

BALTIMORE CITY



Office Q4 2023

	YoY Chg	12-Mo. Forecast
22.4% Vacancy Rate	▲	▲
-525K YTD Net Absorption, SF	▼	▼
\$26.15 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMY:

U.S. stock markets rallied at the end of 2023 amid positive news of likely rate cuts by the Federal Reserve (Fed) heading into 2024. However, the Fed's December meeting notes indicate a great degree of uncertainty as to when cuts will happen, putting a damper on the economic outlook. Despite the slowdown of inflation to 2.2% in Baltimore as of October 2023, and prices set back by 0.2 percent as compared to the preceding two-month period, the impact of rising prices and a constricted lending environment overall remain a concern for both private and commercial businesses.

An economic bright spot is Baltimore's recent designation as a tech hub under the U.S. Department of Commerce Economic Development Administration's Regional Technology and Innovation Hubs program. As reported by CBS News Baltimore in October 2023, the award was given to Baltimore, and 30 other designees, based on its intersectionality of AI and biotechnology. The designation will allow the Baltimore metropolitan area businesses, colleges and universities, and local governments that applied together to compete for \$50 - \$75 million in Phase 2 of the program.

SUPPLY AND DEMAND:

Vacancies were at an all-time high of 22.4% at the end of 2023 in Baltimore City, as negative net absorption of 524,920 square feet (sf) outpaced new leasing activity and move-ins for the second consecutive year. It was five years ago when the market last ended a year with positive absorption. Indeed, availability rates closer to 25.1%, also an all-time high, are more representative of the true measure of the impact of market conditions in Baltimore. A combination of rightsizing, hybrid work, and economic and sociopolitical factors have ushered in the adverse pressures on the office market.

There are pockets of hope in the market, fostered by familiar tenant industries: healthcare, education, government, and financial services. CFG is due to take occupancy of its new 97,286 sf-headquarters at MAG Partners' development in the Baltimore Peninsula later this year. Also awaiting occupancy are the State of Maryland leases totaling over 550,000 sf and signed in 2022, before the change in gubernatorial administration. Had the departments taken occupancy of their offices during 2023, it would have more than eradicated negative net absorption for the year.

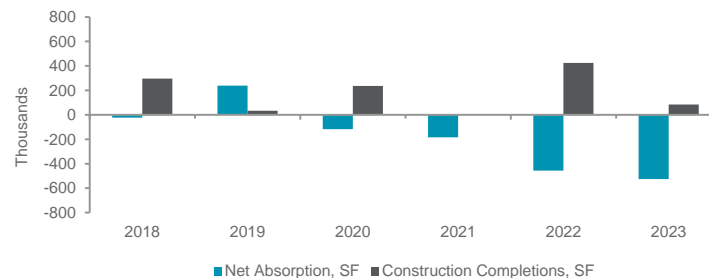
JP Morgan Chase and Johns Hopkins are among the larger tenants who have renewed or expanded space within Baltimore City. More work is needed to turn the tide, and further hope may yet be delivered via Baltimore's well-earned tech hub designation. An earnest push for a return to the office that began at the end of 2022 and rolled into 2023 may help as well. Central Business Districts, which were hit hardest with low office attendance, had office visits increase to 72.6% of pre-pandemic weekly attendance, according to Placer AI data.

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.4M Baltimore Employment	▲	▲
1.8% Baltimore Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

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 CBD	11,514,658	3,232,796	40,886	28.4%	-53,439	-261,336	101,547	0	\$25.97	\$27.59
Midtown	1,100,787	139,496	0	12.7%	-42,063	-64,708	43,929	0	\$27.10	N/A
Northeast	571,000	29,345	0	5.1%	-2,040	-14,619	8,567	0	N/A	N/A
Northwest	1,053,603	49,833	0	4.7%	-6,303	-8,898	1,468	0	\$28.31	N/A
Southeast	4,957,016	802,212	121,576	18.6%	90,455	-128,780	161,289	450,000	\$28.24	\$33.50
Southwest	2,470,022	426,683	2,012	17.4%	-5,946	-46,579	63,376	0	\$23.75	N/A
Baltimore Totals	21,667,086	4,680,365	164,474	22.4%	-19,336	-524,920	380,176	450,000	\$26.15	\$27.75

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

CLASS	INVENTORY (SF)	OVERALL VACANCY	YTD NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	OVERALL AVG ASKING RENT	DIRECT AVG ASKING RENT
Class A	13,103,319	24.8%	-272,155	216,428	\$27.75	\$27.87
Class B	8,563,767	18.6%	-252,765	163,748	\$21.38	\$21.39

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1800 Washington Blvd	Southwest	MD Lottery and Gaming	65,682	Renewal*
250 W Pratt St	Baltimore CBD	University of Maryland Faculty Physicians, Inc.	47,357	Renewal*
250 W Pratt St	Baltimore CBD	University of Maryland Medical System (UMMS)	39,743	Renewal/Expansion*
100 S Charles St	Baltimore CBD	State of Maryland Department of Labor	29,367	Expansion
1 South St	Baltimore CBD	Atapco	23,000	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2023

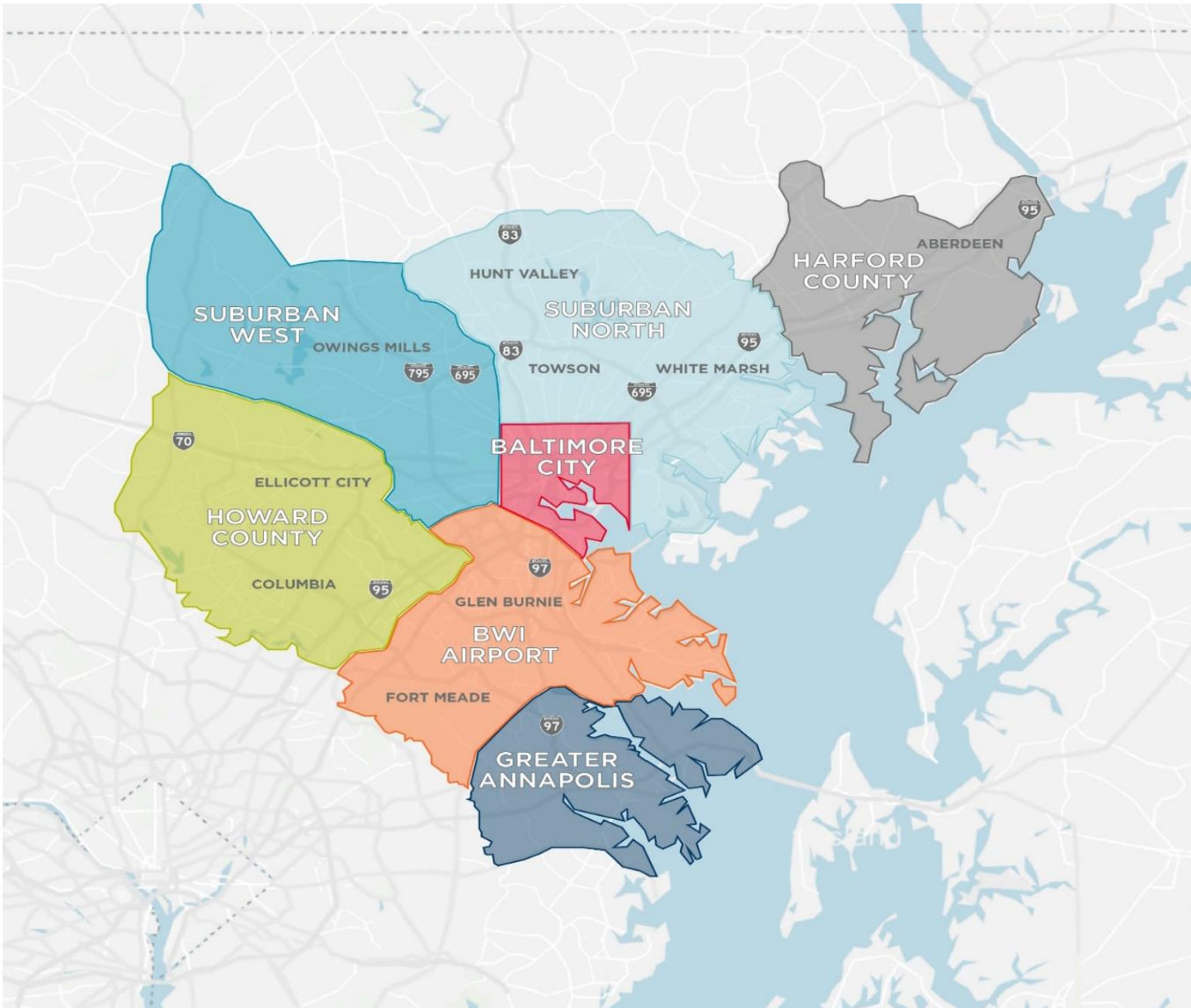
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2200 Boston St	Baltimore CBD	Barcoding Inc. / Root Branch Media Group*	14,400	\$2.25M / \$156.3

*Owner-user sale; Tenant Buy-out

BALTIMORE CITY

Office Q4 2023

OFFICE SUBMARKETS



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