

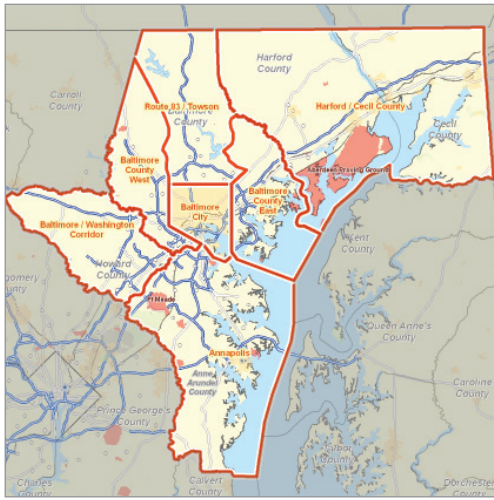
MID-YEAR | 2010

MacKenzie Market Report

Industrial Submarkets



Overview



Market Outlook

By: Anirban Basu, Sage Policy Group

One of the most interesting aspects of the Industrial market year-to-date is warehousing. As of the second quarter, the warehouse direct vacancy rate was 11.1 percent, higher than a year ago when direct vacancy stood at 10.5 percent. But these statistics serve to mask observed improvement in activity over the past six months, with a number of meaningful leasing deals transpiring during the first half of 2010. Significant leasing deals include 210,000 square feet (sf) at 3000 Waterview Avenue in Baltimore City and 144,400 square feet leased at 670 Chesapeake Park Plaza in Baltimore County East. All told, warehouse net absorption year-to-date exceeds 1.1 million square feet (msf) in the Baltimore area, a reflection of rebounding economic activity in key retail and wholesale components of the local economy. ■

Quick Stats

Number of Buildings	2,491
Market Size	176,777,165 sf

	CHANGE SINCE LAST		
	CURRENT	6 MO	YR
Direct Vacancy	11.26%	▲	▲
Vacancy W/ Sublet	11.86%	▼	▲
Net Absorption	943,470	▲	▼
Avg. Asking Rate	\$5.67	▼	▼

Quarter Highlights

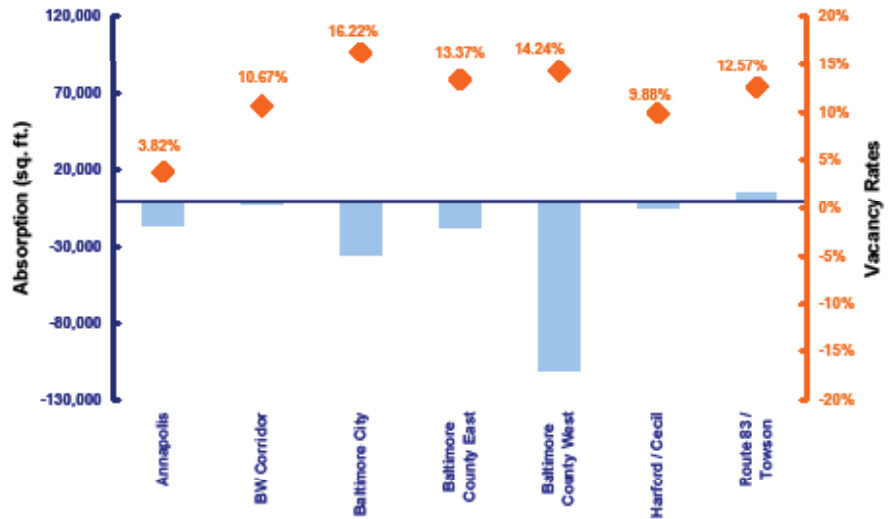
- A sure sign of BRAC activity in Harford County, three new deals were inked at 6245 Guardian Gateway Drive: General Dynamics (10,000 sf), Boeing Company (6,000 sf), and Harford Community College (3,000 sf).
- Solo Cup announced plans to close its Owings Mills manufacturing facility in two years and eliminate 540 jobs; ending an operation that has been in Baltimore County for more than eight decades. The 52 acre site with 2 msf of manufacturing and distribution space is currently being marketed for sale, and may take years to be redeveloped.

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Vacancy & Absorption By Region

Flex

■ Vacancy Rates %
■ Net Absorption



Above: Across the region, flex space experienced negative absorption and drove vacancy up in throughout the Baltimore Flex Market.

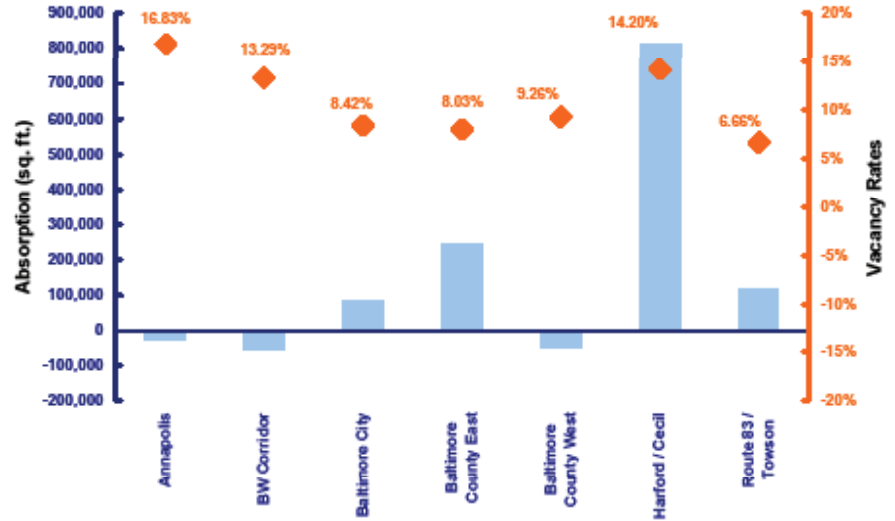
Overview



Vacancy & Absorption By Region

Warehouse

Vacancy Rates %
Net Absorption



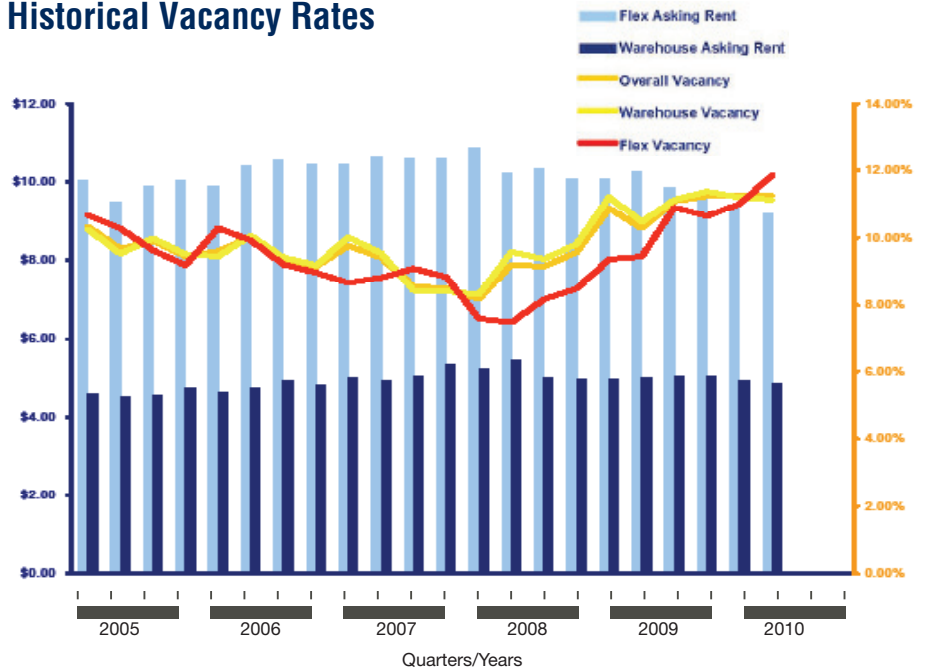
Above: Baltimore City and submarkets to the north and east saw mildly healthy absorption, driving vacancy down in those areas.

Quarter Highlights

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- Users interested in purchasing continue to scour the market for the right opportunity. Although financing is available with rates at historic lows, strict underwriting and the dearth of available product, has resulted in few sales.
- Commodities warehouse Henry Bath has placed more than 300,000 sf on the sublet market in three different buildings near the Port of Baltimore.
- New construction is at a standstill in the region, with the exception of several flex buildings near Aberdeen being driven by BRAC.
- The Hollander 95 Business Park in eastern Baltimore City recently went to auction. FRP Development Corporation was the high bidder at \$4.3 million for the sole completed building in the park. Approximately 44,100 sf of the 82,800 sf building remains vacant. The remaining undeveloped land with a potential build-out of over 500,000 GLA was taken back by the lender M&T Bank at \$3 million. The total sale price of \$7.3 million represents only half the \$14 million debt originally borrowed by Hollander Rock LLC.
- Rental rates continue to trend lower through the first half of the year as vacancies remain idle.

Historical Vacancy Rates



Above: Flex vacancy levels have outpaced the warehouse sector for the first time in nearly three years. After dipping to recent historic lows in early 2008, flex vacancy has risen to its highest levels in years. Although with increased activity and absorption, the overall asset class may be turning the corner.

Overview



Market Forecast

The Baltimore Industrial Market appears to have bottomed out as the overall vacancy remains relatively unchanged. Although direct vacancy is at 11.26 percent, the overall availability rate stands much higher, at 18 percent. This gap highlights the trend of many companies who are frozen in their inability to make long term decisions due to uncertain market conditions and therefore remain in flexible, short term tenancies. A recent uptick in leasing activity has created cautious optimism with some landlords, though tenants still have the upper hand. As rental rates continue to decline and with no real rental rate growth expected for another 12-18 months, rent concessions will continue to be the norm. Market savvy tenants, capitalizing on these cost-cutting opportunities, will look to position themselves strategically for future long term growth.



Jonathan S. Miller
REAL ESTATE ADVISOR

MacKenzie Commercial
Real Estate Services, LLC

Notable Transactions

*(r) Renewal

Flex Lease

Location	Submarket	Tenant	Amount Leased SF
6480 Dobbin Rd	BW Corridor	Martek Biosciences Corporation	53,325 (r)
9200 Berger Rd	BW Corridor	Bechtel Corporation	45,700 (r)
7151 Columbia Gateway Dr	BW Corridor	ADG Creative	27,709

Flex Sale

Location	Submarket	Price	PSF	Building Size SF
9631 Liberty Rd	Baltimore County West	\$8,200,000	\$48.02	55,550
8901 Herrmann Dr	BW Corridor	\$1,989,000	\$163.57	12,160

Notable Transactions

Warehouse Lease

Location	Submarket	Tenant	Amount Leased SF
3000 Waterview Ave	Baltimore City	Barton-Cotton	210,000
670 Chesapeake Park Plz	Baltimore County East	Ace Logistics Inc.	144,400
7825 Rappahannock Ave	BW Corridor	Potomac Wholesale, Inc	120,000
6720 Baymeadow Dr	Annapolis	Pacific Trade International	117,200
8200 Stayton Dr	BW Corridor	RoomStore	113,334 (r)
1225 Bengies Rd	Baltimore County East	CDS Logistics Management, Inc	110,220
6940 San Tomas Rd	BW Corridor	BarrierSafe Solutions International, Inc	101,817
4665 Hollins Ferry Rd	Baltimore County West	Saver Automotive Products, Inc	101,750
8210-8214 Wellmoor Ct	BW Corridor	Dormia, Inc	100,000 (r)

Warehouse Sale

Location	Submarket	Price	PSF	Building Size SF
1040 Swan Creek Dr	Annapolis	\$23,500,000	\$45.86	308,220
8265 Patuxent Range Rd	BW Corridor	\$16,900,000	\$39.38	73,840

* 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 6/2010.

