

THIRD QUARTER | 2011

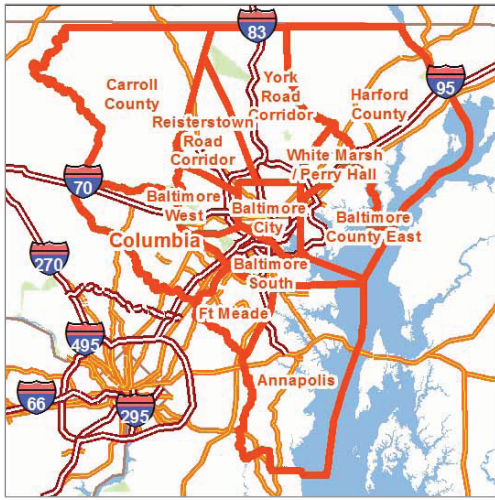
MacKenzie Market Report

Retail



MACKENZIE

Overview



Market Outlook

By: John R. Schultz, MacKenzie Retail

Third quarter retail activity has proven to be flat, but flat does not necessarily have negative connotations in this economic environment. The most significant story over the past months has been the ability to backfill the lion's share of vacant Super Fresh spaces that were vacated by A&P in the late Spring. Franchisees from the New Jersey based ShopRite and SuperValu Corporation (with their Shoppers Food & Pharmacy brands), took the lead on backfilling these spaces. Weis, Food Lion and a few other independent grocery stores have also had strong interest in the remaining dark locations.

Small store leasing activity did not have the velocity the world had hoped for, but there has been a flurry of activity by dollar stores, quick-serve restaurants and others who have survived these tough economic times and are now looking to improve their locations. Local favorites Gino's Burgers & Chicken, Miss Shirley's, and The Green Turtle are examples, all opening or in the planning stages for new locations across the market.

Lifestyle centers are regaining momentum as developers begin catering to

the live, work, play mantra adopted by the younger generations. Coupled with the aging Baby Boomers who want to maintain their independence, these mega-watt communities are garnering positive attention and growth as evidenced by Annapolis Towne Centre in Annapolis and Maple Lawn in Fulton, which both recently added a half dozen retailers to their line-up. Projects to watch in the coming months include Boulevard at Box Hill in Abingdon, Maryland, 25th Street Station and McHenry Row in Baltimore City, Canton Crossing in Canton, and the tenant upgrades at Harbor Place in downtown Baltimore.

As always, the holiday season will be summation of the success to this year. Many of the large format retailers have already launched their displays and marketing efforts as of October 1. Advertisements for Black Friday/Cyber Monday deals, as well as layaway options for early shoppers, clamor for the attention of the consumer. In this uncertain economy, a strong holiday season could make or break expansion plans moving forward into 2012. ■

Quick Stats

Number of Buildings	2,115
Market Size	99,624,156 sf

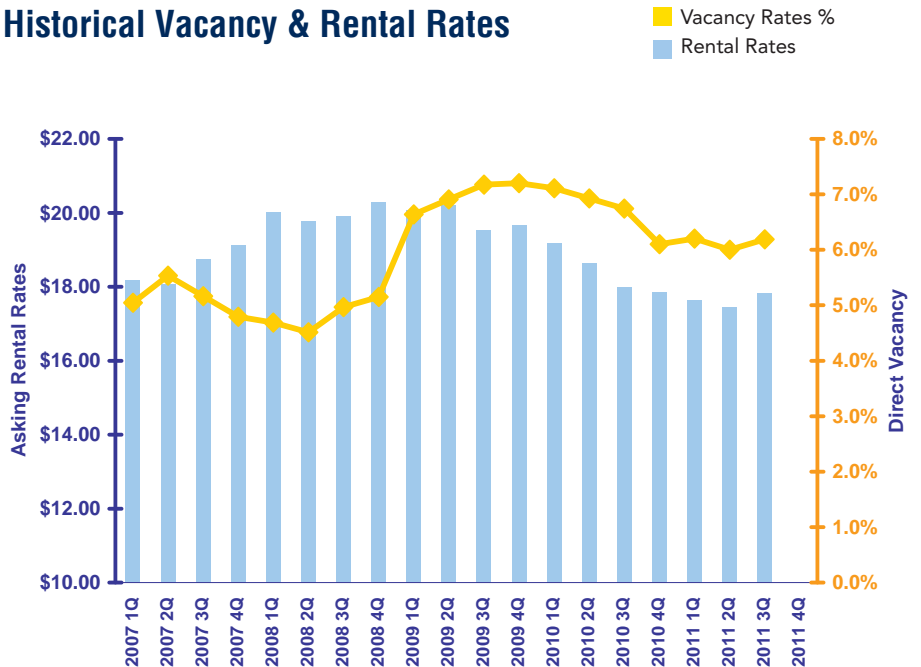
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	CURRENT	QTR	YR
Direct Vacancy	6.19%	▲	▼
Vacancy W/ Sublet	6.47%	▲	▼
Net Absorption	21,562 sf	▼	▼
Avg. Asking Rate	\$17.84	▲	▲

Quarter Highlights

- A six building portfolio along Ritchie Highway was purchased for the sum of \$61,000,000. The Power Center included four small freestanding buildings; two restaurants, a bank, and an auto repair retailer, and was 100% leased at the time of sale.
- The REIT also purchased Cranberry Square in Carroll County for \$33,000,000. The four building portfolio consisted of three freestanding buildings and one large neighborhood center, all 100 percent leased at the time of sale.

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Historical Vacancy & Rental Rates



Above: Average Rental Rates and Direct Vacancy both inched upwards to the \$18.00 psf and 6.5 percent marks, respectively.

Overview

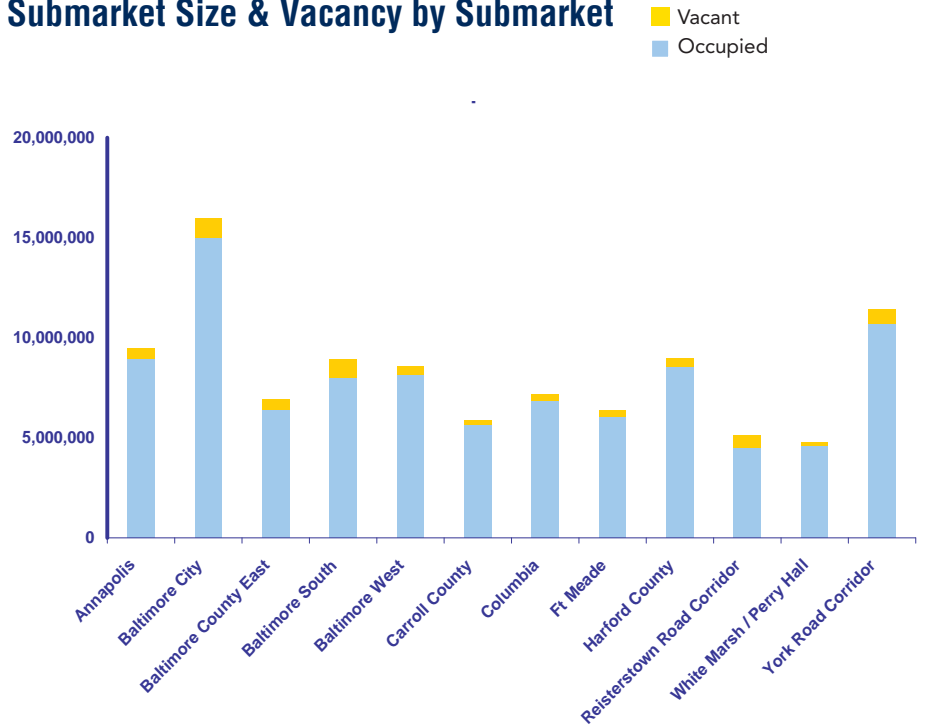


Quarter Highlights

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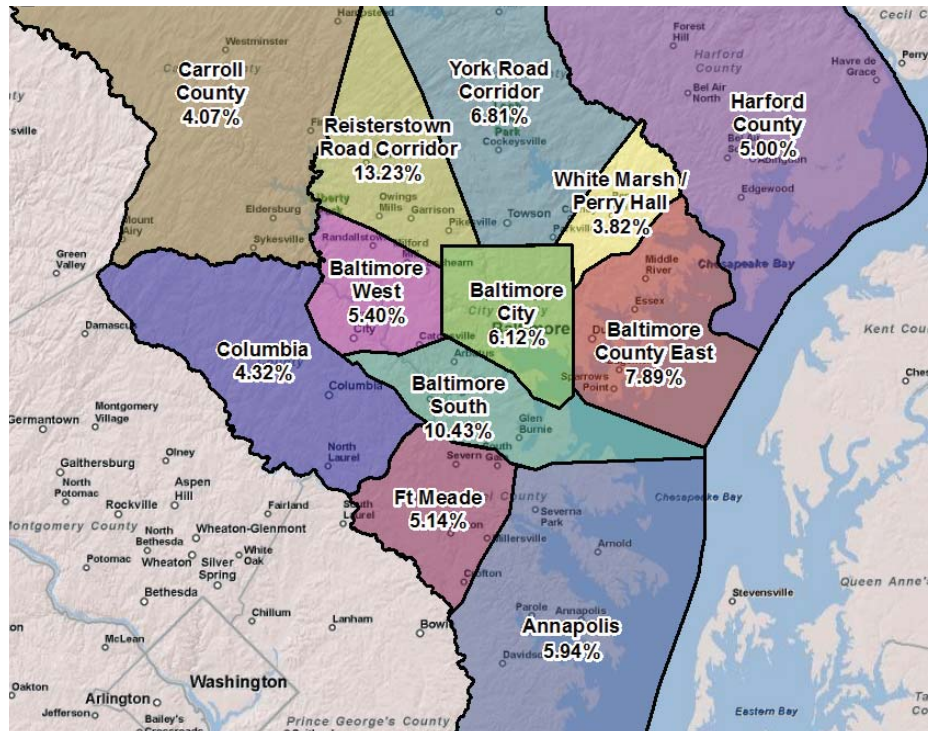
- Baltimore County's Historic Manor Tavern, located at 15819 Old York Road, sold for \$1,800,000 over the summer. The Restaurant was purchased by a group of local investors and is expected to remain open throughout renovations.
- Boulevard at Box Hill's largest, and arguably most anticipated tenant, Wegman's opened in September. The location is the first in Harford County.
- Lifestyle Center Maple Lawn continues to welcome tenants, including; McDonald's, Pet Depot, and HighStarr Copy.
- Multiple fitness center deals were inked for move-ins starting late in the 4th Quarter of 2011 including; Planet Fitness at 11967 Reisterstown Road, Gym Source at 2159 York Road, and Anytime Fitness at 1206 Agora Drive.
- Earth, Wood and Fire leads off the tenant roster at the newly renovated Bare Hills Business Park. The transformation of the former industrial park encompasses 400,000 sf of office and retail space.
- Chipotle plans to open new stores in Mount Vernon and Federal Hill. Opening a in Mount Vernon by early December, the Mexican restaurant is also plotting a store in Federal Hill/South Baltimore.
- McHenry Row, Locust Point in Baltimore City's growing lifestyle center, continues to add tenants. Joining the City's first Harris Teeter will be hometown favorites Greene Turtle and Charm City Run as well as Dunkin Donuts, Jimmy John's Gourmet Sandwiches, and Massage Envy.
- Village at Lee Airpark welcomed three tenants bringing the 92,000 sf shopping center along Route 2 in Edgewater to nearly 90 percent occupancy. Joining anchor tenant Giant and well-known eateries Chipotle Grill and Panera Bread are cell phone dealer CellComm, Bay Tunes Guitars and Coldstone Creamery. Two of the new tenants migrated from the Marketplace at South River Colony, according to the Capital.

Submarket Size & Vacancy by Submarket



Above: Baltimore City and the York Road Corridor represent the largest submarkets in the region though both Annapolis and Harford County are beginning to see growth that is loosely tied with BRAC.

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.

Overview



- The Columbia Bank signed a pair of leases for new locations. Headquartered in Columbia, the bank has negotiated leases for pad sites at two retail projects: Village South, in Crofton, and the Seven Oaks Shopping Center, in Odenton with building delivery scheduled for mid-2012.
- Annapolis Towne Centre signed Wells Fargo Bank to 6,800 sf. The bank joins current tenants Fidelity Investments, Chop House, Urban Chic, and many more.

Notable Transactions

Lease

*(r) Renewal
 **(sub) Sublease

Location	Submarket	Tenant	Amount Leased SF
7930-7938 Eastern Avenue	Baltimore County East	Redners Warehouse Market	50,423 sf
9991 Pulaski Highway	Baltimore County East	Big Lots	40,480 sf
7280 Montgomery Road	Baltimore South	Green Valley Markets	39,571 sf
2633-2659 Annapolis Road	Baltimore South	Big Lots	31,301 sf
11967-11989 Reisterstown Road	Reisterstown Road Corridor	Planet Fitness	16,995 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
Severna Park Market Place (6 Building Portfolio)	Annapolis	\$61,000,000	\$239.96	254,213 sf
Center Street (4 Building Portfolio)	Carroll County	\$33,000,000	\$236.94	139,273 sf
15819 Old York Road (Manor Tavern)	York Road Corridor	\$1,800,000	\$236.84	7,600 sf
8505 Liberty Road (Popeye's)	Reisterstown Road Corridor	\$1,265,000	\$565.10	2,200 sf
1601 York Road	York Road Corridor	\$1,050,000	\$648.15	1,620 sf

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 9/2011.