

Baltimore Industrial Market

Strong Demand Pushes Vacancy Rate Lower

Baltimore's industrial market fundamentals continue to be shaped by increased demand for e-commerce distribution centers. The average asking rent edged up during the second quarter of 2021 and is 20.0% higher than it was a year ago. The vacancy rate declined by 30 basis points over the past year but by 60 basis points compared with the first quarter, to 9.5%. This is in part a result of Medline Industries moving into nearly 400,000 square feet in the second quarter. The Baltimore industrial market registered 1.2 million square feet of second quarter net absorption, its strongest rate since first-quarter 2020. The pandemic has brought disruption to the market but also opportunity, as e-commerce and evolving production processes accelerate demand for space.

Spurred on by the pandemic-driven strong demand for e-commerce and logistics expansions, the Sparrows Point area is undergoing extensive revitalization, creating 20,000 jobs, 11,000 of which will be permanent, beyond the completion of construction. The project is led by over 500,000 square feet fully leased by Amazon, which is set to deliver in the fourth quarter.

Two notable industrial properties delivered in the Baltimore metro area during the second quarter. 1841 and 1865 62nd Street, part of the Hollander 95 Business Park, are cumulatively 147,060 square feet in the Baltimore Northeast submarket. 1841 delivered fully available, while 1865 is partially leased, with about 40,000 square feet currently available.

Investment Sales Volume Modest in Second Quarter

Baltimore's industrial investment sales market slowed during the second quarter of 2021, with just one transaction greater than \$15.0 million. 7600 Assateague Drive, an 853,000-square-foot distribution center, is 100% leased, including to Domino Sugar, TJX, Pepsi, and Walmart. BentallGreenOak purchased the building from Greenfield Partners for \$125.0 million.

Baltimore Industrial Outlook

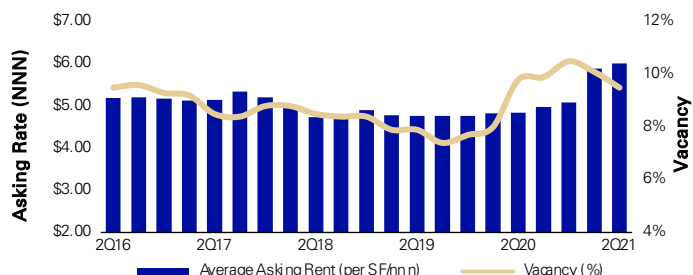
Baltimore's industrial market fundamentals continued to tighten during second-quarter 2021. Vacancy declined, a result of large move-ins by Medline Industries and Warehouse Services. Leasing activity has remained steady despite economic uncertainty, including notable recent leases by Wayfair and Bella+Canvas. Consistent demand is likely to continue throughout the remainder of 2021, as consumers who pivoted further toward online shopping during the pandemic are likely to retain those habits. As of the second quarter, there is more than 3.9 million square feet of industrial product under construction, 61.1% of which is leased. Accordingly, despite the robust pipeline, the market is likely to feature further declines in vacancy over the next 12 months.

Current Conditions

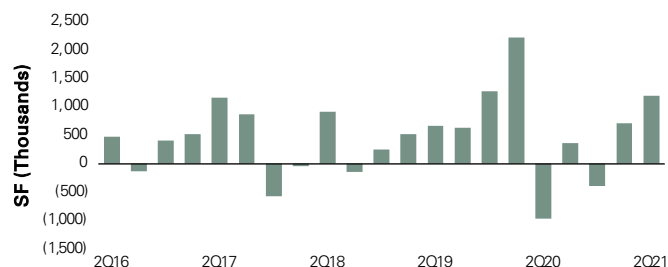
- The vacancy rate declined 60 basis points to 9.5% during the second quarter of 2021, 30 basis points lower than a year ago primarily due to deliveries. The average asking rent is 20.0% higher than a year ago.
- Baltimore's industrial investment sales market slowed during the second quarter, with only one notable transaction.
- The region's unemployment rate registered 5.4% in April 2021; 70 basis points lower than the national rate of 6.1%.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	188.6 M	188.4 M	186.2 M	↑
Vacancy Rate	9.5%	10.1%	9.8%	↓
Quarterly Net Absorption (SF)	1,194,422	716,244	-961,205	↓
Average Asking Rent/SF (NNN)	\$6.01	\$5.89	\$4.84	↑
Under Construction (SF)	3.9 M	3.8 M	3.7 M	↓
Deliveries (SF)	147,060	244,575	1.4 M	↑

Submarket Statistics—All Classes

	Total Inventory (SF)	Under Construction (SF)	Overall Vacancy Rate	2019 Net Absorption (SF)	2020 Net Absorption (SF)	2Q 2021 Net Absorption (SF)	YTD 2021 Absorption (SF)	Average Asking Rent (NNN)
Baltimore Industrial	188,591,990	3,907,142	9.5 %	3,109,917	1,237,871	1,194,422	2,171,826	\$6.01
Arbutus	9,647,351	1,999,362	29.8 %	58,489	-556,966	10,045	77,873	\$4.45
Baltimore County East	27,647,016	1,514,000	15.3 %	194,546	2,963,418	-13,075	4,762	\$5.74
Baltimore NE	5,361,695	-	4.6 %	-44,024	36,523	-28,955	-35,055	\$6.18
Baltimore NW	1,810,188	-	2.1 %	194,500	-	-37,679	-37,679	-
Baltimore SE	18,592,444	263,580	3.4 %	670,338	112,218	2,297	136,763	\$6.51
Baltimore SW	13,806,217	-	6.7 %	-18,866	53,845	-920	-13,461	\$4.39
BWI North/Linthicum	1,928,199	-	10.7 %	23,923	-25,257	-7,626	26,583	\$7.91
BWI/Anne Arundel	7,202,984	130,200	4.3 %	105,746	-162,452	75,774	319,383	\$6.92
Carroll County	7,675,233	-	3.7 %	-136,120	-49,826	7,740	44,801	\$5.03
CBD Baltimore	4,809,578	-	10.6 %	126,721	-35,578	-11,521	-127,604	\$6.24
Cecil County	13,803,399	-	6.2 %	1,828,850	550,100	456,690	456,690	\$4.50
Columbia	6,517,553	-	7.9 %	255,717	-32,714	-	-210,884	\$8.29
Harford County	22,103,336	-	11.5 %	-1,190,575	-980,134	451,602	773,537	\$5.46
I-97/Crain Highway Corridor	10,176,517	-	11.7 %	-106,251	-128,538	150,200	645,768	\$4.65
Reisterstown Road	3,482,993	-	6.9 %	-118,000	-2,184	14,250	-106,039	\$7.71
Route 1 Corridor	23,227,037	-	8.6 %	139,254	-449,169	89,587	122,196	\$6.27
Route 2 Corridor	2,867,420	-	0.1 %	1,039,760	109,290	9,048	454	\$7.95
Route 83 Corridor	4,450,867	-	6.7 %	-101,611	-123,487	36,788	74,877	\$7.89
South Anne Arundel	1,669,125	-	1.4 %	65,271	-35,701	-5,290	16,360	\$8.54
Woodlawn/Catonsville	1,812,838	-	3.7 %	122,249	-5,517	-4,533	2,501	\$6.92

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

RESEARCH Q2 2021

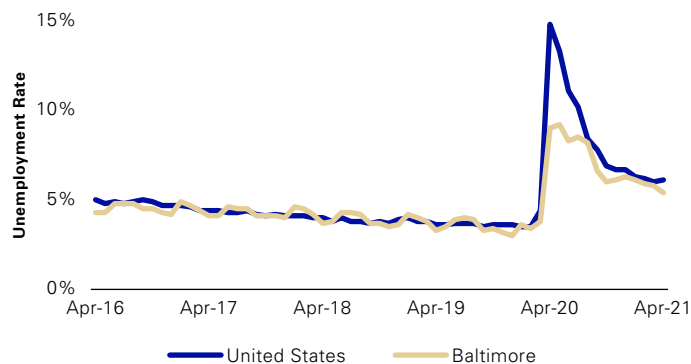
Economic Conditions

The Baltimore region's unemployment rate registered 5.4% in April 2021, the most recent available data, which was 70 basis points lower than the national rate of 6.1%. Both the Baltimore and U.S. unemployment rates rose sharply in April 2020 due to the pandemic but have since gradually declined, with occasional upward ticks mixed in. Unemployment should decline throughout the summer as vaccine distribution has advanced and normalized commercial activities are resuming. The Baltimore metro area is projected to create approximately 43,400 net new jobs in 2021 and an average of about 27,098 new positions per annum from 2021 to 2024. The region's strengths in e-commerce, cybersecurity, and healthcare will drive job creation.

For the 12-month period ending in May 2021, Baltimore's net change in employment was 113,800 jobs. This figure is influenced by the pandemic; it is more a reflection of the scarcity of jobs in May 2020 than robust creation of new jobs in the year since. Industrial-using job sectors Manufacturing (6.4%) and Trade/Transportation/Utilities (9.8%) experienced gains that were similar to the metro's overall change (9.1%). Notable is the continued Baltimore industrial labor shortage, despite the available jobs. Warehouses are coping with this by increasingly introducing self-driving machines to pick up and move goods, thus improving productivity despite fewer workers, further maximizing physical space, and enabling the hiring of distant and impaired employees who remotely control machines.

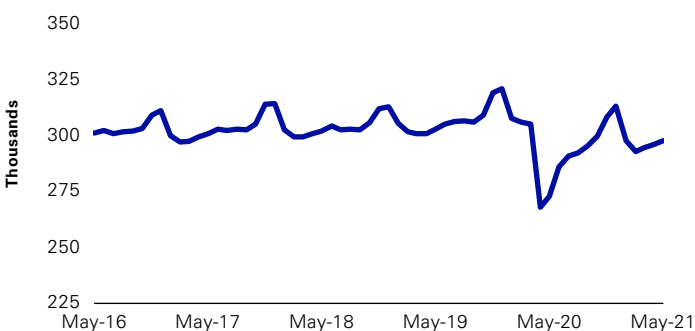
Unemployment Rate

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



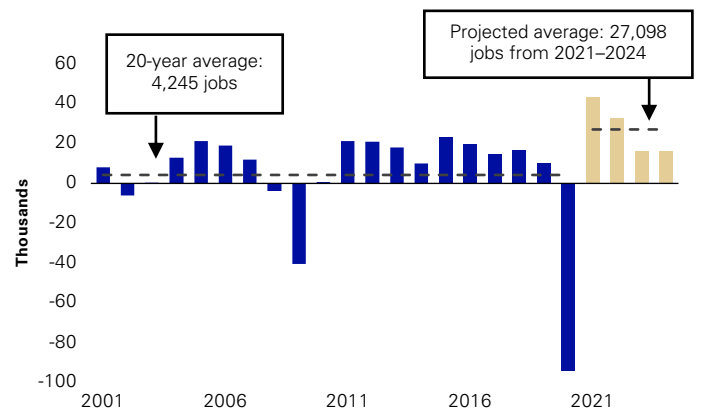
Industrial-Using Employment*

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



Employment Forecast

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

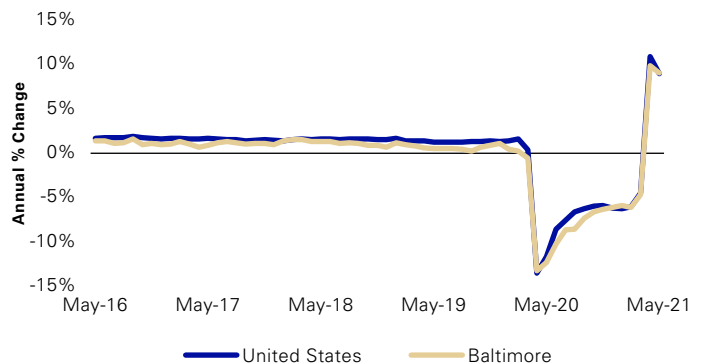


*Previous projections have been revised due to COVID-19 and are subject to further revision as conditions change.

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

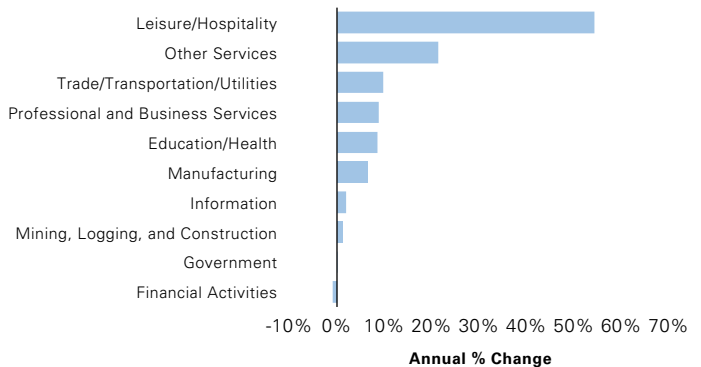
Payroll Employment

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



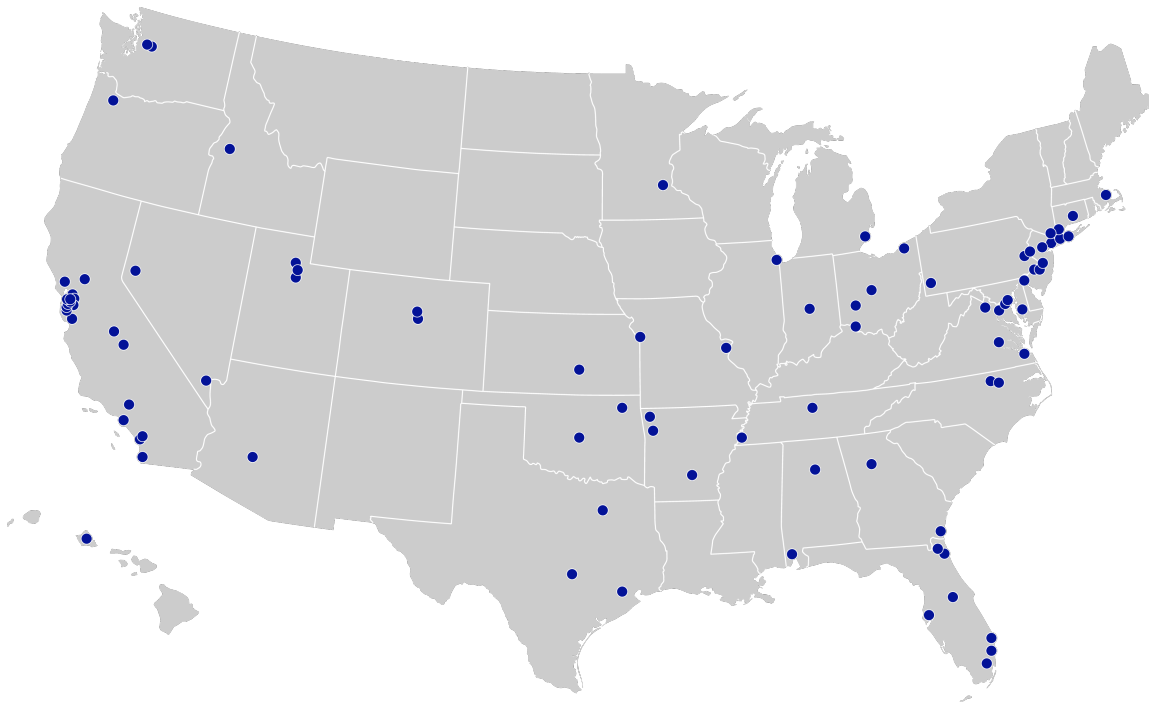
Employment Growth By Industry

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



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

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