

Baltimore

Quarterly rent growth breaks 5% as market absorbed 4 m.s.f. in 2022

- Three deals over 100,000 s.f. were signed over the quarter with all of them representing new deals
- Q4 absorption topped 1.7 million s.f. driven by occupancy gains within the Baltimore County East submarket.
- Quarter-over-quarter, direct Class A vacancy increased 40 basis points to 5.4% driven by new speculative deliveries. As leases commence on these properties, Class A vacancy is expected to fall.
- 13 existing or under construction Class A blocks over 200,000 s.f. are available in the region, nine of which are along the I-95 corridor and north of Baltimore City.

Baltimore achieved 1,700,000 s.f. of occupancy gains over Q4 and absorbed over 4 million s.f. throughout the year. Since the onset of the pandemic (Q2 2020), the market has absorbed 16.8 million s.f. of industrial space. This quarter, occupancy gains were driven by lease commencements within newly built construction. The largest move-in of the quarter belongs to McCormick & Company whose 1.8 million s.f. facility delivered 100% occupied located at 7021 Tradeport Ave within the Baltimore County East submarket. Sitting 220 basis points under the trailing three-year average, direct vacancy rates remain historically compressed within existing product.

Over 4.7 million s.f. of industrial product is currently under construction/renovation, a 19% decrease year-over-year. Throughout 2022, tenant demand coupled with historical lows in vacancy and availabilities has spurred new ground breakings. One new development broke ground over the quarter in McConnell Johnson Real Estate's 263,000 s.f. project located at 1003 Konica Dr in the I-95 North submarket. The speculative property is currently 100% available for lease and slated for delivery mid-2023. Over the past three years, Baltimore is averaging 4.1 million s.f. of completions while annual absorption averages reach over 5.8 million s.f., representing a 40% increase.

Average asking rents were on the rise this quarter. Direct asking rents saw 5.1% growth quarter-over-quarter and 26.9% growth year-over-year. Most notably in the Baltimore Washington Corridor, which boasts a sub-2% Class A vacancy rate, land constraints stifle new construction opportunities. This has caused Class A rents to increase 36.5% from this time last year to \$13.61 p.s.f., climbing into the double digits for the fourth consecutive quarter.

Outlook

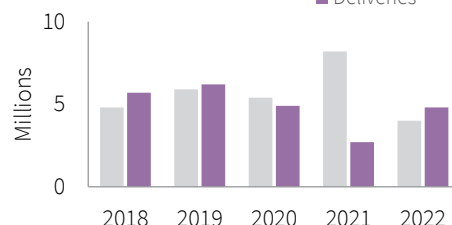
In Q1 of next year, 1.7 million s.f. of speculative construction is slated for completion; preleased at a rate of 42%. As product delivers, new availability, average direct asking rents and vacancy will rise in the near-term. While net absorption is expected to be tempered compared to recent years record breaking numbers, new speculative construction underway will continue to attract a more regional distribution-focused tenant base.

Fundamentals

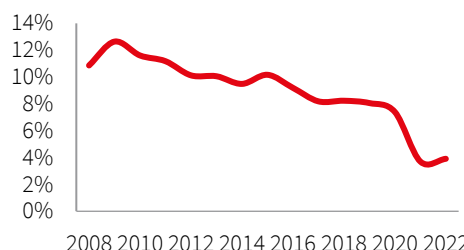
Forecast

YTD net absorption	4,020,532 s.f. ▶
Under construction	3,391,866 s.f. ▼
Total vacancy	4.1% ▶
Sublease vacancy	379,661 s.f. ▶
Direct asking rent	\$8.30 p.s.f. ▲
Sublease asking rent	\$11.22 p.s.f. ▲
Concessions	Falling ▼

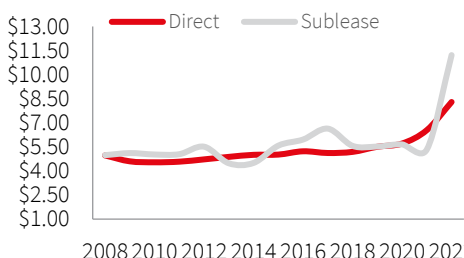
Supply and demand (s.f.)

Net absorption
Deliveries


Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Total vacancy (%)	availability (%)	Total average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Baltimore total										
Warehouse & Distribution	156,853,506	1,828,860	3,811,030	2.4%	3.9%	8.1%	\$8.51	2,162,337	4,838,759	3,391,866
Manufacturing	26,913,002	-154,861	209,502	0.8%	4.9%	6.7%	\$8.08	0	0	0
Overall Total	183,766,508	1,673,999	4,020,532	2.2%	4.1%	7.9%	\$8.46	2,162,337	4,838,759	3,391,866
Anne Arundel South										
Warehouse & Distribution	815,862	7,000	29,972	3.7%	0.7%	1.0%	\$11.42	0	0	0
Manufacturing	30,500	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	846,362	7,000	29,972	3.5%	0.7%	1.0%	\$11.42	0	0	0
Baltimore City East										
Warehouse & Distribution	17,596,184	31,100	298,673	1.7%	0.7%	5.1%	\$8.23	0	103,900	272,000
Manufacturing	3,031,828	28,800	0	0.0%	0.0%	2.5%	\$5.50	0	0	0
Overall Total	20,628,012	59,900	298,673	1.4%	0.6%	4.8%	\$8.11	0	103,900	272,000
Baltimore City West										
Warehouse & Distribution	2,265,143	650	32,220	1.4%	0.1%	3.4%	\$0.00	0	0	0
Manufacturing	416,946	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	2,682,089	650	32,220	1.2%	0.1%	2.9%	\$0.00	0	0	0
Baltimore Southeast										
Warehouse & Distribution	9,744,937	-87,049	160,573	1.6%	10.1%	8.8%	\$9.83	0	746,580	171,606
Manufacturing	2,004,808	38,000	71,066	3.5%	0.0%	9.7%	\$11.45	0	0	0
Overall Total	11,749,745	-49,049	231,639	2.0%	8.3%	9.0%	\$10.12	0	746,580	171,606
Baltimore SW										
Warehouse & Distribution	12,210,461	-1,165	102,799	0.8%	5.1%	6.3%	\$9.99	299,975	299,975	0
Manufacturing	2,966,771	0	39,033	1.3%	0.0%	4.2%	\$8.29	0	0	0
Overall Total	15,177,232	-1,165	141,832	0.9%	4.1%	5.9%	\$9.64	299,975	299,975	0
Baltimore West										
Warehouse & Distribution	7,309,135	38,993	61,095	0.8%	1.9%	4.9%	\$6.65	0	0	0
Manufacturing	1,776,631	0	10,000	0.6%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	9,085,766	38,993	71,095	0.8%	1.5%	4.0%	\$6.65	0	0	0
BWI / Anne Arundel										
Warehouse & Distribution	14,538,028	51,801	-83,346	-0.6%	3.7%	6.6%	\$11.76	0	193,601	0
Manufacturing	2,221,616	-156,898	-53,398	-2.4%	17.2%	17.2%	\$9.08	0	0	0
Overall Total	16,759,644	-105,097	-136,744	-0.8%	5.5%	8.0%	\$10.96	0	193,601	0
Columbia										
Warehouse & Distribution	4,680,191	6,356	158,689	3.4%	4.7%	8.6%	\$12.88	0	97,491	0
Manufacturing	180,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	4,860,191	6,356	158,689	3.3%	4.5%	8.3%	\$12.88	0	97,491	0
I-83 Corridor										
Warehouse & Distribution	3,006,050	58,291	70,239	2.3%	4.0%	9.0%	\$8.86	0	0	0
Manufacturing	1,959,443	2,300	-2,000	-0.1%	0.7%	0.7%	\$5.61	0	0	0
Overall Total	4,965,493	60,591	68,239	1.4%	2.7%	5.7%	\$8.60	0	0	0
I-95 North										
Warehouse & Distribution	36,497,465	-41,463	109,949	0.3%	6.7%	14.6%	\$7.14	0	1,365,050	1,894,280
Manufacturing	5,019,331	52,250	0	0.0%	14.4%	15.0%	\$6.53	0	0	0
Overall Total	41,516,796	10,787	109,949	0.3%	7.6%	14.7%	\$7.06	0	1,365,050	1,894,280
Route 1										
Warehouse & Distribution	24,203,020	90,253	206,228	0.9%	1.8%	5.2%	\$11.62	0	0	0
Manufacturing	1,389,589	-51,546	-127,956	-9.2%	9.2%	9.2%	\$10.95	0	0	0
Overall Total	25,592,609	38,707	78,272	0.3%	2.2%	5.4%	\$11.55	0	0	0
Baltimore County East total										
Warehouse & Distribution	23,987,030	1,674,093	2,663,939	11.1%	2.2%	6.0%	\$7.35	1,862,362	2,032,162	1,053,980
Manufacturing	5,915,539	-67,767	272,757	4.6%	1.1%	2.0%	\$6.96	0	0	0
Overall Total	29,902,569	1,606,326	2,936,696	9.8%	2.0%	5.3%	\$7.32	1,862,362	2,032,162	1,053,980
Baltimore County East										
Warehouse & Distribution	23,987,030	1,674,093	2,663,939	11.1%	2.2%	6.0%	\$7.35	1,862,362	2,032,162	1,053,980
Manufacturing	5,915,539	-67,767	272,757	4.6%	1.1%	2.0%	\$6.96	0	0	0
Overall Total	29,902,569	1,606,326	2,936,696	9.8%	2.0%	5.3%	\$7.32	1,862,362	2,032,162	1,053,980
Harford County total										
Warehouse & Distribution	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Harford County										
Warehouse & Distribution	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0