

MACKENZIE'S LOCAL OUTLOOK

BALTIMORE & DC METRO
COMMERCIAL REAL ESTATE

1ST QUARTER 2024

ECONOMY | CAPITAL | CONSTRUCTION | OFFICE | RETAIL | INDUSTRIAL





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ECONOMIC INDICATORS*

Employment
3,119,939

Unemployment Rate
2.4%

Consumer Price Index (CPI)
3.2% (YOY in February)

Maryland Area Employment Growth by Industry Sector (YOY)*

INFLATION REACCELERATES

Heading into 2024, the economy appeared to be in miraculously good shape. Inflation had cooled at an incredible pace, falling from a 9.1% year-over-year rate in June 2022 to just a 3.4% year-over-year rate in December 2023. Employers continued to add jobs at a rapid clip. Perhaps most remarkably, consumers - despite elevated prices and interest rates - continued to spend.

Unfortunately, some of that momentum dissipated through the first two months of the year. The unemployment rate, for instance, jumped to 3.9% in February. That's still extraordinarily low by historical standards, but it's also the highest level since January 2022.

Spending has also weakened to start the year. Retail sales fell by 1.1% in January. While that disappointing decline was at least partially due to frigid weather in much of the country, retail sales increased by a smaller than expected 0.6% in February. Spending is up just 1.5% over the past year, and that is in nominal terms; after adjusting for inflation, Americans spent less in February 2024 than in February 2023.

Despite this emerging weakness in the demand side of the economy, inflation has heated back up over the past two months. Inflation, as measured by the Consumer Price Index, has now accelerated in each of the past four months, and February's 0.4% monthly increase in economy-wide prices was the fastest since August 2023. Year-over-year inflation is still trending lower - core prices are up 3.8% over the past twelve months, the smallest annual increase since the first half of 2021 - yet it now appears that the last mile in the race to get inflation back to a 2% year-over-year rate might take longer than previously thought.

The Federal Reserve, as expected, decided to keep the federal funds rate unchanged at their March meeting and, despite the uptick in inflation, still project three interest rate cuts between now and the end of 2024. While that portion of their forecast remained unchanged, they now expect fewer cuts in 2025 and 2026 than they did in their December forecast. They also expect faster GDP growth, slightly lower unemployment, and slightly faster inflation.

If the Fed is truly data dependent, as they claim, the actual path that interest rates take in the coming quarters will depend on whether inflation resumes its gradual descent toward the 2% year-over-year target. Accordingly, the Consumer Price Index and PCE Price Index data released over the next few months will be critical in determining the path of monetary policy.

-2.0%
Manufacturing

2.7%
Education/Health

-1.3%
Professional

-3.3%
Construction

The State of Maryland's top employing industry as of February 2024 was Government employing 530,700, followed by Professional & Business Services employing 473,100, and then followed by Educational & Health Services and Trade, Transportation & Utilities at 467,900 and 466,500 respectively.

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





CAPITAL INDICATORS 2024

12-Month Volume
\$1,531,380,020

Total Square Feet
11,315,399

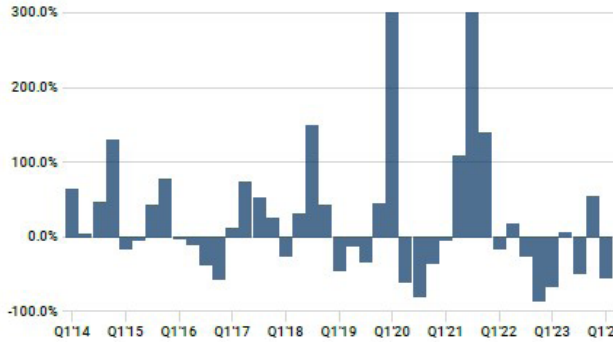
Average Price PSF
\$123/sf

Average Cap Rate
7.1%

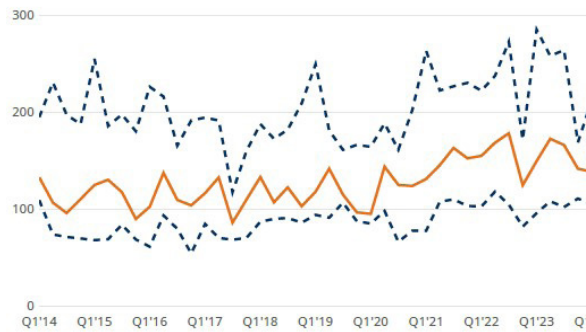
Properties Sold
113

Volume vs. Prior Year
-55.5%

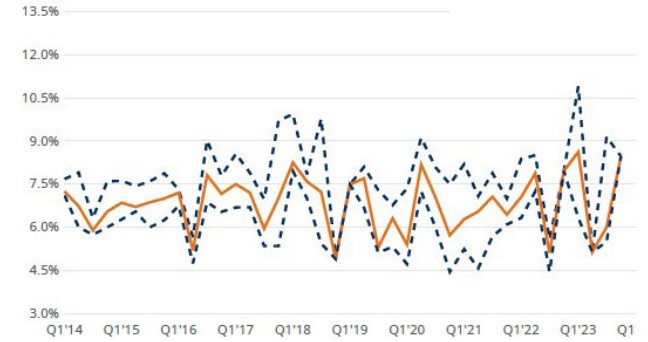
Change In Sales (Year over Year)



Average Sale Price Per Square Foot



Average Cap Rates



- In the 1st quarter of 2024, the Federal Reserve continued their pause in interest rate increases and has stated they are carefully watching economic data to make a decision on when and how much to ease the federal funds rate.
- Over the course of the 1st quarter, the 10-Year US Treasury finished up about 30 basis points at 4.20%, but down 14 basis points from its peak of 4.34% on March 18. Speculation in the public markets about the timing of rate declines has played a role in treasury yield fluctuation.
- Commercial real estate owners and developers are generally optimistic that rates will come down, but the timing of the easing is affecting their decision-making process as job and inflation data is released each month.
- During this time of increased volatility in the interest rate markets and reduced number of active debt providers, it is crucial to shop the market heavily as capital providers sentiment on lending is ever changing.

TOP INVESTMENT 'PLAYERS' BY ACQUISITION/DISPOSITION VOLUME

TOP BUYERS (24 MONTHS ROLLING)	Base City	Average Price Per Sale	Acquisition Volume (\$m)	Properties
MCB Real Estate	Baltimore, MD	\$94,700,000	\$284,100,000	3
GID	Boston, MA	\$37,800,000	\$189,100,000	5
Prologis	San Francisco, CA	\$22,100,000	\$177,000,000	8
Rockpoint Group	Boston, MA	\$18,700,000	\$131,000,000	7
Longpoint Realty Partners LP	Boston, MA	\$62,150,000	\$124,300,000	2

TOP SELLERS (24 MONTHS ROLLING)	Base City	Average Price Per Sale (\$m)	Disposition Volume (\$m)	Properties
Blackstone	New York, NY	\$28,000,000	\$420,300,000	15
Greenberg Gibbons	Owings Mills, MD	\$71,500,000	\$143,000,000	2
Vanguard Equities	Baltimore, MD	\$116,200,000	\$116,200,000	1
Amazon	Seattle, WA	\$116,000,000	\$116,000,000	1
Ashkenazy Acquisition	New York, NY	\$87,100,000	\$87,100,000	1

2024 YTD BUYER COMPOSITION

Private Buyers

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

26%

54.4%

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.

0%

*Indicators taken from Real Capital Analytics for a rolling 12-month period based on reported sales; office, retail, and industrial. Benchmark compares to the U.S. market. Buyer type percentages are limited to YTD reported sales. All data as of 4/1/24.



PROJECT INDICATORS

RBA Under Construction
4,256,262

Count Under Construction
58

RBA Delivered YTD
817,484

Availability
58.41%

Proposed Buildings
300

Count Under Renovation
13

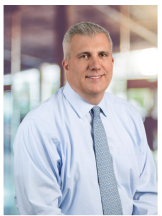
CONSTRUCTION OUTLOOK

The construction industry expanded through the first two months of 2024 despite ongoing challenges in the form of labor shortages, high borrowing costs and tight credit conditions, and an uncertain economic outlook. Contractors added jobs at a healthy pace and remain optimistic about the next few quarters; nonresidential construction spending has risen more than 17% over the past year, and input prices, despite rising rapidly in February, are up just 1.5% over the past year.

Despite this apparent momentum, a reacceleration in economywide inflation makes it more likely that interest rates will remain higher for longer. While that will reduce the volume of construction activity in certain segments, the industry has thus far weathered elevated borrowing costs better than expected. Construction spending is up on a year-over-year basis in all 16 nonresidential subsegments, and 10 of those subsegments have experienced a 10%+ increase in spending over that span.

Of course, a substantial portion of the industry's momentum remains concentrated in two categories. Manufacturing-related construction spending, which has surged more than 190% over the past three years due to federal incentives and a broad desire to reshore capacity, now accounts for nearly \$1 of every \$5 spent on nonresidential construction. Infrastructure-related categories have also outperformed due to federal investments.

The faster-than-expected economywide inflation observed over the first two months of 2024 suggests that the Federal Reserve may keep rates higher for longer, yet contractors remain optimistic about the next two quarters, with a plurality expecting their sales, profit margins, and staffing levels to increase over that span according to Associated Builders and Contractors Construction Confidence Index. When the Fed does decide to cut rates, lower borrowing costs and looser lending standards will represent a welcome tailwind for the industry.



QUARTERLY TAKEAWAY FROM MACKENZIE CONTRACTING COMPANY, LLC

Continued growth is evident across various sectors, including healthcare, laboratory, senior living, and QSR projects. While material costs are experiencing a slower rate of increase compared to the previous two-year cycle, labor costs are steadily climbing, posing challenges for project budgets. The construction industry grapples with persistent labor shortages, exacerbated by the retirement of older workers and a lack of interest among young individuals in pursuing careers in construction trades. Additionally, delays in obtaining building permits further complicate matters, making it difficult for firms to effectively plan and manage manpower and crew sizes for construction projects.

“Despite these challenges, we are optimistic about the future of the construction industry, and we are employing innovative strategies to navigate labor shortages and streamline project timelines. As demand rises across various sectors, collaboration and efficiency are essential for sustained growth among our team.”

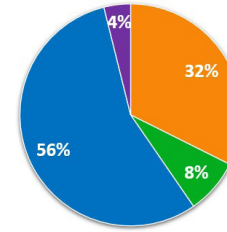
This Quarterly Takeaway has been provided by Marty Copsey, President & COO of MacKenzie Contracting Company, LLC. Marty can be reached at mcopsey@mackenziecontracting.com.

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

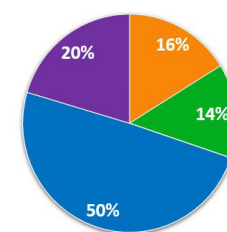
PROPERTY TYPE BREAKDOWN

Legend: Office Retail Warehouse Flex

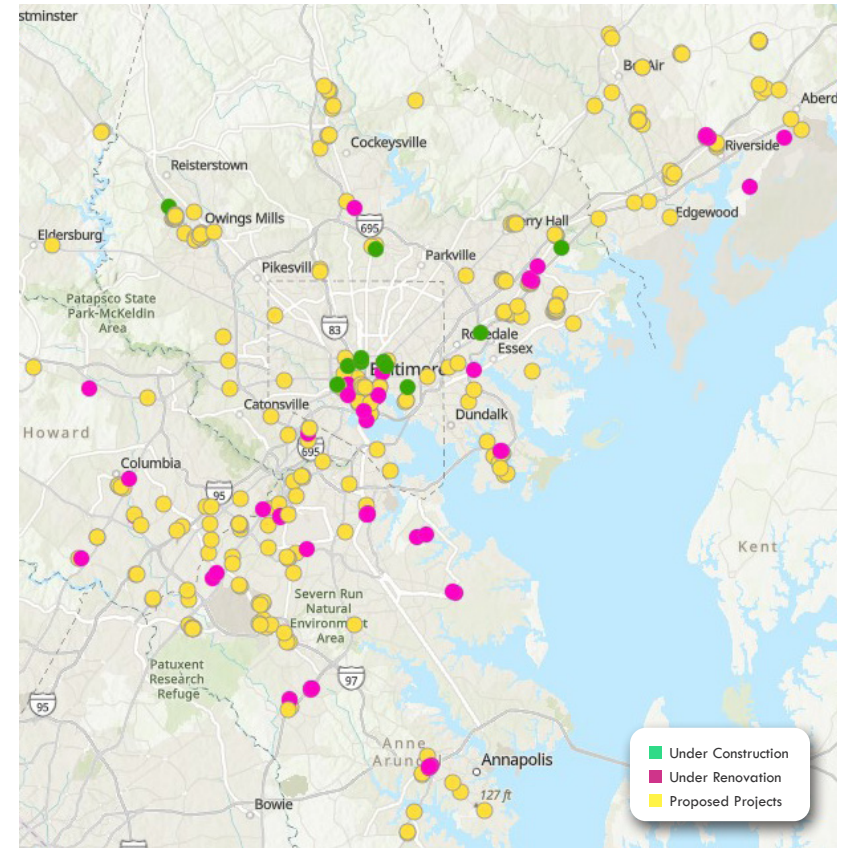
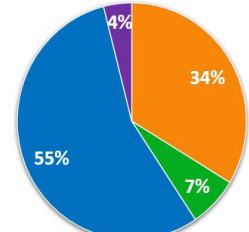
Under Construction



Deliveries YTD



Proposed Buildings



OFFICE OVERVIEW

FIRST QUARTER | 2024



OFFICE INDICATORS

Market Size
115,219,034

Building Count
2,545

Absorption
-6,428

YTD Absorption
-6,428

Vacancy
14.3%

Rental Rate
\$24.72

The office market in Baltimore City is currently facing a period of considerable uncertainty. T. Rowe Price's decision to relocate from 100 E. Light St. to custom-built facilities in Baltimore City SE will create a noticeable gap in the City Center. Additionally, state agencies, despite signing deals in 2022, have yet to occupy the spaces, raising concerns about potential receivership risks due to ongoing delays.

In this environment, landlords who can offer turn-key spaces for shorter terms are far more likely to secure leases. Conversely, those unable to cover upfront expenses may find themselves with vacant properties as they await a shift in the market. Challenges persist in the real estate landscape, including high construction costs and permit delays affecting tenant improvement deals. Although prices are showing signs of decreasing, the rise in labor costs is offsetting potential benefits for tenants.

Comparatively, suburban markets are experiencing stronger occupancy rates, with vacancy rates nearly half of those in the city, standing at 11.74% and 22.26%, respectively. However, Element Fleet Management's relocation from 210,000 square feet to 63,000 square feet has added a significant vacancy to the suburban market.

Approximately 900,000 square feet of office space is expected to be delivered in 2024, with 730,000 square feet already pre-leased. Rental rates remain robust, showing only slight variations. Baltimore City NE commands the highest rental rate at \$32.62/sf, while Baltimore City Midtown has the lowest at \$19.55/sf.

Notably, there are significant differences in office building sales, with the average sale price dropping from \$211/sf in 2019 to \$106/sf last year, representing half of the pre-pandemic costs. The current oversupply of office buildings is leading to property type conversions, with multi-family conversions being the most predominant.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City CBD	12,712,800	29.9%	29.8%	28.5%	-30,832	-30,832	\$24.44	\$24.28	\$23.97
Baltimore City Midtown	2,022,562	9.0%	9.2%	8.0%	4,192	4,192	\$19.55	\$19.86	\$19.08
Baltimore City NE	1,057,599	6.6%	7.0%	6.7%	4,559	4,559	\$32.62	\$31.89	\$28.59
Baltimore City NW	1,946,747	4.6%	4.1%	3.7%	-8,337	-8,337	\$30.36	\$30.05	\$25.84
Baltimore City SE	7,544,301	19.1%	20.5%	19.2%	95,950	95,950	\$27.67	\$27.65	\$23.69
Baltimore City SW	2,931,993	23.6%	23.8%	21.5%	3,586	3,586	\$25.26	\$27.66	\$23.41
Baltimore City	28,216,002	22.2%	22.6%	27.9%	69,118	69,118	\$25.75	\$25.90	\$23.79
Baltimore County East	4,271,324	12.9%	14.6%	13.2%	63,371	63,371	\$22.47	\$23.69	\$23.13
Baltimore County West	8,323,305	7.5%	7.3%	7.6%	-17,150	-17,150	\$19.89	\$19.90	\$19.70
Carroll County	2,173,881	4.3%	4.4%	5.8%	-5,066	-5,066	\$22.02	\$21.97	\$22.15
Cecil County	747,776	2.4%	2.5%	4.1%	239	239	\$24.92	\$25.18	\$22.30
Harford County	4,895,564	14.5%	15.5%	16.0%	52,129	52,129	\$24.51	\$24.61	\$24.18
I-83 Corridor	10,387,781	16.4%	14.2%	14.2%	-239,580	-239,580	\$22.82	\$22.96	\$22.88
Reisterstown Rd.	7,984,664	14.8%	15.3%	13.4%	29,016	29,016	\$26.55	\$26.58	\$24.94
Towson	8,005,912	12.0%	10.6%	10.6%	7,625	7,625	\$21.80	\$21.82	\$21.63
Northern Metro	46,790,207	12.5%	12.1%	11.8%	-109,416	-109,416	\$22.90	\$23.07	\$22.57
Annapolis	5,179,283	11.0%	10.7%	10.6%	-10,178	-10,178	\$30.04	\$29.34	\$29.75
BWI Corridor	14,093,762	7.8%	7.9%	10.5%	134,552	134,552	\$25.10	\$24.95	\$29.88
Columbia	18,161,174	14.0%	14.7%	13.9%	-93,990	-93,990	\$25.92	\$26.10	\$26.59
Route 2 Corridor	2,778,606	5.6%	6.0%	7.4%	3,486	3,486	\$25.15	\$25.32	\$24.49
Southern Metro	40,212,825	10.9%	11.1%	11.8%	33,870	33,870	\$26.11	\$26.06	\$28.00
Totals	115,219,034	14.3%	13.5%	13.3%	-6,428	-6,428	\$24.72	\$24.81	\$24.76

ITEMS TO NOTE:

The largest office sale in the 1st Quarter of 2024 was 6841 Benjamin Franklin Dr. in Columbia for \$15 million or approximately \$74/sf.

Leasing activity during the first quarter brought 750 E. Pratt St. to full occupancy making it one of only a couple buildings in City Center that is fully leased, as office tenants downsize or relocate to Baltimore City SE.

Exact Sciences has closed its Baltimore office at 1812 Ashland Ave. vacating over 20,000 sf. Their cancer research and development work will continue out of one of their other facilities out of state.

One South Charles St. will be home to Blades & Rosenfeld P.A. this fall. The law firm will vacate 20 S. Charles St. after occupying the building for 37 years.

The office tower at 300 E. Lombard St. is seeking the appointment of a receiver for the building. Occupancy is below 50% and the troubled asset needs over \$3.5 million in renovations and build-out before the state can take occupancy of over 40,000 sf.

The office space at Village Square in the Village of Cross Keys is completely occupied. With the changing landscape of office sizes due to hybrid work arrangements nationwide this is a true achievement.

After three years, the Bmore CoLab situated at 100 E. Pratt St. has shut down. The 3,000 sf office space was provided by the T. Rowe Price Foundation as a venue for nonprofits to conduct various entrepreneurship and financial programs.

The Center Club, a 15,000 sf private club, will continue to reside at 100 Light St. until 2040. This renewal will initiate renovation and upgrade plans aimed at maintaining the space's modernity and competitiveness.



OFFICE INDICATORS

Market Size
115,219,034

Building Count
2,545

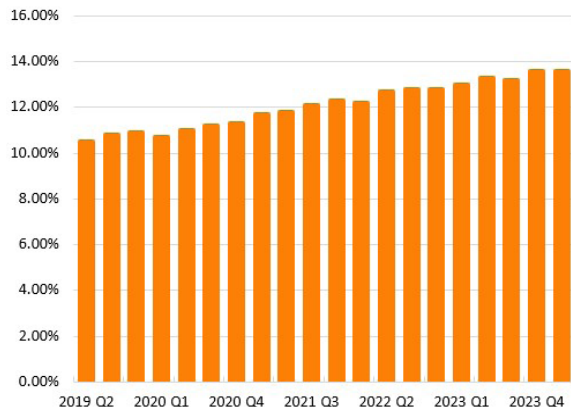
Absorption
-6,428

YTD Absorption
-6,428

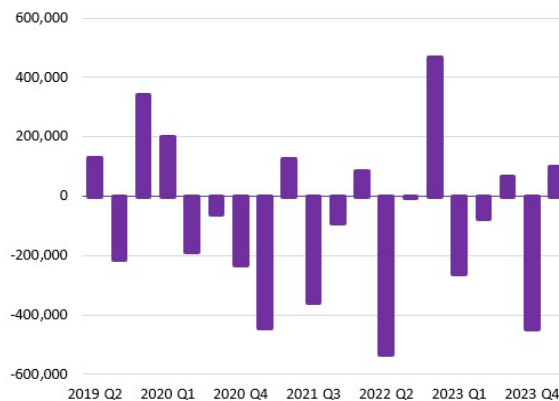
Vacancy
14.30%

Rental Rate
\$24.72/sf

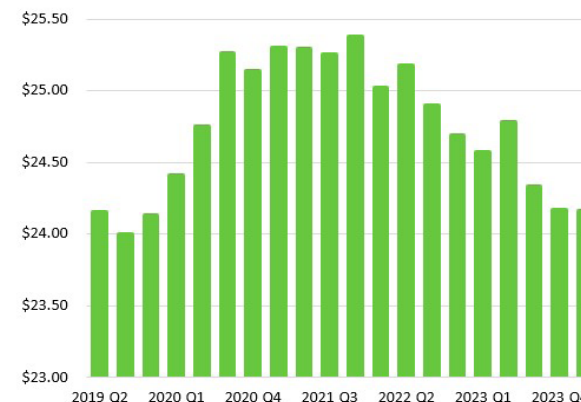
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Cecil County	2.4%
2	Carroll County	4.3%
3	Baltimore City NW	4.6%

Highest Vacancy

1	Baltimore City Center	29.9%
2	Baltimore City SW	23.6%
3	Baltimore City SE	19.1%

Most Change vs. Prior Quarter

-	Baltimore County East	-1.68%
+	I-83 Corridor	2.18%

Lowest Net Absorption

1	BWI Corridor	134,552
2	Baltimore City SE	95,950
3	Baltimore County East	63,371

Highest Net Absorption

1	I-83 Corridor	-239,580
2	Columbia	-93,990
3	Baltimore City Center	-30,832

Most Absorption, Year-to-Date

-	I-83 Corridor	-239,580
+	Baltimore County East	63,371

Cheapest Rates

1	Baltimore City Midtown	\$19.55
2	Baltimore County West	\$19.89
3	Towson	\$21.80

Most Expensive Rates

1	Baltimore City NE	\$32.62
2	Baltimore City NW	\$30.36
3	Annapolis	\$30.04

Most Change vs. Prior Quarter

-	Baltimore City SW	-\$2.40
+	Baltimore City NE	\$0.73

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
1800 Washington Blvd.*	Baltimore City SW	MD Dept of the Environment	263,473
8110 Maple Lawn Blvd.	Columbia	Window Nation	50,698
750 E. Pratt St.*	Baltimore City Center	Johns Hopkins University	39,370
6514 Meadowridge Rd.	Columbia	Automated Health Systems, Inc	39,022

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
6841 Benjamin Franklin Dr.	Columbia	\$15,000,000	\$75	200,603
360 E. Pulaski Hwy.	Cecil County	\$4,500,000	\$229	19,656
2661 Riva Rd.	Annapolis	\$3,962,500	\$108	36,688
9705 Washington Blvd. N	BWI Corridor	\$3,000,000	\$238	12,624

* Renewal, Expansion, or Sublease

OFFICE OVERVIEW (DC METRO)

FIRST QUARTER | 2024



OFFICE INDICATORS

Market Size
112,236,900

Building Count
2,006

Absorption
-689,130

YTD Absorption
-689,130

Vacancy
16.46%

Rental Rate
\$29.65/sf

THE NUMBERS

MARKET SIZE

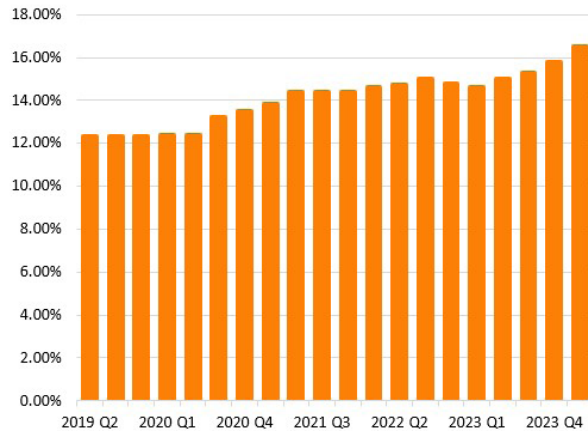
VACANCY %

ABSORPTION

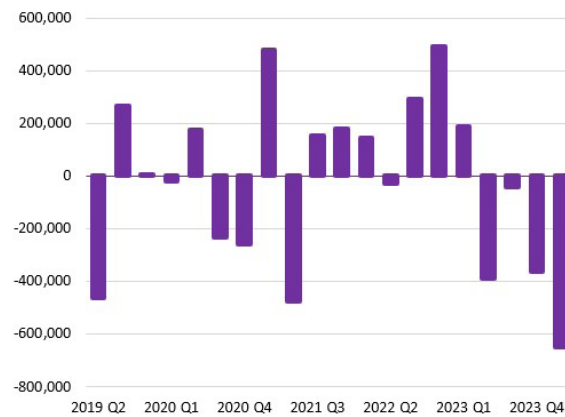
RENTAL RATES

	Market Size	Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,621,182	12.3%	8.3%	7.7%	-308,854	-308,854	\$24.23	\$24.66	\$24.19
Montgomery Co. North	12,312,459	13.4%	11.4%	10.4%	-1,843	-1,843	\$31.21	\$30.56	\$24.06
Montgomery Co. South; Rockville/Bethesda	52,311,729	20.1%	18.2%	18.9%	-388,588	-388,588	\$32.85	\$32.68	\$32.72
Prince George's Co. North	22,177,016	14.2%	14.0%	13.9%	-4,940	-4,940	\$24.09	\$24.29	\$24.34
Prince George's Co. South	5,278,714	5.5%	6.4%	5.4%	-13,735	-13,735	\$28.01	\$31.24	\$30.10
Silver Spring North/Route 29	4,254,254	9.8%	10.8%	11.4%	45,267	45,267	\$27.51	\$27.49	\$29.97
Silver Spring South	7,281,546	19.6%	18.6%	17.8%	-16,437	-16,437	\$29.89	\$29.86	\$30.02
Totals	112,236,900	16.5%	15.0%	15.1%	-689,130	-689,130	\$29.65	\$29.73	\$29.06

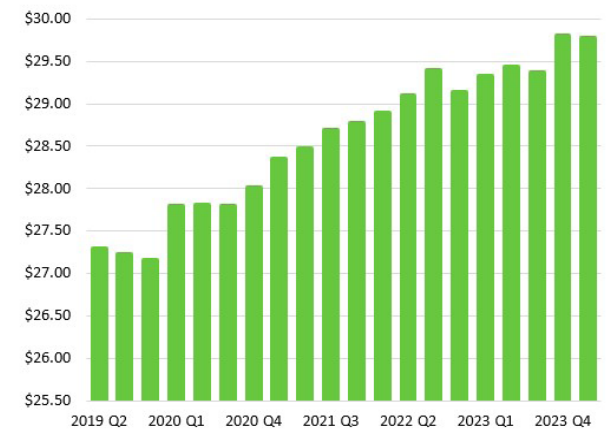
VACANCY



NET ABSORPTION



RENTAL RATES



LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
20521 Seneca Meadows Pkwy.	Montgomery County N	Unknown	57,108
25 W. Watkins Mill Rd.	Montgomery County N	Unknown	22,930
7852 Walker Dr.	Prince George's County	Chasen Boscolo	19,407

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
255 Rockville Pike	Montgomery County S	\$5,722,500	\$39	145,491
11224-11230 Triangle Ln.	Montgomery County S	\$4,200,000	\$222	18,900
5210 River Rd.	Montgomery County S	\$2,365,000	\$901	2,624

* Renewal, Expansion, or Sublease



RETAIL INDICATORS

Market Size
116,833,246

Building Count
4,703

Absorption
-2,261

YTD Absorption
-2,261

Vacancy
6.20%

Rental Rate
\$20.53/sf

1ST QUARTER SUMMARY

The year began with strong leasing activity, despite a slight increase in vacancy rates. Overall vacancy rose by 10 basis points to 6.2%, which is still lower than the 6.4% recorded in the first quarter of last year. Notably, three spaces totaling over 110,000 square feet were leased at the former JC Penney building at the Annapolis Mall, although it could not be confirmed if the deals were fully executed by the end of the first quarter.

Deals for over half a million square feet of existing inventory have already been signed this year, indicating continued demand, albeit softening. Only 37% of the 286,000 square feet of retail space currently under construction is available for lease, with the majority already pre-leased.

Baltimore City has the largest concentration of vacancy, with over 1.3 million square feet available. In contrast, retail demand in the BWI Corridor remains strong, with vacancy reaching another all-time low at 1.78%, while rental rates continue to command prices in the mid-\$20s.

However, deal negotiations remain challenging due to high interest rates, inflated operating expenses, and elevated construction costs. Market demand for 2nd generation restaurant space continues to reach new highs given these current economic conditions. We expect this trend to continue well into 2024 given the lack of new construction. With the few projects currently in design, end cap drive thru spaces are critical to retailers and will drive higher market rents.

ITEMS TO NOTE:

Baltimore's State Center redevelopment is progressing, but the plans no longer include the Fifth Regiment Armory at 219 29th Division St. Initial plans propose an upscale grocery store, home goods, and other retail stores, which might be relocated within the development.

TRIBE, an innovative movement and wellness school inked a deal for 107 E. Preston St. in Mt. Vernon. They intend to be open by the 2nd Quarter 2024.

Rye Street Tavern will reopen in Spring 2024 after being closed since 2021. Clyde's Restaurant Group has taken over the 12,000 sf restaurant which has undergone renovations in the past few months.

Low cost rent is bringing local small businesses to the Harborplace Pavilion and providing a startup location that would be otherwise unobtainable. The initiative has brought the occupancy up to 60%.

The Wine Source situated near The Avenue in Hampden, is now on the market. The owner, who has been at this location for over 23 years, stated that it is time for the new generation to assume ownership and introduce some high-tech upgrades.

Success comes from the StarUp at the Armory (a co-working space for entrepreneurs) for ZenJoy. The drink company is starting a partnership with Giant in April to add their product to 145 stores.

Vacant since 2020, the former Da Mimmo Italian Restaurant in Little Italy has been sold to a local developer. Da Mimmo had been a fixture at 217 S. High St. for 36 years and the new owner is seeking to fill the space with an experienced restaurant operator.

Following the closure of over 20 branches in Maryland last year, PNC Financial Services Group has announced plans to open three new branches and renovate several existing locations soon. PNC is committing approximately \$1 billion to open more than 100 new branches nationwide and renovate over 1,200 existing locations by 2028.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis	5,285,955	12.55%	12.64%	12.80%	-2,276	-2,276	\$29.95	\$29.81	\$30.52
Baltimore City	19,058,700	7.01%	6.94%	7.50%	28,575	28,575	\$18.69	\$18.31	\$18.51
Baltimore County East	15,504,700	5.41%	5.29%	4.84%	11,685	11,685	\$15.26	\$15.66	\$16.35
Baltimore County West	7,485,782	6.12%	5.83%	5.76%	-34,729	-34,729	\$18.03	\$18.54	\$15.84
BWI Corridor	9,165,587	1.80%	2.56%	2.80%	25,111	25,111	\$25.69	\$25.35	\$25.98
Carroll County	6,897,436	2.43%	2.35%	2.67%	2,639	2,639	\$16.30	\$16.19	\$17.89
Cecil County	3,217,701	4.52%	5.34%	6.29%	-5,434	-5,434	\$13.97	\$13.94	\$14.14
Columbia	10,091,422	4.47%	4.57%	4.92%	-3,619	-3,619	\$29.32	\$29.61	\$31.35
Harford County	10,588,313	5.33%	5.92%	6.98%	79,498	79,498	\$20.92	\$20.34	\$20.99
Howard County West	759,881	4.57%	4.10%	3.99%	-1,066	-1,066	\$27.04	\$27.29	\$25.43
I-83 Corridor	5,198,744	7.73%	6.41%	6.48%	-46,266	-46,266	\$25.32	\$25.19	\$23.92
Reisterstown Rd Corridor	7,464,741	10.86%	9.70%	10.11%	-18,151	-18,151	\$18.05	\$18.05	\$21.58
Route 2 Corridor	10,666,748	9.58%	9.30%	9.62%	-15,574	-15,574	\$17.15	\$16.27	\$16.05
Towson	5,447,536	3.53%	3.38%	3.62%	-22,654	-22,654	\$24.36	\$24.32	\$25.82
Totals/Averages	116,833,246	6.20%	6.10%	6.40%	-2,261	-2,261	\$20.53	\$20.40	\$20.96



RETAIL INDICATORS

Market Size
116,833,246

Building Count
4,703

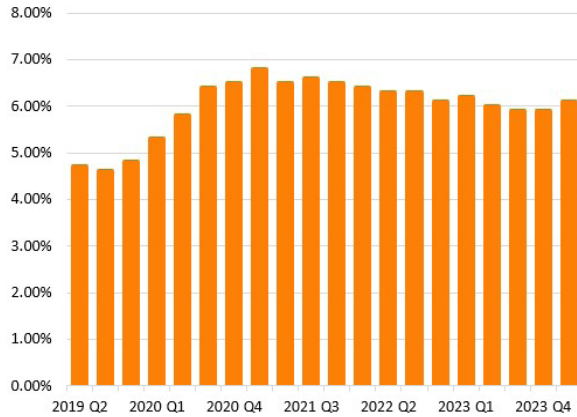
Absorption
-2,261

YTD Absorption
-2,261

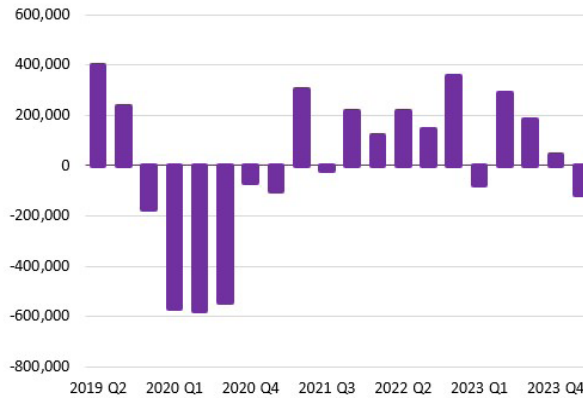
Vacancy
6.20%

Rental Rate
\$20.53/sf

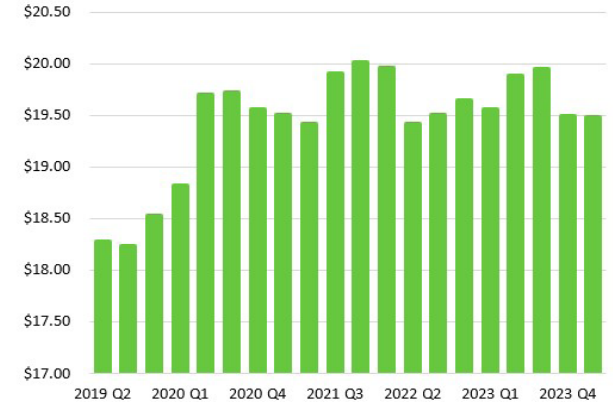
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1 BWI Corridor	1.80%
2 Carroll County	2.43%
3 Towson	3.53%

Highest Vacancy

1 Annapolis	12.55%
2 Reisterstown Rd Corridor	10.86%
3 Route 2 Corridor	9.58%

Most Change vs. Prior Quarter

- Cecil County	-0.82%
+ I-83 Corridor	1.32%

Lowest Net Absorption

1 Harford County	79,498
2 Baltimore City	28,575
3 BWI Corridor	25,111

Highest Net Absorption

1 I-83 Corridor	-46,266
2 Baltimore County West	-34,729
3 Towson	-22,654

Most Absorption, Year-to-Date

- Baltimore County East	-26,374
+ Route 2 Corridor	78,428

Cheapest Rates

1 Cecil County	\$13.97
2 Baltimore County East	\$15.26
3 Carroll County	\$16.30

Most Expensive Rates

1 Annapolis	\$29.95
2 Columbia	\$29.32
3 Howard County West	\$27.04

Most Change vs. Prior Quarter

- Baltimore County West	-\$0.51
+ Route 2 Corridor	\$0.88

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
3255 Solomons Islands Rd.	Anne Arundel County	Tractor Supply Company	33,272
100 Light St.*	Baltimore City Center	The Center Club	29,258
6501 Baltimore National Pike	Baltimore County West	Burlington	28,556
8023 Belair Rd.	Baltimore County West	Unknown	24,000

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
9616 Harford Rd.	Baltimore County East	\$4,193,200	\$318	13,191
7 Church Cir.	Annapolis	\$4,105,000	\$539	7,620
6838 Loch Raven Blvd.	Towson	\$2,928,196	\$301	9,739
6220 Baltimore National Pike	Baltimore County West	\$2,900,000	\$431	6,723

* Renewal, Expansion, or Sublease

RETAIL OVERVIEW (DC METRO)

FIRST QUARTER | 2024



RETAIL INDICATORS

Market Size
80,965,440

Building Count
2,813

Absorption
88,122

YTD Absorption
88,122

Vacancy
6.05%

Rental Rate
\$28.92

THE NUMBERS

MARKET SIZE

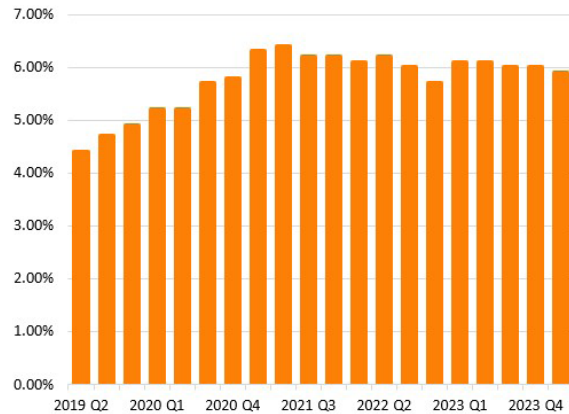
VACANCY %

ABSORPTION

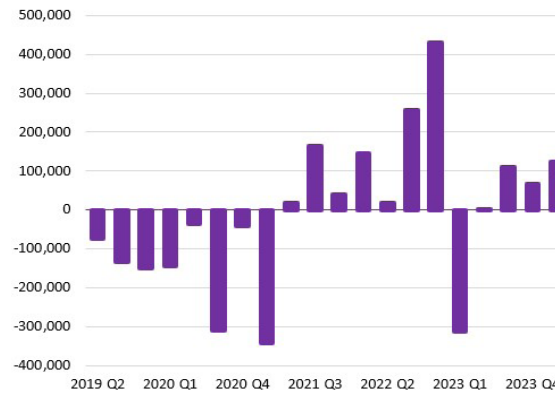
RENTAL RATES

	MARKET SIZE	Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	12,142,979	5.42%	6.41%	7.10%	9,144	9,144	\$25.67	\$23.47	\$23.47
Montgomery Co. North	10,786,951	8.46%	8.41%	6.50%	7,582	7,582	\$31.08	\$30.17	\$27.98
Montgomery Co. South; Rockville/Bethesda	17,884,180	4.48%	4.37%	4.20%	55,930	55,930	\$32.23	\$34.10	\$32.58
Prince George's Co. North	22,126,014	6.62%	6.16%	6.40%	-93,788	-93,788	\$25.46	\$24.56	\$24.87
Prince George's Co. South	12,296,153	4.57%	4.65%	4.80%	25,362	25,362	\$26.28	\$26.22	\$24.62
Silver Spring North/Route 29	3,369,684	12.51%	10.49%	9.50%	91,692	91,692	\$38.70	\$37.64	\$32.24
Silver Spring South	2,359,479	3.18%	3.27%	2.80%	-7,800	-7,800	\$42.85	\$42.85	\$40.45
Totals	80,965,440	6.05%	6.00%	5.90%	88,122	88,122	\$28.92	\$28.58	\$27.50

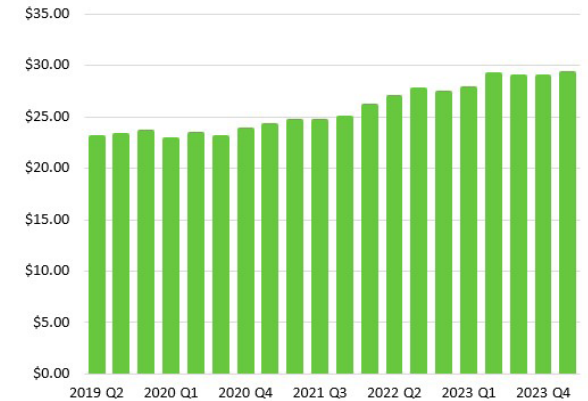
VACANCY



NET ABSORPTION



RENTAL RATES



LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
Old National Pike	Frederick County	Weis Markets	65,000
3500 East West Hwy.	Prince George's County	Primark	30,000
1301 W. Patrick St.	Frederick County	Spinner's Pinball Arcade	23,000

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
10 Upper Rock Cir.	Montgomery County S	\$14,150,000	\$407	34,755
7400 Shockley Dr.	Frederick County	\$12,500,000	\$232	53,799
405 S Frederick Ave.	Montgomery County N	\$7,819,736	\$1,545	5,060

* Renewal, Expansion, or Sublease



INDUSTRIAL INDICATORS

Market Size
271,786,394

Building Count
3,682

Absorption
348,875

YTD Absorption
348,875

Vacancy
7.17%

Rental Rate
\$11.63

The data pertaining to Baltimore's industrial market for Q1 2024, inclusive of flex and warehouse spaces, underscores the market's resilience. Despite softening demand, the current vacancy rate stands at 7.17%, indicative of a well-balanced market. While the impact of the recent Francis Scott Key Bridge tragedy remains uncertain, ongoing efforts to clear the port and mitigate repercussions are underway. In the first quarter of 2024, deals have continued to progress with over one million square feet of new leases signed. Notably, the largest lease signed to date this year was for 400,000 sf to be constructed at 1390 Sparrows Point Blvd. by the University of Maryland Medical Systems.

The slowdown in the total leases inked can be attributed to multiple factors including increased interest rates and a shift in supply and demand. Consumer income has not increased at the same pace as inflation leading to a decrease in spending. Decreased demand for goods and the increased cost to borrow has led companies to slow their growth and reposition their needs in key markets. Demand remains steady along the I-95 Corridor with most new construction concentrated in the BWI Corridor and Baltimore County East totaling 678,000 sf and 612,000 sf, respectively. The average asking rent for Baltimore's industrial market is \$10.75/sf, with flex space averaging \$14.25/sf.

The overall economic outlook for Baltimore's industrial real estate market is positive despite fluctuations in demand, vacancy rates, and rental rates across different submarkets. Industrial sales averaged \$174/sf for Class A and B buildings in 2023, a significant increase from the \$95/sf average in 2020. The diversity of economic drivers and available product types in Baltimore's industrial market provides resilience to the industrial sector within the broader regional economy, offering opportunities for investors, developers, and tenants.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Annapolis/Route 2	6,398,248	7.45%	6.54%	7.1%	-25,673	-25,673	\$16.14	\$17.37	\$17.18
Baltimore City	5,078,988	7.02%	6.28%	8.8%	-9,799	-9,799	\$26.08	\$26.67	\$10.17
Baltimore County East	4,162,110	8.19%	7.11%	8.2%	39,185	39,185	\$14.33	\$13.99	\$14.48
Baltimore County West	4,787,539	10.95%	10.84%	10.4%	-6,901	-6,901	\$11.54	\$12.39	\$11.97
BWI Corridor	8,928,546	4.80%	5.75%	6.7%	40,759	40,759	\$14.51	\$13.00	\$12.50
Carroll County	1,884,461	6.15%	7.62%	8.8%	-9,611	-9,611	\$10.14	\$10.72	\$10.12
Columbia	8,393,695	4.14%	4.86%	4.2%	18,282	18,282	\$12.40	\$12.08	\$12.50
Harford & Cecil Counties	3,096,094	7.36%	6.89%	7.3%	-5,386	-5,386	\$9.67	\$9.75	\$10.28
I-83 Corridor	5,513,728	5.66%	5.83%	7.3%	9,556	9,556	\$10.72	\$10.70	\$10.94
Reisterstown Rd	2,955,313	12.40%	10.90%	10.5%	-43,218	-43,218	\$12.77	\$12.78	\$11.77
Flex Totals	51,198,722	6.83%	6.78%	7.4%	7,194	7,194	\$14.26	\$14.23	\$12.53
Annapolis Route 2	10,037,086	0.50%	0.35%	0.2%	-22,980	-22,980	\$13.42	\$13.69	\$9.07
Baltimore City	50,162,617	5.82%	6.57%	6.7%	315,033	315,033	\$11.12	\$9.93	\$6.79
Baltimore County East	35,595,619	8.58%	7.42%	6.2%	264,906	264,906	\$9.80	\$10.49	\$11.32
Baltimore County West	9,876,995	11.52%	9.98%	8.6%	-152,869	-152,869	\$7.94	\$7.89	\$6.69
BWI Corridor	44,017,754	6.19%	5.29%	5.0%	-182,711	-182,711	\$13.89	\$13.78	\$10.33
Carroll County	8,954,711	0.72%	0.84%	0.8%	-4,611	-4,611	\$7.52	\$7.96	\$7.69
Columbia	5,321,989	18.20%	6.02%	5.6%	-646,143	-646,143	\$15.11	\$11.38	\$12.08
Harford & Cecil Counties	49,713,318	9.72%	11.07%	7.8%	734,853	734,853	\$8.36	\$8.25	\$7.01
I-83 Corridor	5,281,563	4.37%	5.60%	3.9%	-15,245	-15,245	\$10.98	\$8.33	\$9.10
Reisterstown Rd	1,626,020	0.39%	3.56%	0.2%	51,448	51,448	\$11.00	\$11.00	\$11.91
Warehouse Totals	220,587,672	7.25%	7.04%	5.9%	341,681	341,681	\$10.75	\$10.41	\$8.63
Totals	271,786,394	7.17%	6.99%	6.2%	348,875	348,875	\$11.63	\$11.35	\$9.55

ITEMS TO NOTE:

Blue Whale EV has moved its headquarters to Mercantile Drive in Hanover, expanding to double the square footage of its previous location.

Goodwill Industries acquired an 180,000 sf industrial warehouse for more than \$25 million. The building, located at 2701 Wilmarco Ave. in Baltimore City, was vacant at the time of purchase and Goodwill intends to occupy it.

The warehouse located at 1700 Ridgley St. sold for \$15.5 million to Clean Harbors, Inc. out of Massachusetts. The non-profit Second Chance is currently located at the 110,360 sf facility.

EVAPCO, Inc. is expanding its world headquarters in Carroll County by 45,000 sf. The office expansion at 5151 Allendale Lane will be a two-year process that will result in the addition of 275 new jobs in Taneytown.

The fully leased 62,376 sf warehouse at 2915 Wilmarco Ave. sold for \$6.9 million. The buyer, Faropoint, focuses on last-mile logistics facilities.

Hart Print, the pioneer in digital printing on recyclable cans, has inaugurated a new manufacturing facility in Cecil County. Situated at 402 Belle Hill Rd. in Elkton, the facility was purpose-built to accommodate three Hinterkopf D360 digital printers.

The former data center, now a warehouse, located at 7150 Standard Dr. in Hanover was sold for \$13 million. Distribution By Air acquired the 66,590 sf warehouse with plans to occupy the space.

Client contracts are expiring leading to the layoff of 170 employees in Cecil County. The unexpected layoffs occurred at the warehouse located at 200 Gateway Dr., and attempts to reach the companies for comment were unsuccessful.



WAREHOUSE INDICATORS

Market Size
220,587,672

Building Count
2,456

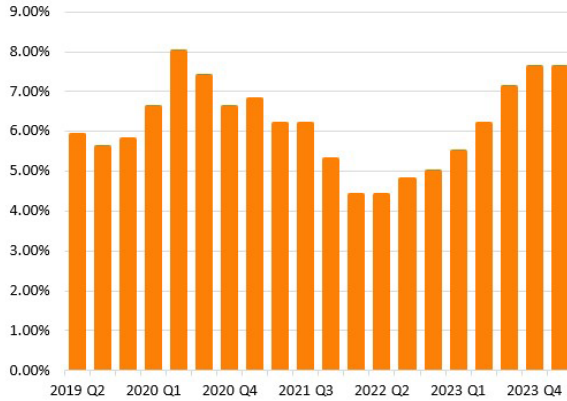
Absorption
341,681

YTD Absorption
341,681

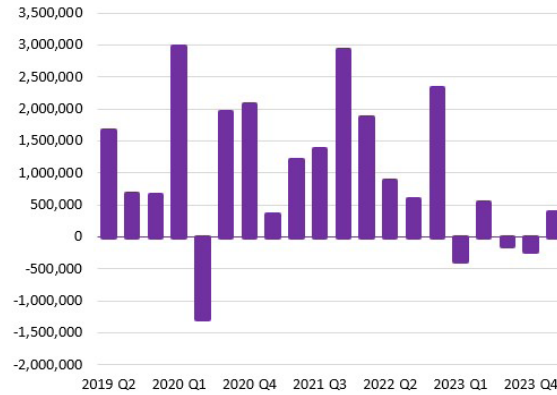
Vacancy
7.25%

Rental Rate
\$10.75

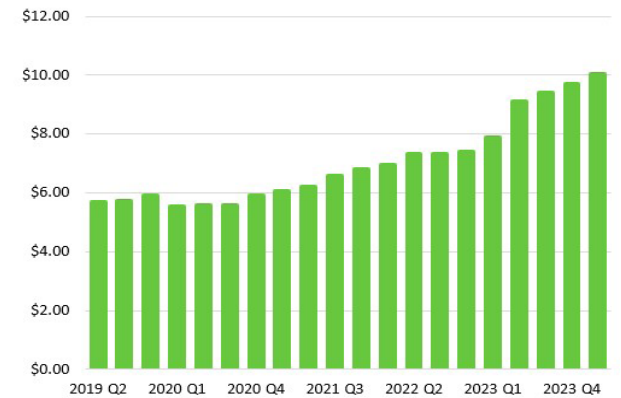
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Annapolis/Route 2	0.42%
2	Carroll County	0.74%
3	Reisterstown Rd	3.22%

Highest Vacancy

1	Harford & Cecil Counties	11.52%
2	Baltimore County East	9.31%
3	Baltimore County West	8.03%

Most Change vs. Prior Quarter

-	Baltimore County West	-1.57%
+	Harford & Cecil Counties	4.42%

Lowest Net Absorption

1	Harford & Cecil Counties	1,378,853
2	Baltimore City	315,033
3	Baltimore County East	264,906

Highest Net Absorption

1	Columbia	-646,143
2	BWI Corridor	-182,711
3	Baltimore County West	-152,869

Most Absorption, Year-to-Date

-	Columbia	-646,143
+	Harford & Cecil Counties	1,378,853

Cheapest Rates

1	Carroll County	\$7.52
2	Baltimore County West	\$7.94
3	Harford & Cecil Counties	\$8.36

Most Expensive Rates

1	Columbia	\$15.11
2	BWI Corridor	\$13.89
3	Annapolis/Route 2	\$13.42

Most Change vs. Prior Quarter

-	Baltimore County East	-\$0.69
+	Columbia	\$3.73

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
1390 Sparrows Point Blvd.	Baltimore County East	University of MD Medical Sys	400,000
8411 Kelso Dr.*	Baltimore County East	Mako Freight	274,821
400 Old Post Rd.	Harford County	Pacific Coast Furniture Distr.	175,805
7200 Dorsey Run Rd.*	BWI Corridor	Amazon	126,000

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
2701 Wilmarco Ave.	Baltimore City SW	\$25,125,000	\$139	180,701
1700 Ridgely St.	Baltimore City SW	\$15,500,000	\$140	110,360
7150 Standard Dr.	BWI Corridor	\$13,000,000	\$195	66,590
2700 Hollins Ferry Rd.	Baltimore City SW	\$12,500,000	\$100	125,000

* Renewal, Expansion, or Sublease



FLEX INDICATORS

Market Size
51,198,722

Building Count
1,226

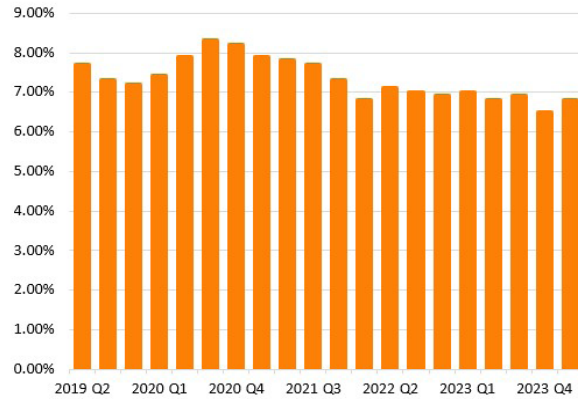
Absorption
7,194

YTD Absorption
7,194

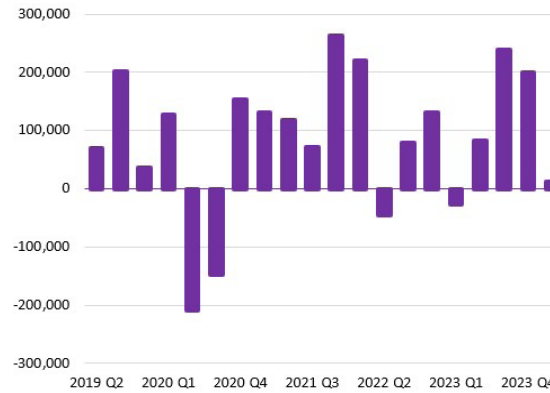
Vacancy
6.83%

Rental Rate
\$14.26

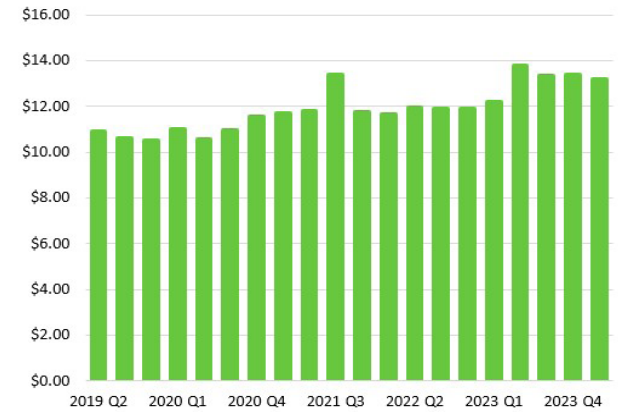
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Columbia	4.14%
2	BWI Corridor	4.80%
3	I-83 Corridor	5.66%

Highest Vacancy

1	Reisterstown Rd	12.40%
2	Baltimore County West	10.95%
3	Baltimore County East	8.19%

Most Change vs. Prior Quarter

-	Carroll County	-1.47%
+	Reisterstown Rd	1.50%

Lowest Net Absorption

1	BWI Corridor	40,759
2	Baltimore County East	39,185
3	Columbia	18,282

Highest Net Absorption

1	Reisterstown Rd	-43,218
2	Annapolis/Route 2	-25,673
3	Baltimore City	-9,799

Most Absorption, Year-to-Date

-	Reisterstown Rd	-43,218
+	BWI Corridor	40,759

Cheapest Rates

1	Harford & Cecil Counties	\$9.75
2	Carroll County	\$10.72
3	I-83 Corridor	\$10.70

Most Expensive Rates

1	Baltimore City	\$26.08
2	Annapolis/Route 2	\$16.14
3	BWI Corridor	\$14.51

Most Change vs. Prior Quarter

-	Annapolis/Route 2	-\$1.23
+	BWI Corridor	\$1.51

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
7090 Golden Ring Rd.*	Baltimore County East	Board of Education	30,827
9331 Philadelphia Rd.	Baltimore County East	Unknown	25,350
7393 Washington Blvd.	Route 1 Corridor	Unknown	25,200
6958 Aviation Blvd	BWI Corridor	Skyline Technology Solutions	16,001

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
9730 Patuxent Woods Dr.	Columbia	\$3,656,230	\$118	30,985
9685 Gerwig Ln.	Columbia	\$2,899,000	\$201	14,400
951 Bay Ridge Rd.	Annapolis	\$2,100,000	\$210	10,000
301 Dove Ct.	Harford County	\$1,050,000	\$150	7,000

* Renewal, Expansion, or Sublease

INDUSTRIAL OVERVIEW (DC METRO)

FIRST QUARTER | 2024



INDUSTRIAL INDICATORS

Market Size
112,611,006

Building Count
2,312

Absorption
-188,156

YTD Absorption
-188,156

Vacancy
6.75%

Rental Rate
\$14.84

THE NUMBERS

MARKET SIZE

VACANCY %

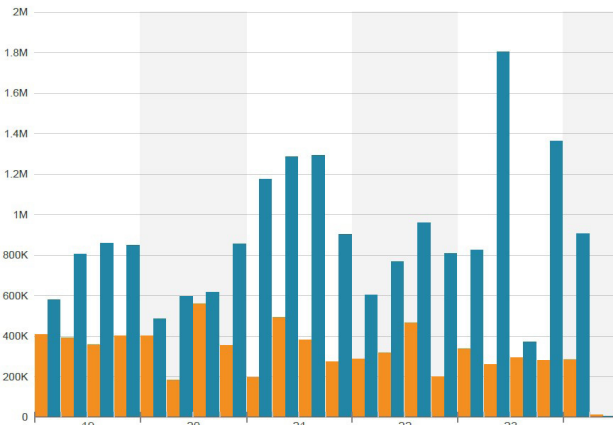
ABSORPTION

RENTAL RATES

		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	7,412,664	12.33%	10.01%	9.2%	-180,314	-180,314	\$15.80	\$15.62	\$16.62
Montgomery Co. North	7,757,567	10.87%	10.90%	10.1%	3,889	3,889	\$25.39	\$27.15	\$28.92
Montgomery Co.; Rockville/Bethesda	4,854,601	6.29%	4.58%	5.8%	-27,860	-27,860	\$22.64	\$21.64	\$19.49
Prince George's Co.	8,741,059	5.31%	4.87%	6.9%	6,418	6,418	\$13.98	\$13.37	\$12.39
Silver Spring	1,454,271	4.77%	5.30%	4.9%	7,678	7,678	\$18.03	\$18.03	\$12.00
Flex Totals	30,220,162	8.59%	7.65%	8.0%	-190,189	-190,189	\$18.94	\$19.01	\$18.79
Frederick Co.	15,521,711	8.10%	8.24%	4.7%	3,635	3,635	\$11.82	\$10.82	\$10.69
Montgomery Co. North	5,959,820	6.23%	8.91%	6.5%	159,628	159,628	\$14.78	\$13.90	\$14.70
Montgomery Co.; Rockville/Bethesda	6,888,375	4.38%	3.81%	4.3%	-31,561	-31,561	\$16.23	\$16.17	\$15.68
Prince George's Co.	52,310,340	5.80%	5.47%	4.1%	-128,309	-128,309	\$13.17	\$12.77	\$11.91
Silver Spring	1,710,598	2.59%	2.51%	2.3%	-1,360	-1,360	\$15.57	\$15.57	\$15.74
Warehouse Totals	82,390,844	6.08%	6.04%	4.4%	2,033	2,033	\$13.34	\$12.83	\$12.28
Totals	112,611,006	6.75%	6.48%	5.4%	-188,156	-188,156	\$14.84	\$14.49	\$14.03

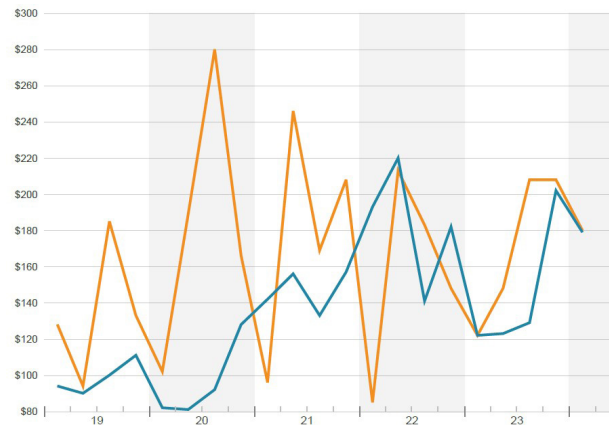
LEASING ACTIVITY

Flex Industrial



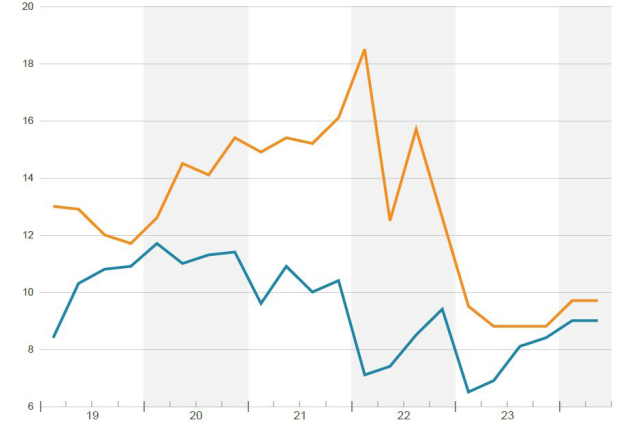
SALES PRICE PER SQUARE FOOT

Flex Industrial



LEASING: MONTHS ON THE MARKET

Flex Industrial



* Renewal, Expansion, or Sublease



WAREHOUSE (DC METRO)

Market Size
82,390,844

Building Count
1,670

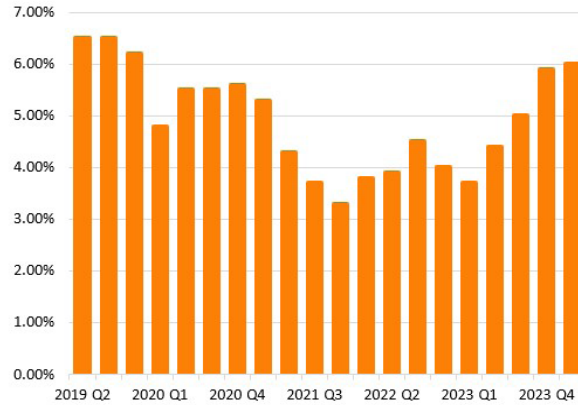
Absorption
2,033

YTD Absorption
2,033

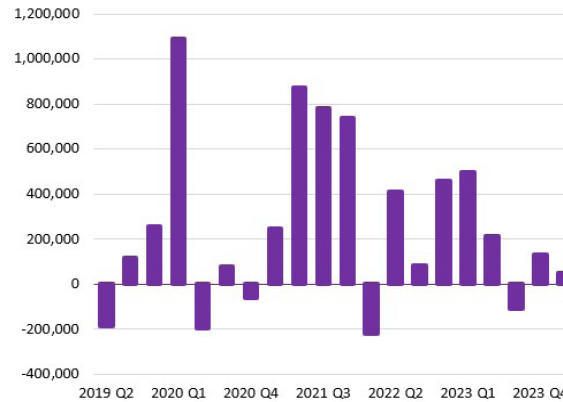
Vacancy
6.08%

Rental Rate
\$13.34

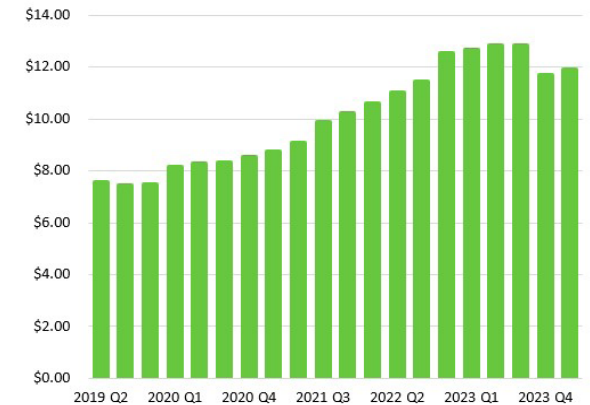
VACANCY



NET ABSORPTION



RENTAL RATES



FLEX (DC METRO)

Market Size
30,220,162

Building Count
642

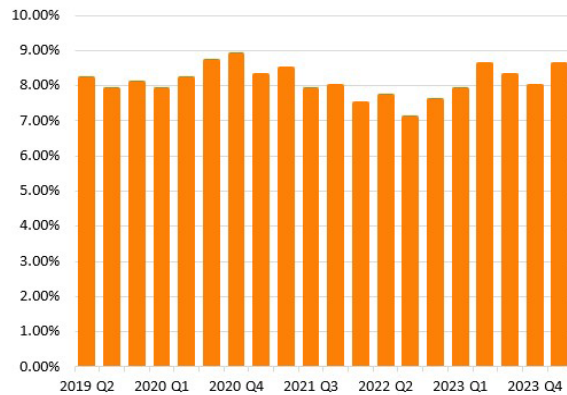
Absorption
-190,189

YTD Absorption
-190,189

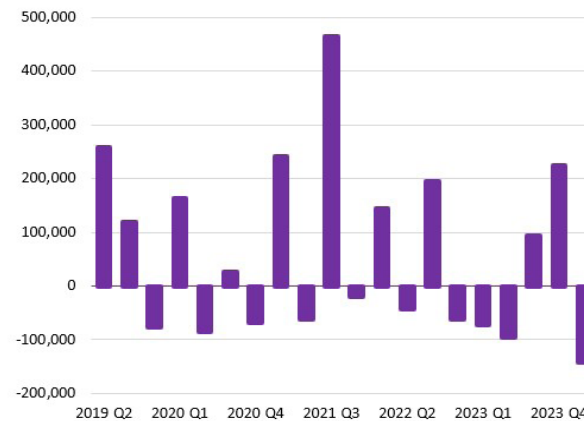
Vacancy
8.59%

Rental Rate
\$18.94

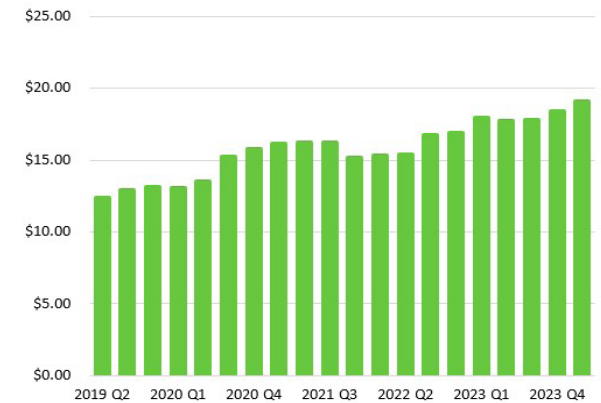
VACANCY



NET ABSORPTION

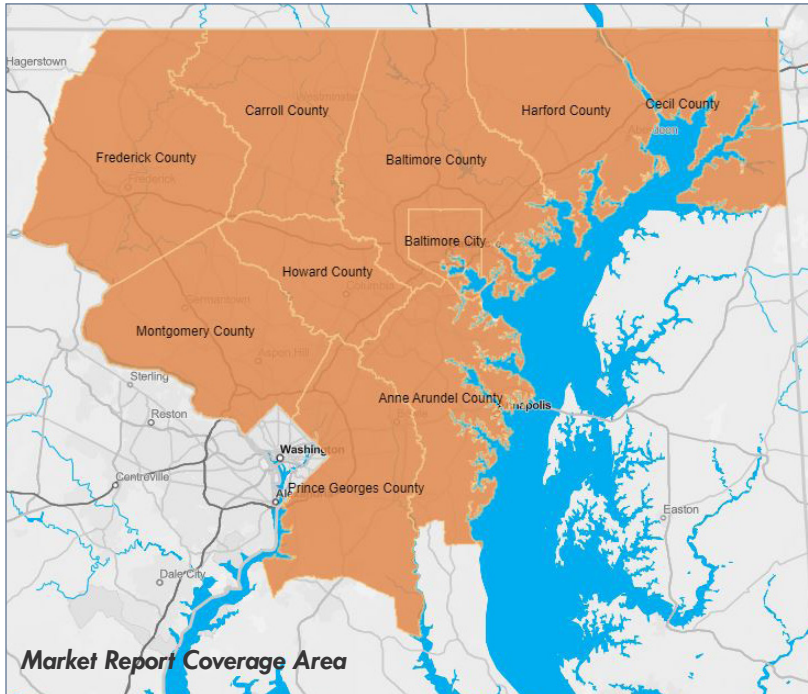


RENTAL RATES





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 for more information.

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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/. To join our Market Report mailing list, please send us an e-mail: Media@MacKenzieCommercial.com.