

# INVESTMENT FORECAST

Retail  
Baltimore

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Elevated Tenant and Investor Demand Provide an Optimistic Outlook for Baltimore's Retail Sector

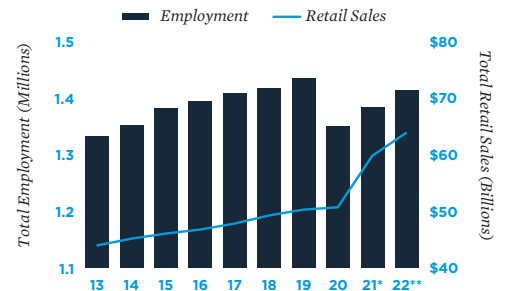
**Leasing activity rises to pre-pandemic levels.** Net absorption in Baltimore returned to positive territory in 2021, allowing vacancy to decline on an annual basis for the first time since 2017. Grocers and home decor retailers were the most active among tenants that have been leasing larger spaces in the market. Amazon Fresh and Global Food each committed to at least 40,000 square feet, both marking their entry into the metro. Additionally, At Home agreed to occupy 86,000 square feet of space, which was the second-largest retail lease signed in the past three years. Barring any additional setbacks from COVID-19 variants, retail fundamentals will continue to tighten in 2022. The return of more employees to offices this year will heighten foot traffic, aiding retailers reliant on midweek patronage. Furthermore, supply pressure will be minimal as completions remain below the historic average, with nearly two-thirds of the space slated for delivery already pre-leased. Incoming supply without tenants in tow should be well received, as the bulk of deliveries are in Baltimore City East, where vacancy is the lowest in the metro.

**Regionally low pricing ignites deal flow in the suburbs.** Lower entry costs relative to other major East Coast markets are stimulating investor interest in Baltimore's retail sector. Transaction velocity has surged in recent quarters, with the number of deals reaching a 20-year high in 2021. This momentum will likely continue as retail fundamentals are projected to tighten further in 2022. Single-tenant, net-leased properties remain highly sought after, accounting for roughly 60 percent of all deals in the metro last year. Investors targeting these assets are active in Baltimore County suburbs east of Interstate 695, where properties trade at an average price of \$250 per square foot with first-year returns in the mid-6 percent span. Buyers are targeting community centers as well, due to their strong performance throughout the pandemic, and are most active in the Harford County, Route 1-BWI Area and Southern Anne Arundel submarkets.

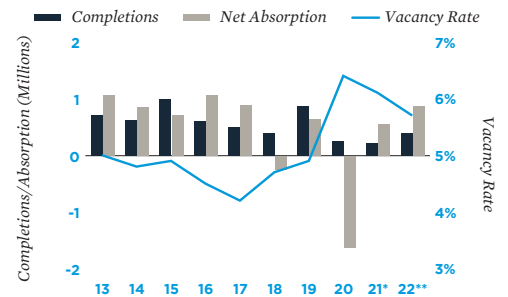
## 2022 Market Forecast

- Employment**  
up 2.2%  
Employment growth nearly mirrors last year's rate with the addition of 30,000 jobs in 2022.
- Construction**  
400,000 sq. ft.  
Development accelerates this year following the completion of 225,000 square feet in 2021. Despite the uptick in activity, deliveries will remain below the trailing five-year average.
- Vacancy**  
down 40 bps  
Elevated demand for retail space, coupled with limited supply pressure, allows vacancy to contract for the second consecutive year. The rate will fall to 5.7 percent in 2022.
- Rent**  
up 3.5%  
Contracting vacancy is driving rent growth. The average asking rate will climb to \$21.27 per square foot this year, building off the 3.7 percent increase recorded in 2021.
- Investment**  
There is potential for deal flow to accelerate in Downtown Baltimore, as limited availability and increased midweek foot traffic heighten investor interest in the urban core.

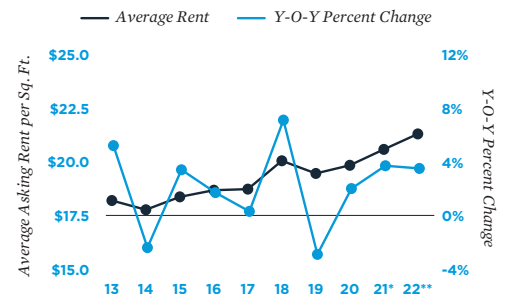
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

### Daniel Taub

Senior Vice President

Director IPA Retail

Tel: (212) 430-5100 | dtaub@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.