

SECOND QUARTER | 2011

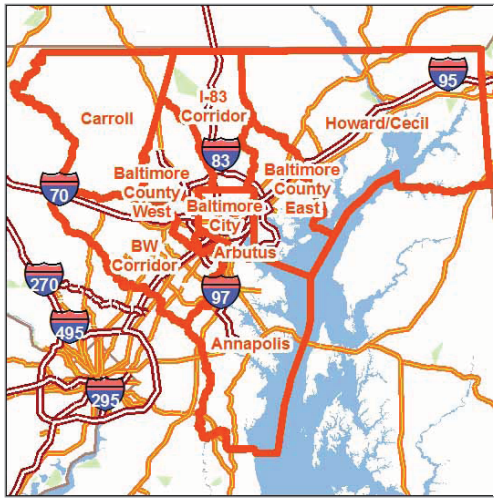
MacKenzie Market Report

Industrial



MACKENZIE

Overview



Market Outlook

By: Anirban Basu, Sage Policy Group

Net absorption of warehouse space in the Baltimore area rebounded during the second quarter of 2011 to positive a 577,700 square feet bringing net absorption for the year to a more respectable -712,200 square feet (sf). The BW Corridor and Harford/Cecil accounted for more than 500,000 sf of positive net absorption. The direct vacancy rate for warehouses in the Baltimore area was 9.56 percent during the second quarter of 2011, down from 10.09 percent last quarter and 10.17 percent in the second quarter of 2010.

The flex industrial category posted positive net absorption of 58,289 sf for the second quarter and is associated with positive net absorption of 123,058 sf year-to-date. The

regional direct vacancy rate for the flex market was 10.0 percent in the second quarter, an improvement relative to 10.8 percent last quarter and 10.2 percent the same time last year.

Overall, the industrial market in the region registered positive net absorption of 635,946 sf for the quarter, but has still sustained negative net absorption of 589,160 sf year-to-date. ■

Quick Stats

Number of Buildings	4,801
Market Size	245,901,369 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	9.66%	▼	▼
Vacancy W/ Sublet	9.98%	▼	▼
Net Absorption	635,946 sf	▲	▼
Avg. Asking Rate	\$5.58	▲	▼

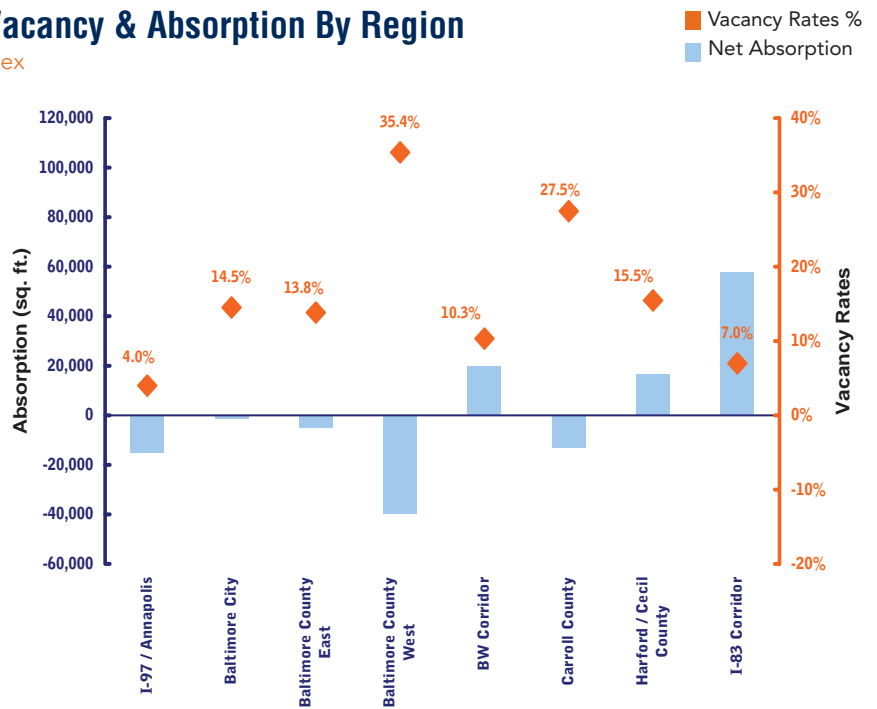
Quarter Highlights

- Port of Baltimore is showing signs of recovery with 2010 year-end activity up 47% from 2009. The Maryland Port Administration reported nearly that 33 million tons of foreign cargo moved through both public and private terminals in 2010, a value estimated at \$41.5 billion or a 37% increase over 2009.
- 115 Airport Drive, a 16,340 sf Class B Flex building sold for \$3,800,792 (\$232.61 psf). Zoned I-R, the building is the 5th building to have sold within the park this quarter.

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Vacancy & Absorption By Region

Flex



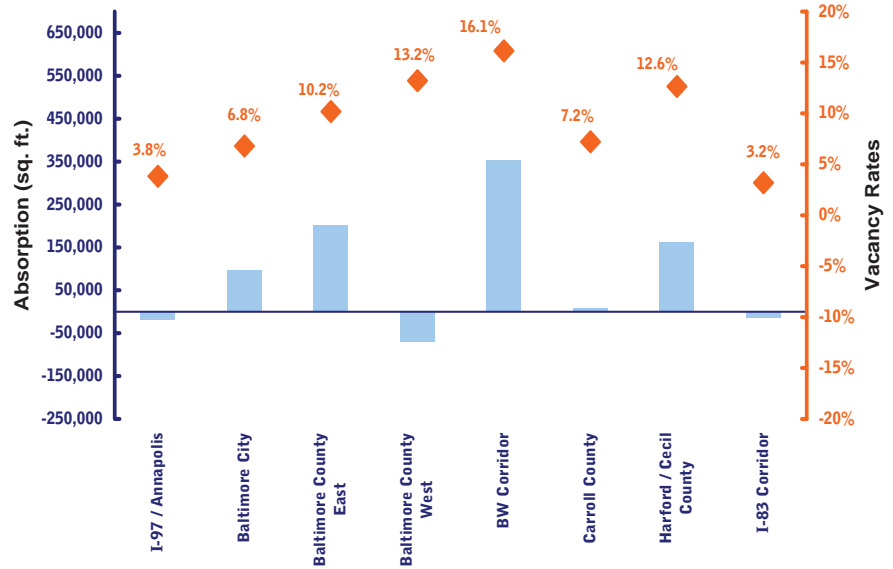
Above: Overall Flex vacancy continued to decrease slightly from 10.81 percent in the first quarter 2011 to 10.02 percent.

Overview

Vacancy & Absorption By Region

Warehouse

Vacancy Rates %
Net Absorption



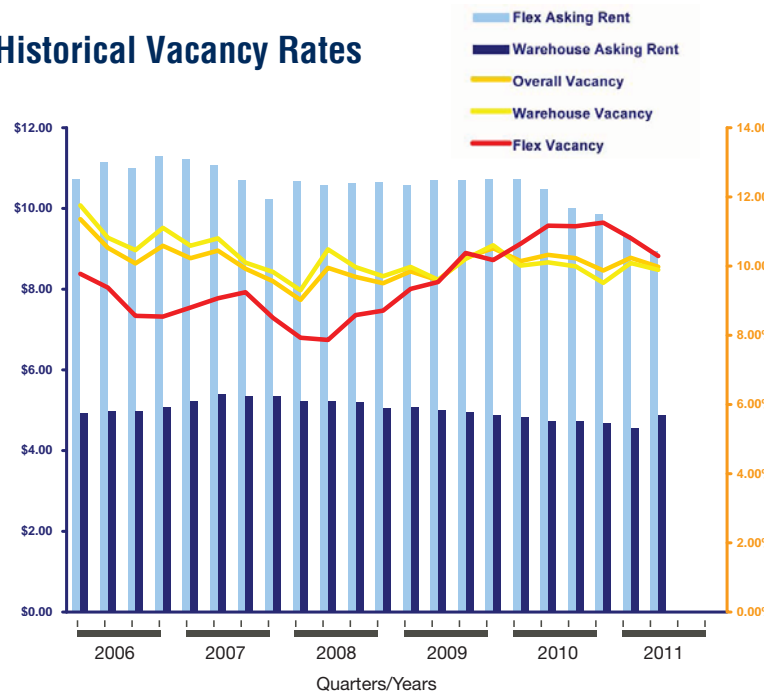
Above: The overall warehouse market saw positive absorption with the BW Corridor and Harford/Cecil County markets leading the charge.

Quarter Highlights

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- In the largest transaction of the year thus far, 7605 Dorsey Run Run Building 1 was purchased for \$50,250,000 (\$81.99 psf). The Class A warehouse is 612,900 sf and was approximately 80% leased at the time of the sale.
- Chesapeake Bay Candle Company has opened its first manufacturing plant in Glen Burnie. The 17 year old company recently moved the plant back to US soil from China based in part to the rising costs of exporting labor. At full capacity the 125,000 sf plant is expected to produce up to 15,000 candles a day and employ 100 workers. While parent company Pacific Trade International did not receive any financial incentives from Anne Arundel County, the company will be able to take advantage of existing incentives for new job creation.
- General Motors broker ground for a new, \$269 million electric motor manufacturing plant at the GM facility in White Marsh, MD. The new plant will begin production in 2013 with the first GM-designed and built electric motors. The 471,000 square foot GM facility in White Marsh, which opened in 2000, also manufactures Hybrid two-MODE transmissions, A1000 transmissions and 6-speed torque converters.

Historical Vacancy Rates



Above: The availability rate remains high at 14.54 percent for the area, though this number continues to steadily decrease from recession high of 18% in mid 2010.



Market Forecast

Banks and other lenders are beginning to make loans to favored customers, although they insist on 20 percent plus of the purchase price as a down payment. We are beginning to see a slight increase in the sale of distressed assets in this area. It appears that lenders are finally forcing borrowers to increase their equity in their property or face possible foreclosure. An increase in Port of Baltimore activity, in both the public and private terminals, will also contribute to the stabilization of the market. We'll be keeping an eye on increased attention paid to rail traffic. CSX has committed \$160 million to fund a project that will allow double-stacking of container cargo on trains between Maryland and the Midwest. They have identified several sites as possible transmodel facilities, although neighborhood opposition may play a factor in which site is chosen. This will be especially important as the Panama Canal expansion brings more traffic through our port.



Michael V. Spedden
VICE PRESIDENT

MacKenzie Commercial
Real Estate Services, LLC

Notable Transactions

*(r) Renewal

Flex Lease

Location	Submarket	Tenant	Amount Leased SF
9212 Berger Road	Columbia	The Baseball Factory	22,396 sf
980 Mercantile Drive	BW Corridor	N/A	15,000 sf
8950 Yellow Brick Road	Baltimore County East	Cavanaugh Press, Inc.	11,940 sf
7100 Columbia Gateway Drive	BW Corridor	Rockwell Collins	11,000 sf

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
8900 Corridor Road	BW Corridor	\$1,800,000	\$211.76	8,500 sf
8017 Dorsey Run Road	BW Corridor	\$715,625	\$125.00	5,725 sf
2900 Bloom Road	Carroll County	\$254,000	\$117.67	2,352 sf
10621 Riggs Hill Road	BW Corridor	\$2,800,000	\$66.42	42,155 sf

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
7463 New Ridge Road	BW Corridor	N/A	146,104 sf
4734-4756 Trident Court	Baltimore County West	Thrift Books	64,233 sf
4000 Buena Vista Avenue	Baltimore City	International Book Bank, Inc.	45,000 sf

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
4835 Hollins Ferry Road	Baltimore County West	\$39,000,000	\$312.00	125,000 sf
7605 Dorsey Run Road	BW Corridor	\$50,250,000	\$81.99	612,900 sf
8730 Bollman Place	BW Corridor	\$7,500,000	\$79.95	98,745 sf
3201 Pulaski Highway (2 buildings)	Harford County	\$2,500,000	\$41.67	60,000 sf total

* 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 6/2011.

