

MARKETBEAT

BALTIMORE INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



4Q10

ECONOMY

The U.S. unemployment rate for December 2010 dropped 0.4 percentage points from November 2010 to 9.4%. According to the Institute for Supply Management (ISM), job creation remained limited in the manufacturing sector despite seventeen months of continuous growth in activity driven by an uptick in export orders. Due to the shift of labor-intensive manufacturing production abroad, U.S. manufacturing employment post-recession is expected to continue its shift towards a high-skilled workforce. Maryland saw a 5.0% drop in manufacturing employment in 2010 and preliminary November 2010 unemployment rates for the state were 7.4%. The Baltimore-Towson metropolitan area's unemployment rate, at 7.8%, was 0.4 percentage points higher than the state's in November 2010 but it decreased 1.2 percentage points from January 2010 signaling an economic recovery.

OVERVIEW

The Baltimore industrial market in 2010 continued its recovery and remained healthy as it experienced a relative stabilization of vacancy rates and steady tenant activity. At year-end 2010, the direct vacancy rate for warehouse/distribution product was 11.1%. From year-end 2009 to year-end 2010, the warehouse/distribution direct vacancy rate increased less than half a percentage point with vacancies over 500,000 square feet (sf) existing at 2800 Eastern Boulevard, 1701 Trimble Road and 8901 Snowden River Parkway. Average direct rental rates at year-end 2010 stood at \$4.48 per square foot (psf) with the highest rental rates existing in Anne Arundel, Cecil and Harford Counties.

Sales activity was also strongest in Anne Arundel and Howard County as a total of 1.0 million square feet (msf) was executed in three investor portfolio sales in 2010. The largest 2010 portfolio sale was Colony Realty Partners's 430,260-sf purchase of 8263 Patuxent Range Road, 8265 Patuxent Range Road and 8700 Larkin Road for \$16.9 million or \$39.38 psf. Other notable portfolio sales transactions include AMB Property Corporation's \$23.5 million dollar purchase of 1040 and 1041 Swan Creek Drive in Anne Arundel County and DCT Industrial Trust's \$13.8 million dollar purchase of 6200 and 6300 Beckley Street in Baltimore City.

Tenant activity in 2010 was steady as a total of sixteen leases over 100,000 square feet (sf) were executed: the 210,000-sf Barton Cotton lease at 3000 Waterview Avenue, the 193,800-sf Victory Packaging lease at 7605 Dorsey Run Road and the 186,093-sf Delsey Luggage lease at 6090 Dorsey Road. Direct absorption is expected to be positive in the first quarter of 2011 due to the 193,800-sf Victory Packaging move-in and 124,000-sf Dade Paper move-in at 7605 Dorsey Run Road, the 25,095-sf Goodman Distribution move-in at 9103 Yellow Brick Road and the 26,309-sf Synergy Installation Systems move-in at 1328 Charwood Road. Supply will remain unchanged in 2011 as no projects remained in the construction pipeline at year-end 2011.

The office service direct vacancy rate at 9.7% saw an uptick of 1.1 percentage points from the second quarter to fourth quarter of 2010. Significant blocks of direct available space over 40,000 sf at year-end 2010 with a median average direct rental rate of \$6.95 psf included: 7223-7249 Ambassador Road, 1015 West Nursery Road and 7100 Columbia Gateway Drive at year-end 2010. The fourth quarter average direct rental rate for office service product was \$9.12 psf with the highest rental rates of \$9.63 psf and \$9.65 psf in Anne Arundel and Howard County, respectively. Rental rates in 2010 construction deliveries ranged from \$10.50 psf to \$19.50 psf with highest rental rates near Fort Meade and Aberdeen Proving Grounds (APG) due to demand driven by Base Realignment Closure Act (BRAC). A total of 305,012 sf in seven buildings delivered in 2010 with 229,224 sf available for lease at year-end 2010, a 25.0% occupancy rate.

Office service leasing and sales activity was the strongest in the first half of 2010 especially in the Columbia South and Reisterstown submarkets. The largest 2010 office service lease transactions were Hart Industries's 46,140-sf lease at 11412 Conridge Drive and Bechtel Engineering's 45,700-sf lease at 9200 Berger Road. Notable fourth quarter leases included the 19,000-sf Avaya Government Solutions Inc's lease at 9150 Guilford Road in Howard County and the 21,400-sf Portable On-Demand Storage (POD) lease at 9603 Deereco Road in Baltimore County. Baltimore County saw the only 2010 office service portfolio sale when Klein Properties and Katz Properties purchased 9631, 9633, 9635 and 9637 Liberty Road for \$8.2 million or \$48.02 psf.

OUTLOOK

The Baltimore industrial market will continue to recover in 2011 as tenants servicing the greater Baltimore-Washington metropolitan area remain active in Anne Arundel and Howard Counties. A steady volume of tenant move-ins in the first half of 2011 is expected. Supply for both office service and warehouse/distribution will be stable due to an empty construction pipeline at year-end 2010.

BEAT ON THE STREET



"We're seeing signs of a slow and measured recovery as large blocks of space in the corridor are starting to absorb. Tenants are also starting to appear in the northern counties but the environment all around remains challenging going forward."

-Ben Meisels, Senior Director

ECONOMIC INDICATORS

National	2009	2010	2011F
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Regional			
Unemployment	7.4%	7.9%	8.4%
Employment Growth	-4.4%	-1.6%	0.7%

Source: Moody's | Economy.com

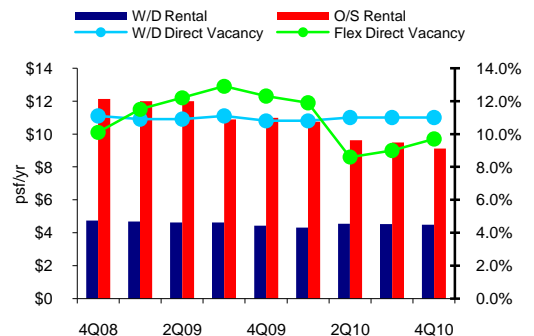
MARKET FORECAST

LEASING ACTIVITY for the Baltimore industrial market in 2011 will continue to be steady and strongest in Howard and Anne Arundel Counties.

DIRECT ABSORPTION is expected to be positive in the first quarter of 2011 for warehouse/distribution as tenants, like Delsey Luggage, move-in for leases executed in the second half of 2010.

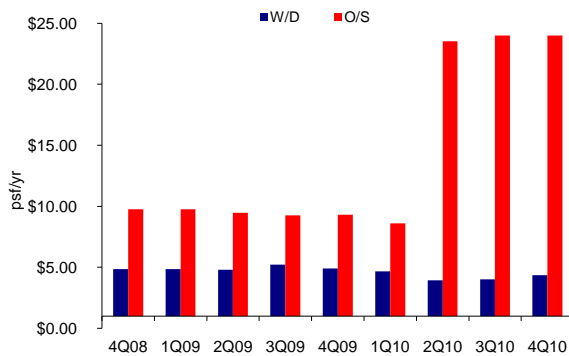
CONSTRUCTION activity will remain limited as no projects existed in the construction pipeline at year-end 2010.

DIRECT W/D RENTAL RATES VS. DIRECT VACANCY RATES



SOUTHEAST

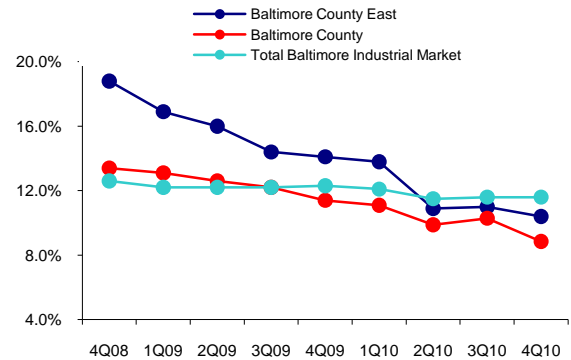
DIRECT WTD RENTAL RATES W/D VS O/S



- Year-end 2010 warehouse/distribution and office service average direct rental rates in Southeast submarket stood at \$4.36 psf and \$24.00 psf, respectively. Significant blocks of available office service space in the fourth quarter of 2010 included 32,945 sf of wet lab space at 2001 Alicanna Street.
- From the first quarter to fourth quarter of 2010, warehouse/distribution average direct rental rates in the Southeast submarket decreased \$0.29 psf. Average direct rental rates for available warehouse/distribution spaces between 100,000 sf to 200,000 sf ranged from \$3.50 psf to \$5.50 psf.

BALTIMORE COUNTY EAST

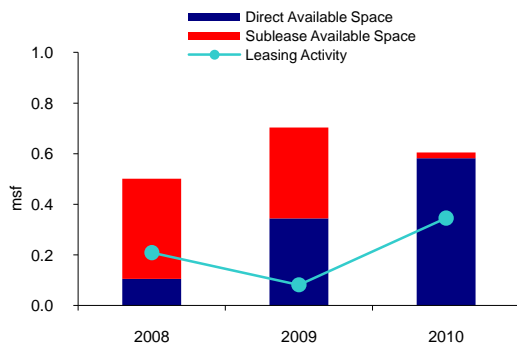
W/D OVERALL VACANCY RATE TRENDS



- The warehouse/distribution direct vacancy rate dropped 3.7 percentage points from year-end 2009 to year-end 2010. Notable 2010 move-ins included the 146,960-sf Ace Logistics Service's lease at 670 Chesapeake Park Plaza and the 19,178-sf Legends Limited lease at 8901-8965 Yellow Brick Road.
- The Baltimore County East submarket since the fourth quarter of 2008 has experienced the same downward trend in the warehouse/distribution direct vacancy rate as Baltimore County. In the fourth quarter of 2010, the direct vacancy rates for Baltimore County East submarket and Baltimore County were 10.4% and 8.9%, respectively.

ROUTE 2 CORRIDOR

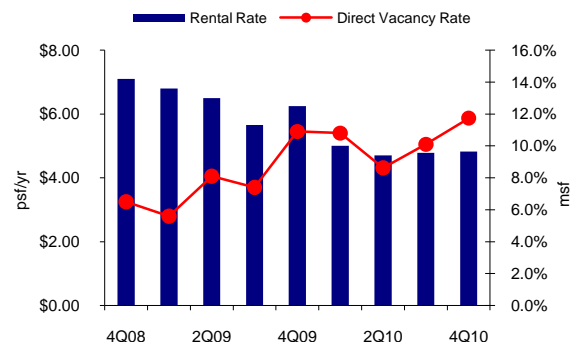
AVAILABLE SPACE TRENDS VS LEASING ACTIVITY



- Available industrial space in the Route 2 Corridor submarket decreased 14.0% from year-end 2009 to year-end 2010. Sublease space played a limited role in 2010 as it comprised 3.8% of the total available space in fourth quarter of 2010.
- Year-to-date 2010 leasing activity for the Route 2 Corridor submarket was 345,776 sf. A total of three leases over 50,000 sf were executed in 2010: the 51,295-sf Adcom lease at 7364 Baltimore Annapolis Boulevard, the 124,496-sf Reliable Churchill lease at 6600 Cabot Drive and the 117,000-sf Pacific Trade International lease at 6720 Baymeadow Drive.

BWI/ANNE ARUNDEL

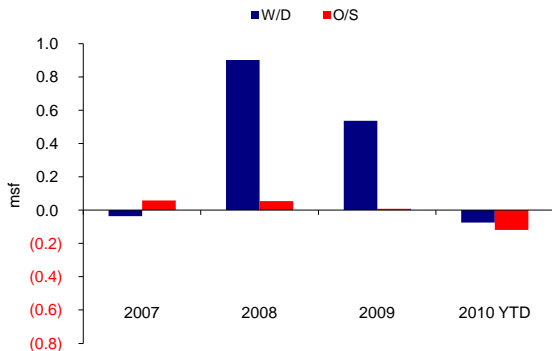
W/D DIRECT VACANCY RATE VS W/D DIRECT WTD RENTAL RATES



- From the third quarter to fourth quarter of 2010, the BWI/Anne Arundel warehouse/distribution direct vacancy rate increased 1.2 percentage points to 11.7% due to Danaher Corporation's move-out of 164,219 sf in 7200 Standard Drive.
- Average direct rental rates for warehouse/distribution product in the submarket decreased \$.18 psf from the first quarter to fourth quarter 2010. Available warehouse/distribution spaces 100,000 sf or larger had average direct rental rates of \$3.75 psf to \$5.25 psf.

HARFORD COUNTY

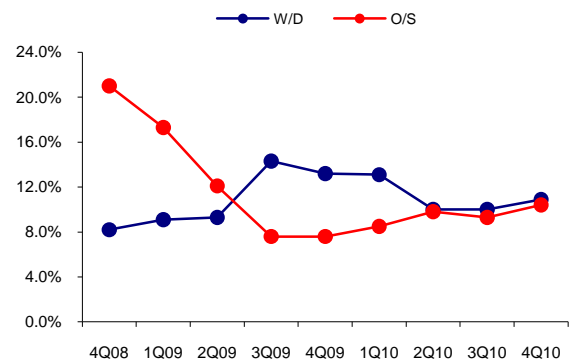
DIRECT ABSORPTION W/D VS O/S



- By year-end 2010, year-to-date direct absorption in Harford County for warehouse/distribution product stood at negative 74,971 sf. Notable fourth quarter tenant movements include Crown Cork and Seal's 160,615-sf move-out at 151 Bata Boulevard and Krott Company's 24,000-sf move-in at 4605 Richlynn Drive.
- Office service product saw a negative year-to-date direct absorption of 118,418 sf in 2010. A total of 84,548 sf of available flex space in 6165 and 6175 Guardian Gateway Drive delivered at year-end 2010 and is expected to absorb by BRAC's operational September 2011 deadline.

ROUTE 1/HOWARD COUNTY

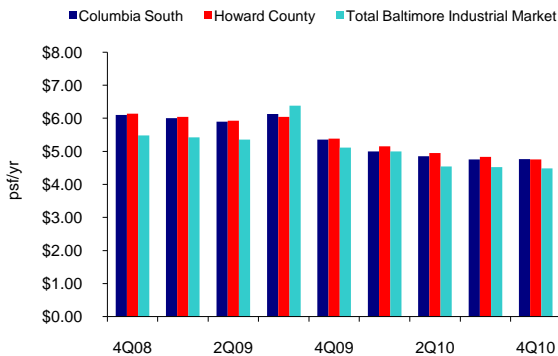
OVERALL VACANCY RATES W/D VS O/S



- The warehouse/distribution and office service overall vacancy rates for the Route 1/Howard County submarket was 10.9% and 10.5%, respectively, at year-end 2010. Office service overall vacancy rate increased 1.9 percentage points from first quarter to fourth quarter of 2010.
- From year-end 2009 to year-end 2010, the warehouse/distribution overall vacancy rate decreased 2.4 percentage points. Vacant spaces in the fourth quarter included 216,299 sf at 7481 Coca Cola Road for \$5.35 psf.

COLUMBIA SOUTH

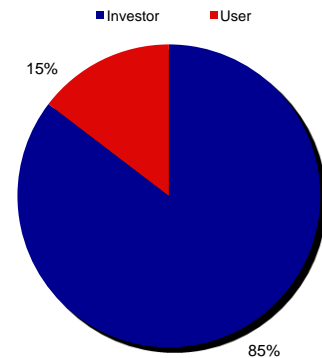
W/D DIRECT WTD RENTAL RATE TRENDS



- Warehouse/distribution average direct rental rates in the Columbia South submarket remained competitive with the rest of Howard County and the total Baltimore industrial market in 2010. At year-end 2010, the average direct rental rates for Columbia South was \$0.28 psf above the average direct rental rates for the total Baltimore industrial market at \$4.76 psf.
- Average direct rental rates for warehouse/distribution spaces 100,000 sf to 200,000 sf ranged from \$4.35 psf to \$6.34 psf while spaces over 200,000 sf ranged from \$3.50 psf to 4.88 psf.

ROUTE 1 CORRIDOR

2010 YTD SALES ACTIVITY BY BUYER TYPE



- In 2010, sales activity for the Route 1 Corridor submarket totaled 645,861 sf. The average price per square foot for investor sales was in the \$38.00 psf range.
- Colony Realty Partners executed the only portfolio sale of 2010 for the submarket and purchased a total of 430,260 sf at 8263 Patuxent Range Road, Patuxent Range Road and 8700 Larkin Road.

MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	OVERALL	YTD	YTD	UNDER	YTD	YTD	YTD	DIRECT WEIGHTED AVERAGE			
		VACANCY	LEASING	USER		CONST.	DIRECT	OVERALL	NET RENTAL RATE*		HT	WD
		RATE	ACTIVITY	SALES	CONST.	COMPLETIONS	ABSORPTION	ABSORPTION	MF	OS		
Midtown	2,681,933	7.4%	0	0	0	0	38,340	38,340	N/A	N/A	\$4.72	\$6.34
Northwest	4,556,140	9.5%	63,567	0	0	0	118,12	118,12	N/A	N/A	\$8.05	\$2.86
Northeast	5,216,201	6.5%	254,754	0	0	0	157,518	157,518	N/A	N/A	\$4.60	\$4.96
Southeast	15,067,344	4.9%	345,776	0	0	0	133,110	144,110	N/A	N/A	\$24.00	\$4.36
Southwest	13,022,651	16.5%	371,992	0	0	0	(111,753)	(98,876)	N/A	N/A	\$6.96	\$4.00
Baltimore City	40,543,529	9.5%	1,036,089	0	0	0	229,027	252,904	N/A	N/A	\$8.62	\$4.48
Baltimore County East	22,445,933	11.1%	666,092	0	0	0	209,459	294,659	N/A	N/A	\$9.39	\$3.98
Towson	969,589	6.5%	16,800	0	0	0	16,680	16,680	N/A	N/A	\$2.70	N/A
Rt. 83 South	1,767,388	12.5%	76,058	0	0	0	(89,735)	(89,735)	N/A	N/A	\$9.65	\$7.18
Rt. 83 North	5,457,169	4.9%	151,238	0	0	0	(21,770)	(9,559)	N/A	N/A	\$8.54	\$4.47
Reisterstown Rd. Corr.	5,339,920	5.4%	185,963	0	0	0	980	(3,320)	N/A	N/A	\$8.73	\$7.96
Woodlawn/Catonsville	3,279,703	9.5%	168,764	0	0	0	46,826	69,946	N/A	N/A	\$6.92	\$5.07
Arbutus	8,199,614	11.2%	436,220	0	0	0	(26,557)	(55,057)	N/A	N/A	\$9.50	\$4.58
Baltimore County	47,459,316	9.6%	1,701,135	0	0	0	137,883	216,014	N/A	N/A	\$8.50	\$4.34
Annapolis	1,627,634	9.1%	18,270	0	0	0	(99,441)	(100,696)	N/A	N/A	\$16.54	\$17.53
Rt. 2 Corr.	9,243,722	3.9%	378,814	72,000	0	0	(61,778)	(59,068)	N/A	N/A	\$8.87	\$5.31
So. AA Co.	206,010	0.0%	0	0	0	0	0	0	N/A	N/A	N/A	N/A
BWI/Anne Arundel	13,060,623	11.3%	763,100	33,384	0	45,120	(97,436)	(1,685)	N/A	N/A	\$7.77	\$4.82
BWI North/Linthicum	3,558,683	13.3%	189,065	0	0	0	40,945	67,197	N/A	N/A	\$8.15	\$4.48
I-97/Crain Hwy.	1,864,186	9.1%	32,218	0	0	72,414	(789)	14,753	N/A	N/A	\$10.50	N/A
Anne Arundel County	29,560,858	8.9%	1,381,467	105,384	0	117,534	(217,899)	(79,499)	N/A	N/A	\$9.63	\$5.21
Harford County	16,797,105	16.0%	45,500	70,563	0	105,240	(193,389)	(195,571)	N/A	N/A	\$7.41	\$4.31
Harford County	16,797,105	16.0%	45,500	70,563	0	105,240	(193,389)	(195,571)	N/A	N/A	\$7.41	\$4.31
Rt. 1BWI Howard	6,510,973	10.8%	517,172	0	0	0	(36,079)	(24,079)	N/A	N/A	\$9.79	\$4.95
Columbia North	2,458,543	7.4%	70,251	0	0	0	53,335	53,335	N/A	N/A	\$8.98	\$6.25
Columbia South	9,747,301	18.3%	596,792	0	0	82,240	(83,270)	93,437	N/A	N/A	\$10.98	\$4.76
Rt. 1Corr.	20,715,421	14.3%	115,824	94,517	0	0	(222,341)	(121,900)	N/A	N/A	\$6.55	\$4.67
Howard County	39,432,238	14.3%	2,300,039	94,517	0	82,240	(288,355)	101,563	N/A	N/A	\$9.65	\$4.75
Carroll County	6,881,149	7.1%	8,500	0	0	0	35,742	54,742	N/A	N/A	N/A	\$4.76
Carroll County	6,881,149	7.1%	8,500	0	0	0	35,742	54,742	N/A	N/A	N/A	\$4.76
Cecil County	8,224,750	17.8%	146,400	0	0	0	39,705	39,705	N/A	N/A	N/A	\$3.67
Cecil County	8,224,750	17.8%	146,400	0	0	0	39,705	39,705	N/A	N/A	N/A	\$3.67
TOTAL	188,898,945	11.3%	6,619,130	270,464	0	305,014	(257,286)	389,858	N/A	N/A	\$9.12	\$4.48

*Asking rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2010 LEASE TRANSACTIONS					
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG TYPE	
3000 Waterview Avenue	Southwest	Barton Cotton, LLC	210,000	Warehouse/Distribution	
7605 Dorsey Run Road	Route 1 Corridor	Victory Packaging	193,800	Warehouse/Distribution	
6090 Dorsey Road	BWI/Anne Arundel	Delsey Luggage	186,093	Warehouse/Distribution	
1020 Airport 100 Way	BWI/Anne Arundel	Pea Pod	165,199	Warehouse/Distribution	
3400 East Biddle Street	Northeast	White Marsh Transport	157,352	Warehouse/Distribution	
SIGNIFICANT 2010 SALE TRANSACTIONS					
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE	
1040 and 1041 Swan Creek Drive (Portfolio Sale)	Route 2 Corridor	AMB Property Corporation	512,430	\$23,500,000	
8263 Patuxent Range Road, 8265 Patuxent Range Road and 8700 Larkin Road (Portfolio Sale)	Route 1 Corridor	Colony Realty Partners, LLC	430,260	\$16,900,000	
1601-1629 Wicomico Street	Southwest	Berg Realty, EML Partners, and Smith Industries	365,000	\$4,400,000	
SIGNIFICANT 2010 CONSTRUCTION COMPLETIONS					
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE	
6175 Guardian Gateway	Harford County	N/A	54,120	12/10	
6165 Guardian Gateway	Harford County	N/A	51,120	12/10	
980 Mercantile Drive	BWI/Anne Arundel	N/A	45,120	6/10	
SIGNIFICANT PROJECTS UNDER CONSTRUCTION/ RENOVATION					
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE	
N/A					



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Cushman & Wakefield of Maryland, Inc.
500 East Pratt Street, Suite 500
Baltimore, MD 21202
(410) 685-9595

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