

FIGURES | BALTIMORE INDUSTRIAL | Q4 2023

Sound Fundamentals Fueled by Moderate Activity

▲ 7.0%
Vacancy Rate

▲ 259,422
SF Net Absorption

▼ 3.9M
SF Under Construction

▶ \$10.10
Average NNN Asking Rate

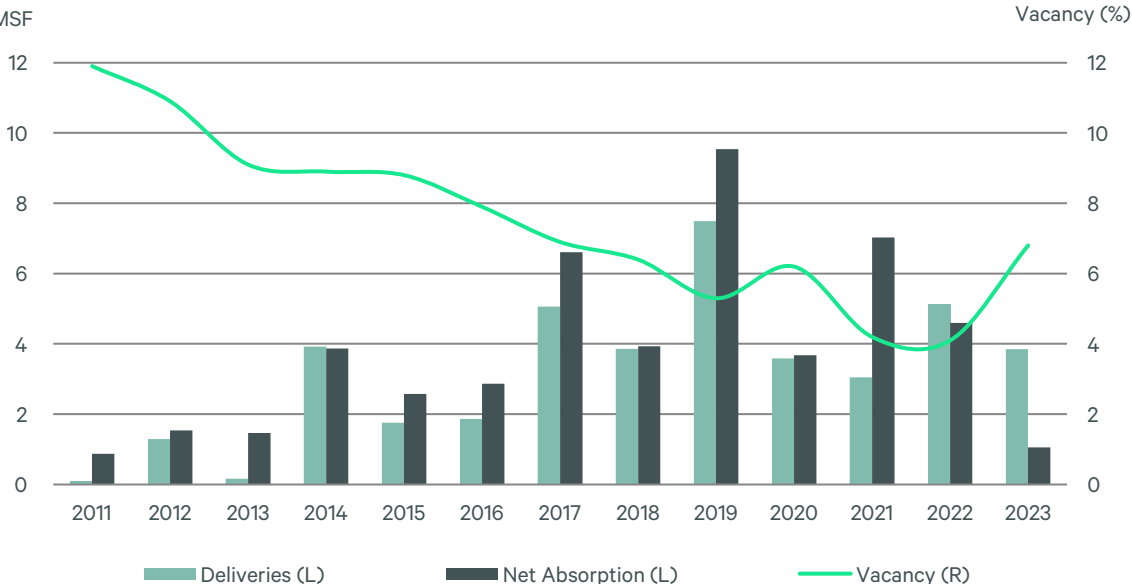
Note: Arrows indicate change from previous quarter.

Market fundamentals remain resilient in the Baltimore industrial market, which posted moderate activity to end the year. Economic uncertainty has impacted the market in 2023, causing indecision among tenants. The scorching rental growth seen in 2021 and 2022 has ceased, rates have begun normalizing, and a handful of prime warehouse spaces have delivered vacant.

Baltimore’s pipeline remains healthy and active, with 12 properties totaling 3.9 million sq. ft. currently under construction, a sign of strength in the current high interest rate and high construction cost environment. During the fourth quarter, the Baltimore industrial market recorded 260,000 sq. ft. of occupancy gain. Combined with solid occupancy gains during the first half of 2023, year-end totals reached 1.05 million sq. ft. of positive absorption, marking 12 consecutive years of positive absorption. Vacancy increased by 20 basis points to 7.0%; delayed move-in timelines and an uptick in sublease availability are major contributors to the vacancy increase.

While market fundamentals have plateaued relative to peak activity recorded during the pandemic, the Baltimore industrial market remains active and sentiment heading into 2024 is positive.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

The fourth quarter was the second highest gross leasing quarter for 2023, with 2.5 million sq. ft. transacting. Year-end totals reached 7.6 million sq. ft., marking a 17% decrease year-over-year.

The most active markets have been Harford/Cecil County, Baltimore County East, and the Baltimore/Washington Corridor, which comprised 95% of all leasing for the year.

Wholesale

Wholesalers were the most active sector in Baltimore in 2023. During the fourth quarter, United Electric Supply Company recommitted to its 79,776 sq. ft space at 8100 Dorsey Run Road and Citrus and Allied Essences expanded its footprint into Harford County at 4611 Mercedes Drive.

3PL

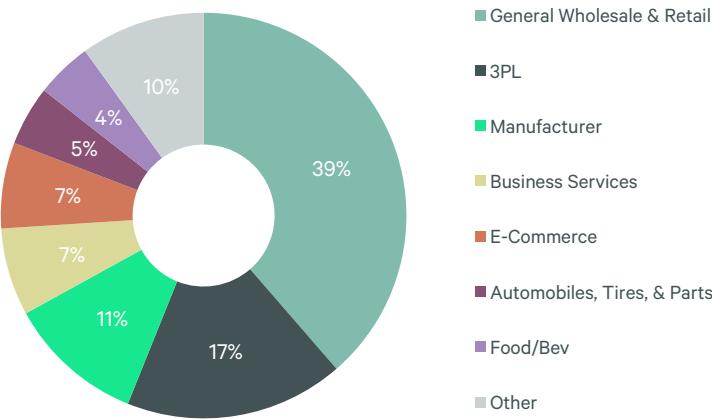
Third party logistics (3PL) tenants are active in the Baltimore market due to its accessibility to Mid-Atlantic markets, as well as the Port of Baltimore. Satellite Logistics Group signed the largest 3PL lease of the fourth quarter, renewing its 144,500 sq. ft. lease in the Marshfield Business Park.

FIGURE 2: Select Notable Q4 2023 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Confidential	-	6995 Bethlehem Blvd	Baltimore County East	New Lease	414,960
Nissan	Automobile	1021 Swan Creek Dr	Baltimore/ Washington Corridor	Renewal	154,400
Satellite Logistics Group	3PL	8415 Kelso Dr	Baltimore County East	Renewal	144,500
Rocket Lab	Aero & Defense	103 Chesapeake Park Plz	Baltimore County East	New Lease	113,000
Carlisle Architectural Metals	Manufacturing	1255 S Caton Ave	Baltimore City	New Lease	108,160
Shaw Industries	Manufacturing	1405 Magellan Rd	Baltimore/ Washington Corridor	Renewal	106,758
United Electric Supply Company	General Wholesale & Retail	8100 Dorsey Run Rd	Baltimore/ Washington Corridor	Renewal	79,776
Citrus and Allied Essences	General Wholesale & Retail	4611 Mercedes Dr	Harford/Cecil County	New Lease	70,133

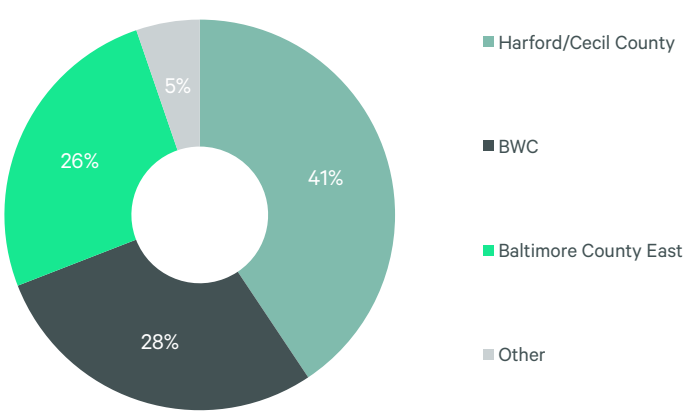
Source: CBRE

FIGURE 3: 2023 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: 2023 Gross Leasing by Submarket (Share by SF)



Source: CBRE

Development Activity

More than 600,000 sq. ft. of new industrial space across four new properties delivered during the fourth quarter:

- The largest delivery was 1713 E Patapsco Avenue, located in the Harbor Logistics Center, which will be occupied by Amazon.
- The Container Store expanded its existing facility at 1000 Woodley Road by 100,000 sq. ft.
- TPC Racing developed a 40,000 sq. ft. warehouse at 7869 Dorsey Run Road, where it will occupy 22,000 sq. ft. and market the remaining space for lease.
- 6709 Pulaski Highway was the only speculative project to deliver during the quarter. The 222,400 sq. ft. property delivered vacant and is one of just a few vacancies larger than 100,000 sq. ft. in Baltimore City.

Pricing

Asking rents have seen no change quarter-over-quarter, remaining at \$10.10 per sq. ft. per annum on a triple net basis. However, asking rents remain 9.9% above year-end 2022 levels.

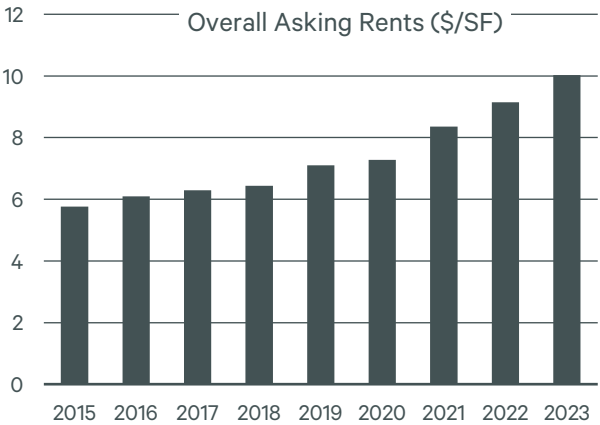
Warehouse rents recorded an increase year-over-year, rising 12%. The southern submarkets continue to command premium prices, with the Baltimore-Washington Corridor on top with \$12.86 warehouse rents.

FIGURE 5: Select Development Projects

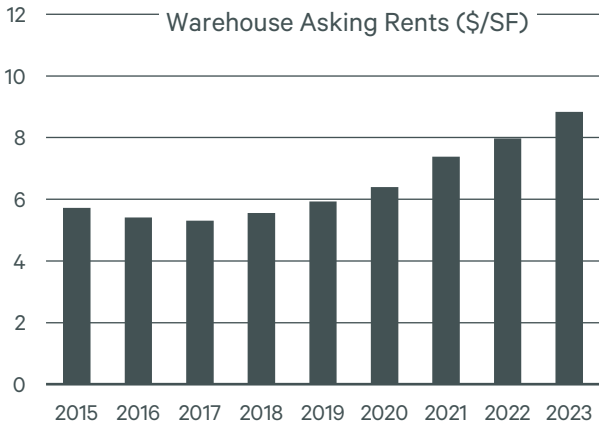
Address	Submarket	SF	Expected Delivery	Developer(s)
Bethlehem Blvd	Baltimore County East	1,321,240	Oct-24	Tradepoint Atlantic
Principio C1	Harford/Cecil	593,520	Jan-24	Stewart Properties
Diamond Logistics Center	Baltimore County East	442,200	Oct-24	DWS
Tradepoint Ave	Baltimore County East	414,960	Dec-24	Tradepoint Atlantic
1651 Sparrows Point Blvd	Baltimore County East	204,000	Apr-24	Tradepoint Atlantic
Principio C2	Harford/Cecil	200,100	May-24	Stewart Properties
10301 Philadelphia Rd	Baltimore County East	167,900	Jul-24	Merritt Properties
350 Old Bay Ln	Harford/Cecil	157,350	Jun-24	SK Realty
1600 E Patapsco Ave	Baltimore City	151,721	Feb-23	NorthPoint Development

Source: CBRE

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



Source: CBRE



Economic Outlook

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters.

Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, while remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation.

This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024 (CBRE expects 75 to 100 basis points worth of rate cuts in 2024). This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets.

Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

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

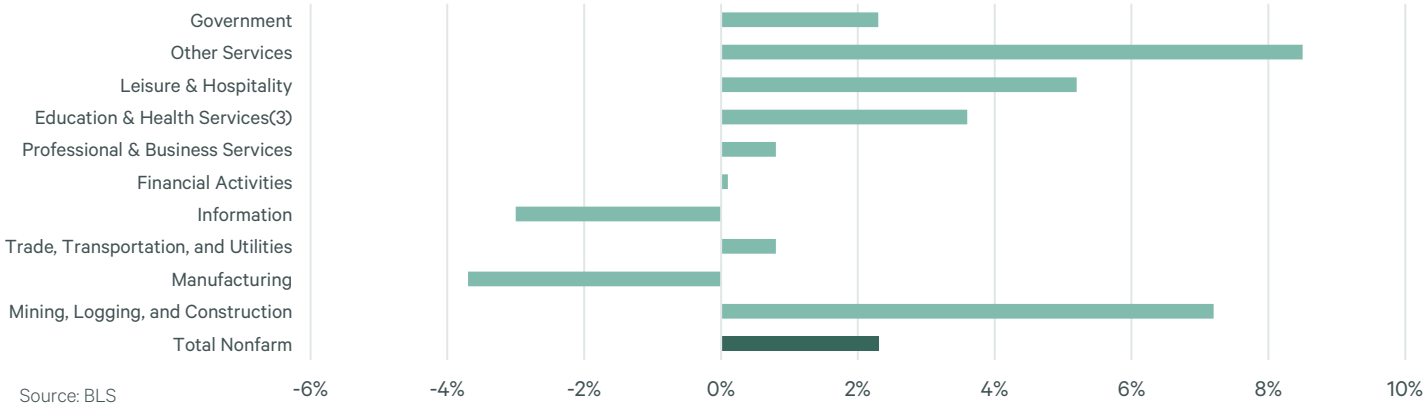


FIGURE 8: Unemployment Rate for Selected Counties

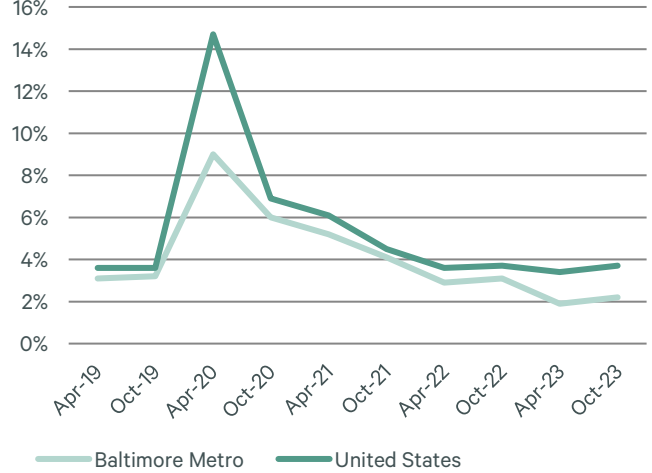


FIGURE 9: Consumer Price Index, 12-Month Percent Change

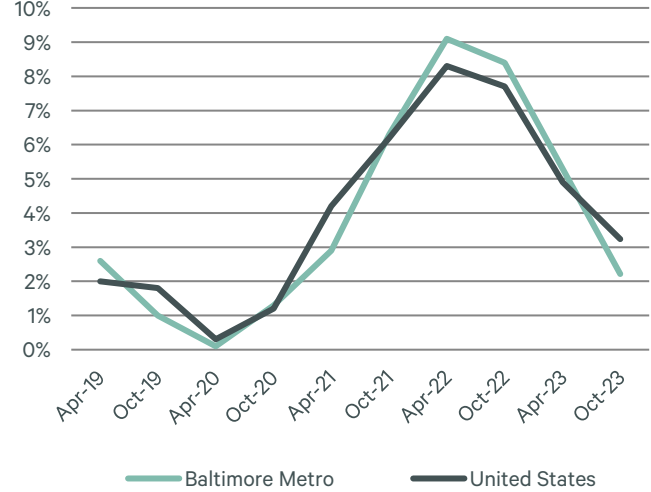


FIGURE 10: Key Market Statistics

Warehouse	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	394,025	0.0%	9,260	0	\$10.65	-
Baltimore City	28,716,443	6.7%	76,313	475,462	\$9.14	151,721
Baltimore County East	28,618,805	3.6%	(8,100)	20,792	\$8.64	2,550,300
Baltimore Southwest	7,426,767	13.9%	(223,487)	(452,914)	\$10.90	-
Balt/Washington Corridor	49,698,590	5.0%	(250,338)	(915,861)	\$12.86	309,498
Harford/Cecil County	38,737,052	10.8%	744,000	1,626,080	\$7.56	950,970
Hunt Valley/Towson	2,953,673	7.5%	3,000	83,319	\$8.90	-
Owings Mills/Reisterstown Rd	723,140	0.0%	0	15,420	\$11.50	-
Total	157,268,495	6.9%	350,648	852,298	\$9.74	3,962,469

Flex	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,121,006	9.0%	1,375	(24,758)	\$16.45	-
Baltimore City	2,737,900	8.5%	(10,628)	21,980	\$8.08	-
Baltimore County East	2,911,495	8.2%	(20,900)	53,156	\$8.65	-
Baltimore Southwest	3,646,386	12.1%	(13,308)	(81,854)	\$11.88	-
Balt/Washington Corridor	14,591,859	6.3%	(63,901)	153,464	\$14.28	-
Harford/Cecil County	1,842,015	5.2%	220	30,849	\$10.37	-
Hunt Valley/Towson	3,541,120	6.1%	11,100	51,692	\$10.68	-
Owings Mills/Reisterstown Rd	1,803,766	12.3%	4,816	544	\$11.30	-
Total	32,195,547	7.6%	(91,226)	205,073	\$12.27	-

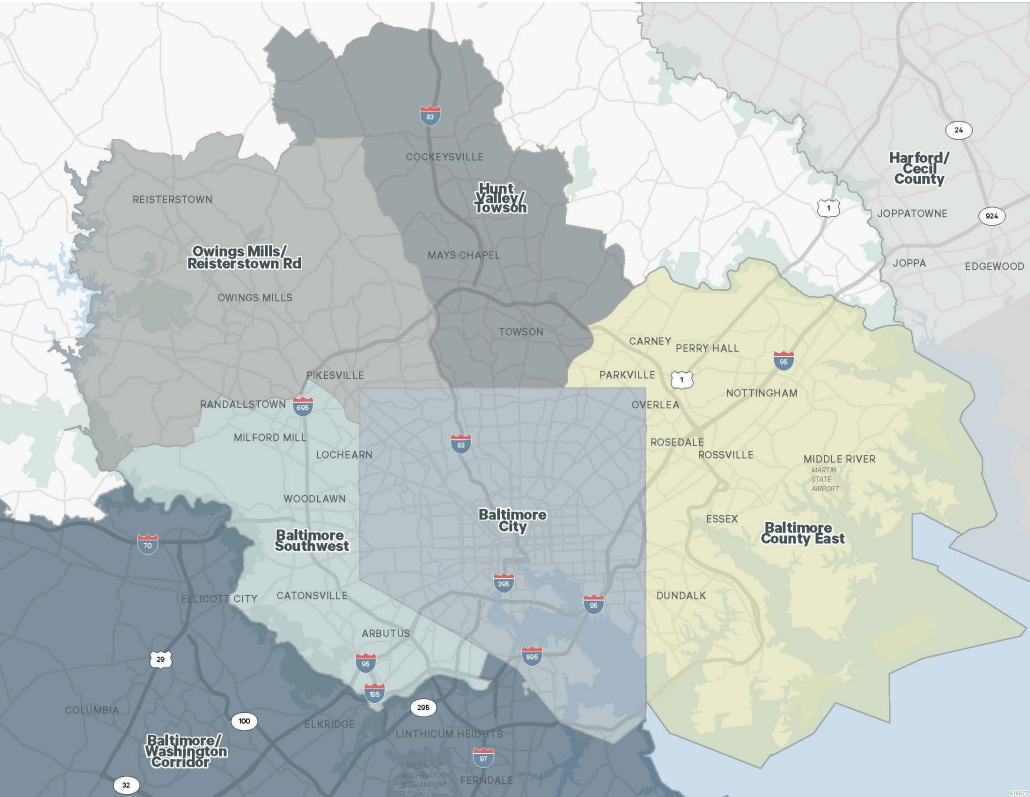
FIGURE 10 (Continued): Key Market Statistics

Overall	Inventory (SF)	Overall Vacancy Rate (%)	Q4 Net Absorption (SF)	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Annapolis	1,515,031	6.6%	10,635	(24,758)	\$16.45	-
Baltimore City	31,454,343	6.8%	65,685	497,442	\$9.07	151,721
Baltimore County East	31,530,300	4.0%	(29,000)	73,948	\$8.64	2,550,300
Baltimore Southwest	11,073,153	13.3%	(236,795)	(534,768)	\$11.12	-
Balt/Washington Corridor	64,387,135	5.3%	(314,239)	(762,397)	\$13.11	309,498
Harford/Cecil County	40,579,067	12.1%	744,220	1,656,929	\$7.40	950,970
Hunt Valley/Towson	6,494,793	6.7%	14,100	135,011	\$9.69	-
Owings Mills/Reisterstown Rd	2,526,906	8.8%	4,816	15,964	\$11.30	-
Total	189,560,728	7.0%	259,422	1,057,371	\$10.10	3,962,469

Survey Criteria:

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

Source: CBRE



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