

MARKETBEAT BALTIMORE

Office Q4 2021



CUSHMAN &
WAKEFIELD

13.6%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



-408K

YTD Net Absorption, SF



\$24.61

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

1.4M

Baltimore
Employment

YoY
Chg



12-Mo.
Forecast



5.3%

Baltimore
Unemployment Rate



4.2%

U.S.
Unemployment Rate



Source: BLS

ECONOMY:

Despite concerns about the Great Resignation and the emergence of the Omicron variant of COVID-19 disrupting return to office plans, Baltimore's impressive economic recovery marched ahead in the fourth quarter of 2021. Total employment grew by more than 3.4% year-over-year (YOY), overcoming a sluggish September that saw employment return to May 2021 levels. All told, Baltimore area employment numbers are one percent below their pre-pandemic levels. Traditional office using sectors, like education and healthcare and professional business services, grew by 3.9% and 5.1%, respectively, since the fourth quarter of 2020. Government and financial activities fell behind by 0.35% and 0.46%, respectively. Unemployment continued to decline in tandem, by 110 basis points (bps) YOY. Anne Arundel and Harford Counties are both at roughly 3.8%, while the City unemployment rate is 6.1%, dropping by approximately 100 bps for each of the counties since the previous quarter.

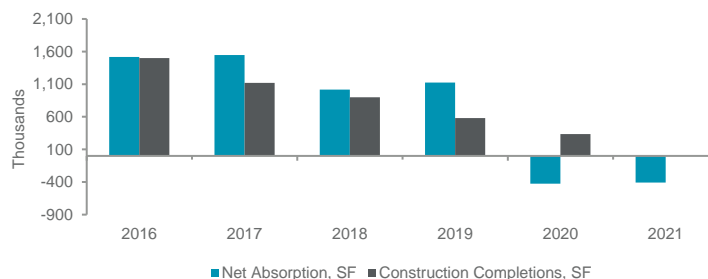
SUPPLY OR DEMAND:

The Baltimore office market's leasing activity was up nearly 29.0% quarter-over-quarter (QOQ) in the fourth quarter of 2021. There was 569,493 square feet (sf) leased in the fourth quarter, compared to more than 441,532 sf in the third quarter. Class B space made up roughly (261,448 sf) 46% of space leased in the fourth quarter, which was the inverse of the 34.0% of Class A space that made up the minority of the third quarter's activity. The Suburban North, Howard County, and BWI Airport submarkets had the most leasing activity at 142,292 sf, 111,138 sf, and 108,170 sf, respectively, equating to 63.4% of the total activity in the fourth quarter.

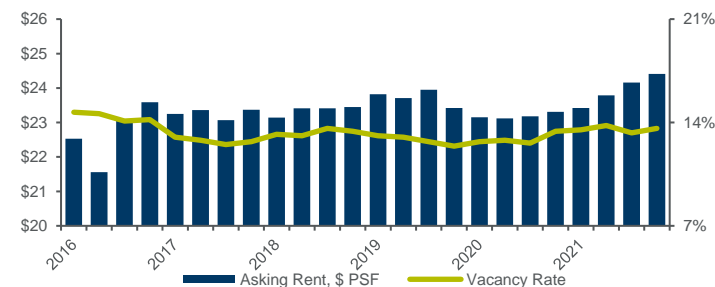
Vacancies increased by 30 bps QoQ, to 13.6% in the fourth quarter of 2021, 10 bps higher than at the year's start. The office market had more than 156,000 sf of negative net absorption, as many of the leases signed in the quarter have occupancy dates set for 2022. The Howard County, Greater Annapolis, and Harford submarkets account for 56.2%, 32.5%, and 25.5% of the fourth quarter negative absorption respectively, combining for 156,332 sf that effectively erased the positive absorption made during the third quarter. Only BWI Airport and Suburban North had positive net absorption in the fourth quarter. Sublease space now accounts for less than 6.8% of the vacant supply, a figure that held steady QOQ.

Asking rates were up nearly 2.0% from the second quarter, to \$24.61 per square foot (psf) at quarter end, while Class A asking rates were \$28.19 psf. The picture is far more nuanced, with effective rates frequently being significantly lower as landlords seek to fill space in an increasingly tenant-driven market. Some notable leases in the fourth quarter included the pre-lease for the entirety of 189 Harry S Truman Parkway, which is currently under construction and due to complete in the late 2022. VectorWorks signed a new lease for 42,695 sf at 8621 Robert Fulton Drive and Morgan Stanley will join Ernst & Young and RBC in Harbor East after signing for 34,653 sf in the Southeast submarket. One of the largest deals of the year happened when MCB Real Estate purchased a 60% partial interest in the Rotunda three-property-portfolio, which included the 143,000 sf-office-building at 711 West 40th St. First Real Estate Investment Trust of New Jersey purchased the office building for an allocated \$29 million in December 2021.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





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	21,352,942	3,393,803	239,392	17.0%	-38,214	-241,211	578,543	553,402	\$25.31	\$28.87
Howard County	17,266,757	1,827,428	128,818	11.3%	-86,811	19,848	735,458	115,980	\$24.96	\$27.30
BWI Airport	11,619,464	1,022,263	31,731	9.1%	47,051	47,997	597,341	0	\$26.24	\$31.80
Suburban North	13,534,731	1,613,112	198,738	13.4%	13,507	-254,926	537,675	221,795	\$21.25	\$22.08
Greater Annapolis	4,101,952	443,584	32,299	11.6%	-50,821	-70,292	200,877	0	\$28.68	\$32.07
Suburban West	8,124,289	975,945	84,594	13.1%	-1,102	195,846	310,237	0	\$19.31	N/A
Harford	2,073,891	601,229	0	29.0%	-39,942	-104,997	65,477	0	\$24.91	\$26.19
BALTIMORE TOTALS	78,074,026	9,877,364	715,572	13.6%	-156,332	-407,735	3,025,608	891,177	\$24.61	\$28.19

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
189 Harry S Truman Parkway	Annapolis	Undisclosed	54,000	New Lease
8210 Dorsey Run Road	BWI/Anne Arundel	*Confidential	48,430	New Lease
8621 Robert Fulton Drive	Columbia South	VectorWorks	42,696	New Lease
7000 Columbia Gateway Drive	Columbia South	*Confidential	36,956	Renewal/Expansion*
1201 Wills Street	Southeast	Morgan Stanley	34,653	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
711 West 40th Street	Midtown	First REIT of New Jersey / MCB Real Estate	143,000	\$29M/\$338
11155 Red Run Boulevard	Reisterstown Road Corridor	Dell Corporation / America's Realty	120,327	\$13.5M/\$112
11411 Red Run Boulevard	Reisterstown Road Corridor	ADP / Blue Ocean	110,000	\$4.4M/\$40
1501 St. Paul Street	Midtown	Commercial Group / Bastogne Development Partners	71,000	\$20.4/\$287

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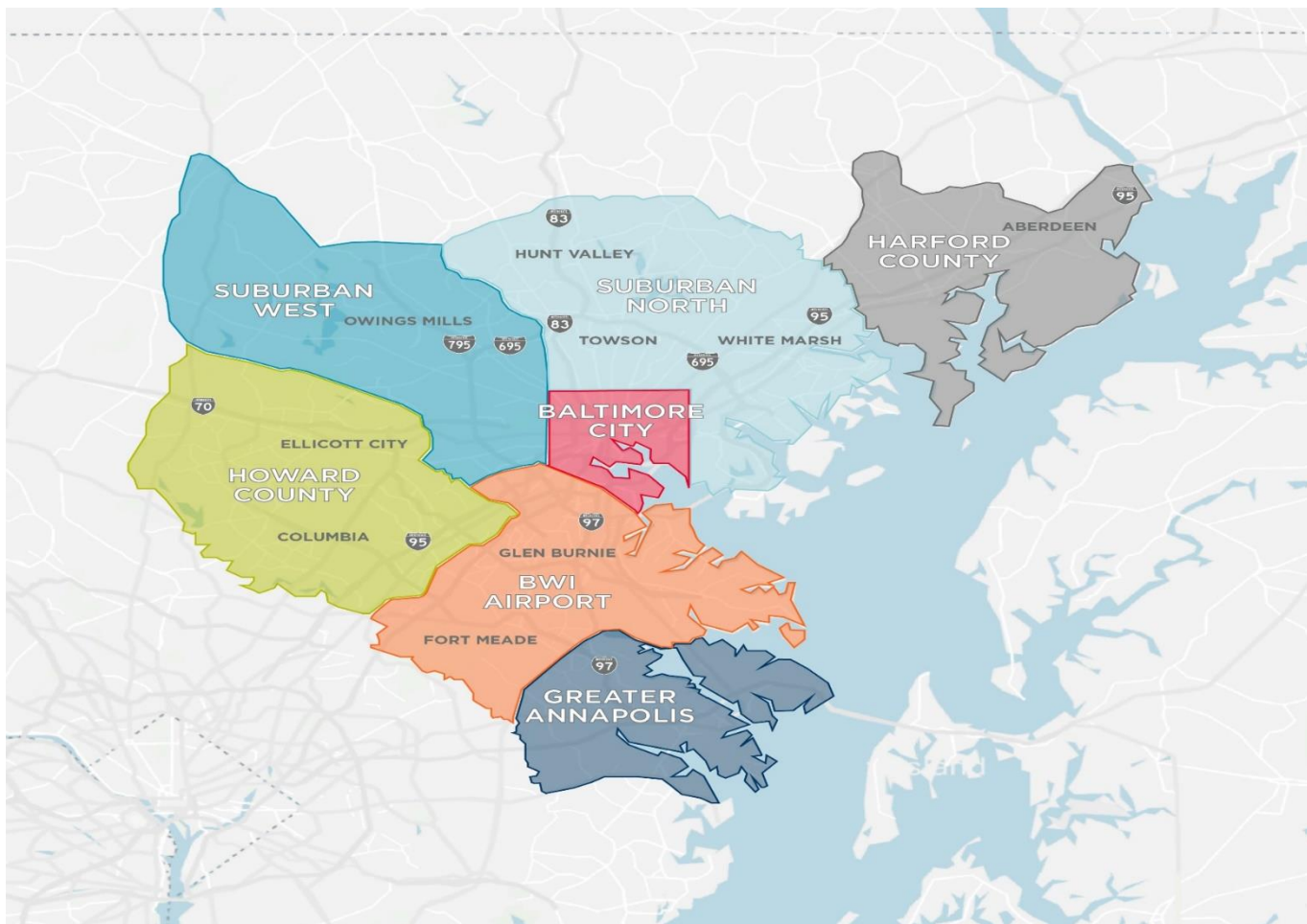
BALTIMORE

Office Q4 2021



CUSHMAN &
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OFFICE SUBMARKETS



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