1Q25

Baltimore Industrial Market Overview

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Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. February's 3.0% unemployment rate was significantly lower than the national average of 4.1%.
- Within the industrial sector, manufacturing saw job losses with employment decline of 0.2% year-over-year, while trade/transportation/utilities also saw year-over-year decline of 1.1%.
- The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended February 2025 at 308,500 employees, above the decade average of 304,600 employees and an increase of 13.6% since the market reached a pandemic-related low in April of 2020.

Major Transactions

- The largest deal of the quarter was MRP Industrial's portfolio sale of City Logistics Center to New York State Common Retirement Fund. The two distribution buildings, located at 1201/1255 S Caton Highway within the Baltimore Southwest submarket, sold for $84.45 M, or $284.15 PSF. 1201 S Caton Highway, totaling 112,751 SF, was 100% occupied at the time of sale, while 1255 S Caton Highway, totaling 189,975 SF, was 57.5% occupied at the time of sale.
- A second notable deal during the quarter was the sale of 5001 Washington Boulevard by Diageo North America to MRP Industrial for $35.65 M, or $112.30 PSF. The property, totaling 63 acres, contains a 317,457-square-foot manufacturing facility that was formerly a Guinness brewery. The buyer plans to demolish the existing building to construct two new speculative industrial buildings, totaling 484,640 SF, that will be known as Crossings 95.

Leasing Market Fundamentals

- The Baltimore industrial market experienced over 420,000 SF of negative net absorption during Q1 2025. Due to this, it ended the quarter at a 6.5% vacancy rate, an expansion of 20 bps quarter-over-quarter and 90 bps year-over-year. Despite this expansion in vacancy, the market remains much tighter than the long-term average of 8.3%.
- Despite average asking rents decreasing slightly year-over-year, they continue to sit near record highs, ending Q1 2025 at $8.16 PSF.
- Development remains at healthy levels, with the market ending Q1 2025 with almost 3.6 MSF of product under construction across 14 properties. This level of construction is above the decade average of 3.1 MSF of space under construction.

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.
- The region faces major headwinds from the new administration, especially due to recent tariffs and the reduction of the federal real estate footprint driven by DOGE.

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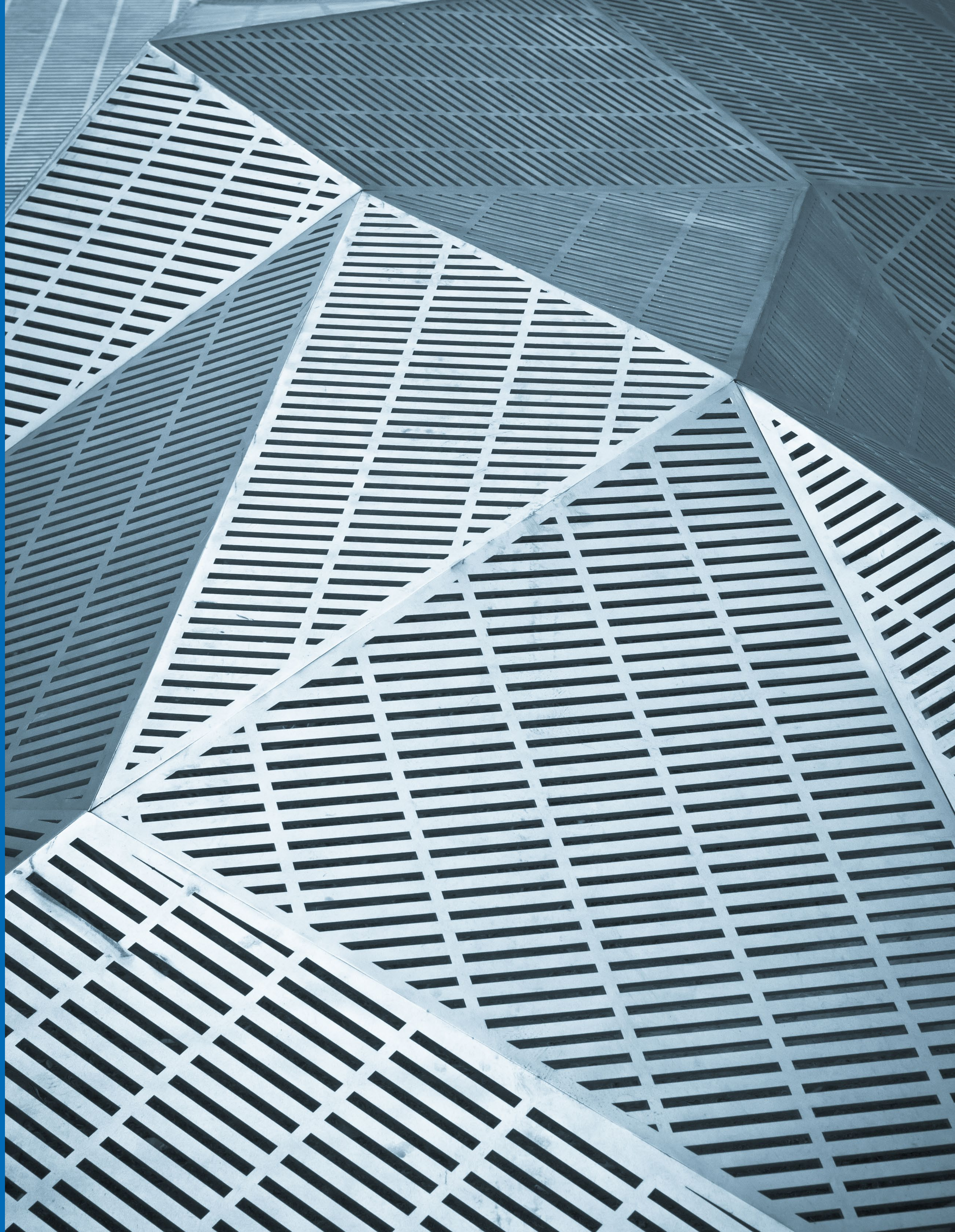
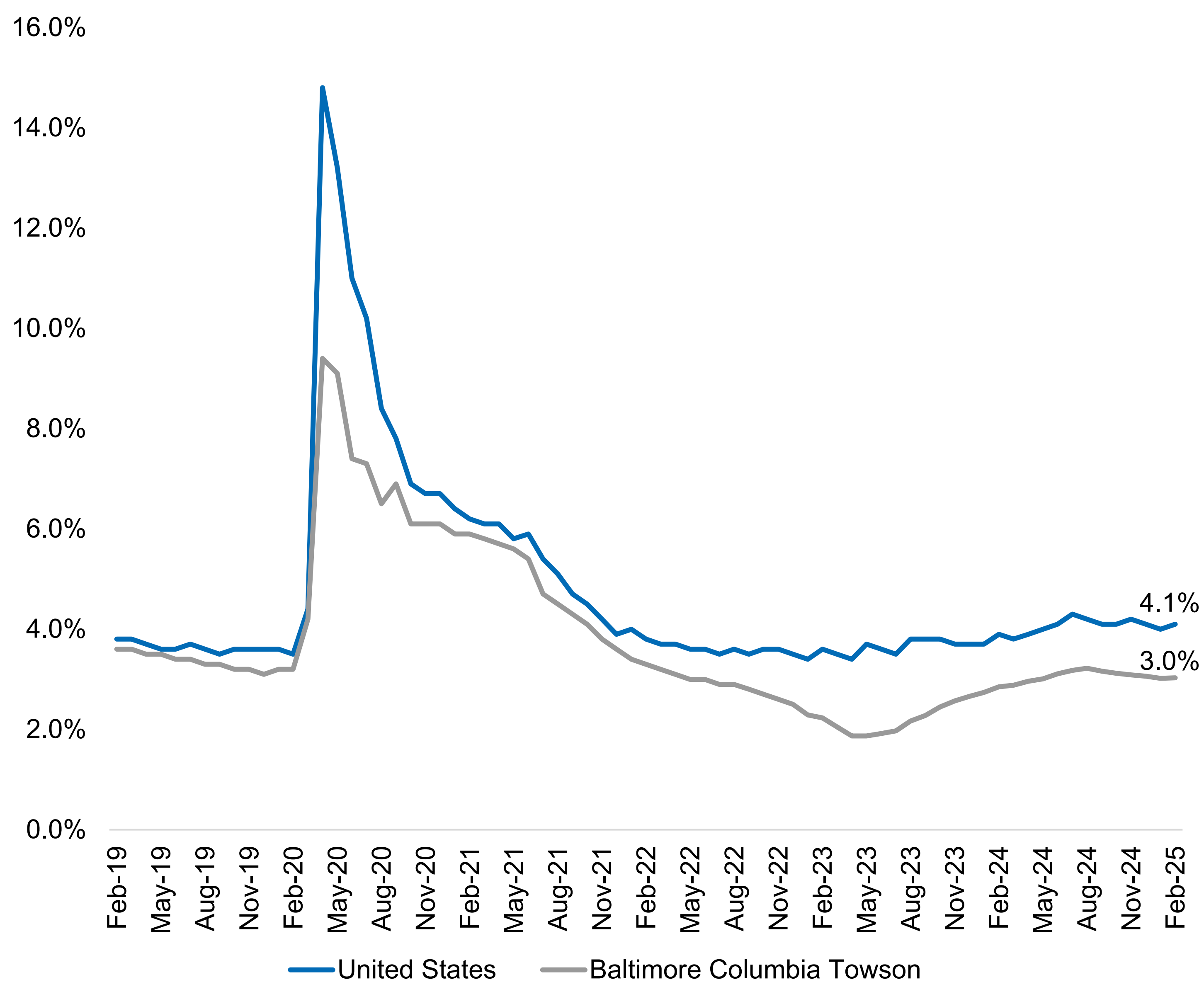


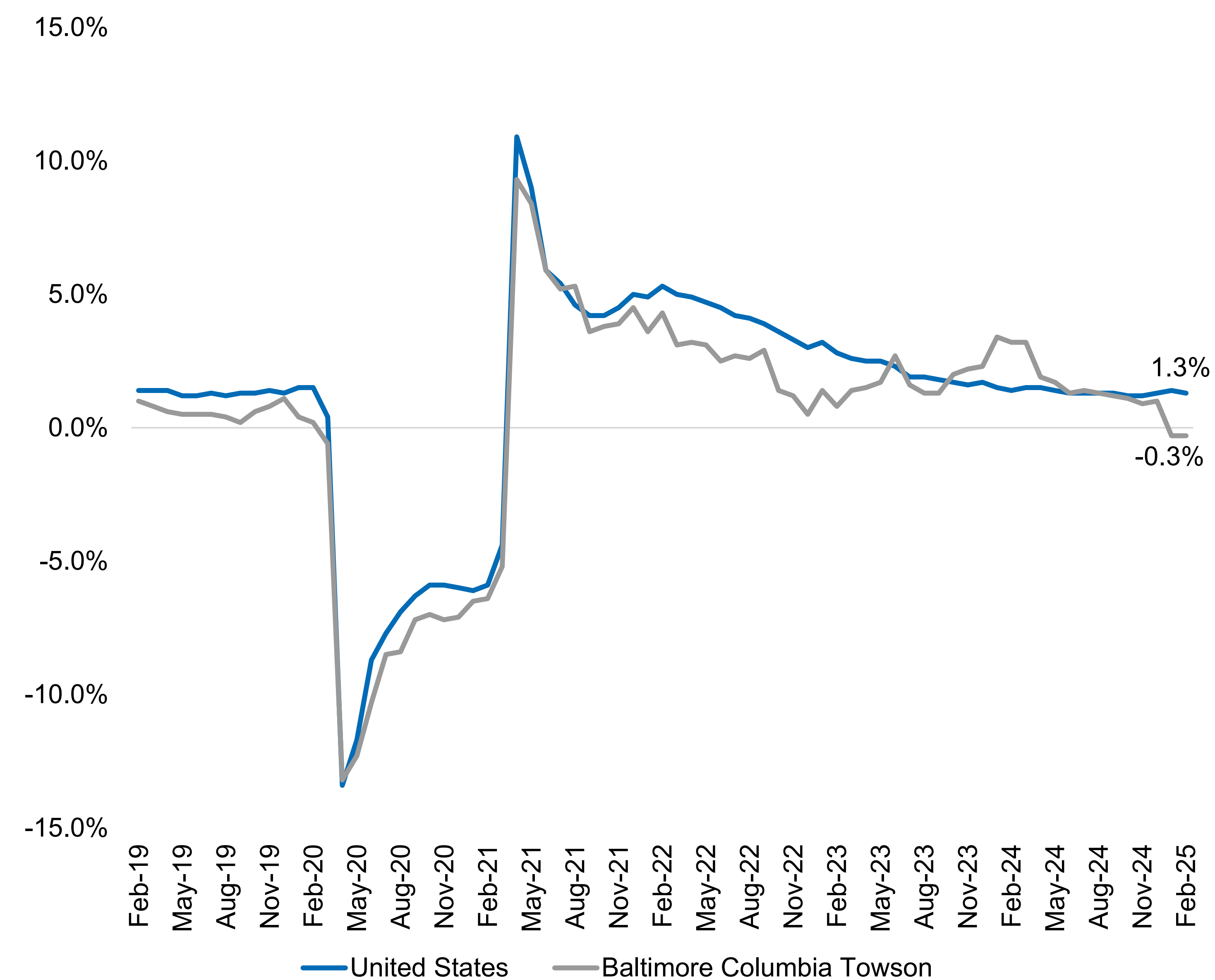
Baltimore’s Unemployment Remains Below National Levels

Baltimore’s unemployment rate ended February 2025 at 3.0%. This is 10 bps higher year-over-year, however 110 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

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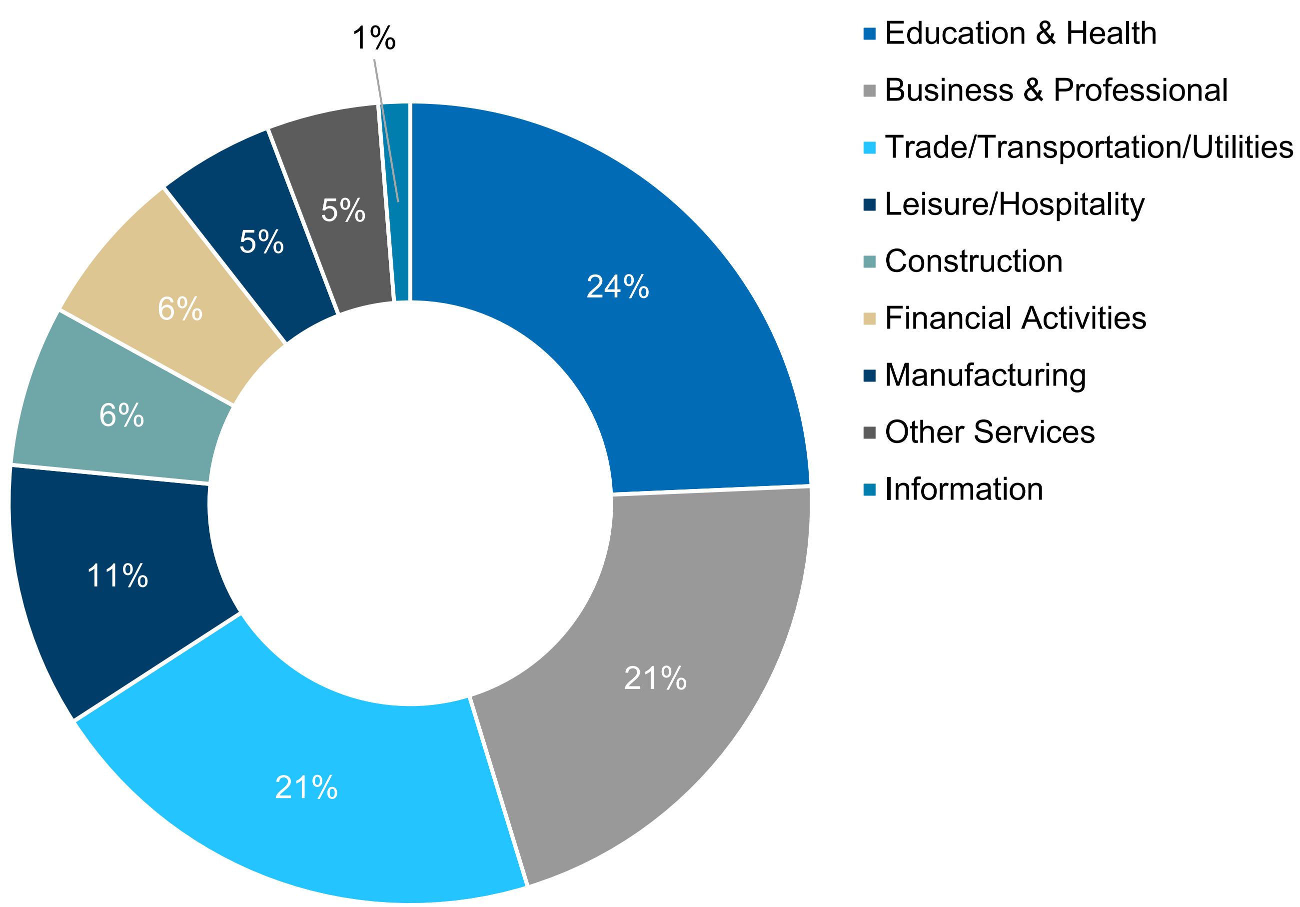
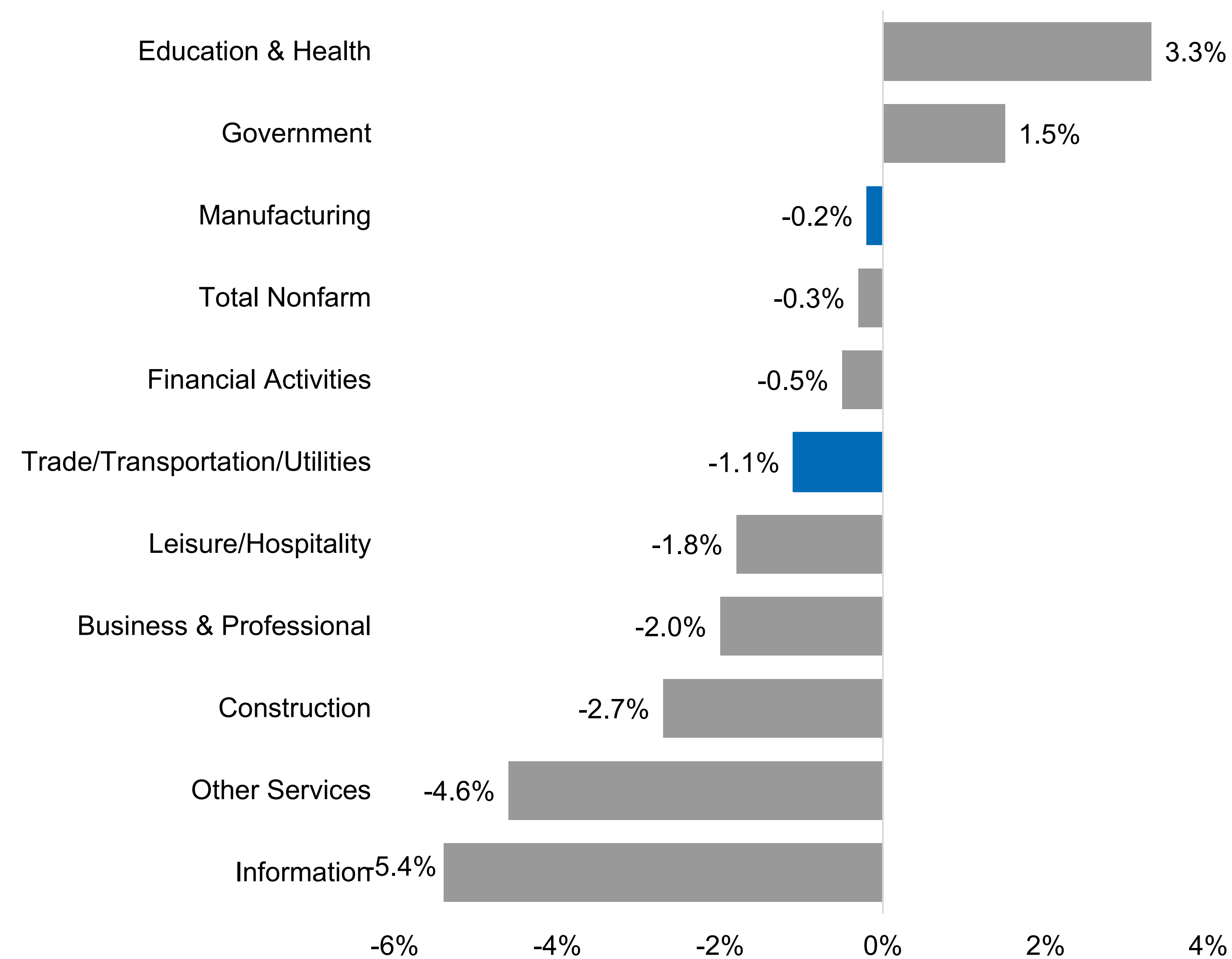
Industrial Sectors Experience Employment Decline

Overall nonfarm employment decreased 0.3% in the Baltimore metro year-over-year. Within the industrial sector, manufacturing saw employment decline of 0.2% year-over-year, while trade/transportation/utilities saw a decline of 1.1%. 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, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025



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

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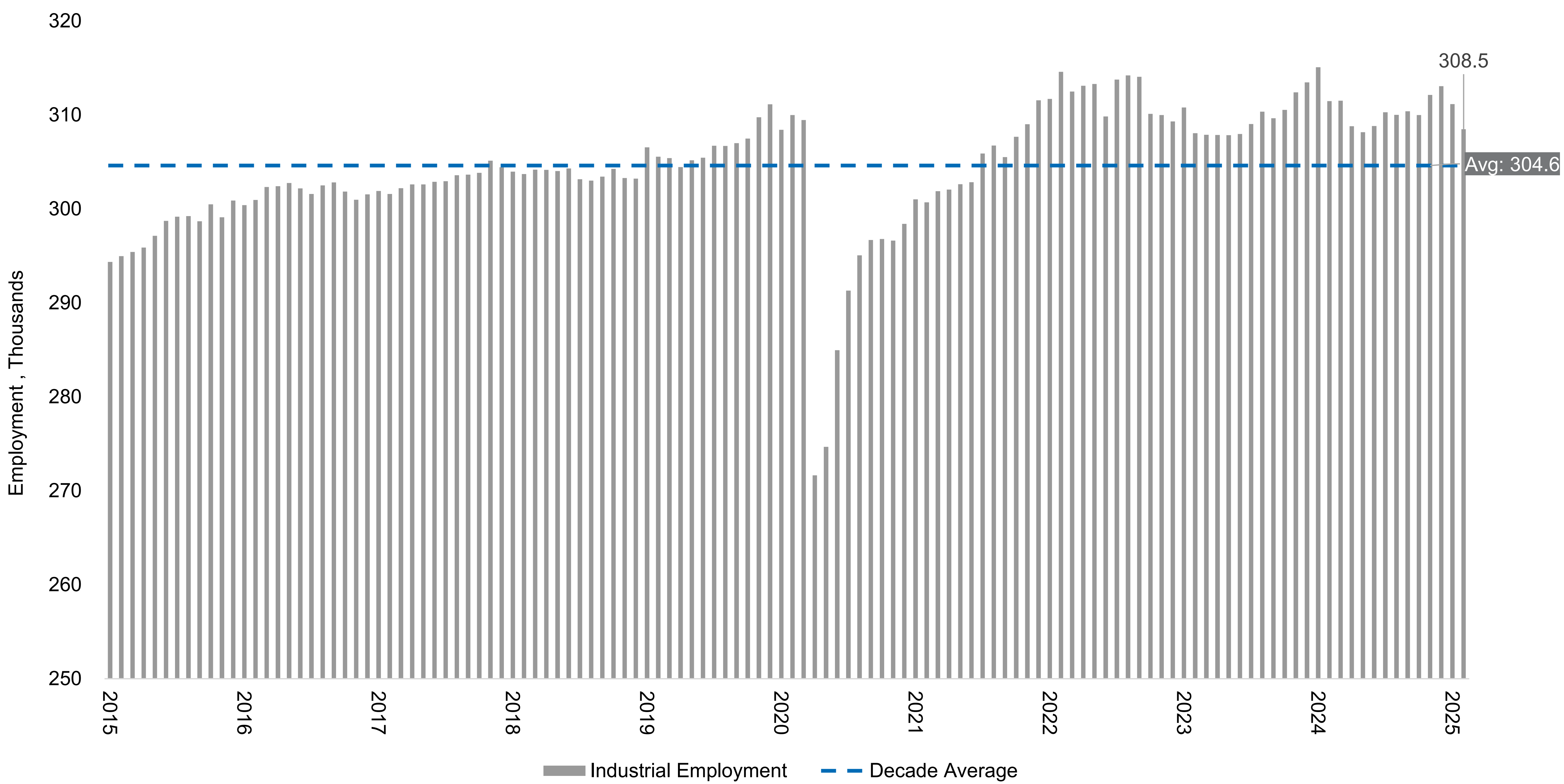
Industrial Employment Remains Steady

The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended February 2025 at 308,500 employees, above the decade average and an increase of 13.6% 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 over 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.

Industrial Employment



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

*Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing.

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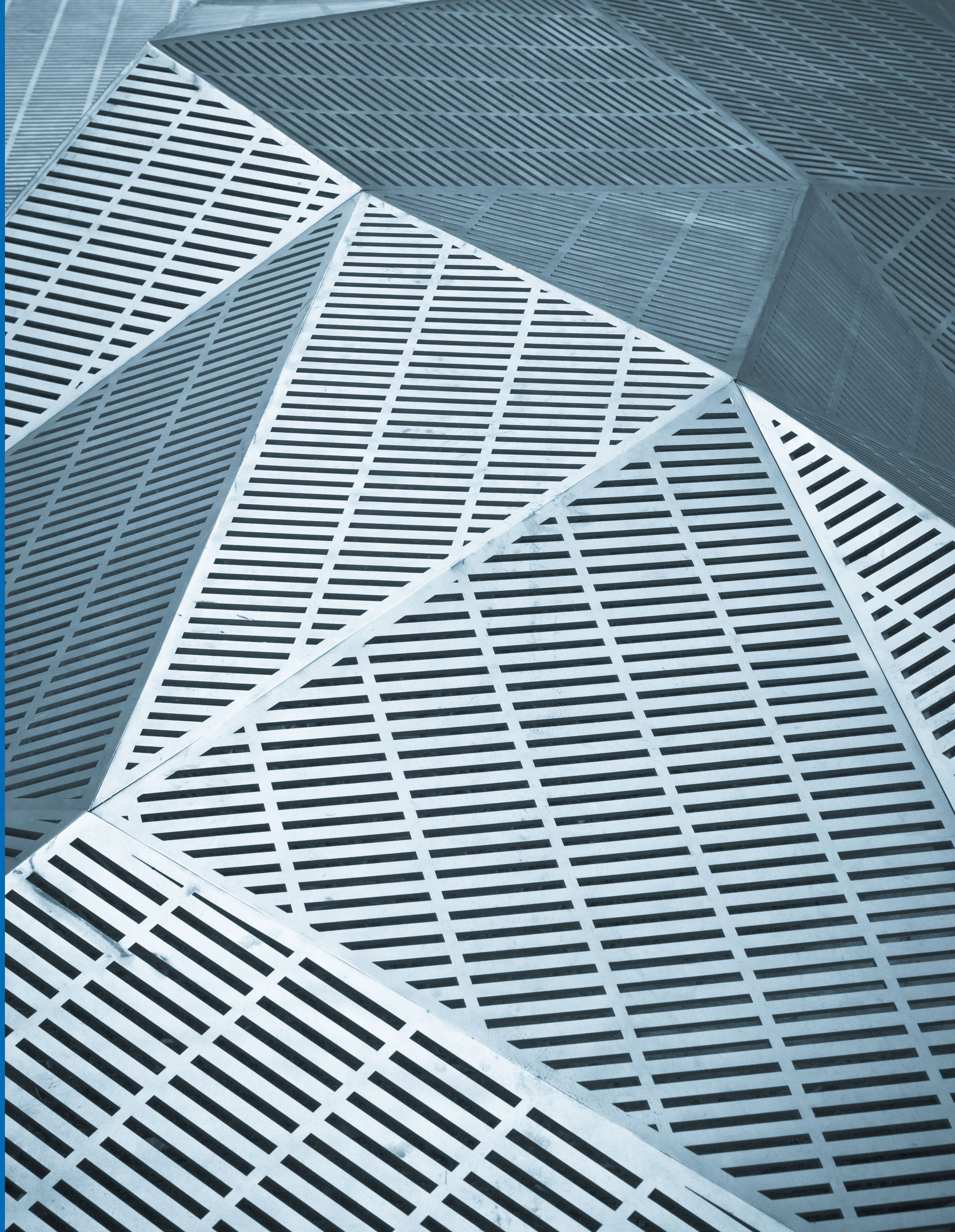
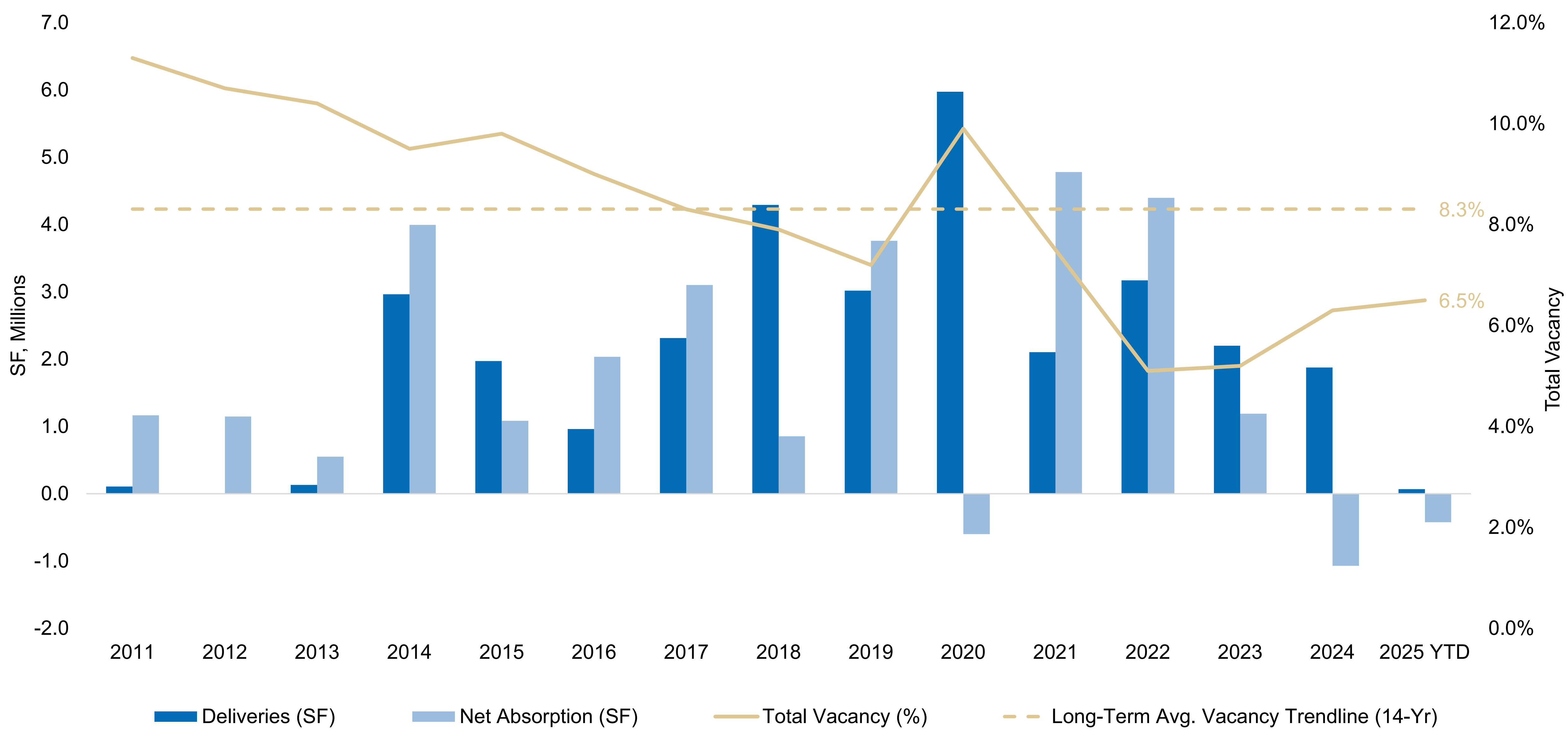
Leasing Market Fundamentals



Market Remains Historically Tight Despite Slight Expansion of Vacancy

The Baltimore industrial market ended Q1 2025 at a 6.5% vacancy rate after experiencing over 420,000 SF of negative net absorption, leading to a slight expansion of 20 bps quarter-over-quarter and an expansion of 90 bps year-over-year. Despite this expansion in vacancy, the market remains much tighter than the long-term average of 8.3%. Overall, the market saw a slowdown in development activity during the first quarter, with only one delivery totaling 68,000 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

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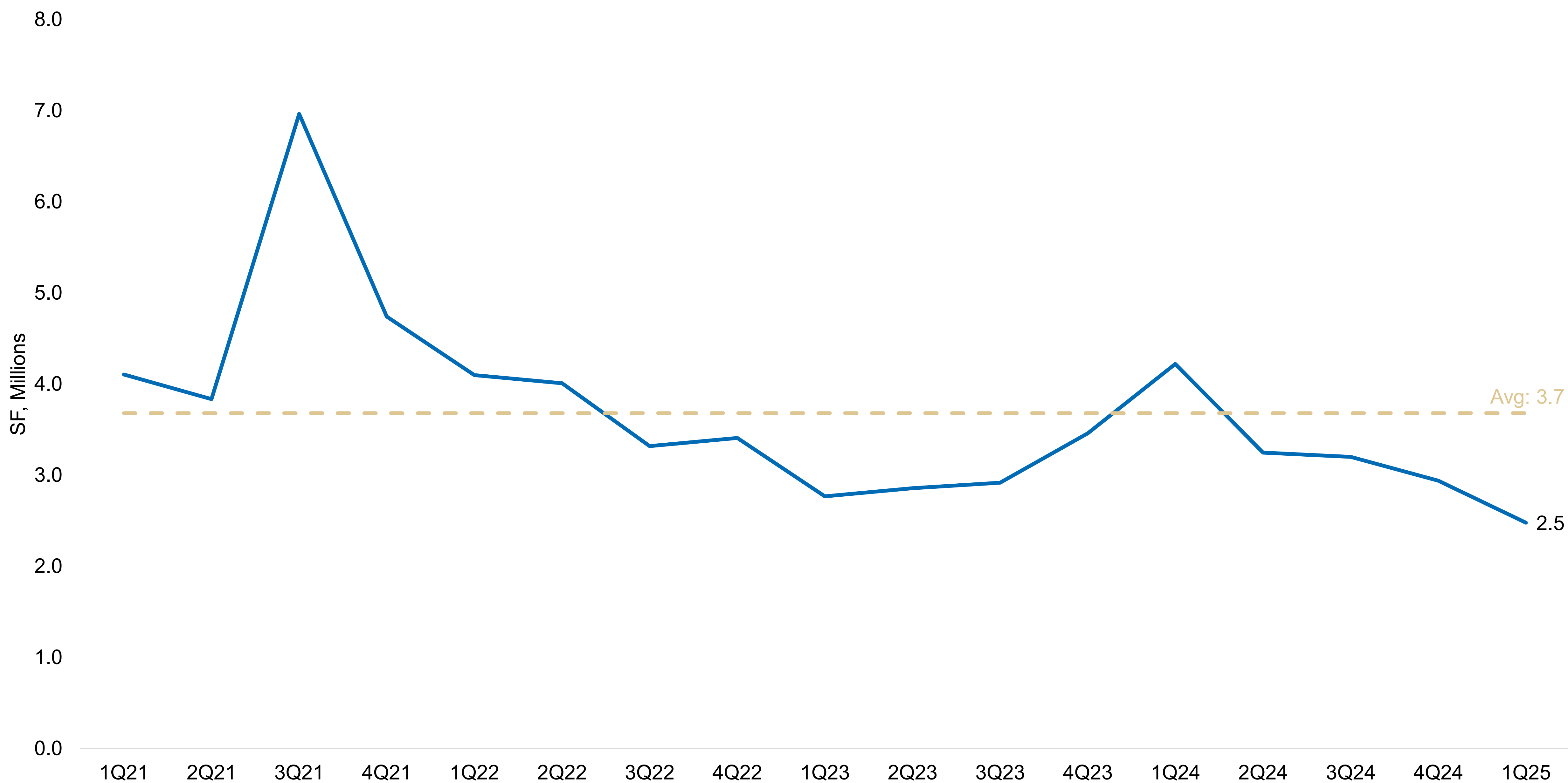
Industrial Leasing Activity Has Decelerated to Begin 2025

Leasing activity decelerated to a historic low in Q1 2025, ending the quarter with 2.5 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 3.7 MSF of quarterly activity.

Total Leasing Activity (SF)



Source: Newmark Research, CoStar

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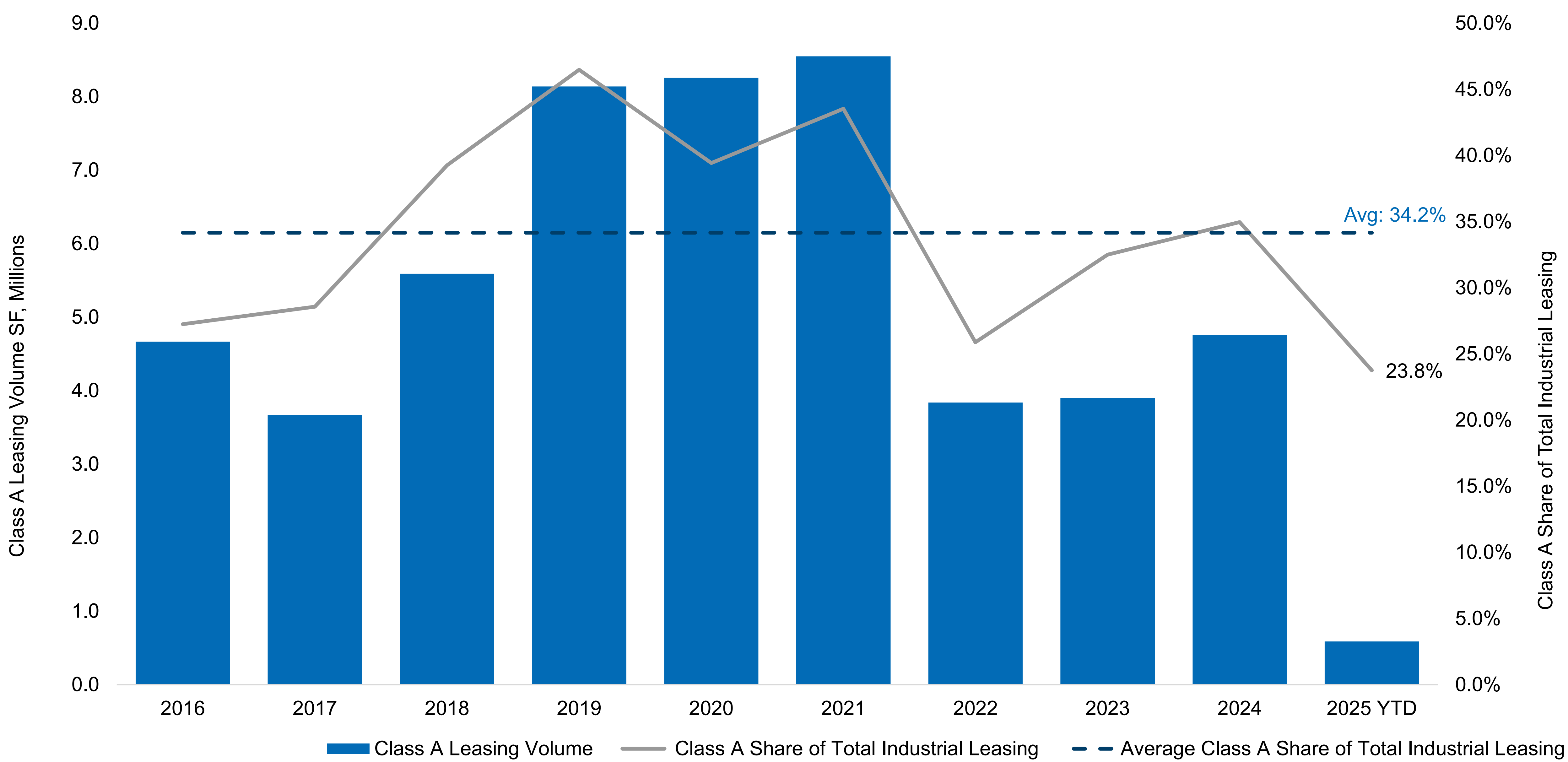
Class A Industrial Leasing Slow to Begin 2025

Class A product saw only 590,000 SF of leasing activity during Q1 2025. This was 23.8% of overall leasing volume during the quarter, lower than the decade average of 34.2%.

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



Source: Newmark Research, CoStar

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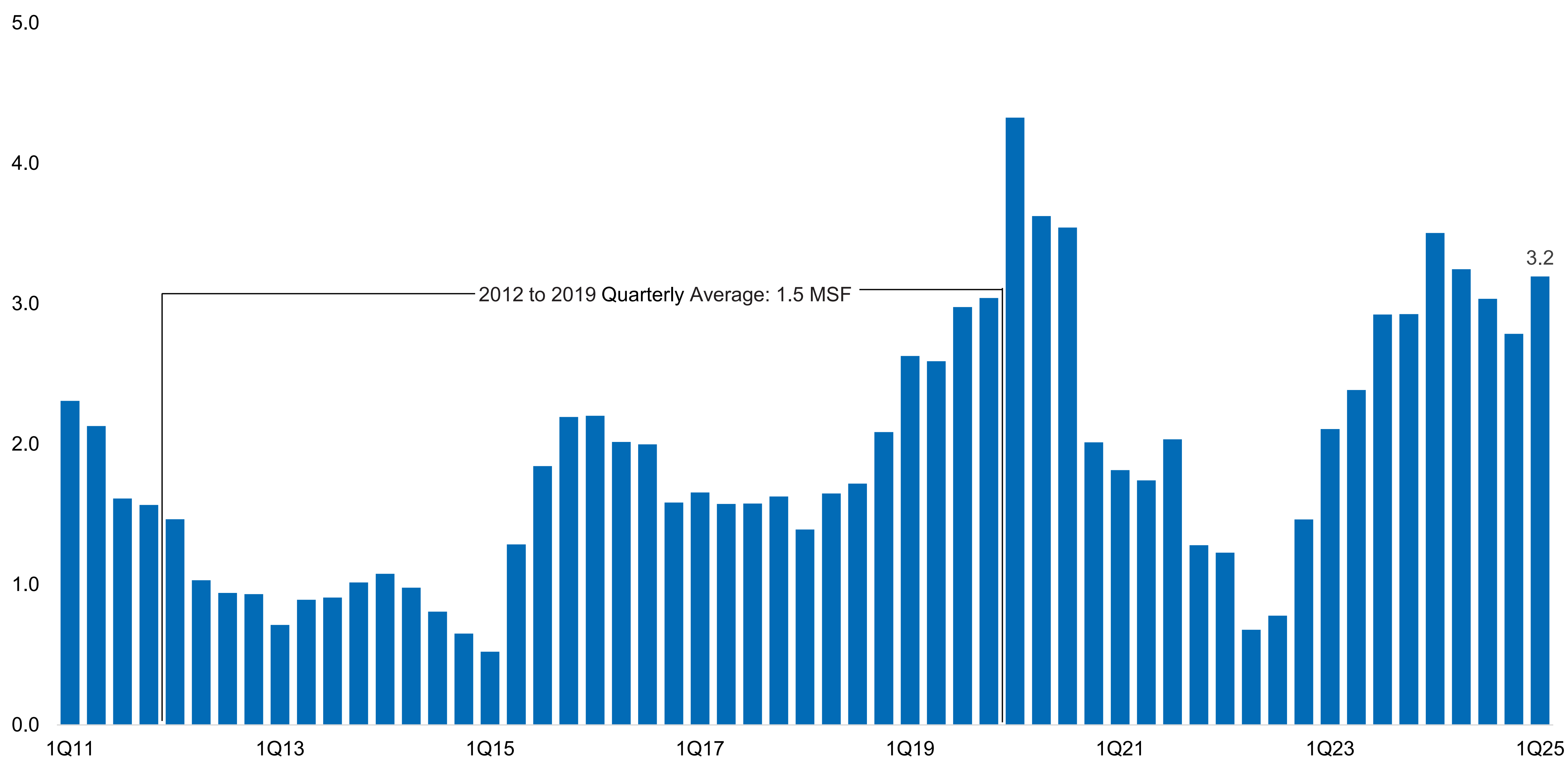
Industrial Sublease Availability Remains Above Pre-Pandemic Levels

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 and has remained elevated, ending Q1 2025 at 3.2 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 At Healthy Levels

Baltimore ended Q1 2025 with 14 properties under construction totaling almost 3.6 MSF. This level of construction is slightly above the decade average of 3.1 MSF of space under construction.

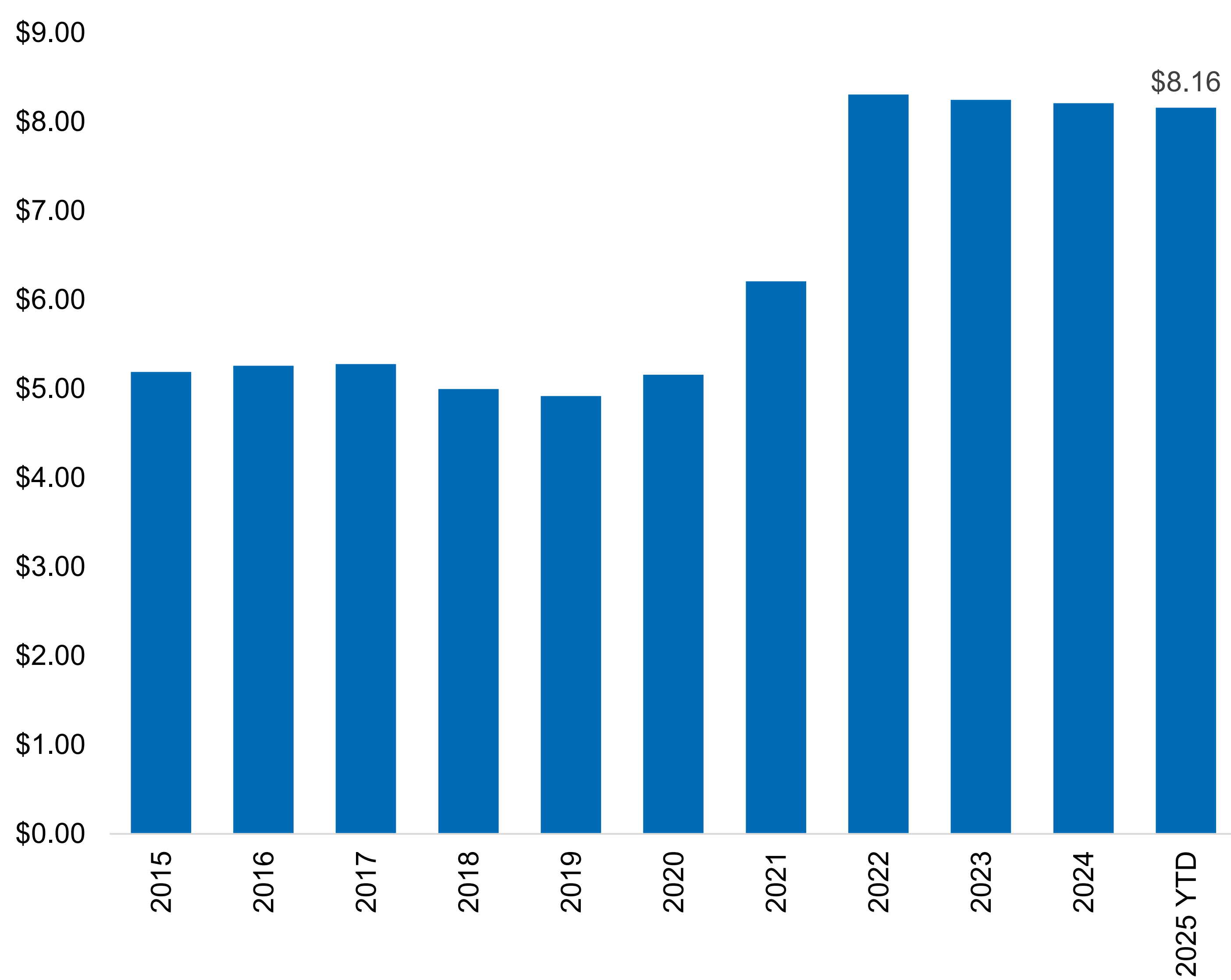
Industrial Under Construction and % of Inventory

Source: Newmark Research, CoStar

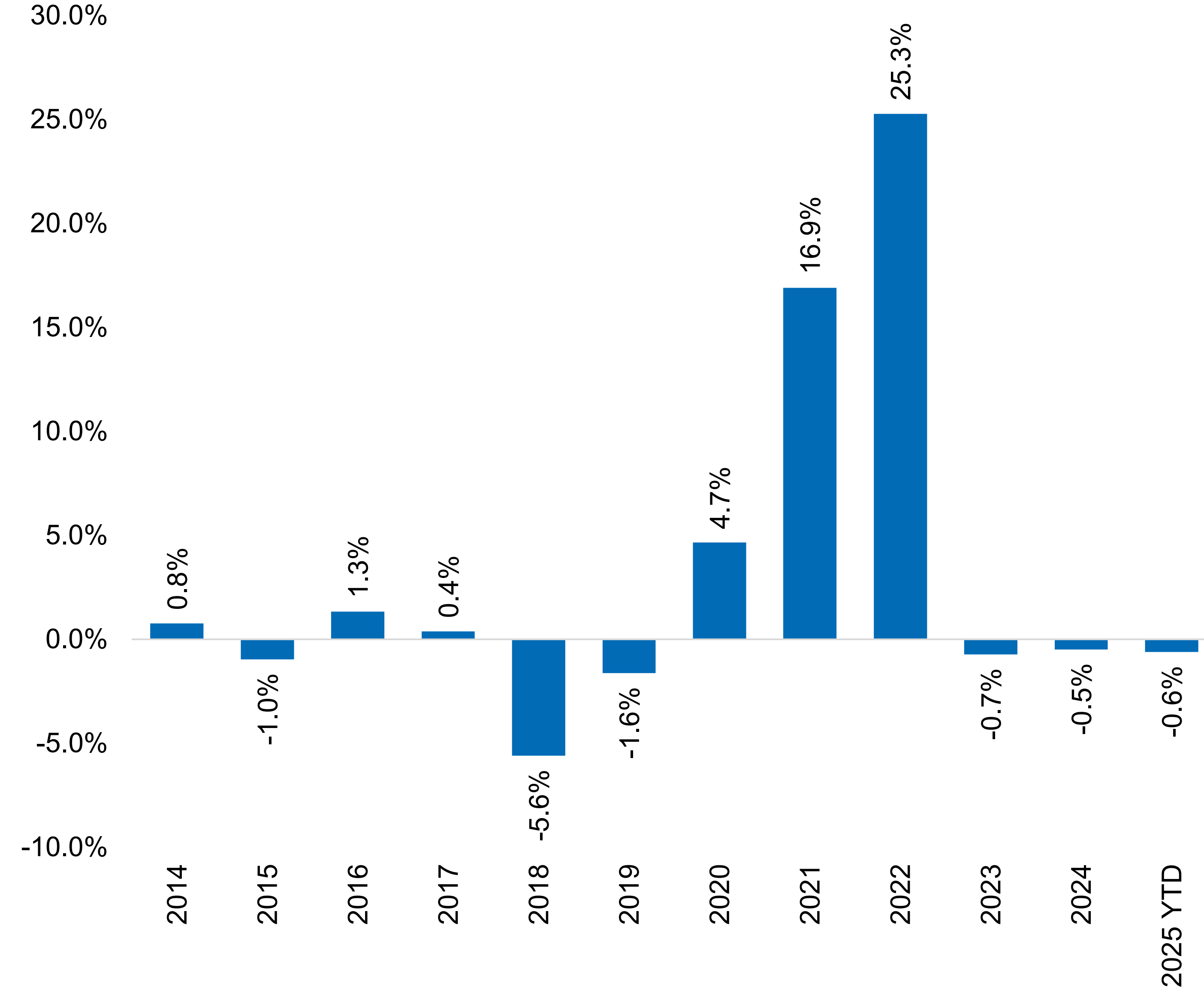
Asking Rents Remain at Historic Highs

Average asking rents ended Q1 2025 at $8.16 PSF, remaining near 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 short term 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

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Notable 1Q25 Lease Transactions

Leasing activity during Q1 2025 was dominated by new deals rather than renewals, with four of the five largest leases being new leases. The quarter's largest lease was a new lease of 228,000 SF by Elite Spice at 7300 Corporate Center Drive in the BWI / Anne Arundel submarket, followed by Poole & Kent signing a new deal for 153,000 SF at 4625 Hollins Ferry Road in Arbutus.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Elite Spice	7300 Corporate Center Drive	BWI / Anne Arundel	New Lease	228,014
Poole & Kent	4625 Hollins Ferry Road	Arbutus	New Lease	152,824
Bottling Group, LLC	7600 Assateague Drive	Route 1 Corridor	Lease Extension	141,403
Samuel	6301 New Cold Mill Road	Baltimore County East	New Lease	131,353
White Glove Rentals	1501 Perryman Road	Aberdeen	New Lease	105,300

Source: Newmark Research

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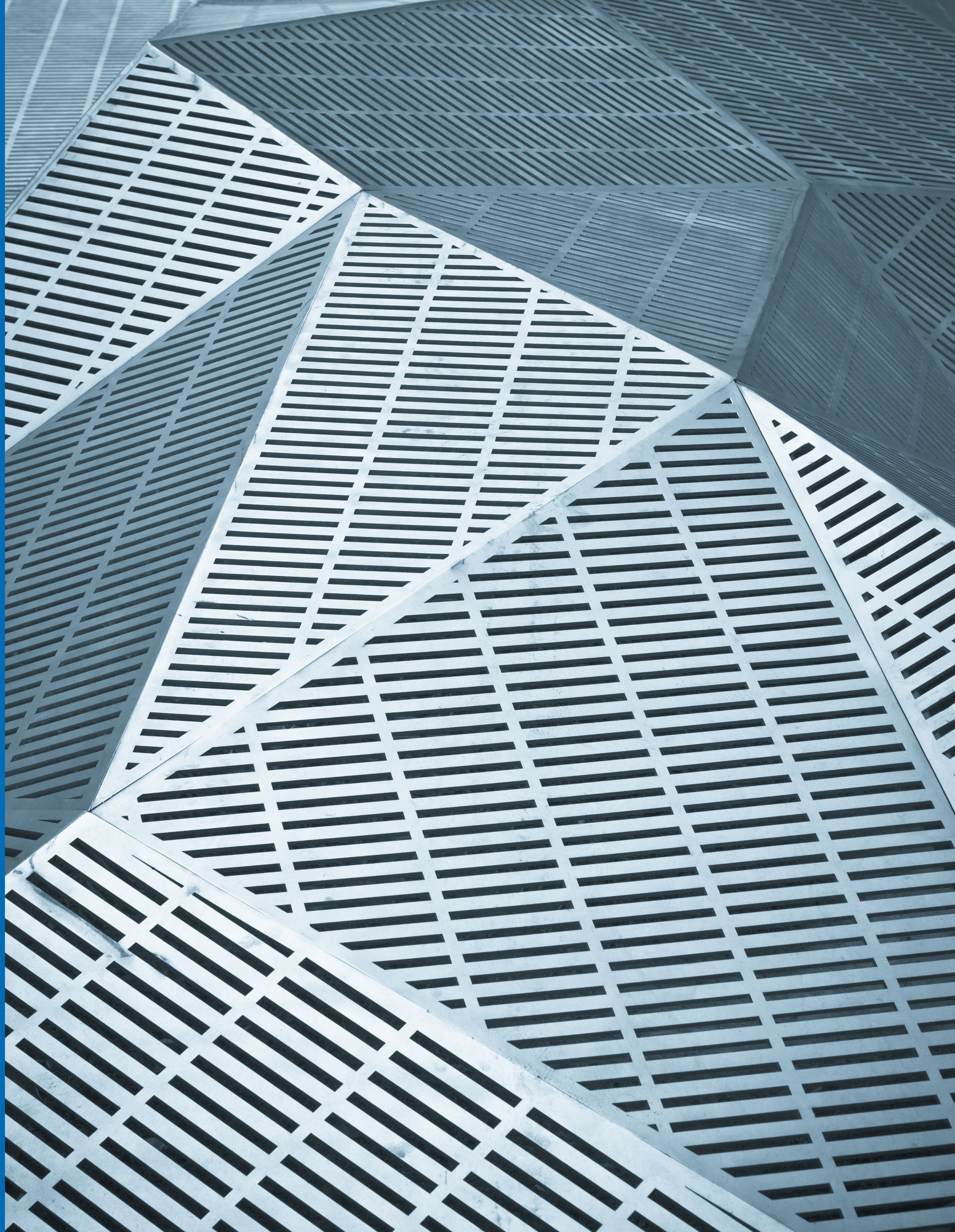
Market Statistics



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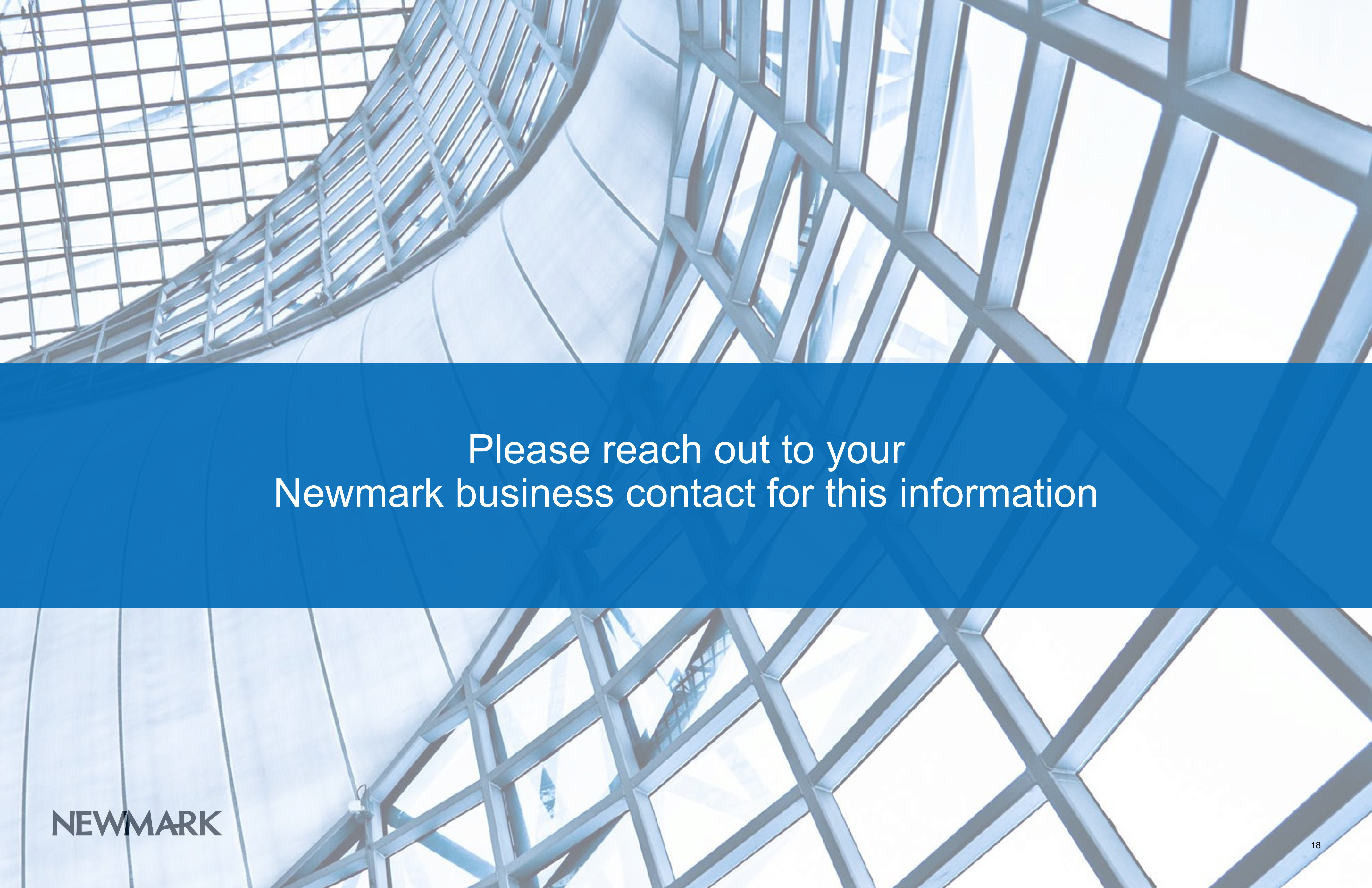

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