

FOURTH QUARTER | 2011

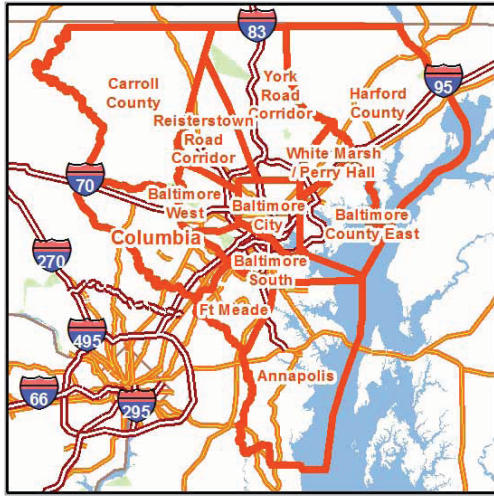
# MacKenzie Market Report

Retail



MACKENZIE

# Overview



## Market Outlook

By: O. Bowie Arnot, MacKenzie Retail

Despite a sluggish national economy and the absence of institutional capital necessary for underwriting large-scale retail projects, the Baltimore metro area continues to grow, with several notable new shopping venues under development. Among the many local retail projects currently under development are; Boulevard at Box Hill (Abingdon), 25th Street Station (Remington, Baltimore), McHenry Row (Locust Point, Baltimore), Canton Crossing (Canton, Baltimore), Waugh Chapel II (Crofton), Wegmans (Columbia), Maryland Live! Casino (Hanover), Maple Lawn (Maple Lawn), and Foundry Row (Owings Mills). Not surprisingly, each of these developments is a mixed-use or "lifestyle" development indicating that a shift in consumer spending habits is likely to continue and the suburban strip mall, which suffered greatly over the last several years, will continue to face fierce competition.

While downtown Baltimore no longer enjoys traditional department store shopping, it continues to demonstrate that it is the region's #1 entertainment center. Over the last 12 months the entrepreneurial spirit in the community was alive and well in Fells Point and Harbor East, with the opening of several new restaurant operations that are helping to reinforce the rich character of Downtown Baltimore. Among the new restaurants vying for attention are Wit &

Wisdom (located in the recently opened Four Seasons Hotel), Waterfront Kitchen, Thames Street Oyster House, Chazz: A Bronx Original, Olive Room at the Black Olive Inn, Bond Street Social, and Ten Ten. And just north of downtown Baltimore Two Boots has opened at The Fitzgerald (in midtown), Demi in Belvedere Square, Corner BYOB in Hampden, and Meet 27 in Charles Village.

Actual consumer spending for 2011 relative to 2010 remains uncertain, due in part to financial reporting authorities, such as the International Council of Shopping Centers (ICSC), the National Retail Federation (NRF), Yahoo! Finance, J. P. Morgan and the Wall Street Journal, offering different year-end results. Some report that retail sales for the last twelve months were up over their previous year, while others say it was a dismal year, caused in part by gas price spikes, the various military conflicts, the earthquake in Japan, the downturn in the global economy due to joblessness and unstable currencies within the European Union. The only positive thing that can be safely concluded is that despite all these negative events, the American retail economy has weathered these storms better than one might have expected, proving once again that our economy and our consumer spirit is still resilient. ■

## Quick Stats

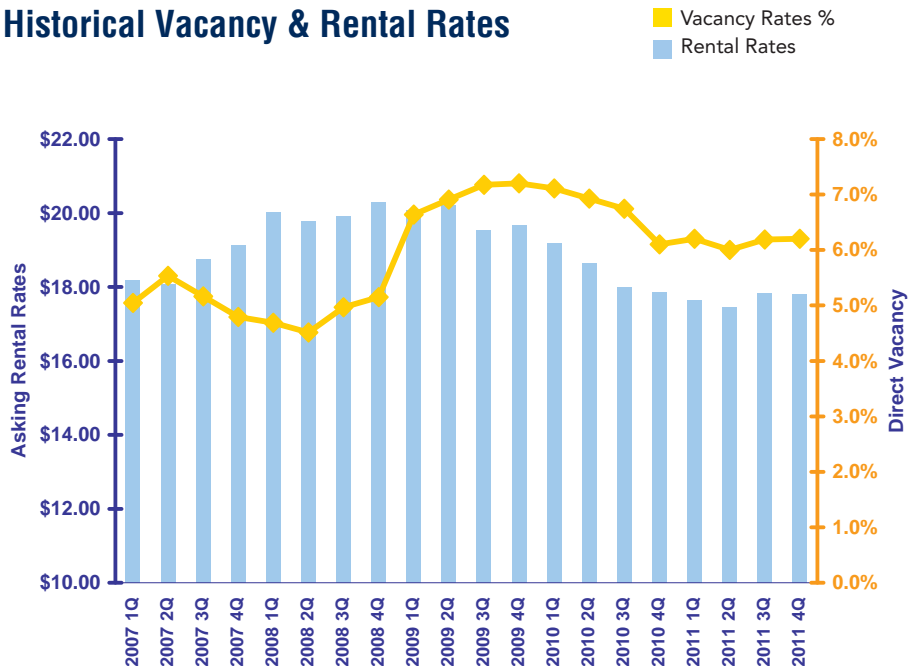
Number of Buildings	2,121
Market Size	100,482,931 sf
CHANGE SINCE LAST	
	CURRENT QTR YR
Direct Vacancy	6.22% ▼ ▼
Vacancy W/ Sublet	6.46% ▼ ▼
Net Absorption	148,184 ▲ ▼
Avg. Asking Rate	\$17.79 ▼ ▲

## Quarter Highlights

- Several new operations within the Baltimore trade area will be added in 2012; including a new, yet-to-be-named, Tony Foreman restaurant in Roland Park, the rebirth of the Valley Inn along Falls Road in Brooklandville, Kooper's Tavern in Mays Chapel, Earth Wood & Fire on Falls Road in Bare Hills, and Fleet Street Kitchen, which will be the Bagby Restaurant Group's third operation in Harbor East.

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## Historical Vacancy & Rental Rates



Above: Both vacancy and rental rates remained virtually unchanged for the second quarter in a row.

# Overview



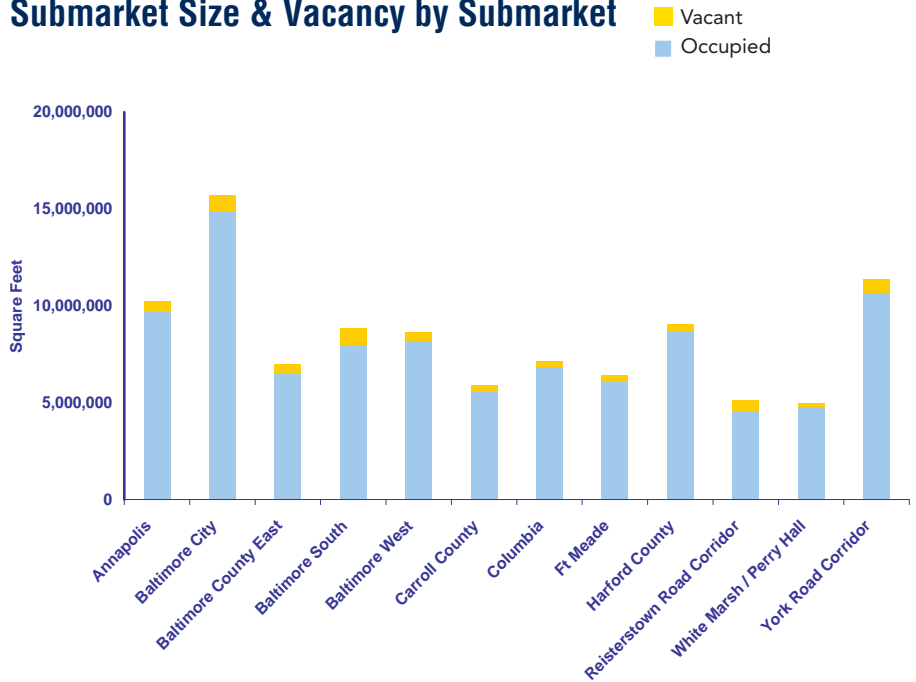
## Quarter Highlights

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- Redevelopment of 511 S. Central Avenue will turn the vacant warehouse into high-end space for multiple stores and restaurants. Chesapeake Realty spent \$3.1 million in cash to buy the 25,800-square-foot building at 511 S. Central on Nov. 10. The success of the recently completed Harbor East projects have created demand for similar space along the perimeter, making way for redevelopment opportunities in the East Baltimore submarket.
- The first project to be executed under the 2010 approved downtown Columbia redevelopment plan has been launched. This plan allows up to 13 million square feet of net new density to be comprised of 5,500 residential units, five million square feet of office, one million square feet of retail, and up to 640 hotel rooms. This is the first phase of a larger development plan that will include approximately 375 Class A rental residential units and more than 14,000 square feet of retail space.
- Heavy Seas Ale House signed a lease for 4,900 sf of space at The Tack Factory, located at 1300 Bank St in Baltimore. The neighborhood tavern inspired décor will feature a 40 foot bar, dark woods, flat screens and an outdoor beer garden.
- General Growth Properties plans to spend \$65 million to \$75 million on the redevelopment of the aging Owings Mills Mall. The Chicago-based company, that also owns Harborplace and the Gallery in the Inner Harbor among others in the region, plans to demolish much of the 1980s-era shopping mall, replacing it with individual stores in a town center-like format. Existing mall anchors Macy's, JC Penney and a movie theater will remain, but much of the project will include new exterior-facing shops and big-boxes retailers. The timeline for the project will extend well into 2013 with a projected 2014 opening date.
- Suburban Ace Hardware has doubled its space in Cockeysville to 11,200 sf by relocating 400 yards down the street to 10912 York Road.

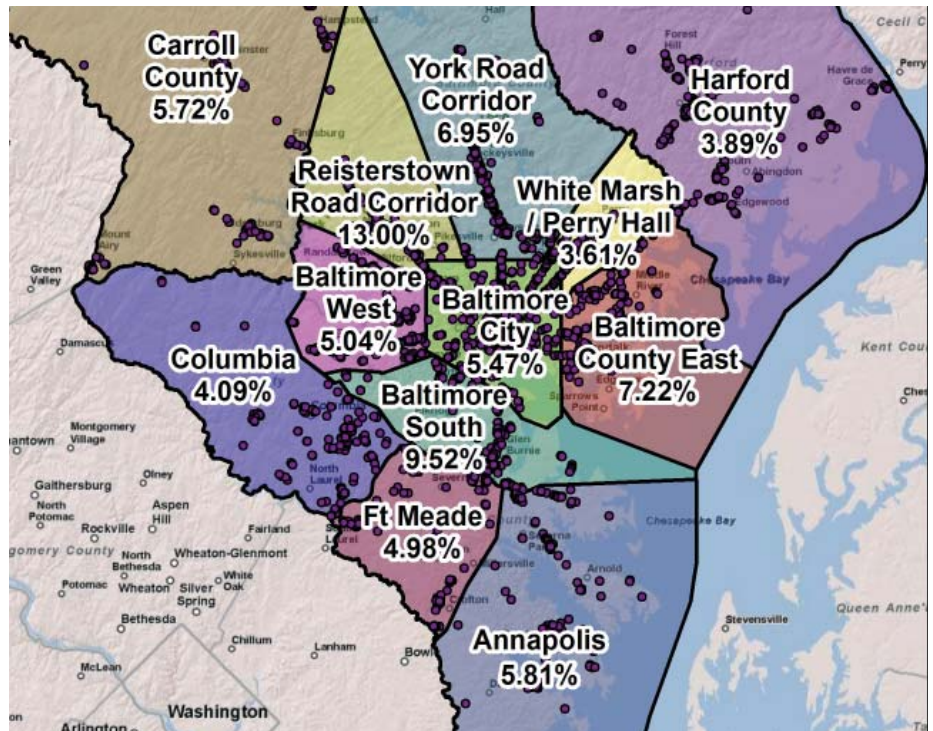
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## Submarket Size & Vacancy by Submarket



Above: Baltimore City and the York Road Corridor represent the largest submarkets in the region.

## Vacancy by Submarket



Above: 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.

- Renovations to the food court in the Pavilions in the Inner Harbor include outdoor seating that is partially covered, and a remodeling and expansion for the outdoor bar that belongs to the restaurant J. Paul's. Owner General Growth Properties is in negotiations to fill the 6,000 square foot space previously occupied by Capital City Brewing Co., and that the company hopes to have all the spaces in the renovated second floor in operation by Memorial Day.
- Miss Shirley's will open its third location at Park Place in downtown Annapolis.
- Nature's Table, serving soup, salads, wraps and smoothies, is targeting a March opening on the bottom of the 1 E. Pratt St. office building. The Orlando, Florida based fast-casual chain is taking 1,700 square feet in the building, also home to Sullivan's Steakhouse and Kona Grill.
- Maryland's state worker pension system sold off the last of its real estate holdings, shedding three shopping centers. The centers include: Severna Park Marketplace, purchased for \$31.4 million in 2002 and sold for \$61 million; Cranberry Square in Westminster, bought for \$18.9 million in 1999 and sold for \$33 million; and, Kentlands Square Shopping Center in Gaithersburg, bought for \$35.5 million in 1997 and sold for \$74.5 million. It made nearly \$83 million in profit on the sales
- Burwood Village Shopping Center sold in November for \$16,600,000 (\$156.89 psf). Located at the cross section of Baltimore-Annapolis Boulevard and Furnace Branch Road, the 5 building portfolio totals 116,000 sf on 15.60 acres. Anchored by Food Lion, tenants include CVS, Dollar General, and Dunkin Donuts
- General Growth Properties purchased the former 263,410-square-foot Boscov's store at Marley Station Mall in Glen Burnie for \$2.5 million. The purchase also included the surrounding 14.4 acres. The building has been vacant since filed for Chapter 11 bankruptcy reorganization in August 2008
- Douron Commercial Interiors purchased the 100,000-square-foot building located at 10 Painters Mill Road in Owings Mills where it plans to move its corporate headquarters.

## Notable Transactions

### Lease

\*(r) Renewal  
 \*\*(sub) Sublease

Location	Submarket	Tenant	Amount Leased SF
599-B Baltimore Pike	Harford County	Mars	39,605
4000 Seven Mile Lane	Reisterstown Road Corridor	Signature Collision Center	28,000
1544-1598 Whitehall Road	Annapolis	Mariners Church	22,518*
8601 Walther Boulevard	Baltimore County East	Learning Experience	10,000
1809 Reisterstown Road	Reisterstown Road Corridor	Ann Taylor Loft	5,164
111 Market Place	Baltimore City	Fresh Ventures Market Place	2,515

### Sale

Location	Submarket	Price	PSF	Building Size SF
120 E. Lombard Street	Baltimore City	\$6,000,000	\$70.93	84,591
302 Tollgate Road	Harford County	\$700,000	\$269.23	2,600
38 West Street	Annapolis	\$575,000	\$351.90	1,634
6520 Waterloo Road (Condo)	Columbia	\$388,575	\$275.00	1,413

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