



# BALTIMORE INDUSTRIAL OVERVIEW

SECOND QUARTER | 2016



## E-COMMERCE KEEPS INDUSTRIAL MARKET HUMMING

Absorption Remains Positive | Anirban Basu, Sage Policy Group

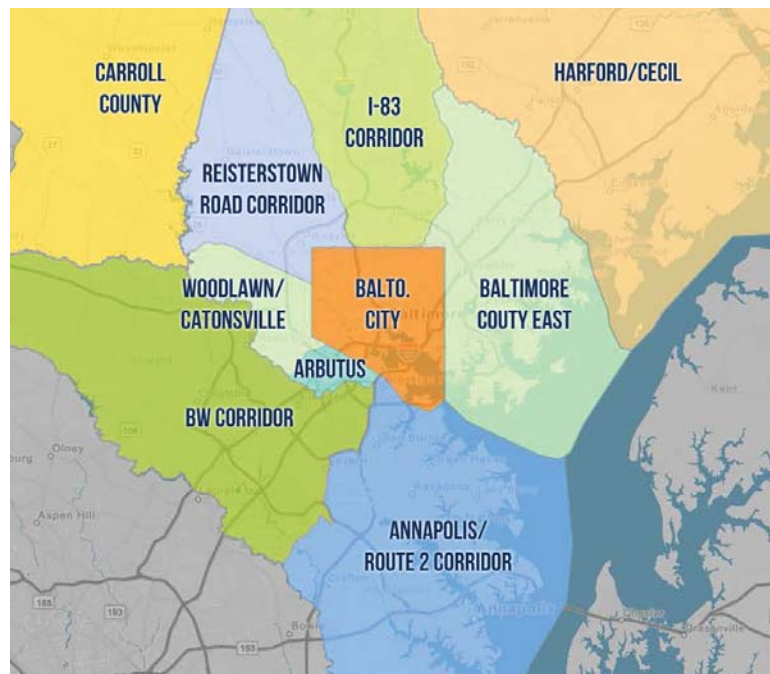
Generally, there are two types of markets – those that both produce and distribute goods and those that for the most part only distribute them. Baltimore is an example of the latter. Though there are still remnants of industrial production in Central Maryland, for the most part the Baltimore metropolitan area can be viewed as a center of throughput as opposed to output. That's too bad, because more production here would imply more value added contributions and higher quality jobs.

That said, with the e-commerce economy in full swing and with strategic investment having been made at the Port of Baltimore, the distribution economy continues to expand locally. More than 600,000 sf of warehouse space was net absorbed over the past three months. The region's warehouse vacancy rate declined by more than three-tenths of a percentage point during this period to 7.9%.

Warehouse space absorption was most prevalent in Baltimore City and Baltimore County East, which collectively absorbed approximately 500,000 sf of space. Vacancy in the eastern portions of Baltimore County declined from 14.4% to 13.1%. Most submarkets experienced declines in vacancy, including Baltimore City (-0.7%), Harford/Cecil (-0.5%), and Carroll County (-0.9%).

The region's flex market didn't fare quite as well, net absorbing a bit more than 22,200 sf during the second quarter. While Baltimore City and Baltimore County experienced negative net absorption, the Annapolis/Route 2 and Harford/Cecil County submarkets net absorbed 37,998 sf and 33,242 sf, respectively. The regional flex market vacancy rate was virtually unchanged during the quarter, and now stands at 9.7%.

Consumer spending should continue to drive warehouse and other forms of industrial space demand during the quarters ahead. Wages are beginning to expand more rapidly and further declines in interest rates recently will help unleash yet another mortgage refinancing boom. Fewer families are underwater on their mortgages relative to a few years ago, and can now qualify for a refinanced mortgage. That will help drive consumer spending during the balance of 2016.



## AT QUICK GLANCE...

FLEX

WAREHOUSE



## LOOKING AHEAD...

MICHAEL SPEDDEN, SENIOR VICE PRESIDENT

After a decade of planning and building, and a cost of \$5 billion, the wider (180') and deeper (60') Panama Canal opened on 6/26/2016. Baltimore is one of three ports on the East Coast capable of receiving the larger "New Panama" ships that can now go through the canal rather than having to dock on the West Coast and ship goods by train or truck to the East Coast. Theoretically, this should result in increased industrial demand in the Baltimore Area. Our projection is that we'll see a bump in absorption for the first several years and then a leveling of demand as other East Coast ports dredge their waterways and replace their cranes to handle the new ships.

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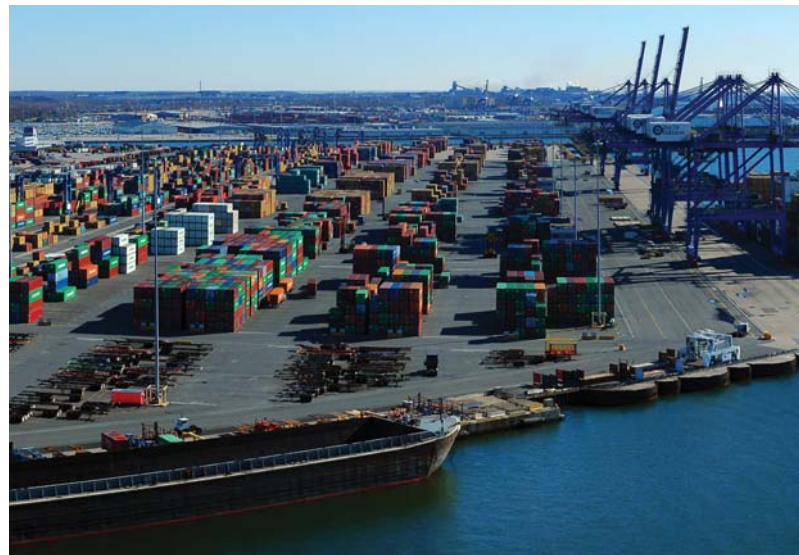


## THE NUMBERS

	Submarket	Bldgs	Market Size SF	Total Vacant SF	Total Vacancy	Absorption		Available SF %	Average Asking Rent
						Current	YTD		
FLEX INDUSTRIAL MARKET	Annapolis/Route 2 Corridor	169	4,984,762	328,829	6.60%	37,998	75,167	10.53%	\$13.12
	Arbutus	57	2,127,088	85,740	4.03%	7,758	24,883	5.47%	\$8.92
	Baltimore City	131	4,144,438	594,091	14.33%	(74,637)	54,059	19.00%	\$7.79
	Baltimore County East	113	3,710,683	388,761	10.48%	(10,386)	(38,990)	11.73%	\$9.32
	BW Corridor	334	15,015,676	1,584,964	10.56%	7,346	55,966	15.12%	\$13.63
	Carroll County	53	1,166,702	169,876	14.56%	20,979	10,472	17.17%	\$9.13
	Harford/Cecil	136	3,059,260	324,679	10.61%	33,242	42,029	10.92%	\$13.20
	I-83 Corridor	108	4,942,752	214,435	4.34%	(24,948)	(14,439)	5.69%	\$10.56
	Reisterstown Rd Corridor	83	3,066,084	344,607	11.24%	19,075	107,544	16.05%	\$9.79
	Woodlawn/Catonsville	54	2,601,841	315,208	12.11%	5,849	(47,047)	22.01%	\$8.96
	<b>Totals</b>	<b>1,238</b>	<b>44,819,286</b>	<b>4,351,190</b>	<b>9.71%</b>	<b>22,276</b>	<b>269,644</b>	<b>13.42%</b>	<b>\$11.34</b>
WAREHOUSE INDUSTRIAL MARKET	Annapolis/Route 2 Corridor	197	8,988,017	115,039	1.28%	(5,000)	79,509	7.64%	\$6.73
	Arbutus	99	7,500,500	1,099,965	14.67%	(14,244)	(26,388)	17.66%	\$4.87
	Baltimore City	1,088	40,214,887	2,144,435	5.33%	248,143	680,033	10.57%	\$4.81
	Baltimore County East	329	20,166,321	2,639,884	13.09%	256,234	519,258	18.01%	\$4.95
	BW Corridor	560	43,559,326	4,582,067	10.52%	(113,461)	602,978	14.26%	\$5.48
	Carroll County	154	7,698,162	470,518	6.11%	70,140	13,725	15.34%	\$5.25
	Harford/Cecil	334	33,016,038	2,020,992	6.12%	168,078	268,191	9.82%	\$4.51
	I-83 Corridor	83	4,381,581	110,899	2.53%	(15,000)	(13,000)	3.25%	\$10.01
	Reisterstown Rd Corridor	56	1,519,823	62,754	4.13%	(20,754)	(18,665)	9.54%	\$8.13
	Woodlawn/Catonsville	48	1,287,509	16,492	1.28%	8,650	8,650	6.91%	\$6.90
	<b>Totals</b>	<b>2,948</b>	<b>168,332,164</b>	<b>13,263,045</b>	<b>7.88%</b>	<b>582,786</b>	<b>2,114,291</b>	<b>12.42%</b>	<b>\$5.15</b>
<b>Industrial Market Totals</b>	<b>4,186</b>	<b>213,151,450</b>	<b>17,614,235</b>	<b>8.26%</b>	<b>605,062</b>	<b>2,383,935</b>	<b>12.63%</b>	<b>\$6.53</b>	

## HIGHLIGHTS

- RPM Warehouse has expanded into 435,000 sf of warehouse and distribution space at 1411 Tangier Drive, situated in the Baltimore Crossroads @95 business community.
- BGE Home Products & Services expanded its lease by approximately 16,600 sf of space within 1409 Tangier Road in the Baltimore Crossroads @95 bringing their total space to 72,000 sf.
- Urban Air Trampoline Park signed a lease for 30,000 sf of space at 11501 Pocomoke Court, situated within Baltimore Crossroads @95 business community.
- Sun Automation Group acquired a 180,000 sf building on 12201 Long Green Pike in Glen Arm, MD for \$5.7 million. Sun plans to consolidate two locations in Sparks and one in Edgewood into the new building that is situated on thirty-six acres.



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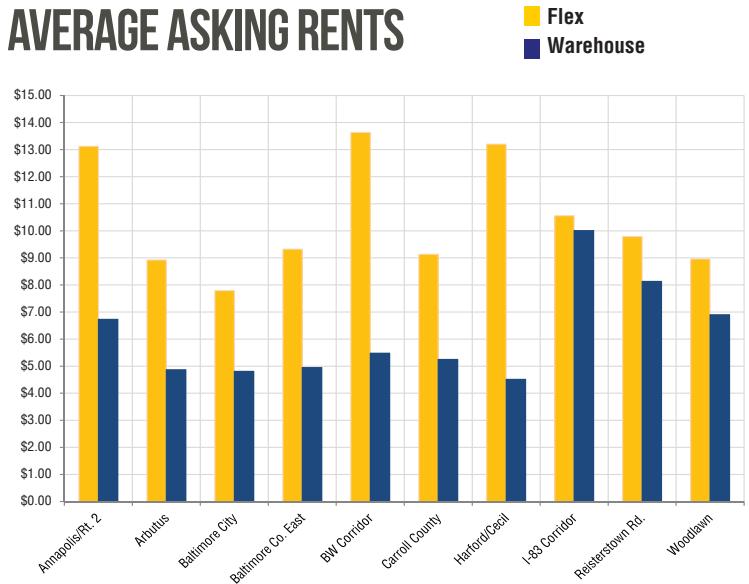
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## HIGHLIGHTS (cont.)

- Tollos, Inc. and Kershner Environmental Technologies, LLC signed leases, 18,000 sf and 6,000 sf, respectively, within the Dolfield Business Park located near Red Run Boulevard in Owings Mills.
- Lost Ark Distilling Company signed a lease for 5,000 sf at 9570 Berger Road in Columbia, MD and will be Howard County's first distillery.
- DCT Industrial paid \$6.275 million for 23.05 acres on either side of Dorsey Run Road in Elkridge. They purchased the land from Howard County in a deal that indicates spec industrial development. DCT will build two buildings totaling 219,500 sf.
- Elite Spice, Match Marketing and Forward Air all signed sizable leases within the Corridor this quarter. Elite Spice signed a lease for 144,000 sf of additional space at their Preston Gateway Industrial Park location at 1415 Magellan Road; Match Marketing signed a lease to occupy 88,000 sf at 7462 Candlewood Drive, in Hanover; and, Forward Air leased all 112,000 sf at 521 McCormick Drive.
- Oceaneering International, already in over 200,000 sf in Hanover, leased another 74,600 sf, taking all of 7010 Dorsey Road at the Hillside Business Park.

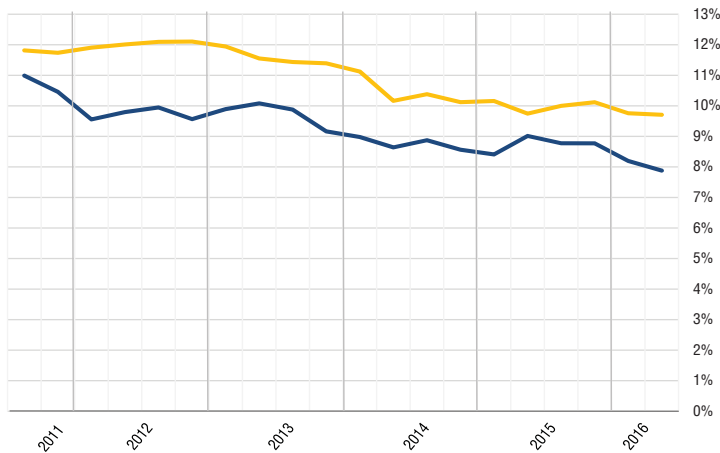
## AVERAGE ASKING RENTS



Average asking rates for the Industrial Market remained flat, increasing on average by a mere \$0.02/sf for a rate of \$6.52/sf. Compared to the same quarter last year, rates have increased by only \$0.16/sf. BW Corridor flex product holds the top billing spot at \$13.63/sf; I-83 Corridor holds the same for the warehouse market at \$10.01/sf. The best deal in town is Harford County warehouse space at an average of \$4.51/sf.

## HISTORICAL VACANCY

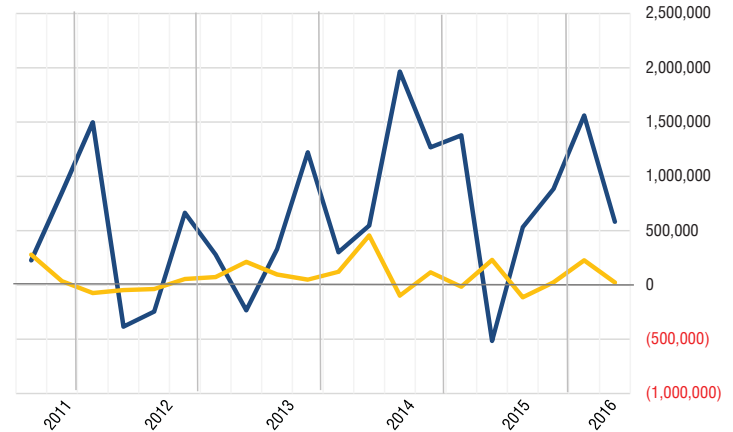
— Flex  
— Warehouse



Overall market vacancy remained steady during the 2nd Quarter, decreasing by 0.26% for an average rate of 8.26%. This rate is nearly 1% less than the same quarter in 2015. The most notable changes in flex product was a decrease of 1.8% in Carroll County; warehouse was Baltimore County East with a decrease of 1.3%.

## HISTORICAL ABSORPTION

— Flex  
— Warehouse



The Baltimore Metropolitan Industrial Market absorbed a total of 605,062 sf during the 2nd Quarter, with the warehouse segment contributing the majority of this at 582,786 sf. Baltimore City and Baltimore County East warehouse product absorbed 248,143 sf and 256,234 sf, respectively. Absorption for the flex market was positive, however, only 22,276 sf was absorbed.



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## NOTABLE TRANSACTIONS

### Lease

Location	Submarket	Tenant	Amount Leased SF
8416 Kelso Drive	Baltimore County East	Restoration Hardware, Inc.	507,600 sf
7621 Energy Parkway	Route 2 Corridor	Reliable Churchill, LLLP	226,636 sf
1411 Tangier Drive	Baltimore County East	RPM	152,000 sf
7001 Quad Avenue	Baltimore County East	Ball Corporation	114,750 sf
7150 Troy Hill Drive	BWI	Northrop Grumman	78,271 sf
7010 Dorsey Road	BWI	Oceaneering International Technologies	74,000 sf
3051 Washington Boulevard	Baltimore City	Atlantic Lift Truck Inc.	25,920 sf
2305 Katcef Avenue	Annapolis	Severna Park Gymnastics	12,000 sf

### Sale

Location	Submarket	Price	PSF	Building Size
4622 Mercedes Drive	Aberdeen	\$23,000,000	\$72.66	316,524 sf <sup>(1,2)</sup>
7630 Gambrills Cove Road	Route 2 Corridor	\$21,712,012	\$57.29	379,012 sf
7253 Ambassador Road	Woodlawn/Catonsville	\$5,790,000	\$148.34	39,032 sf <sup>(2)</sup>
12201 Long Green Pike	Baltimore County East	\$5,728,000	\$31.30	183,000 sf
21132 Old York Road	I-83 Corridor	\$1,900,000	\$73.25	25,940 sf <sup>(2)</sup>

(1) Part of a portfolio sale; (2) Investment sale

**Number of Buildings** 4,186

**Market Size** 213,151,450 sf

#### Report Criteria:

Mackenzie's Industrial Market Report consists of currently available flex and warehouse properties throughout the Baltimore Metropolitan Area as noted on CoStar Property. We have classified the properties into 10 submarkets identified as the following: Annapolis, Arbutus, Baltimore County East, Baltimore City, BW Corridor, Carroll, Harford/Cecil, I-83 Corridor, Reisterstown Road Corridor, and Woodlawn/Catonsville. Flex buildings are limited to properties 5,000 sf and greater, while warehouse buildings are limited to single-story properties. Data does not include under construction or proposed projects.

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\* All information furnished regarding property for sale, rent, exchange or financing is from sources deemed reliable. No representation is made as to the accuracy thereof and all such information is submitted subject to errors, omissions, or changes in conditions, prior sale, lease or withdrawal without notice. All information should be verified to the satisfaction of the person relying thereon. Portions of the base statistics are from CoStar Property data. Data as of 6/30/2016.



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