TRANSWESTERN

BALTIMORE METRO AREA INDUSTRIAL MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.7	2.4	↑	4.2	↓
NET ABSORPTION (THOUSANDS SF)	(18.0)	440.0	↓	794.8	↑
DIRECT VACANCY RATE	5.4%	4.6%	↑	5.0%	↓
DIRECT VACANT SF (MSF)	12.1	10.4	↑	10.9	↓
UNDER CONSTRUCTION (MSF)	2.2	1.4	↑	3.2	↑
ASKING RENT, NNN (PSF)	$11.65	$10.74	↑	$9.52	↑
SALES VOLUME (MILLIONS)	$37.8	$374.0	↓	$267.0	↑

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

INDUSTRIAL MARKET MINIMALLY REGRESSES IN Q2

The Baltimore metro area market slightly declined in the second quarter, with a total net absorption of negative 18,000 SF. The direct vacancy rate rose 20-basis points to 5.4% when compared to the first quarter. The vacancy rate remains low enough to push rents, as asking rates increased 2.3% in the quarter and 8.4% year-over-year.

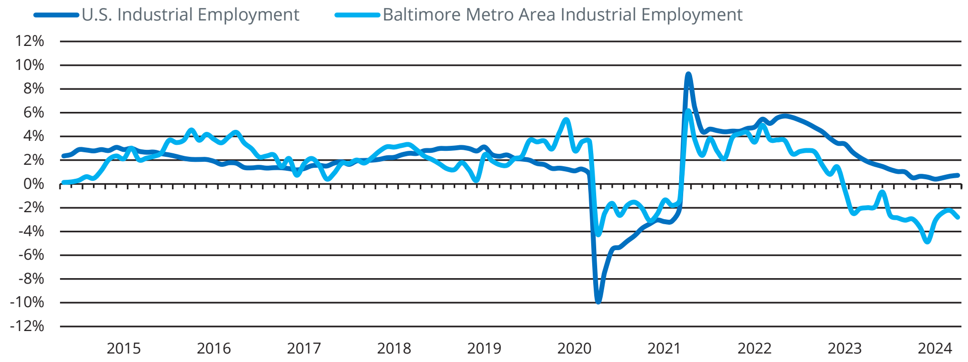
We expect the industrial market to normalize during 2024, as demand cools in the wake of elevated interest rates and economic uncertainty. Businesses are watching the Fed, as a rate cut could come if inflation lowers to their target rate of 2.0% later this year. The vacancy rate should remain low enough 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. However, with the collapse of the Key Bridge, there has been a tempered reaction within the port-related economy with diversions to Norfolk and Savannah during the quarter.

ECONOMY

Industrial Using Jobs Decline During Q2 2024

- The Baltimore metro economy softened as 600 jobs were cut during the 12-months ending in April 2024. A large portion of the job loss occurred in transportation, warehousing, and utilities, which cut 4,400 jobs However, this was offset by healthcare and social services adding 6,700.
- Industrial-using jobs carried the burden of job loss in the Baltimore metro area, shedding 7,300 jobs in the 12-months ending in April 2024. This was primarily driven by cuts in the aforementioned transportation, warehousing, and utilities sector and the construction/mining industry eliminating 3,800 jobs.
- The unemployment rate in the Baltimore metro area increased 80-basis points over the past year to 2.7% at April 2024. Over the month the unemployment rate edged down 20-basis points, marking the first monthly decline since November 2023.
- We expect industrial jobs to recover in the remainder of 2024 as demand for industrial services such as e-commerce and warehousing remains high. However, challenges in finding talent to fill open positions could be problematic for some companies as demand could be temporarily syphoned as shipping has been diverted due to the Key Bridge collapse.

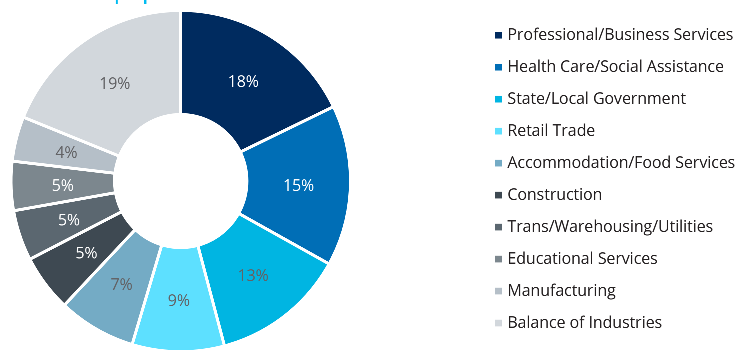
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

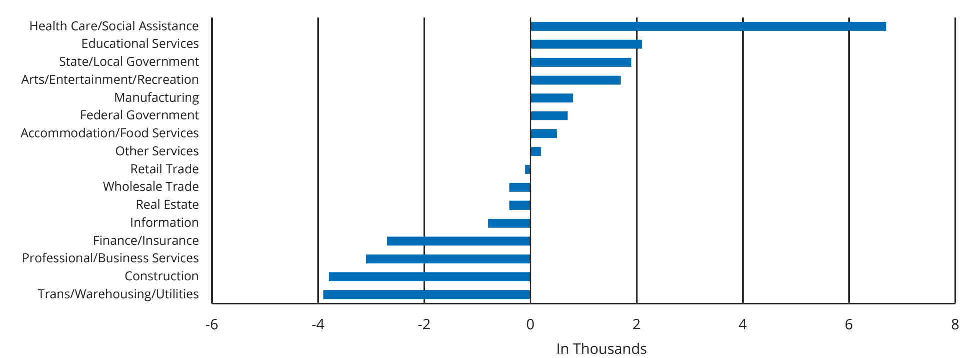
Baltimore Metro Area | April 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



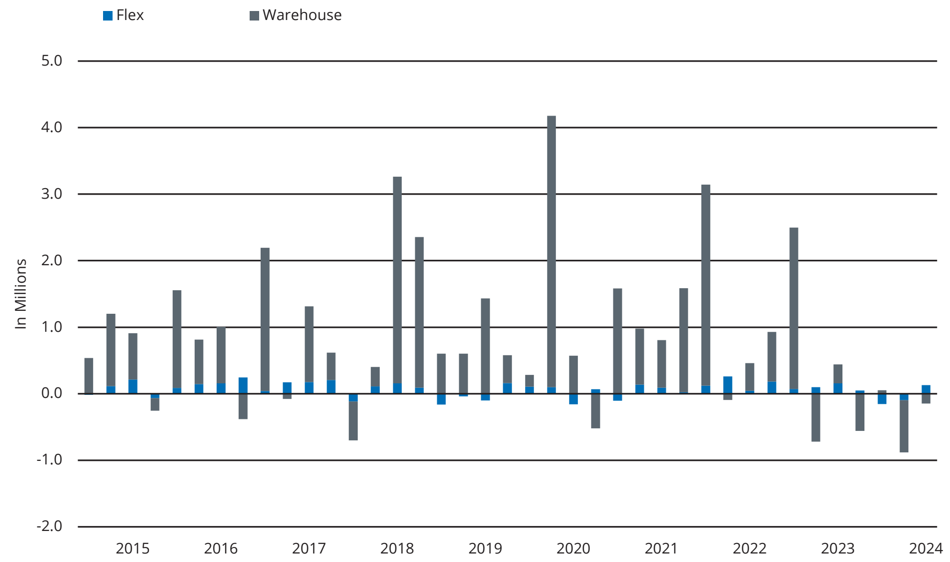
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Industrial Absorption Mildly Negative

- The Baltimore industrial market cooled slightly in the second quarter with 18,000 SF of negative absorption. This was aided by a mix of moveouts and leases, with there being just a bit more moveouts. Amazon vacated 247,860 SF at 5300 Holabird Avenue in Baltimore City, while Tesla moved out of 176,651 SF at 7101 Troy Hill Drive in Route 1 North.
- Harford County was the largest source of positive net absorption, with Pacific Coast Furniture Distributors executing their 175,805 SF lease at 400 Old Post Road. Route 1 North was responsible for the greatest amount of negative net absorption. This was mainly due the Tesla vacancy as well as Lineage vacating 98,830 SF at 870 Bollman Place, and Nexius vacating 84,000 SF at 6725 Business Parkway.
- A notable leasing transaction was Lowe's moving into their 104,647 SF pre-lease at 1600 East Patapsco Avenue in Baltimore City. A notable sublease, which does not affect absorption, was Seko Logistics inking 156,797 SF at 8801 Citation Road in Baltimore County East.
- We expect net absorption to experience tepid growth in 2024 as available space enters the market with vacant deliveries of high-quality product.

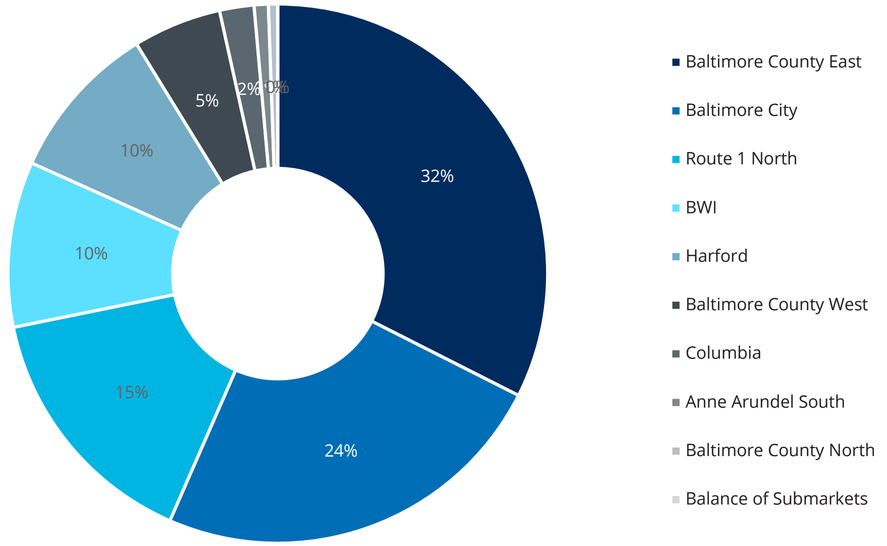
NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET

YTD 2024



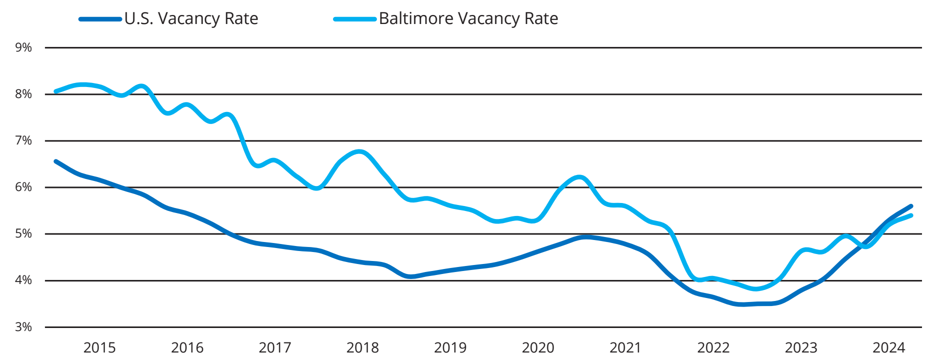
Source: CoStar, Transwestern

VACANCY

Vacancy Rates Continues Upward Trend

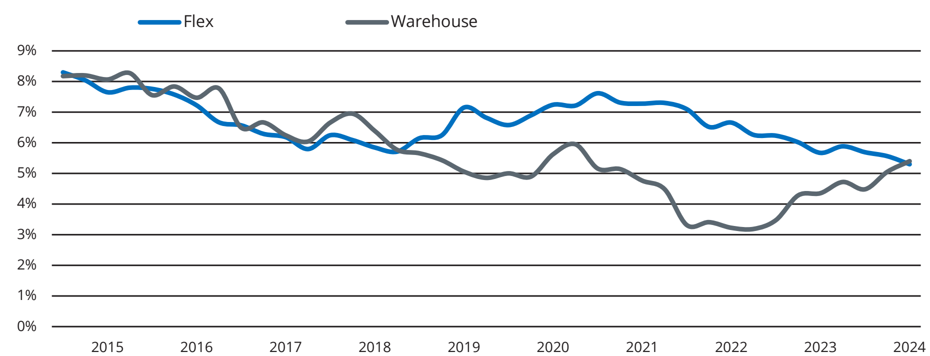
- The Baltimore industrial market direct vacancy rate increased 20-basis points to 5.4%. This marks the highest vacancy rate since the first quarter of 2021 which totaled 5.6%.
- The warehouse vacancy rate increased 20-basis points to 5.4% during the second quarter. Flex decreased 30-basis points to 5.3%.
- Route 1 North had the largest increase in vacancy rate, rising 160-basis points to 5.3%. Baltimore County North had the largest decrease in vacancy rate, declining 90-basis points to 3.1%.
- The vacancy rate should lower in the last two quarters of 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



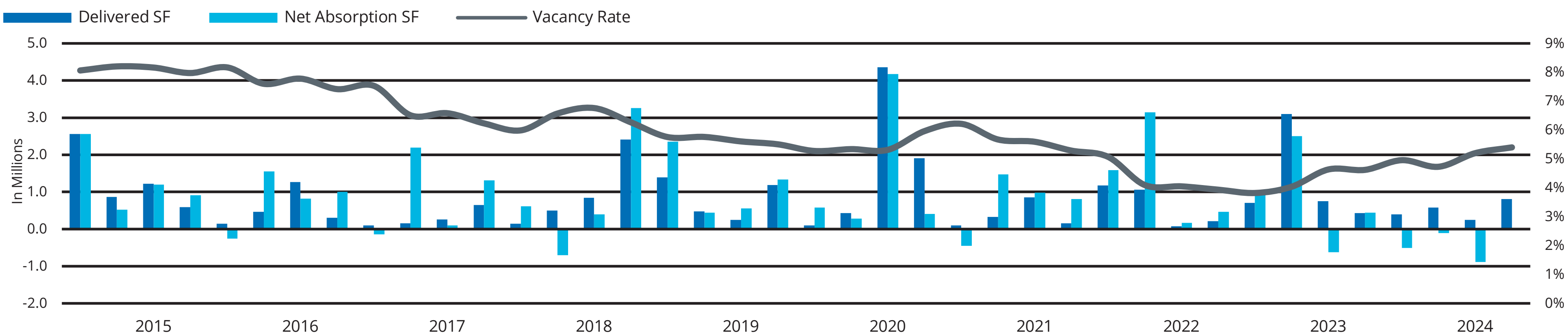
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



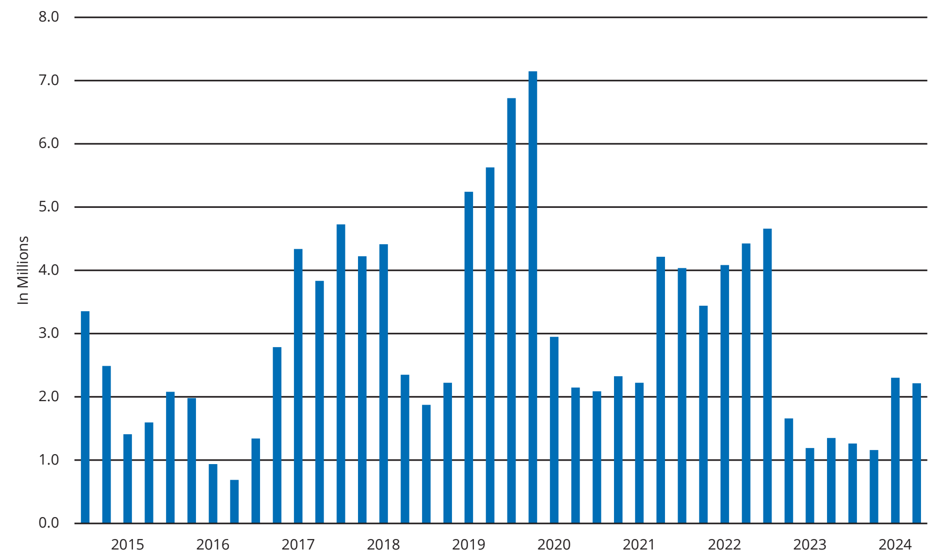
Source: CoStar, Transwestern

UNDER CONSTRUCTION

Six Projects Deliver and Two More Added To Pipeline

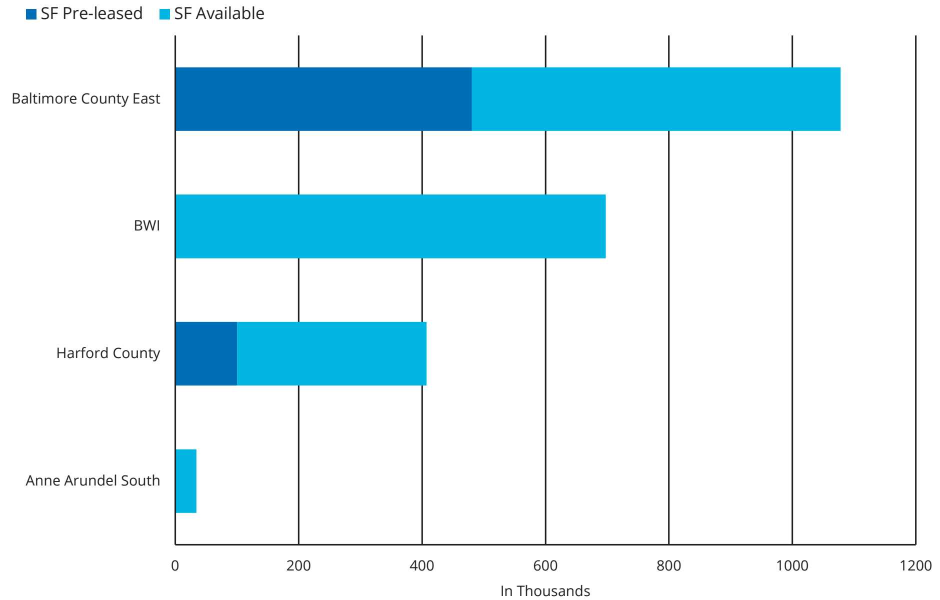
- Six construction projects delivered in the second quarter. Some of the notable projects include 350 Old Bay Lane located in Harford County which delivered 157,500 SF at 100% pre-leased, and 1600 East Patapsco Avenue which delivered 150,000 SF at 100% pre-leased with Lowe's pre-leasing 69% of the building.
- There were two additions to the pipeline in the second quarter. 7685 Solley Road – Building IV in BWI that will add 80,100 SF of warehouse product when delivered in late 2024. The other addition was 1390 Sparrows Point Boulevard in Baltimore County East, which will total 400,000 SF of 100% pre-leased space by the University of Maryland Medical System when it is delivered in 2026.
- The second half of 2024 should deliver a large portion of the pipeline with 14 out of the 15 overall projects coming online. This will add 1.8 million SF of industrial space to the market, which is currently 9.9% 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



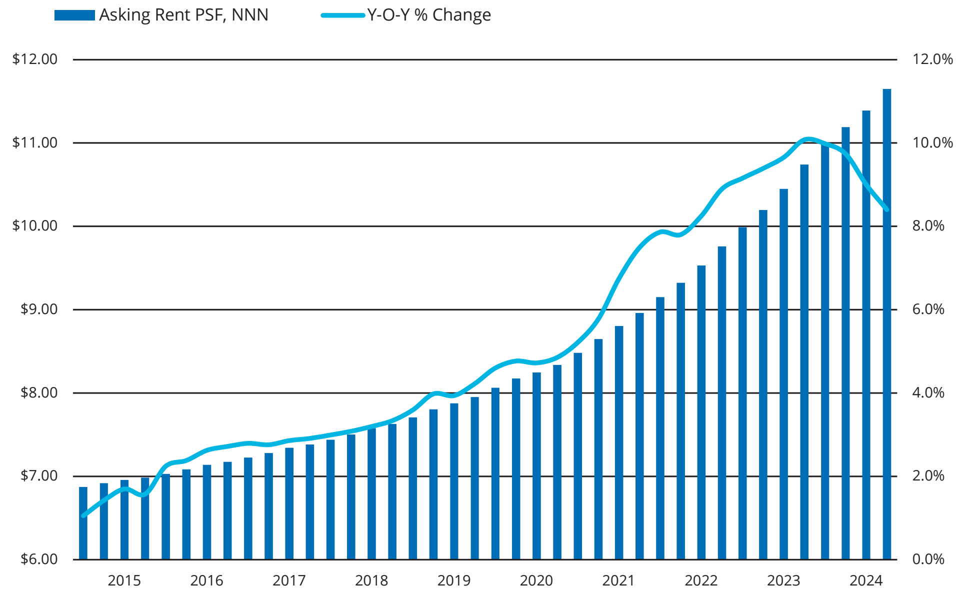
Source: CoStar, Transwestern

RENTAL RATES

Asking Rental Rates Rise in Second Quarter

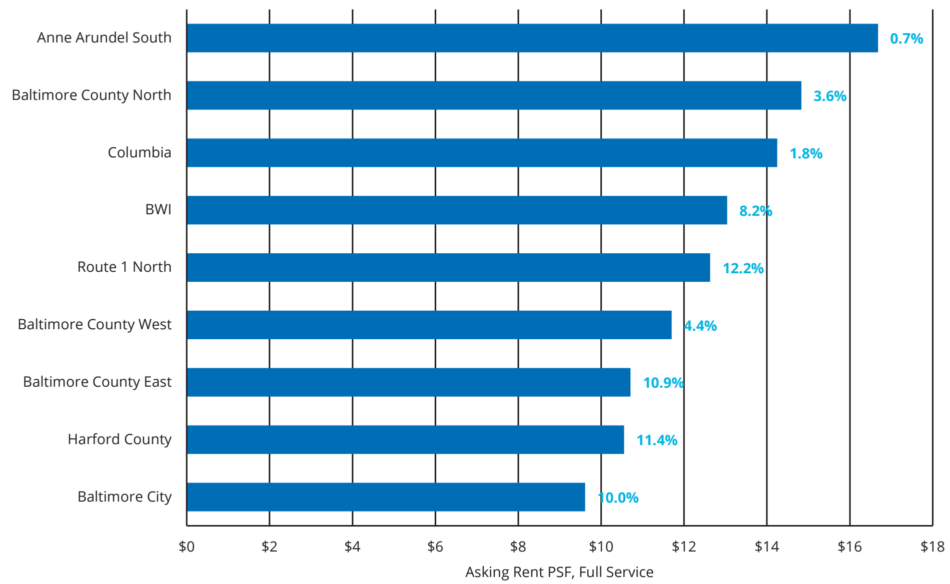
- Industrial asking rents increased 2.3% over the quarter, and 8.4% year-over-year. Rents currently average $11.65 PSF, which is up from $10.74 PSF in the second quarter of 2023.
- Route 1 North had the largest increase in rental rate, rising 2.9% to $12.63 PSF. This submarket also had the largest year-over-year increase at 12.1%, up from $11.26 PSF in the second quarter of 2023.
- Every submarket experienced rental rate growth in the quarter, with the Anne Arundel South asking rental rate having the slowest growth, rising 70-basis points to $16.68, with a year-over-year growth of 60-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. However, the strong year-over-year growth has hit its peak and is decelerating.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



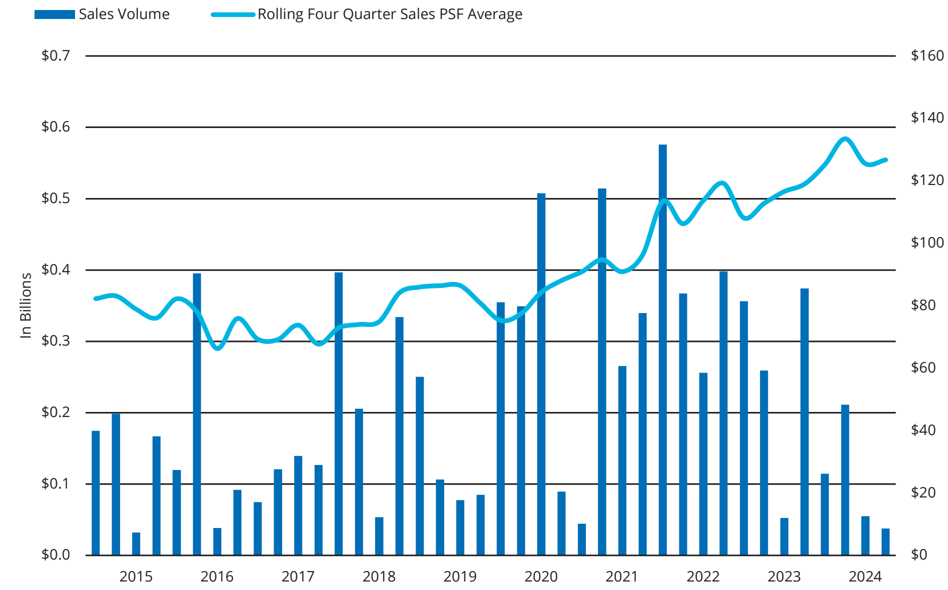
Source: CoStar, Transwestern

SALES

Warehouses Dominate Investment Sales Activity

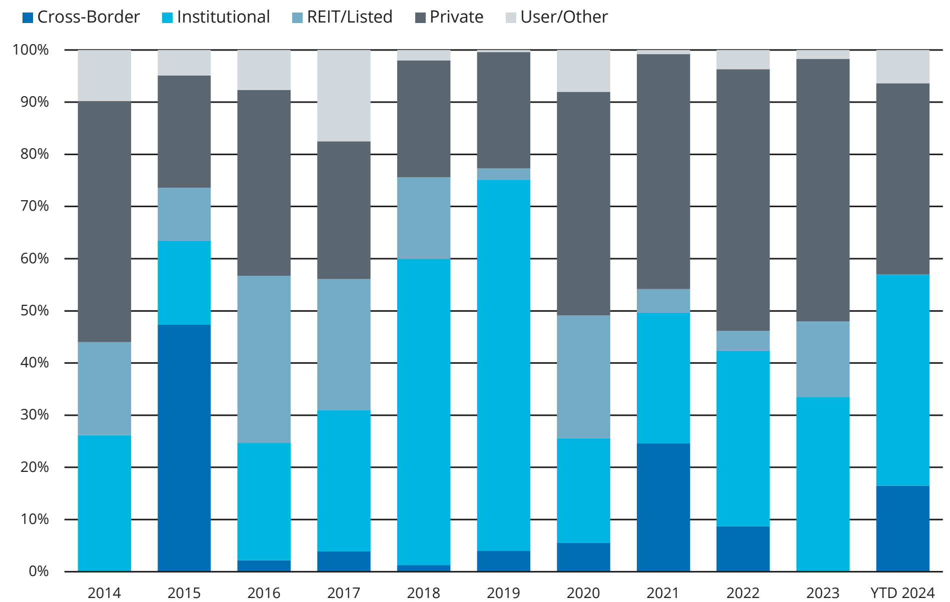
- There were five investment sales that occurred in the quarter, with all sales being for warehouse product. These five sales totaled $37.7 million, or $156 PSF.
- One of the five sales was 6610 Amberton Drive in Route 1 North, which sold for $12 million, or $142 PSF, to Galvanize Real Estate. The largest of the five sales that occurred in the quarter was in BWI, where 6720 Baymeadow Drive was purchased by Ares Management Corp for $17.75 million, or $168 PSF.
- A notable sale from earlier this year due to it being the most expensive one of the year in terms of overall price was in the first quarter when Stoltz Real Estate Partners purchased 10000 Franklin Square Drive in Baltimore County East for $41 million, or $104 PSF. There have been 10 total transactions this year totaling $92.8 million in volume.
- 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
UMD MEDICAL SYSTEMS	1390 Sparrows Point Blvd	Baltimore County East	Pre-Lease	400,000
PACIFIC COAST FURNITURE DISTRIBUTORS	400 Old Post Rd	Harford	New Lease	175,805
SEKO LOGISTICS	8801 Citation Rd	Baltimore County East	Sublease	156,797
SECOND CHANCE	1200 W Hamburg St	Baltimore City	Owner-User	96,530
PPC LUBRICANTS	801 N Kresson St	Baltimore City	New Lease	90,234
SEKO LOGISTICS	7045 Troy Hill Rd	Route 1 North	Renewal	69,454

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
6720 BAYMEADOW DR	BWI	May-24	$17,750,000	105,700	$168	Ares Management Corp	High Street Logistics Properties
6610 AMBERTON DR	Route 1 North	Apr-24	$12,000,000	84,520	$142	Galvanize Real Estate	Longpoint Realty Partners
1101 GREENWOOD RD	Baltimore County West	Apr-24	$2,340,000	15,300	$153	Kove Group	The Davey Tree Expert Company
1500 RIDGELY ST	Baltimore City	Apr-24	$1,072,500	15,810	$68	THR, LLC	Shawki A Al-Attar
1875 MAYFIELD RD	BWI	Apr-24	$4,600,000	20,000	$230	Bay Street Capital	Keller
10000 FRANKLIN SQUARE DR	Baltimore County East	Mar-24	$41,000,000	392,500	$104	Stoltz Real Estate Partners	TA Realty

Source: CoStar, Real Capital Analytics, Transwestern

MARKET INDICATORS

All Product Types | Q2 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	149,358	6.5%	6.5%	0	11,000	(2,000)	$13.12
WAREHOUSE	26,306,284	1,429,105	5.4%	5.9%	407,419	191,000	23,000	$10.25
HARFORD COUNTY	**28,605,891**	**1,578,463**	**5.5%**	**6.0%**	**407,419**	**202,000**	**21,000**	**$10.55**
FLEX	7,578,857	638,712	8.4%	8.6%	0	(6,000)	11,000	$12.57
WAREHOUSE	10,786,208	960,605	8.9%	9.1%	0	(8,000)	(214,000)	$10.96
BALTIMORE COUNTY WEST	**18,365,065**	**1,599,317**	**8.7%**	**8.9%**	**0**	**(14,000)**	**(203,000)**	**$11.70**
FLEX	4,696,353	145,239	3.1%	3.1%	0	24,000	54,000	$14.42
WAREHOUSE	4,967,300	151,364	3.0%	3.0%	0	85,000	28,000	$15.45
BALTIMORE COUNTY NORTH	**9,663,653**	**296,603**	**3.1%**	**3.1%**	**0**	**109,000**	**82,000**	**$14.83**
FLEX	3,901,728	155,127	4.0%	5.0%	235,900	(19,000)	39,000	$12.71
WAREHOUSE	35,015,951	1,786,470	5.1%	8.2%	842,200	(77,000)	(181,000)	$10.44
BALTIMORE COUNTY EAST	**38,917,679**	**1,941,597**	**5.0%**	**7.9%**	**1,078,100**	**(96,000)**	**(142,000)**	**$10.71**
FLEX	4,648,646	247,757	5.3%	5.3%	0	10,000	(180,000)	$11.53
WAREHOUSE	46,436,482	2,021,702	4.4%	5.2%	0	149,000	487,000	$9.36
BALTIMORE CITY	**51,085,128**	**2,269,459**	**4.4%**	**5.2%**	**0**	**159,000**	**307,000**	**$9.61**

Source: CoStar, Transwestern

MARKET INDICATORS

All Product Types | Q2 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	291,557	3.8%	3.8%	0	20,000	(50,000)	$16.14
WAREHOUSE	5,102,322	676,607	13.3%	14.7%	0	13,000	(656,000)	$11.23
COLUMBIA	**12,763,234**	**968,164**	**7.6%**	**8.2%**	**0**	**33,000**	**(706,000)**	**$14.25**
FLEX	2,914,770	79,909	2.7%	4.3%	0	(20,000)	(56,000)	$12.62
WAREHOUSE	27,624,748	1,540,343	5.6%	6.4%	0	(548,000)	(759,000)	$12.63
ROUTE 1 NORTH	**30,539,518**	**1,620,252**	**5.3%**	**6.2%**	**0**	**(568,000)**	**(815,000)**	**$12.63**
FLEX	8,336,550	525,343	6.3%	6.7%	31,320	94,000	58,000	$13.41
WAREHOUSE	21,758,426	1,047,956	4.8%	5.2%	666,420	47,000	(174,000)	$12.89
BWI	**30,094,976**	**1,573,299**	**5.2%**	**5.6%**	**697,740**	**141,000**	**(116,000)**	**$13.04**
FLEX	3,804,006	208,102	5.5%	5.9%	34,120	16,000	57,000	$16.88
WAREHOUSE	1,358,165	3,000	0.2%	0.2%	0	0	0	$16.17
ANNE ARUNDEL SOUTH	**5,162,171**	**211,102**	**4.1%**	**4.4%**	**34,120**	**16,000**	**57,000**	**$16.68**
FLEX	45,841,429	2,441,104	5.3%	5.6%	301,340	130,000	(69,000)	$13.78
WAREHOUSE	179,355,886	9,617,152	5.4%	6.5%	1,916,039	(148,000)	(1,446,000)	$11.01
TOTAL	**225,197,315**	**12,058,256**	**5.4%**	**6.3%**	**2,217,379**	**(18,000)**	**(1,515,000)**	**$11.65**

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

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all.
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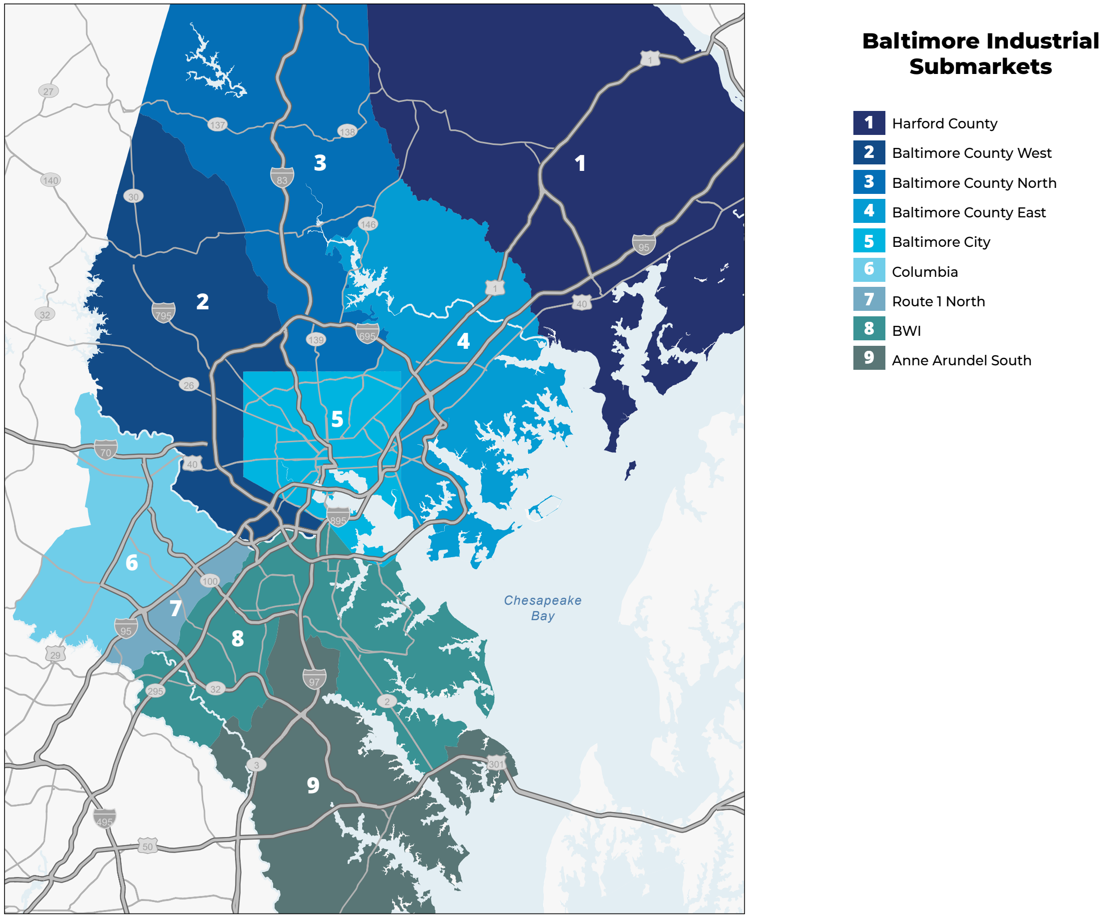

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