

In This Issue

- Quarterly Statistics
 - Retail
 - Office
 - Industrial
 - Multifamily
- Cap Rates
- Unemployment & Lending Rates
- New Valbridge Team Members

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

November 2018

Page 1

Commercial Markets: 3Q 2018

RETAIL – SNAPSHOT

- The retail market ended the quarter with a negative net absorption of **(85,945)** SF while vacancy remained relatively flat, while Baltimore County experienced a positive absorption of 162,591 SF.
- Rental rates were negative across the board for the MSA since last quarter with single tenant rents losing \$1.17/SF and strip center rents losing \$0.13/SF.
- Although occupancy rates remain tight, future rent growth opportunities remain muted with only a 1.6% increase expected over the next 12 months.

Submarket	Vacancy			Quoted Rates			Net Absorption
	Single Tenant	Strip Center	Restaurant	Single Tenant	Strip Center	Restaurant	
	Baltimore City	2.70%	7.80%	7.80%	\$18.15	\$20.46	
Baltimore County	1.40%	5.30%	1.90%	\$19.25	\$19.41	\$18.38	162,591
Anne Arundel County	1.40%	5.50%	7.50%	\$21.69	\$23.94	\$26.02	(45,691)
Carroll County	1.40%	3.80%	15.00%	\$20.04	\$15.80	\$20.46	23,901
Harford County	0.70%	7.50%	1.20%	\$16.79	\$19.15	-	(64,169)
Howard County	0.50%	4.30%	2.50%	\$28.06	\$29.78	\$25.00	(76,432)
Queen Anne's County	1.10%	5.80%	6.00%	-	\$13.24	-	(2,705)
Total Submarket (3Q18)	1.30%	5.30%	4.70%	\$20.23	\$19.53	\$16.89	(85,945)
Total Submarket (2Q18)	1.30%	5.30%	5.20%	\$21.40	\$19.66	\$17.22	(154,761)
Total Submarket (1Q18)	1.30%	5.10%	4.80%	\$18.49	\$18.30	\$18.36	(170,555)

Source: CoStar Group, Inc.

*Quoted rental rates are based on a NNN lease structure

OFFICE – SNAPSHOT

- Five buildings delivered to the market during the quarter, however there is over one million SF of space still under construction in the MSA including One Light Street and McCormick's new headquarters in Baltimore County.
- Rental rates dropped for Class A space in the MSA by approximately **0.5%**, while Class B and Class C space rose by approximately 0.7%.
- Absorption in the region was generally stable since last quarter. Anne Arundel County led the MSA in absorption with 274,869 SF of net absorption at office parks surrounding BWI airport.

Submarket	Class A		Class B		Class C		Net Absorption
	Vacancy	Quoted Rates	Vacancy	Quoted Rates	Vacancy	Quoted Rates	
	Baltimore City	14.80%	\$25.69	10.50%	\$20.15	4.70%	
Baltimore County	10.40%	\$22.72	8.20%	\$19.73	4.60%	\$18.41	29,227
Anne Arundel County	10.30%	\$29.69	10.20%	\$23.46	5.10%	\$22.05	274,869
Carroll County	-	\$23.56	8.40%	\$17.64	14.10%	\$18.06	4,857
Harford County	37.70%	\$25.14	7.90%	\$20.54	5.20%	\$18.64	8,246
Howard County	9.40%	\$27.87	8.20%	\$23.26	4.80%	\$20.39	(80,414)
Queen Anne's County	-	-	11.10%	\$21.61	1.70%	\$20.78	2,113
Total Submarket (3Q18)	12.40%	\$26.52	9.30%	\$21.26	5.20%	\$18.30	198,006
Total Submarket (2Q18)	12.90%	\$26.62	9.40%	\$21.13	4.80%	\$18.15	205,242
Total Submarket (3Q17)	11.90%	\$26.25	10.00%	\$21.03	4.20%	\$17.88	216,856

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 space was slightly lower over the previous quarter by 30 basis points while flex space vacancy rates remained flat. In Harford County, major new lease transactions include The Container Store taking 628,300 SF in Aberdeen while in Glen Burnie, Best Buy moved in to 500,400 SF of space.
- Modest gains were seen in quoted rental rates from the previous quarter with an increase of \$0.08/SF for warehouse space.
- Five buildings totalling approximately 1,610,714 SF were delivered to the market during the quarter along with over 2.67MM SF currently under construction.
- 1,733,880 SF of space were absorbed, with Baltimore and Harford County absorbing 774,150 SF and 661,758 SF, respectively.

Submarket	Vacancy		Quoted Rates*		Net Absorption
	Warehouse	Flex	Warehouse	Flex	
Baltimore City	4.90%	8.50%	\$3.91	\$8.68	242,977
Baltimore County	6.90%	6.80%	\$5.45	\$8.30	774,150
Anne Arundel County	12.00%	7.30%	\$5.97	\$13.43	60,052
Carroll County	0.00%	2.70%	\$7.10	-	(46,476)
Harford County	9.60%	-	\$5.02	-	661,758
Howard County	14.10%	5.20%	\$5.75	\$11.50	41,419
Queen Anne's County	-	-	-	-	-
Total Submarket (3Q18)	7.70%	7.00%	\$5.24	\$10.95	1,733,880
Total Submarket (2Q18)	8.00%	7.00%	\$5.16	\$11.04	1,006,012
Total Submarket (3Q17)	7.10%	7.80%	\$5.27	\$10.42	289,250

*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 more units under construction. Rent growth since last quarter was flat overall.
- Rental rates reflected an average growth rate of 1.87% 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.
- According to the Downtown Partnership of Baltimore the area still has the capacity to support nearly 7,000 new rental units.

Submarket	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	8.70%	\$980	7.60%	\$1,075	7.00%	\$1,212	7.60%	\$1,327	7.70%	\$1,136
Baltimore County	5.50%	\$869	6.10%	\$1,038	5.60%	\$1,227	6.30%	\$1,505	5.80%	\$1,190
Anne Arundel County	7.40%	\$1,377	6.10%	\$1,339	6.10%	\$1,551	6.10%	\$1,715	6.00%	\$1,488
Carroll County	4.40%	\$836	3.80%	\$956	4.10%	\$1,181	4.90%	\$1,422	4.00%	\$1,121
Harford County	5.90%	\$845	5.20%	\$998	6.30%	\$1,194	7.10%	\$1,360	6.00%	\$1,146
Howard County	22.80%	\$1,406	5.90%	\$1,355	5.70%	\$1,647	6.50%	\$2,035	6.00%	\$1,566
Queen Anne's County	-	-	3.50%	\$978	4.80%	\$1,346	12.70%	\$1,686	4.70%	\$1,177
Total Submarket (3Q18)	8.30%	\$979	6.60%	\$1,126	6.00%	\$1,318	6.60%	\$1,544	6.50%	\$1,251
Total Submarket (2Q18)	8.20%	\$983	6.80%	\$1,125	6.20%	\$1,312	6.80%	\$1,544	6.70%	\$1,248
Total Submarket (3Q17)	8.40%	\$974	6.70%	\$1,110	6.20%	\$1,290	6.60%	\$1,510	6.60%	\$1,228

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, 74 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.

www.valbridge.com

November 2018

Page 3

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 2Q18
Apartment (National)	3.50%	8.50%	5.23%	Decrease
Apartment (Mid-Atlantic Region)	2.50%	6.75%	4.99%	Decrease
CBD Office (National)	3.00%	7.50%	5.44%	Decrease
Suburban Office (National)	4.00%	10.00%	6.52%	Decrease
Washington, D.C. Office	4.25%	6.50%	5.13%	Increase
Northern Virginia Office	5.00%	8.50%	6.81%	Decrease
National Warehouse	1.50%	6.25%	4.62%	Decrease
Retail- Strip Center Market	4.00%	9.50%	6.27%	Decrease

Source: PwC Real Estate Investor Survey

UNEMPLOYMENT & LENDING RATES

Unemployment	Aug-18	2017	2016
Baltimore MSA	4.40%	4.50%	4.80%
National	3.90%	4.40%	4.90%
Home Mortgage Rates	Sep-18	2017	2016
30-Year Fixed	4.60%	3.83%	3.48%
15-Year Fixed	4.06%	3.13%	2.76%
5/1-Year ARM	3.93%	3.20%	2.80%

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

NEW VALBRIDGE TEAM MEMBERS

We are pleased to announce the addition of Ilene Sheer, MAI and Kristi Greene to the Valbridge Property Advisors | Baltimore Washington Metro Team.

Ilene Sheer, MAI has joined Valbridge Baltimore Washington Metro as a Senior Appraiser, after 16 years with her own company. She looks forward to working with a successful national firm and the opportunities associated with them.

Kristi Green has joined Valbridge Baltimore Washington Metro as an Associate, she recently relocated from Denver, Colorado to join our team. This is a career change for Kristi from web development to commercial real estate appraising, she brings a wide variety of work experience and is excited about this new career path.

Please join us in welcoming Ilene and Kristi to the team!