

FIGURES | BALTIMORE INDUSTRIAL | Q3 2024

Moderate Activity, Little Movement Throughout the Summer



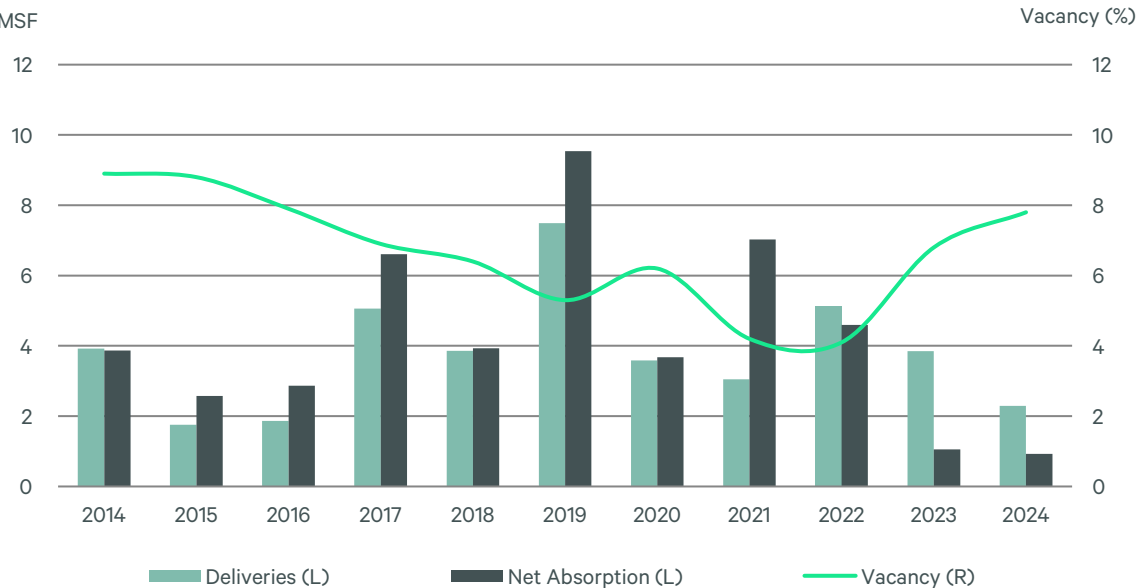
Note: Arrows indicate change from previous quarter.

Throughout the first half of 2024, Baltimore’s industrial market posted healthy activity despite economic uncertainty and the temporary closure of the Port of Baltimore. To open the second half of the year, activity was moderate. Net absorption is down quarter-over-quarter, but positive at 72,000 sq. ft. overall. Movement was near flat across the market, with occupancy losses in the Baltimore/Washington Corridor being mitigated by occupancy gains in Harford/Cecil County. Despite positive absorption, vacancy increased 20 basis points to 7.8% due to a vacant bulk delivery.

Industrial tenants signed leases totaling 3.1 million sq. ft., a 15% increase quarter-over-quarter. Baltimore County East was the most active submarket, accounting for 42% of leasing. The Baltimore/Washington Corridor recorded the second most activity, with four leases exceeding 100,000 sq. ft. Overall, the submarket accounted for 36% of leasing activity. Logistical service tenants leased the most space, but the market saw a healthy variety of tenants signing deals.

The construction pipeline saw little change, with no ground breakings and one delivery. Year-to-date, 2.3 million sq. ft. has delivered across the Baltimore market. With 2.8 million sq. ft. currently under construction, 2024 is on pace to match 2023 completion levels. Average rental rates in the Baltimore market are nearing \$11.00 per sq. ft. per annum on a triple net basis (NNN).

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

During the third quarter, the most active sectors were 3PLs and wholesalers, combining for an astounding 70% of gross leasing. That said, multiple industries were active in Baltimore, with seven sectors contributing to leasing totals.

3PL

Multiple tenants leased bulk warehouse space for logistics services this quarter, with 3PLs accounting for 44% of gross leasing. SH Bell signed the largest lease of the quarter, committing to 447,400 sq. ft. of space at 6301 New Cold Mill Road at Tradepoint Atlantic. Additionally, Chadwell Supply eclipsed 100,000 sq. ft., expanding its footprint in the Baltimore/Washington Corridor by 125,000 sq. ft. Furthermore, RTW Logistics leased 87,300 sq. ft of warehouse space, relocating to 8203 Fischer Rd in Baltimore County East.

Wholesale

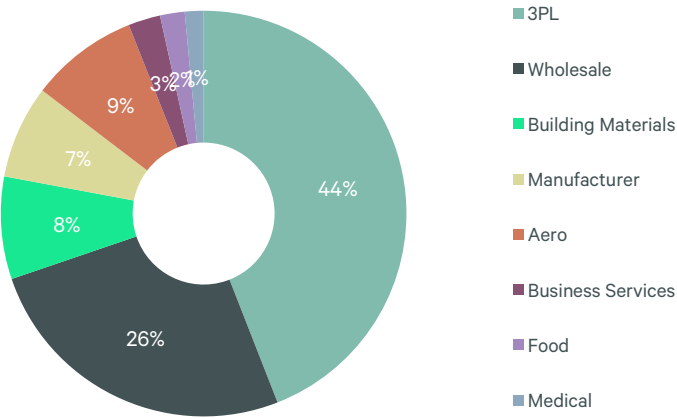
The other major leasing sector was wholesale and retail distribution, with tenants accounting for 26% of gross leasing. ABC Supply committed to more space in Baltimore, signing a new lease at 1501 Perryman Road, where it will occupy 263,800 sq. ft. Additionally, SP Richards signed a 253,330 sq. ft. lease at 7441 Candlewood Road. The top two wholesale leases together exceed 500,000 sq. ft. Additionally, Head USA expanded its footprint within 1041 Swan Creek Drive. Previously occupying about 106,000 sq. ft., the company will gain about 36,000 sq. ft. of space with the commencement of their renewal next year.

FIGURE 2: Select Notable Q3 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
SH Bell	3PL	6301 New Cold Mill Rd	Baltimore County East	New Lease	447,448
ABC Supply	Wholesale & Retail	1501 Perryman Rd	Harford/Cecil County	New Lease	263,764
SP Richards	Wholesale & Retail	7441 Candlewood Rd	Baltimore/Washington Corridor	New Lease	253,330
Northrop Grumman	Aerospace & Defense	7090 Troy Hill Dr	Baltimore/Washington Corridor	Expansion	180,786
Head USA	Wholesale & Retail	1041 Swan Creek Dr	Baltimore/Washington Corridor	Expansion	142,714
Chadwell Supply	3PL	6611 Cabot Dr	Baltimore/Washington Corridor	New Lease	124,978
RTW Logistics	3PL	8203 Fischer Rd	Baltimore County East	New Lease	87,325
CDS Logistics	3PL	1225 Bengies Rd	Baltimore County East	Renewal	78,750

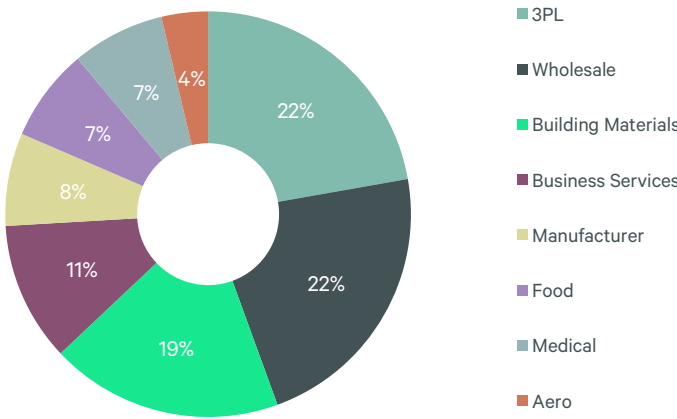
Source: CBRE

FIGURE 3: Q3 2024 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q3 2024 Gross Leasing by Sector (Share by Total Leases)



Source: CBRE

Development Activity

Just one property completed construction during the third quarter:

- DWS delivered Diamond Logistics, a 442,200 sq. ft. warehouse located at 8250 Eastern Avenue in the Baltimore County East submarket. The property delivered completely vacant but is expected to see tenant interest with the lack of bulk availabilities nearby.

No properties broke ground during the third quarter. The industrial pipeline remains healthy, with 2.8 million sq. ft. set to deliver through the first half of next year. In a positive swing for investors and developers, the Federal Reserve lowered interest rates in September for the first time since 2020. All else equal, this should help spur activity from those in the market who have been sidelined the past few years.

Pricing

Rental rate increases seem to be decelerating, with landlords looking to fill vacancies. Asking rents increased 1.8% quarter-over-quarter to \$10.98 NNN. Warehouse rents saw a slightly higher increase at 2.5%, reaching \$10.75 NNN. Vacant spec deliveries have contributed to rate increases which should see another small boost heading into the new year with vacant class A product completing in Harford County.

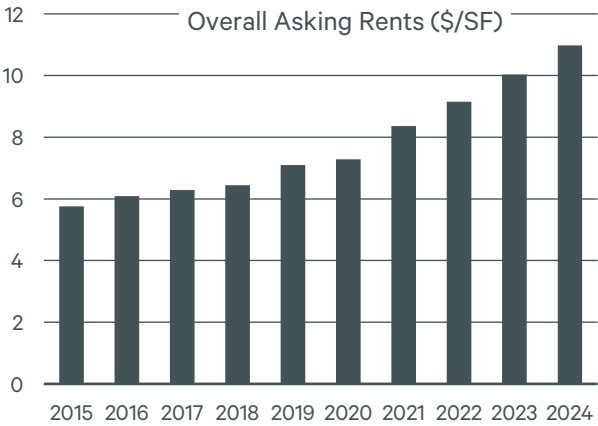
The Baltimore/Washington Corridor maintains the highest warehouse rates at \$13.36, due to its proximity to both Baltimore and Washington, D.C.

FIGURE 5: Select Development Projects

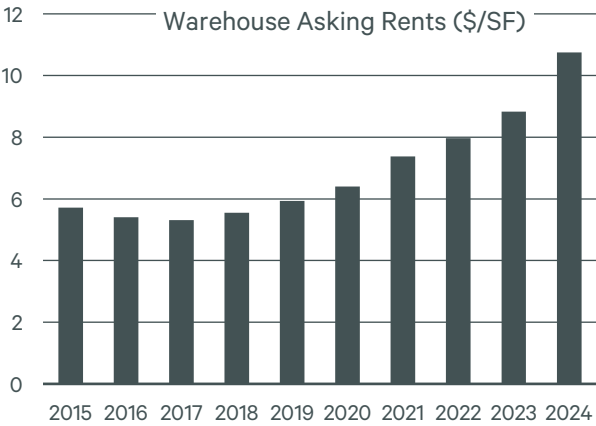
Address	Submarket	SF	Expected Delivery	Developer(s)
1365 Sparrows Point Blvd	Baltimore County East	1,321,240	Oct-24	Tradepoint Atlantic
801 Chelsea Rd	Harford/Cecil	259,200	Oct-24	FRP Development
7031 Tradepoint Ave	Baltimore County East	414,960	Feb-25	Tradepoint Atlantic
7300 Corporate Center Dr	BWC	228,014 155,508	Apr-25	Trammell Crow
9107 Yellow Brick Rd	Baltimore County East	150,492	Apr-25	Knott Realty
9114 Yellow Brick Rd	Baltimore County East	125,791	Apr-25	Knott Realty
4625 Mercedes Dr	Harford/Cecil	100,000	Mar-25	Chesapeake Spice

Source: CBRE

FIGURE 6: Historical Rent Growth (\$/SF)



Source: CBRE

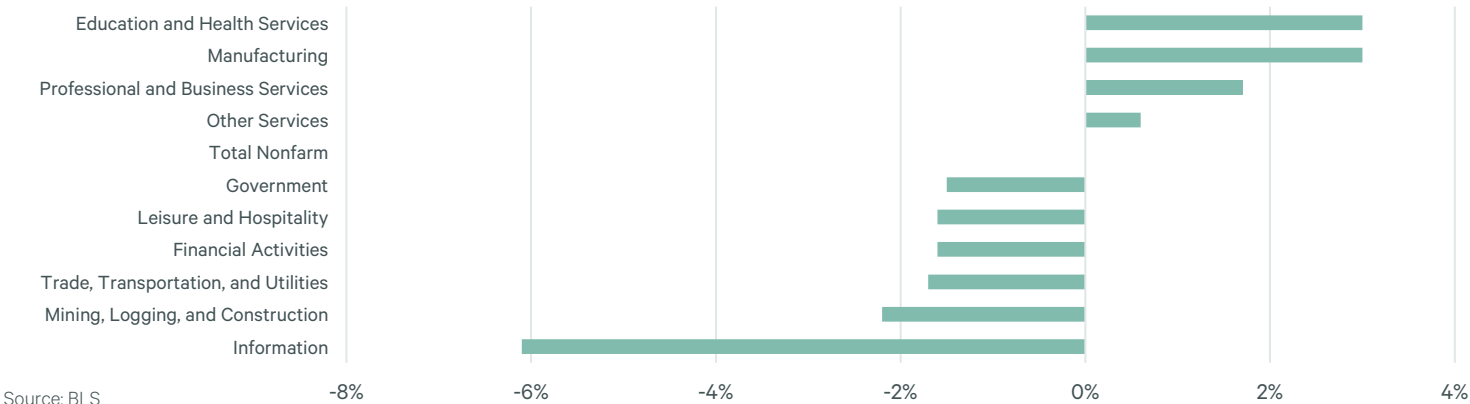


Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

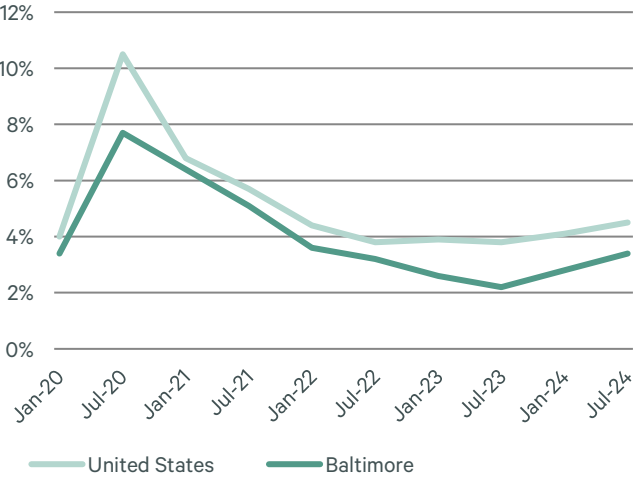
While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change



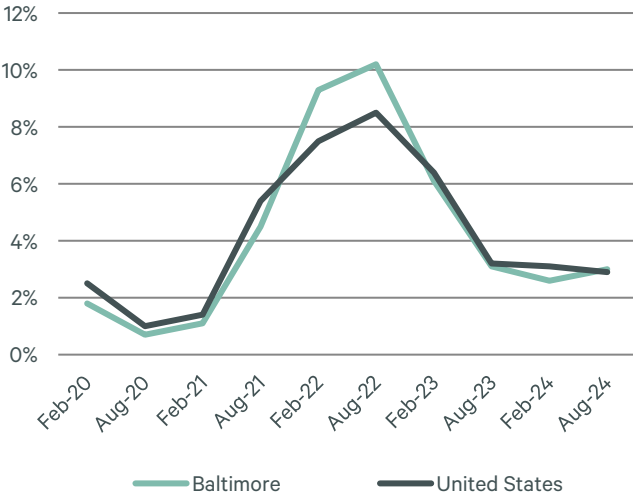
Source: BLS

FIGURE 8: Unemployment Rate



Source: BLS

FIGURE 9: Consumer Price Index, 12-Month Percent Change



Source: BLS

FIGURE 10: Key Market Statistics

Warehouse	Inventory (SF)	Overall Vacancy Rate (%)	Q3 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	368,762	0.0%	-	-	-	-
Baltimore City	28,771,835	6.5%	(68,479)	253,926	\$9.42	-
Baltimore County East	29,037,841	6.1%	(28,909)	59,802	\$10.27	2,012,483
Baltimore Southwest	7,448,234	17.8%	21,640	(297,496)	\$10.79	-
Balt/Washington Corridor	50,549,303	8.0%	(196,591)	(843,079)	\$13.36	383,522
Harford/Cecil County	39,731,884	8.9%	254,357	1,565,559	\$7.87	359,200
Hunt Valley/Towson	2,971,855	10.0%	(69,577)	(77,716)	\$10.33	-
Owings Mills/Reisterstown Rd	706,368	0.0%	-	-	\$11.75	-
Total	159,586,082	8.0%	(87,559)	660,996	\$10.75	2,755,205

Flex	Inventory (SF)	Overall Vacancy Rate (%)	Q3 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,189,227	6.7%	9,951	20,168	\$16.96	-
Baltimore City	2,742,461	6.8%	17,718	45,528	\$9.79	-
Baltimore County East	2,969,563	7.1%	27,349	70,459	\$10.05	-
Baltimore Southwest	3,668,676	12.0%	(8,265)	653	\$11.54	-
Balt/Washington Corridor	14,609,842	4.8%	36,528	72,644	\$13.89	-
Harford/Cecil County	1,839,987	5.1%	846	2,905	\$10.06	-
Hunt Valley/Towson	3,556,214	3.6%	70,062	76,172	\$10.95	-
Owings Mills/Reisterstown Rd	1,791,435	11.9%	5,875	(23,740)	\$11.46	-
Total	32,367,405	6.3%	160,064	264,789	\$12.38	-

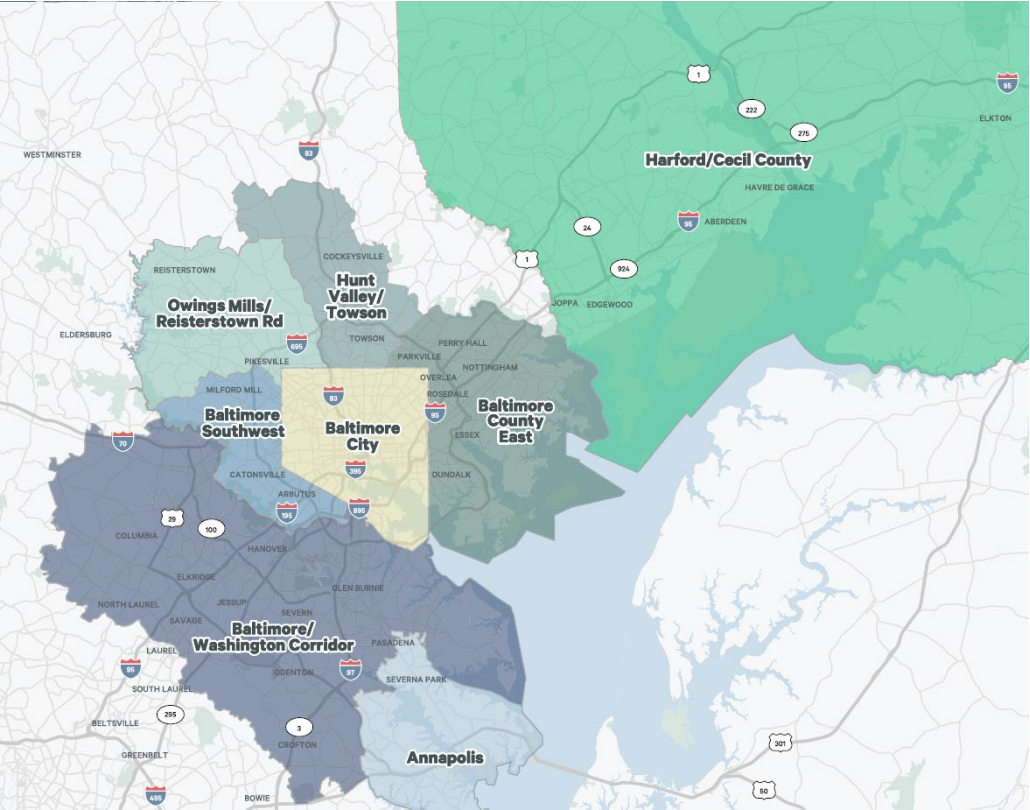
FIGURE 10 (Continued): Key Market Statistics

Overall	Inventory (SF)	Overall Vacancy Rate (%)	Q3 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,557,989	5.1%	9,951	20,168	\$16.96	-
Baltimore City	31,514,296	6.5%	(50,761)	299,454	\$9.44	-
Baltimore County East	32,007,404	6.2%	(1,560)	130,261	\$10.24	2,012,483
Baltimore Southwest	11,116,910	15.9%	13,375	(296,843)	\$10.94	-
Balt/Washington Corridor	65,159,145	7.5%	(160,063)	(770,435)	\$13.45	383,522
Harford/Cecil County	41,571,871	8.7%	255,203	1,568,464	\$7.92	359,200
Hunt Valley/Towson	6,528,069	6.7%	485	(1,544)	\$10.61	-
Owings Mills/Reisterstown Rd	2,497,803	9.9%	5,875	(23,740)	\$11.46	-
Total	191,953,487	7.8%	72,505	925,785	\$10.98	2,755,205

Survey Criteria:

Includes all classes of competitive single and multi-tenant industrial buildings 10,000 sq. ft. and greater in Baltimore.

Source: CBRE



Contact

Chad Robbins

Research Analyst
+1 443 975 8220
chad.robbins1@cbre.com

Erin Janacek

Research Manager
+1 202 585 5505
erin.janacek@cbre.com

Stephanie Jennings

Research Director
+1 202 609 6802
stephanie.jennings@cbre.com