MARKETBEAT

Baltimore

Industrial Q2 2019

CUSHMAN & WAKEFIELD

BALTIMORE INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Baltimore Employment	1.41M	1.43M	▲
Baltimore Unemployment	4.1%	3.8%	▼
U.S. Unemployment	3.9%	3.6%	▼

Numbers above are quarterly averages; April and May 2019 data used to represent Q2 2019

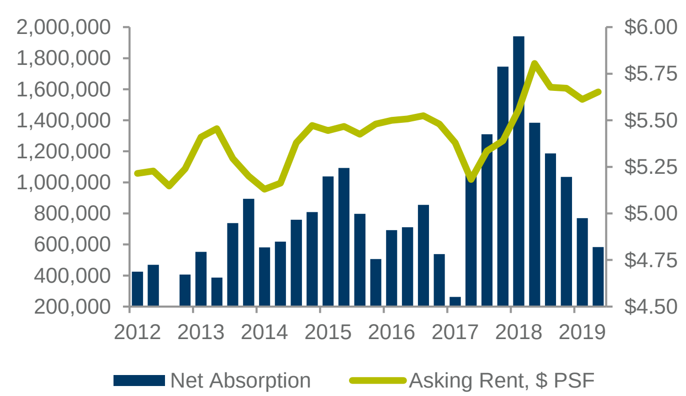
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	6.2%	6.9%	▼
Net Absorption (sf)	1.5M	756k	▲
Under Construction (sf)	3.6M	5.7M	▲
Average Asking Rent*	$5.77	$5.93	▲

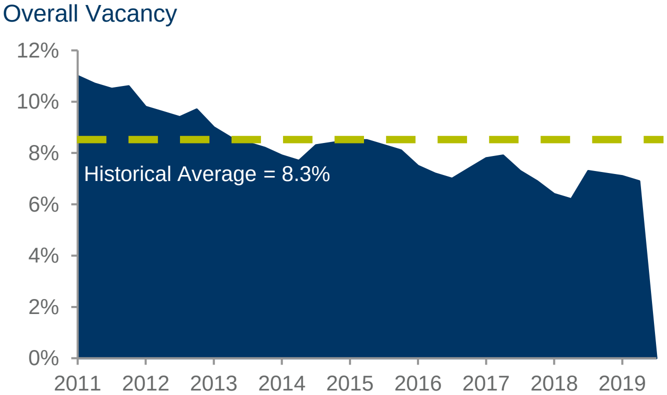
*Rental rates reflect net asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Baltimore Metro economy continues to show signs of great strength as unemployment decreased 30 basis points (bps) year-over-year (YOY) to 3.8%, trailing the national average by just 20 bps. Since the great recession, the market has seen steady growth and with the heavy influence of education, medical and government industries these trends should continue.

Market Overview

The Baltimore Metro continues to roll forward with healthy market fundamentals. Rental rates in the market grew 5.1% YOY to $5.93-per-square-foot (psf). Rents continue to rise as the new inventory in the Baltimore Market continues to attract new high-profile tenants. With the additional inventory hitting the market vacancy rates increased 70 bps YOY to 6.9%

Netting 755,647 square feet (sf) of positive absorption, the Baltimore market continues to hit on all cylinders. The I-95 North submarket continues to attract tenants accounting for 825,370 sf of positive absorption in the second quarter of 2019. Rental rates for warehouse and distribution buildings hit $5.40 psf, a 3.2% increase YOY.

XPO Logistics inked a 571,762-sf deal at 610 Chelsea Road, in the Harford County submarket. Coppermine Athletics signed a 500,000-sf deal at 2800 Eastern Boulevard, breathing life into one of the largest vacancies in Baltimore.

The Baltimore flex market's rental rates increased 6.2% YOY to $10.24 psf. The sector had 81,968 sf of positive absorption, bringing the yearly total to 243,286 sf of net positive absorption, a 91% increase YOY.

In Harford County the 140,000-sf 103 Fulfillment Drive delivered to the market with AGCO occupying 50,000 sf at the time of completion. The Pipeline for the rest of 2019 continues to be strong with an additional 3.9 msf slated to deliver, with 60% of this inventory preleased.

Outlook

As the industrial renaissance in Baltimore continues, the market is becoming more attractive for companies looking to set up regional hubs in the area. Projects like Tradepoint Atlantic and Principio are driving the market in new development and attracting global companies to call these parks home. The central location of the Baltimore market provides a great hub due to the 95 corridor as well as roughly the two-thirds of the nation's population living within a day's drive of the Baltimore metro area. Vacancy rates should continue to decrease, increasing rental rates north, and continuing to attract investors.

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SUBMARKET	Property Type	Inventory (SF)	Overall Vacancy Rate	YTD Leasing Activity (SF)	YTD Sales Activity (SF)	Under Construction (SF)	YTD Construction Completions (SF)	YTD Direct Net Absorption (SF)	YTD Overall Net Absorption (SF)	*Direct Weighted Average Net Rental Rate
Howard County	Flex	6,015,858	4.9%	24,090	84,514	0	0	27,533	9,459	$13.84
	W/D	30,021,464	5.7%	782,000	268,117	0	0	16,169	-35,060	$6.42
Anne Arundel County	Flex	8,878,940	7.6%	79,067	163,039	0	0	-24,818	-20,418	$11.12
	W/D	22,461,327	9.4%	135,451	415,794	135,000	0	-95,329	-95,329	$6.01
Baltimore City/County-Southwest	Flex	2,985,135	10.8%	16,527	0	0	0	-3,611	8,069	$12.00
	W/D	20,507,313	9.3%	282,314	0	0	0	-38,516	-39,116	N/A
Baltimore-Washington Corridor	**Flex**	**17,879,933**	**7.2%**	**119,684**	**247,553**	**0**	**0**	**-896**	**-2,890**	**$11.10**
	W/D	**72,990,104**	**7.9%**	**1,199,765**	**683,911**	**135,000**	**0**	**-117,676**	**-169,505**	**$5.43**
	Total	**90,870,037**	**7.7%**	**1,319,449**	**931,464**	**135,000**	**00**	**-118,572**	**-172,395**	**$6.12**
Harford County	Flex	2,264,780	7.6%	2,760	0	0	0	27,164	42,401	$13.20
	W/D	21,255,922	6.8%	882,092	0	1,210,625	140,000	276,712	276,712	$4.84
Cecil County	Flex	150,000	0.0%	0	0	0	0	0	0	N/A
	W/D	10,843,351	1.6%	0	0	2612965	0	0	0	$4.50
Baltimore County East	Flex	5,022,083	7.8%	89,075	0	0	0	55,832	55,832	$6.87
	W/D	50,173,838	7.9%	1,486,141	200,000	1,764,980	94,130	560,158	548,658	$5.00
I-95 North Corridor	**Flex**	**7,436,863**	**7.9%**	**91,835**	**0**	**0**	**0**	**82,996**	**98,233**	**$9.04**
	W/D	**82,273,111**	**6.8%**	**2,368,233**	**200,000**	**5,588,570**	**234,130**	**836,870**	**825,370**	**$4.88**
	Total	**89,709,974**	**6.9%**	**2,460,068**	**200,000**	**5,588,570**	**243,130**	**919,866**	**923,603**	**$5.13**
Baltimore County-North/West	Flex	9,808,101	6.1%	42,988	0	0	0	127,330	140,943	$9.04
	W/D	6,038,925	4.8%	0	257,987	0	0	-46,379	-76,379	$6.86
Baltimore City	Flex	1,311,097	2.1%	0	0	0	0	7,000	7,000	$10.00
	W/D	5,837,966	4.7%	0	0	0	0	168,144	168,144	$8.00
Carroll County	Flex	29,160	100.0%	0	0	0	0	0	0	N/A
	W/D	7,203,249	3.1%	456,400	0	0	0	-9,850	-9,850	$5.65
Beltway Submarkets	**Flex**	**11,148,358**	**5.9%**	**42,988**	**0**	**0**	**0**	**134,330**	**147,943**	**$9.37**
	W/D	**19,080,140**	**3.7%**	**456,400**	**257,987**	**0**	**0**	**111,915**	**81,915**	**$6.41**
	Total	**30,228,498**	**4.5%**	**499,388**	**257,987**	**0**	**0**	**246,245**	**229,858**	**$8.24**
TOTAL FLEX	**Flex**	**36,465,154**	**6.9%**	**254,507**	**247,553**	**0**	**0**	**216,430**	**243,286**	**$10.24**
TOTAL W/D	**W/D**	**174,343,355**	**6.9%**	**4,024,398**	**1,141,898**	**5,723,570**	**243,130**	**831,109**	**981,066**	**$5.40**
BALTIMORE TOTALS	**Total**	**210,808,509**	**6.9%**	**4,278,905**	**1,389,451**	**5,723,570**	**243,130**	**1,047,539**	**1,224,352**	**$5.93**

FLEX = Flex Space W/D = Warehouse/Distribution *Rental rates reflect asking $psf/year

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
610 Chelsea Road	571,762	XPO Logistics	New Lease	Harford
2800 Eastern Boulevard	500,000	Coppermine Athletics	New Lease	Baltimore County East
1470 Progress Way	356,400	Undisclosed	New Lease	Carroll County
5250 Holabird Avenue	356,400	Baltimore International Warehouse & Transportation	New Lease	Baltimore City

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
Telegraph Business Park	124,039	G.W. Koch & Associates, Inc. / Kohlberg Kravis Roberts & Co. L.P.	$18,000,000 / $145	BWI/Anne Arundel
6685 Santa Barbara Court	167,410	High Street Equity Advisors / STAG Industrial, Inc.	$13,250,000 / $79	Route 1

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