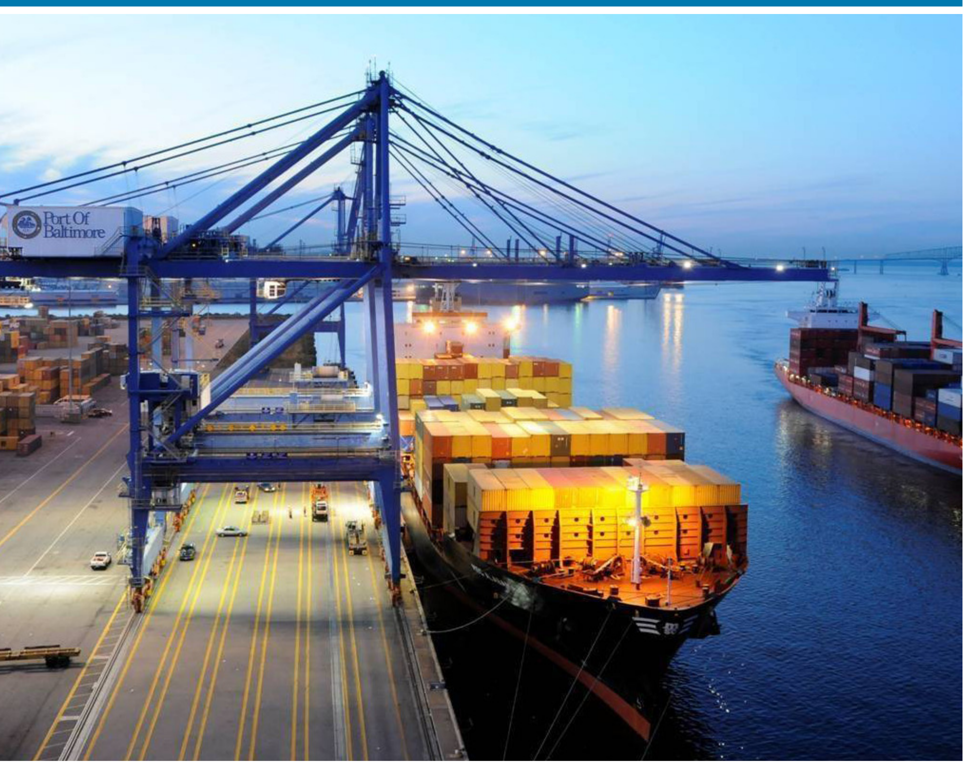
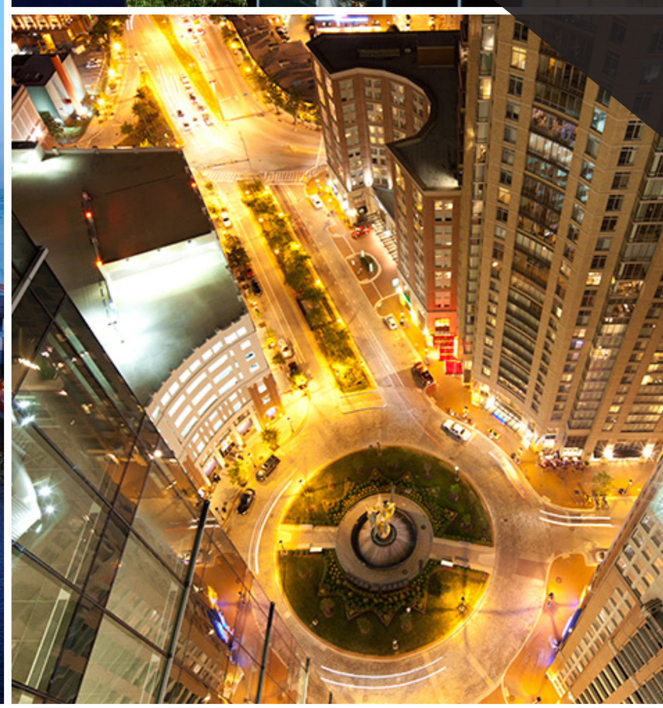
MACKENZIE
COMMERCIAL REAL ESTATE SERVICES, LLC

# BALTIMORE METROPOLITAN AREA MARKET REPORT

OFFICE | INDUSTRIAL | RETAIL | CAPITAL MARKETS | ECONOMY

## 1ST QUARTER 2018



# TABLE OF CONTENTS



MACKENZIE
COMMERCIAL REAL ESTATE SERVICES, LLC

**Suddenly, Local Job Growth Looks Underwhelming: Revised Data Indicate much Softer Recovery in Maryland**

Contributed by Sage Policy Group, Inc.

Anirban Basu, CEO | www.sagepolicy.com

At least from a statistical perspective, Maryland's economic picture changed markedly toward the end of 2017. There was a time when the Bureau of Labor Statistics (BLS) was indicating that Maryland added 2.2% to its employment totals between November 2016 and November 2017. That translated into 60,200 net new jobs in just 12 months. Then, many of the jobs that stakeholders thought were created were simply revised away. If one were to go to BLS' website today, it would indicate that between November 2016 and November 2017, the state added slightly fewer than 15,000 net new jobs. In other words, three-quarters of the jobs that were added according to initial estimates disappeared.

Since that time, three estimates of monthly job creation have been released. They look even worse. The most recent estimate is for February 2018. That data indicate that between February 2017 and February 2018, Maryland added just 4,000 net new jobs. That represents one of the worst performances in the nation (46th in percentage terms). It is also a reflection of softer economic growth in Maryland's D.C. Suburbs, likely due in part to upheavals at certain agencies and among some federal government contractors. Job growth in Montgomery and other Washington area counties began to slow in earnest late last year.

The data look considerably better for the Baltimore Metropolitan Area, though still not fabulous. According to BLS, the Baltimore region added 17,200 net new jobs between February 2017 and February 2018. Viewed in conjunction with other data, this means that the rest of the state lost jobs over the last 12 months for which data exist. That's probably not true given the stronger economic performance observed in Wicomico, Washington, and other counties. Regionally, job growth has been led by education and health services, followed by professional and business services, construction, and logistics.

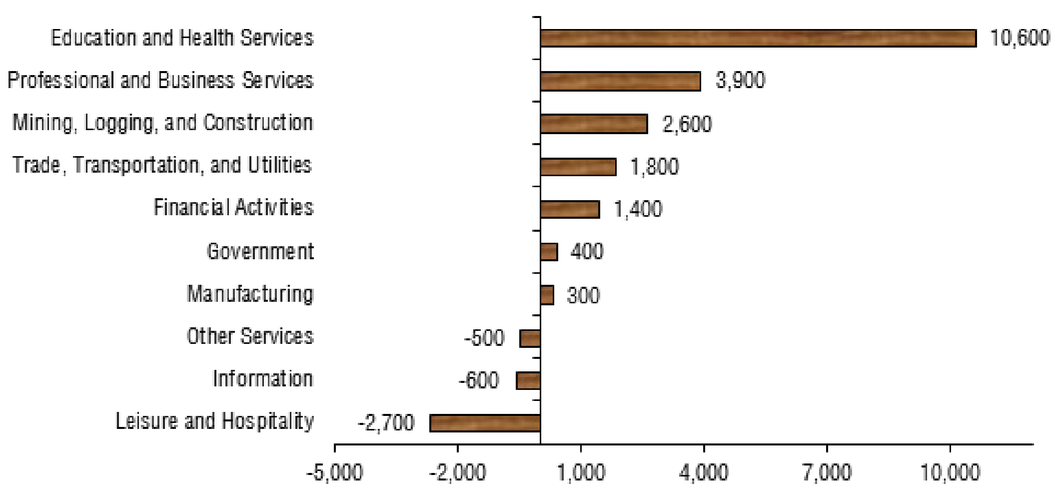
Logistics will continue to be at the heart of economic growth in the region. At the epicenter of Baltimore's comparative advantage is the Port of Baltimore, which has continued to flourish. The dynamics created in and around the port help explain ongoing declines in the regional warehouse market vacancy rate, which declined to 7.2% during 2018's initial quarter. That's 0.4 percentage points below the prior quarter's vacancy rate and 1.2 percentage points below the year-ago level.

However, recently enacted tariffs and growing threats of a trade war may serve to dampen activity at this core institution. Recent increases in softwood lumber, steel, aluminum, and other input prices could also serve to weaken construction momentum, which has been apparent in many Baltimore area communities, including at Tradepoint Atlantic, Port Covington, downtown Towson, downtown Columbia, Owings Mills, and Hanover.

The upshot is that the regional economic outlook has become considerably less clear over the past several months. Gone is the period of smooth stock price appreciation that characterized 2017. Recently enacted tax cuts will likely help support economic growth nationally through the balance of 2018, but the potential for full-blown trade wars has been expanding of late, translating into elevated financial market volatility, a flatter yield curve, and growing concerns among CEOs, CFOs, and other c-suite occupants.

**Baltimore MSA Nonfarm Employment by Industry Sector Groups (SA), 2/2017 v. 2/2018, Absolute Change**

*Source: Bureau of Labor Statistics*

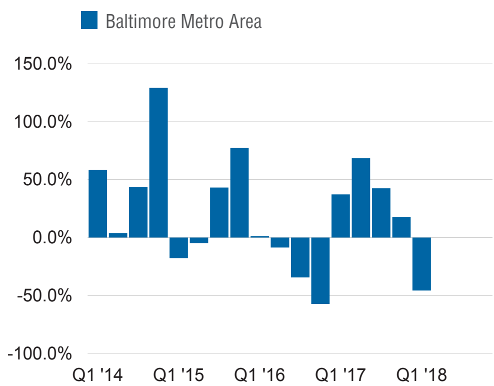


**$97** AVERAGE PRICE PSF

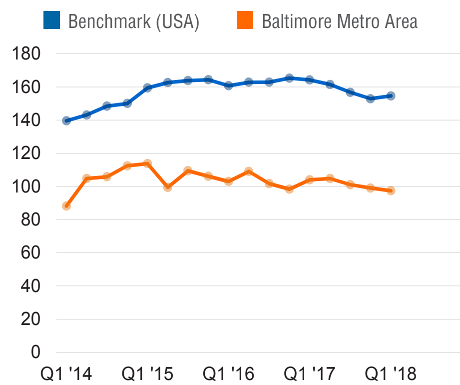
**$2.4 M** 12-MONTH VOLUME

**7.2%** AVERAGE CAP RATES

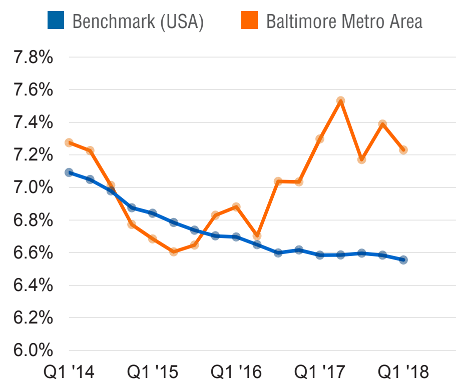
**Change in Sales (YOY)**




**Average Price ($/SF)**




**Average Cap Rate (Yield)**

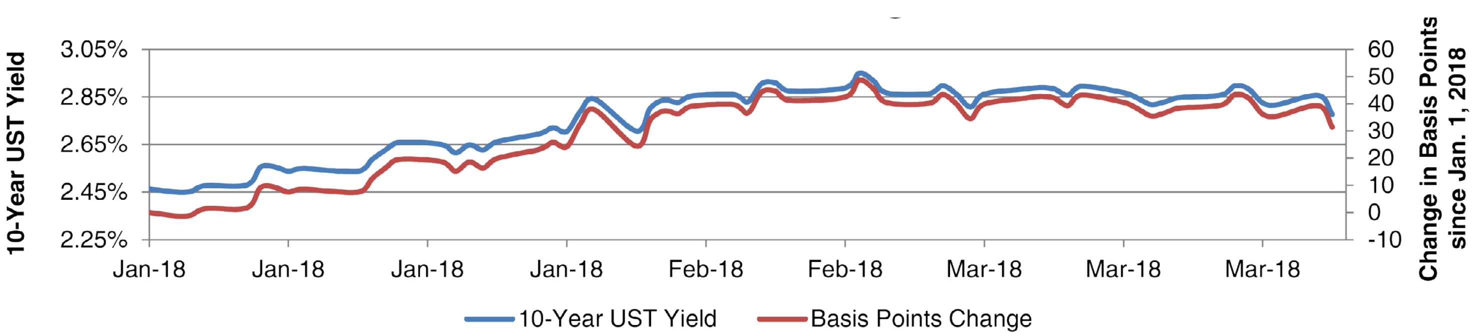



## CAPITAL QUARTER IN REVIEW

**By: William Goetschius, Vice President of MacKenzie Capital LLC**

The US economy continued its growth trajectory in the 1st Quarter of 2018 with a solid increase in GDP and employment. While this means that businesses are growing, it also gives the impetus to the Fed to continue raising the Federal Funds rate this year, putting upward pressure on the 10-year US Treasury rate, which is the benchmark against which many real estate loan products are priced. The 10-year US Treasury yield has increased over 40 basis points alone in the 1st quarter of 2018. Although this benchmark is expected to further increase three to four times this year, lenders, particularly CMBS lenders from whom non-recourse, maximum leverage is common, are lowering their spreads over the benchmarks' attempt to accommodate borrowers and win business, but proceeds are being squeezed. Lenders are generally confident, however certain property types like Class A multifamily construction are increasingly difficult to finance due to supply and absorption concerns in our market. There remains a tremendous amount of capital from life companies, debt funds, and banks, particularly in the bridge-lending space that's looking for a home in solid real estate, especially in value-add space. These institutions are looking more to markets outside the Gateway Top 25, like Baltimore and the surrounding area where they can get a little more yield on their money than in core markets, benefitting borrowers in the area. We see this trend continuing as the economy improves and the real estate market adjusts to this higher interest-rate environment.

## 10-YEAR UST YIELD THROUGH Q1 2018




Data and graphs received from proprietary MacKenzie research, CoStar, and Real Capital Analytics. Benchmark market includes all of the United States, Prior 12-month rolling. Property types include office, retail, and industrial/flex.

# ON THE HORIZON | UPCOMING PROJECTS

Selected sampling of current construction and proposed projects.

**Lexington Market | Baltimore City Midtown**
The city approved $250,000 toward design and planning of the new Lexington Market in February. Reports indicate that the $40 million redevelopment of Lexington Market will not break ground until at least 2019, leaving this year for finalizing financials and the overall design. Current plans include converting the existing 400 W. Lexington Street to outdoor park space, and building a new structure totalling 97,000 sf. Once it begins, construction is expected to take 18-24 months.

**Hollins Market | Baltimore City West**
Scott Plank's redevelopment of Hollins Market continues to move forward in its planning phase. Currently, the development is expected to cost $6 million, and Plank states that the new space could reopen early 2019. The market totals 17,128 sf, and Plank's design is to convert it into a hub similar to Belvedere Square.

**Broadway Market | Baltimore City East**
After plans for renovation were nixed last year, new plans to renovate have been approved by a historic preservation panel at City Hall in February. Designs include re-doing facades to allow more light into the market and create an open-air feel. Architects also wish to give it a "retail look" to make it less "flat". Overall, the plans focus on modernizing and retooling the public market. The timeline for this new proposal has not been determined yet.

**Canton Crossing | Baltimore City East**
Merritt's preliminary designs for a new office tower near Canton Crossing were approved by a city panel in February. The proposed tower would be 20-stories, and include 200,000 sf office space and 9,000 sf of street-level retail space, along with a rooftop conference center. The tower is expected to cost approximately $70 million and would be another step in the general expansion of the waterfront east. It would also serve as a gateway to the COPT development.

**The Center Club | City Center**
The Center Club has extended its lease at 100 Light Street for another ten years. It's renewal includes $2.3 million in renovations to the 16th floor Harbor Room and lounge that will double seating capacity to 400 patrons, which will allow for larger banquets and corporate events. The 15th floor main dining room will get a total renovation including flooring, finishes, lighting, and window treatments starting in 2019.

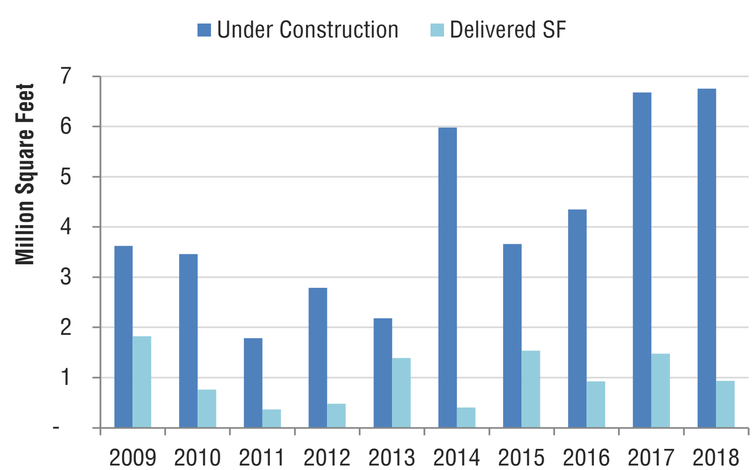
**Sparrows Point | Baltimore County East**
Tradepoint Atlantic's 3,100-acre development project was awarded $20 million in federal grant funds this March (TIGER grant) for infrastructure work; the funds will also reportedly be matched by private investment from Tradepoint Atlantic. Amazon's 900,000 sf distribution center is estimated to open within the next year. Under Armour is finishing its 1.3 million sf distribution center. This project is expected to create at least 10,000 direct jobs when finished in 2025.

## CONSTRUCTION QUARTER IN REVIEW

By: Joe Versey, SVP, MacKenzie Contracting Company, LLC

As the 2nd Quarter of 2018 gets underway, construction activity remains strong. And even while most discussions center around Amazon HQ2, specifically around the Greater Washington DC area, there truly is plenty of activity across the board in our region. Retail construction both in the suburbs and urban areas remains steady, current examples include continued development of mixed-use buildings in the counties, and new retail stores in Baltimore City office buildings such as those at The Candler Building, 111 Market Place and The Pandora Building, 250 W. Pratt Street. Healthcare and general office continue to thrive whether ground-up or renovations. With regards to healthcare, rules, regulations, and code changes often provide a boost to the construction industry; providers move on and off hospital campuses for various reasons, and we are seeing urgent care and physical therapy spaces pop up everywhere to meet growing demands. Patient and employee regulations also drive the need for new space designs and upgrades to existing locations. Regulations could cover anything from providing a space with active shooter protection, to allowing for the safe handling of medications and hazardous materials. We are also seeing the expansion of senior living facilities, not only in new locations, but within their existing spaces. Baby boomers are demanding larger living accommodations and thankfully residents are living longer and staying healthier which has resulted in fewer vacancies.

## 1ST QUARTER ANNUAL CONSTRUCTION COMPARISON




This chart illustrates the square feet under construction and delivered within the current quarter for each consecutive year, rather than YTD totals.

| | Current Quarter | Prior Quarter |
|---|---|---|
| Under Construction: | 6,752,649 sf | 6,650,291 sf |
| Deliveries: | 1,019,390 sf | 936,964 sf |

MACKENZIE

www.mackenziecommercial.com

## THE NUMBERS

| | DIRECT VACANCY | | | ABSORPTION | | ASKING RENTAL RATES* | | |
|---|---|---|---|---|---|---|---|---|
| **SUBMARKET** | **2018 Q1** | **2017 Q4** | **2017 Q1** | **Current** | **YTD** | **2018 Q1** | **2017 Q4** | **2017 Q1** |
| Baltimore City East | 4.3% | +1.2% | -4.4% | -34,977 | -34,977 | $24.98 | -$2.20 | -$0.86 |
| Baltimore City Midtown | 8.5% | -1.0% | -0.7% | 12,271 | 12,271 | $20.86 | -$0.08 | +$0.32 |
| Baltimore City North | 9.2% | +0.1% | -0.4% | -2,130 | -2,130 | $26.71 | -$0.48 | +$0.52 |
| Baltimore City South | 7.2% | +0.3% | +5.1% | 852 | 852 | $26.50 | +$3.50 | +$3.30 |
| Baltimore City West | 27.7% | +1.3% | +0.3% | -30,250 | -30,250 | $18.31 | -$1.52 | -$5.44 |
| **Baltimore City** | **11.7%** | **+0.6%** | **-0.8%** | **-54,234** | **-54,234** | **$21.10** | **-$0.86** | **-$3.13** |
| City Center A | 23.4% | -4.9% | -6.6% | -4,135 | -4,135 | $23.60 | +$0.01 | +$0.30 |
| City Center A+ | 6.4% | -0.4% | +0.4% | 23,589 | 23,589 | $29.43 | +$1.52 | -$0.98 |
| City Center B | 19.9% | -0.1% | -1.9% | 3,258 | 3,258 | $18.40 | -$0.48 | +$0.02 |
| City Center B+ | 10.5% | -1.0% | -9.3% | 26,381 | 26,381 | $23.47 | +$0.50 | +$0.61 |
| **City Center** | **13.3%** | **-1.4%** | **-3.4%** | **49,093** | **49,093** | **$23.07** | **+$0.30** | **-$0.01** |
| **Baltimore + CBD** | **12.7%** | **-0.5%** | **-2.3%** | **-5,141** | **-5,141** | **$22.37** | **-$0.12** | **-$1.10** |
| Baltimore County East | 12.9% | -0.2% | -1.4% | 4,110 | 4,110 | $22.80 | +$0.85 | +$1.02 |
| Baltimore County West | 12.0% | -0.3% | -1.8% | 10,768 | 10,768 | $20.61 | +$0.84 | +$0.16 |
| Harford County | 23.7% | +0.2% | +2.5% | -8,801 | -8,801 | $23.58 | +$0.74 | +$0.84 |
| I-83 Corridor | 9.4% | +0.3% | +0.2% | -24,981 | -24,981 | $22.16 | +$0.41 | +$1.23 |
| Reisterstown Rd Corridor | 18.1% | -0.0% | +0.5% | 2,514 | 2,514 | $22.50 | +$0.97 | +$0.77 |
| Towson | 13.2% | -0.1% | -2.0% | 8,592 | 8,592 | $22.10 | +$0.40 | +$0.71 |
| **Northern Metro** | **14.3%** | **+0.0%** | **-0.2%** | **-7,798** | **-7,798** | **$22.38** | **+$0.65** | **+$0.81** |
| Annapolis | 10.5% | +0.0% | -3.3% | -857 | -857 | $27.59 | -$0.83 | -$0.25 |
| BWI | 15.3% | -0.6% | +0.0% | 76,414 | 76,414 | $26.90 | +$0.22 | +$1.62 |
| Columbia | 10.9% | +1.0% | +2.1% | -130,755 | -130,755 | $25.44 | +$0.21 | +$0.13 |
| Route 2 Corridor | 13.6% | +0.2% | +0.4% | -4,020 | -4,020 | $22.97 | -$0.49 | +$0.07 |
| **Southern Metro** | **12.4%** | **+0.3%** | **+0.6%** | **-59,218** | **-59,218** | **$26.10** | **+$0.02** | **+$0.53** |
| **Totals** | **13.1%** | **-0.1%** | **-0.6%** | **-72,157** | **-72,157** | **$23.54** | **+$0.21** | **+$0.12** |

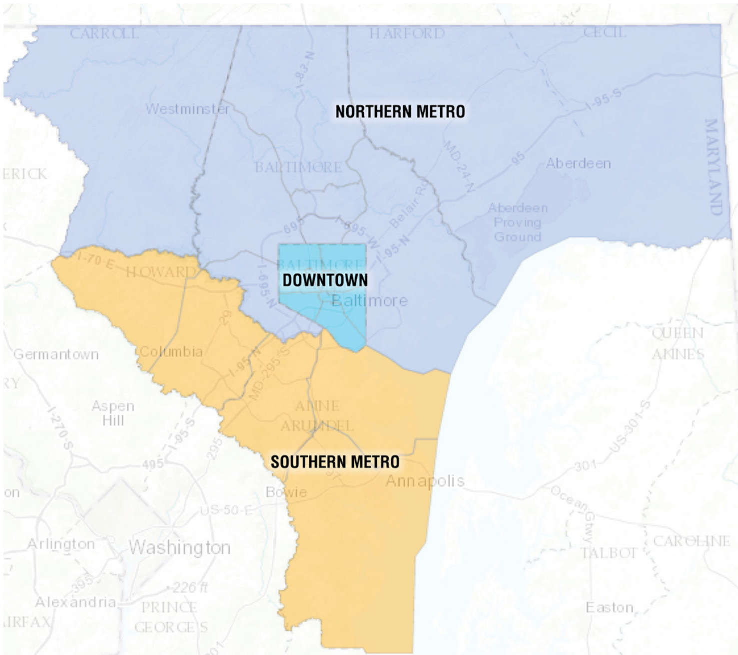
**Rental rates are weighted average.*

**13.1%**
**VACANCY RATE**

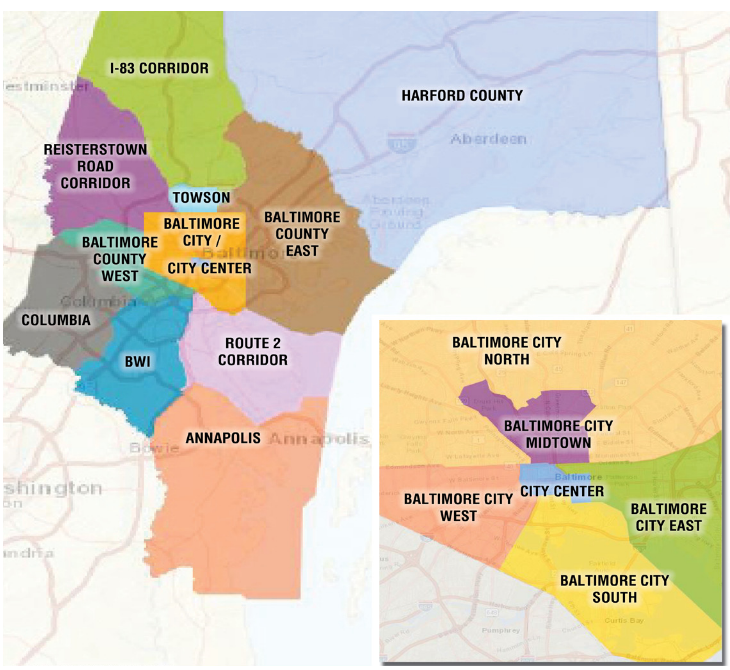
**-72,157**
**YTD ABSORPTION**

**$23.54**
**AVG. RENTAL RATE**

## MARKET SNAPSHOTS




## SUBMARKET BREAKDOWN




## DOWNTOWN

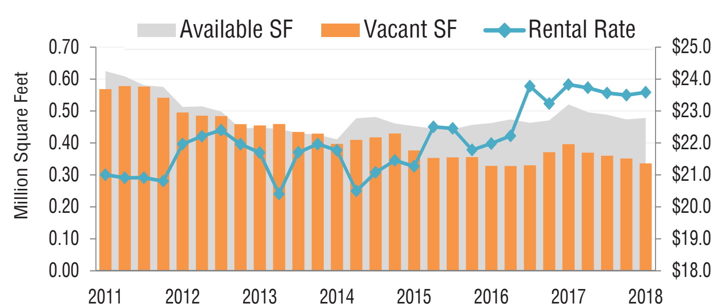
It's a story that has persisted for years - the shuffling of tenants in the Central Business District (CBD). The first quarter was no exception. Once again, velocity on Pratt Street in the Class A market lead the way for leasing, which resulted in a decrease in the overall CBD vacancy. Exelon's move from 750 E. Pratt saw a building that went from a 50% vacancy to fully leased in a matter of months with big name tenants such as Johns Hopkins, Maryland Health Benefit Exchange, and KPMG.

Another continuing trend is the interest of out-of-town investors in CBD office buildings. This quarter alone, 1 E. Pratt sold for \$80.1 million to a Miami real estate firm, and 500 E. Pratt sold for \$60 million to a South Florida-based investment firm, which continues the central business district investment trend that arguably began to take shape in 2015 with the sale of 300 W. Pratt Street, 250 W. Pratt Street, and the Transamerica Tower.

With Beatty Development at the helm, Baltimore City Midtown could become a "new frontier" of growth. In December, Amtrak announced Beatty to help develop Penn Station and other properties in the area, which will provide some much-needed attention to this part of the city. Their plans include a mixed-use development with up to 1.6 million sf of new developments including office, residential, and additional retail concourse space.

The UM BioPark is also providing some growth and investment for Baltimore City West with new co-working space at the GRID. Baltimore City South recently saw an increase in market size and vacancy due to the recent listing of the Federation of the Blind. Incubation spaces also continue to be popular downtown, taking large spaces off market.

Outside of the CBD, Baltimore City is continuing to see growth and new tenants have entered the periphery markets driven by a younger workforce. These markets offer commuter benefits such as easier parking and less congestion. Flywheel Digital is the perfect example of this movement. In the past couple years, they have moved their offices from Catonsville to Foundry Row temporarily, and just recently signed a lease in Baltimore City at McHenry Row.





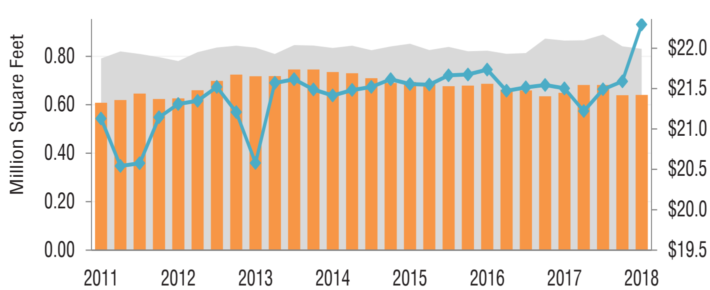

MACKENZIE

## NORTHERN METRO

Baltimore's Northern Metro recently concluded a rather lackluster 1st Quarter of 2018. The office market is relatively quiet, with a few small transactions headlined by Stanley Black & Decker taking around 6,000 sf± at 210 Allegheny Avenue in Towson. 1 W. Pennsylvania Ave is advertising new vacancies up to 22,000 sf with Allstate Insurance planning to leave the building in the late summer this year. Residential construction continues to drive new workforce opportunities in the Towson area with Washington Avenue's Flats at 703 leasing up and Avalon Bays new apartment project at the York Road Circle well underway. First floor retail looks like it is leading in the right direction with new tenants added along the 400-500 blocks of York Road to include Chipotle and Boho Nation. The Towson Row project, now headed up by Greenberg Gibbons, hopes to start the student housing construction this summer with the retail and office components falling into place down the road.

I-83 Corridor continues to be one of the area's healthier markets, with proximity to major highways and easy access to downtown markets, while still offering competitive pricing for Class A spaces, and general commuter privileges such as a multitude of amenities in Hunt Valley, free and plentiful parking, and easy access for employees on the periphery of the metro area. Earlier this quarter, Altus Group leased 13,794 sf at 20 Wight Avenue. As Altus continues to expand their company holdings, their move into Hunt Valley from Sparks is an excellent example of companies continuing to take advantage of what the corridor has to offer.

The I-83 Corridor and Baltimore County East will also be the home to a multitude of upcoming job opportunities in the next few years, beginning with Bank of America's renewal for approximately 330,000 sf at 11333 McCormick Road. This year, they've announced the future addition of 600 jobs, nearly doubling their staff over the next few years. In total, they will be employing around 1,500 people in Hunt Valley by 2020. The Hunt Valley area is also awaiting the completion of the new McCormick & Company headquarters building at 99 Shawan Road, which is on schedule to deliver in June 2018. Stanley Black & Decker has also announced 400 new jobs that will come to their new space at Greenleigh at Crossroads in White Marsh. This February, the company announced plans to invest $8.5 million into a 92,000 sf building at Geenleigh at Crossroads as part of their expansion into the new development. Altogether, Stanley Black & Decker will employ approximately 2,700 people in Maryland alone.

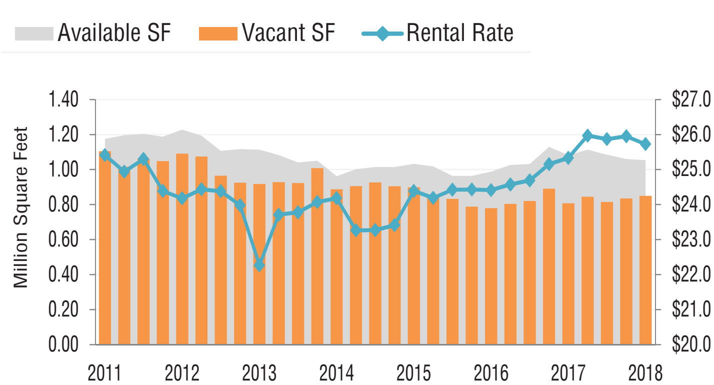



## SOUTHERN METRO

This quarter, the Annapolis leasing market has seen some unexpected changes including a resurgence of mortgage companies looking for short-term space. Lord & Taylor has vacated the Annapolis Mall, and the top floor is now being marketed as medical-use rather than retail as part of the ongoing effort to change how users view the area's malls. St. John Properties is working on new buildings in the area; two Class A buildings at 187 Harry S. Truman (approximately 130,000 sf) and 810 Bestgate (100,000 sf) are currently under construction and set to deliver 1/2019 and 12/2019, respectively. The sales market in Annapolis continues to be robust with investors and owner-occupiers looking to buy. We've seen a lot of multi-family and self-storage operators looking to purchase with the intent to convert the spaces as well.

The BW Corridor, specifically BWI and Columbia, has seen the majority of Southern Metro activity including building and land sales, new leases, and even a few larger subleases and renewals. Columbia Gateway continues to show a lot of activity as tenants shift around the Columbia submarket. TCOM, LP purchased 42,150 sf from Bernstein at 7115 Thomas Edison Drive, and 7021 Columbia Gateway Drive sold to Abrams Development for $153.94/sf. Renewals and subleases have also occurred in Gateway with The Jacobs Group renewing 15,000 sf at 7164 Columbia Gateway Drive, while Oracle is subleasing two complete floors, and CSRA is subleasing their space in Gateway so they can downsize. Town Center remains active with Costello leasing the remaining office space in their new Class A building downtown to Next Phase Solutions (16,300 sf) and Fusion (11,332 sf). Costello also purchased the Columbia Sheraton Hotel in Town Center.

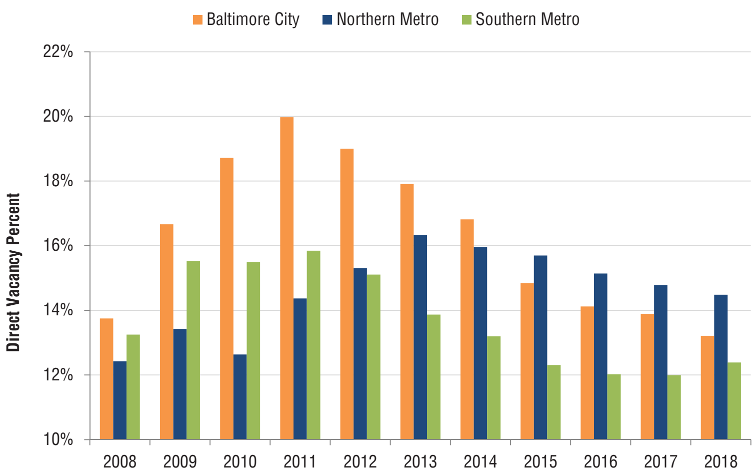
Kaiser Permanente purchased 10.3 acres of land for a new 90,000 sf medical office building. They paid $10.3 million for the land at 8201 John McAdam Drive which was purchased from Howard Research and Development. In the past several years, they have opened several new facilities in the corridor, including a 131,000 sf building in Halethorpe and a 25,735 sf medical center in Glen Burnie, along with the center they already have in Columbia Gateway.



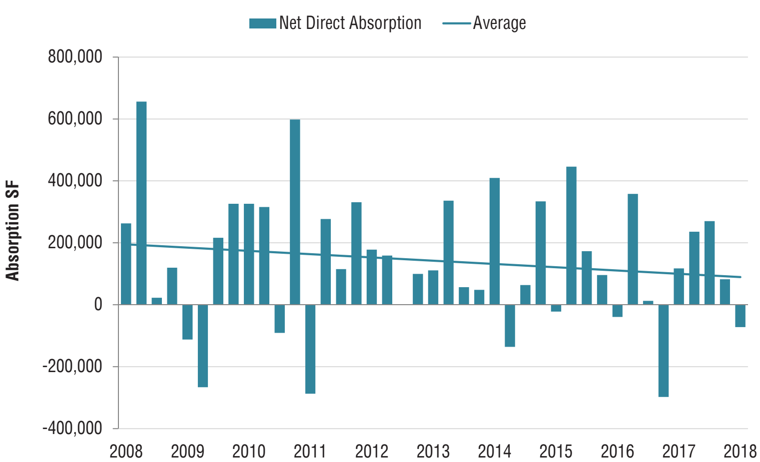



MACKENZIE

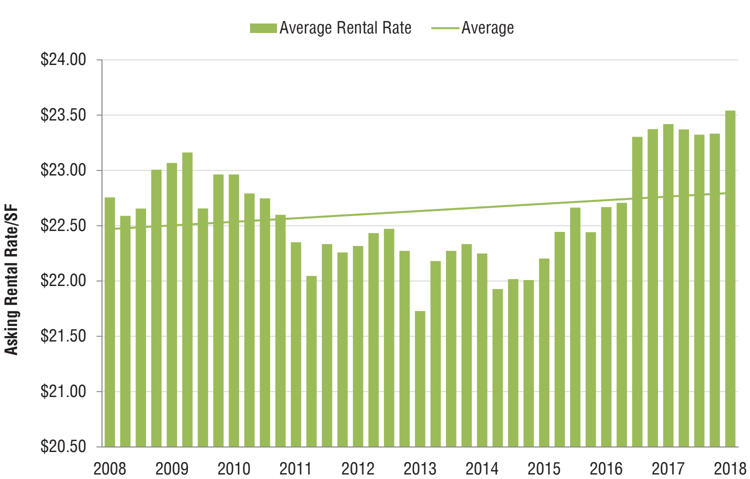
## DIRECT VACANCY




## ABSORPTION




## ASKING RENTAL RATES




### Vacancy Continues to Drop

Overall office vacancy slightly decreased this quarter, averaging 13.1% for the Baltimore Metro Area. The region with the highest vacancies has moved from City Center in Q4 2017 to the Northern Metro, due to the steadily high vacancies in Harford County, currently averaging 23.7%. On the other hand, City Center has decreased 1.4% this quarter on average, and saw a considerable shift of -4.9% in Class A buildings alone. The tightest submarket continues to be Baltimore City East, averaging 4.3% (although this increased 1.2% since last quarter). While each region has a wide range of vacancy averages between its various submarkets, the Southern Metro has consistently kept low vacancies overall, maintaining a lower than average market vacancy. Columbia has increased to double digit vacancy (currently 10.9%), which is to be expected with the increase in new product and subsequent tenant shifts.

### Absorption Takes a Brief Fall

Absorption totals for the office market dropped into the negative, losing approximately 72,157 sf of tenants this quarter. However, with overall vacancy continuing to decrease, and plenty of new space on the market, this looks like a temporary blip rather than a continuing trend. The majority of loss took place in Columbia, averaging -130,755 sf this quarter, -81,000 of which took place at 8621 Robert Fulton Drive. Although the numbers reflect Pearson's move out, the space has already been leased to Magellan Health Services, who should be moving in this April. Baltimore City East also gained 34,977 sf of vacancy this quarter, mostly due to tenants leaving 2400 Boston Street. While most other submarkets saw little activity this quarter, there was positive absorption in BWI (+76,414 sf), City Center B+ (+26,381 sf), and City Center A+ (+23,589 sf). City Center was the only region that experienced a net gain of tenants this quarter, averaging 49,093 sf.

### Market Remains Expensive for Tenants

Rising $0.21/sf this quarter alone, average asking rents for the metro area are currently $23.54/sf. Rents range from the best deals, which can be found in Baltimore City West ($18.31/sf) and City Center Class B ($18.40/sf), to the most expensive areas in City Center Class A+ (asking $29.43/sf) and Annapolis ($27.59/sf). While there were no large changes to the market average, the biggest shifts this quarter can be found in Baltimore City: City East decreased by $2.20/sf, City West decreased by $1.52/sf, while City South increased by $3.50/sf. In Baltimore City West, the increase in available space (currently 38%) seems to coincide with their annual decrease in rent values (-$5.44/sf). Although the Northern Metro does not boast the highest or lowest rent values, its properties continue to rise in price across the board, averaging an increase of $0.81/sf this year and $0.65/sf this quarter.

# NEWS HIGHLIGHTS

- 8820 Columbia 100 Parkway (Columbia 100 Corporate Center), a 85,798 sf Class A building, recently sold in January for $16.68 million to an affiliate of Mid-Atlantic Healthcare. The group had already purchased 1804 West Street (Annapolis) and 7671 Quarterfield Road (Glen Burnie), so this property was just the latest in a string of acquisitions.
- Annapolis Rhematology has expanded to 18 Magothy Beach Road in Pasadena, which is a Class B office/medical building. They leased 1,500 sf, leaving 4,500 sf left available in the center.
- 7021 Columbia Gateway Drive (Columbia Gateway Business Park) sold for $16.2 million in February. The Class A building is approximately 105,250 sf and is zoned M1. The building was mostly leased by Tenable, which is currently in the process of moving downtown; this will leave the building less than 50% occupied.
- The Maryland Democratic Party leased 2,677 sf of Class B office space at 275 West Street (West Garrett Building). The building is reportedly 70% leased at this time.
- The Forest Drive Executive Center at 1419 Forest Drive in Annapolis, was sold in January for $2.7 million ($141.36/sf) to Dr. Rudy Rai, an affiliate of the Gastro Center of Maryland. The Class B office/ medical building is 19,100 sf, and the cap rate was confirmed at 9.33%. Currently, the building reports 100% leased.
- Little Patuxent Square in Columbia has filled its last office space, signing a lease with Next Phase Solutions and Services, a healthcare, engineering, and social services company. The lease was signed for 16,300 sf and begins in July for a ten-year term. Fusion Academy & Learning Center also signed a 12,100 sf space lease that will begin in August.
- Verizon Wireless signed a lease for approximately 59,161 sf of Class A office space at 10170 Junction Drive (Annapolis Junction Town Center). The Town Center was recently built in 2017 and is approximately 100,000 sf with four floors of office space.
- The Class A office tower at 500 E. Pratt Street sold in February for $60 million to Morning Calm Management (MCM 500 East Pratt LLC) based out of South Florida. The building is 279,712 sf and was reported as 93% leased at the time of sale. The pro forma cap rate was 8.25%.
- Stanley Black & Decker recently signed a lease for 6,600 sf at 210 Allegheny Avenue in Towson. They will be occupying the entire fifth floor.
- The Board of Public Works signed a lease for 2,490 sf at 60 West Street in Annapolis for a ten year term.
- KPMG is moving into the recently vacated space at 750 E. Pratt Street. They signed a lease for a reported 21,464 sf on the 18th floor, and will be relocating from 1 E. Pratt Street.

# NOTABLE TRANSACTIONS

**Lease**

| Location | Submarket | Tenant | Amount Leased SF |
|---|---|---|---|
| 10170 Junction Drive | BWI | Verizon Wireless | 59,161 sf |
| 750 E Pratt Street | City Center | Johns Hopkins | 26,898 sf |
| 839 Elkridge Landing Road | BWI | Board of Public Works | 11,637 sf |
| 3445 Box Hill Corporate Center Drive | Harford County | Englert Dermatology | 4,725 sf |

**Sale**

| Location | Submarket | Price | PSF | Building Size |
|---|---|---|---|---|
| 1 E Pratt Street | City Center | $80,100,000 | $225.14 | 355,779 sf |
| 500 E Pratt Street | City Center | $60,000,000 | $214.51 | 279,712 sf |
| 8820 Columbia 100 Parkway | Columbia | $16,675,000 | $194.35 | 85,798 sf |
| 200 Forbes Street | Annapolis | $4,880,548 | $158.10 | 30,870 sf |

## A TALE OF TWO CITIES

Review by: John Schultz, Senior Vice President & Principal

For retail, 2017 seemed like a tale of two cities. One day it's "total store liquidation" for some well know retail brands, and other days we read about new concepts backfilling vacant spaces and new capital infusions or growth mode charges from others. Although times are changing, it is not all "doom and gloom" for the retail industry.

Summarizing an article from *Retail Dive* earlier this quarter, here are some trends that indicate what we can expect to see in real estate for the remainder of 2018:

**1. Acquisition fever is heating up**

Amazon's purchase of Whole Foods was the talk of the industry last year. With competition as fierce as ever, and retail valuations relatively depressed, we don't expect the frenzied pace of buyouts to slow. In fact, Neil Saunders, managing director of GlobalData, thinks the pace could increase, as retailers "look to both consolidate their positions in the market and embark on new ventures in the digital space."

**2. Personalization takes a new form**

There are few terms buzzier than "personalization" in retail today and the quest for this holy grail will only accelerate into 2018. In fact, retailers will invest more in personalization efforts this year than any other area of retail, according to Forrester Research.

"Personalization is a bit like the weather — everyone talks about it, but almost no one is really doing anything about it."

And for the first time, retailers are investing in personalizing the physical store, not just the online experience. Personalization has been cited as the No. 1 investment by retailers to Forrester Research for several years, but 2018 marks the first time that survey respondents (72%) said they planned to extend personalization projects to stores.

**3. Brick-and-mortar experimentation will increase**

It's been a while since brick-and-mortar retail just meant four walls and some product-laden shelves. According to Deborah Weinswig, managing director at Fung Global Retail & Technology, a retail think tank, the idea behind this new breed of retail is to be a resource for the shopper, a new kind of experience. To somehow "get the customer to make the store more a part of her life, to 'live more of her life' there." That also means making sure store associates have the technology they need to better cater to customers — mobile, IoT or otherwise — and we can expect much more of that as we head into 2018, as well.

**4. Private label grabs the spotlight**

The rise of private label in 2017 was astonishing, with retailers like Amazon and Target standing out in particular for their breadth of new proprietary lines. So why are retailers making such a big push to develop their own brands? A few simple reasons: gross margin dollars, leverage with national brands and exclusivity — all of which have become increasingly necessary priorities. "When they (Target) get a designer to do a line of home goods, it creates an air of cheap chic that frankly, made the Target brand what it is. Other types of commodity items are much more around 'good value.'"

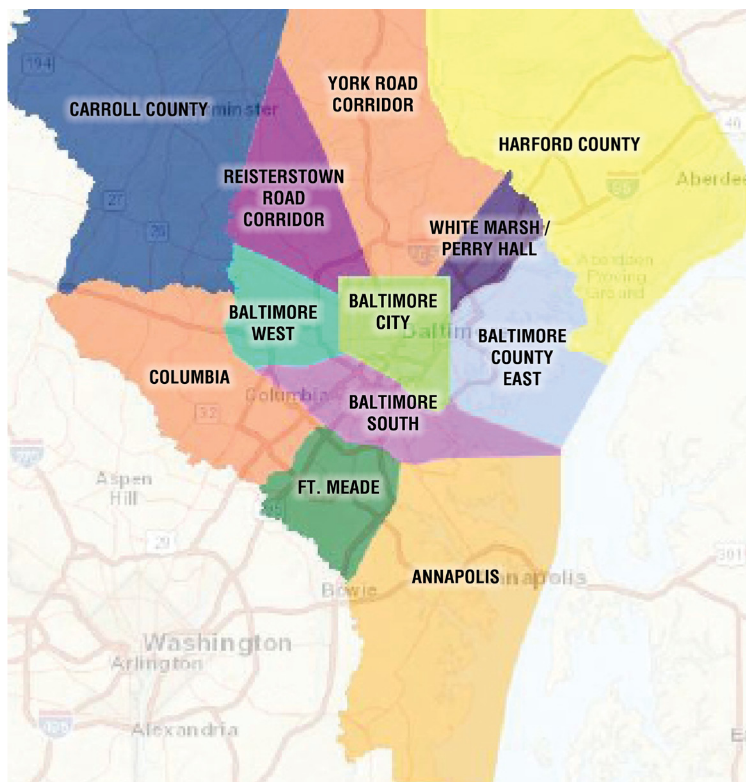
In short, any piece of news about retail can be spun into "begging of the end" or "what apocalypse?" Successful retails need to "fix what is not broken" every year to avoid falling into the trap of just opening the doors and customers will flock. Now that is a dated concept!

## RETAIL SNAPSHOT | 1ST QUARTER 2018

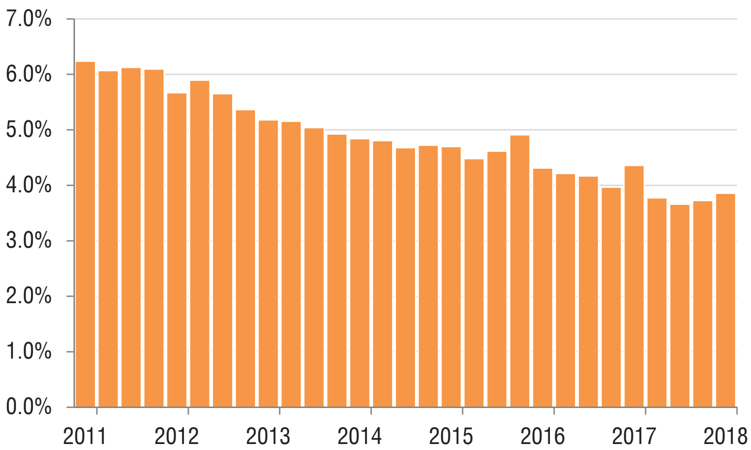
| 3.9% | -133,231 | $20.32 |
|---|---|---|
| VACANCY RATE | YTD ABSORPTION | AVG. RENTAL RATE |

## THE NUMBERS

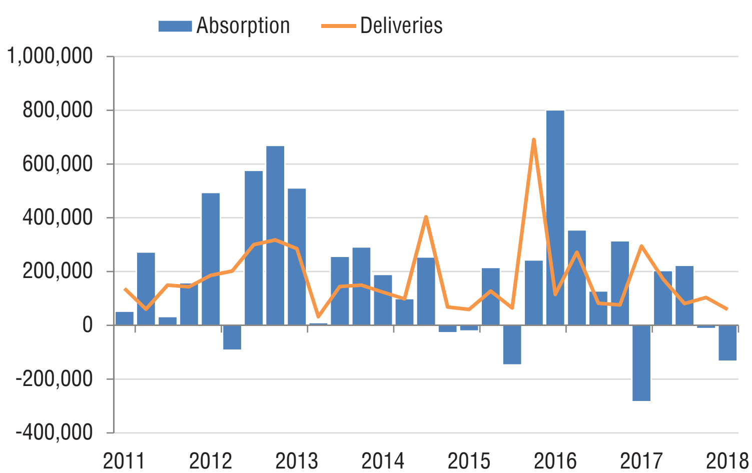
| Submarket | Bldgs | Market Size SF | Direct Vacant SF | Direct Vacancy | Absorption Current | Absorption YTD | Available SF % | Average Asking Rent |
|---|---|---|---|---|---|---|---|---|
| Annapolis | 829 | 13,603,915 | 449,869 | 3.3% | -24,677 | -24,677 | 4.6% | $22.85 |
| Baltimore City | 3,457 | 26,910,049 | 1,045,375 | 3.9% | -154,349 | -154,349 | 5.3% | $22.14 |
| Baltimore County East | 713 | 9,680,022 | 641,963 | 6.6% | -8,169 | -8,169 | 7.8% | $13.93 |
| Baltimore South | 644 | 10,583,053 | 630,642 | 6.0% | 77,861 | 77,861 | 7.1% | $17.36 |
| Baltimore West | 607 | 10,662,515 | 311,925 | 2.9% | 12,770 | 12,770 | 4.9% | $19.02 |
| Carroll County | 528 | 8,034,591 | 295,090 | 3.7% | 25,522 | 25,522 | 4.9% | $16.19 |
| Columbia | 427 | 9,115,501 | 199,259 | 2.2% | -14,193 | -14,193 | 3.1% | $27.64 |
| Ft. Meade | 371 | 8,261,378 | 277,415 | 3.4% | -18,406 | -18,406 | 5.6% | $22.50 |
| Harford County | 864 | 12,026,965 | 470,694 | 3.9% | -12,170 | -12,170 | 5.6% | $19.18 |
| Reisterstown Road Corridor | 361 | 6,030,777 | 259,644 | 4.3% | -22,055 | -22,055 | 5.2% | $22.42 |
| White Marsh / Perry Hall | 356 | 6,212,681 | 168,737 | 2.7% | 18,948 | 18,948 | 4.2% | $19.59 |
| York Road Corridor | 692 | 13,111,696 | 426,126 | 3.2% | -14,313 | -14,313 | 5.7% | $23.58 |
| **Market Totals** | **9,849** | **134,233,143** | **5,176,739** | **3.9%** | **-133,231** | **-133,231** | **5.4%** | **$20.32** |

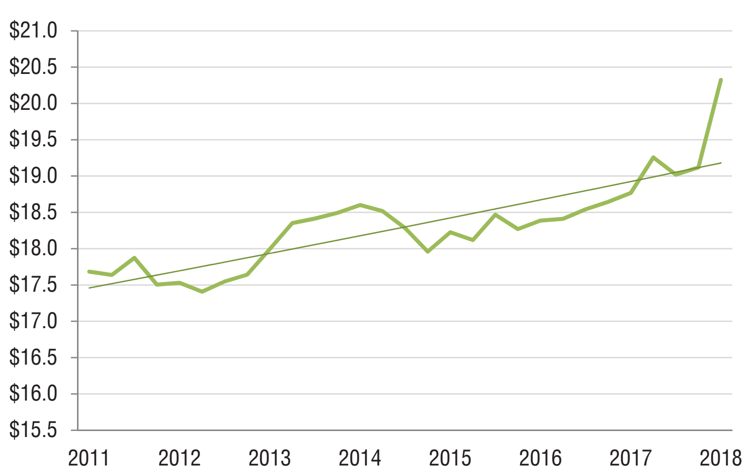
## DIRECT VACANCY




## ABSORPTION




## ASKING RENTAL RATES




### Slight Growth in Vacancy

While overall vacancy did increase slightly (+0.1%) this quarter, it still remains one of the lowest numbers the Baltimore Metro has experienced in many years, averaging 3.9% this quarter. The two submarkets that continue to struggle with filling space are Baltimore County East (6.6%) and Baltimore South (6.0%); these submarkets have had the highest vacancies for several consecutive quarters. On the other hand, the healthiest areas can be found in the Columbia submarket, which has an average vacancy of 2.2%, White Marsh/Perry Hall, which is averaging 2.7%, and Baltimore West, averaging 2.9%. While there haven't been many large annual changes, Annapolis did increase their vacancy by 1.1%, while White Marsh/Perry Hall and Carroll County decreased by 1.3% and 1.1%, respectively. Average vacancy has dropped by 0.5% since this time last year.

### Absorption Losses Across the Market

The Baltimore metro retail market experienced a negative absorption this quarter, losing 133,231 sf of tenants across eight of the twelve submarkets. The most noticable losses occurred in Baltimore City, which averaged -154,349 sf direct absorption this quarter. Baltimore City was followed by other tenant losses in Annapolis (-24,677 sf), Reisterstown Road Corridor (-22,055 sf), and Ft. Meade (-18,406 sf). However, a few of the submarkets saw increased interest and gained new tenants. Baltimore South's absorption averaged +77,861 sf, while Carroll County experienced +25,522 sf, and White Marsh/Perry Hall had +18,948 sf. Tenant movement should pick up in the next few quarters. Comparatively, 2017's 1st quarter's absorption was -284,003 sf, but later quarters' growth caused this number to even out by year end.

### Rental Rates Begin to Climb

Asking rental rates are experiencing a record high this quarter, averaging $20.32/sf NNN which is an increase of $1.56/sf from this time last year, and an increase of $1.20/sf from last quarter. This change is primarily due to large increases in properties in Baltimore City and White Marsh/Perry Hall, which saw a quarterly increase of $5.26/sf and $2.18/sf, respectively. Notable buildings with high asking rates downtown are 1601 Eastern Avenue, 325 W. Lexington Street, and 1706 Fleet Street. In White Marsh/Perry Hall, the Shoppes at Perry Hall and Perry Hall Station are some of the most expensive properties to lease. The most affordable areas to lease can be found in Baltimore County East, asking around $13.93/sf, and Carroll County, asking an average of $16.19/sf. On average, the most expensive areas continue to be Columbia (asking $27.64/sf) and York Road Corridor (asking $23.58/sf).

# NEWS HIGHLIGHTS

- The building permit for a residential condo building at 141 West Street in Annapolis was recently approved. The building will have 24 units and additional 3,000 sf of retail space on the first floor.
- Silver Diner has been granted a building permit and will be Howard County's first official diner at Gateway Overlook Drive in Elkridge.
- Sapwood Cellars, a new brewery in Columbia, has signed a lease for 7,200 sf at 8980 Route 108. They hope to open in June.
- The Steak N Shake at 8100 Veterans Highway in Millersville, sold at auction in January after filing for bankrupcy. The sale price has yet to be publically disclosed, but the cap rate was estimated at 6.75%.
- The Annapolis Restaurant Park on Jennifer Road (off of Route 50) has announced that Uncle Julio's will replace the former Famous Dave's space. The building will be approximately 8,100 sf and will cost approximately $1.5 million to build, according to the Annapolis Mall Shopping Center's permit.
- Cherry Tree Shopping Center at 11200 Scaggsville Road in Laurel reportedly sold to Citywide Properties for $7 million ($151/sf). The retail center is approximately 46,300 sf and reported roughly 20% vacant at the time of sale. Existing tenants include Verizon Wireless, Zip's Cleaners, and Music & Arts.
- An auto dealership at 8528 Baltimore National Pike in Ellicott City sold in February for $8.5 million to Behrang & Gabriela Doroudian (G&B Real Estate Holdings LLC). The property is approximately 25,173 sf, sits on 4.15 acres of space, and was 100% leased at the time of sale.
- Aldi has leased part of the former Mars space (20,000 sf) at Grand York Plaza in Timonium at the intersection of York and Ridgely Roads. Their current plan is to open in June.
- The Tilted Kilt closed in White Marsh this March. The location will be backfilled by Bar Louie, which plans to open this fall in 7,947 sf of the total Tilted Kilt space, leaving 2,400 sf available for lease.
- Growler USA, a craft beer bar, has leased the space at the Rotunda in Hampden between CineBistro and MOD Pizza. Opening date TBD.
- The Ciao Bella Restaurant at 236 S. High Street sold this past month for $1.05 million to an investment group.
- Sprouts Farmers Market has reported that their second Maryland location will be in the Towson Shopping Center, and plans to open late 2018.
- IHOP has leased 5,000 sf at 600 E. Pratt Street and will replace the Panera Bread that closed this past summer.

# NOTABLE TRANSACTIONS

**Lease**

| Location | Submarket | Tenant | Amount Leased SF |
|---|---|---|---|
| 200 Clifton Boulevard | Carroll County | ULTA | 11,387 sf |
| 7419 Ritchie Highway | Route 2 Corridor | Mattress & More | 11,200 sf |
| 250 Englar Road | Carroll County | Papa Joes | 3,690 sf |
| 5000 Sinclair Lane | Baltimore City | Expressions | 3,250 sf |

**Sale**

| Location | Submarket | Price | PSF | Building Size |
|---|---|---|---|---|
| 8504-8528 Baltimore National Pike | Columbia | $8,500,000 | $337.66 | 25,173 sf |
| 4600 Thunder Court | Harford County | $4,300,000 | $131.79 | 32,628 sf |
| 7420-7432 E. Furnace Branch Road | Route 2 Corridor | $3,100,000 | $78.00 | 39,742 sf |
| 111-115 Main Street | Annapolis | $2,200,000 | $228.38 | 9,633 sf |

# BALTIMORE INDUSTRIAL MARKET



## BALTIMORE INDUSTRIAL VACANCY CONTINUES TO DECLINE

By Anirban Basu, Sage Policy Group, Inc.

The Baltimore region is not among the nation's most rapidly growing economies. It doesn't have the dynamic technology marketplace that characterizes economies in San Jose, Seattle, and Raleigh. Its central city is losing population. One also won't find one of the nation's lowest unemployment rates in the region and HQ2 isn't headed this way.

But the region has much going for it nonetheless, including a dynamic industrial marketplace centered upon the activities of the Port of Baltimore, large proximate population centers, and important elements of the nation's interstate highway system. The region remains one of the most educated and affluent in the nation, and the economic outlook for 2018 is reasonably good.

Though warehouse net absorption was negative during 2018's initial quarter (-359,273 sf), the direct vacancy rate remains a satisfactory 7.0%, less than the 7.2% vacancy level that characterized the marketplace a year ago. Two markets that have been strong performers, the Harford/Cecil and BW Corridor markets, experienced negative net absorption exceeding a quarter million square feet during the quarter. Negative net absorption in Baltimore City was also apparent (-122,729 sf). Despite that, direct vacancy remains less than 8% in each of these three warehouse markets.

Net absorption in the flex category was a positive 224,210 sf during 2018's first quarter, with the vacancy rate falling 0.4% points during the quarter to 7.2%. Positive net absorption was heavily concentrated in the BW Corridor (+124,684 sf). The region continues to experience job growth among construction firms and in several light industrial segments, fueling demand for flex space.

Despite the quarterly reversal in warehouse space net absorption, asking rents continue to rise in most markets. For instance, in the Harford/Cecil market, average asking rent for warehouse space expanding by $0.28/sf to $5.29/sf during the first quarter. Asking rent in the region's flex market expanded by an impressive $0.37/sf during Q1:2018 to $11.33/sf

## LOOKING AHEAD...

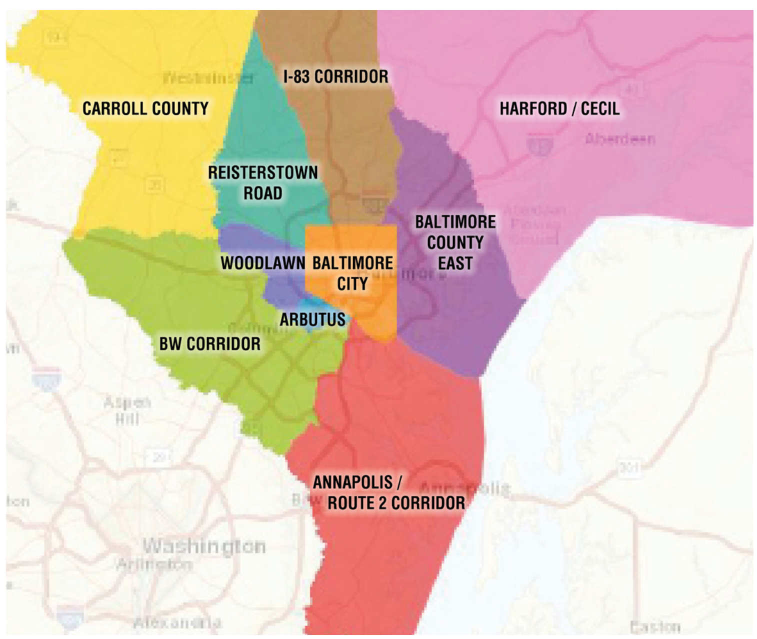
### DAN HUDAK, SENIOR VICE PRESIDENT/PRINCIPAL

**Although the Baltimore Metropolitan Q1 industrial statistics revealed a somewhat stagnant market based on little change in vacancy levels and negative absorption, we believe deal activity will pick up and remain brisk over the next several quarters. Corporate investment spending fueled by recent tax changes coupled with increased consumer spending should sustain continued demand for quality warehouse/distribution space and investment activity in the region.**

## AT QUICK GLANCE...

| FLEX | WAREHOUSE |
|---|---|
| 7.2% VACANCY RATE | 6.2% VACANCY RATE |
| 224,210 NET ABSORPTION | -359,273 NET ABSORPTION |
| 224,210 YTD ABSORPTION | -359,273 YTD ABSORPTION |
| $11.33 AVG. RENTAL RATE | $5.35 AVG. RENTAL RATE |

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



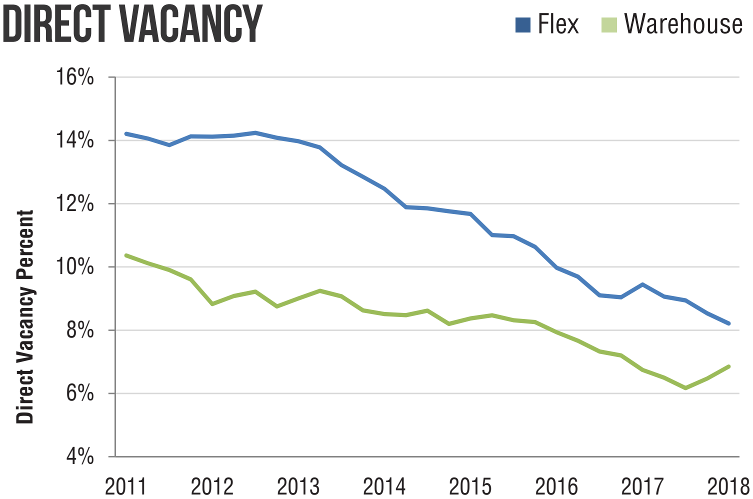
## THE NUMBERS

| | Submarket | Bldgs | Market Size SF | Direct Vacant SF | Direct Vacancy | Absorption Current | Absorption YTD | Available SF % | Average Asking Rent |
|---|---|---|---|---|---|---|---|---|---|
| FLEX INDUSTRIAL MARKET | Annapolis/Route 2 Corridor | 177 | 5,214,212 | 341,062 | 6.5% | 3,908 | 3,908 | 7.8% | $11.09 |
| | Arbutus | 59 | 2,110,746 | 101,280 | 4.8% | 10,480 | 10,480 | 7.3% | $8.85 |
| | Baltimore City | 134 | 4,450,130 | 419,807 | 9.4% | -33,585 | -33,585 | 15.5% | $10.85 |
| | Baltimore County East | 114 | 3,829,036 | 145,870 | 3.8% | 27,750 | 27,750 | 6.9% | $11.67 |
| | BW Corridor | 333 | 15,010,522 | 1,223,745 | 8.2% | 124,684 | 124,684 | 12.2% | $13.04 |
| | Carroll County | 56 | 1,561,625 | 257,095 | 16.5% | -3,978 | -3,978 | 15.8% | $10.52 |
| | Harford/Cecil | 141 | 3,113,058 | 193,325 | 6.2% | 9,115 | 9,115 | 12.3% | $10.85 |
| | I-83 Corridor | 109 | 4,957,472 | 118,668 | 2.4% | 40,891 | 40,891 | 5.6% | $9.36 |
| | Reisterstown Rd Corridor | 87 | 3,082,848 | 374,881 | 12.2% | 30,053 | 30,053 | 16.9% | $10.18 |
| | Woodlawn/Catonsville | 53 | 2,521,930 | 132,835 | 5.3% | 14,892 | 14,892 | 12.0% | $8.41 |
| | **Totals** | **1,263** | **45,851,579** | **3,308,568** | **7.2%** | **224,210** | **224,210** | **11.1%** | **$11.33** |
| WAREHOUSE INDUSTRIAL MARKET | Annapolis/Route 2 Corridor | 197 | 8,976,218 | 750,621 | 8.4% | -12,879 | -12,879 | 10.1% | $5.66 |
| | Arbutus | 103 | 7,570,140 | 515,369 | 6.8% | 64,630 | 64,630 | 14.7% | $3.61 |
| | Baltimore City | 1,104 | 40,899,540 | 2,394,412 | 5.9% | -122,729 | -122,729 | 7.8% | $4.80 |
| | Baltimore County East | 335 | 20,663,411 | 1,743,197 | 8.4% | 187,016 | 187,016 | 10.0% | $5.27 |
| | BW Corridor | 571 | 44,242,756 | 3,496,184 | 7.9% | -256,632 | -256,632 | 11.8% | $5.85 |
| | Carroll County | 159 | 7,562,081 | 329,761 | 4.4% | -4,499 | -4,499 | 5.7% | $5.86 |
| | Harford/Cecil | 346 | 34,863,168 | 2,587,732 | 7.4% | -261,223 | -261,223 | 6.6% | $5.29 |
| | I-83 Corridor | 83 | 4,381,681 | 102,595 | 2.3% | 55,554 | 55,554 | 2.9% | $7.87 |
| | Reisterstown Rd Corridor | 55 | 1,546,682 | 27,356 | 1.8% | -2,340 | -2,340 | 4.1% | $8.78 |
| | Woodlawn/Catonsville | 48 | 1,287,339 | 111,887 | 8.7% | -6,171 | -6,171 | 11.8% | $8.09 |
| | **Totals** | **3,001** | **171,993,016** | **12,059,114** | **7.0%** | **-359,273** | **-359,273** | **9.1%** | **$5.35** |
| | **Industrial Market Totals** | **4,264** | **217,844,595** | **15,367,682** | **7.1%** | **-135,063** | **-135,063** | **9.5%** | **$6.82** |

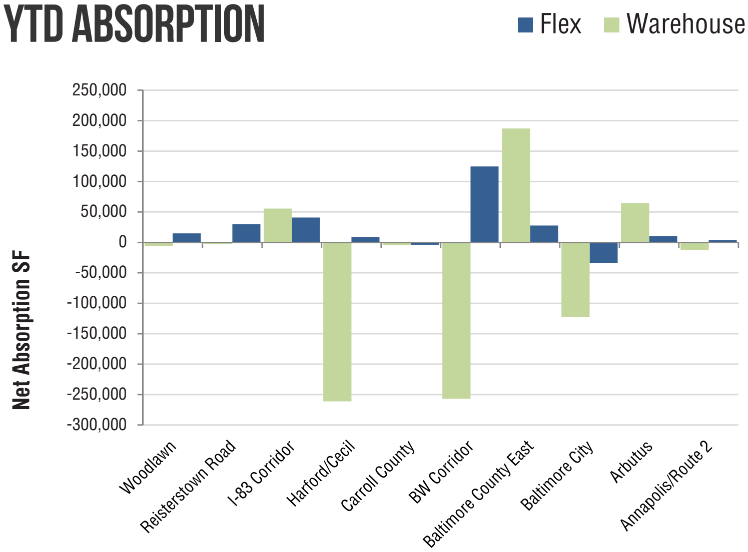
## HIGHLIGHTS

- McCormick renewed their 252,445 sf Class B warehouse space at 1351 Brass Mill Road (Riverside Business Park) in Belcamp.
- Paragon BioServices signed a lease for 151,200 sf at 7555 Harmans Road (Harmans). The space will be used for a lab and manufacturing facility for gene therapy and vaccines. Paragon is leaving its current space in Baltimore for this new lease.
- Thorlabs Quantum Electronics has renewed its two-building lease in Columbia at 8300 Stayton Drive and 10335 Guilford Road, totaling around 83,740 sf.
- Delsey Luggage opted to renew its space at 6090 Dorsey Road. The company currently leases 186,000 sf.
- Flir Systems renewed its lease at 7055 Troy Hill Drive.
- BTS Biogas LLC has leased space at Oceano Avenue (Maryland Food Center) in Jessup. The lease is for a ten-year term. The firm, based out of Italy, runs a plant that processes natural waste from food (primarily fruits and vegetables) into electricity, natural gas, and fertilizer. This space is in addition to another recycling facility in the area.
- A taproom and brewery called B.C. Brewery opens this April in an industrial park at 10900 Gilroy Road.
- 10000 Franklin Square Drive in White Marsh recently sold to TA Realty (Realty Associates Fund XI Portfolio LP) for $34.5 million ($87.90/sf). The space is approximately 392,500 sf of Class A warehouse space, and was 62% leased at the time of sale to Chesapeake Beverage. The property stretches 27 acres and was last sold in 2013 for $17 million.
- The 81,000 sf light industrial/flex building at 9176 Red Branch Road (Oakland Ridge Industrial Park) was sold in February for $7.2 million to Feldman Bergin Properties and Fortified Property Group. The building was reportedly fully leased at the time of the sale.

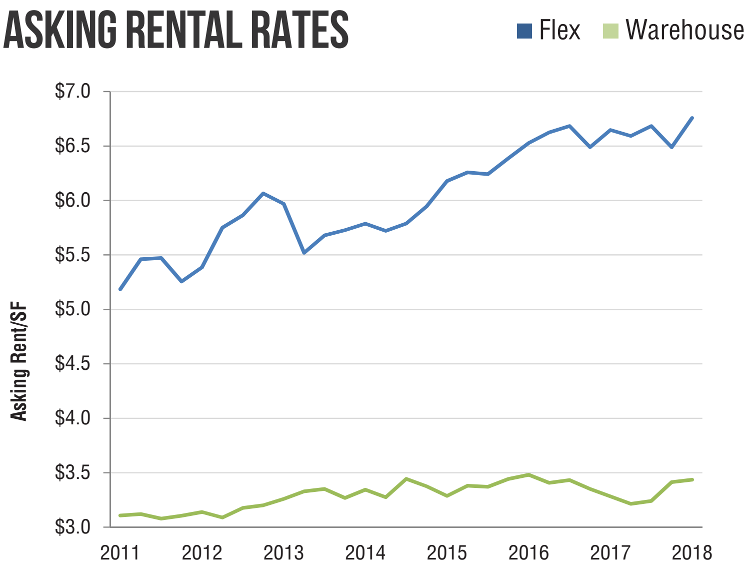
## DIRECT VACANCY




## YTD ABSORPTION




## ASKING RENTAL RATES




### Flex Submarkets Remain Strong

Overall this quarter, the industrial market's direct vacant space increased by 884,363 sf, resulting in 7.1% vacancy (an increase of 0.3%) in the total market space. However, the flex market's growth has remained positive, decreasing 1.2% over the past year, and 0.4% this quarter, resulting in an all-time low of 7.2%. The warehouse market, particularly Harford/Cecil Counties, Woodlawn, and Baltimore City, was the source of the slight increase in vacant space. In the past year, Harford/Cecil has increased 2.8%, Woodlawn has increased 7.8%, and Baltimore City increased 1.3%. While this was slightly offset by positive annual changes in Arbutus (-4.1%), Baltimore County East (-4.4%), and Carroll County (-2%), the warehouse market is still experiencing an increase in vacancy that began toward the end of 2017 and which still continues into the beginning of the 2nd Quarter 2018.

### Flex vs. Warehouse Absorption Cancels Out

The industrial market's absorption this quarter experienced a minor loss of tenants, averaging a negative 135,063 sf overall. However, this average shows that the flex submarkets' gain of 224,210 sf was cancelled out by the warehouse submarkets' loss of 359,273 sf. The flex market's growth this quarter can be attributed to the BW Corridor, which gained 124,684 sf of tenants, and I-83 Corridor, which gained 40,891 sf. The only major loss can be seen in Baltimore City, which saw a -33,585 sf this quarter. On the other hand, the warehouse submarkets that are struggling the most this quarter are the BW Corridor (-256,632 sf), Harford/Cecil (-261,223 sf), and Baltimore City (-122,729 sf). Positive gains can still be seen in Baltimore County West (+187,016 sf) and Arbutus (+64,630 sf).

### Industrial Space Continues to Cost

Asking rents continue to be some of the most expensive rates that the industrial market has experienced in years. While the tail end of 2017 saw a slight decrease in rates, the 1st Quarter of 2018 bounced back, averaging $6.82/sf for the market as a whole, $11.33/sf for the flex submarkets, and $5.35/sf for the warehouse submarkets. On average, the rates went up approximately $0.13/sf. However, some notable quarterly changes within the flex submarkets include: Arbutus (-$4.36/sf), I-83 Corridor (-$2.16/sf), and Baltimore City (+$1.41/sf). The best deals can be found in Woodlawn (asking $8.41/sf) and Arbutus (asking $8.85/sf). Warehouse submarkets all saw little change this quarter, all fluctuating within $1.00. Arbutus remains the cheapest submarket for warehouse tenants, asking $3.61/sf, closely followed by Baltimore City ($4.80/sf); Reisterstown Road continues to be the most expensive along with Woodlawn, asking $8.78/sf and $8.09/sf, respectively.

# NOTABLE TRANSACTIONS

### Lease

| Location | Submarket | Tenant | Amount Leased SF |
|---|---|---|---|
| 7555 Harmans Road | BW Corridor | Paragon Bioservices | 151,200 sf |
| 3901 Dillon Street | Baltimore City | Ace Logistics | 85,704 sf |
| 1212 E 25th Street | Baltimore City | Breaking Chains, Inc. | 4,830 sf |
| 2002 Bethel Road | Carroll County | North American Millwright | 3,750 sf |

### Sale

| Location | Submarket | Price | PSF | Building Size |
|---|---|---|---|---|
| 10000 Franklin Square Drive | Baltimore County East | $34,500,000 | $87.90 | 392,500 sf |
| 9176 Red Branch Road | Columbia | $7,200,000 | $88.82 | 81,067 sf |
| 8200 Fischer Road | Baltimore County East | $4,800,000 | $35.56 | 135,000 sf |
| 11111 Pepper Road | I-83 Corridor | $4,382,250 | $149.49 | 29,315 sf |

## REPORT CRITERIA

**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 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.

**INDUSTRIAL:**

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.

**RETAIL:**

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.