

# BALTIMORE METRO AREA OFFICE MARKET

Q2 2024



## TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.8	2.4	↑	4.2	↓
NET ABSORPTION (Thousands SF)	(98.0)	244.0	↓	(57.6)	↔
DIRECT VACANCY RATE	12.6%	12.7%	↓	12.2%	↔
DIRECT VACANT SF (MSF)	14.4	14.6	↓	14.0	↔
UNDER CONSTRUCTION (MSF)	1.4	1.2	↑	1.2	↔
ASKING RENT, FULL SERVICE (PSF)	\$24.00	\$23.90	↑	\$23.72	↔
SALES VOLUME (Millions)	\$5.1	\$59.9	↓	\$115.1	↔

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

## BALTIMORE OFFICE WEAKENS IN Q2 2024

The Baltimore metro area office declined in the second quarter, totaling 98,000 SF of negative net absorption. The vacancy rate declined 50-basis points to 12.6% due to a demolition that removed obsolete product from our inventory. Asking rental rates were stable, down one cent to \$24.00 PSF. There was one project delivery this quarter, 8150 Maple Lawn Boulevard, which brought 81,586 SF of vacant space to the market.

Elevated inflation and interest rates will fuel economic uncertainty for most of 2024. This will cause select tenants to limit inking new deals and most lease transactions will right size. Businesses are watching the Fed, as a rate cut could come if inflation lowers to their target rate of 2.0% later this year. The pipeline is at historic lows and will help even out supply/demand. We expect generous concessions levels to moderate as landlords who have the resources to perform shrink. This should spark tenants in the market to act sooner rather than later.

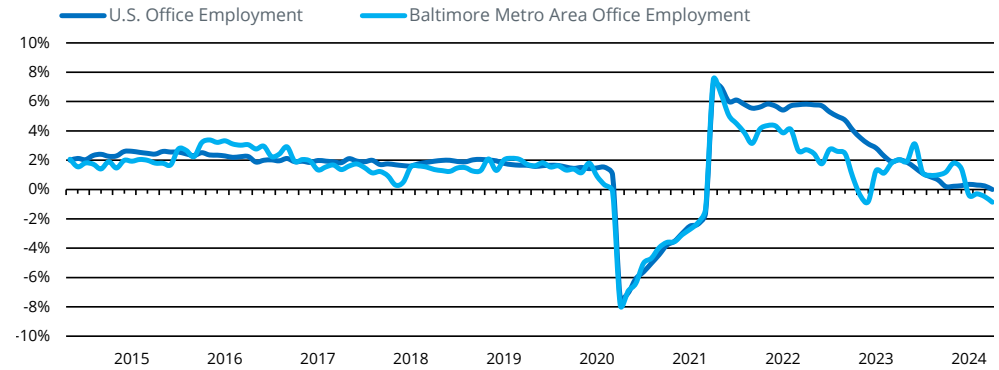


### ECONOMY

#### Office-Using Job Growth Sharply Declines YoY

- The Baltimore metro economy softened as 600 jobs were cut during the 12-months ending in April 2024. A large portion of the job loss occurred in trade, transportation, and utilities, which cut net 4,400 jobs. However, this was offset by healthcare and social services adding 6,700.
- Office-using jobs cut a total of net 4,200 jobs. The sectors that lost the most jobs were financial services and professional/business services, which cut 3,100 jobs each in the 12-months ending in April 2024. Ambulatory Health Care Services was the only sector to add a significant number of 2,100 jobs over the year.
- The unemployment rate in the Baltimore metro area increased 80-basis points over the past year to 2.7% at April 2024. Over the month the unemployment rate edged down 20-basis points, marking the first monthly decline since November 2023.
- We expect office-using jobs to remain stagnant in the back half of 2024 as economic uncertainty causes select companies to pause hiring.

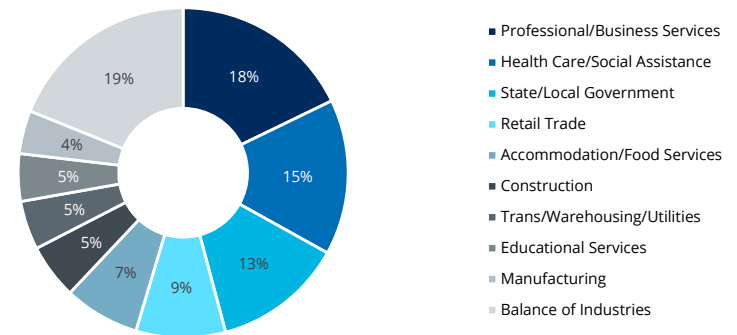
### Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

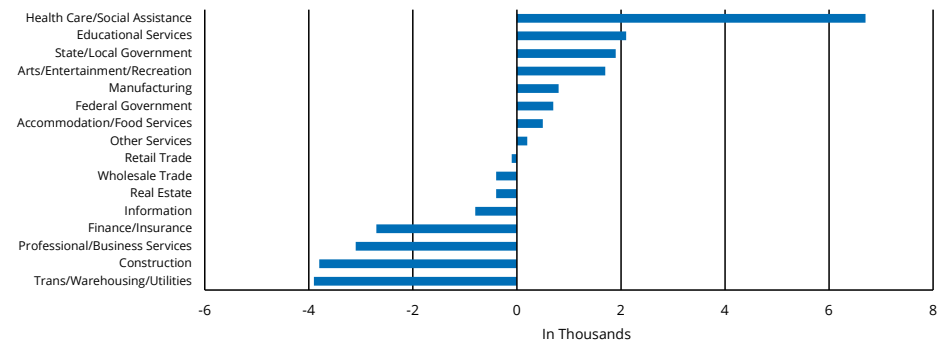
Baltimore Metro Area | April 2024



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

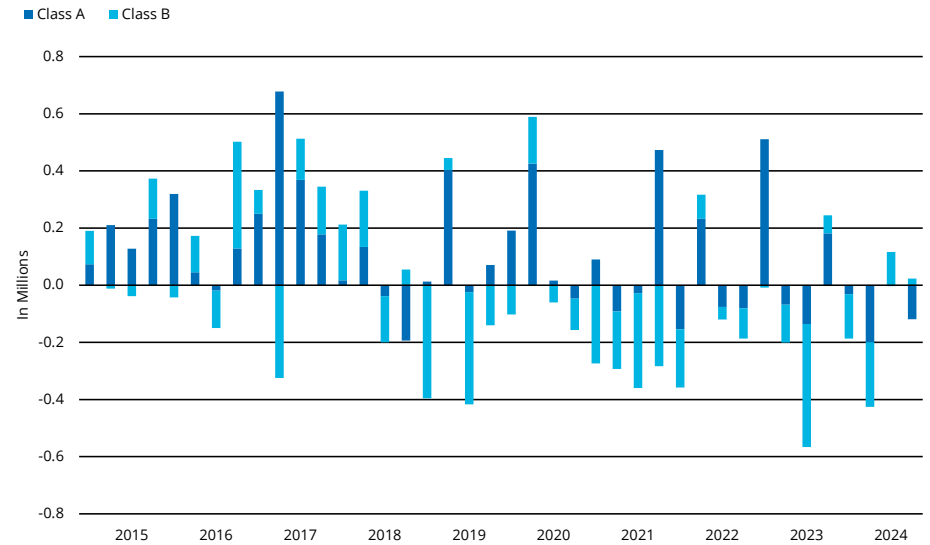


### NET ABSORPTION

#### Net Absorption Retreats Back to Negative in Q2 2024

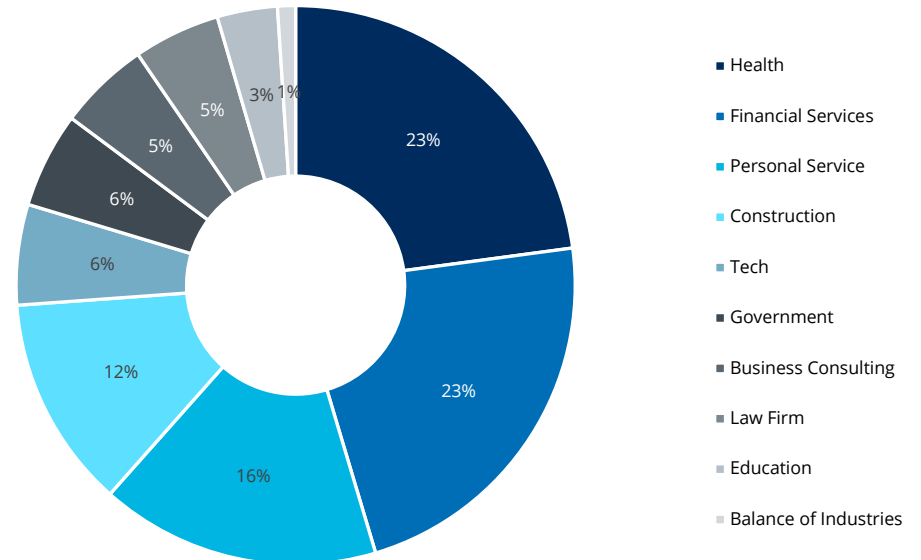
- Net absorption totaled negative 98,000 SF in the second quarter, after positive 114,000 SF absorption during the first quarter. The year-over-year total is negative 601,000 SF.
- Class B/C product totaled positive 23,000 SF of net absorption in the second quarter. Class A product registered negative 119,000 SF due in part to Toyota vacating 109,615 SF at 500 Red Brook Boulevard in Baltimore County West.
- Another notable move-out was Allstate Insurance vacating 44,282 SF at 6514 Meadowridge Road, a Class A building, in Columbia. This move-out was slightly countered by Automated Health Systems, Inc. executing a 36,474 SF lease at the same building.
- We expect net absorption levels to remain relatively low moving into the remainder of 2024 as demand for office space remains depressed. However, this may be counteracted by the delivery of several office properties that are 100% pre-leased.

### NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY INDUSTRY YTD 2024



Source: CoStar, Transwestern

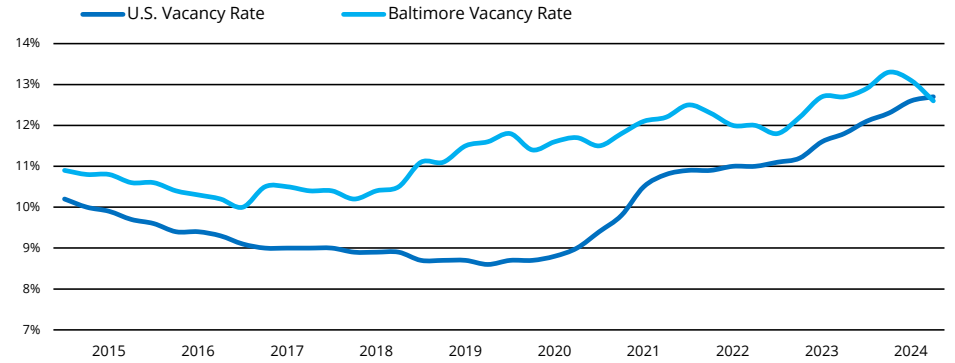


### VACANCY

#### Vacancy Rate Decreases in Q2 2024

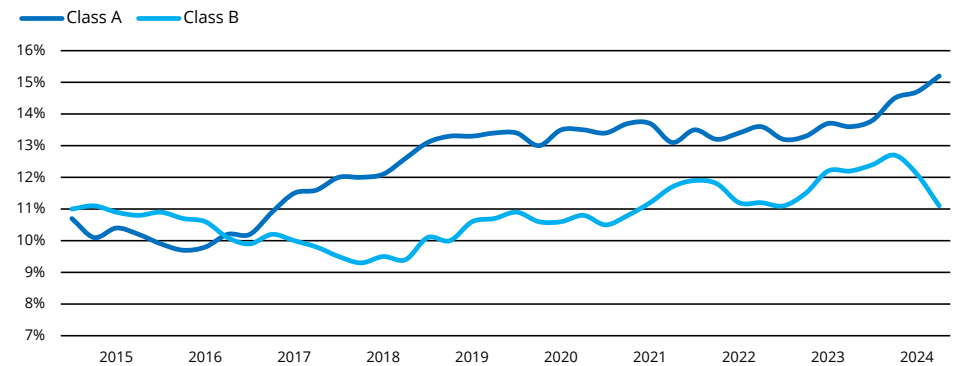
- The vacancy rate decreased 50-basis points to 12.6% in the second quarter. This marks the first time since the first quarter of 2022 that there were consecutive quarters of declines in vacancy rates.
- Class B/C experienced a decrease in vacancy rate of 100-basis points, which was aided by the demolition of obsolete product from the market. Class A saw an increase of 50-basis points to 15.2%.
- Baltimore County West had the largest decrease in vacancy rate, declining 490-basis points to 7.0% aided by the demolition of 1500 Woodlawn Drive totaled 825,000 SF. The Baltimore CBD experienced the largest increase in vacancy rate due to the multiple large-size move-outs.
- The vacancy rate will likely remain elevated in the coming quarters as tenants right size their office space and overall demand for space is low.

### DIRECT VACANCY RATE



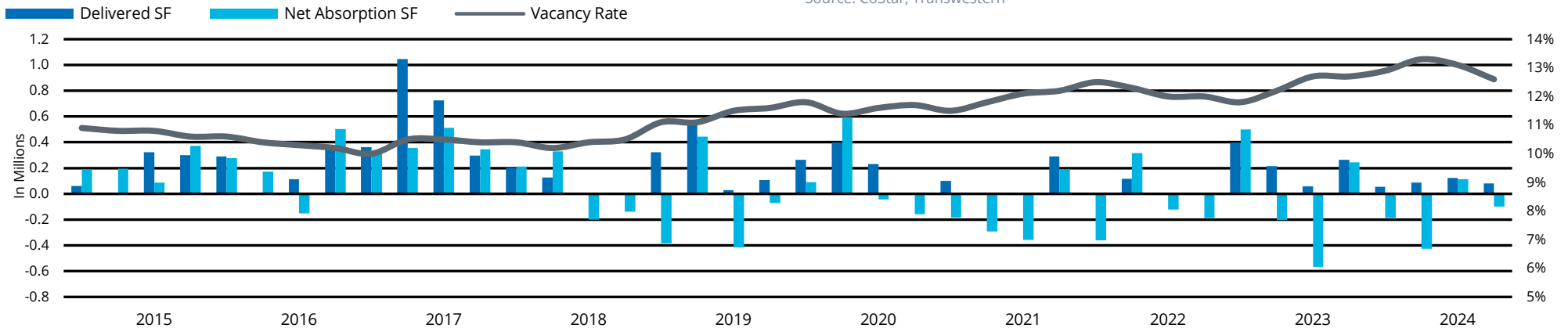
Source: CoStar, Transwestern

### DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

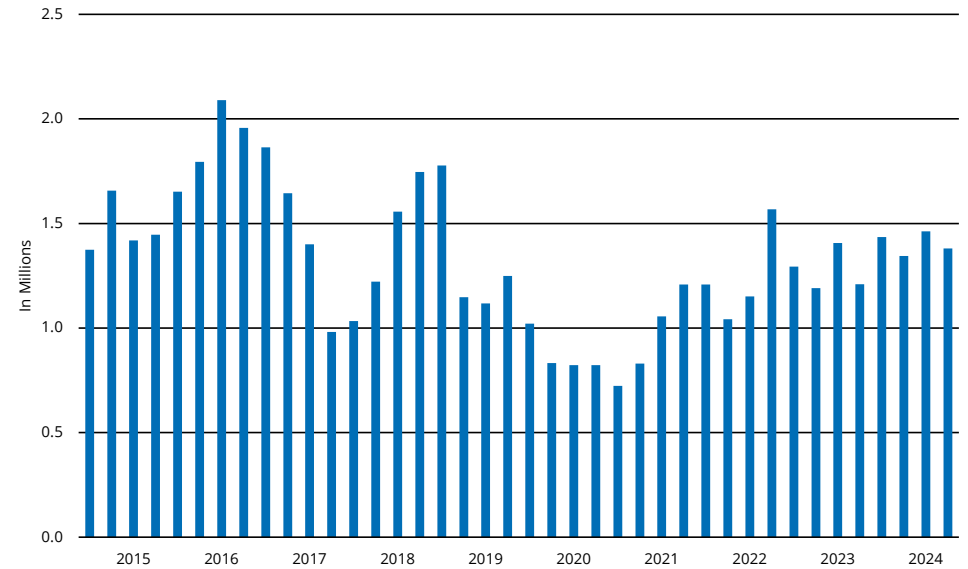


### UNDER CONSTRUCTION

#### One Project Delivers In the Second Quarter of 2024

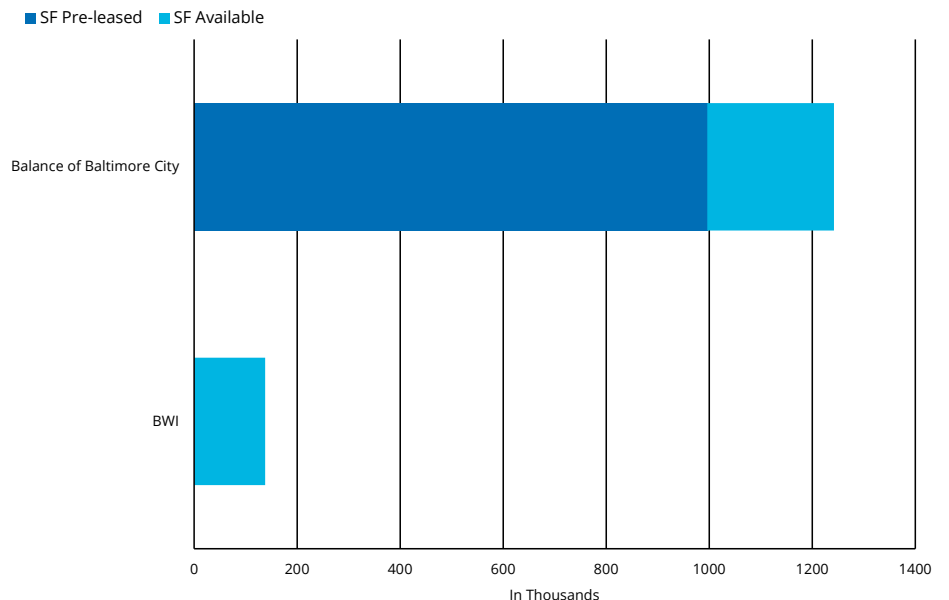
- There was one delivery in the quarter, 8150 Maple Lawn Boulevard, which totals 81,586 SF and was 0% pre-leased in Columbia. This is the second delivery to happen this year, with the first project being a 100% pre-leased building at 550 National Business Parkway.
- The construction pipeline currently has nine projects underway totaling 1.4 million SF at 72% pre-leased. There were no additions to the construction pipeline. A couple of renovations are expected to deliver next quarter totaling almost 66,000 SF, which are 1500 North Charles Street, and 1429 McCulloh Street.
- The largest project continues to be the two T. Rowe Price buildings at 1307 Point Street that together total 450,000 SF and are 100% pre-leased. The second largest project is Under Armour’s new building at 2501 Port Covington Drive in the Balance of Baltimore City that will add 280,000 SF when delivered at the end of 2024.
- Balance of Baltimore City has the largest amount under construction, totaling 1.2 million SF at 80% pre-leased. In second is BWI, with the sole project being 400 National Business Parkway.
- The construction pipeline will likely shrink in the coming quarters as projects deliver. Developers may pause in breaking ground on construction unless there is an anchor tenant attached to the project.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

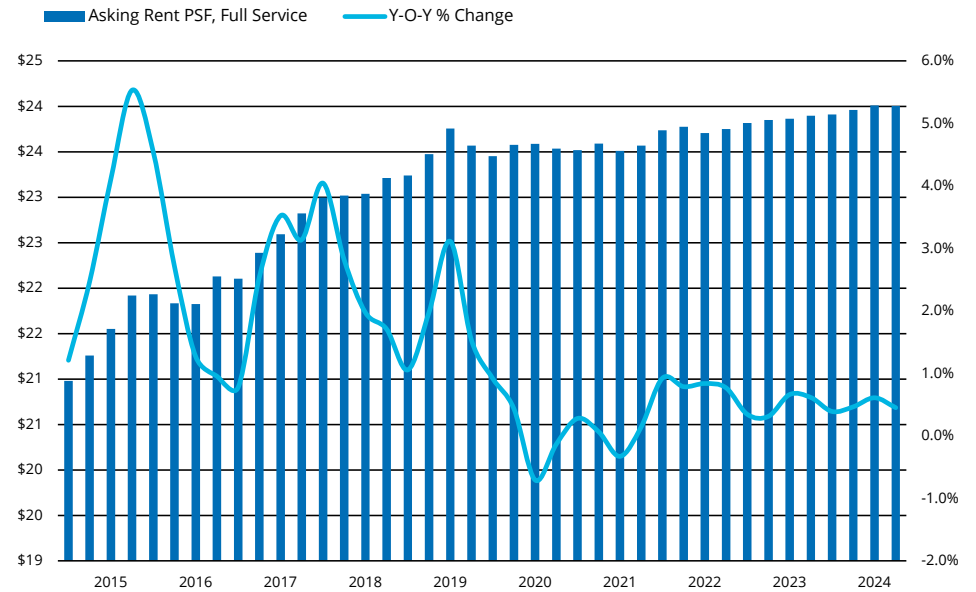


### RENTAL RATES

#### Rental Rates Remain Stable

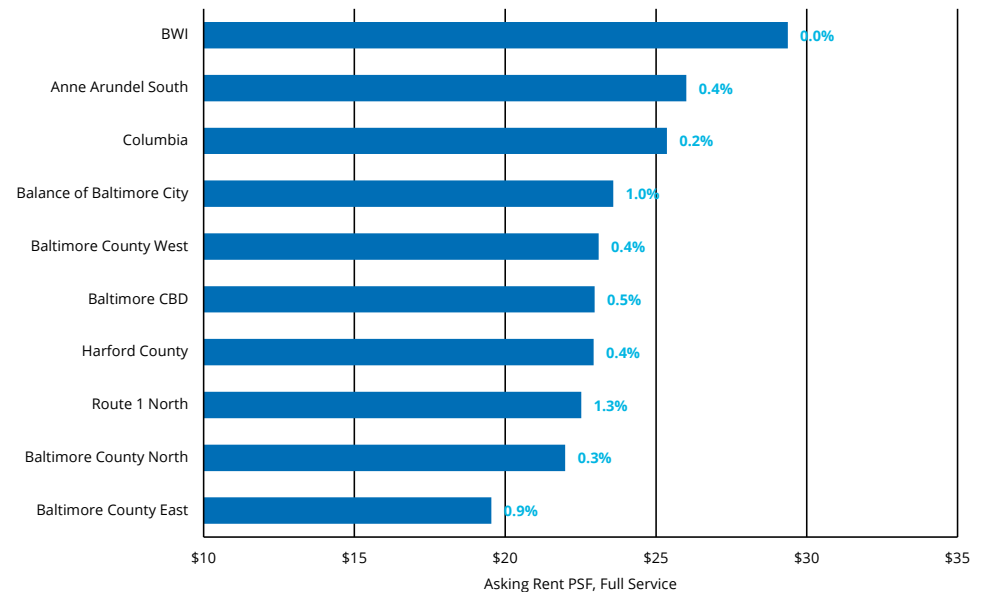
- Asking rental rates were stable during the quarter, declining one cent to \$24.00 PSF. Year-over-year rents increased 50-basis points from \$23.90 PSF in the second quarter of 2023.
- Class A rental rates decreased 20-basis points to \$29.15 PSF. Class B/C rates increased 10-basis points to \$22.28 PSF, and had a strong year-over-year growth, up 70-basis points from \$22.12 PSF in the second quarter of 2023.
- Three submarkets experienced a decline in asking rental rates, while four submarkets tied for the highest increase in the quarter, Harford County, Baltimore County North, Baltimore County East, and Anne Arundel South each increased by 10-basis points to average \$22.93 PSF, \$21.99 PSF, \$19.54 PSF, and \$26.01, respectively.
- Route 1 North experienced the largest year-over-year rental rate growth, rising 130-basis points to \$22.52 PSF in the quarter while averaging \$22.23 PSF in the second quarter of 2023.
- We anticipate limited asking rent growth during 2024. Landlords facing financial headwinds in offering generous concessions could lower the asking rent to compete. However, most landlords will hold asking rents.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

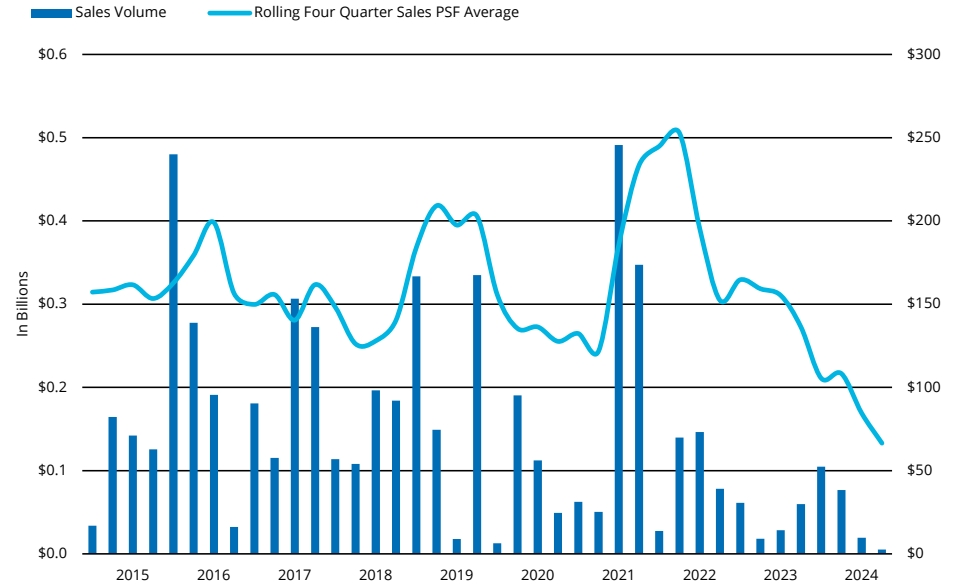


### SALES

#### Investment Sales Volume in Q2 Continues to be Slow

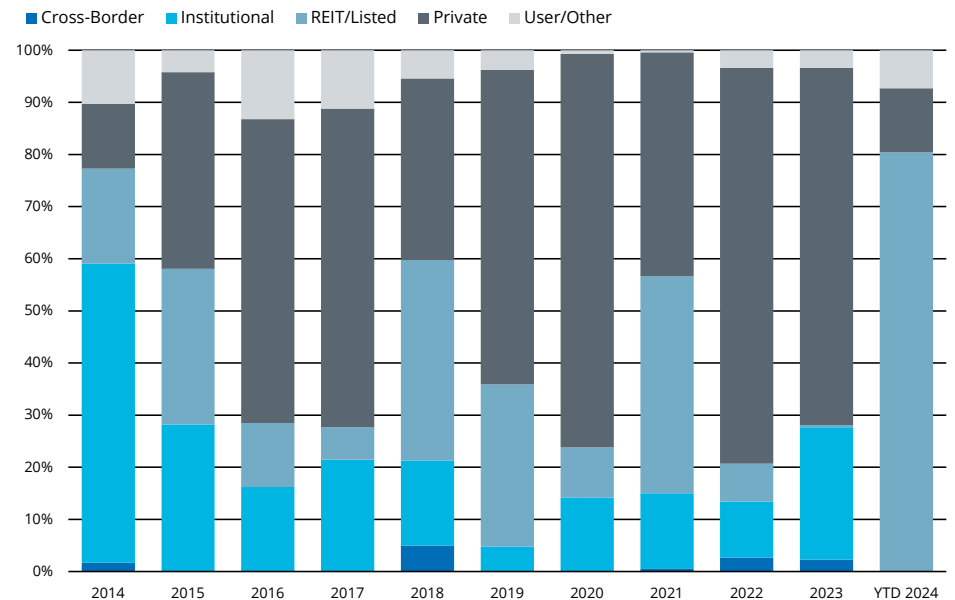
- The Baltimore office market had two sales this quarter. Asta Investments LLC purchased 100 North Charles Street at auction for \$4.1 million, or \$12 PSF due to one third of the building being leased. Gene Nguyen bought 4 East North Avenue, a building that has been completely vacant since 2003, for \$1.03 million, or \$8 PSF. Both sales occurred in the month of June.
- The largest deal that occurred in the first half of 2024 was COPT Defense Properties purchasing 6841 Benjamin Franklin Drive in Columbia for \$15 million, or \$75 PSF in the first quarter of 2024.
- Transaction volume will likely 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
AUTOMATED HEALTH SYSTEMS, INC	6514 Meadowridge Rd	Columbia	New Lease	39,002
ARMSTRONG INSTITUTE FOR PATIENT SAFETY AND QUALITY	750 E Pratt St	Baltimore CBD	Renewal	38,501
RMF ENGINEERING	5520 Research Park Dr	Baltimore County West	Renewal	32,552
PREMIER MEDICAL MANAGEMENT	6250 Old Dobbin Ln	Columbia	New Lease	32,000
WELLPOINT	7550 Teague Rd	BWI	Renewal	30,000
LA FITNESS	1 W Pennsylvania Ave	Baltimore County North	Renewal	24,735

Source: CoStar, Transwestern

## NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
100 N CHARLES ST	Baltimore CBD	Jun-24	\$4,100,000	345,663	\$12	Asta Investments LLC	Peter Angelos Law, P.C.
4 E NORTH AVE	Balance of Baltimore City	Jun-24	\$1,030,000	130,680	\$8	Gene Nguyen	Anthony Cheng
6841 BENJAMIN FRANKLIN DR	Columbia	Mar-24	\$15,000,000	200,603	\$75	COPT Defense Properties	Peakstone Realty Trust
9910 FRANKLIN SQUARE DR	Baltimore County East	Feb-24	\$2,188,750	58,009	\$38	Sage Ventures, LLC	FD Stonewater
9920 FRANKLIN SQUARE DR	Baltimore County East	Feb-24	\$2,137,250	43,516	\$49	Sage Ventures, LLC	FD Stonewater

Source: CoStar, Transwestern



## MARKET INDICATORS

## All Classes of Space | Q2 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	1,330,107	34.5%	34.9%	0	(5,000)	(8,000)	\$22.93
BALTIMORE COUNTY WEST	12,437,360	865,640	7.0%	8.4%	0	(118,000)	(116,000)	\$23.10
BALTIMORE COUNTY NORTH	16,821,875	2,176,751	12.9%	14.6%	0	17,000	(29,000)	\$21.99
BALTIMORE COUNTY EAST	3,136,752	423,462	13.5%	14.2%	0	8,000	(3,000)	\$19.54
BALTIMORE CBD	19,499,163	2,737,682	14.0%	14.1%	0	(60,000)	(261,000)	\$22.97
BALANCE OF BALTIMORE CITY	21,891,242	2,725,460	12.5%	13.2%	1,242,294	(7,000)	(151,000)	\$23.58
BALTIMORE COUNTY NORTH	77,641,774	10,259,101	13.2%	14.1%	1,242,294	(165,000)	(568,000)	\$22.81
COLUMBIA	16,832,227	2,120,861	12.6%	14.2%	0	34,000	(203,000)	\$25.36
ROUTE 1 NORTH	1,245,773	191,849	15.4%	15.4%	0	4,000	64,000	\$22.52
BWI	11,555,169	1,132,407	9.8%	10.5%	137,985	(6,000)	43,000	\$29.37
ANNE ARUNDEL SOUTH	7,377,248	715,593	9.7%	12.5%	0	35,000	63,000	\$26.01
BALTIMORE COUNTY SOUTH	37,010,417	4,160,709	11.2%	12.7%	137,985	67,000	(33,000)	\$26.64
<b>TOTAL</b>	<b>114,652,191</b>	<b>14,419,811</b>	<b>12.6%</b>	<b>13.6%</b>	<b>1,380,279</b>	<b>(98,000)</b>	<b>(601,000)</b>	<b>\$24.00</b>

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

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all.

Learn more at [transwestern.com](https://transwestern.com) and @Transwestern.

### FOR MORE INFORMATION

#### Elizabeth Norton

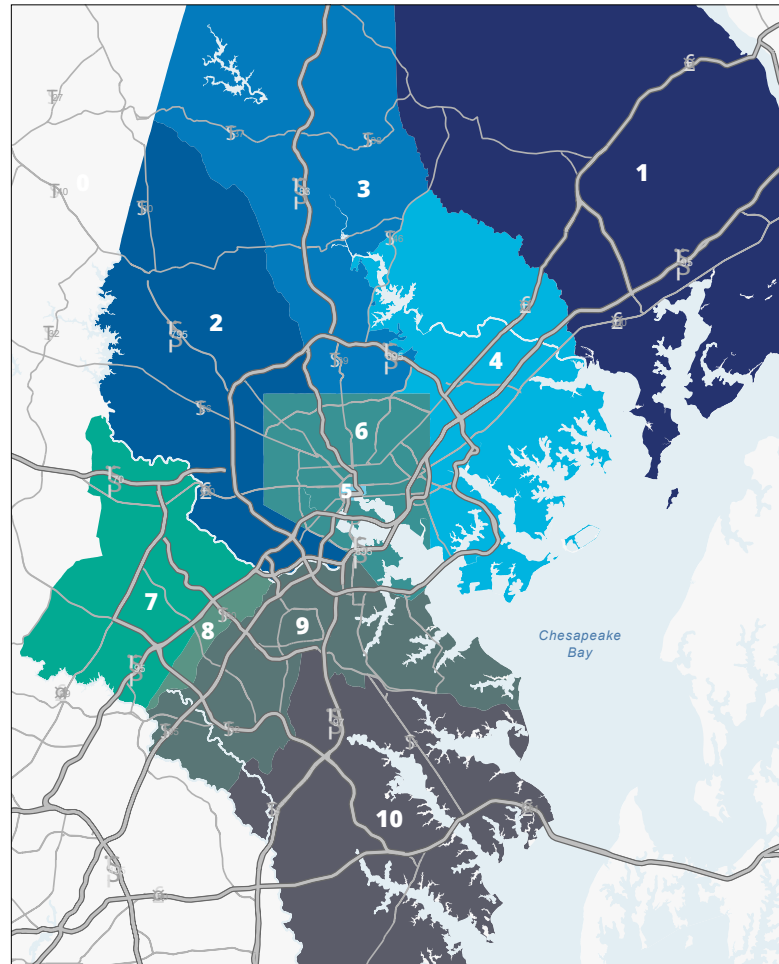
Senior Managing Research Director  
Research Services  
[Elizabeth.Norton@transwestern.com](mailto:Elizabeth.Norton@transwestern.com)  
202-775-7026

#### Trey Wells

Senior Researcher | Mid-Atlantic  
[Robert.Wells@transwestern.com](mailto:Robert.Wells@transwestern.com)  
202-775-7015

#### Colin Chapman

Research Analyst | Mid-Atlantic  
[Colin.Chapman@transwestern.com](mailto:Colin.Chapman@transwestern.com)  
202-778-3105



### 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

Copyright © 2024 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from CoStar and other primary and secondary sources.