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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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Commercial Markets: 1Q 2018

RETAIL – SNAPSHOT

- The retail market ended the quarter with a negative net absorption of **(166,399)** SF and a slight increase in overall vacancy. Most of the negative absorption was in Baltimore City at **(154,002)** SF.
- Rental rates were positive across the board for the MSA since last quarter with single tenant rents increasing by \$0.62/SF and strip center rents gaining \$1.69/SF
- A total of seven buildings with 56,000 SF of retail space were delivered to the market in the quarter along with over 193,000 SF under construction

Submarket	Vacancy			Quoted Rates			Net Absorption
	Single Tenant	Strip Center	Restaurant	Single Tenant	Strip Center	Restaurant	
	Baltimore City	2.00%	5.40%	7.40%	\$15.65	\$17.07	
Baltimore County	1.50%	4.30%	4.10%	\$15.58	\$22.10	\$19.73	(38,091)
Anne Arundel County	1.00%	6.00%	6.00%	\$20.62	\$18.20	\$19.21	25,106
Carroll County	0.50%	5.40%	3.50%	\$18.58	\$14.98	\$22.00	17,469
Harford County	1.30%	5.80%	2.30%	\$28.73	\$17.54	-	(26,004)
Howard County	0.40%	4.00%	3.70%	\$25.55	\$24.74	\$28.28	(6,149)
Queen Anne's County	1.10%	-	5.50%	\$15.32	-	-	15,272
Total Submarket (1Q18)	1.30%	5.00%	5.10%	\$18.48	\$19.73	\$19.15	(166,399)
Total Submarket (4Q17)	1.10%	5.50%	4.90%	\$17.86	\$18.04	\$18.13	(76,986)
Total Submarket (1Q17)	1.20%	6.00%	3.70%	\$17.84	\$18.05	\$19.30	(261,881)

Source: CoStar Group, Inc.

*Quoted rental rates are based on a NNN lease structure

OFFICE – SNAPSHOT

- There were no new buildings delivered to the market during the quarter, however there are twelve buildings currently under construction in the MSA totalling 956,000 SF
- Rental rates dropped for all asset classes in the MSA, averaging a decrease of 10.9% since last quarter
- Baltimore County saw an overall net absorption of 95,607 SF in 1Q 2018, up from approximately 19,000 SF last quarter. Baltimore City had a negative absorption of **(78,086)** SF and Anne Arundel County had negative **(47,374)** SF.

Submarket	Class A		Class B		Class C		Net Absorption
	Vacancy	Quoted Rates	Vacancy	Quoted Rates	Vacancy	Quoted Rates	
	Baltimore City	11.70%	\$25.49	10.70%	\$19.76	3.90%	
Baltimore County	9.90%	\$22.62	9.10%	\$19.79	3.80%	\$18.22	95,607
Anne Arundel County	14.00%	\$29.65	11.40%	\$23.43	5.20%	\$22.72	(47,374)
Carroll County	-	\$23.56	10.30%	\$18.53	14.60%	\$17.01	329
Harford County	42.20%	\$27.73	8.60%	\$21.03	4.80%	\$19.05	20,583
Howard County	11.10%	\$27.38	8.00%	\$23.69	5.70%	\$20.09	6,938
Queen Anne's County	-	-	12.10%	\$18.15	5.60%	\$16.31	(153)
Total Submarket (1Q18)	12.40%	\$26.45	9.80%	\$21.18	4.70%	\$18.24	(2,156)
Total Submarket (4Q17)	12.30%	\$27.01	10.20%	\$21.48	5.00%	\$18.00	18,773
Total Submarket (1Q17)	11.90%	\$26.14	10.90%	\$20.70	5.10%	\$17.79	619,661

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

INDUSTRIAL – SNAPSHOT

- The vacancy rate for warehouse space was slightly up over the previous quarter by 50 basis points while flex space vacancy rates fell 70 basis points. In Baltimore County, major new lease transactions include 100,258 SF of space to plumbing supplies company Ferguson and 144,500 SF leased to Royal Logistics Inc. In Howard County, 334,490 SF became available at the Gateway Commerce Center for sublease.
- Gains were seen in quoted rental rates from the previous quarter with an increase of \$0.13/SF for warehouse space.
- Four buildings totalling approximately 877,000 SF were delivered to the market in the quarter along with over 3.75MM SF currently under construction.

Submarket	Vacancy		Quoted Rates		Net
	Warehouse	Flex	Warehouse	Flex	Absorption
Baltimore City	6.70%	7.50%	\$4.01	\$9.77	81,131
Baltimore County	7.10%	5.50%	\$5.40	\$8.99	492,072
Anne Arundel County	9.80%	8.80%	\$6.05	\$10.73	230,265
Carroll County	3.80%	-	\$4.78	-	4,632
Harford County	13.30%	6.40%	\$5.17	\$11.17	(38,608)
Howard County	7.50%	5.70%	\$5.12	\$13.19	(220,699)
Queen Anne's County	7.50%	6.40%	\$7.06	\$8.66	(4,710)
Total Submarket (1Q18)	7.90%	6.80%	\$5.21	\$10.70	544,083
Total Submarket (4Q17)	7.40%	7.50%	\$5.34	\$10.68	83,824
Total Submarket (1Q17)	8.60%	8.10%	\$5.42	\$10.34	1,079,330

Source: CoStar Group, Inc.

*Quoted rental rates are based on a NNN lease structure

MULTIFAMILY – SNAPSHOT

- Overall, the vacancy rate continued to inch up over the previous quarter by 0.40% to 7.10% in the Baltimore MSA.
- Rental rates reflected an average growth rate of 1.31% 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.
- Construction activity remained stable over the previous quarter with three new deliveries bringing 410 new units to the market.

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	9.30%	\$977	8.70%	\$1,071	7.60%	\$1,196	7.40%	\$1,323	8.20%	\$1,127
Baltimore County	4.50%	\$834	6.60%	\$1,020	5.40%	\$1,218	5.90%	\$1,509	5.80%	\$1,174
Anne Arundel County	7.20%	\$1,398	6.80%	\$1,332	6.60%	\$1,523	6.60%	\$1,687	6.80%	\$1,469
Carroll County	4.60%	\$807	3.30%	\$919	3.80%	\$1,138	5.30%	\$1,340	3.70%	\$1,079
Harford County	9.40%	\$797	6.90%	\$966	6.30%	\$1,150	8.20%	\$1,339	6.80%	\$1,111
Howard County	6.20%	\$1,299	10.20%	\$1,316	8.30%	\$1,609	10.40%	\$1,995	9.40%	\$1,529
Queen Anne's County	-	-	2.20%	\$972	2.80%	\$1,338	10.90%	\$1,677	3.60%	\$1,170
Total Submarket (1Q18)	9.30%	\$970	7.80%	\$1,108	6.50%	\$1,299	6.90%	\$1,534	7.10%	\$1,233
Total Submarket (4Q17)	8.90%	\$972	7.00%	\$1,103	6.30%	\$1,285	6.50%	\$1,521	6.70%	\$1,224
Total Submarket (1Q17)	7.70%	\$957	6.30%	\$1,096	6.30%	\$1,282	7.70%	\$1,504	6.60%	\$1,217

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, 68 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 two 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.

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CAP RATES

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

National Rates				Change from
Property	Low	High	Average	4Q17
Apartment (National)	3.75%	8.50%	5.33%	Increase
Apartment (Mid-Atlantic Region)	3.90%	6.75%	5.24%	Increase
CBD Office (National)	3.00%	7.50%	5.48%	Decrease
Suburban Office (National)	4.35%	10.00%	6.61%	Decrease
Washington, D.C. Office	4.25%	6.50%	5.08%	No Change
National Medical Office	4.50%	10.00%	6.69%	No Change
Warehouse	3.00%	6.50%	4.95%	Decrease
Retail- Strip Center Market	4.00%	9.50%	6.36%	Decrease

Source: PwC Real Estate Investor Survey

UNEMPLOYMENT & LENDING RATES

Unemployment	Apr-18	2017	2016
Baltimore MSA	3.90%	4.00%	4.30%
National	3.90%	4.40%	5.00%
Rates	Jun-18	2017	2016
30-Year Fixed	4.56%	3.94%	3.66%
10-Year Treasuries	2.93%	2.43%	2.09%
5/1-Year ARM	3.80%	3.11%	2.92%

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

NEW VALBRIDGE TEAM MEMBERS

We are pleased to announce the addition of Matthew Fares to the Valbridge Property Advisors | Baltimore Washington Metro Team.

Matthew Fares has joined Valbridge Baltimore Washington Metro as an Associate. Matthew is a recent college graduate of Florida State College at Jacksonville where he majored in Logistics. Matthew has a passion for commercial real estate and brings a wide variety of experience in sustainable business strategies.

Please join us in welcoming him to the team!