

INVESTMENT FORECAST

INDUSTRIAL
Baltimore Metro Area

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2019

More Distributors Move to Baltimore County as Fewer Completions Lower Vacancy and Lift Rents

Reduced construction pipeline paves way for vacancy and rent improvements. The opening of new Amazon and Under Armour distribution centers in Sparrows Point last year contributed to the swell in development activity. Fewer projects are underway in 2019, the largest of which totals 500,000 square feet and is located in Aberdeen. The area offers convenient access to Baltimore and Philadelphia via Route 40 and is situated inside an opportunity zone. Similar reasons are behind the finalization of 350,000 square feet in close-by Edgewood. Nearly as much space will open in Glen Burnie, about 6 miles from BWI airport. Minimal completions elsewhere support a drop in the metro vacancy rate for the sixth time in eight years. Availability near 3 percent aids rent growth along the I-83 Corridor and in Southern Anne Arundel. New biotechnology businesses drive demand for research and development space in Columbia, supporting above-market appreciation here as well.

Connectivity to broader East Coast region remains a priority. The metro's strategic position between Washington, D.C., and New York continues to draw industrial investment, with trading focused on assets along the I-95 and Route 1 highways. Several of these properties south of Elkridge changed hands. Closer access to the nation's capital appeals to some tenants, including food processors. The proximity to the seaport and newer residential hubs keep buyers' attention in eastern Baltimore County. More e-commerce organizations are migrating here, attracting institutional investors. Any available listings within the city of Baltimore are readily pursued as well due to the growing need for last-mile distributors. In recent months, there has also been an increase in sales velocity within Carroll County. U.S. 97 provides transit access for facilities that are typically under 20,000 square feet and house local or regional businesses.

2019 Market Forecast

- Employment** up 1.3%

After a 2.2 percent gain last year, job growth in 2019 follows the trailing five-year annual average as 18,000 new roles are filled.
- Construction** 1.4 million sq. ft.

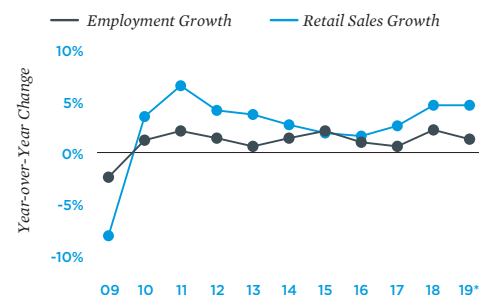
Routes connecting Baltimore to Washington, D.C., and Philadelphia will draw most of the development this year as the construction pipeline contracts 73 percent from 2018's cycle high.
- Vacancy** down 50 bps

The need for additional regional and last-mile distribution centers supports a decline in the vacancy rate to 8.1 percent. Last year, vacancy rose 20 basis points.
- Rent** up 2.3%

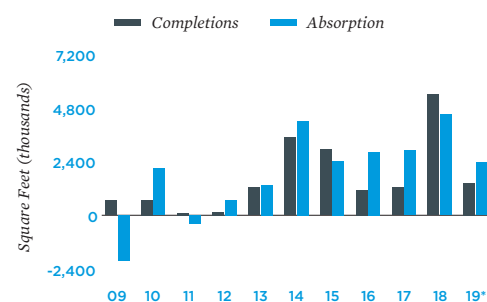
The average asking rent will increase to \$5.28 per square foot, almost doubling last year's 1.2 percent growth rate.
- Investment**

An average cap rate in the 8 percent zone exceeds that of several nearby metros, attracting out-of-state investors who want to connect to major East Coast distribution channels.

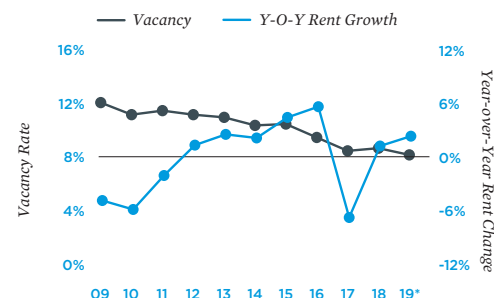
Employment vs. Retail Sales Trends



Industrial Completions



Asking Rent and Vacancy Trends



* Forecast;

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2018. Asking rent is based on the full-service marketed rental rate. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, 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.