



TRANSWESTERN

# BALTIMORE METRO AREA INDUSTRIAL MARKET

## Q4 2024



### TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	2.0	↑	4.2	↓
NET ABSORPTION (THOUSANDS SF)	(171.0)	(105.0)	↓	713.6	↑
DIRECT VACANCY RATE	5.8%	4.7%	↑	5.0%	↓
DIRECT VACANT SF (MSF)	13.2	10.6	↑	11.0	↓
UNDER CONSTRUCTION (MSF)	2.5	1.2	↑	2.8	↑
ASKING RENT, NNN (PSF)	\$11.92	\$11.19	↑	\$9.89	↑
SALES VOLUME (MILLIONS)	\$22.1	\$211.3	↓	\$249.7	↑

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

### INDUSTRIAL MARKET DECLINES IN Q4

The Baltimore metro area market regressed in the fourth quarter, with a total net absorption of negative 171,000 SF. The direct vacancy rate rose 30-basis points to 5.8% when compared to the third quarter. The vacancy rate remains low enough to elevate rents, as asking rates increased 70-basis points in the quarter and 6.5% year-over-year.

Industrial fundamentals remain strong, but demand will likely oscillate over the next several quarters, as the market normalizes. The Fed cut rates by another quarter point in December 2024 to keep the cooling economy stable. Two additional cuts are expected in 2025. This could pave a positive path for the industrial market. The vacancy rate should remain low enough during 2025 to push rents up, albeit at a decelerating pace.

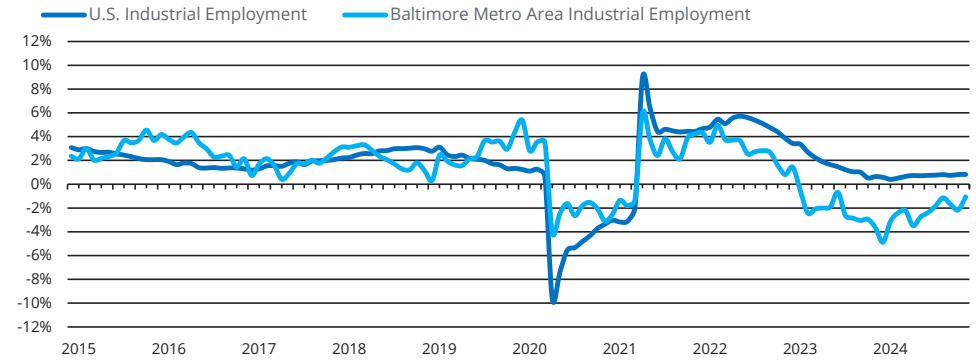


### ECONOMY

#### Industrial Using Jobs Decrease During Q4 2024

- The Baltimore metro economy added 13,100 jobs during the 12-months ending in November 2024. Education/health added 13,100 new jobs, while the construction industry shed 1,300 positions.
- Industrial-using jobs were not the reason for strong job growth in the Baltimore metro area, shedding 2,800 jobs in the 12-months ending in November 2024. This was primarily driven by losses in the transportation, warehousing, and utilities sector and the wholesale trade industry winding back 2,700 jobs.
- The unemployment rate in the Baltimore metro area increased 120-basis points over the past year to 3.3% at November 2024. Over the month the unemployment rate rose 20-basis points.
- We expect industrial jobs to recover in 2025 as demand for industrial services such as e-commerce and warehousing remains high.

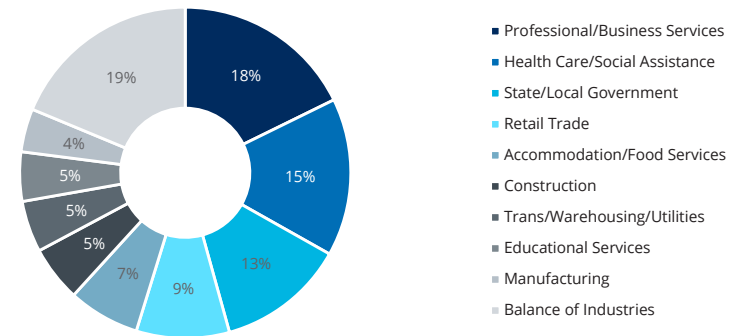
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

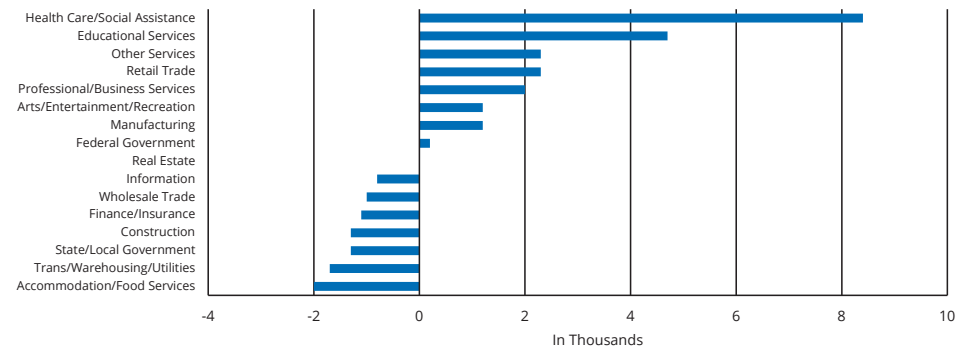
#### Baltimore Metro Area | November 2024



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

#### Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

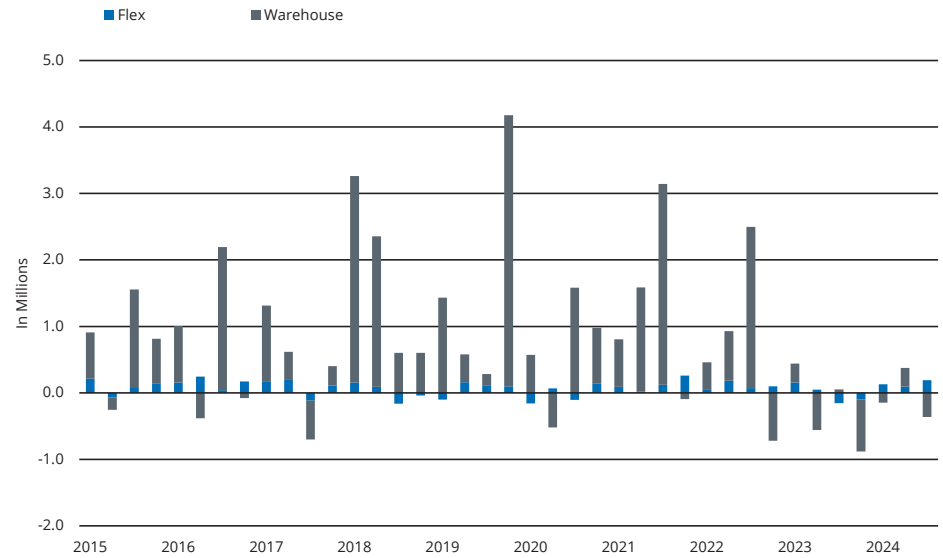


### NET ABSORPTION

#### Industrial Absorption Swings Back Negative

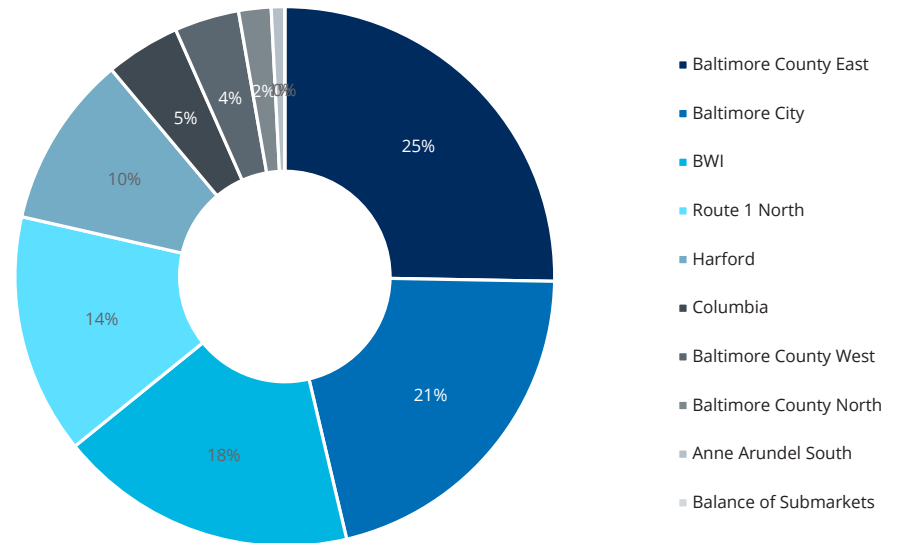
- The Baltimore industrial market reversed course in the fourth quarter with 171,000 SF of negative absorption. This was aided by Cowan Systems being acquired and causing a 195,000 SF moveout at 6300 Beckley Street in Baltimore City. Another noticeable moveout happened at 4730 Hollins Ferry Road when CabinetERA vacated 22,258 SF in Baltimore County West.
- Columbia was the largest source of positive net absorption totaling 270,000 SF. Baltimore City was responsible for the greatest amount of negative net absorption at negative 326,000 SF of net absorption, due to the previously mentioned moveout at 6300 Beckley Street, and also Goodwill vacating 132,000 SF at 2015 Washington Boulevard.
- A notable leasing transaction was S.P. Richards executing a 253,330 SF lease at 7441 Candlewood Road in BWI. A notable renewal, which does not affect absorption, was TA Services signing for 161,415 SF at 5003 Holabird Avenue in Baltimore City.
- We expect net absorption to experience stable, but slower growth during 2025, as the industrial market normalizes.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2024



Source: CoStar, Transwestern

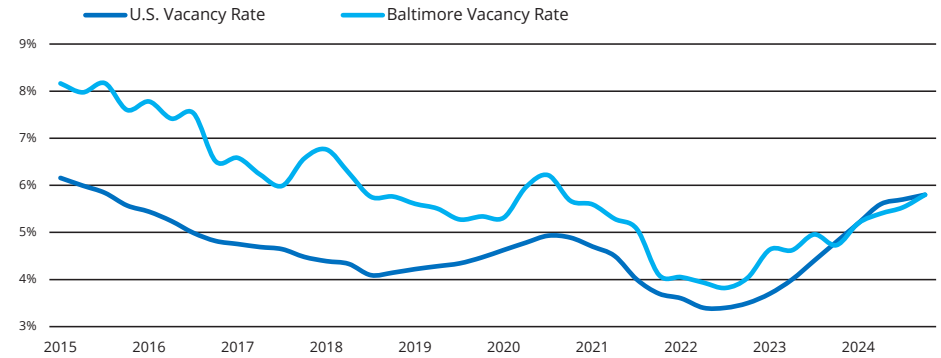


### VACANCY

#### Vacancy Rates Continue Upward Trend

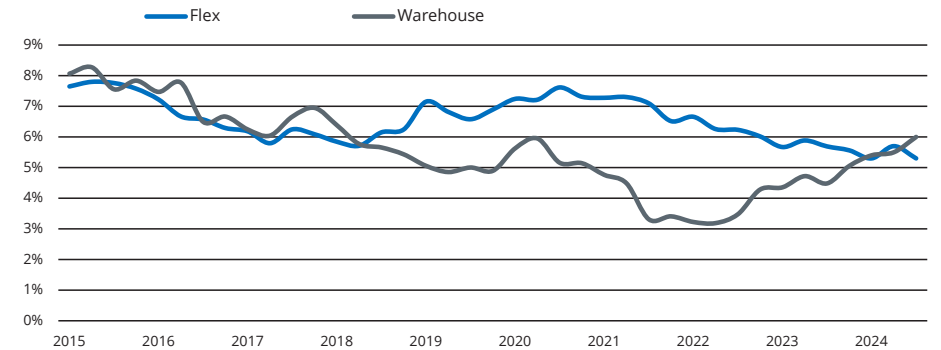
- The Baltimore industrial direct vacancy rate increased 30-basis points to 5.8%. This is the highest level the vacancy rate has seen since the third quarter of 2020 which totaled 6.2%. Despite this rise, the rate is considered low and healthy.
- The warehouse vacancy rate increased 50-basis points to 6.0% during the fourth quarter. Flex decreased 40-basis points to 5.3%.
- Baltimore City had the largest increase in vacancy rate, rising 100-basis points to 5.4%. Columbia had the largest decrease in vacancy rate, declining 2.1% to 5.4%.
- The vacancy rate should stabilize during 2025 with demand for industrial space remaining healthy. However, a full construction pipeline with select buildings with low levels of pre-leasing could impact the vacancy rate temporarily if those properties are delivered vacant.

### DIRECT VACANCY RATE



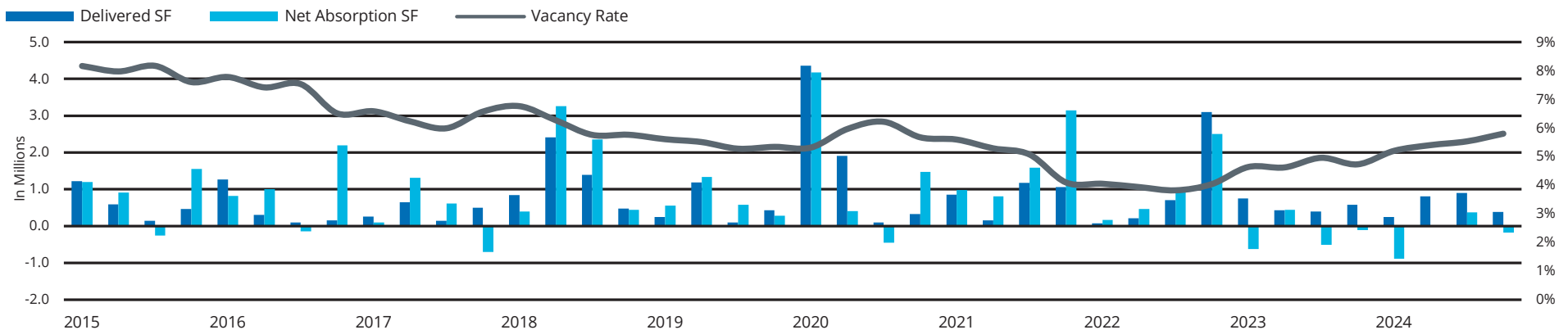
Source: CoStar, Transwestern

### DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

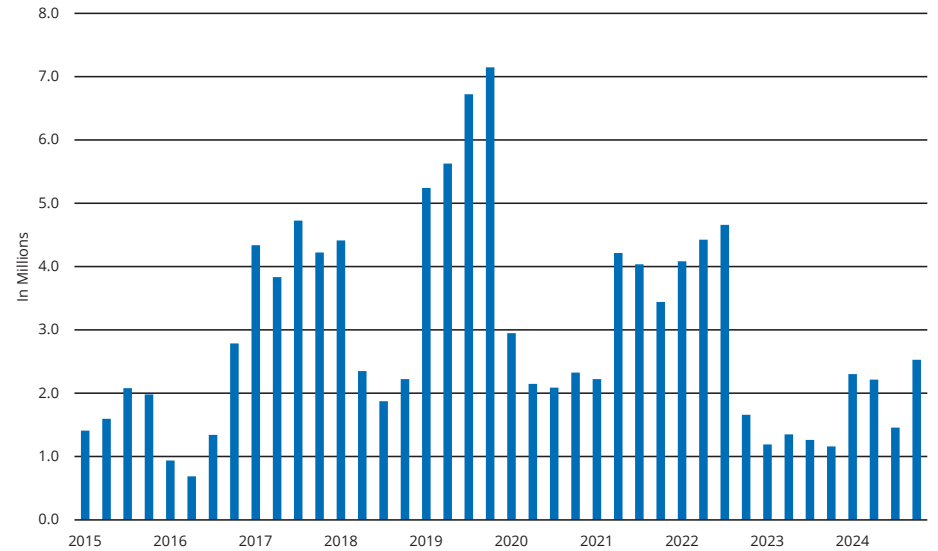


### UNDER CONSTRUCTION

#### Two Projects Deliver in Q4 2024

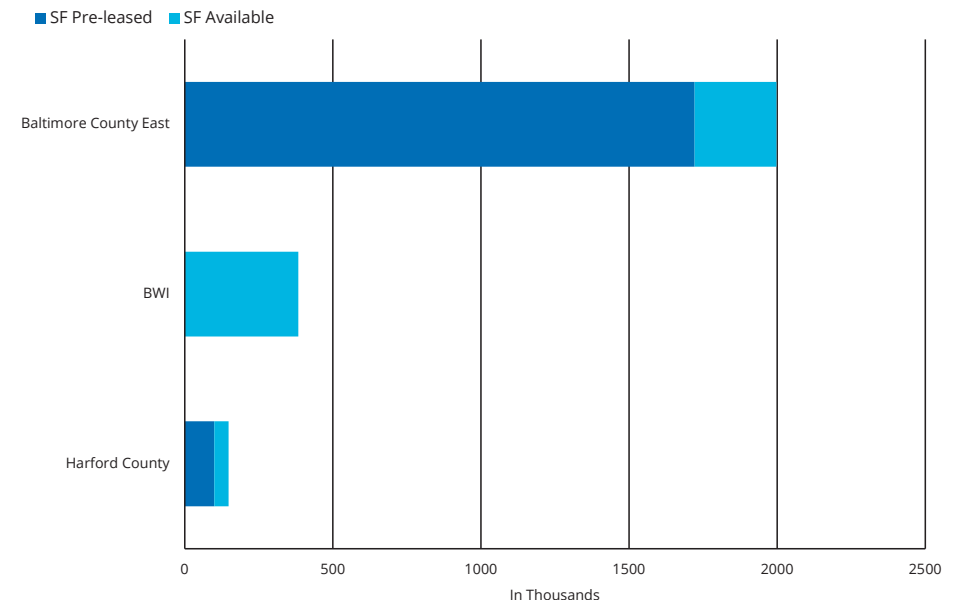
- Two construction projects delivered in the fourth quarter. 755 Chelsea Road in Harford County delivered 259,200 SF of 0% pre-leased space and 1384 Hanover Road delivered 122,688 SF of 0% pre-leased space.
- There was one addition to the pipeline in the fourth quarter. Tradepoint Atlantic will deliver a brand new 1.3 million SF facility at 100% pre-leased for Floor & Décor at 1365 Sparrows Point Boulevard in Baltimore County East.
- The first half of 2025 should deliver a large portion of the pipeline with six out of the eight overall projects coming online. This will add 808,024 SF of industrial space to the market, with a 100,000 SF property being the only one pre-leased at 100%.
- The construction pipeline will likely stabilize in the coming quarters as heightened interest rates may give investors pause on development. The Fed's recent rate reduction could spark some activity.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

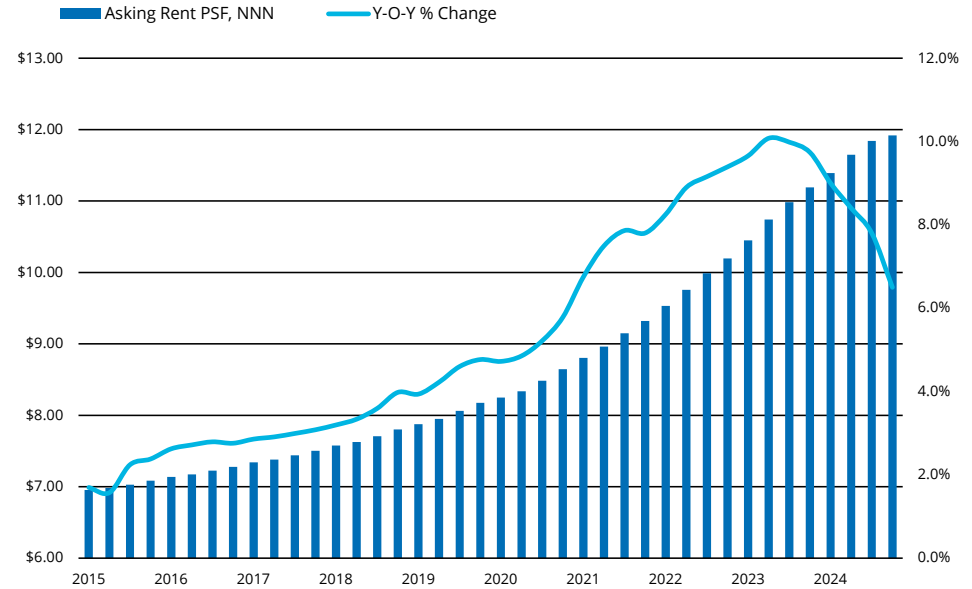


### RENTAL RATES

#### Asking Rental Rates Escalate in Fourth Quarter

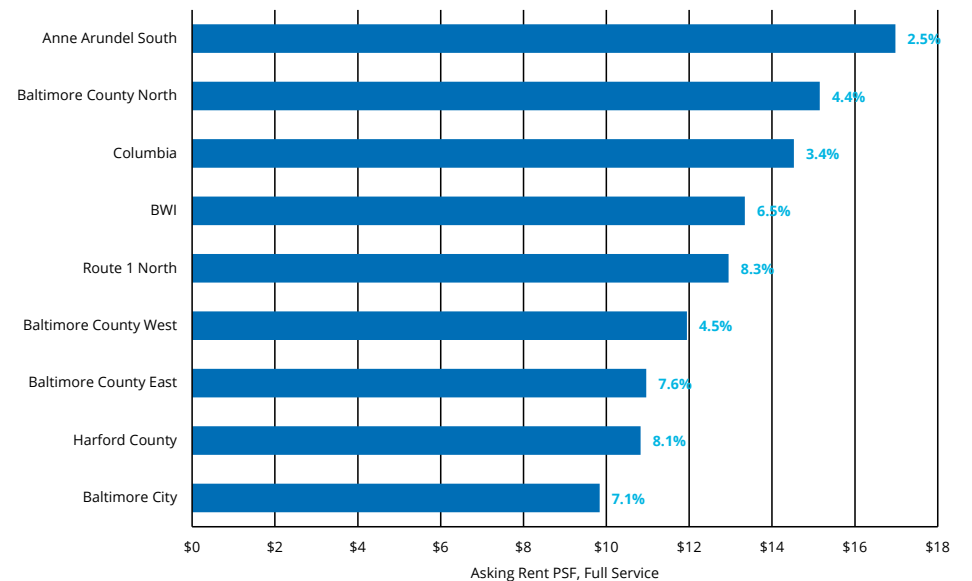
- Industrial asking rents increased 70-basis points over the quarter, and 6.5% year-over-year. Rents currently average \$11.92 PSF, which is up from \$11.19 PSF in the fourth quarter of 2023.
- Anne Arundel South had the largest increase in rental rate, rising 1.1% to \$16.27 PSF. Harford County had the largest year-over-year increase at 8.9%, up from \$9.37 PSF in the fourth quarter of 2023.
- 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

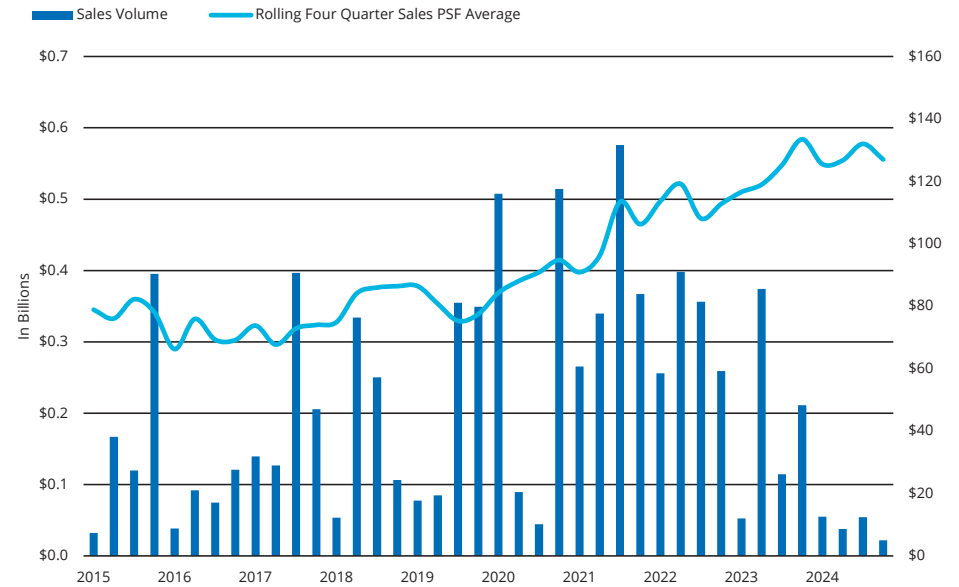


### SALES

#### Industrial Investment Sales Activity Slow

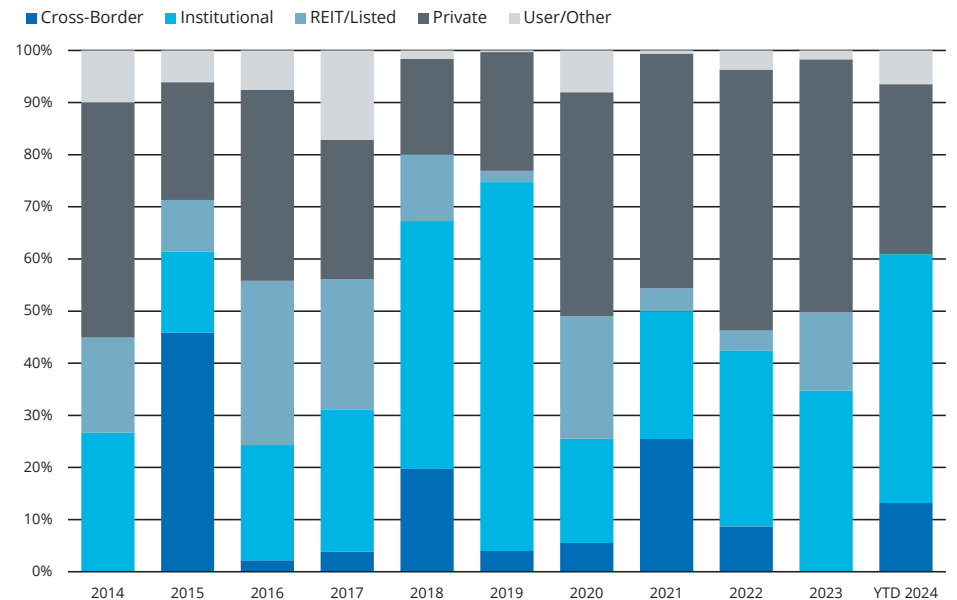
- There were three investment sales that occurred in the quarter, with two sales being for flex product. The lone warehouse sale was sold for \$18.5 million, or \$153 PSF.
- The two flex sales were 6411 Beckley Road, which sold for \$2.6 million, or \$34 PSF, to Alberti Realty, and 4100-4112 Aquarium Place, which sold for \$950,000, or \$54 PSF. Both properties are in Baltimore City.
- A notable sale from earlier this year was in the second quarter when EQT Exeter purchased 1411 Tangier Drive in Baltimore County East for \$64.25 million, or \$148 PSF. There have been 37 total transactions this year totaling \$395.7 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. The Fed’s recent rate reduction could spark some activity.

### 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
SH BELL	6301 New Cold Mill Rd	Baltimore County East	New Lease	447,448
ABC SUPPLY	1501 Perryman Rd	Harford	New Lease	263,764
S.P. RICHARDS	7441 Candlewood Rd	BWI	New Lease	253,330
NORTHROP GRUMMAN CORPORATION	7090 Troy Hill Dr	Route 1 North	New Lease	180,786
TA SERVICES	5003 Holabird Ave	Baltimore City	Renewal	161,415
RTW LOGISTICS	8203 Fischer Rd	Baltimore County East	New Lease	87,325

Source: CoStar, Transwestern

**NOTABLE SALES**

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
6411 BECKLEY ST	Baltimore City	Nov-24	\$2,600,000	77,000	\$34	Alberti Realty	Douglas Legum Development Inc.
7510 MONTEVIDEO RD	Route 1 North	Nov-24	\$18,500,000	121,211	\$153	Gaulin Properties LLC	Tate Access Floors, Inc.
4100-4112 AQUARIUM PL	Baltimore City	Oct-24	\$950,000	17,640	\$54	Fernau LeBlanc Investment Partners	Ashref Elshazli
2001 WINDSOR AVE	Baltimore City	Sep-24	\$1,417,500	42,290	\$34	Undisclosed	Northwest Refuse Service Llc
1200 BERNARD DR	Baltimore City	Aug-24	\$6,300,000	49,725	\$127	Faropoint	Grander Capital Partners LLC
2413 PEPPERMILL DR	BWI	Aug-24	\$22,965,265	107,180	\$214	Hillwood Development Corporation	Chesapeake Real Estate Group

Source: CoStar, Real Capital Analytics, Transwestern



**MARKET INDICATORS TABLE**

All Classes of Space | Q4 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
<b>FLEX</b>	2,299,607	117,235	5.1%	5.1%	0	27,000	39,000	\$13.21
<b>WAREHOUSE</b>	26,526,330	1,599,936	6.0%	6.4%	148,219	47,000	382,000	\$10.53
<b>HARFORD COUNTY</b>	<b>28,825,937</b>	<b>1,717,171</b>	<b>6.0%</b>	<b>6.3%</b>	<b>148,219</b>	<b>74,000</b>	<b>421,000</b>	<b>\$10.83</b>
<b>FLEX</b>	7,578,857	599,611	7.9%	8.1%	0	46,000	16,000	\$13.35
<b>WAREHOUSE</b>	10,786,208	1,047,627	9.7%	9.7%	0	(61,000)	(210,000)	\$11.22
<b>BALTIMORE COUNTY WEST</b>	<b>18,365,065</b>	<b>1,647,238</b>	<b>9.0%</b>	<b>9.0%</b>	<b>0</b>	<b>(15,000)</b>	<b>(194,000)</b>	<b>\$11.94</b>
<b>FLEX</b>	4,696,353	131,176	2.8%	3.0%	0	9,000	48,000	\$12.78
<b>WAREHOUSE</b>	4,967,300	154,067	3.1%	3.1%	0	9,000	60,000	\$15.85
<b>BALTIMORE COUNTY NORTH</b>	<b>9,663,653</b>	<b>285,243</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0</b>	<b>18,000</b>	<b>108,000</b>	<b>\$15.15</b>
<b>FLEX</b>	4,137,628	270,135	6.5%	6.5%	0	67,000	115,000	\$14.68
<b>WAREHOUSE</b>	35,458,151	1,894,091	5.3%	6.8%	1,997,523	(225,000)	300,000	\$10.71
<b>BALTIMORE COUNTY EAST</b>	<b>39,595,779</b>	<b>2,164,226</b>	<b>5.5%</b>	<b>6.8%</b>	<b>1,997,523</b>	<b>(158,000)</b>	<b>415,000</b>	<b>\$10.97</b>
<b>FLEX</b>	4,648,646	279,814	6.0%	6.7%	0	(11,000)	(52,000)	\$11.70
<b>WAREHOUSE</b>	46,436,482	2,460,249	5.3%	6.2%	0	(315,000)	28,000	\$9.59
<b>BALTIMORE CITY</b>	<b>51,085,128</b>	<b>2,740,063</b>	<b>5.4%</b>	<b>6.2%</b>	<b>0</b>	<b>(326,000)</b>	<b>(24,000)</b>	<b>\$9.84</b>

Source: CoStar, Transwestern



**MARKET INDICATORS TABLE**

All Classes of Space | Q4 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	265,214	3.5%	3.5%	0	2,000	56,000	\$16.41
WAREHOUSE	5,102,322	422,619	8.3%	8.3%	0	268,000	(390,000)	\$11.52
COLUMBIA	12,763,234	687,833	5.4%	5.4%	0	270,000	(334,000)	\$14.53
FLEX	2,914,770	40,450	1.4%	3.7%	0	28,000	4,000	\$12.83
WAREHOUSE	27,604,748	1,916,220	6.9%	7.6%	0	(100,000)	(1,185,000)	\$12.97
ROUTE 1 NORTH	30,519,518	1,956,670	6.4%	7.2%	0	(72,000)	(1,181,000)	\$12.95
FLEX	8,367,870	584,267	7.0%	7.2%	0	(9,000)	19,000	\$13.63
WAREHOUSE	22,041,324	1,259,497	5.7%	6.6%	383,522	15,000	(2,000)	\$13.23
BWI	30,409,194	1,843,764	6.1%	6.8%	383,522	6,000	17,000	\$13.35
FLEX	3,838,126	169,029	4.4%	4.8%	0	32,000	72,000	\$17.20
WAREHOUSE	1,358,165	3,000	0.2%	0.2%	0	0	0	\$16.44
ANNE ARUNDEL SOUTH	5,196,291	172,029	3.3%	3.6%	0	32,000	72,000	\$16.98
FLEX	46,142,769	2,456,931	5.3%	5.6%	0	191,000	317,000	\$14.02
WAREHOUSE	180,281,030	10,757,306	6.0%	6.8%	2,529,264	(362,000)	(1,017,000)	\$11.29
<b>TOTAL</b>	<b>226,423,799</b>	<b>13,214,237</b>	<b>5.8%</b>	<b>6.5%</b>	<b>2,529,264</b>	<b>(171,000)</b>	<b>(700,000)</b>	<b>\$11.92</b>

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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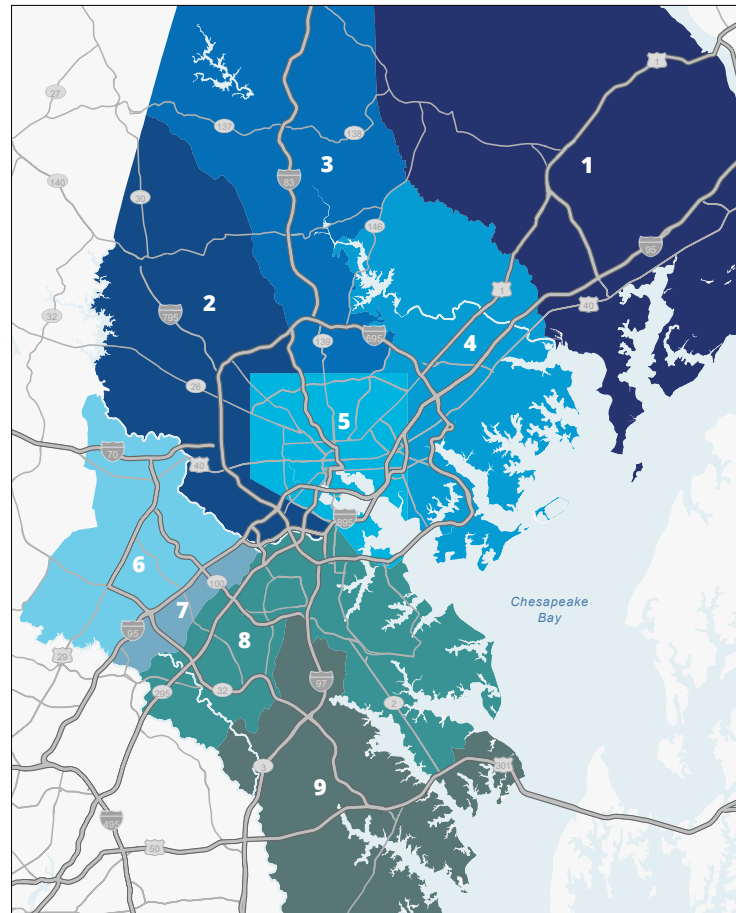
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### Baltimore Industrial Submarkets

- 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