

YoY Chg 12-Mo. Forecast

13.7%

Vacancy Rate



231K

YTD Net Absorption, SF



\$25.53

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

1.4M

Baltimore Employment



3.9%

Baltimore Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

Inflation continued its rise to 9.1% in the second quarter of 2022, approaching rates last seen in 1981 and contributed to the Fed raising the interest rate another 0.75% at its June 15th meeting. The Fed also adjusted expectations from the beginning of 2022, both increasing the projected inflation rate and decreasing projected GDP growth for the remainder of the year. As further rate hikes are on the horizon to put downward pressure on inflation, economic observers have given further credence to the likelihood of a recession by early 2023. While unemployment continued to decline in the second quarter of 2022, labor force participation had nominal change year-over-year (YOY), reflecting more of a change in workers falling off the unemployment roster than in more workers becoming employed. The CPI index also increased 10.6% YOY across the Baltimore market, primarily in food and energy.

SUPPLY AND DEMAND:

The vacancy rate in the Baltimore office market increased by 10 basis points (bps) quarter-over-quarter (QOQ) in the second quarter of 2022 and was 10 bps lower YOY. Overall net absorption helped keep a lid on vacancy expansion. Net absorption was positive year-to-date (YTD) in 2022 in a reversal of the 415,000 square feet (sf) of net negative absorption across the first half of 2021. The BWI Airport Submarket was one of the largest contributors to positive net absorption last year and all the positive net absorption YTD in 2022 for the Baltimore market.

More than 738,000 sf of leases were signed in the second quarter of 2022, a decline from the 800,000 sf of leases signed in the second quarter of 2021, despite more deals being signed. The largest deal happened in the Baltimore CBD Submarket when the State of Maryland leased 149,042 sf at 25 S. Charles St. in May 2022. Class A space comprised most of the space leased (62% YTD), just as it had in the first half of 2021. Only the Greater Annapolis, Suburban North, and Suburban West submarkets had more Class B space (120,968 sf) leased than Class A space, representing 74% of total space leased in these submarkets for the second quarter of 2022. Sublease space now accounts for 7.3% of vacant space in the Baltimore market, a 110-bps increase QOQ.

Asking rates increased across the first half of 2022 and were at \$25.53 per square foot (psf), while Class A rates were approaching \$28.00 psf on average. Effective rates provide more nuance, as landlords continue to mete out significant concessions to fill vacant space. The CBD continued to see the highest average concessions and lowest average starting rents in the market. Aside from the State of Maryland, top leases included CareFirst BlueCross BlueShield's new lease for 85,188 sf at 6100 Merriweather in Columbia and The Office of the Public Defender's 32,034-sf lease at 201 N Charles.

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	21,319,395	3,356,205	212,578	16.7%	176,974	-89,370	433,576	1,003,402	\$27.06	\$29.18
Howard County	17,249,170	1,959,664	135,297	12.2%	-20,774	5,961	439,996	0	\$24.51	\$27.05
BWI Airport	11,813,139	979,768	10,317	8.4%	201,540	230,657	60,273	33,120	\$26.36	\$32.38
Suburban North	13,534,731	1,566,620	231,267	13.3%	-107,149	-84,843	212,256	0	\$23.42	\$25.81
Greater Annapolis	4,110,642	443,668	56,533	12.2%	-9,320	-10,813	37,235	54,000	\$29.69	\$31.51
Suburban West	8,182,624	981,174	97,695	13.2%	5,122	-30,401	131,462	0	\$22.95	\$24.51
Harford	2,074,356	640,555	39,472	32.8%	-15,264	-6,089	12,069	0	\$23.46	\$24.31
BALTIMORE TOTALS	78,284,057	9,927,654	783,159	13.7%	231,129	15,102	1,326,867	1,090,522	\$25.53	\$27.99

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
25 S. Charles St.	CBD	State of Maryland	149,200	New Lease
6100 Merriweather Dr.	Town Center	CareFirst BlueCross BlueShield	85,188	New Lease
7001 Columbia Gateway Dr.	Columbia South	*Confidential	65,639	Renewal*
201 N. Charles St.	CBD	The Office of the Public Defender	32,034	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

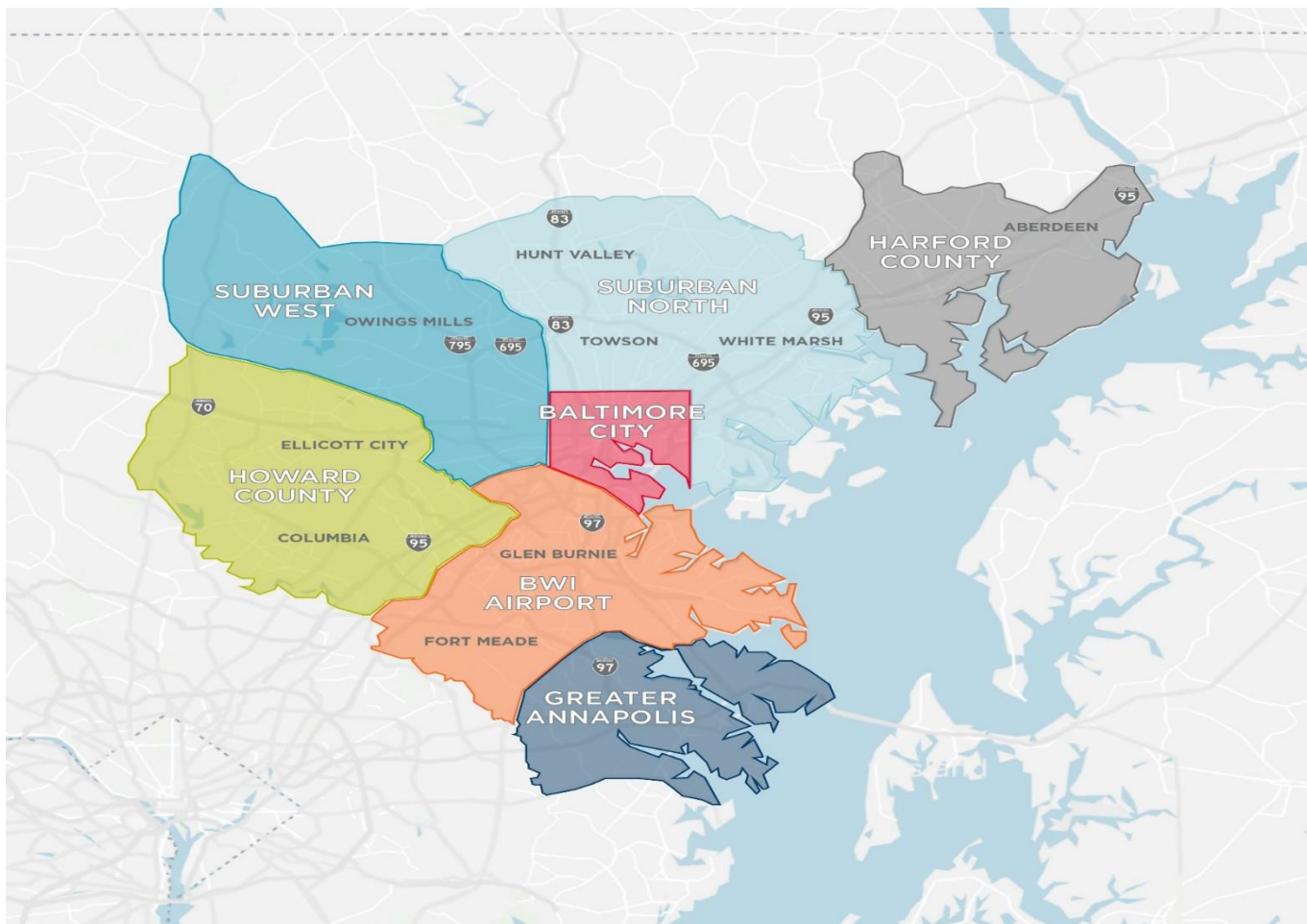
SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
201 N Charles St	Hubris Capital LLC / Rialto Capital Management LLC	254,800	\$4.1M/\$16.09*
201 E. Baltimore St.	Continental Mortgage Investment Corp. / Chasen Companies	125,000	\$11.1M/\$88.8

*Foreclosure; Loan sold at auction; Not included in sales statistics

BALTIMORE

Office Q2 2022

OFFICE SUBMARKETS



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