

MACKENZIE'S LOCAL OUTLOOK
BALTIMORE & DC METRO
COMMERCIAL REAL ESTATE

3RD QUARTER
2024

ECONOMY | CAPITAL | CONSTRUCTION | OFFICE | RETAIL | INDUSTRIAL





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ECONOMIC INDICATORS*

Employment
3,226,200

Unemployment Rate
2.9%

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

Maryland Area Employment Growth by Industry Sector (YOY)*

RATE CUTS ARRIVE

In March 2022, the Federal Reserve began raising interest rates in order to quell what would become the worst bout of inflation in over forty years. Exactly 30 months later, at the Federal Reserve's September 17-18th meeting, they began lowering rates, cutting the target range of the federal funds rate by 0.50 percentage points.

Economists almost unanimously agree that it was time, or past time, to begin lowering rates. Year-over-year inflation has slowed from a cyclical peak of 9.1% in June 2022 to just 2.5% in August 2024. That's still above the Federal Reserve's target of 2.0%, but not by much. Which is to say, it was a virtual certainty that the Fed would cut at their September meeting; the only question was whether they would start with a 25 or 50 basis point cut.

That they went with the larger initial reduction signals that the Fed, like a majority of economists, understands that the balance of risks facing the economy has shifted. The possibility that inflation will rebound now appears less worrisome than the notion that the labor market will weaken further in the coming months.

Indeed, labor market health has already started to deteriorate in recent months. Employers added fewer jobs from June to August—just 116,300 per month—than over any three-month span since the first half of 2020. At the same time, the unemployment rate has crept steadily higher, rising from 3.7% at the start of 2024 to 4.2% as of August.

These cracks in the job market, while worrisome when viewed in isolation, don't signal a broader economic slowdown—at least not yet, anyway. Layoffs remain historically uncommon; just 1.1% of workers were fired in July, a lower rate than in any month on record before 2019. At the same time, the rate at which workers have quit their jobs, which was historically elevated during the early years of the pandemic, has now fallen below 2019 levels.

Even initial claims for unemployment insurance, our most real-time indicator of the economy, remain low by historical standards. Of course, it's important to note that once initial claims start rising it's almost certainly too late to save an economic expansion.

This labor market stasis, wherein quits, layoffs, and hiring have all slowed, is indicative of broader economic dynamics at the moment. Decisions are being delayed in the face of elevated uncertainty. With rate cuts just beginning and a looming presidential election, this paralysis will likely persist through the end of 2024.

-.2%
Manufacturing

3.6%
Education/Health

-.2%
Professional

-3.0%
Construction

The State of Maryland's top employing industry as of August 2024 was Government employing 538,400, followed by Educational & Health Services and Trade employing 479,100 and then Professional & Business Services employing 478,400, and then followed by, Transportation & Utilities at 463,400.

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
\$1,261,156,757

Total Square Feet
11,108,674

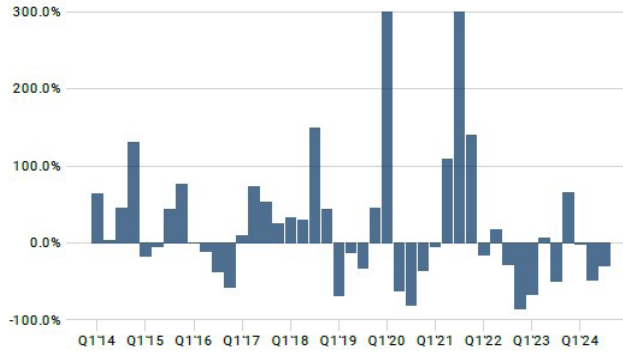
Average Price PSF
\$111/sf

Average Cap Rate
6.5%

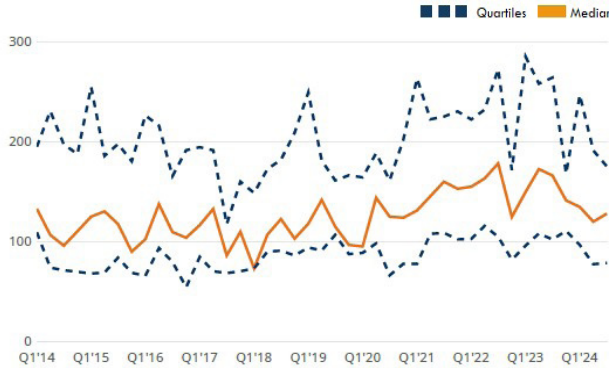
Properties Sold
103

Volume vs. Prior Year
-29%

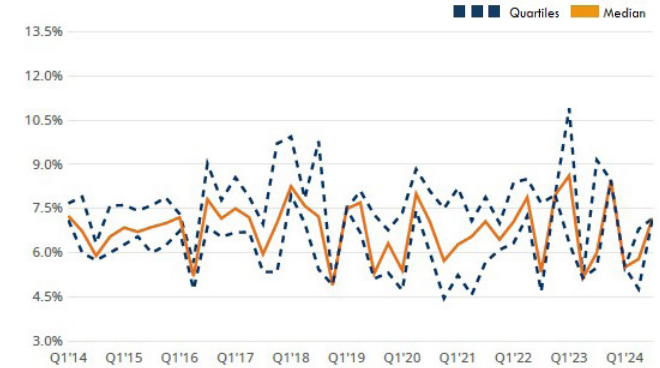
Change In Sales (Year over Year)



Average Sale Price Per Square Foot



Average Cap Rates



- In the 3rd quarter of 2024, the Federal Reserve cut the Effective Federal Funds rate by 50 basis points. This is the first rate cut from the Federal Reserve since March of 2020.
- Over the course of the 3rd quarter, the 10-Year US Treasury finished down 64 basis points at 3.84%. The public markets largely expected and were happy with the Fed's decision to make a rate cut in September.
- The Fed and investors are going to continue monitoring economic data for future decisions. It is a relief to many that the cuts have begun, and optimism has increased for the time being.
- 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	\$284,200,000	3
Centennial Real Estate	Dallas TX	\$160,000,000	\$160,000,000	1
EQT Exeter	Radnor, PA	\$140,500,000	\$140,500,000	1
Rockpoint Group	Boston, MA	\$18,700,000	\$131,000,000	7
Prologis	San Francisco, CA	\$32,300,000	\$129,400,000	4

TOP SELLERS (24 MONTHS ROLLING)	Base City	Average Price Per Sale (\$m)	Disposition Volume (\$m)	Properties
Blackstone	New York, NY	\$23,700,000	\$260,400,000	11
Unibail-Rodamco-Westfield	Paris, FRA	\$160,000,000	\$160,000,000	1
CPP Investment Board	Toronto, CAN	\$160,000,000	\$160,000,000	1
PGIM Real Estate	Newark, NJ	\$140,500,000	\$140,500,000	1
TA Realty	Boston, MA	\$31,300,000	\$125,100,000	4

2024 YTD BUYER COMPOSITION

Private Buyers

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

51.1%

30.2%

Institutional Buyers

Investor such as a bank or mutual fund.

Listed/REITs

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

9.4%

*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 6/24/24.



PROJECT INDICATORS

RBA Under Construction
4,670,531

Count Under Construction
44

RBA Delivered YTD
2,403,396

Availability
36%

Proposed Buildings
306

Count Under Renovation
15

CONSTRUCTION OUTLOOK

The construction industry has retained momentum in recent months, though certain segments have fared better than others. Manufacturing-related construction, buoyed by federal incentives and a desire to reshore production, continues to grow at a rapid pace and, as of July, accounted for about \$1 in every \$5 spent on nonresidential construction. Infrastructure-related segments have also performed well, with spending on highway and street, water supply, and sewage and waste disposal construction posting solid growth over the past few years.

Commercial construction has not performed as well, with spending in the category down more than 13% over the past year. Warehouse and distribution construction, which now accounts for the majority of commercial investment, has fallen back from the historic highs experienced over the past few years, and other traditional retail segments remain subdued. The office segment has also struggled to regain its footing.

Construction materials prices have been well behaved in 2024 but remain about 40% higher than the pre-pandemic level. As a result, a plurality of contractors now expect their profit margins to contract over the next six months, according to Associated Builders' and Contractors Construction Confidence Index.



Accordingly, lower interest rates are a welcome development for the industry. While lower borrowing costs and looser lending standards will eventually provide a much needed tailwind for the industry, it remains to be seen how long it will take for those stimulative effects to arrive.

PROJECT HIGHLIGHT MACKENZIE CONTRACTING COMPANY, LLC

National Veterinary Association, Animal Dental Center

Proper dental care is essential for maintaining the health and well-being of animals, and the newly constructed Animal Dental Center in Annapolis, Maryland, sets a new standard for veterinary facilities. This state-of-the-art center, developed in collaboration with Manns Woodward Studios, is designed to offer a comprehensive range of dental services for pets, ensuring they receive the highest level of care. With cutting-edge equipment, dedicated treatment spaces, and a welcoming atmosphere, the facility provides a comforting environment for both pets and their owners. The specialized layout focuses on functionality and flow, optimizing the experience for veterinary professionals and enhancing the efficiency of patient care.

This new Animal Dental Center marks the second successful project completed by MacKenzie Contracting and the Manns Woodward Studios team for the National Veterinary Association (NVA). Together, they have created a facility that reflects the latest advancements in veterinary design and construction, incorporating innovative features to accommodate a variety of dental procedures. From routine checkups to complex surgeries, the center is equipped to handle all of your pet's dental needs. As it opens its doors to the community, this facility reaffirms the commitment to providing top-tier medical care for every pet, establishing itself as a cornerstone of veterinary excellence in Annapolis.

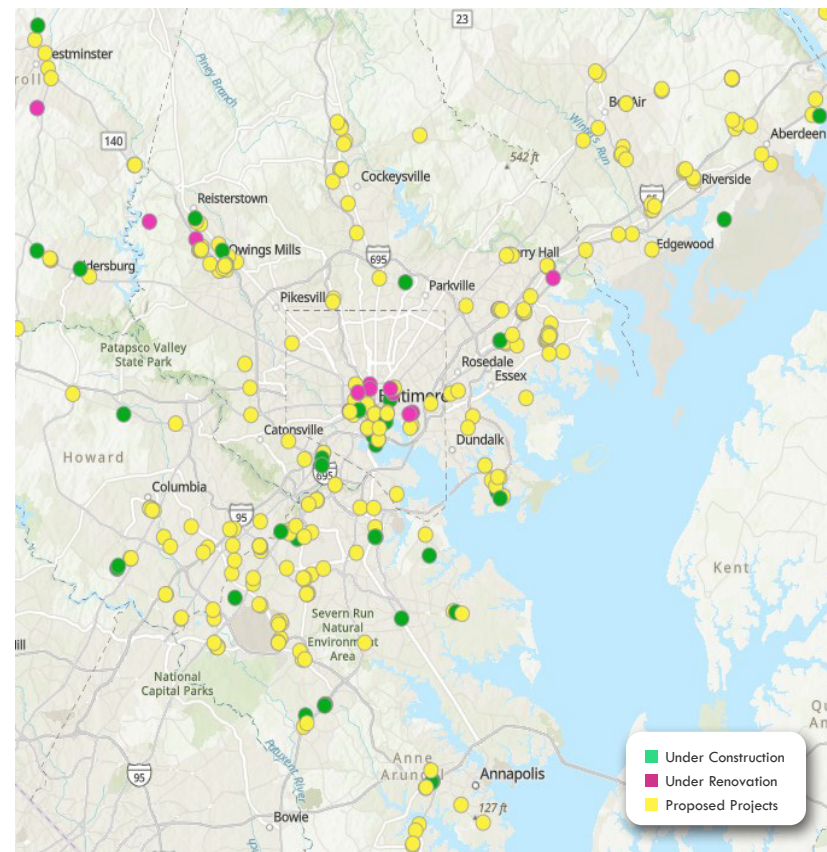
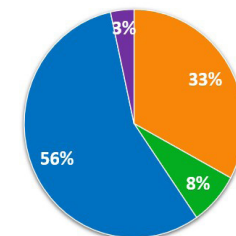
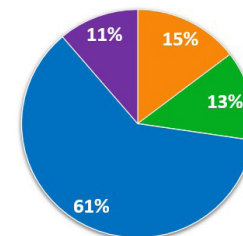
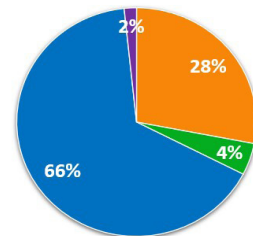
This Quarterly Takeaway has been provided by Marty Copsey, President & COO of MacKenzie Contracting Company, LLC. Marty can be reached at mcopsey@mackenziecontracting.com.

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

THIRD QUARTER | 2024



OFFICE INDICATORS

Market Size
114,612,493

Building Count
2,545

Absorption
-474,285

YTD Absorption
-235,793

Vacancy
13.92%

Rental Rate
\$24.58/sf

The upcoming elections have heightened economic uncertainty, further destabilizing an already fragile market. A recent 50 basis point interest rate cut, with another rate cut expected before year's end, may stimulate leasing activity. However, Baltimore City's difficulty in attracting new businesses has led to persistently high vacancy rates. While many U.S. markets have seen tenants downsize and shift to higher-quality spaces, Baltimore has struggled to absorb excess office space, exacerbating local market challenges.

New construction has slowed, preventing further oversupply. The State of Maryland has yet to occupy many Baltimore City Center buildings leased in 2022 and 2023, though the Department of Human Services did move into 149,000 sf at 25 S. Charles St. in the third quarter. In contrast, the suburban markets, Northern Metro and Southern Metro, have shown stronger occupancy, with vacancy rates at 11.2% and 11.6% respectively, compared to the city's 22.1% vacancy rate. Despite robust leasing activity in suburban areas, many deals consist of renewals, downsizing, and future leases with future occupancy dates.

Overall, 2023 has been a weak year for office sales, with the average price per square foot dropping to \$92 from \$217. The path to recovery may rely on repurposing or modernizing existing office spaces to meet evolving workforce demands. Additionally, initiatives to attract new industries to Baltimore and state efforts to fully occupy leased spaces may offer long-term relief. However, without significant economic improvement or stronger business incentives, the commercial office market, especially in urban areas like Baltimore City, may face prolonged recovery challenges into the future.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Baltimore City Center	12,097,237	28.8%	29.2%	28.5%	-58,756	-59,345	\$24.55	\$24.50	\$24.17
Baltimore City Midtown	2,070,336	9.4%	8.8%	8.7%	6,921	14,986	\$19.31	\$19.05	\$20.37
Baltimore City NE	1,057,599	8.4%	9.8%	6.4%	29,968	-14,819	\$32.23	\$32.23	\$30.52
Baltimore City NW	2,069,148	6.5%	3.8%	3.9%	-26,923	-20,817	\$29.51	\$29.52	\$29.20
Baltimore City SE	7,013,197	20.2%	18.8%	20.2%	-106,216	9,061	\$32.08	\$32.10	\$32.23
Baltimore City SW	3,033,959	23.6%	22.8%	20.4%	-21,875	-17,790	\$24.13	\$25.26	\$24.30
Baltimore City	27,341,476	22.1%	21.7%	19.5%	-176,881	-88,724	\$26.71	\$26.80	\$26.59
Baltimore County East	4,149,759	12.0%	12.6%	14.6%	-36,113	-47,019	\$21.77	\$22.04	\$23.02
Baltimore County West	8,324,399	7.0%	7.1%	7.3%	3,914	22,758	\$19.89	\$19.58	\$19.77
Carroll County	2,165,824	3.9%	3.8%	4.4%	494	4,415	\$21.70	\$21.63	\$23.22
Cecil County	754,540	1.7%	2.3%	7.8%	4,536	5,580	\$24.67	\$24.67	\$30.94
Harford County	4,886,388	15.2%	14.7%	15.5%	-26,739	5,278	\$24.56	\$24.56	\$24.27
I-83 Corridor	10,342,972	13.4%	12.8%	14.2%	-68,496	-161,987	\$22.90	\$22.96	\$22.91
Reisterstown Rd.	7,992,607	12.4%	12.4%	15.3%	26,273	59,762	\$25.58	\$25.53	\$25.69
Towson	8,018,794	11.3%	11.1%	10.6%	-18,135	-2,134	\$21.69	\$21.68	\$21.69
Northern Metro	46,635,283	11.2%	11.0%	12.1%	-114,266	-113,347	\$22.66	\$22.63	\$22.91
Annapolis	5,240,649	10.3%	10.7%	10.7%	-17,757	-28,567	\$29.38	\$29.38	\$29.67
BWI Corridor	14,222,201	8.6%	8.6%	7.9%	-69,193	51,447	\$23.27	\$23.14	\$26.10
Columbia	18,298,521	15.1%	14.8%	14.7%	-83,358	-40,195	\$25.77	\$25.45	\$26.12
Route 2 Corridor	2,874,363	6.1%	5.6%	6.0%	-12,830	-16,407	\$25.54	\$25.17	\$25.01
Southern Metro	40,635,734	11.6%	11.4%	11.1%	-183,138	-33,722	\$25.34	\$25.13	\$26.49
Totals	114,612,493	13.9%	13.7%	13.5%	-474,285	-235,793	\$24.58	\$24.51	\$25.06

An iconic office building at 201 N. Charles St. has been sold for \$3.1 million at auction. The lender took a \$1 million loss, having acquired the 268,645 sf building for a higher price during the foreclosure auction in June 2022.

Stifel Financial is downsizing its office space from 80,000 sf to just one floor at One South St. The majority of its workforce will relocate to a 35,000 sf office at 1201 Wills St. in Baltimore Southeast.

The fully leased office building located at 2553 Housley Rd. in Annapolis sold for \$2.42 million or approximately \$187/sf.

The University of Baltimore has leased over 46,000 sf at 101 W. Mt. Royal Ave. This location will house the UBalt Welcome Center, as well as key administrative offices.

The former office building at 600 E. Lombard St., has been demolished after years of vacancy and vandalism. The site is slated to be transformed into green space, with completion expected by the end of 2024.

Zander's, a fine dining restaurant at 135 E. Baltimore St., has closed after just four months of operation. The Alex Brown building is now available for lease as office space.

The historic Can Company complex in Canton sold for \$12 million to local investors before it went up for auction. The 280,000 sf building is a mix of office and retail, the new owners intend to refill the current vacancy.

The vacant, vandalized office building at 600 E. Lombard St. in City Center has been razed. Formerly the home of Baltimore City Community College the transformation to green space should be completed by the fall of 2024.



OFFICE INDICATORS

Market Size
114,612,493

Building Count
2,545

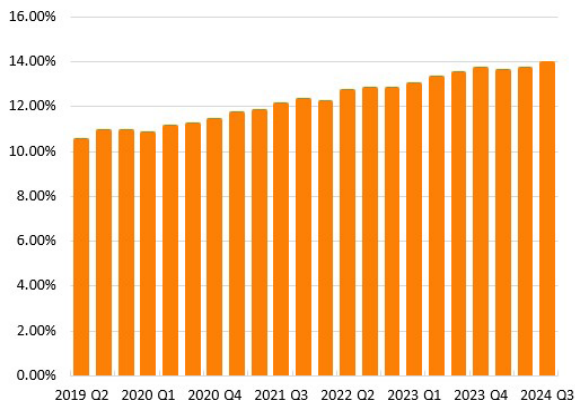
Absorption
-474,285

YTD Absorption
-235,793

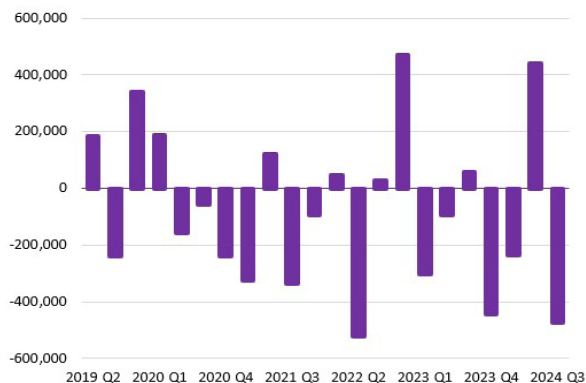
Vacancy
13.92%

Rental Rate
\$24.58/sf

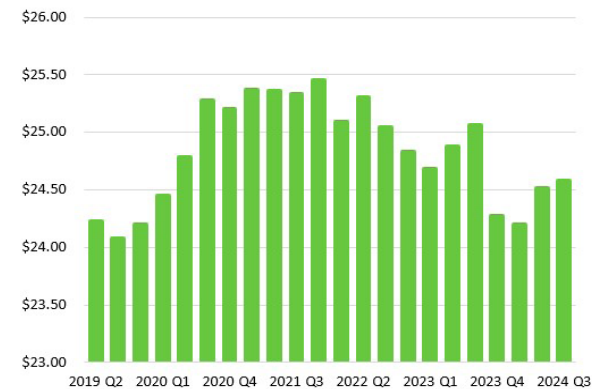
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Cecil County	1.7%
2	Carroll County	3.9%
3	Route 2 Corridor	6.1%

Highest Vacancy

1	Baltimore City Center	28.8%
2	Baltimore City SW	23.6%
3	Baltimore City SE	20.2%

Most Change vs. Prior Quarter

-	Baltimore City NE	-1.45%
+	Baltimore City NW	2.73%

Lowest Net Absorption

1	Baltimore City NE	29,968
2	Reisterstown Rd Corridor	26,273
3	Baltimore City Midtown	6,921

Highest Net Absorption

1	Baltimore City SE	-106,216
2	Columbia	-83,358
3	BWI Corridor	-69,193

Most Absorption, Year-to-Date

-	I-83 Corridor	-161,987
+	Reisterstown Rd Corridor	59,762

Cheapest Rates

1	Baltimore City Midtown	\$19.31
2	Baltimore County West	\$19.89
3	Towson	\$21.69

Most Expensive Rates

1	Baltimore City NE	\$32.23
2	Baltimore City SE	\$32.08
3	Baltimore City NW	\$29.51

Most Change vs. Prior Quarter

-	BWI Corridor	-\$1.13
+	Route 2 Corridor	\$0.37

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
1550 W. Nursery Rd.*	BWI Corridor	Northrop Grumman	156,215
8031 Corporate Dr.*	Baltimore County East	Comcast	66,000
6100 Merriweather Dr.*	Columbia	Adtalem Global Education	53,346
101 W. Mt. Royal Ave.	Baltimore City Midtown	UM Welcome Center	46,380

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
2200 Defense Hwy.	Route 2 Corridor	\$9,000,000	\$137	65,780
2 Park Center Ct.	Reisterstown Rd Corridor	\$5,942,500	\$197	30,167
8020 Corporate Dr.	Baltimore County East	\$4,000,000	\$78	51,600
2553-2555 Housley Rd.	Annapolis	\$2,425,000	\$195	12,464

* Renewal, Expansion, or Sublease

OFFICE OVERVIEW (DC METRO)

THIRD QUARTER | 2024



OFFICE INDICATORS

Market Size
112,665,643

Building Count
2,009

Absorption
192,028

YTD Absorption
-578,645

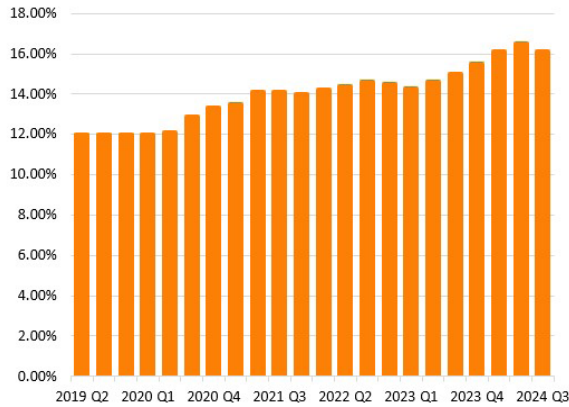
Vacancy
16.13%

Rental Rate
\$29.49/sf

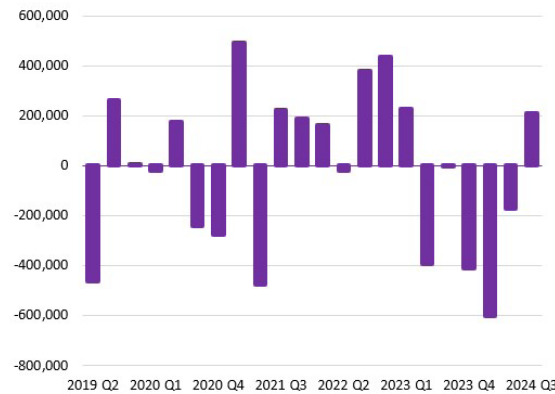
THE NUMBERS

	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,799,881	12.6%	12.4%	8.3%	29,502	-288,842	\$23.65	\$23.50	\$24.70
Montgomery Co. North	12,532,324	12.9%	13.4%	11.4%	43,868	27,952	\$31.67	\$31.23	\$24.04
Montgomery Co. South; Rockville/Bethesda	52,391,821	20.0%	20.3%	18.2%	140,906	-400,920	\$32.43	\$32.45	\$31.96
Prince George's Co. North	22,348,186	13.1%	13.9%	14.0%	15,481	61,322	\$24.31	\$24.09	\$24.09
Prince George's Co. South	5,137,867	6.1%	6.0%	6.4%	-7,344	-35,677	\$27.56	\$28.27	\$30.92
Silver Spring North/Route 29	4,236,170	9.1%	8.8%	10.8%	-12,273	79,058	\$27.33	\$27.24	\$29.86
Silver Spring South	7,219,394	18.4%	18.4%	18.6%	-18,112	-21,538	\$30.19	\$30.19	\$29.36
Totals	112,665,643	16.1%	16.5%	15.0%	192,028	-578,645	\$29.49	\$29.43	\$28.66

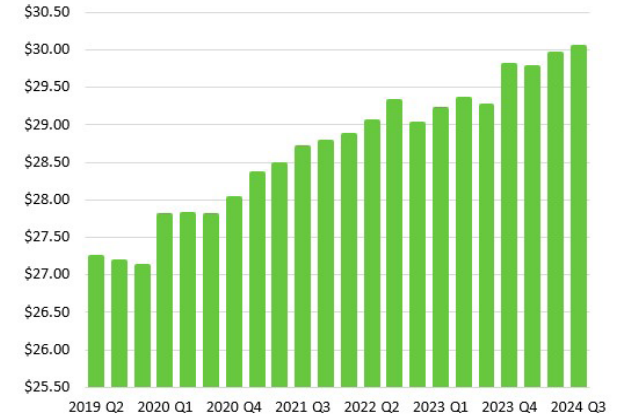
VACANCY



NET ABSORPTION



RENTAL RATES



LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
520 Gaither Rd.*	Montgomery County S	BAE Systems	139,120
6555 Rock Spring Dr.*	Montgomery County S	National Institute of Health	123,750
9711 Washingtonian Blvd.*	Montgomery County S	Regus	17,013

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
2115 E Jefferson St	Montgomery County S	\$21,760,000	\$149	146,286
8490 Progress Dr	Frederick County	\$18,000,000	\$136	132,134
20500 Seneca Meadows Pky	Montgomery County N	\$8,500,000	\$132	64,320

* Renewal, Expansion, or Sublease



RETAIL INDICATORS

Market Size
117,626,030

Building Count
4,752

Absorption
58,656

YTD Absorption
113,348

Vacancy
6.08%

Rental Rate
\$20.27/sf

3RD QUARTER SUMMARY

The retail market in Baltimore is experiencing a mix of resilience, challenges, and opportunities. Despite a backdrop of continued economic uncertainty and evolving consumer behaviors, the region has shown strong demand for retail space, with low vacancy rates. The retail environment has adapted to the post-pandemic environment. Many businesses are enhancing consumer experience by catering to the increased preferences for convenience, yet consumers are not challenging the higher prices. In fact, retailers are generating leases at above market rents in some instances.

The market is also facing pressures, including rising costs and an uptick in store closures, as some nationally branded retailers continue to struggle in the competitive landscape. Recent trends indicate a concerning wave of bankruptcies with companies like Big Lots, closing traditional big box locations as part of restructuring plans. In the third quarter alone Big Lots closed 302 locations nationwide with 5 located in Maryland; the average store size was 33,800 sf. Despite these closures, the overall demand for retail space in Baltimore remains robust, indicating that while challenges persist, opportunities for growth and adaptation also exist. This is evident by positive absorption this quarter bringing Baltimore's vacancy rate to 6% with overall rental rates having remained steady in the low to mid \$20's as a representation of the larger trade area.

It is too early to tell how a drop in interest rates will affect property sales as the latest reports still show ongoing inflation of consumer goods, and decreased spending. The average sale price of retail has increased from approximately \$119/psf at the start of the year to \$156/psf by the end of the third quarter. The largest retail transaction this year was the sale of Westfield Annapolis Mall at \$160M by a Dallas developer.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Annapolis	5,612,793	12.28%	12.21%	12.64%	17,036	24,193	\$32.49	\$29.71	\$30.51
Baltimore City	19,226,350	7.10%	7.11%	6.94%	3,361	7,074	\$18.58	\$18.87	\$19.35
Baltimore County East	15,585,753	5.48%	5.47%	5.29%	1,405	472	\$14.57	\$14.50	\$15.93
Baltimore County West	7,270,942	6.69%	5.80%	5.83%	-51,947	-63,207	\$19.41	\$17.52	\$21.26
BWI Corridor	9,447,911	2.59%	2.10%	2.56%	-46,244	-54,478	\$25.62	\$25.41	\$25.28
Carroll County	7,039,730	2.82%	2.62%	2.35%	45,701	32,642	\$16.83	\$16.24	\$15.95
Cecil County	3,215,828	4.86%	4.76%	5.34%	-4,272	-7,624	\$13.46	\$13.80	\$13.82
Columbia	10,070,442	4.09%	4.12%	4.57%	2,483	43,473	\$28.64	\$28.54	\$29.65
Harford County	10,615,346	5.39%	5.55%	5.92%	22,125	83,422	\$20.18	\$20.27	\$20.60
Howard County West	773,153	4.00%	4.38%	4.10%	2,366	2,730	\$26.78	\$27.10	\$26.20
I-83 Corridor	5,207,704	8.89%	8.69%	6.41%	-13,566	-51,022	\$22.70	\$25.32	\$24.37
Reisterstown Rd Corridor	7,631,458	10.15%	10.53%	9.70%	83,225	82,684	\$16.84	\$16.65	\$23.59
Route 2 Corridor	10,454,145	7.29%	9.68%	9.30%	12,710	-10,659	\$17.32	\$17.19	\$14.92
Towson	5,474,475	2.66%	2.38%	3.38%	-15,727	23,648	\$23.59	\$24.45	\$24.32
Totals/Averages	117,626,030	6.08%	6.19%	6.10%	58,656	113,348	\$20.27	\$20.21	\$21.04

ITEMS TO NOTE:

Annapolis Mall has been sold for \$160 million to a partnership that plans to enhance the property and transform it into a destination hub. Spanning 1.5 million square feet across 48 acres, the buyers intend to redevelop the mall into a mixed-use space, integrating live, work, and play elements.

The historic Mayflower Theater façade will be dismantled for the development of a mixed-use project on N. Howard St. The six-story building will include 93 apartments and ground-floor retail, with plans to restore and rebuild the Mayflower Theater façade as part of the new structure.

Big Lots declared Chapter 11 bankruptcy resulting in the closure of over 300 stores nationwide. The big box retailer has closed 5 locations in Maryland.

Arbutus Shopping Center, a nearly 88,000 sf property anchored by Weis Markets, sold for \$16.65 million. The center was 95% leased at the time of sale.

Continental Realty Corporation sold the Centre at Hagerstown to Bridge33 Capital for \$36.25 million. The nearly 292,000 sf shopping center was 97% leased at the time of the sale.

Bank of America has secured a location next to Mom's Organic Market at the Rotunda on W. 40th St. Following several years of branch closures, the new location is scheduled to open by fall 2025.

Döner Brös, a kebab restaurant that started as a food truck in 2017, has filed for Chapter 7 bankruptcy after quietly closing its two locations in Charles Village and Harbor Point.

Hawthorne Plaza at 2105 Eastern Blvd. sold for \$6.4 million in an off market deal. The center is approximately 69,500 sf and is anchored by Geresbeck's Grocer.



RETAIL INDICATORS

Market Size
117,626,030

Building Count
4,752

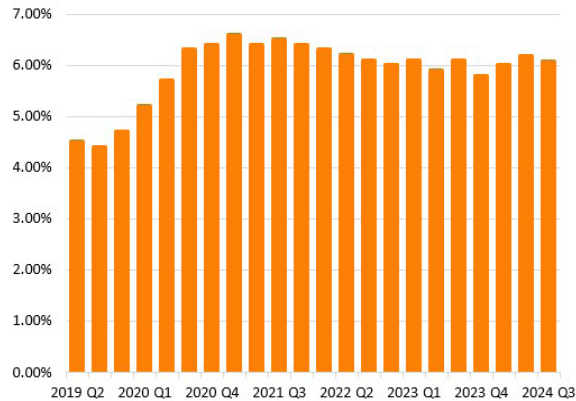
Absorption
58,656

YTD Absorption
113,348

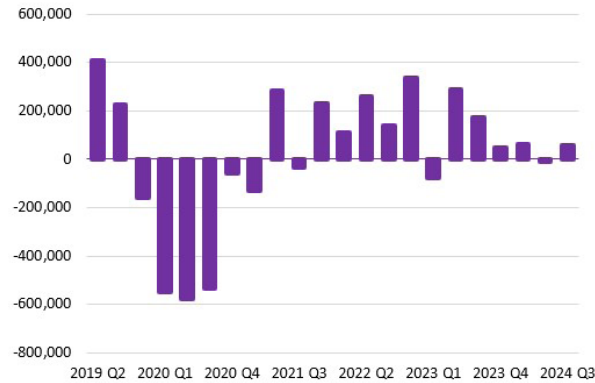
Vacancy
6.08%

Rental Rate
\$20.27/sf

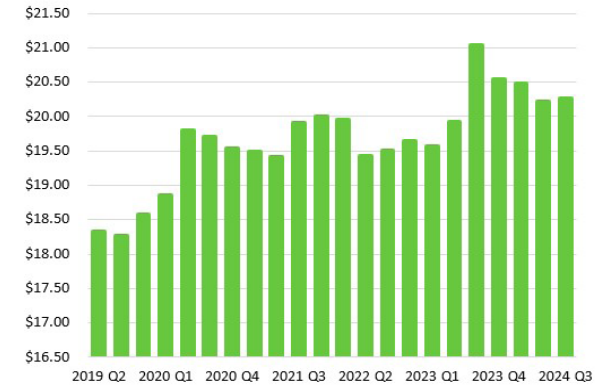
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	BWI Corridor	2.10%
2	Towson	2.38%
3	Carroll County	2.62%

Highest Vacancy

1	Annapolis	12.21%
2	Reisterstown Rd Corridor	10.53%
3	Route 2 Corridor	9.68%

Most Change vs. Prior Quarter

-	Columbia	-0.35%
+	I-83 Corridor	0.96%

Lowest Net Absorption

1	Annapolis	57,157
2	Harford County	56,297
3	Columbia	39,755

Highest Net Absorption

1	I-83 Corridor	-95,456
2	Route 2 Corridor	-26,949
3	Carroll County	-13,059

Most Absorption, Year-to-Date

-	I-83 Corridor	-49,190
+	Towson	62,029

Cheapest Rates

1	Cecil County	\$13.80
2	Baltimore County East	\$14.50
3	Carroll County	\$16.24

Most Expensive Rates

1	Annapolis	\$29.71
2	Columbia	\$28.54
3	Howard County West	\$27.10

Most Change vs. Prior Quarter

-	Reisterstown Rd Corridor	-\$1.40
+	Towson	\$0.09

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
1953 E. Joppa Rd.	Baltimore County E	A&M Appliances	24,161
5700 Cottonworth Ave.	Baltimore City NW	Copper Union	22,223
1161 State Route 3 N	BWI Corridor	Snap Fitness	12,354
5624 Baltimore National Pike	Baltimore County W	Modern Buffet	11,868

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
Annapolis Mall	Annapolis	\$160,000,000	\$106	1,509,419
Arbutus Shopping Center	Baltimore County West	\$16,650,000	\$189	87,939
8540 Pulaski Hwy.	Baltimore County East	\$12,906,229	\$478	27,000
2105-2109 Eastern Blvd.	Baltimore County East	\$6,400,000	\$92	69,582

* Renewal, Expansion, or Sublease

RETAIL OVERVIEW (DC METRO)

THIRD QUARTER | 2024



RETAIL INDICATORS

Market Size
81,777,847

Building Count
2,833

Absorption
-71,739

YTD Absorption
111,126

Vacancy
5.89%

Rental Rate
\$28.80/sf

THE NUMBERS

MARKET SIZE

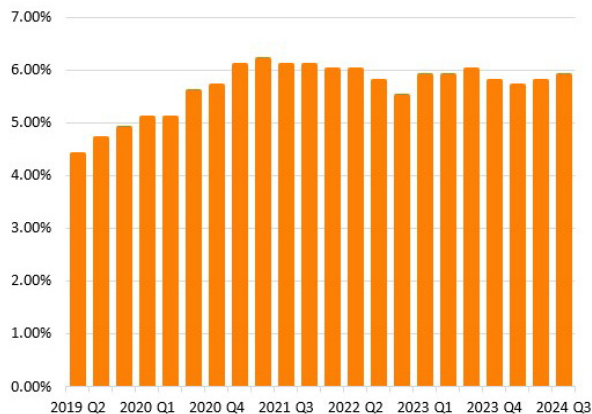
VACANCY %

ABSORPTION

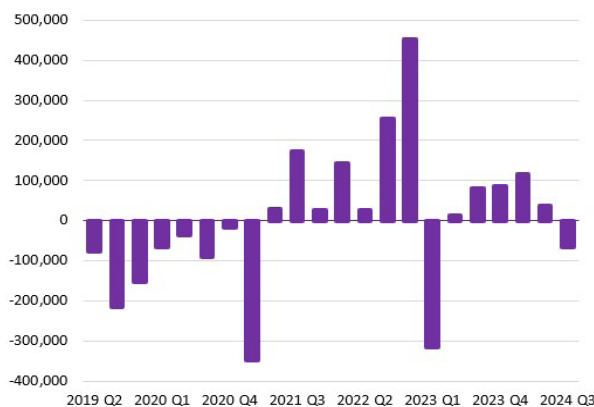
RENTAL RATES

	Market Size	Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Frederick County	12,161,872	4.77%	5.09%	6.41%	40,979	-9,967	\$22.38	\$22.19	\$23.83
Montgomery County North	10,919,079	8.30%	8.22%	8.41%	3,696	34,813	\$31.26	\$30.94	\$30.74
Montgomery County South-Rockville	18,177,381	4.04%	4.12%	4.37%	4,453	108,599	\$31.42	\$31.71	\$33.59
Prince George's County North	22,457,779	6.77%	6.30%	6.16%	-66,805	-107,816	\$26.79	\$26.93	\$24.48
Prince George's County South	12,306,742	5.19%	4.65%	4.65%	-95,957	-48,842	\$27.46	\$20.65	\$27.73
Silver Spring North-Route 29	3,368,172	10.48%	11.32%	10.49%	29,869	131,244	\$38.26	\$38.26	\$34.84
Silver Spring South	2,386,822	3.48%	3.21%	3.27%	12,026	3,095	\$42.64	\$41.26	\$42.85
Washington DC Retail Total	81,777,847	5.89%	5.76%	6.00%	-71,739	111,126	\$28.80	\$27.76	\$28.70

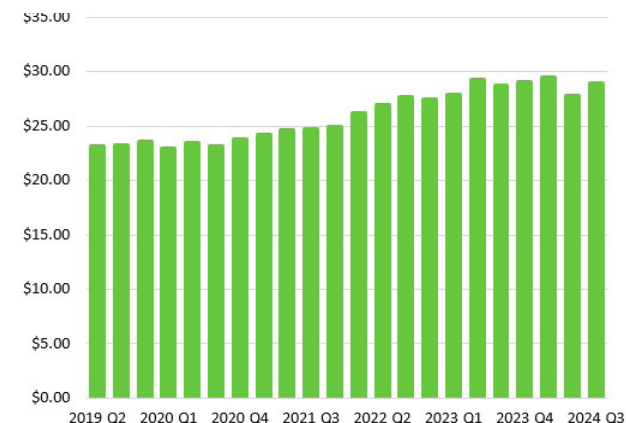
VACANCY



NET ABSORPTION



RENTAL RATES



LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
7415 Greenbelt Rd.	Prince George's County	DMV Iron Gym	30,239
4600 Branch Ave.	Prince George's County	United Rentals	21,108
1601-1683 Rockville Pike	Montgomery County S	A&M Appliances	16,018

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
Germantown Commons	Montgomery County N	\$69,700,000	\$374	186,500
Penn Mar	Prince George's County S	\$68,500,000	\$181	378,205
Frederick Crossing	Frederick County	\$47,200,000	\$160	294,718

* Renewal, Expansion, or Sublease



INDUSTRIAL INDICATORS

Market Size
272,891,314

Building Count
3,705

Absorption
1,458,116

YTD Absorption
295,011

Vacancy
7.51%

Rental Rate
\$11.83/sf

In the third quarter, Baltimore's industrial vacancy rates slightly declined from 7.72% to 7.53%, indicating a marginal improvement in the market. Over 3 M sf of new leases have been signed this year, showcasing continued activity despite broader economic challenges. However, the inventory of flex and industrial buildings has increased by more than 1.5 M sf due to new construction completion. Notably, approximately 74% of this new construction remains vacant, highlighting a disconnect between supply and demand in the current market.

Rental rates appear to be softening as landlords adjust their strategies to fill vacant spaces. This trend is partly driven by decreased demand for goods, which has been impacted by inflation and rising interest rates. As a result, many companies are slowing their growth and reassessing their needs in key markets, leading to a cautious approach to expansion. The Baltimore County East submarket stood out this quarter, recording the largest deal with SH Bell Company leasing 447,448 sf.

Third-party logistics companies and wholesalers were the most active sectors in the industrial market this quarter, reflecting ongoing demand in these industries. Demand has also increased for industrial outdoor storage (IOS) space but due to the necessary zoning and building-to-land ratio it has been increasingly hard to track. Despite the challenges posed by economic factors, the activity in leasing indicates that businesses are still seeking space to meet operational needs.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Annapolis/Route 2	6,485,450	11.39%	8.32%	6.97%	-15,338	21,227	\$16.08	\$16.14	\$16.95
Baltimore City	5,059,491	6.80%	7.01%	9.10%	-8,877	-17,505	\$21.25	\$26.08	\$25.31
Baltimore County East	4,165,341	8.92%	10.30%	11.44%	40,687	10,914	\$13.35	\$14.33	\$15.18
Baltimore County West	4,788,030	11.19%	11.27%	5.58%	1,921	-20,560	\$12.14	\$11.54	\$12.07
BWI Corridor	8,954,282	6.43%	5.49%	7.02%	-84,143	-123,278	\$15.33	\$14.51	\$13.34
Carroll County	1,896,546	5.89%	6.26%	7.72%	6,449	-12,374	\$10.76	\$10.14	\$10.57
Columbia	8,414,055	3.47%	4.01%	5.92%	44,879	72,790	\$12.73	\$12.40	\$12.24
Harford & Cecil Counties	3,116,219	8.18%	8.06%	6.87%	-5,304	-33,726	\$10.41	\$9.67	\$10.11
I-83 Corridor	5,597,899	3.68%	4.82%	6.11%	55,062	70,904	\$10.57	\$10.72	\$11.15
Reisterstown Rd	2,950,806	11.66%	12.87%	12.86%	23,489	-22,186	\$12.76	\$12.77	\$12.46
Flex Totals	51,428,119	7.34%	7.22%	7.50%	58,825	-53,794	\$14.03	\$14.31	\$14.30
Annapolis Route 2	10,210,973	2.76%	2.02%	0.42%	119,877	-144,529	\$11.79	\$12.04	\$11.75
Baltimore City	50,269,360	7.36%	6.86%	6.21%	-132,086	-344,228	\$11.44	\$10.72	\$9.15
Baltimore County East	36,281,015	8.14%	9.53%	9.31%	786,190	524,242	\$8.39	\$9.03	\$14.03
Baltimore County West	9,929,297	11.80%	11.05%	8.03%	-100,688	-210,912	\$7.94	\$7.94	\$6.69
BWI Corridor	43,817,370	8.15%	7.87%	5.87%	-71,782	-781,841	\$15.46	\$16.21	\$13.21
Carroll County	9,096,443	1.17%	0.77%	0.74%	-37,170	-46,271	\$7.01	\$7.21	\$7.96
Columbia	5,305,486	14.69%	14.62%	5.92%	-1,568	-427,186	\$13.78	\$14.37	\$12.16
Harford & Cecil Counties	49,706,017	7.97%	9.39%	11.52%	911,503	1,754,559	\$9.20	\$9.08	\$8.15
I-83 Corridor	5,224,507	4.53%	3.20%	6.16%	-69,577	-21,069	\$10.98	\$10.98	\$8.33
Reisterstown Rd	1,622,727	0.73%	0.39%	3.22%	-5,408	46,040	\$11.00	\$11.00	\$11.91
Warehouse Totals	221,463,195	7.57%	7.84%	7.40%	1,399,291	348,805	\$10.95	\$11.05	\$10.56
Totals	272,891,314	7.53%	7.72%	7.40%	1,458,116	295,011	\$11.83	\$11.97	\$11.56

ITEMS TO NOTE:

The Race Road Logistics Center, a 130,000 sf warehouse in the BWI Corridor, was sold to Sagard Real Estate for \$33.5 million, or \$256.92/sf. Built in 2022, the property was 67% leased at the time of sale.

Eastern Lift Truck Co. has purchased the building at 8801 Wise Ave., which it has been leasing, for \$14.25 million. The company occupied about 70% of the 133,000 sf building at the time of purchase.

Catalyst Investment Partners has acquired 7675 Canton Center Dr., formerly the Dunbar Armored Inc. headquarters, for \$2.2 million. The building had been vacant for some time, and the new owners plan to renovate it to expand its warehouse capacity.

725 Pittman Rd, a 180,000 sf facility, has been purchased by a partnership between Shaw Real Estate and Atlas Container Company for \$10.3 million. The property's close proximity to the Key Bridge impacted the sale and lowered the price.

Driven by the growing demand for cloud and AI technologies, Microsoft and Google are redirecting capital from office real estate to data centers. Both tech giants plan to reduce their office space by millions of square feet.

Tradepoint Atlantic is home to the largest lease of the quarter, S.H. Bell Company inked a deal for almost 450,000 sf at 6301 New Cold Mill Rd.

The wholesale distributor, ABC Supply Co., has signed on for nearly 265,000 sf at 1501 Perryman Rd. in Aberdeen, MD.

As the popularity of AI demand increases, so does the need for datacenters to house information. Datacenters are changing their approach in real estate selection, opting for more rural locations that have higher power availability to meet the growing power demand.



WAREHOUSE INDICATORS

Market Size
221,463,195

Building Count
2,473

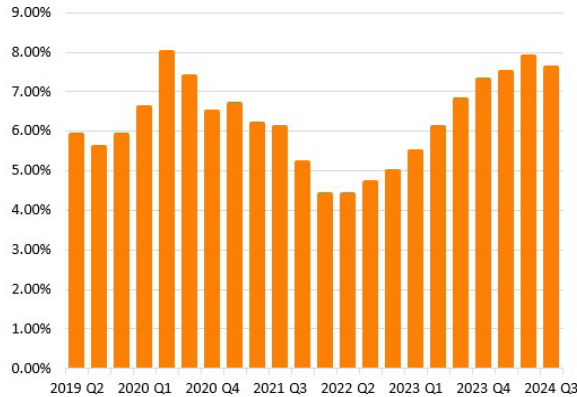
Absorption
1,399,291

YTD Absorption
348,805

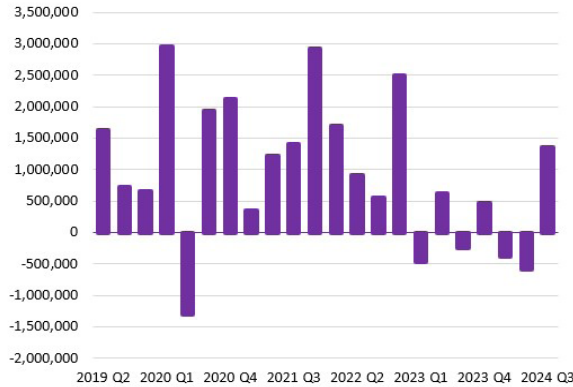
Vacancy
7.57%

Rental Rate
\$10.95/sf

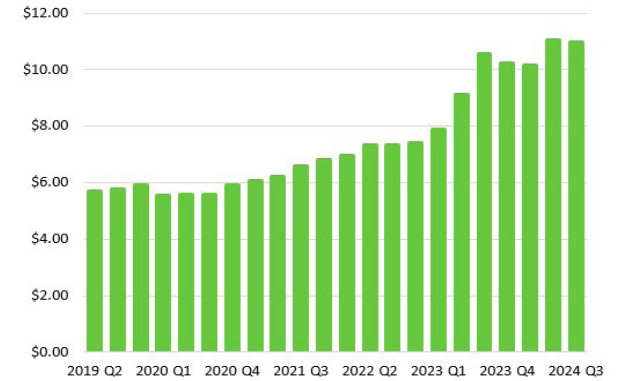
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Reisterstown Rd	0.73%
2	Carroll County	1.17%
3	Annapolis/Route 2	2.76%

Highest Vacancy

1	Columbia	14.69%
2	Baltimore County West	11.80%
3	BWI Corridor	8.15%

Most Change vs. Prior Quarter

-	Harford & Cecil Counties	-1.42%
+	I-83 Corridor	1.33%

Lowest Net Absorption

1	Harford & Cecil Counties	911,503
2	Baltimore County East	786,190
3	Annapolis/Route 2	119,877

Highest Net Absorption

1	Baltimore City	-132,086
2	Baltimore County West	-100,688
3	BWI Corridor	-71,782

Most Absorption, Year-to-Date

-	BWI Corridor	-781,841
+	Harford & Cecil Counties	1,754,559

Cheapest Rates

1	Carroll County	\$7.01
2	Baltimore County West	\$7.94
3	Baltimore County East	\$8.39

Most Expensive Rates

1	BWI Corridor	\$15.46
2	Columbia	\$13.78
3	Annapolis/Route 2	\$11.79

Most Change vs. Prior Quarter

-	BWI Corridor	-\$0.75
+	Baltimore City	\$0.72

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
6301 New Cold Mill Rd.	Baltimore County E	SH Bell	447,448
1501 Perryman Rd.	Harford County	ABC Supplies	263,764
7441 Candlewood Rd.	BWI Corridor	SP Richards	253,330
7090 Troy Hill Dr.*	BWI Corridor	Northrop Grumman Corp.	180,786

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
7314 Race Rd.	BWI Corridor	\$33,500,000	\$257	130,389
2413 Peppermill Dr.	BWI Corridor	\$22,965,265	\$215	106,700
8801 Wise Ave.	Baltimore County East	\$14,250,000	\$107	133,000
725 Pittman Rd.	Route 2 Corridor	\$10,300,000	\$58	177,825

* Renewal, Expansion, or Sublease



FLEX INDICATORS

Market Size
51,428,119

Building Count
1,232

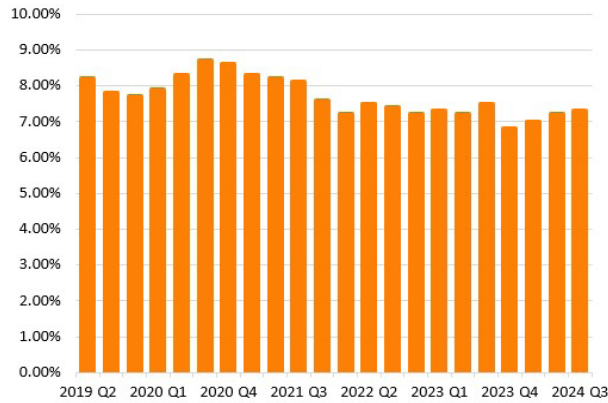
Absorption
58,825

YTD Absorption
-53,794

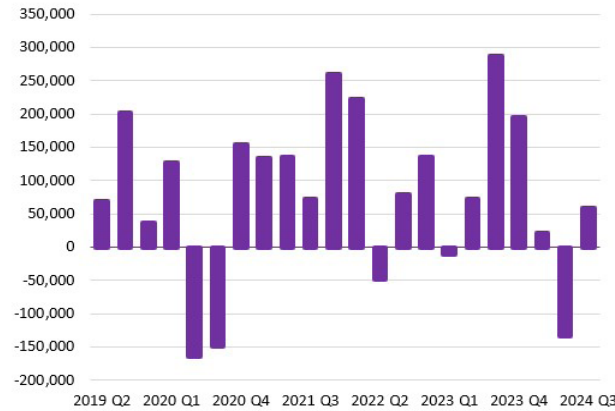
Vacancy
7.34%

Rental Rate
\$14.03

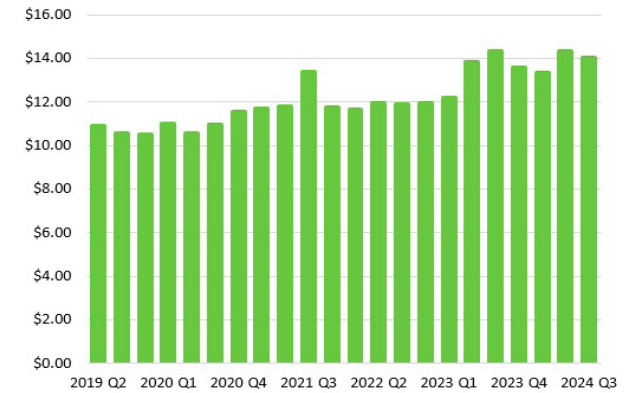
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Columbia	3.47%
2	I-83 Corridor	3.68%
3	Carroll County	5.89%

Highest Vacancy

1	Reisterstown Rd	11.66%
2	Annapolis/Route 2	11.39%
3	Baltimore County West	11.19%

Most Change vs. Prior Quarter

-	Baltimore County East	-1.39%
+	Annapolis/Route 2	3.07%

Lowest Net Absorption

1	I-83 Corridor	55,062
2	Columbia	44,879
3	Baltimore County East	40,687

Highest Net Absorption

1	BWI Corridor	-84,143
2	Annapolis/Route 2	-15,338
3	Baltimore City	-8,877

Most Absorption, Year-to-Date

-	BWI Corridor	-123,278
+	Columbia	72,790

Cheapest Rates

1	Harford & Cecil Counties	\$10.41
2	I-83 Corridor	\$10.57
3	Carroll County	\$10.76

Most Expensive Rates

1	Baltimore City	\$21.25
2	Annapolis/Route 2	\$16.08
3	BWI Corridor	\$15.33

Most Change vs. Prior Quarter

-	Baltimore City	-\$4.83
+	BWI Corridor	\$0.82

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
3610 Commerce Dr.*	Baltimore County W	RCT Systems, Inc	40,630
2555 Lord Baltimore Dr.	Baltimore County W	Neu-lon, Inc.	18,000
9075 Guilford Rd.	Columbia	Adult Day Health	16,737
7455 New Ridge Rd.*	BWI Corridor	Bayland Consultants & Designers	16,294

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
1111 S. Paca St.	Baltimore City SW	\$30,000,000	\$345	87,000
2011 Greenspring Dr.	I-83 Corridor	\$2,900,000	\$228	12,740
214 Eastern Ave.	Annapolis	\$2,250,000	\$224	10,065
1424 Odenton Rd. (Condo)	BWI Corridor	\$1,575,000	\$166	9,480

* Renewal, Expansion, or Sublease

INDUSTRIAL OVERVIEW (DC METRO)

THIRD QUARTER | 2024



INDUSTRIAL INDICATORS

Market Size
113,197,318

Building Count
2,319

Absorption
199,440

YTD Absorption
60,420

Vacancy
6.32%

Rental Rate
\$15.01/sf

THE NUMBERS

MARKET SIZE

VACANCY %

ABSORPTION

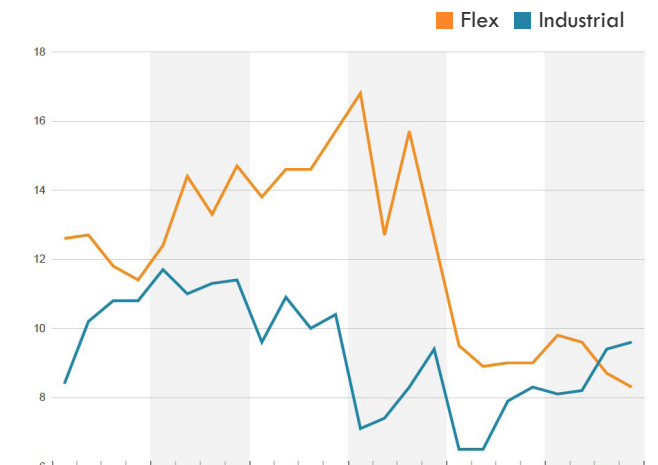
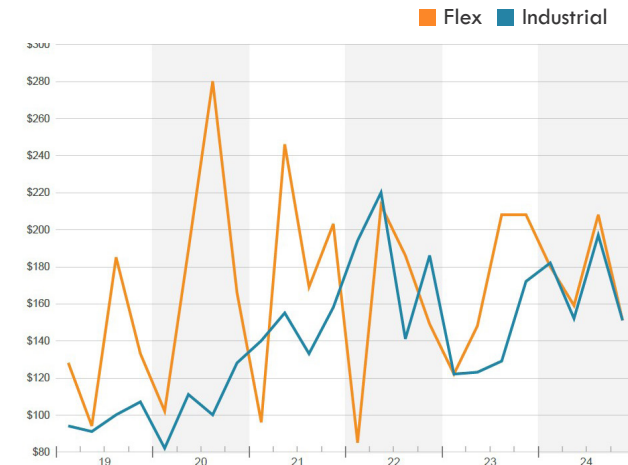
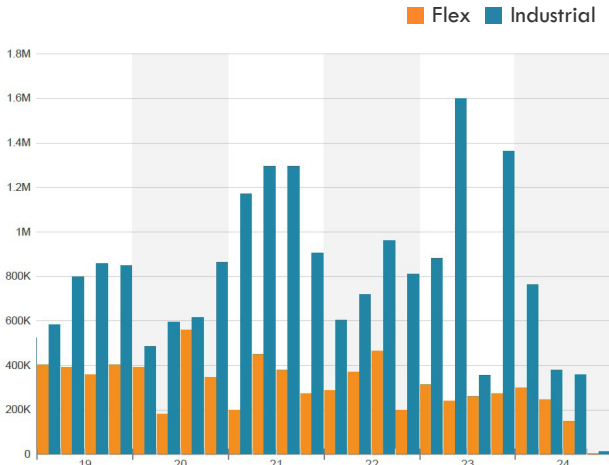
RENTAL RATES

		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	7,519,545	11.19%	11.15%	9.30%	40,552	-52,726	\$13.83	\$14.54	\$15.08
Montgomery Co. North	7,928,621	6.90%	10.32%	11.17%	-1,573	121,220	\$23.26	\$23.88	\$28.32
Montgomery Co.; Rockville/Bethesda	5,025,044	3.82%	6.66%	6.63%	52,356	5,390	\$25.13	\$22.64	\$19.77
Prince George's Co.	8,625,899	5.11%	6.60%	5.92%	52,994	-2,715	\$13.71	\$13.69	\$12.66
Silver Spring	1,454,271	7.97%	5.81%	4.96%	-31,458	-38,780	\$18.00	\$18.03	\$18.24
Flex Totals	30,553,380	6.58%	8.63%	8.10%	112,871	32,389	\$18.70	\$18.48	\$18.81
Frederick Co.	15,828,711	6.19%	6.48%	6.68%	124,892	364,857	\$11.59	\$11.57	\$10.81
Montgomery Co. North	5,870,052	10.29%	10.12%	9.67%	-6,893	-70,288	\$14.60	\$15.04	\$13.16
Montgomery Co.; Rockville/Bethesda	6,930,838	3.82%	4.64%	3.85%	52,356	5,390	\$18.14	\$18.22	\$16.07
Prince George's Co.	52,271,745	6.20%	6.12%	4.37%	-69,161	-265,223	\$13.32	\$13.31	\$12.28
Silver Spring	1,742,592	2.84%	2.02%	2.82%	-14,625	-6,705	\$17.07	\$15.68	\$15.57
Warehouse Totals	82,643,938	6.22%	6.26%	4.79%	86,569	28,031	\$13.56	\$13.56	\$12.45
Totals	113,197,318	6.32%	6.91%	5.30%	199,440	60,420	\$15.01	\$14.95	\$14.24

LEASING ACTIVITY

SALES PRICE PER SQUARE FOOT

LEASING: MONTHS ON THE MARKET



* Renewal, Expansion, or Sublease



WAREHOUSE (DC METRO)

Market Size
82,643,938

Building Count
1,677

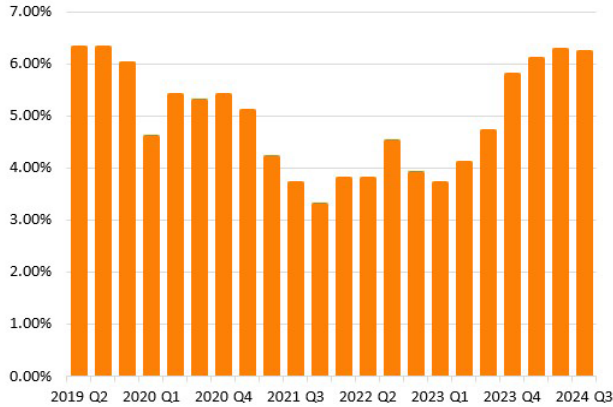
Absorption
86,569

YTD Absorption
28,031

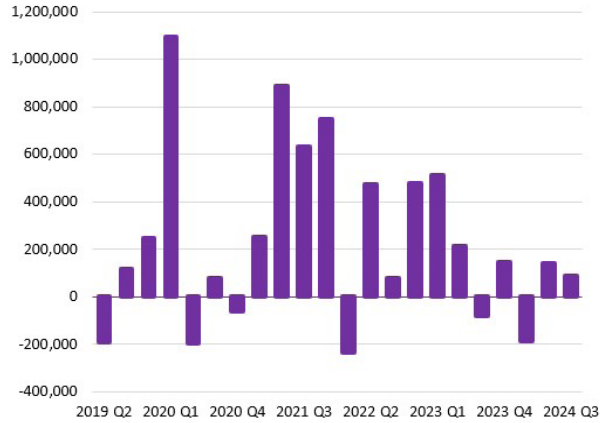
Vacancy
6.22%

Rental Rate
\$13.56/sf

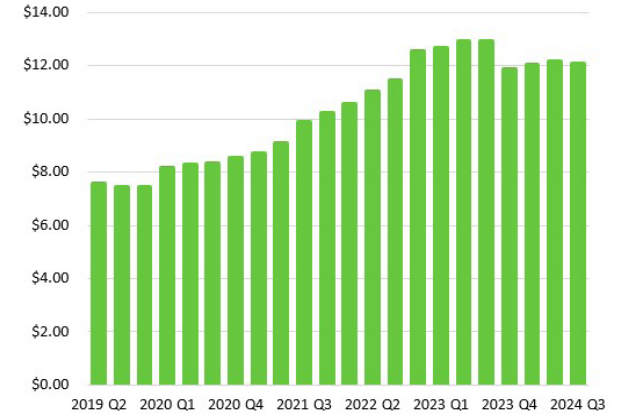
VACANCY



NET ABSORPTION



RENTAL RATES



FLEX (DC METRO)

Market Size
30,553,380

Building Count
642

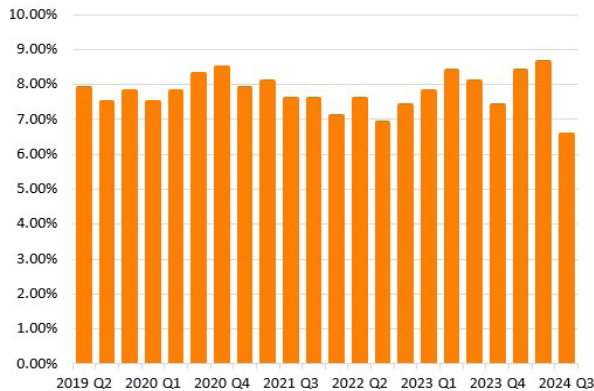
Absorption
112,871

YTD Absorption
32,389

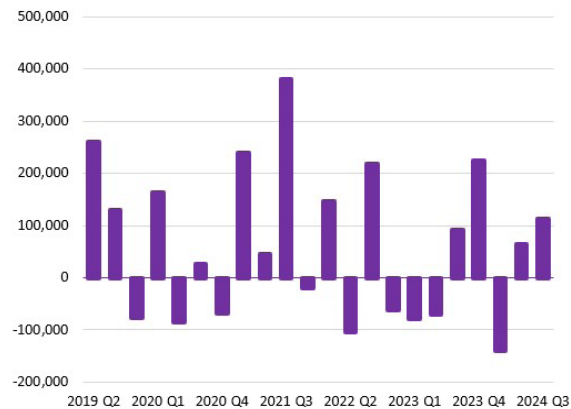
Vacancy
6.58%

Rental Rate
\$18.70/sf

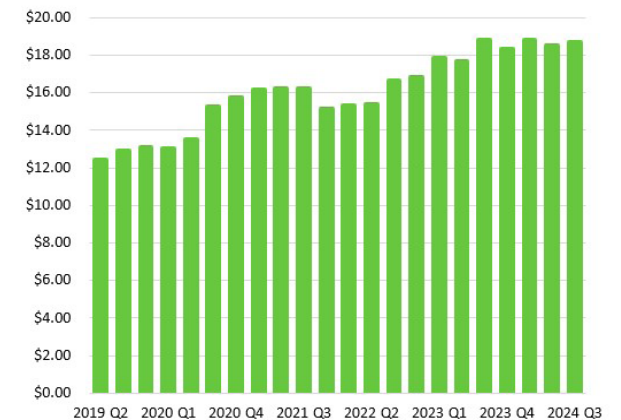
VACANCY



NET ABSORPTION

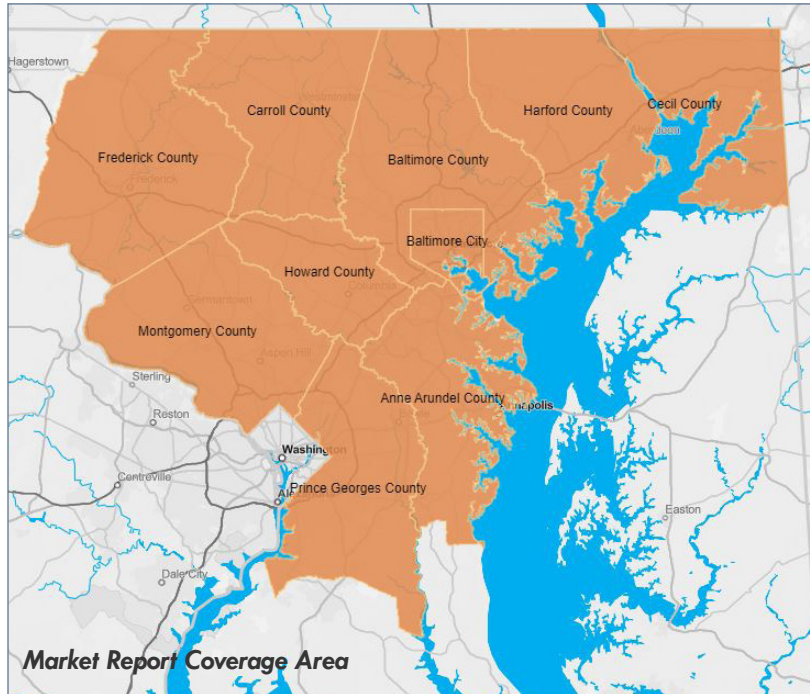


RENTAL RATES





REPORT CRITERIA AND SUBMARKETS



Market Report Coverage Area

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.