

BALTIMORE METRO AREA OFFICE MARKET

Q4 2024



TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	2.0	↑	4.2	↓
NET ABSORPTION (Thousands SF)	173.0	(427.0)	↑	(65.1)	↔
DIRECT VACANCY RATE	13.0%	13.3%	↓	12.3%	↔
DIRECT VACANT SF (MSF)	14.9	15.4	↓	14.1	↔
UNDER CONSTRUCTION (MSF)	1.0	1.3	↓	1.2	↔
ASKING RENT, FULL SERVICE (PSF)	\$24.07	\$23.96	↑	\$23.77	↔
SALES VOLUME (Millions)	\$4.1	\$76.7	↓	\$99.2	↔

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

BALTIMORE OFFICE MARKET SHOWS MIXED RESULTS IN Q4 2024

The Baltimore metro area office market improved from an absorption standpoint in the fourth quarter, totaling 173,000 SF of positive net absorption. This was driven by pre-leased deliveries. Two new projects delivered this quarter, the new 100% pre-leased Under Armour headquarters at 2501 Port Covington Drive and the University of Maryland-Baltimore campus at 4 Martin Luther King Jr Boulevard. The vacancy rate increased 30-basis points to 13.0%. Asking rental rates increased 20 basis-points to \$24.07 PSF. Construction levels total 956,500 SF at 70% pre-leased at December 2024.

The Fed cut rates by another quarter point in December 2024 to keep the cooling economy stable. Two additional cuts are expected in 2025. Although hybrid is likely here to stay, private sector return to office mandates should move the average days in office slightly higher in 2025. The 2024 election produced an aligned government, which could encourage stricter policy to get the federal workforce back in the office over the next year. The office market remains in tenant favor for now, however, landlords with limited resources could struggle to lure tenants.

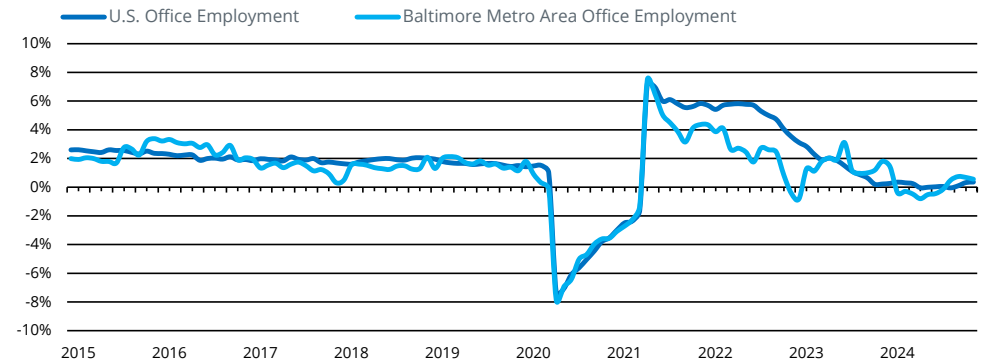


ECONOMY

Office-Using Job Growth Stable

- The Baltimore metro economy added 13,100 jobs during the 12-months ending in November 2024. Education/health added 13,100 new jobs, while the construction industry shed 1,300 positions.
- Office-using jobs added 2,700 jobs during the 12-months ending in November 2024. This was primarily due to ambulatory health care services gaining 2,400 new jobs over the year. Financial services lost 1,100 positions.
- The unemployment rate in the Baltimore metro area increased 120-basis points over the past year to 3.3% at November 2024. Over the month the unemployment rate rose 20-basis points.
- We expect office-using jobs to grow slowly during 2025 as economic uncertainty causes select companies to pause hiring.

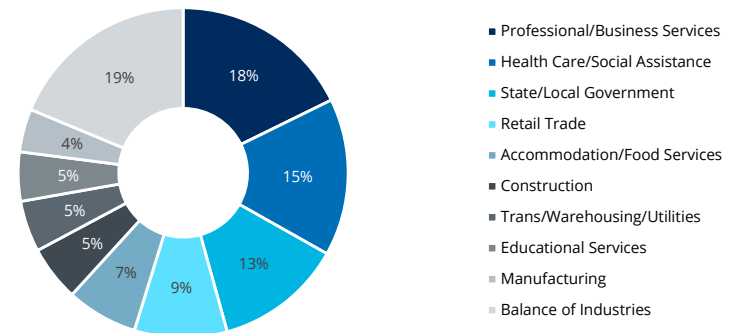
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

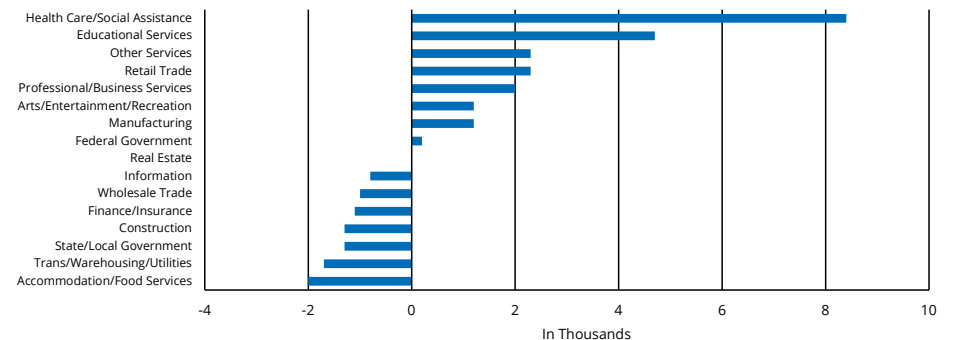
Baltimore Metro Area | November 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Baltimore Metro Area



Source: Bureau of Labor Statistics, Transwestern

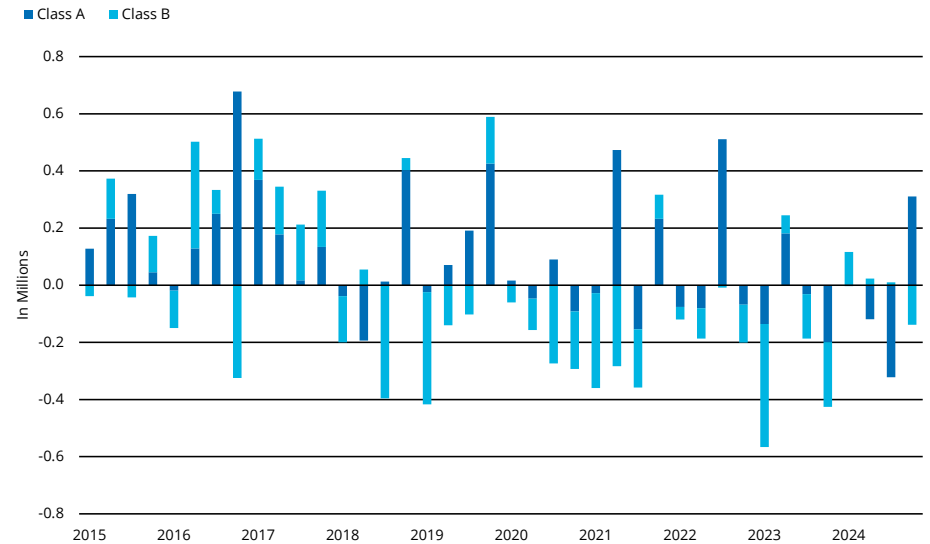


NET ABSORPTION

Net Absorption Rebounds in Q4 2024

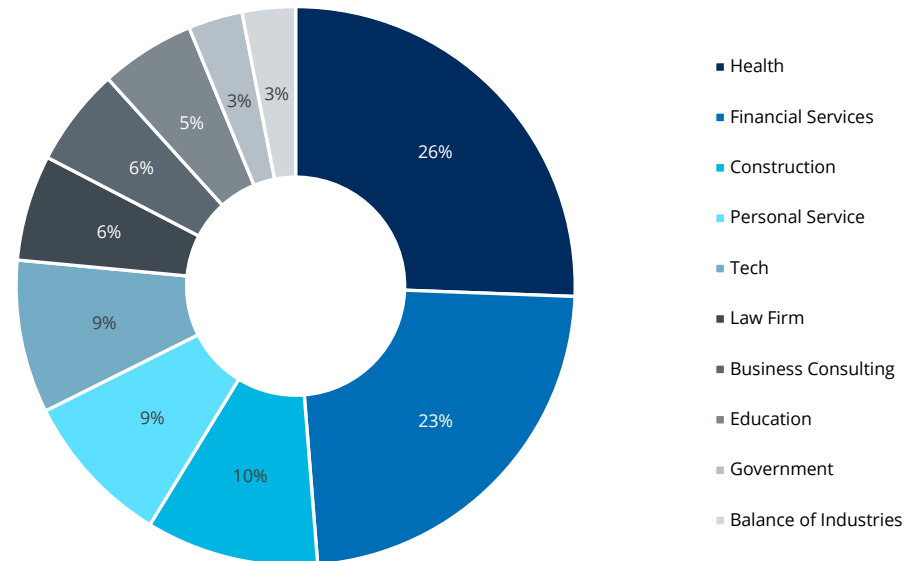
- Net absorption totaled positive 173,000 SF in the fourth quarter. This was the largest increase in net absorption since the second quarter of 2023. The year-over-year total is negative 120,000 SF.
- Class A product totaled 311,000 SF of positive net absorption in the fourth quarter primarily due to Under Armor’s new facility at 2501 Port Covington Drive delivering 280,000 SF of pre-leased space in the Balance of Baltimore City. Class B/C product registered negative 138,000 SF due to multiple medium scale moveouts and Cohen vacating 32,730 SF at 201 International Circle in Baltimore County North.
- Another notable move-out was Travelers vacating 150,164 SF at 111 Schilling Road, a Class A building, in Baltimore County North. This move-out was somewhat countered by Tescos Technologies executing a 32,868 SF lease at 225 Schilling Circle.
- We expect net absorption levels to remain relatively low over the next 12 months 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

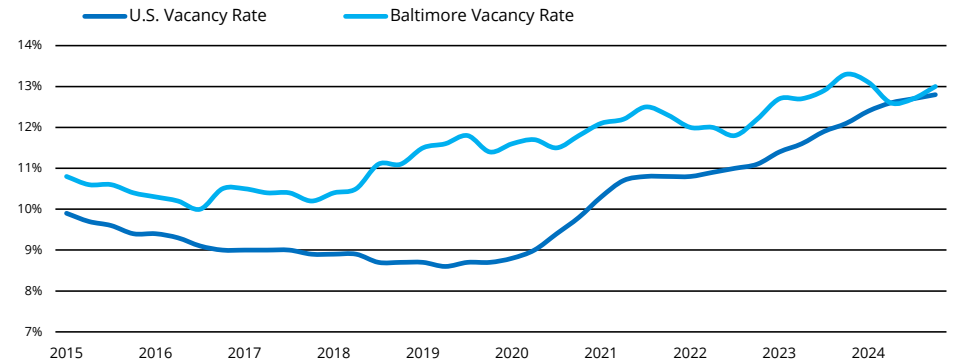


VACANCY

Vacancy Rate Increases in Q4 2024

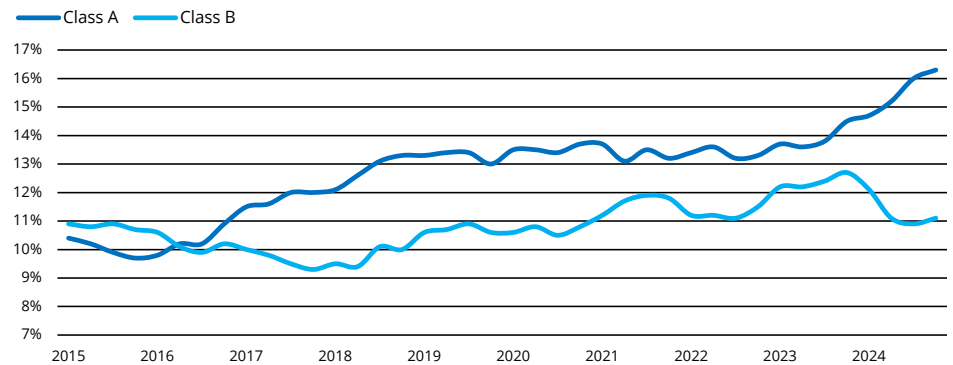
- The vacancy rate increased 30-basis points to 13.0% in the fourth quarter. This marks the first time since the third and fourth quarters of 2023 that there were consecutive quarters with a rise in vacancy. The vacancy rate increased despite positive net absorption due to pre-leased deliveries driving demand this quarter while underlying leasing was not enough to lower the rate.
- Class A experienced an increase in vacancy rate of 30-basis points to 16.3%. Class B/C saw an increase of 20-basis points to 11.1%.
- Harford County and Baltimore County East had the largest decrease in vacancy rate, declining 60-basis points to 34.6% and 10.7%, respectively. Baltimore County North experienced the largest increase in vacancy of 110-basis points due to the 150,164 SF moveout of Travelers at 111 Schilling Road.
- 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



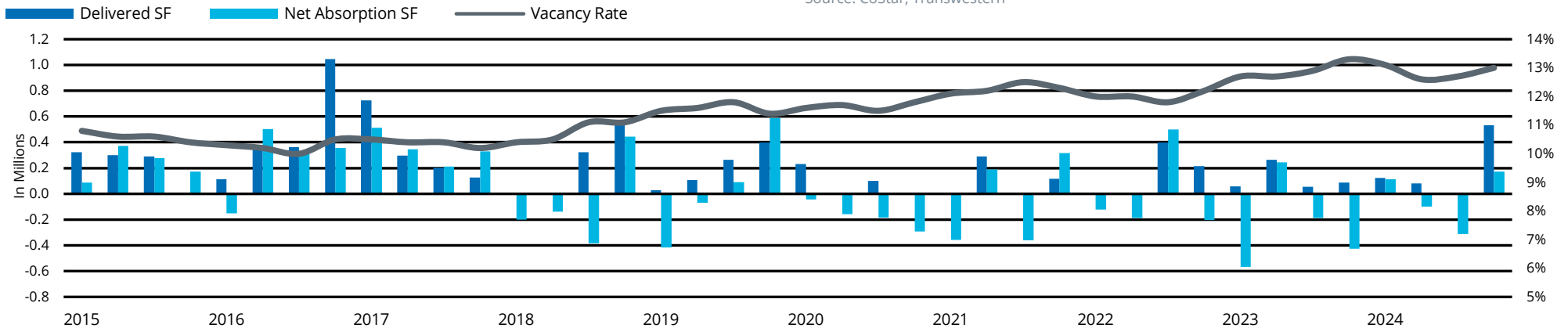
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

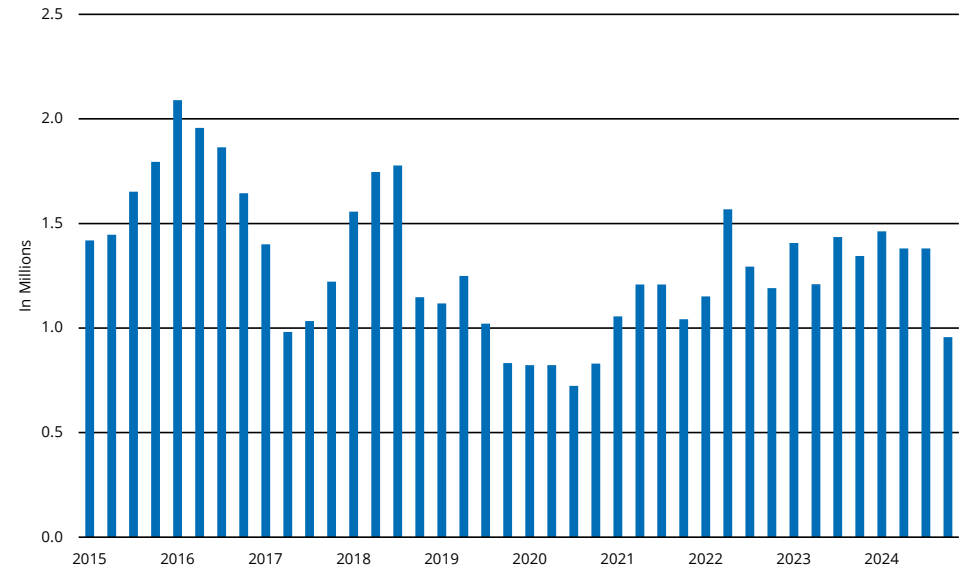


UNDER CONSTRUCTION

Two Projects Deliver in Q4

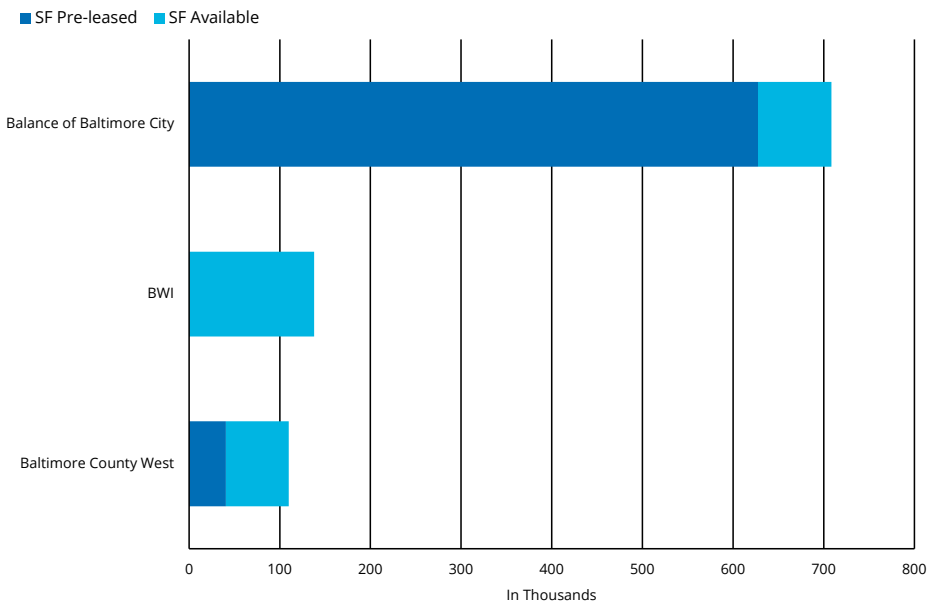
- The construction pipeline currently has eight projects underway totaling 956,500 SF at 70% pre-leased. A renovation at 11411 Red Run Boulevard was added to the construction pipeline. One of the renovations is expected to deliver next quarter totaling almost 17,560 SF at 1429 McCulloh Street.
- The largest project is 1307 Point Street, which include two T. Rowe Price buildings that total 450,000 SF and are 100% pre-leased. The second largest project is 1501 North Chester Drive in the Balance of Baltimore City that will add 110,000 SF when delivered in the first quarter of 2026.
- 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

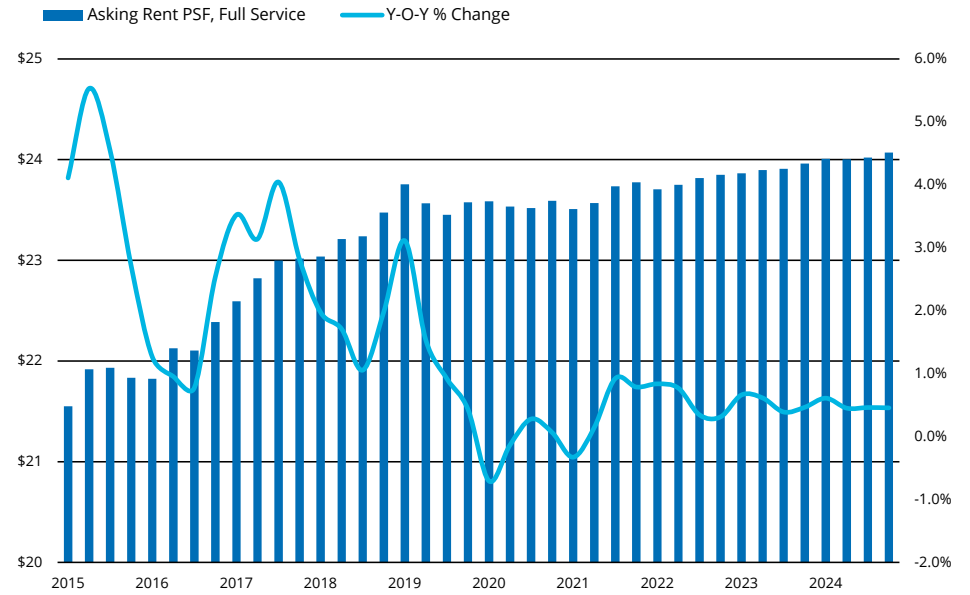


RENTAL RATES

Rental Rates Slightly Rise

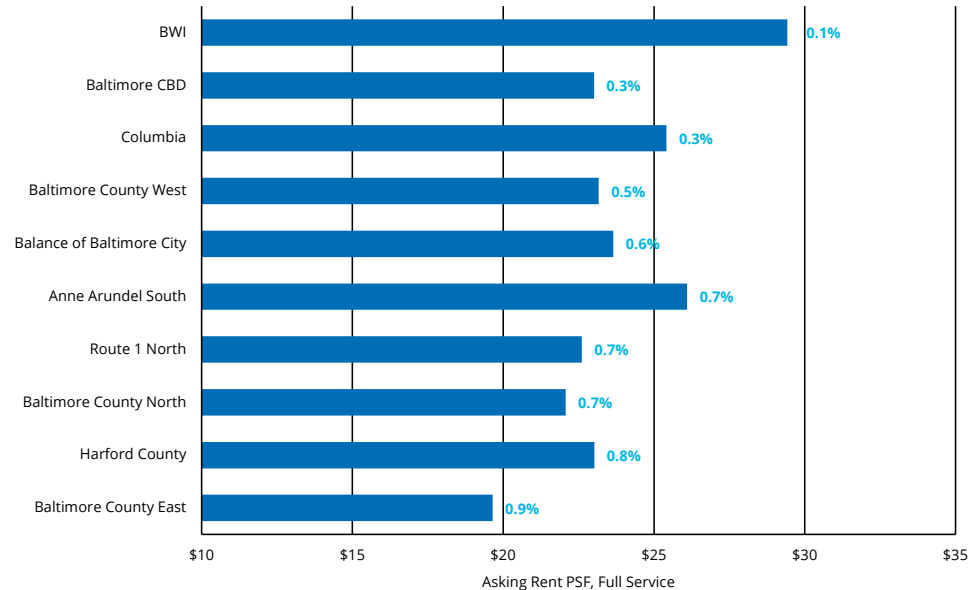
- Asking rental rates growth was modest during the quarter, rising 20-basis points to \$24.07 PSF. Year-over-year rents increased 50-basis points from \$23.96 PSF in the fourth quarter of 2023.
- Class A rental rates increased 10-basis points to \$29.14 PSF. Class B/C rates increased 30-basis points to \$22.38 PSF, and had a strong year-over-year growth, up 80-basis points from \$22.21 PSF in the fourth quarter of 2023.
- Baltimore County East experienced the largest year-over-year rental rate growth, rising 90-basis, up from \$19.47 PSF in the fourth quarter of 2023.
- We anticipate limited asking rent growth during 2025. 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

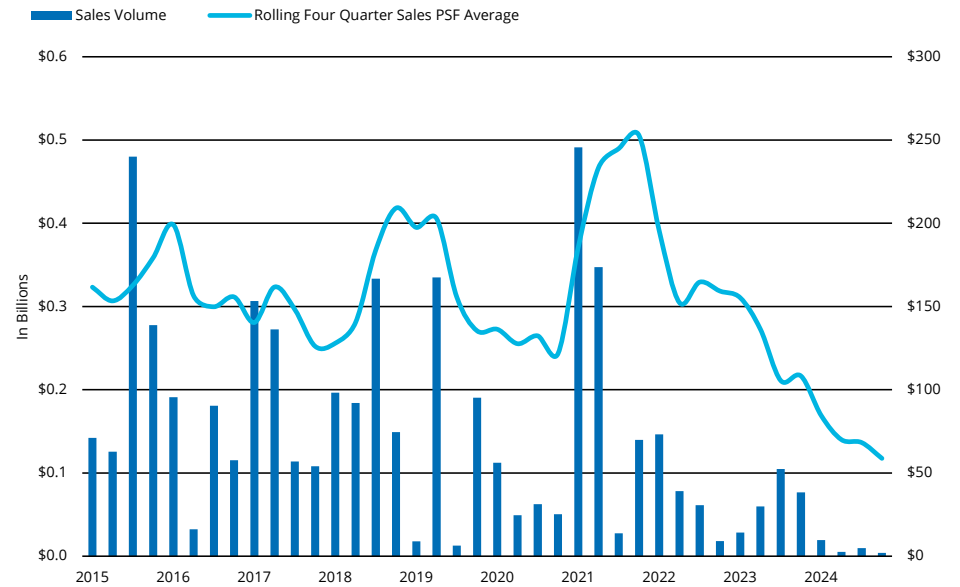


SALES

Investment Sales Volume in Q4 Limited

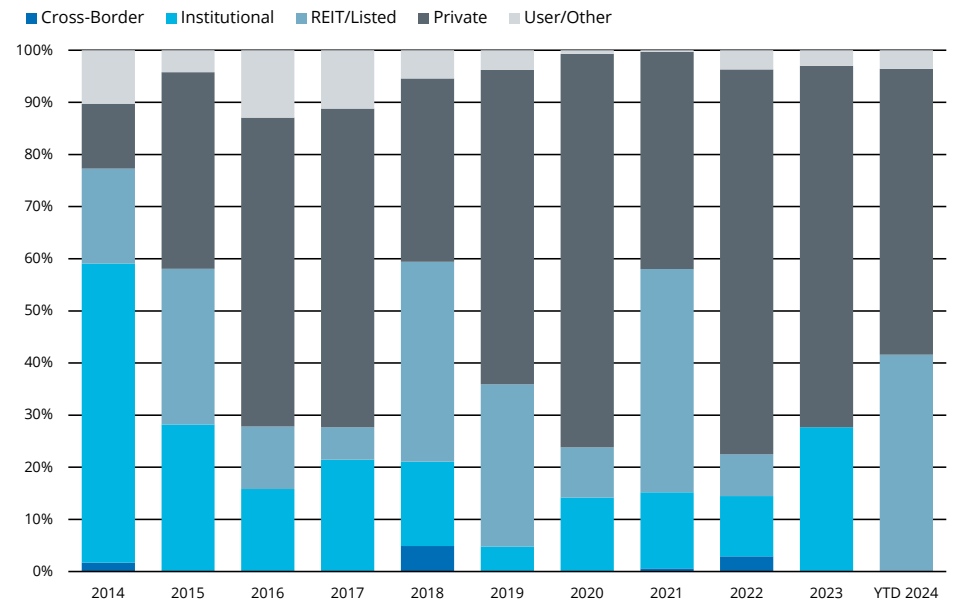
- The Baltimore office market had two sales this quarter. An unknown buyer purchased 5818 Reisterstown Road for \$2.75 million, or \$84 PSF. The other lone sale in the fourth quarter of 2024 was Parvez Naqvi purchasing 111 Water Street from Weinman Company for \$1.3 million, or \$52 PSF.
- The largest deal that occurred in 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 2025 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. Select investors could start to look for opportunistic value-add buys.

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
UNDER ARMOUR	2501 Port Covington Dr	Balance of Baltimore City	New Lease	280,000
NORTHROP GRUMMAN MISSION SYSTEMS	1550 W Nursery Rd	BWI	Renewal	153,840
KAISER PERMANENTE	7070 Samuel Morse Dr	Columbia	Renewal	30,795
PARSONS CORPORATION	133 National Business Pky	BWI	Renewal	30,312
GREATER CHESAPEAKE HAND TO SHOULDER	1400 Front Ave	Baltimore County North	Renewal	13,711
ICE MILLER	100 Light St	Baltimore CBD	New Lease	10,939

Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
5818 REISTERSTOWN RD	Balance of Baltimore City	Nov-24	\$2,750,000	32,833	\$84	Undisclosed	Fedder Management Corporation
111 WATER ST	Baltimore CBD	Oct-24	\$1,300,000	25,004	\$52	Parvez Naqvi	Weinman Company
2400 BOSTON ST	Balance of Baltimore City	Sep-24	\$6,529,561	128,000	\$51	Jeremy Landsman	TPG Angelo Gordon & Co., L.P.
1407 REISTERSTOWN RD	Baltimore County West	Aug-24	\$2,250,000	29,000	\$78	Yitzchak Khoshkheraman	Verstandig Steven
2200 DEFENSE HWY	Anne Arundel South	Jul-24	\$9,000,000	65,780	\$137	Apg Media	Cantor Fund Management

Source: CoStar, Transwestern



MARKET INDICATORS

All Classes of Space | Q4 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	1,333,962	34.6%	35.1%	0	23,000	(4,000)	\$23.02
BALTIMORE COUNTY WEST	12,437,360	1,022,392	8.2%	9.2%	110,000	(15,000)	(199,000)	\$23.17
BALTIMORE COUNTY NORTH	16,821,875	2,398,799	14.3%	15.7%	0	(178,000)	(239,000)	\$22.07
BALTIMORE COUNTY EAST	3,080,077	329,568	10.7%	12.3%	0	18,000	36,000	\$19.65
BALTIMORE CBD	19,410,663	2,678,671	13.8%	13.9%	0	19,000	(144,000)	\$23.01
BALANCE OF BALTIMORE CITY	22,425,062	2,978,048	13.3%	14.0%	708,474	336,000	292,000	\$23.65
BALTIMORE COUNTY NORTH	78,030,419	10,741,442	13.8%	14.5%	818,474	203,000	(258,000)	\$22.89
COLUMBIA	16,832,227	2,127,593	12.6%	15.0%	0	19,000	6,000	\$25.41
ROUTE 1 NORTH	1,245,773	192,928	15.5%	15.5%	0	(2,000)	33,000	\$22.61
BWI	11,555,169	1,153,206	10.0%	11.6%	137,985	(25,000)	44,000	\$29.42
ANNE ARUNDEL SOUTH	7,377,248	730,348	9.9%	10.5%	0	(22,000)	55,000	\$26.10
BALTIMORE COUNTY SOUTH	37,010,417	4,204,075	11.4%	13.1%	137,985	(30,000)	138,000	\$26.71
TOTAL	115,040,836	14,945,517	13.0%	14.1%	956,459	173,000	(120,000)	\$24.07

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 and @Transwestern.

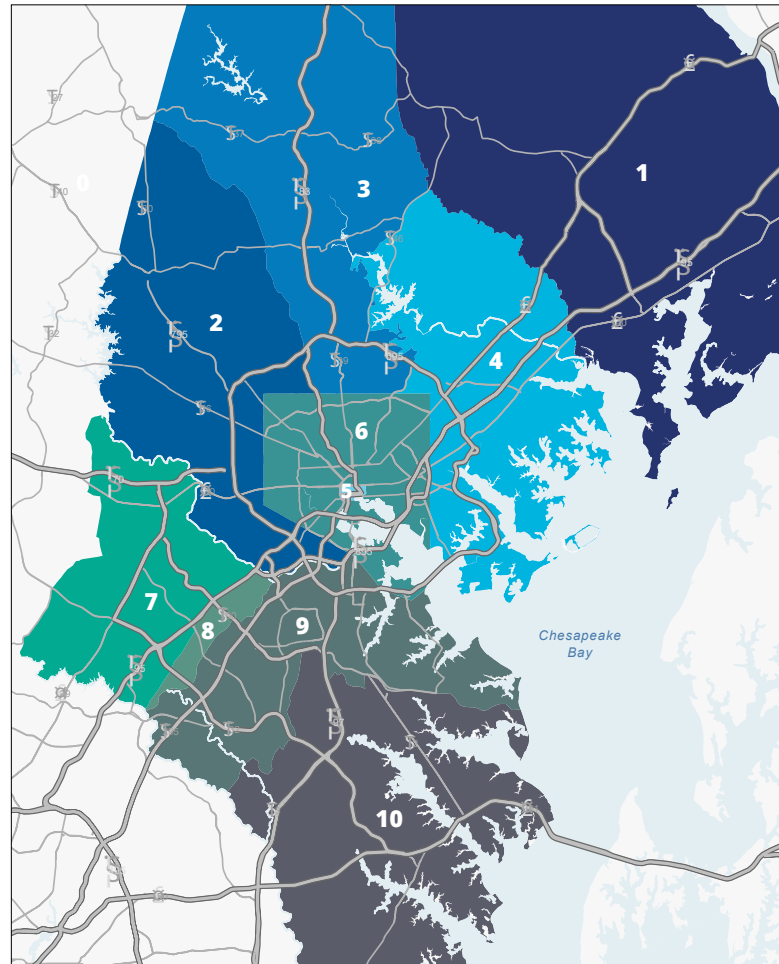
FOR MORE INFORMATION

Elizabeth Norton

Senior Managing Research Director
Research Services
Elizabeth.Norton@transwestern.com
202-775-7026

Colin Chapman

Research Analyst | Mid-Atlantic
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