

Report: Baltimore metro industrial leasing tops 5M SF in 2018

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More than 5 million square feet of industrial property was leased in the Baltimore metro last year, according to Lee & Associates | Maryland.

Baltimore County led all jurisdictions with 60 percent of the region's industrial leasing activity, the commercial real estate service firm's research found. The end-of-year market report, released Tuesday, included data from Baltimore and Baltimore, Carroll, Cecil, Harford and Howard counties.

"There seems to be no end in sight to this unprecedented level of industrial activity in the greater Baltimore metropolitan region, and numerous local development companies and national (Real Estate Investment Trusts) are moving as quickly as possible to entitle land and construct new projects to keep up with existing demand," Tom Whelan, principal, Lee & Associates | Maryland, said in a statement regarding the report's findings.

In recent years the industrial sector served as "the darling," as one broker put it, of the Baltimore region's commercial real estate market. Industrial vacancy fell to 6.7 percent in the metro area in the third quarter of 2018, according to research by CBRE. That's the lowest level the firm ever recorded in the Baltimore area.

The vacancy rate in the region fell from 10.6 percent at the start of 2014, Lee & Associates found, to 7.7 percent at year-end 2018. Baltimore's overall industrial inventory consists of more than 202 million square feet of space across 3,600 buildings.

Not all news out in the market was positive. Demand for lower class warehouse and distribution space showed weakness in some areas. Those difficulties stem from tenants needing modern features, such as higher ceilings and more truck bays.

Howard County, in the Class B section, posted a negative net absorption of more than 500,000 square feet, Lee & Associates reported. Carroll County posted a negative 350,000 square feet of absorption in the same class. Gains in the market overall, however, offset those losses.

Brokers and developers alike anticipated a strong year in the sector. E-commerce firms in need of distribution space, enticed by access to 10 million customers in the combined Baltimore and Washington areas, have largely driven demand.

"The industrial market is as hot as we've seen it in recent memory," Matthew Laraway, a partner at Chesapeake Real Estate Group, said in September.



Best Buy has agreed to lease 500,400 square feet of warehouse distribution space at Brandon Woods III in Anne Arundel County.

(Photo courtesy Chesapeake Real Estate Group LLC)

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Tenants taking space in regional industrial properties ranged from Imperfect Produce, an e-commerce business that ships unwanted produce to subscribers, to retailer Best Buy. The former leased 76,000 square feet at 8024 Telegraph Road in Severn and the latter took more than 500,000 square feet at 7550 Smallwood Road in Curtis Bay.

Strong leasing activity spurred several large speculative projects. Most recently Baltimore-based MRP Industrial, with investment partner Clarion Partners LLC, announced plans in December for a 175,200-square-foot warehouse/industrial building in Howard County.

Several large developments, including Chesapeake Real Estate Group's Brandon Woods projects and Tradepoint Atlantic's overhaul of Sparrows Point, continue adding Class A inventory.

Lee & Associates research found roughly 4.4 million square feet of industrial building under construction in the Baltimore metro.