

SECOND QUARTER | 2011

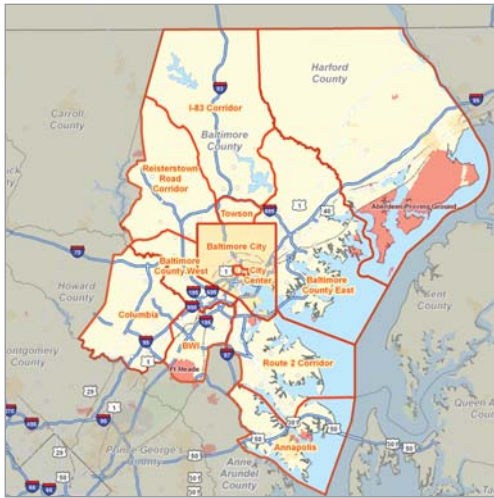
# MacKenzie Market Report

Office Submarkets



MACKENZIE

# Overview



## Market Outlook

By: Anirban Basu, Sage Policy Group

**B**altimore area office market improving amidst regional economic slowdown. During the second quarter, net office market absorption in the Baltimore region totaled 276,918 square feet (sf) bringing year-to-date net absorption to -10,393. Much of the rebound in net absorption was in the southern metropolitan region, which absorbed 261,537 sf. Columbia registered 151,314 sf of net absorption and the BWI submarket chipped in another 84,972 sf.

The northern portion of the region also fared better during the second quarter relative to the first. Net absorption totaled 53,943 sf in the I-83 Corridor, though year-to-date net absorption is still -26,419 sf. Baltimore County West registered positive net absorption of 18,143 sf for the quarter and has absorbed 51,690 sf for the year-to-date.

The suburban upswing has not found its way to the heart of the region. Baltimore

City Center sustained yet another negative quarter of net absorption, returning 35,550 sf for the quarter and 131,475 sf year-to-date.

Regionally, the direct vacancy rate was 15.91 percent in the second quarter of 2011, virtually unchanged from 15.94 percent in the first quarter and up from 15.35 percent a year prior. Baltimore City Center is associated with the highest office vacancy rate in the region at 21.0 percent, up 1 percentage point relative to the prior quarter.

The average asking rent for the region was \$22.09 psf in the second quarter of 2011, slightly lower than \$22.41 psf one quarter prior and \$22.81 psf the same time last year. For now, the regional economy appears too weak to support higher rents even in the absence of substantial supply augmentation. According to the Bureau of Labor Statistics, the region lost 9,100 jobs between May 2010 and May 2011. ■

## Quick Stats

Number of Buildings	1,243
Market Size	75,292,733 sf

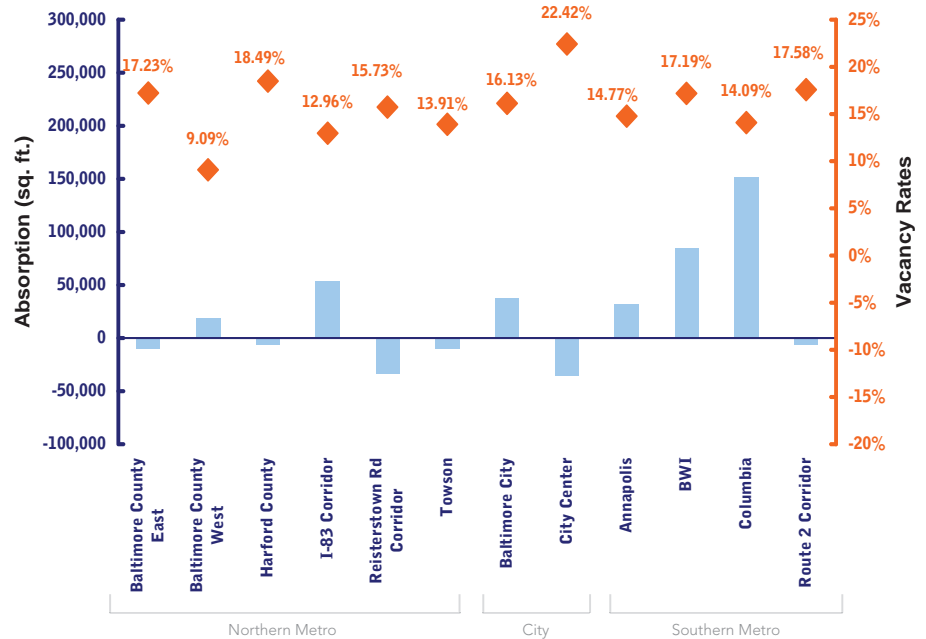
	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	15.91%	▼	▲
Vacancy W/ Sublet	16.48%	▼	▼
Net Absorption	276,918 sf	▲	▼
Avg. Asking Rate	\$22.09 psf	▲	▼

## Quarter Highlights

- In an all-cash deal, Howard County purchased 8930 Stanford Boulevard, commonly known as the S3 Technologies Building, for \$26,000,000 (\$168.40 psf). The 154,394 sf, Class B office property was formerly the home to Ascend One, which will remain in the 50,000 sf it currently occupies.
- Bon Secours Hospital sold a portion of its portfolio to the State of Maryland on behalf of Baltimore City Community College for \$6,000,000. The properties; 2600 Liberty Heights Avenue (41,988 sf), 3100 Towanda Avenue (69,789 sf), and 3101 Towanda Avenue (32,500 sf), were purchased primarily for the land value. The State intends to use the property as back-fill office space and expanding the Community College.

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## Vacancy & Absorption By Region



**Above:** Rebounding from a negative absorption of -287,311 in the first quarter, the market absorbed 564,229 sf, with the highest levels coming from the Southern Metro which absorbed a total of 261,537 sf.

# Overview



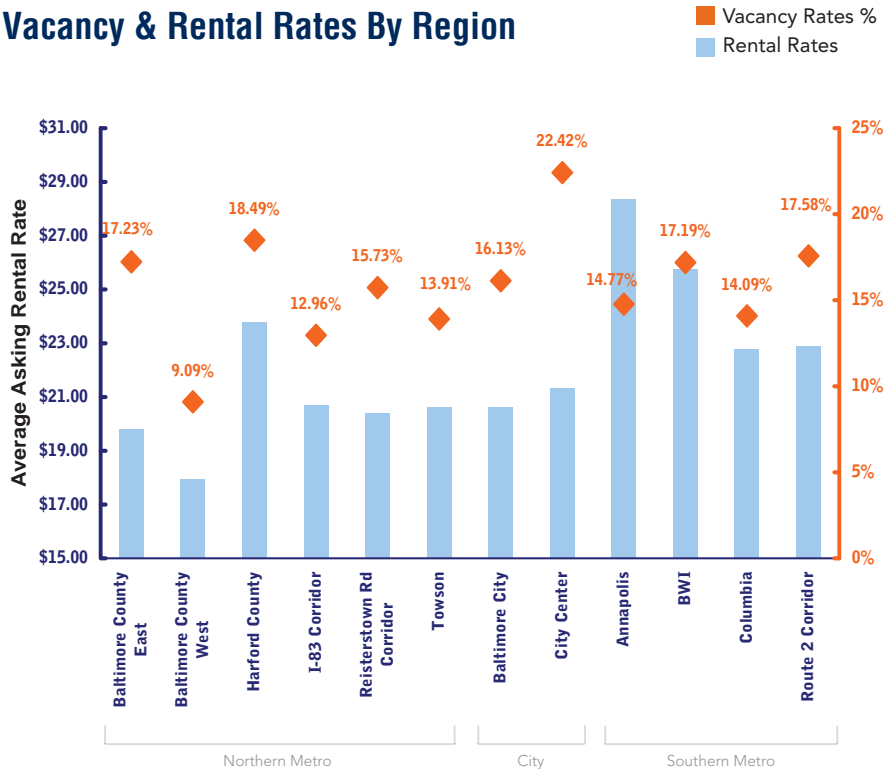
## Quarter Highlights

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- Multiple non-arms lengths and foreclosure deals were completed including the highly visible 300 W. Pratt Street in City Center and the Patapsco Valley Office Campus (three building portfolio).
- 79 West Road in Annapolis sold for \$270.93 psf (\$1,165,000). Located within walking distance of the heart of Downtown Annapolis, the property is 100% leased to an architecture firm.
- BCP Investors LLC purchased a well-known 31-acre parcel on Canton's waterfront from First Mariner Bancorp. The local developers plan to break ground some time next year on a 275,000-square-foot retail plaza. A second phase, to include a 100,000-square-foot development, will follow.
- 1111 N. Charles Street sold at the end of June for \$6.7 million. Chase Brexton Health Services, who purchased the 192,000 sf building, will look to consolidate its Headquarters and a health clinic within the building. The building is currently 100% leased by Aegon.
- Construction continues at Building I of the 1.3 msf Arundel Preserve Town Center. The 171,300 sf Class A office building is expected to deliver in early 2nd Quarter 2012 will be certified LEED Gold.
- Kinsley Properties and Sherwood Partners LLC, broke ground on a 24-acre business park near Ripken Stadium in Aberdeen. The first building of the proposed 500,000 square feet of new office space, tentatively called Fieldside Commons, could be ready by January 2012.
- EA Engineering will be moving in to 60,000 sf at 225 Schilling Circle in 2012. The building will be demolished and rebuilt to accommodate the growing science and technology firm.
- There is currently 64,000 sf of office space under construction, most notably, the 40,000 sf, Class B medical condominium project at 11620 Red Run Boulevard. The project is part of a larger build-to-suit LEED Silver certified office park

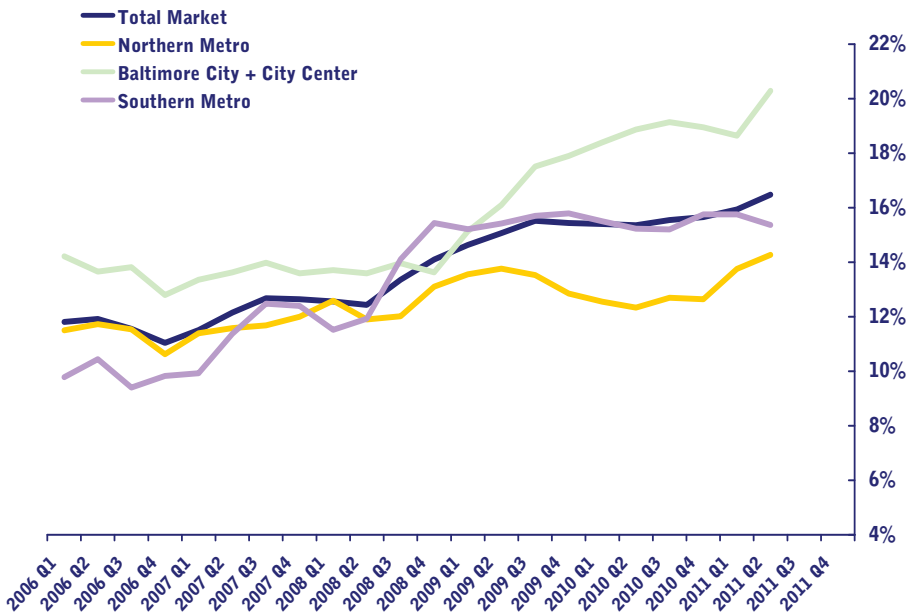
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## Vacancy & Rental Rates By Region



Above: Baltimore's Southern Metro Market continues to see higher rents than the rest of the region with the exception of Harford County which is attributed to BRAC activity.

## Historical Vacancy Rates



Above: After what appeared to be a stabilization period from late 2009 to late 2010, Total Market vacancy has once again started to climb. Southern Metro's vacancy seems to have peaked during the end of 2010, and the Northern Metro Market, which is in the process of adding newly constructed inventory to the market, is feeling the benefits of BRAC.

# Overview



- St. John Properties, Inc. opened the first phase of Liberty Exchange, a 225,000 square foot mixed-use business community near Eldersburg. Approximately 100,000 square feet of space has been delivered, and Orthopaedic Associates of Central Maryland has leased more than 12,000 square feet of space
- Barton-Cotton leased an additional 40,000 square feet of space at its 3000 Waterview Avenue location. This is in addition to the existing 210,000 square feet the direct-mail marketing and printing company currently leases within the 345,000 square foot building. Primarily utilized for manufacturing and warehousing operations, Barton-Cotton consolidated and moved its business to downtown Baltimore last spring from its former Halethorpe location.
- PNC Financial Services Group Inc. has leased several floors in the Verizon building downtown for its Baltimore-area headquarters.
- PNC has agreed to lease 119,000 square feet at 1 E. Pratt St. The deal includes naming rights and a 7,000 square-foot bank branch in the building's lobby. The company plans to move from 2 Hopkins Plaza in July 2012.

## Notable Transactions

### Lease

Location	Submarket	Tenant	Amount Leased SF
100 Light Street	City Center	Miles & Stockbridge	106,728 sf (total)
3000 Waterview Avenue	Baltimore City	Barton-Cotton	40,000 sf
11103 Pepper Road	I-83 Corridor	Nations Photo Lab	33,680 sf
1954 Greenspring Drive	I-83 Corridor	Kimco	17,872 sf
2400 Boston Street	Baltimore City	Millennial Media	14,364 sf

### Sale

Location	Submarket	Price	PSF	Building Size SF
8930 Stanford Boulevard	Columbia	\$26,000,000	\$168.40	154,394 sf
100 West Road	Towson	\$18,750,000	\$154.33	121,491 sf
1111 N. Charles Street	Baltimore City	\$6,700,000	\$34.90	192,000 sf
Portfolio (3 buildings)	BWI	\$6,000,000	\$46.88	128,000 sf (total)
300 W. Pratt Street	City Center	\$5,895,300	\$97.11	60,708 sf
79 West Street	Annapolis	\$1,165,000	\$270.93	4,300 sf

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SECOND QUARTER | 2011

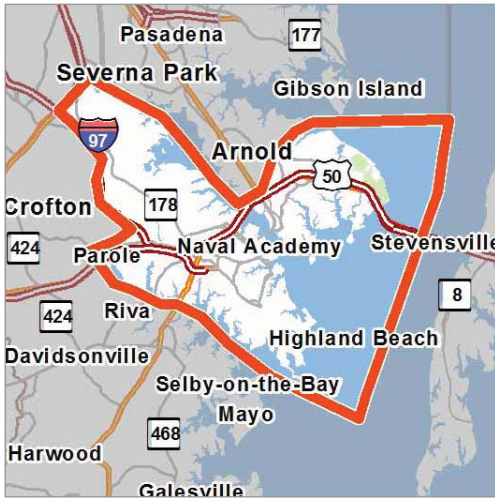
# MacKenzie Market Report

Office



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# Annapolis



**Overview:** Annapolis, the State Capital of Maryland and the county seat of Anne Arundel County, is situated on the Severn River. The office submarket is bounded by I-97 to the east, South River to the south, and includes the Route 50/301 corridor on both sides of the Severn River.

Designated a "Central City" by the United States Department of Housing and Urban Development, the major components of Annapolis' local economy are government (the State Capital, Anne Arundel County Seat, and the United States Naval Academy), tourism, and maritime industries. Living within 30 miles of both Baltimore and Washington, DC, many residents find employment outside the City; however, as the State's Capital, the City experiences a daily population of up to 150,000 when the legislature is in session.

Annapolis continues to see steady growth in multiple sectors due to its close proximity to Fort Meade. BRAC relocation initiatives are underway with defense contractors relocating their businesses into work/play friendly areas such as Annapolis Towne Center and Park Place of Annapolis. Coupled with the City

of Annapolis' plans to revive Historic and Main Street Annapolis, both small and large businesses are finding opportunity to grow within the submarket.

Following a sharp increase in the last two quarters of 2010, direct vacancy rates in Annapolis have plateaued this quarter to 14.20 percent, 2.01 percent increase over the previous year. These rates continue to hover well above 2008 levels due to newly delivered buildings including 129 Lubrano Drive. Annapolis' average asking rental rate showed another slight decrease (-\$0.52 per square foot (psf)) from last quarter and now averages \$28.37 psf. This rate continues to be the highest in the Baltimore Metropolitan Market and has averaged more than \$28.00 psf since 2007. ■

## Quick Stats

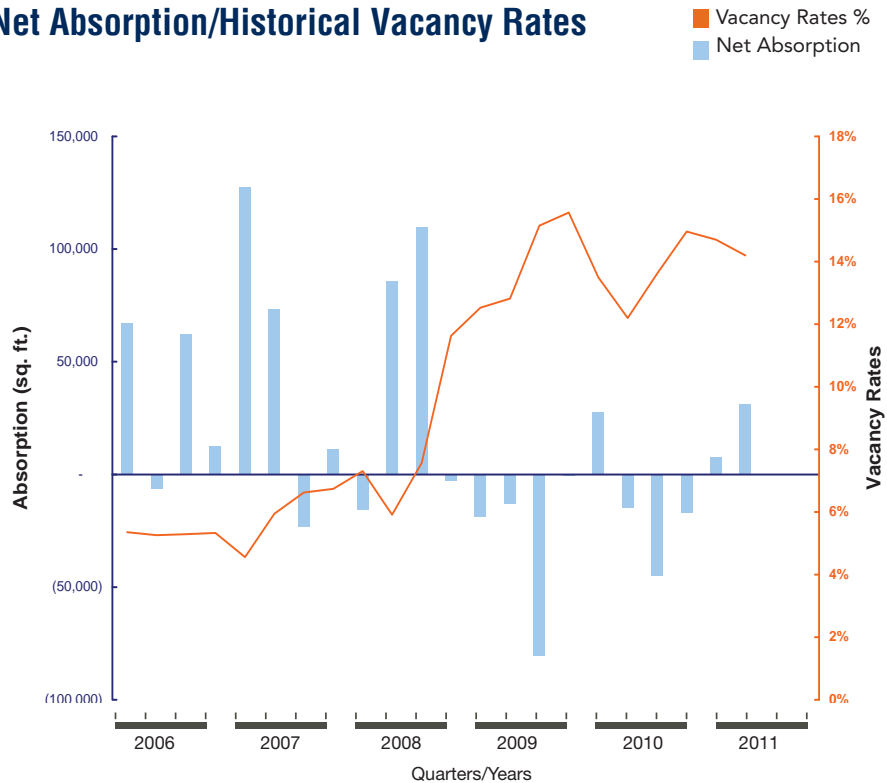
Number of Buildings	133
Market Size	3,672,504 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	14.20%	▼	▲
Vacancy W/ Sublet	14.77%	▼	▲
Net Absorption	31,391 sf	▲	▲
Avg. Asking Rate	\$28.37 psf	▼	▼

## Quarter Highlights

- 79 West Road in Annapolis sold for \$270.93 psf (\$1,165,000). Located within walking distance of the heart of Downtown Annapolis, the property is 100 percent leased to an architecture firm.
- MedAssurant renewed its space at 180 Admiral Cochrane Drive. The medical information solutions company was recently named Tech Company of the Year by the Chesapeake Regional Tech Council.
- Multiple condo sales occurred during the quarter including a two unit condo sale at Homeland Professional Center for \$390,000 (\$189.97 psf)

## Net Absorption/Historical Vacancy Rates



**Above:** After a significant increase in the last two quarters of 2010, vacancy rates hover near the 4th quarter 2009 high.

## Market Forecast

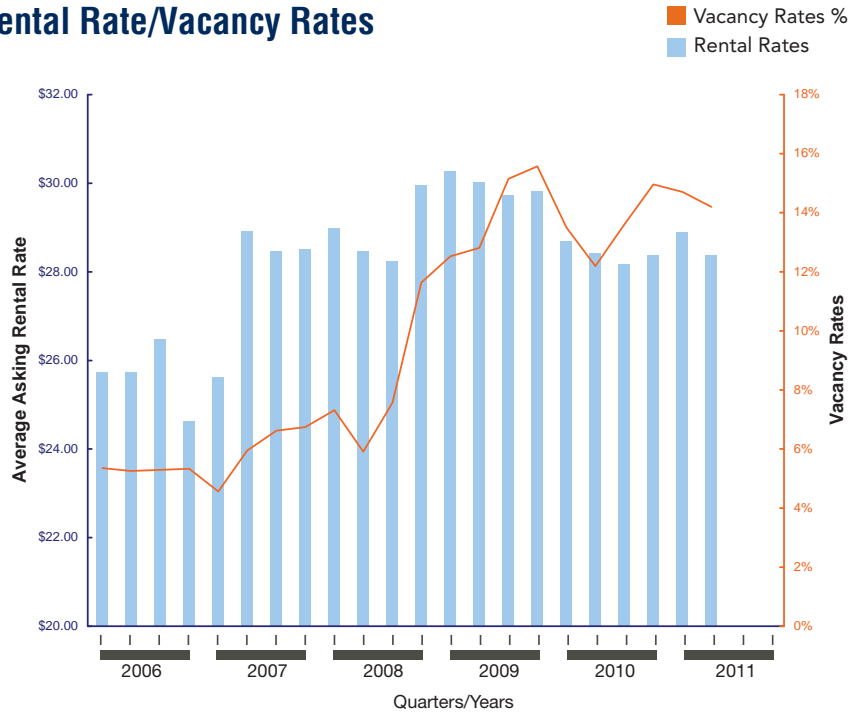
The Annapolis Class A Office Market has seen positive signs over the last quarter. Vacancy is down and the market saw a positive Net Absorption. Strong tenant deals are still available, but Landlords are starting to see multiple prospects for their space, thus giving them a stronger stance when negotiating. The available sublet space is negatively impacting the overall direct vacancy as larger tenant requirements in the market are finding good opportunities for cost savings. As sublet space is absorbed, rental rates should start slowly creeping up. The market is seeing a return to quality as the top tier rental rate buildings are seeing an increase in activity and a reduction in vacancy. Large Financial Firms who have been quiet over the past few years are starting to see light at the end of the tunnel and are making real estate plans for their long term position in the market. These firms are looking to recruit and maintain employees and are often choosing high end buildings with nearby amenities. Rental rates in these buildings are into the mid \$30's.



**Justin T. Mullen**  
REAL ESTATE ADVISOR

MacKenzie Commercial  
Real Estate Services, LLC

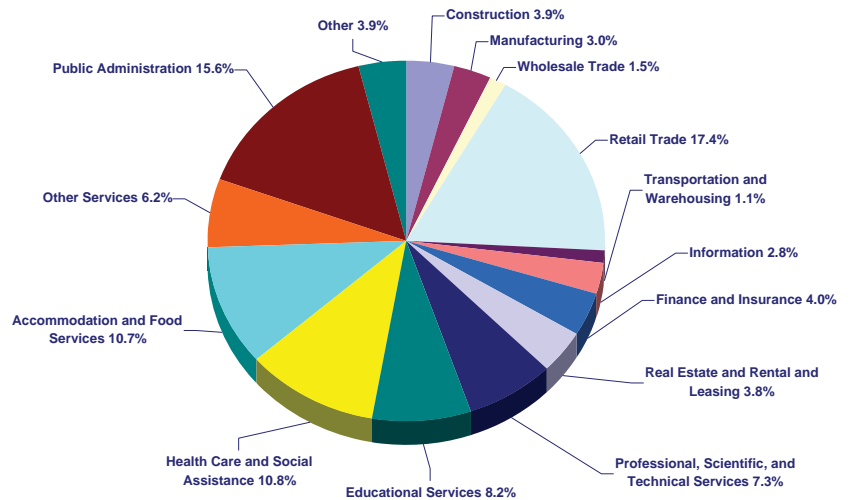
## Rental Rate/Vacancy Rates



**Above:** After cresting above \$30.00 psf in early 2009, rental rates continue to adjust to depressed economic conditions and high vacancy. Annapolis' asking rates, however, have been consistently above \$28.00 psf since 2007 and remain the highest in the entire Baltimore Market.

## Businesses in this Submarket

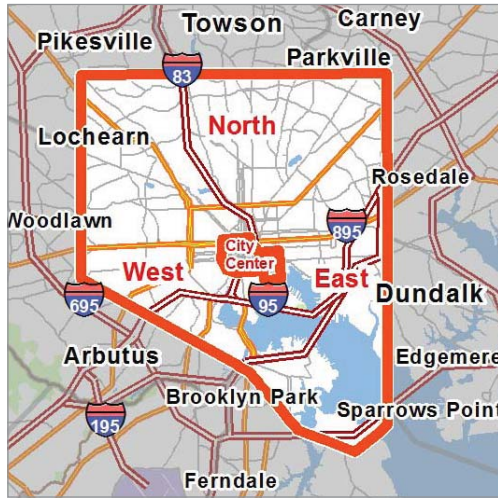
(based on number of employees)



**Above:** Apart from a large number of tourism and retail businesses, this submarket, also the State's Capital, is dominated by government-related industry, providing more than 10,000 individuals with jobs in the public administration field.

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# Baltimore City\*



**Overview:** Baltimore City is located 38 miles north of Washington, DC and 95 miles south of Philadelphia. This submarket is divided into four main areas: Midtown, which is bounded by Centre Street to the south, I-83 to the east, Martin Luther King Jr. Boulevard to the west, and North Avenue to the north; Baltimore City North, which encompasses the remaining area north of Route 40; and Baltimore City East and Baltimore City West, which are south of Route 40 and separated by Hanover Street which runs north-south.

## Quick Stats

Number of Buildings	113
Market Size	7,720,039 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	15.71%	▼	▼
Vacancy W/ Sublet	16.13%	▼	▼
Net Absorption	35,575 sf	▼	▼
Avg. Asking Rate	\$20.63 psf	▼	▼

**R**anking 20th in population for U.S. Cities, Baltimore City is home to the world-renowned Johns Hopkins Hospital and School of Medicine, the largest recipient of federal research dollars in the Country. The University of Maryland Medical System is also located in Baltimore's redeveloping west side. Both, in cooperation with the City, are developing biotech parks and are helping Baltimore emerge as a life sciences capital. When complete, the east side/Science & Technology Park at JHU will include 2 million square feet (msf) of research space and 1,200 units of mixed-income housing. The west side/UMB BioPark will include 2.5 msf of office, hotel, retail, and university space.

Companies continue to take advantage of the market conditions, snapping up properties and relocating to newly constructed locations. The most notable, and arguably the most anticipated transaction by the residents of Canton, BCP Investors LLC purchased a well-known 31-acre parcel on Canton's waterfront from First Mariner Bancorp. The local

developers plan to break ground some time next year on a 275,000 square foot (sf) retail plaza, ending what residents believe to be a drought in retail opportunities.

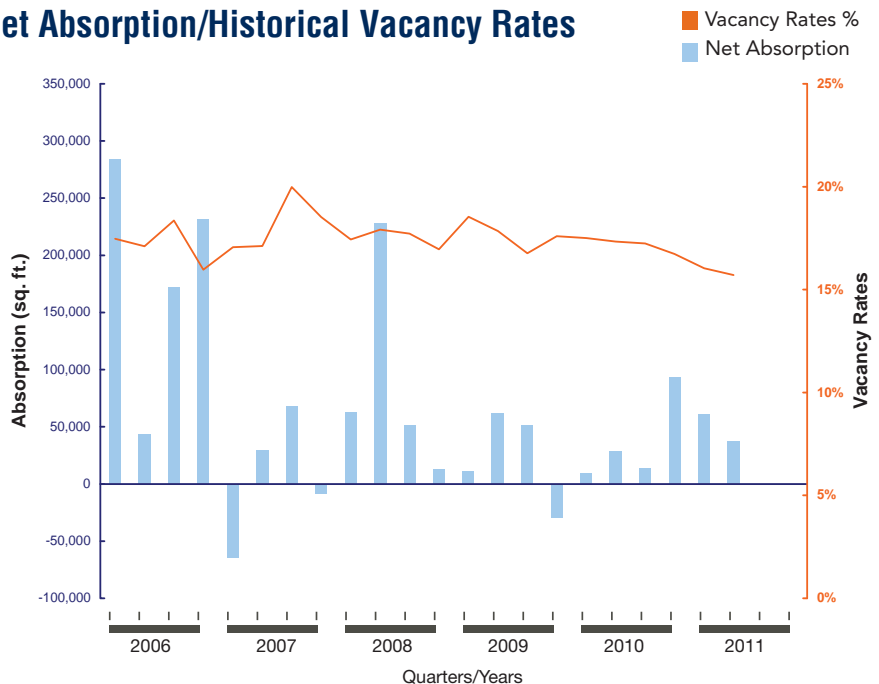
Baltimore City's direct vacancy rate continues its decline for the sixth consecutive quarter and now stands at 16.13 percent. This constitutes a 1.74 percent decrease in vacancy over the past year. The north side, west side, and midtown districts each saw a reduction in vacancy over the past 12 months, however the opposite is occurring on the city's east side where vacancy rose a slight 0.36 percent from one year ago. While the west side's vacancy rate continues to decrease, it is still significantly higher than other areas of the City including the City's Midtown District which has the lowest vacancy rate in the City, at 5.78 percent. Total absorption in the submarket increased from a -23,141 sf in the first quarter to 37,575 sf while asking rental rates continue to remain consistent, currently averaging \$20.63 per square foot (psf). ■

\*NOTE: The Baltimore City submarket does not include the City's central business district, which is a distinctly different submarket called City Center.

## Quarter Highlights

- BCP Investors LLC purchased a well-known 31-acre parcel on Canton's waterfront from First Mariner Bancorp. The local developers plan to break ground some time next year on a 275,000-square-foot retail plaza.
- 1111 N. Charles Street sold at the end of June for \$6.7 million. Chase Brexton Health Services, who purchased the 192,000 sf building, will look to consolidate its headquarters and a health clinic within the building. The building is currently 100 percent leased by Aegon.
- Bon Secours Hospital sold a portion of its portfolio to the State of Maryland on behalf of Baltimore City Community College for \$6,000,000. The properties; 2600 Liberty Heights Avenue (41,988 sf), 3100 Towanda Avenue (69,789 sf), and 3101 Towanda Avenue (32,500 sf), were purchased primarily for the land value.

## Net Absorption/Historical Vacancy Rates



Above: The vacancy rate continues to ebb slowly as does absorption.

## Market Forecast

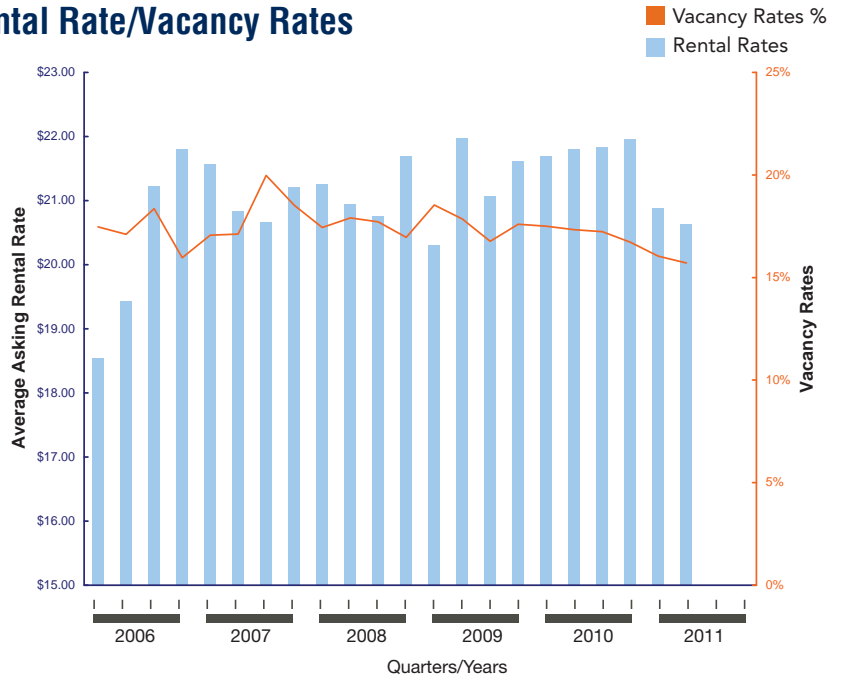
The Baltimore City Market, not including Center City, continued its trend of positive net absorption. The Baltimore City vacancy rate declined from 16.04% in the first quarter of 2011 to 15.71% by the end of the second quarter 2011. Over the last year, the rate fell by 1.62% with positive net absorption in each quarter. That trend will end in 2012 when Transamerica Life Insurance Company moves from several Midtown locations to City Center. The Midtown Market will see its current vacancy rate skyrocket from its current 5.74% to over 25%. On a positive, note the continued growth of Midtown company, Chase Brexton Health Services, will help to backfill some of Transamerica's vacated Midtown space.



**James R. Grieves, Jr.**  
VICE PRESIDENT

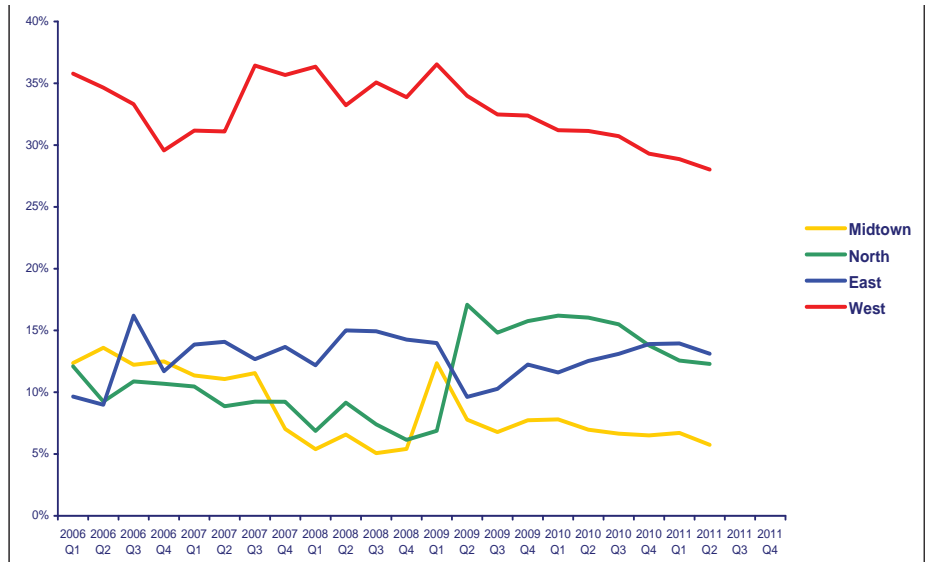
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Real Estate Services, LLC

## Rental Rate/Vacancy Rates



**Above:** Asking rental rates evened out as vacancy continued to inch downward.

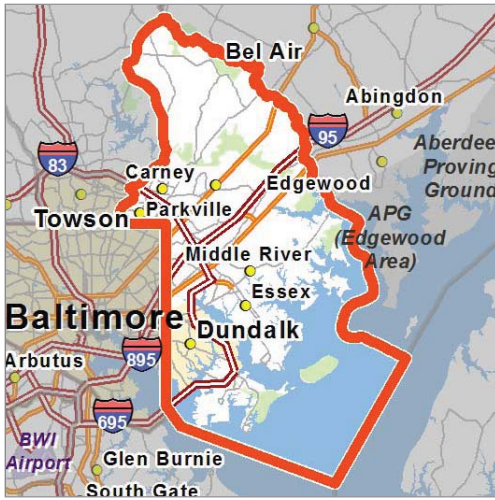
## Vacancy Rate/Region



**Above:** Baltimore City West maintains a significantly higher vacancy than the remainder of the City. The Midtown District continues to enjoy the lowest vacancy rate in the metropolitan market.

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# Baltimore County East



**Overview:** The Eastern Baltimore County submarket is home to a diverse business community, including some of the region's largest manufacturers such as GM Power Train, Middle River Aircraft Systems, Lockheed Martin, Signode, and ISG Sparrows Point. An integrated transportation network links Dundalk, Essex, Middle River, and Rosedale to I-95, I-695, Baltimore/Washington Thurgood Marshall International Airport, and Martin State Airport. MARC commuter rail is available in Middle River.

**C**lose proximity to Aberdeen Proving Ground, new office, flex, and industrial opportunities developed by Corporate Office Properties Trust (COPT), and \$800 million in private, state, and county investment in infrastructure, parks, schools, and housing over the last several years has encouraged employment-intensive development in the submarket.

Over the past year, Baltimore County East continues to show schizophrenic signs of recovery as vacancy rates dropped significantly by 4.20 percent while average asking rental rates decreased by \$1.61 per square foot (psf) in the same time frame. Vacancy rates edged up from 16.75 percent in the first quarter 2011 to 17.23 percent in the second quarter. Average asking rental rate dipped from \$21.62 psf to \$19.79 psf. ■

Anchored by White Marsh, a planned 2,000 acre mixed-use community adjacent to I-95, the submarket has grown substantially, to more than 3.8 million square feet (msf) in the last decade. Clusters of financial, insurance, health care, light manufacturing, technology, and distribution operations surround its vibrant town center which has become a cultural hub. Premier shopping and multiple dining options located at The Avenue at White Marsh attract local business tenants and residents alike.

## Quick Stats

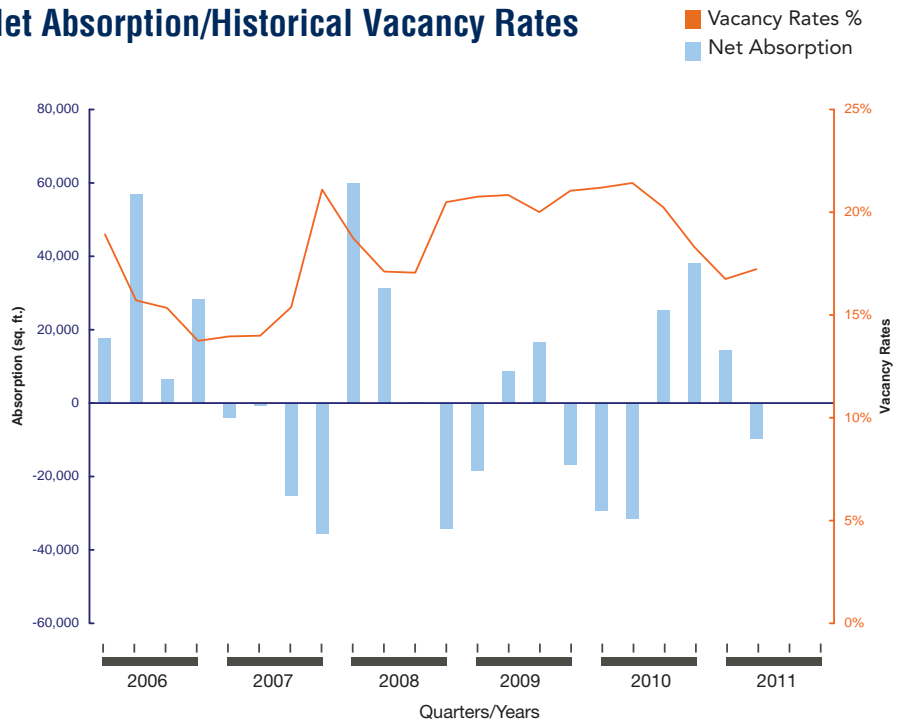
Number of Buildings	57
Market Size	2,003,397 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	17.23%	▲	▼
Vacancy W/ Sublet	17.23%	▲	▼
Net Absorption	-9,664 sf	▼	▲
Avg. Asking Rate	\$19.79 psf	▼	▼

## Quarter Highlights

- Fort Howard Development, LLC announced plans to break ground early this fall on a 95 acre campus to be developed over a seven-to-ten year period. The LEED Silver certified building is being developed as a veterans-preferred community and is expected to include eight buildings totaling more than 100,000 square feet of retail and 400 residential units.
- Synagro, an environmental technology company specializing in creating sustainable solutions for waste by-products, signed a 17,457 sf lease at 435 Williams Court at Baltimore Crossroads late in the second quarter. This is the first tenant to enter the Class B office building since construction finished in late 2009.

## Net Absorption/Historical Vacancy Rates



**Above:** Absorption continued to slide from its high in the fourth quarter of 2010 while vacancy made a slight jump after more than a year of steady decline.

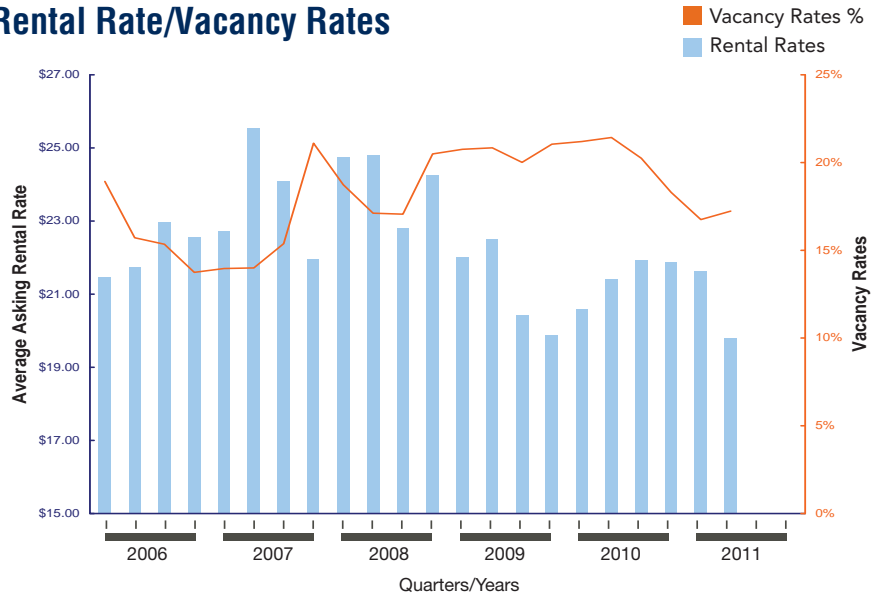
## Market Forecast

While still below 20 percent, vacancy is inching up. Year to date, the market remains stagnant with very little activity with small tenants trading spaces within the submarket taking the bulk of the credit. All this adds up to flat activity and Landlords putting their best foot forward, which is evidenced in the very reduced average asking rate under \$20.00 psf. A ray of light in the market: Synagro, an environmental technology group leased 17,457 sf at 435 Williams Court.



**Meghan C. Gill**  
SENIOR REAL ESTATE ADVISOR  
MacKenzie Commercial Real Estate Services, LLC

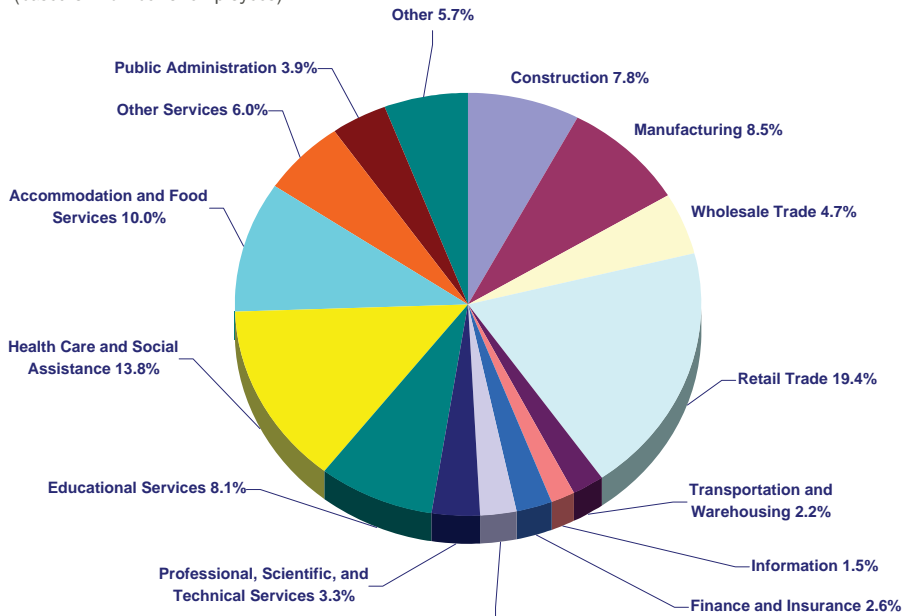
## Rental Rate/Vacancy Rates



**Above:** Average asking rental rates have returned to the record lows experienced in late 2009.

## Businesses in this Submarket

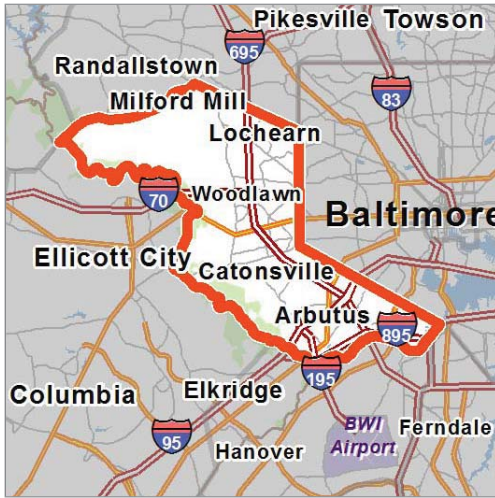
(based on number of employees)



**Above:** Retail Trade employs nearly 20 percent of individuals working in the Baltimore County East submarket. This is the largest percentage of retail jobs in all of the submarkets except Harford County (20.9 percent) and is attributed to White Marsh Mall and The Avenue, economic generators for the area.

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# Baltimore County West



**Overview:** Baltimore County West is comprised of three unincorporated, census designated communities; Woodlawn, Catonsville, and Arbutus/Halethorpe. The submarket is adjacent to Baltimore City, and bordered by Howard County to the west, and Anne Arundel County to the south. I-70 and I-695 provide easy access to Towson, the Baltimore/Washington Thurgood Marshall International Airport, and Frederick and Montgomery Counties.

**W**oodlawn is home to headquarters for both the Social Security Administration (SSA) as well as The Centers for Medicare and Medicaid Services, two of the largest employers in the State of Maryland. Areas of Woodlawn are sometimes informally referred to as Security, Maryland, due to the importance of the SSA's headquarters as well as nearby Security Boulevard (Maryland Route 122) and Security Square Mall. To continue to spur growth in the Woodlawn/Security area, Baltimore County Executive Kevin Kamenetz recently submitted an application to the State of Maryland Business and Economic Development for Enterprise Zone designation.

The submarket continues to be a heavy draw for technology and financial firms. bwtech@UMBC Research and Technology Park, arguably Baltimore County's most prestigious intellectual park, is a 71-acre community

engaged in research, entrepreneurship and economic development. Home to the award-winning Incubator and Accelerator programs, the five-building Research Park offers more established research and technology companies Class A office space in a suburban environment. Current tenants include RWD Technologies, the U.S. Geological and Retirement Living TV.

Significant absorption in Baltimore County West during 2010 has led to a continued decrease in vacancy, including the elimination of available sublease space from the market. Dropping 4.15 percent in the past year, the vacancy rate for the submarket now stands at 9.09 percent, which is the second lowest rate in the metropolitan market. The average asking rental rate has started to increase from \$17.83 per square foot (psf) in the first quarter to \$17.96 psf in the second. ■

## Quick Stats

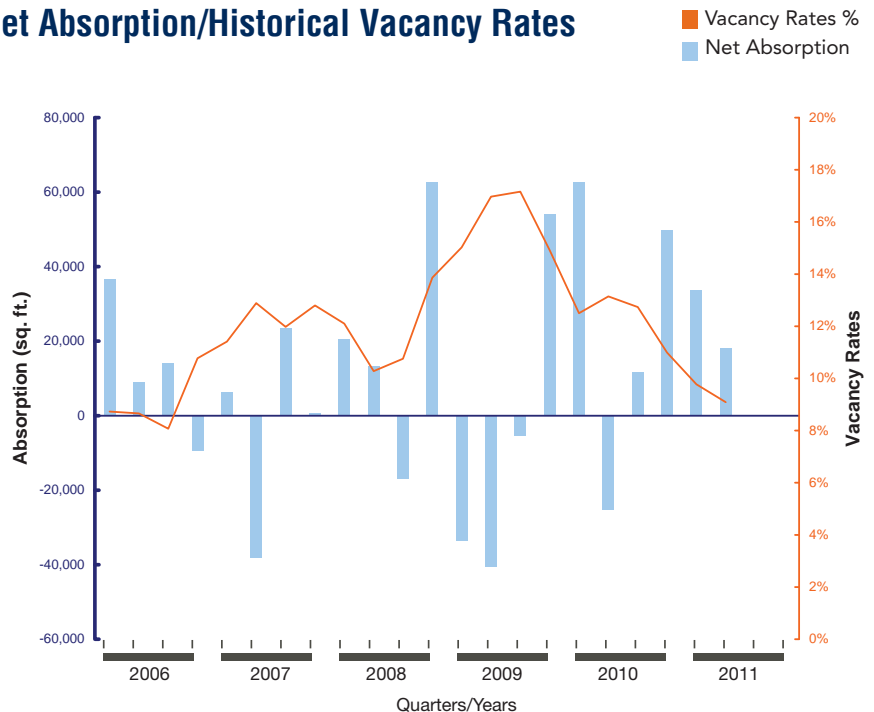
Number of Buildings	64
Market Size	2,868,912 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	9.09%	▼	▼
Vacancy W/ Sublet	9.09%	▼	▼
Net Absorption	18,143 sf	▼	▼
Avg. Asking Rate	\$17.96 psf	▲	▲

## Quarter Highlights

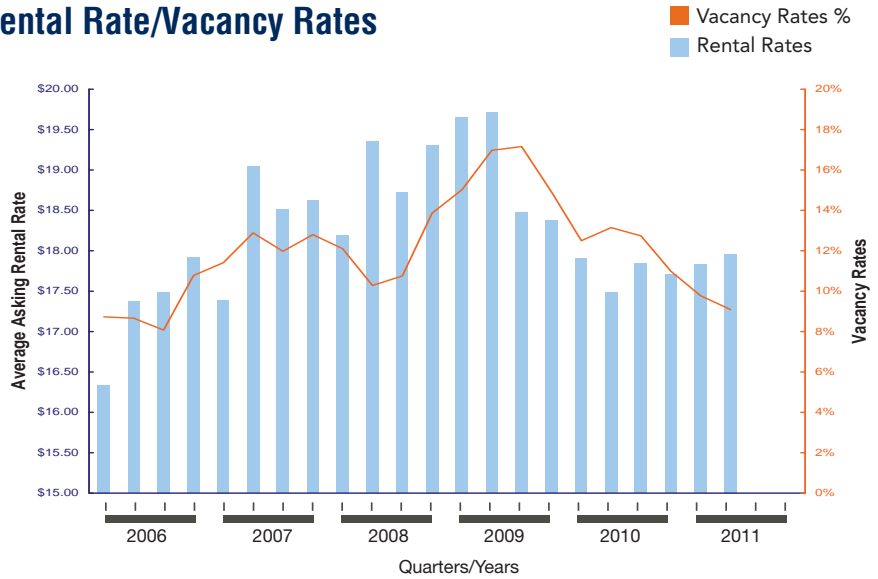
- Renovations continue at 7205 Windsor Boulevard where the Centers for Medicare and Medicaid have leased nearly 75,000 sf.
- The General Services Administration Federal employees have begun moving into 66,707 sf at 7210 Ambassador Road.
- Lease transactions this quarter trended to small spaces, under 5,000 sf, in nature and occurred predominantly in the Woodlawn area.

## Net Absorption/Historical Vacancy Rates



**Above:** After significant absorption over the past 18 months, direct vacancy continues to decline. The submarket enjoys the second lowest vacancy rate within the Metropolitan area.

## Rental Rate/Vacancy Rates



**Above:** As vacancy rates continue their steady decline, rental rates have responded by increasing slowly.

## Market Forecast

The Baltimore County West submarket continues to maintain one of the lowest vacancy rates at 9.09 percent. With sublease space all but vanishing from the market, the small amount of leasing activity that did occur this quarter remained positive. With little new construction planned for the near future, businesses looking to enter the submarket will find small blocks of space available and asking rents approaching the affordable \$18.00 psf mark. As with the rest of the economy, activity moving forward will be reliant on access to capital and fiscal policy geared towards job creation in the public sector.

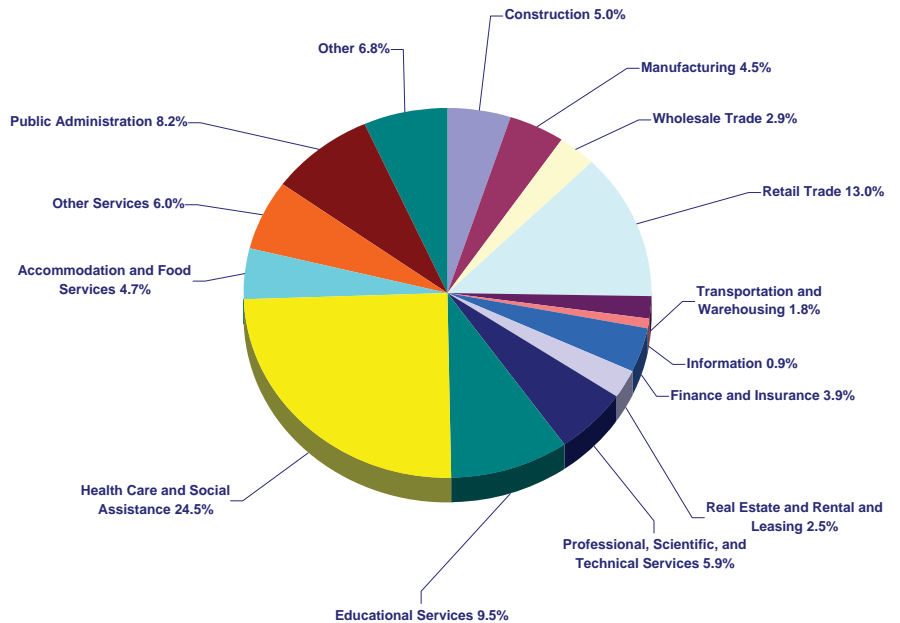


**Julio O. Purcell, SIOR**  
VICE PRESIDENT

MacKenzie Commercial  
Real Estate Services, LLC

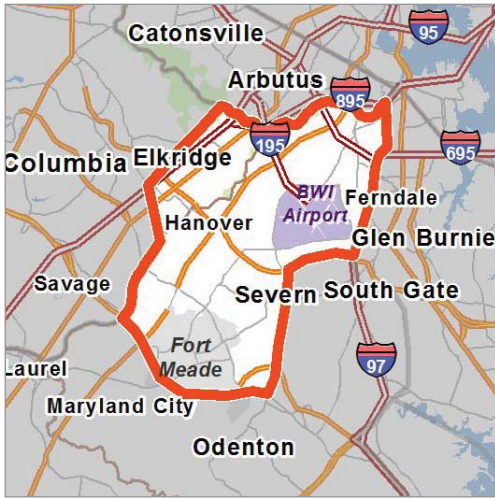
## Businesses in this Submarket

(based on number of employees)



**Above:** 17,050 individuals are employed by the Health Care and Social Assistance Industries in this submarket, representing nearly 25 percent of Baltimore County West's employment. The Social Security Administration and the Centers for Medicare and Medicaid Services, two of Maryland's largest employers both located in Woodlawn, are responsible for this seemingly disproportionate distribution.

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**Overview:** Located in northern Anne Arundel County, just south of Baltimore, the BWI Office submarket surrounds Baltimore/Washington International Thurgood Marshall Airport and includes Glen Burnie, Linthicum, Hanover, and several smaller business districts. The area, which is home to the National Security Agency and Fort George Meade, is supported by a diverse set of economic drivers including world class private sector employers, telecommunications, health care, retail and distribution operations, and a rapidly expanding information and defense industry including eight of the top 10 defense contractors in the nation.

Over the past 30 years, this submarket has grown substantially. Total office inventory is more than eight million sf (msf) of office space and 16 msf of flex space. In addition to a strong health care presence in this area, the National Security Agency (NSA) and its contractors have been a significant factor in the submarket's growth. As a result of recent Base Realignment and Closure (BRAC) initiatives, Ft. Meade is anticipated to gain more than 22,000 jobs, increasing this area's impact on the County to more than \$5 billion annually.

Key private sector employers include: Booz Allen Hamilton, Computer Sciences Corporation, Corporate Express, General Dynamics, Johns Hopkins Healthcare, Northrop Grumman, Lockheed Martin, ITT, BAE Systems, Raytheon, CSI, and Harris Corporation.

Vacancy peaked in the BWI submarket during the first quarter of 2010 at 22.9 percent. Since that time, significant absorption has occurred as the effects of BRAC are felt throughout the area. Vacancy has dropped over 4 percent since the beginning of 2010 to its current level of 17.19 percent. The average asking rental rate has increased slightly from the previous quarter to \$25.74 per square foot (psf). ■

## Quick Stats

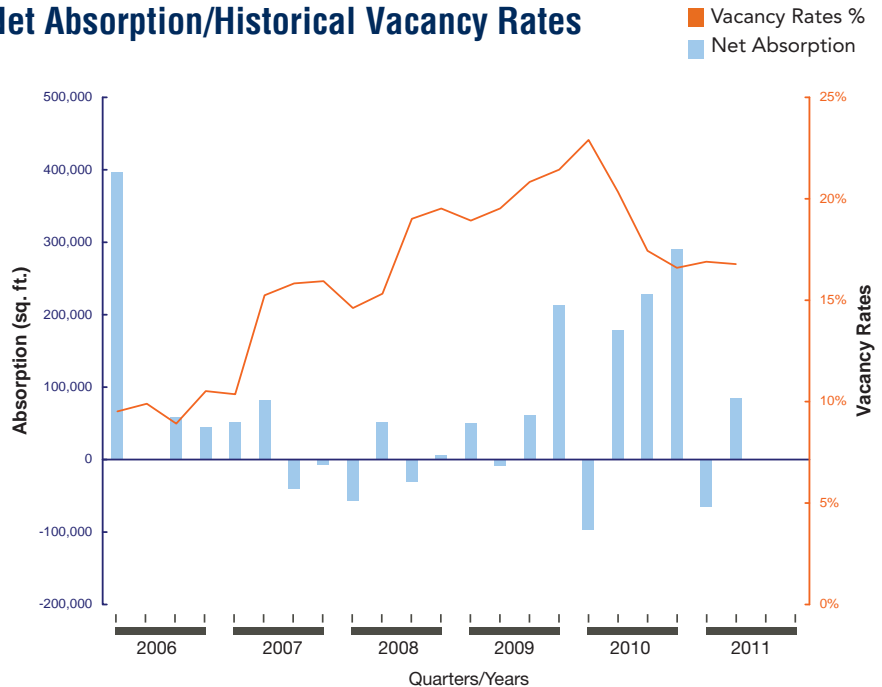
Number of Buildings	108
Market Size	8,395,343 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	16.78%	▼	▼
Vacancy W/ Sublet	17.19%	▼	▼
Net Absorption	84,972 sf	▲	▲
Avg. Asking Rate	\$25.74 psf	▲	▼

## Quarter Highlights

- The Patapsco Valley Office Campus changed hands in a foreclosure deal. The three building 128,000 sf portfolio consisting of 7010, 7030, and 7050 Hi Tech Drive in Hanover sold for \$6,000,000 (\$46.88 psf).
- Regional office property giant Corporate Office Properties Trust unloaded a three building 39,618 sf portfolio in Hanover for \$3,800,000. The mixed-use portfolio consisted of 1344 & 1348 Ashton Road and 1350 Dorsey Road.
- Construction continues at Building I of the 1.3 msf Arundel Preserve Town Center. The 171,300 sf Class A office building is expected to deliver in early 2nd Quarter 2012 will be certified LEED Gold.

## Net Absorption/Historical Vacancy Rates



**Above:** After soaring to an all-time high of 22.9 percent in early 2010, this submarket continues to feel the positive impacts of BRAC as vacancy rates remain at the lowest levels since 2008.

**Market Forecast**

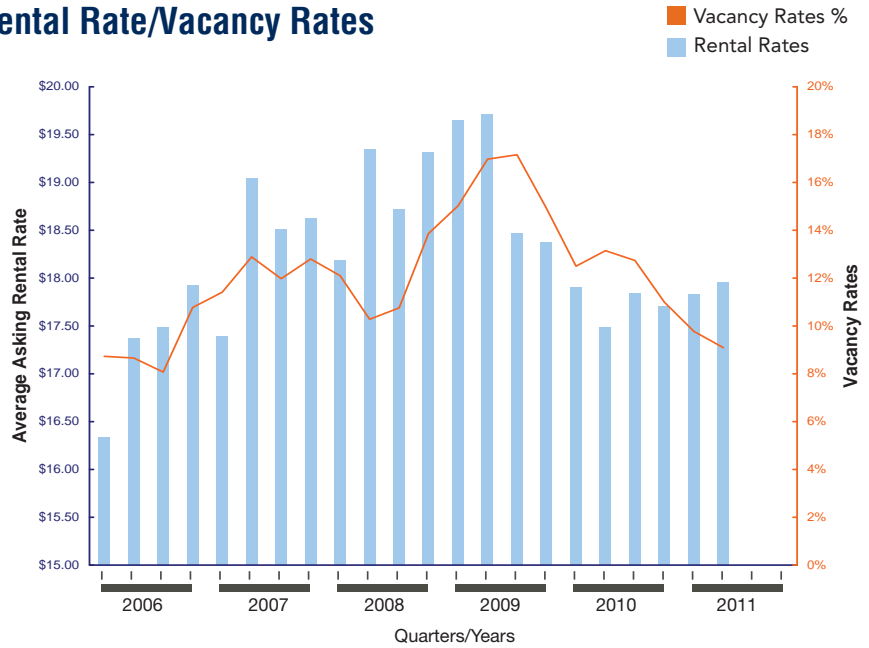
The defense industry continues to drive activity throughout the region. Asking rents inched upward as available product was taken off the market indicating that the submarket is beginning to show signs of stabilization. Close proximity to Baltimore Washington International Airport has also proved beneficial as several retail and industrial properties were snapped up. Combined with a growing wholesale trade manufacturing presence within the submarket, companies appear to finally be taking advantage of the submarket's available inventory; the submarket saw a 149,580 sf change in absorption from first quarter 2011. With more than 350,000 sf of space under construction, and as existing inventory is slowly filled by incoming BRAC and Cyber Command related activity, the submarket will continue to show signs of stabilization.



**Patricia B. Farrell**  
VICE PRESIDENT

Mackenzie Commercial  
Real Estate Services, LLC

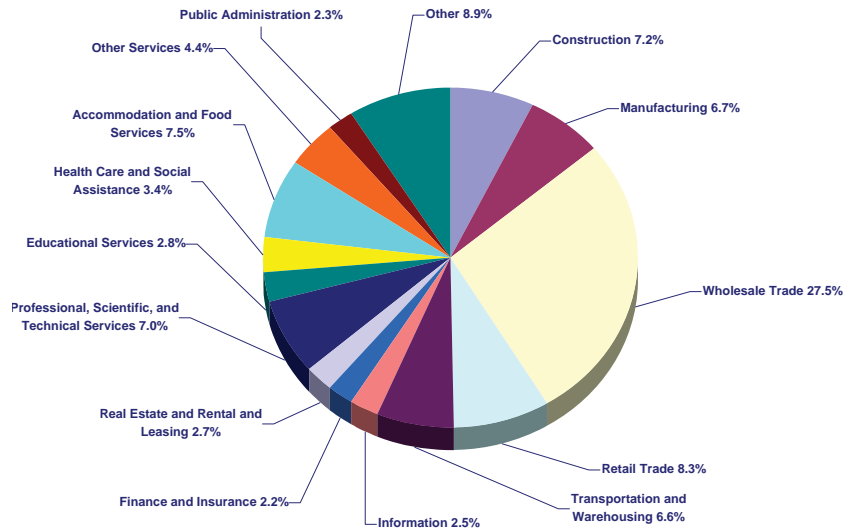
**Rental Rate/Vacancy Rates**



**Above:** The average asking rental rate is rising slowly but still well below the record highs of 2009.

**Businesses in this Submarket**

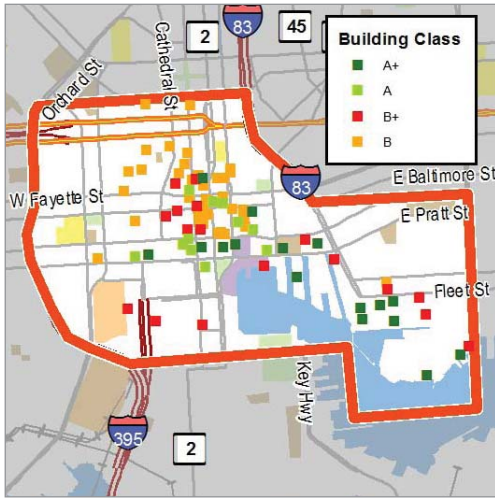
(based on number of employees)



**Above:** As expected, given its close proximity to Baltimore Washington International airport, the submarket boasts the highest concentration of Wholesale Trade (27.5 percent) and Transportation and Warehousing (6.6 percent) employees.

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# City Center



**Overview:** As the downtown district of Baltimore City, the City Center submarket is defined by Broadway Street to the east, Martin Luther King Jr. Boulevard to the west, Centre Street to the north, and Cross Street to the south. City Center is Baltimore’s dense central business district and easily accessible to both I-95 and 295.

Total office inventory is approximately 15.1 million square feet (msf). Tenants are often drawn to City Center to enjoy its Class A+ office buildings, water views, and amenities including Oriole Park at Camden Yards, M&T Bank Stadium, as well as easy access to a variety of ethnic restaurants, shops, and residences for those that walk to work.

Baltimore’s Harbor East location continues to fill as companies relocate to the downtown destination. The massive project embraces the live, work, play mantra; bringing together nearly three million square feet of Class A office space, premier dining, and more than a dozen upscale retailers.

The Downtown Partnership unveiled an ambitious proposal to transform the Central Business district’s landscape to including \$100 million in new parks and public plazas. Major projects for the Inner Harbor, Charles Center and west side are expected to generate new opportunities and encourage private growth.

On the opposite side of the Inner Harbor, shoreline reconstruction and site preparation has begun at the controversial and anticipated Westport. The \$1.2 billion mixed-use project has been touted as the next Harbor East or Inner Harbor.

Class A direct office vacancy in City Center saw the highest jump increasing 5.04 percent since first quarter 2011. The jump is attributed to a large firm keeping active leases at both 120 E. Baltimore and 100 Light Street as they transitioned from one space to the other. While absorption numbers in the first quarter showed a physical move, vacancy numbers remained unaffected until the old space was added back to the market this quarter. At 8.10 percent, Class B offices continue to have the highest vacancy rate. Asking rental rates have continued to inch downward, dropping \$1.01 per square foot (psf) over the past year to an average of \$21.31 psf. ■

## Quick Stats

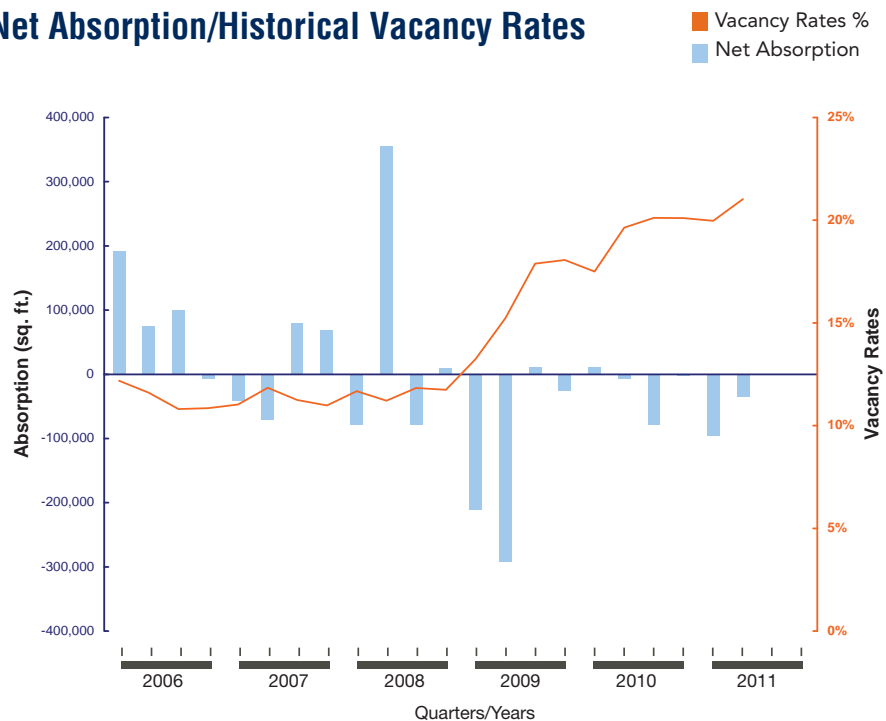
Number of Buildings	82
Market Size	15,073,197 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	21.03%	▲	▲
Vacancy W/ Sublet	22.42%	▲	▼
Net Absorption	-35,550 sf	▲	▼
Avg. Asking Rate	\$21.31 psf	▼	▼

## Quarter Highlights

- Miles & Stockbridge completed multiple deals at 100 Light Street totaling just over 120,000 sf. The firm, currently located in 10 Light Street, is expected to occupy the newly renovated space in the 2nd quarter of 2013.
- 300 W. Pratt Street sold for \$5,895,300 in an arms-length transaction that included the deed in lieu of foreclosure.
- In one of the most anticipated lease signings, PNC Bank is taking 119,000 square feet at 1 E. Pratt St. The company is slated to relocate its headquarters from 2 Hopkins Plaza to the former Verizon space in early 3rd quarter 2012.
- 20 S. Charles Street sold for \$4,200,000 at auction making it the first Downtown office tower to go the auction block. The new buyer will look to fill the building before placing back on the market.

## Net Absorption/Historical Vacancy Rates



**Above:** The markets continued lack of positive absorption due to the delivery of several new Class A+ buildings, in early 2009 in addition to many businesses jumping from one building to another within the submarket and taking less space in the process.

## Market Forecast

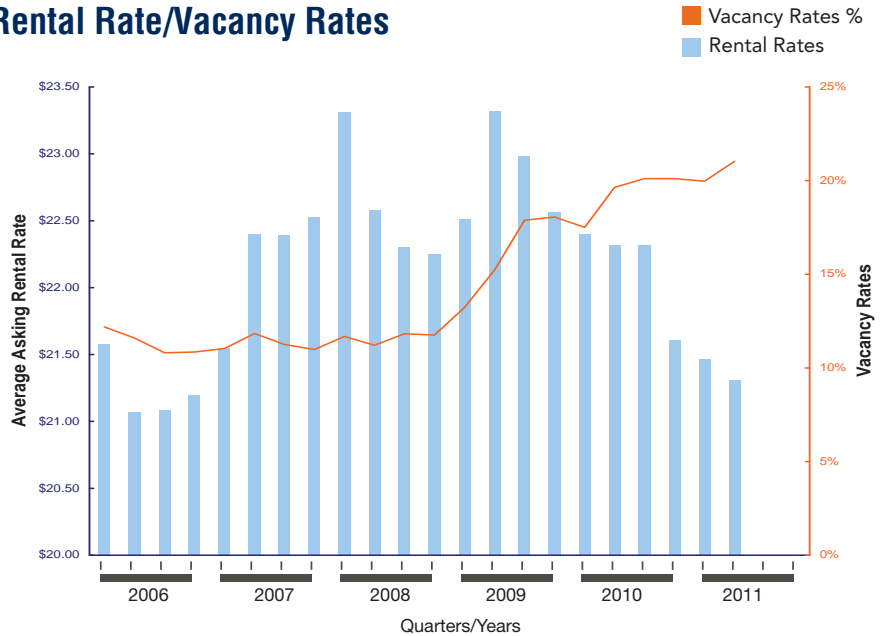
Market inventories remain essentially the same from last quarter in City Center. When comparing today's sublet inventories to a year ago, we find approximately a one percent drop in overall vacancy which suggests that company downsizing may have run its course. Unfortunately, absorption remains negative. We believe these trends will continue throughout the rest of 2011 as companies find ways to utilize space more efficiently. As a case in point, several large companies have relocated and taken less space. We anticipate more of this focus on efficiency to occur as companies, particularly those with multiple offices, relocate to more cost effective space while establishing stricter standards for allocation of space per person among offices.



**Mark M. Deering**  
SENIOR VICE PRESIDENT/PRINCIPAL

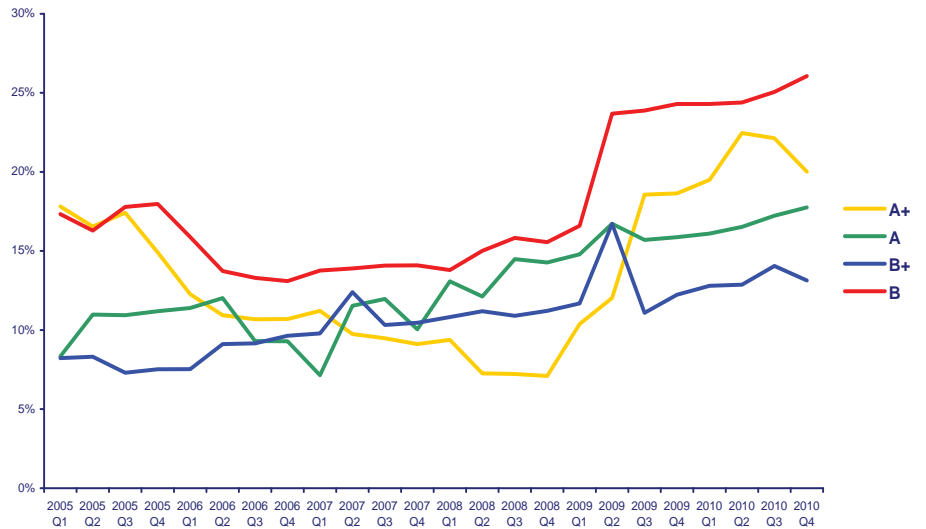
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## Rental Rate/Vacancy Rates



**Above:** Rental rates have continued to drop and now stand at levels not seen since early 2007.

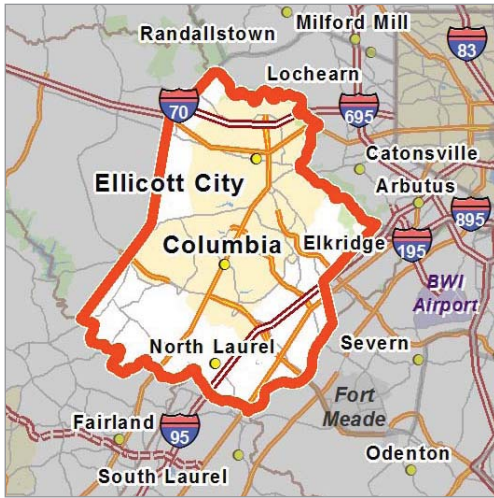
## Vacancy Rate/Building Class



**Above:** Vacancy rates of Class A and Class B office space has continued to gradually increase, whereas Class A+ and Class B+ properties continue to decrease slightly for the second quarter.

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# Columbia



**Overview:** Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses.

Columbia's diverse business mix is supported by one of the most highly educated labor pools in the Country, excellent retail and recreational amenities, and corporate, political, and financial centers in Washington, DC.

Maple Lawn, a two million square foot mixed-use development, continues to be one of the most sought after locations in Maryland adding both office and retail tenants. Strategically located three miles from I-95, between Baltimore and Washington, D.C., the dynamic community is based on the principals of Traditional Neighborhood Development and is comprised of 1.7 million square feet of commercial space, 182,000 square feet of retail space, and 1,340 residential home-sites. Maple Lawn's award-winning architecture and impeccable design unite urban convenience

and small-town charm for businesses, residents, and visitors. Pedestrian friendly and boasting access to bleeding edge technology, the growing community continues to gain attention from technology firms and government contractors alike.

Though the Columbia submarket's vacancy rate remains high, direct vacancy levels dropped a full percentage and a half from 15.27 percent in the first quarter of 2011 to 13.75 percent. Asking rental rates have dropped sharply from their previous upward trend and now average \$22.76 per square foot (psf) down \$1.37 psf in the first quarter. ■

## Quick Stats

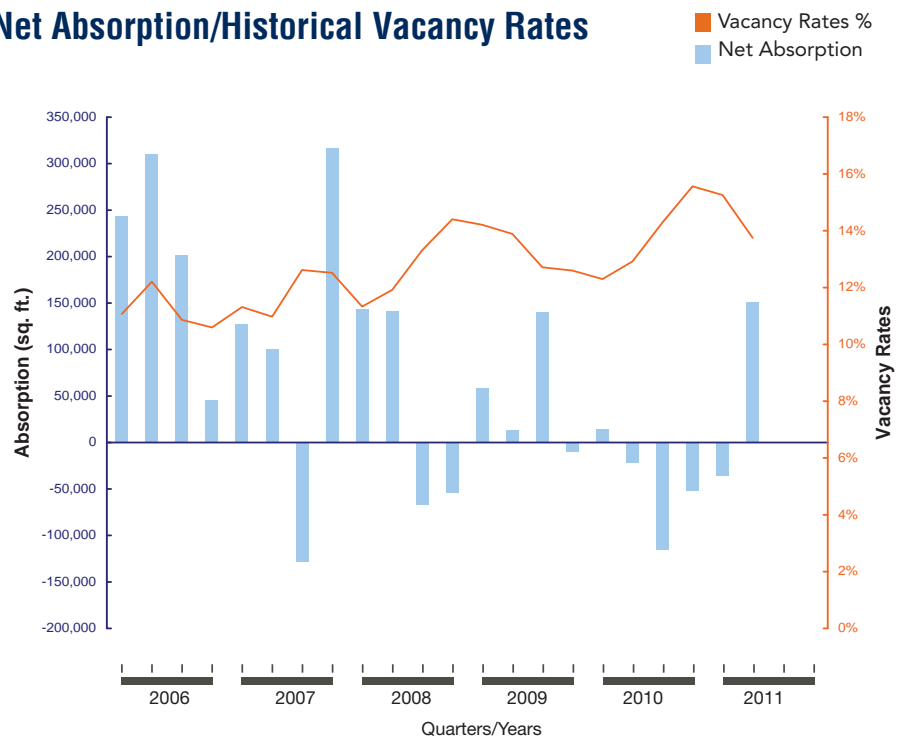
Number of Buildings	222
Market Size	12,813,120 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	13.75%	▼	▲
Vacancy W/ Sublet	14.09%	▼	▲
Net Absorption	151,314 sf	▲	▲
Avg. Asking Rate	\$22.76 psf	▼	▼

## Quarter Highlights

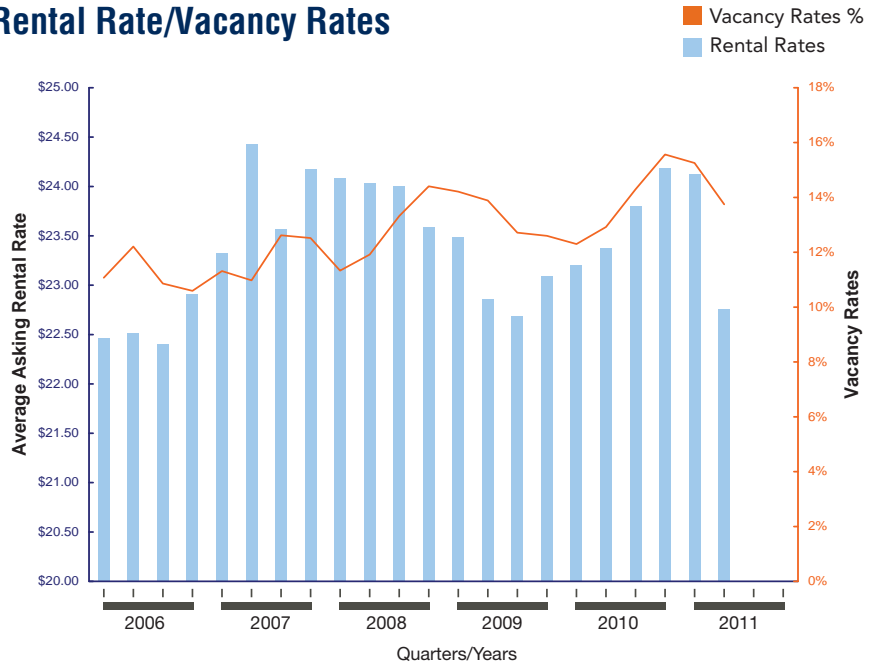
- In an all-cash deal, Howard County purchased 8930 Stanford Boulevard, commonly known as the S3 Technologies Building, for \$26,000,000 (\$168.40 psf). The 154,394 sf, Class B office property has been the home to Ascend One, which will remain in the 50,000 sf it currently occupies.
- 6310 Stevens Forest Road was purchased by Amazon's second largest distribution facilitator, SuperBookDeals, for \$1,800,000. The distributor plans to use the 13,400 sf property as its new headquarters.
- After nearly six years on the market, 9254 Bendix Road, Building A, finally sold for \$700,000 (\$140.00 psf). Built in 1840, the 5,000 sf historic building is a former mansion and backs up to the 70,000 sf 9276 Bendix Road office condominium.

## Net Absorption/Historical Vacancy Rates



**Above:** The submarket experienced its first positive period of absorption since mid-2009 allowing the vacancy rate the opportunity to continue its gradual slope downward.

## Rental Rate/Vacancy Rates



Above: Asking rental rates have returned back to their 2007 levels for the first time since 2009.

### Market Forecast

The Columbia market has seen a slight decrease in vacancy rates since first quarter 2011, which is due in part to a few notable transactions in the market. NVR Homes, Honeywell, and ATS have leased large blocks of space in this market, contributing to the reduction in the direct vacancy rate from 15.50 percent in first quarter 2011 to the current rate of 13.75 percent in second quarter 2011. Rents have decreased slightly, with an average asking rent of \$22.76 psf, down from \$24.13 psf in the first quarter. While market activity remains steady, many companies are still cautious moving forward and hesitant to move into more space than necessary. Landlords continue to be aggressive in their negotiations, offering some type of concessions to keep existing clients and to attract new tenants.

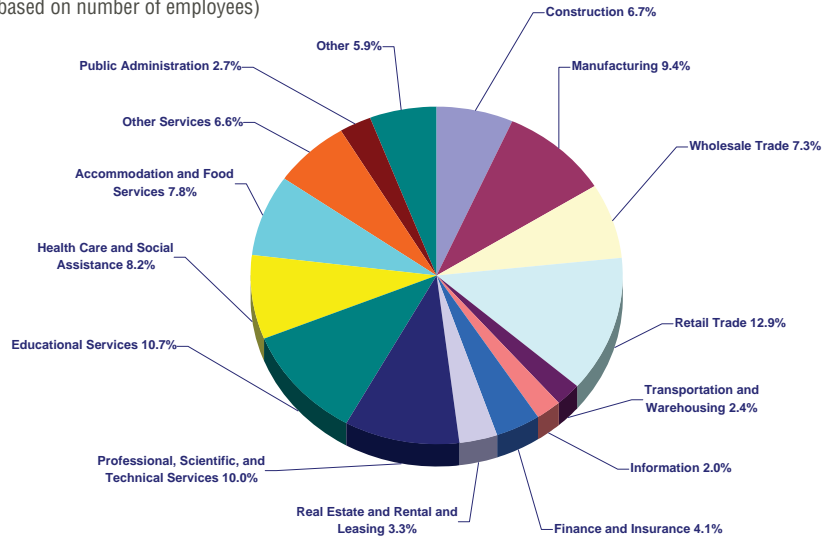


**Lacey A. O'Neil**  
VICE PRESIDENT

MacKenzie Commercial  
Real Estate Services, LLC

## Businesses in this Submarket

(based on number of employees)



Above: In addition to the typical mix of Health Care and Social Assistance Services (8.2 percent) and Retail Trade (12.9 percent) industries, this submarket has a high percentage of Professional, Scientific, and Technical Service employees (10.0 percent) and the second highest concentration of employees in the Wholesale Trade field of all of the submarkets.

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# Harford County



**Overview:** Harford County is located along the I-95 Corridor just 23 miles north of Baltimore. Harford's major business districts fall within the County's Development Envelope and include Bel Air, the county seat, Aberdeen, Havre de Grace, Riverside, Joppa, and Edgewood. I-95, U.S. Route 1, U.S. Route 40, and Maryland 24, traverse the County providing easy access to its more than 20 business parks including Box Hill Corporate Center, Water's Edge Corporate Campus, The GATE at Aberdeen Proving Ground, North Gate Business Park, and the HEAT Center.

The U.S. Army's Aberdeen Proving Ground (APG) is an economic generator for the region and the County's largest employer with more than 13,000 employees. As a result of the recent military Base Realignment and Closure (BRAC) process, APG is the fastest growing area in Harford County. Major employers include; AASKI Technology, Battelle, CACI, Computer Sciences Corporation, Envirionics USA, General Dynamics, Northrop Grumman, R4 Technologies, Raytheon, SAIC, and Smiths Detection.

The effects of BRAC continue to be seen in the Harford County submarket, which boasts one of the region's highest absorption rates over the past year. Major developers St. John Properties and Corporate Office Properties Trust continue to drive development

in the submarket, particularly in the areas surrounding APG, focusing on bringing large Class A campuses that support technology driven amenities to market. This boon in proposed construction is expected to deliver throughout 2011 and well into 2012.

In the fourth quarter, the region experienced a net loss of -5,779 square feet (sf) as more than 250,000 sf of new construction hit the market. This delivery of several new buildings in the Aberdeen area has caused the direct vacancy rate to rise to 18.14 percent, a number that is expected to drop as BRAC contractors relocated their employees to the area. After a slight bump during the fourth quarter, rental rates slipped to \$23.78 per square foot (psf). ■

## Quick Stats

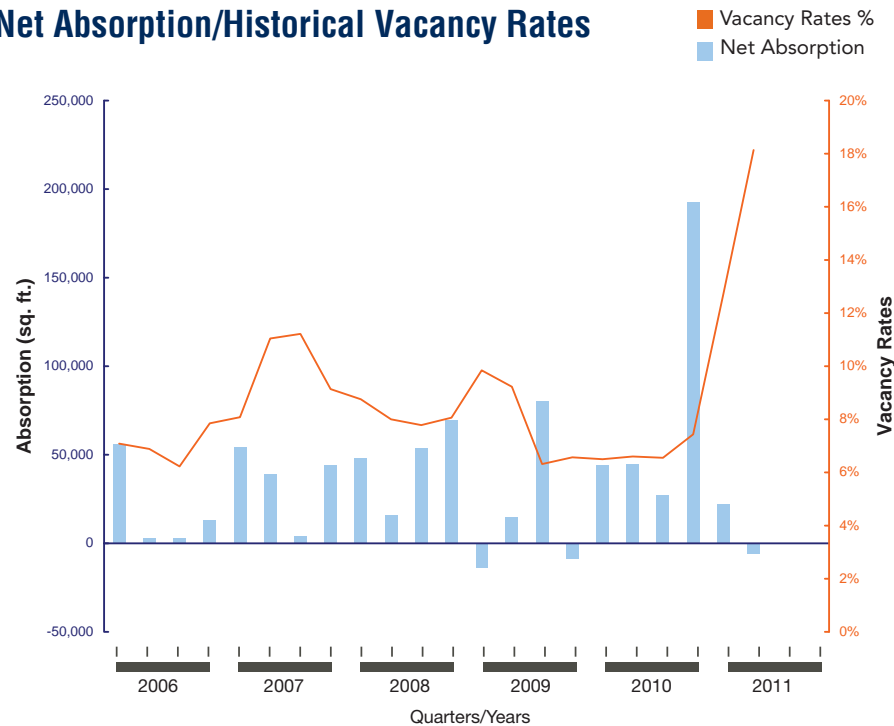
Number of Buildings	117
Market Size	3,329,623 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	18.14%	▲	▲
Vacancy W/ Sublet	18.49%	▲	▲
Net Absorption	-5,779 sf	▼	▼
Avg. Asking Rate	\$23.78 psf	▼	▼

## Quarter Highlights

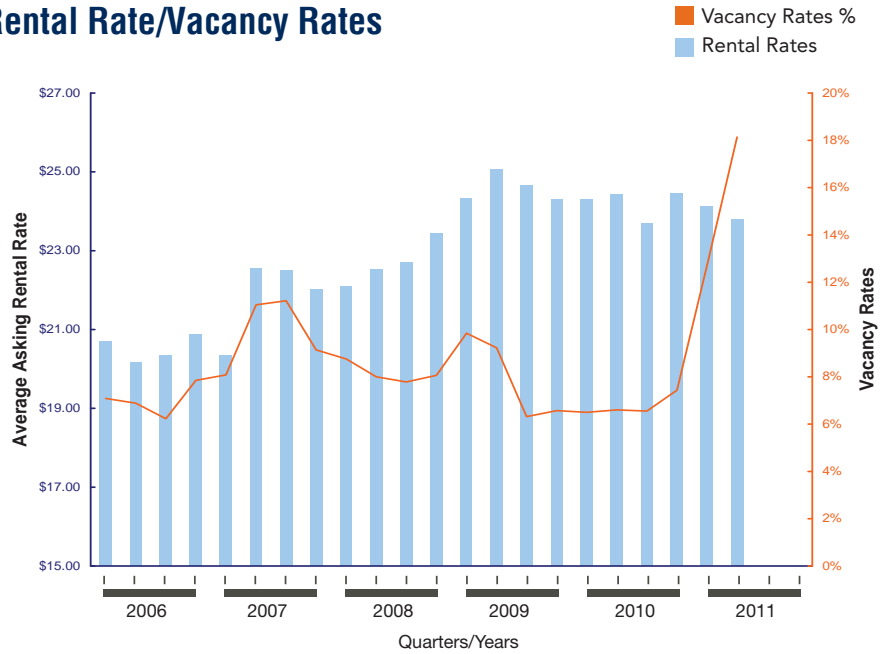
- Kinsley Properties and Sherwood Partners LLC, broke ground on a 24-acre business park near Ripken Stadium in Aberdeen. The first building of the proposed 500,000 square feet of new office space, tentatively called Fieldside Commons, could be ready by January 2012.
- General Physics Corporate renewed their 14,600 sf lease at Edgewood professional center. A subsidiary of GP Strategies Corporation, the company offers technical training, management consulting and engineering services.

## Net Absorption/Historical Vacancy Rates



**Above:** The addition of 250,000 sf to the submarket caused vacancy rates to jump dramatically.

## Rental Rate/Vacancy Rates



Above: Asking rental rates, which peaked in early 2009, continue to be the highest in the Northern Metropolitan Market.

## Market Forecast

The office market continues to experience sluggish momentum, with leasing activity and overall vacancy dramatically increasing due to the delivery of several new office buildings. BRAC activity appears to be stagnating as the Federal Government takes its time to release valuable defense and service contracts to third parties which was expected to be the catalyst for absorption. Further compounding this matter is the uncertainty with the Federal deficit and debt level pending legislation. All the while, new construction is underway on two additional properties that will further increase vacancy in the coming months. We expect leasing activity to be slow under the increased uncertainty in the world surrounding APG. Office asking rents should decrease and amenities are expected to become more prominent when leasing activity rebounds, hopefully in the near future.

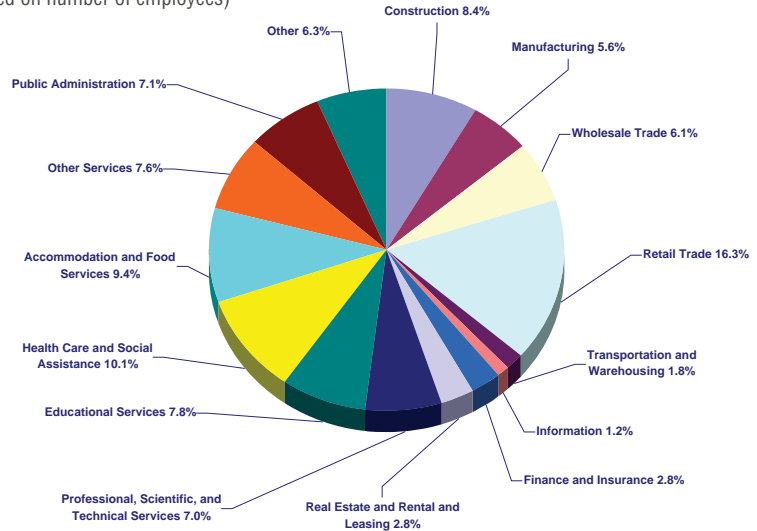


**Thomas L. Fidler, Jr.**  
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial  
Real Estate Services, LLC

## Businesses in this Submarket

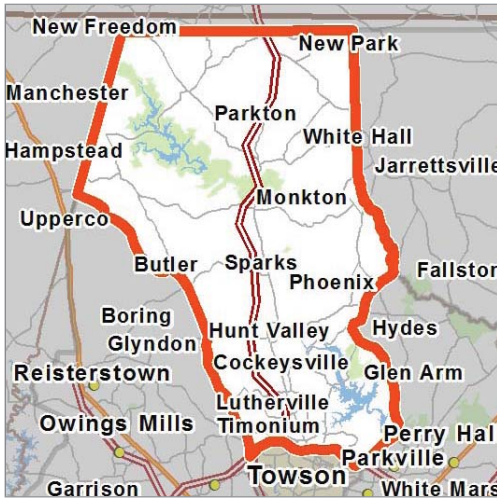
(based on number of employees)



Above: Harford County's pie chart has begun to shift from a heavy retail to presence to a more balance service sector. Though Retail Trade continues to dominate with 16.3 percent of the market, professional, scientific, and technical services and health care and social assistance sectors are growing, taking 17.1 percent of the market. This trend is expected to continue as the BRAC transition moves forward.

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# I-83 Corridor



**Overview:** The I-83 Corridor, which includes the business districts of Timonium, Hunt Valley, Loveton, and Sparks, encompasses the majority of Northern Baltimore County and stretches from Pennsylvania to Towson. Excellent infrastructure connects the Corridor to Baltimore City by way of Interstate 83 and Maryland Route 45, more commonly known as York Road. In addition, the light-rail system offers easy access to Baltimore City, Washington, DC, and the Baltimore/Washington Thurgood Marshall International Airport.

**B**usinesses in the Corridor enjoy numerous amenities including ease of access via Interstate 83, close proximity to Towson, and life-style epicenter Hunt Valley Town Center. Arguably one of the most diverse submarkets, the I-83 corridor is a blend of office, flex, and retail properties dotted among open land and industrial landmarks. Office and flex properties in this submarket accommodate a variety of assorted users including AAI Corporation, Bill Me Later, KCI Technologies, MBNA, PDP, and Travelers. Corporate and regional headquarters include Fortune 500's McCormick & Company, TESCO Technologies, PHH Corporation, and TransHealthCare. Upscale retailers such as Wegmans, Bluestone, and Oregon Grill, share market capital with local mom and pop institutions such Valley View Farms, Watson's,

and Hightop's, offering employees a blend of work, live, play opportunities.

After a year-long period of negative absorption beginning in the second quarter of 2010, the I-83 Corridor has experienced a positive absorption of 53,943 square feet (sf). This has caused vacancy rates to slip, with the current direct vacancy rate dropping to 12.11 percent. Over that same time period, rental rates have decreased each consecutive quarter to the current rate of \$20.70 per square foot (psf). ■

## Quick Stats

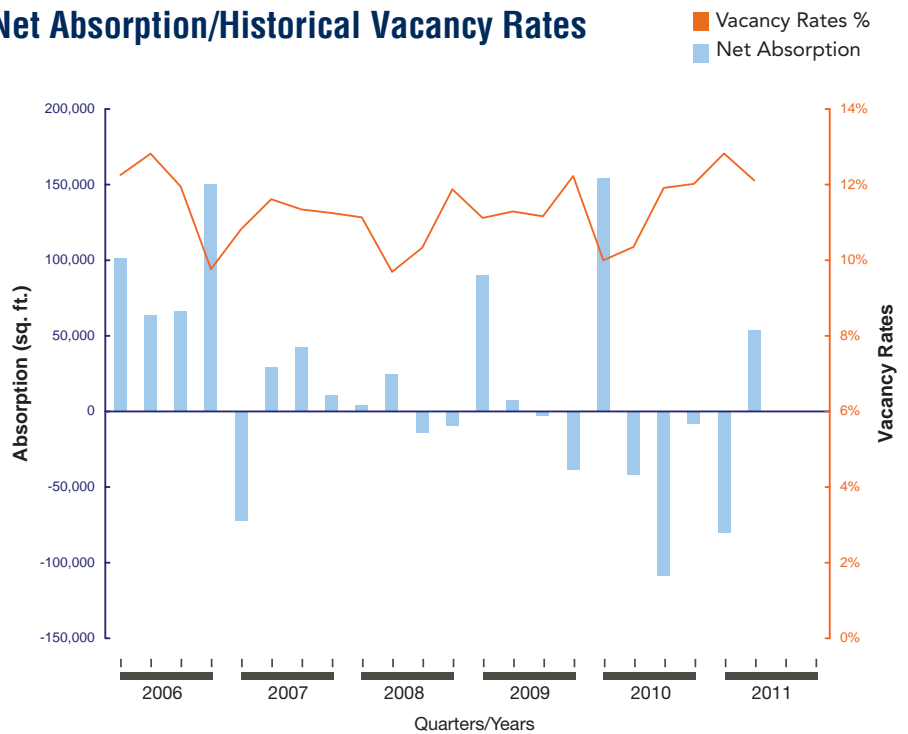
Number of Buildings	129
Market Size	7,599,384 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	12.11%	▼	▲
Vacancy W/ Sublet	12.96%	▼	▲
Net Absorption	53,943 sf	▲	▼
Avg. Asking Rate	\$20.70 psf	▼	▼

## Quarter Highlights

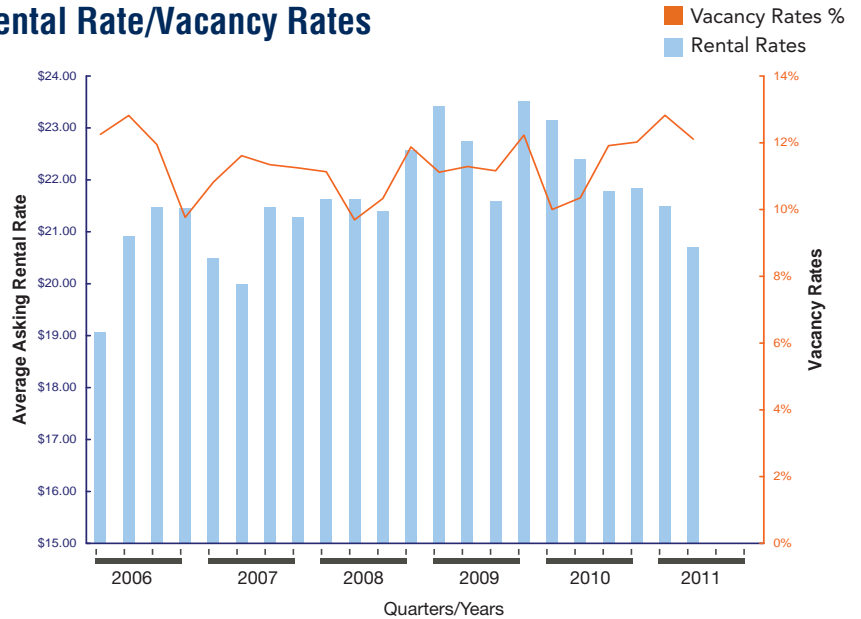
- 11031 McCormick Road in Hunt Valley sold for \$166.13 psf (\$953,900). The building is 100 percent leased to HMS Insurance.
- Continuing the condo trend in the market, Unit 210 at 954 Ridgebrook Road sold for \$400,000 (\$36.34 psf).
- EA Engineering will be moving in to 60,000 sf at 225 Schilling Circle in 2012. The building will be demolished and rebuilt to accommodate the growing science and technology firm.
- Kimco, an international real estate investment trust, took 17,872 sf at 1954 Greenspring Avenue in Timonium.

## Net Absorption/Historical Vacancy Rates



**Above:** Direct vacancy rates have decrease for the first time since early 2010 as absorption rates increased 134,305 sf to boast a positive 53,943 sf gain from the first quarter of 2011.

## Rental Rate/Vacancy Rates



Above: Average asking rents have dropped by \$1.70 when compared to rates from one year ago.

## Market Forecast

The I-83 Corridor will remain active for larger users looking for space in 2011, and as we pass into the third quarter, most deals that aren't already inked will be pushed into 2012. Vacancy has dipped in the past quarter as a result of some larger blocks of space coming off the market, but rents continue to decline as some vacant spaces will surpass the two and three year marks and the supply of space outpaces the demand. The expectation should be to see some larger blocks of space come off the market with users taking advantage of declining rents and aggressive deals, but that, in the long term, net changes in the vacancy/absorption rates will remain slim.

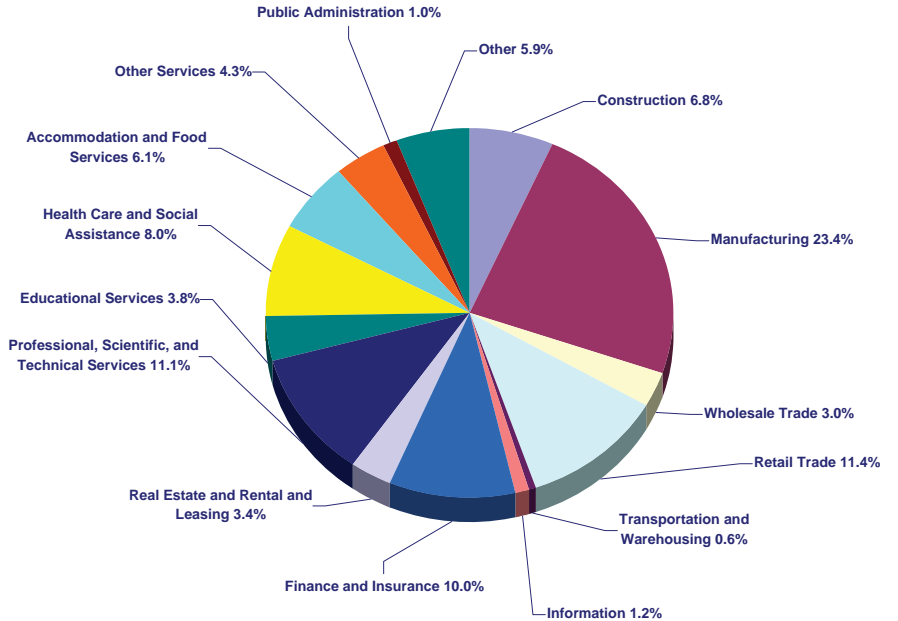


**Matthew B. Mueller**  
VICE PRESIDENT

MacKenzie Commercial  
Real Estate Services, LLC

## Businesses in this Submarket

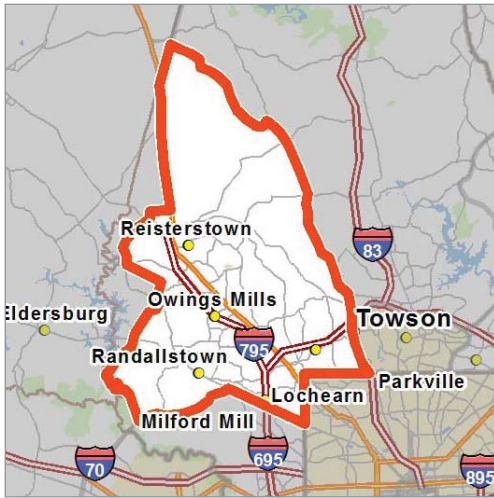
(based on number of employees)



Above: This submarket is home to nearly 5,000 businesses. This Corridor is home to a thriving manufacturing industry though employment in the I-83 Corridor submarket is also well distributed in the health care and social assistance, professional, scientific, and technical services fields.

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# Reisterstown Road Corridor



**Overview:** The Reisterstown Road Corridor submarket is bounded by Greenspring Avenue to the east, Liberty Road to the west, the junction of Butler Road, Hanover Pike and Reisterstown Road to the north, and the Baltimore City line to the south. It includes Pikesville, Owings Mills Town Center, McDonogh/Garrison, Historic Reisterstown, and the Red Run Boulevard corridor.

Anchored by Owings Mills, the Reisterstown Road Corridor is a diverse stretch of retail, flex and office properties connecting Baltimore City to the rolling hills of Northern Baltimore County via Interstate 795 and Reisterstown Road. To date, more than \$1.4 billion in transportation improvements have been made to the Corridor. Most notably, Metro Centre at Owings Mills, a \$1 billion, 47 acre, pedestrian-friendly development surrounding the Metro subway station is under construction, having Phase II of its master plan recently approved. When complete, the project, which is designated by the State of Maryland as a transit-oriented development project, will include offices, shops, and restaurants, a new public library, and a satellite campus for the Community College of Baltimore County.

Owings Mills continues to be the hub of significant financial and insurance related businesses which include ADP, Legg Mason, T. Rowe Price, Euler Hermes, Toyota Financial, Global Payments, CareFirst, Baltimore Life, and Zurich. Other major employers include Baltimore Spice Company, Axalto, and Quest International. A growing bioscience cluster includes Smith Kline Beacham and BioFX.

After a brief positive gain of 30,356 square feet (sf) in the Reisterstown Road Corridor during the first quarter of 2011, the submarket saw a negative absorption of 33,510 sf causing direct vacancy to increase to 15.72 percent. Asking rents continue to slide, averaging \$20.37 per square foot (psf). ■

## Quick Stats

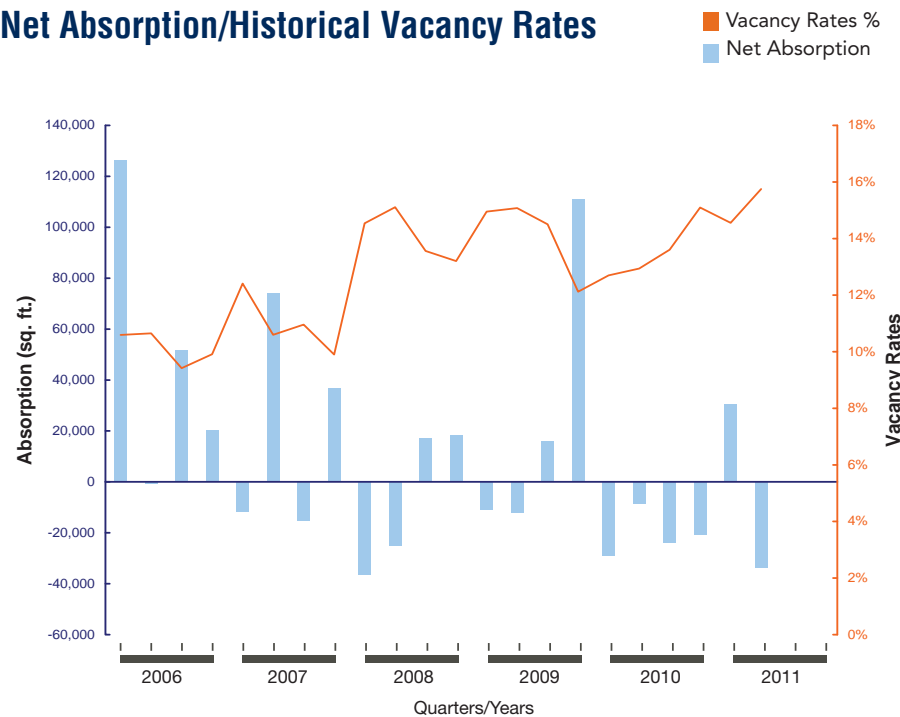
Number of Buildings	82
Market Size	4,642,528 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	15.72%	▲	▲
Vacancy W/ Sublet	15.73%	▲	▲
Net Absorption	-33,510 sf	▼	▲
Avg. Asking Rate	\$20.39 psf	▼	▲

## Quarter Highlights

- Mid-Atlantic Nephrology Associates signed at 25 Crossroads Drive. Specializing in a variety of kidney related disorders, the company will occupy 8,914 sf in McDonogh Crossroads Building A.
- There is currently 64,000 sf of office space under construction, most notably, the 40,000 sf, Class B medical condominium project at 11620 Red Run Boulevard. The project is part of a larger build-to-suit LEED Silver certified office park
- Kimco Realty Corporation acquired Centre Court, a 106,000 square foot grocery anchored center located in Pikesville, Md. for \$25.4 million, including \$15.4 million of mortgage debt.

## Net Absorption/Historical Vacancy Rates



**Above:** After a brief period of positive absorption, the corridor experienced negative absorption of -63,866 sf.



# Reisterstown Road Corridor

## Market Forecast

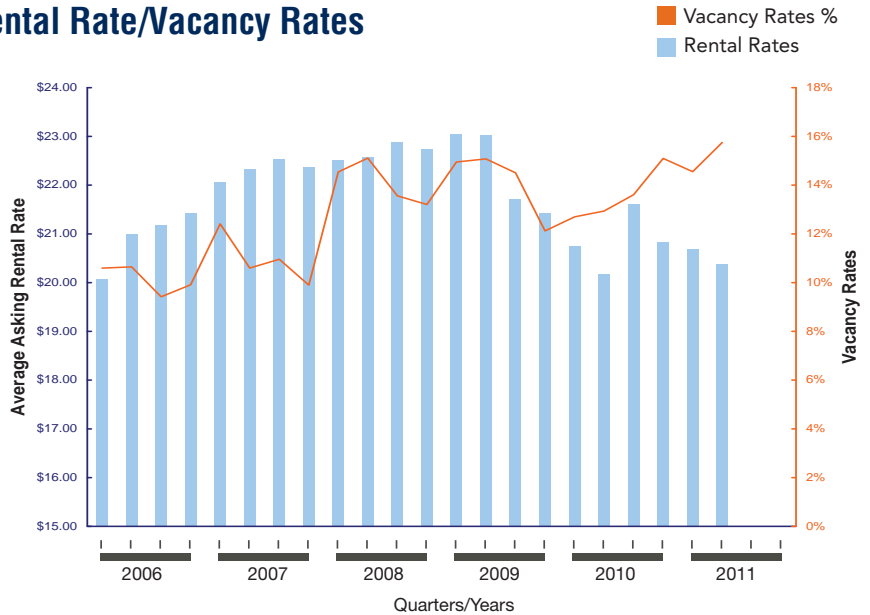
With vacancy rising, rents falling, and negative absorption, data for the second quarter suggests a negative trend for the Reisterstown Corridor. The majority of vacancy is located along the Red Run Boulevard/Owings Mills Town Center Corridor, an area still dominated by financial and insurance service providers, healthcare and social services providers, and retail trade, but that has suffered as many companies downsized, i.e Solo cup, Legg Mason. These conditions have created a sub-submarket that clearly favors tenants who can look forward to lower asking rents with significant landlord concessions in the area of tenant improvement allowance and free rent.



**Julio O. Purcell, SIOR**  
VICE PRESIDENT

MacKenzie Commercial  
Real Estate Services, LLC

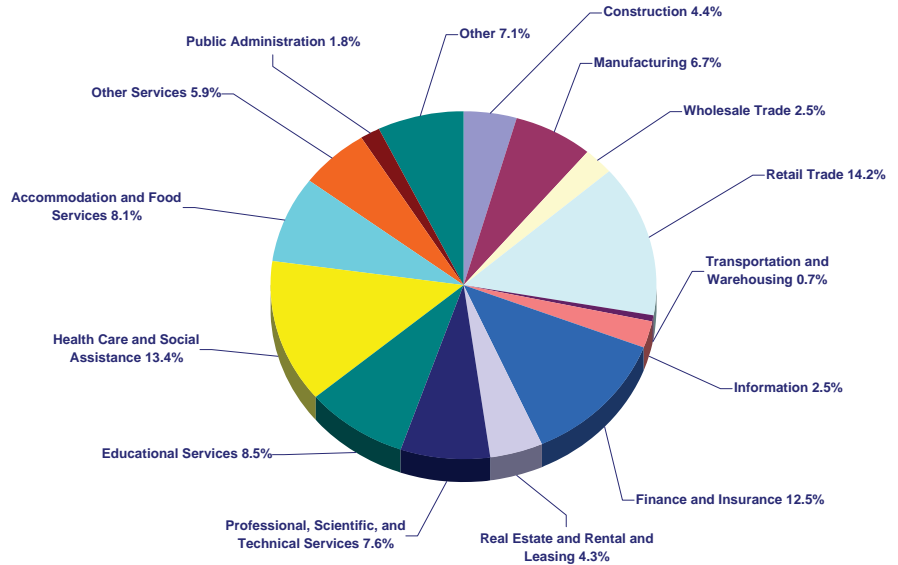
## Rental Rate/Vacancy Rates



**Above:** Asking rents continue to be well below levels experienced in the first half of 2009.

## Businesses in this Submarket

(based on number of employees)



**Above:** Nearly half of all businesses in this submarket are characterized as Services, with Health Care and Social Assistance Services providing a dominating 13.4 percent of the total. The Reisterstown Road Corridor leads the Metropolitan market with the highest concentration of Finance and Insurance jobs, with 10,634 employees representing 12.5 percent of this submarket's total employment.

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# Route 2 Corridor



**Overview:** Located in northeast Anne Arundel County, the Route 2 Corridor stretches from Severna Park to Pasadena, and includes the business districts of Glen Burnie and Arnold. Route 2 (or Ritchie Highway) connects Annapolis and the Baltimore Beltway offering access to other points in Anne Arundel County. In addition, Route 50, which extends from the southern part of the market (Severna Park), makes travel to Washington, DC an easy drive.

The Route 2 Corridor submarket of Anne Arundel County provides an assortment of office and retail facilities which cater to their local clientele. From the urbanized northern reaches of Glen Burnie, which is home to the monstrous MVA facility and other structures typical of an urban area, to the small strip centers that serve wealthy suburbanites in "South County", the Route 2 Corridor is a microcosm of our region. The larger buildings in the north that were once populated by the "nationals" have all seen a retrenchment, while the smaller "mom and pop" tenants along Route 2, are slugging it out as they compete for allegiance from their loyal neighbors.

transitioning space for other uses such as common area space, the market lost approximately 75,000 square feet (sf) of space since first quarter 2011. Because of this, recent absorption has been consistently weak, leading to an increase in direct vacancy for the sixth consecutive quarter. Up more than 3 percent over last year, direct vacancy now stands at 17.58 percent. Asking rental rates have appeared to stabilize with the average asking rate decreasing by \$0.67 per square foot (psf) to \$22.88 psf from the first quarter. ■

This submarket lacks any major office or industrial parks, therefore the majority of brokered deals are small in nature. Two buildings were removed from the submarket this quarter as their status changed to owner occupied, coupled with several buildings

## Quick Stats

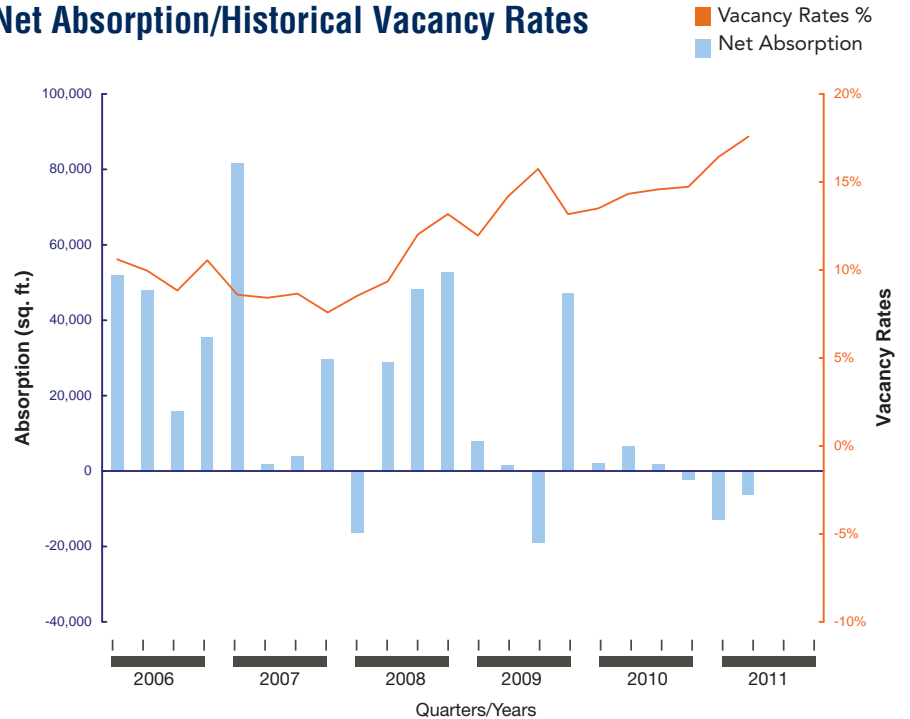
Number of Buildings	46
Market Size	1,562,150 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	17.58%	▼	▲
Vacancy W/ Sublet	17.58%	▲	▲
Net Absorption	-6,140 sf	▲	▼
Avg. Asking Rate	\$22.88 psf	▼	▼

## Quarter Highlights

- Activity this quarter was limited to several small technology and medical firms taking small spaces, less than 5,000 sf, throughout the market. While vacancy rose just over one percent, a portion of this is attributed to buildings removing leaseable space from the market (more than 72,000 sf from first quarter 2011) and transitioning additional space to common area space.
- 700 S. Ann Street was added to our statistical tracking. The 15,000 sf, 3 story, Class B office building was built in 1880 and underwent extensive renovations on the property in 2010. The property was privately owned until 2009 when it was purchased from the St. Stanislaus Catholic church.

## Net Absorption/Historical Vacancy Rates

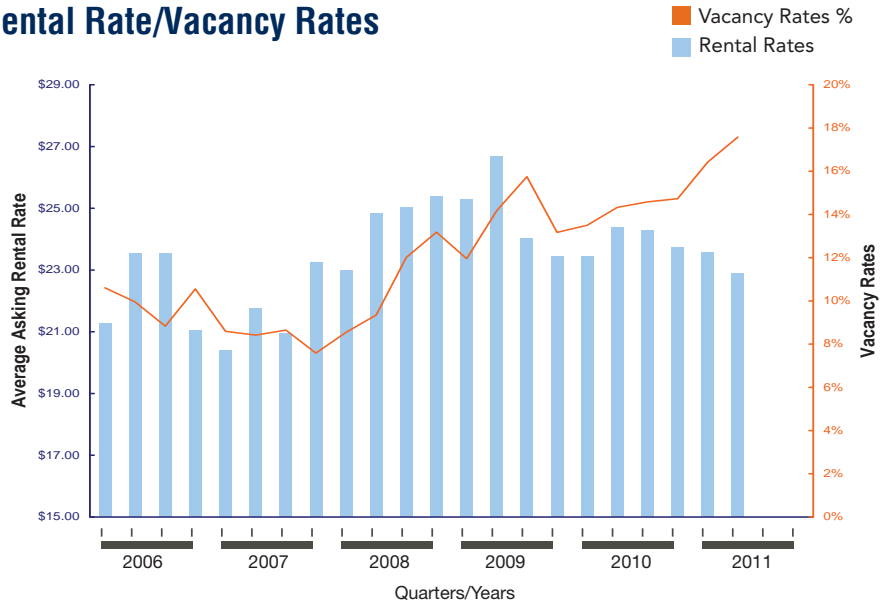


Above: Weak absorption in the Route 2 Corridor has led to seven consecutive quarters of increased vacancy.

## Market Forecast

The Route 2 Corridor appears to be in a holding pattern. As with the rest of the economy, businesses in the submarket are starting feel more comfortable in the new "normal" and are waiting for a sense of renewed economic stability before making long term commitments. Other key indicators such as Landlords gaining leverage in negotiations and the slight increase in owner occupied sales transactions indicate there is interest in future growth. Though the well-balanced nature of this submarket continues to shield itself from any major positive or negative growth, we expect to start seeing an uptick in activity as the economy returns, particularly, as space in neighboring BW Corridor fills and BRAC activity increases.

## Rental Rate/Vacancy Rates



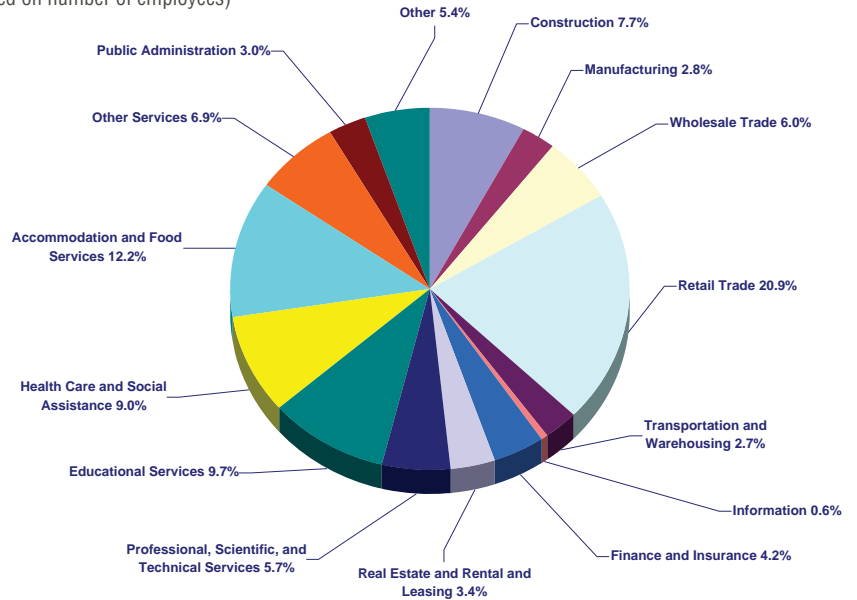
**Above:** With little activity and rising vacancy, average asking rents have returned to their early 2008 levels.



**J. Scott Wimbrow**  
SENIOR VICE PRESIDENT/PRINCIPAL  
MacKenzie Commercial Real Estate Services, LLC

## Businesses in this Submarket

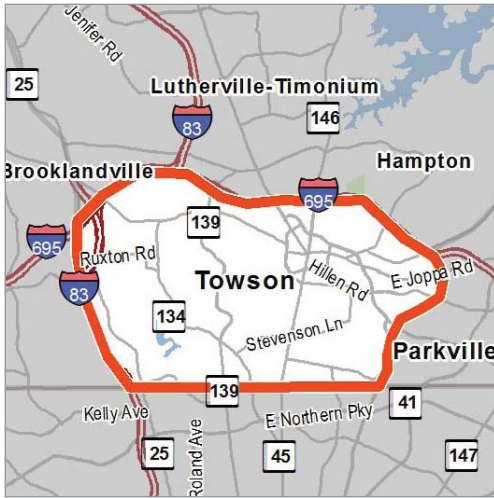
(based on number of employees)



**Above:** This submarket is characterized by a large mix of service and retail trade businesses representing over 45 percent of the Corridor's employment. The Education and Construction fields make up the fourth and fifth largest industries by employment.

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# Towson



**Overview:** Towson, the county seat of Baltimore County, is located directly north of Baltimore City, inside the beltway, east of I-83, and along York Road. It is home to two universities, Goucher College and Towson University, as well as three regional hospitals, Greater Baltimore Medical Center (GBMC), St. Joseph Medical Center, and The Sheppard Pratt Health System. The headquarters of Whiting-Turner Construction is also located in Towson, in addition to the offices of well known attorneys and engineers, movie and music theaters, and nationally recognized retailers.

Anchoring the Towson market is focal point Towson Town Center, a four-story shopping mall that continues to grow, adding upscale retailers and restaurants including Burberry, Tiffany & Co, Lacoste, Michael Kors, True Religion, and Stoney River Legendary Steaks. Within walking distance, more than \$500 million in private investment for new offices, retail, entertainment, and residential projects have been made in the downtown area.

Most notably, residential developer Buzzuto has broken ground on Towson Green, a 121 upscale townhome housing project off Burke Avenue at York Road. The developer partnered with The Chesapeake Fund throughout the design process and the end product will boast multiple green amenities and is considered the first step in revitalizing the area between Towson University and

Towson Town Center.

The submarket continues to be driven by the medical and higher education communities. Among Towson University's several campus development projects, including a notable parking garage and additional student housing. GBMC and Saint Joseph Medical Center also continue to drive market activity with several small partners and affiliates taking space or expanding current office locations.

The Towson submarket continues to feel the effects of a spike in both vacancy and negative absorption in the first quarter with the current vacancy rate decreasing 2.14 percent to 13.91 percent. Asking rental rates decreased \$0.40 psf to an average of \$20.62 from the first quarter. ■

## Quick Stats

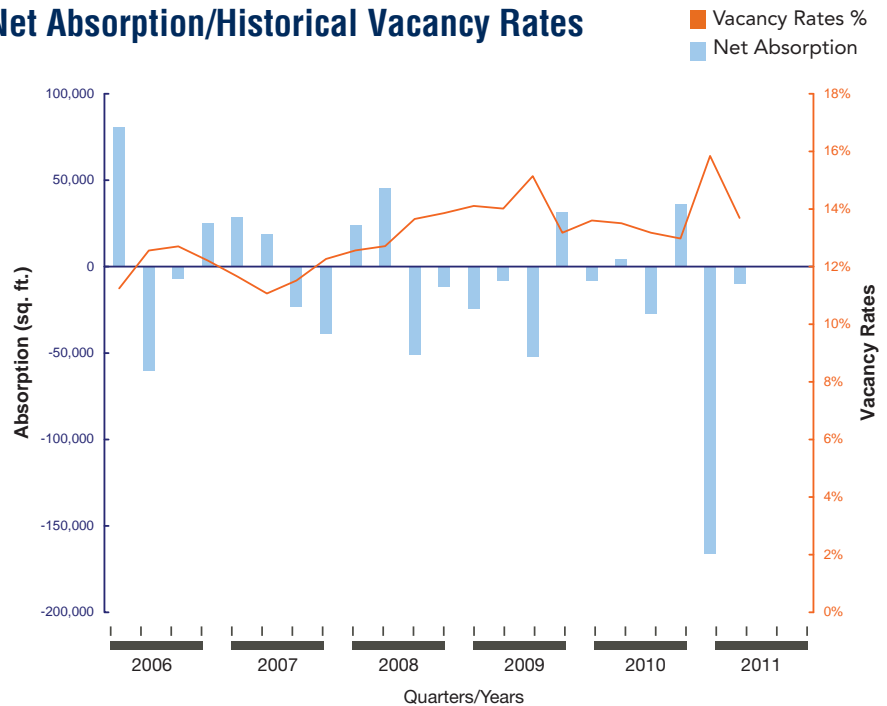
Number of Buildings	90
Market Size	5,612,536 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	13.69%	▼	▲
Vacancy W/ Sublet	13.91%	▼	▲
Net Absorption	-9,777 sf	▲	▼
Avg. Asking Rate	\$20.62 psf	▼	▼

## Quarter Highlights

- 100 West Road in Towson sold for \$18,750,000 in April in an all-cash deal. The 121,491 sf Class A building located just off I-695 is LEED certified Gold and was 87% leased at the time of the sale.
- Buzzuto Homes broke ground on Towson Green, a sustainable townhome development in the heart of Towson. The \$10,300,000, 121 home community is expected to deliver in early 2012.
- Hamilton Federal Bank will be moving into 501 Fairmount Avenue near the end of the summer. The bank's newest 16,781 sf location joins several other financial tenants also housed in the building.

## Net Absorption/Historical Vacancy Rates



**Above:** The sharp increase of absorption, though still negative, is attributed to approximately 150,000 sf of space being removed from tracking. One Olympic Place, to be called Towson City Center, is under renovation and expected to deliver approximately 157,000 sf in the second quarter of 2012 at which time it will be returned to our tracking.

**Market Forecast**

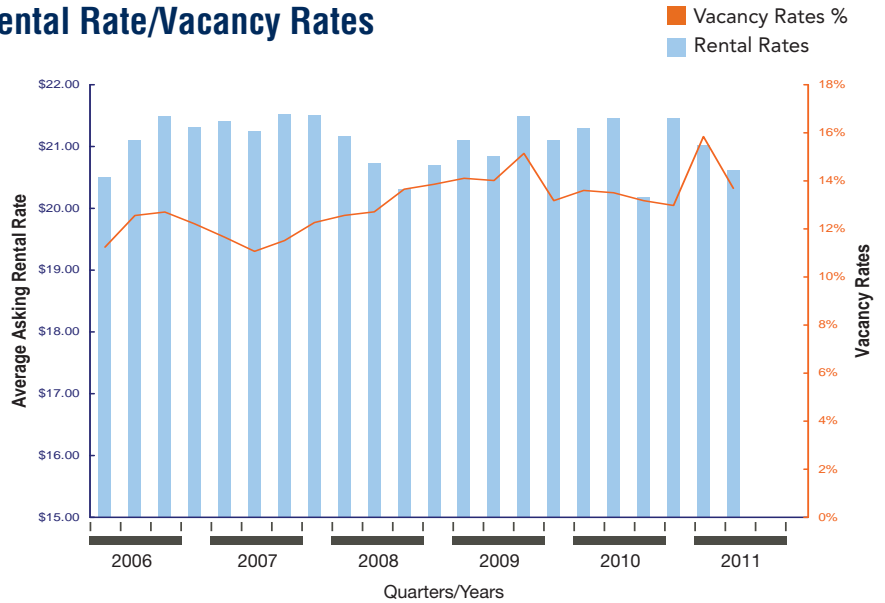
The greater Towson market continues to be driven by local government, higher education and local medical institutions. Towson University continues to spread its wings with its most recent lease at Towson City Center and its ongoing negotiations for an additional off campus lease for up to 100,000 sf. Urban Outfitters has made a commitment to Towson for one of its stores with a grand opening slated for November 2011. The local hospitals are also very active with on-campus capital projects and new lease requirements off-campus in the third party owned buildings. I believe this trend will continue through the rest of the year into 2012. Rents will continue to stay flat and remain at these current levels and tenants will continue to dictate the market in the foreseeable future.



**William W. Whitty, Jr., SIOR**  
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial Real Estate Services, LLC

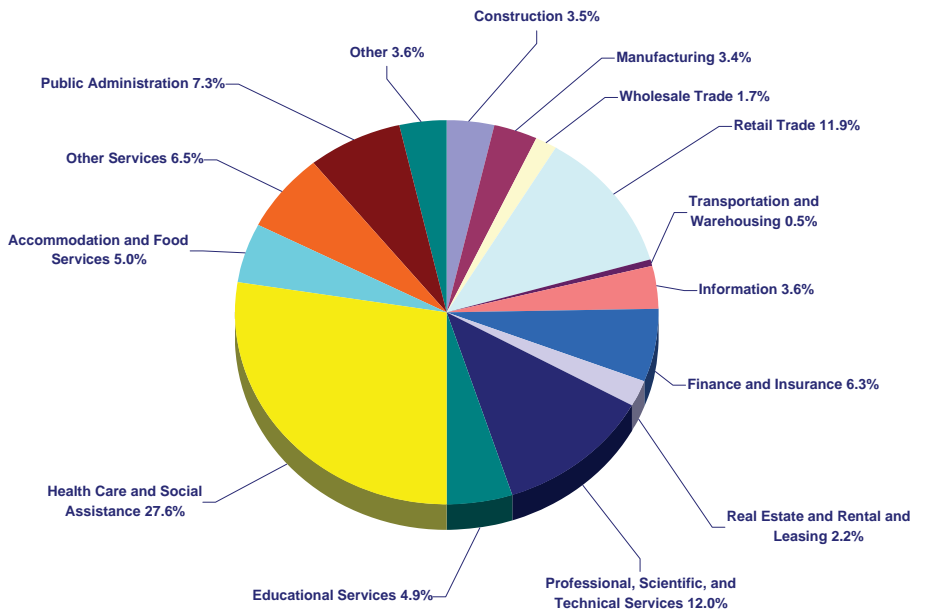
**Rental Rate/Vacancy Rates**



Above: Asking rents dropped notably for the second quarter in a row to rates last seen in early 2009.

**Businesses in this Submarket**

(based on number of employees)



Above: Towson has a large percentage of Healthcare and Social Assistance employees, representing nearly 28 percent of employment in this submarket. Retail, Educational, Professional, Scientific and Technical services make up an additional 28.8 percent of the economy.

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