

	YoY Chg	12-Mo. Forecast
4.3% Vacancy Rate	▲	▲
4.4M YTD Net Absorption, SF	▼	▼
\$6.88 Asking Rent, PSF	▲	▼

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.4M Baltimore Employment	▲	▲
5.4% Baltimore Metro Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY:

The Baltimore area economy showed continued progress in the third quarter. Overall regional unemployment fell to 5.4%, 290 basis points (bps) lower year-over-year (YOY). Baltimore City unemployment fell to 7.1%, and regionally, the City has seen the biggest drop in unemployment YOY, of 420 bps. Excluding the government and education sectors, trade and transportation and professional business services sectors recorded the largest growth in employment since last year, 4.0% and 7.3% respectively.

This past quarter mask mandates were reinstated in the City and many counties across Maryland. The pandemic has presented a wide spectrum for return-to-work strategies for office users and occupiers. Whether fully remote or hybrid, technology has bridged the gap for office users where it has limitations for warehouse distribution occupiers. Employment gains have been keeping pace with the momentum warehouse distribution real estate demand thus far, as overall industrial vacancy, like unemployment has also dropped 290 basis points since last year.

SUPPLY AND DEMAND:

Overall vacancy dropped 80 basis points (bps) to 4.3% to end the third quarter. Net absorption increased 7.1% in the third quarter, totaling 1.9 million square feet (msf) in positive absorption. Year-to-date (YTD) absorption ended the quarter at positive 4.4 msf of positive absorption, a 7.0% decrease year over year (YOY). The Baltimore County East, Harford, and the Route 2 Corridor submarkets accounted for 1.8 msf of positive absorption in the third quarter, which represented 95.9% of the total positive absorption. The largest lease for the quarter occurred in Harford, at 727 Old Philadelphia Road, where Fanatics leased 500,400 sf.

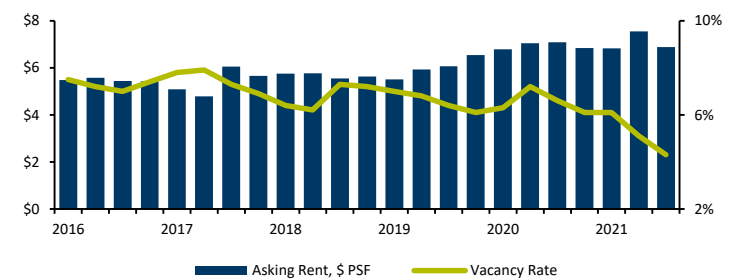
Asking rates have increased near 1.0% since start of the year and ended the quarter at \$6.88 per square foot (psf). Warehouse distribution net rents dipped 6.6% since the second quarter ending at \$6.37 psf. Office services rents held at \$11.34 psf. The Baltimore market recorded nearly 1.4 msf of leasing activity in the third quarter, a 41.8% decrease quarter-over-quarter. Similar to net absorption, Baltimore County East and Harford submarkets accounted for 852,442 sf of leasing activity, approximately 61% of total leasing activity. YTD, 69.3% of total leasing activity has been in the BW Corridor and I-95 North submarkets.

Including Fanatics, the most sizeable activity occurred in the I-95 North submarkets and BW Corridor submarkets. PepsiCo signed a new lease for 470,000 sf at 500 Hickory Drive and Northeastern Supply renewed for 172,400 at 504 Advantage Way, both in the Harford submarket. Life Science Logistics and Captive Plastics both renewed for 290,788 sf and 117,600 sf respectively in the BW Corridor.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT**	DIRECT WEIGHTED AVG NET RENT (OS)**	DIRECT WEIGHTED AVG NET RENT (W/D)**
Howard County	36,194,783	1,251,856	3.5%	-9,042	53,419	77,000	0	0	\$6.85	\$14.00	\$6.70
Anne Arundel County	31,377,955	1,352,527	4.3%	175,385	537,776	390,412	108,720	108,720	\$6.91	\$14.65	\$6.74
Baltimore City/County-Southwest	23,770,890	1,117,838	4.7%	20,785	192,027	192,027	0	0	\$4.54	\$8.25	\$4.23
Baltimore-Washington Corridor	91,343,628	3,772,221	4.1%	187,128	783,222	783,222	467,412	108,720	\$6.45	\$11.55	\$6.29
Harford County	27,418,815	2,193,383	8.0%	544,901	2,118,052	2,118,052	297,654	1,146,695	\$6.82	\$10.61	\$5.22
Cecil County	14,318,806	12,000	0.1%	0	716,490	716,490	766,080	0	N/A	N/A	N/A
Baltimore County East	60,246,882	2,488,854	4.1%	926,916	811,417	811,417	2,658,500	1,066,501	\$7.93	\$15.72	\$6.75
I-95 North Corridor	101,984,503	4,694,237	4.6%	1,507,817	3,645,959	3,645,959	3,722,234	2,213,196	\$7.71	\$13.89	\$6.50
Baltimore County-North/West	15,797,292	925,603	5.9%	12,250	-156,370	-156,370	0	0	\$7.59	\$8.08	\$7.26
Baltimore City	7,125,563	89,731	1.3%	194,940	50,827	50,827	0	0	\$10.36	\$10.36	N/A
Carroll County	7,219,209	126,777	1.8%	-2,000	103,425	103,425	0	0	\$5.54	N/A	\$5.54
Beltway Corridor	30,142,064	1,330,640	3.8%	205,460	-2,118	-2,118	0	0	\$7.08	\$8.75	\$6.35
BALTIMORE TOTAL	223,470,195	9,558,569	4.3%	1,900,405	4,427,063	4,427,063	5,151,207	2,321,916	\$6.88	\$11.34	\$6.37

*Rental rates reflect weighted net asking \$psf/year

OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT
Office Service / Flex	36,625,856	1,945,491	5.3%	161,627	101,449	101,449	57,120	84,240	\$11.34
Warehouse / Distribution	186,844,339	7,613,078	4.1%	1,738,778	4,325,614	4,325,614	4,132,526	2,237,676	\$6.37

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
727-811 Old Philadelphia Road	Harford	Fanatics	500,399	New Lease
500 Hickory Drive	Harford	PepsiCo	470,019	New Lease
8901 Snowden River Pky	Columbia South	Life Science Logistics	290,788	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2021 YTD

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7600 Assateague Dr	Route 1 Corridor	Bentall Green Oak/ Greenfield Partners	853,503	\$125M / \$146
7980 Tarbay Dr	Route 1 Corridor	Fundrise / Angelo, Gordon & Co.	202,520	\$34M / \$169
10301 Philadelphia Road	Route 1 Corridor	General Motors/Merritt Properties	432,243	\$34.5M/ \$79.78

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