

In This Issue

- Quarterly Statistics
 - Retail
 - Office
 - Industrial
 - Multifamily
- Cap Rates
- Unemployment & Lending Rates
- Regional News

Valbridge Property Advisors | Baltimore Washington Metro serving the Baltimore and Washington, D.C. Metropolitan markets from our new central location:

**11100 Dovedale Court
Marriottsville, MD 21104
(443) 333-5522**

Prepared by:
David H. Brooks, CRE, MAI
(443) 333-5525
dbrooks@valbridge.com

www.valbridge.com

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Page 1

Commercial Markets: 4Q 2018

RETAIL – SNAPSHOT

- The retail market ended the quarter with a positive net absorption of 143,732 SF while vacancy remained relatively flat. Harford County experienced a positive 77,334 SF of absorption with the opening of the Lidl Supermarket in Aberdeen.
- Rental rates were positive across the board for the MSA since last quarter with restaurant tenant rents adding \$6.05/SF. Howard County maintains its position as having the highest restaurant rental rates in the region. For example, approximately 2,700 SF of space near Columbia Gateway leased for \$45.00
- The Yard 56 mixed-use development in Greektown, Baltimore has signed a lease with Streets Market & Café for approximately 20,000 SF. The boutique grocer is expected to open in 2020.

Submarket	Vacancy			Quoted Rates			Net Absorption
	Single Tenant	Strip Center	Restaurant	Single Tenant	Strip Center	Restaurant	
	Baltimore City	2.60%	5.10%	8.40%	\$17.70	\$14.21	
Baltimore County	1.30%	4.30%	1.80%	\$19.29	\$33.47	\$29.06	28,274
Anne Arundel County	1.40%	4.70%	8.10%	\$19.60	\$20.27	\$21.33	21,737
Carroll County	1.40%	5.70%	14.10%	\$20.82	\$16.22	\$22.16	(30,874)
Harford County	1.20%	2.50%	2.40%	\$21.37	\$19.28	\$18.00	77,334
Howard County	0.50%	4.20%	2.50%	\$32.31	\$27.08	\$38.29	2,044
Queen Anne's County	1.10%	-	5.80%	-	-	-	3,260
Total Submarket (4Q18)	1.40%	4.30%	5.60%	\$22.03	\$22.14	\$22.94	143,732
Total Submarket (3Q18)	1.30%	4.50%	4.70%	\$20.75	\$19.53	\$16.89	(85,945)
Total Submarket (4Q17)	1.10%	4.90%	5.10%	\$18.39	\$18.80	\$17.36	112,071

Source: CoStar Group, Inc.

*Quoted rental rates are based on a NNN lease structure

OFFICE – SNAPSHOT

- Six buildings delivered to the market during the quarter, however there is over one million SF of space still under construction in the MSA including Will's Wharf in Harbor East and Tenable's new HQ in Columbia.
- Rental rates increased for Class A and B space in the MSA by approximately 1.3%, while Class C space declined by approximately 3.6%.
- Major lease transactions include Disabilities Determination Services taking 55,344 SF and Eastern Savings bank renewing its 34,827 SF lease in Baltimore County, accounting for most of the 199,206 of absorption seen last quarter. Total absorption of 235,151 SF is more than double than last year.

Submarket	Class A		Class B		Class C		Net Absorption
	Vacancy	Quoted Rates	Vacancy	Quoted Rates	Vacancy	Quoted Rates	
	Baltimore City	15.50%	\$25.35	6.40%	\$20.25	5.00%	
Baltimore County	10.00%	\$22.42	9.50%	\$20.28	4.50%	\$18.39	199,206
Anne Arundel County	11.80%	\$29.33	9.90%	\$23.98	5.30%	\$20.28	116,362
Carroll County	-	-	8.10%	\$19.95	14.10%	\$18.57	6,644
Harford County	38.50%	\$25.04	7.40%	\$22.93	5.70%	\$19.36	(23,100)
Howard County	11.00%	\$30.05	8.30%	\$22.75	5.60%	\$19.91	10,509
Queen Anne's County	-	-	9.80%	\$22.66	1.20%	\$25.21	11,217
Total Submarket (4Q18)	13.10%	\$26.72	8.20%	\$21.66	5.40%	\$17.64	235,151
Total Submarket (3Q18)	12.40%	\$26.52	9.30%	\$21.26	5.20%	\$18.30	198,006
Total Submarket (4Q17)	13.10%	\$26.72	8.20%	\$21.66	4.80%	\$17.98	107,099

Source: CoStar Group, Inc.

*Quoted rental rates are based on a gross lease structure

Senior Managing Director:

David H. Brooks, CRE, MAI
(443) 333-5525
dbrooks@valbridge.com

Managing Director:

Michael Haller, MAI
(443) 333-5524
mhaller@valbridge.com

Managing Director:

Ed Steere, AICP
(443) 333-5521
esteere@valbridge.com

Senior Appraiser:

Kelly Hoffert
(443) 333-5528
khoffert@valbridge.com

Senior Appraiser:

Ilene Sheer, MAI
(443) 333-5531
isheer@valbridge.com

Senior Appraiser:

Ronald Godsey
(443) 333-5534
rgodsey@valbridge.com

INDUSTRIAL – SNAPSHOT

- The vacancy rate for warehouse and flex space was between 20 and 50 basis points lower from the previous quarter. Major moves include Domino Sugar taking approximately 315,000 SF at 7600 Assateague Drive in Anne Arundel County and SoFive leasing 59,600 SF at Columbia Gateway in Howard County.
- Strong gains were seen in quoted rental rates from the previous quarter with an increase of \$0.40/SF for warehouse space and \$0.88/SF for flex space.
- 293,077 SF of net space was absorbed, with Anne Arundel and Howard County absorbing 148,372 SF and 94,153 SF, respectively.

Submarket	Vacancy		Quoted Rates*		Net Absorption
	Warehouse	Flex	Warehouse	Flex	
Baltimore City	6.00%	5.80%	\$4.61	\$11.74	21,246
Baltimore County	6.40%	6.50%	\$4.88	\$9.63	80,532
Anne Arundel County	11.00%	8.00%	\$6.45	\$13.47	148,372
Carroll County	9.20%	11.40%	\$6.28	\$10.81	(36,778)
Harford County	8.00%	7.70%	\$5.14	\$12.91	(61,284)
Howard County	8.20%	5.20%	\$6.64	\$13.04	94,153
Queen Anne's County	0.30%	10.60%	\$7.06	\$7.17	46,836
Total Submarket (4Q18)	7.50%	6.50%	\$5.64	\$11.83	293,077
Total Submarket (3Q18)	7.70%	7.00%	\$5.24	\$10.95	1,733,880
Total Submarket (4Q17)	7.40%	7.60%	\$5.33	\$12.94	46,524

*NNN rents

Source: CoStar Group, Inc.

MULTIFAMILY – SNAPSHOT

- The Baltimore MSA remains in the favour of renters after substantial deliveries throughout 2018 and approximately 4,000 additional units under construction. Rent growth since last quarter was flat overall.
- Rental rates reflected an average growth rate of 1.71% for the MSA from this time last year. Overall, Howard County reported the highest rates on a per unit basis, while the lowest rates were reported in Carroll County.

Submarket	Multifamily Snapshot									
	Studio		1 BR		2 BR		3 BR		Overall	
	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit
Baltimore City	8.40%	\$967	7.30%	\$1,078	7.00%	\$1,218	7.60%	\$1,314	7.50%	\$1,139
Baltimore County	5.70%	\$866	6.30%	\$1,043	5.90%	\$1,228	6.70%	\$1,499	6.10%	\$1,186
Anne Arundel County	5.80%	\$1,395	6.30%	\$1,356	6.10%	\$1,537	7.90%	\$1,689	6.30%	\$1,484
Carroll County	4.40%	\$841	3.70%	\$947	4.30%	\$1,190	4.60%	\$1,408	4.20%	\$1,118
Harford County	8.50%	\$856	5.30%	\$997	5.90%	\$1,178	7.30%	\$1,374	5.90%	\$1,135
Howard County	8.20%	\$1,380	6.10%	\$1,359	5.80%	\$1,645	6.80%	\$1,985	6.10%	\$1,552
Queen Anne's County	-	-	3.60%	\$997	4.00%	\$1,353	5.70%	\$1,700	4.40%	\$1,184
Total Submarket (4Q18)	8.10%	\$973	6.60%	\$1,122	6.20%	\$1,314	7.10%	\$1,539	6.60%	\$1,247
Total Submarket (3Q18)	8.30%	\$979	6.60%	\$1,126	6.00%	\$1,318	6.60%	\$1,544	6.60%	\$1,251
Total Submarket (4Q17)	8.60%	\$971	6.80%	\$1,108	6.50%	\$1,288	6.50%	\$1,506	6.70%	\$1,226

Source: CoStar Group, Inc.

Data Sources

- ❖ Freddiemac.com
- ❖ CoStar Group, Inc.
- ❖ U.S. Department of Labor
- ❖ Valbridge Property Advisors

Some figures are interpolated and estimated due to variances between the reports.

Valbridge Property

Advisors is based in Naples, FL and is the largest independent commercial property valuation and advisory services firm in the U.S.

Valbridge has 200 MAIs, 75 office locations and 675+ staff across the nation. Each Valbridge office is led by an appraiser who holds the MAI designation of the Appraisal Institute.

Valbridge | Baltimore Washington Metro

serves the Baltimore and Washington, D.C. markets from its central location in Marriottsville, MD. With three MAI's, three Certified General licensed appraisers, four motivated trainees, an economic consultant and a very capable support staff, VBWMetro is available for all types of real property valuation and evaluation assignments.

CAP RATES

According to **PwC** "Real Estate Investor Survey," the following are the respective Cap Rates nationally:

National Capitalization Rates				
Property	Low	High	Average	Change from 3Q18
Apartment (National)	3.50%	8.50%	5.16%	Decrease
Apartment (Mid-Atlantic Region)	3.00%	6.75%	5.04%	Increase
CBD Office (National)	3.00%	7.50%	5.44%	Flat
Suburban Office (National)	5.00%	10.00%	6.63%	Increase
Washington, D.C. Office	4.25%	6.50%	5.13%	Flat
Northern Virginia Office	5.00%	8.50%	6.67%	Flat
National Warehouse	1.00%	6.50%	4.56%	Decrease
Retail- Strip Center Market	4.00%	9.50%	6.70%	Increase

Source: PwC Real Estate Investor Survey

UNEMPLOYMENT & LENDING RATES

Unemployment	Dec-18	2017	2016
Baltimore MSA	3.50%	3.90%	4.20%
National	3.90%	4.10%	4.70%
Home Mortgage Rates	Dec-18	2017	2016
30-Year Fixed	4.55%	3.99%	4.32%
15-Year Fixed	4.01%	3.44%	3.55%
5/1-Year ARM	4.00%	3.47%	3.30%

Source: U.S. Department of Labor & freddiemac.com

REGIONAL NEWS – PORT COVINGTON

Phase 1A of the 235-acre waterfront development in South Baltimore is expected to begin construction in the next few months with a delivery date of late 2020 or early 2021. The first phase of the \$5.5 billion project will add to the already completed Rye Street Tavern and Sagamore Spirits and will include 1.26 million SF of office space, 1.33 million SF of residential and 269,00 SF of retail. Silicon Valley venture capital firm, Allegis Cyber and Evergreen Advisors, a Maryland based advisory firm will be some of the first tenants to occupy office space once construction is completed in 2020.

The Port Covington development team consists of the Sagamore Development Company and Goldman Sachs Urban Investment Group and is being led by Weller Development Company.