

FOURTH QUARTER | 2014

MacKenzie Market Report

Industrial Market



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BALTIMORE INDUSTRIAL OVERVIEW

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Regional Industrial Market Ends 2014 on a Strong Note

Presented by Anirban Basu, Sage Policy Group, Inc.

Both Warehouse and Flex Markets Sustain Momentum into the New Year

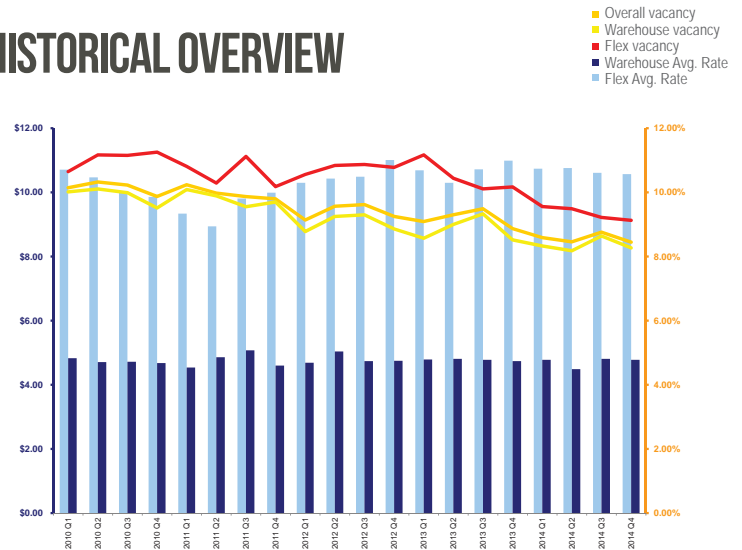
The Baltimore region's industrial market remains vibrant as various economic actors continue to leverage the region's strategic location and intermodal transportation infrastructure. Net absorption in the regional warehouse segment totaled 1.2 million square feet (msf) during the fourth quarter, with the Baltimore City market amassing 604,530 square feet (sf) of positive net absorption.

In previous years, the Harford/Cecil market had dominated regional net absorption, but that has changed, with Baltimore City's industrial sites increasing making their mark. That said, the Harford/Cecil market continues to progress in conjunction with other sub-markets. The Harford/Cecil and Annapolis markets net absorbed 297,000 and 205,000 sf, respectively, during 2014's final quarter. The BW Corridor chipped in another 125,000 sf of positive net absorption.

Regional direct vacancy fell from 8.52 percent a year ago to 8.27 percent over the past four quarters. However, despite impressive and consistent positive net absorption and steadily declining vacancy, warehouse asking rent has actually slipped over the past year, from \$4.74 per square foot (psf) to \$4.68 psf more recently. This is likely a reflection of shifting uses and also the market power of a number of rapidly expanding users of space.

The pace of improvement in the regional flex market stalled during the fourth quarter of 2014, net absorbing -2,594 sf. However, year-to-date, the market has net absorbed more than half a million square feet. The Harford/Cecil market leads the way, with net absorption of 171,054 sf over the past year. Currently, Harford/Cecil's availability stands at 12 percent, slightly less than regional average availability of 13.3 percent. The BW Corridor has net absorbed more than 130,000 sf over the past year, while Baltimore City has net absorbed more than 82,000 sf. As with the warehouse market, asking rent has slipped, from \$10.99 psf a year ago to \$10.74 psf today.

HISTORICAL OVERVIEW



QUICK STATS - FLEX

9.13%
VACANCY RATE

-2,594
ABSORPTION

\$10.57
AVG. RENTAL RATE

QUICK STATS - WAREHOUSE

8.29%
VACANCY RATE

1,194,579
ABSORPTION

\$4.12
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 12/2014.

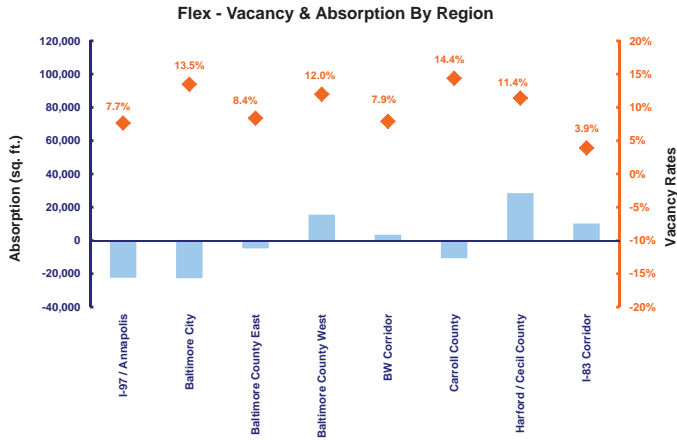
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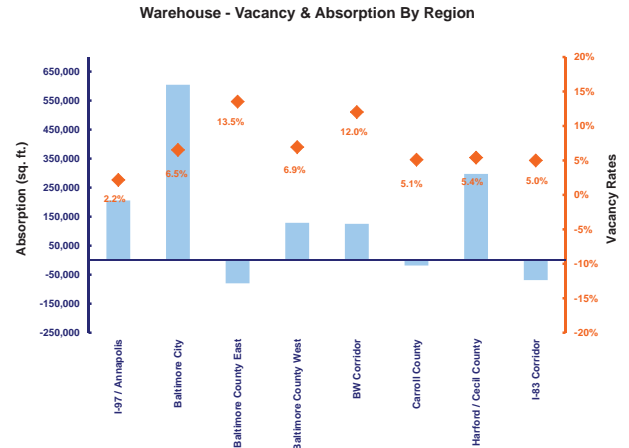
ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



Activity within the flex market was remarkably quiet throughout the fourth quarter with the largest changes coming from the Baltimore City and Harford County/Cecil markets which experienced a 22,614 sf decrease and a 28,500 sf increase in absorption respectively. Both the Arbutus and Harford/Cecil County markets continue to improve; the submarkets saw nearly a 7 percent and 5.7 percent decrease in vacancy from the same period one year ago. This strong reduction in vacancy, spearheaded by Harford/Cecil which absorbed approximately 171,000 sf over the course of 2014, is the result of the region absorbing more than 500,000 of space in 2014. Rental rates for the region remained steady with strong quarterly gains in Baltimore County East and Harford/Cecil to increase the overall average rental rate for the region up \$0.17 from \$10.57 psf in the third quarter to \$10.74 psf in the fourth.

Warehouse activity for the Baltimore region dipped a slight 0.36 percent from the third quarter's 8.66 percent to 8.27 percent in the fourth quarter of 2014 due to strong numbers in the Baltimore City (604,530 sf), Harford/Cecil (297,198 sf) and Annapolis (205,737 sf) markets as major tenants such as Sephora and Amazon took occupancy of new locations. The Baltimore County West submarket saw the greatest quarterly reduction in vacancy, 4.31 percent drop from third quarter's 8.25 percent to 3.94 percent in the fourth quarter as the area absorbed approximately 75,000 sf of warehouse space. Rental rates remained statistically unchanged over the quarter and are slightly less than the fourth quarter of 2013's \$4.74 psf at \$4.68 psf.

HIGHLIGHTS

- In addition to signing a lease for 14,000 sf of office space at 8161 Maple Lawn Boulevard in Fulton, Maryland, network provider Presidio has signed an additional lease for 19,000 sf of flex space in the project's industrial area at 11850 West Marketplace.
- Virginia based trucking company NCD Virginia has leased 32,000 sf at 2201 Eagle St. in Baltimore, Maryland. The 90,000 sf industrial building was renovated in 1990 and features 11 loading docks, three drive-in bays and a 24-foot max clear height.
- Slated to deliver the first quarter of 2015, developer Chesapeake Real Estate Group broke ground on a speculative 100,685 sf warehouse and distribution facility at 11501 Pocomoke Court in Middle River, Maryland. The project is expected to feature 28-foot clear heights, 21 rear loading docks, two drive-in doors, a 125-foot truck court, and an adjacent 125-space surface parking lot. This is the sixth project built

within Baltimore Crossroads @I-95 for Chesapeake.

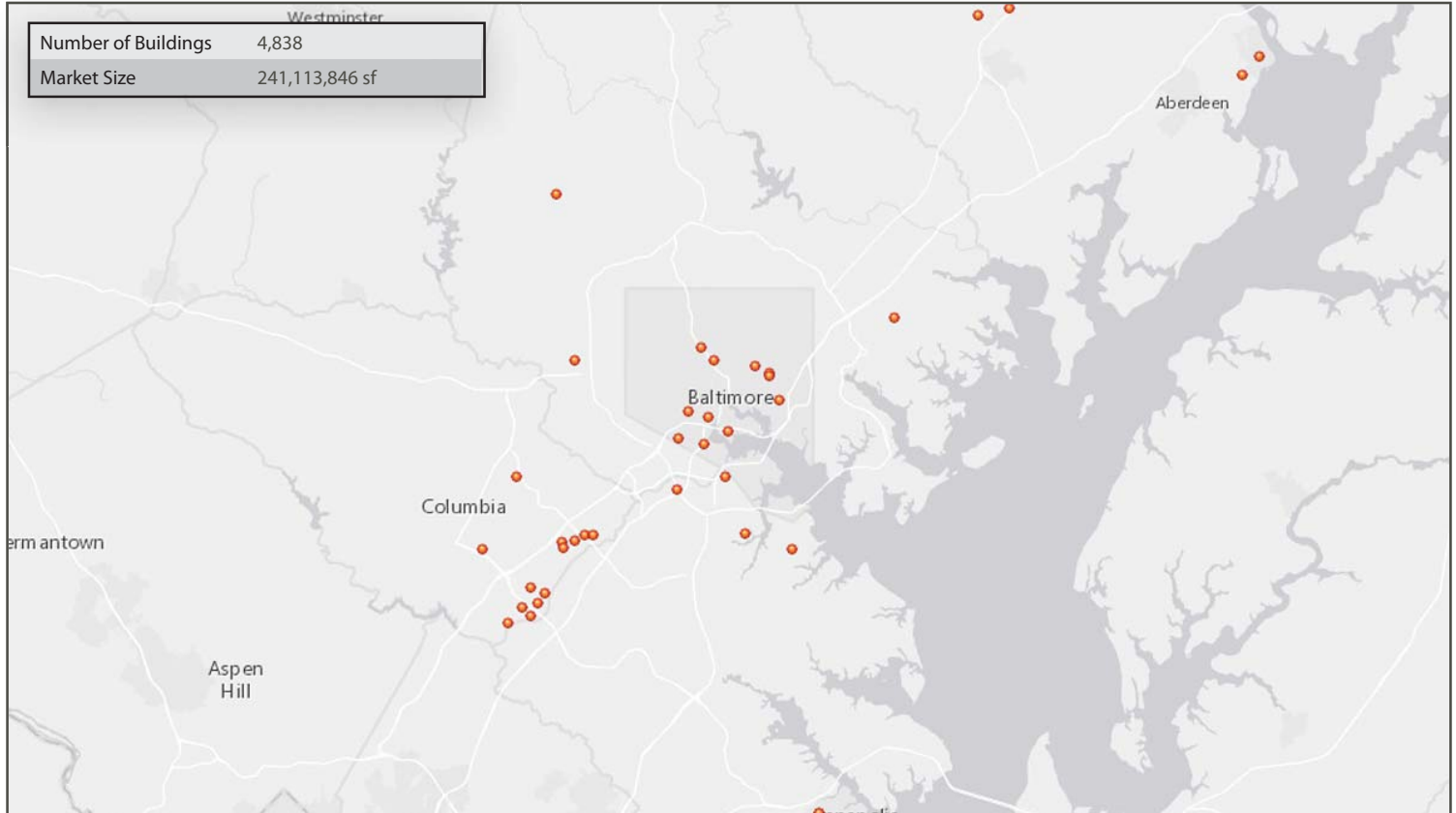
- 8242 Sandy Court in Jessup, Maryland will welcome Samaritan's Purse, a non-profit organization, to 55,000 sf. Built in 1981, the 171,800 sf building will assist the organization with its Operation Christmas Child project, which gathers and ships gifts to children around the world.
- Cabinet and woodworking distributor Wurth Wood Group signed a 78,000 sf lease extension at their location at 6660 Santa Barbara Road in Elkridge, Maryland. The 162,000 sf warehouse facility is located in Baltimore's BW Corridor Industrial submarket.
- International cash distribution firm Loomis Armored U.S. will relocate from its current location in Rosedale, Maryland to 4979 Mercantile Road.

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Notable Transactions

Lease

Location	Submarket	Tenant	Amount Leased SF
4309-4401 Erdman Avenue	Baltimore City	Columbia Container	68,000 sf
7077-7081 Oakland Mills Road	Columbia	Event EQ	45,600 sf
8909 McGraw Court	Columbia	US Recycle Group	28,500 sf
8951-8933 Yellow Brick Road	Baltimore County East	JPK & Associates	12,800 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
8235 Patuxent Range Road	BW Corridor	\$26,700,000	\$110.46 psf	241,709 sf
8576 Old Dorsey Run Road	BW Corridor	\$5,500,000	\$1,044.38 psf	5,264 sf

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