

MARKETBEAT BALTIMORE



Office Q3 2023

YoY Chg 12-Mo. Forecast

15.4%
Vacancy Rate



-1.1M
YTD Net Absorption, SF



\$24.85
Asking Rent, PSF



(Overall, All Property Classes)

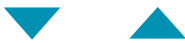
ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

1.4M
Baltimore
Employment



1.8%
Baltimore
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY:

The pace of inflation has slowed to 3.1% in Baltimore as of August 2023 and remains below the national rate of inflation (3.8%). Though the central bank has paused interest rate hikes, inflation remains a concern, particularly as the full effect of increases to date has yet to filter through the economy. A mark of this, unemployment rates remain low and were at 1.8% in Baltimore in the third quarter of 2023. Yet, low unemployment rates are not uncommon through the start of recessions. Leading indicators like the 10-year-treasury yield curve, manufacturing production, and more specific to real estate, leasing activity, all point toward an impending downturn in 2024.

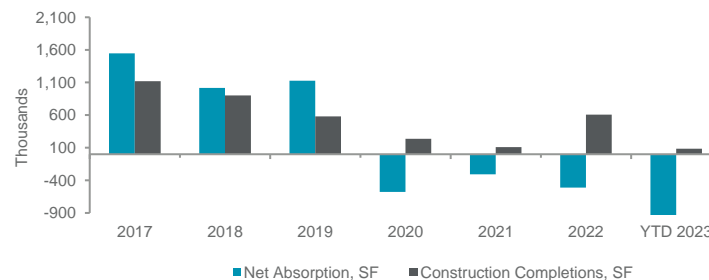
SUPPLY AND DEMAND:

As inflation remains sticky, commercial real estate trends continue to reflect the impact of downward economic pressure heading into the end of 2023. Demand in the Baltimore office market decelerated each quarter of 2023 and as was at has continued its deceleration and was at a third quarter year-to-date (YTD) low in 2023. Third quarter year-to-date office demand declined by an annual factor of two since 2021. An important caveat to this trend, though a simultaneous harbinger, has been the delay of State of Maryland (MD) agencies taking occupancy of their more than 500,000 square feet (sf) of office space combined. Had they moved in this year as planned, it would have significantly blunted the deceleration observed to date in 2023.

Lackluster leasing activity has done little to alleviate concerns about the direction of the office market. Caveats abound, as class A and class B leasing activity are bifurcated, as has been an increasingly common story across commercial real estate markets. Of the 1.4 million square feet (msf) YTD, 840,634 sf was in class A inventory, while 569,072 sf was in class B inventory. Looking more closely at quarter-over-quarter (QOQ) trends, class A leasing activity was more on pace with class B leasing activity in the third quarter of 2023. Thus, much of that disparity happened earlier in the year, mostly in the first quarter.

Asking rates fell by less than half a percent QOQ, and by 2.2% year-over-year (YOY). Concessions have increased in the form of free rent and held steady for tenant improvement allowances - a trend that is expected to continue given the lack of economic flexibility. Investment has slowed overall as well, though two Baltimore City deals will elevate the annual sales volume for 2023: 1 South Street and 1 E Pratt Street. The former sold for \$24.0 million in June 2023, or \$50.00 per square foot (psf), while the latter traded for \$25.0 million, or \$70.22 psf, in July 2023.

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	21,823,086	4,570,299	176,644	21.8%	-58,437	-464,392	198,385	450,000	\$26.18	\$27.78
Howard County	17,228,435	1,795,741	309,485	12.2%	-19,545	-101,169	388,731	81,586*	\$25.34	\$27.48
BWI Airport	11,858,139	789,603	72,437	7.3%	-37,387	62,061	151,215	122,195	\$25.11	\$29.05
Suburban North	13,529,429	1,636,207	538,333	16.1%	-79,514	-367,939	344,135	0	\$23.40	\$25.58
Greater Annapolis	4,026,712	398,120	12,527	9.9%	-4,026	18,028	94,802	31,284	\$26.68	\$30.46
Suburban West	8,179,587	1,184,460	192,907	16.8%	-4,246	-203,094	218,597	0	\$21.13	\$23.46
Harford	1,989,968	465,753	15,885	24.2%	7,117	-291	13,841	0	\$23.37	\$24.17
BALTIMORE TOTALS	78,635,356	10,830,183	1,318,218	15.4%	-196,038	-1,056,796	1,409,706	685,065*	\$24.85	\$26.95

*Does not reflect National MarketBeat Statistics; **Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7 E. Redwood St	Baltimore CBD	Department of Human Resources / Office of Special Counsel	38,071	Renewal*
6716 Alexander Bell Dr	Columbia South	Confidential	12,791	Renewal*
6855 Deerpath Rd	Route 1 Corridor	Confidential	11,970	New Lease
6950 Columbia Gateway Dr	Columbia South	Confidential	10,820	New Lease

KEY PROJECTS UNDER CONSTRUCTION Q3 2023

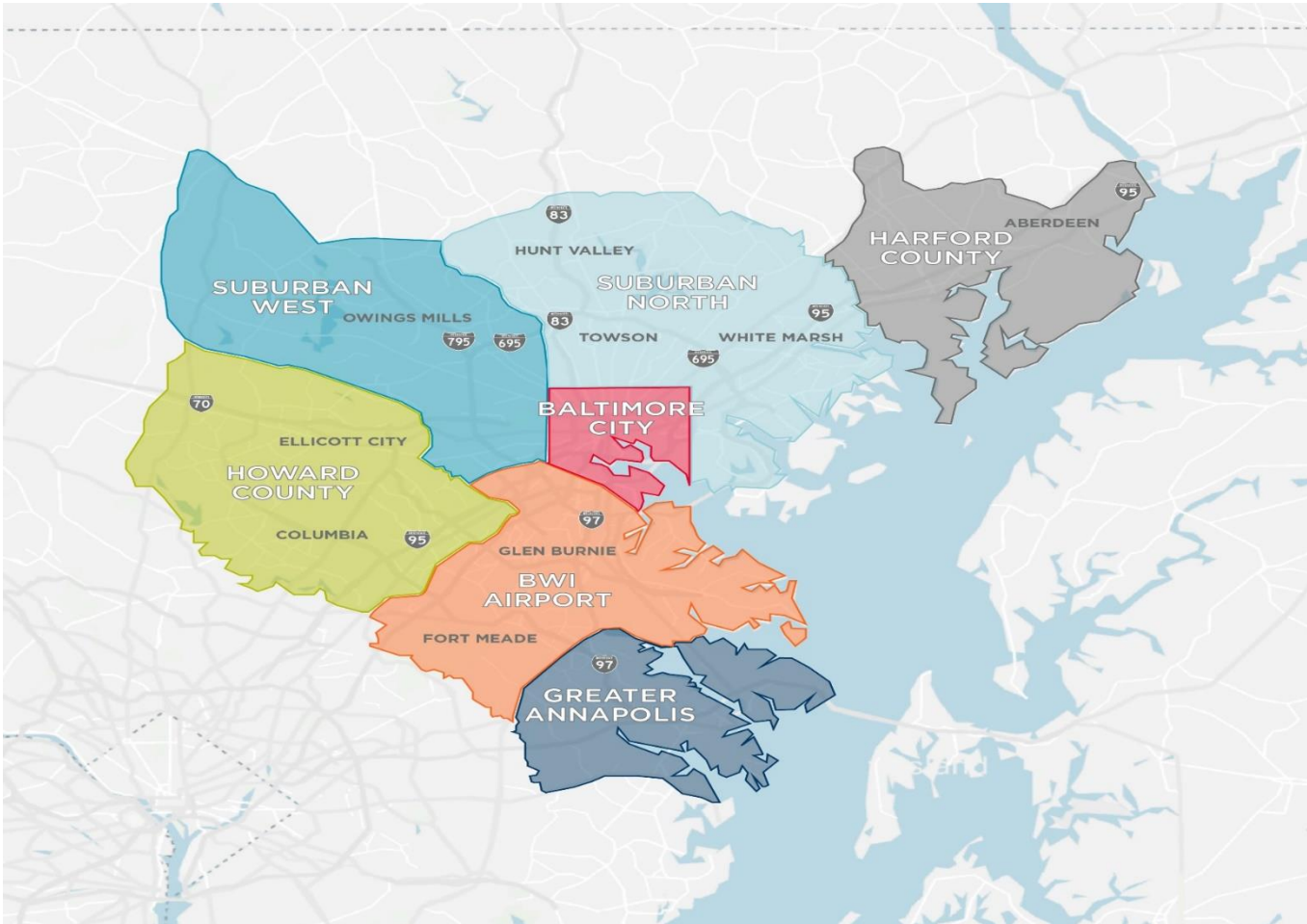
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1307 Point Street – Building I	Southeast	T. Rowe Price	225,000	Beatty Development
1307 Point Street – Building II	Southeast	T. Rowe Price	225,000	Beatty Development
550 National Business Parkway	BWI / Anne Arundel	Microsoft	122,195	Corporate Office Properties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

*Renewals not included in leasing statistics

BALTIMORE

Office Q3 2023

OFFICE SUBMARKETS



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