MARKETBEAT

BALTIMORE

Office Q4 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
14.5% Vacancy Rate	▲	▲
-641K YTD Net Absorption, SF	▼	▼
$25.30 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
1.4M Baltimore Employment	▲	▲
4.3% Baltimore Unemployment Rate	▼	▼
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY:

Following six, consecutive 0.75% interest rate hikes ordered by the Fed in 2022, inflation in the Baltimore market was at 8.4% in October 2022. While it was a more than 200 basis-points (bps) drop from its peak at 10.6% in June 2022, the rate was the seventh-highest consumer price index (CPI) in the nation in October. Neighboring markets Philadelphia and Washington-D.C. came in at 7.8% and 5.6%, respectively. As inflation remains well above the Fed's target of 2.0% nationally, further tightening via additional rate hikes are expected to be announced following the end of its first 2023 meeting on February 1st. Employment remains high and unemployment remains low, despite a 20-bps increase quarter-over-quarter nationally and a 40-bps increase in Baltimore. There is evidence that rate hikes have begun to more substantially impact business decisions and commercial real estate at large closing out 2022.

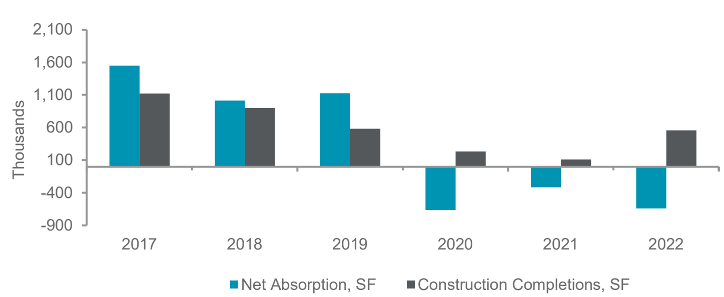
SUPPLY AND DEMAND:

The freefall of demand into negative territory slowed in the fourth quarter of 2022, with 118,000 square feet (sf) of net negative absorption. The bulk of the cumulative year-end total net negative absorption of 641,847 happened in third quarter when quarterly net absorption was at its deepest trough of 347,686 sf. Most of the year's losses happened in Baltimore City, where a net total of 375,691 sf occupied space was lost in 2022. Morgan Stanley left more than 100,000 sf vacant when they left 650 S Exeter Street. They will move into their new location at Thames St. Wharf in the second quarter of 2023. Transamerica left a net of 125,109 sf vacant at 100 Light St when their lease ended in January 2022. The firm downsized its footprint and moved into 34,653 sf at Wills Wharf.

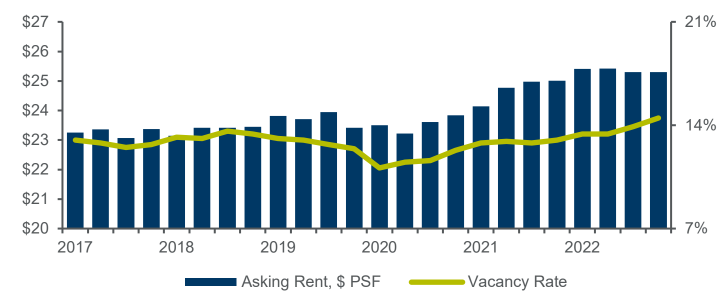
New lease activity reached 2.9 million square feet (msf) in 2022 and renewals accounted for another 1.4 msf of lease activity for the year. The new activity total was 3.2 msf at the end of 2021, more than 88,000 sf than in 2022. The Baltimore City and Howard County submarkets experienced the bulk of the activity, with 997,381 sf and 791,158 sf, respectively, in new leases by year-end. The total number of deals transacted in the market increased after Fed's first 0.75% interest rate hike of the year on June 16th, with the increase comprised mostly by deals in the 5,000 sf to 15,000 sf range and renewals.

While the nature of lease activity changed in the face of the highest interest rate since January 2008, investment in the office sector came to a standstill in the fourth quarter of the year. Conversely, Baltimore's inventory had its greatest increase since 2019, with 600,458 sf in completions. The largest proportion of this development came from Weller Development's Baltimore Peninsula projects in the form of the Rye Street Market North and East buildings, which total 187,137 sf (North and East buildings), and 2455 House Street, which totals 215,759 sf with its office and retail components combined.

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	21,582,860	4,029,838	154,653	19.4%	-86,288	-375,691	997,381	567,000	$26.42	$28.01
Howard County	17,186,128	1,809,360	273,524	12.1%	62,045	-97,715	791,158	0	$25.19	$27.51
BWI Airport	11,900,969	1,001,969	21,844	8.6%	-32,252	178,511	318,129	122,195	$27.23	$33.26
Suburban North	13,566,011	1,575,139	306,306	13.9%	-84,103	-165,307	412,173	0	$23.05	$25.53
Greater Annapolis	4,010,642	369,780	71,995	11.0%	-3,632	-53,118	167,238	54,000	$29.10	$31.40
Suburban West	8,182,624	919,807	220,587	13.9%	-1,523	-118,419	216,096	0	$22.68	$24.44
Harford	2,082,764	607,318	13,000	29.8%	27,470	-10,108	35,244	0	$23.91	$24.88
BALTIMORE TOTALS	**78,519,068**	**10,313,211**	**1,136,813**	**14.5%**	**-118,283**	**-641,847**	**2,937,419**	**743,195**	**$25.30**	**$27.50**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1300 Thames Street	CBD	Morgan Stanley	242,000	Renewal/Expansion*
7 St. Paul Street	CBD	Maryland State Office of the Comptroller	67,586	New Lease
300 E. Lombard Street	CBD	Maryland Department of Budget and Management	44,240	New Lease
250 W. Pratt Street	CBD	Semmes, Bowen & Semmes	33,767	New Lease
7031 Ridge Road	BWI/Anne Arundel		31,233	New Lease

**Renewals not included in leasing statistics*

KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
2455 House Street	Southeast		197,321	Weller Development Partners
560 National Business Parkway	BWI/Anne Arundel	Microsoft	183,000	Corporate Office Properties Trust
301 Atlas Street, Rye Street Market North	Southeast		143,472	Weller Development Partners
301 Atlas Street, Rye Street Market East	Southeast		43,665	Weller Development Partners
1001 N. Charles Street	Midtown		33,000	Landmark Partners

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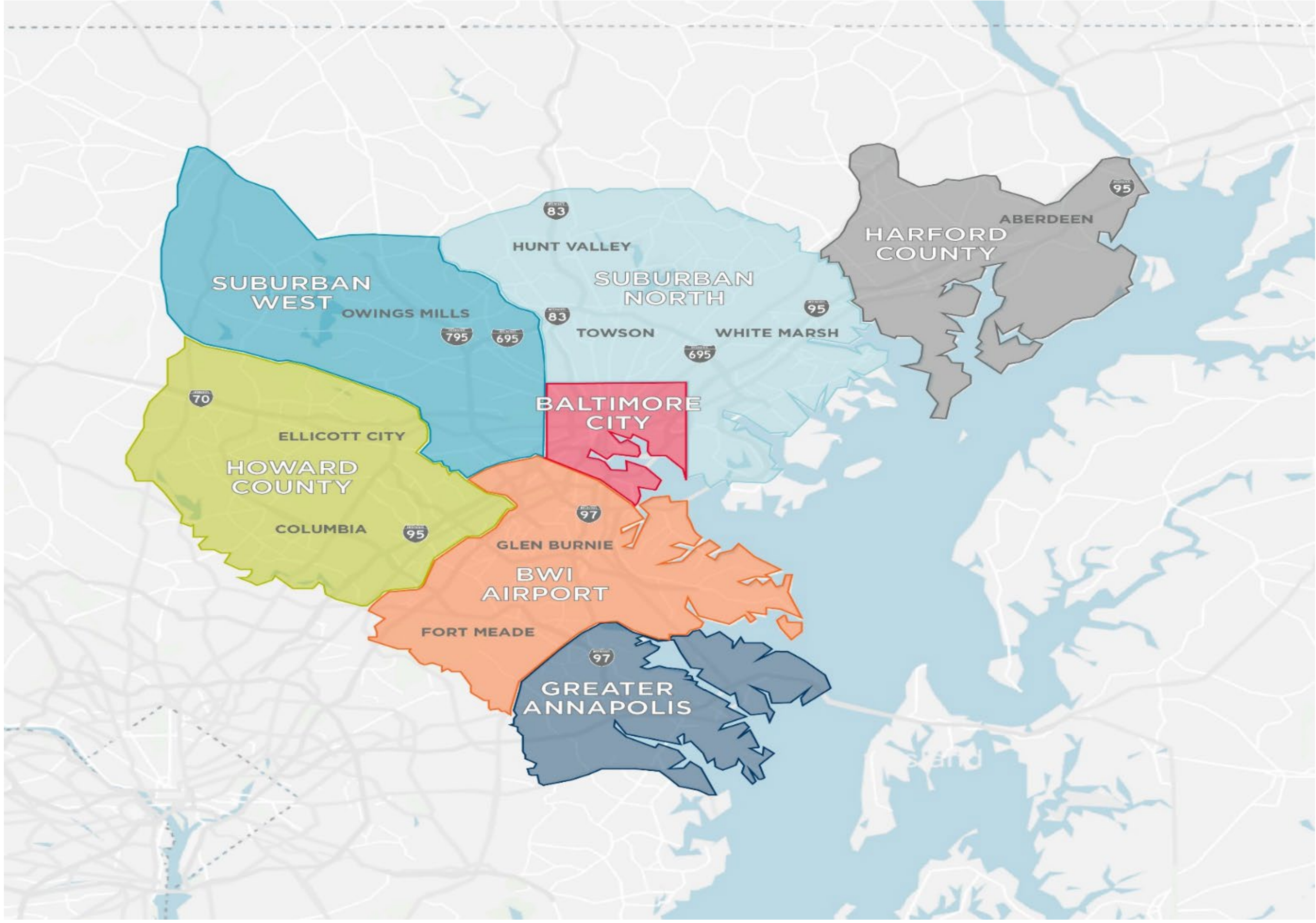
OFFICE SUBMARKETS



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