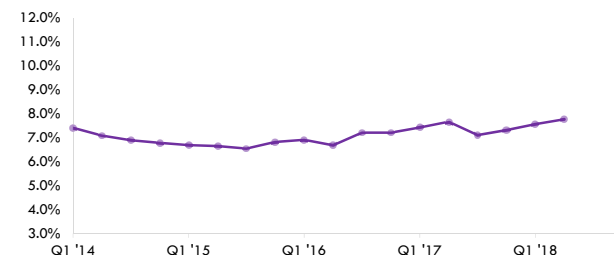
Change In Sales (Year over Year)



Average Sale Price Per Square Foot



Average Cap Rates



- The Federal Reserve is expected to raise the benchmark Federal Funds Rate two more times this coming year as the economy continues to gain momentum.
- While underlying indices have risen as the Fed has raised rates, lenders have decreased spreads to lessen the impact of these rate increases on borrowers. The spread is the amount of extra interest over a benchmark rate that a lender charges a borrower.
- Since there is now a 5-basis point delta between the 7 and 10-year swap rate (the swap is a common lending benchmark), 10-year loans are becoming even more popular with borrowers since they can attain additional term without much additional interest.
- For borrowers who need a more flexible lending source, debt funds remain a great option. These debt funds offer loans with flexible loan terms and leverage for value-add and light value-add investment opportunities, with no recourse.
- As bank balance sheets grow and absorb the coming increases in interest rates, we expect debt funds will grab more market share from traditional lenders in the coming years.

TOP INVESTMENT 'PLAYERS' BY ACQUISITION/DISPOSITION VOLUME

TOP BUYERS (12 MONTHS ROLLING)	Base City	Type	Acquisition Volume	Properties
Blackstone	New York, NY, USA	Eq. Fund	298,953,763	26
CBRE Global Investors	Los Angeles, CA, USA	Inv. Mgr.	290,000,000	1
Colony NorthStar	Los Angeles, CA, USA	Pub. REIT	173,100,000	9
Ventas	Chicago, IL, USA	Pub. REIT	131,746,579	3
Grander Cap Prtnrs	Boston, MA, USA	Dev/Own	106,064,710	5

TOP SELLERS (12 MONTHS ROLLING)	Base City	Type	Disposition Volume	Properties
H&S Properties Dev Corp	Baltimore, MD, USA	Dev/Own	294,100,000	2
FRP Development	Sparks Glencoe, MD, USA	Dev/Own	250,173,969	25
Greenfield Partners	Westport, CT, USA	Eq. Fund	224,944,480	15
TA Realty	Boston, MA, USA	Inv. Mgr.	202,715,500	11
Exeter	Conshohocken, PA, USA	Dev/Own	133,375,000	6

Institutional Buyers

Investor such as a bank or mutual fund.

51%
Benchmark:
26%

46%
Benchmark:
48%

Private Buyers

Privately-controlled business geared toward operating, developing, or investing CRE.

User/Other Buyers

Buys property for a specific use (businesses or religious institutions, etc.).

2.0%
Benchmark:
8.0%

*Indicators taken from Real Capital Analytics for a rolling 12-month period based on reported sales. Benchmark compares to the U.S. market. Buyer type percentages are limited to YTD reported sales.



PROJECT INDICATORS

RBA Under Construction
5,306,754

Under Construction
38

RBA Delivered YTD
2,347,135

Vacant Availability
6.8%

Proposed Buildings
411

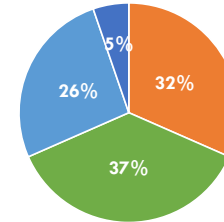
Under Renovation
17

- Keeping up with the construction demand is challenging with a shortage of skilled and unskilled labor.
- Material costs are increasing and are predicted to continue to do so with the implementation of tariffs on imports, the effect if any on construction projects is yet to be seen.
- The use of software and lean processes to increase efficiency have become much more prevalent throughout the industry to increase productivity with the same amount of people.
- Not only retail but construction across the board remains strong and we have seen no indicators to suggest it should slow down anytime soon.
- Sustainable materials, what is the return on investment? When it comes to LED lighting, low E glass and Energy Saver appliances it seems to be a no-brainer, but when it comes to green roofs, permeable parking surfaces, owners are hesitant to make that investment.
- The industry continues to make safety a priority, continued adherence to OSHA guidelines, the use of personal protective equipment and ongoing safety training have all contributed to the reduction in job site accidents and fatalities.

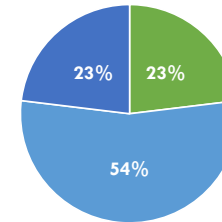
PROPERTY TYPE BREAKDOWN

Legend: Office Retail Warehouse Flex

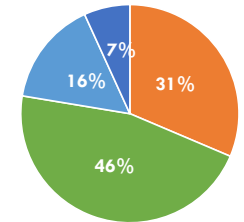
Under Construction



Deliveries YTD



Proposed Buildings



HIGHLIGHTED DEVELOPMENT PROJECTS



Towson Row

In June, Caves Valley Partners hosted a construction kick-off for the delayed Towson Row project. Greenberg Gibbons joined as a partner in 2017 to relaunch the revised \$350 million development, with a \$43 million public financing package, to include a hotel, offices, retail, and residential and student housing.



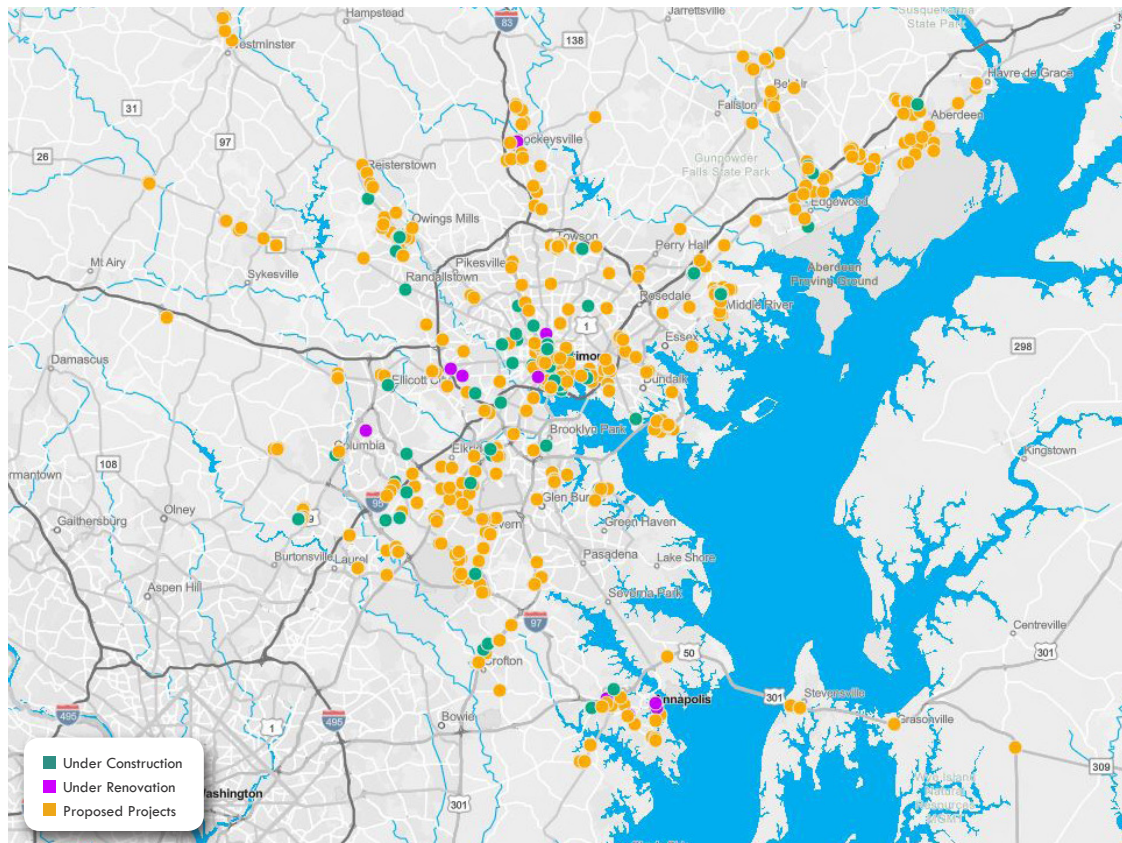
Harbor Point

Construction for the fourth office building at Harbor Point in Baltimore's Harbor East started in June along the 27-acre waterfront development. The 12-story Wills Wharf will hold 330,000 sf of office and retail space, and a 156-room Hilton Canopy Hotel.



Merriweather District

The ground-breaking on Phase I occurred in April. The development, consisting of 391 acres, received a \$90 million public financing deal to help revitalize the area over the next 20 years. The full project will eventually include 1.5 million sf of office space and 2,000+ residences.





OFFICE INDICATORS

Market Size
77,216,927

Building Count
1,178

Absorption
209,020

YTD Absorption
-2,345

Vacancy
12.9%

Asking Rent
\$22.89

QUARTERLY TAKEAWAY

Overall, the office market saw a decrease in direct vacancy and over 200,000 sf of positive absorption this quarter alone. Columbia remains the most active market, with average asking rates and plentiful Class A market space as the new Howard Hughes buildings officially open for business. Organizations such as Crown Castle are relocating to Columbia from surrounding areas. McHenry Row signed several new tenants this quarter, offering more parking and space than City Center, and more 'live-work-play' opportunities for companies relocating from outside of the city. We expect the vacancy to continue to fall throughout the year - numbers remain some of the lowest in the past ten years.

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City East	2,392,173	3.7%	9.8%	8.4%	61,924	-2,203	\$27.73	\$20.74	\$22.21
Baltimore City Midtown	1,386,935	5.1%	8.6%	9.3%	48,009	51,272	\$20.08	\$19.76	\$21.27
Baltimore City North	2,217,971	9.2%	8.9%	10.8%	-7,558	-14,928	\$28.49	\$27.60	\$27.16
Baltimore City South	1,397,666	4.6%	9.2%	7.0%	48,033	42,499	\$24.43	\$24.46	\$27.21
Baltimore City West	1,986,679	35.9%	29.7%	30.0%	-121,631	-151,881	\$14.33	\$14.33	\$18.01
Baltimore City	9,381,424	12.2%	13.5%	13.5%	28,777	-75,241	\$19.63	\$18.79	\$21.54
City Center A	3,124,730	25.7%	21.1%	20.0%	-147,979	-152,114	\$25.09	\$23.80	\$23.89
City Center A+	5,636,414	5.9%	6.1%	6.1%	-8,861	16,293	\$29.24	\$28.93	\$27.75
City Center B	2,630,524	32.4%	27.3%	19.3%	-133,886	-309,057	\$17.68	\$17.96	\$18.15
City Center B+	2,820,711	10.1%	10.2%	11.6%	3,744	7,261	\$23.13	\$22.88	\$22.46
City Center	14,212,379	16.0%	14.1%	12.7%	-286,982	-437,617	\$23.28	\$22.76	\$22.53
Baltimore + CBD	23,593,803	14.5%	13.9%	13.0%	-258,205	-512,858	\$22.10	\$21.46	\$22.19
Baltimore County East	2,001,841	13.3%	13.7%	14.4%	5,138	1,523	\$21.66	\$21.21	\$21.88
Baltimore County West	3,075,890	13.1%	12.7%	15.0%	-14,511	-4,083	\$19.98	\$19.45	\$20.27
Harford County	3,665,472	21.2%	22.6%	22.5%	43,155	58,308	\$21.34	\$22.44	\$23.05
I-83 Corridor	7,652,835	9.1%	10.0%	9.2%	27,825	-3,522	\$20.89	\$21.03	\$20.92
Reisterstown Rd Corridor	5,099,284	17.6%	18.9%	18.4%	33,393	21,817	\$21.09	\$21.74	\$20.85
Towson	4,899,754	12.2%	13.6%	12.6%	65,305	116,168	\$21.01	\$20.95	\$20.38
Northern Metro	26,395,076	13.8%	14.7%	14.5%	160,305	190,211	\$21.01	\$21.32	\$21.25
Annapolis	3,863,167	8.9%	9.7%	10.0%	20,783	32,239	\$27.83	\$27.84	\$27.29
BWI	8,513,128	14.5%	15.5%	15.0%	6,420	21,450	\$27.14	\$27.08	\$26.50
Columbia	13,563,358	8.7%	11.1%	8.6%	270,447	261,363	\$25.57	\$25.61	\$25.63
Route 2 Corridor	1,288,395	12.0%	12.7%	12.5%	9,270	5,250	\$20.96	\$21.12	\$20.60
Southern Metro	27,228,048	10.7%	12.4%	11.0%	306,920	320,302	\$26.11	\$26.13	\$25.81
Totals	77,216,927	12.9%	13.6%	12.8%	209,020	-2,345	\$22.89	\$22.85	\$22.99

*This is a sampling of our represented tenants in the market. The section is updated quarterly. If you'd like your business to be included, please let us know.

HIGHLIGHTS & TRENDS

Crown Castle International Corp. (a Houston-based wireless company) will open a 31,000 sf office at One Merriweather, relocating from Linthicum Heights.

7 St. Paul Street sold again earlier this quarter for \$36.75 million (compared to its July 2017 sale for \$15 million) to Hertz Investment Group.

Kimley-Horn and Associates Inc. signed a lease for a renewal and expansion into 5,459 sf in a new building that will open at McHenry Row this fall.

MOI Inc. signed a lease for 13,284 sf at McHenry Row III (1265 E. Fort Ave.), relocating from Woodlawn.

6400 Dobbin Road (Columbia Business Center) sold to D.C.-based investors in April. The complex spans 160,000 sf and sold for \$25.6 million.

Marketing firm idfive signed a lease for 9,500 sf at 81 Mosher Street (former RK&K headquarters). The firm is moving from its former location at 3600 Clipper Mill Road.

Inovalon Holdings will be closing its 33,000 sf office in Columbia at 7120 Samuel Morse Drive (Crestpointe Corporate Center) in August, laying off 70 people.

Booz Allen Hamilton recently opened a 15,000 sf innovation hub in Annapolis Junction (iHub) to encourage employee collaboration and talent growth.

OUT AND ABOUT...*



EZ Shield

Seeking approximately 15,000 sf in the White Marsh area.



Peoples Bank, Cordovo Valley PA

Seeking office space around 2,000 sf in the Owings Mills and Hampstead markets.



Northwestern Mutual

Seeking 10,000-12,000 sf Class A space in Hunt Valley, to occupy Spring 2019.



OFFICE INDICATORS

Market Size
77,216,927

Building Count
1,178

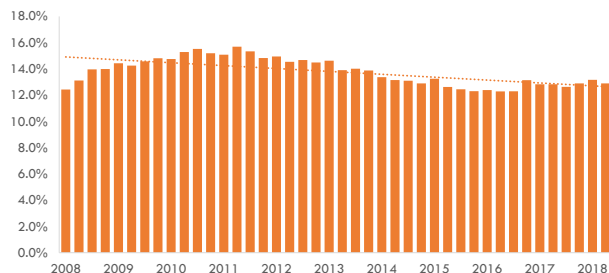
Absorption
209,020

YTD Absorption
-2,345

Vacancy
12.9%

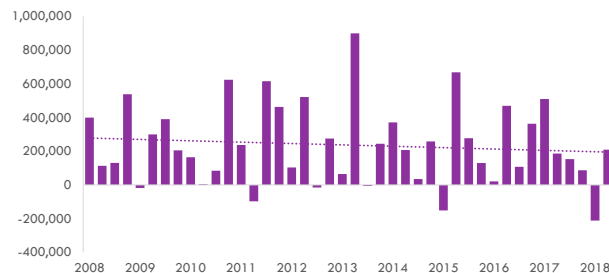
Asking Rent
\$22.89

DIRECT VACANCY



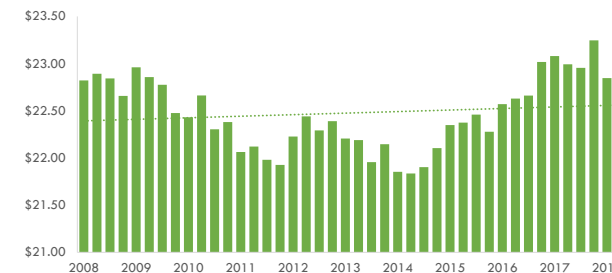
This quarter, direct vacant space decreased, equaling 9,961,458 sf out of the total 77,216,927 sf market size. This resulted in a -0.73% change from 13.63% to 12.90%. Compared to this time last year, vacancy rates are up by 0.07%.

NET ABSORPTION



Quarterly absorption was approximately 209,020 sf. For 2018 year-to-date, tenant movement in the area shows an overall negative absorption, totaling -2,345 sf. Comparatively, at this time last year, absorption was approximately 186,182 sf.

ASKING RENTAL RATES (Weighted, Full Service)



Asking rental rates averaged \$22.89/sf this quarter, weighted by a total available space of 12,934,199. This is approximately \$0.04/sf higher than last quarter (\$22.85/sf), and \$0.10/sf lower than last year (\$22.99/sf).

Lowest Direct Vacancy

1	Baltimore City East	3.7%
2	Baltimore City South	4.6%
3	Baltimore City Midtown	5.1%

Highest Direct Vacancy

1	Baltimore City West	35.9%
2	City Center B	32.4%
3	City Center A	25.7%

Most Change vs. Prior Quarter

-	Baltimore City East	-6.1%
+	Baltimore City West	+6.1%

Lowest Net Absorption

1	City Center A	-147,979
2	City Center B	-133,886
3	Baltimore City West	-121,631

Highest Net Absorption

1	Columbia	270,447
2	Towson	65,305
3	Baltimore City East	61,924

Most Absorption, Year-to-Date

-	City Center B	-309,057
+	Columbia	261,363

Cheapest Asking Rates

1	Baltimore City West	\$14.33
2	City Center B	\$17.68
3	Baltimore County West	\$19.98

Most Expensive Asking Rates

1	City Center A+	\$29.24
2	Baltimore City North	\$28.49
3	Annapolis	\$27.83

Most Change vs. Prior Quarter

-	Harford County	-\$1.10
+	Baltimore City East	+\$6.99

LEASE TRANSACTIONS

Location	Region	Tenant	Leased ▼
6514 Meadowridge Road	BWI	Allstate	66,000
11350 McCormick Road ¹	I-83 Corridor	NextGen	33,988
100 E. Pratt Street ²	City Center	T. Rowe Price Group, Inc.	31,942
10 N. Park Drive	I-83 Corridor	CallRevu, LLC	21,092

SALE TRANSACTIONS

Location	Region	Price	PSF ▼	Building Size
1734 York Road ^{3,4}	I-83 Corridor	\$23,000,000	\$500.00	46,000
3905 Mountain Road	Rt. 2 Corridor	\$1,190,000	\$255.15	4,664
1919 West Street	Annapolis	\$1,050,000	\$215.16	4,880
8681 Robert Fulton Drive	Columbia	\$4,300,000	\$128.95	33,347

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo; bolded transactions are a sampling of those brokered by MacKenzie Real Estate Services, LLC.



RETAIL INDICATORS

Market Size
134,072,582

Building Count
9,875

Absorption
-136,873

YTD Absorption
-329,596

Vacancy
3.9%

Asking Rent
\$20.44

QUARTERLY TAKEAWAY

The retail industry is continuing to change drastically. Although the Baltimore MSA has experienced numerous restaurant closures, we believe that it is not all “doom and gloom” - rather a change in how retailers are doing business. Stores like Lord n’ Taylor and Toys R Us may be gone, looking to backfill with office and healthcare; H&M, Ulta Beauty, Sephora and Lolli & Pops will increase their footprint across the country this year. Retailers such as Lowes Home Improvement, Dicks Sporting Goods, Aldi & Lidl’s continue to build new units, and Dollar General and Hobby Lobby are opening stores at a rapid rate. In Ellicott City, some retailers are still struggling to rebuild in the aftermath of the flooding on Memorial Day weekend, while others have closed their doors for good.

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis	13,674,176	3.3%	3.3%	2.3%	-5,043	-32,500	\$23.34	\$22.68	\$23.22
Baltimore City	26,973,332	4.1%	4.0%	3.4%	-54,796	-199,574	\$19.75	\$21.69	\$15.94
Baltimore County East	9,677,896	6.7%	6.7%	6.8%	-5,044	-29,863	\$16.76	\$13.85	\$14.42
Baltimore South	10,610,337	5.4%	5.9%	6.4%	61,519	99,774	\$16.42	\$17.36	\$16.74
Baltimore West	10,334,236	2.7%	2.9%	2.8%	11,245	25,966	\$18.93	\$19.02	\$18.46
Carroll County	8,043,453	3.7%	3.7%	4.7%	-5,284	7,627	\$15.88	\$16.10	\$15.47
Columbia	9,125,829	1.7%	2.2%	2.5%	40,121	27,101	\$27.41	\$26.34	\$31.50
Ft. Meade	8,261,378	4.2%	3.2%	2.9%	-91,388	-91,614	\$23.75	\$22.52	\$21.72
Harford County	12,026,910	3.9%	4.1%	4.3%	20,426	-8,609	\$20.98	\$19.04	\$22.83
Reisterstown Road Corridor	6,026,083	4.5%	5.5%	4.4%	-4,634	-35,209	\$22.38	\$22.26	\$21.13
White Marsh/Perry Hall	6,212,756	2.8%	3.1%	4.1%	-7,097	13,434	\$19.38	\$19.59	\$17.11
York Road Corridor	13,106,196	3.8%	3.2%	2.5%	-96,898	-106,129	\$24.06	\$23.58	\$23.86
Totals	134,072,582	3.9%	3.9%	3.8%	-136,873	-329,596	\$20.44	\$20.18	\$19.20

SHOPPING AROUND...*



Steak N Shake

Seeking 1 acre of land or a freestanding building with drive thru for conversion in Maryland.



Royal Farms

Seeking 1.5-2 acres for purchase or ground lease on main arterial roads with easy access.



Pet Supplies Plus

Seeking sites of 7,000 sf in the Baltimore Metro Area.



BMHG

Holiday Inn, Comfort Inn, Ramada Inn
Seeking 1.5-3 acres near highways in all MD areas.



Crunch Fitness

Seeking sites of 21,000-35,000 sf in all Maryland counties except Montgomery and Frederick.



Valvoline Instant Oil Change

Seeking 0.5-1 acre pad sites along busy retail corridors throughout Maryland and Delaware.

HIGHLIGHTS & TRENDS

Green Valley Marketplace will open its third location in the old Mars space at Padonia Village in Timonium. The space is approximately 31,256 sf. The store is expected to open late 2018 or early 2019.

Men’s retailer, Bonobos, is expanding into 1,100 sf of space in Harbor East at 840 Aliceanna Street, formerly occupied by Handbags.

Crunch Fitness will be opening its first Maryland gym at Canton Crossing II by the end of the year. The gym will take around 23,000 sf next to Nordstrom and Petco.

Gabe’s recently leased space at Eastpoint Mall in Dundalk, bringing the mall to almost 90% occupancy. The store has already opened and took 38,566 sf.

Union Craft Brewing is now open to the public, although they plan to hold a grand opening late July. The taproom takes approximately 7,500 sf of the Union Collective project, which totals approximately 138,000 sf and will house various other retailers.

The new Wawa at 1300 E. Joppa Road in Towson sold this April for \$7.48 million. This location will be an anchor for Loch Raven Commons, a mixed-use development with potential for 20,000 sf of retail.

Bill Bateman’s Bistro in Towson closed its doors this June. The restaurant was occupying 7,500 sf at 7800 York Road. The other seven chains in the area are expected to stay open.

Blue Dog BBQ (a whole-hog BBQ restaurant) will be replacing Heavy Seas this summer at 1300 Bank Street in Little Italy. With the recent closure of Dinosaur Bar-B-Que in Harbor East, this restaurant will offer a new option for customers.

E.C. Pops, an Ellicott City Main Street retailer, signed a temporary lease at 6655 Dobbin Road in Columbia until its Main Street location can be reopened.

Moby Dick House of Kabob is opening a second Baltimore location at the Festival at Woodholme in Pikesville. The restaurant will take approximately 2,000 sf of the shopping center, bringing the center to 94% occupancy.

*This is a sampling of our represented tenants in the market. The section is updated quarterly. If you’d like your business to be included, please let us know.



RETAIL INDICATORS

Market Size
134,072,582

Building Count
9,875

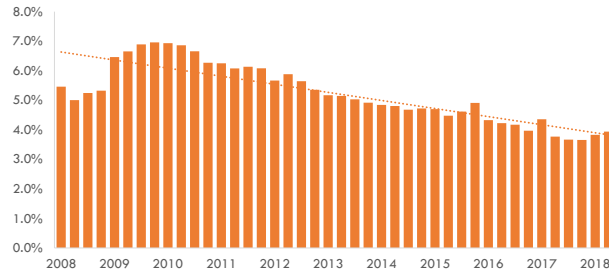
Absorption
-136,873

YTD Absorption
-329,596

Vacancy
3.9%

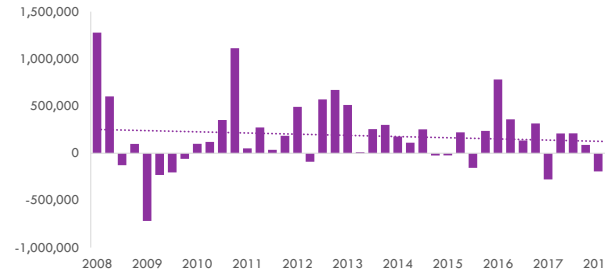
Asking Rent
\$20.44

DIRECT VACANCY



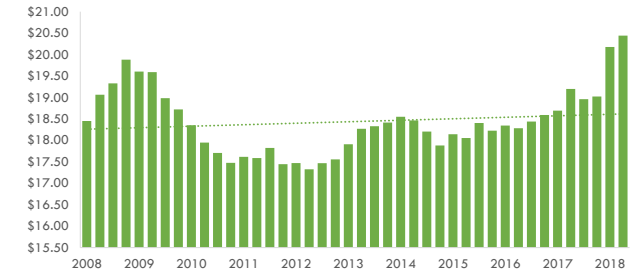
This quarter, direct vacant space decreased, equaling 5,282,134 sf out of the total 134,072,582 sf market size. This resulted in a 0.00% change from 3.94% to 3.94%. Compared to this time last year, vacancy rates are up by 0.17%.

NET ABSORPTION



Quarterly absorption was approximately -136,873 sf. For 2018 year-to-date, tenant movement in the area shows an overall negative absorption, totaling -329,596 sf. Comparatively, at this time last year, absorption was approximately 209,783 sf.

ASKING RENTAL RATES (Weighted, NNN)



Asking rental rates averaged \$20.44/sf this quarter, weighted by a total available space of 7,162,941. This is approximately \$0.26/sf higher than last quarter (\$20.18/sf), and \$1.24/sf higher than last year (\$19.20/sf).

Lowest Direct Vacancy

1	Columbia	1.7%
2	Baltimore West	2.7%
3	White Marsh/Perry Hall	2.8%

Highest Direct Vacancy

1	Baltimore County East	6.7%
2	Baltimore South	5.4%
3	Reisterstown Road Corridor	4.5%

Most Change vs. Prior Quarter

-	Reisterstown Road Corridor	-0.9%
+	Ft. Meade	+1.0%

Lowest Net Absorption

1	York Road Corridor	-96,898
2	Ft. Meade	-91,388
3	Baltimore City	-54,796

Highest Net Absorption

1	Baltimore South	61,519
2	Columbia	40,121
3	Harford County	20,426

Most Absorption, Year-to-Date

-	Baltimore City	-199,574
+	Baltimore South	99,774

Cheapest Asking Rates

1	Carroll County	\$15.88
2	Baltimore South	\$16.42
3	Baltimore County East	\$16.76

Most Expensive Asking Rates

1	Columbia	\$27.41
2	York Road Corridor	\$24.06
3	Ft. Meade	\$23.75

Most Change vs. Prior Quarter

-	Baltimore City	-\$1.94
+	Baltimore County East	+\$2.91

LEASE TRANSACTIONS

Location	Region	Tenant	Leased
150-152 Jennifer Road	Annapolis	HomeSense	33,033
925-983 Beards Hill Road¹	Harford County	Wage Connection	12,974
6200 Days Cove Road	Balt. Co. East	Alternative Routes Fitness	12,364
6708 Alexander Bell Drive	Columbia	Columbia Bank	11,560

SALE TRANSACTIONS

Location	Region	Price	PSF	Building Size
8304 Old Philadelphia Road ⁴	Balt. Co. East	\$2,100,000	\$840.00	2,500
8100 Veterans Highway ⁴	Annapolis	\$2,010,000	\$530.62	3,788
415 S. Central Avenue ⁴	Baltimore City	\$4,500,000	\$391.30	11,500
28 W. Pennsylvania Avenue⁴	Towson	\$785,000	\$373.81	4,200

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo; bolded transactions are a sampling of those brokered by MacKenzie Real Estate Services, LLC.

INDUSTRIAL OVERVIEW

SECOND QUARTER | 2018



INDUSTRIAL INDICATORS

Market Size
219,110,888

Building Count
4,269

Absorption
738,779

YTD Absorption
1,247,068

Vacancy
7.1%

Asking Rent
\$6.70

QUARTERLY TAKEAWAY

Industrial properties continue to be the most desired asset class in the market, as many properties have traded hands over the past few quarters. The biggest news this quarter is the portfolio of industrial buildings that FRP Development Corporation sold to Blackstone Real Estate Partners. The entire portfolio consists of approximately 40 properties in the Baltimore and Washington D.C. markets, and totaled \$347.2 million in volume. While this movement could be tied to growing e-commerce, we have seen a seven to eight year cycle in which retail and industrial properties switch in terms of investor interest. With interest rates uncommonly low, this trend is only expected to continue.

HIGHLIGHTS & TRENDS

Single-story flex building at 9740 Patuxent Woods Drive (Columbia) was recently sold to American Wood Fibers (AWF), a forestry products company, for \$5 million. The building is approximately 38,292 sf and AWF will occupy around 18,500 sf.

Heavy Seas Beer will be expanding its taproom at 4615 Hollins Ferry Road in Halethorpe to include a small-batch brewhouse. The expansion will be approximately 7,000 additional square feet and they hope to complete by June 2019.

Amazon.com increased its Maryland presence again, signing a lease for 157,000 sf of warehouse space at 7458 New Ridge Road in Hanover to use for more distribution space for a fulfillment center.

Tradepoint Atlantic purchased the last available parcel of land in Sparrows Point for \$33.5 million. This space adds the potential for 225,000 sf of additional warehouse space to the industrial project.

Goodwill Industries of the Chesapeake signed a lease for approximately 100,000 sf of industrial space at 2000 Washington Boulevard (Montgomery Park area).

Atotech sold a 5.5 acre site at 1940 Chesapeake Avenue this June in South Baltimore near the Port of Baltimore's Fairfield operations. The site includes a 45,000 sf industrial building that has been vacant for years.

Custom trade show specialist Hatch Exhibits renewed its lease at 6660 Santa Barbara Road (Elkridge) for 21,000 sf, and took an additional 14,000 sf at 6674 Amberton Drive.

Toronto-based firm Aegellan Investment purchased 9385 Washington Boulevard for \$5.28 million. The warehouse is approximately 57,000 sf, is mostly leased, and includes six bays.

Primesource signed a 332,800 sf build-to-suit deal in April at 505 Advantage Way in Aberdeen.

Fila recently expanded into 352,000 sf at 7629 Gambrills Cove Road. This space is in addition to the 320,000 sf they currently lease in the same area.

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis/Route 2	5,219,962	6.1%	6.6%	6.2%	37,950	39,745	\$12.67	\$11.50	\$13.57
Arbutus	2,112,546	4.5%	4.4%	3.4%	-5,201	16,799	\$8.00	\$8.00	\$7.95
Baltimore City	4,443,630	8.8%	9.6%	8.0%	15,627	-5,589	\$8.68	\$8.51	\$7.00
Baltimore County East	3,862,156	6.4%	4.8%	7.6%	-48,941	-7,851	\$9.92	\$8.89	\$9.79
BW Corridor	15,020,380	7.6%	8.8%	9.6%	92,269	271,813	\$12.66	\$12.52	\$10.76
Carroll County	1,561,625	10.0%	13.8%	16.3%	92,700	96,372	\$12.26	\$12.28	\$6.57
Harford/Cecil	3,101,058	6.9%	6.0%	7.1%	-43,205	-22,390	\$10.91	\$11.27	\$9.21
I-83 Corridor	4,970,795	2.3%	2.8%	2.9%	7,143	45,184	\$10.17	\$11.17	\$11.25
Reisterstown Road	3,082,848	12.4%	12.2%	13.2%	-7,572	22,481	\$10.74	\$10.08	\$9.48
Woodlawn	2,521,711	5.0%	5.4%	8.7%	9,953	22,745	\$8.67	\$8.45	\$9.49
Flex Totals	45,896,711	6.9%	7.5%	8.1%	150,723	479,309	\$11.05	\$10.86	\$9.98
Annapolis/Route 2	8,968,039	8.1%	8.7%	7.9%	11,499	-1,380	\$6.04	\$5.77	\$5.56
Arbutus	7,570,140	5.8%	6.7%	9.1%	66,164	82,426	\$3.64	\$3.65	\$3.86
Baltimore City	40,915,028	5.4%	6.2%	4.7%	252,341	114,194	\$4.90	\$4.64	\$4.70
Baltimore County East	22,043,599	13.1%	7.7%	7.5%	26,590	365,840	\$5.15	\$5.25	\$5.12
BW Corridor	44,063,517	7.4%	7.6%	8.4%	30,998	19,294	\$6.12	\$6.11	\$5.96
Carroll County	7,555,242	7.2%	3.9%	4.9%	-260,560	-228,059	\$5.56	\$5.71	\$5.61
Harford/Cecil	34,882,631	5.5%	7.1%	4.9%	488,665	402,642	\$4.99	\$5.29	\$4.93
I-83 Corridor	4,381,960	2.9%	3.0%	3.0%	-24,165	31,389	\$7.45	\$8.13	\$8.77
Reisterstown Road	1,546,682	2.0%	1.8%	2.0%	-3,694	-6,034	\$8.88	\$8.78	\$8.89
Woodlawn	1,287,339	9.2%	9.2%	0.9%	218	-12,553	\$8.25	\$8.09	\$7.54
Warehouse Totals	173,214,177	7.1%	6.9%	6.3%	588,056	767,759	\$5.37	\$5.37	\$5.21
Totals	219,110,888	7.1%	7.0%	6.7%	738,779	1,247,068	\$6.70	\$6.64	\$6.41



WAREHOUSE INDICATORS

Market Size
173,214,177

Building Count
3,006

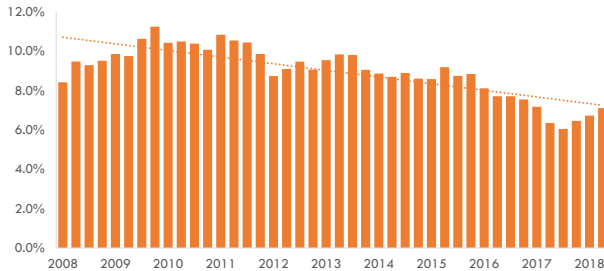
Absorption
588,056

YTD Absorption
767,759

Vacancy
7.1%

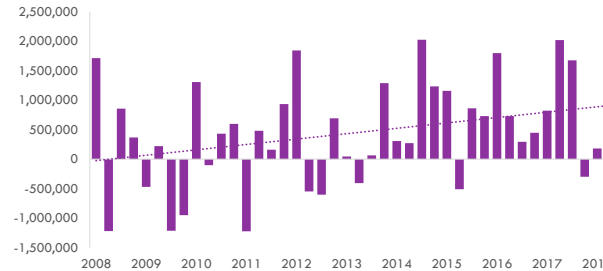
Asking Rent
\$5.37

DIRECT VACANCY



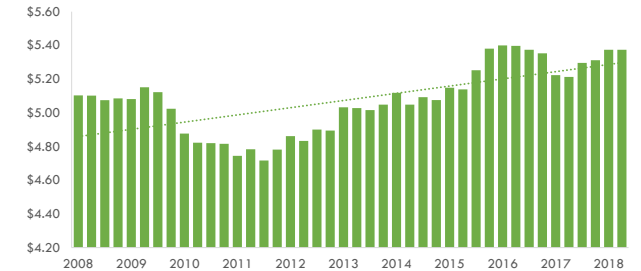
This quarter, direct vacant space increased, equaling 12,296,432 sf out of the total 173,214,177 sf market size. This resulted in a 0.23% change from 6.87% to 7.10%. Compared to this time last year, vacancy rates are up by 0.76%.

NET ABSORPTION



Quarterly absorption was approximately 588,056 sf. For 2018 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 767,759 sf. Comparatively, at this time last year, absorption was approximately 2,017,851 sf.

ASKING RENTAL RATES (Weighted, Gross)



Asking rental rates averaged \$5.37/sf this quarter, weighted by a total available space of 16,177,392. This is approximately \$0.00/sf lower than last quarter (\$5.37/sf), and \$0.16/sf higher than last year (\$5.21/sf).

Lowest Direct Vacancy

1	Reisterstown Road	2.0%
2	I-83 Corridor	2.9%
3	Baltimore City	5.4%

Highest Direct Vacancy

1	Baltimore County East	13.1%
2	Woodlawn	9.2%
3	Annapolis/Route 2	8.1%

Most Change vs. Prior Quarter

-	Harford/Cecil	-1.5%
+	Baltimore County East	+5.4%

Lowest Net Absorption

1	Carroll County	-260,560
2	I-83 Corridor	-24,165
3	Reisterstown Road	-3,694

Highest Net Absorption

1	Harford/Cecil	488,665
2	Baltimore City	252,341
3	Arbutus	66,164

Most Absorption, Year-to-Date

-	Carroll County	-228,059
+	Harford/Cecil	402,642

Cheapest Asking Rates

1	Arbutus	\$3.64
2	Baltimore City	\$4.90
3	Harford/Cecil	\$4.99

Most Expensive Asking Rates

1	Reisterstown Road	\$8.88
2	Woodlawn	\$8.25
3	I-83 Corridor	\$7.45

Most Change vs. Prior Quarter

-	I-83 Corridor	-\$0.68
+	Annapolis/Route 2	+\$0.27

LEASE TRANSACTIONS

Location	Region	Tenant	Leased
2000 Washington Boulevard	Baltimore City	Goodwill	100,000
7320 Carbide Road	Annapolis/Rt. 2	Miller Environmental Group	28,335
8325 Patuxent Range Road	BW Corridor	United Granite	25,344
4015 Foster Avenue	Baltimore City	Mobtown Brewery	13,040

SALE TRANSACTIONS

Location	Region	Price	PSF	Building Size
7840 Kabik Court	Carroll County	\$1,650,000	\$222.97	7,400
1730 Whitehead Road	Woodlawn	\$5,013,338	\$131.24	38,200
2630 Conway Road	Annapolis/Rt. 2	\$2,750,000	\$128.24	21,445
5300 Holabird Avenue	Baltimore City	\$38,700,000	\$93.68	413,100

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo; bolded transactions are a sampling of those brokered by MacKenzie Real Estate Services, LLC.



FLEX INDICATORS

Market Size
45,896,711

Building Count
1,263

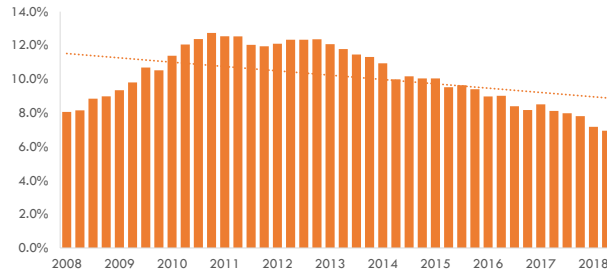
Absorption
150,723

YTD Absorption
479,309

Vacancy
6.9%

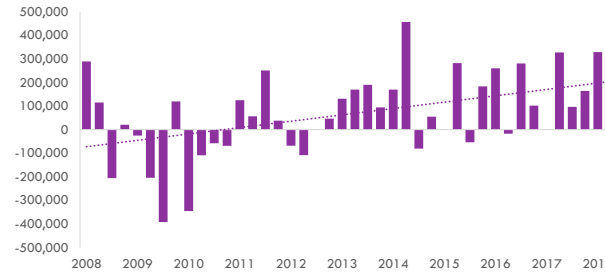
Asking Rent
\$11.05

DIRECT VACANCY



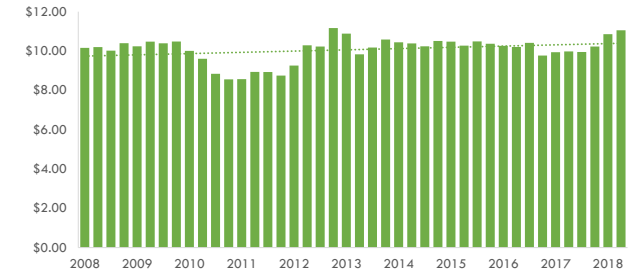
This quarter, direct vacant space decreased, equaling 3,187,822 sf out of the total 45,896,711 sf market size. This resulted in a -0.51% change from 7.45% to 6.95%. Compared to this time last year, vacancy rates are down by -1.17%.

NET ABSORPTION



Quarterly absorption was approximately 150,723 sf. For 2018 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 479,309 sf. Comparatively, at this time last year, absorption was approximately 327,016 sf.

ASKING RENTAL RATES (Weighted, NNN)



Asking rental rates averaged \$11.05/sf this quarter, weighted by a total available space of 4,911,740. This is approximately \$0.20/sf higher than last quarter (\$10.86/sf), and \$1.08/sf higher than last year (\$9.98/sf).

Lowest Direct Vacancy

1	I-83 Corridor	2.3%
2	Arbutus	4.5%
3	Woodlawn	5.0%

Highest Direct Vacancy

1	Reisterstown Road	12.4%
2	Carroll County	10.0%
3	Baltimore City	8.8%

Most Change vs. Prior Quarter

-	Carroll County	-3.8%
+	Baltimore County East	+1.5%

Lowest Net Absorption

1	Baltimore County East	-48,941
2	Harford/Cecil	-43,205
3	Reisterstown Road	-7,572

Highest Net Absorption

1	Carroll County	92,700
2	BW Corridor	92,269
3	Annapolis/Route 2	37,950

Most Absorption, Year-to-Date

-	Harford/Cecil	-22,390
+	BW Corridor	271,813

Cheapest Asking Rates

1	Arbutus	\$8.00
2	Woodlawn	\$8.67
3	Baltimore City	\$8.68

Most Expensive Asking Rates

1	Annapolis/Route 2	\$12.67
2	BW Corridor	\$12.66
3	Carroll County	\$12.26

Most Change vs. Prior Quarter

-	I-83 Corridor	-\$1.00
+	Annapolis/Route 2	+\$1.17

LEASE TRANSACTIONS

Location	Region	Tenant	Leased
9108 Yellow Brick Road	Balt. Co. East	Champion Container Corp.	23,334
760 Generals Highway ¹	Annapolis/Rt. 2	Niermann Weeks	21,112
1116 Middle River Road¹	Balt. Co. East	Dal-Tile Distribution, Inc.	18,000
9100 Yellow Brick Road	Balt. Co. East	RP Flow	12,000

SALE TRANSACTIONS

Location	Region	Price	PSF	Building Size
7321 Parkway Drive S. ⁴	BW Corridor	\$10,830,000	\$207.57	52,175
1511 S. Philadelphia Boulevard	Harford County	\$615,000	\$192.37	3,197
6480 Dobbins Road ^{3,4}	Columbia	\$6,306,679	\$118.27	53,325
10324 S. Dolfield Road	Reisterstown Rd.	\$3,500,000	\$102.67	34,090

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo; bolded transactions are a sampling of those brokered by MacKenzie Real Estate Services, LLC.

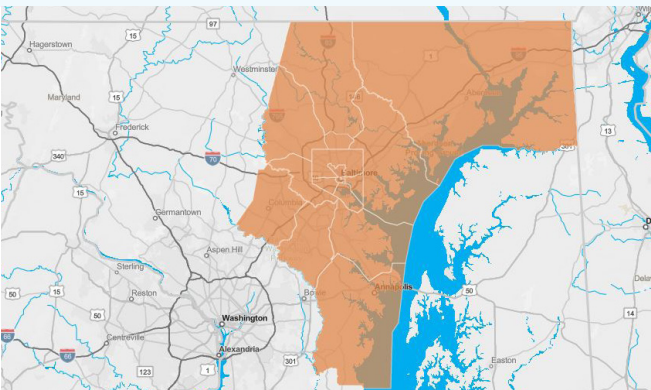


REPORT CRITERIA AND SUBMARKETS

OFFICE MARKET

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 includes all class types, but does not track owner occupied buildings or buildings leased exclusively to medical tenants.

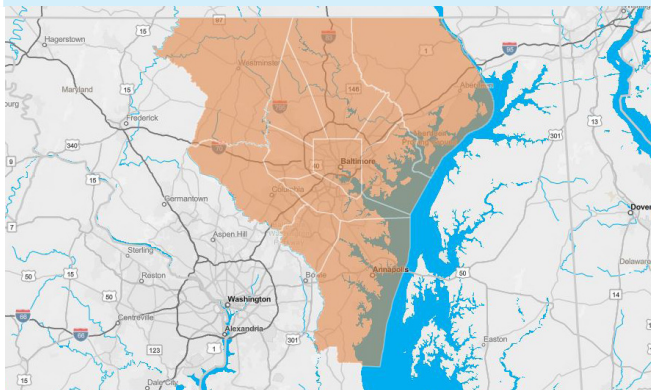
The office market is separated into the following submarkets: Annapolis, Baltimore City, BWI, Baltimore County East, Baltimore County West, City Center, Columbia, Harford County, I-83 Corridor, Reisterstown Corridor, Route 2 Corridor, and Towson.



RETAIL MARKET

Retail buildings greater than or equal to 2,000 sf in Baltimore City and surrounding counties of Baltimore, Howard, Carroll, Harford, Cecil and Anne Arundel. 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.

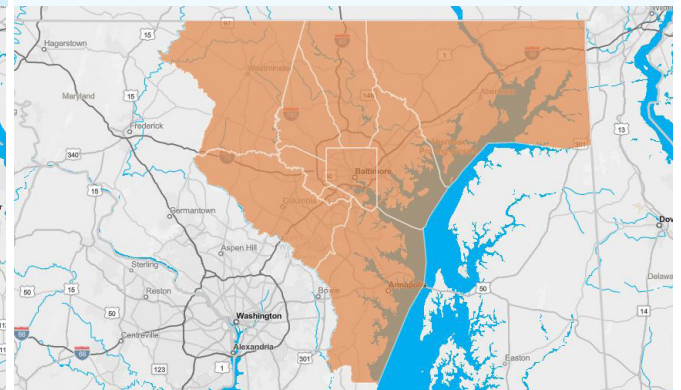


INDUSTRIAL MARKET

Flex buildings and some single-story office buildings that are greater than 5,000 sf, single-story warehouse buildings that are greater than or equal to 5,000 sf, and some multi-story warehouse buildings in Baltimore City. MacKenzie does not track owner occupied buildings.

We have classified the properties into 10 submarkets for industrial 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.



Disclaimer:

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 and Real Capital Analytics (RCA). To learn more about our methodology, research team, or to access previous market reports, please visit our webpage: <https://www.mackenziecommercial.com/market-report/>. To join our Market Report mailing list, please send us an email: dtaylor@mackenziecommercial.com.

About Us:

MacKenzie Ventures, LLC (MacKenzie) possesses the multi-disciplined team necessary to excel in Maryland's corporate real estate community. Comprising seven firms, MacKenzie provides clients a competitive, full service platform of offerings in leasing, sales, investment sales, tenant and landlord advisory services, corporate and business consulting, commercial and residential development, general construction, property and asset management, debt and equity capital placement, and market research. With more than 225 employees and offices in Annapolis, Baltimore, Bel Air, Columbia, and Lutherville, Maryland, MacKenzie is one of the largest full service commercial real estate firms in the Mid-Atlantic.

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