

# Baltimore Industrial Market

## Vacancy Rate Declines as Activity in E-commerce Sector is Robust

Baltimore's industrial market fundamentals continue to be shaped by increased demand for e-commerce facilities. The average asking rent increased during the first quarter and is 13.4% higher than it was a year ago. The vacancy rate declined by 40 basis points from the previous quarter to 10.0% but is 200 basis points higher than one year ago, primarily due to the delivery of new space, some of which became occupied during the first quarter of 2021. The Baltimore industrial market registered 716,244 square feet of net absorption during the first quarter of 2021, its strongest quarter since the first quarter of 2020. The pandemic has brought disruption to the market but also opportunity, as e-commerce and modern last-mile distribution space have accelerated demand. The industrial sector was better insulated from the impacts of the pandemic relative to other property types but has still endured modest job losses over the past 12 months.

As a result of increasing consumer demand, BMW announced in February that it will be expanding its distribution center at Tradepoint Atlantic. The Tradepoint Atlantic complex is also home to two Amazon warehouse facilities, FedEx, and Home Depot. McCormick & Co. is building a 1.8 million-square-foot distribution center on the site.

One notable industrial property completed construction in the Baltimore metro area during the first quarter. 2211 Lakeside Boulevard, a 244,575-square-foot distribution center in the Harford County submarket, delivered fully leased and was occupied by Amazon upon completion.

### Investment Sales Volume Accelerates

Baltimore's industrial investment sales market accelerated during the first quarter of 2021, with four transactions greater than \$15.0 million. The largest transaction of the quarter was the portfolio sale of 521 and 531 Chelsea Road, totaling 1.3 million square feet. 521 Chelsea Road is 100% leased to Electrolux and 531 Chelsea Road is 100% leased to Sephora. CBRE Capital Partners purchased the buildings from TA Realty for \$145.6 million.

### Baltimore Industrial Outlook

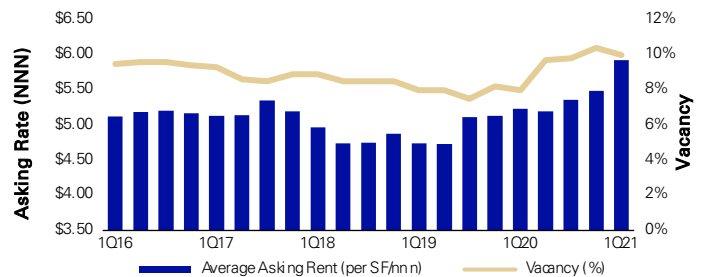
Baltimore's industrial market fundamentals tightened during first-quarter 2021. Vacancy declined, in part a result of large move-ins by Amazon and the United States Postal Service (USPS). Leasing activity in the Baltimore industrial market has remained steady despite economic uncertainty, with notable recent leases by Iron Mountain, BMW and the County of Baltimore. Net absorption was positive during the first quarter, a function of several move-ins and just one notable delivery. The average asking rent increased by 13.4% over the past year. Consistent demand is likely to continue during the balance of 2021, as it is likely consumer behavior will increasingly favor e-commerce in the future, as consumers are now used to the convenience of online shopping. As of the first quarter, there is 2.5 million square feet of industrial product under construction, much of it speculative. Accordingly, the market is likely to feature vacancy above early 2020 levels while deliveries lease up, even as demand remains strong.

### Current Conditions

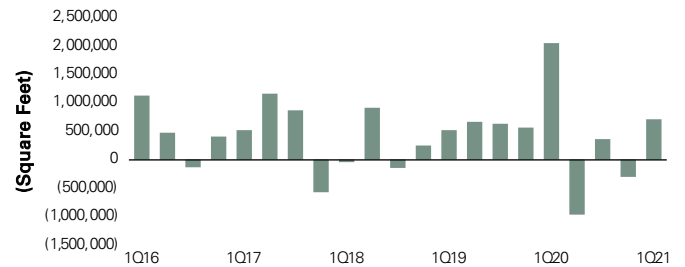
- The vacancy rate declined 40 basis points to 10.0% during the first quarter of 2021, however it is 200 basis points higher than a year ago primarily due to deliveries. The average asking rent is 13.4% higher than a year ago.
- Baltimore's industrial investment sales market picked up during the first quarter, with four notable transactions.
- The region's unemployment rate registered 6.0% in January 2021, which was 30 basis points lower than the national rate of 6.3%.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory (SF)	189.0 M	189.2 M	184.8 M	↑
Vacancy Rate	10.0%	10.4%	8.0%	↓
Quarterly Net Absorption (SF)	716,244	-301,741	2.1 M	↓
Average Asking Rent/SF (NNN)	\$5.93	\$5.49	\$5.23	↑
Under Construction (SF)	2.5 M	2.8 M	4.3 M	↑
Deliveries (SF)	244,575	926,600	3.2 M	↑

## Submarket Statistics—All Classes

	Total Inventory (SF)	Under Construction (SF)	Overall Vacancy Rate	2019 Net Absorption (SF)	2020 Net Absorption (SF)	1Q 2021 Net Absorption (SF)	YTD 2021 Absorption (SF)	Average Asking Rent (NNN)
<b>Baltimore Industrial</b>	<b>189,029,742</b>	<b>2,546,422</b>	<b>10.0 %</b>	<b>3,109,917</b>	<b>1,237,871</b>	<b>716,244</b>	<b>716,244</b>	<b>\$5.93</b>
Arbutus	9,510,134	1,999,362	26.9 %	58,489	-556,966	227,034	227,034	\$4.69
Baltimore County East	28,230,157	400,000	13.4 %	194,546	2,963,418	67,837	67,837	\$5.19
Baltimore NE	5,214,635	147,060	1.4 %	-44,024	36,523	-6,100	-6,100	-
Baltimore NW	1,810,188	-	0.0 %	194,500	-	-	-	-
Baltimore SE	18,592,444	-	3.4 %	670,338	112,218	134,466	134,466	\$7.09
Baltimore SW	13,806,217	-	5.9 %	-18,866	53,845	22,603	22,603	\$4.30
BWI North/Linthicum	1,928,199	-	11.1 %	23,923	-25,257	18,909	18,909	\$7.91
BWI/Anne Arundel	7,202,984	-	8.9 %	105,746	-162,452	203,168	203,168	\$8.10
Carroll County	7,814,121	-	3.8 %	-136,120	-49,826	37,061	37,061	\$4.86
CBD Baltimore	4,809,578	-	10.3 %	126,721	-35,578	-116,083	-116,083	\$6.00
Cecil County	13,803,399	-	9.5 %	1,828,850	550,100	-	-	\$4.75
Columbia	6,517,553	-	8.0 %	255,717	-32,714	-213,843	-213,843	\$8.22
Harford County	22,103,336	-	13.5 %	-1,190,575	-980,134	321,935	321,935	\$4.68
I-97/Crain Highway Corridor	10,176,517	-	16.6 %	-106,251	-128,538	154,483	154,483	\$4.53
Reisterstown Road	3,482,993	-	5.9 %	-118,000	-2,184	-120,289	-120,289	\$7.71
Route 1 Corridor	23,227,037	-	9.4 %	139,254	-449,169	-73,116	-73,116	\$6.25
Route 2 Corridor	2,867,420	-	0.4 %	1,039,760	109,290	-8,594	-8,594	\$7.95
Route 83 Corridor	4,450,867	-	7.6 %	-101,611	-123,487	38,089	38,089	\$7.88
South Anne Arundel	1,669,125	-	1.1 %	65,271	-35,701	21,650	21,650	\$8.35
Woodlawn/Catonsville	1,812,838	-	3.4 %	122,249	-5,517	7,034	7,034	\$6.92

Note: Asking rents are quoted on a triple net basis.

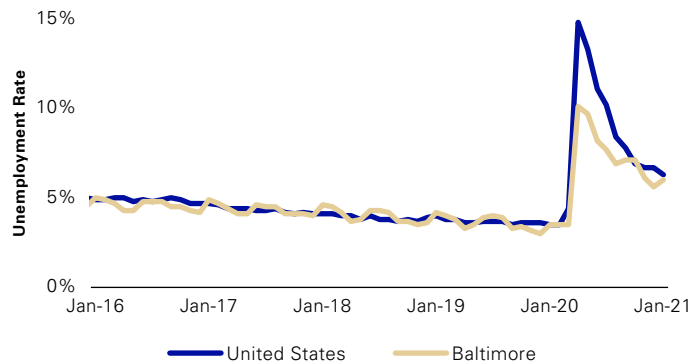
### Economic Conditions

The Baltimore region's unemployment rate registered 6.0% in January 2021, the most recent data available at this writing, which was 30 basis points lower than the national rate of 6.3%. Both the Baltimore and U.S. unemployment rates rose sharply in April 2020 due to the pandemic but have gradually declined since then, with occasional ticks upward mixed in. Unemployment is likely to decline further in response to the March 2021 stimulus package, but a full recovery will depend on further acceleration of the vaccine rollout and the ability to restore normal commercial activities. The Baltimore metro area is projected to create approximately 38,600 net new jobs in 2021 and an average of about 21,000 new positions per annum from 2021-2024. The region's strengths in e-commerce, cybersecurity, and healthcare will drive job creation.

For the 12-month period ending in January 2021, every Baltimore job sector experienced losses; the overall net change was -83,900 jobs. Industrial-using job sectors Manufacturing (-1.2%) and Trade/Transportation/Utilities (-4.1%) experienced job declines that were less than Baltimore's overall 12-month job change for all industries (-6.0%). A majority of the job losses in the Trade/Transportation/Utilities sector came from retail and wholesale trade, while the sector gained jobs in Transportation, Warehousing and Utilities. Demand from e-commerce providers is continuing to bolster industrial space requirements.

### Unemployment Rate

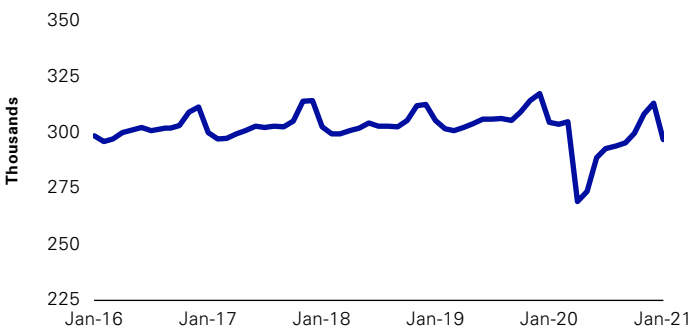
U.S.—Seasonally Adjusted  
Baltimore—Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Newmark Research; March 2021

### Industrial-Using Employment\*

Baltimore, Industrial-Using Employment (000's),  
Not Seasonally Adjusted

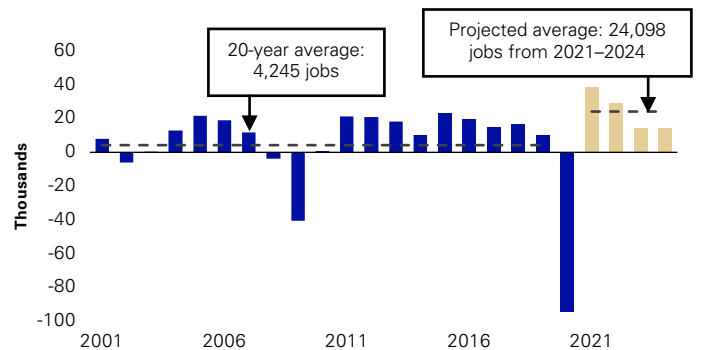


\*Identified as Manufacturing and Trade/Transportation/Utilities

Source: U.S. Bureau of Labor Statistics, Newmark Research; March 2021

### Employment Forecast

Baltimore Metro Area, Payroll Job Change, 2001-2020 and  
Forecast 2021-2024

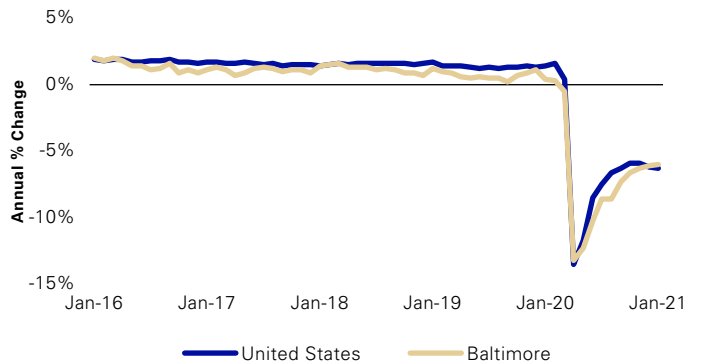


\*Previous projections have been revised due to COVID-19 and are subject to further revision as conditions change.

Source: U.S. Bureau of Labor Statistics, Moody's Analytics, Newmark Research; March 2021

### Payroll Employment

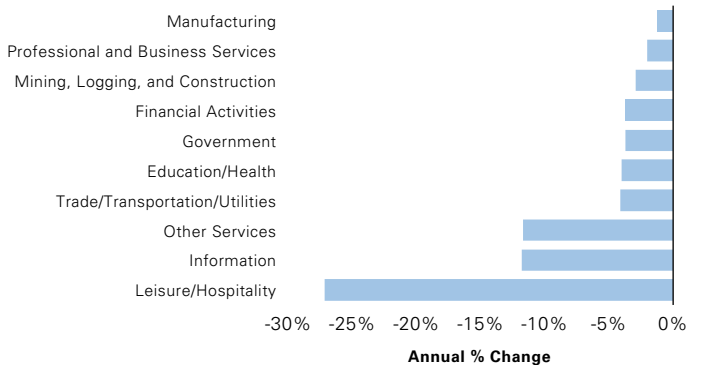
Total Nonfarm, U.S.—Seasonally Adjusted  
Baltimore—Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, Newmark Research; March 2021

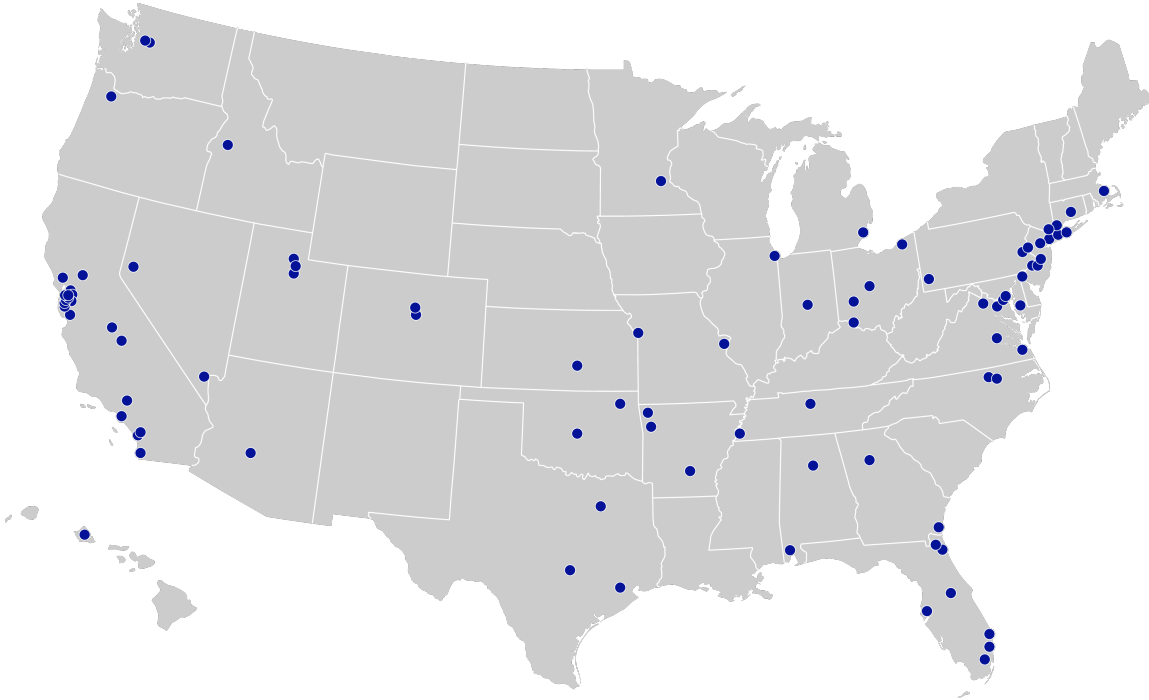
### Employment Growth By Industry

Baltimore, % Change, 12 Months Ending January 2021,  
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Newmark Research; March 2021

## Newmark United States Office Locations



### Methodology

Market statistics are calculated from a base building inventory of office properties 20,000 SF and larger that are deemed to be competitive in the Washington Metro Area office market. Properties that are more than 75% owner-occupied and federally owned buildings are generally excluded from inventory.

### Glossary

**Asking Rental Rate:** The dollar amount asked by landlords for direct available space (not sublease), expressed in dollars per square foot per year. Average asking rents are calculated on a weighted average basis, weighted by the amount of available space. Asking rents are quoted on a full service basis, meaning all costs of operation are paid by the landlord up to a base year or expense stop.

**Class A:** The most prestigious buildings competing for premier office users with rents above average for the area. Class A buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

**Class B:** Buildings competing for a wide range of users with rents in the average range for the area. Class B building finishes are fair to good for the area and systems are adequate, but the building cannot compete with Class A at the same price.

**Class C:** Buildings competing for tenants requiring functional space at rents below the area average.

**Deliveries:** Projects that have completed construction and received a certificate of occupancy.

**Net Absorption:** The net change in physically occupied space from one quarter to the next. **Year-to-Date (YTD) Net Absorption** is the net change in physically occupied space from the start of the calendar year to the current quarter. Net absorption is counted upon physical occupancy, not upon execution of a lease.

**Sublease:** Sublease space is offered and marketed as available by the current tenant, rather than directly from the owner.

**Under Construction:** Properties undergoing ground-up construction in which work has begun on the foundation. Properties that have only undergone grading or other site work are not included as under construction.

**Under Renovation:** Properties undergoing significant renovations that require all tenants to be out of the building. These properties are removed from inventory during the renovation period and delivered back to inventory upon completion of the renovations. These properties are not included in under construction totals.

**Vacancy Rate:** The amount of space that is physically vacant, expressed as a percentage of inventory. (Space that is being marketed as available for lease but is largely occupied is not included in the vacancy rate.) The **Overall Vacancy Rate** includes all physically vacant space, both direct and sublease, while the **Direct Vacancy Rate** includes only direct space.

*For more information:*

**Baltimore**

1 E Pratt Street  
Suite 805  
Baltimore, MD 21202  
t 410-625-4200

**Alexander (Sandy) Paul, CRE, LAI**

*Senior Managing Director*  
t 202-312-5783  
apaul@ngkf.com

**Matt Kruczlnicki**

*Associate Director*  
t 202-312-5757  
matthew.kruczlnicki@ngkf.com

**Jordan Schott**

*Research Manager*  
t 202-664-5902  
jordan.schott@ngkf.com

[nmrk.com](http://nmrk.com)

**ALABAMA**

Birmingham

**ARIZONA**

Phoenix

**ARKANSAS**

Bentonville  
Fayetteville  
Little Rock

**CALIFORNIA**

El Segundo  
Fresno  
Irvine  
Los Angeles  
Newport Beach  
Pasadena  
Sacramento  
San Francisco  
San Jose  
San Mateo  
Santa Rosa  
Visalia

**COLORADO**

Denver

**CONNECTICUT**

Stamford

**DELAWARE**

Wilmington

**DISTRICT OF COLUMBIA**

**FLORIDA**

Boca Raton  
Jacksonville  
Jupiter  
Miami  
Palm Beach  
Tampa

**GEORGIA**

Atlanta  
St. Simons Island

**ILLINOIS**

Chicago

**INDIANA**

Indianapolis

**KENTUCKY**

Louisville

**LOUISIANA**

New Orleans

**MARYLAND**

Baltimore  
Salisbury

**MASSACHUSETTS**

Boston

**MICHIGAN**

Detroit

**MINNESOTA**

Minneapolis

**MISSOURI**

Kansas City  
Lee's Summit  
St. Louis

**NEVADA**

Las Vegas  
Reno

**NEW JERSEY**

East Brunswick  
Morristown  
Rutherford

**NEW YORK**

Buffalo/Amherst  
New York

**NORTH CAROLINA**

Charlotte

**OHIO**

Cincinnati  
Cleveland  
Columbus

**OKLAHOMA**

Oklahoma City  
Tulsa

**OREGON**

Portland/Lake  
Oswego

**PENNSYLVANIA**

Allentown  
Philadelphia  
Pittsburgh

**TEXAS**

Austin  
Dallas  
Houston

**UTAH**

Salt Lake City

**VIRGINIA**

Tysons Corner

**WASHINGTON**

Seattle

**WISCONSIN**

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/research](http://nmrk.com/research).  
All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.