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COMMERCIAL REAL ESTATE SERVICES, LLC



MARKET REPORT



RETAIL MARKET

3RD QUARTER 2015



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BALTIMORE

LUTHERVILLE

ANNAPOLIS

BEL AIR

COLUMBIA

BALTIMORE RETAIL OVERVIEW

THIRD QUARTER | 2015



Downtown Baltimore's Residential Boom and the Retail Ripple Effect

Presented by Bowie Arnot, Associate Broker

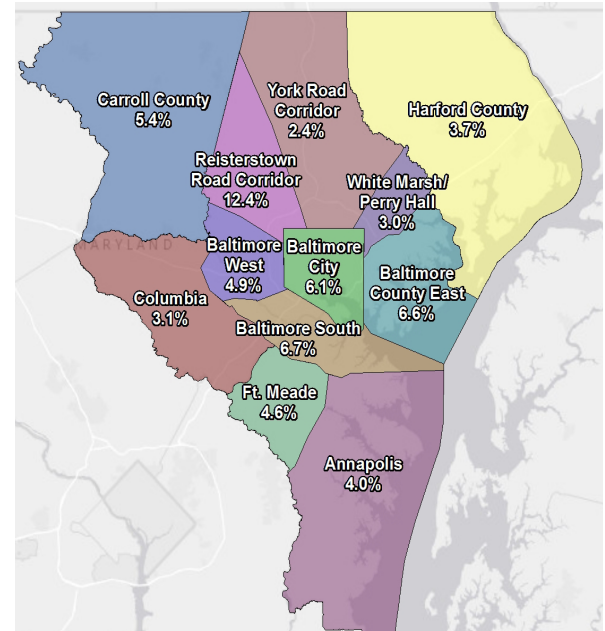
Baltimore's Downtown area represents the city's fastest growing neighborhood in terms of population. The consequence of Downtown's explosive residential growth is far-reaching, as this influx of "human capital" is of tremendous benefit to employers seeking talented, young professionals who want to work and play where they live. Of course with this significant residential growth follows new retail development, which is a further means of energizing the city's Downtown neighborhoods.

Presently, there are 3,366 new, market-rate rental apartments that have been recently completed, or are under construction, within a one-mile radius of the corner of Pratt and Light Streets. Samplings of recently delivered projects include 114 E. Lexington Street, 301 N. Charles Street, and 520 Park Avenue which in total added 370 units. Projects such as 10 N. Calvert Street (188 units), 10 Light Street (420 units), and 26 S. Calvert Street (167 units) are scheduled to complete this year. In addition, there are 3,470 more units in the planning/pre-development stage within the same one-mile radius. This phenomenon, which has been taking place since 2007, is occurring within older, Class B and Class C office buildings and obsolete industrial structures that developers are converting into high-end residential communities among Downtown Baltimore's core. Baltimore now ranks ninth in the country in downtown residential population (41,606 people), which is only about 3,500 people behind Washington, DC (44,120 people) *

Enter retail. In addition to hot retail neighborhoods like Harbor East, Baltimore's center-city landscape is seeing an increased entry of retail offerings. From high-end brands and one-of-a-kind boutiques, and quick-serve dining options to supermarket offerings including the most recent addition, Street's Market & Cafe, a popular Washington urban grocery store that has opened at Charles Center, retailers are taking notice of the area. Multiple regional and national brands are making their first entry to the Downtown market; Chick-Fil-A and Shake Shack, both fronting Pratt Street, and Planet Fitness opened at the Bank of America Center (intersection of Charles & Lombard). Others are expanding or developing spaces such as Starbucks in Harbor East and CVS at 400 E. Pratt Street. Also, the State's leading sports equipment and apparel juggernaut has recently announced it will opening an Under Armour Performance Center powered by FX Studio at 10 Light Street in Charles Center. This list of retailers is only expected to grow as the residential population of Downtown Baltimore's center city continues to expand in quantum leaps.

*Source: Downtown Partnership of Baltimore

HISTORICAL VACANCY RATES



QUICK STATS

5.04%
VACANCY RATE

Vacancy rates remained relatively steady, increasing by only 0.38% from the 2nd Quarter rate of 4.66%. For the past year, retail's vacancy rate has fluctuated an average of .20% in either direction.

-126,073
ABSORPTION

Absorption continues to be negative for the Baltimore Metropolitan Retail market this year, absorbing a negative 126,073 sf during the 3rd Quarter.

\$18.68
AVG. RENTAL RATE

Average rental rates for the retail market increased a mere \$0.09/sf during the 3rd Quarter and remain \$0.12/sf less than the same quarter one year ago.

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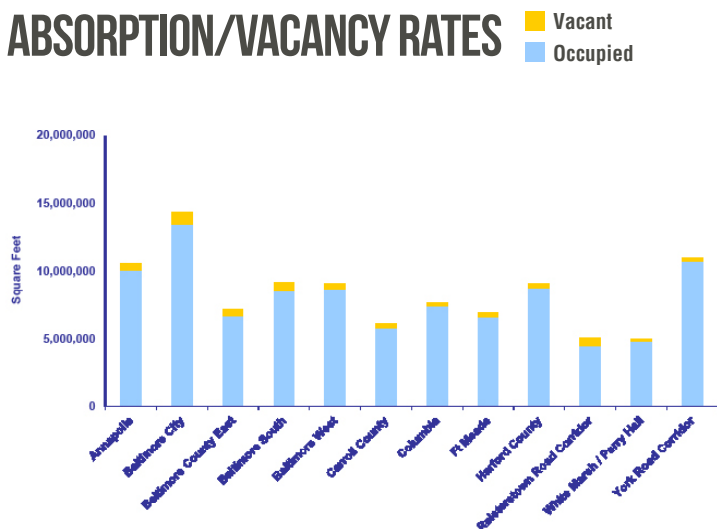
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THIRD QUARTER | 2015

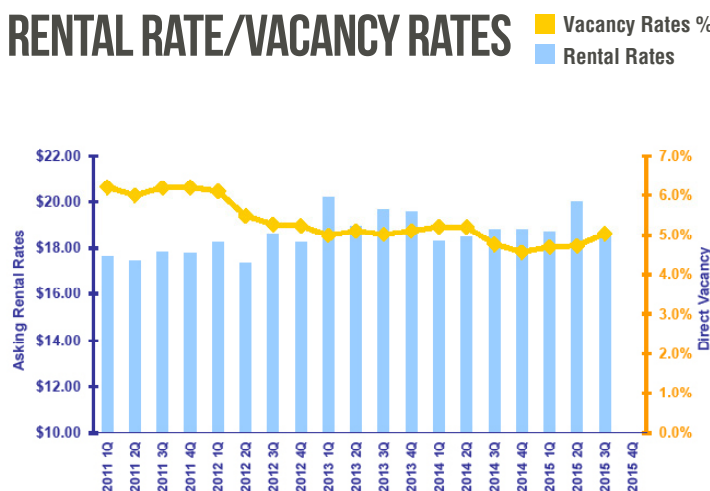


ABSORPTION/VACANCY RATES



Conditions throughout the region continue to tighten with the exception of the Reisterstown Road Corridor which has hovered between 11% and 13% for the past year. The strongest markets this quarter were the York Road Corridor (2.44%), White Marsh/Perry Hall (3.01%), and Columbia (3.12%). Positive absorptions in only four submarkets (Baltimore City, Columbia, Reisterstown Road Corridor, and York Road Corridor) was not enough to turn things positive for the 3rd Quarter which reported a negative 126,073 sf absorbed.

RENTAL RATE/VACANCY RATES



Rental rates remained relatively the same, increasing by only \$0.09/sf during the 3rd Quarter to a rate of \$18.68/sf. Baltimore County East has the lowest rental rate at \$15.08/sf, closely followed by Baltimore City and Baltimore South with rates of \$15.92/sf and \$15.96/sf, respectively. Columbia commanded the highest average rental rate, \$24.33/sf. The Annapolis and Fort Meade submarkets are also typically found at the higher end, this quarter garnering \$22.21/sf and \$20.77/sf, respectively.

HIGHLIGHTS

- 9,500 sf of retail space being added to Windsor Office Park at 2835 N. Rolling Road. Construction has begun, by St. John Properties.
- The Maryland Athletic Club & Wellness Center sold to Denver-based Wellbridge Inc. 54,000 SF, sold July 1. Wellbridge already acquired the Bel Air Athletic Club. They now have a total of 19 gyms nationwide.
- Chick-fil-A signed a 10-year ground lease for a 1.2 acre (52,272 sf) site at Nursery Landing, 921 Elkridge Landing Road in Linthicum, MD and will construct a 4,889 sf building.
- Popular Ocean City restaurant and brewery, Ocean City Brewing Company, announced they will be making their Baltimore debut at The Boulevard at Box Hill project in Abingdon, Harford County, MD this fall. Ocean City Brewing Company will be taking the place of Joe's Crab Shack that announced their closing on September 9, 2015.
- Fabletics, the online activewear and accessories line co-founded by actress Kate Hudson, will open its first brick-and-mortar stores at five

General Growth Properties, Inc. locations this fall, one being The Mall in Columbia.

- Canadian restaurant company Eggspectation announced plans to open its third Maryland store (after Ellicott City and Silver Spring) at Metro Centre in Owings Mills. It will join Times Square Kitchen, The Fractured Prune and Subway.
- Celebrity chef Bobby Flay opened Bobby's Burger Palace's fourth Maryland location this past July at Towson Square.
- Streets Market & Café, a specialty grocery store, leased 14,450 sf in the Charles Plaza at 222 N. Charles St. in Baltimore.
- Giant Food will anchor the Odenton Shopping Center after agreeing to a 60,492 sf lease with owner, Nellis Corp.

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NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
2605-2615 Quarry Lake Drive	Reisterstown Road Corridor	Citron Restaurant	10,500 sf
529 E. Belvedere Avenue	Baltimore City North	Tuesday Morning	6,000 sf
10035 Baltimore National Pike	Columbia	Massage Envy	4,359 sf
530-592 Baltimore Pike	Harford County	Golden Schezwan Restaurant	3,830 sf
3473 Merchant Boulevard	Harford/Cecil	True Cycling Studio, True Cycling Solutions LLC	3,318 sf
10 Fila Way	I-83 Corridor	Essence Salon, LLC	3,076 sf
6455 Dobbin Road	Columbia	Nalley Fresh	2,884 sf
60 Painters Mill Road	Reisterstown Road Corridor	Security Plus Federal Credit Union	2,350 sf
113 Beacon Road	Baltimore County East	Nettmix	2,218 sf
5022 Sinclair Lane	Baltimore City East	Think Wireless, Inc.	2,000 sf
6080 Falls Road	Towson	Sushi Hana Of Lake Falls, LLC	1,905 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
2331 Cleanleigh Drive	Baltimore County East	\$24,135,379	\$104.20	231,620
9972-9974 York Rd	I-83 Corridor	\$12,836,412	\$184.70	69,500

Number of Buildings 2,318

Market Size 101,177,144 sf

Criteria: The Baltimore Retail Market resemble a “hub and spoke” configuration, with many of the submarkets following the major roads in and out of Baltimore City. The region is broken down into twelve submarkets; Annapolis, Baltimore City, Baltimore County East, Baltimore County South, Baltimore County West, Carroll County, Columbia, Fort Meade, Harford County (including Cecil County) the Reisterstown Road Corridor, White Marsh/Perry Hall (Baltimore County East), and the York Road Corridor.

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