MARKETBEAT

# BALTIMORE

## Office Q2 2021

CUSHMAN & WAKEFIELD

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **13.8%** Vacancy Rate | ▲ | ▲ |
| **-415K** YTD Net Absorption, | ▲ | ▲ |
| **$23.79** Asking Rent, PSF | — | — |

*(Overall, All Property Classes)*

### ECONOMIC INDICATORS Q2 2021

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **1.4M** Baltimore Metro Employment | ▲ | ▲ |
| **5.8%** Baltimore Metro Unemployment Rate | ▼ | ▼ |
| **5.9%** U.S. Unemployment Rate | ▼ | ▼ |

*Source: BLS*

## ECONOMY

One year after the pandemic the Baltimore area economy, like many large metropolitan areas, is still recovering from the economic effects of the pandemic. Per the Bureau of Labor Statistics (BLS), Baltimore area employment grew by 9.1% year-over-year (YOY). Traditional office user sectors like information, professional business services, education and healthcare all grew by 1.9%, 8.8% and 8.6% respectively since the second quarter of 2020. Mask mandates have been lifted in the City and Statewide. Nearly 70% of all individuals 18 and over are fully vaccinated in Baltimore County, while neighboring Howard and Anne Arundel Counties are well above 80%. Pre-pandemic nearly 80% of all office user sectors commuted to the City for work. Today regional unemployment rates are 40% lower YOY. Regional unemployment has been outpacing the City. Anne Arundel and Harford Counties are both at 4.8%, while the City unemployment rate is 7.6%, so there is still ample room for growth.

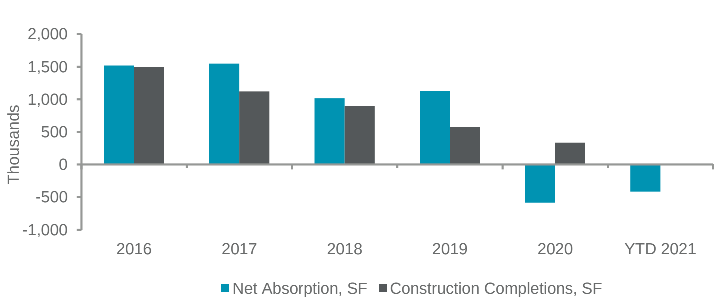
## SUPPLY AND DEMAND:

The Baltimore market recorded 801,396 square feet (sf) in leasing activity in the second quarter, up 16.2% from the last quarter—72.1% of which was in Class A space. The BWI, City and Howard County submarkets had the most leasing activity at 335,475 sf, 126,479 sf , and 182,830 sf respectively, equating to 80.5% of the total activity in the second quarter. These three submarkets combined only account for 71.2% of the total market leasing activity year-to-date (YTD).

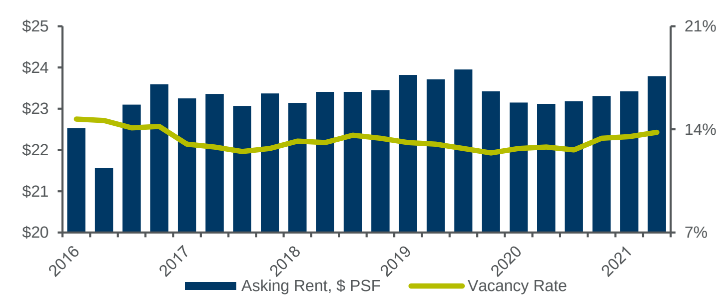
Vacancy stayed steady holding at 13.8% to end the quarter, only up 30 basis points (bps) from the first quarter. Sublease space now accounts for 9.9% of the vacant supply as 17.7% more space came onto the market in the second quarter. The City, Howard County and Suburban North submarkets' combined sublease space accounts for 82.7% of the total sublease space available. Class A vacancy represents 61.6% of total market vacancy. Absorption continued a downward trend as YTD absorption is now negative 415,312 sf. The Suburban North, City and BWI submarkets account for 52.1%, 37.7%, and 22.5% of the YTD absorption respectively, combining for negative 469,042 sf.

Asking rates were up 1.5% from the first quarter to $23.79 per square foot (psf) at quarter end. Class A asking rates were $27.27 psf, sliding down 1.0% from the first quarter. Some notable deals in the second quarter were the John Hopkins renewal of 109,136 sf at 700 East Pratt Street in the Baltimore CBD. In the BWI, Peraton renewed 103,507 sf at 2691 Technology Drive. Jacobs Engineering also renewed 91,734 sf at 7740 Milestone Parkway, both in the BWI Anne Arundel submarket. Polaris also signed a new lease in BWI Anne Arundel for 61,645 sf at 7225 Standard Drive. In Howard County, Rekor Systems took 54,717 sf at 6721 Columbia Gateway Drive. And lastly in the Southeast, Transamerica committed to 34,653 sf at 1201 Wills Street.

### SPACE DEMAND / DELIVERIES




### OVERALL VACANCY & ASKING RENT



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### MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | DIRECT VACANT (SF) | SUBLET VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Baltimore City | 21,345,558 | 3,472,846 | 156,073 | 17.0% | -101,976 | -157,422 | 283,586 | 439,427 | $23.25 | $26.02 |
| Howard County | 17,267,578 | 1,854,233 | 115,349 | 11.4% | -18,816 | 38,843 | 341,491 | 115,980 | $24.96 | $28.39 |
| BWI Airport | 11,604,314 | 1,134,971 | 95,805 | 10.6% | -24,718 | -93,972 | 438,157 | 0 | $25.81 | $30.14 |
| Suburban North | 13,436,091 | 1,482,392 | 214,255 | 12.6% | -76,589 | -217,648 | 178,054 | 221,795 | $20.47 | $23.70 |
| Greater Annapolis | 4,101,952 | 420,845 | 28,653 | 11.0% | -23,466 | -28,679 | 105,676 | 0 | $28.27 | $31.89 |
| Suburban West | 8,124,289 | 1,165,551 | 58,715 | 15.1% | 57,564 | 46,446 | 132,714 | 0 | $21.73 | $25.10 |
| Harford | 2,073,891 | 504,477 | 14,213 | 25.0% | 1,689 | -2,880 | 12,842 | 125,606 | $23.08 | $24.11 |
| **Baltimore Totals** | 77,953,673 | 10,035,315 | 683,063 | 13.8% | -186,312 | -415,312 | 1,492,520 | 902,808 | $23.79 | $27.27 |

**Rental rates reflect full service asking*

### KEY LEASE TRANSACTIONS Q2 2021

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|---|---|---|---|---|
| 550 National Business Parkway | BWI North/Linthicum | Confidential | 183,000 | New Lease |
| 700 E Pratt Street | CBD | Johns Hopkins | 109,136 | Renewal* |
| 2691 Technology Drive | BWI Anne Arundel | Peraton Corp. | 103,507 | Renewal* |
| 7740 Milestone Parkway – Bldg 1 | BWI Anne Arundel | Jacobs Engineering Group | 91,734 | Renewal* |
| 7225 Standard Drive | BWI Anne Arundel | Polaris Worldwide Logistics | 61,645 | New Lease |

**Renewals not included in leasing statistics*

### KEY SALES TRANSACTIONS Q2 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / $ PSF |
|---|---|---|---|---|
| 8193 / 8187 Dorsey Run Road | BWI Anne Arundel | Boston Properties / Konterra Realty LLC | 245,325 | $38.8M / $158 |
| 2288 Blue Water Boulevard | BWI Anne Arundel | The Halle Companies / Lawrence Solomon | 63,753 | $11.1M / $174 |
| 21 Crossroads Drive | Reisterstown Road Corridor | American property Management / Grander Capital Partners | 57,720 | $10.0M / $173 |

### KEY COMPLETED CONSTRUCTION 2021

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|---|---|---|---|---|
| 1201 Wills Street | Southeast | Jellyfish Group | 360,000 | Beatty Development Group, LLC |
| 810 Bestgate | Annapolis | | 100,000 | St. Johns Properties |

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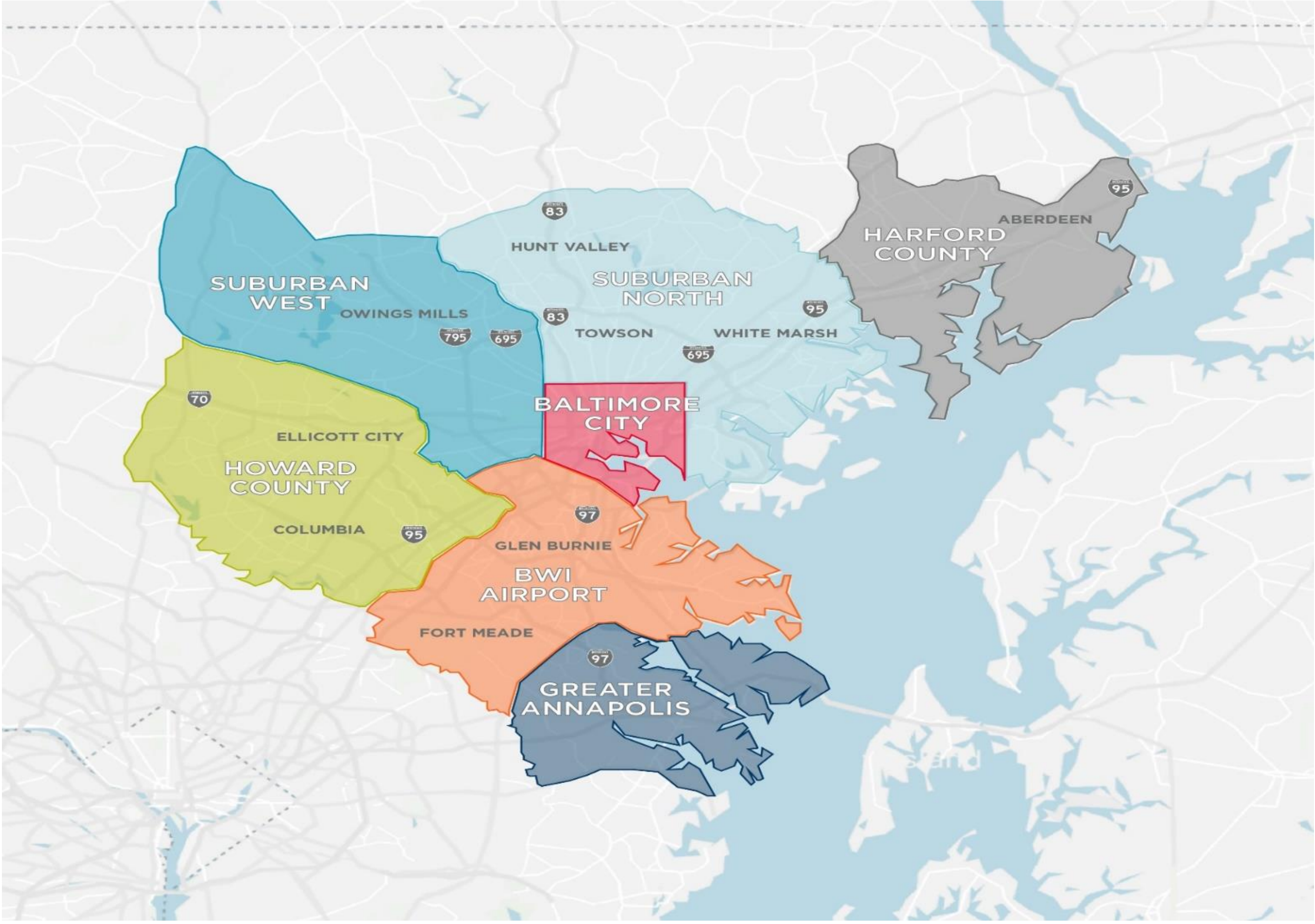
## OFFICE SUBMARKETS





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