

Industrial Q2 2023

3.2%

Vacancy Rate

YoY Chg



12-Mo. Forecast



2.2M

YTD Net Absorption, SF



\$8.11

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

1.4M

Baltimore Employment

YoY Chg



12-Mo. Forecast



2.4%

Baltimore Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

The national pace of inflation continued to cool in the second quarter of 2023, prompting the Fed to pause consecutive interest rate hikes at their June meeting. The central bank warned that there would likely be another rate hike before the end of the year, as inflation remained above its 2.0% target rate. Locally, inflation in the Baltimore market was at 2.8% in June 2023.

There are still concerns that inflation may continue to be sticky, as prices remain at all time highs. The Fed expressed cautious optimism concerning the decline in national inflation from 4.6% to 3.0% between May and June 2023. Chairman Powell cautioned that another rate hike will be likely before the end of 2023, particularly given the Fed's attention to core inflation as a more precise measure. This has some observers speculating an economic downturn could still be on its way in late 2023 to early 2024, as banks maintain tight restrictions on lending that were reinforced by multiple banks in the first quarter of the year.

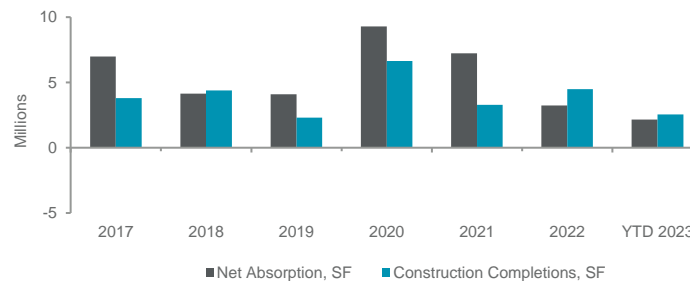
SUPPLY AND DEMAND:

As inflation continues to cool in 2023, net industrial demand rebounded to 2.2 million sf of newly occupied space year-to-date (YTD), an increase of more than three times the net absorption reported in the second quarter of 2022. In second quarter of 2023, there was a net gain of nearly 1.3 million square feet (msf) of occupied space. The strongest absorption of space happened in the Baltimore-Washington (864,895 sf) and I-95 Corridor (448,739 sf) submarkets, in the Baltimore City-County/Southwest (566,078 sf) and Baltimore County East (500,378 sf) submarkets, respectively. This translated to vacancies falling by 20 basis points (bps) quarter-over-quarter (QOQ), while overall they remained elevated by 10 bps year-over-year (YOY).

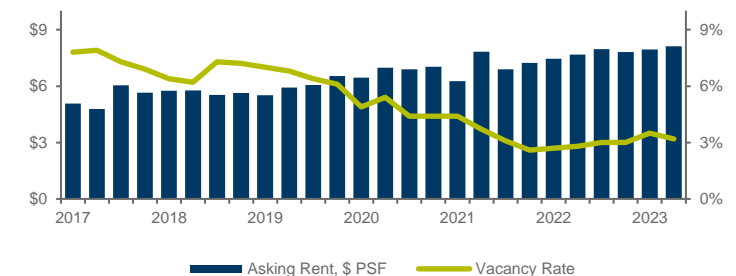
Overall net asking rates rose by 2.1% QOQ, to \$8.11 per square foot (psf). Asking rents for direct space were \$8.17 psf in the second quarter of 2023. Warehouse and distribution rents climbed to \$6.94 psf on average across the market. New leasing activity was 48.2% higher YOY, while renewal activity edged higher by 13.3% over that time. Leasing activity was concentrated in the Cecil County, Harford County, and Baltimore County East submarkets, with each having more than 850,000 sf of new lease activity that represented a combined 84.7% of the newly leased space.

All of the top 10 industrial leases were 100,000 sf or greater in the second quarter of 2023, as opposed to three in the prior quarter. Flooring retailer Floor & Décor's 1,321,240-sf lease was the largest in the Baltimore Market. Investors remained active in the market in the second quarter of 2023, albeit with a lighter footprint. The largest individual transaction happened at 1225 S. Philadelphia Boulevard and involved a partnership between the new owner-user ACE Logistics, and Artemis Real Estate Properties and MCB Real Estate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT*	DIRECT WEIGHTED AVG NET RENT (OS)*	DIRECT WEIGHTED AVG NET RENT (W/D)*
Howard County	36,417,773	389,772	1.1%	178,412	256,220	0	0	\$8.67	\$14.99	\$7.65
Anne Arundel County	32,219,929	625,324	1.9%	120,405	281,678	108,000	0	\$6.87	N/A	\$6.87
Baltimore City/County-Southwest	24,388,755	889,210	3.7%	566,078	390,833	0	300,726	\$4.99	N/A	\$4.99
Baltimore-Washington Corridor	93,026,457	1,904,306	2.1%	864,895	928,731	108,000	300,726	\$7.22	\$14.99	\$6.89
Harford County	27,202,264	1,038,840	3.8%	-51,639	-31,433	0	0	\$12.11	\$12.11	N/A
Cecil County	15,946,856	1,531,280	9.6%	0	0	800,000	263,000	N/A	N/A	N/A
Baltimore County East	63,451,974	2,033,844	3.2%	500,378	1,393,327	796,685	1,986,460	\$9.23	\$15.87	\$6.70
I-95 North Corridor	106,601,094	4,603,964	4.3%	448,739	1,361,894	1,596,685	2,249,460	\$9.34	\$15.34	\$6.70
Baltimore County-North/West	15,819,142	594,719	3.8%	50,186	26,828	0	0	\$8.25	\$18.00	\$7.60
Baltimore City	7,125,563	190,401	2.7%	-4,307	-155,307	0	0	\$10.90	\$10.90	N/A
Carroll County	7,200,453	23,848	0.3%	0	0	0	0	\$16.00	\$16.00	N/A
Beltway Corridor	30,145,158	808,968	2.7%	45,879	-128,479	0	0	\$9.13	\$12.52	\$7.60
BALTIMORE TOTAL	229,772,709	7,317,238	3.2%	1,359,513	2,162,146	1,704,685	2,550,186	\$8.17	\$14.39	\$6.94

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

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT
Office Service / Flex	37,227,893	1,596,116	4.3%	59,346	88,004	0	0	\$14.39
Warehouse / Distribution	190,544,816	5,721,122	3.0%	1,300,167	2,074,142	1,704,685	2,550,186	\$8.17

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1940 Reservoir Road	Baltimore County East	Floor & Décor	1,321,240	New Lease
1225 S Philadelphia Blvd	Harford County	ACE Logistics Services	860,000	New Lease
2871 Principio Pky	Cecil County	Restoration Hardware	593,520	New Lease
8416 Kelso Dr	Baltimore County East	Ancora Warehousing & Logistics	232,427	New Lease
7481 Coca Cola Dr	Route 1 / BWI Howard	Bunzi co	164,841	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1225 S Philadelphia Blvd	Harford County	Merritt Properties & BentallGreenOak / MCB Real Estate, Artemis R.E. Properties & ACE Logistics	860,000	\$80.8M / \$93.3
7021 Dorsey Rd	BWI / Anne Arundel	Blackstone / Prologis	200,200	\$49.9M / \$249*

*Allocated price; Part of 13.8 msf, multi-state, portfolio sale

DANIELLE GRIMELLI

Senior Research Analyst

+1 410 347 7819

danielle.grimelli@cushwake.com

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