

BALTIMORE

FRANCIS SCOTT KEY BRIDGE COLLAPSE IMPACT

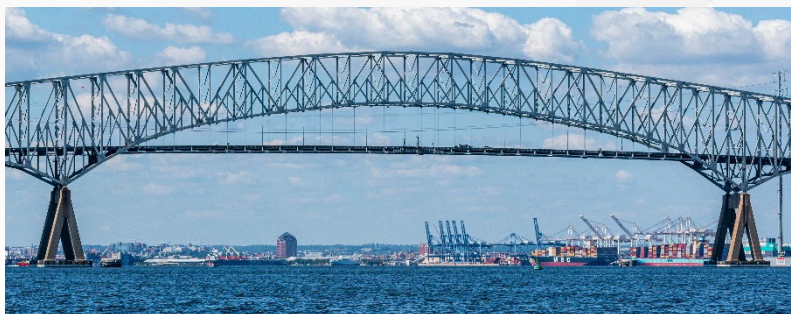
IMPACT SUMMARY

The Francis Scott Key Bridge collapse in late March 2024 was a tragic accident that has created two major issues the Baltimore market and the local, state, and federal government must contend with: the closure of the Port of Baltimore and the rebuilding of the Key Bridge.

The port closure is expected to be a short-term disruption, with reopening scheduled tentatively for late May 2024. On April 25th, the first cargo ship departed from the port, as a temporary 35-foot channel was made. Rebuilding the bridge and determining who will cover the costs is the longer endeavor, with an expected completion by Fall 2028.

While the private and public sectors have done well to proactively address these long-term challenges, short- to medium-term challenges are expected in the real estate market. The potential real estate impacts are expected to be isolated to the Baltimore industrial submarkets most proximal to and, thus, reliant upon a fully functional port: Baltimore Southeast and Baltimore County East. As such this report will explore the potential impacts on these submarkets.

In the short term: potential impacts to inventory, vacancy, rent structure adjustments, and labor disruptions can be reasonably expected. In the medium-term, moderate transportation constraints and delays will be a shared inconvenience for the entire region. However, the overall impact to the real estate market is expected to be minimal, barring any setbacks to the bridge's reconstruction.



KEY TAKEAWAYS



INFRASTRUCTURE PORT AND BRIDGE CLOSURE

Port closure presents short-term problem while bridge closure is a medium-term disruption



IMPACT AREA 23.5 MSF INDUSTRIAL INVENTORY

A micro market within the Baltimore County East and Southeast industrial submarkets



TRANSPORTATION CONSTRAINTS AND CONGESTION

Prohibited cargo and lack of alternate routes will cause traffic congestion regionally



LABOR SHORT-TERM DISRUPTION

Government relief is expected for employees and employers

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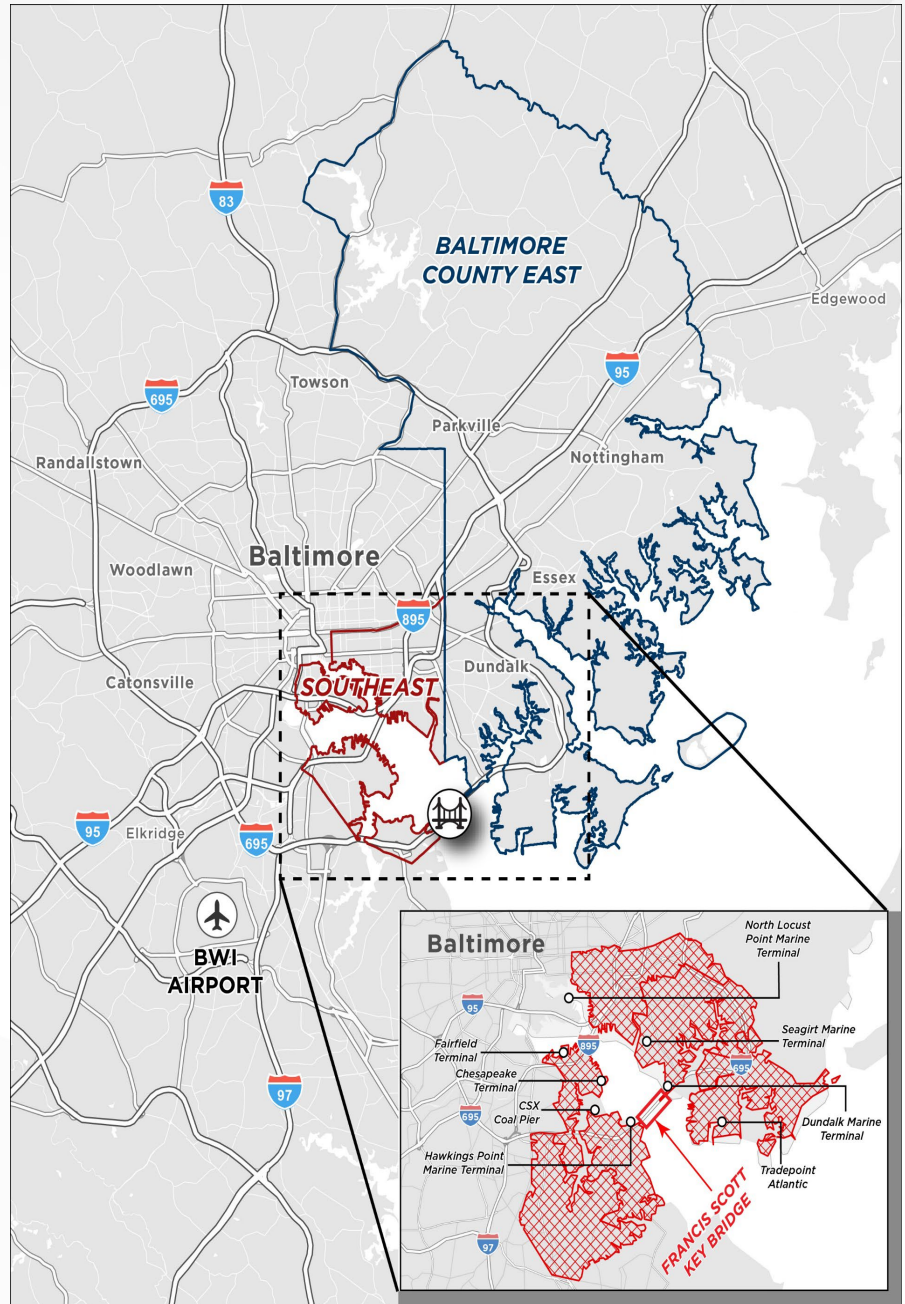
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IMPACT AREA

Baltimore County East and Southeast Submarkets

The Baltimore County East and Baltimore Southeast industrial submarkets, with a combined warehouse and distribution inventory of 23.5 million square feet (msf), are located to the northeast and southeast of the Port of Baltimore, respectively. Being most proximal and reliant upon the Port of Baltimore and Francis Scott Key Bridge the Baltimore industrial submarkets will be most likely to register any disturbance in key performance indicators, such as vacancy, rent, and pricing. While likely to be mild in the long term, short- to medium-term disruption may arise. The Southeast submarket is the most likely of the two submarkets to experience an impact in these key performance indicators.

TradePoint Atlantic's (TPA) private site, in the Baltimore County East submarket, has maintained an operational terminal, as the Port of Baltimore suspended operations while the Army Corps of Engineers work to clear the debris from the Key Bridge and Dali cargo ship. As such, ongoing operations and demand for additional infrastructure to support port business are likely to offset any potential stress in occupancies in the Baltimore County East submarket. The Baltimore Southeast submarket does not have this same buffer against this potential stress.



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INVENTORY

Demand, Supply and Pricing

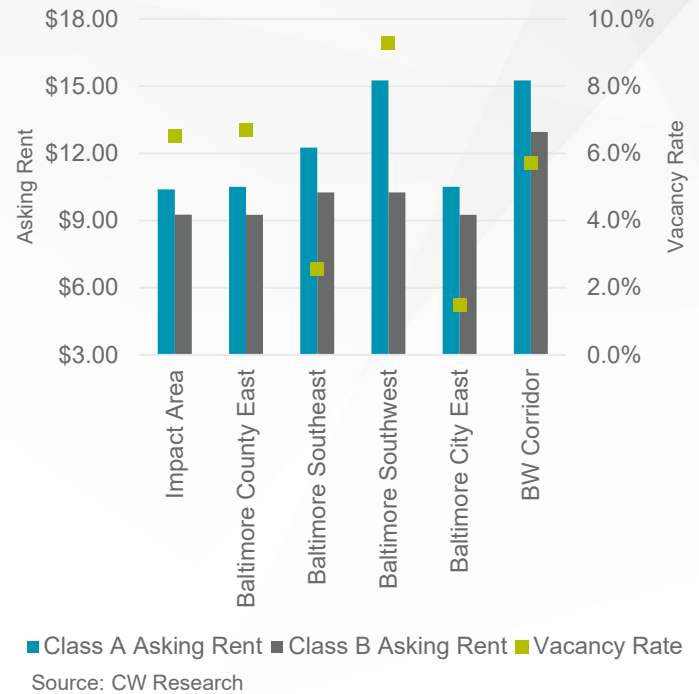
The combined vacancy rate of the Baltimore County East and Southeast industrial submarkets was 6.5% in the first quarter of 2024. These submarkets may experience challenges with demand and fluctuation in vacancies as tenants contend with the short-term closure of the Port and the medium-term impacts from the collapse and subsequent rebuilding of the Key Bridge.

Only an estimated 12.4% of the total industrial inventory in the impact area faces a lease expiration between 2024 and 2029. This does not create any foreseeable undue downward pressure on rents as the likelihood for relocation is minimal. Options for relocation are limited as overall industrial demand remains resilient. Adjacent industrial submarkets have reported lower vacancy rates and/or higher asking rents, and only 10.1% of current speculative construction is located within the impact area, mitigating disruption to future supply.

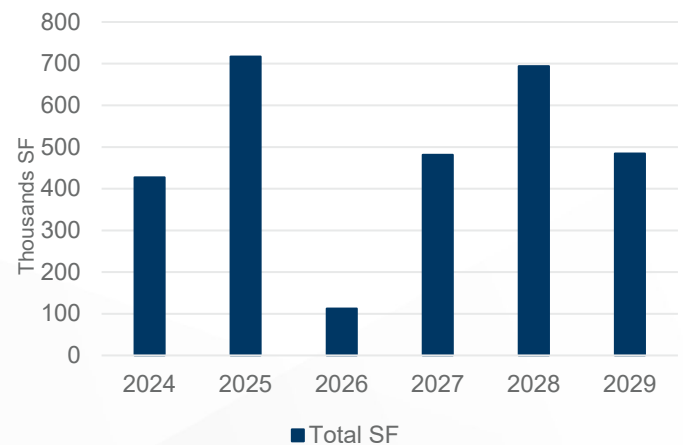
Out of market relocation also seems unlikely as only a handful of occupiers in the impact area have existing footprints in/around the Port of Norfolk or the Port NY - NJ; the two eastern ports likely to handle re-routed cargo from Baltimore.

More likely is short-term demand for flexible rent escalations and/or months of free rent in exchange for longer lease commitments.

SUBMARKET SNAPSHOT: Q1 2024



LEASE EXPIRATIONS BY YEAR



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TRANSPORTATION

Port Closure and Reopening

The Port of Baltimore is the fifth largest port on the East Coast by commercial tonnage. Its primary imports include automobiles, farm equipment, construction machinery, and lumber products (e.g., furniture). Its primary exports are coal and automobiles. The Port of Baltimore has the second highest volume of coal exports, making up more than one-quarter of the U.S. coal exports, just behind the Port of Norfolk. The sudden closure of the Port sent importers and exporters pivoting to other ports to unload their cargo. Most often that cargo was rerouted to the Port of NY-NJ and the Port of Norfolk.

The port closure is a temporary challenge. The U.S. Army Corps of Engineers have already partially cleared the wreckage to create alternative channels for the ships to pass through. The first cargo ship passed through the alternative channel on April 25, 2024. The port is expected to return to full operation by the end of May 2024.

SHIP TYPE BY CARGO



62.1%

Bulk Cargo Ship: Lumber, Coal, Other Dry Bulk, & Pulp



15.7%

Container Ship: Containers



11.5%

Chemical Tankers: Other Liquid Bulk



5.3%

Roll On/Roll Off (RoRo) Ships: Automobiles, RoRo



3.6%

General Cargo Ships: Steel Products, Metals, Break Bulk, Paper



2.2%

Crude Oil Tankers: Petroleum

COMMODITY BY TONNAGE

Commodity	2023 1,000 Tons	2017 1,000 Tons	Change 1,000 Tons
Containers	8,717.2	8,048.6	668.6
Steel Products and Metals	649.4	318.7	330.7
RoRo	1,314.8	728.0	586.8
Lumber	454.9	167.5	287.5
Paper	619.9	490.4	129.5
Pulp	301.6	253.5	48.1
Break Bulk	751.5	388.8	362.7
Automobiles	1,608.0	1,551.5	56.5
Coal	28,183.0	20,946.2	7,236.8
Other Dry Bulk	5,554.3	5,601.3	-47.0
Petroleum	1,191.5	2,720.4	-1,528.8
Other Liquid Bulk	6,191.1	3,278.0	2,913.1
TOTAL	55,543.9	44,584.1	10,959.8

Totals may not add due to rounding.
Source: Maryland Port Authority

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TRANSPORTATION

Bridge Closure and Reconstruction

Without the Key Bridge, what was once a 5-mile journey to I-95 from the impact area, now takes industrial operators an average of 15 miles. Travel restrictions on prohibited hazardous materials through Baltimore City tunnels means operators will have to circumnavigate the City an alternate route, likely I-695 or U.S. Route 40. The rerouting of 30,000 daily trips previously made over the Key Bridge have contributed to longer commute times and more congestion on other tunnels and highways in Baltimore.

Since the collapse, approximately 15,000 additional vehicles travel the Fort McHenry Tunnel daily and about 7,000 more through the Baltimore Harbor Tunnel. According to last annual MDOT traffic data, 33,195 drivers used the Francis Scott Key Bridge, 77,033 drivers used the Harbor Tunnel, and 118,287 drivers used the Fort McHenry Tunnel. When one of these key transportation corridors are out of commission, the others absorb increased usage. It can be reasonably expected that some of the 33,000 AADT from the Key Bridge is being absorbed in one or both tunnels.

Considering the figures, an estimated 10,516 more vehicles are being absorbed daily by these two preferred alternate tunnels, which would push their respective usage to all-time highs. This means that the entire Baltimore region will experience the inconvenience of medium-term traffic congestion. These longer commute times and longer transportation routes due to travel restrictions, add constraints to the local freight capacity.

ANNUAL AVERAGE DAILY TRAFFIC (AADT)

Year	Harbor Tunnel	Fort McHenry Tunnel	Francis Scott Key Bridge
2022	77,033	118,287	33,195
2021	68,861	119,887	33,215
2020	39,533	112,510	32,244
2019	47,480	140,185	40,365
2018	75,488	125,930	30,982
2017	77,814	124,391	32,343
2016	77,235	122,820	31,242
2015	77,248	115,615	30,707
2014	71,315	114,386	29,598
2013	68,354	119,389	29,346

Source: Maryland Department of Transportation

In 2019 the Baltimore Harbor Tunnel underwent thorough lane renovations resulting in several closures throughout the year. The persistent closures resulted in all-time highs AADT at the Fort McHenry Tunnel and Francis Scott Key Bridge.



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LABOR

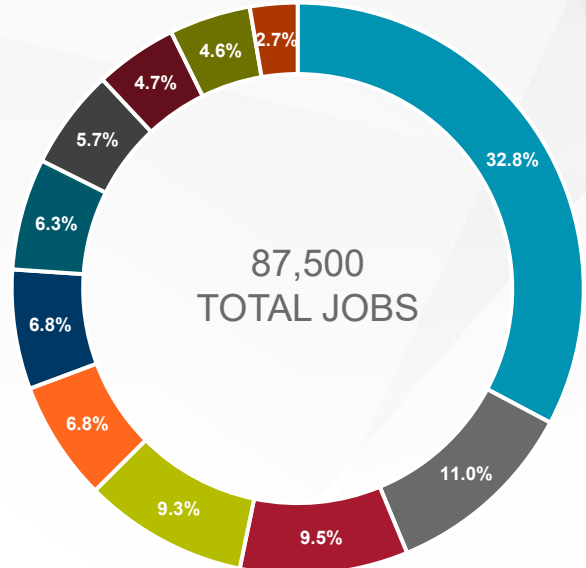
Beyond Trade and Transportation

As publicly reported in 2023, the Port of Baltimore directly employed 15,000 people and indirectly supported 140,000 jobs, creating \$3.3 billion in wages and salaries. With the port set to reopen in late May 2024, an intense short-term disruption is expected in Baltimore's labor market. Federal and local governments have learned to better deal with labor disruption following the COVID-19 pandemic.

In the impacted area, there are 87,000 people employed with a concentration in the transportation/warehousing industry and retail trade. It is worth noting that over 67.0% are not directly employed in the trade and transportation industry. Occupiers and employers range from large companies with international footprints to small private contractors and operators, with the latter employing most of the labor in the impacted area.

All are skilled labor that could be impacted by a prolonged slowdown of port activities or ancillary byproduct of short- to medium-term commuting inconveniences due to the bridge closure.

EMPLOYMENT BY INDUSTRY



- Transportation and Warehousing
- Retail Trade
- Health Care and Social Assistance
- Other
- Construction
- Waste Management and Remediation Services
- Accommodation and Food Services
- Manufacturing
- Wholesale Trade
- Government
- Professional, Scientific, and Technical Services

Source: Lightcast

PORT JOBS BY COMMODITY TYPE

Commodity	2023 Direct Jobs	2017 Direct Jobs	Change Direct Jobs
Containers	7,266	4,179	3,087
Steel Products and Metals	492	550	-58
RoRo	1,132	688	444
Lumber	294	86	208
Paper	348	286	63
Pulp	129	126	3
Break Bulk	794	518	276
Automobiles	2,065	1,748	318
Coal	724	565	159
Other Dry Bulk	2,426	1,978	447
Petroleum	393	803	-410
Other Liquid Bulk	427	318	109
Not Allocated	3,478	3,273	204
TOTAL	19,970	15,119	4,851

Totals may not add due to rounding.

Source: Maryland Port Authority

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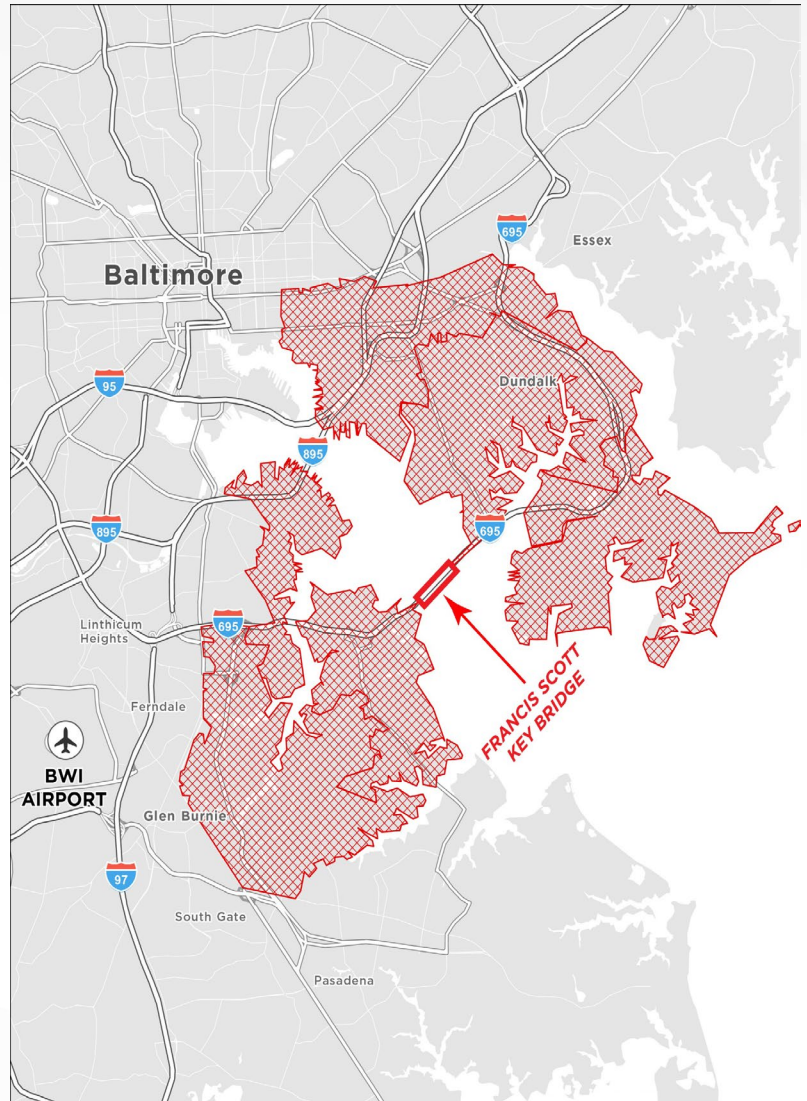
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OUTLOOK

Medium-term Resilience

The full economic impact of the tragic Francis Scott Key Bridge collapse is yet to be assessed. The strong and swift Federal, State and City response carries an expectation of a strong and thorough relief effort. Those relief efforts should supplement those businesses impacted in the short to medium term, further mitigating the potential stress to the immediate and larger industrial real estate market.

The impact on labor carries equal weight. The tragic accident caused the loss of six maintenance workers' lives, with the prospect of tens of thousands more facing unemployment. However, local, state, and federal government has stepped in to ensure that highly specialized and technical knowledge is not squandered during the port closure. To that end, the first mitigating factor is government relief. The City directly responded by committing \$1 million for businesses affected by the closure. At the state level The Maryland state legislators have approved a bill authorizing the Governor to use the state's rainy-day fund to help unemployed port employees via the Port of Baltimore Worker Retention Program. At the Federal level there is the Small Business Administration Loan program.



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OUTLOOK

Long-term Strength

Market conditions in adjacent submarkets has increased demand in the impact area, particularly Baltimore Southeast submarket. In Q1 2024, the average Class A asking rents in the BW Corridor were \$3.00 psf higher than Southeast. Class B asking rents were \$2.75 psf higher. The impact area is a low-cost alternative for the adjacent BW Corridor. Industrial operators may choose and have begun to relocate to Baltimore County East or Baltimore Southeast for the lower rents, with limited logistical impact to their operations.

Lastly the reconstruction effort is also a mitigating factor. Reconstruction will create a need for nearby industrial space, which may insulate the impact area from medium-term disruptions. Additionally, the reconstruction effort will not delay the expansion of the Howard Street Tunnel, which is set to complete in 2027. The Howard Street Tunnel expansion, a part of the CSX I-95 rail corridor connecting Philadelphia and Baltimore, will allow for double decker clearance, adding future capacity to the Port of Baltimore.

Overshadowed by the news surrounding the Key Bridge collapse is the adjacent Baltimore/Washington International (BWI) Airport. Pre-pandemic upgrades added to capacity, reaffirming its position as a top 25 cargo airport in the U.S. and fifth largest on the east coast. Upon the reconstruction of the Key Bridge in 2028, Baltimore will be one of the most modern multi-modal transportation hubs on the east coast.

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