



TRANSWESTERN

BALTIMORE METRO AREA INDUSTRIAL MARKET

Q1 2023



TRENDLINES

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.2	4.1	↓	4.6	↓
NET ABSORPTION (THOUSANDS SF)	(962.0)	332.0	↓	1,107.9	↑
DIRECT VACANCY RATE	4.9%	5.4%	↓	6.0%	↓
DIRECT VACANT SF (MSF)	11.3	12.2	↓	13.4	↓
UNDER CONSTRUCTION (MSF)	2.4	5.4	↓	3.8	↑
ASKING RENT, FULL SERVICE (PSF)	\$8.69	\$7.57	↑	\$7.30	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

BALTIMORE MARKET WEAKENS IN THE FIRST QUARTER

The Baltimore metro area struggled during the first three months of 2023, with a total net absorption of negative 962,000 SF. The direct vacancy rate rose 70-basis point to 4.9%. Despite this, the vacancy rate remains low enough to push rents. Asking rental rates increased 4.2% in the quarter and 14.8% year-over-year.

The industrial market has been on a super charged growth path, resulting in historically low vacancy rate and surges in rent growth. We expect industrial will remain a favored property type over the next year. Industrial buildings that focus on distribution of product, specifically grocery and household items, will likely outperform. Heightened demand, coupled with demolition of obsolete industrial product will keep the vacancy rate low, which will put upward pressure on rents. However, the peak of rent growth has likely passed.

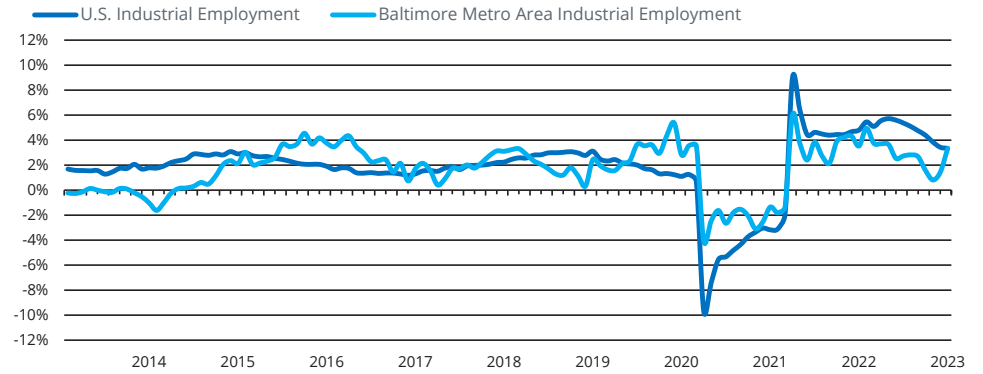


ECONOMY

Industrial-Using Job Growth Steady, but Slowing

- 16,200 new jobs were added to the Baltimore metro area during the 12 months ending in January 2023. This falls slightly below the pre-pandemic average of 17,000, marking the fourth month in a row that year-over-year job growth has fallen below that average.
- Industrial-using jobs added 8,800 new jobs during the 12 months ending January 2023. This total is the highest year-over-year increase since May 2022, which totaled 9,400 net new jobs. Most of the growth occurred in construction which added 4,900 new jobs year-over-year.
- The unemployment rate in the Baltimore metro area has trended downward landing at 3.0% in January 2023 and averaging 3.2% over the past three months. This compares favorably to 4.0% in October 2022.
- We expect industrial jobs to continue to grow but potentially at a slower pace due to economic headwinds. Most of this growth will be concentrated in manufacturing and warehousing/storage.

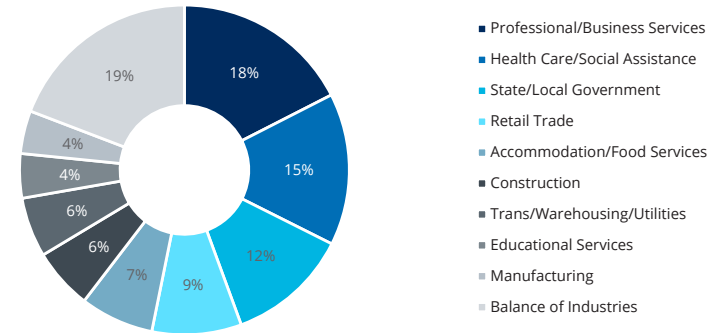
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

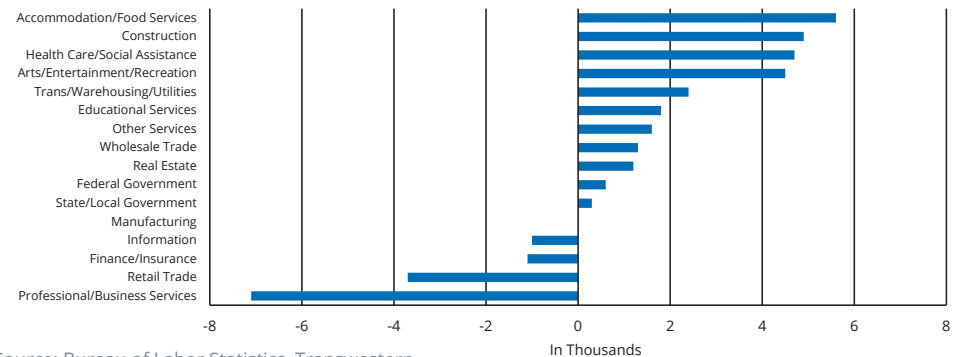
Baltimore Metro Area | January 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

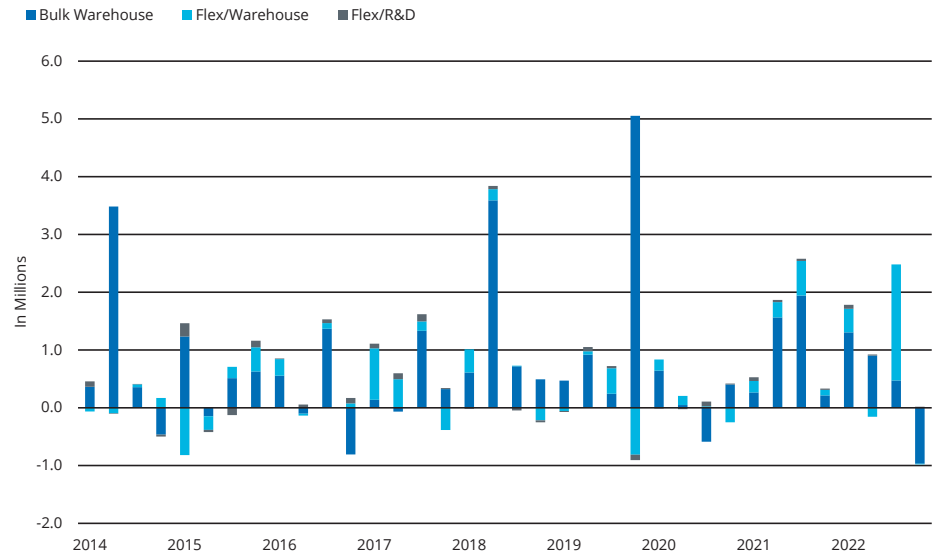


NET ABSORPTION

Large-Scale Move-Outs Swing Absorption Negative

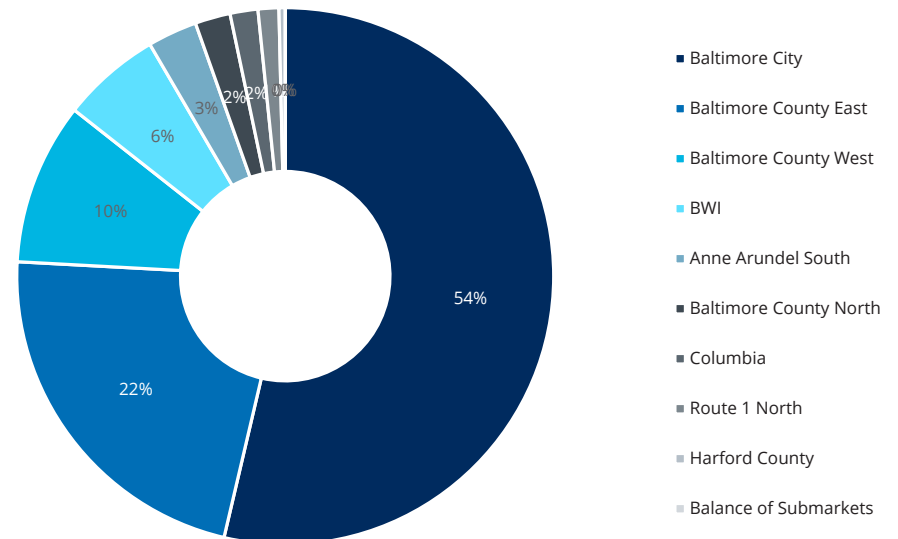
- In the first quarter, the net absorption totaled negative 962,000 SF, which was aided by multiple large-scale move-outs of bulk warehouse tenants, such as McCormick leaving 252,400 SF at 1351 Brass Mill Road in Harford County, for their new headquarters in Baltimore County East.
- Due to these large move-outs, bulk warehouse had 967,000 SF of negative absorption in the quarter, while flex/warehouse remained relatively stable with 13,000 SF of negative absorption. Flex/R&D was the sole property type to have positive absorption, totaling 18,000 SF.
- A notable lease that occurred this quarter was Atlas Container inking 67,000 SF at 1954 Halethorpe Farms Road in Baltimore County West. Another notable deal was Multi-Housing Depot signing for 36,250 SF at 7460 New Ridge Road in the BWI submarket.
- We expect net absorption to swing positive in the remainder of 2023 as demand for industrial space remains high and recently vacated space will likely be backfilled quickly.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2023



Source: CoStar, Transwestern

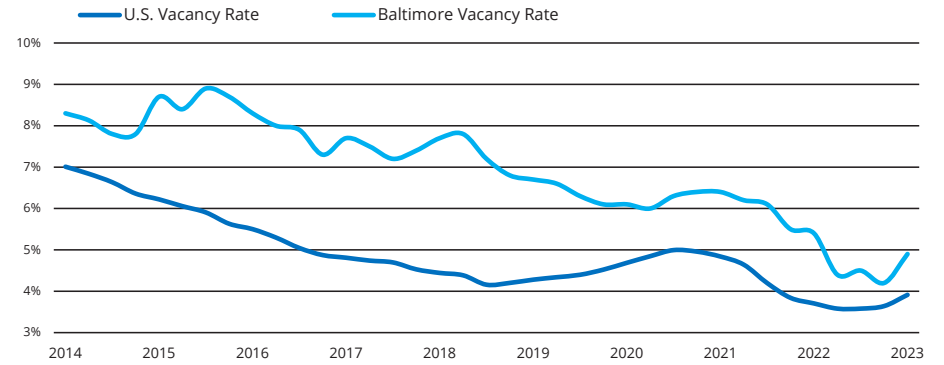


VACANCY

Vacancy Rates Rise in the Beginning of 2023

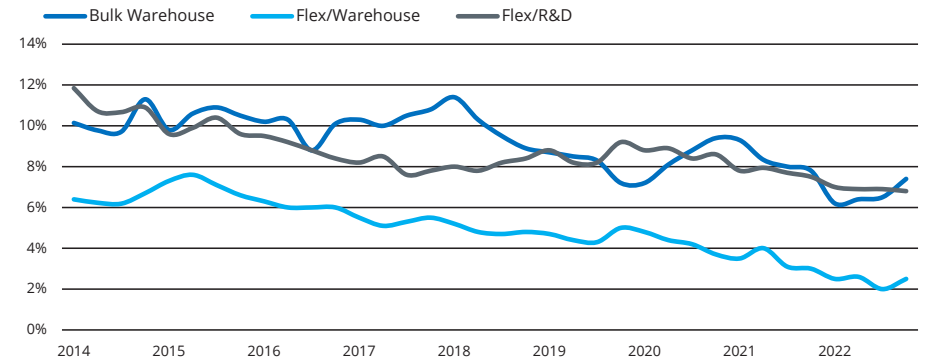
- The Baltimore industrial market direct vacancy rate increased 70-basis points to 4.9% due to large-scale move-outs. This is the highest vacancy rate since the first quarter of 2022, which totaled 5.4%.
- Bulk warehouse struggled this quarter, as the vacancy rate rose 90-basis points to 7.4%. Flex/warehouse also experienced a rise in vacancy, increasing 50-basis points to 2.5%, while Flex/R&D slightly decreased to 6.8%, or 10-basis points.
- Columbia had the largest decrease in vacancy rate, dropping 90-basis points to 1.8%, which was aided by ENI DIST, Inc purchasing and occupying 7020 Columbia Gateway Drive, totaling 123,000 SF. The BWI submarket had the largest increase in vacancy rate, rising 130-basis points to 3.7%, aided by Whitehouse & Schapiro vacating their former building at 7200 Standard Drive.
- The vacancy rate should rebound in the coming quarters and start to decline as demand for industrial space remains high with a specific focus on bulk warehouse.

DIRECT VACANCY RATE



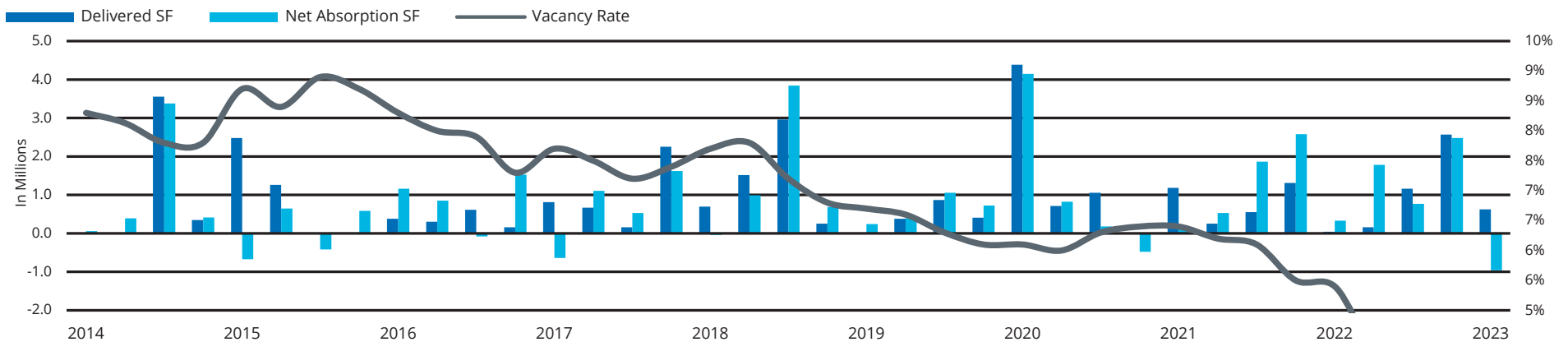
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

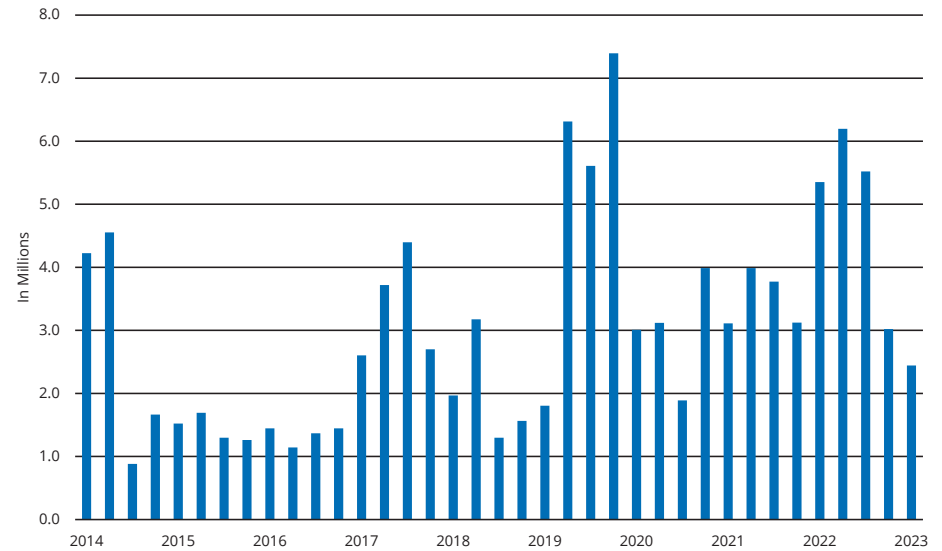


UNDER CONSTRUCTION

Pipeline Remains Strong with 12 Projects Underway

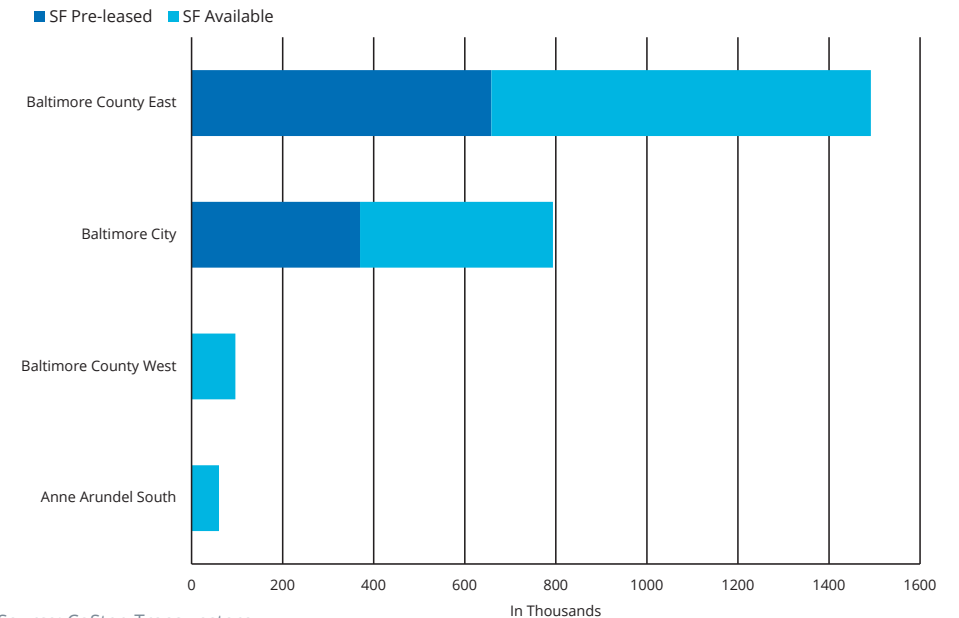
- Two industrial projects delivered during the first quarter, adding 623,980 SF to the inventory, with the largest project, 7020 Tradepoint Avenue which totals 603,980 SF and is 100% pre-leased by Niagara Bottling.
- There were no new additions to the pipeline in the first quarter, but the pipeline remains full with 12 projects underway that total 2.4 million SF at 42% pre-leased.
- A notable construction project is 6709 Pulaski Highway which totals 222,400 SF and is 0% pre-leased in Baltimore City. Another large-scale project in Baltimore City is 1701 E Patapsco which totals 521,821 across three buildings and is 71% pre-leased.
- We expect the construction pipeline to continue to add new product to the market. However, we expect this will be at a slower rate as economic conditions such as inflation and increasing interest rates may give select developers pause before committing to constructing new product.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

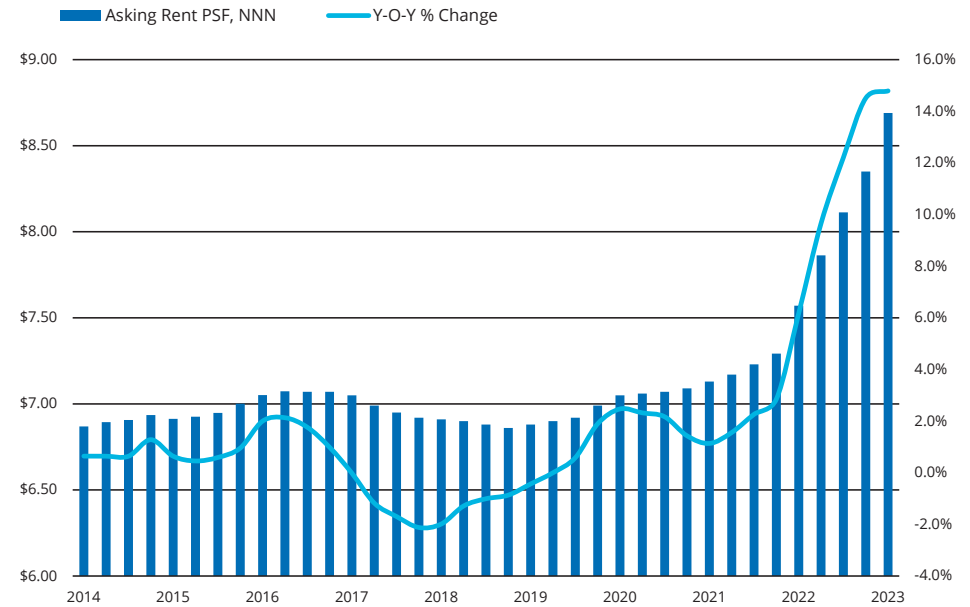


RENTAL RATES

Asking Rental Rates Maintain Strong Upward Growth

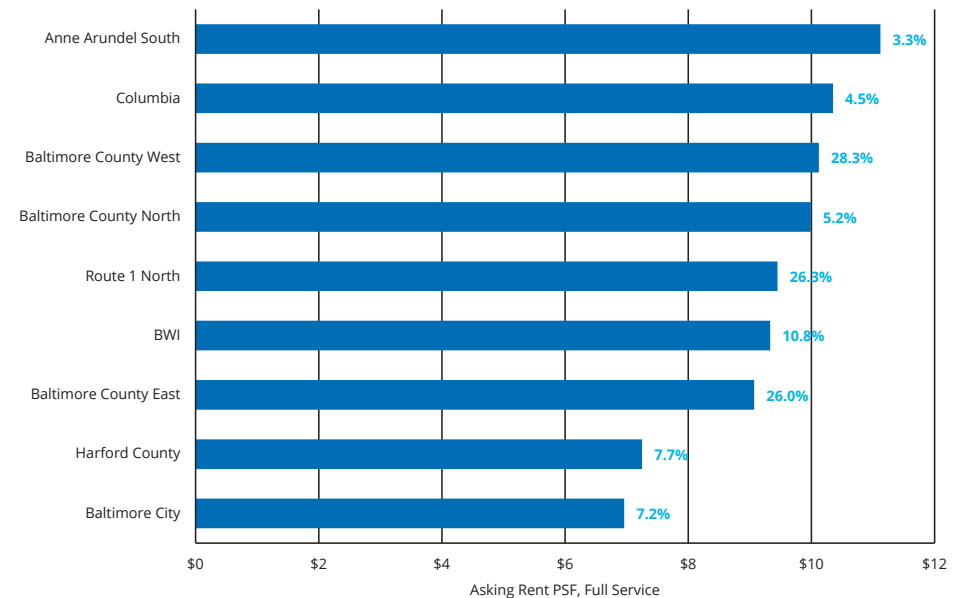
- Industrial asking rents continued to climb rapidly, rising 420-basis points in the quarter, and 14.8% year-over-year. Rents are currently average \$8.69 PSF, up from \$7.57 PSF in the first quarter of 2022.
- Baltimore County East had the largest quarterly increase, jumping 7.9% to \$9.07 PSF. Baltimore County North experienced a 160-basis point decrease in rental rate, dropping to \$9.99 PSF from \$10.15 PSF in the fourth quarter.
- Baltimore County West has experienced the largest year-over-year rental rate increase, rising 28.3% to \$10.12, from \$7.89 PSF.
- We expect rent growth to continue throughout 2023 as demand for industrial product remains high but may begin to temper as economic conditions could force select tenants to pause on making long-term decisions regarding their real estate footprint.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

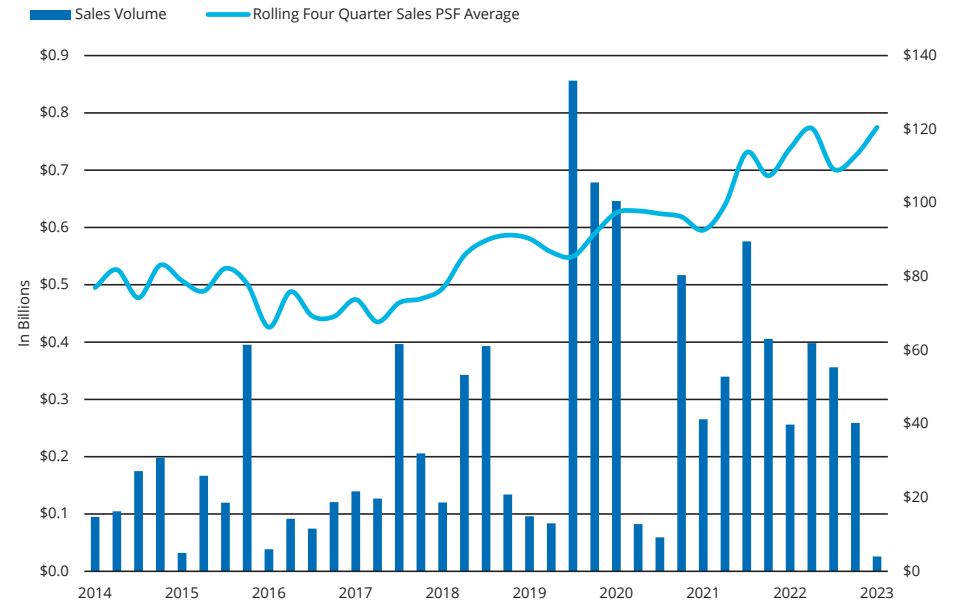


SALES

Investment Sales Lessen with Adverse Economic Conditions

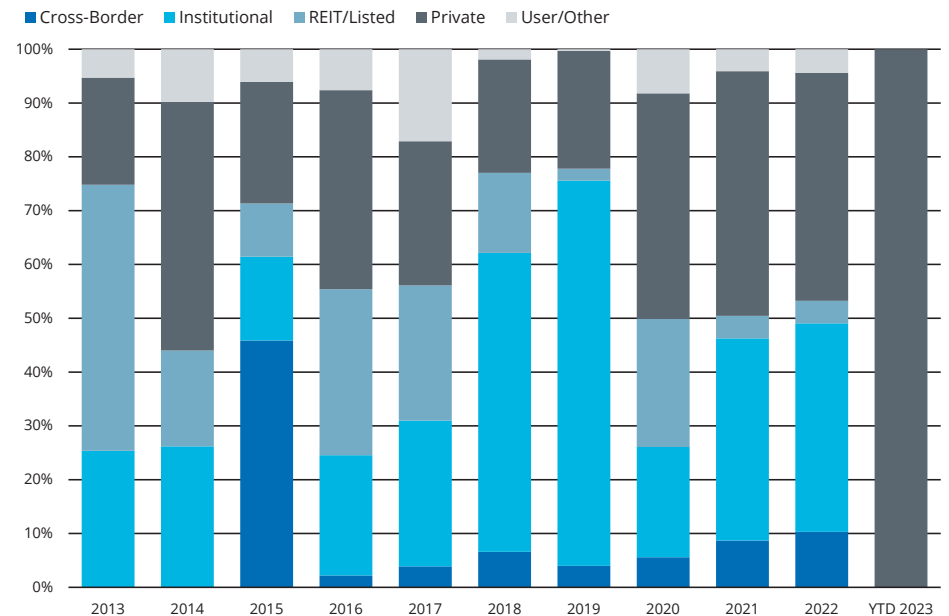
- The Baltimore industrial sales volume remains sluggish in the first quarter with four transactions totaling \$25.8 million, or \$153 PSF. This is down significantly from the previous quarter’s total of \$258.9 million SF in transactions.
- Three of the sales that occurred in the quarter were flex/warehouse, totaling 136,935 SF for \$23.1 million, or \$169 PSF. This closely matches the previous quarters total for flex/warehouse which totaled \$25.3 million, but the first quarter is much higher in PSF, as the fourth quarter of 2022 averaged \$103 PSF.
- A notable sale was Triten Real Estate Partners purchasing 1205 68th Street in Baltimore County East for \$14.8 million, or \$183 PSF. Another notable sale was Kevin Miller buying 521 Digiulian Boulevard for \$4.2 million, or \$153 PSF.
- Investment sales are likely to remain slow as challenging economic conditions such as inflation and increasing interest rates are pausing decision by investors until the future economic state is clear.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BALTIMORE INTERNATIONAL WAREHOUSE	5250-5330 Holabird Ave	Baltimore City	Renewal	244,225
HOME CHEF	1701 E Patapsco Ave	Baltimore City	New Lease	170,000
GLOBAL TRADING UNLIMITED	2800 Eastern Blvd	Baltimore County East	New Lease	130,000
BINDAGRAPHICS	2701 Wilmarco Ave	Baltimore City	Renewal	128,556
PARKSITE INC	2950 Dundalk Ave	Baltimore County East	Renewal	120,000
ATLAS CONTAINER	1954 Halethorpe Farms Rd	Baltimore County West	New Lease	67,000

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
521 DIGIULIAN BLVD	BWI	Feb-23	\$4,220,000	27,500	\$153	Kevin Miller	Washington Stair & Iron Works
508 DIGIULIAN BLVD	BWI	Feb-23	\$4,100,000	28,680	\$143	DGS Construction	RSD Multi Properties
8 MUSIC FAIR RD	Baltimore County West	Jan-23	\$2,725,000	31,744	\$86	Consolidated Equities Corporation	Window Consultants Inc
1205 68TH ST	Baltimore County East	Jan-23	\$14,800,000	80,755	\$183	Triten Real Estate Partners	Greenspring Realty Partners
1220 BERNARD DR	Baltimore City	Dec-22	\$7,777,951	86,235	\$90	Undisclosed	Undisclosed
2701 WILMARCO AVE	Baltimore City	Dec-22	\$21,200,000	161,828	\$131	NorthBridge	The Colad Group

Source: CoStar, Real Capital Analytics, Transwestern

MARKET INDICATORS

All Product Types | Q1 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
BULK WAREHOUSE	21,331,799	4,117,037	19.3%	19.9%	0	(256,000)	(207,000)	\$6.42
FLEX/WAREHOUSE	6,565,456	208,246	3.2%	2.4%	0	8,000	39,000	\$9.76
FLEX/R&D	518,210	22,283	4.3%	5.9%	0	0	(9,000)	\$9.90
HARFORD COUNTY	28,415,465	4,347,566	15.3%	15.6%	0	(248,000)	(177,000)	\$7.25
BULK WAREHOUSE	3,260,056	228,204	7.0%	7.6%	0	62,000	153,000	\$6.77
FLEX/WAREHOUSE	12,553,685	493,603	3.9%	4.1%	96,240	(238,000)	(197,000)	\$10.48
FLEX/R&D	3,043,887	389,618	12.8%	13.1%	0	(6,000)	(37,000)	\$12.21
BALTIMORE COUNTY WEST	18,857,628	1,111,425	5.9%	6.1%	96,240	(182,000)	(81,000)	\$10.12
BULK WAREHOUSE	1,169,658	198,842	17.0%	17.0%	0	0	0	\$7.69
FLEX/WAREHOUSE	7,873,634	205,091	2.6%	3.6%	0	21,000	92,000	\$10.05
FLEX/R&D	1,507,350	81,397	5.4%	5.8%	0	8,000	21,000	\$11.47
BALTIMORE COUNTY NORTH	10,550,642	485,330	4.6%	5.4%	0	28,000	113,000	\$9.99
BULK WAREHOUSE	24,496,414	710,396	2.9%	4.2%	1,432,000	(245,000)	1,292,000	\$9.67
FLEX/WAREHOUSE	17,481,314	173,802	1.0%	1.1%	60,000	518,000	2,305,000	\$8.17
FLEX/R&D	725,086	102,237	14.1%	15.0%	0	14,000	20,000	\$10.66
BALTIMORE COUNTY EAST	42,702,814	986,435	2.3%	3.1%	1,492,000	287,000	3,616,000	\$9.07
BULK WAREHOUSE	13,421,176	1,154,221	8.6%	8.9%	374,121	(134,000)	347,000	\$5.18
FLEX/WAREHOUSE	37,307,801	918,997	2.5%	2.5%	419,700	(460,000)	(523,000)	\$7.55
FLEX/R&D	1,279,787	204,766	16.0%	16.0%	0	12,000	20,000	\$8.44
BALTIMORE CITY	52,008,764	2,277,984	4.4%	4.5%	793,821	(582,000)	(156,000)	\$6.96
BULK WAREHOUSE	2,835,677	8,507	0.3%	0.3%	0	3,000	181,000	\$8.11
FLEX/WAREHOUSE	7,366,442	190,811	2.6%	2.8%	0	136,000	186,000	\$9.90
FLEX/R&D	3,135,970	40,768	1.3%	2.5%	0	(19,000)	0	\$13.43
COLUMBIA	13,338,089	240,086	1.8%	2.2%	0	120,000	367,000	\$10.35

Source: CoStar, Transwestern



MARKET INDICATORS

All Product Types | Q1 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
BULK WAREHOUSE	17,949,762	412,845	2.3%	2.7%	0	(36,000)	269,000	\$8.92
FLEX/WAREHOUSE	11,304,110	67,432	0.6%	0.8%	0	29,000	360,000	\$10.20
FLEX/R&D	536,163	11,259	2.1%	4.1%	0	(2,000)	5,000	\$11.39
ROUTE 1 NORTH	29,790,035	491,536	1.7%	2.0%	0	(9,000)	634,000	\$9.45
BULK WAREHOUSE	14,659,342	557,055	3.8%	3.8%	0	(361,000)	(320,000)	\$8.55
FLEX/WAREHOUSE	12,678,184	435,207	3.4%	4.0%	0	(36,000)	(55,000)	\$9.67
FLEX/R&D	2,646,459	102,153	3.9%	4.2%	0	6,000	46,000	\$12.00
BWI	29,983,985	1,094,415	3.7%	3.9%	0	(390,000)	(329,000)	\$9.33
BULK WAREHOUSE	264,727	0	0.0%	0.0%	0	0	0	\$0.00
FLEX/WAREHOUSE	3,467,308	255,157	7.4%	7.8%	60,240	9,000	44,000	\$10.86
FLEX/R&D	1,028,437	25,711	2.5%	2.5%	0	5,000	39,000	\$11.97
ANNE ARUNDEL SOUTH	4,760,472	280,868	5.9%	6.2%	60,240	14,000	83,000	\$11.12
BULK WAREHOUSE	99,388,611	7,387,107	7.4%	8.0%	1,806,121	(967,000)	1,715,000	\$7.90
FLEX/WAREHOUSE	116,597,934	2,948,345	2.5%	2.7%	636,180	(13,000)	2,251,000	\$8.98
FLEX/R&D	14,421,349	980,192	6.8%	7.4%	0	18,000	105,000	\$11.82
TOTAL	230,407,894	11,315,644	4.9%	5.3%	2,442,301	(962,000)	4,070,000	\$8.69

Source: CoStar, Transwestern



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Baltimore. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding those properties owned by a government agency.

ABOUT TRANSWESTERN

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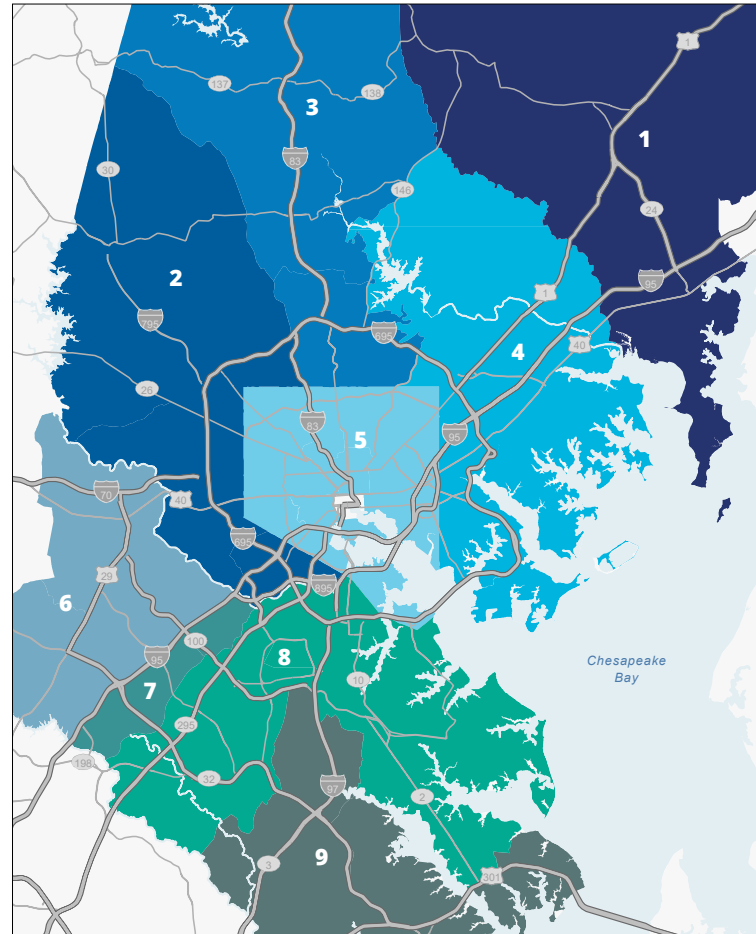
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Baltimore Industrial Submarkets

- 1 Harford County
- 2 Baltimore County West
- 3 Baltimore County North
- 4 Baltimore County East
- 5 Balance of Baltimore City
- 6 Columbia
- 7 Route 1 North
- 8 BWI
- 9 Anne Arundel South