

BALTIMORE INDUSTRIAL OVERVIEW

FIRST QUARTER | 2015



Regional Industrial Market Carries Momentum into 2015

Both Warehouse and Flex Markets Begin 2015 on Positive Note

Presented by Anirban Basu, Sage Policy Group

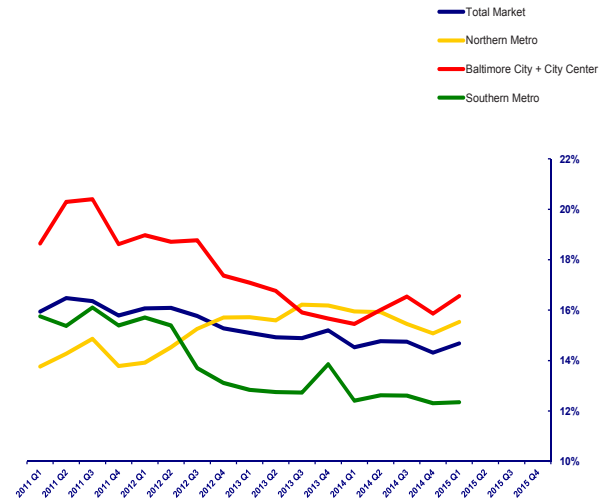
The Baltimore regional industrial market maintained its momentum during 2015's initial quarter. Once again, net absorption in the warehouse segment topped one million square feet. The flex market absorbed more than 45,000 square feet after slipping during 2014's final quarter.

Though many who read these reports are largely focused on real estate transactional volume and development activity, the importance of space used to inventory and distribute merchandise stretches well beyond real estate commissions and net operating income. Leveraging the Port of Baltimore and the balance of the region's intermodal transportation network is key to reducing unemployment, increasing incomes and rendering Baltimore a more prosperous and cosmopolitan community.

Baltimore City paced the regional warehouse market by absorbing more than 1.2 million square feet. The implication is that the balance of the region sustained negative net absorption, including in the Harford/Cecil market, which over the past several years has represented the region's strongest sub-market. The Harford/Cecil warehouse market suffered negative net absorption of 262,198 square feet during the quarter. The BW Corridor experienced negative 46,899 square feet of net absorption. The regional warehouse vacancy rate stands at 8.54 percent, up from 8.33 percent at the same time last year.

Flex market performance was a mirror image of warehouse market dynamics. Harford/Cecil led the area's flex segment with positive net absorption of 28,140 square feet, while Baltimore City's net absorption totaled negative 23,247 square feet. Regional direct vacancy stands at 9.0 percent, down from 9.6 percent a year ago and 9.1 percent during last year's final three months. Asking rent has actually dipped in the regional flex market over the past quarter and year, and presently stands at \$10.62 per square foot. Asking rents have been roughly flat in most submarkets, with Annapolis representing a prominent exception. There, asking rent is up by nearly \$1.50/square foot from a year ago.

Historical Vacancy Rates



QUICK STATS - FLEX

9.01%
VACANCY RATE

45,102
ABSORPTION

\$10.62
AVG. RENTAL RATE

QUICK STATS - WAREHOUSE

8.54%
VACANCY RATE

987,223
ABSORPTION

\$4.78
AVG. RENTAL RATE

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* 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. Data as of 3/2015.

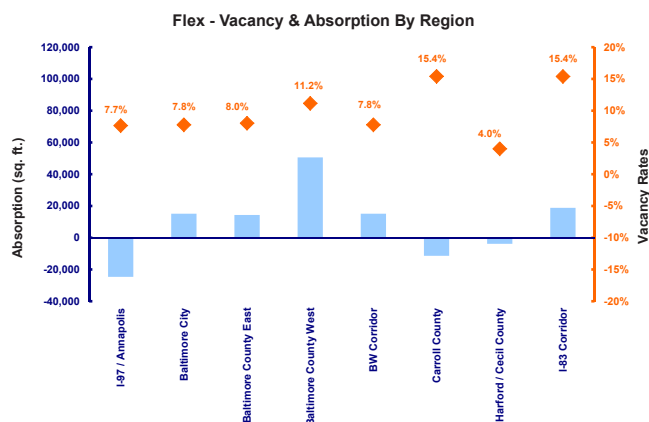
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ABSORPTION | VACANCY RATES

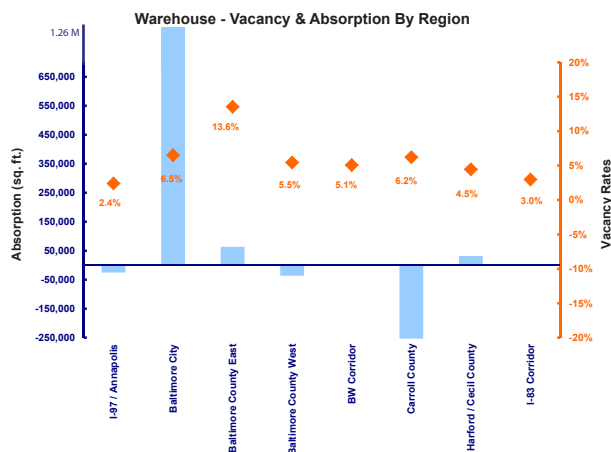
Vacancy Rates %
Absorption Rates



Activity within the flex market started the year relatively stable with modest improvement. Direct vacancy rate for the flex market was down slightly, 9.01% (compared to the 4th Quarter 2014 rate of 9.13%). The I-83 Corridor remains the lowest in terms of vacancy, reporting an average rate of 4%. Absorption for the flex market finished the quarter on a positive note, 45,102 sf, an increase of 42,508 sf from the 4th Quarter 2014. All submarkets experienced minor decreases in rental rates except for the I-97/Annapolis and the Harford/Cecil which had slight increases of \$0.81 and \$0.07 respectively. On average, the flex market finished with an average rental rate of \$10.62.

ABSORPTION | VACANCY RATES

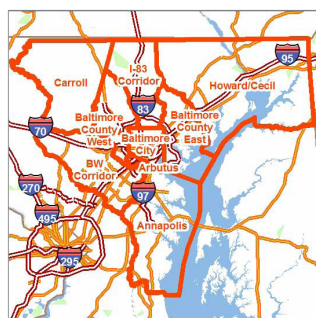
Vacancy Rates %
Absorption Rates



Warehouse activity for the region saw slight increases in overall vacancy and rental rates during the first quarter. Vacancy increased from 8.27% to 8.54% and asking rents increased by a minimal \$0.10, \$4.68 to \$4.78. Baltimore County East has the lowest average rental rate, \$3.92/sf, while the I-83 market holds the highest, \$8.44/sf. Absorption was down slightly from the 4th Quarter; however, still strong finishing the 1st Quarter with a positive 987,223 square feet. The Baltimore City submarket outpaced all others in terms of absorption, absorbing more than 1.2 million square feet. This was offset by the negative net absorption of 262,198 sf suffered by the Harford/Cecil market, a market that is typically the region's strongest

HIGHLIGHTS

- Transportation and logistics company Pro Transport Inc. will relocate its current operations at 11600 Crossroads Circle to new construction at 11630 Crossroads Circle in the Baltimore Crossroads @ 95 project. The firm will fully occupy the 51,120 sf flex office building.
- American Tire Distributors will also relocate to the Baltimore Crossroads @95 campus in Middle River, Maryland. The independent tire supplier, will occupy 138,240 sf of distribution and warehouse space at 11503 Pocomoke Court when the project delivers in fall 2015.
- WestNet Inc., a distributor of medical supplies, has signed a 14,875 sf lease at Merritt's facility on West Patapasco Avenue.
- Maryland Twisters, an internationally ranked cheerleading club signed a lease for 31,250 sf at 7460 New Ridge Road in Hanover, Maryland.
- Terreno Realty purchased 9070 Junction Drive in Annapolis, a 115,000 sf warehouse building for \$10.4 million.



Number of Buildings	4,853
Market Size	242,699,698 sf

Criteria: MacKenzie tracks buildings that meet the following requirements and identifies these buildings as true reflectors of commercial real estate activity within the Baltimore Metropolitan Statistical Market (MSA). Office: Buildings 15,000 square feet (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 does not track owner occupied buildings or buildings lease exclusively to medical tenants.

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