

BALTIMORE METRO AREA INDUSTRIAL MARKET

Q1 2024



TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.8	3.2	↓	4.3	↓
NET ABSORPTION (THOUSANDS SF)	(883.0)	(618.0)	↓	822.3	↑
DIRECT VACANCY RATE	5.2%	4.6%	↑	5.0%	↓
DIRECT VACANT SF (MSF)	11.6	10.4	↑	10.8	↓
UNDER CONSTRUCTION (MSF)	2.3	1.2	↑	3.3	↑
ASKING RENT, NNN (PSF)	\$11.39	\$10.45	↑	\$9.34	↑
SALES VOLUME (MILLIONS)	\$3.7	\$52.5	↓	\$263.0	↑

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

BALTIMORE MARKET WEAKENS IN THE FIRST QUARTER

The Baltimore metro area struggled in the first quarter, with a total net absorption of negative 883,000 SF. This was aided by several large-scale moveouts throughout the region. The direct vacancy rate rose 50-basis points to 5.2%. The vacancy rate remains low enough to push rents, as asking rates increased 1.8% in the quarter and 9.0% year-over-year.

We expect the industrial market to normalize during 2024, as demand cools in the wake of elevated interest rates and economic uncertainty. The vacancy rate should remain low enough in 2024 to push rents up, albeit at a decelerating pace. Long-term drivers of this property type are strong, boosted by healthy demand for distribution and service product types, which will keep rent growth steady in the years to come.

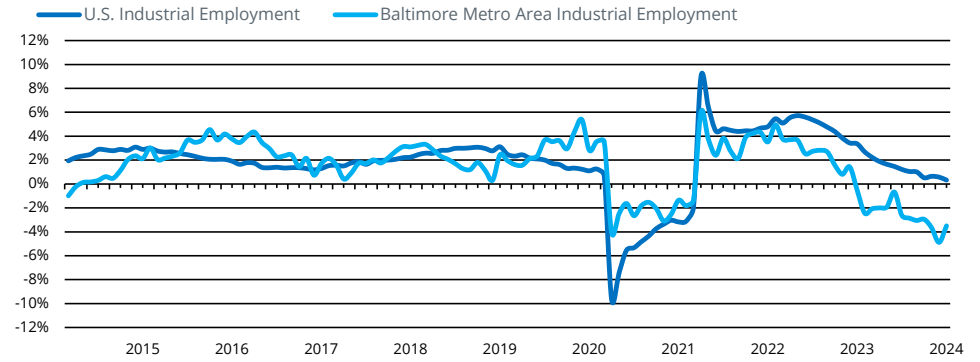


ECONOMY

Industrial-Using Jobs Struggle at The Beginning of 2024

- The Baltimore metro economy struggled as 3,600 jobs were lost during the 12-months ending in January 2024. A large portion of the job loss occurred in transportation, warehousing, and utilities, which cut 7,000 jobs.
- Industrial-using jobs bore the brunt of job loss in the Baltimore metro area, losing 9,200 jobs in the 12-months ending in January 2024. This was primarily driven by the loss of jobs in the in transportation, warehousing, and utilities sector.
- The unemployment rate in the Baltimore metro area saw a significant increase as of January 2024, rising 80-basis points to 2.8%. This is the highest rate since February 2023, which totaled 3.1%.
- We expect industrial jobs to rebound in 2024 as demand for industrial space remain healthy. However, normalizing of demand is likely given economic headwinds.

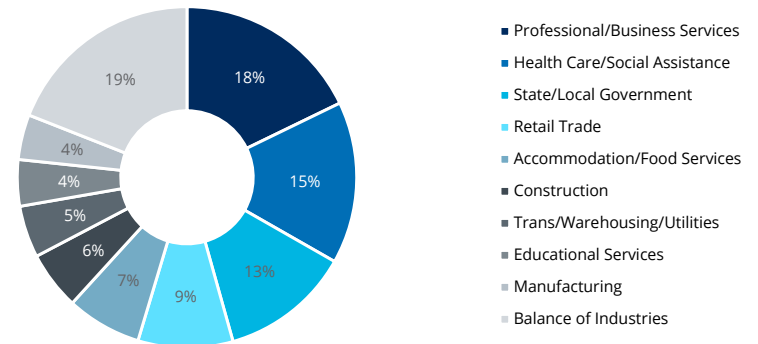
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

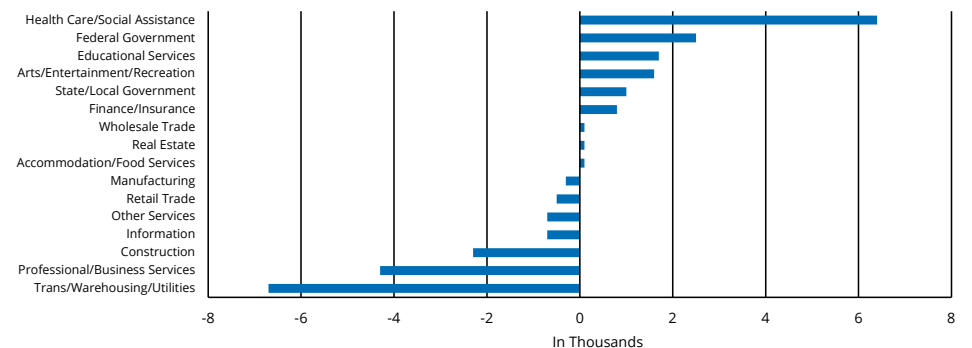
Baltimore Metro Area | January 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

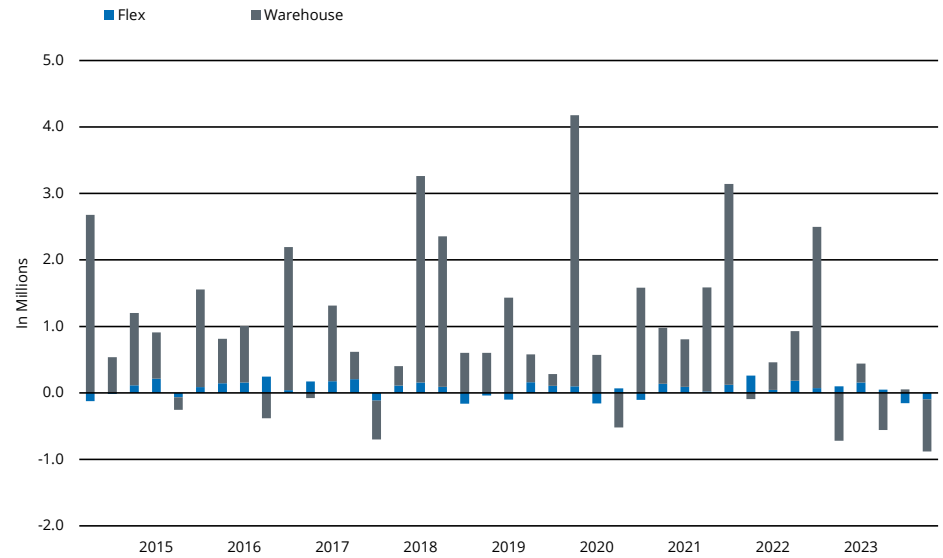


NET ABSORPTION

Industrial Absorption Swings Negative with Large Moveouts

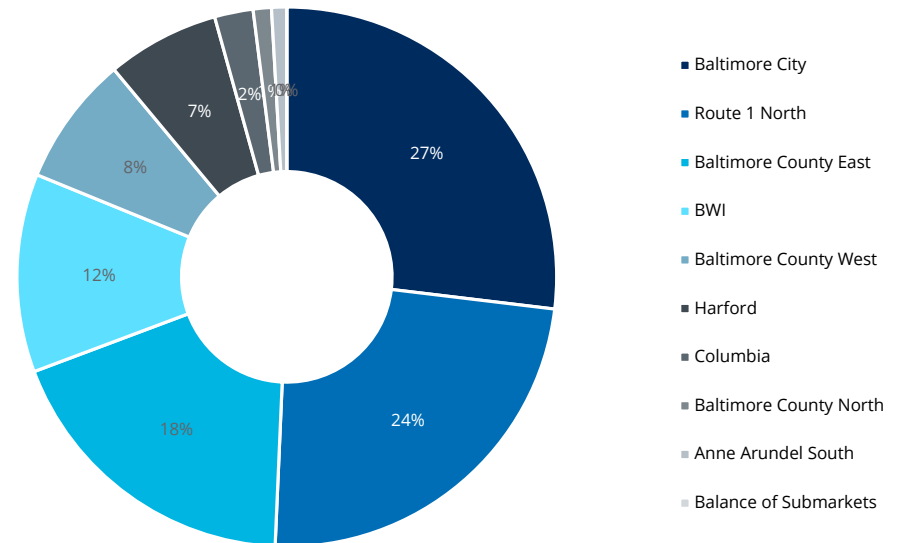
- The Baltimore industrial market lessened in the first quarter with 883,000 SF of negative absorption. This was aided by Herbiculture vacating 96,530 SF at 1200 W. Hamburg Street in Baltimore City, and Atlas Container vacating 66,300 SF at 1954 Halethorpe Farms Road in Baltimore County West.
- Harford County was the largest source of positive net absorption, despite GXO Logistics vacating 610 Chelsea Road, as an undisclosed tenant inked a 644,000 SF lease at 500 Old Post Road, resulting in the submarket totaling 139,000 SF of positive absorption.
- A notable lease signing was Baltimore Gas & Electric inking 222,216 SF at 6709 Pulaski Highway in Baltimore City. A notable renewal, which does not affect absorption, was Royal Logistics resigning 144,500 SF at 8415 Kelso Road in Baltimore County East.
- We expect net absorption to likely improve in 2024 as demand for industrial space remains healthy and recently vacated product could be backfilled.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2024



Source: CoStar, Transwestern

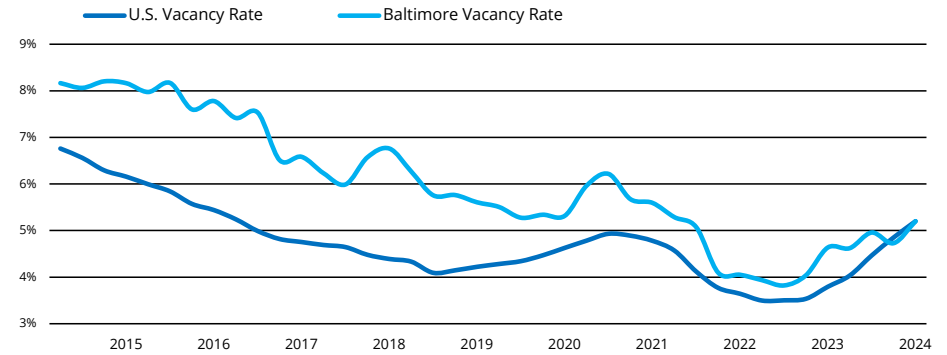


VACANCY

Vacancy Rates Trends Upward

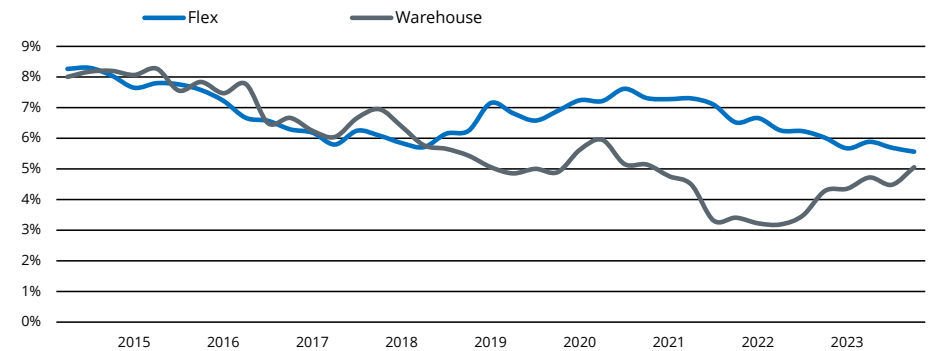
- The Baltimore industrial market direct vacancy rate increased 50-basis points to 5.2%. This marks the highest vacancy rate since the second quarter of 2023 which totaled 5.3%.
- The warehouse vacancy rate rose in the first quarter, increasing 60-basis points to 5.1%. Flex properties rates edged down 10-basis points to 5.6%.
- Columbia had the largest increase in vacancy rate, rising 480-basis points to 7.8%, aided by multiple move-outs including an undisclosed tenant vacating 20,765 SF at 8990 Route 108. Harford County had the largest decrease in vacancy rate, declining 50-basis points to 5.7%, due to the lease signing at 500 Old Post Road.
- The vacancy rate could begin to lower throughout 2024 with demand for industrial space remaining high. However, a full construction pipeline with low levels of pre-leasing could impact the vacancy rate temporarily if those properties are delivered vacant.

DIRECT VACANCY RATE



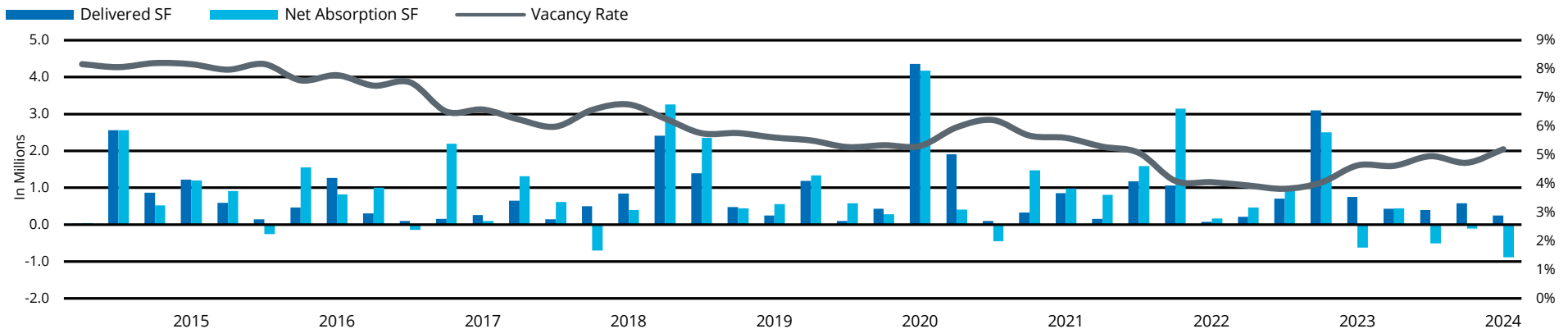
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

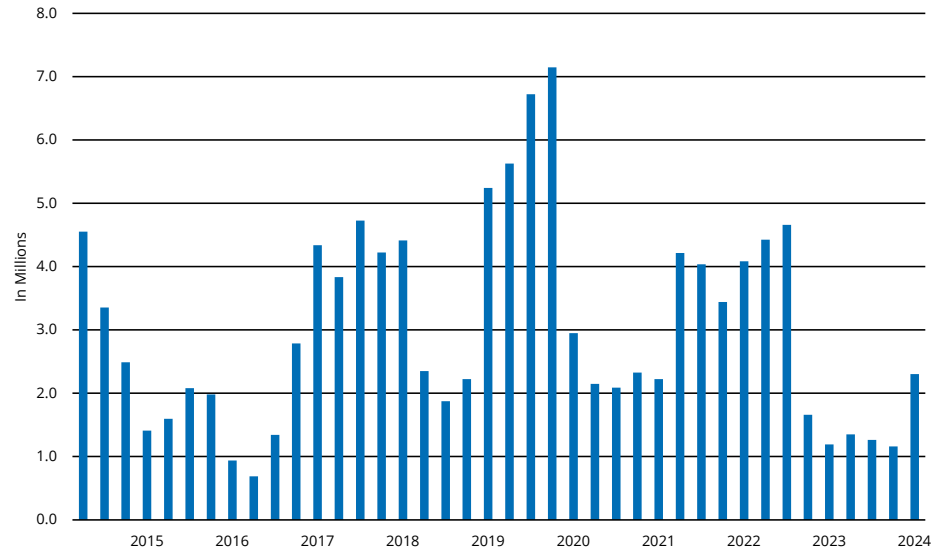


UNDER CONSTRUCTION

A Couple Projects Deliver and Eight More Added To Pipeline

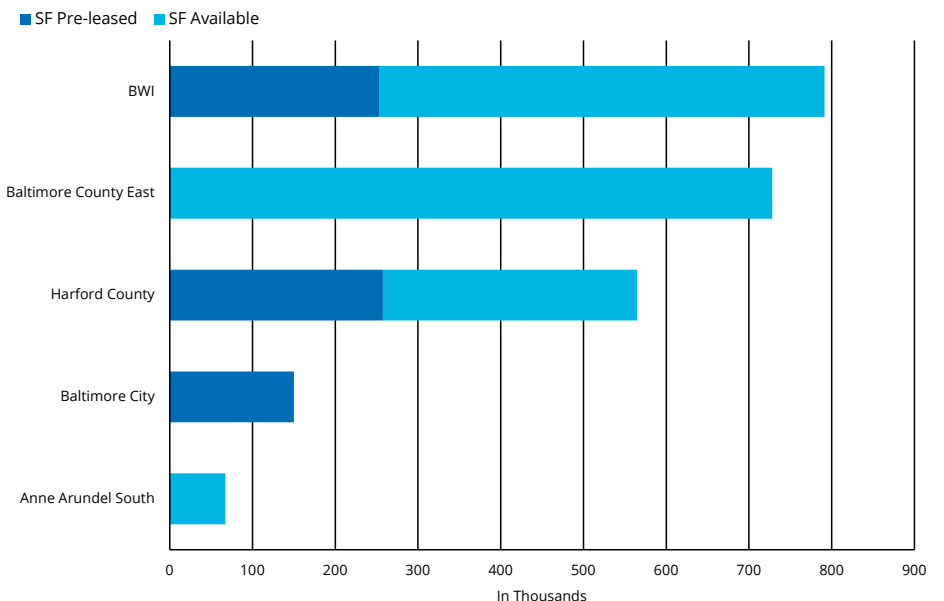
- Two construction projects delivered in the first quarter. 1995 Sparrows Point Boulevard in Baltimore County East delivered 204,000 SF at 0% pre-leased. 7869 Dorsey Run Road in the Route 1 Corridor also delivered 40,000 SF with 55% pre-leased.
- There were eight additions to the pipeline in the first quarter. Some notable additions include 8250 Eastern Avenue – Beltway Diamond Logistics Center in Baltimore County East that will add 442,200 SF of warehouse product when delivered in late 2024. Another addition was 801 Chelsea Road in Harford County, which will total 259,200 SF when delivered in 2024.
- The second quarter of 2024 is anticipated to deliver a significant portion of the pipeline with 11 out of the 19 overall projects coming online between April and June of this year. This will add 1.1 million SF of industrial space to the market, which is currently 35.1% pre-leased.
- The construction pipeline will likely shrink in the coming quarters of 2024 as significant portions of the pipeline look to offload and heightened interest rates may give investors pause on development until rates begin to decrease.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

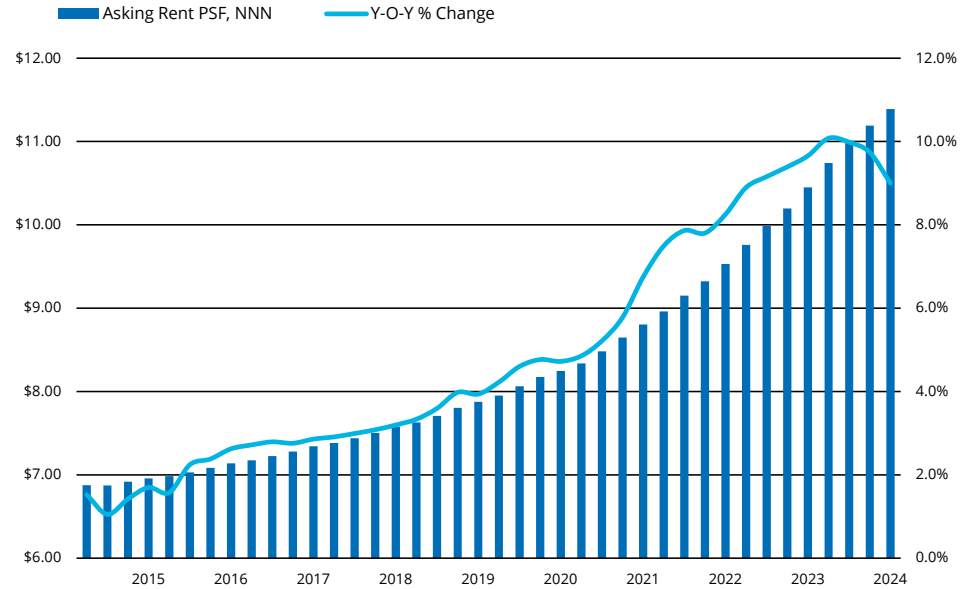


RENTAL RATES

Asking Rental Rates Trend Higher in First Quarter

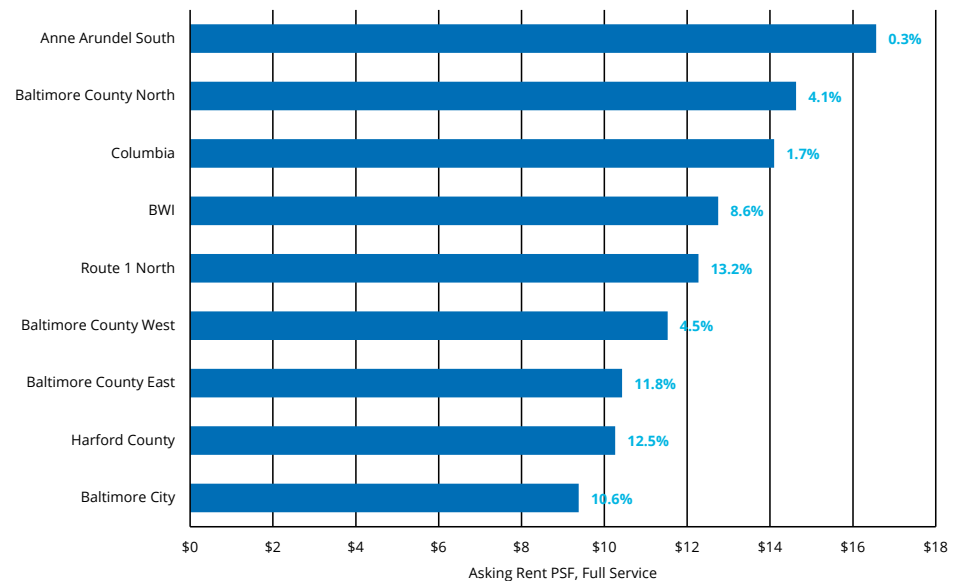
- Industrial asking rents continue to rise, increasing by 1.8% over the quarter, and 9.0% year-over-year. Rents currently average \$11.39 PSF, which is up from \$10.45 PSF in the first quarter of 2023.
- Route 1 North had the largest increase in rental rate, rising 2.6% to \$12.27 PSF. This submarket also had the largest year-over-year increase at 13.2%, up from \$11.26 PSF in the first quarter of 2023.
- One submarket did not experience rental rate growth in the quarter, Anne Arundel South asking rental rate held steady at \$16.56 PSF, but the submarket has experienced a year-over-year growth of 40-basis points.
- We expect rent growth to maintain its upward trajectory as demand for space remains healthy and the delivery of vacant high-quality product will demand higher asking rates.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

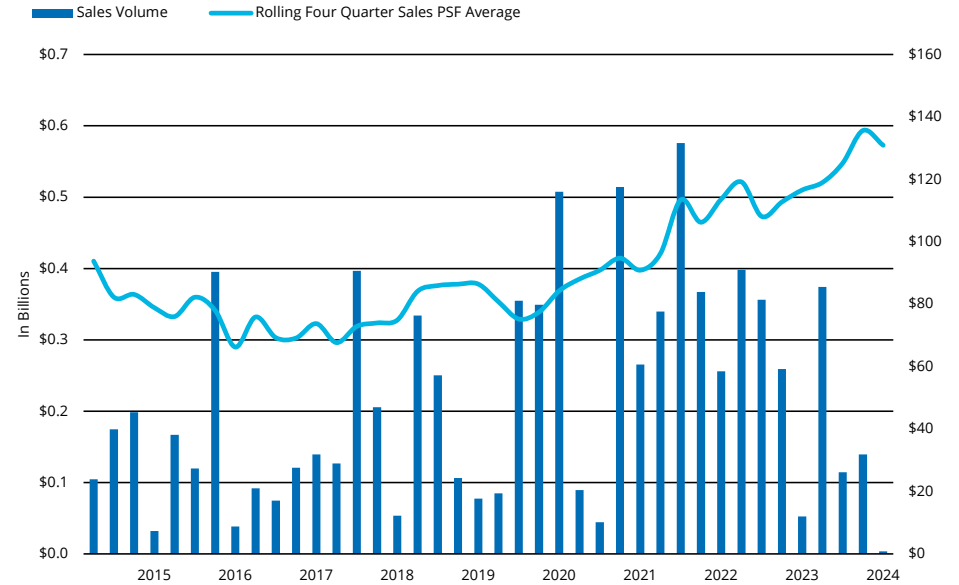


SALES

Investment Sales Hits Recent Low

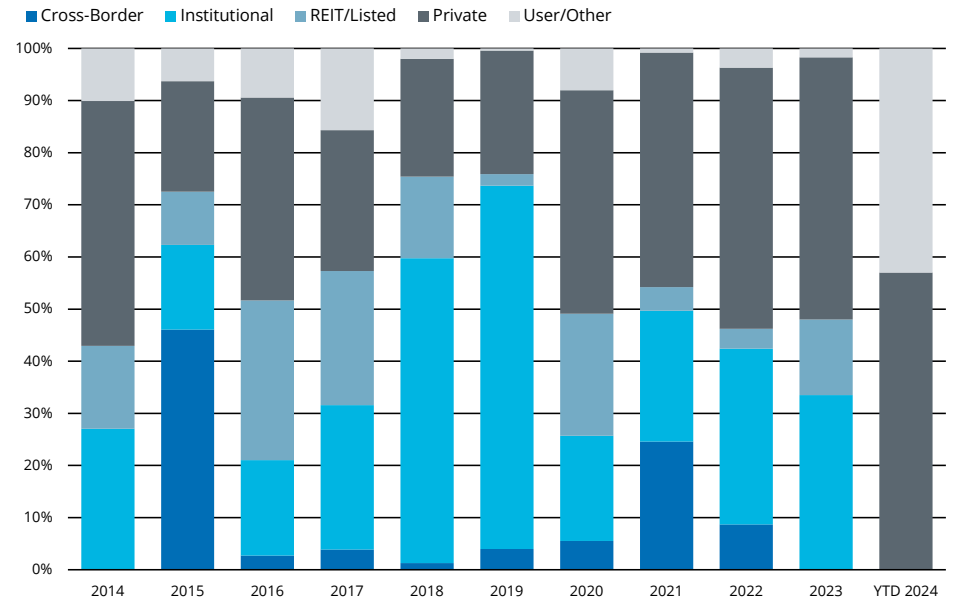
- There was one investment sale that occurred in the quarter, which would make for the lowest total in recent history.
- The one transaction was 9730 Patuxent Wood Drive in Columbia, which was purchased by Moik Choe for \$3.6 million, or \$118 PSF.
- A notable sale from the past 12-months was Peterson Companies purchasing 727 Old Philadelphia Road in Harford County for \$51.3 million, or \$103 PSF. The largest transaction by volume in that same timeframe was 1225 S. Philadelphia Boulevard in Harford County, which sold for \$80.7 million, or \$94 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 GAS & ELECTRIC	6709 Pulaski Hwy	Baltimore City	New Lease	223,216
ROYAL LOGISTICS	8415 Kelso Dr	Baltimore County East	Renewal	144,500
IRON MOUNTAIN	8679 Greenwood Pl	Route 1 North	Renewal	130,000
THE AGAM GROUP	6695 Business Pky	Route 1 North	Renewal	114,980
CITRUS AND ALLIED ESSENCES	4611 Mercedes Dr	Harford	New Lease	70,133
FLOOR & DÉCOR	75 Dover Rd	BWI	Pre-Lease	67,000

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
9730 PATUXENT WOODS DR	Columbia	Feb-24	\$3,656,230	30,985	\$118	Miok Choe	Adler Real Estate Partners
6101 ROBINWOOD RD	BWI	Dec-23	\$3,828,728	35,262	\$109	Waeber Property Group	Debra Bond Kuntz
6161 ROBINWOOD RD	BWI	Dec-23	\$3,148,272	51,120	\$62	Waeber Property Group	Debra Bond Kuntz
6301 SEAFORTH ST	Baltimore City	Dec-23	\$13,500,000	80,320	\$168	Cleghorn Capital	Sheehan Family Companies
727 OLD PHILADELPHIA RD	Harford	Dec-23	\$51,325,000	500,400	\$103	Peterson Companies	Northwestern Mutual
109 WABASH AVE	Baltimore County West	Nov-23	\$7,300,000	80,070	\$91	Commercial Real Estate Services of Maryland	Raloid Corporation

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS

All Product Types | Q1 2024

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	160,089	7.0%	7.0%	0	(3,000)	(4,000)	\$13.10
WAREHOUSE	26,148,784	1,462,135	5.6%	6.3%	564,919	142,000	323,000	\$9.93
HARFORD COUNTY	28,448,391	1,622,224	5.7%	6.3%	564,919	139,000	319,000	\$10.26
FLEX	7,578,857	633,367	8.4%	9.0%	0	(17,000)	70,000	\$12.56
WAREHOUSE	10,786,208	952,220	8.8%	9.1%	0	(114,000)	(224,000)	\$10.65
BALTIMORE COUNTY WEST	18,365,065	1,585,587	8.6%	9.0%	0	(131,000)	(154,000)	\$11.53
FLEX	4,696,353	153,332	3.3%	3.3%	0	10,000	54,000	\$14.39
WAREHOUSE	4,967,300	235,698	4.7%	4.7%	0	(21,000)	(64,000)	\$14.98
BALTIMORE COUNTY NORTH	9,663,653	389,030	4.0%	4.0%	0	(11,000)	(10,000)	\$14.63
FLEX	3,901,728	135,942	3.5%	5.1%	286,060	14,000	29,000	\$12.70
WAREHOUSE	35,015,951	1,703,874	4.9%	7.4%	442,200	42,000	(693,000)	\$10.13
BALTIMORE COUNTY EAST	38,917,679	1,839,816	4.7%	7.1%	728,260	56,000	(664,000)	\$10.43
FLEX	4,648,646	347,767	7.5%	7.5%	0	(31,000)	(167,000)	\$11.53
WAREHOUSE	46,286,482	1,938,118	4.2%	4.4%	150,000	188,000	885,000	\$9.10
BALTIMORE CITY	50,935,128	2,285,885	4.5%	4.7%	150,000	157,000	718,000	\$9.38

Source: CoStar, Transwestern



MARKET INDICATORS

All Product Types | Q1 2024

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	311,251	4.1%	4.2%	0	10,000	(85,000)	\$16.12
WAREHOUSE	5,102,322	689,243	13.5%	15.0%	0	(643,000)	(632,000)	\$10.88
COLUMBIA	12,763,234	1,000,494	7.8%	8.5%	0	(633,000)	(717,000)	\$14.10
FLEX	2,914,770	311,251	2.0%	2.9%	0	(15,000)	(14,000)	\$12.60
WAREHOUSE	27,624,748	689,243	3.9%	4.5%	0	(262,000)	(343,000)	\$12.23
ROUTE 1 NORTH	30,539,518	1,130,819	3.7%	4.4%	0	(277,000)	(357,000)	\$12.27
FLEX	8,269,550	552,867	6.7%	7.1%	98,320	(48,000)	27,000	\$13.39
WAREHOUSE	21,651,726	987,732	4.6%	4.7%	693,020	(119,000)	(279,000)	\$12.49
BWI	29,921,276	1,540,599	5.1%	5.4%	791,340	(167,000)	(252,000)	\$12.75
FLEX	3,770,886	190,488	5.1%	5.5%	67,240	(16,000)	46,000	\$16.86
WAREHOUSE	1,358,165	3,000	0.2%	0.2%	0	0	20,000	\$15.84
ANNE ARUNDEL SOUTH	5,129,051	193,488	3.8%	4.1%	67,240	(16,000)	66,000	\$16.56
FLEX	45,741,309	2,544,430	5.6%	6.0%	451,620	(96,000)	(44,000)	\$13.77
WAREHOUSE	178,941,686	9,043,512	5.1%	5.9%	1,850,139	(787,000)	(44,000)	\$10.68
TOTAL	224,682,995	11,587,942	5.2%	5.9%	2,301,759	(883,000)	(1,051,000)	\$11.39

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.

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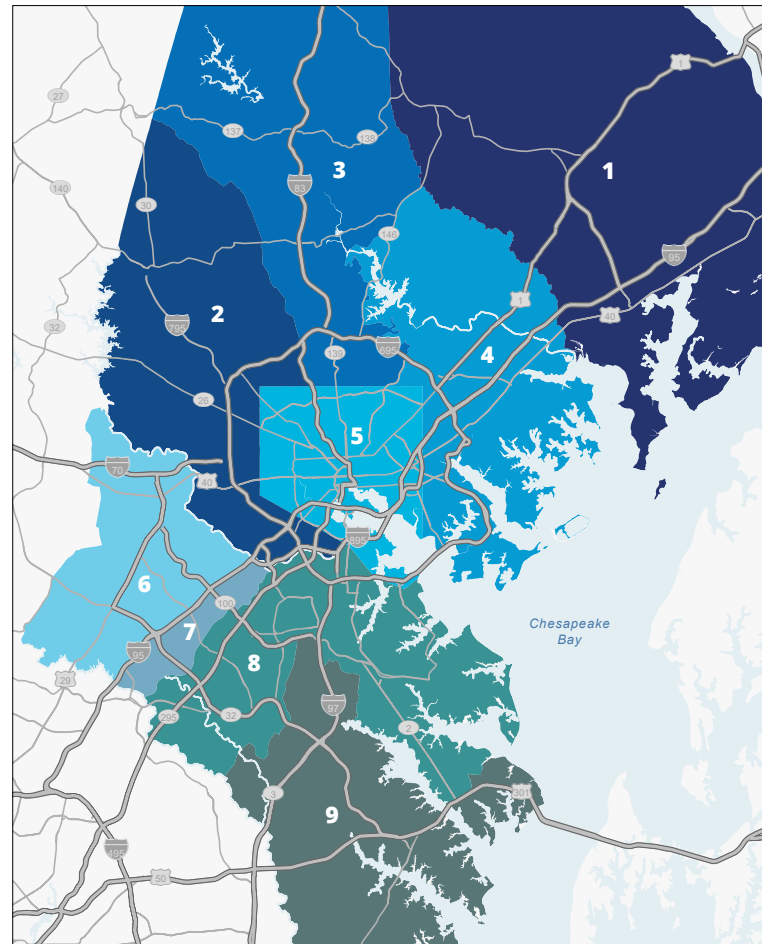
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Baltimore Industrial Submarkets

- 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