

## Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
<b>2.8%</b> Vacancy Rate	▼	▲
<b>3.1M</b> YTD Net Absorption, SF	▲	▼
<b>\$8.72</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMY:

The pace of inflation has slowed to 3.1% in Baltimore as of August 2023 and remains below the national rate of inflation (3.8%). Though the central bank has paused interest rate hikes, inflation remains a concern, particularly as the full effect of increases to date has yet to filter through the economy. As a mark of this, unemployment rates remain low and were at 1.8% in Baltimore in the third quarter of 2023. Yet, low unemployment rates are not uncommon through the start of recessions. Leading indicators like the 10-year-treasury yield curve, manufacturing production, and more specific to real estate, leasing activity, all point toward an impending downturn in 2024.

### SUPPLY AND DEMAND:

As inflation remained sticky into the third quarter of 2023, new quarterly leasing activity was 26.6% lower year-over-year (YOY), while quarterly renewal activity increased by 20.6% YOY. Leasing activity was concentrated in the Howard County, Baltimore County North/West and Baltimore County East submarkets, with a combined total of 385,284 square feet (sf) of new lease activity that represented a combined 92.6% of newly leased space in the Baltimore market. Only one of the top 10 industrial leases was 100,000 sf or greater in the third quarter of 2023, as opposed to all being above that threshold in the prior quarter.

### ECONOMIC INDICATORS Q3 2023

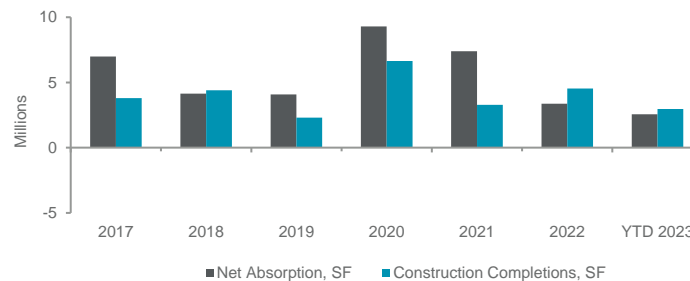
	YoY Chg	12-Mo. Forecast
<b>1.4M</b> Baltimore Employment	▲	▲
<b>1.8%</b> Baltimore Unemployment Rate	▼	▲
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

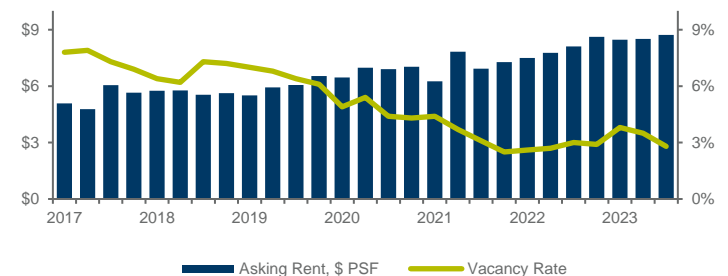
Net industrial demand was at 2.2 million square feet (msf) year-to-date (YTD), an increase of more than double the net absorption in the third quarter of 2022. There was a net gain of nearly 1.3 msf of occupied space for the current quarter. The strongest absorption of space happened in the I-95 North Corridor (1.4 msf), Harford County (857,704 sf) and Baltimore County East (476,575 sf) submarkets, respectively. This translated to vacancies falling by 70 basis points (bps) quarter-over-quarter (QOQ), while overall they were 20 bps lower YOY.

Overall net asking rates climbed upwards by 2.4% QOQ, to \$8.72 per square foot (psf). Asking rents for direct space were \$8.72 psf in the third quarter of 2023. Warehouse and distribution rents increased to \$7.63 psf on average across the Baltimore market. Investors remained active in the market as well, albeit with an increasingly lighter footprint. The largest individual transaction occurred at 700 Evelyn Avenue, with Bethesda, Maryland based GlenLine Investments selling the 180,118-sf warehouse to New Jersey based Camber Real Estate Partners.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT BALTIMORE



## Industrial Q3 2023

### 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	36,408,705	573,026	1.6%	-203,340	65,783	0	0	\$8.45	\$14.99	\$7.82
Anne Arundel County	32,164,964	425,261	1.3%	61,702	350,742	108,000	0	\$8.61	N/A	\$8.61
Baltimore City/County-Southwest	24,388,755	917,754	3.8%	-34,521	362,289	0	300,726	\$7.45	N/A	\$7.45
<b>Baltimore-Washington Corridor</b>	<b>92,962,424</b>	<b>1,916,041</b>	<b>2.1%</b>	<b>-176,159</b>	<b>778,814</b>	<b>108,000</b>	<b>300,726</b>	<b>\$8.43</b>	<b>\$14.99</b>	<b>\$8.05</b>
Harford County	27,259,384	277,060	1.0%	857,704	768,771	0	768,771	\$11.15	\$11.15	N/A
Cecil County	15,946,856	1,422,588	8.9%	108,692	108,692	793,520	263,000	N/A	N/A	N/A
Baltimore County East	63,773,593	1,965,475	3.1%	476,575	1,611,973	383,656	2,399,489	\$8.58	\$15.36	\$6.70
<b>I-95 North Corridor</b>	<b>106,979,833</b>	<b>3,665,123</b>	<b>3.4%</b>	<b>1,442,971</b>	<b>2,489,436</b>	<b>1,177,176</b>	<b>2,489,436</b>	<b>\$8.69</b>	<b>\$14.59</b>	<b>\$6.70</b>
Baltimore County-North/West	15,805,568	592,150	3.8%	-21,529	17,757	0	0	\$8.61	\$15.18	\$7.86
Baltimore City	7,125,563	189,964	2.7%	437	-154,870	0	0	\$11.25	\$11.25	N/A
Carroll County	7,200,453	19,838	0.3%	4,010	4,010	0	0	\$17.59	\$17.59	N/A
<b>Beltway Corridor</b>	<b>30,131,584</b>	<b>801,952</b>	<b>2.7%</b>	<b>-17,082</b>	<b>-133,103</b>	<b>0</b>	<b>0</b>	<b>\$9.26</b>	<b>\$12.79</b>	<b>\$7.86</b>
<b>BALTIMORE TOTAL</b>	<b>230,073,841</b>	<b>6,383,116</b>	<b>2.8%</b>	<b>1,249,730</b>	<b>3,135,147</b>	<b>1,285,176</b>	<b>2,963,215</b>	<b>\$8.72</b>	<b>\$13.92</b>	<b>\$7.63</b>

\*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	36,650,469	1,303,457	3.5%	122,492	316,181	0	0	\$13.92
Warehouse / Distribution	193,123,372	5,079,659	2.6%	1,127,238	2,818,966	1,285,176	2,963,215	\$7.63

### KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7481 Coca Cola Drive	Route 1 / BWI Howard	Bunzl co	164,841	Renewal*
7595 Montevideo Road	Route 1 Corridor	Confidential	74,000	New Lease
1409 Tangier Drive	Baltimore County East	Constellation Home Products & Services	72,326	New Lease
7395 Montevideo Road	Route 1 Corridor	Metro Commercial Laundry Corporation	70,550	New Lease
4501 Curtis Avenue	Southeast	MOI	60,180	New Lease

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
700 Evelyn Avenue	BWI / North Linthicum	GlenLine Investments / Camber Real Estate Partners	180,118	\$13.6M / \$75.5
11126 McCormick Road	Route 83 North	Tessco Technologies Inc. / New Mountain Capital	149,962	\$17.3M / \$115.3*

\*Allocated price; Part of 264,962-sf, multi-state, portfolio sale

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