



Valbridge
PROPERTY ADVISORS



QUARTERLY MARKET UPDATE

Baltimore Washington Metropolitan Area - 4Q22

In the following pages, we outline the major market trends in the Baltimore and Washington, D.C. market sectors, along with key indicators. In today's quickly changing environment, we remain ready to assist you with your commercial real estate valuation needs at any time.

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RETAIL

BALTIMORE

- **Bien/Paul Ventures sells Shopping Center After 25 Years**
After owning the East Drive Shopping Center in Arbutus for a quarter of a century, Bien/Paul Ventures is selling. The company was able to cash in on a little over \$5.7 million for the grocery-anchored center to a private buyer.
- **Royal Farms is Extending Their Kingdom**
Baltimore based giant, Royal Farms, is planning their expansion across state lines in 2023. With their sights set on North Carolina, the first target locations are looking to be in; Kinston, New Bern, Greenville, Jacksonville, Lumberton, and Grandy. With all of these new North Carolina locations, Royal Farms is not planning any more locations in Maryland at this time.

WASHINGTON D.C.

- **After the \$3.6 Billion Wharf Project, Developer Looks to Further Develop DC's Waterfront**
The Wharf, a bustling, mile-long attraction along Southwest Washington, D.C., waterfront that's been 16 years in the making, will be completed by Hoffman & Associates. As a result, similar projects all over the world are already inspired by the design of the project.
- **Attorneys General Across US Lawsuits Pause Albertsons' \$4 Billion Payout**
As a result of antitrust concerns over Albertsons' merger with Kroger, attorneys general from California, Illinois, Washington D.C., and Washington state have filed lawsuits asking courts to temporarily halt its planned \$4 billion payout to shareholders. Until the Federal Trade Commission reviews Kroger's merger, officials have asked courts to halt the payment.

OFFICE

BALTIMORE

- **UMD to Build a \$65 Million Biotech Institute**
The University of Maryland has signed a deal with Montgomery County to open a \$65 million health technology campus. The new research hub is reported to stand near the North Bethesda Metro station, along with fellow health giants such as the NIH, FDA and the Naval Medical Research Center. The new institute is expected to begin leasing space in early 2023.
- **Baltimore's Thames Street Wharf is Getting an Extension**
Morgan Stanley has signed an expansion deal that represents the largest office leased in the market this year. The financial giant has pledged to add 46,000 additional sq. ft. to the 1300 Thames St. building in Baltimore, bringing the footprint to 242,000 sq. ft.

WASHINGTON D.C.

- **CoStar Constructs a Major Research Campus in the DC Area**
In Richmond, Virginia, CoStar Group officially broke ground on a new research and technology campus overlooking the James River, kicking off a project that is expected to create more than 2,000 new jobs and triple the company's office space.
- **Cryptocurrency Exchange Fallout Hits US Office Market**
Financial challenges for the FTX cryptocurrency exchange have spilled over to the struggling U.S. office market. In just two months, Sam Bankman-Fried's firm went from rapid rise to sudden fall. He was charged with multiple frauds by the Securities & Exchange Commission after the firm's top executive said it lost billions of dollars of clients' money.

INDUSTRIAL

BALTIMORE

- **2-Million Square Foot Project Breaks Ground**
A Joint venture in Hagerstown led by MCB Real Estate broke ground in October for a two-building logistics center that is planned to occupy 2-million sq. ft. While the majority of the space is going to be warehouses, 292,000 sq. ft. is vacant and open for tenants. The finalized project is expected to hit completion in the fall of 2023, and introduce 1,500 new jobs.
- **Klein Enterprises Sells Baltimore's Triangle Business Park**
Klein Enterprises has sold their four building flex space on Joh Avenue to St. John Properties. Though the terms of the deal were not disclosed, this deal aligns with the company's goal to capitalize on the demand for flex space in the region, according to Sean Garland (CIO at Klein Enterprises). The company locked down \$132 million worth of retail and apartment holdings, as well as nine grocery anchored shopping centers in MD, VA, and PA.

WASHINGTON D.C.

- **The Backlog for Commercial Construction Hits The Longest Wait Period In Three Years**
Construction backlogs in the United States have reached their highest level in more than three years, dominated by healthcare and industrial projects. Associated Builders and Contractors, a Washington, D.C.-based trade group, reported a 9.2-month backlog in November. This is the longest waiting period since the second quarter of 2019.
- **Tishman Speyer and Mitsui Fudosan America Team Up to Develop US Logistics Properties**
The owner of New York's Rockefeller Plaza, Tishman Speyer, has formed a joint venture Mitsui Fudosan America to buy and develop logistics properties throughout the United States. The Japanese real estate giant has pledged \$500 million to the venture.

MULTIFAMILY

BALTIMORE

- **Silver Spring Is Getting a 390 Unit Multifamily Complex**
White Oak Science Gateway is going to be gaining a new townhouse style multifamily development in eastern Montgomery County. A joint venture between New York's CP Capital and Cleveland's NRP Group will develop the project across the currently undisclosed address.
- **Apartment Giant Raises \$600 Million Funding For Project**
Greystar Credit Partners III has raised a whopping \$600 million fund for its latest investment project in commercial real estate. Greystar will focus on the riskiest series of mortgage backed securities, or subordinated debt, and a private label mezzanine debt for rent residential properties.

WASHINGTON D.C.

- **Government Lending Giants are Buying Fewer Loans**
A higher interest rate has slowed investor demand for apartments, as government lenders Fannie Mae and Freddie Mac bought fewer multifamily loans in the third quarter. Revenue is reported to be up 9% to \$1.22 billion in the third quarter for Fannie Mae's multifamily business compared to last year thanks to interest rate increases.
- **Multifamily Borrowers Getting 10% Rising Rates**
Rising interest rates and the need for more cash up front make the Federal Reserve's fight against historically high inflation a costly endeavor for multifamily real estate borrowers. At the same time, the loan to value ratio has fallen and settled at around the 50% mark.

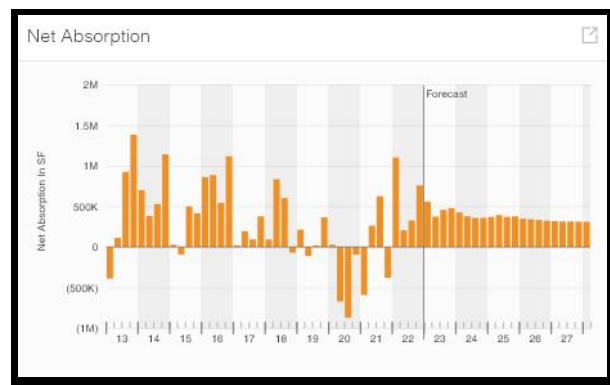
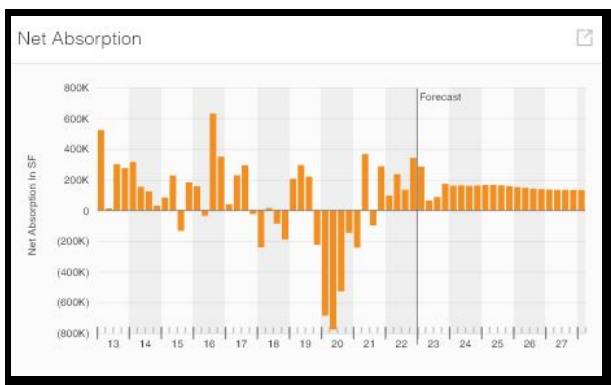
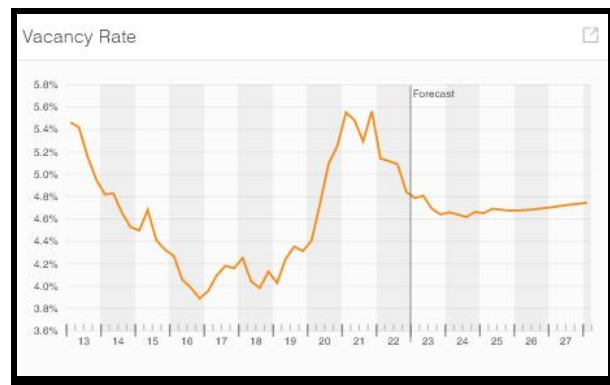
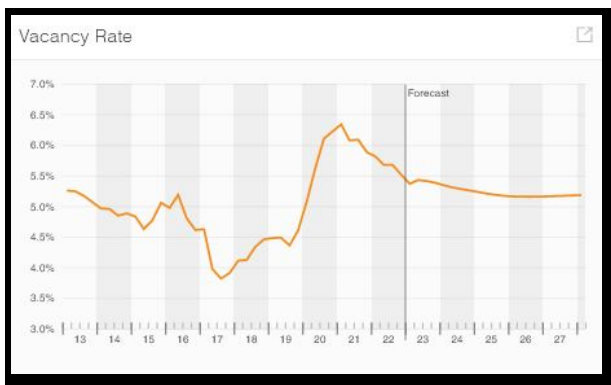
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BALTIMORE

WASHINGTON D.C.

RETAIL MARKET TRENDS



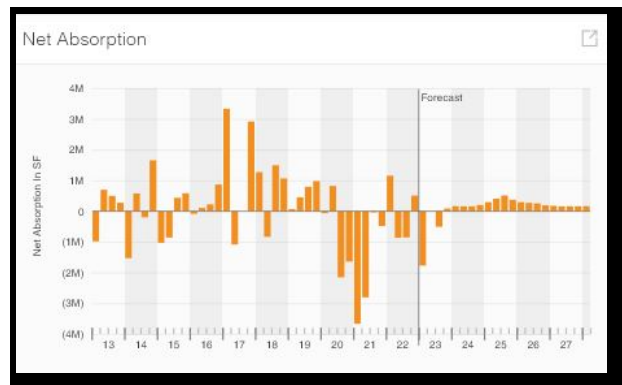
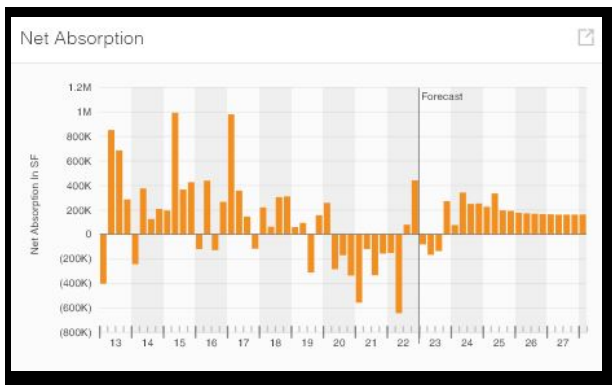
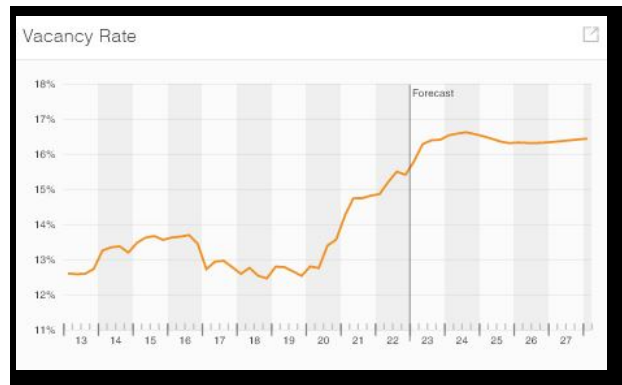
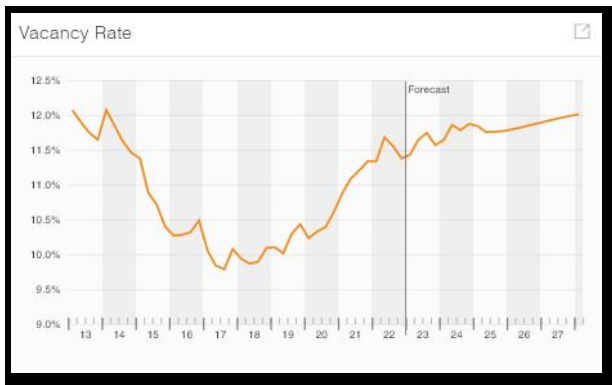
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BALTIMORE

WASHINGTON D.C.

OFFICE MARKET TRENDS



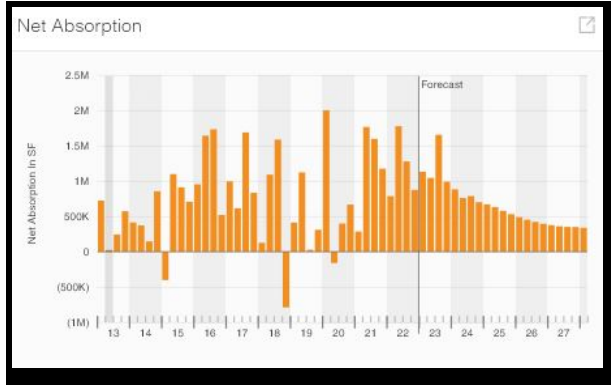
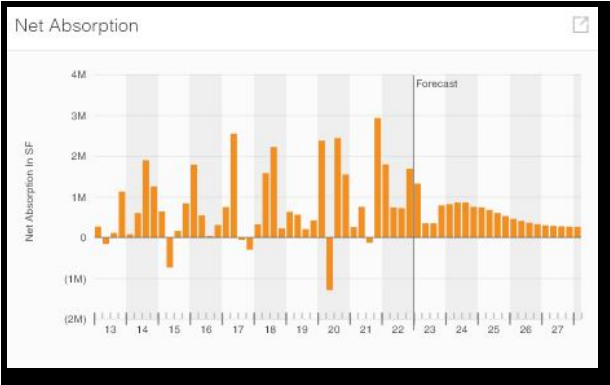
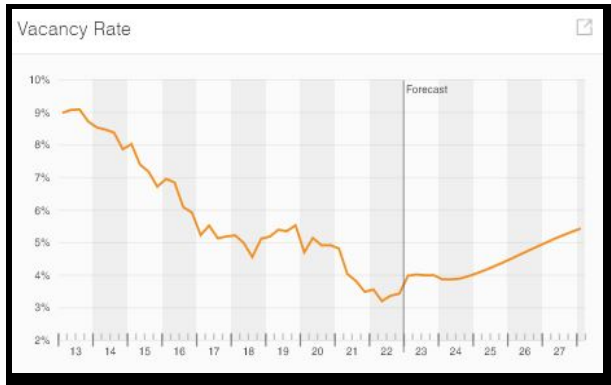
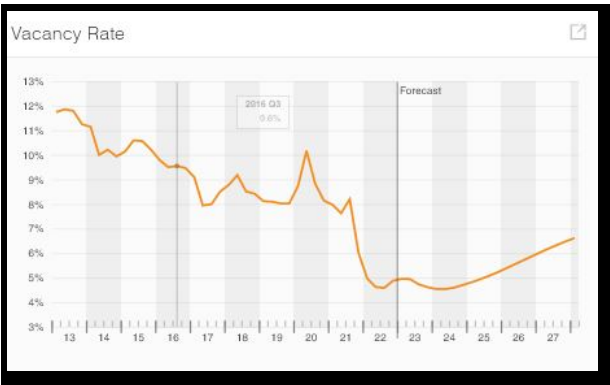
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BALTIMORE

WASHINGTON D.C.

INDUSTRIAL MARKET TRENDS



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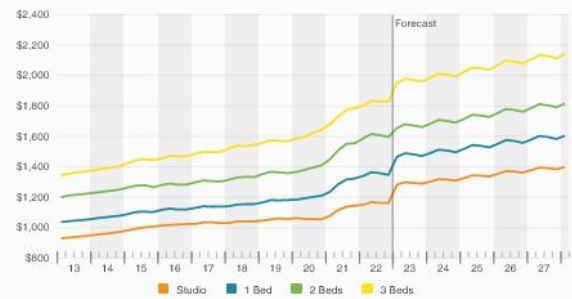


BALTIMORE

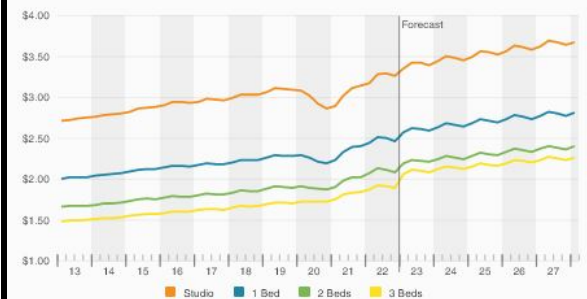
WASHINGTON D.C.

MULTIFAMILY MARKET TRENDS

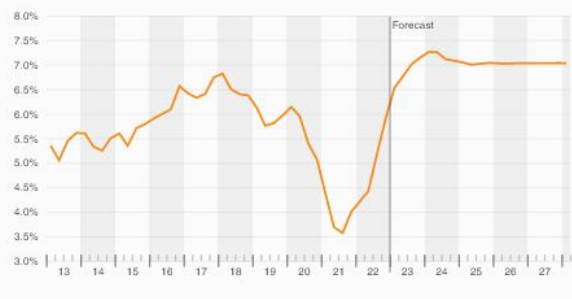
Market Asking Rent Per Unit By Bedroom



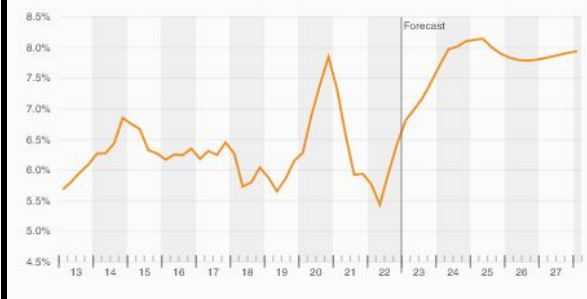
Market Asking Rent Per SF By Bedroom



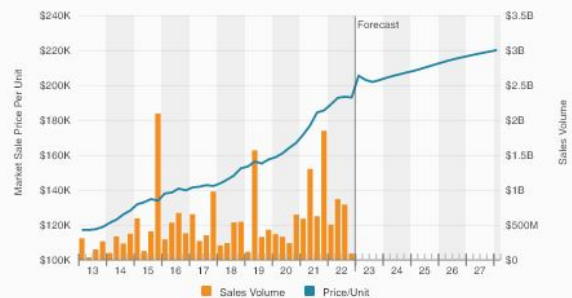
Vacancy Rate



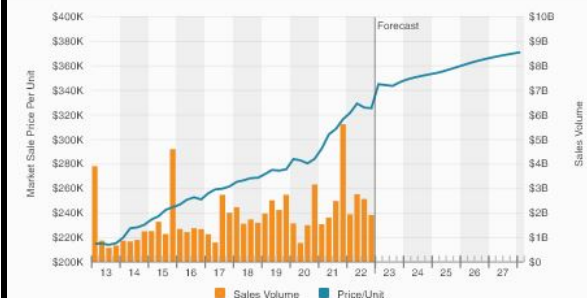
Vacancy Rate



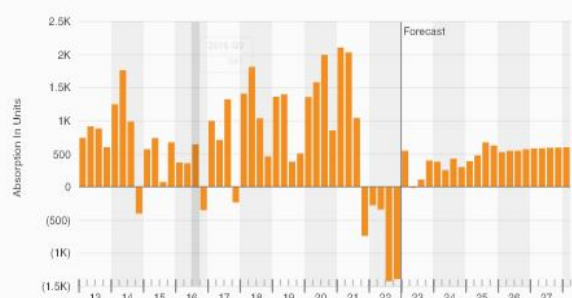
Sales Volume & Market Sale Price Per Unit



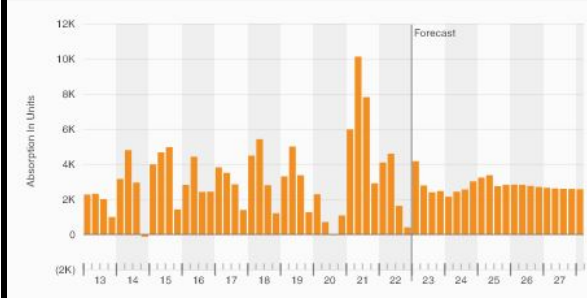
Sales Volume & Market Sale Price Per Unit



Absorption Units



Absorption Units



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CAP RATES

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

National Capitalization Rates				Change from
	Property	Low	High	Average 3Q22
Apartment (National)	3.00%	7.00%	4.42%	Decrease
Apartment (Mid-Atlantic Region)	3.75%	6.50%	4.58%	Decrease
CBD Office (National)	4.25%	8.50%	5.80%	Flat
Suburban Office (National)	4.70%	9.00%	6.19%	Increase
Washington, D.C. Office	4.50%	7.00%	5.33%	Flat
Northern Virginia Office	5.00%	7.50%	6.13%	Decrease
National Warehouse	2.60%	6.50%	4.31%	Decrease
Strip Shopping Center	5.00%	10.00%	7.17%	Decrease

Source: PwC Real Estate Investor Survey

UNEMPLOYMENT AND LENDING RATES

Unemployment	Dec-22	Sept-22	June-22
Baltimore MSA	4.0%	3.7%	4.6%
National	3.5%	3.5%	3.6%
Home Mortgage Rates	Dec-22	Dec-21	Dec-20
30-Year Fixed	6.42%	3.11%	2.67%
15-Year Fixed	5.68%	2.33%	2.17%

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

10 YEAR TREASURY BILL

According to the U.S. Department of the Treasury, the following are the Daily Treasury Par Yield Curve Rates:

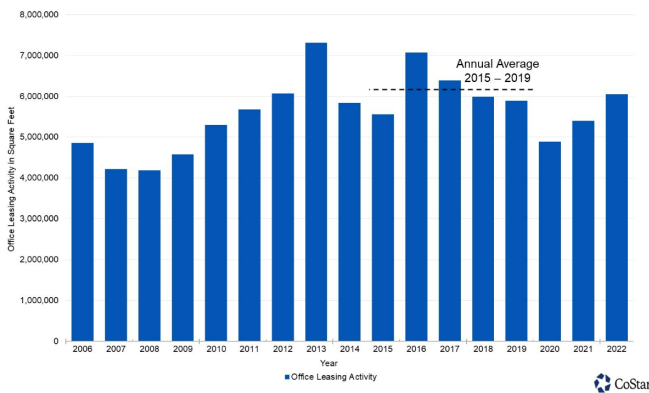
Date	10 Year
10/31/2022	4.10%
11/30/2022	3.68%
12/30/2022	3.88%

Source: U.S. Department of Treasury



Baltimore's Office Market Is Looking Up

Office Leasing Activity Regains Form in Baltimore



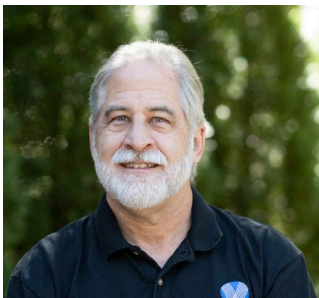
Over the last three years, Baltimore's office market has been experiencing consistent negative demand. However, by the second half of 2022, there was a rapid reversal, with more than 500,000 square feet of net absorption. In 2022, there has been an upswing in leasing activity, with 6 million square feet of office space leased, exceeding the output of the past two years. It has become apparent that the outlook for 2023 isn't as bright as it was last year. However, positive leading indicators have emerged within leasing activity and net absorption. With the State Center relocation deals completed, leasing activity is likely to be lower in 2023 than in 2022. Almost 70% of new office space in the greater Baltimore area has already been pre-leased, limiting supply-side pressures.

WHO WE ARE

Valbridge Property Advisors is based in Naples, FL and is the largest independent commercial property valuation and advisory services firm in North America.

Valbridge has 200 MAIs, 80 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 plus five Certified General licensed appraisers, four motivated trainees, an economic consultant and an associate market analyst. VBWMetro is available for all types of real property valuation and evaluation assignments.



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