2Q25

Baltimore Industrial Market Overview

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Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. May's 3.2% unemployment rate was significantly lower than the national average of 4.2%.
- Within the industrial sector, manufacturing saw job losses with employment decline of 0.7% year-over-year, while trade/transportation/utilities saw year-over-year growth of 0.8%.
- The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended June 2025 at 309,100 employees, above the decade average of 304,700 employees and an increase of 15.2% since the market reached a pandemic-related low in April of 2020.

Major Transactions

- The largest deal of the quarter was Clarion Partners' portfolio sale of two industrial buildings to Kohlberg Kravis Roberts & Co. L.P. for $115.38 M, or $253.27 PSF. The two buildings, located at 1020/1025 Airport 100 Way in the BWI / Anne Arundel submarket, totaled 455,566 SF. Both buildings were fully occupied at the time of sale, although 1020 Airport 100 Way was actively marketing space for lease and sublease.
- A second notable deal during the quarter was Blackstone's portfolio sale of five Maryland industrial properties to Galvanize Real Estate for $112.05 M, or $163.98 PSF. The five properties, located in Annapolis Junction, Elkridge, and Landover, totaled 683,330 SF. The buyer purchased the portfolio in order to expand its industrial footprint in Maryland, which it considers to be a market with steady demand fundamentals, limited supply, and a strong labor pool.

Leasing Market Fundamentals

- The Baltimore industrial market experienced almost 2.1 MSF of negative net absorption during Q2 2025. Due to this, it ended the quarter at a 7.5% vacancy rate, an expansion of 100 bps quarter-over-quarter and 150 bps year-over-year. Despite this expansion in vacancy, the market remains tighter than the decade-average of 7.6%.
- Despite average asking rents decreasing slightly year-over-year, they continue to sit near record highs, ending Q2 2025 at $7.99 PSF.
- Development remains at healthy levels, with the market ending Q2 2025 with over 3.3 MSF of product under construction across 13 properties. This level of construction is slightly above the decade average of 3.2 MSF of space under construction.

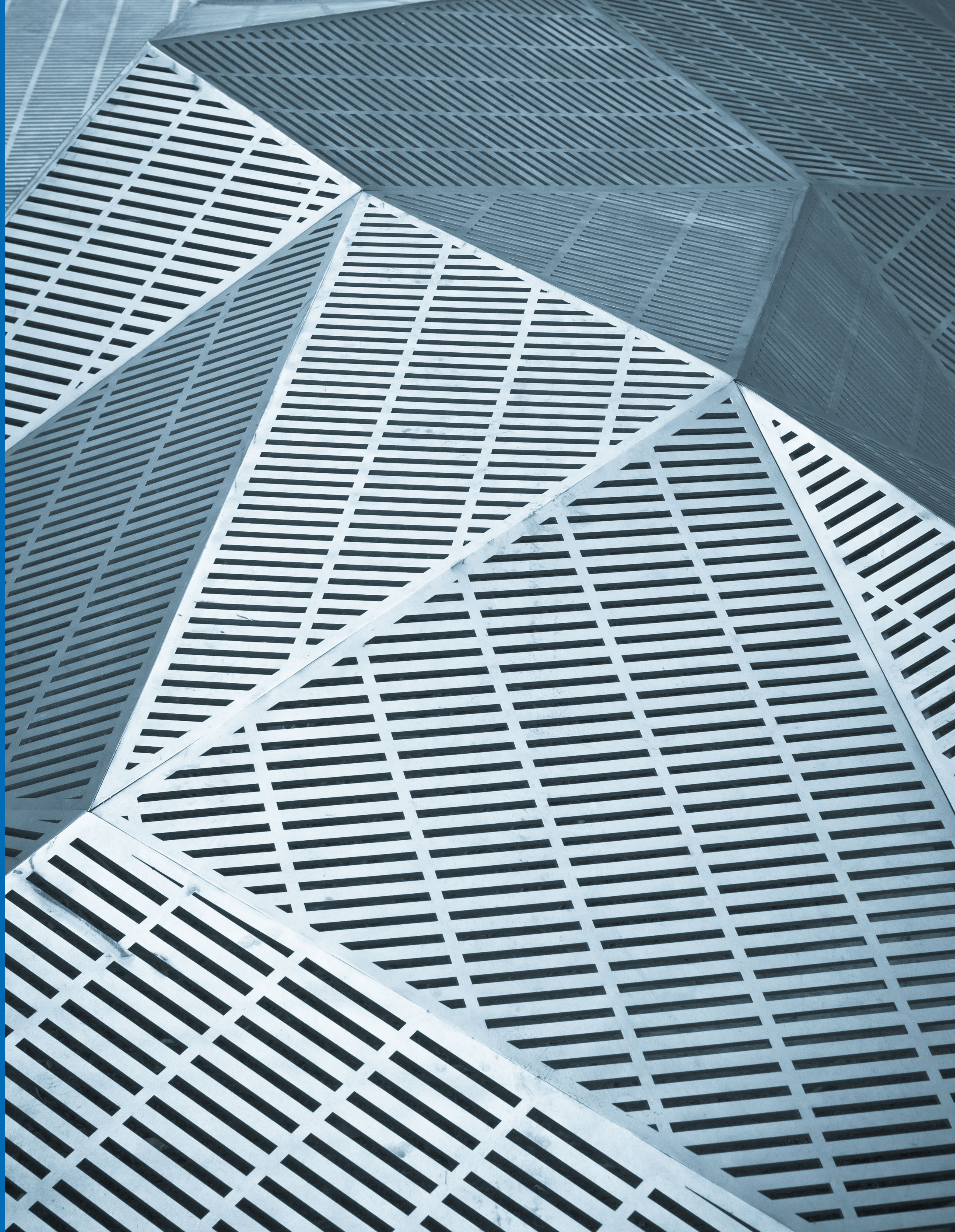
Outlook

- 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.

TABLE OF CONTENTS

2Q25

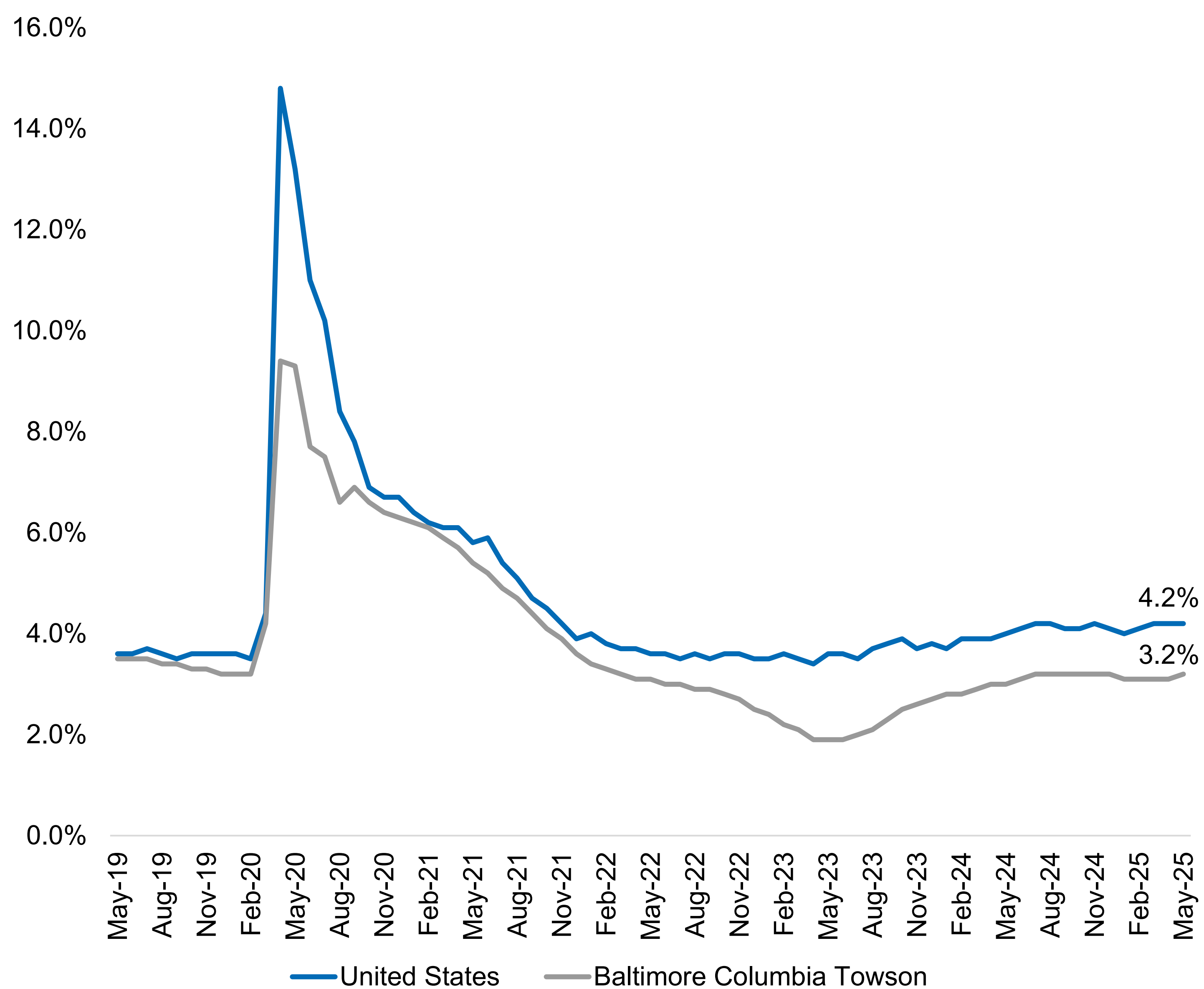
Economy



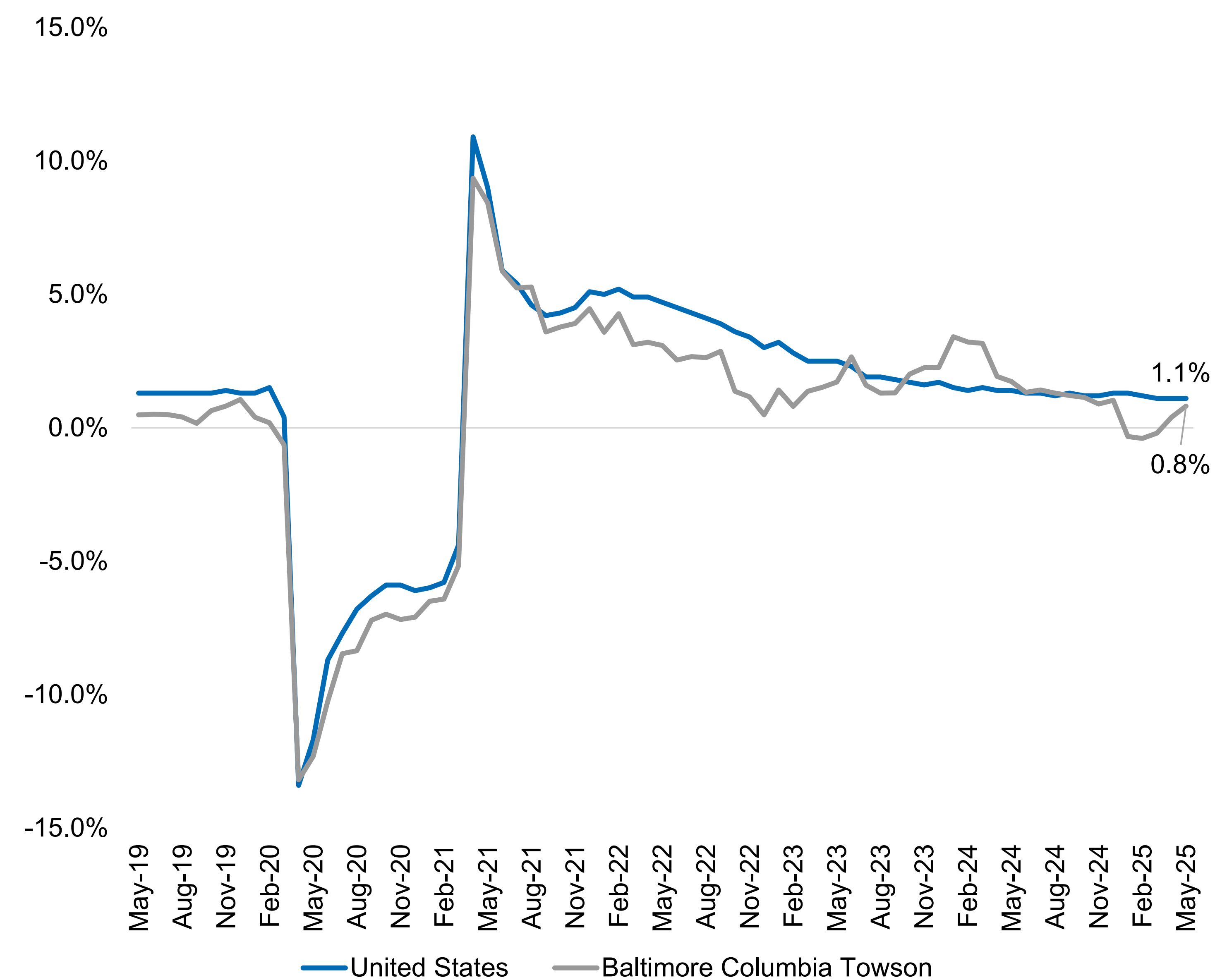
Baltimore’s Unemployment Remains Below National Levels

Baltimore’s unemployment rate ended May 2025 at 3.2%. This is 20 bps higher year-over-year, however 100 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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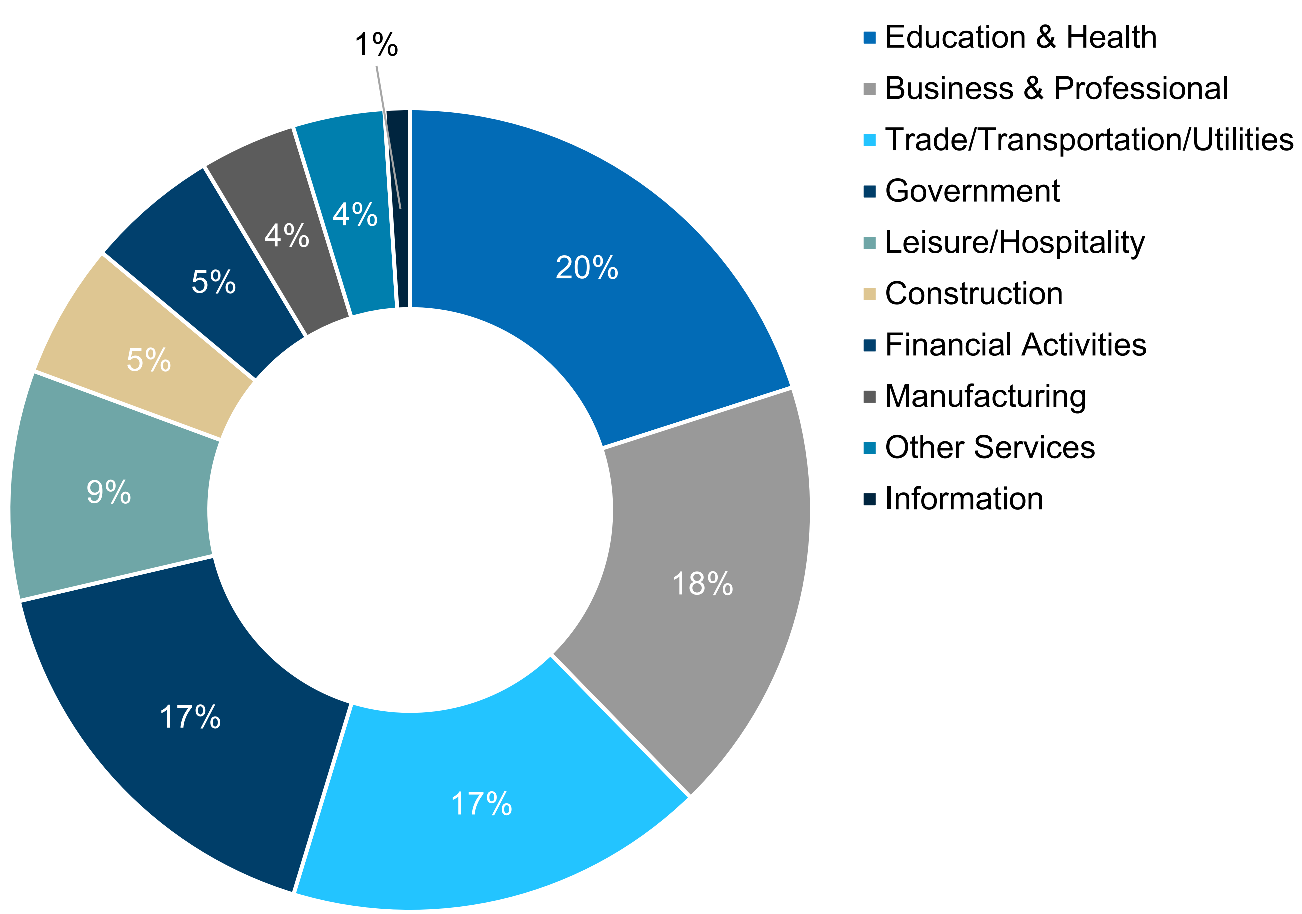
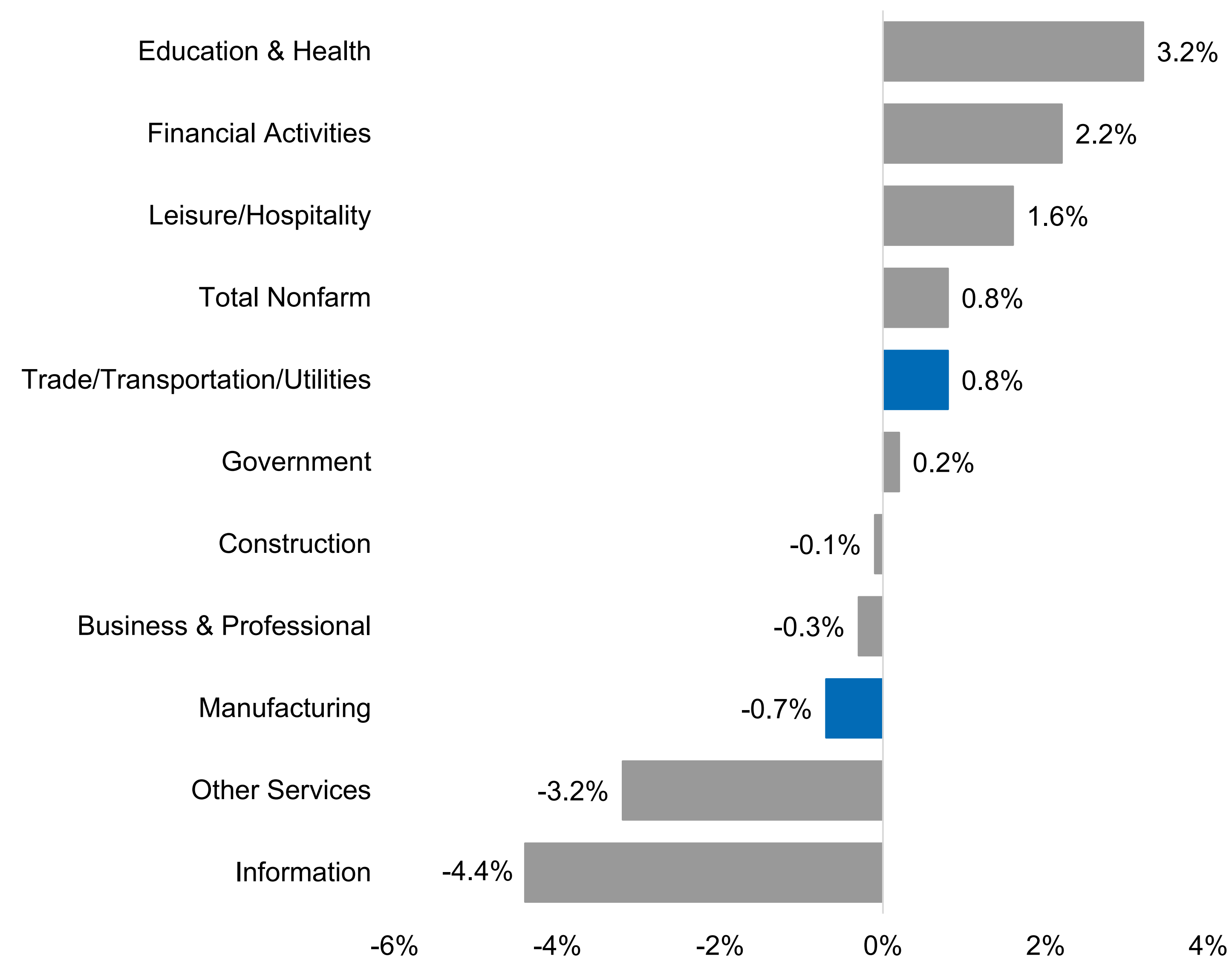
Trade/Transportation/Utilities Sector Experiences Employment Growth

Overall nonfarm employment grew 0.8% in the Baltimore metro year-over-year. Within the industrial sector, trade/transportation/utilities saw employment growth of 0.8% year-over-year, while manufacturing saw a decline of 0.7%. Trade/transportation/utilities remains the third-largest sector in the region, only behind the Education & Health and Business & Professional sectors.

Employment by Industry, May 2025



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

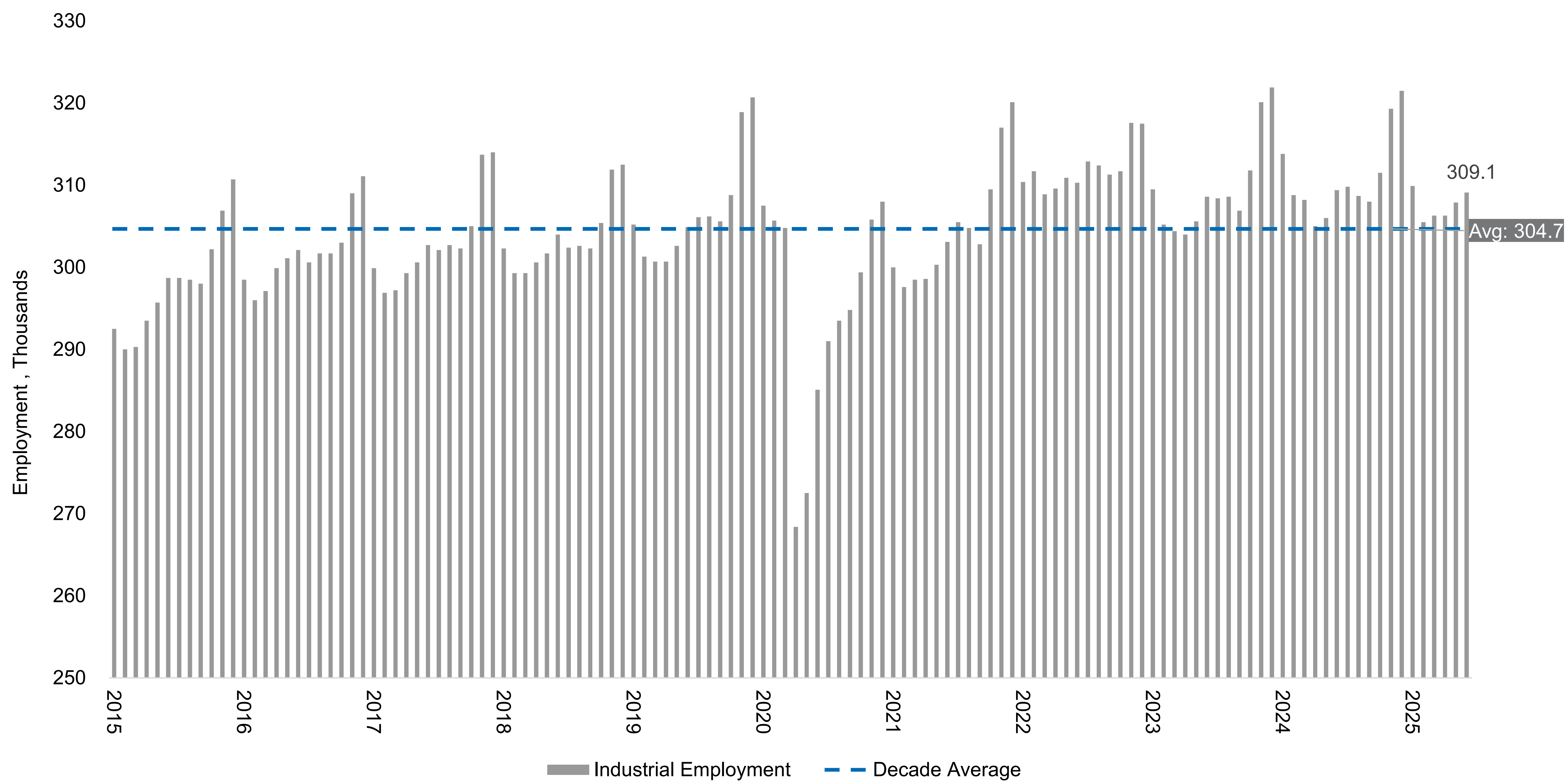


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Industrial Employment Remains Steady

The number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Employment ended June 2025 at 309,100 employees, above the decade average and an increase of 15.2% 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

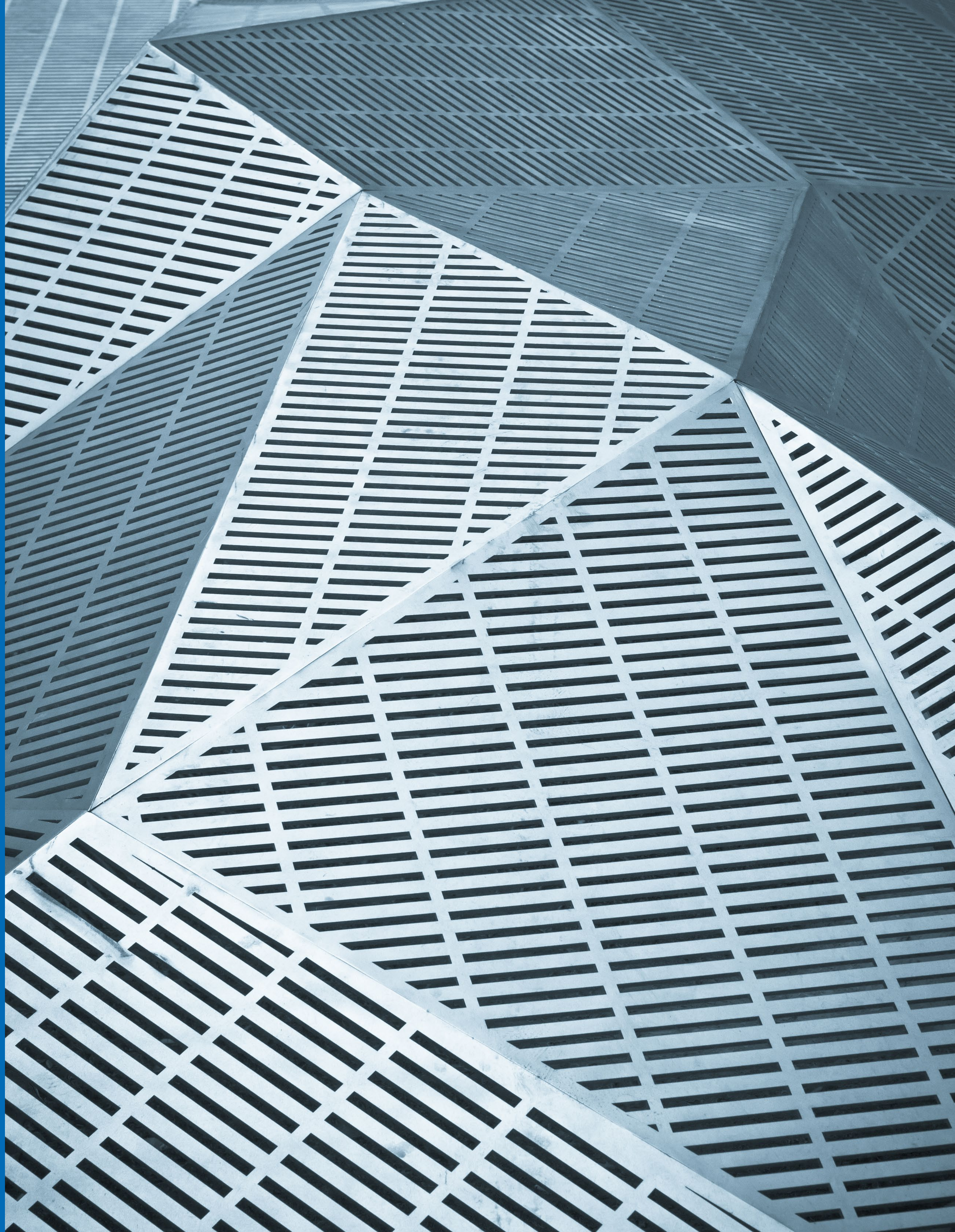


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

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

2Q25

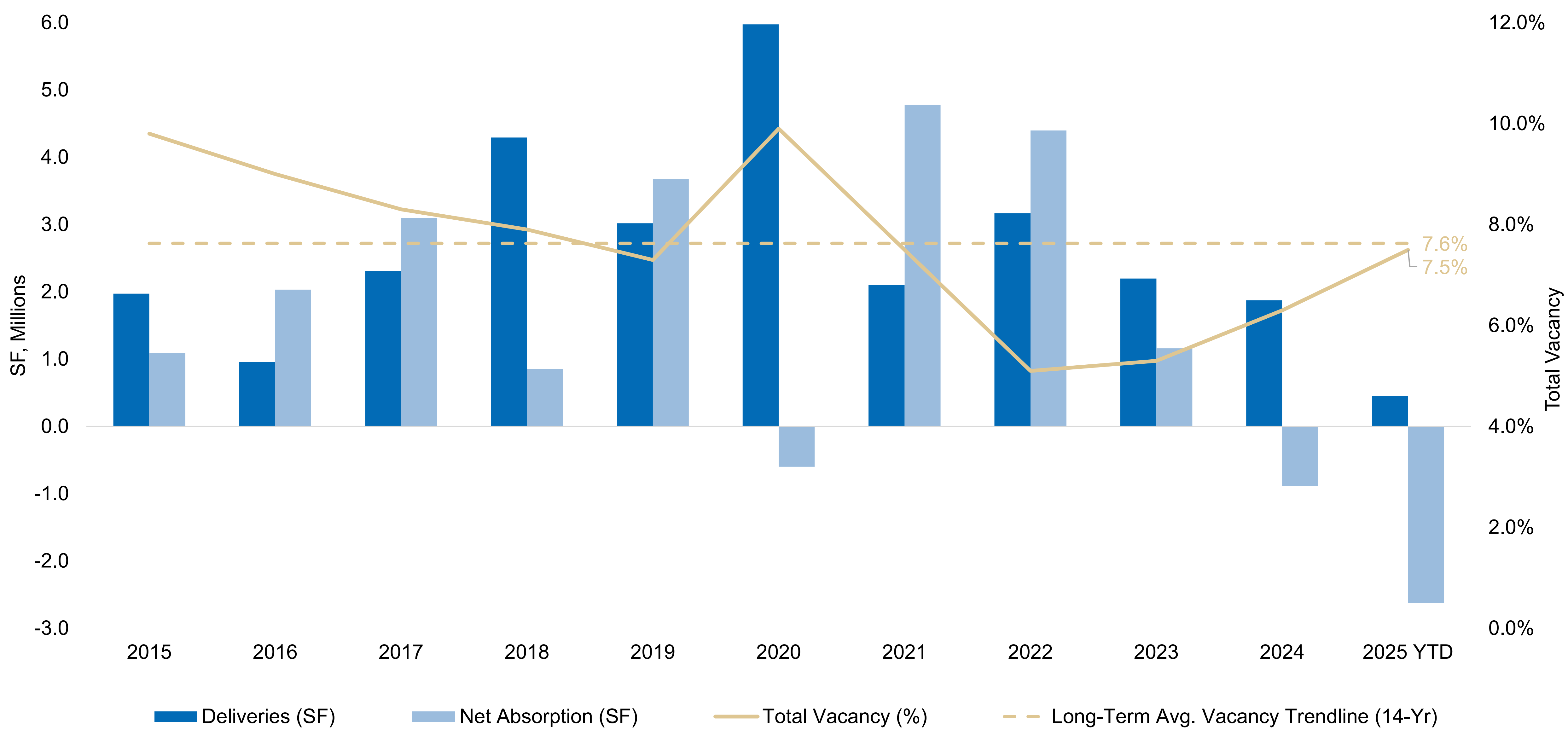
Leasing Market Fundamentals



Market Remains Historically Stable Despite Expanding Vacancy

The Baltimore industrial market ended Q2 2025 at a 7.5% vacancy rate after experiencing almost 2.1 MSF of negative net absorption during the quarter, leading to an expansion of 100 bps quarter-over-quarter and 150 bps year-over-year. Despite this expansion in vacancy, the market remains in line with the decade average of 7.6%. Furthermore, the market has seen a slowdown in deliveries over the past few years, with only three deliveries totaling 450,000 SF so far this year. This slowdown in development should help stabilize the market's vacancy.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

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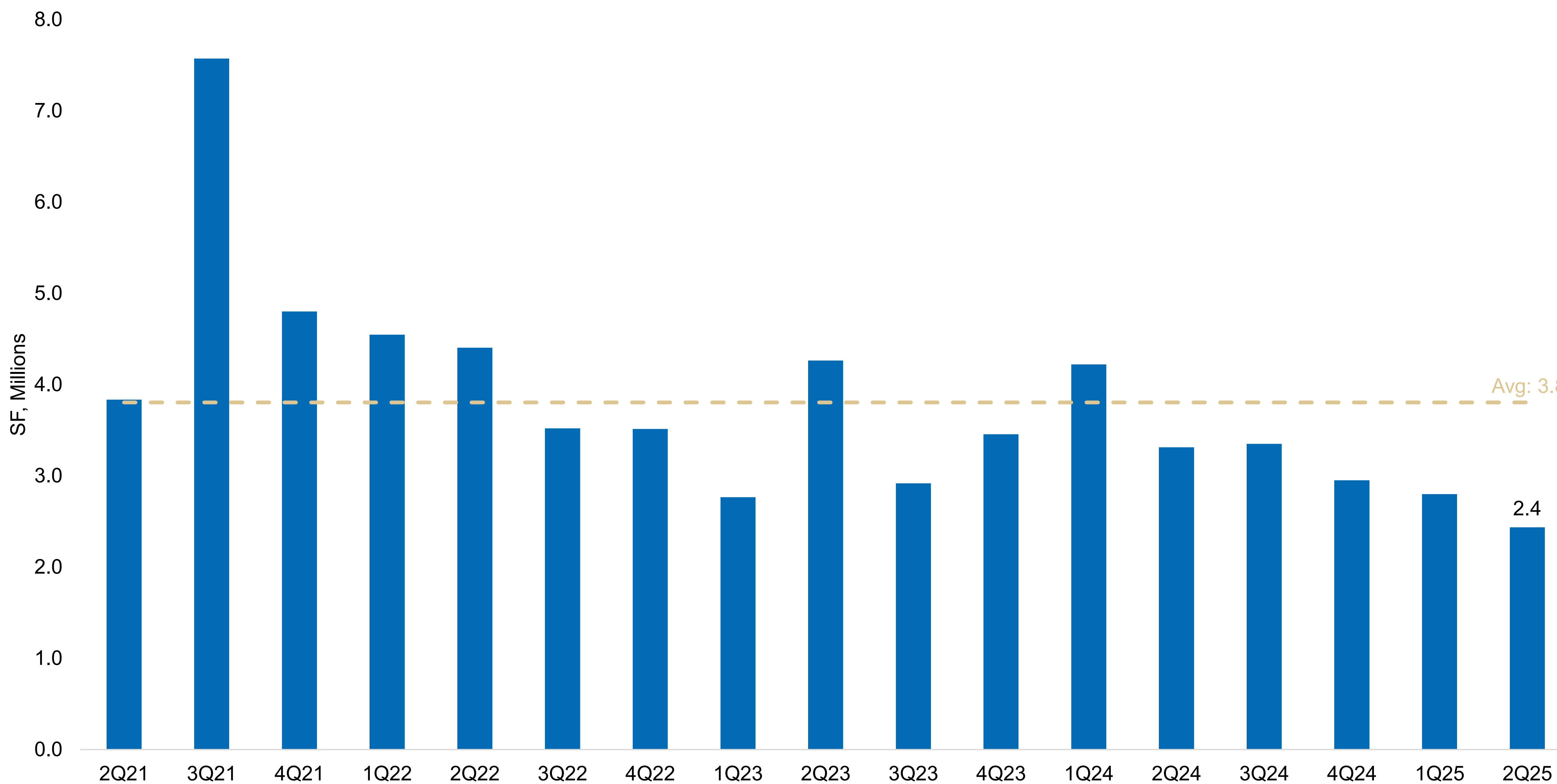
Industrial Leasing Activity Has Decelerated to Begin 2025

Leasing activity decelerated to a historic low in Q2 2025, ending the quarter with 2.4 MSF of activity. This is much lower than the recent high, when the market experienced 7.6 MSF of activity during Q3 2021, and lower than the four-year average of 3.8 MSF of quarterly activity.

Total Leasing Activity (SF)

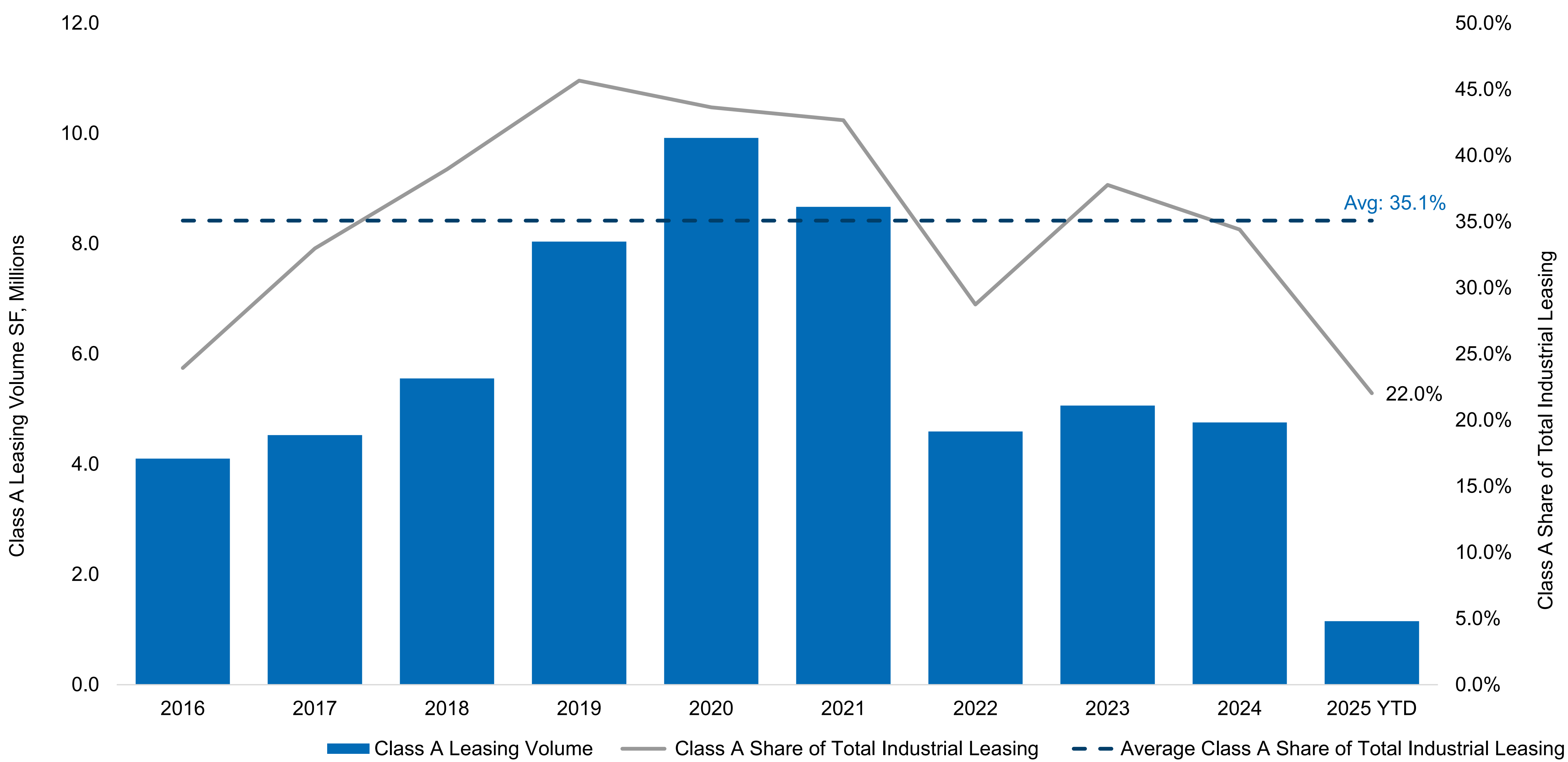


Source: Newmark Research, CoStar

Class A Industrial Leasing Slow to Begin 2025

Class A product has seen only 1.2 MSF of leasing activity during the first half of 2025. This was only 22.0% of overall leasing volume during the period, much lower than the decade average of 35.1%.

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

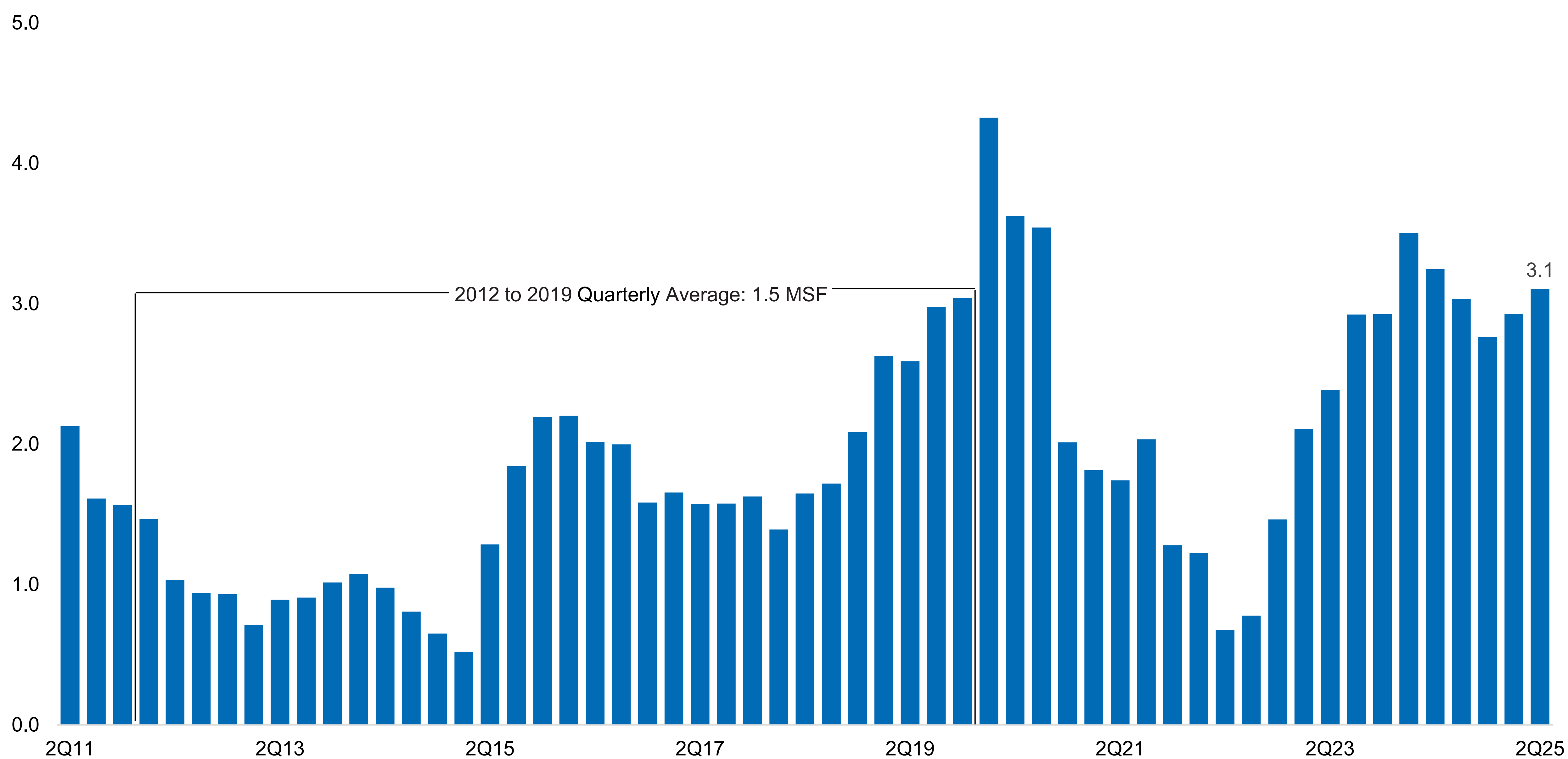


Source: Newmark Research, CoStar

Industrial Sublease Availability Hovers Near 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 Q2 2025 at 3.1 MSF, which is in line with the volume leading up to the pandemic.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

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Construction Supply Remains At Healthy Levels

Baltimore ended Q2 2025 with 13 properties under construction totaling over 3.3 MSF. This level of construction is slightly above the decade average of 3.2 MSF of space under construction.

Industrial Under Construction and % of Inventory

Source: Newmark Research, CoStar

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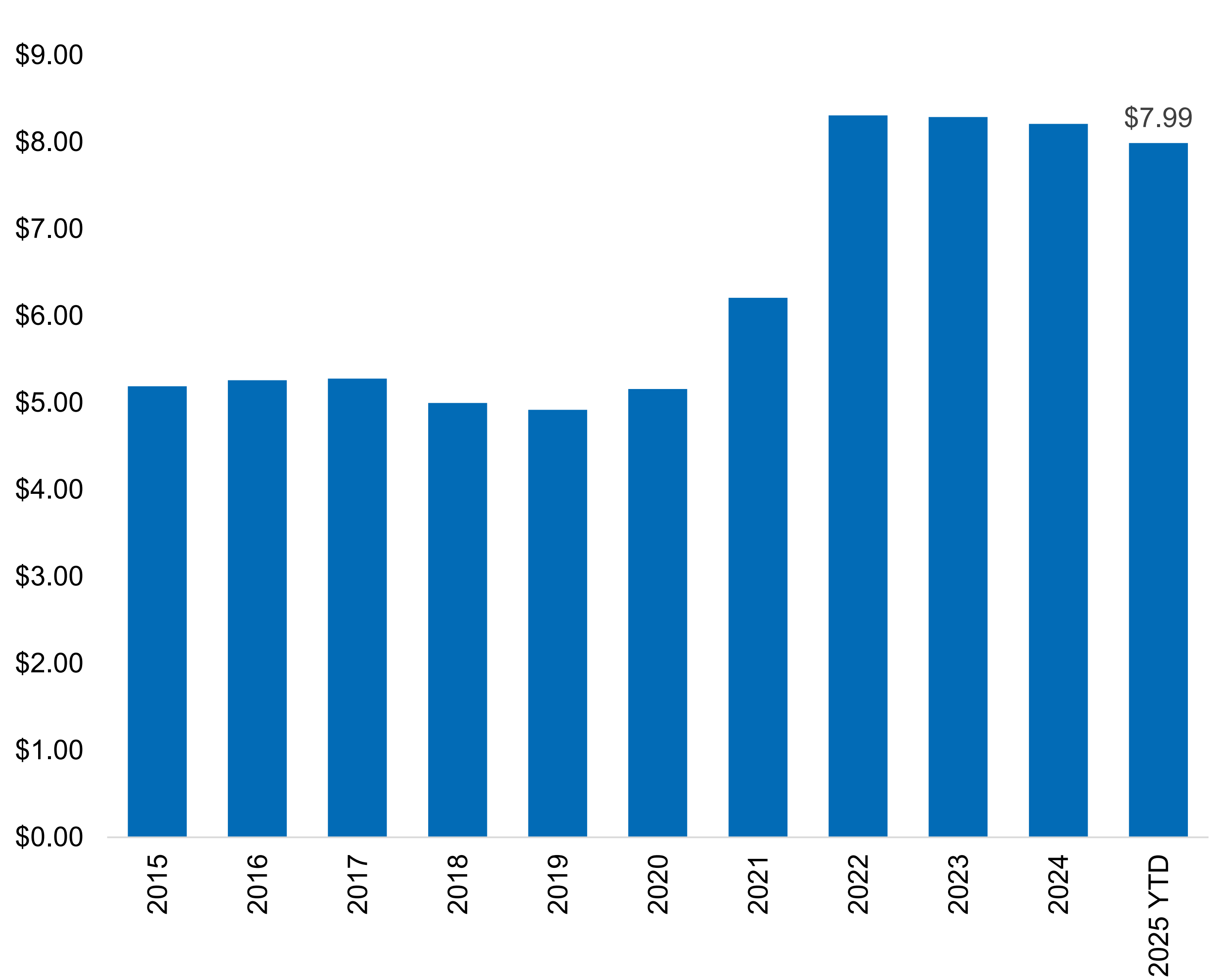
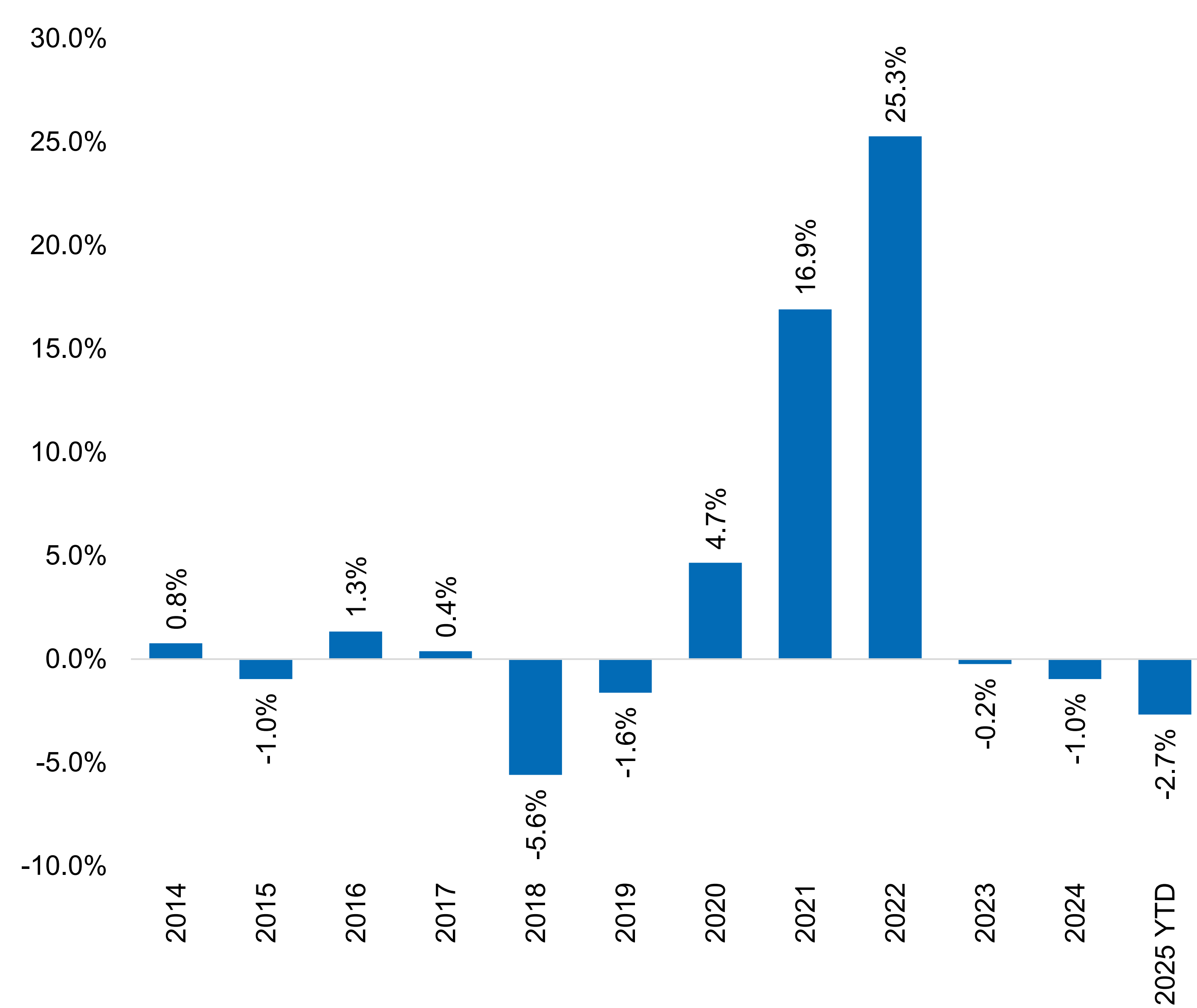
Asking Rents Remain at Historic Highs

Average asking rents ended Q2 2025 at $7.99 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 2Q25 Lease Transactions

Leasing activity during Q2 2025 was dominated by renewals, with the four largest leases all being renewals. The quarter's largest lease was a renewal of 317,000 SF by Sephora at 4622 Mercedes Drive in the Aberdeen submarket, followed by Reico Kitchen & Bath renewing 172,000 SF at 6600 Business Parkway in the Route 1 Corridor submarket.

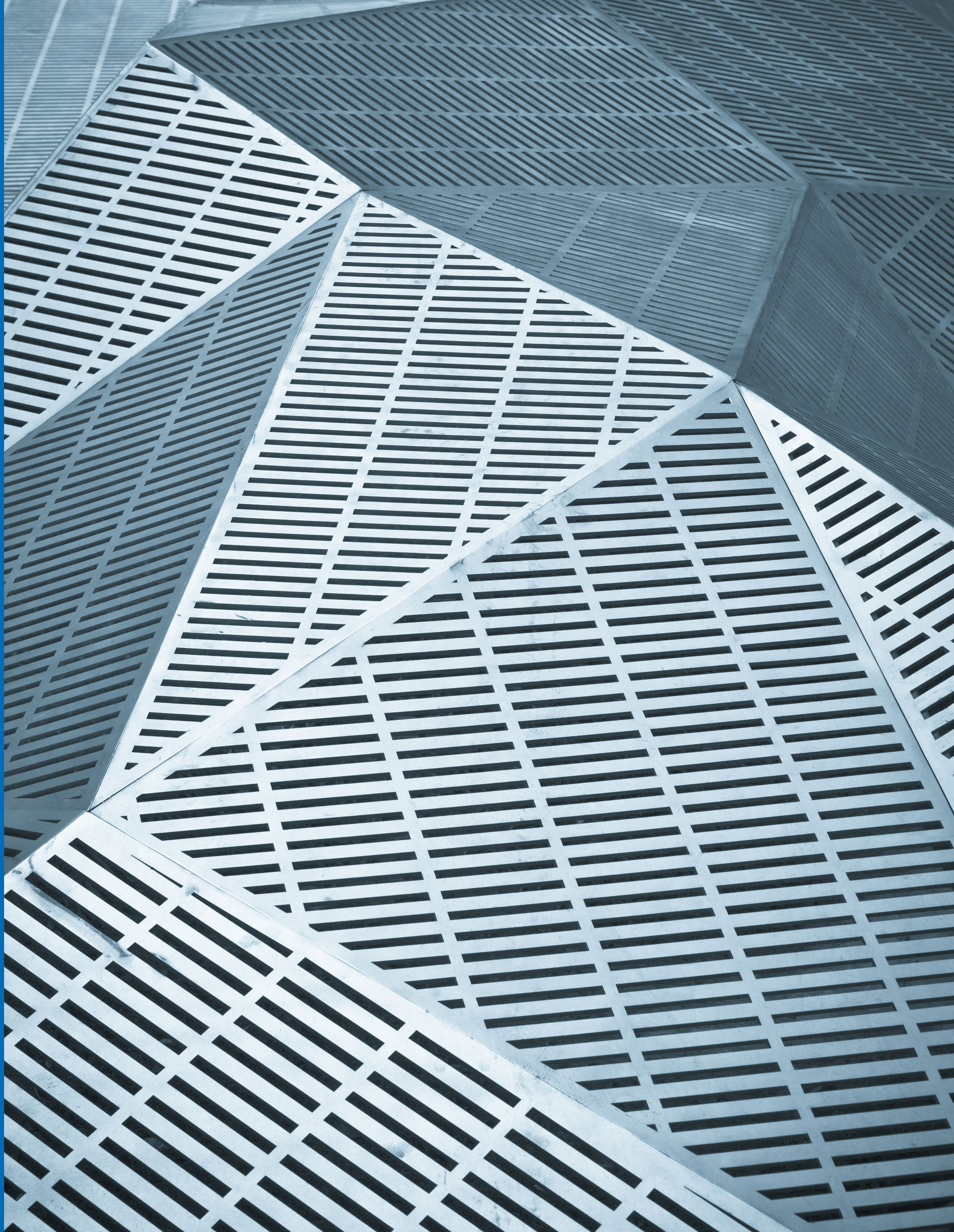
Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Sephora	4622 Mercedes Drive	Aberdeen	Lease Renewal	316,524
Reico Kitchen & Bath	6600 Business Parkway	Route 1 Corridor	Lease Renewal	172,200
Elite Spice Inc.	1415 Magellan Road	BWI / Anne Arundel	Lease Renewal	171,167
W.R. Grace & Co.	6610 Cabot Drive	Route 2 Corridor	Lease Renewal	151,189
Daikin	1904 Park 100 Drive	BWI / Anne Arundel	New Lease	120,000

Source: Newmark Research

2Q25

Market Statistics



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