

BALTIMORE METRO AREA OFFICE MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.3	1.8	↑	4.2	↓
NET ABSORPTION (Thousands SF)	(310.0)	(188.0)	↓	(69.0)	↔
DIRECT VACANCY RATE	12.7%	12.9%	↓	12.2%	↔
DIRECT VACANT SF (MSF)	14.6	14.9	↓	14.1	↔
UNDER CONSTRUCTION (MSF)	1.4	1.4	↔	1.2	↔
ASKING RENT, FULL SERVICE (PSF)	\$24.02	\$23.91	↑	\$23.74	↔
SALES VOLUME (Millions)	\$9.8	\$104.8	↓	\$99.6	↔

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

BALTIMORE OFFICE MARKET DECLINES IN Q3 2024

The Baltimore metro area office struggles steepened in the third quarter, totaling 310,000 SF of negative net absorption. The vacancy rate increased 10-basis points to 12.7%. Asking rental rates increased 10 basis-points to \$24.02 PSF. There were no new project deliveries this quarter and construction levels are unchanged from last quarter at 1.4 million SF at 72% pre-leased.

The employment market remains steady, despite ongoing economic headwinds. The Fed cut rates by 50 basis points at the most recent meeting with intention to keep the economy humming. The pipeline is at historic lows and will help even out supply/demand in time. 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. However, rightsizing of space as leases roll will act as a drag to the market over the next several quarters.

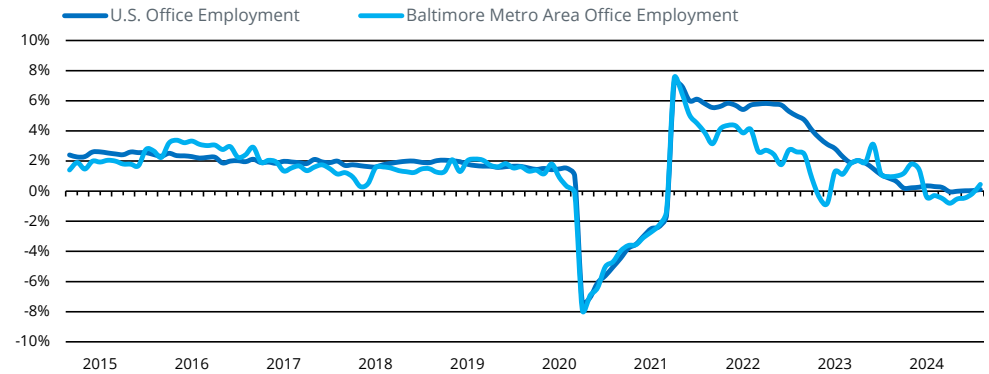


ECONOMY

Office-Using Job Growth Stable

- The Baltimore metro economy added 400 jobs during the 12-months ending in August 2024. Education/health added 8,100 new jobs, while trade, transportation, and utilities offset this gain by cutting 4,300 positions.
- Office-using jobs added 2,200 jobs during the 12-months ending in August 2024. This was driven by professional/business services expanding with 4,300 new jobs over the year. Financial services offset this gain by shedding 1,300 positions.
- The unemployment rate in the Baltimore metro area increased 120-basis points over the past year to 3.4% at July 2024. Over the month the unemployment rate edged up 20-basis points.
- We expect office-using jobs to remain stagnant in the back half of 2024 as economic uncertainty causes select companies to pause hiring.

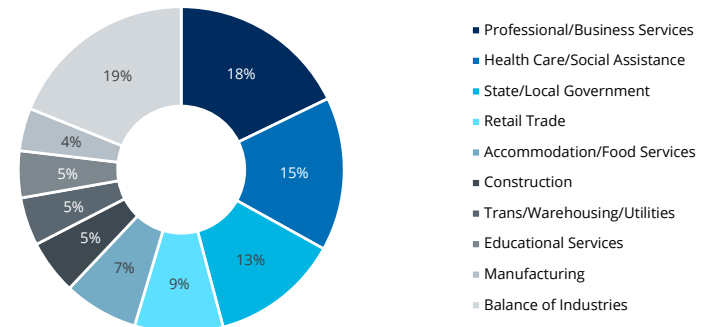
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

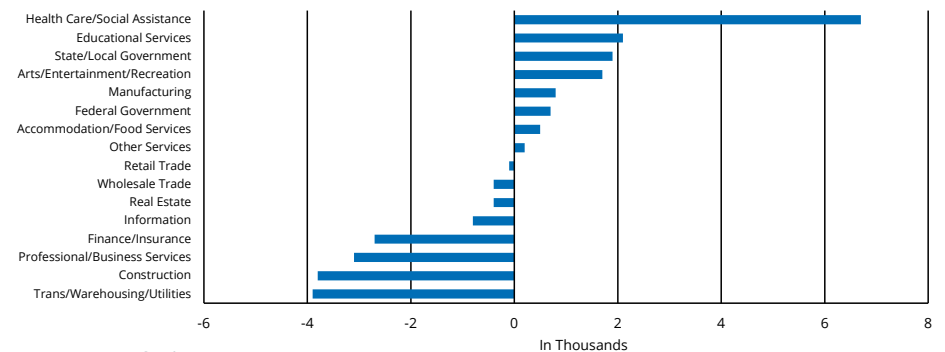
Baltimore Metro Area | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

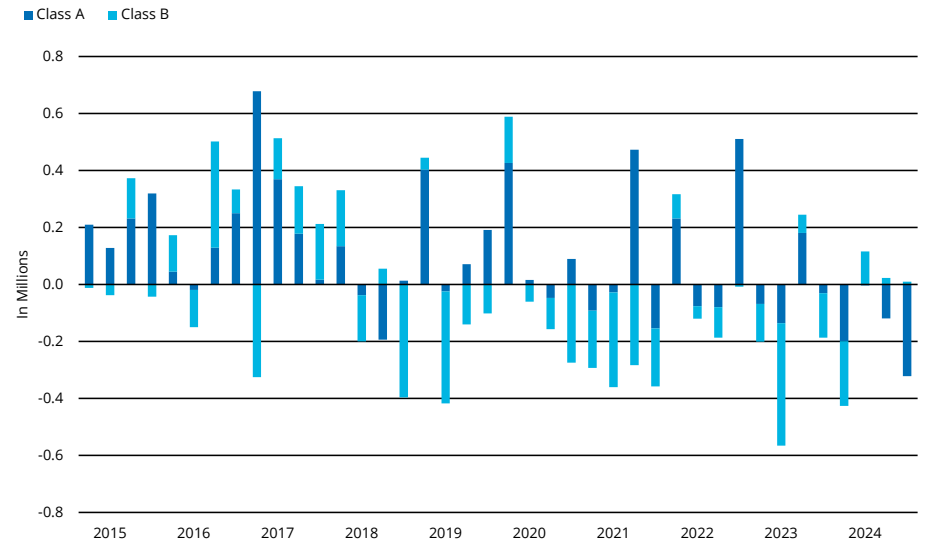


NET ABSORPTION

Net Absorption Negative in Q3 2024

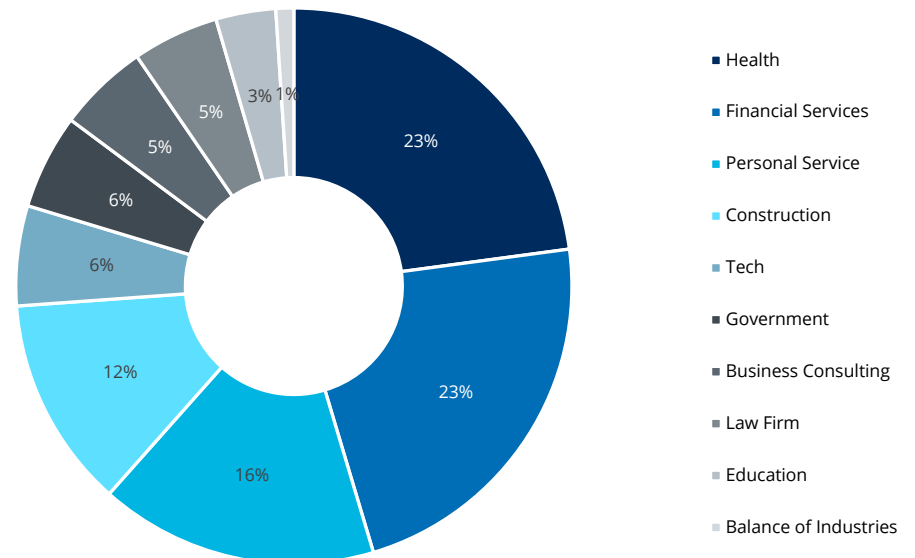
- Net absorption totaled negative 310,000 SF in the third quarter. This was the largest decline in net absorption since the fourth quarter of 2023. The year-over-year total is negative 720,000 SF.
- Class B/C product totaled 10,000 SF of positive net absorption in the third quarter. Class A product registered negative 322,000 SF due in part to CareFirst Blue Cross BlueShield vacating 163,162 SF at 10800-10802 Red Run Boulevard in Baltimore County West.
- Another notable move-out was EA Engineering vacating 32,868 SF at 225 Schilling Circle, a Class A building, in Baltimore County North. This move-out was slightly countered by Stifel Financial Corporation executing a 34,645 SF lease at 1201 Wills Street.
- 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

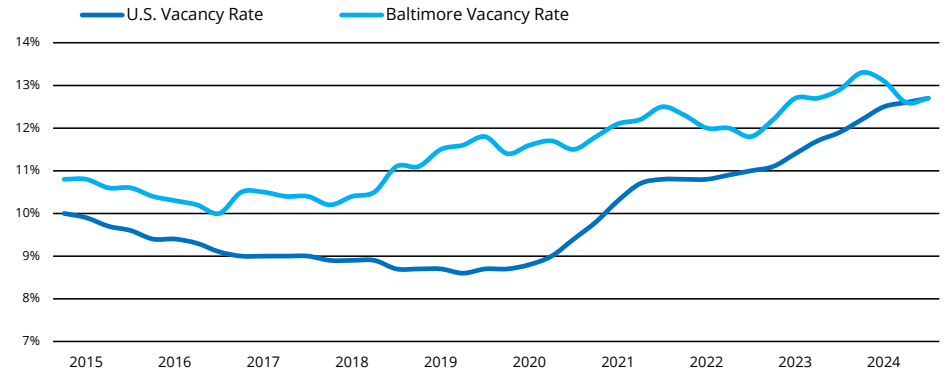


VACANCY

Vacancy Rate Slightly Rises in Q3 2024

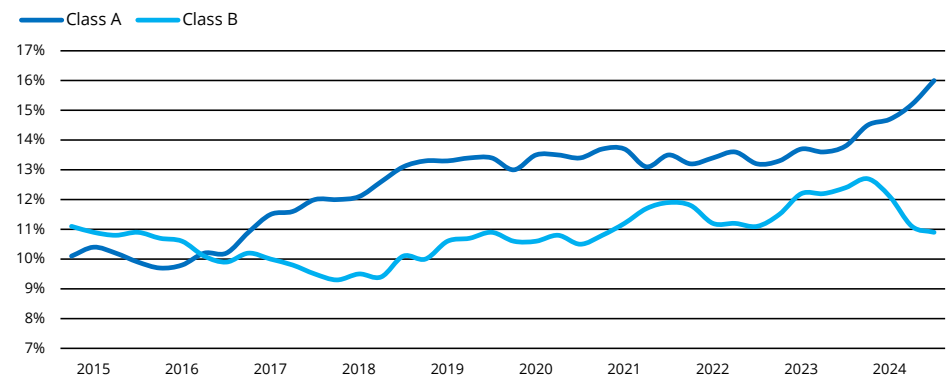
- The vacancy rate increased 10-basis points to 12.7% in the third quarter. This marks the first time since the fourth quarter of 2023 that there was a rise in vacancy. The rise in vacancy rate would have been stronger, except two buildings totaling 145,000 SF were demolished and removed from the inventory.
- Class B/C experienced a decrease in vacancy rate of 20-basis points to 10.9%. Class A saw an increase of 80-basis points to 16.0%.
- Baltimore County East had the largest decrease in vacancy rate, declining 220-basis points to 11.3% aided by the demolition of 1600 Sparrows Point Boulevard totaled 56,675 SF. Baltimore County West experienced the largest increase in vacancy of 110-basis points due to the 163,162 SF moveout of CareFirst Blue Cross BlueShield at 10800-10802 Red Run Boulevard.
- 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



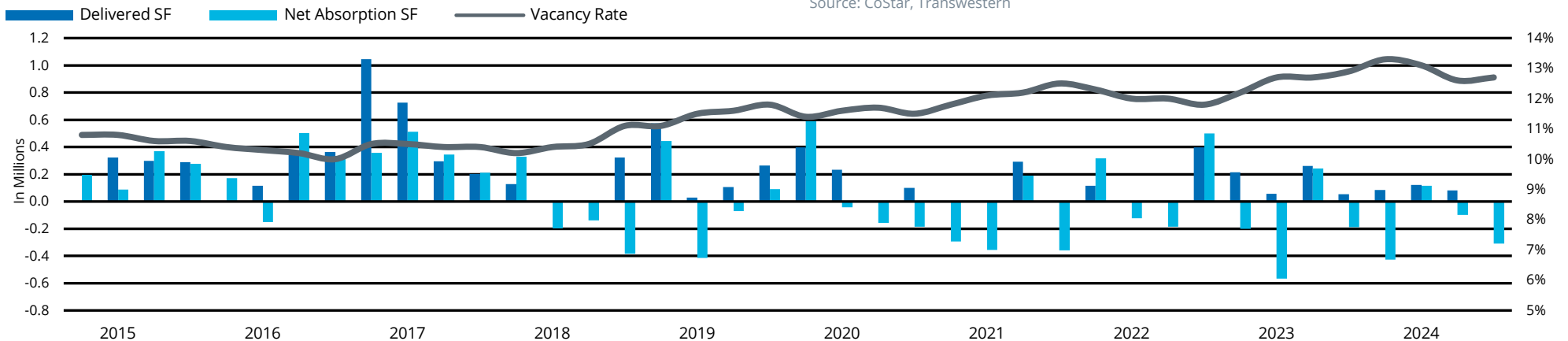
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

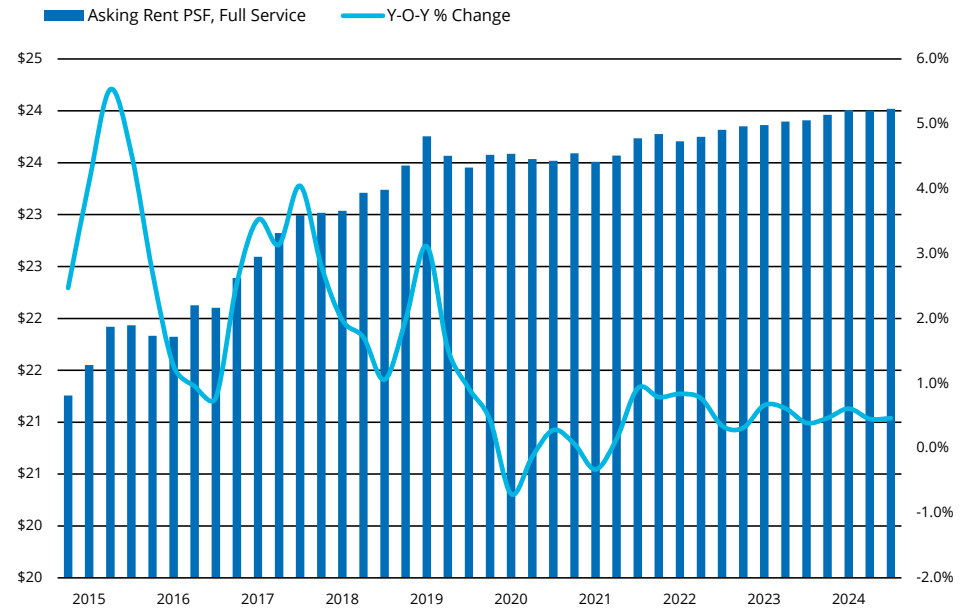


RENTAL RATES

Rental Rates Remain Stable

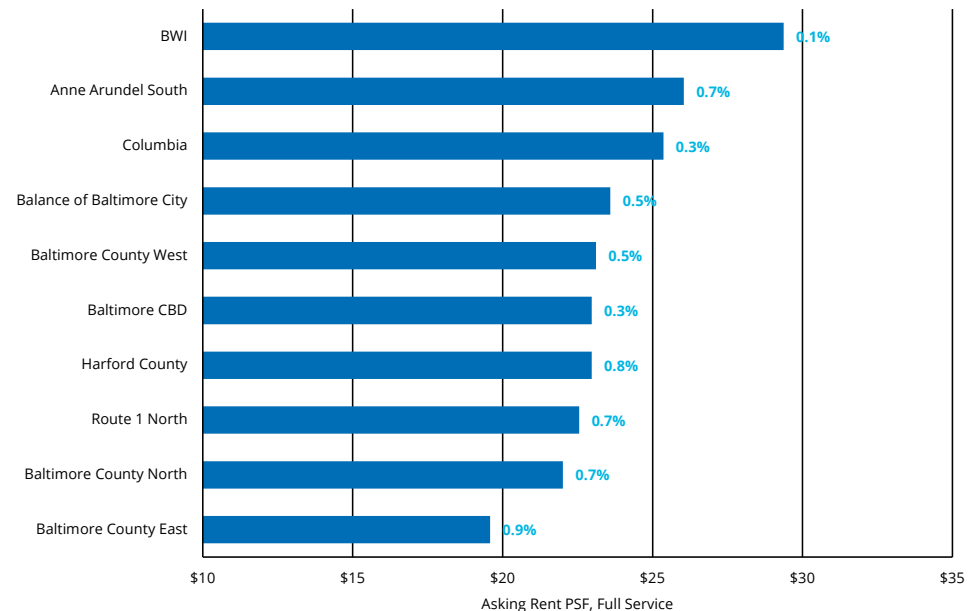
- Asking rental rates were relatively stable during the quarter, landing at \$24.02 PSF. Year-over-year rents increased 40-basis points from \$23.91 PSF in the third quarter of 2023.
- Class A rental rates decreased 10-basis points to \$29.13 PSF. Class B/C rates increased 10-basis points to \$22.31 PSF, and had a strong year-over-year growth, up 80-basis points from \$22.14 PSF in the third quarter of 2023.
- Baltimore County East experienced the largest year-over-year rental rate growth, rising 90-basis, up from \$19.41 PSF in the third 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

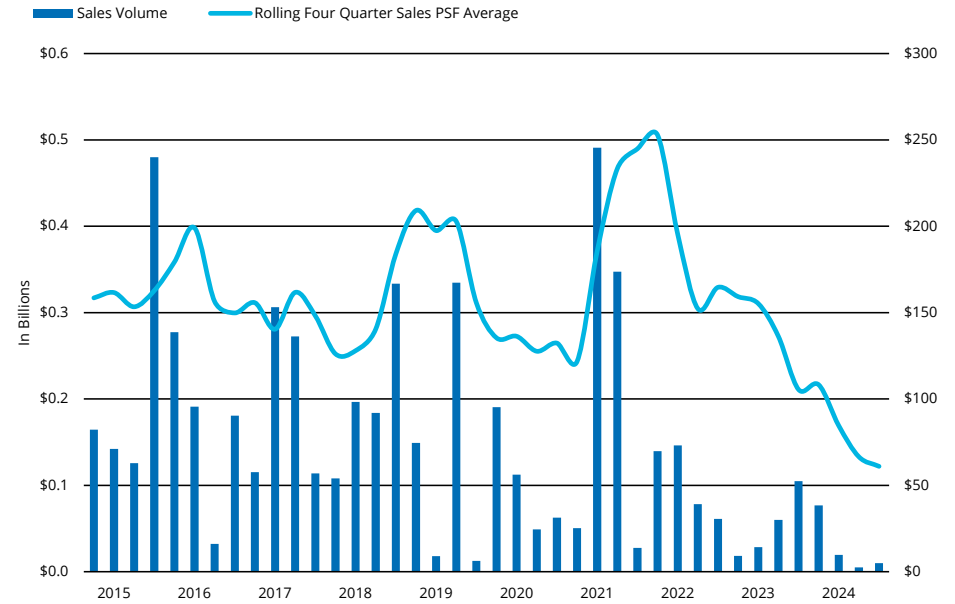


SALES

Investment Sales Volume in Q3 Still Stagnant

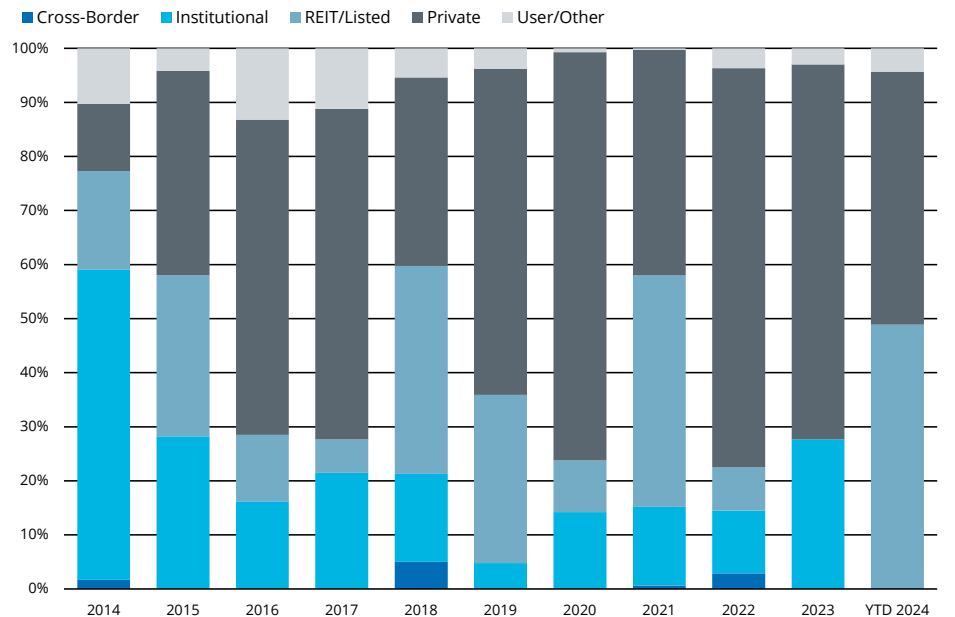
- The Baltimore office market had two sales this quarter. Jeremy Landsman purchased the Factory Building and the Signature Building at 2400 Boston Street for \$6.5 million, or \$51 PSF, and \$3.3 million, or \$61 PSF, respectively. Both of the buildings were 100% leased. TPG Angelo Gordon & Co., L.P. was the seller in the lone transaction.
- The largest deal that occurred in the first three quarters 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
MARINER FINANCE	8110 Corporate Dr	Baltimore County East	New Lease	79,091
UNIVERSITY OF BALTIMORE	101 W Mt Royal Ave	Balance of Baltimore City	New Lease	46,380
RAMPART COMMUNICATIONS, INC.	881 Elkridge Landing Rd	BWI	Sublease	37,954
STIFEL FINANCIAL CORP.	1201 Wills St	Balance of Baltimore City	New Lease	34,645
RAMPART COMMUNICATIONS, INC.	881 Elkridge Landing Rd	BWI	New Lease	34,400
ARMADACARE	230 Schilling Cir	Baltimore County North	Renewal	16,000

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
2400 BOSTON ST	Balance of Baltimore City	Sep-24	\$6,529,561	128,000	\$51	Jeremy Landsman	TPG Angelo Gordon & Co., L.P.
2400 BOSTON ST	Balance of Baltimore City	Sep-24	\$3,283,289	54,004	\$61	Jeremy Landsman	TPG Angelo Gordon & Co., L.P.
10750 LITTLE PATUXENT PKY	Columbia	Jun-24	\$3,000,000	35,724	\$84	CDC Capital, LLC	Howard County Government
122 SLADE AVE	Baltimore County West	Jun-24	\$5,040,000	23,864	\$211	Shelley Morhaim	Star K Certification
100 N CHARLES ST	Baltimore CBD	Jun-24	\$4,100,000	345,663	\$12	Asta Investments LLC	Peter Angelos Law, P.C.

Source: CoStar, Transwestern



MARKET INDICATORS

All Classes of Space | Q3 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	1,357,094	35.2%	35.6%	0	(27,000)	(34,000)	\$22.97
BALTIMORE COUNTY WEST	12,437,360	1,007,426	8.1%	9.0%	0	(142,000)	(266,000)	\$23.11
BALTIMORE COUNTY NORTH	16,821,875	2,220,488	13.2%	14.9%	0	(44,000)	(37,000)	\$22.01
BALTIMORE COUNTY EAST	3,080,077	348,049	11.3%	12.8%	0	19,000	25,000	\$19.58
BALTIMORE CBD	19,410,663	2,698,082	13.9%	13.9%	0	(49,000)	(256,000)	\$22.97
BALANCE OF BALTIMORE CITY	21,891,242	2,780,188	12.7%	13.2%	1,242,294	(55,000)	(153,000)	\$23.59
BALTIMORE COUNTY NORTH	77,496,599	10,411,327	13.4%	14.2%	1,242,294	(298,000)	(721,000)	\$22.82
COLUMBIA	16,832,227	2,146,109	12.8%	14.8%	0	(25,000)	(155,000)	\$25.36
ROUTE 1 NORTH	1,245,773	190,603	15.3%	15.3%	0	1,000	35,000	\$22.55
BWI	11,555,169	1,127,784	9.8%	11.4%	137,985	5,000	42,000	\$29.37
ANNE ARUNDEL SOUTH	7,377,248	708,216	9.6%	10.2%	0	7,000	79,000	\$26.04
BALTIMORE COUNTY SOUTH	37,010,417	4,172,713	11.3%	12.8%	137,985	(12,000)	1,000	\$26.65
TOTAL	114,507,016	14,584,039	12.7%	13.7%	1,380,279	(310,000)	(720,000)	\$24.02

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

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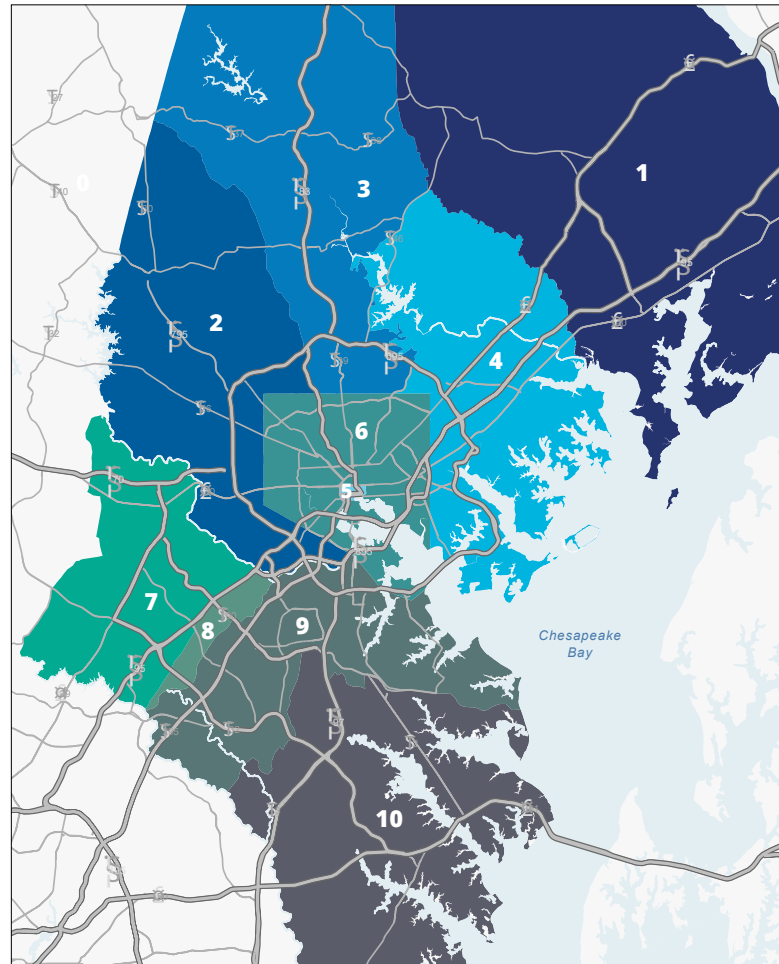
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Baltimore Office Submarkets

- 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