

Baltimore, MD

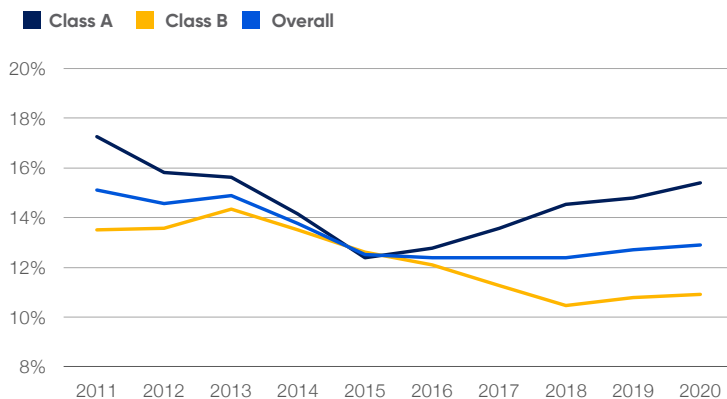


Executive Summary

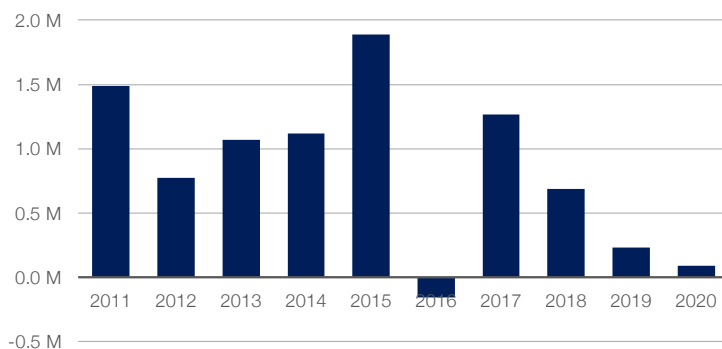
The Baltimore office market posted 90,341 SF of net absorption in Q1 2020, continuing its trend of positive absorption from late 2019. Average asking rents were either down or effectively net-neutral across most submarkets in the region. The onset of the coronavirus pandemic late in Q1 has created much uncertainty in both global and local economic and real estate markets. Although recessionary conditions may begin to take hold in future quarters, Baltimore's key office markets have not suffered from oversupply and could be conditioned to weather some of the COVID-19 storms.

Total investment sales activity reached \$148 million in Q1, with the bulk of volume resulting from the sales of 40 Wight Avenue in Cockeysville and 10 S Howard Street in Baltimore. Baltimore's slow investment sales market could similarly be attributed to purchaser uncertainty stemming from the coronavirus. Even so, regional investment sale volume has failed to reach \$150 million three times since 2019.

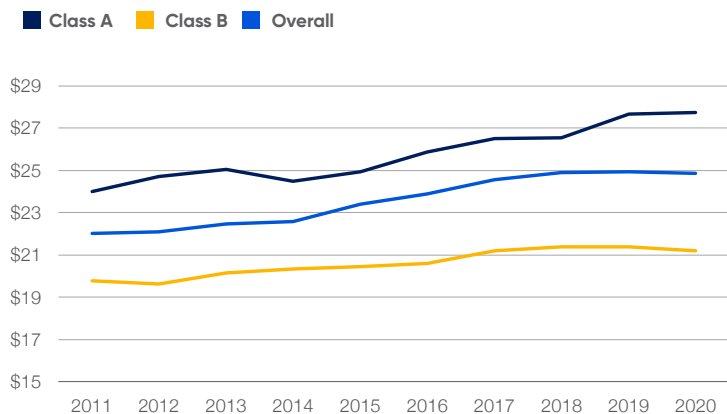
Average Total Vacancy



Net Absorption



Average Direct Rental Rates



Q4 Key Market Indicators

Total Vacancy	▼ 13.0%
Net Absorption	▼ 117,839 SF
Rental Rate	▼ \$23.55/SF
Deliveries (YTD)	▼ 590,447 SF

Rental Rates and Vacancy

Vacancy across the Baltimore market increased 40 basis points from year-ago levels, reaching 12.9%. Class A vacancy increased 50 bps year over year to 15.4%, while Class B vacancy increased 60 bps to 10.9%. Downtown Baltimore vacancy remains very tight at levels well below 10%, indicating the strong tenant preference for micro-markets such as the Pratt Street Corridor and Harbor East/Harbor Point.

Asking rental rates decreased slightly compared to year-ago levels, lowering \$0.27/SF to \$24.87 /SF. Class A rents increased \$0.26/SF to \$27.74/SF, while Class B rents fell \$0.43/SF to \$21.19/SF. Of the markets outside of the city, Downtown Columbia and BWI/Anne Arundel boast the highest rents at \$29.48/SF and \$31.65/SF, respectively. Slightly negative or net-neutral rent growth was recorded in nearly every submarket in Q1, possibly indicating landlord reactions to COVID.

Supply and Demand

Available space for lease fell to 15.3 million SF in Q1, a 146K SF decrease from year-ago levels. Most of that reduction came from the Class B segment, where availability fell by 107K SF to 6.6 million SF. Due to low levels of construction, new development activity has kept availability levels stable and has helped to avoid oversupply. There are currently five office projects under construction with 616K SF slated to deliver this year.

Baltimore's regional economic and labor growth remained healthy, creating approximately 14,300 new jobs year-over-year, a 1.0% increase. Of those new jobs, roughly 10,600 were office-using jobs, which marks an above-average growth rate of 2.4% over the last three months. The coronavirus will assuredly have significant impacts on the local labor market, however Baltimore's diversified employment base could insulate it from an extreme collapse.

Quarterly Top Signed Leases

Tenant	Address	Submarket	Size	Type
General Dynaics	Woodlawn	7142 Ambassador Road	54,841	New Lease
US Social Security Administration	Midtown	1010 Park Ave	41,510	Renewal
Bravura Information Technology	Harford County	210 Research Blvd	28,000	Renewal

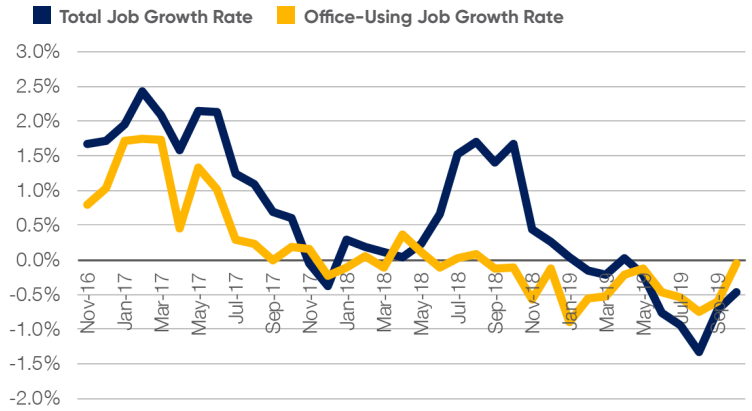
Quarterly Top Sales

Building	Submarket	Size	Price	Price (PSF)	Buyer	Seller
40 Wight Ave	I-83 North	132,995	\$39,100,000	\$294.00	CIM	Greenfield Partners
10 S Howard St	CBD Baltimore	313,647	\$23,950,000	\$76.36	Metropolitan Partnership Ltd	Coastal Federal Credit Union
175 Admiral Cochrane Dr	Annapolis	55,680	\$12,450,000	\$223.60	MRE Properties	Johanna & Mario Eisenberger
2850 N Ridge Rd	Ellicott City	39,000	\$9,350,000	\$239.74	Chestnut Funds	PGIM Real Estate
2107-2109 Laurel Bush Rd	Columbia South	42,860	\$7,400,000	\$172.66	Reliable Contracting Co	Morrell Development

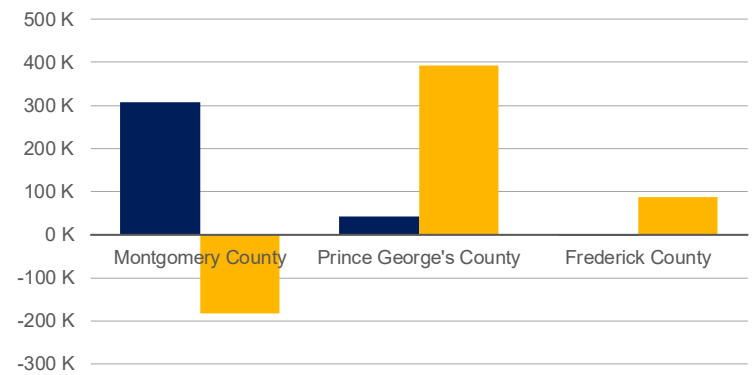
Market Outlook

The Baltimore market continues to be defined by stability and consistency. Steady occupancy expansion and an absence of development have created relatively tight market conditions in many of Baltimore's higher-demand submarkets. Although the impacts of COVID on business activities will be felt throughout the world, Baltimore's stable real estate conditions may ensure that landlords continue to hold leverage in the market.

Annualized Employment Growth by Month



Net Absorption by County



Submarket Statistics

Submarket	Total Bldgs	Inventory	Sublet Available	Total Available	Total Vacant	Vacancy Rate	Net Absorption (Q4 2019)	Net Absorption	Class A Rent	Class B Rent	Total Direct Rent	YOY Direct Rent Arrow	Under Construction/Renovation
Baltimore Midtown	50	2,022,064	2,275	136,116	97,228	4.8%	Down	23,664	\$26.83	\$19.53	\$20.11	Down	21,000
Baltimore NE	20	1,553,139	-	24,951	14,805	1.0%	Down	6,323	N/A	\$25.22	\$25.22	Down	-
Baltimore NW	30	2,225,838	-	64,530	53,112	2.4%	Up	4,364	\$43.94	\$22.51	\$27.69	Down	-
Baltimore SE	74	6,884,737	140,126	911,977	594,855	8.6%	Up	(10,956)	\$31.81	\$22.48	\$28.33	Down	-
Baltimore SW	28	2,233,908	-	578,000	595,584	26.7%	Up	(1,033)	\$21.71	\$20.68	\$21.38	Down	-
CBD Baltimore	85	12,443,025	132,543	2,719,303	2,672,080	19.9%	Up	(16,133)	\$28.51	\$20.10	\$24.89	Down	-
Baltimore City	287	27,362,711	274,944	4,434,877	4,027,664	14.7%	Up	6,229	\$29.45	\$20.98	\$25.36	Down	21,000
BWI Howard County	21	876,085	3,174	208,711	188,537	21.5%	Up	26,835	\$28.43	\$20.32	\$22.08	Down	-
BWI/N Linthicum	43	2,570,111	18,914	467,139	503,220	19.6%	Up	25,481	\$27.87	\$21.92	\$24.19	Down	-
BWI/Anne Arundel	66	6,518,995	45,742	771,996	587,505	9.0%	Down	104,135	\$33.32	\$24.28	\$31.65	Down	-
BWI Total	130	9,965,191	67,830	1,447,846	1,279,262	12.8%	Down	156,451	\$32.33	\$24.22	\$28.88	Down	-
Columbia North	43	2,042,531	24,644	354,033	223,089	10.9%	Up	(22,439)	\$25.44	\$23.74	\$24.33	Down	-
Columbia South	144	8,915,935	165,315	1,758,387	1,063,070	11.9%	Down	(129,898)	\$26.72	\$22.74	\$25.02	Down	263,000
Downtown Columbia	33	3,090,650	54,290	462,034	554,809	18.0%	Up	(51,594)	\$30.20	\$26.81	\$29.48	Down	-
Howard County	350	24,014,307	312,079	4,022,300	3,120,230	13.0%	Down	(47,480)	\$27.62	\$23.41	\$25.88	Down	263,000
Route 83 North	81	6,116,408	45,920	823,501	599,360	9.8%	Up	32,395	\$25.62	\$20.38	\$22.69	Down	-
Route 83 South	45	2,526,584	4,901	208,960	181,344	7.2%	Up	(40,996)	\$25.18	\$21.41	\$23.31	Down	-
Towson	91	5,069,003	62,690	991,405	815,747	16.1%	Up	5,935	\$24.50	N/A	\$24.50	Down	-
I-83 Corridor	126	8,642,992	50,821	1,032,461	780,704	9.0%	Up	(8,601)	\$25.16	\$20.45	\$22.51	Down	-
Baltimore County East	90	2,999,051	122,448	590,260	447,245	15.1%	Up	4,570	\$23.69	\$19.70	\$20.83	Down	-
Reisterstown Road	114	6,500,009	89,257	1,211,337	1,014,634	15.6%	Up	(131,433)	\$25.62	\$21.16	\$23.71	Down	-
Woodlawn	54	3,823,706	5,075	438,348	416,186	10.9%	Down	23,502	\$27.12	\$20.51	\$22.05	Down	-
Baltimore County	909	54,458,751	557,313	8,311,543	6,667,418	12.2%	Up	(111,359)	\$25.80	\$20.44	\$22.38	Down	-
I-97/Crain Hwy	38	1,013,567	3,015	184,396	183,394	18.1%	Down	(10,162)	\$26.32	\$23.72	\$24.58	Down	-
Route 2 Corridor North	39	1,256,057	-	162,240	139,829	11.1%	Up	(8,823)	\$23.04	\$21.23	\$21.66	Down	-
Annapolis	133	4,964,650	36,522	589,133	377,374	7.6%	Down	102,415	\$31.31	\$26.71	\$28.73	Down	100,000
Anne Arundel County	319	16,323,380	104,193	2,174,904	1,791,322	11.0%	Down	213,046	\$31.65	\$24.26	\$28.38	Down	100,000
Aberdeen	33	1,664,988	15,324	667,656	470,216	28.2%	Down	24,173	\$28.07	\$21.36	\$26.24	Down	-
Outlying Harford	70	1,848,183	1,600	183,541	129,162	7.0%	Down	5,732	\$30.04	\$21.19	\$22.07	Down	-
Harford County	103	3,513,171	16,924	851,197	599,378	17.1%	Down	29,905	\$28.33	\$21.23	\$24.04	Down	-
Baltimore Market Total	1,968	125,672,320	1,265,453	19,794,821	16,206,012	12.9%	Down	90,341	\$27.74	\$21.62	\$24.49	Down	384,000

*Availability refers to all office space being actively marketed for lease – including both vacant space and spaces anticipated to be vacant ahead of tenant move-out.

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