

MARKETBEAT



BALTIMORE INDUSTRIAL REPORT

1Q11

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Overview

In February 2011, Maryland saw a slight uptick in employment as 8,100 jobs were created and preliminary unemployment rates sat at 7.1%. A diverse economic base has shielded Maryland from the recent economic downturn as the state's unemployment rate continues to be below the national unemployment rate of 8.8% in March 2011. According to the Institute for Supply Management (ISM), the manufacturing sector continued to grow for the 20th consecutive month in March. Strong exports and consumer spending encouraged expansions by private companies like Kohl's Corporation in Maryland. Kohl's Corporation's recent purchase of 1701 Trimble Road for its e-commerce distribution site is expected to yield a total of 1,200 jobs in the next three years.

Leasing Activity and Absorption

Leasing activity in the Baltimore industrial market continued to show signs of recovery as a total of 1.1 million square feet (msf) in new leases was executed in the first quarter of 2011. A strong consumer base and significant presence of the public, education and medical sectors in the greater Baltimore-Washington metropolitan area continued to serve the Baltimore-Washington Corridor well as it alone accounted for a total of 771,428 sf in new leases. BDR Express's 113,000-sf lease at 7079 Oakland Mills Road in Howard County was the largest new lease transaction of the first quarter. Other notable new leases included the 85,400-sf Powercon lease at 1731 Midway Road, the 76,800-sf General Services Administration (GSA) lease at 4 Center Drive, the 72,000-sf Von Paris lease at 8750 Larkin Road and the 67,620-sf Bell Nurseries lease at 7111 Troy Hill Drive. Tenants also opted for renewals as Aaron Rents, Incorporated and Forman, Incorporated renewed 150,000 sf at 121 Bata Boulevard and 137,000 sf at 9455 Baltimore Avenue, respectively.

Overall absorption at 406,239 sf was positive in the quarter as spaces leased within the quarter and the second half of 2010 began to see tenant move-ins resulting in the overall vacancy rate modestly decreasing 0.2 percentage points to 11.0%. In the Baltimore-Washington Corridor, Victory Packaging shifted space between Anne Arundel County and Howard County as it vacated its

premises at 1349 and 1353 Charwood Road and moved into 193,800 sf at 7605 Dorsey Road. Bell Nurseries, servicer of Home Depot, moved into its 67,620-sf space at 7111 Troy Hill resulting in positive absorption for Howard County. In the I-95 North Corridor, GSA, like Bell Nurseries, also moved into its 72,000-sf space at 4 Center Drive contributing to the 0.3 percentage point decrease in the I-95 North Corridor's overall vacancy rate.

Sales Activity

Sales activity was healthy for both investor and user sales as a total of 1.7 million square feet (msf) traded in the quarter with user sales accounting for 0.7 msf. In an effort to support its e-commerce business and expand into its Eastern markets, Kohl's Corporation closed the largest sales transaction of the quarter when it purchased the 602,250-sf 1701 Trimble Road in the I-95 North Corridor. Kohl's will add an additional 400,000 sf to the existing building for a total of 1.0 msf in order to support its expected workforce of 1,200 employees in Harford County. Investor sales represented 60.0% of the sales activity in the Baltimore Industrial market with a total of 1.0 msf exchanged in the quarter. Significant single building investor sales included Bentall Kennedy's \$26.4 million purchase of 1900 Clark Road, Terreno Realty Corporation's \$5.8 million purchase of 8441 Dorsey Run Road and Crossroad Eastern Avenue LLC's \$3.25 million purchase of 6801 Eastern Avenue.

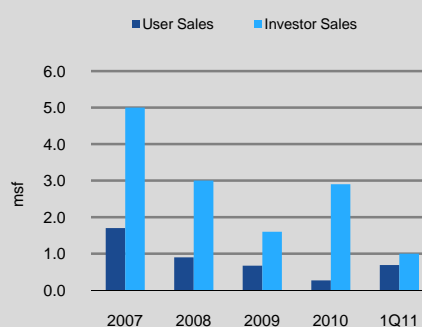
Outlook

The Baltimore Industrial market is poised to continue its recovery in 2011 as leasing activity remained steady in the quarter and supply continues to be limited as no projects sit in the construction pipeline. A further decline in vacancies is expected with the uptick in activity; it has already decreased 1.3 percentage points from the first quarter of 2010 to 2011. Absorption is expected to be positive in the second quarter of 2011 as Dade Paper will relocate from Capitol Heights, MD into 127,000 sf in 7605 Dorsey Road by May 2011.

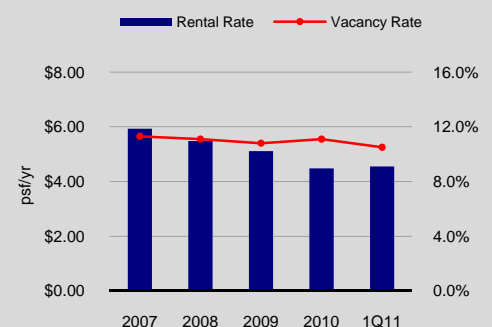
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	12.3%	11.0%	-1.3 pp	▼
W/D Direct Asking Rents	\$5.00	\$4.55	-9.0%	◀▶
YTD Leasing Activity (msf)	1.3	1.1	-15.4%	▲

User Sales vs. Investor Sales



W/D Direct Rental vs. W/D Direct Vacancy Rate



Market/Submarket Statistics

Submarket	Building Type	Inventory	Overall Vacancy Rate*	YTD Leasing Activity***	YTD User Sales Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption*	Direct Weighted Average Net Rental Rate**
Howard County	Flex	5,079,035	10.9%	132,486	0	0	0	16,850	16,850	\$ 8.22
	W/D	28,760,992	15.2%	429,691	0	0	0	225,535	225,535	\$ 4.82
Anne Arundel County	Flex	9,188,198	10.0%	18,100	23,867	0	0	75,085	75,085	\$ 10.74
	W/D	21,355,134	11.4%	127,904	0	0	0	(132,471)	(132,471)	\$ 5.29
Baltimore City/County - Southwest	Flex	3,080,135	16.0%	10,212	0	0	0	(10,338)	(10,338)	\$ 6.45
	W/D	20,771,718	10.8%	53,035	55,000	0	0	13,100	13,100	\$ 3.94
Baltimore-Washington Corridor	Flex	17,347,368	11.3%	160,798	23,867	0	0	81,597	81,597	\$ 8.70
	W/D	70,887,844	12.7%	610,630	55,000	0	0	106,164	106,164	\$ 4.74
	Total	88,235,212	12.5%	771,428	0	0	0	187,761	187,761	\$ 5.08
Harford County	Flex	1,896,080	12.2%	6,460	0	0	0	(12,560)	(12,560)	\$ 7.86
	W/D	17,919,001	14.7%	25,000	602,250	0	0	(336)	(336)	\$ 4.44
Cecil County	Flex	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	W/D	8,492,466	15.4%	76,800	0	0	0	76,800	76,800	\$ 3.90
Baltimore County East	Flex	4,952,409	14.6%	7,587	0	0	0	(8,871)	(8,871)	\$ 9.63
	W/D	41,765,216	7.3%	88,663	15,467	0	0	136,249	136,249	\$ 4.09
I-95 North Corridor	Flex	6,848,489	13.9%	14,047	0	0	0	(21,431)	(23,931)	\$ 9.26
	W/D	68,176,683	10.3%	190,463	617,717	0	0	212,713	212,713	\$ 4.19
	Total	75,025,172	10.6%	204,510	0	0	0	191,282	188,782	\$ 4.31
Baltimore County - North/West	Flex	9,802,701	10.5%	107,432	0	0	0	7,235	12,335	\$ 8.28
	W/D	8,521,747	3.5%	0	0	0	0	(20,997)	(20,997)	\$ 6.14
Baltimore City	Flex	1,520,889	12.7%	0	0	0	0	(52)	(52)	\$ 8.16
	W/D	6,111,135	9.8%	6,000	0	0	0	0	0	\$ 4.53
Carroll County	Flex	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	W/D	7,249,210	7.1%	26,610	0	0	0	38,410	38,410	\$ 4.56
Beltway Submarkets	Flex	11,323,590	10.8%	107,432	0	0	0	7,183	12,283	\$ 8.25
	W/D	21,882,092	6.5%	32,610	0	0	0	17,413	17,413	\$ 5.00
	Total	33,205,682	7.9%	140,042	0	0	0	24,596	29,696	\$ 6.10
Total Flex	Flex	35,519,447	11.7%	282,277	23,867	0	0	67,349	69,949	\$ 8.61
Total Warehouse and Distribution	W/D	160,946,619	10.8%	833,703	672,717	0	0	336,290	336,290	\$ 4.55
Baltimore Total	Total	196,466,066	11.0%	1,115,980	696,584	0	0	403,639	406,239	\$ 4.81

W/D = Warehouse/Distribution *Overall rates include sublease space in statistical calculations **Rental Rates reflect asking \$psf/year ***Renewals - not included in YTD Leasing Activity

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
121 Bata Boulevard***	Harford County	Aaron Rents, Incorporated	150,000	Warehouse/Distribution
9455 Baltimore Avenue***	Howard County	Forman, Incorporated	137,000	Warehouse/Distribution
7077-7081 Oakland Mills Road	Howard County	BDR Express	113,000	Warehouse/Distribution
1731 Midway Road	Anne Arundel County	Powercon	85,400	Warehouse/Distribution
4 Center Drive	Cecil County	GSA	76,800	Warehouse/Distribution

***Renewals - not included in YTD Leasing Activity

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1900 Clark Road	Harford County	Bentall Kennedy	612,768	\$26,400,000
1701 Trimble Road	Harford County	Kohl's Department Stores	602,250	N/A
8441 Dorsey Run Road	Howard County	Terreno Realty Corporation	135,000	\$5,800,000
6801 Eastern Avenue	Baltimore County East	Crossroads Eastern Avenue LLC	101,456	\$3,250,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				



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