



TRANSWESTERN

BALTIMORE METRO AREA OFFICE MARKET

Q1 2024



TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.2	3.2	↓	4.3	↓
NET ABSORPTION (Thousands SF)	114.0	(566.0)	↑	(72.7)	↔
DIRECT VACANCY RATE	13.1%	12.7%	↑	12.1%	↔
DIRECT VACANT SF (MSF)	15.1	14.6	↑	14.0	↔
UNDER CONSTRUCTION (MSF)	1.5	1.4	↑	1.1	↔
ASKING RENT, FULL SERVICE (PSF)	\$24.01	\$23.86	↑	\$23.71	↔
SALES VOLUME (Millions)	\$0.0	\$28.4	↓	\$113.7	↔

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

BALTIMORE OFFICE STARTS OFF 2024 POSITIVE

The Baltimore metro area office strengthened in the first quarter, totaling 114,000 SF of positive net absorption. The vacancy rate declined 20-basis points to 13.1%. Asking rental rates ticked up 20-basis points to \$24.01 PSF.

Economic uncertainty will impact overall demand in 2024, as tenants show caution inking new deals and most lease transactions right size. These headwinds will limit leasing activity and drag the overall market. The pipeline has eased notably which will help even out supply/demand fundamentals. In addition, several obsolete office buildings are slated to convert or be demolition, which will further help stabilize the market.

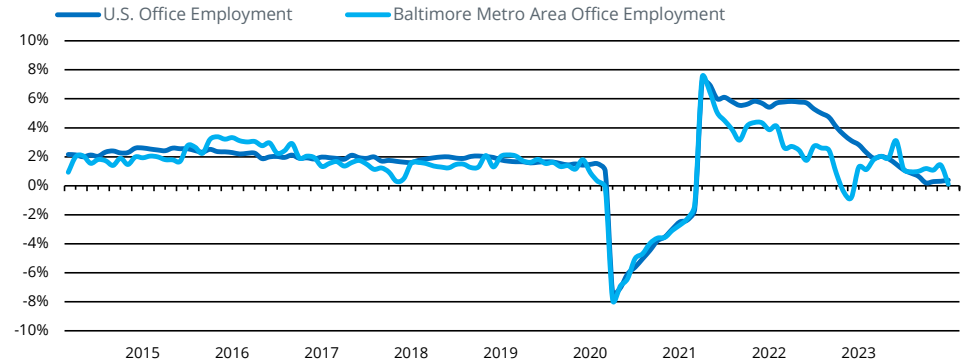


ECONOMY

Office-Using Job Growth Dips at Start of 2024

- The Baltimore metro economy struggled as 3,600 jobs were lost during the 12-months ending in January 2024. A large portion of the job loss occurred in transportation, warehousing, and utilities, which cut 7,000 jobs.
- Office-using jobs also experienced year-over-year job loss, cutting a total of 2,100 jobs. The sector that lost the most jobs was professional/business services which cut 4,300 jobs in the 12-months ending in January 2024. This was slightly counteracted by the federal government adding 2,500 net new jobs to the market.
- The unemployment rate in the Baltimore metro area saw a significant increase as of January 2024, rising 80-basis points to 2.8%. This is the highest rate since February 2023, which totaled 3.1%.
- We expect overall job growth is to stagnate in 2024 due to economic conditions such as high interest rates. However, office-using jobs could see growth from sectors such as healthcare which continue to perform adequately.

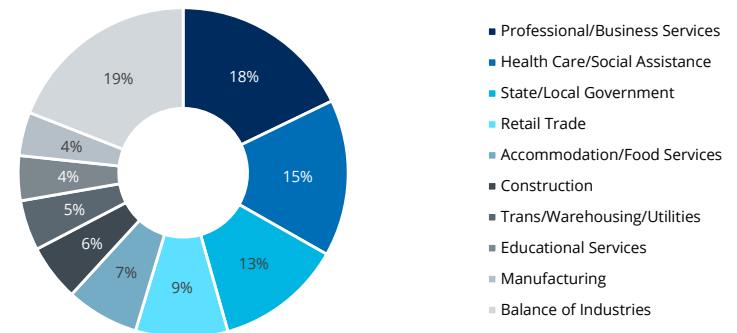
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

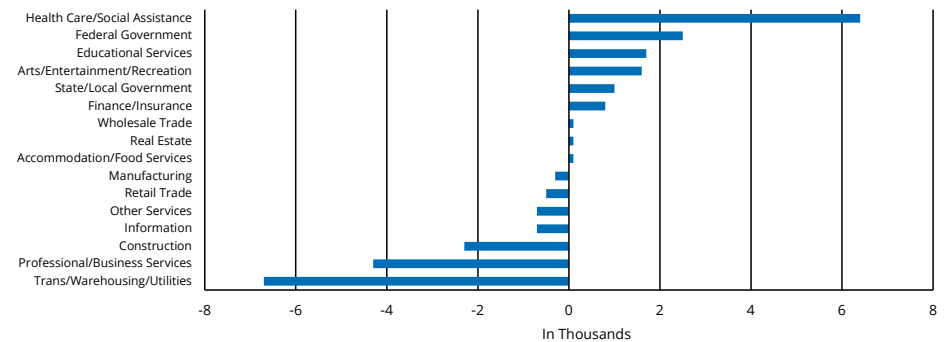
Baltimore Metro Area | January 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

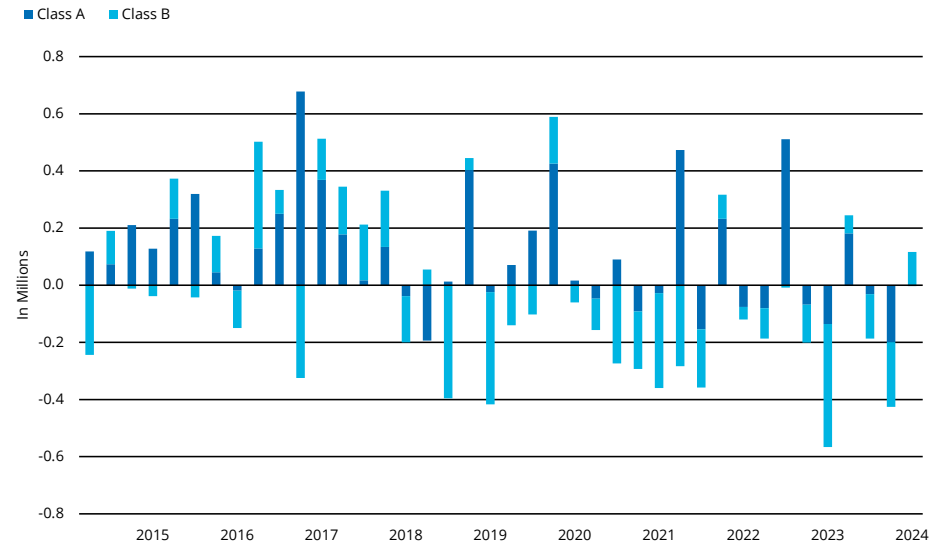


NET ABSORPTION

Net Absorption Swings Positive in Q1 2024

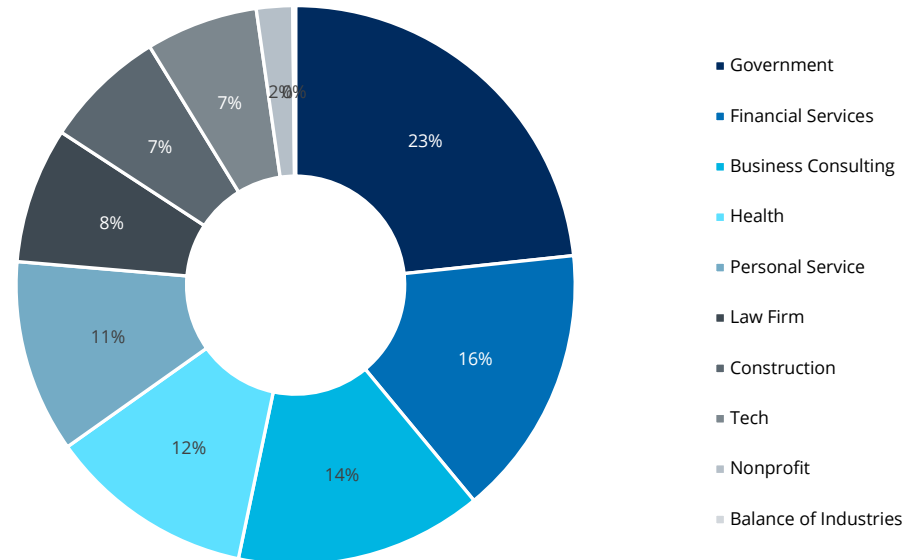
- Net absorption totaled 114,000 SF in the first quarter. This is the first quarter since the second quarter of 2023 to total positive absorption. Year-over-year is negative 257,000 SF.
- Class B/C product totaled positive 116,000 SF of net absorption in the first quarter. Class A product dipped to negative 3,000 SF - aided by Capital Funding Group vacating the entire building at 1422 Clarkview Road, totaling 54,600 SF in Baltimore County North.
- A notable transaction that occurred was Travelers Insurance signing for 65,214 SF at 10 N. Park Drive, a Class B/C building, in Baltimore County North. Another notable lease signing was Window Nation inking 50,698 SF at 8110 Maple Lawn Boulevard in Columbia.
- We expect absorption to fluctuate throughout 2024 as construction projects that are 100% pre-leased are anticipated to deliver this year, however this could be counteracted by low overall office demand and tenant rightsizing.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY YTD 2024



Source: CoStar, Transwestern

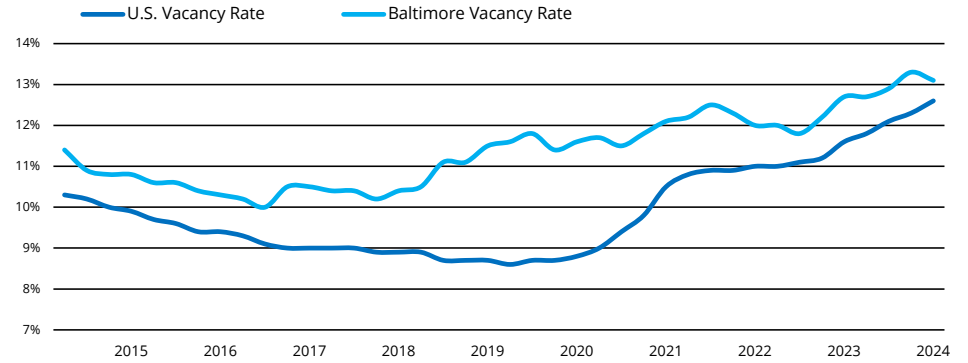


VACANCY

Vacancy Rate Edges Down in Q1 2024

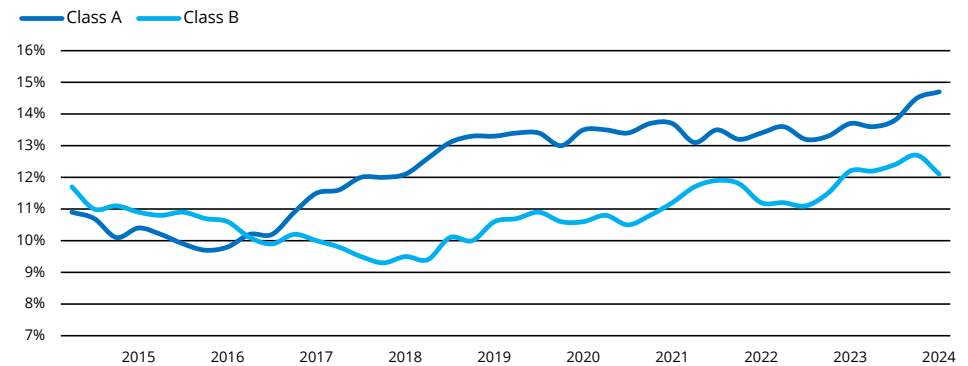
- The vacancy rate decreased 20-basis points to 13.1% in the first quarter. This marks the first quarter to not have a vacancy rate increase since the second quarter of 2023.
- Class B/C experienced a decrease in vacancy rate of 60-basis points, which was aided by the demolition/conversion of aging vacant product from the market. Class A saw an increase of 20-basis points to 14.7%.
- Route 1 North had the largest decrease in vacancy rate, declining 240-basis points to 15.7% due to multiple lease signings in the submarket that has limited inventory. BWI experienced the largest increase in vacancy rate due to the Keller Foundations vacating 11,000 SF at 7550 Teague Road.
- The vacancy rate is likely to remain elevated throughout 2024, as demand softens due to economic uncertainty and tenants right size office space.

DIRECT VACANCY RATE



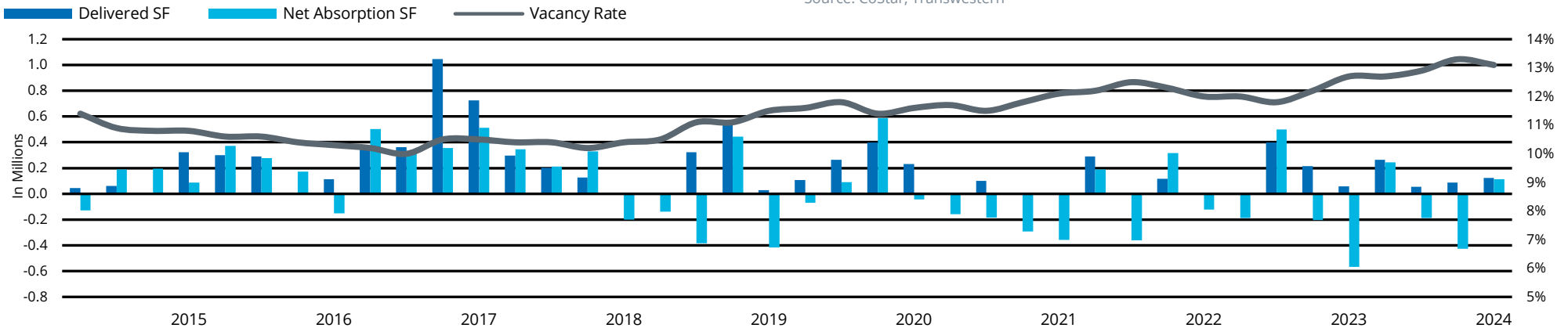
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

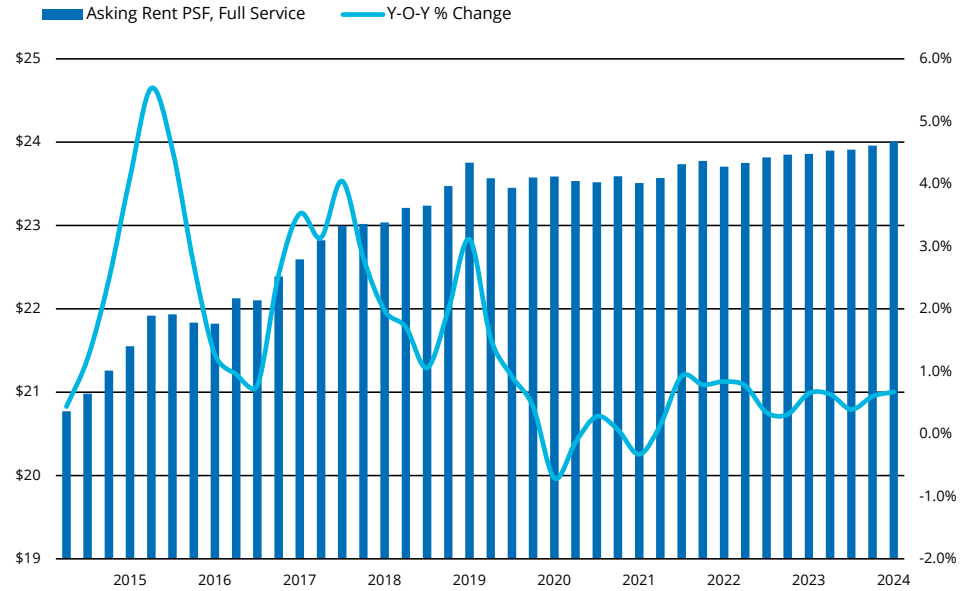


RENTAL RATES

Rental Rates Grow Tepidly

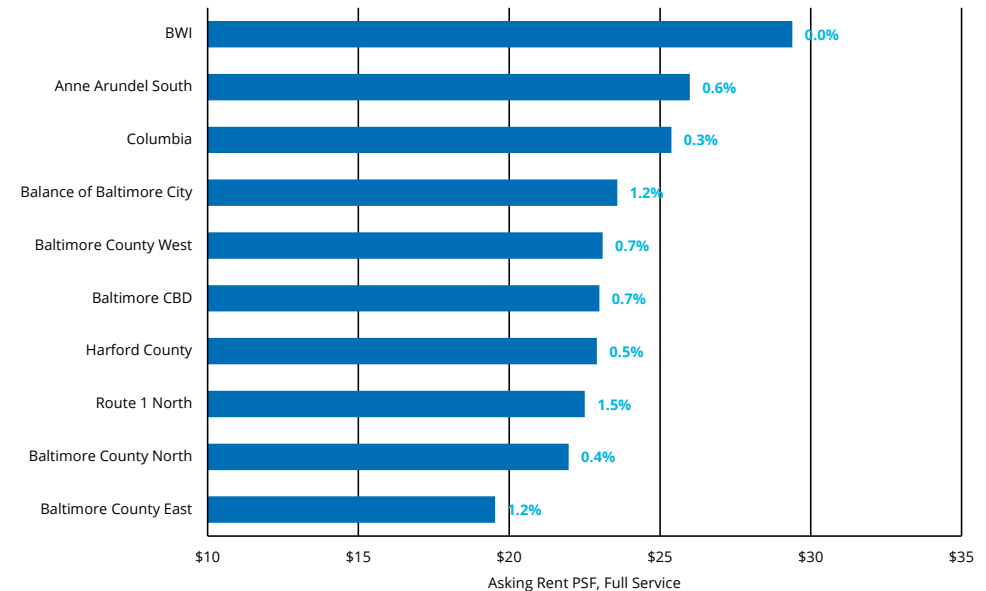
- Asking rental rates edged up 20-basis points to \$24.01 PSF, with a year-over-year increase of 60-basis points from \$23.86 PSF in the first quarter of 2023.
- Class A rental rates ticked up 10-basis points to \$29.22 PSF. Class B/C rates also experienced an increase in the quarter, rising 30-basis points to \$22.27 PSF, and continuing to have strong year-over-year growth, escalating 110-basis points from \$22.04 PSF in the first quarter of 2023.
- No submarkets experienced a decline in asking rental rates, while three submarkets tied for the highest increase in the quarter, Harford County, Baltimore County North, and Baltimore County East each increased by 30-basis points to average \$22.91 PSF, \$21.97 SF, and \$19.53 PSF, respectively.
- Route 1 North has experienced the largest year-over-year rental rate growth, rising 150-basis points to \$22.51 PSF in the quarter while averaging \$22.17 PSF in the first quarter of 2023.
- We anticipate the rental rate to grow at a slow rate throughout 2024 as the demand for office space remains limited and the flight to higher quality product gives Class A owner’s ability to continue to raise rents.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

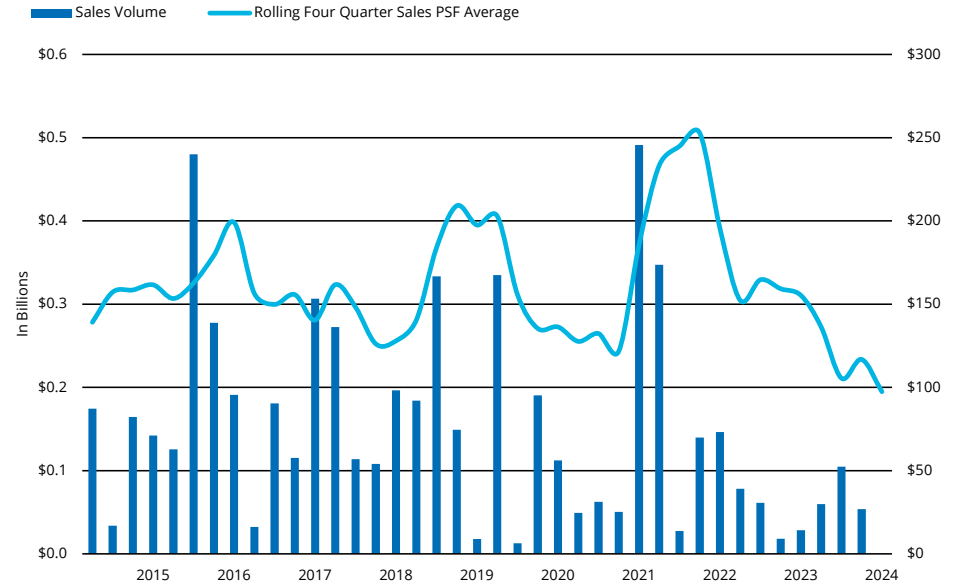


SALES

2024 Investment Sales Volume Starts Off Slow

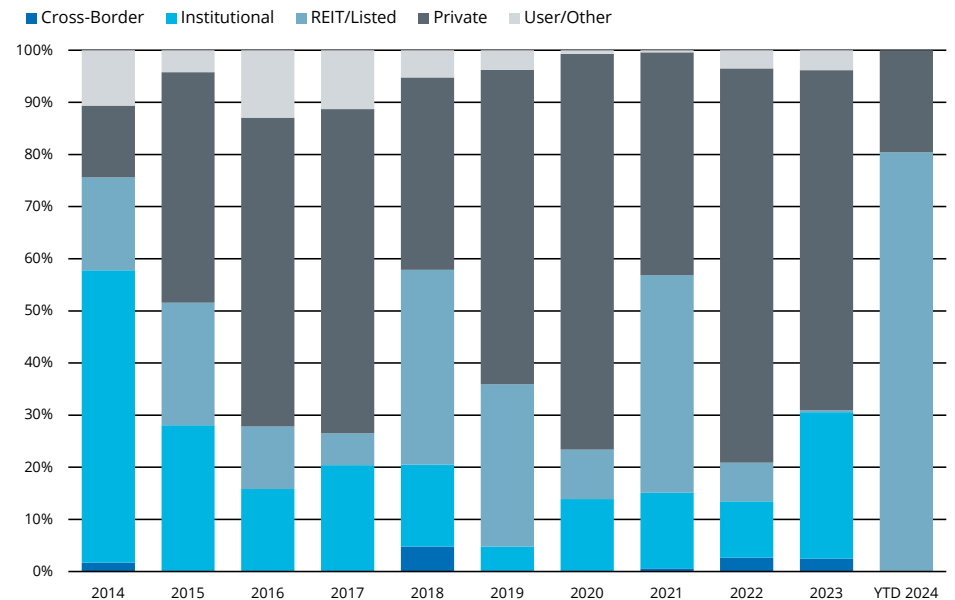
- Baltimore office market experienced a new low in recent history as there were no notable investment sales during the first quarter of 2024.
- The largest deal that occurred in the past four quarters was Hines purchasing 1838 Greene Tree Road in Baltimore County West for \$34 million, or \$238 PSF in the fourth quarter of 2023. Another notable deal was Annapolis 151, LLC buying 151 West Street in Anne Arundel South during the third quarter of 2023 for \$9.5 million, or \$264 PSF which is the highest PSF average in the past four quarters.
- Transaction volume will likely continue to be low throughout 2024 as interest rates remain elevated and office demand is lackluster. These economic headwinds will continue to give investors pause and may cause them to look at other property types.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
TRAVELERS INSURANCE	10 North Park Dr	Baltimore County North	New Lease	65,214
WINDOW NATION	8110 Maple Lawn Blvd	Columbia	New Lease	50,698
CHANEY ENTERPRISES	2661 Riva Rd	Anne Arundel South	Owner User	36,896
MARYLAND ENERGY ADMINISTRATION	1800 Washington Blvd	Balance of Baltimore City	New Lease	35,150
HOBBS & ASSOCIATES	6797 Dorsey Rd	Route 1 North	New Lease	31,451
SKYLINE TECHNOLOGY SOLUTIONS	6956 Aviation Blvd	BWI	Renewal	28,753

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
500 N CAROLINE ST	Balance of Baltimore City	Dec-23	\$911,000	32,256	\$28	Cam Construction Co., Inc.	BayVanguard Bank
60 LOVETON CIR	Baltimore County North	Dec-23	\$4,325,000	33,234	\$130	Rugged Science	Benson & Mangold
1401 S EDGEWOOD ST	Balance of Baltimore City	Nov-23	\$2,450,000	17,710	\$138	Odianoson J Okojie	Mohamed Maghari M&M Bedding
10270 OLD COLUMBIA RD	Columbia	Nov-23	\$1,789,070	16,515	\$108	Chesapeake Real Estate Group	Adler Real Estate Partners
10280 OLD COLUMBIA RD	Columbia	Nov-23	\$1,851,576	17,092	\$108	Chesapeake Real Estate Group	Adler Real Estate Partners
1 E PRATT ST	Baltimore CBD	Jul-23	\$25,000,000	356,016	\$70	MCB Real Estate, LLC	Banyan Street Capital

Source: CoStar, Transwestern



MARKET INDICATORS

All Classes of Space | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
HARFORD COUNTY	3,855,382	1,325,480	34.4%	34.5%	0	5,000	(9,000)	\$22.91
BALTIMORE COUNTY WEST	13,372,360	1,684,917	12.6%	15.2%	0	74,000	(26,000)	\$23.10
BALTIMORE COUNTY NORTH	16,821,875	2,193,573	13.0%	14.9%	0	(34,000)	27,000	\$21.97
BALTIMORE COUNTY EAST	3,136,752	431,091	13.7%	14.8%	0	(9,000)	(1,000)	\$19.53
BALTIMORE CBD	19,499,163	2,677,235	13.7%	13.8%	0	(54,000)	(273,000)	\$22.99
BALANCE OF BALTIMORE CITY	21,891,242	2,718,892	12.4%	13.0%	1,242,294	18,000	(23,000)	\$23.58
BALTIMORE COUNTY NORTH	78,466,774	10,919,187	13.9%	15.0%	1,242,294	2,000	(303,000)	\$22.81
COLUMBIA	16,750,641	2,073,729	12.4%	13.3%	81,586	(22,000)	(186,000)	\$25.38
ROUTE 1 NORTH	1,245,773	195,586	15.7%	15.7%	0	30,000	66,000	\$22.51
BWI	11,555,169	1,126,629	9.8%	10.3%	137,985	70,000	76,000	\$29.41
ANNE ARUNDEL SOUTH	7,377,248	750,936	10.2%	11.1%	0	34,000	90,000	\$25.99
BALTIMORE COUNTY SOUTH	36,928,831	4,146,881	11.2%	12.0%	219,571	112,000	46,000	\$26.67
TOTAL	115,395,605	15,066,068	13.1%	14.0%	1,461,865	114,000	(257,000)	\$24.01

Source: CoStar, Transwestern



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Baltimore. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding those properties owned by a government agency.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

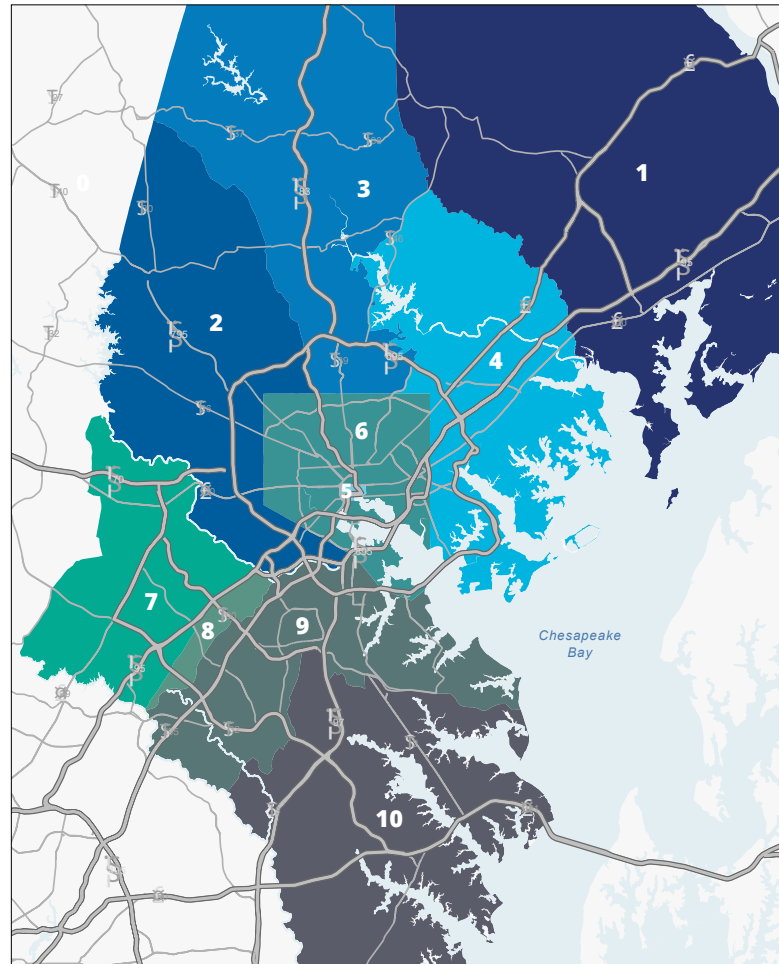
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Baltimore Office Submarkets

- 1 Harford County
- 2 Baltimore County West
- 3 Baltimore County North
- 4 Baltimore County East
- 5 Baltimore CBD
- 6 Balance of Baltimore City
- 7 Columbia
- 8 Route 1 North
- 9 BWI
- 10 Anne Arundel South