



# BALTIMORE INDUSTRIAL MARKET

## INDUSTRIAL MARKET FUNDAMENTALS REMAIN STURDY DESPITE PANDEMIC

Baltimore's industrial market fundamentals remained sturdy during the second quarter of 2020, with positive net absorption and steady rental rates. Although vacancy ticked up 30 basis points from the previous quarter to 8.3%, it remained only 10 basis points higher than a year ago. Average asking rental rates are 9.9% higher than a year ago, an increase partially driven by several new construction deliveries over the past year. The Baltimore industrial market registered 570,830 square feet of net absorption during the second quarter, bringing year-to-date absorption to 2.7 million square feet. The pandemic brought disruption to the market but also opportunity, as online shopping accelerated, and modern distribution space is increasingly in demand. The industrial sector is better insulated from the impacts of the pandemic than many other property types.

Three notable industrial properties completed construction in the Baltimore metro area during the second quarter, delivering a total of 1.4 million square feet. The largest delivery of the quarter was 7005 Tradeport Avenue in the Baltimore County East submarket. The 698,880 square-foot distribution center is fully leased to Home Depot.

### INVESTMENT SALES PICK UP IN SECOND QUARTER

Baltimore's industrial investment sales market was active during the second quarter with two portfolio transactions totaling \$141.3 million. Brandon Woods III Phase I and II traded in April from a joint venture between Chesapeake Bay Real Estate Group and EverWest Real Estate Investors to GLL Real Estate Partners for \$90.0 million. Both are warehouse/distribution properties, and one is fully occupied by Best Buy. In June, a three-property warehouse/distribution portfolio traded from Terreno Realty to Longpoint Realty Partners for \$51.3 million.

### BALTIMORE INDUSTRIAL MARKET OUTLOOK

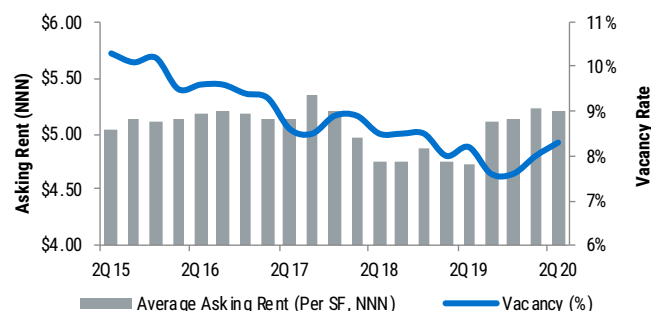
Baltimore's industrial market fundamentals remained strong during second-quarter 2020. Although vacancy ticked up, it was mostly a result of the vacant delivery of the 500,625-square-foot Aberdeen Logistics Center. Leasing activity in the Baltimore industrial market has been robust, especially for new product, and it is likely the property will lease up in the coming months. While net absorption during the second quarter ticked down slightly from the prior two quarters, which each saw over 1 million square feet of net demand, it remained strong at over 500,000 square feet. Driven by several new construction deliveries and sturdy demand for warehouse/distribution space, overall asking rental rates have increased 9.9% over the past year, although they edged down during the second quarter of 2020. Strong demand is likely to continue through the second half of the year, as the logistics sector is likely to see an uptick in e-commerce activity related to the pandemic and its aftermath. To meet this continued demand, a robust 3.7 million square feet of industrial product is under construction, much of it on a speculative basis. Accordingly, the market is likely to continue to see an uptick in vacancy while this space is in lease-up.

## CURRENT CONDITIONS

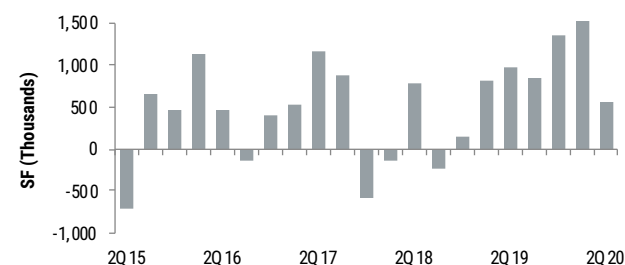
- The vacancy rate ticked up 30 basis points to 8.3% during the second quarter of 2020 and is 10 basis points higher than a year ago. The average asking rent is 9.9% higher than a year ago although it edged down during the second quarter of 2020.
- Baltimore's industrial investment sales market was active during the second quarter, with two notable portfolio transactions.
- The Baltimore region's unemployment rate registered 10.4% in April 2020, 430 basis points lower than the national rate of 14.7%.

## MARKET ANALYSIS

### Asking Rent and Vacancy Rate



### Net Absorption



## MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	186.2 M	184.8 M	178.9 M	↑
Vacancy Rate	8.3%	8.0%	8.2%	↑
Quarterly Net Absorption (SF)	570,830	2,138,420	973,440	↑
Average Asking Rent (Per SF, NNN)	\$5.20	\$5.23	\$4.73	↑
Under Construction (SF)	3.7 M	4.3 M	4.5 M	↓
Deliveries (SF)	1,409,505	3,222,899	0	↓

## SUBMARKET STATISTICS – ALL CLASSES

	Total Inventory (SF)	Under Construction (SF)	Overall Vacancy Rate	2017 Net Absorption (SF)	2018 Net Absorption (SF)	2019 Net Absorption (SF)	2Q 2020 Net Absorption (SF)	YTD 2020 Absorption (SF)	Average Asking Rent (NNN)
<b>Baltimore Industrial</b>	<b>186,188,398</b>	<b>3,713,625</b>	<b>8.3%</b>	<b>1,997,185</b>	<b>1,005,582</b>	<b>3,109,917</b>	<b>570,830</b>	<b>2,709,250</b>	<b>\$5.20</b>
Arbutus	7,543,374	2,126,600	8.9%	282,777	233,095	58,489	-27,087	-408,380	\$3.95
Baltimore County East	28,151,257	478,900	13.7%	1,128,601	618,264	194,546	656,880	2,909,822	\$3.10
Baltimore NE	5,214,635	147,060	1.5%	-41,150	143,415	-44,024	-	24,823	-
Baltimore NW	2,024,153	-	1.7%	67,416	40,180	194,500	-	-	-
Baltimore SE	18,592,444	-	2.8%	-896,682	387,315	670,338	1,500	417,029	\$6.52
Baltimore SW	13,806,217	-	6.7%	-229,609	117,948	-18,866	-24,400	-39,233	\$4.20
BWI North/Linthicum	1,928,199	-	10.6%	62,419	-108,422	23,923	-2,080	3,298	\$7.66
BWI/Anne Arundel	7,202,984	-	10.2%	474,400	-17,554	105,746	7,912	-24,300	\$9.40
Carroll County	7,810,875	-	4.8%	23,755	-307,824	-136,120	-51,000	-80,525	\$4.26
CBD Baltimore	4,809,578	-	9.7%	-87,373	-13,502	126,721	4,365	27,415	\$3.51
Cecil County	13,086,909	716,490	4.5%	1,264,890	81,800	1,828,850	-	550,000	\$4.75
Columbia	6,510,353	-	5.1%	41,241	-423,495	255,717	-1,025	-26,018	\$7.24
Harford County	21,858,761	244,575	12.0%	-241,312	17,955	-1,190,575	215,000	-418,794	\$5.00
I-97/Crain Highway Corridor	10,176,517	-	16.7%	170,389	61,627	-106,251	-121,630	-197,405	\$5.78
Reisterstown Road	3,446,993	-	5.8%	-1,244	-103,311	-118,000	-	-36,000	\$8.67
Route 1 Corridor	23,227,037	-	7.4%	416,586	68,801	139,254	-78,180	28,206	\$6.21
Route 2 Corridor	2,867,420	-	3.9%	-381,185	28,335	1,039,760	-1,625	1,225	\$5.41
Route 83 Corridor	4,448,729	-	6.1%	-102,988	191,009	-101,611	-	-20,736	\$7.36
South Anne Arundel	1,669,125	-	0.7%	98,956	7,141	65,271	-7,800	-7,800	-
Woodlawn/Catonsville	1,812,838	-	3.1%	-52,702	-17,195	122,249	-	6,623	\$5.59

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

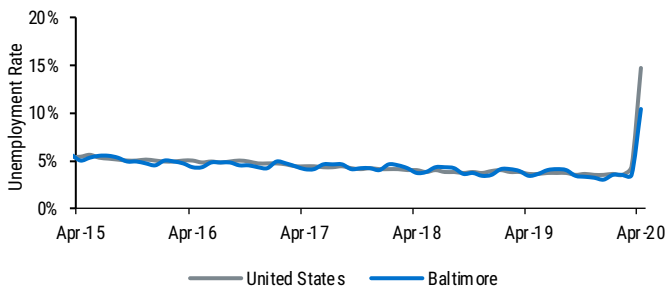
## ECONOMIC CONDITIONS

The Baltimore region's unemployment rate registered 10.4% in April 2020, 430 basis points lower than the national rate of 14.7%. Both the Baltimore and U.S. unemployment rates rose sharply over the past several months due to the pandemic's impact. As evidenced by lower unemployment than the national rate, Baltimore may be somewhat insulated from the worst impacts of a recession as its core job sectors, such as Professional and Business Services and Education/Health, may be better equipped to handle this specific downturn. Employment is likely to rebound during the second half of 2020, although a full recovery is unlikely to occur until 2021 at the earliest.

For the 12-month period ending in May 2020, every Baltimore job sector experienced losses with the exception of Mining, Logging and Construction; the overall net change was -170,600 jobs. Industrial-using job sectors Manufacturing (-6.9%) and Trade/Transportation/Utilities (-10.7%) experienced job declines that were slightly less than Baltimore's overall 12-month job change for all industries (-11.9%). The decline in industrial-using jobs is something to monitor, as it may affect the health of the industrial market, especially with the uncertainty of the economy due to COVID-19. However, continued demand from e-commerce providers likely will help bolster industrial space demand.

## UNEMPLOYMENT RATE

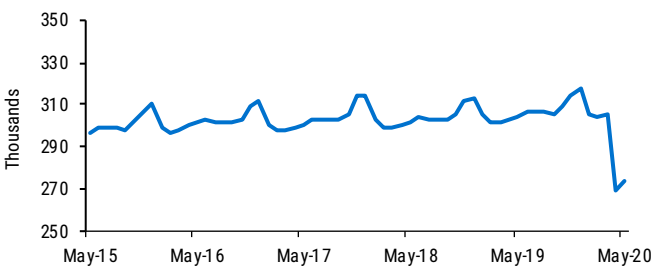
**U.S. – Seasonally Adjusted,  
Baltimore – Not Seasonally Adjusted**



Source: U.S. Bureau of Labor Statistics, NKF Research; June 2020

## INDUSTRIAL-USING EMPLOYMENT\*

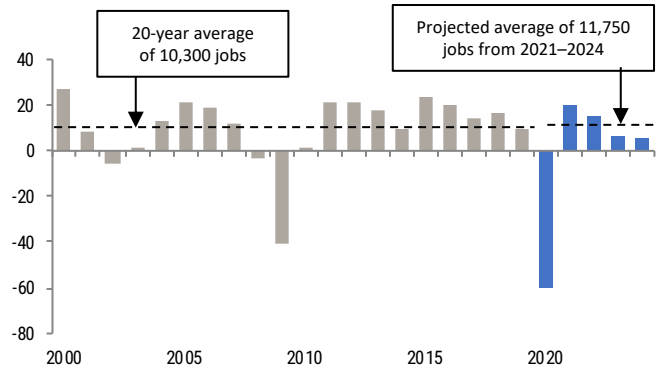
**Baltimore, Industrial-Using Employment (000's),  
Not Seasonally Adjusted**



\*Identified as Manufacturing and Trade/Transportation/Utilities  
Source: U.S. Bureau of Labor Statistics, NKF Research; June 2020

## EMPLOYMENT FORECAST

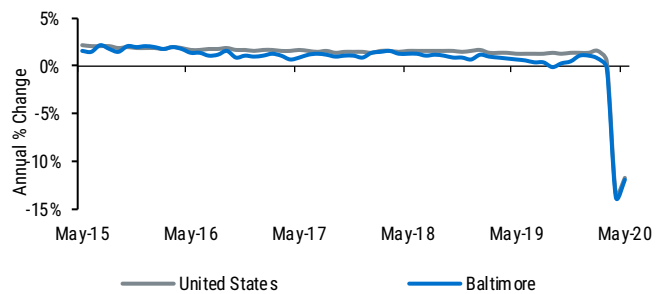
**Baltimore Metro Area, Payroll Job Change, 2000–2019  
and Forecast 2020–2024**



Source: U.S. Bureau of Labor Statistics, Moody's Analytics, NKF Research; June 2020  
\*Previous projections have been revised due to COVID-19 and are subject to further revision as conditions change.

## PAYROLL EMPLOYMENT

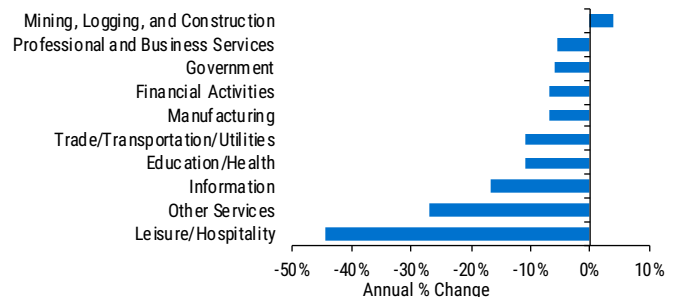
**Total Nonfarm, U.S.- Seasonally Adjusted,  
Baltimore – Not Seasonally Adjusted, 12-Month % Change**



Source: U.S. Bureau of Labor Statistics, NKF Research; June 2020

## EMPLOYMENT GROWTH BY INDUSTRY

**Baltimore, % Change, 12 Months Ending May 2020,  
Not Seasonally Adjusted**



Source: U.S. Bureau of Labor Statistics, NKF Research; June 2020

## 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.

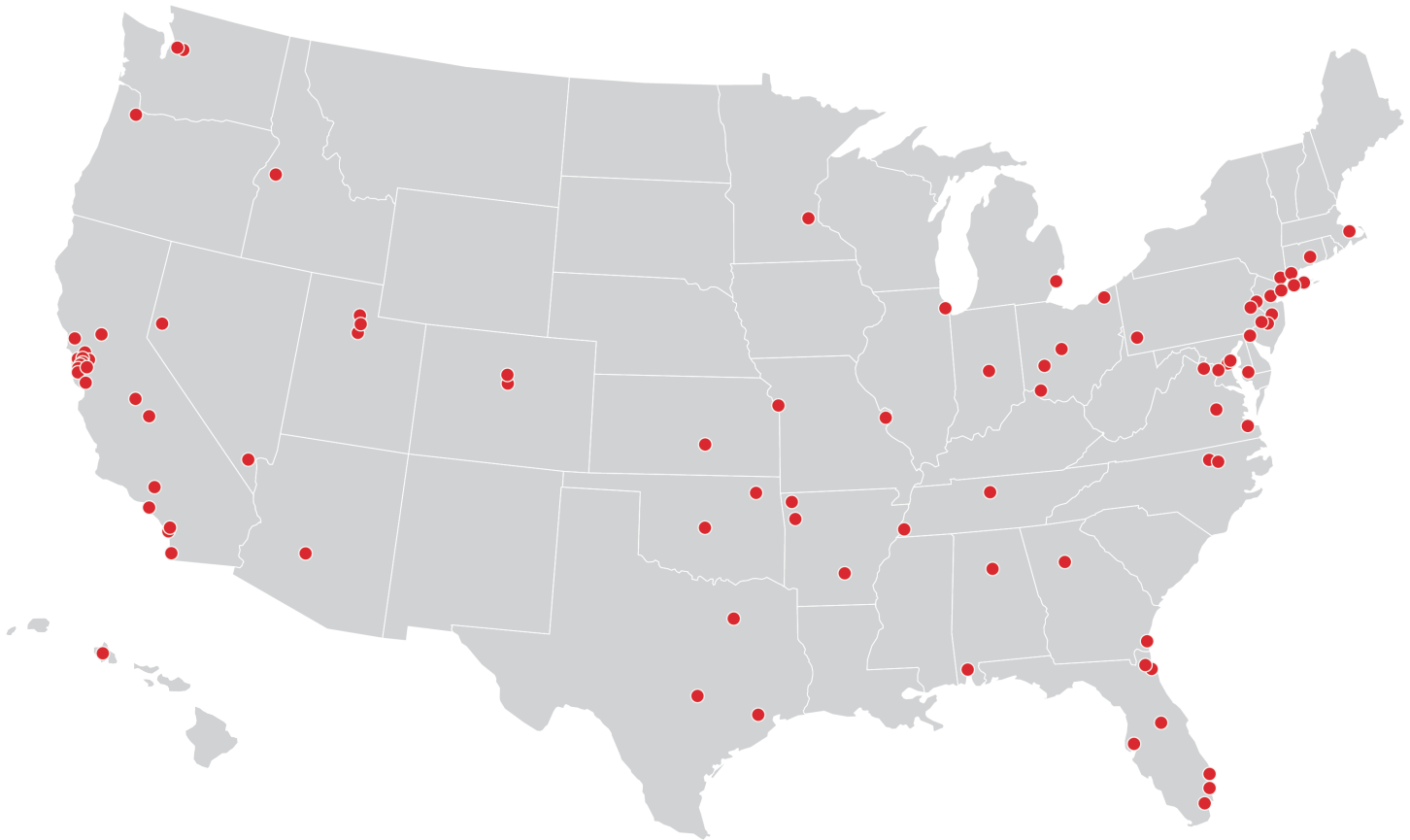
**R&D/Flex:** Properties characterized by 30% and higher office build out, clear heights up to 16 feet, up to 120-foot typical bay depth, ground loading, and 5,000 SF and up typical suite size. Typical uses include back office, R&D/lab, light assembly and retail/showroom.

**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.

## NEWMARK KNIGHT FRANK UNITED STATES OFFICE LOCATIONS



### BALTIMORE

One East Pratt Street  
Suite 805  
Baltimore, MD 21202  
410.625.4200

#### ALEXANDER (SANDY) PAUL, CRE, LAI

Senior Managing Director  
202.312.5783  
apaul@ngkf.com

#### BETHANY SCHNEIDER

Director, Research  
202.664.5898  
bschneider@ngkf.com

#### JORDAN SCHOTT

Senior Research Analyst  
202.664.5902  
jordan.schott@ngkf.com

#### KEVIN SWEENEY

Senior Research Analyst  
202.312.5763  
kevin.sweeney@ngkf.com

Newmark Knight Frank 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 Knight Frank Research Reports are available at [www.ngkf.com/research](http://www.ngkf.com/research)

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Knight Frank (NKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that 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 NKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.