



TRANSWESTERN

BALTIMORE METRO AREA INDUSTRIAL MARKET

Q2 2023



TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.1	3.7	↓	4.5	↓
NET ABSORPTION (THOUSANDS SF)	977.0	1,784.0	↓	1,101.7	↑
DIRECT VACANCY RATE	4.7%	4.4%	↑	5.9%	↓
DIRECT VACANT SF (MSF)	10.9	10.0	↑	13.3	↓
UNDER CONSTRUCTION (MSF)	2.3	6.2	↓	3.7	↑
ASKING RENT, NNN (PSF)	\$8.97	\$7.86	↑	\$7.38	↑
SALES VOLUME (MILLIONS)	\$114.2	\$398.1	↓	\$329.1	↑

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

BALTIMORE MARKET REBOUNDS IN SECOND QUARTER

The Baltimore metro area strengthened in the second quarter of 2023, with a total net absorption of positive 977,000 SF. This was aided by several large-scale lease signings. The direct vacancy rate declined 20-basis point to 4.7%. Asking rental rates increased 3.2% in the quarter and 14.1% year-over-year.

The industrial market remains one of the most favored property types. However, strong demand has created a tight market with rent surges. This in turn has limited demand potential, but not due to lack of tenant demand, rather lack of available and affordable quality space. The construction pipeline has been struggling to keep up in the face of economic headwinds. 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.

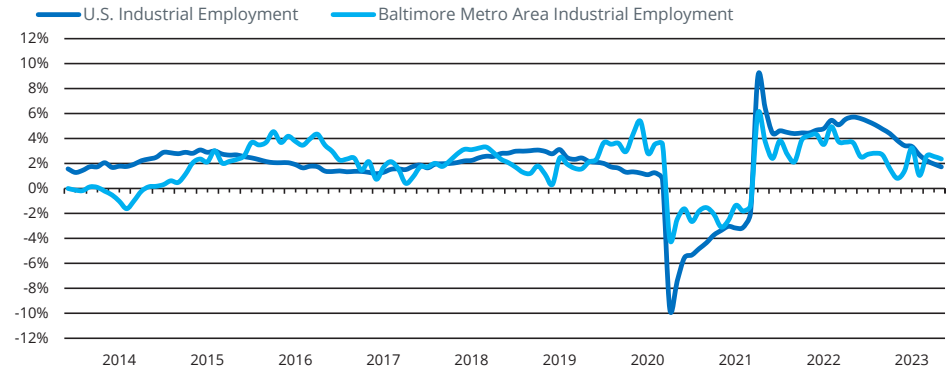


ECONOMY

Industrial-Using Job Growth Steady, but Slowing

- 16,800 new jobs were added to the Baltimore metro area during the 12-months ending in May 2023. This falls slightly below the pre-pandemic average of 17,000, however, this is the highest year-over-year average since September 2022.
- Industrial-using jobs added 6,300 new jobs during the 12-months ending May 2023. Most of the growth occurred in construction which added 5,000 new jobs year-over-year.
- The unemployment rate in the Baltimore metro area remained steady in the quarter, declining 10-basis points since March of this year to 2.2% as of May 2023. This marks a 90-basis point decrease in unemployment rate since February of this year.
- We expect industrial jobs to maintain its growth throughout 2023 but may slow down due to current economic conditions including inflation and elevated interest rates.

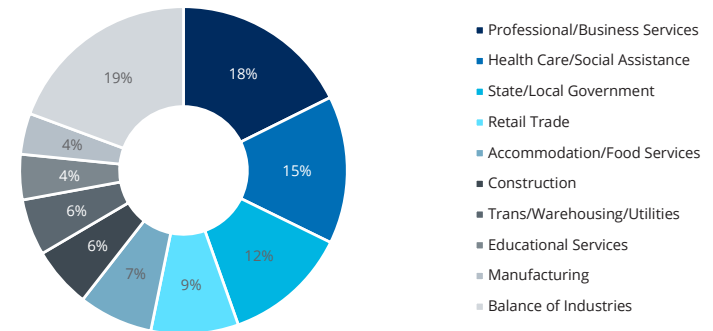
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

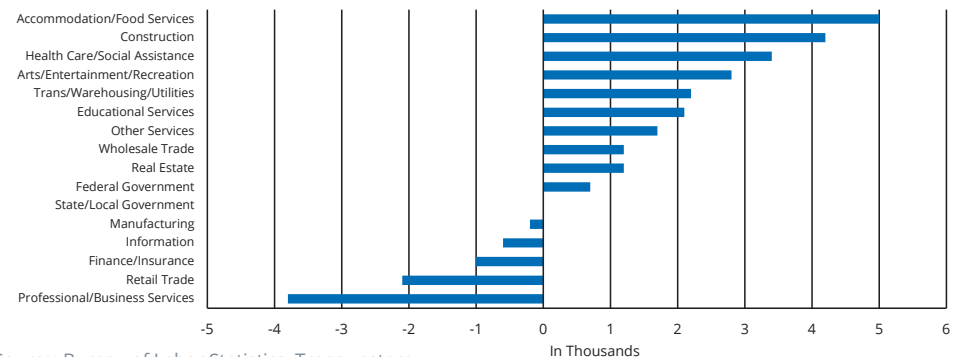
Baltimore Metro Area | May 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

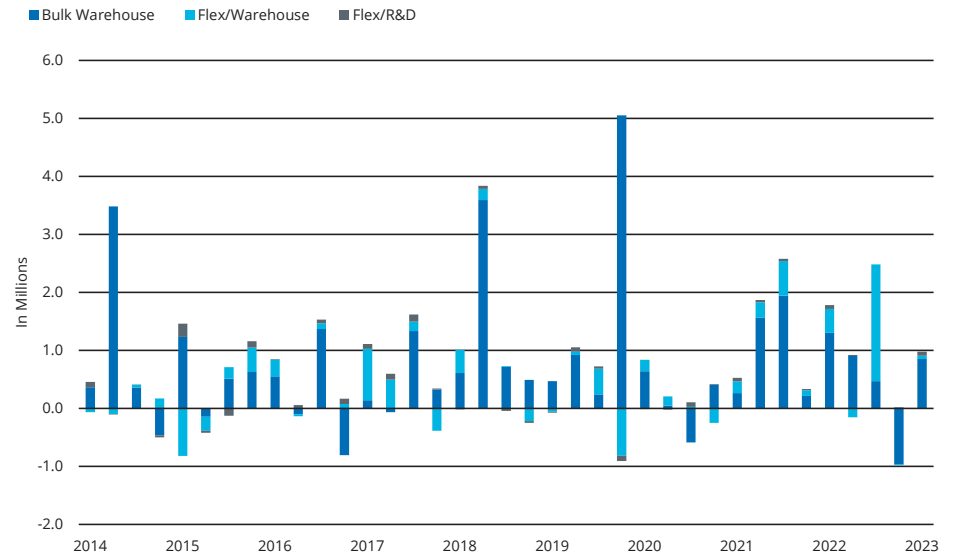


NET ABSORPTION

Industrial Absorption Moves Positive with Large Lease Signings

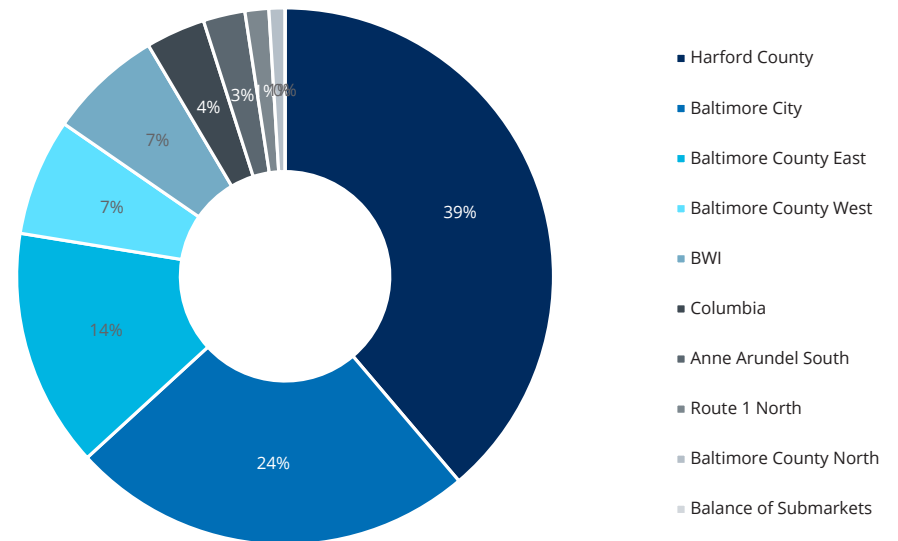
- The Baltimore industrial market strengthened in the second quarter with 977,000 SF of positive absorption, aided by Ace Logistics Services taking 859,900 SF at 1225 S. Philadelphia Boulevard in Harford County.
- Bulk warehouse had 850,000 SF of positive absorption in the quarter, while flex/warehouse and flex/R&D had similar quarters, totaling 58,000 SF and 69,000 SF of positive absorption, respectively.
- A notable lease signing was RAF Gutter Systems inking 53,889 SF at 1306 Governor Court in Harford County. A notable renewal, which does not affect absorption, was Parksite re-signing at 2950 Dundalk Avenue in Baltimore County East for 120,000 SF.
- We expect net absorption to remain positive during the remainder of 2023 as demand for industrial space remains high and pre-leased buildings are anticipated to be added to market in throughout 2023.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2023



Source: CoStar, Transwestern

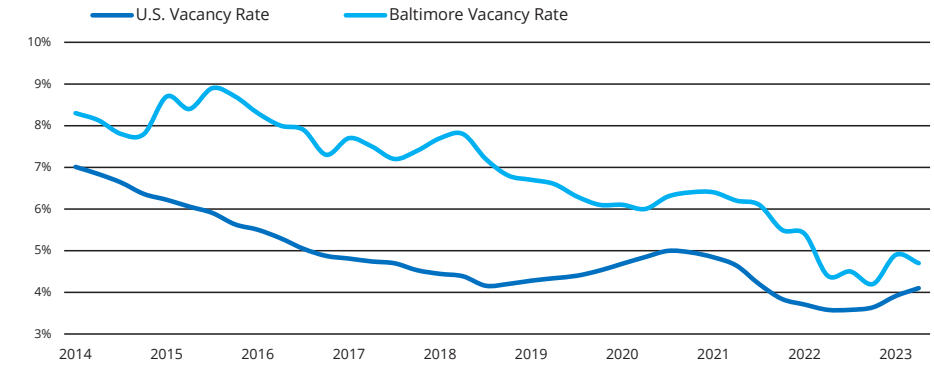


VACANCY

Vacancy Rates Slightly Decrease to 4.7%

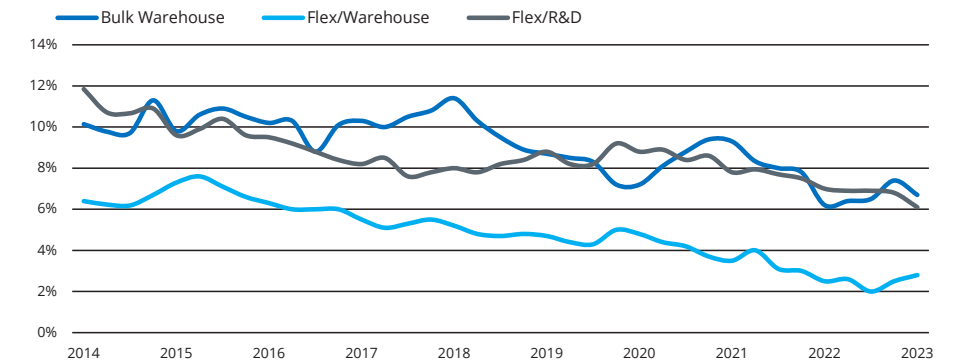
- The Baltimore industrial market direct vacancy rate decreased 20-basis points to 4.7%. However, the vacancy rate has increased 30-basis points in year-over-year.
- Driven by the Ace Logistics deal, bulk warehouse strengthened this quarter, as the vacancy rate declined 70-basis points to 6.7%. Flex/warehouse experienced an increase in vacancy, rising 30-basis points to 2.8%, while flex/R&D decreased to 6.1%, or 70-basis points.
- Harford County had the largest decrease in vacancy rate, dropping 220-basis points to 13.1%, which beyond the Ace Logistics deal was aided by an undisclosed tenant signing for 60,000 SF at 1305 Continental Drive. The Route 1 North submarket had the largest increase in vacancy rate, rising 80-basis points to 2.5%, aided by Multi-Housing Depot vacating 58,710 SF at 10650 Riggs Hill Road.
- The vacancy rate is likely to continue to lower as industrial space remains in high demand and new constructed space should lease quickly.

DIRECT VACANCY RATE



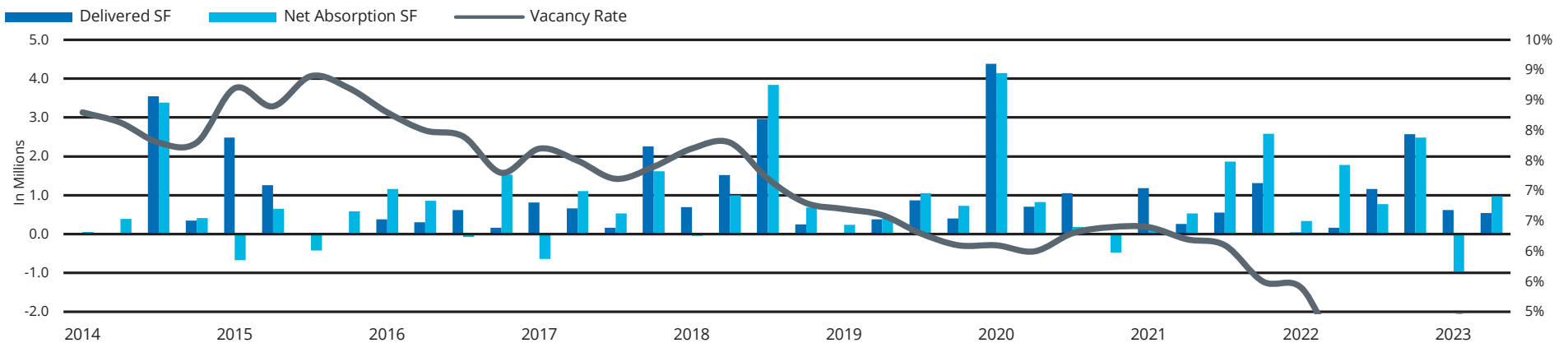
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

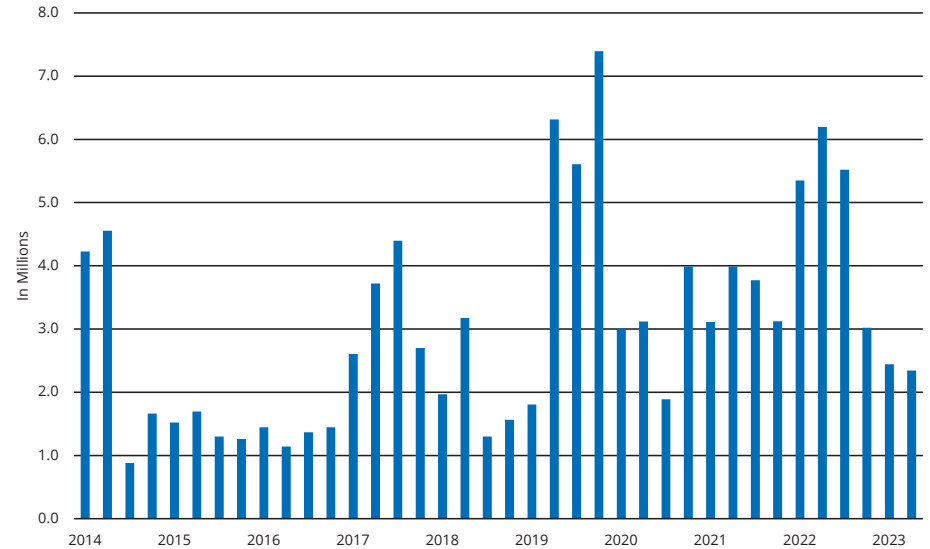


UNDER CONSTRUCTION

Construction Pipeline Reloads After Multiple Deliveries

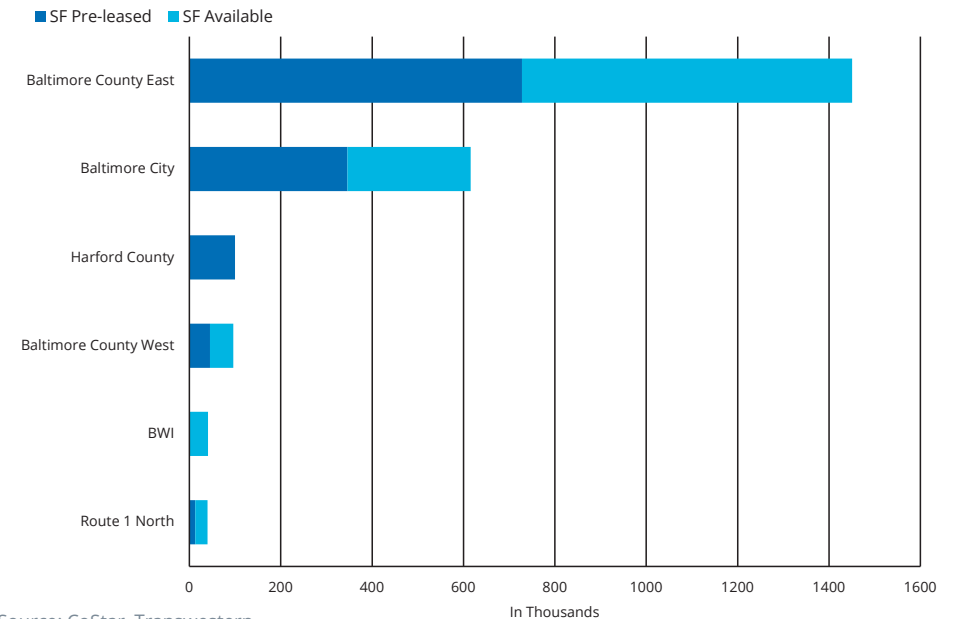
- Seven industrial projects delivered during the second quarter, adding 540,940 SF to the inventory, with the largest project, 1701 E. Patapsco Avenue which totals 200,100 SF and is 100% pre-leased by Home Chef.
- There were six new additions to the pipeline in the second quarter. The largest is a 100,000 SF expansion at 1000 Woodley Road in Harford County. The project is 100% pre-leased by The Container Store.
- A notable project that is set to deliver this year is 1713 E. Patapsco Avenue in Baltimore City which totals 241,500 SF and 100% pre-leased by Amazon. Another notable project is 1600 E. Patapsco Avenue in Baltimore City, which totals 151,721 SF and is 69% pre-leased to Lowe's.
- We expect the construction pipeline to expand in the remaining quarters of 2023 as demand for industrial space is high and pre-leasing levels are healthy. However, economic headwinds might deter select developers.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

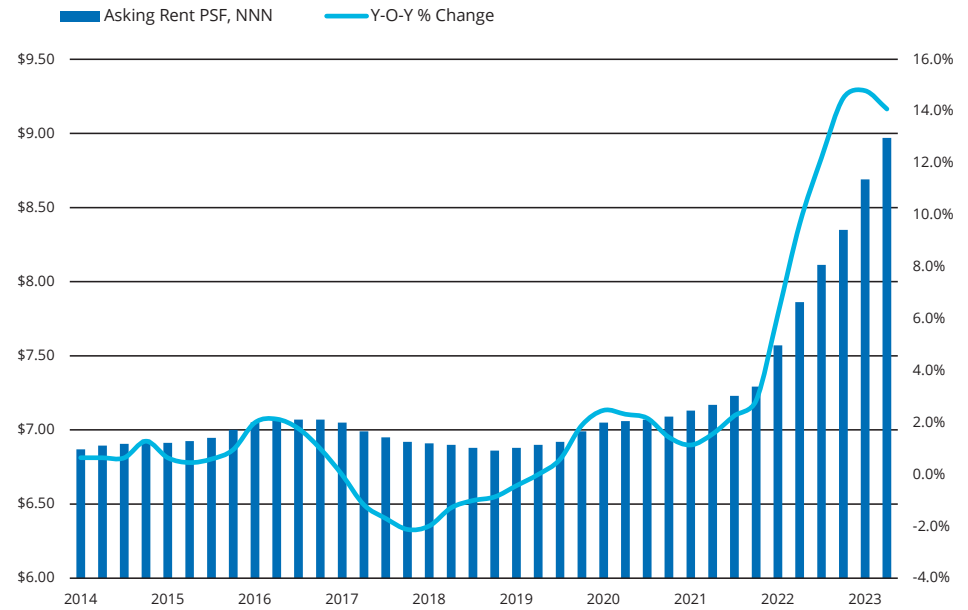


RENTAL RATES

Asking Rental Rates Continue to Rise

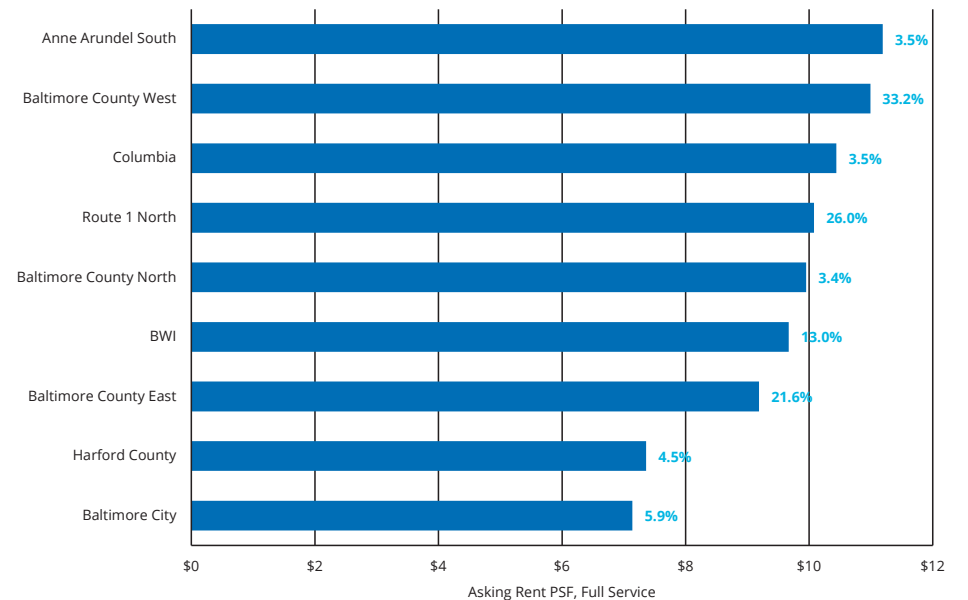
- Industrial asking rents maintained strong levels of growth, rising 320-basis points in the quarter, and 14.1% year-over-year. Rents currently average \$8.97 PSF, which is up from \$7.86 PSF in the second quarter of 2022.
- Baltimore County West had the largest quarterly leap in rental rate, rising 8.6% to \$10.99 PSF. This submarket also has had the largest year-over-year increase, jumping 33.2%, up from \$8.25 PSF in the second quarter of 2022.
- Baltimore County North was the lone submarket to experience a depreciation in asking rental rates, declining 40-basis points to \$9.95 PSF, down from \$9.99 PSF in the first quarter of this year.
- 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

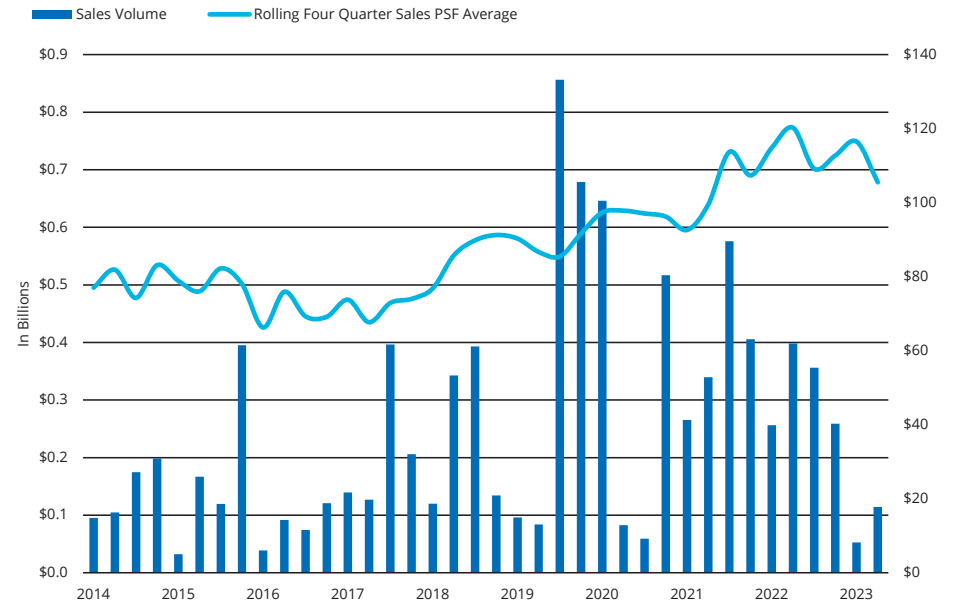


SALES

Investment Sales Remain Low but See Slight Uptick

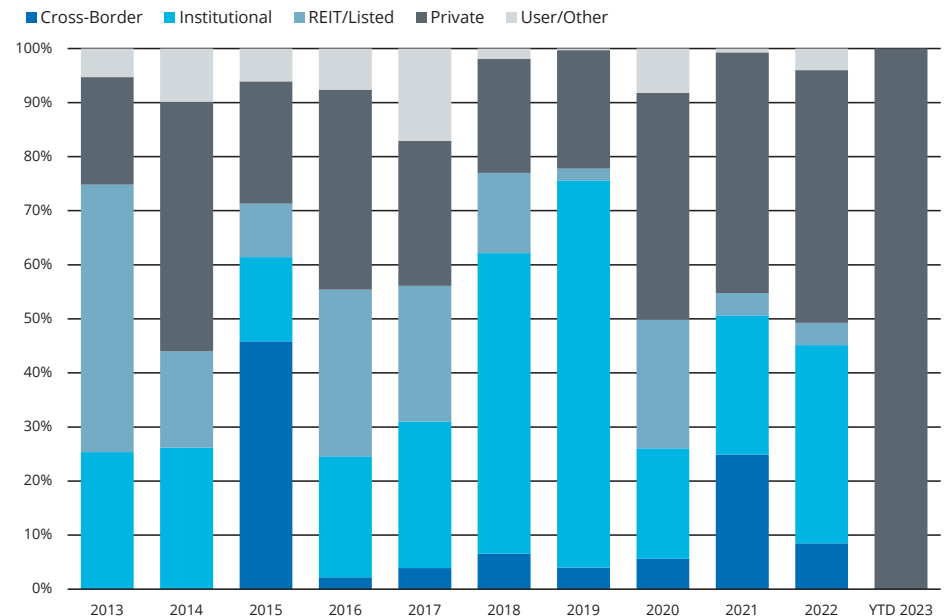
- The Baltimore industrial sales volume slightly picked up in the second quarter, totaling 10 transactions for \$114.2 million, or \$97 PSF. This is up from the previous quarter that totaled five transactions for \$52.5 million.
- Seven of the sales that occurred in the quarter were flex/warehouse, totaling 214,157 SF for \$22.8 million, or \$107 PSF. Bulk warehouse was second with two deals transpiring, for \$87.2 million, or \$94 PSF.
- A notable sale was a joint venture with Ace Logistics, Artemis, and MCB Real Estate purchasing 1225 S. Philadelphia Boulevard in Harford County for \$80.7 million, or \$94 PSF. Another notable transaction was Fernau LeBlanc Investment purchasing four industrial properties in Baltimore County West, 9631, 9633, 9635, & 9637 Liberty Road which total 170,762 SF for \$19 million PSF, or \$111 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
ACE LOGISTICS SERVICES	1225 S Philadelphia Blvd	Harford County	New Lease	859,900
AMAZON	1713 E Patapsco Ave	Baltimore City	New Lease	241,500
PARKSITE	2950 Dundalk Ave	Baltimore County East	Renewal	120,000
LOWE'S	1600 E Patapsco Ave	Baltimore City	New Lease	104,647
BREAKTHRU BEVERAGE	1225 Bengies Rd	Baltimore County East	New Lease	63,000
BIZERBA LABEL SOLUTIONS	1804 Fashion Ct	Harford County	Renewal	59,547

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
2129 PULASKI HWY	Harford County	Jun-23	\$6,500,000	65,000	\$100	Undisclosed	SciTech Services, Inc.
1225 S PHILADELPHIA BLVD	Harford County	May-23	\$80,779,000	859,900	\$94	MCB Real Estate, LLC	Merritt Properties
9714 PULASKI HWY	Baltimore County East	May-23	\$2,517,643	23,155	\$109	Feldman Bergin Development	Eastern Moving & Storage
6315 ERDMAN AVE	Baltimore City	May-23	\$1,500,000	17,000	\$88	K&A Ramgarhia, LLC	Sessa Sheet Metal Contractors Inc
9633 LIBERTY RD	Baltimore County West	Apr-23	\$5,051,752	32,185	\$157	Fernau LeBlanc Investment Partners	Klein Enterprises
9635 LIBERTY RD	Baltimore County West	Apr-23	\$4,540,514	50,167	\$91	Fernau LeBlanc Investment Partners	Klein Enterprises

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS

All Product Types | Q2 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	3,562,410	16.7%	16.9%	0	555,000	390,000	\$6.48	\$6.42
FLEX/WAREHOUSE	137,732	2.1%	2.3%	100,000	71,000	103,000	\$10.01	\$9.76
FLEX/R&D	22,283	4.3%	4.3%	0	0	(3,000)	\$9.90	\$9.90
HARFORD COUNTY	3,722,426	13.1%	13.3%	100,000	625,000	491,000	\$7.36	\$7.25
BULK WAREHOUSE	172,783	5.3%	5.9%	0	55,000	192,000	\$6.77	\$6.77
FLEX/WAREHOUSE	699,872	5.6%	5.8%	96,240	(206,000)	(510,000)	\$11.60	\$10.48
FLEX/R&D	353,091	11.6%	12.0%	0	37,000	(67,000)	\$13.01	\$12.21
BALTIMORE COUNTY WEST	1,225,746	6.5%	6.8%	96,240	(114,000)	(384,000)	\$10.99	\$10.12
BULK WAREHOUSE	210,538	18.0%	24.8%	0	(12,000)	(12,000)	\$7.77	\$7.69
FLEX/WAREHOUSE	169,280	2.1%	2.2%	0	36,000	71,000	\$9.96	\$10.05
FLEX/R&D	63,309	4.2%	5.0%	0	18,000	30,000	\$11.60	\$11.47
BALTIMORE COUNTY NORTH	443,127	4.2%	5.1%	0	42,000	90,000	\$9.95	\$9.99
BULK WAREHOUSE	664,319	2.7%	4.5%	1,324,000	154,000	270,000	\$10.00	\$9.67
FLEX/WAREHOUSE	233,859	1.3%	1.2%	126,360	63,000	2,372,000	\$7.99	\$8.17
FLEX/R&D	97,887	13.5%	14.0%	0	4,000	30,000	\$10.63	\$10.66
BALTIMORE COUNTY EAST	996,064	2.3%	3.3%	1,450,360	221,000	2,672,000	\$9.19	\$9.07
BULK WAREHOUSE	858,955	6.4%	6.8%	374,121	295,000	599,000	\$5.30	\$5.18
FLEX/WAREHOUSE	1,075,595	2.9%	3.0%	241,500	93,000	(542,000)	\$7.76	\$7.55
FLEX/R&D	165,061	13.2%	13.2%	0	10,000	41,000	\$8.31	\$8.44
BALTIMORE CITY	2,099,611	4.0%	4.2%	615,621	399,000	98,000	\$7.14	\$6.96

Source: CoStar, Transwestern

MARKET INDICATORS

All Product Types | Q2 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	8,507	0.3%	0.4%	0	0	145,000	\$8.25	\$8.11
FLEX/WAREHOUSE	204,149	2.8%	3.0%	0	(13,000)	196,000	\$10.13	\$9.90
FLEX/R&D	40,768	1.3%	2.3%	0	0	6,000	\$13.17	\$13.43
COLUMBIA	253,424	1.9%	2.3%	0	(13,000)	347,000	\$10.44	\$10.35
BULK WAREHOUSE	664,141	3.7%	4.1%	0	(251,000)	(31,000)	\$9.66	\$8.92
FLEX/WAREHOUSE	86,996	0.8%	1.1%	40,000	(20,000)	259,000	\$10.68	\$10.20
FLEX/R&D	5,362	1.0%	3.1%	0	6,000	(2,000)	\$11.39	\$11.39
ROUTE 1 NORTH	756,499	2.5%	2.9%	40,000	(265,000)	227,000	\$10.08	\$9.45
BULK WAREHOUSE	502,815	3.4%	3.5%	0	54,000	(294,000)	\$9.55	\$8.55
FLEX/WAREHOUSE	410,430	3.2%	3.8%	40,560	25,000	(87,000)	\$9.32	\$9.67
FLEX/R&D	103,212	3.9%	4.2%	0	(1,000)	53,000	\$11.97	\$12.00
BWI	1,016,457	3.4%	3.7%	40,560	78,000	(329,000)	\$9.67	\$9.33
BULK WAREHOUSE	0	0.0%	0.0%	0	0	0	\$0.00	\$0.00
FLEX/WAREHOUSE	306,597	8.7%	9.1%	0	9,000	34,000	\$10.87	\$10.86
FLEX/R&D	30,853	3.0%	3.0%	0	(5,000)	16,000	\$12.32	\$11.97
ANNE ARUNDEL SOUTH	337,450	7.0%	7.3%	0	4,000	51,000	\$11.19	\$11.12
BULK WAREHOUSE	6,644,470	6.7%	7.4%	1,698,121	850,000	1,259,000	\$8.30	\$7.90
FLEX/WAREHOUSE	3,324,510	2.8%	3.0%	644,660	58,000	1,896,000	\$9.17	\$8.98
FLEX/R&D	881,824	6.1%	6.7%	0	69,000	104,000	\$11.96	\$11.82
TOTAL	10,850,804	4.7%	5.1%	2,342,781	977,000	3,263,000	\$8.97	\$8.69

Source: CoStar, Transwestern



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on flex and industrial 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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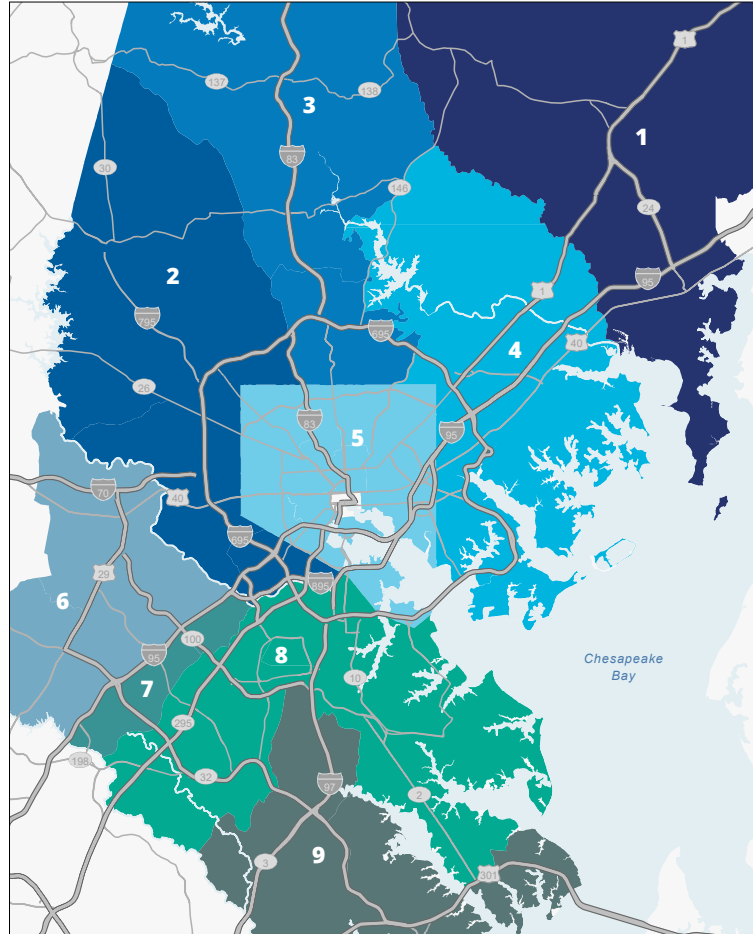
FOR MORE INFORMATION

Elizabeth Norton

Senior Managing Research Director
Research Services
Elizabeth.Norton@transwestern.com
202-775-7026

Trey Wells

Senior Researcher | Mid-Atlantic
Robert.Wells@transwestern.com
202-775-7015



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