

FOURTH QUARTER | 2014

MacKenzie Market Report

Retail Market



MACKENZIE

BALTIMORE RETAIL OVERVIEW

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Retail in Baltimore – Food is on the Rise and Fast Casual will continue to grow

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Trending locally in Baltimore is a focus on quick serve food restaurants. Move over Five Guys and Checkers as the burger community is getting bigger. Burgers are making a return as evidenced by a bevy of fast casual burger operators popping up in the market including Shake Shack, Burger Joint, Steak n Shake, Smashburger, and Caliburger all have plans to open multiple locations in 2015. These crowd pleasers also please landlords by being part of an industry that saw over \$35 billion in sales in 2013 and a projected ten percent increase by the end of 2014. Next year industry experts see this remarkable growth continuing with made to order pizza restaurant innovators joining the group such as Blaze Pizza, PizzaRev and Uncle Maddies.

Story telling becomes part of the business as restaurants understand their patron's desire for a degree of accountability and interest. Buying local and supporting organic farming is an important element to today's discerning food lover who craves authenticity. Breweries are also adding interest and stepping up the competition for choice by offering micro brews designed to draw in a younger crowd looking for something different.

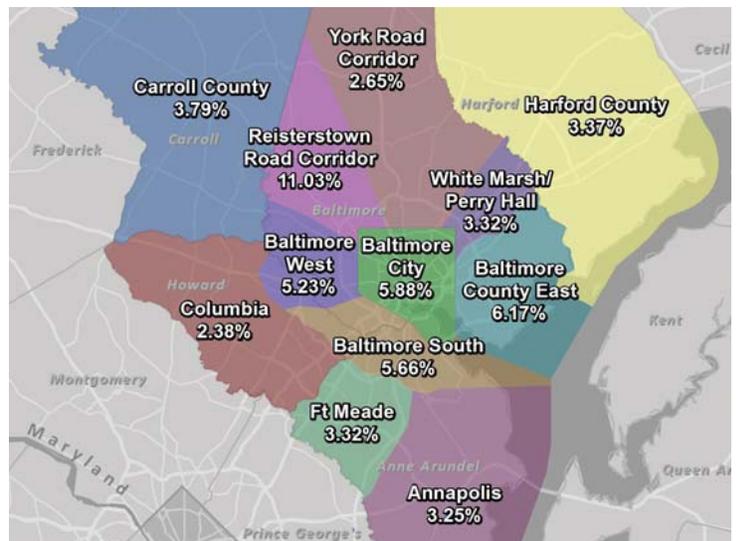
Also on the rise in Baltimore are oyster restaurants which are expanding in the form of traditional bricks and mortar (Ryleighs in Federal Hill), and roving food trucks and pop up shucking teams (Dylan's Oyster Cellar) at local festivals and events.

2014 saw a renewed interest in French foods in the Baltimore area and some are saying it could mean a possible trend for 2015 as Patisserie Poupon opens a second location, Café Poupon, and Le Garage gains popularity with its hard to beat frites shop serving potatoes, sauces, and beer.

Holiday Sales Projected to be good according to ICSC

As reported by ICSC, those confessing to being behind on their holiday shopping in November were considered to be good indicators for a strong December sales projection. Increased November sales of 4.4 percent above those of the previous year and adjusted on a seasonal basis indicate an overall positive outlook for 2014 holiday sales. Shoppers are still flocking to the shopping malls in search of gifts for those on their holiday lists and contributing to an increase seen in the sale of store categories typically found in shopping centers.

Total shopping center estimated holiday sales are estimated at \$488 billion.



QUICK STATS

4.57%
VACANCY RATE

226,347
ABSORPTION

\$18.80
AVG. RENTAL RATE

Overall vacancy rate for the Baltimore Metropolitan Statistical Area (MSA) remains tight with multiple submarkets well under 10 percent - the rate considered by industry professionals as "healthy". The lone submarket over 10 percent remains the Reisterstown Road Corridor (11.03 percent) - a rate that is expected to remain as new retailers wait for premium locations under construction to deliver.

Strong absorption numbers, helped in part by holiday retailers taking short-term or "pop-up" locations, helped nudge the vacancy rate lower. Overall absorption has remained steady through 2014.

Average rental rates remained statistically unchanged from the third quarter of 2014 to the fourth quarter having hovered between \$18.00 and \$19.00 per square foot (psf) throughout 2014. As expected, popular lifestyle centers in the Annapolis and Columbia submarkets have helped the area maintain averages above \$20.00 psf.

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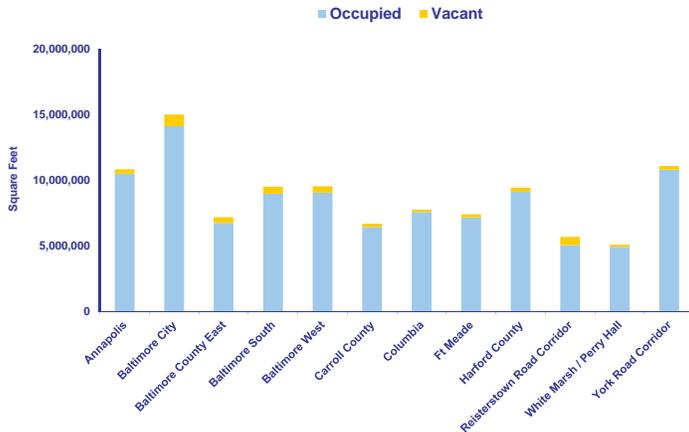


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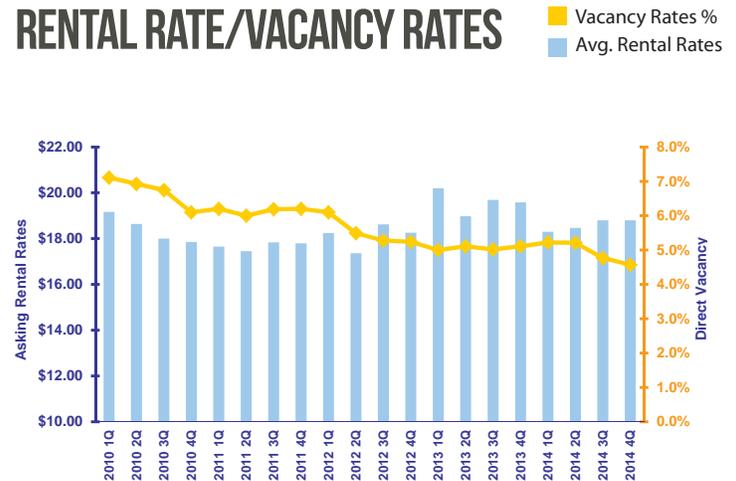


ABSORPTION/VACANCY RATES



The Columbia and York Road Corridor submarkets continue to drive traffic in the region with both areas enjoying vacancy rates below three percent. Annapolis, Carroll County, Fort Meade, Harford County, and the White Marsh/Perry Hall submarkets also show favorable rates under five percent. On the other end of the spectrum, the Reisterstown Road Corridor remains virtually flat with little change to its 11 percent vacancy rate.

RENTAL RATE/VACANCY RATES



The average rental rate for the MSA remains relatively steady for a fourth consecutive quarter. Baltimore City and Baltimore County East continue to experience rates below \$15.00 per square foot (psf). As expected, average rental rates in the submarkets along the Interstate 95 Corridor enjoy higher averages thanks in part to population density created by close proximity to both Baltimore and Washington, D.C.

HIGHLIGHTS

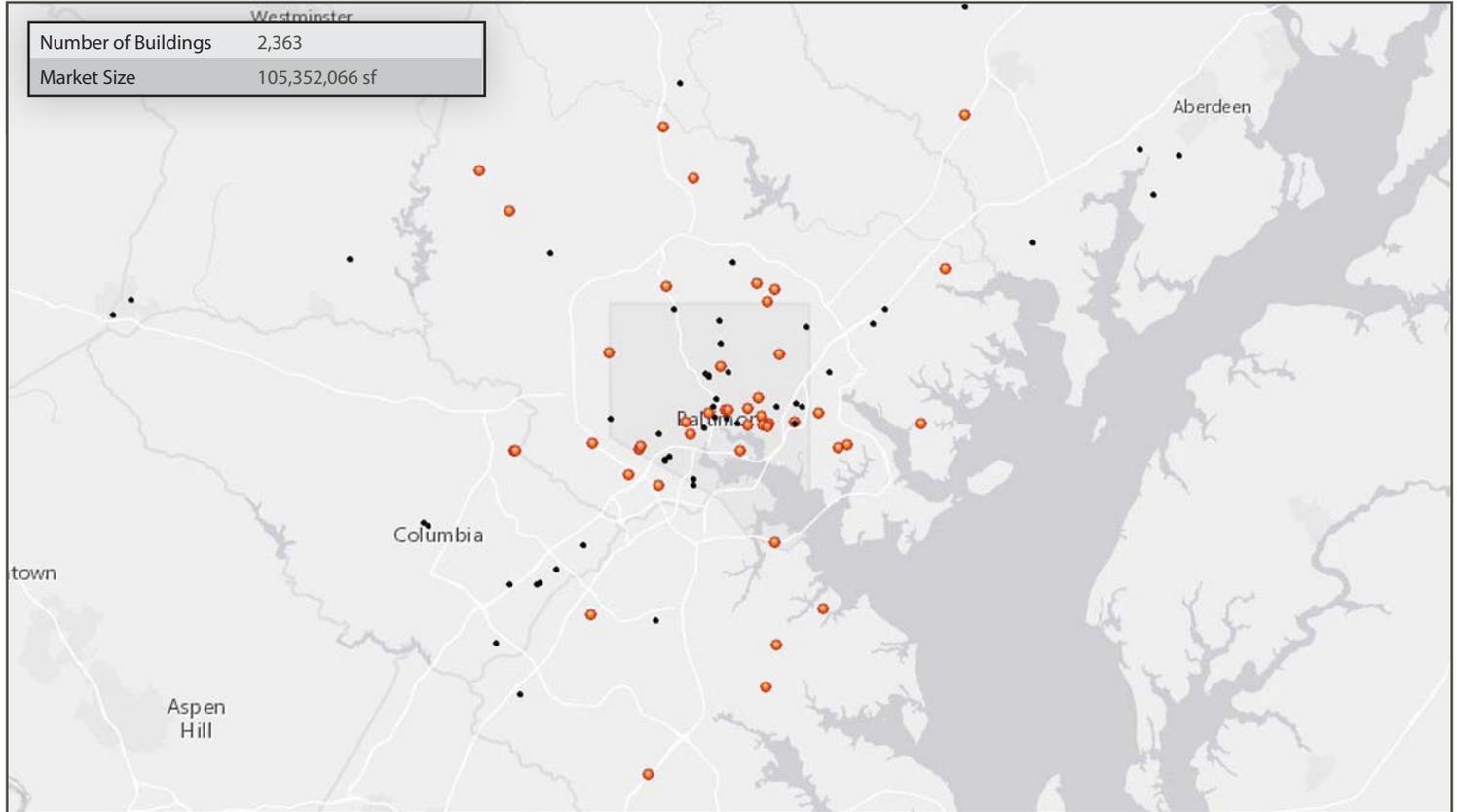
- Howard County's first Sonic Drive-In opened at 10160 Baltimore National Pike in Ellicott City. One of several locations throughout Greater Baltimore, fast-food restaurant is known for fare including its "Super Sonic " burgers, shakes and slushes as well as its drive-in dining experiences.
- CrossFit Harford has joined the tenant roster, signing a 3,600 sf deal in Joppa's Fashion Court.
- Goldfish Swim School was announced as the first tenant at Snowden River South. The swim school signed a deal for 10,200 square feet in the first building of a three-spec building lifestyle center at 9305 Snowden River Parkway, in Columbia.
- 1030 Light Street in Federal Hill will welcome Himalayan Bistro in Spring 2015. Construction on the new concept is already underway. Chef Danny Lamichhane's menu features fine Nepalese and Indian cuisine.
- The former Office Depot space at 815 E. Pratt St. in Little Italy will be transformed into a new Kaiser Permanente medical center in 2015. The 19,000 sf downtown Baltimore location has been described as a "multimillion-dollar project" and will house nine provider offices and 17 exam rooms.
- Developer Terra Nova Ventures' Whitehall Cotton Mill on Clipper Mill Road in Hampden is gaining momentum. The property received approval more than a year ago to move forward with redevelopment of the historic property to include apartments, offices, a restaurant, and an open marketplace similar to Baltimore's iconic Belvedere Square.
- The Time Group's 15,000 square foot open marketplace, Mount Vernon Marketplace, is gaining momentum. The group announced Annapolis' Ceremony Coffee Roasters has signed a lease for a 3,000 square foot retail space at the \$30,000,000 historic renovation. Located at 520 Park Avenue in Baltimore's Mount Vernon neighborhood, the project and its shoppes are expected to open in late spring 2015.
- The personal training studio Red Run Fitness LLC has signed a 3,000 SF lease with Merritt Properties at 10711 Red Run Boulevard in Owings Mills for a fitness center.
- National pharmacy retailer CVS made headlines early in the quarter when it announced its tenancy at 400 E. Pratt Street in the heart of Downtown Baltimore. The building has been under facade and mezzanine construction and is expected to add an additional 8,000 square feet of enclosed promenade retail space when it delivers in 2015.

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Notable Transactions

Lease

Location	Submarket	Tenant	Amount Leased SF
6901 Security Boulevard	Baltimore County West	Price Busters	30,000 sf
400 E. Pratt Street	City Center	CVS	9,600 sf
2021 Pulaski Highway	Harford County	Dentist	4,200 sf
1809 Reisterstown Road	Reisterstown Road Corridor	About Faces Day Spa	4,000 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
5211 York Road	Baltimore City	\$1,950,100	\$634.80	3,074 sf
7655 Arundel Mills Boulevard	Fort Meade	\$2,900,000	\$426.35	6,802 sf

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