

FIRST QUARTER | 2011

MacKenzie Market Report

Industrial Submarkets



MACKENZIE

Overview



Market Outlook

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Nearly 1.3 million square feet (msf) of warehouse space in the Baltimore area was vacated on net during the First Quarter of 2011. Much of this was attributable to two submarkets, the BW Corridor, where more than three-quarters of a million square feet were vacated on net and the Harford/Cecil County submarket, which experienced negative net absorption approaching 670,000 square feet (sf). By contrast, Baltimore City's warehouse market experienced positive absorption approaching 200,000 sf. Direct vacancy in the warehouse category now stands above 10 percent with nearly 19.3 msf vacant.

Performance within the flex industrial category has been better. Regional net absorption for the First Quarter of 2011 totaled 64,800 sf, with Baltimore City putting together the best performance of any major sub-market. Baltimore City registered net absorption of 48,400 sf. Perhaps not coincidentally, at \$7.62 per square foot (psf), Baltimore City's average asking rent is lower than any other significant submarket. Direct vacancy in the regional flex industrial market now stands at 10.8 percent with 5.3 msf vacant. The expectation is for steady, ongoing improvement within the local industrial market. ■

Quick Stats

Number of Buildings	4,729
Market Size	239,808,993 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	10.24%	▲	▼
Vacancy W/ Sublet	10.53%	▲	▼
Net Absorption	-1,225,106	▼	▼
Avg. Asking Rate	\$5.49	▼	▼

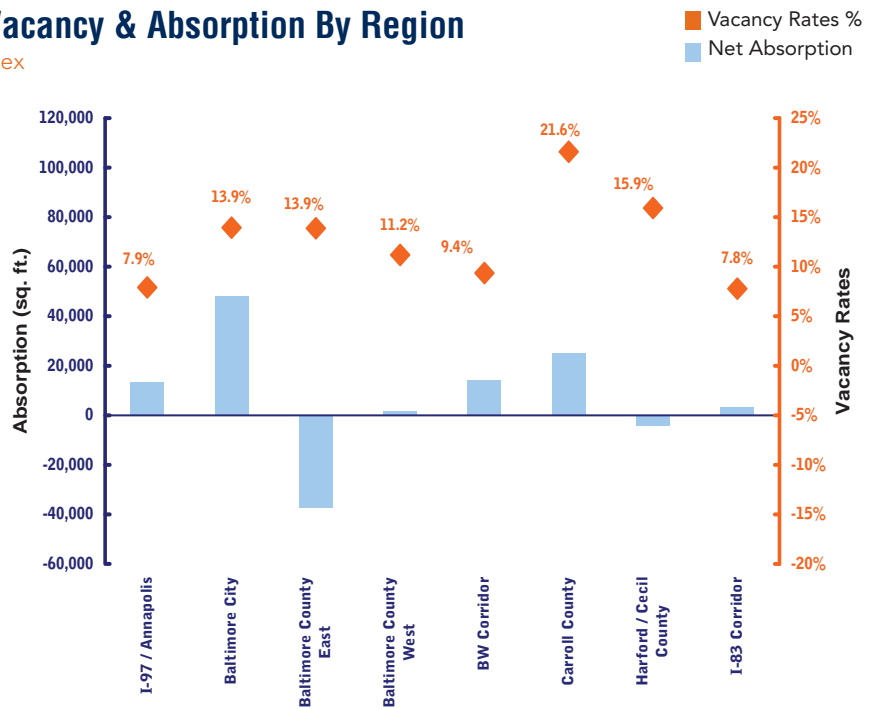
Quarter Highlights

- Kohl's Department Stores has finalized the purchase of 1701 Trimble Road in Edgewood, Maryland. The company plans to use the 602,000 sf building for a new e-commerce distribution center.
- In the one of the biggest real estate transactions since the financial crisis began, AMB Property Corp and ProLogis are combining forces. The two largest US owners of warehouse and distribution centers have struck a stock deal that will increase AMB's presence in the UK and ease the amount of debt on ProLogis' books. Combined, the companies will operate in 78 percent of the global economic market.

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Vacancy & Absorption By Region

Flex



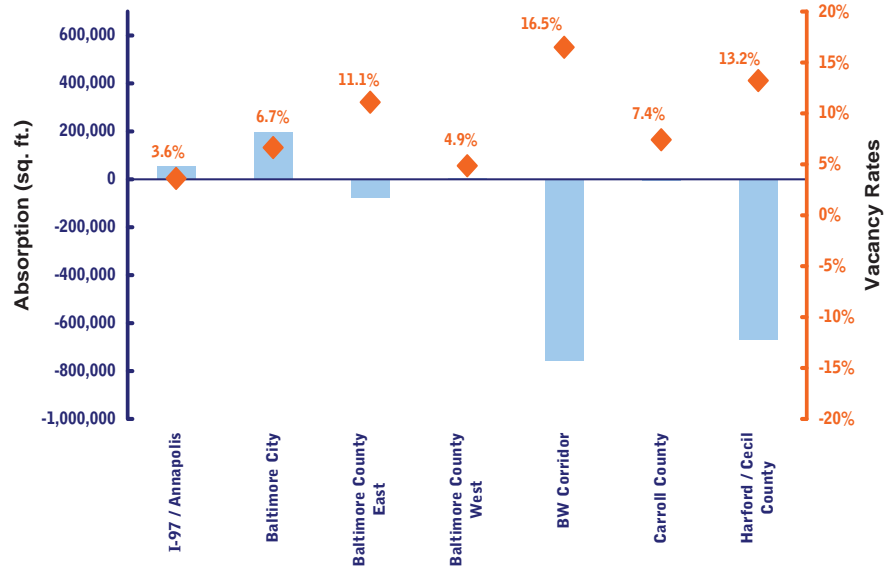
Above: Overall Flex vacancy decreased slightly from 11.26 percent in the fourth quarter 2010 to 10.81 percent.

Vacancy & Absorption By Region

Warehouse

Vacancy Rates %
Net Absorption

Warehouse - Vacancy & Absorption By Region



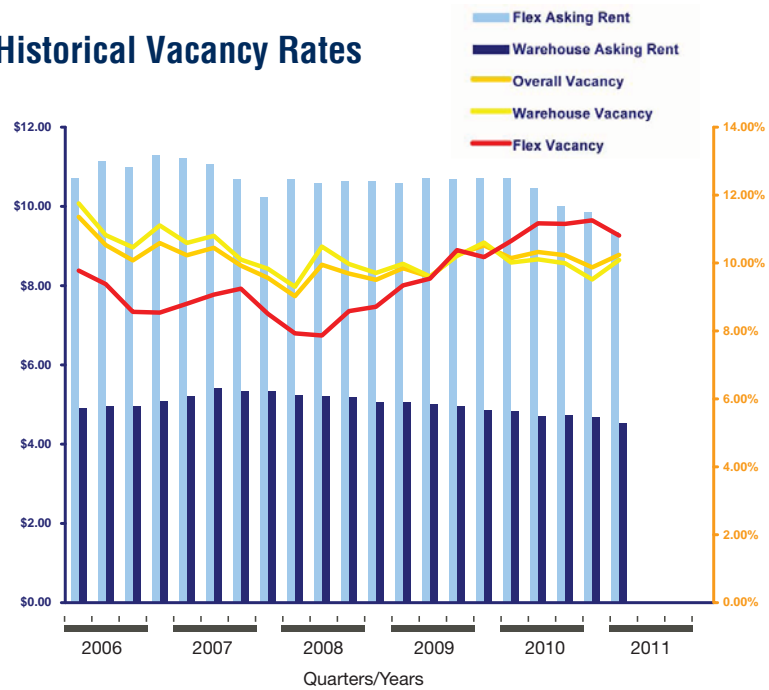
Above: The BW Corridor and Harford/Cecil County submarkets saw negative absorption, while the rest of the market remained relatively flat.

Quarter Highlights

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- Rail traffic is gaining speed as more interest is turned to utilizing existing infrastructure as a cost-effective alternative for shipping goods across land. In January, the American Association of Railroads (AAR) reported an 8 percent increase in year over year carloads. This growth, combined with a 7.4 percent increase in intermodal traffic, continues a gradual upward trend in rail traffic seen over the last year.
- Terreno Realty Corporation, a real estate investment trust, purchased a 135,000 sf warehouse property at 8441 Dorsey Run Road for \$5.8 million. This is the first acquisition for the REIT in the Baltimore market.

Historical Vacancy Rates



Above: Although overall vacancy rate inched upwards to 10.24 percent, the availability rate remains high at 15.2 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 Baltimore Metropolitan Industrial market is experiencing an uptick in leasing activity, however the overall industrial market has remained relatively unchanged from the previous quarter with total vacancy levels at 10.24 percent. That said, overall asking rents fell to \$5.49 psf off over 15 cents psf from the previous quarter. While the Baltimore Washington Corridor usually sees the greatest deal velocity, this submarket remains the hardest hit with 755,871 sf of negative absorption in the first quarter pushing vacancies to 16.5 percent. National tenants continue to consolidate and give back space. Tenants searching for large blocks of space over 150,000 sf will find few opportunities, while smaller users searching for blocks less than 50,000 sf will have many choices giving tenants the upper hand. The trend of stabilized institutional grade industrial sales should continue as money previously sitting on the sidelines chases quality assets in the market taking advantage of depressed pricing while understanding its high barrier to entry. This said, sales of B and C product will continue to struggle for the near term, but as market confidence continues to grow, should improve by mid year. The overall flex market should continue to improve with expected job growth from government security, technology, and bio science sectors particularly in the areas located around Ft. Meade and Aberdeen Proving Ground.



Daniel A. Hudak, SIOR
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial
Real Estate Services, LLC

Notable Transactions

*(r) Renewal

Flex Lease

Location	Submarket	Tenant	Amount Leased SF
260 Schilling Circle	I-83 Corridor	Metals & Residues Processing Co., Inc.	45,175
10640 Iron Bridge Road	BW Corridor		30,100
9603 Deereco Road	I-83 Corridor	PODS/Maryland Portable Storage, LLC	21,833
991 Corporate Boulevard	BW Corridor	Harte Hanks Data Services	21,829

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
7505 Resource Court	I-97/Annapolis	\$1,560,000	\$65.34	23,876

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
1731 Midway Road	BW Corridor		85,400
4 Center Drive	Harford/Cecil County	GSA	76,800
8750 Larking Road	BW Corridor	B. Von Paris & Sons, Inc.	72,000
7111 Troy Hill Drive	BW Corridor	Bell Nurseries	67,620
8441 Dorsey Run Road	BW Corridor	Sterling Moving and Storage	60,000

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
1900 Clark Road	Harford/Cecil County	\$26,400,000	\$43.06	613,137
1701 Trimble Road	Harford/Cecil County	\$20,500,000	\$34.04	602,250
8441 Dorsey Run road	BW Corridor	\$5,800,000	\$42.96	135,000

* 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 3/2011.

