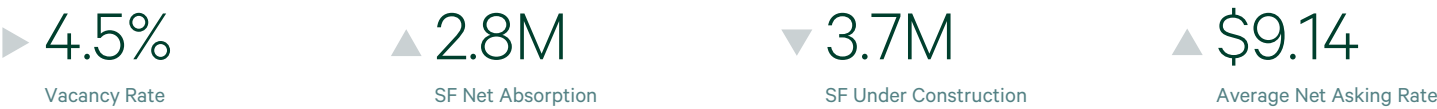


FIGURES | BALTIMORE INDUSTRIAL | Q4 2022

# Consumer Spending Propels Industrial Market Through Economic Headwinds

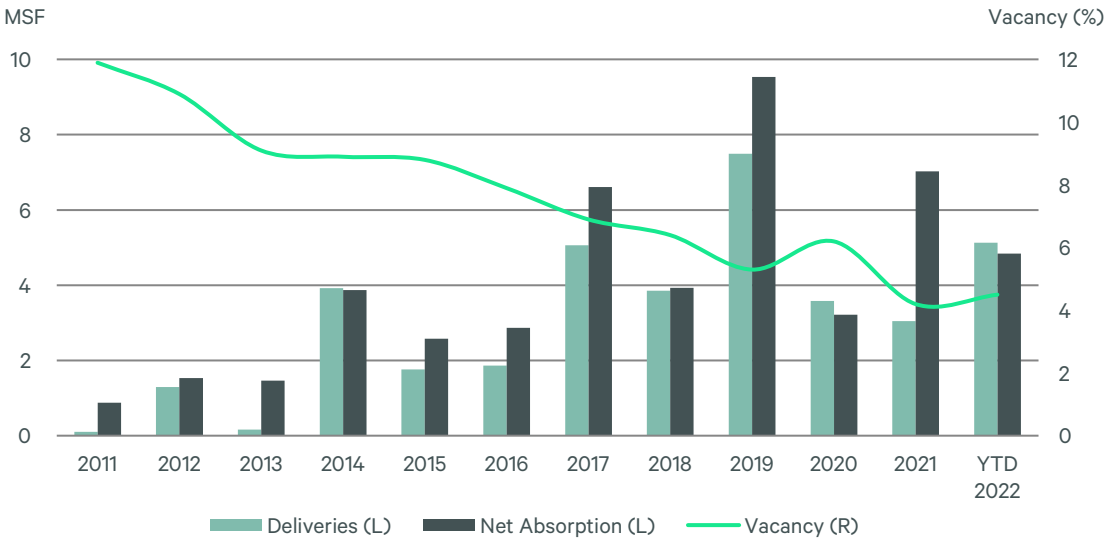


Note: Arrows indicate change from previous quarter.

Following a record-setting year, 2022 was simultaneously an anxious and reassuring year for industrial real estate in Baltimore. Long material delays, labor challenges, and concerns of an impending recession put into question the resilience of the market. However, demand continues to outpace supply for the moment, and rents continue to climb. Despite the projections of persistent economic headwinds, [CBRE has reported](#) that global demand for e-commerce activity will drive an additional two billion sq. ft. of logistics space demand over the next 5 years.

More than 2.8 million sq. ft. of deliveries in Q4 brought the 2022 total to 5.8 million sq. ft. of newly delivered industrial product with a combined prelease rate of 78%. Gross leasing volume slowed moderately in Q4 at 1.3 million sq. ft., below the 5-year quarterly average of 3.5 million sq. ft., but this was expected due to the staggeringly low amount of available space in the market. Tenant demand across the metro has slowed, tempering the blistering pace of rent growth seen over the previous 8 quarters. The most significant leases this year have been renewals, although Q4 saw a flurry of fully-occupied deliveries, resulting in strong net absorption numbers despite a relatively stable vacancy rate quarter-over-quarter.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Sector Snapshot

### Third Party Logistics (3PL)

Nationally, third party logistics (3PL) companies are expected to comprise 35% of industrial leases signed in 2022. In Baltimore, year-to-date results show 3PLs comprise 49% of all gross leasing activity. In Q4, Baltimore was below the national average at 26%. This market’s seaport and strategic location on the I-95 corridor are prime drivers for these occupiers. As transportation costs have continued to surge, 3PLs have been able to capture demand from those looking to mitigate inventory and distribution challenges. As such, one of the largest deals of the quarter was signed by Transdev, a French-based transportation company, renewing 182,655 sq. ft. at 1601 Wicomico St. in Baltimore City.

### Manufacturing

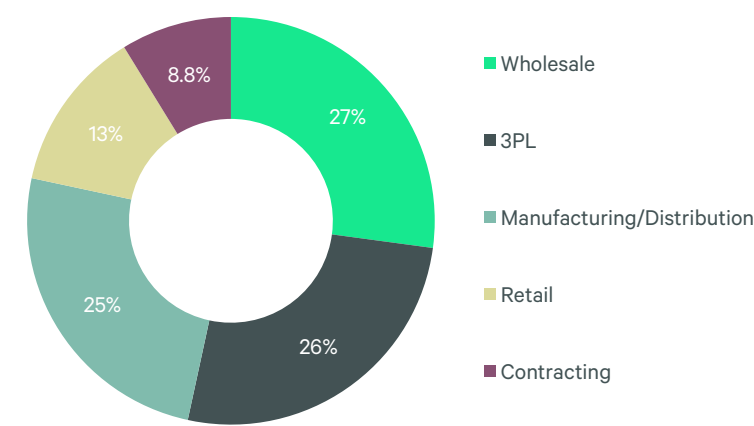
Recent inflationary pressures and supply chain congestion has led to a flurry of activity aimed at bolstering our nation’s domestic manufacturing capabilities. Semiconductors, nitrile gloves, and many other goods are the target of federal funds and subsequent warehouse leasing. Atlas container signed a new lease at 1954 Halethorpe Farms Rd this quarter for 66,300 sq. ft., and C-Care, a personal care product manufacturer, took 63,250 sq. ft at the newly delivered Southside Logistics Center in Curtis Bay. New Class A space near ports of entry like the BWI Airport and the Seagirt Marine Terminal have commanded premium rents and strong preleasing activity through and beyond the pandemic.

FIGURE 2: Select Notable Q4 2022 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Baltimore-International Warehousing	3PL	5250 Holabird Ave	Baltimore City	Renewal	244,000
Transdev	3PL	1601 Wicomico St	Baltimore City	Renewal	182,655
Lowe's Companies	Retail	1747 E Patapsco Ave	Baltimore City	New Lease	104,647
The Poole and Kent Co.	Contracting	4653 Hollins Ferry Rd	Baltimore Southwest	New Lease	100,000
Accu-Tech Corp.	Wholesale	7314 Race Rd	BWC	New Lease	87,780
Core & Main LP	Wholesale	9325 Snowden River Pkwy	BWC	Renewal	84,000
Rapid Response Delivery, Inc.	3PL	8705 Bollman Pl	BWC	New Lease	71,224
Atlas Container	Manufacturing/Distribution	1954 Halethorpe Farms Rd	Baltimore Southwest	New Lease	66,300
CAG USA, Inc. (C-Care)	Manufacturing/Distribution	4601 Curtis Ave	Baltimore City	New Lease	63,250
Catalent, Inc.	Manufacturing/Distribution	852 International Dr	BWC	New Lease	63,000

Source: CBRE

FIGURE 3: Q4 2022 Gross Leasing by Sector (Share by SF)



Source: CBRE

## Development Activity

Spontaneous and unpredictable supply chain disruptions have left developers struggling with project timelines, and some materials backups have delayed delivery of new product to market. However, the Baltimore market had 6 deliveries surpassing 2.8 million sq. ft. this quarter, the largest being McCormick’s 1.85 million sq. ft. facility at Tradepoint Atlantic. The company plans to consolidate all its operations, and the resulting availabilities across the region should provide some breathing room to tenants shopping the tight Baltimore market. The Harford/Cecil County submarket continues to experience the lion’s share of development activity, posting 1.2 million sq. ft. of deliveries year-to-date, with another 2.4 million sq. ft. currently under construction.

## Pricing

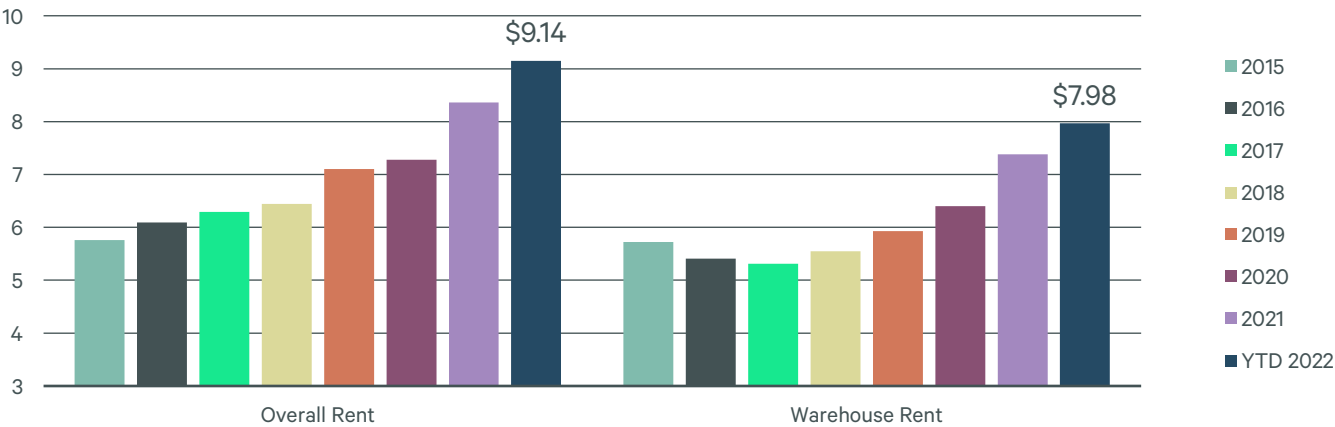
Overall industrial rents are up 13.7% year-over-year as of December and continue to climb across the metro. Despite relatively low tenant activity in 2022 compared to last year, Class A rents across Baltimore are maintaining their ascent. Developers, still battling lead times for select building materials, are still seeing demand for new product amid a market with an aging building supply and moderate land constraints. Overall triple-net rents have reached \$9.14 per sq. ft., a small increase from last quarter, and warehouse rents are nearly \$8.00 per sq. ft., a 27% increase since Q4 2020. As greater economic headwinds emerge in the coming months, rents should see increased downward pressure and start to approach an equilibrium point after 8 quarters of breakneck growth.

FIGURE 4: Select Notable Projects Under Construction

Address	Submarket	SF	Expected Delivery	Developer(s)
1701 E Patapsco Ave - #3	Baltimore City	241,000	Dec-23	Northpoint Development
1941 62nd St	Baltimore City	101,750	Jan-23	FRP Development
6709 Pulaski Hwy	Baltimore City	222,400	Aug-23	Obrecht Properties
1255 S. Caton Ave	Baltimore City	187,975	Feb-23	MRP/JP Morgan
1940 Reservoir Rd	Baltimore County East	450,000	Jan-23	Tradepoint Atlantic
1935 Reservoir Rd	Baltimore County East	108,560	Apr-23	Tradepoint Atlantic
Bainbridge B (748 JTMH)	Harford/Cecil	1,026,000	May-23	MRP/Hillwood
Bainbridge C (748 JTMH)	Harford/Cecil	605,280	May-23	MRP/Hillwood
40 Bethel Church Rd	Harford/Cecil	502,200	Jan-23	Scannell Properties
1003 Konica Dr	Harford/Cecil	263,500	May-23	McConnell Johnson

Source: CBRE

FIGURE 5: Historical Rent Growth (\$/SF)



Source: CBRE

FIGURE 6: Key Market Statistics

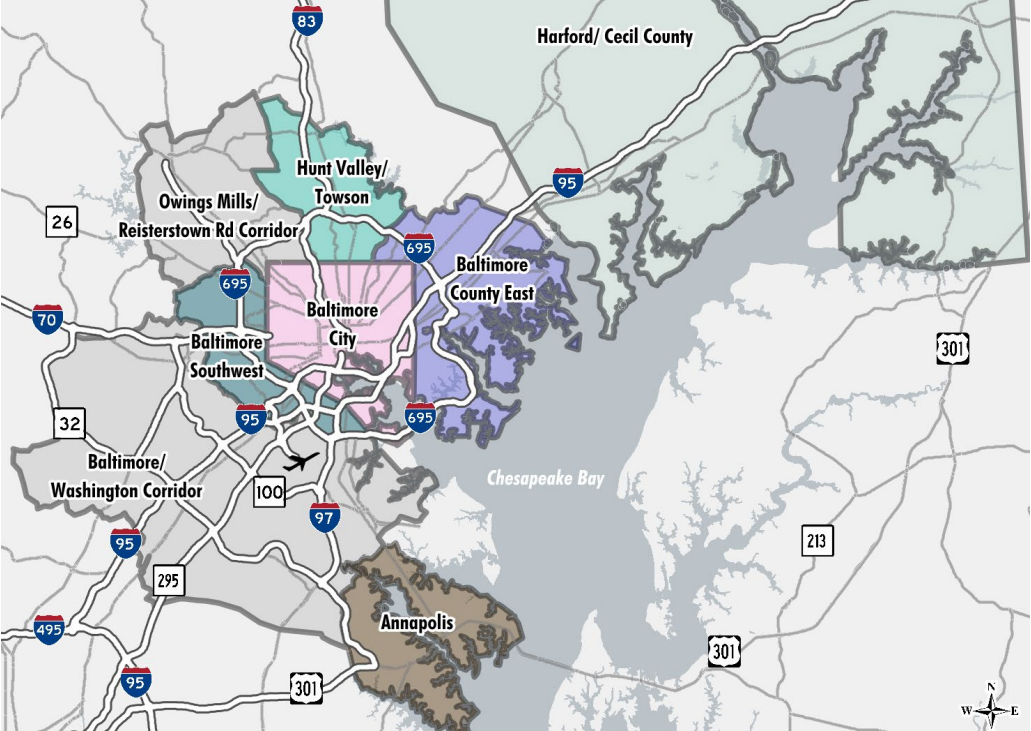
Warehouse	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	498,012	0.0%	0	0	\$10.67	-
Baltimore City	29,033,357	3.7%	252,405	426,054	\$7.20	753,125
Baltimore County East	27,453,973	1.8%	2,100,531	2,756,269	\$7.90	558,560
Baltimore Southwest	7,882,346	7.9%	(20,741)	(94,100)	\$9.95	-
Balt/Washington Corridor	49,487,213	2.1%	814,691	1,451,015	\$10.95	-
Harford/Cecil County	36,520,883	7.8%	(116,596)	(1,150)	\$6.50	2,396,980
Hunt Valley/Towson	3,252,054	8.6%	(91,410)	(56,746)	\$8.34	-
Owings Mills/Reisterstown Rd	957,106	1.6%	0	70,020	\$10.00	-
Total	155,084,944	4.1%	2,938,880	4,551,362	\$7.98	3,708,665
Flex	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,116,807	6.8%	3,390	15,899	\$17.40	-
Baltimore City	2,488,209	7.5%	(5,579)	15,547	\$7.57	-
Baltimore County East	2,581,546	10.5%	(45,670)	(41,543)	\$8.32	-
Baltimore Southwest	3,260,380	11.3%	(19,040)	(117,062)	\$11.79	-
Balt/Washington Corridor	16,236,267	6.6%	(146,942)	(46,360)	\$13.87	-
Harford/Cecil County	2,076,849	6.1%	53,490	59,743	\$9.11	-
Hunt Valley/Towson	3,652,149	7.7%	13,316	(674)	\$10.92	-
Owings Mills/Reisterstown Rd	1,769,795	12.6%	(6,924)	(19,191)	\$11.20	-
Total	33,182,002	7.8%	(153,959)	(133,641)	\$11.94	-

Source: CBRE

FIGURE 6 (Continued): Key Market Statistics

Overall	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,614,819	4.7%	3,390	15,899	\$14.83	-
Baltimore City	31,521,566	4.0%	246,826	441,601	\$7.38	753,125
Baltimore County East	30,035,519	2.5%	2,054,861	2,714,726	\$8.11	558,560
Baltimore Southwest	11,142,726	8.9%	(39,781)	(211,162)	\$9.67	-
Balt/Washington Corridor	65,723,480	3.2%	667,749	1,404,655	\$12.41	-
Harford/Cecil County	38,597,732	7.7%	(63,106)	58,593	\$7.80	2,396,980
Hunt Valley/Towson	6,904,203	8.2%	(78,094)	(57,420)	\$10.02	-
Owings Mills/Reisterstown Rd	2,726,901	8.7%	(6,924)	50,829	\$11.20	-
Total	188,266,946	4.8%	2,784,921	4,417,721	\$9.14	3,708,665

Source: CBRE



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