



TRANSWESTERN

BALTIMORE METRO AREA INDUSTRIAL MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.1	3.7	↓	4.3	↓
NET ABSORPTION (THOUSANDS SF)	(105.0)	2,498.0	↓	885.3	↑
DIRECT VACANCY RATE	4.7%	4.0%	↑	5.0%	↓
DIRECT VACANT SF (MSF)	10.6	9.0	↑	10.9	↓
UNDER CONSTRUCTION (MSF)	1.2	1.7	↓	3.3	↑
ASKING RENT, NNN (PSF)	\$11.19	\$10.20	↑	\$9.17	↑
SALES VOLUME (MILLIONS)	\$139.5	\$259.0	↓	\$267.9	↑

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

BALTIMORE MARKET HOLDS NEGATIVE AT Q4

The Baltimore metro area weakened in the fourth quarter, with a total net absorption of negative 105,000 SF. This was due to by several large-scale move-outs. However, the direct vacancy rate decreased 30-basis point to 4.7% due to demolitions. The vacancy rate remains low enough to push up rents. Asking rental rates increased 1.9% in the quarter and 9.7% year-over-year.

We expect the vacancy rate will remain low enough in 2024 to push rents up, albeit at a slowing pace. Demand for industrial space should remain strong over the next 12 months, but will likely normalize compared to recent years. E-commerce and service product should fuel demand in the years to come. However, economic uncertainty could pause some consumer spending, thereby softening leasing activity.

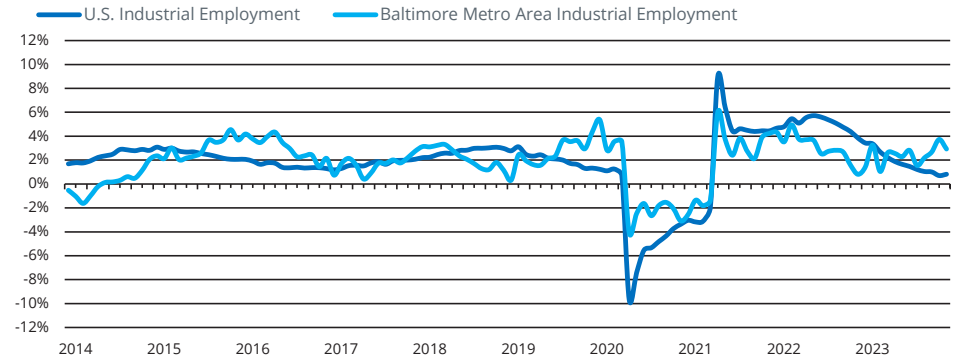


ECONOMY

Industrial-Using Job Has Strong Year-End Performance

- 24,900 new jobs were added to the Baltimore metro area during the 12-months ending in November 2023. Most of this growth was concentrated in the healthcare sector which added 9,300 jobs during this period.
- Industrial-using jobs added 8,000 new jobs during the 12-months ending November 2023. Most of the growth occurred in construction which added 5,800 new jobs year-over-year as well as wholesale trade which added 2,400 jobs in the same period.
- The unemployment rate in the Baltimore metro area experienced a slight uptick of 40-basis points to 2.2%, up from 1.8% in August of this year. In the twelve months since October 2022, the unemployment rate has decreased 180-basis points.
- We expect industrial jobs to maintain steady growth in 2024 due to demand for industrial. However, this growth could be tempered due to economic headwinds.

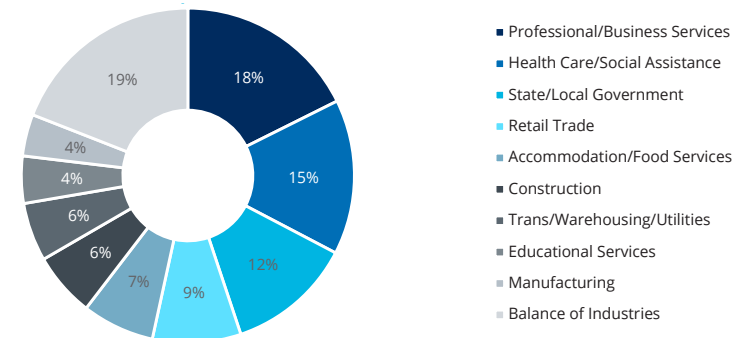
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

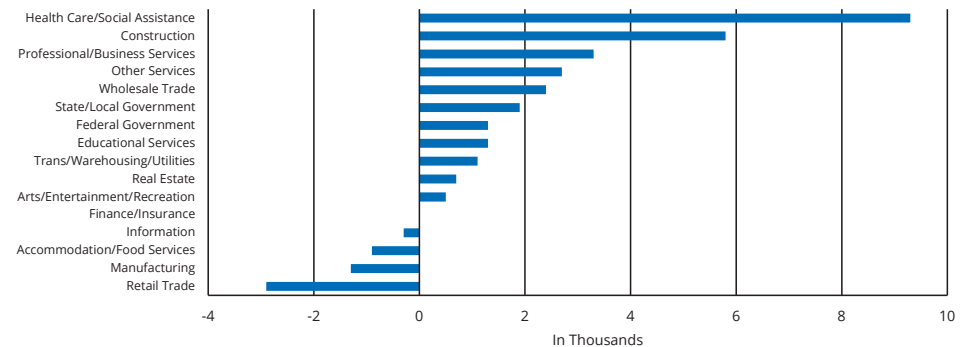
Baltimore Metro Area | November 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

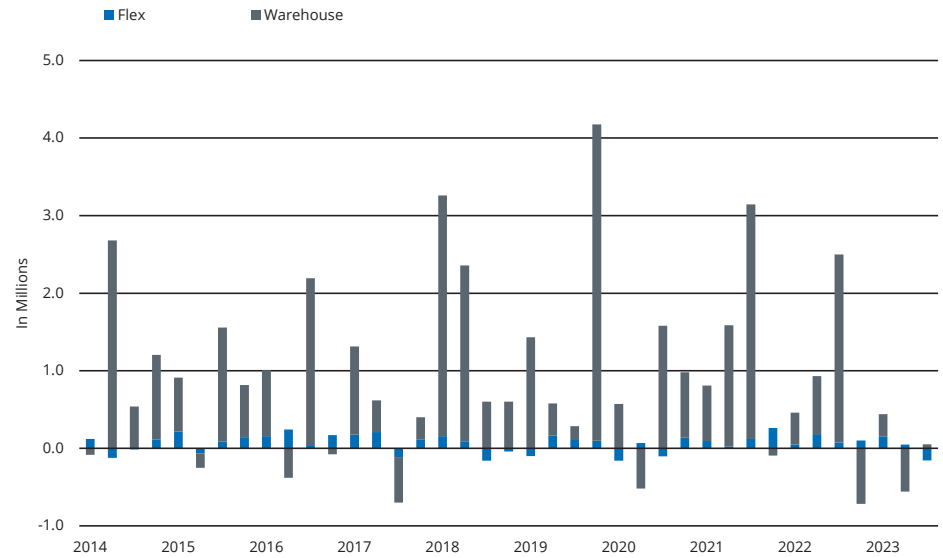


NET ABSORPTION

Industrial Absorption Negative Due to Large Move-Outs

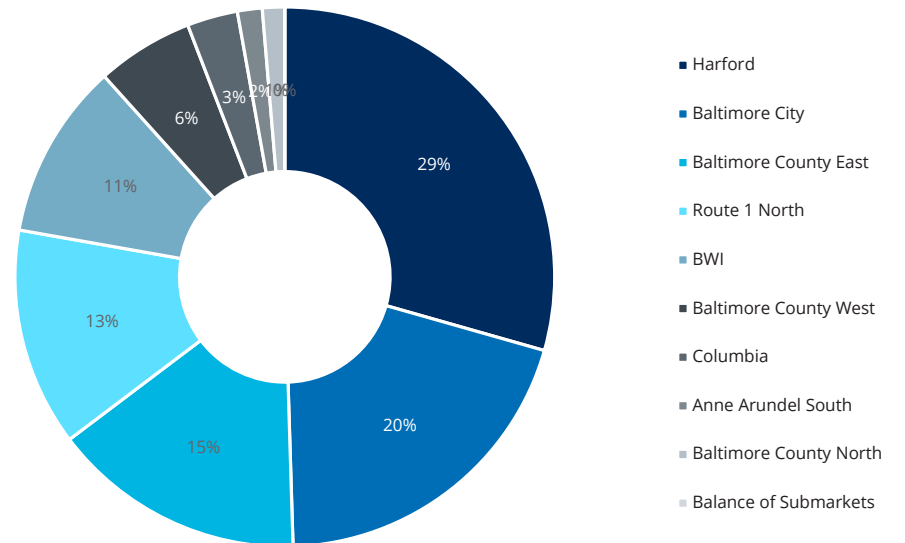
- The Baltimore industrial market weakened in the fourth quarter with 105,000 SF of negative absorption. This was aided by the U.S. Postal Service vacating 180,874 SF at 4545 Annapolis Road in Baltimore County West.
- BWI was the largest source of positive net absorption, totaling 125,000 SF which was boosted by several mid-sized lease deals. Baltimore City was the largest source of negative absorption, totaling negative 249,000 SF, which was primarily driven by Bindagraphics vacating 180,701 SF at 2701 Wilmarco Avenue.
- A notable lease signing was Rocket Labs inking 113,000 SF at 103 Chesapeake Park Plaza – VLS Building in Baltimore County East. Another notable lease signing was Carlisle Construction Materials signing for 108,160 SF at 1255 S. Caton Avenue in Baltimore City.
- We expect net absorption to likely to move closer to positive in early 2024 as demand for industrial space persists.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2023



Source: CoStar, Transwestern

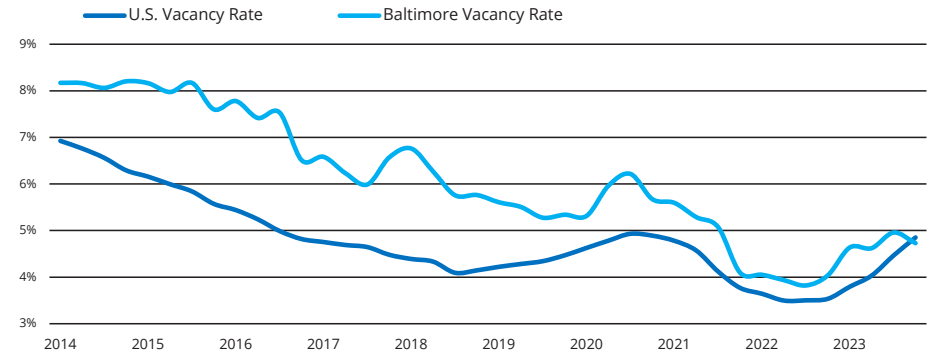


VACANCY

Vacancy Rates Declines to Below 5%

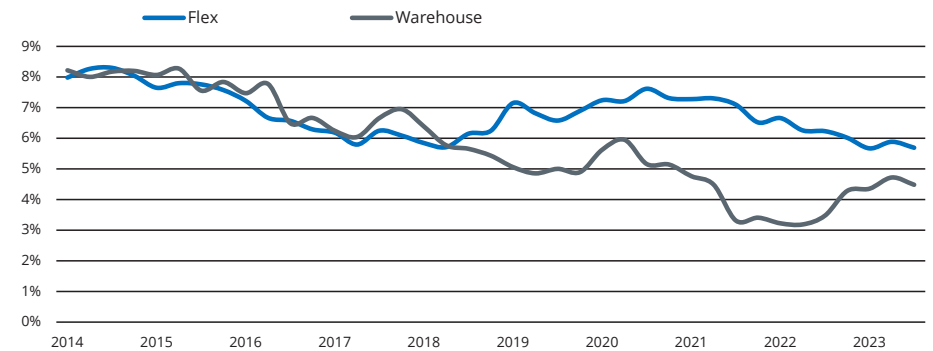
- The Baltimore industrial market direct vacancy rate decreased 30-basis points to 4.7%. This marks the return to below a 5% vacancy rate after a brief spike in the previous quarter. The rate declined despite negative net absorption as two industrial buildings were demolished and thereby removed from the inventory.
- The warehouse vacancy rate declined 20-basis points to 4.5%. Flex properties rates also edged down 10-basis points to 5.7%.
- Baltimore County East had the largest decrease in vacancy rate, falling 90-basis points to 4.6%, aided by Rocket Labs signing at 103 Chesapeake Park Plaza. Anne Arundel South had the largest increase in vacancy rate, rising 30-basis points to 3.5%, due to several small-scale move-outs and minimal leasing transactions.
- The vacancy rate could lower in 2024 as demand for industrial space remains high. However, a full construction pipeline with low levels of pre-leasing could impact the vacancy rate if those properties are delivered vacant.

DIRECT VACANCY RATE



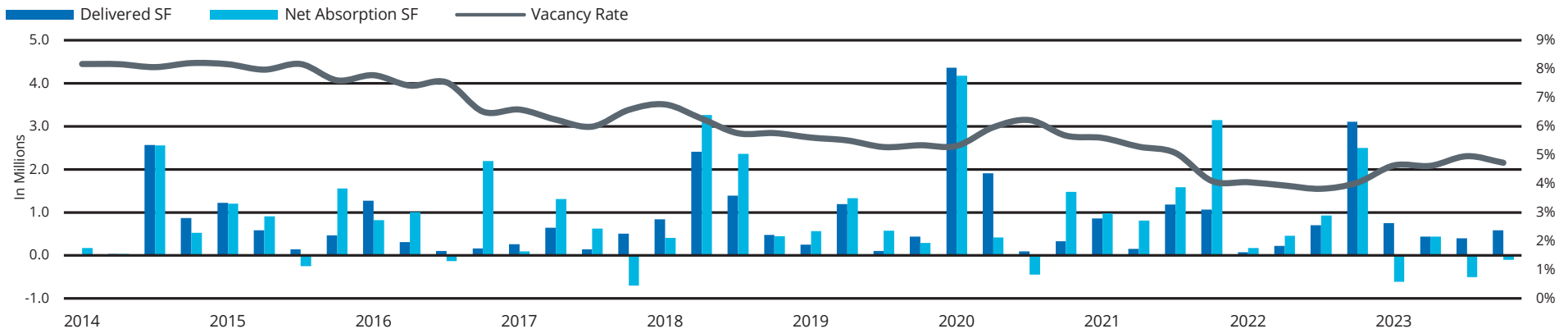
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

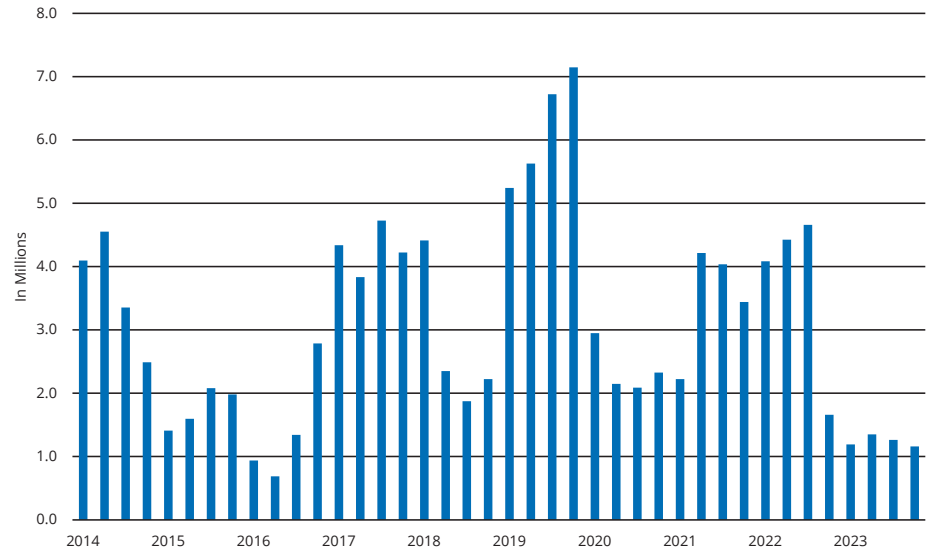


UNDER CONSTRUCTION

Construction Pipeline Delivers Five Projects and Reloads

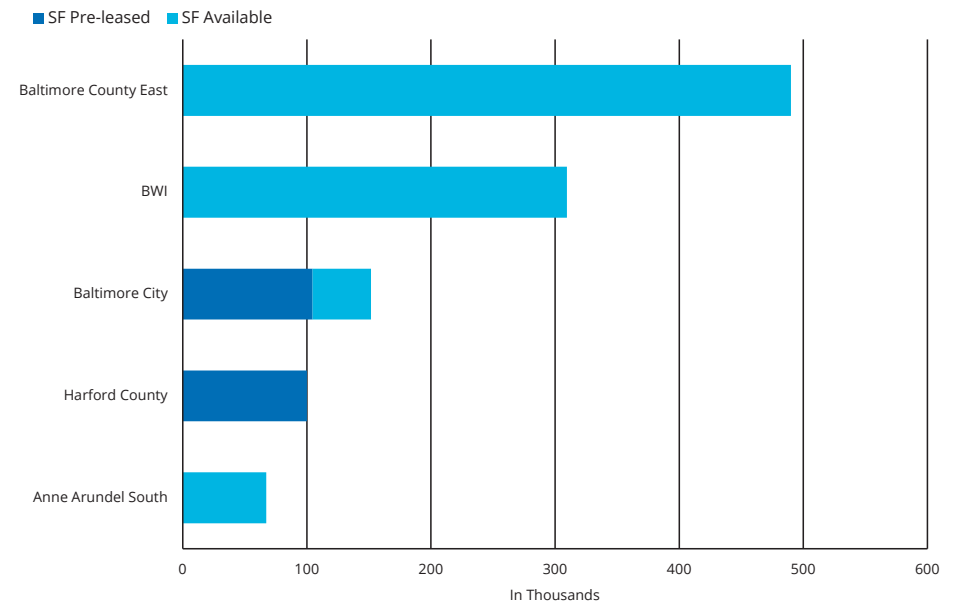
- Five construction projects delivered in the fourth quarter. 1717 E Patapsco Avenue in Baltimore City delivered 241,500 SF at 100% pre-leased by Amazon. 6709 Pulaski Highway in Baltimore City came online with 222,400 SF but delivered 0% pre-leased.
- There were eight additions to the pipeline in the fourth quarter. Most notably there are three buildings (A, I and H) at 10301 Philadelphia Road in Baltimore County East that broke ground and total 235,900 SF. This project is currently 0% pre-leased.
- A notable project that is anticipated to deliver in the first quarter of 2024 is 1995 Sparrow Point Boulevard in Baltimore County East that will total 204,000 SF and is currently 0% pre-leased.
- We expect the construction pipeline to ease in the coming quarters as many buildings deliver in early 2024 with vacancy and current economic headwinds give select developers pause.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

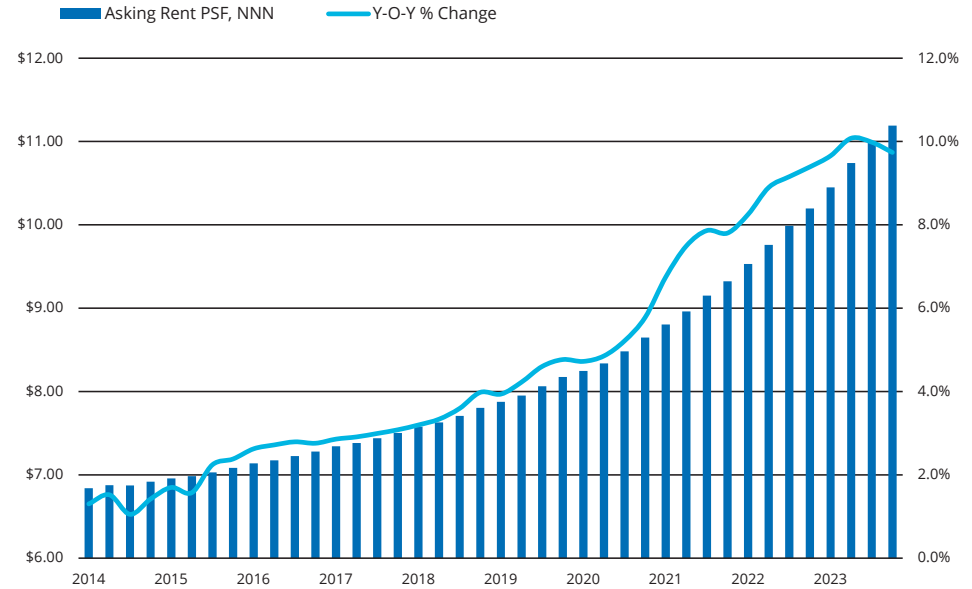


RENTAL RATES

Asking Rental Rates Maintain Upward Momentum

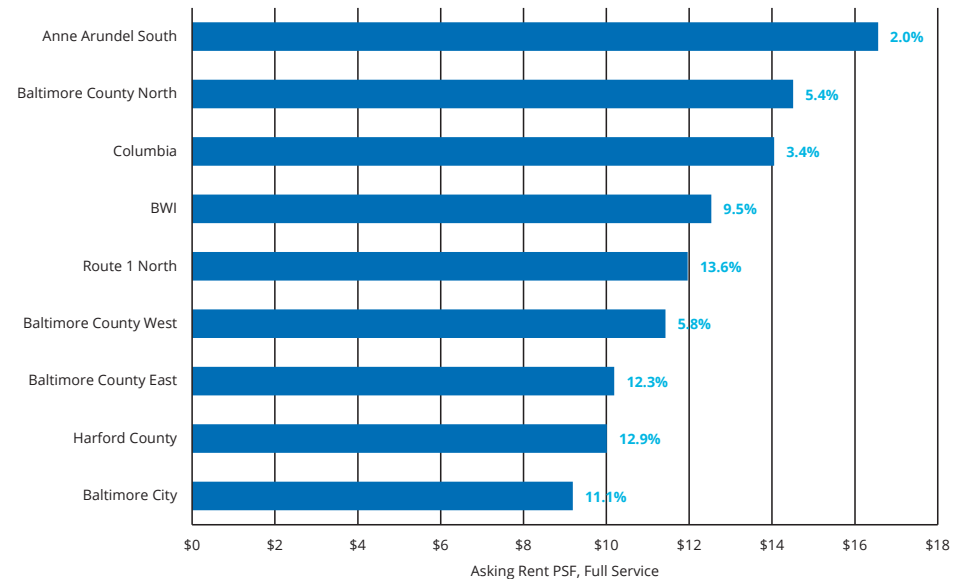
- Industrial asking rents maintain their strong growth at 1.9% over the quarter, and 9.7% year-over-year. Rents currently average \$11.19 PSF, which is up from \$10.20 PSF in the fourth quarter of 2022.
- Route 1 North had the largest rental rate growth in the market, rising 2.6% to \$11.96 PSF. This submarket also had the largest year-over-year increase at 13.6%, up from \$10.53 PSF in the fourth quarter of 2022.
- With no submarkets experiencing negative rental rate growth, Anne Arundel South had the slowest growth, edging up 20-basis points to \$16.56 PSF. However, this still remains the highest rental rate in the Baltimore area industrial market.
- We expect rent growth to continue its upward trend in the first half of 2024 given demand for industrial space and a low vacancy rate allows landlords to continue to raise prices.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

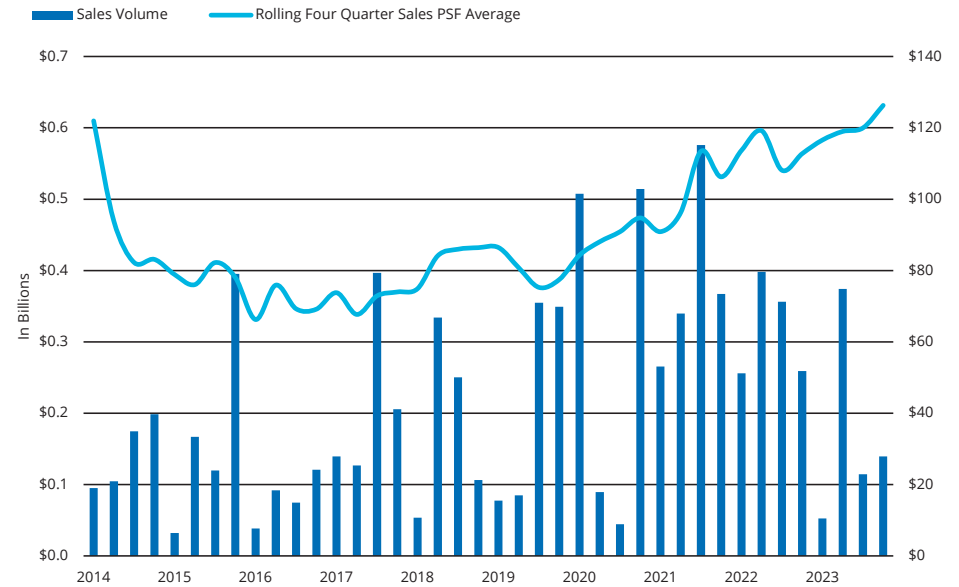


SALES

Investment Sales Volume Lowers In Third Quarter

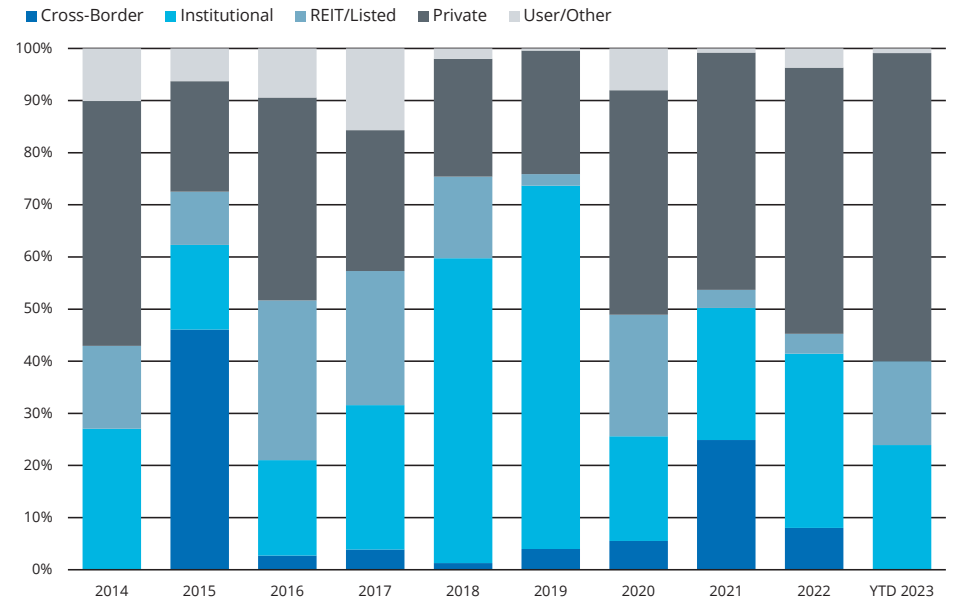
- The Baltimore industrial sales volume trended upward in the fourth quarter with 14 transactions totaling \$139.5 million, or \$131 PSF. This compares to the previous quarter which experienced 10 total transactions for \$114.5 million, or \$124 PSF.
- Out of the 14 total transactions, 13 were warehouse and totaled 990,297 SF at \$138.4 million, or \$140 PSF.
- A notable sale was Rockpoint purchasing eight warehouses in Harford County, including 2201 Lakeside Boulevard, for 102.4 million, or \$124 PSF. Another notable transaction was The Silverman Group purchasing 7479 New Ridge Road in BWI for \$17.9 million, or \$977 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
ROCKET LABS	103 Chesapeake Park Plz	Baltimore County East	New Lease	113,000
CARLISLE CONSTRUCTION MATERIALS	1255 S Caton Ave	Baltimore City	New Lease	108,160
SHAW INDUSTRIES	1405 Magellan Rd	BWI	Renewal	106,736
CRATE & BARREL	7190 Parkway Dr	BWI	Renewal	78,070
PENGUIN PACKAGING	8257 Patuxent Range Rd	Route 1 North	New Lease	65,035
LIFTING GEAR HIRE	8700 Larkin Rd	Route 1 North	New Lease	40,560

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
109 WABASH AVE	Baltimore County West	Nov-23	\$7,300,000	80,070	\$91	Commercial Real Estate Services of MD	Raloid Corporation
1701 LELAND AVE	Baltimore County East	Oct-23	\$3,100,000	21,790	\$142	Undisclosed	Safeway Moving & Storage
6411 BECKLEY ST	Baltimore City	Oct-23	\$1,081,500	77,225	\$14	Douglas Legum Development	Ventas, Inc.
5681 MAIN ST	Route 1 North	Oct-23	\$3,900,000	15,225	\$256	Catalyst Investment Partners	Solar Energy World
2201 LAKESIDE BLVD	Harford	Oct-23	\$21,981,352	148,425	\$148	Rockpoint	Link Logistics Real Estate
1502 QUARRY DR	Harford	Oct-23	\$15,964,538	110,875	\$144	Rockpoint	Link Logistics Real Estate

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS

All Product Types | Q4 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
FLEX	2,299,607	156,889	6.8%	6.8%	0	(7,000)	15,000	\$13.19
WAREHOUSE	26,148,784	1,604,506	6.1%	6.8%	100,000	0	202,000	\$9.64
HARFORD COUNTY	28,448,391	1,761,395	6.2%	6.8%	100,000	(7,000)	217,000	\$10.01
FLEX	7,578,857	615,927	8.1%	8.5%	0	27,000	11,000	\$12.64
WAREHOUSE	10,786,208	838,084	7.8%	8.0%	0	(15,000)	(41,000)	\$10.37
BALTIMORE COUNTY WEST	18,365,065	1,454,011	7.9%	8.2%	0	12,000	(30,000)	\$11.43
FLEX	4,696,353	163,164	3.5%	3.5%	0	17,000	95,000	\$14.47
WAREHOUSE	4,967,300	214,093	4.3%	6.0%	0	0	(35,000)	\$14.57
BALTIMORE COUNTY NORTH	9,663,653	377,257	3.9%	4.8%	0	17,000	60,000	\$14.51
FLEX	3,901,728	225,825	5.8%	6.9%	286,060	19,000	53,000	\$12.78
WAREHOUSE	34,811,951	1,541,697	4.4%	5.4%	204,000	(51,000)	(1,094,000)	\$9.85
BALTIMORE COUNTY EAST	38,713,679	1,767,522	4.6%	5.6%	490,060	(32,000)	(1,041,000)	\$10.19
FLEX	4,648,646	328,243	7.1%	7.1%	0	(173,000)	(202,000)	\$11.61
WAREHOUSE	46,319,242	2,126,651	4.6%	5.0%	151,721	(76,000)	443,000	\$8.87
BALTIMORE CITY	50,967,888	2,454,894	4.8%	5.2%	151,721	(249,000)	241,000	\$9.19

Source: CoStar, Transwestern



MARKET INDICATORS

All Product Types | Q4 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
FLEX	7,660,912	334,609	4.4%	4.7%	0	(53,000)	(37,000)	\$16.22
WAREHOUSE	5,102,322	46,436	0.9%	1.2%	0	(2,000)	51,000	\$10.57
Columbia	12,763,234	381,045	3.0%	3.3%	0	(55,000)	14,000	\$14.05
FLEX	2,914,770	44,716	1.5%	2.8%	0	(15,000)	12,000	\$12.68
WAREHOUSE	27,584,748	769,815	2.8%	3.3%	40,000	108,000	(119,000)	\$11.88
ROUTE 1 NORTH	30,499,518	814,531	2.7%	3.3%	40,000	93,000	(107,000)	\$11.96
FLEX	8,269,550	560,033	6.8%	7.1%	0	38,000	68,000	\$13.48
WAREHOUSE	21,651,726	868,081	4.0%	4.2%	309,498	87,000	(360,000)	\$12.16
BWI	29,921,276	1,428,114	4.8%	5.0%	309,498	125,000	(292,000)	\$12.54
FLEX	3,770,886	173,994	4.6%	5.0%	67,240	(9,000)	136,000	\$16.97
WAREHOUSE	1,358,165	3,000	0.2%	0.2%	0	0	17,000	\$15.55
ANNE ARUNDEL SOUTH	5,129,051	176,994	3.5%	3.8%	67,240	(9,000)	153,000	\$16.56
FLEX	45,741,309	2,603,400	5.7%	6.1%	353,300	(156,000)	151,000	\$13.86
WAREHOUSE	178,730,446	8,012,363	4.5%	5.1%	805,219	51,000	(936,000)	\$10.39
TOTAL	224,471,755	10,615,763	4.7%	5.3%	1,158,519	(105,000)	(785,000)	\$11.19

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 the Baltimore metro area. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency.

ABOUT TRANSWESTERN

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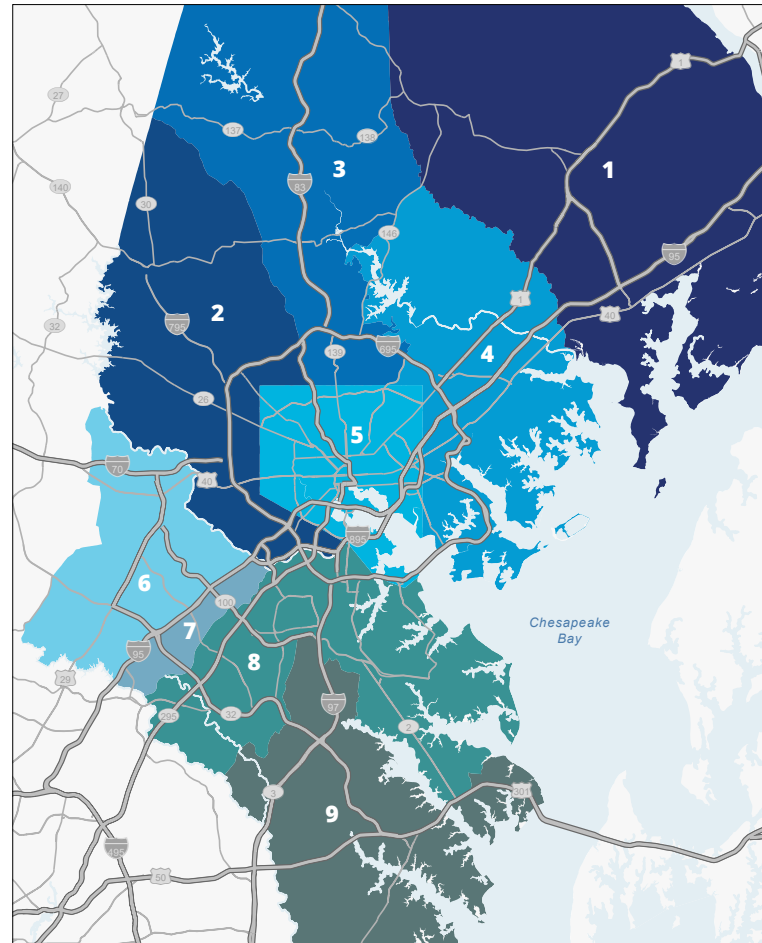
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Baltimore Industrial Submarkets

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