

MARKETBEAT BALTIMORE



Office Q1 2023

YoY Chg 12-Mo. Forecast

14.9%

Vacancy Rate



-446K

YTD Net Absorption, SF



\$24.93

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

1.4M

Baltimore Employment



3.0%

Baltimore Unemployment Rate



3.5%

U.S. Unemployment Rate



Source: BLS

ECONOMY:

Inflation in the Baltimore metro fell to 6.1% in February 2023, following its most recent downward turn at the end of 2022. The latest Consumer Price Index (CPI) estimates indicate more potential cooling as the Federal Reserve (Fed) twice raised interest rates by a quarter of a percentage point in the first quarter. Nearby Washington, D.C. saw CPI rates fall to 3.7% in March, while the month's numbers have yet to be reported for Baltimore and Philadelphia.

Still well above the Fed's 2.0% target rate both locally and nationally, there are concerns inflation will continue to be sticky. The knock-on effects of a series of interest rate hikes to combat inflation have included the failure of Silicon Valley Bank and Signature Bank. The lending environment has become more austere in turn as these regional bank failures have exacerbated the credit-tightening already in effect at larger banks and the institutional investment level.

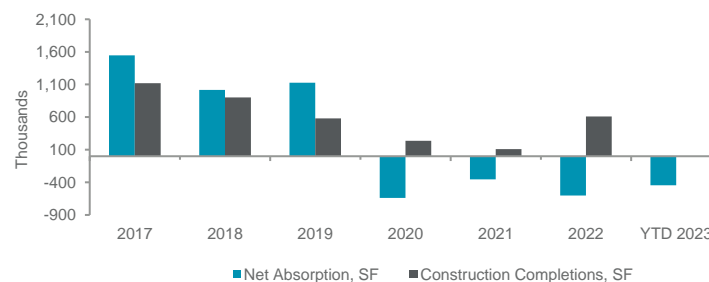
SUPPLY AND DEMAND:

The freefall of demand resumed in the first quarter of 2023, with the net loss of 445,649 square feet (sf) of occupied space represented most significantly in the Baltimore City and Suburban West Submarkets. The Centers for Medicare and Medicaid Services (CMS) terminated their lease and moved out of their 80,398-sf space at 7210 Ambassador Road, as part of broader cost-saving measures. In Baltimore City, several larger moves contributed to net negative absorption. Among them were Merrill Lynch's move out of 100 E. Pratt Street, wrapping up the completion of consolidating with Bank of America at 100 International Drive, and Pandora's give-back of space at the former Pandora Tower.

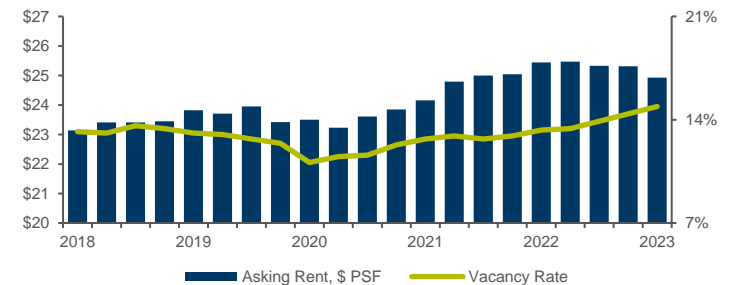
Lease activity continues to be influenced by flight to quality, right-sizing, and broader budgetary concerns in the face of a tighter economic environment. Flight to quality drove 66.1% of new lease activity in Class A space in the first quarter of 2023, with 64.2% of renewals also in Class A space for the quarter. The Suburban West (117,437 sf), Baltimore City (120,920 sf), and Howard County Submarkets (66,138 sf) had the highest concentrations of new, Class A lease activity, while most of the Class A renewals were in the Baltimore City (27,396 sf) and Suburban North Submarkets (42,546 sf).

Economic conditions and challenging occupancies have begun to apply downward pressure on asking rates, which fell by 0.1% year-over-year (YOY) in the first quarter of 2023. Concessions have increased, with tenant improvement allowances remaining elevated and escalations more frequently above 3.0% for those leases with lower-than-average starting rates.

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	21,741,946	4,342,198	167,473	20.7%	-174,400	-174,400	157,227*	785,850	\$26.16	\$27.88
Howard County	17,228,536	1,735,290	288,632	11.7%	-45,398	-45,398	119,094	0	\$25.40	\$27.37
BWI Airport	11,813,139	855,107	29,954	7.5%	62,041	62,041	31,509	122,195	\$26.86	\$32.74
Suburban North	13,604,429	1,613,664	377,846	14.6%	-78,543	-78,543	67,738	0	\$23.07	\$25.51
Greater Annapolis	4,017,712	393,406	25,276	10.4%	-12,649	-12,649	47,310	54,000	\$28.01	\$31.62
Suburban West	8,182,624	1,175,216	211,939	17.0%	-193,528	-193,528	124,919	0	\$20.93	\$23.40
Harford	1,989,959	490,168	13,000	25.3%	-3,168	-3,168	3,458	0	\$23.57	\$24.42
BALTIMORE TOTALS	78,578,345	10,605,049	1,114,120	14.9%	-445,645	-445,645	551,255**	962,045	\$24.93	\$27.22

*Revised Leasing Activity; Does Not Reflect National Statistics; **Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
10200 Grand Central Avenue	Reisterstown Road Corridor	Element Fleet Management	63,995	New Lease
1501 S. Clinton Street	Southeast	S3 Shared Services Solutions	38,915	New Lease, Sublease
10461 Mill Run Circle	Reisterstown Road Corridor	Confidential	34,244	New Lease
10150 York Road	Route 83 North	Diamond Comic Distributors Inc.	31,308	Renewal*
100 International Drive	Southeast	Confidential	24,584	New Lease

*Renewals not included in leasing statistics

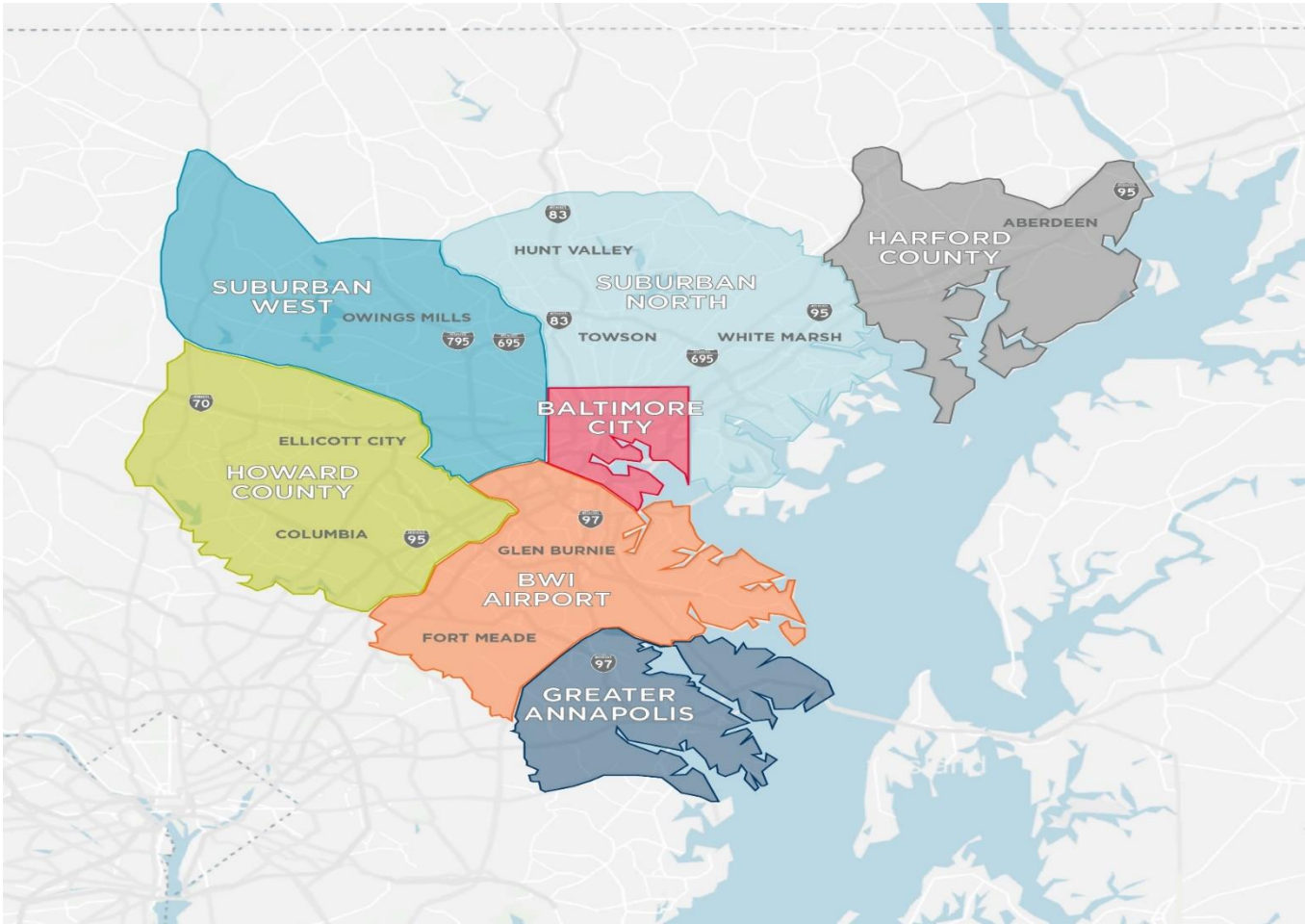
KEY PROJECTS UNDER CONSTRUCTION Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1307 Point Street – Building I	Southeast	T. Rowe Price	225,000	Beatty Development
1307 Point Street – Building II	Southeast	T. Rowe Price	225,000	Beatty Development
550 National Business Parkway	BWI Anne Arundel	Microsoft	122,195	Corporate Office Properties Trust
4010 Boston Street – 40Ten Boston	Southeast		84,000	28 Walker Development
189 S. Harry Truman Parkway	Annapolis	Administrative Office of the Courts	54,000	St. John Properties

BALTIMORE

Office Q1 2023

OFFICE SUBMARKETS



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