

MARKETBEAT BALTIMORE



Office Q1 2024

YoY Chg 12-Mo. Forecast

17.4%
Vacancy Rate ▲ ▲

-136K
Net Absorption, SF ▼ ▲

\$25.19
Asking Rent, PSF ▲ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

1.4M
Baltimore Employment ▲ ▲

2.8%
Baltimore Unemployment Rate ▲ ▲

3.8%
U.S. Unemployment Rate ▲ ▲

Source: BLS

ECONOMY: Tepid Growth Earmarks Start of 2024

The stock market has slowed its rally from the fervor at the end of 2023, as observers were optimistic the Fed would cut rates shortly into 2024. As that outcome has yet to materialize, and may not until later in the year, while pricing for goods of all kinds remains elevated despite the decelerated pace of inflation, these conditions have tempered expectations for economic performance in 2024. Inflation was at 2.6% in Baltimore as of February 2024, having increased by 1.7% over the preceding two months, according to the Bureau of Labor and Statistics (BLS). High interest rates and elevated pricing continue to exert downward pressure on consumer spending, with credit card companies reaping the benefits of the offset.

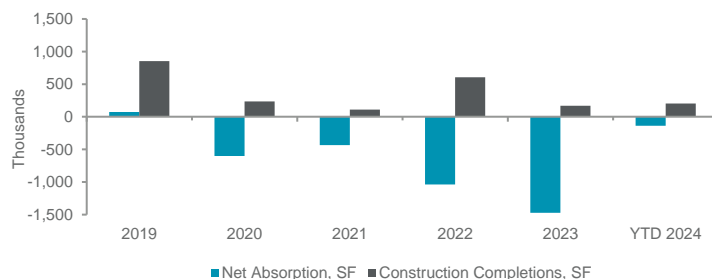
Meanwhile, employment numbers softened, and unemployment expanded by 80 basis points (bps) quarter-over-quarter (QOQ). The office sector remains in transition, reflected in the market's decreased year-over-year (YOY) employment numbers in the financial activities (3.3%), information (3.1%), and professional and business services (1.1%) sectors. Eds and meds and the government services sectors continue to buoy employment at the other end of the spectrum, with YOY growth of 3.2% and 1.3%, respectively.

DEMAND: Absorption Trench Softens and Overall Leasing Activity Increases

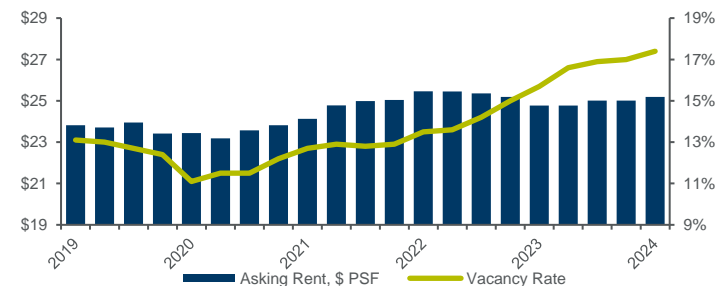
Positive indicators emerged in Baltimore office absorption as negative absorption was at 136,000 square feet (sf) in the first quarter of 2024, as opposed to 407,140 sf and 617,033 sf in the first quarter of 2022 and 2023, respectively. CFG took occupancy of its new 97,000-sf headquarters at MAG Partners Baltimore Peninsula development in the Southeast Submarket, which contributed to the turnaround. More significantly, this may be a leading indicator of a leveling off in the downsizing trend that has been prevalent in the office sector since the pandemic.

Overall leasing velocity increased in early 2024 as well, with 1,055,974 sf in deals. The proportion of new leasing to renewals was distributed more evenly, with 533,851 sf in new leasing activity and 522,123 sf in renewals. Less overall (812,640 sf) was leased in the first quarter of 2023: 79.4% in new leasing activity and 20.6% in renewals. In 2022, there was 960,865 sf in total office space leased in the first quarter of the year, with 65% of activity comprised by new deals. The shift to more total leasing activity, more evenly distributed between tenants moving into new locations and reaffirming commitments at existing ones may reflect less tolerance for risk amid tepid economic conditions.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q1 2024

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	21,509,001	4,794,686	151,913	23.0%	7,931	7,931	54,029	525,000	\$26.17	\$28.22
Howard County	17,310,021	2,333,390	327,087	15.4%	-219,667	-219,667	259,277	0	\$25.53	\$28.10
BWI Airport	11,980,334	951,235	85,850	8.7%	115,594	115,594	68,925	137,985	\$24.56	\$28.43
Suburban North	13,532,277	2,053,212	277,564	17.2%	-61,004	-61,004	77,796	0	\$24.16	\$25.82
Greater Annapolis	4,026,712	522,498	55,884	14.4%	-5,818	-5,818	32,334	0	\$28.44	\$31.39
Suburban West	8,407,109	1,491,989	144,054	19.5%	26,190	26,190	28,137	0	\$22.22	\$23.29
Harford	1,989,968	513,217	1,207	25.9%	499	499	13,353	0	\$22.76	\$24.85
BALTIMORE TOTALS	78,755,422	12,660,227	1,043,559	17.4%	-136,275	-136,275	533,851	662,985	\$25.19	\$27.28

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1800 Washington Blvd	Southwest	MD Department of the Environment	263,473	Renewal*
8110 Maple Lawn Blvd	Columbia South	Window Nation	50,698	New Lease
7229 Parkway Dr	BWI Anne Arundel	ManTech International Corporation	42,681	Renewal*
7231 Parkway Dr	BWI Anne Arundel	ManTech International Corporation	40,145	Renewal*
750 E Pratt St	Baltimore CBD	Johns Hopkins University – Armstrong Institute	39,370	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6841 Benjamin Franklin Dr	Columbia South	Peakstone Realty Trust / COPT Defense Properties	200,573	\$15.0M/\$74.8
9910 Franklin Square Dr	Baltimore County East	FD Stonewater / Sage Ventures	58,009	\$2.2M/\$37.7
9920 Franklin Square Dr	Baltimore County East	FD Stonewater / Sage Ventures	43,516	\$2.1M/\$49.1
2661 Riva Rd / Building 900	Annapolis	Riva Road Buildings / Chaney Enterprises	36,688	\$4.0M/\$108.0
9730 Patuxent Woods Dr	Columbia South	Adler Real Estate Services / Mick Cloe	30,985	\$3.7M/\$118.0

KEY CONSTRUCTION COMPLETIONS YTD 2024

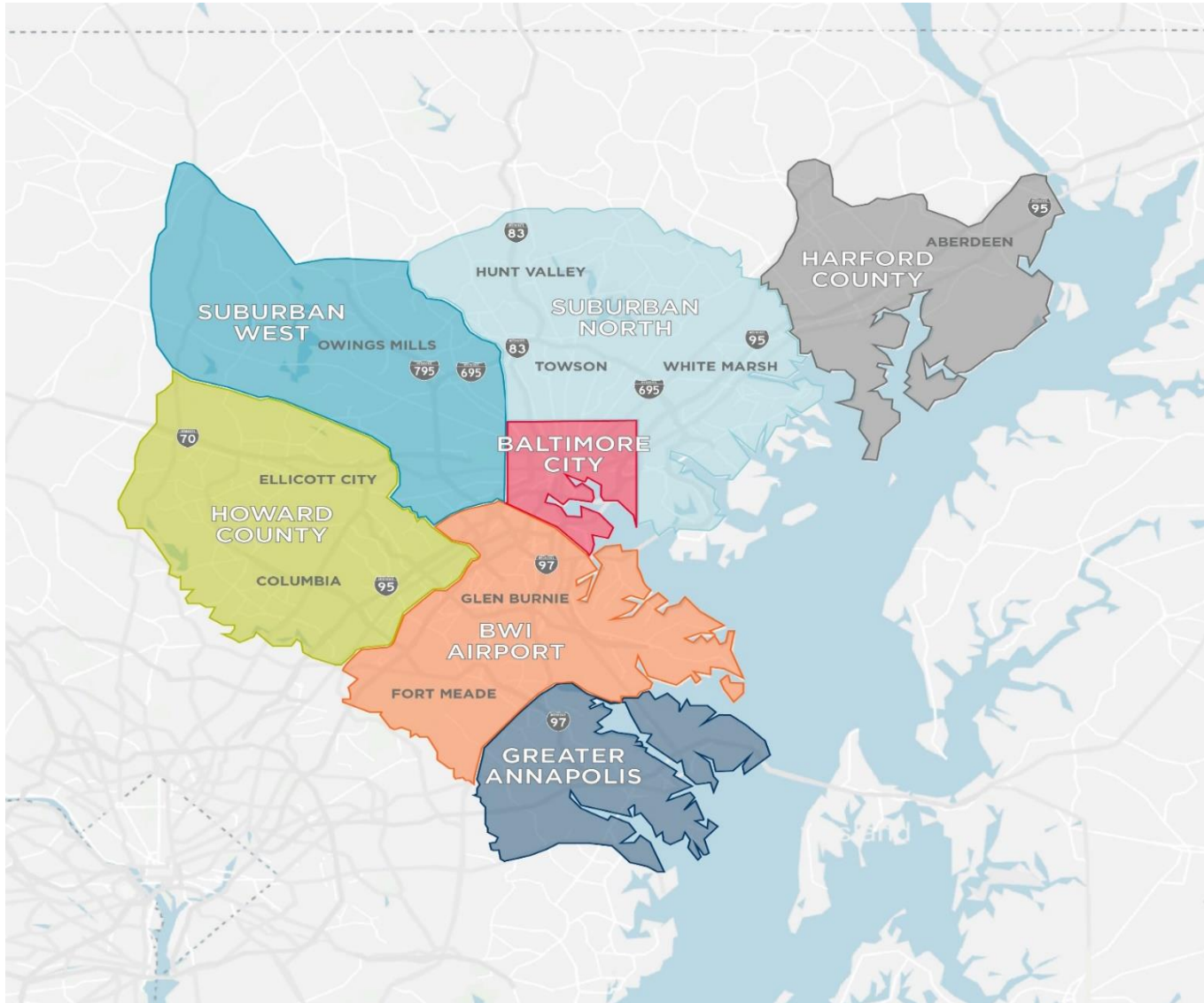
PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
550 National Business Pky	BWI Anne Arundel	Microsoft / AWS	122,195	COPT Defense Properties
8150 Maple Lawn Blvd	Columbia South	N/A	81,586	St. John Properties

BALTIMORE



Office Q1 2024

OFFICE SUBMARKETS



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