

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Baltimore



The explosive growth of Baltimore’s big-box sector is attributable to its deep-water port and access to strategic markets along Interstate 95, allowing occupiers to reach 34% of the U.S. population in a one-day truck trip and provide same-day service to the more 10 million people in the Baltimore-Washington MSA. This population density—the fourth largest in the U.S.—and solid workforce fundamentals will continue to attract both e-commerce and traditional retailers.”

– William Pellington, Executive Vice President





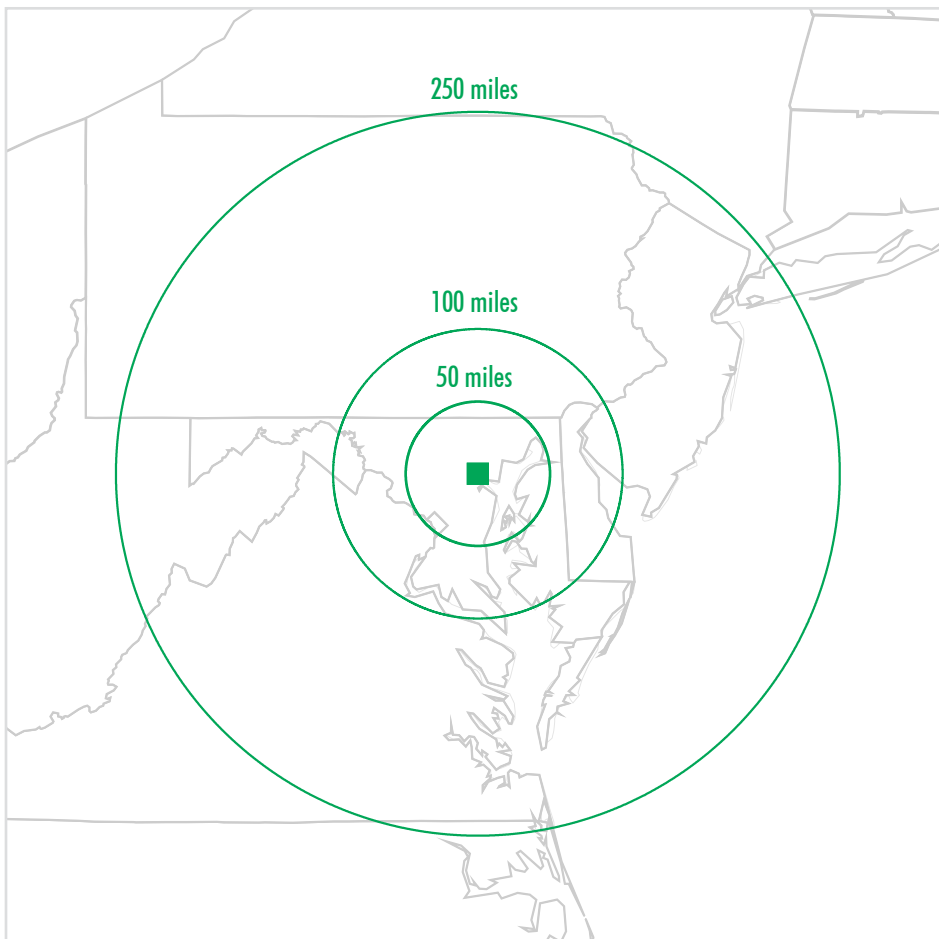
Baltimore

Demographics

More than 18 million people—23% of them in the 18-to-34 age demographic—live within 100 miles of downtown Baltimore, with a 3.4% projected growth rate over the next five years. Baltimore is ranked among other major industrial markets for reaching a high population concentration within a 100-mile radius. It also is an ideal location for distributors to conveniently serve Washington, D.C.’s large population.

An influx of occupiers increased the number of warehouse workers in the region. According to [CBRE Labor Analytics](#), the local warehouse labor force of 41,730 is expected to grow by 12.1% over the next 10 years. The average salary for non-supervisory warehouse workers is \$14.90 per hour, 5.9% above the national average.

Figure 1: Baltimore Population Analysis



Distance from Baltimore	2020 Total Population	5 Year Growth
50 miles	7,964,076	3.4%
100 miles	18,285,390	3.4%
250 miles	56,470,378	1.7%

Source: CBRE Location Intelligence.

Figure 2: Baltimore Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been 131 economic incentives deals totaling more than \$153 million at an average of \$6,723 per new job in the Baltimore metropolitan area, according to Wavteq.

According to [CBRE’s Location Incentives Group](#), among the top incentive programs offered in metro Baltimore is the Advantage Maryland program, which provides grants and loans to support economic development opportunities that offer significant returns to the state through job creation and capital

investment. To qualify for this program, businesses must be located in a priority funding area and fall within an eligible industry sector.

Another program available in Baltimore is the Job Creation Tax Credit (JCTC), which is intended to attract new businesses to locate in Maryland and encourage existing businesses to expand. The program provides eligible companies with income tax credits in exchange for creating at least 60 new jobs for Maryland residents or 25 new jobs if located in a designated revitalization area.

Figure 3: Baltimore Top Incentive Programs

Program	Description
Job Creation Tax Credit (JCTC)	Tax credit up to \$3,000 per new job
Advantage Maryland	Discretionary state and local forgivable loans
Enterprise Zone Tax Credit	Tax credit equal to \$1,000 per new worker and real property tax credit equal to 80% for the first 5 years and decreases 10% annually to 30% in the 10th and final year
More Jobs for Marylanders (MJM) Tax Credit	Refundable income tax credit of 5.75% of new payroll for 10 years (manufacturing only)
Sales Tax Exemption	Sales tax exemption available for new projects in the Port of Baltimore

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Baltimore

Logistics Driver

Baltimore's strategic location on the East Coast has attracted dozens of major e-commerce and bulk goods distributors. The region has access to CSX and Norfolk Southern rail lines, and every terminal at the Port of Baltimore is within one stoplight of an interstate highway. Baltimore has one of a few East Coast ports capable of handling ships carrying 14,000 twenty-equivalent units (TEUs) or larger.

Capital Markets



2020 started off very strong with Q1 sales volume up by 150% year-over-year. However, because of the COVID pandemic, annual sales volume dropped by 22%. In the second half of the year, cap rate compression of 30 to 50 bps across the quality spectrum benefitted sellers. During that period, the lowest cap rates ever recorded for occupied assets were achieved, with a 4.55% average cap rate along the I-81 Corridor and a 4.37% average cap rate along the I-95 Corridor. The market benefitted from new foreign capital sources, as well as significant demand from domestic sources. Investors are expecting significant rent growth in the region over the next five years, which will further enable aggressive underwriting.”

– Jonathan Beard, Senior Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	4.50% - 4.75%	5.00% - 5.50%
2019	4.50% - 4.75%	5.00% - 5.50%

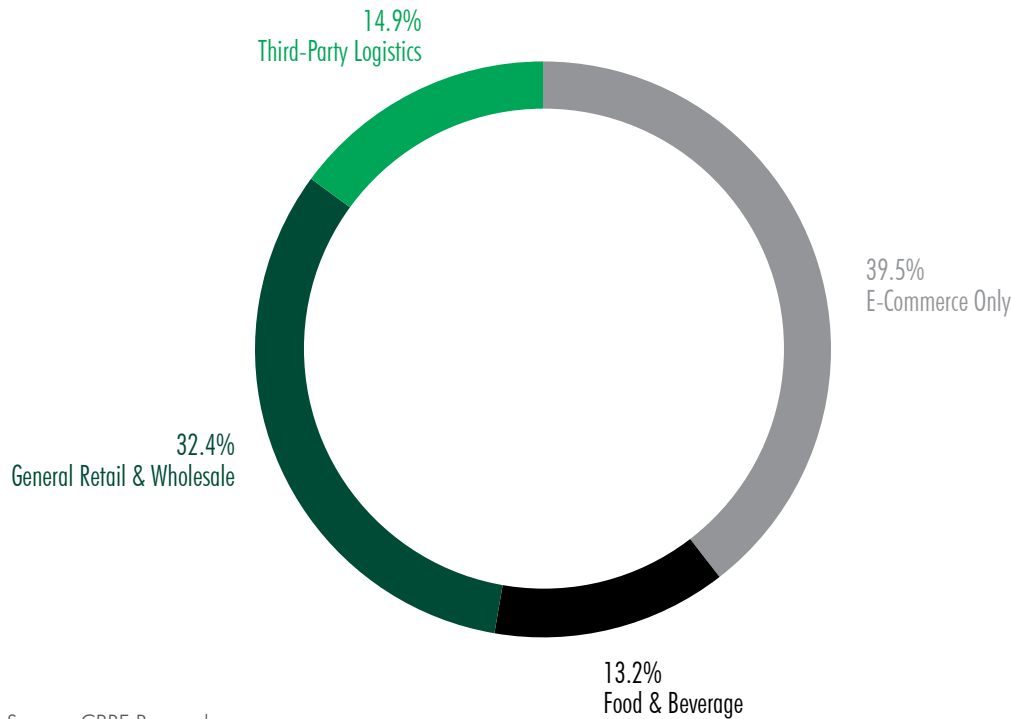
Source: CBRE Research.

Supply & Demand

With 77.4 million sq. ft. of total inventory, Baltimore is one of the smallest big-box markets in the U.S. but is garnering outsized interest from occupiers. Transaction volume of 7.3 million sq. ft. in 2020 was up by 5.3% year-over-year. The market's relatively low vacancy rate of 4.6% helped increase the average taking rent to \$5 per sq. ft. last year.

Developers have focused on mega big-box construction, with all 2.8 million sq. ft. completed last year made up of buildings of 500,000 sq. ft. or more. Nearly 90% of the 3.1 million sq. ft. currently under construction is in this size category and 59% is preleased. Robust preleasing will keep vacancy rates low and increase taking rents in 2021.

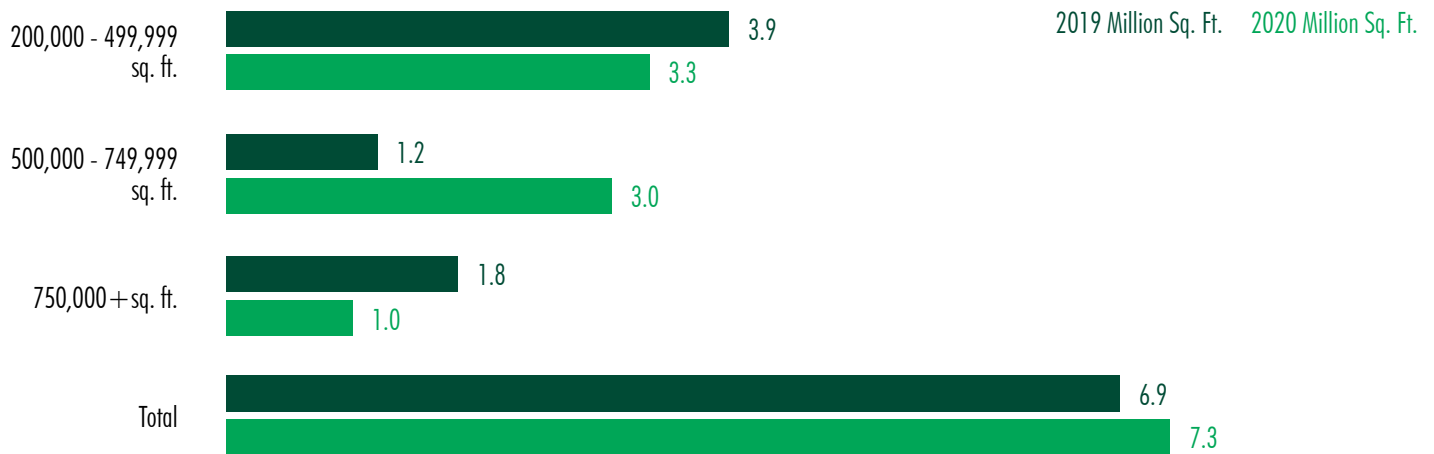
Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

Baltimore

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	127	37,833,885	3.4%	1,422,282	0	\$5.79
500,000-749,999 SF	28	17,872,831	12.5%	722,981	1,802,453	\$4.51
750,000+ SF	21	21,688,880	0.3%	1,374,451	1,040,000	\$3.65
Total	176	77,395,596	4.6%	3,519,714	2,842,453	\$5.00
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	125	37,104,548	5.4%	1,422,101	1,234,600	4.75
500,000-749,999 SF	26	15,820,378	5.7%	2,085,080	1,848,880	N/A
750,000+ SF	20	20,661,380	2.0%	4,809,581	3,391,450	N/A
Total	171	73,586,306	4.5%	8,316,762	6,474,930	4.75

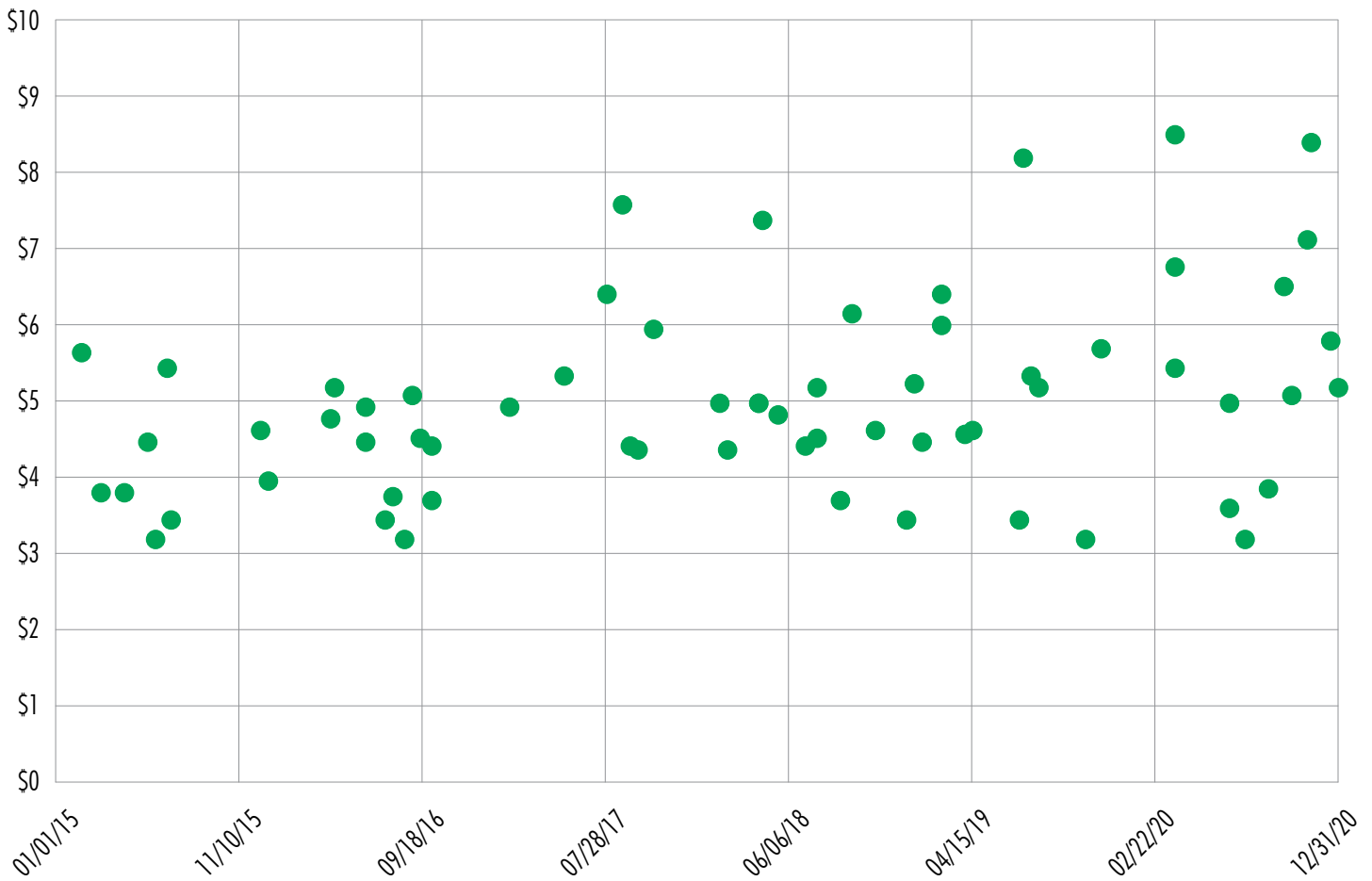
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	400,411	0.0%
500,000-749,999 sq. ft.	-	N/A
750,000+ sq. ft.	2,662,362	67.7%
Total	3,062,773	58.8%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

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