
3Q24

Baltimore Industrial Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. August’s 3.5% unemployment rate was significantly lower than the national average of 4.2%.
- Within the industrial sector, manufacturing saw positive job gains with employment growth of 3.0% year-over-year, while trade/transportation/utilities saw a modest year-over-year decline of 1.7%.
- The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended August 2024 at 322,400 employees, in line with the decade average and an increase of 12.4% since the market reached a pandemic-related low in April of 2020.

Major Transactions

- The largest deal of the quarter was the sale of Race Road Logistics Center, located at 7314 Race Road within Hanover, Maryland. The 130,000-square-foot last-mile distribution facility was sold by TA Realty to Sagard Real Estate for \$33.5 million, or \$256.92 PSF. The property was 67% occupied at the time of sale. Sagard Real Estate purchased the property in order to expand its industrial portfolio, with an expectation the property will have long-term value creation.
- A second notable deal during the quarter was the sale of Peppermill Trade Center at BWI, located at 2413 Peppermill Drive in Glen Burnie, Maryland. The 107,000-square-foot distribution center was sold by Chesapeake Real Estate Group to Hillwood Development Corporation for \$22.97 M, or \$214.27 PSF. The property is a new construction that was delivered in April and is currently in lease-up.

Leasing Market Fundamentals

- The Baltimore industrial market experienced over 700,000 SF of positive net absorption during Q3 2024 and ended the quarter at a 6.1% vacancy rate, flat quarter-over-quarter but an increase of 70 bps year-over-year. Despite this expansion in vacancy, the market remains much tighter than the long-term average of 9.4%.
- Class A product saw 38.9% of overall leasing volume during Q3 2024. This is higher than the decade average of 35.5% and highlights the elevated interest in quality Class A space by occupiers.
- Average asking rents increased year-over-year and continue to sit near record highs, ending Q3 2024 at \$8.38 PSF, an increase of 1.6% year-over-year.

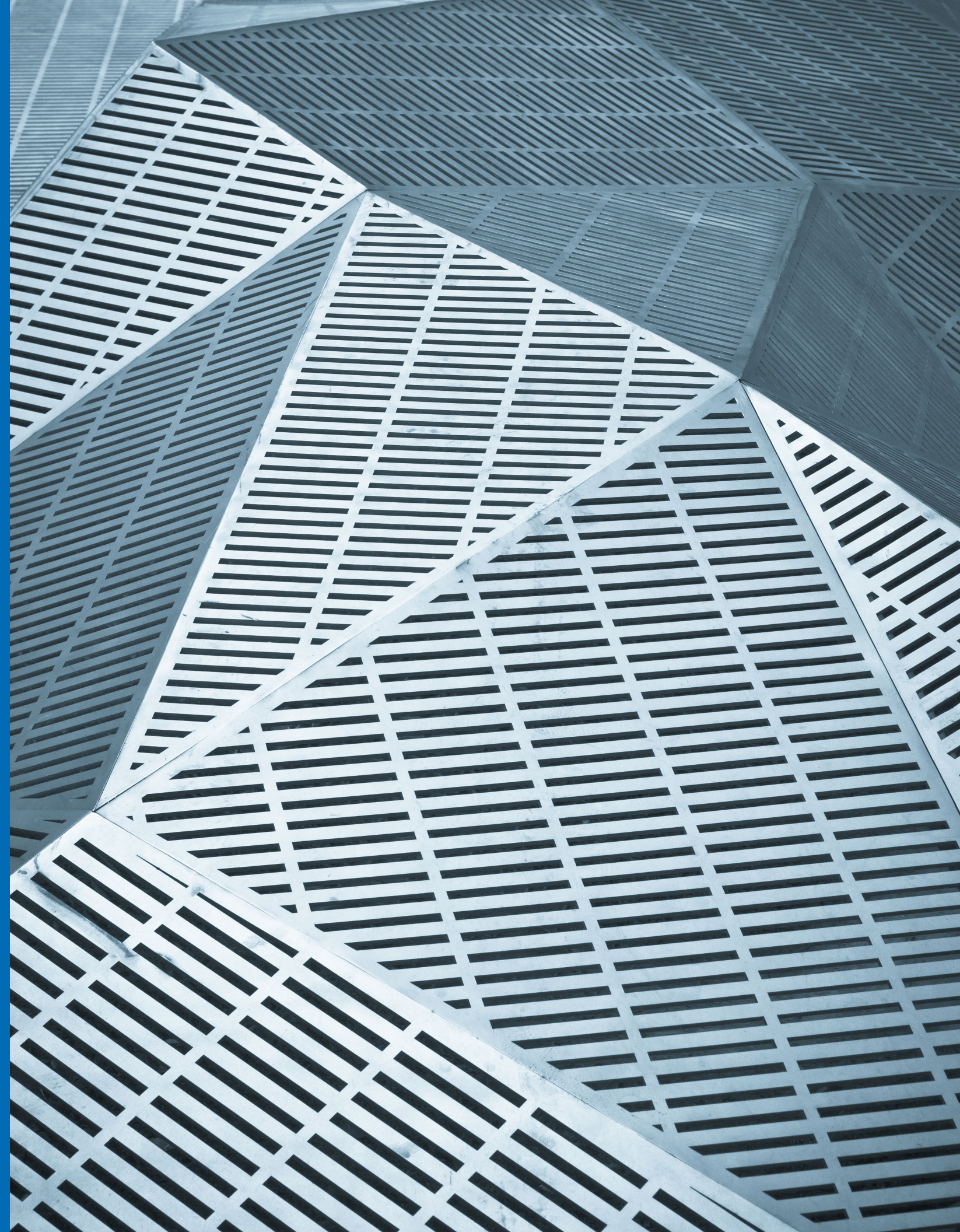
Outlook

- The market appears to be re-adjusting after experiencing unprecedented development in recent years. This development has led to an oversupply of space, which is leading to an increase in the vacancy rate as demand catches up. While supply and demand re-adjust, rent growth will likely continue relatively flat while remaining at historically elevated levels.
- Leasing activity will likely continue to hover at historically lower levels until demand catches up with supply. As has been the case historically, Class A space will continue to see the most interest from landlords, tenants, and investors alike but will continue to trend toward the long-term average of 35.5%
- In the short-term to mid-term there will be some uncertainty in the market after the tragic collapse of the Francis Scott Key Bridge on March 26th. The port has fully reopened, however it is unlikely for vessel count to return to prior levels until next year. The bridge is expected to take years to rebuild and the impact on the regional industrial market is uncertain as major logistics routes are diverted.

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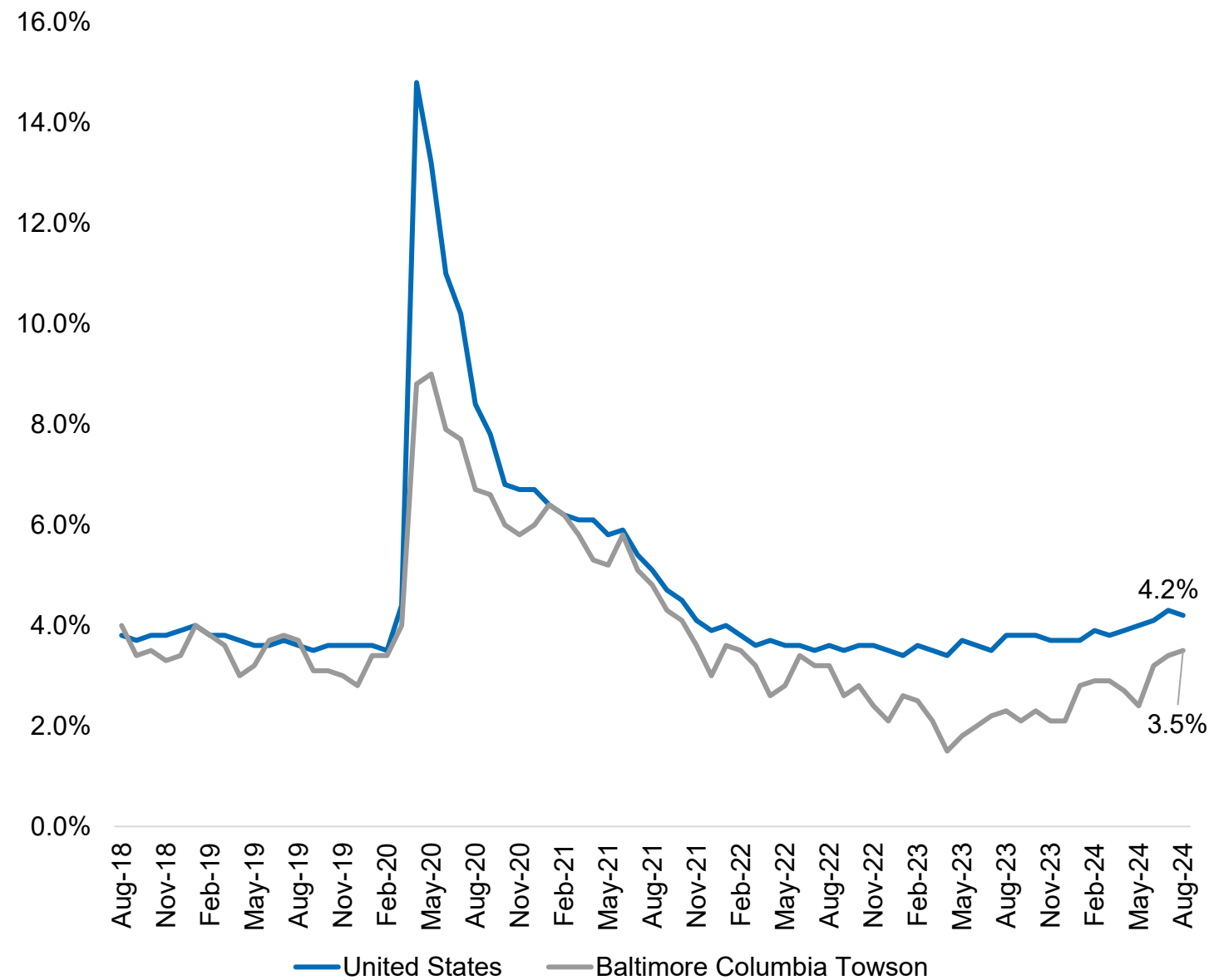
Economy



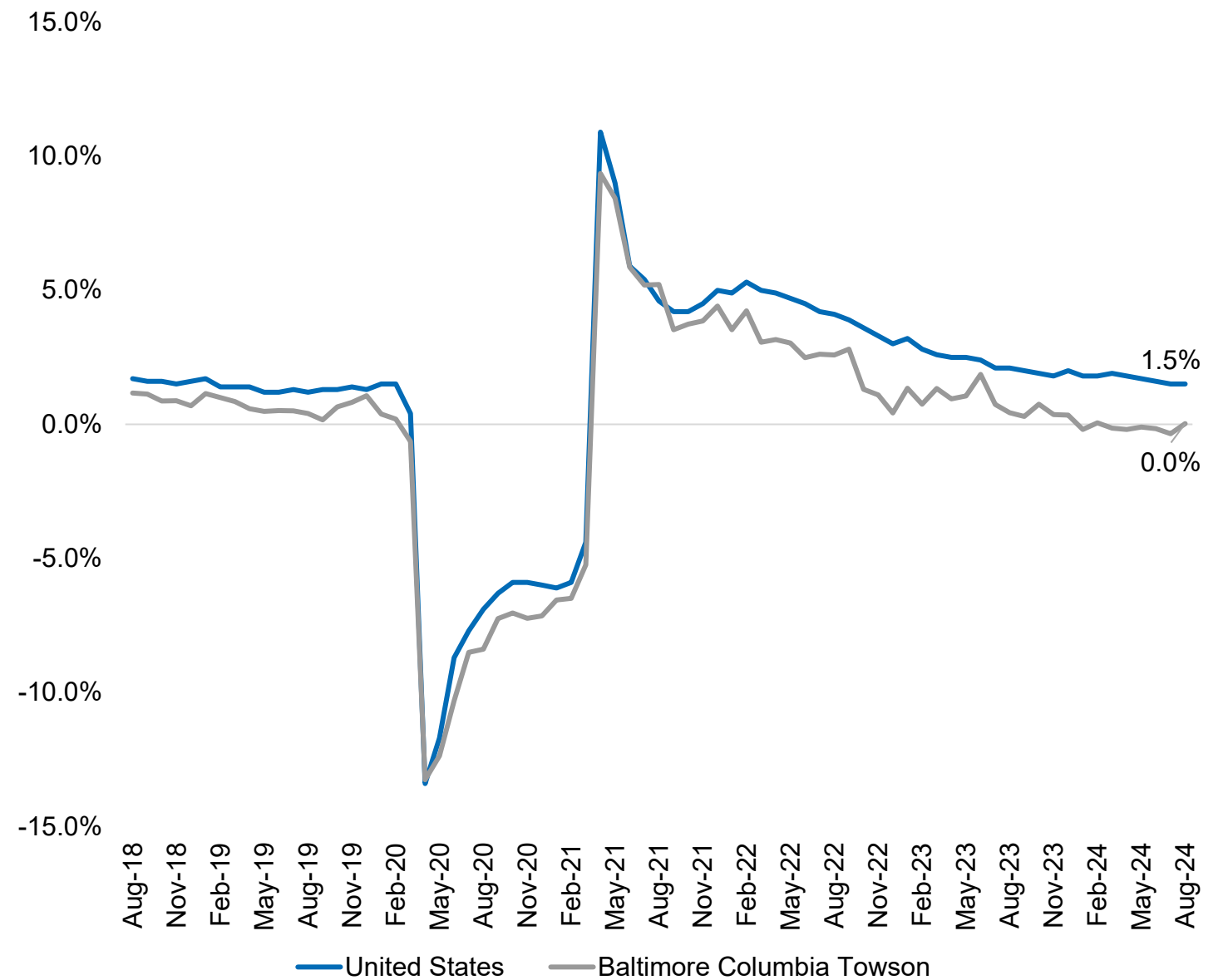
Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended August 2024 at 3.5%. This is 120 bps higher year-over-year, however 70 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

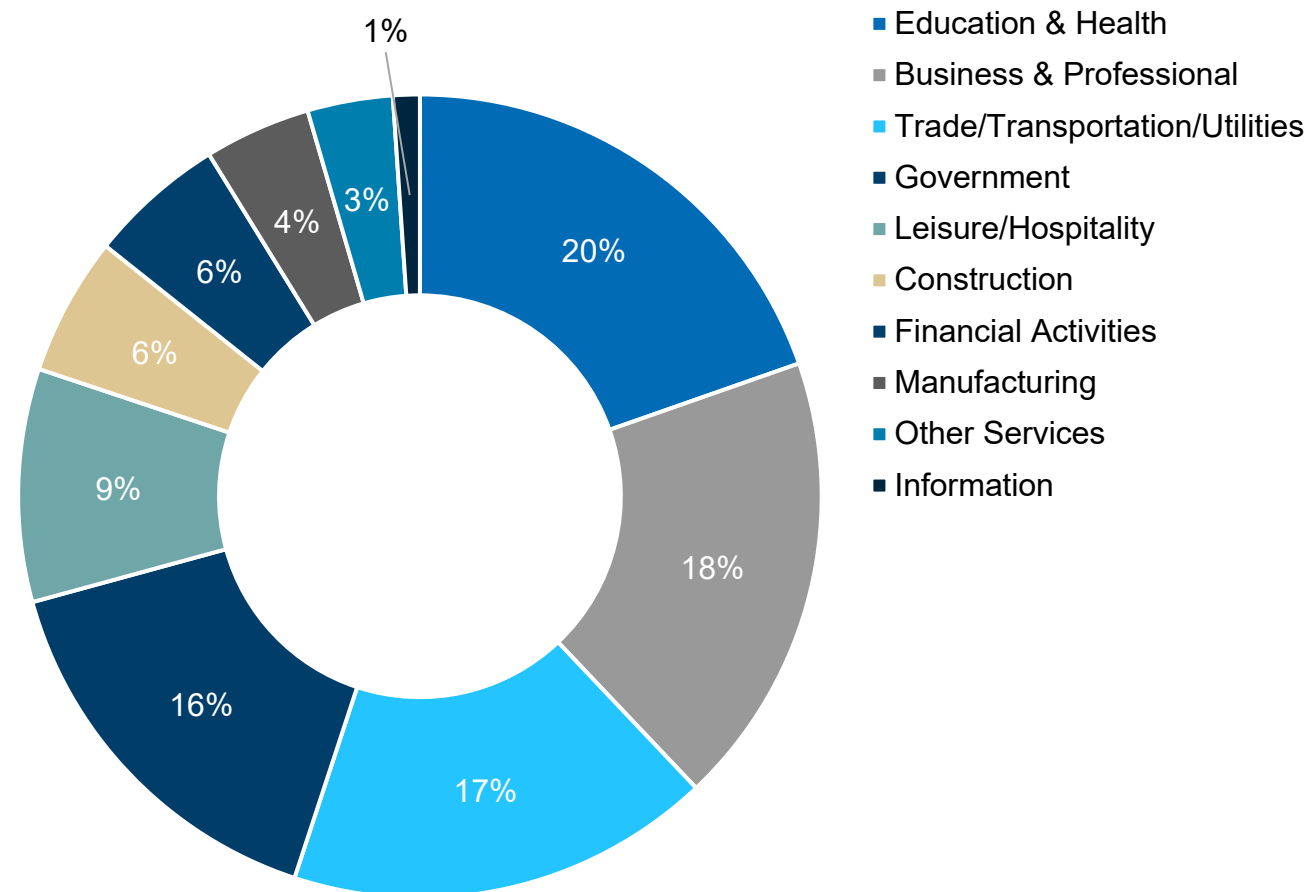


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

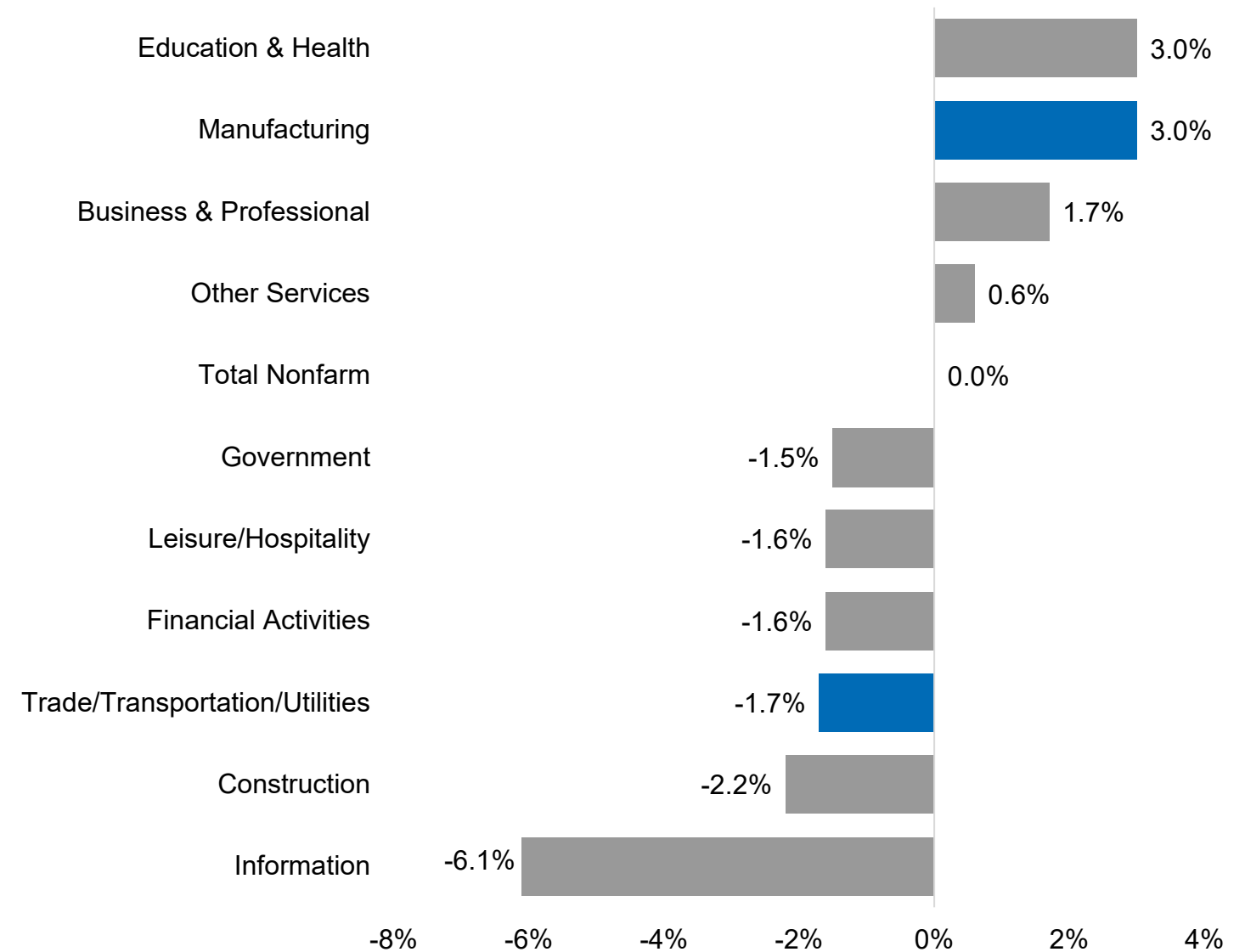
Manufacturing Experiences Annual Growth, Trade/Transportation/Utilities Sees Losses

Overall nonfarm employment remained flat in the Baltimore metro year-over-year. Within the industrial sector, manufacturing saw positive job gains with employment growth of 3.0% year-over-year, while trade/transportation/utilities saw a year-over-year decline of 1.7%. Despite the annual employment decline, trade/transportation/utilities remains the third largest industry in the region, only behind the Education & Health and Business & Professional industries.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

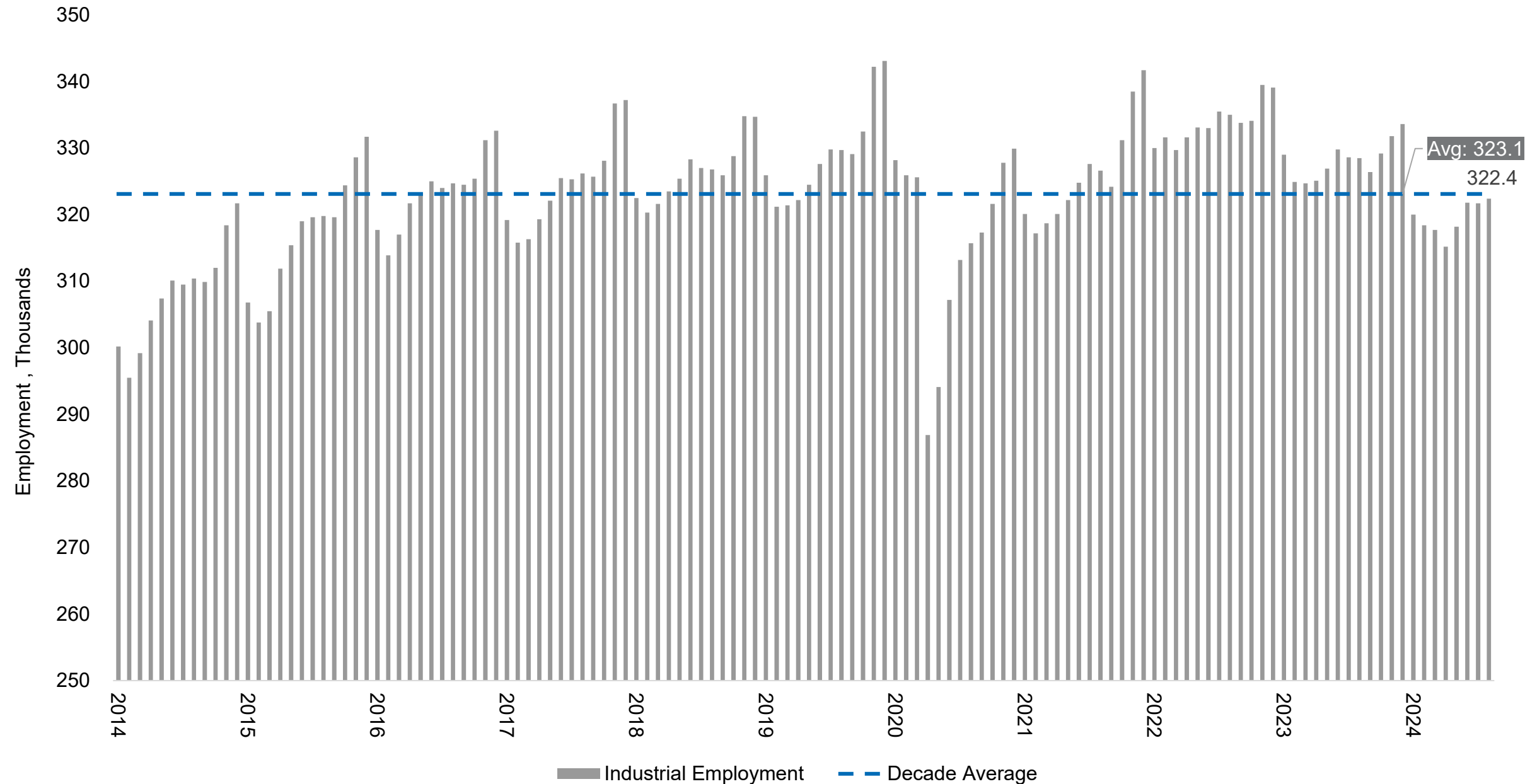


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Industrial Employment Remains Steady

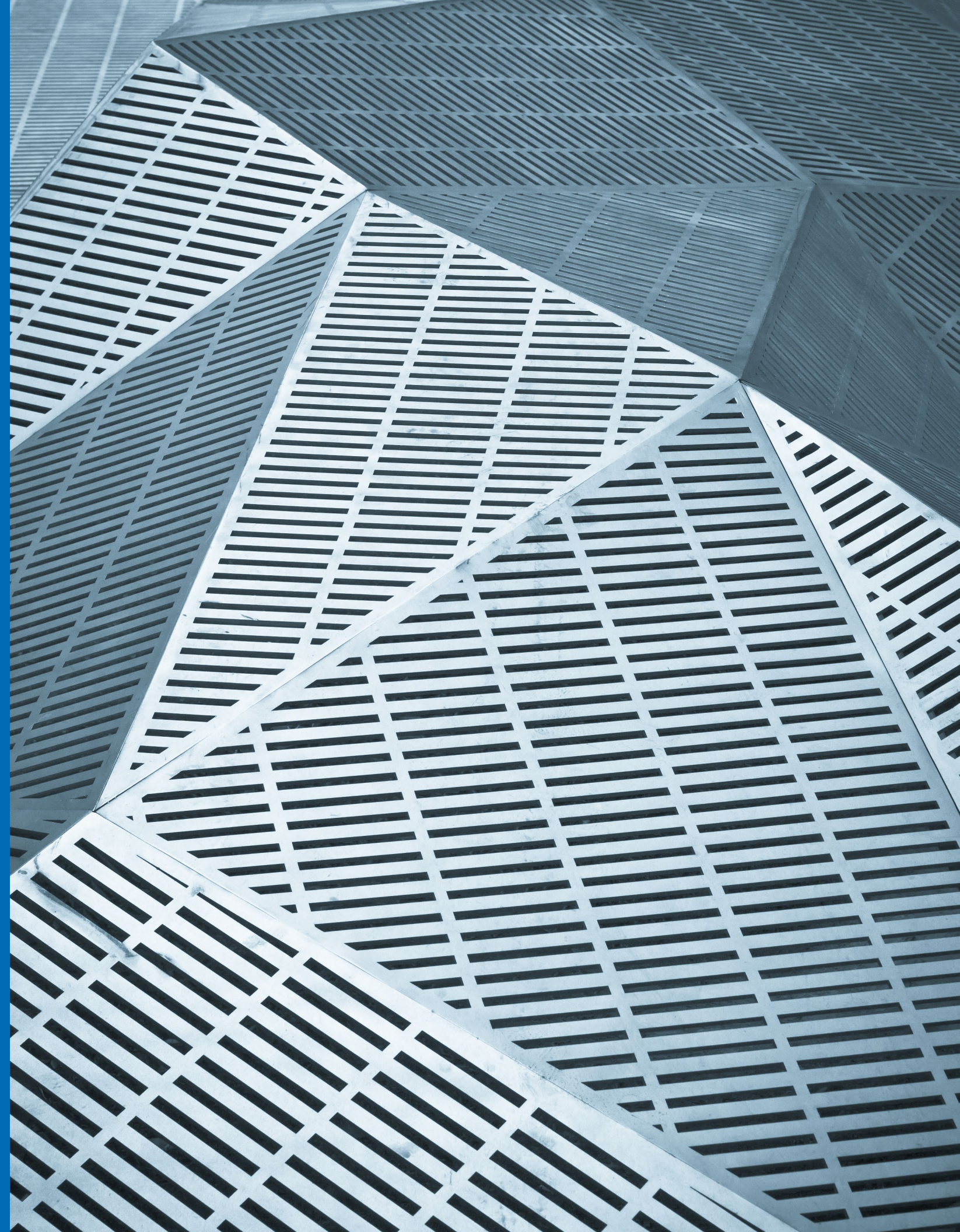
The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended August 2024 at 322,400 employees, in line with the decade average and an increase of 12.4% since the market reached a pandemic-related low in April of 2020. Industrial employment is dominated by the trade/transportation/utilities industry, which makes up almost 80% of industrial employment. As such, industrial employment is very cyclical, with a large increase of employees during the holiday season and a drop-off at the beginning of each year, as was the case to begin 2024.

Industrial Employment



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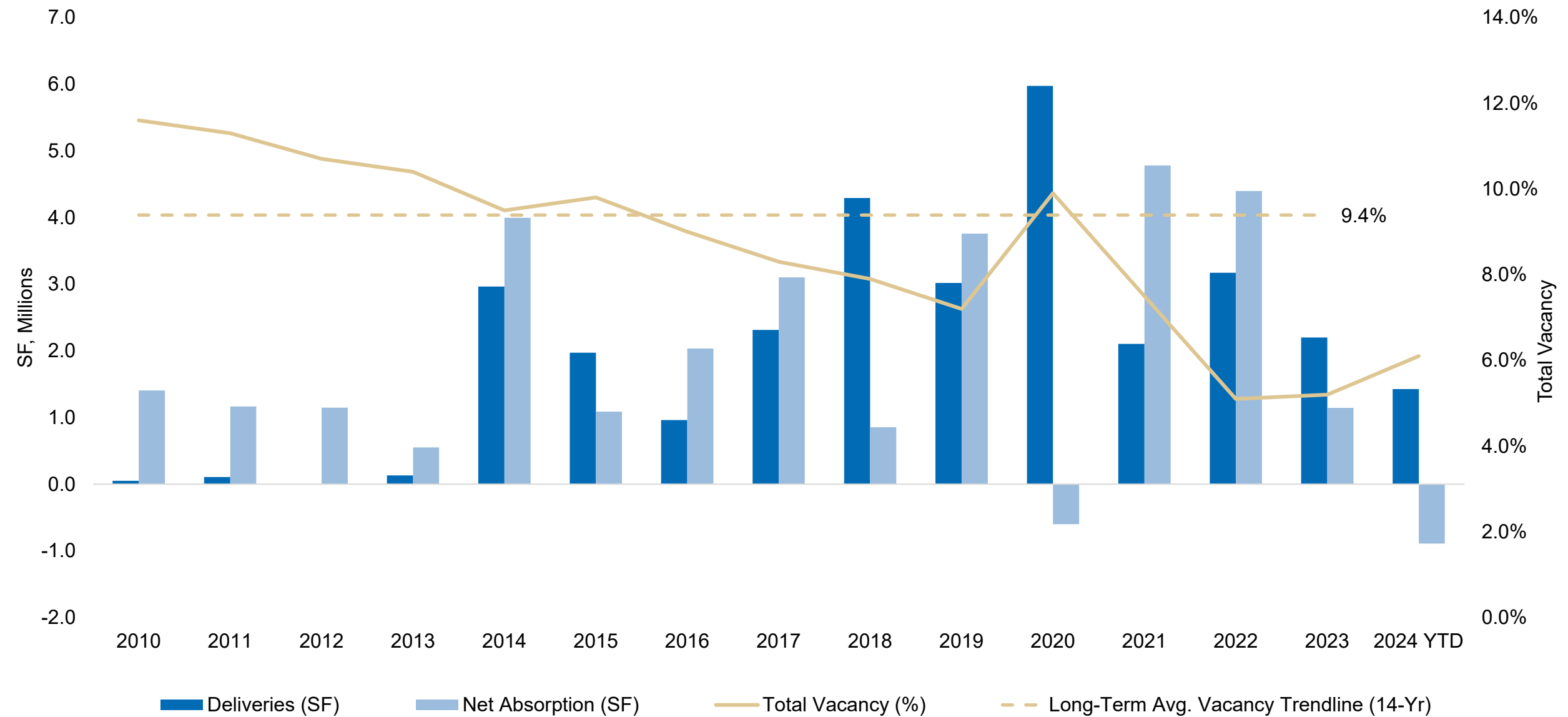
Leasing Market Fundamentals



Market Remains Historically Tight Despite Expansion of Vacancy

The Baltimore industrial market ended Q3 2024 at a 6.1% vacancy rate, flat quarter-over-quarter but an increase of 70 bps year-over-year. Despite this expansion in vacancy, the market remains much tighter than the long-term average of 9.4%. Although the market experienced over 700,000 SF of positive net absorption during the quarter, the market has experienced 892,000 SF of negative net absorption so far in 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy



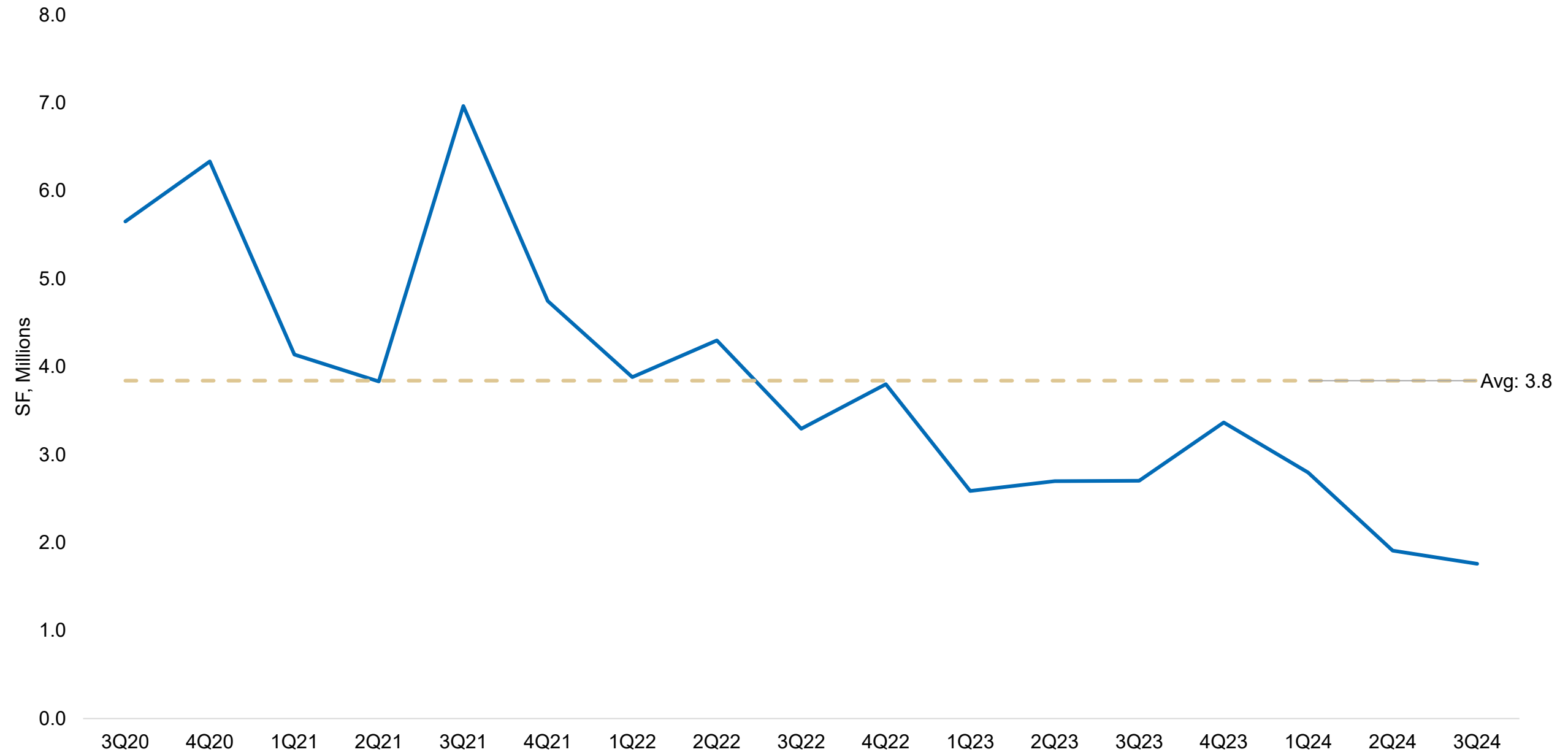
Source: Newmark Research, CoStar



Industrial Leasing Activity Has Decelerated in 2024

Leasing activity decelerated to a historical low in Q3 2024, ending the quarter with 1.8 MSF of activity. This is much lower than the recent high, when the market experienced 7.0 MSF of activity during Q3 2021, and lower than the four-year average of 3.8 MSF of quarterly activity.

Total Leasing Activity (SF)



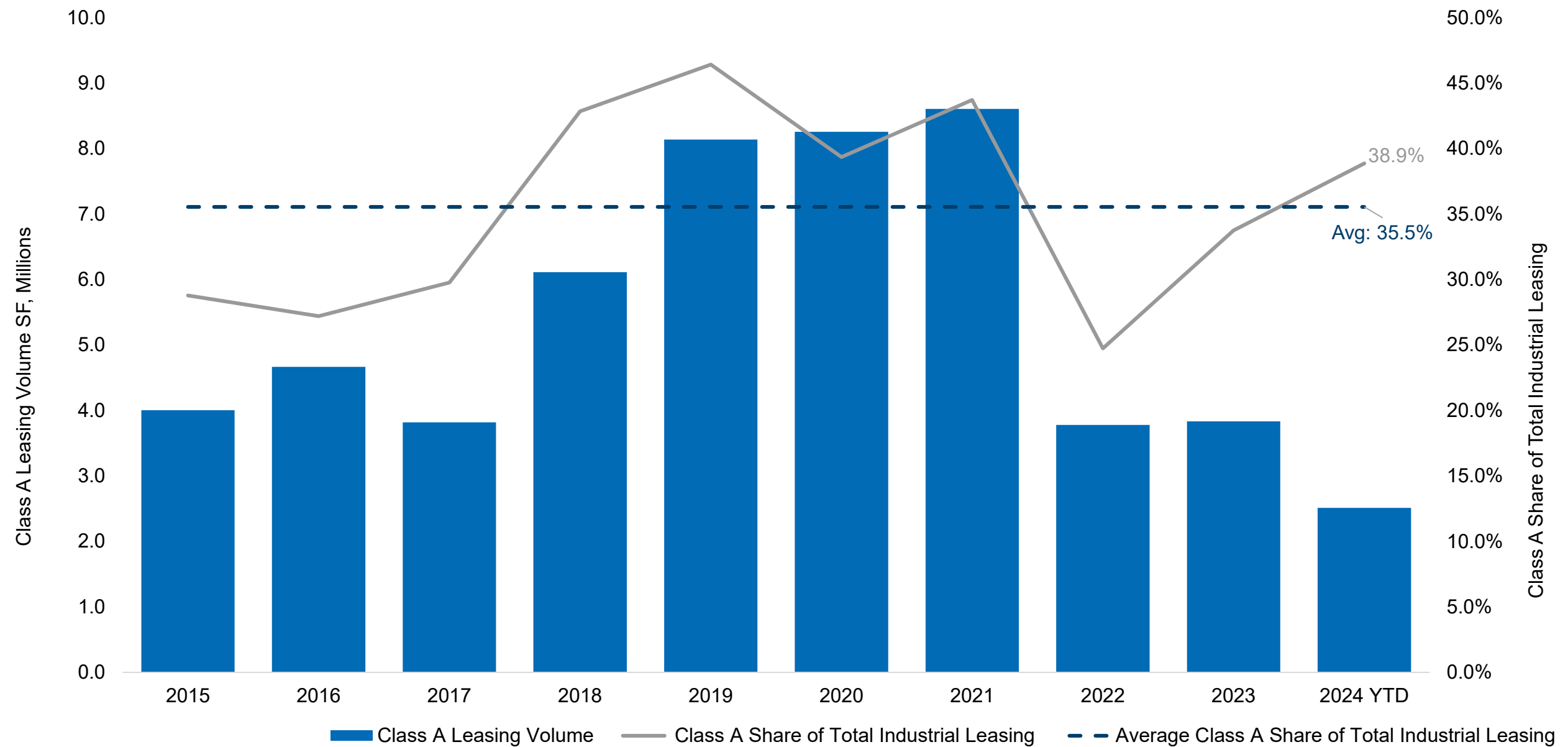
Source: Newmark Research, CoStar



Class A Industrial Leasing Above Long-Term Average

Class A product has seen 38.9% of overall leasing volume during 2024. This is higher than the decade average of 35.5% and highlights the elevated interest in quality Class A space by occupiers.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



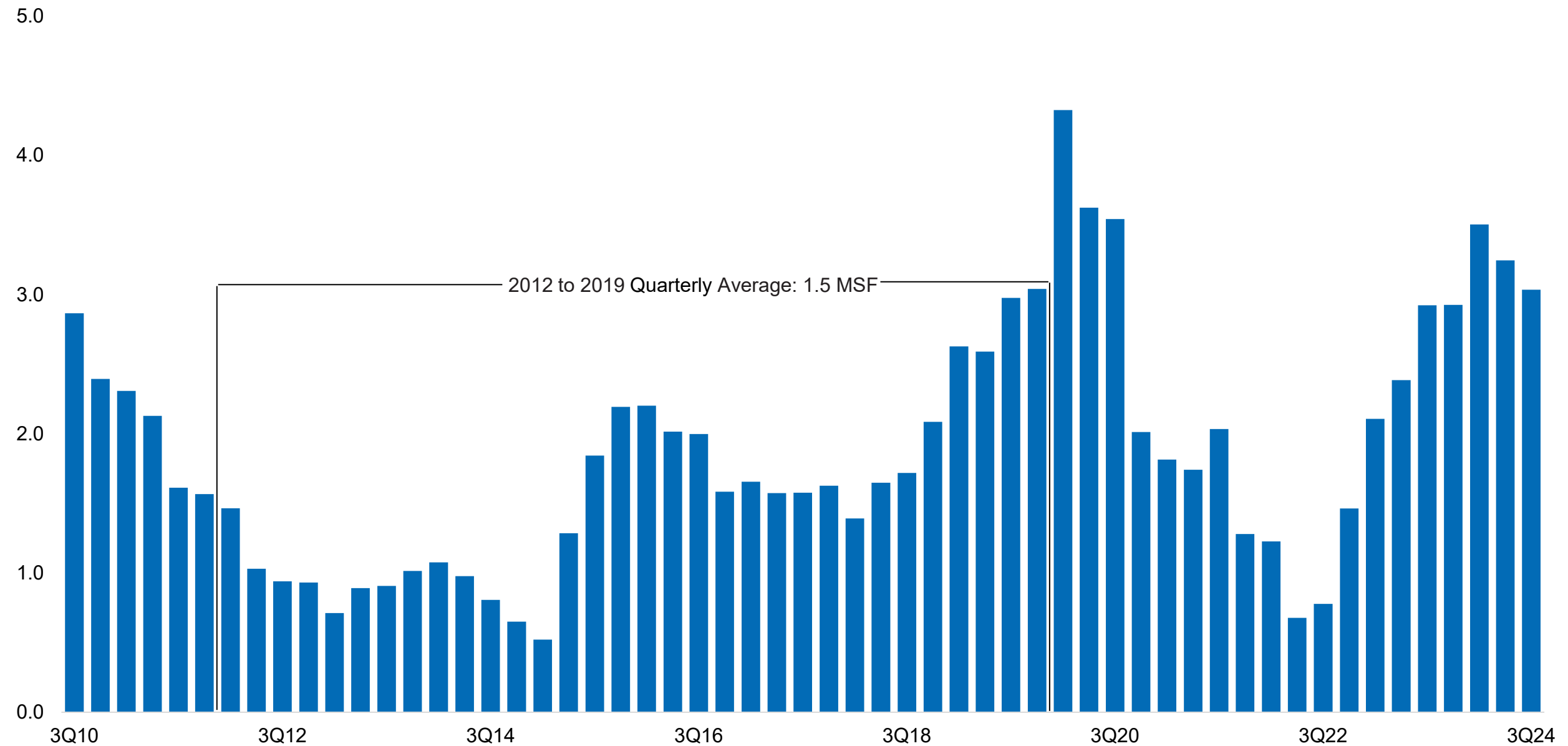
Source: Newmark Research, CoStar



Industrial Sublease Availability Spikes Above Pre-Pandemic Levels

The market saw a large dip in sublease available space during the beginning of the pandemic, as demand for industrial space soared. Since the market saw near historical lows in Q2 2022, sublease available space has been consistently added to the market, ending Q3 2024 at 3.0 MSF, which is in line with the volume leading up to the pandemic.

Available Industrial Sublease Volume (msf)



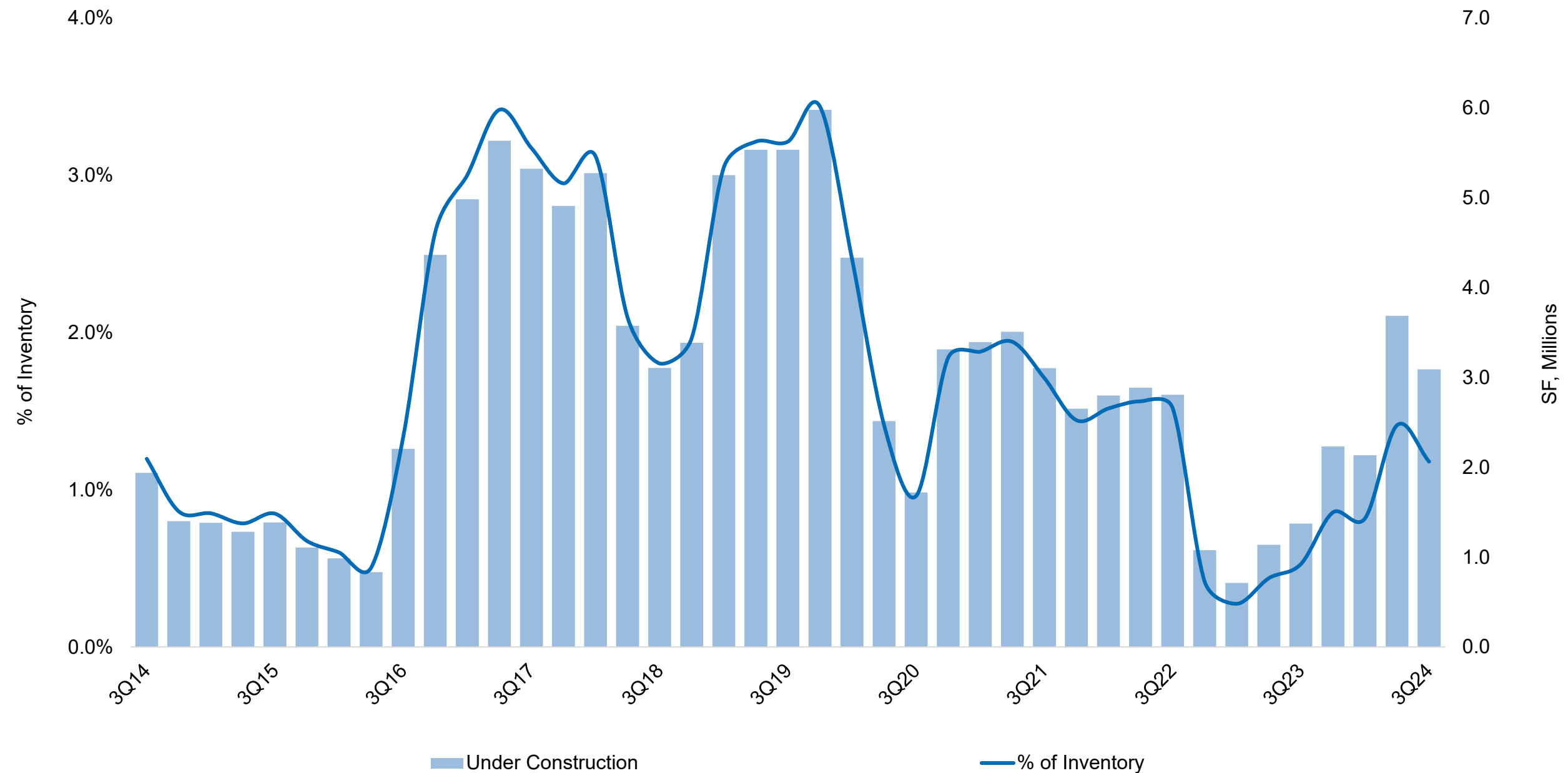
Source: Newmark Research, CoStar



Construction Supply Remains Modest

Baltimore ended Q3 2024 with fourteen properties under construction totaling almost 3.1 MSF. This level of construction is slightly above the decade average of 3.0 MSF of space under construction.

Industrial Under Construction and % of Inventory



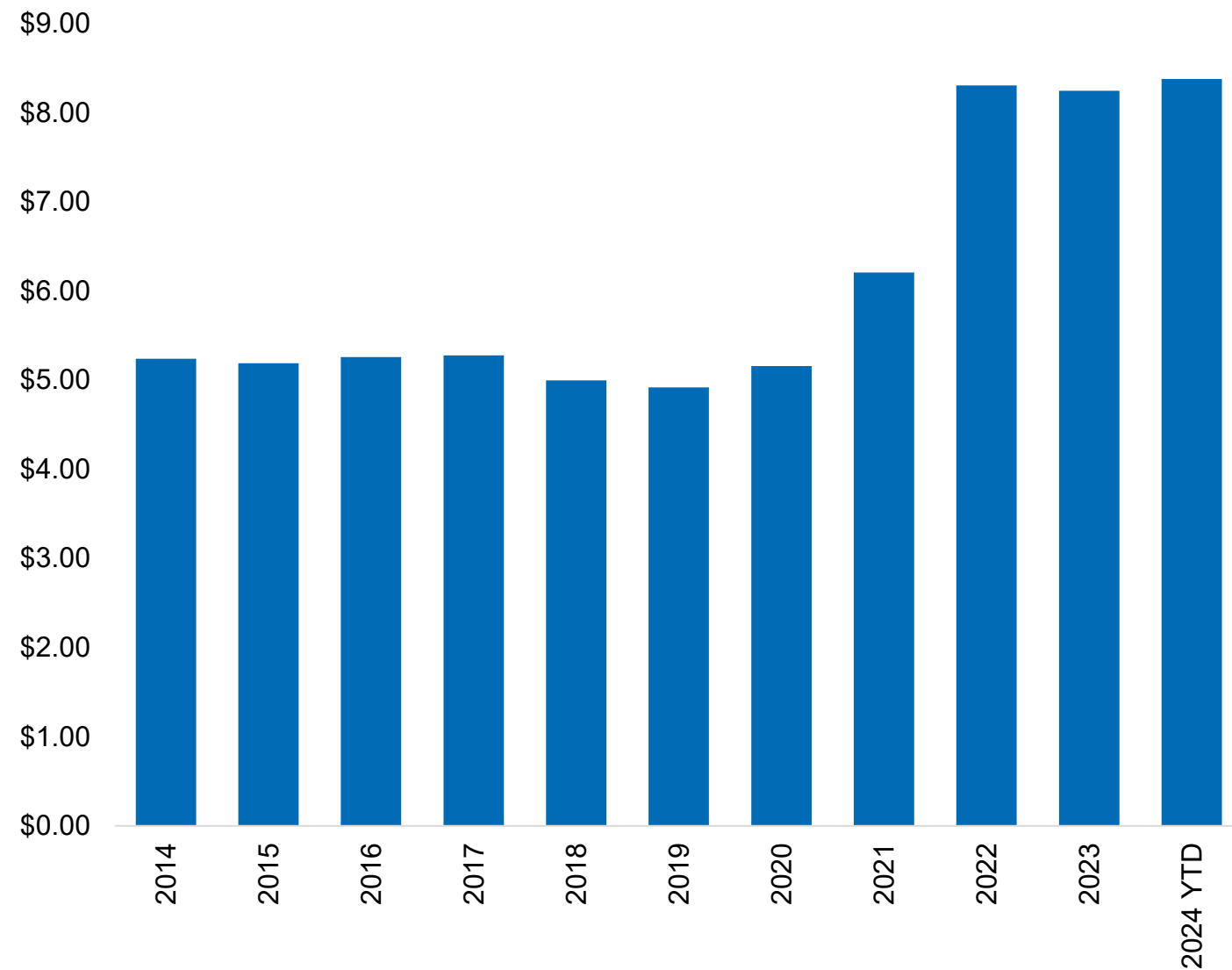
Source: Newmark Research, CoStar



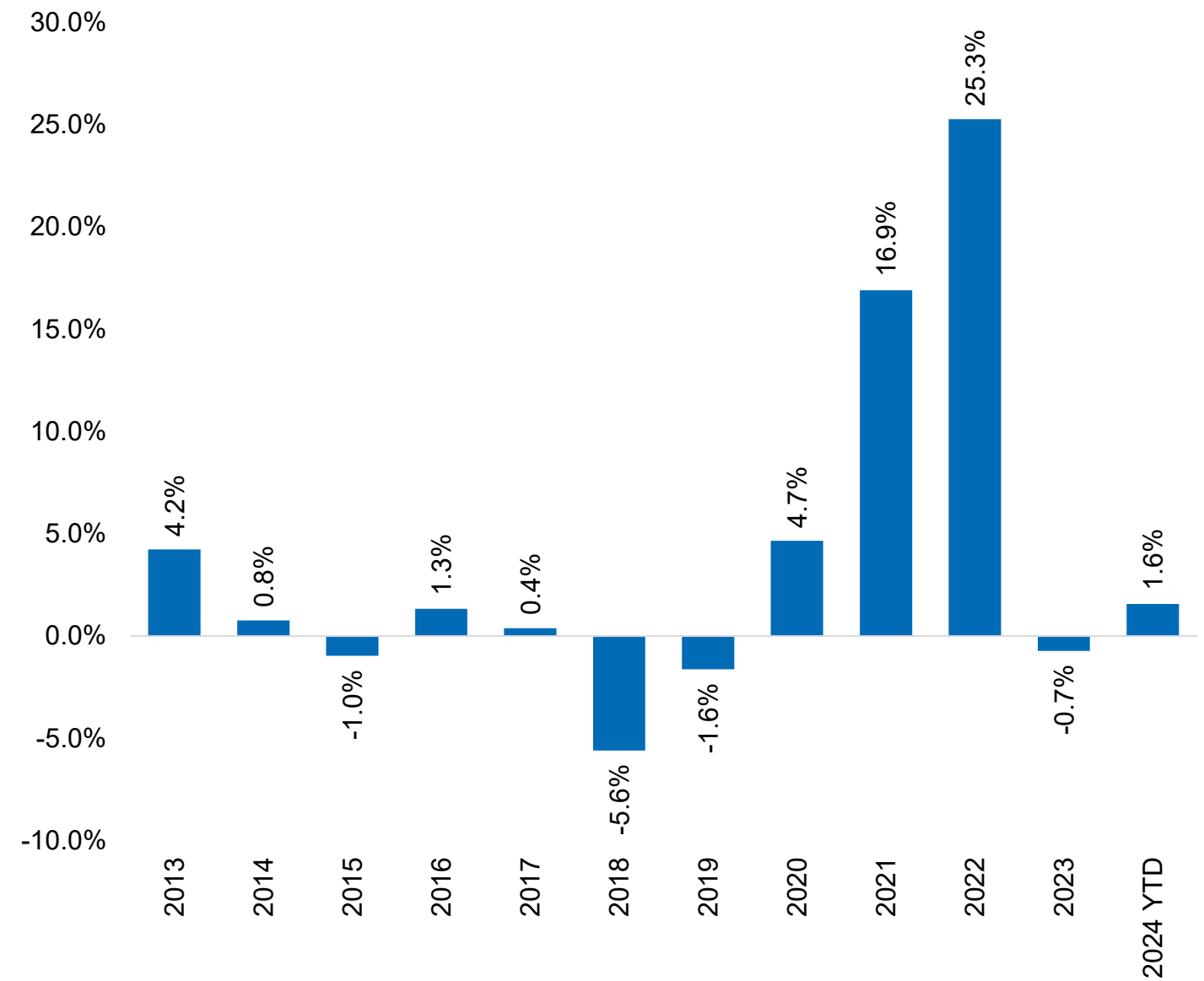
Asking Rents Reach Historic Highs

Average asking rents ended Q3 2024 at \$8.38 PSF, reaching historical highs. The market saw an astounding 68.9% increase in rents from the beginning of 2020 through 2022, however rent growth has leveled off since. Rents will likely stay relatively flat in the coming quarters as demand catches up to the recent influx of supply.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



Notable 3Q24 Lease Transactions

Leasing activity during Q3 2024 was dominated by new leases, with four of the five largest leases being new deals. The largest lease of the quarter was 447,000 SF signed by SH Bell at 6301 New Cold Mill Road in Baltimore County East, followed by ABC Supply signing for 264,000 SF at 1501 Perryman Road in Aberdeen.

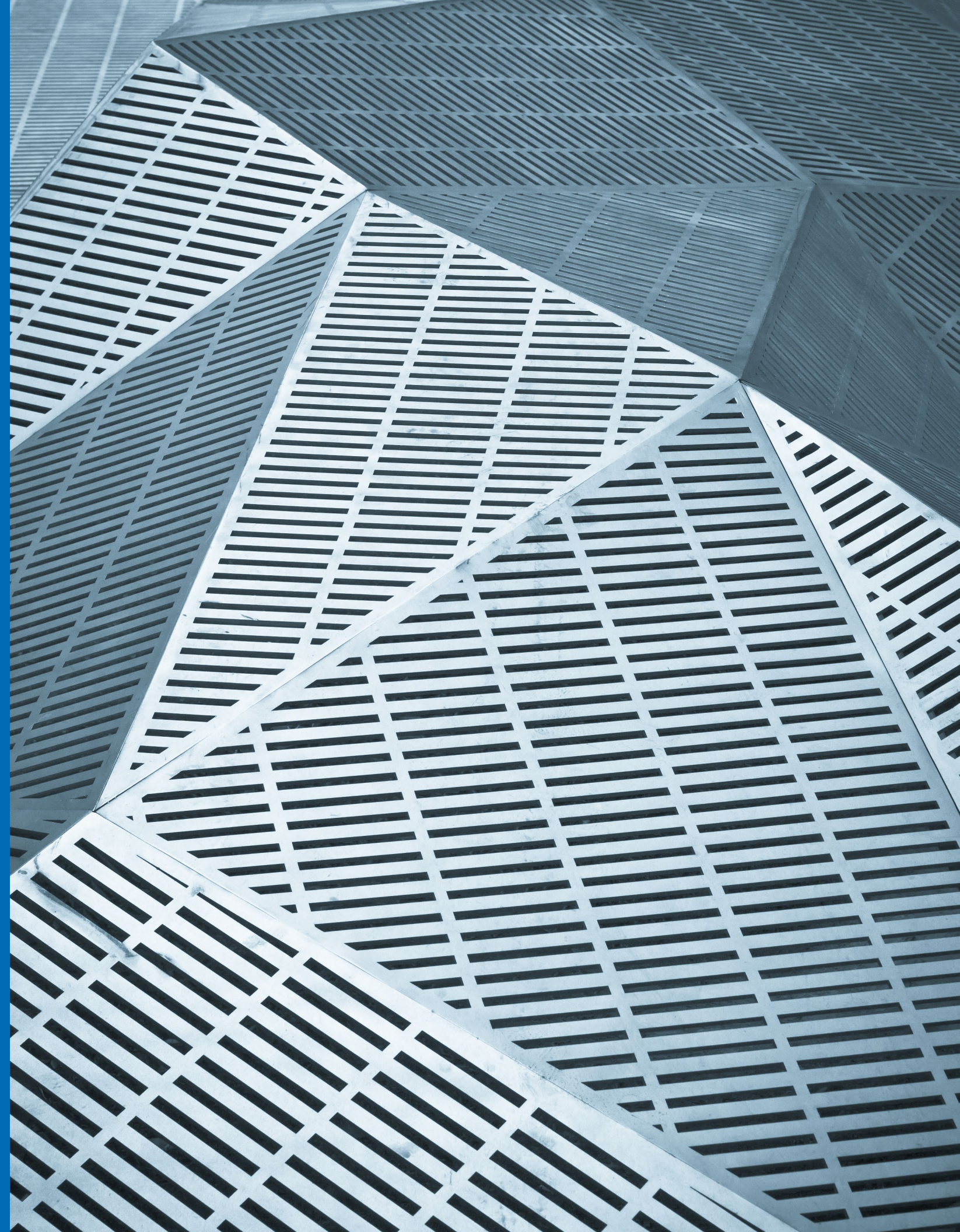
Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
SH Bell	6301 New Cold Mill Road	Baltimore County East	New Lease	447,448
ABC Supply	1501 Perryman Road	Aberdeen	New Lease	263,764
S.P. Richards	7441 Candlewood Road	BWI / Anne Arundel	New Lease	253,330
Northrop Grumman Corporation	7090 Troy Hill Drive	Rt 1 / BWI Howard	New Lease	180,786
HEAD USA Distribution Center	1041 Swan Creek Drive	Route 2 Corridor	Lease Renewal	142,714

Source: Newmark Research

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Market Statistics





Please reach out to your
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