



# Baltimore Industrial Market

## Industrial Fundamentals Tighten; Competition Rises for Top Product

Baltimore’s industrial market fundamentals continue to tighten under the influence of pandemic-driven demand for e-commerce distribution centers. The average asking rent increased by 4.0% in the last year, recording \$6.25 per square foot in the second quarter of 2022. The vacancy rate decreased by 100 basis points over the last 12 months, to 5.3%. The market had just over 2 million square feet of second-quarter net absorption, emphasizing the high level of activity in the Baltimore industrial market. Quarterly net absorption has been exceptionally strong for the last three consecutive quarters, illustrating that industrial demand can remain robust despite the cultural shift toward post-pandemic normalcy, which has been underway for the last year. The Baltimore industrial market continues to show positive trends in demand growth and subsequently investor optimism.

Baltimore’s industrial development pipeline has increased in 2022, measuring 4.6 million square feet of active construction in the second quarter. There was 160,491 square feet of new industrial deliveries recorded in the quarter, bringing the year-to-date delivery total to 424,071 square feet. Inflationary challenges to material costs and supply chain issues may curtail some development activity, but overall enthusiasm for modern warehouse and distribution space should continue to support a healthy construction pipeline. Logistics Center IX, at 7021 Tradeport Avenue, a 1.8 million square-foot property, fully preleased by McCormick & Company, is nearing completion and is expected to deliver in 2022.

### Current Conditions

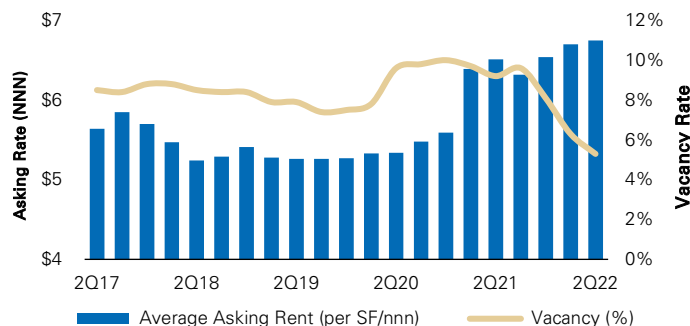
- The vacancy rate dropped 100 basis points to 5.3% during the second quarter 2022. In the last year, the vacancy rate has decreased 390 basis points from 9.2%. The average asking rent is 4.0% higher than a year ago, at \$6.25/ SF (NNN).
- Baltimore’s industrial investment sales market rose in the second quarter, recording a quarterly volume of about \$290 million.
- The region’s unemployment rate registered 3.6% in May 2022; equal to the national rate.

### Market Summary

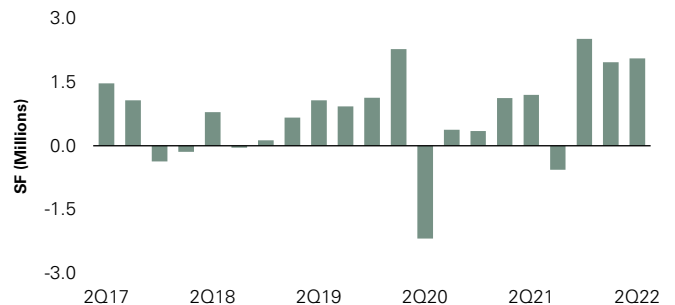
|                               | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF)          | 189.5 M         | 189.5 M       | 188.9 M         | ↑                 |
| Vacancy Rate                  | 5.3%            | 6.3%          | 9.2%            | →                 |
| Quarterly Net Absorption (SF) | 2.1 M           | 2.0 M         | 1.2 M           | ↑                 |
| Average Asking Rent/SF (NNN)  | \$6.25          | \$6.20        | \$6.01          | ↑                 |
| Under Construction (SF)       | 4.6 M           | 4.5 M         | 3.5 M           | →                 |
| Deliveries (SF)               | 160,491         | 263,580       | 147,060         | ↑                 |

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Demand Remains Strong Despite Market Constraints

Industrial markets profited greatly during the pandemic as the need for storage and distribution space particularly among e-commerce firms increased greatly. Baltimore’s market was similarly active, despite complicating factors, including elevated construction costs, supply chain issues, and lack of developable land in traditional industrial zoned areas. Baltimore serves as an integral geographic access point to major Mid-Atlantic markets, but its demand is being further supported by the land constraints in nearby markets, including Northern Virginia. Growing demand for data centers in Northern Virginia has resulted in a noteworthy reduction in the land available for traditional industrial development. Many traditional industrial tenants in need of Mid-Atlantic access and exposure have been pushed to look to Baltimore for suitable industrial properties. Nonetheless, finding available land in Baltimore can also be challenging as the constraints of the Chesapeake Bay and surrounding farmland are protected obstacles. Nonetheless, warehouse and logistics space demands are not going away, on the back of favorable fundamentals. It is worth noting, though, that even though demand is high, struggles with the on-time delivery of new construction continue.

### Foreign Investment Activity Diversifies

Notably, foreign investment interest in the Baltimore industrial market has increased since the onset of the pandemic and was particularly noteworthy in 2021. Through the first half of 2022, cross-border industrial acquisitions measured \$41.5 million, supported by Israeli investors. Historically, the cross-border distribution of Baltimore’s industrial investment sales market strongly favored Canadian and Asian investors. Consequently, it is a positive that Israeli foreign investors have taken interest in the market, with \$27.2 million of volume in 2021 and \$41.5 million through mid-2022.

Macroeconomic factors may be playing a larger role in steering real estate investment trends. Financial investment markets have faced significant pressure in 2022, due to a variety of factors including global conflict, supply chain issues, and inflation. Monetary policies enacted to control inflation tend to trigger recessions, which could reduce spending and demand for goods warehoused and distributed through industrial product. Positively, the long-term lease structure of commercial real estate tends to result in real estate assets serving as a hedge against recessionary pressures. Given the year-to-date net positive cross-border and institutional capital flows, large investors may be targeting real estate as a safe harbor given an unclear economic outlook.

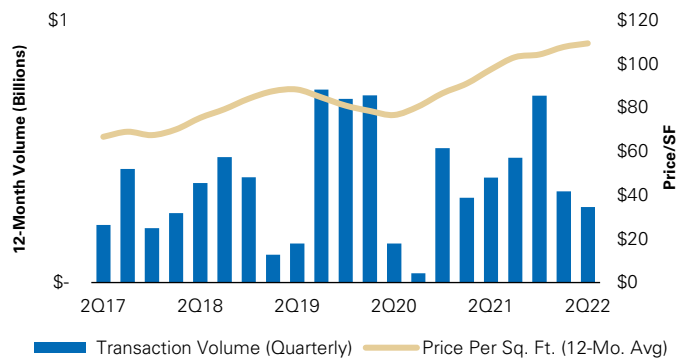
### Baltimore Industrial Outlook

As pandemic recovery continues through 2022, the Baltimore industrial market shows continued promise for gradual growth in the second quarter. With logistics and lab space demand nearly exceeding supply, currently. Baltimore’s industrial market fundamentals are holding strong over the balance of the first half of 2022. Net absorption should remain net-positive through 2022 due to continued strong demand for high-quality product. However, the metro area’s construction pipeline has been contracting in recent quarters, which could limit occupancy gains beyond 2022, should new projects not break ground in the coming quarters. 2022 should see some delivered, high quality industrial product, but the pipeline must expand this year for the longer-term prosperity and appeal of the Baltimore industrial market. Although industrial product supply and demand issues have been exacerbated by the pandemic, these shortages were prevalent prior to COVID-19, and even as the effects of the pandemic and variants fades, this troublesome market dynamic will not also fade by default.

For additional information on the Mid-Atlantic economy and commercial real estate market outlook, please visit the [Mid-Atlantic Market Reports](http://nmrk.com) page at nmrk.com.

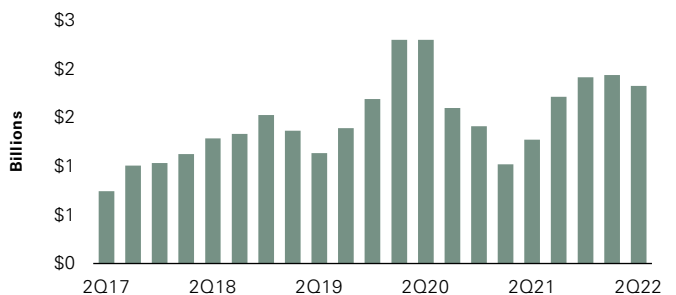
### Investment Sales Market

INVESTMENT SALE VOLUME AND PRICE PER SQ FT



Note: Price/SF is a trailing 12-month trailing average  
Source: Real Capital Analytics, Newmark Research

TRAILING 12-MONTH TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research

### Submarket Statistics—All Classes

|                                  | Total Inventory (SF) | Under Construction (SF) | Overall Vacancy Rate | 2020 Net Absorption (SF) | 2021 Net Absorption (SF) | 2Q 2022 Net Absorption (SF) | YTD 2022 Absorption (SF) | Average Asking Rent (NNN) |
|----------------------------------|----------------------|-------------------------|----------------------|--------------------------|--------------------------|-----------------------------|--------------------------|---------------------------|
| <b>Baltimore Metro Area</b>      | <b>189,549,620</b>   | <b>4,610,206</b>        | <b>5.3%</b>          | <b>916,812</b>           | <b>4,161,123</b>         | <b>2,051,551</b>            | <b>4,017,287</b>         | <b>\$6.25</b>             |
| Annapolis/Anne Arundel County    | 14,713,062           | 0                       | 5.9%                 | -30,489                  | 926,259                  | 96,658                      | 86,287                   | \$4.62                    |
| Baltimore City                   | 25,802,678           | 152,360                 | 6.6%                 | 54,790                   | 33,839                   | -141,295                    | -245,352                 | \$5.23                    |
| Baltimore County East            | 27,294,863           | 1,440,309               | 3.3%                 | 3,713,756                | -148,665                 | 258,188                     | 800,588                  | \$5.84                    |
| Baltimore-Washington Corridor    | 49,790,927           | 3,017,537               | 7.4%                 | -2,263,938               | 941,851                  | 438,650                     | 2,169,285                | \$7.39                    |
| Carroll County/Reisterstown Road | 11,197,626           | 0                       | 3.3%                 | -100,294                 | 73,934                   | -4,594                      | 77,000                   | \$7.65                    |
| Harford and Cecil Counties       | 36,008,735           | 0                       | 3.0%                 | -430,034                 | 2,402,214                | 1,304,021                   | 1,161,589                | \$4.59                    |
| Hunt Valley/Route 83             | 4,450,867            | 0                       | 7.5%                 | -123,487                 | 70,794                   | 8,828                       | -29,762                  | \$7.64                    |
| Southeast Baltimore              | 20,290,862           | 0                       | 5.1%                 | 96,508                   | -139,103                 | 91,095                      | -2,348                   | \$6.54                    |

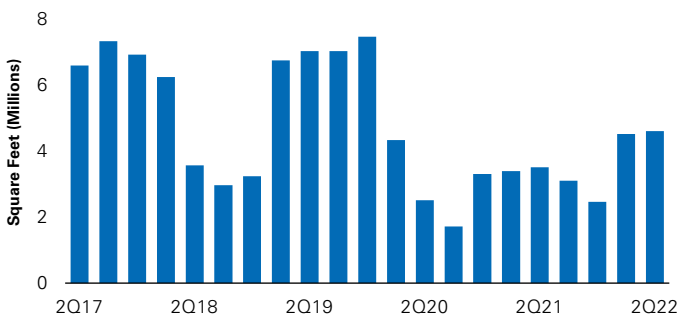
Note: Asking rents are quoted on a triple net basis.

### Notable Recent Sales Transactions

| Building                      | Submarket             | Sale Price   | Price/SF | Square Feet |
|-------------------------------|-----------------------|--------------|----------|-------------|
| 1900 Clark Road               | Aberdeen              | 80,500,000   | \$131    | 613,000     |
| 2100 Sparrows Point Boulevard | Baltimore County East | \$33,600,000 | \$84     | 400,441     |
| 1407 Parker Road              | Arbutus               | \$10,700,000 | \$103    | 103,640     |
| 1232 Independence Way         | Carroll County        | \$9,700,000  | \$128    | 75,625      |
| 1801 Portal Street            | Baltimore Southeast   | \$6,700,000  | \$115    | 57,600      |

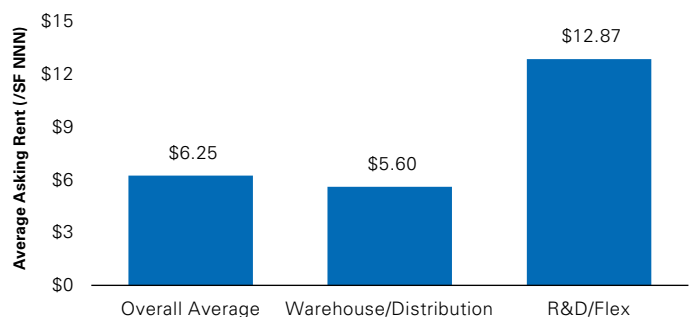
### Construction Pipeline

#### INDUSTRIAL SQUARE FOOTAGE UNDER CONSTRUCTION



### Industrial Rents

#### AVERAGE ASKING RENT BY SPACE TYPE



## RESEARCH Q2 2022

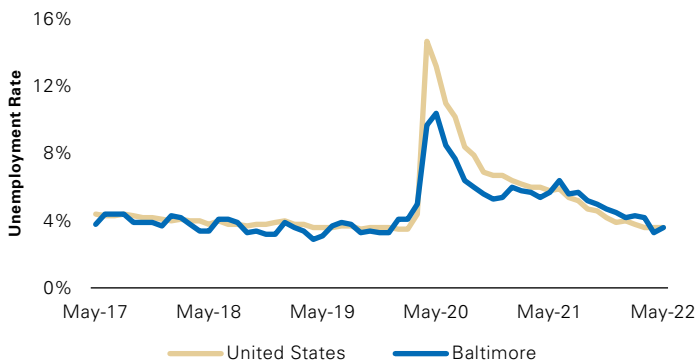
### Economic Conditions

The Baltimore region's unemployment rate registered 3.6% in May 2022 equal to the national rate. Baltimore's unemployment rate has been volatile recently, falling 90 basis points in April and increasing 30 basis points in May. Macroeconomic factors, such as inflation, are contributing to a more uncertain recovery. However, Baltimore's unemployment rate historically faces seasonal upward pressure in early summer. The region is projected to create about 45,000 net new jobs in 2022 and average about 21,796 new positions per annum from 2022 to 2025. The region's strengths in e-commerce, cybersecurity, and healthcare will drive job creation in the long term.

For the 12-month period ending in May 2022, the Baltimore region added 52,800 jobs. Employment growth in industrial-using sectors increased at 5.9% over the last 12 months, which is notably higher than the Metro's overall gain of 3.9% and office-using employment gain of 2.0%. Although industrial employment contracted between December 2021 and January 2022, overall industrial-using employment has returned to pre-pandemic levels, with almost 320,000 jobs, compared to about 270,000 jobs in April of 2020.

### Unemployment Rate

U.S.—SEASONALLY ADJUSTED  
BALTIMORE—NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, Newmark Research; June 2022

### Industrial-Using Employment\*

BALTIMORE, INDUSTRIAL-USING EMPLOYMENT (000'S),  
NOT SEASONALLY ADJUSTED

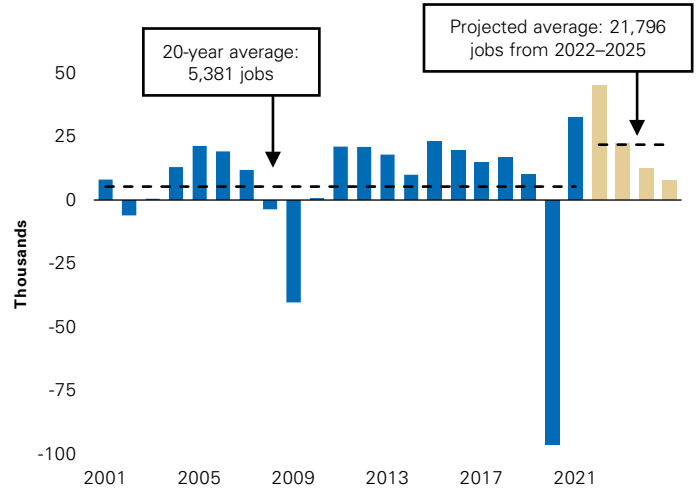


\*Identified as Manufacturing and Trade/Transportation/Utilities

Source: U.S. Bureau of Labor Statistics, Newmark Research; June 2022

### Employment Forecast

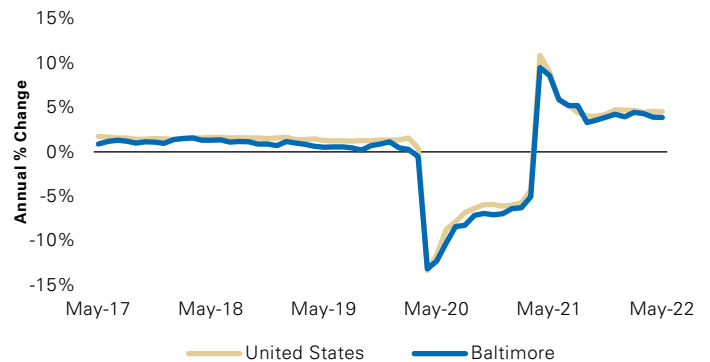
BALTIMORE METRO AREA, PAYROLL JOB CHANGE, 2001-2021  
AND FORECAST 2022-2025



Source: U.S. Bureau of Labor Statistics, Moody's Analytics, Newmark Research; June 2022

### Payroll Employment

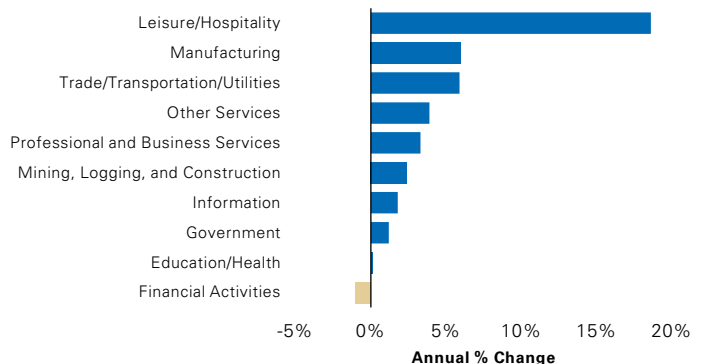
TOTAL NONFARM, U.S.—SEASONALLY ADJUSTED  
BALTIMORE—NOT SEASONALLY ADJUSTED, 12-MO. % CHANGE



Source: U.S. Bureau of Labor Statistics, Newmark Research; June 2022

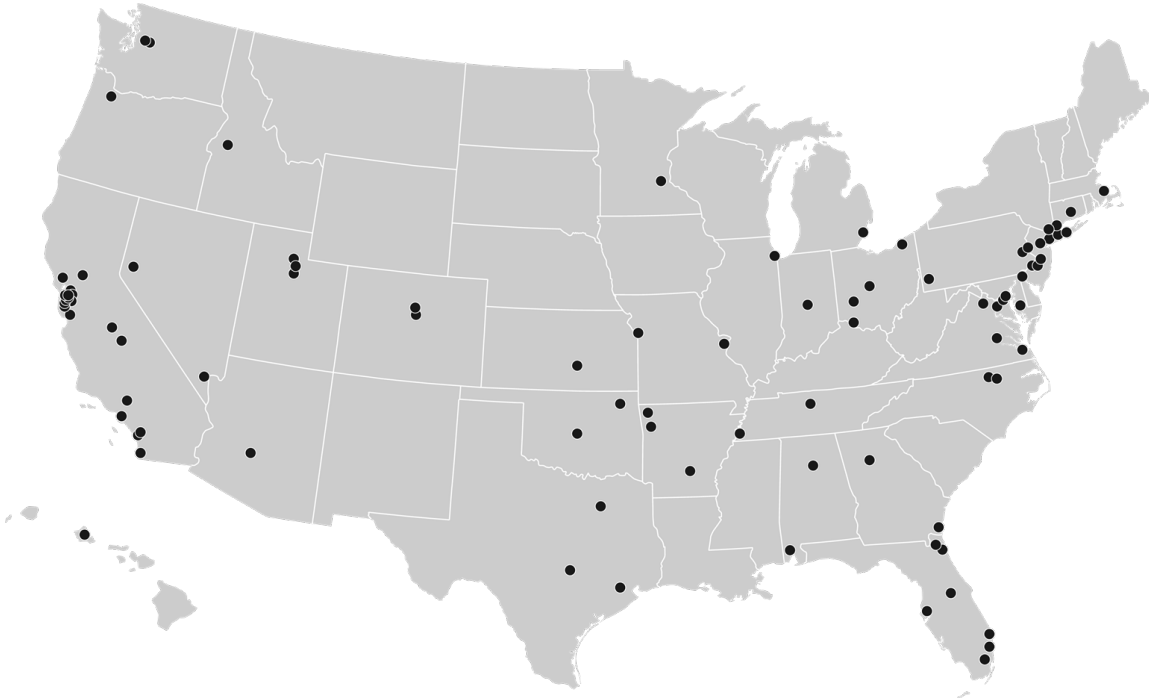
### Employment Growth By Industry

BALTIMORE, % CHANGE, 12 MONTHS ENDING MAY 2022,  
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, Newmark Research; June 2022

## Newmark United States Office Locations



### Methodology

Market statistics are calculated from a base building inventory of industrial properties 10,000 SF and larger that are deemed to be competitive in the Baltimore Metro Area industrial market. This includes multi-tenant, single-tenant and owner-occupied buildings.

### 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 triple net basis, meaning all costs of operation are paid by the tenant on a pro rata basis.

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

**General Industrial:** Properties characterized by 10–30% office build out, clear heights 16 feet and higher, up to 200 foot typical bay depth, dock or ground loading, and 10,000 SF and up typical suite size. Typical uses include manufacturing, warehouse, transportation, service and construction.

**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.

**R&D/Flex:** Properties characterized by 30% and higher office build out, clear heights up to 16 feet, up to 120-foot typical bay depth, ground loading, and 5,000 SF and up typical suite size. Typical uses include back office, R&D/lab, light assembly and retail/showroom.

**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.

**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.

**Warehouse/Distribution:** Properties characterized by 5-10% office build out, clear heights 16 feet and higher, up to 400 foot typical bay depth, dock loading, and 25,000 SF and up typical suite size. Typical uses include warehouse and distribution.

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