



RETAIL INDICATORS

Market Size
136,725,131

Building Count
10,143

Absorption
49,998

YTD Absorption
942,342

Vacancy
4.2%

Asking Rent (NNN)
\$19.77

THE COMPETITIVE NATURE OF THE RETAIL SECTOR | by MacKenzie's Tom Fidler, EVP/Principal

Entering the 4th Quarter, there was much optimism for the upcoming holiday season. September's Federal data reports on un-employment, consumer confidence, and an up-tick in wage growth, all provided a high level of positive expectations for the year end of 2019. Continued challenges in the local marketplace are mainly unrelated to real estate, other than rising operating expenses and real estate taxes. Retailers continue to struggle with aggressive wage increases, insurance fees, staffing qualifications, food costs, and even the operating changes for plastic vs paper based on law enhancements. Numerous restaurant and QSR operators have stated multiple times their difficulty in finding good, hard-working employees. Recent national articles have highlighted this issue as an industry wide problem that is now leaking into the apparel and soft good industries. The outlook for 2020 is not favorable for these complications and will likely begin to impact the absorption level of retail space for all sectors.

As retailers have continued their pursuit of consumer loyalty and service perfection, it appears that they are starting to realize that this economy is causing their industry to evolve on a more rapid basis. For example, in Q1 2019, food delivery services were limited to mostly the full service restaurant sector, given the more extensive menu items and needed price points for profitability. Now, not even a year later, all food operators are now offering delivery services including the likes of McDonalds and Taco Bell. These retailers must pivot rapidly and with more quality than ever before. The consumer is driving this train and the level of competition has been unmatched. You must be quick, with quality, and at a good price or the customer will move on to the next provider.

2020 will likely see a continuation of modest absorption of new retail space, with the emphasis on the best, most visible locations for brand identity, co-tenancy, and market position. Rental rates will need to flatten for retailers to be profitable and facility costs to be both manageable and sustainable. We expect Landlords to begin to understand the impact of rising expenses, and the need for an adjustment in rental expectations. Shrinking supply of good, well positioned land will continue to drive values, which will be offset by continued low interest rates for the end user. The competitive nature in the retail sector shows no signs of dissipating in 2020. Only supply and demand of the best real estate will alter who wins and who loses.

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis	13,260,084	3.7%	3.7%	3.7%	-4,421	85,065	\$22.38	\$22.82	\$23.82
Baltimore City	27,213,977	4.5%	4.7%	4.3%	85,867	30,164	\$14.92	\$15.68	\$17.14
Baltimore County East	9,895,782	7.0%	6.9%	7.3%	-9,542	25,272	\$14.78	\$15.37	\$16.42
Baltimore South	10,713,861	5.2%	5.5%	6.5%	28,046	211,479	\$18.14	\$16.75	\$16.55
Baltimore West	10,529,343	3.6%	4.2%	2.8%	52,675	-144,367	\$20.93	\$20.51	\$20.47
Carroll County	8,234,953	2.8%	2.8%	3.7%	-5,385	71,318	\$14.71	\$14.90	\$16.56
Columbia	9,250,551	4.1%	3.9%	4.3%	-10,365	225,392	\$34.33	\$34.56	\$29.93
Ft. Meade	9,338,585	2.2%	2.3%	2.5%	8,557	65,269	\$22.20	\$23.41	\$22.06
Harford County	12,208,922	4.4%	4.3%	5.0%	4,869	169,274	\$20.16	\$19.48	\$19.89
Reisterstown Road Corridor	6,464,961	4.6%	4.8%	3.9%	-27,824	268,179	\$23.53	\$21.77	\$23.70
White Marsh/Perry Hall	6,345,620	2.2%	2.2%	2.5%	15,829	29,368	\$20.72	\$22.25	\$33.63
York Road Corridor	13,268,492	4.6%	4.0%	3.2%	-88,308	-94,071	\$24.53	\$23.91	\$24.62
Totals	136,725,131	4.2%	4.2%	4.2%	49,998	942,342	\$19.77	\$19.71	\$20.60

*This is a sampling of our represented tenants in the market. The section is updated quarterly. If you'd like your business to be included, please let us know.

HIGHLIGHTS

THB Neighborhood Bagelry and Deli announced this quarter they would be opening their sixth restaurant location in Owings Mills at Mills Station.

German global discount supermarket chain Lidl has leased a 30,000 sf anchor space at Northwood Commons in Northeast Baltimore, 1500 Havenwood Road. The project is being redeveloped and slated to be completed in early 2022.

The Manor, a new restaurant and "ultralounge," will open in Mount Vernon at 924 N. Charles Street. The four-story space was home to The Elephant restaurant and totals 10,000 sf. Opening is slated for January 2020.

Local Baltimore retailer Stebbins Anderson, a family-owned home good store, closed its 20,425 sf store at The Shops at Kenilworth Dec. 31st.

A former South Baltimore slaughterhouse is set to find new life as a retail and office hub in 2021. The project, to be called Riverside after the surrounding neighborhood, will bring a mix of tenants including a coffee shop, small specialty grocer, brewery and other retail concepts to the 34,000 sf property at 1900 Light St.

&pizza is expanding its reach by opening a new store in the Can Company retail center in Baltimore's Canton neighborhood. The D.C. chain signed a 2,300 sf lease and will be its second city location and seventh in Maryland.

SHOPPING AROUND...*



Sola Salons

Seeking 4,800 - 8,000 sf locations throughout the Baltimore Metro area.



THB Bagels and Deli

Seeking 3,000 sf with ample parking throughout the Baltimore Metro area.



KinderCare

Seeking 10,000 - 14,000 sf locations throughout Maryland, Virginia, and Washington, DC.



RETAIL INDICATORS

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136,725,131

Building Count
10,143

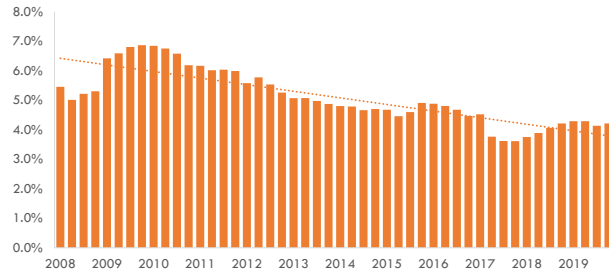
Absorption
49,998

YTD Absorption
942,342

Vacancy
4.2%

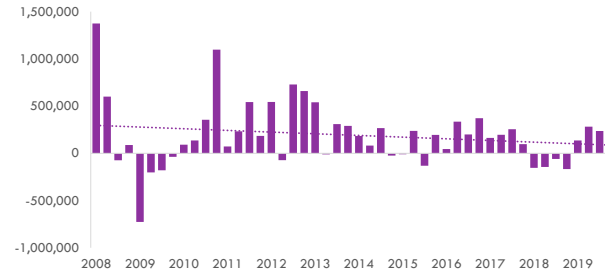
Asking Rent (NNN)
\$19.77

DIRECT VACANCY



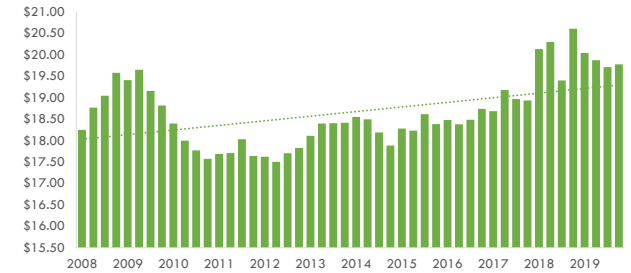
This quarter, direct vacant space decreased, equaling 5,762,594 sf out of the total 136,725,131 sf market size. This resulted in a -0.02% change from 4.24% to 4.21%. Compared to this time last year, vacancy rates are up by 0.00%.

NET ABSORPTION



Quarterly absorption was approximately 49,998 sf. For 2019 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 942,342 sf. Comparatively, at this time last year, absorption was around -166,984 sf.

ASKING RENTAL RATES (Weighted, NNN)



Asking rental rates averaged \$19.77/sf this quarter, weighted by a total available space of 7,866,352 sf. This is approximately \$0.07/sf higher than last quarter (\$19.71/sf), and \$0.83/sf lower than last year (\$20.60/sf).

Lowest Direct Vacancy

1	White Marsh/Perry Hall	2.2%
2	Ft. Meade	2.2%
3	Carroll County	2.8%

Highest Direct Vacancy

1	Baltimore County East	7.0%
2	Baltimore South	5.2%
3	Reisterstown Road Corridor	4.6%

Most Change vs. Prior Quarter

-	Baltimore West	-0.6%
+	York Road Corridor	0.6%

Lowest Net Absorption

1	York Road Corridor	-88,308
2	Reisterstown Road Corridor	-27,824
3	Columbia	-10,365

Highest Net Absorption

1	Baltimore City	85,867
2	Baltimore West	52,675
3	Baltimore South	28,046

Most Absorption, Year-to-Date

-	Baltimore West	-144,367
+	Reisterstown Road Corridor	268,179

Cheapest Asking Rates

1	Carroll County	\$14.71
2	Baltimore County East	\$14.78
3	Baltimore City	\$14.92

Most Expensive Asking Rates

1	Columbia	\$34.33
2	York Road Corridor	\$24.53
3	Reisterstown Road Corridor	\$23.53

Most Change vs. Prior Quarter

-	White Marsh/Perry Hall	-\$1.53
+	Reisterstown Road Corridor	\$1.76

LEASE TRANSACTIONS

Location	Region	Tenant	Leased
2446 York Road	Towson	JP Morgan Chase Bank	40,511
1500 Havenwood Road	Balto. Northeast	Lidl	30,000
1025 Benfield Blvd	Rt. 2 Corridor	Athletic Performance	24,500
125 E. Joppa Road	Towson	On the Border	7,151

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size
4300 Belair Road	Balto. Co. East	\$1,500,000	\$100.37	14,945
1 Cranbrook Road	I-83 Corridor	\$1,350,000	\$443.00	3,050
1772 E. Joppa Road	Towson	\$1,065,000	\$261.00	4,085
1013 Reisterstown Road	Reisterstown	\$799,000	\$261.00	2,970

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo

RETAIL OVERVIEW (DC METRO)

FOURTH QUARTER | 2019



OFFICE INDICATORS

Market Size
93,355,969

Building Count
5,249

Absorption
48,445

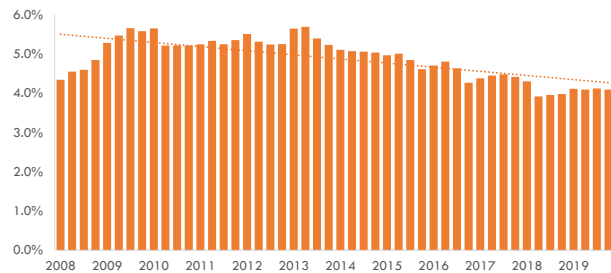
YTD Absorption
69,753

Vacancy
4.1%

Asking Rent
\$23.91

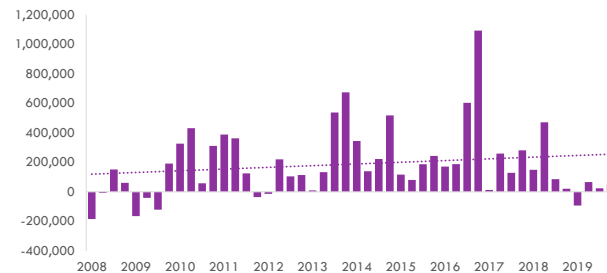
THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick County	13,514,046	6.5%	6.5%	6.8%	-8,208	45,272	\$18.85	\$18.30	\$17.61
Prince George's County	39,269,888	4.4%	4.5%	3.8%	32,515	-264,095	\$20.56	\$20.53	\$20.11
Montgomery North	13,302,952	2.4%	2.6%	2.6%	6,670	52,715	\$26.74	\$26.33	\$26.44
Bethesda - Chevy Chase	20,793,254	3.4%	3.5%	3.6%	7,863	165,336	\$33.62	\$33.12	\$32.61
Silver Spring - Route 29	6,475,829	3.1%	4.3%	3.6%	9,605	70,525	\$26.81	\$27.97	\$29.47
Montgomery County	40,572,035	3.0%	3.3%	3.3%	24,138	288,576	\$30.64	\$30.26	\$30.39
Totals	93,355,969	4.1%	4.3%	4.0%	48,445	69,753	\$23.91	\$23.81	\$23.56

DIRECT VACANCY



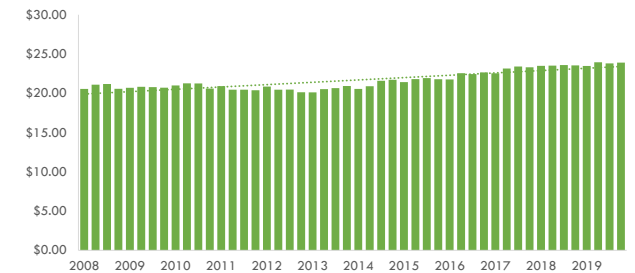
This quarter, direct vacant space decreased, equaling 3,821,972 sf out of the total 93,355,969 sf market size. This resulted in a -0.19% change from 4.28% to 4.09%. Compared to this time last year, vacancy rates are up by 0.11%.

NET ABSORPTION

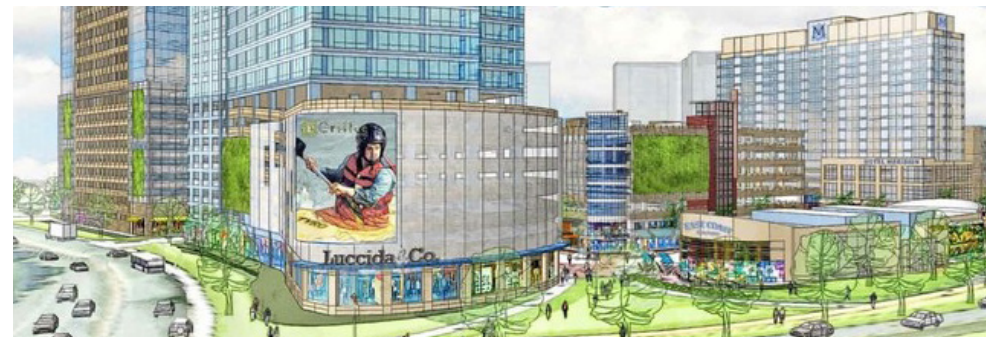


Quarterly absorption was approximately 48,445 sf. For 2019 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 69,753 sf. Comparatively, at this time last year, absorption was around 21,031 sf.

ASKING RENTAL RATES (Weighted, Full Service)



Asking rental rates averaged \$23.91/sf this quarter, weighted by a total available space of 5,022,170 sf. This is approximately \$0.10/sf higher than last quarter (\$23.81/sf), and \$0.35/sf higher than last year (\$23.56/sf).



(l) Southern Gateway | 7200 Baltimore Ave., College Park | Delivers Aug. 2021 (r) Rock Spring Centre | Proposed 48,000 sf retail building