



MACKENZIE

COMMERCIAL REAL ESTATE SERVICES, LLC



MARKET REPORT



RETAIL MARKET

1ST QUARTER 2016



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BALTIMORE

LUTHERVILLE

ANNAPOLIS

BEL AIR

COLUMBIA

BALTIMORE RETAIL OVERVIEW

FIRST QUARTER | 2016



More Food with a Side of Mixed-Use Construction

Presented by Sean Langford, Vice President, MacKenzie Retail, LLC

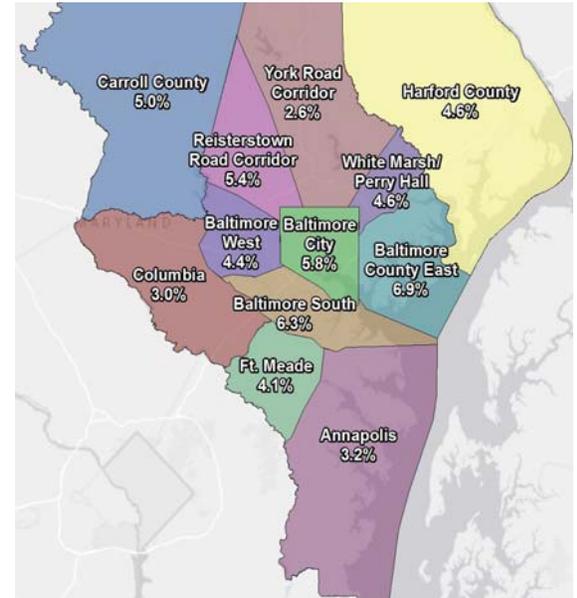
The 2016 ICSC Mid Atlantic Conference was held again this year at the Gaylord Convention Center at National Harbor in D.C. this past March. This year's attendance was over all positive and energized for the CRE Mid-Atlantic markets. Expected players were in attendance along with several new concepts that were making their first time market impressions. Still, at the end of the day, quick serve restaurants (QSR) continue to dominate the retail market place and overall activity.

The unfortunate days of Chipotle are expected to continue with the decline in annual sales and overall market share. While not an ideal situation for Chipotle, it has started to open the door to many new up-and-coming concepts. Eight of the 13 featured runway retailers during the Mid-Atlantic ICSC Conference were food-based users. New to the mix for the area included B Bop Q, a Korean-themed QSR, and Halal Guys which offers a mix of Middle Eastern wraps, sandwiches, and bowl choices. Other newcomers to our area are in the convenience store categories, C-Stores. Dash In, Rutters, and Circle K are throwing themselves into this arena as they seek growth in the Mid-Atlantic region. As consumers continue to lead lifestyles that are on-the-go, and with the number of dual-income families on the rise, we can expect to see both continued growth and diverse options entering the QSR category.

Another focal point at the convention was mixed-use construction. Increasing amounts of developers are seeking opportunities for mix-use developments due to encouragement from numerous City and States for such uses. Recent studies and reports are beginning to reveal that the "live, work, play" mentality is expanding past millennials to include growing interest from the "younger" portion of the baby boomer generation. Individuals in this group are proving to prefer interaction with mixed groups of people rather than living and socializing with only people their age and older (i.e. 55 and older communities). As this trend continues to develop, it should help to absorb current inventory among the residential portion of already existing mixed-use projects and available land inventory for continued development, spawning new growth in outlining areas of the Mid-Atlantic region.

On a local level, we are waiting for the anticipated start of Greenberg Gibbons' \$20 million renovation to the Shops at Kenilworth in Towson and continue to watch the active construction unfold at the Foundry Row development in Owings Mills. Slated to begin this spring, renovations at Kenilworth will include major interior and exterior upgrades as well as a three-story addition providing visitors new retail offerings, restaurants, and a roof top garden. As announced at the end of the 4th Quarter 2015, Trader Joe's will also begin construction on their new space at Kenilworth this spring, occupying the second floor space currently home to Stebbins Anderson. Stebbins will be relocating in the project to the first floor. Foundry Row, the \$140 million, 50-acre redevelopment site in Baltimore County, continues to add new restaurants and retailers to the Owings Mills market place, signing 11 new tenants during the 1st Quarter 2016 bringing the project to 88% leased.

HISTORICAL VACANCY RATES



QUICK STATS

4.59%
VACANCY RATE

Overall retail vacancy rates decreased by 0.25% during the 1st Quarter 2016 from the 4th Quarter rate of 4.84%. This 1st Quarter rate is 0.11% higher than the same quarter in 2015.

298,098
ABSORPTION

The removal of Owings Mills Mall from market inventory, reducing RBA for the Reisterstown Road Corridor by 430,000 sf, lead to this high absorption number for the 1st Quarter 2016, offsetting negative absorptions in seven of the 12 submarkets.

\$18.58
AVG. RENTAL RATE

Average retail rental rates for the Baltimore Metro decreased by \$0.23/sf during the 1st Quarter 2016. This rate is \$0.17/sf less than the same quarter in 2015.

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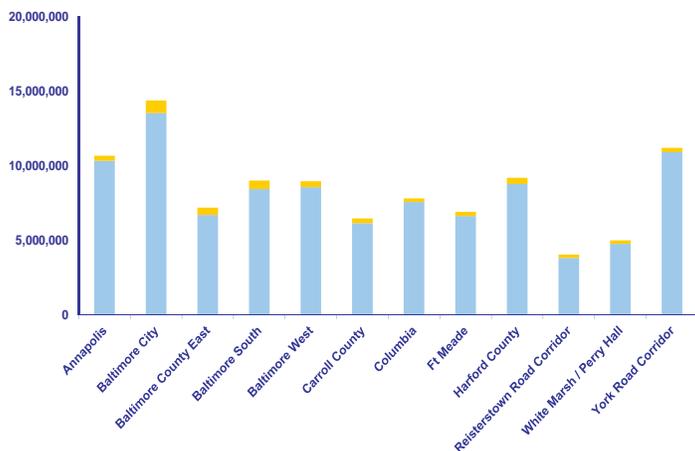
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ABSORPTION/VACANCY RATES

■ Vacant
■ Occupied



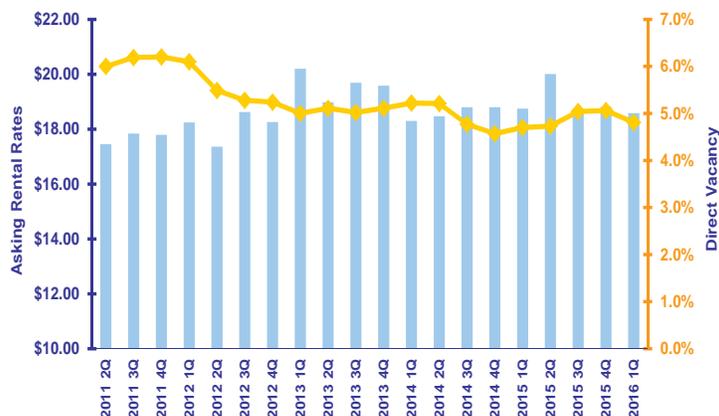
Total market absorption for the 1st Quarter 2016 Baltimore Metropolitan Retail Market was higher than normal due to the withdrawal of Owings Mills Mall from market inventory, removing nearly 430,000 sf from the Reisterstown Road Corridor submarket. This change offset negative absorptions in seven of the 12 tracked submarkets, including White Marsh/Perry Hall that experienced a negative 112,389 sf negative absorption. The mall update also effected vacancy for the Reisterstown Road Corridor, dropping from the 4th Quarter 2015 rate of 12.74% to 6.83%. York Road Corridor and Columbia remain the tightest submarkets with vacancies of 2.58% and 3.03%, respectively. Baltimore County east reported the highest rate at 6.87%.

HIGHLIGHTS

- 11 tenants have signed leases and will be joining Foundry Row, Greenberg Gibbons' development in Owings Mills, when the project opens this fall. New tenants include Bar Louie, Mission BBQ, La-Z-Boy, Foundry Row Wine & Spirits, Xfinity, Massage Envy, Sleep Number, Mani Luxe, Chipotle, Hair Cuttery, and Floyd's 99 Barbershop. These leases bring the project to 88% leased.
- Ruby 8 Noodle and Sushi signed a lease for 4,200 sf of restaurant space within McHenry Row, a mixed-use project on E. Fort Avenue in Baltimore City. With an expected early-May opening, this will be the second Baltimore City-area location.
- Philadelphia-based Primo Hoagies, old fashioned style Italian specialty sandwiches, celebrated their grand opening in Columbia in March at 6476 Dobbin Center Way. This location represents the brand's first Baltimore Metro location and third in Maryland.
- ExpressCare of North Point signed a lease for 5,331 sf of space at North Point Crossing in the Dundalk section of Baltimore County.

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



Average rental rates for the Baltimore Metropolitan Retail Market remained relatively unchanged, decreasing by only \$0.23/sf during the 1st Quarter 2016. The most notable changes were within the White Marsh/Perry Hall (\$14.19/sf) and York Road Corridor (\$19.35/sf) submarkets where rents decreased from 4th Quarter 2015 rates by \$1.94/sf and \$1.08/sf, respectively. Columbia continues to command the highest rates at \$24.64/sf with Annapolis following at \$22.33/sf. With this quarter's decrease, White Marsh/Perry Hall is the best deal in town, followed by Baltimore County East, \$14.96/sf.

- Texas Roadhouse, Inc. signed a lease for a 7,200 sf pad site situated with the Executive Plaza complex, a four-building portfolio containing approximately 550,000 sf of commercial office space in Hunt Valley. The pad site is located near the intersection of McCormick Road and Schilling Circle.
- Macy's announced the closing of 36 stores of its total 770 Macy's-branded locations. On the list, Macy's in Hagerstown's Valley Mall.
- The famous Pulaski Highway purveyor of bit beef, burgers, ribs and chicken, Chaps Pit Beef, signed a lease for 2,400 sf in Aberdeen at 1013 Beards Hill Road.
- Home Maid, a popular Towson restaurant focusing on breakfast and brunch plates, is relocating to 1400 Key Highway in Federal Hill. Home Maid is owned and operated by brothers and Baltimore natives Derrick and Justin Faulcon.

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NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
5727 Reisterstown Road	Baltimore City Northwest	National Tire & Battery	11,513 sf
2311 - 2335 E. Northern Parkway	Baltimore City Northeast	CSL Plasma	11,225 sf
1951 - 1967 E. Joppa Road	Baltimore County East	KC Beauty & Cosmetics	6,158 sf
510 - 548 E. Belvedere Avenue	Baltimore City Northeast	The Starlite Diner	5,500 sf
5957 Exchange Drive	Carroll County	Basta Pasta	5,282 sf
2080 - 2090 York Road	I-83 Corridor	Phoenix Salon Suites	5,278 sf
4300 Belair Road	Baltimore City Northeast	Pain Doctors	3,950 sf
1166 State Route 3 South	Annapolis	Lee Spa Nails	3,866 sf
530 - 592 Baltimore Pike	Harford County	Off the Chain	3,600 sf
11301 - 11399 York Road	I-83 Corridor	Ruxton Design & Build, LLC	3,300 sf
510 - 548 E. Belvedere Avenue	Baltimore City Northeast	Kanjizai Martial Arts	3,178 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
5657 Baltimore National Pike	Baltimore West	\$8,650,000	\$583.67	14,820 sf
119 Beacon Road	Baltimore County East	\$3,600,000	\$156.52	23,000 sf
1024 - 1030 Light Street	Baltimore City	\$2,963,000	\$258.78	11,450 sf
2295 Johns Hopkins Road	Annapolis	\$1,675,000	\$229.96	7,284 sf
1006 - 1010 Reisterstown Road	Reisterstown Road Corridor	\$1,625,000	\$165.48	9,820 sf
1301 E. Churchville Road	Harford County	\$1,525,000	\$238.28	6,400 sf
8 - 12 E. Fayette Street	City Center	\$1,100,000	\$48.23	20,475 sf

Number of Buildings 2,341

Market Size 100,955,673 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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