

FOURTH QUARTER | 2011

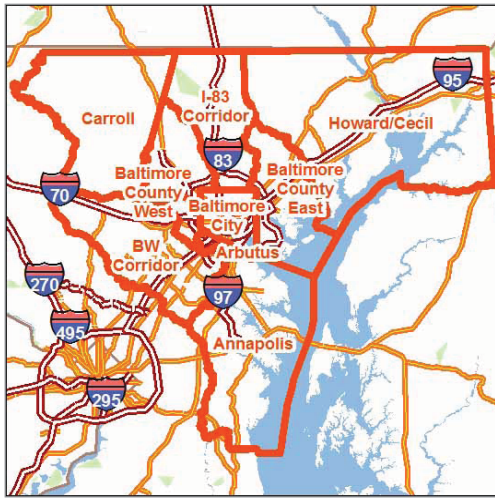
MacKenzie Market Report

Industrial Submarkets



MACKENZIE

Overview



Market Outlook

By: Anirban Basu, Sage Policy Group

In the fourth quarter, positive net absorption of warehouse space in the Baltimore area totaled 622,663 square feet. The largest increases were experienced in the Harford/Cecil submarket (+471,626 sq. ft.), Baltimore City (+276,024 sq. ft.), and the BW Corridor (+274,489 sq. ft.). Several submarkets experienced negative net absorption for the quarter including Baltimore County East (-243,862 sq. ft.) and Woodlawn/Catonsville (-47,292 sq. ft.). In 2011, net absorption of warehouse space in the Baltimore region totaled -89,555 square feet, which means that the fourth quarter represented a radical departure from trend. The direct vacancy rate for the regional warehouse market stood at 9.7 percent in the fourth quarter, up from 9.4 percent in the third quarter, but down from 10.1 percent the same time last year.

Trends were reversed in the flex industrial market. The flex industrial market in the Baltimore area posted quarterly net absorption of -32,475 square feet. For the year, net absorption totaled 90,583 square feet. Three markets stood out with respect to positive net absorption during the year's final quarter: Annapolis (39,005 sq. ft.), Arbutus (33,948 sq. ft.), and Harford/Cecil (26,192 sq. ft.). However, the performance of these submarkets was more than offset by negative net absorption in Baltimore City (-73,862 sq. ft.) and the BW Corridor (-32,447 sq. ft.). The Baltimore area flex industrial market direct vacancy rate for the fourth quarter was 10.2 percent, unchanged from both the previous quarter and the same time one year ago. ■

Quick Stats

Number of Buildings	4,870
Market Size	242,542,712 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	9.80%	▲	▼
Vacancy W/ Sublet	10.19%	▲	▼
Net Absorption	590,188	▼	▼
Avg. Asking Rate	\$5.73	▲	▲

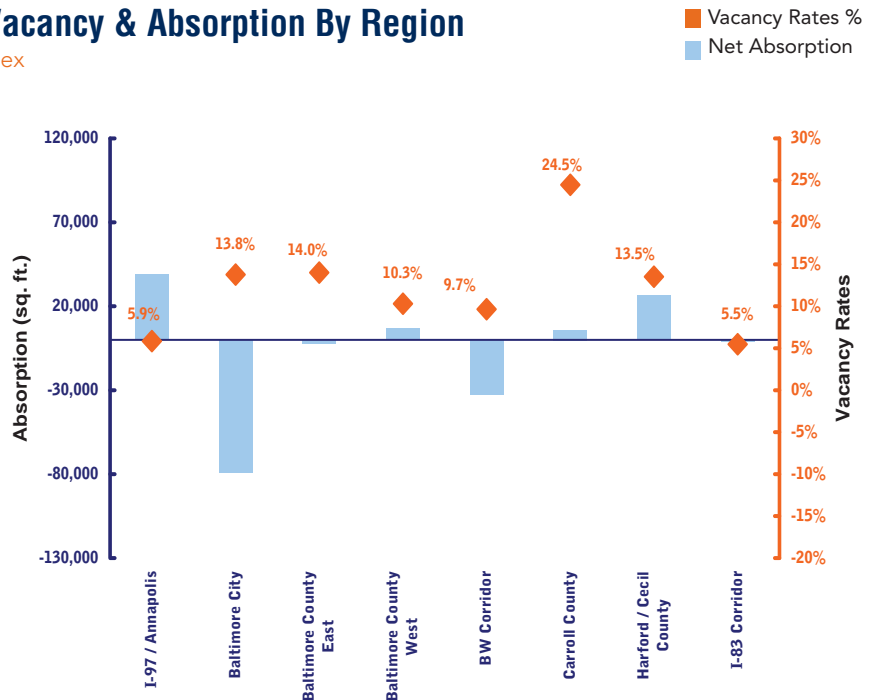
Quarter Highlights

- Freight forwarding firm E.I.S. Group, Inc. signed a 30,149 sf lease for warehouse and shipping space at 4711 Hollins Ferry Road in Baltimore.
- MCG Capital sold the Coastal Sunbelt Building, a 171,000 sf industrial building located at 8704 Bollman Place in Savage for \$16,835,000. Built in 1984 and renovated in 2004, the asset is 100 percent leased to Coastal Sunbelt Produce through 2022 and is located just off I-95 in the Corridor Industrial Park.

Continued on next page...

Vacancy & Absorption By Region

Flex



Above: Baltimore City and the BW Corridor saw the substantial decreases in absorption while Baltimore County East and Harford/Cecil County remained virtually unchanged.

Overview



Quarter Highlights

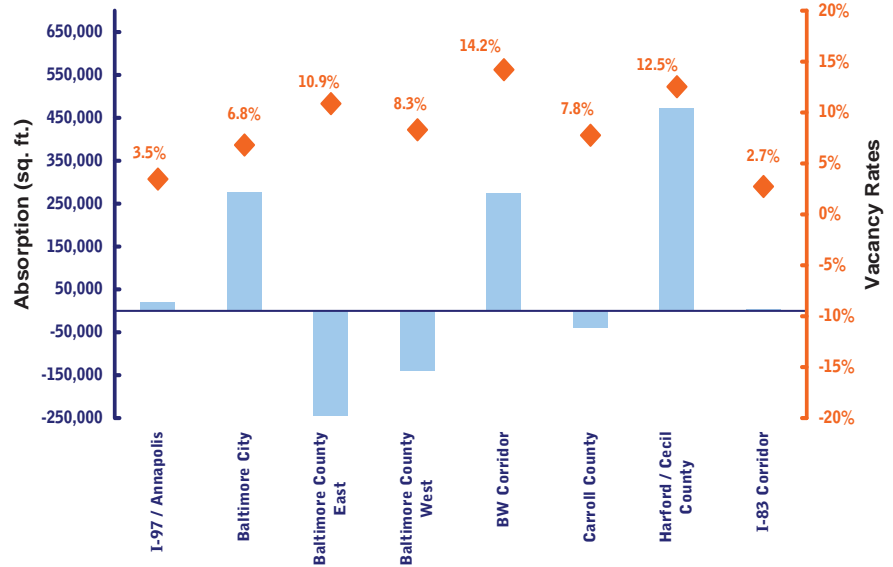
Continued from previous page...

- Chesapeake Real Estate Group wants to turn a vacant warehouse at South Central Avenue and Fleet Street into high-end space for multiple stores and restaurants. The company spent \$3,100,000 in cash to buy the 25,800 sf building at 511 S. Central from the Bohager family.
- General Services Administration negotiated the lease of 76,800 sf of Cecil County industrial space at 4 Center Drive to store medical supplies in a regional consolidation move for the U.S. Department of Health and Human Services. Health and Human Services is consolidating four of its storage locations in the Baltimore and Philadelphia areas under one roof.
- Sephora, the cosmetics and beauty chain, signed a two year, 70,133 sf lease at 4611 Mercedes Drive in the Riverside Business Park in Belcamp. The building is across the street from Sephora's current Maryland distribution center, also on Mercedes Drive.
- United Electric Supply renewed and expanded by 24,000 sf at 8100 Dorsey Run Road. The computer printer company claimed a vacancy that had opened in the warehouse, giving it 79,000 sf in all.
- Tasty Baking Company has signed a new industrial lease for 15,889 sf at 21 Fontana Lane in Rosedale. The 47,434 sf building is located at the intersection of Route 7 and Rossville Boulevard.
- Luxury home furnishing powerhouse Restoration Hardware signed a lease for a Maryland distribution center at 4000 Pulaski Highway in Cecil County. The company will occupy 1,200,000 sf of warehouse space that will serve as the company's East Coast distribution hub.
- Local candy legend Wockenfuss is ready to move to its headquarters, manufacturing and distribution operations at 6831 Harford Road after the new year. The 94-year-old candy maker will put its current location at 5416 Bel Air Road on the market.

Vacancy & Absorption By Region

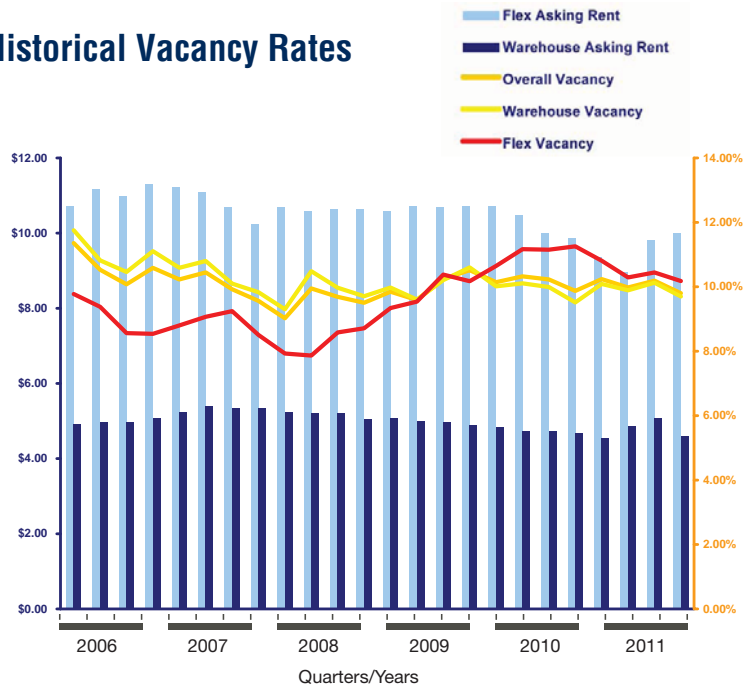
Warehouse

Vacancy Rates %
Net Absorption



Above: The Harford/Cecil County submarket saw a positive absorption of 471,626 sf, more than double the absorption rates of Baltimore City and BW Corridor submarkets.

Historical Vacancy Rates



Above: Although overall vacancy rate dipped to 10.19 percent, the availability rate remains high at 14.72 percent for the area. Though this number has improved since mid-year 2010 (18 percent), it indicates there are still a high level of short term tenancies in the market.

Overview



Market Forecast

The fourth quarter of 2011 was almost a mirror image of the third quarter in both lease and sale transactions. The most significant transaction in the fourth quarter was Restoration Hardware's 15-year lease of 1.2 million square feet (msf) at Trade Center 95 in Northeast Maryland. The tenant is expected to occupy the existing 600,000 sf building and have the owner construct an additional 600,000 sf within the next 12 months.

Locally, looking forward, we are anticipating an increase in both leasing and sale activity in this area. Increased availability of funds from lenders for owner occupied buildings and pent up demand for additional distribution space are the primary drivers. Continuing demand for space used by government entities should create a base from which we can grow in the first and second quarters of 2012. The search for the CSX intermodal site has somewhat stalled due to neighbor opposition while the dredging of the Port in preparation for the widening and deepening of the Panama Canal is going "full steam ahead". Of course, the wild card in "our world", as it is everywhere, is the international monetary crisis. Even though we are somewhat insulated due to our proximity to Washington DC, we are still seeing the negative effects of a depreciated consumer economy.



Michael V. Spedden

VICE PRESIDENT

MacKenzie Commercial
Real Estate Services, LLC

Notable Transactions

Flex Lease

*(r) Renewal

***(e) Renewal + Expansion

Location	Submarket	Tenant	Amount Leased SF
7125 Columbia Gateway Drive	BW Corridor	GSA	48,241
6905 San Tomas Road	BW Corridor		35,682
11100 Gilroy Road	I-83 Corridor	SL Distribution Company	22,986

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
7451 Coca Cola Drive	BW Corridor	\$1,855,827	\$36.50	50,850
9691 Gerwig Lane (condo)	BW Corridor	\$530,000	\$143.24	3,700

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
4 Center Drive	Cecil County	GSA	76,800
4611 Mercedes Drive	Harford County	Sephora	70,133
8100 Dorsey Run Road	BW Corridor	United Electric Supply	79,000**
4711 Hollins Ferry Road	Arbutus	E.I.S. Group, Inc.	30,149

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
7481 Coca Cola Drive	BW Corridor	\$40,644,173	\$89.03	456,500
8704 NW Bollman Place	BW Corridor	\$16,850,000	\$98.46	171,138
1025 Airport 100 Way	BW Corridor	\$14,200,000	\$105.65	134,406
511 S. Central Avenue	Baltimore City	\$3,100,000	\$125.15	25,800

* 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 12/2011.

