

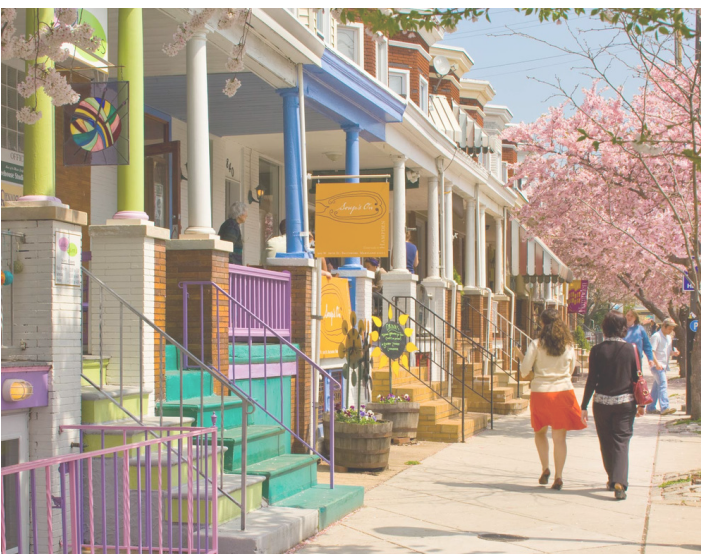
# MACKENZIE'S LOCAL OUTLOOK

BALTIMORE & DC METRO  
COMMERCIAL REAL ESTATE

MARKET REPORT  
4TH QUARTER

## 2022

ECONOMY | CAPITAL | CONSTRUCTION | OFFICE | RETAIL | INDUSTRIAL







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## ECONOMIC INDICATORS\*

Employment  
**1,439,672**

Unemployment Rate  
**3.5%**

Consumer Price Index (CPI)  
**7.1% (YOY in November)**

## Maryland Area Employment Growth by Industry Sector (YOY)\*

### THE ECONOMIC OUTLOOK WORSENS

The U.S. economic dynamics remained relatively constant throughout most of 2022. Prices increased at a faster pace than expected, with inflation reaching its highest level in more than four decades; consumers kept spending, powering a still-strong demand side of the economy; and employers added jobs at a historically fast pace, despite a labor market that remained historically tight.

There were expectations that inflation would abate (remember all that transitory talk?), that higher prices would lure workers back into the labor force, and that spending would break in the face of the higher prices. Those expectations were not met, and prevailing economic dynamics proved far more persistent than anyone hoped.

In early 2023, however, it appears the economy is finally nearing an inflection point. Inflation is starting to subside; according to the Bureau of Labor Statistics' Consumer Price Index, prices are up just 0.9% over the past three months, the lowest such increase since January 2021. The PCE Price Index—the Federal Reserve's preferred measure of inflation—is currently showing its lowest annual price increase since October 2021.

The demand side of the U.S. economy is also starting to show some weakness. The housing market has been frozen solid by rapid interest rate increases. Retail sales decreased 0.6% in November and are up just 6.5% year over year. That annual increase is the slowest since December 2020. Durable goods orders dropped 2.1% in November, the largest monthly decrease since March 2020.

Supply side conditions are also beginning to improve. Gas prices are now at their lowest level since July 2021, international shipping costs have come down more than 80% from the peak in September 2021, and the Federal Reserve's Global Supply Chain Pressure Index, a measure of supply chain disruptions, is down more than 70% since the peak in November 2021. Weakening demand and improving supply is exactly what the Federal Reserve wants to see as it continues to raise interest rates in an effort to bring inflation back to the 2% target. We've now had seven interest rate increases since the Fed started tightening in March, and the current consensus forecast is that we'll have three more 25 basis point hikes.

This year figures to be one of falling but still-high inflation, rising but still-low unemployment, slow economic growth and quite possibly a recession, and a pivot from the Federal Reserve by year's end. Economic conditions should begin to improve by then, albeit at a slower-than-ideal pace. The Fed currently projects that inflation won't return to the range of 2% until 2025 and that real GDP growth will remain below 2% in 2024 and 2025. If that GDP forecast comes true, it would be the first four-year period of sub-2% economic growth since the beginning of the Great Depression in 1930-1933.

**2.1%**  
Manufacturing

**2.2%**  
Education/Health

**1.5%**  
Professional

**1.7%**  
Construction

The State of Maryland's top employing industry as of November 2022 was Educational and Health Services employing 266,600 followed by Trade, Transportation and Utilities, and Professional & Business Services industries at 262,000 and 250,300 respectively.

Contributed by industry partner  
**Anirban Basu, CEO of Sage Policy Group, Inc.**  
For more information, please visit <http://www.sagepolicy.com>.







## CAPITAL INDICATORS 2022

12-Month Volume  
**\$1,872.7**

Total Square Feet  
**13,570,491**

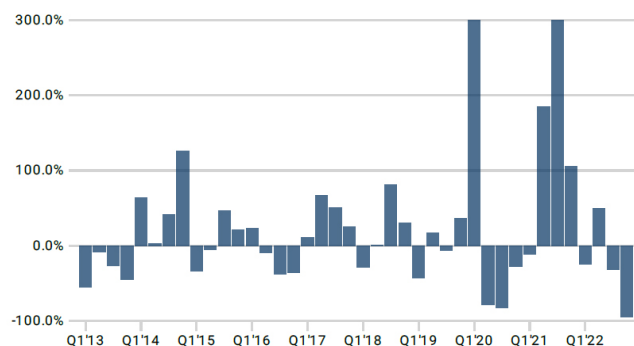
Average Price PSF  
**\$140**

Average Cap Rate  
**6.3%**

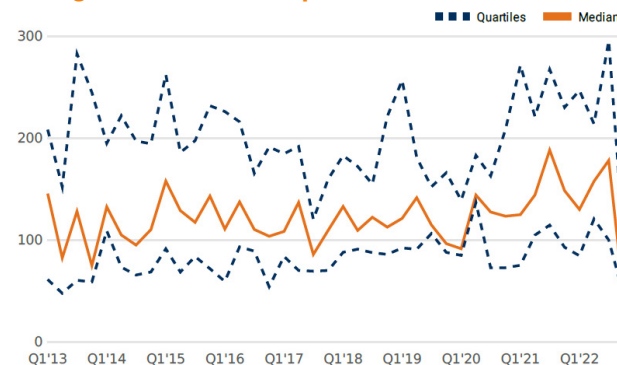
Properties Sold  
**115**

Volume vs. Prior Year  
**-45.3%**

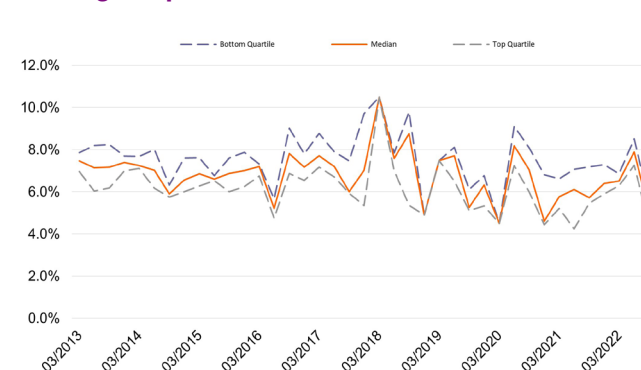
### Change In Sales (Year over Year)



### Average Sale Price Per Square Foot



### Average Cap Rates



- In the 4th Quarter of 2022, the treasury yield curve remained inverted. The Federal Reserve began to slow increases to their effective funds rate with the most recent increase being 50 basis points on December 14th. The 10-year Treasury reached a peak of 4.25% on October 24th and a low of 3.42% on December 7th. Treasuries have seen large swings in the 4th Quarter, but overall the 10-year Treasury finished up 28 basis points at 3.88%.
- As the cost of funds has increased, investors searching for yield are forced to assess strategy in a volatile and dynamic marketplace.
- Lenders are adjusting in these uncertain times and are searching for deposit relationships due to bank constraints after a high-volume year of lending. Lenders have seen an increase in their cost of funds and are being cautious with new relationships.
- During this time of increased volatility in the interest rate markets, it is crucial to shop the market heavily as banks' sentiment on lending is bifurcated due to previous asset allocations and exposures.

## TOP INVESTMENT 'PLAYERS' BY ACQUISITION/DISPOSITION VOLUME

TOP BUYERS (24 MONTHS ROLLING)	Base City	Average Price Per Sale	Acquisition Volume (\$m)	Properties
CBRE Investment Mgmt.	Los Angeles, CA	\$112,700,000	\$338,200,000	3
Kite Realty Group	Indianapolis, IN	\$51,300,000	\$307,900,000	6
NGP Capital	McLean, VA	\$290,600,000	\$290,600,000	1
Ventas	Chicago, IL	\$136,000,000	\$272,000,000	2
Armada Hoffer	Virginia Beach, VA	\$245,700,000	\$245,700,000	1

TOP SELLERS (24 MONTHS ROLLING)	Base City	Average Price Per Sale (\$m)	Disposition Volume (\$m)	Properties
Blackstone	New York, NY	\$71,800,000	\$574,000,000	8
Retail Properties of America	Oak Brook, IL	\$51,300,000	\$307,900,000	6
CoreCivic	Nashville, TN	\$290,600,000	290,600,000	1
Beatty Development	Baltimore, MD	\$245,700,000	\$245,700,000	1
JP Morgan	New York, NY	\$245,700,000	\$245,700,000	1

## 2022 YTD BUYER COMPOSITION

### Private Buyers

Privately-controlled business geared toward operating, developing, or investing CRE.

**68.4%**

**5.4%**

### Listed/REITs

Corporation that combines the capital of many investors to acquire or provide financing.

### Institutional Buyers

Investor such as a bank or mutual fund.

**23.1%**



## PROJECT INDICATORS

RBA Under Construction  
**9,590,874**

Count Under Construction  
**81**

RBA Delivered YTD  
**5,942,184**

Availability  
**43%**

Proposed Buildings  
**234**

Count Under Renovation  
**24**

## THE CONSTRUCTION OUTLOOK

For the construction industry, 2022 was a year marked by steady backlog, severely elevated input costs, labor shortages and rising wages, and a rapid increase in interest rates. Inflation, which reached the highest level in four decades and defined the broader macroeconomic environment throughout the year, was exacerbated by geopolitical events. Russia's brutal assault on Ukrainian democracy, for instance, pushed energy prices significantly higher. Though much of the world saw 2022 as the de-facto end of the pandemic, China's zero-covid policy prolonged supply chain issues, preventing input prices from falling.

It wasn't all bad news. A trend of reshoring manufacturing capacity and the signing of the Chips and Science Act on August 9, which supplies approximately \$280 billion in additional funding to bolster domestic research and manufacturing of semiconductors in America, caused a largescale increase in manufacturing-related construction spending. A bipartisan infrastructure act, along with excess pandemic relief funds, will bolster publicly financed construction spending in the years to come. The residential sector, though faltering under the weight of higher borrowing costs, continues to see elevated activity; there are currently a record number of homes under construction across the nation. As residential construction eases, that should free up more labor for the commercial segment.

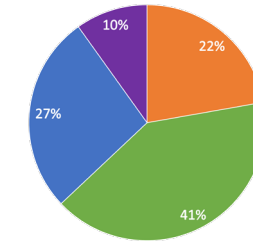
Most forecasters predict that 2023 will be a difficult year defined by persistently high inflation, painfully elevated borrowing costs, and recession. As interest rates continue to rise, the construction industry may see lagging demand by the end of the year.

Contributed by industry partner  
**Anirban Basu, CEO of Sage Policy Group, Inc.**  
For more information, please visit <http://www.sagepolicy.com>

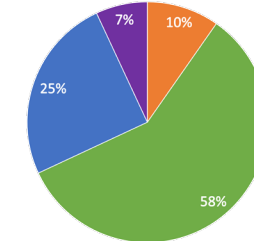
## PROPERTY TYPE BREAKDOWN

Legend: Office Retail Warehouse Flex

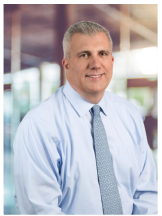
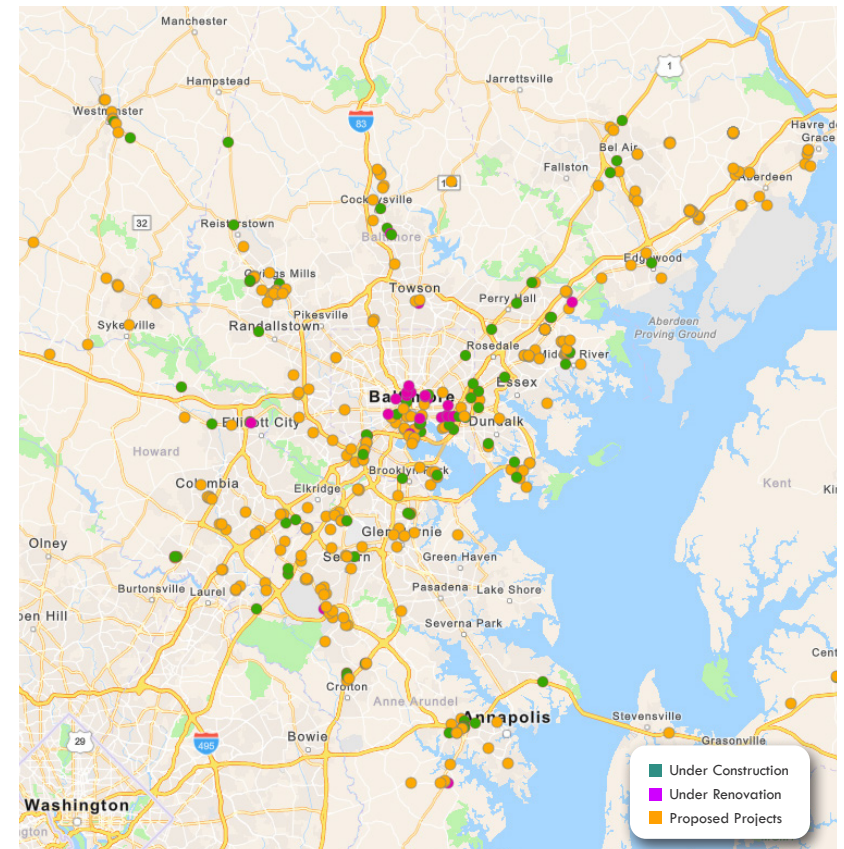
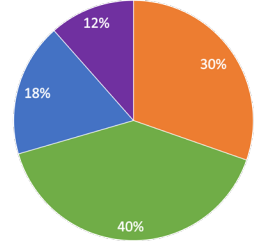
### Under Construction



### Deliveries YTD



### Proposed Buildings



## QUARTERLY TAKEAWAY FROM MACKENZIE CONTRACTING COMPANY, LLC

- Material production delays continue with HVAC equipment, electrical panels, and switch gear.
- We expect the supply chain issues to continue well into this year, but are hopeful that the "Chips and Science Act" will be able to provide the much-needed processing chips for equipment motors and controls.
- Our current market is still seeing material cost increases due to demand of product.
- It appears that labor shortages will continue into mid-year. If the predicted recession occurs, the labor market may adjust.

This Quarterly Takeaway has been provided by Marty Copsey, President & COO of MacKenzie Contracting Company, LLC.  
Marty can be reached at [mcopsey@mackenziecontracting.com](mailto:mcopsey@mackenziecontracting.com).

# OFFICE OVERVIEW

FOURTH QUARTER | 2022



## OFFICE INDICATORS

Market Size  
115,107,577

Building Count  
2,541

Absorption  
323,652

YTD Absorption  
-8,420

Vacancy  
13.1 %

Rental Rate  
\$24.43

The overall status of the Baltimore Office Market ended on a high note with Baltimore City experiencing positive absorption two quarters in a row, the first time since the start of the pandemic. Baltimore City experienced the largest amount of leasing activity ever, a record of over 2.15 million square feet. The last time Baltimore came close to reaching more than 2 million square feet leased was over two decades ago in 2000. Close to half of the space was leased as a part of Gov. Hogan's initiative to populate the Central Business District with government offices. Due to renovations and build-out, the absorption from those deals will be spread out over the next couple years. Lastly, the city experienced a slight increase in vacancy compared to the same time last year, due to the delivery of vacant office buildings rather than to tenant closures. The first three office buildings in the Baltimore Peninsula (formerly Port Covington) delivered adding over 430,000 sf to the Baltimore Market. Most submarkets saw a decrease in rental rates of a few cents this quarter; however, compared to five years ago, rental rates are up an average of \$1.25 per square foot. With some of the lowest rates in history, office sales hit all time highs in 2021 with over a billion square feet sold. Interest rates increased throughout 2022 resulting in a sales volume that is two thirds less than 2021 at approximately \$322 million.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City CBD	13,964,326	21.6%	23.3%	23.2%	236,576	230,050	\$24.01	\$24.36	\$24.18
Baltimore City Midtown	2,258,345	7.2%	7.8%	8.1%	11,853	19,457	\$19.16	\$21.04	\$22.36
Baltimore City NE	1,444,142	4.2%	2.7%	3.0%	-21,250	-18,041	\$29.25	\$29.66	\$31.31
Baltimore City NW	1,981,747	3.5%	4.0%	4.0%	9,582	10,691	\$25.82	\$25.82	\$25.17
Baltimore City SE	4,147,976	19.5%	11.3%	8.3%	40,432	-71,546	\$22.63	\$22.54	\$23.09
Baltimore City SW	2,942,903	25.9%	25.5%	26.1%	-12,239	4,141	\$23.41	\$23.41	\$23.41
<b>Baltimore City</b>	<b>26,739,439</b>	<b>18.3%</b>	<b>17.9%</b>	<b>17.6%</b>	<b>264,954</b>	<b>174,752</b>	<b>\$23.74</b>	<b>\$24.11</b>	<b>\$24.25</b>
Baltimore County East	4,617,754	12.8%	13.1%	11.6%	14,866	-54,522	\$22.84	\$22.60	\$23.23
Baltimore County West	9,210,941	7.8%	7.1%	6.1%	-67,255	-160,579	\$19.27	\$20.24	\$19.21
Carroll County	2,363,467	6.2%	5.8%	6.3%	-10,849	977	\$22.49	\$20.20	\$20.35
Cecil County	763,726	8.0%	8.8%	8.9%	6,355	7,340	\$29.06	\$30.02	\$28.99
Harford County	4,900,070	15.4%	14.0%	15.3%	-68,706	-5,243	\$23.84	\$24.07	\$23.75
I-83 Corridor	10,088,639	13.5%	13.7%	11.9%	17,565	-164,699	\$22.50	\$22.75	\$22.29
Reisterstown Rd	8,431,170	13.2%	13.4%	12.9%	14,840	-30,952	\$24.10	\$25.24	\$22.56
Towson	8,484,825	10.3%	10.5%	10.1%	23,431	-8,801	\$20.94	\$20.96	\$20.93
<b>Northern Metro</b>	<b>48,860,592</b>	<b>11.5%</b>	<b>11.4%</b>	<b>10.7%</b>	<b>-69,753</b>	<b>-416,479</b>	<b>\$22.16</b>	<b>\$22.50</b>	<b>\$21.77</b>
Annapolis	5,016,682	10.8%	10.7%	11.0%	-5,343	16,153	\$31.19	\$31.77	\$31.53
BWI Corridor	13,686,053	9.9%	10.6%	11.2%	105,269	346,328	\$29.24	\$29.68	\$30.01
Columbia	18,005,245	13.7%	13.8%	12.9%	26,675	-135,761	\$26.15	\$26.01	\$27.07
Route 2 Corridor	2,799,566	7.3%	7.4%	7.5%	1,850	6,587	\$24.08	\$23.93	\$22.67
<b>Southern Metro</b>	<b>39,507,546</b>	<b>11.5%</b>	<b>11.8%</b>	<b>11.7%</b>	<b>128,451</b>	<b>233,307</b>	<b>\$27.71</b>	<b>\$27.87</b>	<b>\$28.33</b>
<b>Totals</b>	<b>115,107,577</b>	<b>13.1%</b>	<b>13.0%</b>	<b>12.6%</b>	<b>323,652</b>	<b>-8,420</b>	<b>\$24.43</b>	<b>\$24.72</b>	<b>\$24.59</b>

## ITEMS TO NOTE:

Greenberg Gibbons inked a new lease for over 13,000 sf on the top floor of 4010 Boston Street. The 40Ten Boston Bldg. is under construction and scheduled to be complete the first quarter of 2023.

Morgan Stanley inked the largest commercial real estate lease of the year with a renewal and expansion at Thames Street Wharf. The new lease for 242,000 sf will keep Morgan Stanley in Harbor Point until 2035.

Law firm Baker Donelson is donating an entire floor at 100 Light Street for use as a small business incubator. The incubator, called The Light of Baltimore, will support 30 small businesses, and already has 26 in place.

Baltimore-based Goodier Properties acquired the Old Dobbin Lane at Columbia Crossing property, a six-building office complex in Columbia for \$37 million with plans to convert into a medical hub.

Pandora announced it will be relocating the North American headquarters to New York's Time Square. Pandora will stay in Baltimore but reduce the 90,000 sf footprint at 250 W. Pratt Street to just over 18,000 sf.

The Chesapeake Building, located in the Towson Submarket went back to the lender when a Deed In Lieu of Foreclosure was filed in October.

Howard Hughes Corporation broke ground on an 86,000 sf medical office building at 10285 Little Patuxent Parkway in Columbia's Lakefront District. This is the first part of the planned 3 million square feet redevelopment in the Lakefront District.

Biotechnology company Haystack Oncology, Inc. signed a lease for 20,000 sf within the City Garage Science & Technology Center at 101 W. Dickman St., part of Baltimore Peninsula.

6340 Security Blvd., a 60,000 sf, two-story building in Woodlawn sold for \$5 million and was 100% leased at time of sale.



## OFFICE INDICATORS

Market Size  
115,107,577

Building Count  
2,541

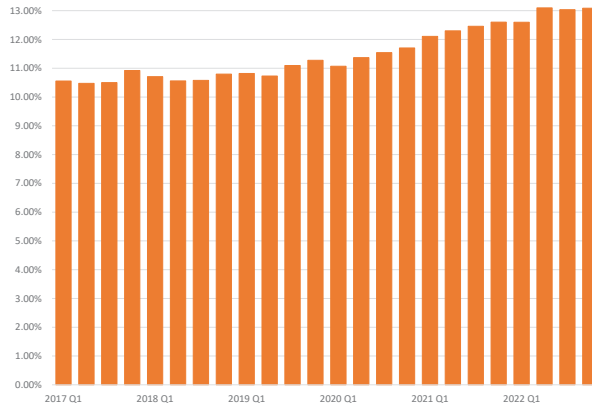
Absorption  
323,652

YTD Absorption  
-8,420

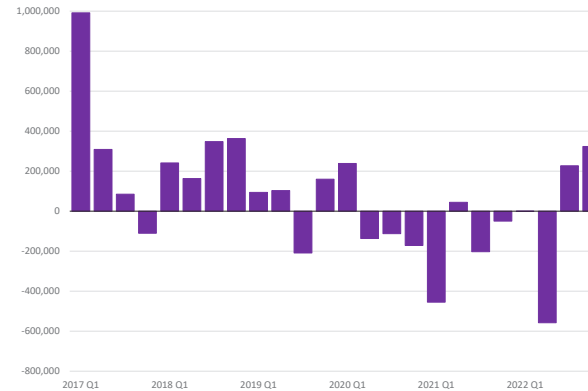
Vacancy  
13.1%

Rental Rate  
\$24.43

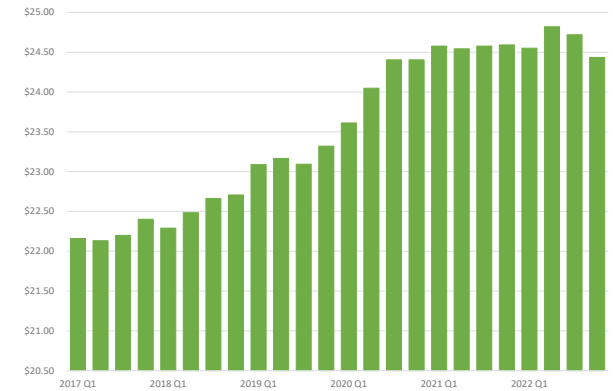
## VACANCY



## NET ABSORPTION



## RENTAL RATES



### Lowest Vacancy

1	Baltimore City NW	3.5%
2	Baltimore City NE	4.2%
3	Carroll County	6.2%

### Highest Vacancy

1	Baltimore City SW	25.9%
2	Baltimore City CBD	21.6%
3	Baltimore City SE	19.5%

### Most Change vs. Prior Quarter

-	Baltimore City CBD	-1.71%
+	Baltimore City SE	8.24%

### Lowest Net Absorption

1	Harford County	-68,706
2	Baltimore County West	-67,255
3	Baltimore City NE	-21,250

### Highest Net Absorption

1	Baltimore City CBD	236,576
2	BWI Corridor	105,269
3	Baltimore City SE	40,432

### Most Absorption, Year-to-Date

-	Harford County	-68,706
+	Baltimore CBD	236,576

### Cheapest Rates

1	Baltimore City Midtown	\$19.16
2	Baltimore County West	\$19.27
3	Towson	\$20.94

### Most Expensive Rates

1	Annapolis	\$31.19
2	Baltimore City NE	\$29.25
3	BWI Corridor	\$29.24

### Most Change vs. Prior Quarter

-	Baltimore City Midtown	-\$1.88
+	Carroll County	\$2.29

## LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
300-400 N Greene St.	Baltimore City CBD	Department of Health	463,000
1300 Thames St.	Baltimore City SE	Morgan Stanley*	242,000
100 S Charles St.	Baltimore City CBD	Department of Labor	126,432
6220 Old Dobbin Ln.	Columbia	CMP Medical	42,703

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
130 N Bond St.	Harford County	\$1,525,000	\$145.24	10,500
1200 Brass Mill Rd.	Harford County	\$1,525,000	\$114.66	13,300
4800 Painters Mill Rd.	Reisterstown Rd. Cor.	\$1,442,000	\$273.94	5,264
9520 Berger Rd. (4 Condos)	Columbia	\$1,250,000	\$224.34	5,572

\* Renewal, Expansion, or Sublease

# OFFICE OVERVIEW (DC METRO)

FOURTH QUARTER | 2022



## OFFICE INDICATORS

Market Size  
111,733,450

Building Count  
2,009

Absorption  
175,750

YTD Absorption  
142,786

Vacancy  
15.3%

Rental Rate  
\$28.17

## THE NUMBERS

### MARKET SIZE

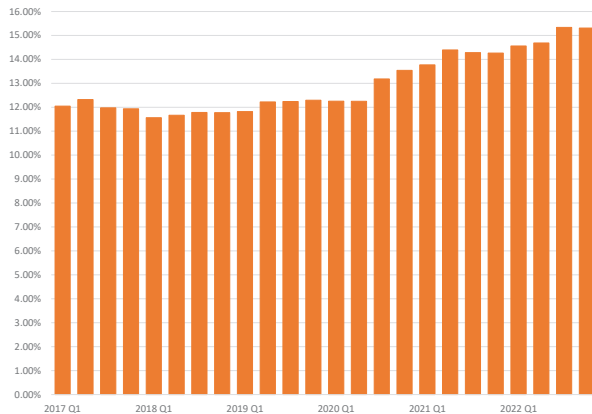
### VACANCY %

### ABSORPTION

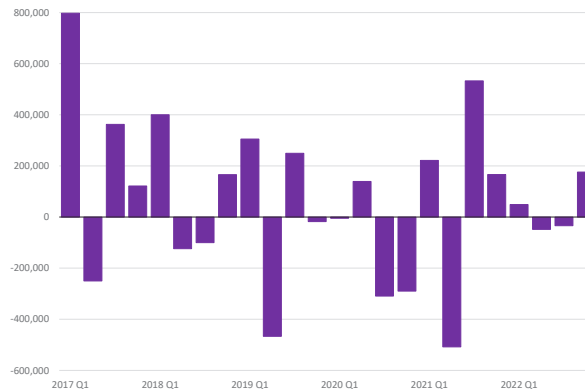
### RENTAL RATES

		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,653,388	8.1%	7.6%	8.3%	-38,717	50,807	\$22.26	\$21.95	\$21.25
Montgomery Co. North	12,188,297	10.0%	10.3%	10.0%	31,870	-1,849	\$23.75	\$23.52	\$26.18
Montgomery Co. South; Rockville/Bethesda	52,254,851	19.1%	19.1%	16.8%	-29,816	-213,167	\$31.33	\$31.55	\$30.88
Prince George's Co. North	21,995,520	14.4%	14.4%	14.6%	149,470	278,824	\$24.07	\$24.22	\$24.13
Prince George's Co. South	5,317,330	5.2%	5.4%	5.1%	16,253	-852	\$29.80	\$29.66	\$27.95
Silver Spring North/Route 29	3,983,931	11.8%	11.4%	10.4%	-14,066	-52,759	\$29.74	\$29.27	\$27.20
Silver Spring South	7,340,133	17.3%	18.1%	18.4%	60,756	81,782	\$30.30	\$30.12	\$29.87
<b>Totals</b>	<b>111,733,450</b>	<b>15.3%</b>	<b>15.3%</b>	<b>14.3%</b>	<b>175,750</b>	<b>142,786</b>	<b>\$28.17</b>	<b>\$28.23</b>	<b>\$27.94</b>

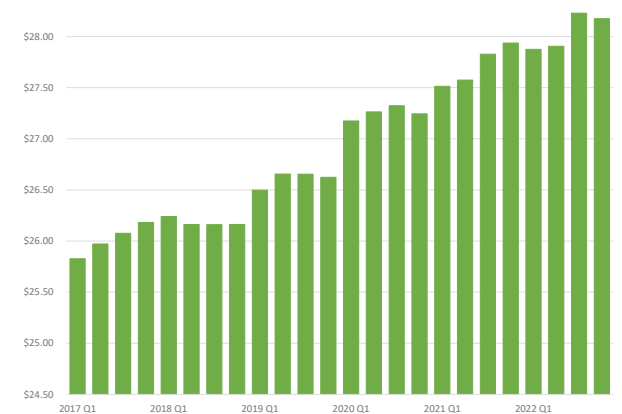
## VACANCY



## NET ABSORPTION



## RENTAL RATES



## LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
9704 Medical Center Dr.	Montgomery County S	MacroGenics, Inc*	122,601
2221 Broadbirch Dr.	Silver Spring N	Montgomery College	55,665
915 Meeting St.	Montgomery County S	Sodexo	51,907

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
9601 Blackwell	Montgomery County S	\$48,000,000	\$372.09	129,000
2301 Research Blvd.	Montgomery County S	\$13,936,900	\$147.49	94,491
177 Kentlands Blvd.	Montgomery County N	\$6,900,000	\$296.47	23,274

\* Renewal, Expansion, or Sublease





## RETAIL INDICATORS

Market Size  
116,040,191

Building Count  
4,622

Absorption  
355,915

YTD Absorption  
750,001

Vacancy  
6.3%

Rental Rate  
\$20.94

## 4TH QUARTER SUMMARY

Demand remained strong entering into the last quarter of 2022. We continue to see the high majority of new retail leases from the fast food/quick serve industry with new transactions from Popeyes, Raising Canes, Taco Bell, Chipotle, and numerous others. As in years past, the food sector continues to represent more than 70% of the new retail leases. Vacancy rates across the Baltimore Market hit 6.2% entering the last quarter of 2022, and we expect this rate to drop further into 2023, given the lack of new retail properties and land sites, with continued demand from strong regional and national operators looking to enter the Baltimore market. With the recent rise in interest rates and the inflation of goods, we expect a slight softening in capitalization rates and asset values on retail net leases. The continued demand for highly visible and accessible properties, combined with shrinking inventory, will impact average retail rents. We expect marginal increases going into 2023, with higher rents a sign of landlords of “A” properties willing to demonstrate patience for above market deals. Currently, average rental rates for the Baltimore Metropolitan area are \$20.94/sf. Columbia, Annapolis, and the I-83 Corridor command some of the higher rents at \$31.24, \$30.69, and \$28.18/sf, respectively. Absorption for the area ended on the positive side, 750,000 sf. Majority of this took place in Baltimore County East, BWI Corridor, and Harford County.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis	5,247,385	12.8%	12.9%	12.8%	17,700	13,544	\$30.69	\$30.69	\$30.10
Baltimore City	19,317,102	7.2%	7.1%	6.0%	70,629	-15,728	\$17.55	\$16.57	\$17.77
Baltimore County East	15,215,977	4.9%	5.0%	6.5%	24,712	267,937	\$16.08	\$15.62	\$15.35
Baltimore County West	7,417,317	5.8%	6.1%	5.7%	21,184	-11,175	\$18.36	\$19.74	\$21.87
BWI Corridor	9,078,798	2.7%	2.8%	3.8%	12,536	125,844	\$25.37	\$24.84	\$24.48
Carroll County	6,898,848	2.7%	2.8%	3.8%	15,254	100,753	\$16.99	\$16.24	\$16.17
Cecil County	3,160,444	5.3%	5.9%	5.3%	18,101	-2,347	\$14.10	\$14.10	\$14.56
Columbia	10,092,076	4.7%	4.9%	5.4%	17,121	68,243	\$31.24	\$31.35	\$30.52
Harford County	10,398,568	5.7%	6.0%	6.6%	29,370	119,016	\$21.64	\$21.49	\$20.51
Howard County West	718,332	5.0%	4.7%	3.1%	3,562	-7,337	\$24.75	\$24.54	\$26.32
I-83 Corridor	5,080,868	7.3%	7.4%	9.0%	6,548	92,397	\$28.18	\$21.37	\$21.73
Reisterstown Rd Corridor	7,391,668	9.6%	10.2%	9.9%	44,491	48,809	\$20.69	\$16.45	\$17.87
Route 2 Corridor	10,699,875	10.0%	10.2%	8.6%	22,228	-150,406	\$15.55	\$16.40	\$18.39
Towson	5,322,933	3.4%	4.4%	5.3%	52,479	100,451	\$25.56	\$25.56	\$28.47
<b>Totals/Averages</b>	<b>116,040,191</b>	<b>6.3%</b>	<b>6.5%</b>	<b>6.6%</b>	<b>355,915</b>	<b>750,001</b>	<b>\$20.94</b>	<b>\$20.22</b>	<b>\$20.76</b>

## ITEMS TO NOTE:

The historic Alexander Brown & Sons building, located at 135 E. Baltimore St., will reopen as Zander's restaurant this spring. The new 16,638 sf restaurant will serve a 1920's-themed menu.

The Baltimore Arena has a new name, The CFG Bank Arena. The \$200 million renovation on the 15,000-person capacity arena is set to be complete by the first quarter of 2023.

PNC Financial Services Group announced it will be closing 32 branches, across ten states, with six locations in Maryland. All Maryland branches are scheduled to close 1Q2023 and are located inside a Giant grocery store.

After 50 years, Bertha's Mussels in Fells Point is closing as the family is ready to pursue other interests. The property was up for auction; at the last minute it was abruptly cancelled.

The Save-A-Lot anchored East Drive Shopping Center located in Arbutus sold for \$5.7 million. The 65,000 sf center is located at 5101-5209 East Drive in the BWI Corridor and spans 6.4 acres of land.

Giant Food opened their first new location in Baltimore City in over a decade. The 44,000 sf store is in Southside Marketplace in Locust Point.

SECU has announced plans to open a bank branch at 250 W. Pratt Street next to Starbucks.

MCB Real Estate received approval to buy Harborplace and has plans to kick off a reinvention of the landmark that currently has a 75% vacancy rate despite is prime location.

Church Square Shopping Center, a 44,252 sf building sold for \$6.5 million. The property is located a few blocks from Johns Hopkins Medical Campus at 923 N. Caroline Street in East Baltimore and is fully leased.

Belvedere Square, a 101,000 square foot shopping center located in Baltimore City East, traded hands for an undisclosed amount. War Horse Cities sold the property to Bethesda based Premier Management Services, Inc.

# RETAIL OVERVIEW (CONTINUED)

FOURTH QUARTER | 2022



## RETAIL INDICATORS

Market Size  
116,040,191

Building Count  
4,622

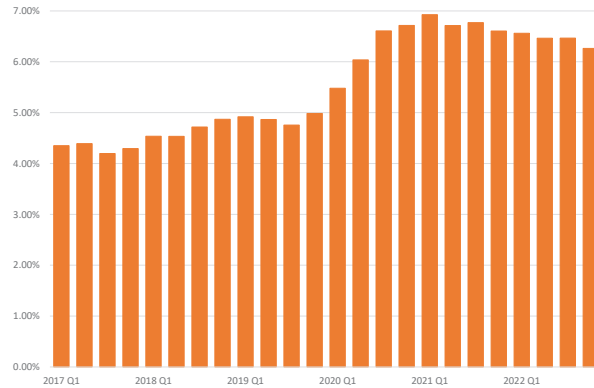
Absorption  
355,915

YTD Absorption  
750,001

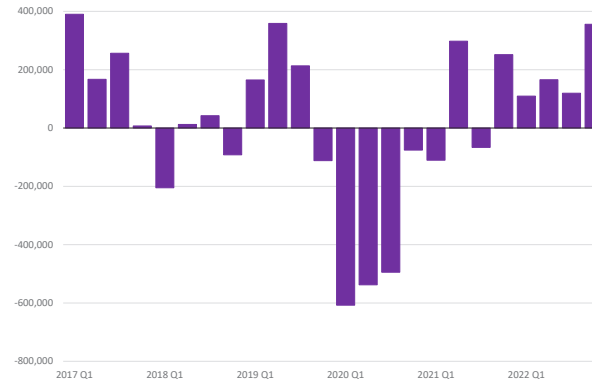
Vacancy  
6.3%

Rental Rate  
\$20.94

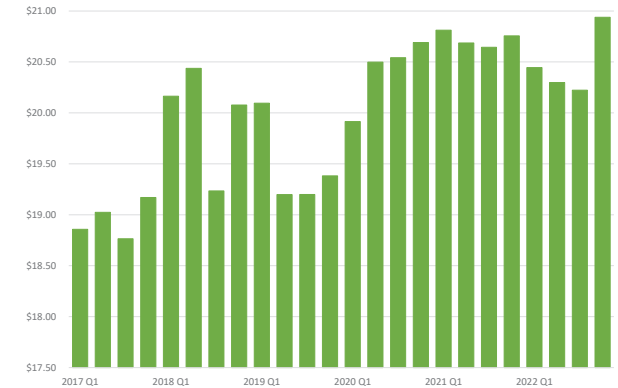
## VACANCY



## NET ABSORPTION



## RENTAL RATES



### Lowest Vacancy

1	BWI	2.7%
2	Carroll County	2.7%
3	Towson	3.4%

### Highest Vacancy

1	Annapolis	12.8%
2	Route 2 Corridor	10.0%
3	Reisterstown Rd Corridor	9.6%

### Most Change vs. Prior Quarter

-	Towson	-1.03%
+	Howard County West	0.26%

### Lowest Net Absorption

1	Howard County West	3,562
2	I-83 Corridor	6,548
3	BWI	12,536

### Highest Net Absorption

1	Baltimore City	706,29
2	Towson	52,479
3	Reisterstown Rd Corridor	44,491

### Most Absorption, Year-to-Date

-	Baltimore City	-154,828
+	Harford County	119,016

### Cheapest Rates

1	Cecil County	\$14.10
2	Baltimore County East	\$15.62
3	Carroll County	\$16.24

### Most Expensive Rates

1	Columbia	\$31.35
2	Annapolis	\$30.69
3	Towson	\$25.56

### Most Change vs. Prior Quarter

-	Baltimore County West	-\$1.38
+	I-83 Corridor	\$6.81

## LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
6901 Security Blvd.	Baltimore County West	CubeSmart	115,000
7383 Baltimore Annapolis Blvd.	Route 2 Corridor	AutoZone	52,706
711-733 W 40th St.	Baltimore City	Warehouse Cinemas	33,759
3591-3595 Washington Blvd.	BWI Corridor	Ross Dress for Less	21,064

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
Waverly Woods Village Ctr.	Columbia	\$22,500,000	\$198.20	113,523
4320 Forge Rd.	Baltimore Co. East	\$7,376,033	\$563.49	13,090
901-937 N Caroline St.	Baltimore City	\$6,500,000	\$124.59	52,170
5201-5207 East Dr.	BWI Corridor	\$5,721,500	\$114.61	49,920

\* Renewal, Expansion, or Sublease

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# RETAIL OVERVIEW (DC METRO)

FOURTH QUARTER | 2022



## OFFICE INDICATORS

Market Size  
**80,474,209**

Building Count  
**2,783**

Absorption  
**327,624**

YTD Absorption  
**750,463**

Vacancy  
**5.7%**

Rental Rate  
**\$26.32**

## THE NUMBERS

### MARKET SIZE

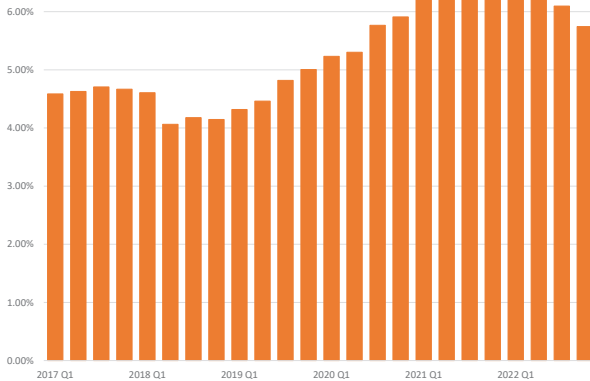
### VACANCY %

### ABSORPTION

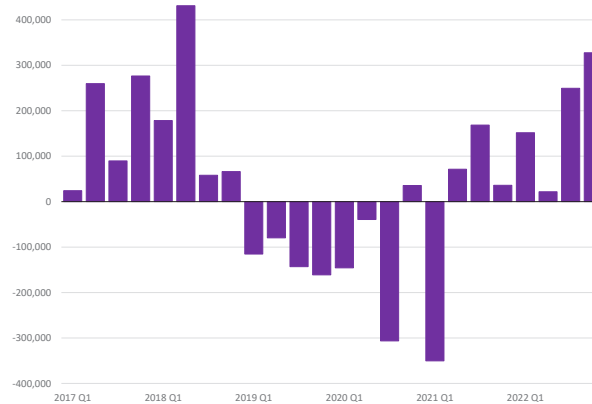
### RENTAL RATES

		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	12,229,318	6.7%	6.9%	7.9%	27,594	151,217	\$20.61	\$20.48	\$19.67
Montgomery Co. North	10,814,481	6.4%	6.9%	7.1%	50,921	83,024	\$27.76	\$27.21	\$25.27
Montgomery Co. South; Rockville/Bethesda	17,642,818	4.5%	4.8%	5.6%	41,774	212,595	\$31.54	\$32.02	\$28.93
Prince George's Co. North	21,972,580	6.0%	6.2%	6.3%	40,636	129,909	\$25.35	\$25.63	\$24.64
Prince George's Co. South	12,321,508	4.5%	5.4%	4.0%	169,469	95,024	\$22.98	\$28.52	\$25.16
Silver Spring North/Route 29	3,145,389	12.2%	11.8%	12.3%	-13,296	874	\$28.49	\$25.11	\$25.27
Silver Spring South	2,348,115	2.5%	3.0%	4.4%	10,526	77,820	\$33.81	\$30.82	\$27.72
<b>Totals</b>	<b>80,474,209</b>	<b>5.7%</b>	<b>6.1%</b>	<b>6.3%</b>	<b>327,624</b>	<b>750,463</b>	<b>\$26.32</b>	<b>\$27.03</b>	<b>\$25.10</b>

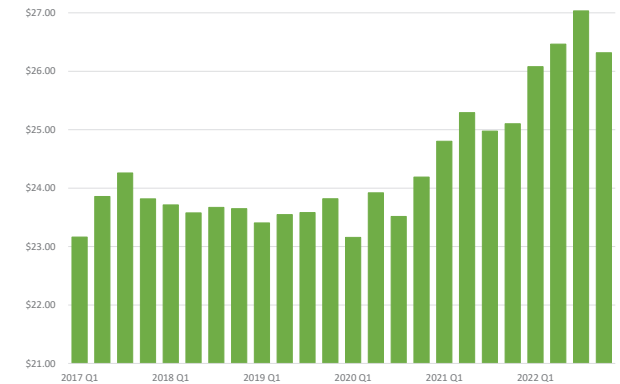
## VACANCY



## NET ABSORPTION



## RENTAL RATES



## LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
12655 Laurel Bowie Rd.	Prince George's County N	Mattress World	25,917
7330 Guilford Dr.	Frederick County	Partner Veterinary	20,423
5200 Nicholson Ln.	Montgomery County S	Confidential	16,331

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
8145-8147 Baltimore Ave.	Prince George's Co.	\$30,000,000	\$1,175	25,528
22702 Gosnell Farm Dr.	Montgomery Co. N	\$8,200,000	\$1,025	8,000
6411 Riggs Rd.	Prince George's Co.	\$6,500,000	\$65.52	99,200

\* Renewal, Expansion, or Sublease

# INDUSTRIAL OVERVIEW

FOURTH QUARTER | 2022



## INDUSTRIAL INDICATORS

Market Size  
263,366,700

Building Count  
3,602

Absorption  
994,450

YTD Absorption  
4,731,645

Vacancy  
5.8%

Rental Rate  
\$8.87

Demand for top quality industrial space continued to outpace supply as 2022 came to an end. Over 4.3 million square feet of industrial space was delivered during the year, 77% already pre-leased. The 4th Quarter experienced a new lease in Harbor Logistics Center for over 100,000 square feet for a building that is still proposed. Transactions saw a dip in the fourth quarter compared to the high leasing pace of the past few years, a trend seen across the nation. Supply delays have softened, and inventory is being delivered across the nation which has the potential to create excess inventory in some markets. This is not expected in the Baltimore Market, which boasts a prime Mid-Atlantic location with convenient access via land, air, and sea. Inventory was strengthened with the demolition of multiple buildings that had become obsolete. The reconstruction of the Howard Street Tunnel is set to be complete in 2024 which will result in additional business at the Port of Baltimore, leading to the need for additional space in the future. This is further underscored in the deal signed for 165-acres at Tradepoint Atlantic to create a massive container terminal. The cost of the container terminal project is approximately \$1 billion and will further secure Baltimore as one of the top ports in the United States.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis/Route 2	6,053,461	6.9%	6.2%	8.0%	-50,070	78,183	\$14.27	\$14.26	\$14.39
Baltimore City	5,183,165	8.0%	9.1%	7.8%	57,033	-8,769	\$9.87	\$10.44	\$14.02
Baltimore County East	3,954,305	8.6%	8.6%	7.1%	-568	1,388	\$14.48	\$14.48	\$14.25
Baltimore County West	4,695,584	9.2%	8.8%	7.7%	-32,130	-72,683	\$9.57	\$8.83	\$8.42
BWI Corridor	9,265,705	7.4%	7.6%	8.1%	83,879	133,353	\$9.64	\$11.49	\$10.94
Carroll County	1,763,117	8.9%	8.9%	13.2%	-967	74,917	\$9.59	\$9.59	\$9.02
Columbia	8,372,370	5.0%	5.0%	4.2%	5,632	-65,226	\$12.46	\$12.30	\$12.84
Harford & Cecil Counties	3,002,975	6.8%	7.0%	5.5%	6,900	29,510	\$11.75	\$11.33	\$10.21
I-83 Corridor	5,363,409	6.7%	5.7%	6.9%	-26,707	6,890	\$11.11	\$11.93	\$11.61
Reisterstown Rd	2,859,927	11.1%	10.6%	12.6%	-16,111	40,577	\$11.95	\$12.01	\$9.71
<b>Flex Totals</b>	<b>50,514,018</b>	<b>7.4%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>26,891</b>	<b>218,140</b>	<b>\$11.47</b>	<b>\$11.84</b>	<b>\$11.90</b>
Annapolis Route 2	10,013,767	1.2%	0.5%	2.0%	9,631	82,302	\$8.55	\$8.87	\$9.31
Baltimore City	48,583,621	5.7%	4.8%	3.6%	1,639	-314,462	\$6.76	\$6.34	\$6.59
Baltimore County East	32,866,796	3.2%	3.0%	5.7%	1,680,079	2,730,178	\$11.32	\$10.38	\$6.62
Baltimore County West	9,810,287	8.9%	6.0%	6.4%	-279,546	-247,265	\$6.81	\$6.80	\$5.59
BWI Corridor	43,660,589	4.1%	3.2%	3.5%	-410,685	22,309	\$9.38	\$9.06	\$7.46
Carroll County	8,937,081	4.8%	1.3%	1.2%	59,250	59,762	\$6.99	\$7.03	\$5.54
Columbia	5,299,402	7.7%	7.7%	9.3%	256	176,220	\$12.28	\$8.64	\$8.62
Harford & Cecil Counties	46,804,806	8.0%	8.0%	9.7%	7,736	2,067,647	\$6.37	\$6.36	\$5.33
I-83 Corridor	5,292,522	4.6%	3.2%	3.9%	-75,350	-35,402	\$9.26	\$8.46	\$8.46
Reisterstown Rd	1,583,811	2.2%	0.6%	0.4%	-25,451	-27,784	\$12.00	\$12.00	\$10.65
<b>Warehouse Totals</b>	<b>212,852,682</b>	<b>5.4%</b>	<b>4.6%</b>	<b>5.3%</b>	<b>967,559</b>	<b>4,513,505</b>	<b>\$8.25</b>	<b>\$7.83</b>	<b>\$6.67</b>
<b>Totals</b>	<b>263,366,700</b>	<b>5.8%</b>	<b>5.1%</b>	<b>5.7%</b>	<b>994,450</b>	<b>4,731,645</b>	<b>\$8.87</b>	<b>\$8.60</b>	<b>\$7.69</b>

## ITEMS TO NOTE:

MCB Real Estate is expanding into the Western market with the construction of over 1.9 million square feet of industrial space in Hagerstown, MD. The Currwood Logistics Park is located on Howell Road within city limits and is being built on spec.

Tradepoint Atlantic will support the growth of the Port of Baltimore with a new 165-acre container terminal. Due to the size and scope of the remediation and permitting and planning development, the time frame is undetermined.

The legalization of cannabis has the potential to fill the void in some older Maryland warehouses that have remained vacant during the industrial surge. Current users have been looking for modern buildings with the amenities needed for e-commerce; cannabis growers do not need the dock-doors, high ceiling heights or drive-ins, allowing for the repurposing of older buildings.

Triangle Business Center, located at 1500-1506 Joh Ave. was purchased by St. John Properties. The flex buildings contain over 74,000 sf across four buildings, two in Baltimore City and two in Baltimore County. At the time of the sale the Center was approximately 95% leased.

The Locke Insulators building has officially changed hands with the completion of the \$22 million sale. The building is located on 25 acres and was purchased for the land value; the existing building is in the process of being demolished for a new redevelopment project.

Sandtown Furniture Co. has relocated its headquarters to 1226 Wicomico St., expanding into 25,000 sf of showroom and workshop space. The new location is in a restored 137-year-old building in the Baltimore City SW Submarket.

Faropoint, an international real estate investment firm, has entered the Baltimore Market with the purchase of four warehouses totaling over 218,000 sf. The \$28.6 million investment included warehouses in Columbia, Glen Burnie, Nottingham and Milford Mill, Maryland.



# INDUSTRIAL OVERVIEW (WAREHOUSE)

FOURTH QUARTER | 2022



## WAREHOUSE INDICATORS

Market Size  
212,852,682

Building Count  
2,393

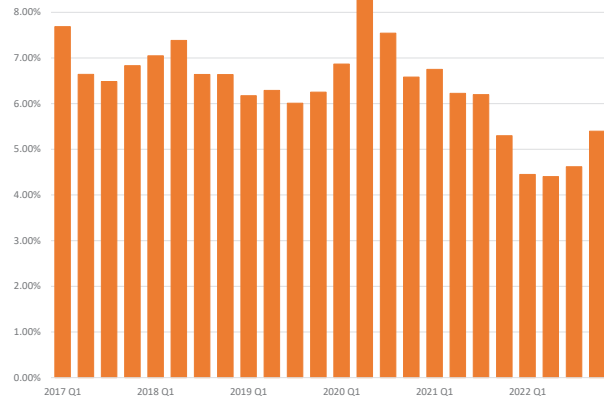
Absorption  
967,559

YTD Absorption  
4,513,505

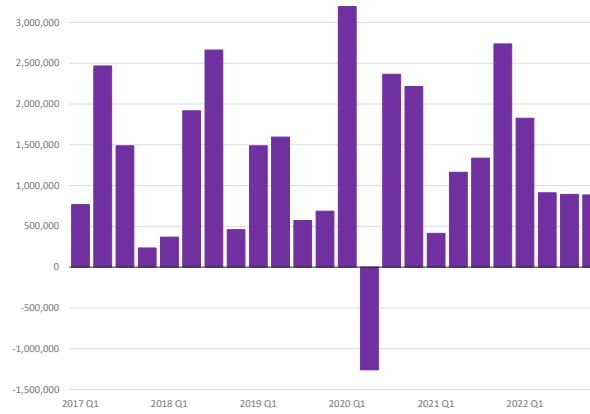
Vacancy  
5.4%

Rental Rate  
\$8.25

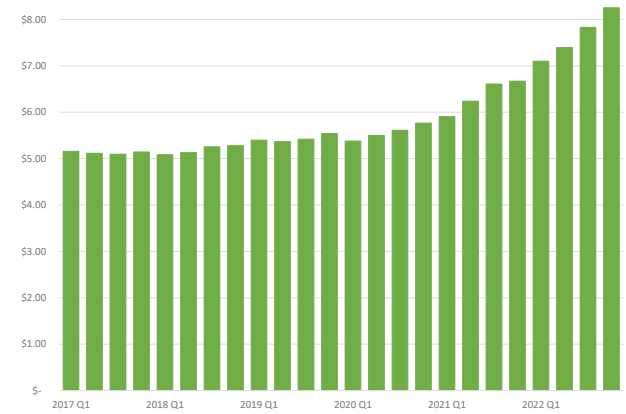
## VACANCY



## NET ABSORPTION



## RENTAL RATES



# INDUSTRIAL OVERVIEW (FLEX)

FOURTH QUARTER | 2022



## FLEX INDICATORS

Market Size  
50,514,018

Building Count  
1,209

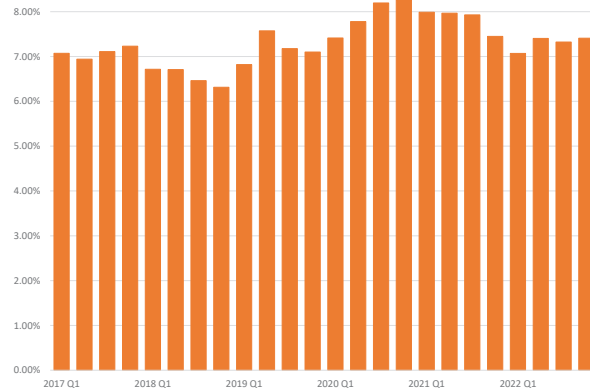
Absorption  
26,891

YTD Absorption  
218,140

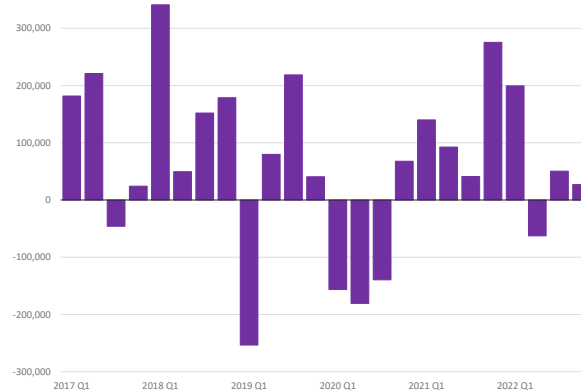
Vacancy  
7.4%

Rental Rate  
\$11.47

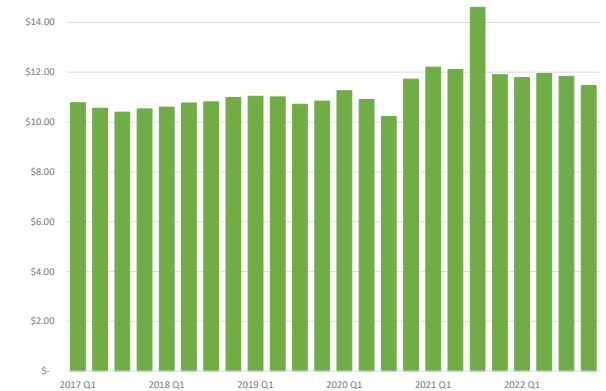
## VACANCY



## NET ABSORPTION



## RENTAL RATES



### Lowest Vacancy

1	Columbia	5.0%
2	I-83 Corridor	6.7%
3	Harford & Cecil Counties	6.8%

### Highest Vacancy

1	Reisterstown Rd	11.1%
2	Baltimore County West	9.2%
3	Carroll County	8.9%

### Most Change vs. Prior Quarter

-	Baltimore City	-1.14%
+	I-83 Corridor	1.02%

### Lowest Net Absorption

1	Annapolis/Route 2	-50,070
2	Baltimore County West	-32,130
3	I-83 Corridor	-26,707

### Highest Net Absorption

1	BWI Corridor	83,879
2	Baltimore City	57,033
3	Harford & Cecil Counties	6,900

### Most Absorption, Year-to-Date

-	Baltimore County West	-72,683
+	BWI Corridor	133,353

### Cheapest Rates

1	Baltimore County West	\$9.57
2	Carroll County	\$9.59
3	BWI Corridor	\$9.64

### Most Expensive Rates

1	Baltimore County East	\$14.48
2	Annapolis/Route 2	\$14.27
3	Columbia	\$12.46

### Most Change vs. Prior Quarter

-	BWI Corridor	-\$1.85
+	Baltimore County West	\$0.74

## LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
8361 Town Center Ct.	Baltimore Co. East	JES Operations	30,333
10947 Golden West Dr.	I-83 Corridor	Confidential	22,161
10942 Beaver Dam Rd.	I-83 Corridor	Remco, Inc.	17,050
7028 Golden Ring Rd.	Baltimore Co. East	Stanley Steamer*	16,800

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
7120-32 Ambassador Rd.	Baltimore Co. West	\$5,075,000	\$106.78	47,528
6810 Oak Hall Ln.	Columbia	\$4,200,000	\$210.00	20,000
10900 Pump House Rd.	BWI Corridor	\$3,600,000	\$189.47	19,000
109 Cockeysville Rd.	I-83 Corridor	\$2,700,000	\$145.59	18,545

\* Renewal, Expansion, or Sublease



# INDUSTRIAL OVERVIEW (DC METRO)

FOURTH QUARTER | 2022



## INDUSTRIAL INDICATORS

Market Size  
109,992,660

Building Count  
2,293

Absorption  
136,949

YTD Absorption  
703,355

Vacancy  
5.7%

Rental Rate  
\$13.14

## THE NUMBERS

### MARKET SIZE

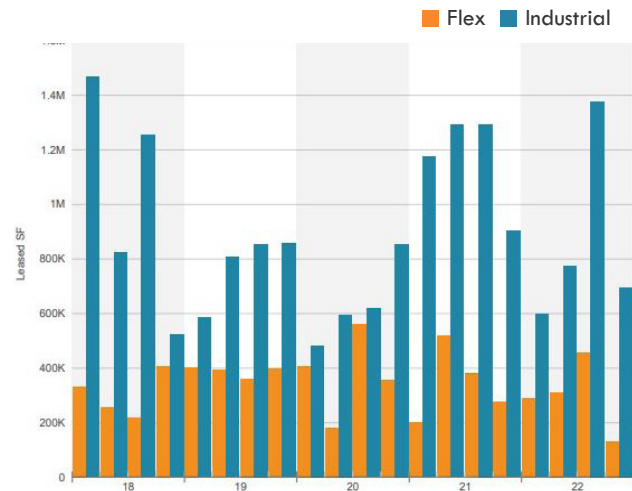
### VACANCY %

### ABSORPTION

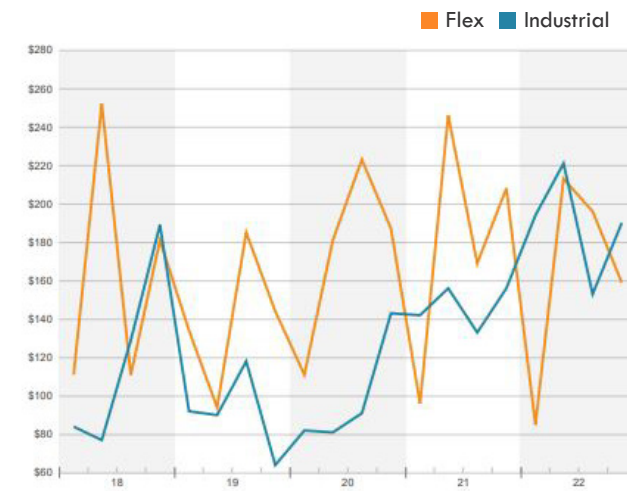
### RENTAL RATES

		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	7,140,586	9.6%	9.5%	11.5%	30,582	205,411	\$12.83	\$12.80	\$12.68
Montgomery Co. North	7,474,448	9.6%	8.2%	9.5%	-102,859	-5,989	\$24.35	\$23.90	\$17.65
Montgomery Co.; Rockville/Bethesda	4,794,594	5.8%	5.1%	5.8%	-36,131	1,344	\$17.24	\$16.25	\$15.82
Prince George's Co.	8,936,012	6.1%	5.6%	5.5%	-36,582	-37,164	\$11.61	\$11.80	\$11.78
Silver Spring	1,517,370	4.5%	4.2%	4.4%	-4,274	-1,610	\$16.47	\$16.47	\$14.68
<b>Flex Totals</b>	<b>29,863,010</b>	<b>7.7%</b>	<b>7.0%</b>	<b>7.9%</b>	<b>-149,264</b>	<b>161,992</b>	<b>\$16.24</b>	<b>\$16.02</b>	<b>\$14.27</b>
Frederick Co.	14,507,808	5.6%	5.4%	3.1%	5,289	219,277	\$10.36	\$9.92	\$8.82
Montgomery Co. North	6,003,416	3.4%	3.5%	4.9%	7,867	91,576	\$14.42	\$14.06	\$12.47
Montgomery Co.; Rockville/Bethesda	6,894,251	5.3%	5.3%	5.0%	730	-22,470	\$15.28	\$14.49	\$14.09
Prince George's Co.	51,010,321	5.0%	4.9%	3.5%	292,221	268,324	\$11.58	\$10.71	\$9.47
Silver Spring	1,713,854	2.6%	1.5%	1.7%	-19,894	-15,344	\$15.74	\$15.38	\$13.14
<b>Warehouse Totals</b>	<b>80,129,650</b>	<b>5.0%</b>	<b>4.8%</b>	<b>3.6%</b>	<b>286,213</b>	<b>541,363</b>	<b>\$11.98</b>	<b>\$11.25</b>	<b>\$10.07</b>
<b>Totals</b>	<b>109,992,660</b>	<b>5.7%</b>	<b>5.4%</b>	<b>4.8%</b>	<b>136,949</b>	<b>703,355</b>	<b>\$13.14</b>	<b>\$12.55</b>	<b>\$11.22</b>

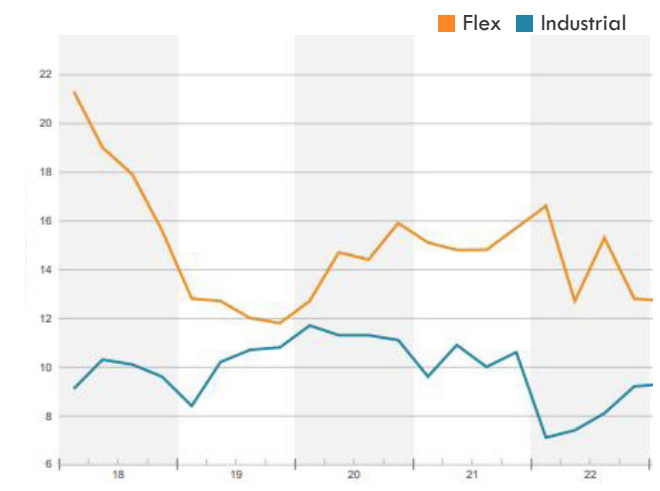
## LEASING ACTIVITY



## SALES PRICE PER SQUARE FOOT



## LEASING: MONTHS ON THE MARKET



\* Renewal, Expansion, or Sublease

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# INDUSTRIAL OVERVIEW (DC METRO)

FOURTH QUARTER | 2022



## WAREHOUSE (DC METRO)

Market Size  
80,129,650

Building Count  
1,654

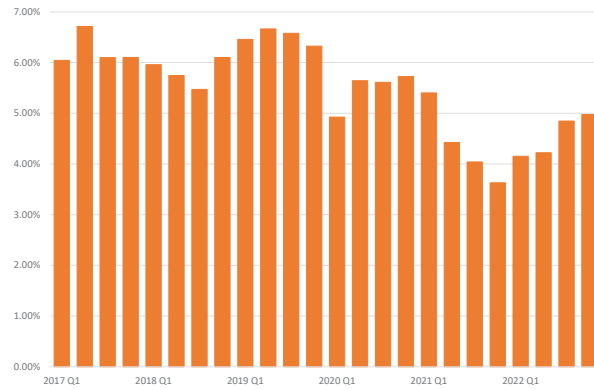
Absorption  
286,213

YTD Absorption  
541,363

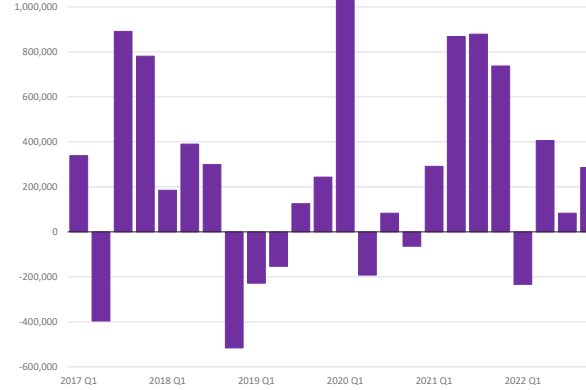
Vacancy  
5.0%

Rental Rate  
\$11.98

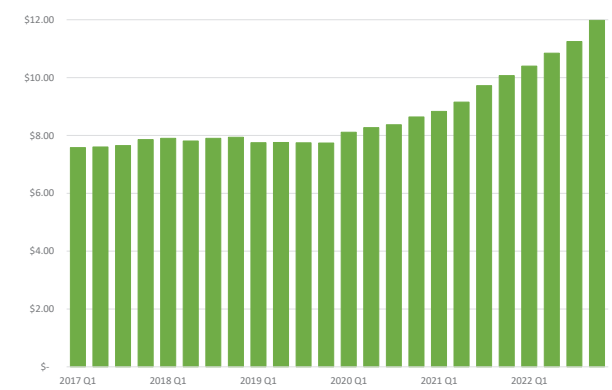
### VACANCY



### NET ABSORPTION



### RENTAL RATES



## FLEX (DC METRO)

Market Size  
29,863,010

Building Count  
639

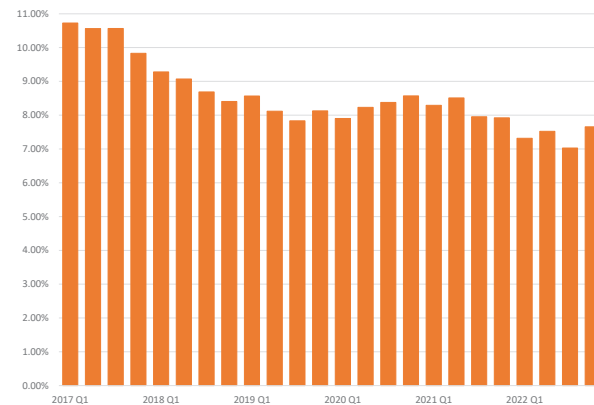
Absorption  
-149,264

YTD Absorption  
161,992

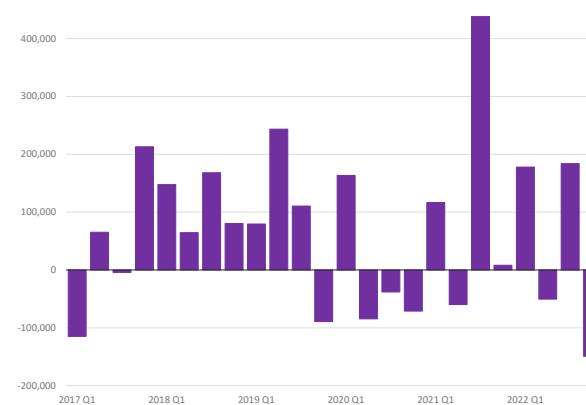
Vacancy  
7.7%

Rental Rate  
\$16.24

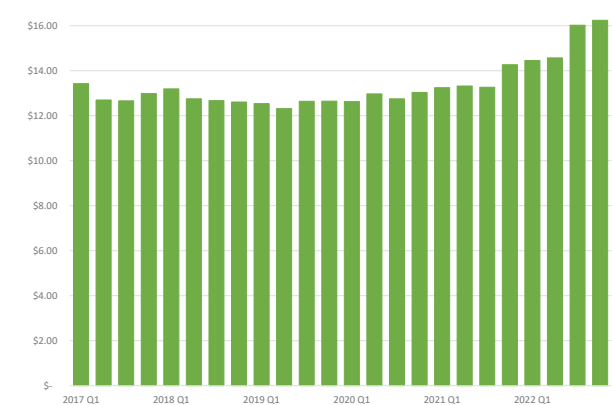
### VACANCY



### NET ABSORPTION



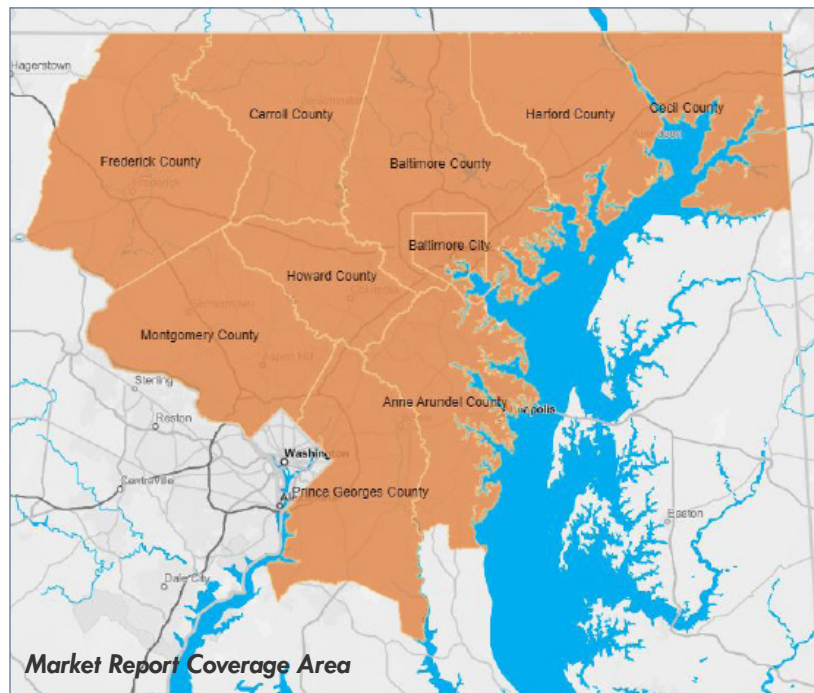
### RENTAL RATES







## REPORT CRITERIA AND SUBMARKETS



### About Us:

MacKenzie Ventures, LLC (MacKenzie) possesses the multi-disciplined team necessary to excel in Maryland's corporate real estate community. Comprising six firms, MacKenzie provides clients a competitive, full service platform of offerings in leasing, sales, investments, tenant and landlord advisory services, development, general construction, property and asset management, debt and equity capital placement, and multifamily property management. With more than 225 employees and offices in Annapolis, Baltimore, Bel Air, Columbia, and Lutherville, Maryland, MacKenzie is one of the largest full service commercial real estate firms in the Mid-Atlantic. Please visit [www.mackenziecommercial.com](http://www.mackenziecommercial.com) for more information.

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Website: [MacKenzieCommercial.com](http://MacKenzieCommercial.com)  
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**OFFICE MARKET:** Office buildings 5,000 sf in size and greater in the Metro areas within Anne Arundel County, Baltimore County, Harford County, and Howard County; buildings 20,000 sf in size and greater within Baltimore City; and, there is no minimum size requirement in Annapolis. MacKenzie includes all class types except in Baltimore City and Annapolis where only classes A and B are tracked; owner occupied buildings are not tracked in Baltimore City. Data does not include under construction or proposed projects. The office market is separated into the following submarkets: Annapolis, Baltimore City CBD, Baltimore City Midtown, Baltimore City NE, Baltimore City NW, Baltimore City SE, Baltimore City SW, Baltimore County East, Baltimore County West, BWI Corridor, Carroll County, Cecil County, Columbia, Harford County, Howard County West, I-83 Corridor, Reisterstown Rd Corridor, Route 2 Corridor, and Towson.

**RETAIL MARKET:** Retail buildings 5,000 sf or greater in Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Harford County, and Howard County; there is no minimum size requirement in Annapolis. MacKenzie includes all class types and includes retail buildings that are for investment or owner user. Data does not include under construction or proposed projects. The region is broken down into 14 submarkets; Annapolis, Baltimore City, Baltimore County East, Baltimore County West, BWI Corridor, Carroll County, Cecil County, Columbia, Harford County, Howard County West, I-83 Corridor, Reisterstown Road Corridor, Route 2 Corridor, and Towson.

**INDUSTRIAL MARKET:** Flex properties are industrial buildings that have at least 70% office build-out, and single-story office buildings that have at least one dock door. Industrial buildings include warehouse, distribution, and manufacturing facilities. Both property types included are at least 10,000 sf in size and include all classes. Data does not include under construction or proposed projects. We have classified the properties into 10 submarkets for industrial, identified as the following: Annapolis, Baltimore City, Baltimore County East, Baltimore County West, BWI Corridor, Carroll, Columbia, Harford/Cecil Counties, I-83 Corridor, and Reisterstown Road Corridor.

**DC METRO MARKETS:** We apply the same size parameters and building specifications noted above to office, retail, and industrial product throughout the DC Metro market, and have separated this market into the following submarkets for each asset class: Frederick County, Montgomery County North, Montgomery County South; Rockville/Bethesda; Prince George's County North and South, Silver Spring North/29, and Silver Spring South.

**RENTAL RATES:** Rental rates are based on values provided by CoStar's availability-weighted rents. The availability-weighted rents exist where CoStar has a space for lease listed and an associated rent. These rents only exist at a building level in quarters when the listing is active, and aggregates of this series are an average weighted by the amount of available space associated with the listing.

### Disclaimer:

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 and Real Capital Analytics (RCA). To learn more about our methodology, research team, or to access previous market reports, please visit [www.mackenziecommercial.com/market-report/](http://www.mackenziecommercial.com/market-report/). To join our Market Report mailing list, please send us an email: [Media@MacKenzieCommercial.com](mailto:Media@MacKenzieCommercial.com).