

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 |

INDUSTRIAL OVERVIEW (WAREHOUSE)

SECOND QUARTER | 2018



WAREHOUSE INDICATORS

Market Size
173,214,177

Building Count
3,006

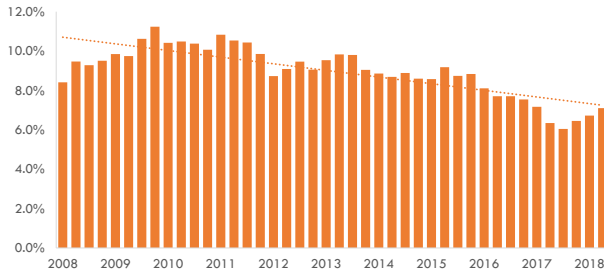
Absorption
588,056

YTD Absorption
767,759

Vacancy
7.1%

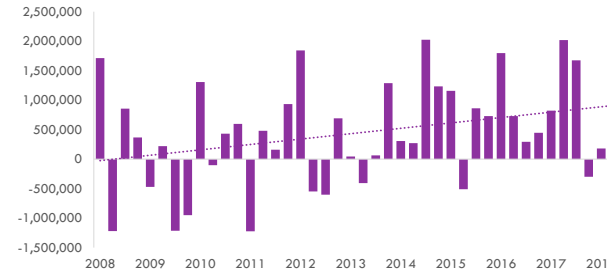
Asking Rent
\$5.37

DIRECT VACANCY



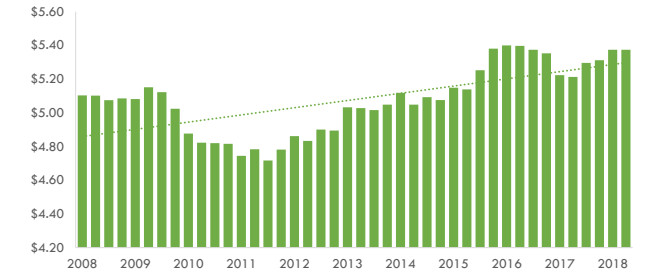
This quarter, direct vacant space increased, equaling 12,296,432 sf out of the total 173,214,177 sf market size. This resulted in a 0.23% change from 6.87% to 7.10%. Compared to this time last year, vacancy rates are up by 0.76%.

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

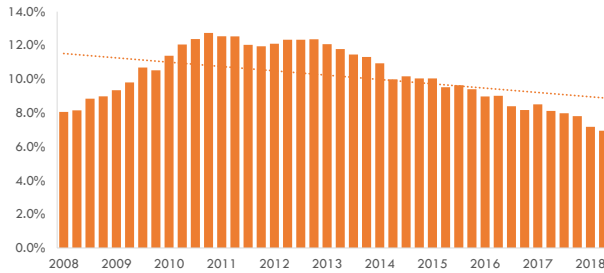
Absorption
150,723

YTD Absorption
479,309

Vacancy
6.9%

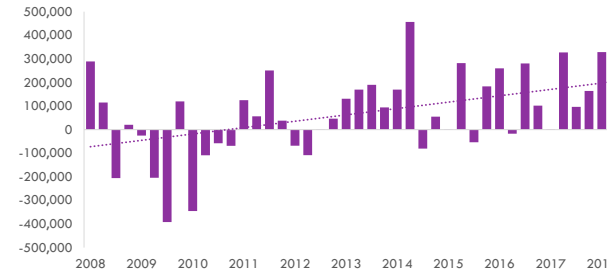
Asking Rent
\$11.05

DIRECT VACANCY



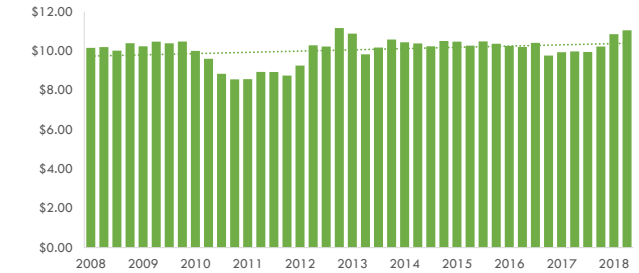
This quarter, direct vacant space decreased, equaling 3,187,822 sf out of the total 45,896,711 sf market size. This resulted in a -0.51% change from 7.45% to 6.95%. Compared to this time last year, vacancy rates are down by -1.17%.

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.