



FOURTH QUARTER | 2009

MacKenzie Market Report

Industrial Submarkets

Overview



Quick Stats

| | |
|---------------------|----------------|
| Number of Buildings | 2,494 |
| Market Size | 177,001,262 sf |

| | CHANGE SINCE LAST | | |
|-------------------|-------------------|-----|----|
| | CURRENT | QTR | YR |
| Direct Vacancy | 11.24% | ▲ | ▲ |
| Vacancy W/ Sublet | 12.12% | ▲ | ▲ |
| Net Absorption | -481,213 | ▲ | ▼ |
| Avg. Asking Rate | \$5.85 | ▼ | ▲ |

Quarter Highlights

- The overall Baltimore Industrial market vacated over 2 msf of space in 2009 raising direct vacancy to 11.24 percent and vacancy with sublet space to 12.12 percent. This coupled with lack of demand has caused downward pressure on rental rates.
- The Baltimore County East submarket saw positive warehouse absorption in the second half of 2009, particularly near the Port of Baltimore. This was driven, in large part, by commodities warehousing companies whose inventories typically grow during economic downturns. These companies such as The Pacorini Metals, Edgemere Terminals, and SH Bell who deal with the London Metals Exchange require multi-modal transportation access.

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Market Outlook

By: Anirban Basu, Sage Policy Group

The economy is now moving in a direction that is considerably more favorable from the perspective of the Industrial market. The consumer economy is now in recovery mode, international trade volumes are on the mend, and industrial production is on the upswing. All of this suggests that the quarters ahead will be considerably better than the quarters immediately behind us.

For the most part, this is consistent with the data, which suggests that market deterioration slowed significantly during the final three months of 2009. With respect to the flex industrial market, year-to-date net absorption totaled -416,000 square feet (sf), but less than 10 percent of this total was associated with the fourth quarter. Three regional submarkets registered positive net absorption during the fourth quarter. These markets include Annapolis, Baltimore City, and Baltimore County West. Direct vacancy within the region's flex market stood at 10.7 percent during the fourth quarter, down from 10.9 percent in the third. Vacancy with sublet was virtually unchanged in percentage terms. Asking rent continues to slip, falling from \$9.86

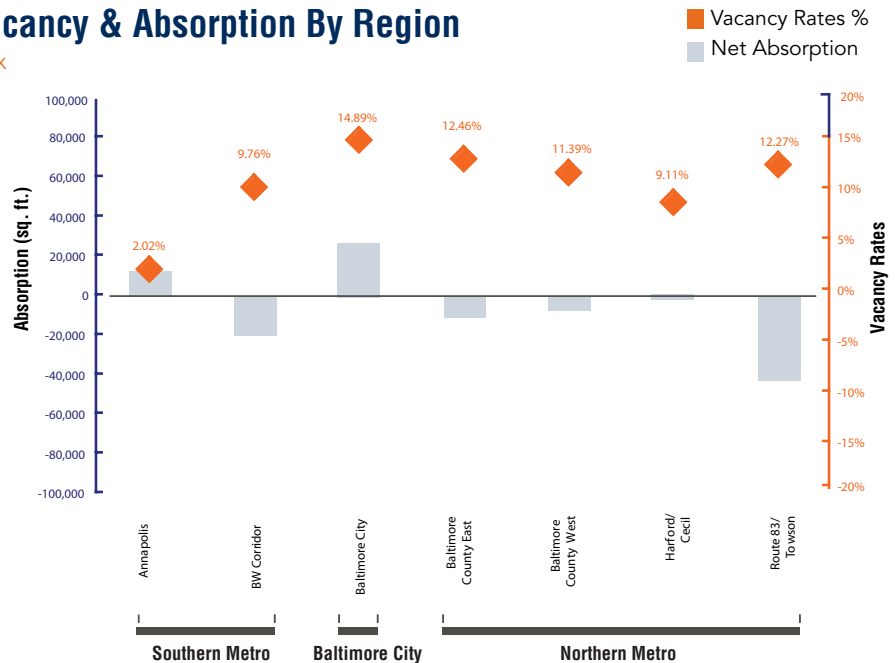
per square foot (psf) in the third quarter to \$9.56 in the fourth.

Recovery within the region's warehouse market is not quite as evident. For the year, net absorption totaled -1.7 million square feet (msf). Of this total, fourth quarter of 2009 was responsible for somewhat more than 26 percent. Direct vacancy within this segment rose from 11.1 percent during the third quarter to 11.4 percent during the fourth. Asking rent remained unchanged at \$5.01 psf. Vacancy with sublet now exceeds 18 percent in the Harford/Cecil submarket. That represents the highest vacancy rate among all submarkets, but it was Baltimore City's warehouse market that experienced the most profound negative net absorption in 2009 (-789,164 sf) followed by the BW Corridor (-755,019 sf).

Market dynamics are far better in Baltimore County East. In that market, net absorption totaled 152,180 sf during the fourth quarter and vacancy with sublet stood at 10.1 percent, down from 10.8 percent during the third. ■

Vacancy & Absorption By Region

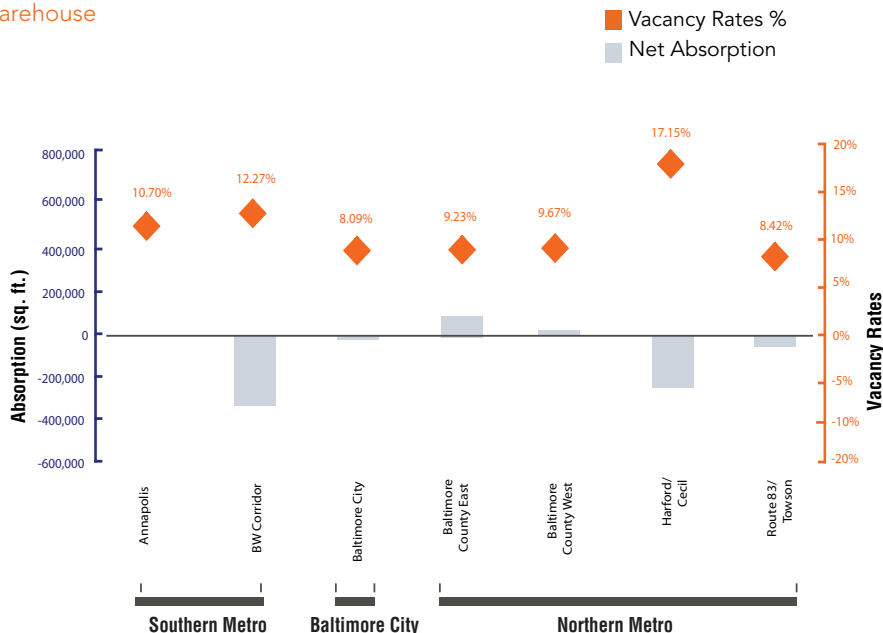
Flex



Above: Flex space in all submarkets experienced negative absorption this quarter, with the exception of modest positive absorption of a new building in Harford/Cecil. Vacancy increased in all areas.

Vacancy & Absorption By Region

Warehouse



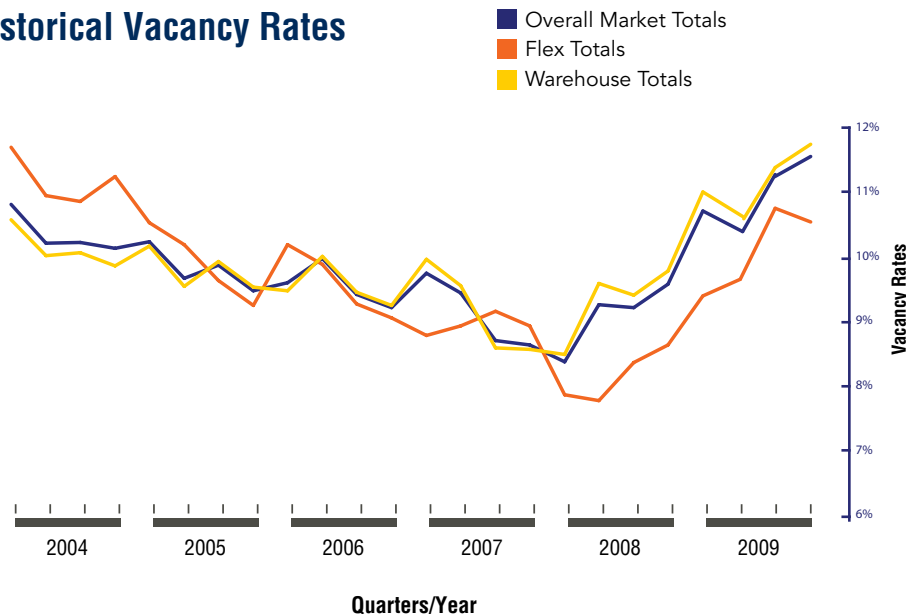
Quarter Highlights

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- Though the fourth quarter Baltimore Industrial market posted yet another quarter of negative absorption (-481,000 sf), it was less than half the loss that occurred in the third quarter, implying that market losses may be slowing with expectations of bottoming out by mid-year 2010.
- The nation's supply chain executives have reported that economic activity in the manufacturing sector expanded in December for the fifth consecutive month as customers' inventories remained too low. Regionally this bodes well and is evidenced by the recent announcement that GM's Allison Transmission Plant in White Marsh will double its workforce by 2013 as it retools to manufacture next generation electric drive motors for plug-in electric and hybrid vehicles.

Above: With the exception of two very large new vacancies in the Baltimore-Washington Corridor and Harford/Cecil, net absorption in either direction was virtually non-existent.

Historical Vacancy Rates



Above: After a brief decline in early 2009, industrial vacancy is returning to levels not seen since 2004.



Notable Transactions

*(r) Renewal

Flex Lease

| Location | Submarket | Tenant | Amount Leased SF |
|------------------|-------------|---|------------------|
| 8260 Preston Ct | BW Corridor | Triangle Printing & Tabbing Company, Inc. | 34,448 (r) |
| 9005 Junction Dr | BW Corridor | Brinks, Inc. | 29,745 |
| 9108 Guilford Rd | BW Corridor | Advanced Biotechnologies, Inc. | 27,959 (r) |

Flex Sale

| Location | Submarket | Price | PSF | Building Size SF |
|---------------------------|-----------------------|--------------|----------|------------------|
| 6240 Guardian Gateway | Harford/Cecil | \$14,900,000 | \$248.33 | 60,000 |
| 5901 E. Lombard St | Baltimore City | \$7,850,000 | \$140.18 | 56,000 |
| 9189 Red Branch Rd | BW Corridor | \$7,500,000 | \$142.36 | 52,682 |
| 9625-9627 Philadelphia Rd | Baltimore County East | \$3,000,000 | \$90.94 | 32,990 |

Notable Transactions

Warehouse Lease

| Location | Submarket | Tenant | Amount Leased SF |
|------------------------|-----------------------|-----------------------------|------------------|
| 511 Chelsea Rd | Harford/Cecil | Bob's Discount Furniture | 672,000 |
| 8231 Stayton Dr | BW Corridor | S.P. Richards Company | 198,500 (r) |
| 1840 Clark Rd | Harford/Cecil | Excel, Inc. | 184,000 (r) |
| 3501 E. Biddle St | Baltimore City | SH Bell Company | 160,000 |
| 6695 Business Pky | BW Corridor | AGAM | 115,105 |
| 1225 Bengies Rd | Baltimore County East | Mid-Atlantic Port Services | 63,000 |
| 8263 Patuxent Range Rd | BW Corridor | Door To Door Storage, Inc. | 58,950 |
| 4710-4732 Trident Ct | Baltimore County West | Shepard Exposition Services | 56,000 |

Warehouse Sale

| Location | Submarket | Price | PSF | Building Size SF |
|-----------------------|----------------|-------------|---------|------------------|
| 6695 Business Pkwy | BW Corridor | \$7,075,000 | \$61.47 | 115,105 |
| 6610 Amberton Dr | BW Corridor | \$4,375,000 | \$51.76 | 84,520 |
| 7656 Canton Center Dr | Baltimore City | \$1,975,000 | \$24.27 | 81,365 |

* 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 12/2009.

