

Baltimore, Maryland

cresa

Q2 2020 Market Report

Key Performance Indicators



Vacancy
14.3%



Average Rent
\$25.21/SF



Net Absorption
-235,141 SF

Market Overview

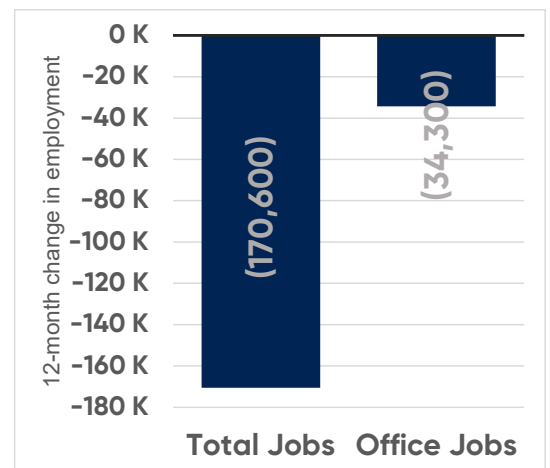
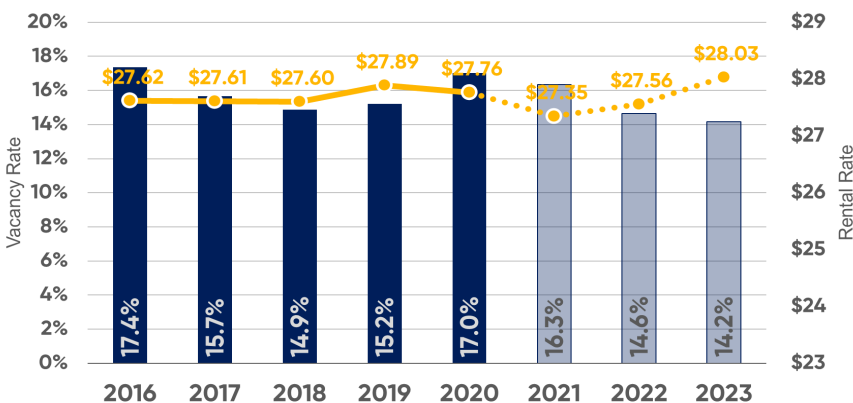
Baltimore's office market expansion slowed in Q2, largely due to the coronavirus. Occupancy in the region fell by 235,141 SF on the quarter, however much of that contraction was clustered in the Columbia South and BWI/Anne Arundel markets. While occupancy in other markets were closer to net-neutral, regional leasing activity (a leading indicator of occupancy expansion) completely dried up. **Market softening should be expected as low demand and economic uncertainty puts pressure on vacancy rates.** While market fundamentals indicate that demand is waning, asking rents have been on the rise in the majority of Baltimore's submarkets. Despite the coronavirus' negative impact on business activities, landlords appear optimistic that underlying demand is strong. The duration and scope of the coronavirus will dictate Baltimore's recovery timeline, however the stability of its office market prior to COVID has provided some insulation against the severity of the initial market shock.

Tenant's Perspective

The balance of Baltimore's regional office market is expected to tip in favor of tenants in the near-term. Although landlords have been pushing asking rents over the last year, slow leasing activity and significant office-using job losses in Q2 will likely quell some of that optimism in the second half of 2020. Pre-COVID market tightness and a slim construction pipeline will keep vacancy in check, however market softening is expected as the region slowly recovers from the economic uncertainty of the coronavirus.

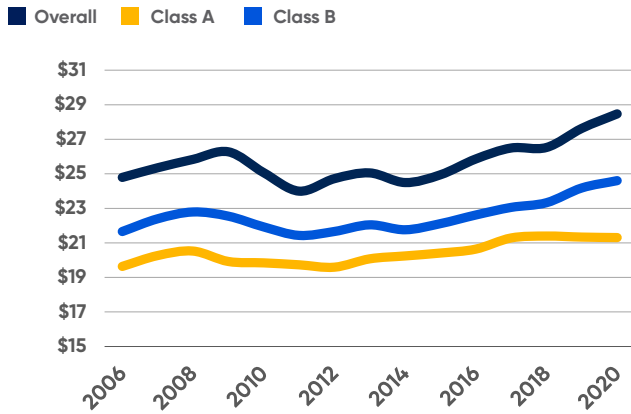
Labor Market Perspective

Baltimore's labor pool contracted by 170,600 jobs over the last 12 months, however most losses were non-office based jobs.

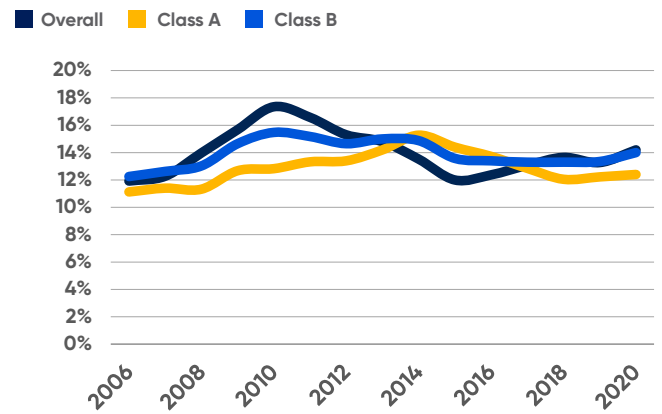


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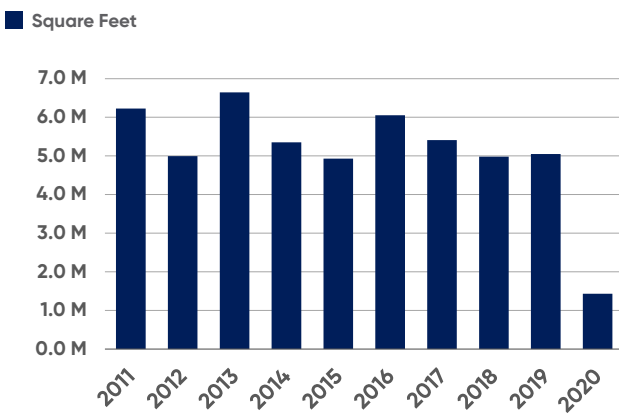
Asking Rents



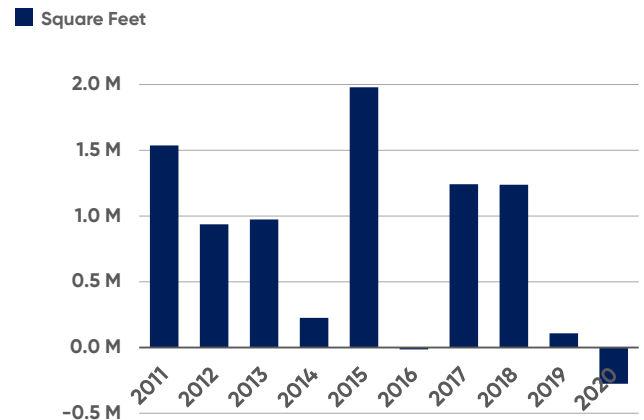
Average Vacancy Rate



Leasing Activity (SF)



Net Absorption



Counties Drive Much of the Pre-COVID Growth

Near-term uncertainty will be a significant damper on nearly all of Baltimore's submarkets. Prior to the onset of the coronavirus however, the region's momentum was being driven by suburban markets. Over the last two years, Anne Arundel County has shed 700,000 SF of vacancy and boosted its occupancy levels. These outlying markets have also benefitted by the growth in logistics, warehousing, and storage, particularly those with easy access to I-95 and BWI. While recovery from the coronavirus will be slow for many industries, including retail and hospitality, e-commerce and supply chain-related industries are anticipated to rebound more quickly. Baltimore's regional strength in these areas could assist in supporting the economy during the next several quarters of recovery.

Q2 Top Leasing

Tenant	Submarket	Address	Size	Type
City of Baltimore Police Department	Baltimore Midtown	501 N Calvert Street	121,000	New
Junior Achievement of Central Maryland	BWI Baltimore County	1725 Twin Springs Road	28,000	New
Advarra	Downtown Columbia	6100 Merriweather Drive	27,130	New
Notre Dame of Maryland Univ.	BWI Howard County	6810 Deerpath Road	18,384	New

Sublease Market

Recessionary Connection

Following past economic shocks, sublease listings would tend to increase temporarily as firms reacted to the market uncertainty by listing unused space.

Current Availability

Sublease availability increased by 9.7% (93,000 SF) since the beginning of COVID. While this sudden bump is noteworthy, sublease increases of this magnitude are common and the market is far from reaching levels recorded in 2017.

Submarket Statistics

Submarket	Total Bldgs	Inventory	Sublet Available	Total Available	Total Vacant	Vacancy Rate	Net Absorption Q2	Net Absorption (YTD)	Class A Rent	Class B Rent	Total Direct Rent	Under Construction
Baltimore Midtown	50	2,021,675	2,275	134,858	100,506	5.0% ▼	(3,753)	19,911	\$27.45	\$19.72	\$20.91 ▲	21,000
Baltimore NE	20	1,553,139	4,444	27,384	16,373	1.1% ▼	(1,568)	4,755	\$32.08	\$24.02	\$26.73 ▲	-
Baltimore NW	30	2,234,565	2,889	57,661	48,488	2.2% ▼	4,624	8,988	\$44.37	\$23.01	\$28.15 ▼	-
Baltimore SE	76	7,256,924	17,262	1,066,311	780,184	10.8% ▲	50,671	39,715	\$31.93	\$23.16	\$28.58 ▲	-
Baltimore SW	28	2,244,221	5,656	606,362	542,295	24.2% ▼	53,289	52,256	\$21.88	\$21.01	\$21.57 ▲	-
CBD Baltimore	85	13,301,702	154,178	2,813,245	3,581,347	26.9% ▲	(42,890)	(59,023)	\$28.57	\$20.56	\$25.17 ▲	-
Baltimore City	289	28,612,226	186,704	4,705,821	5,069,193	17.7% ▼	60,373	66,602	\$28.65	\$21.23	\$25.40 ▲	21,000
Columbia North	43	2,024,112	39,583	410,752	229,291	11.3% ▲	(6,202)	(28,641)	\$25.30	\$24.19	\$24.58 ▲	-
Columbia South	142	8,809,028	151,832	1,746,865	1,186,422	13.5% ▲	(199,268)	(329,166)	\$26.75	\$22.60	\$25.00 ▲	263,000
Downtown Columbia	33	3,090,650	47,274	442,316	529,572	17.1% ▲	25,237	(26,357)	\$30.40	\$27.14	\$29.72 ▲	-
Howard County	239	14,807,610	238,689	2,785,754	2,129,316	14.4% ▲	(175,727)	(352,823)	\$27.26	\$23.41	\$25.41 ▲	263,000
Route 83 North	82	5,769,902	43,720	761,223	530,192	9.2% ▲	23,219	55,614	\$25.91	\$20.96	\$23.15 ▲	-
Route 83 South	46	2,617,426	21,930	256,447	208,433	8.0% ▲	(27,089)	(68,085)	\$25.71	\$21.68	\$23.90 ▲	-
Towson	91	5,042,255	75,340	998,697	743,025	14.7% ▲	15,587	21,522	\$24.87	\$20.80	\$22.34 ▲	-
I-83 Corridor	219	13,429,583	140,990	2,016,367	1,481,650	11.0% ▲	11,717	3,116	\$25.37	\$20.97	\$22.84 ▲	-
Baltimore County East	89	2,978,746	122,448	593,843	437,227	14.7% ▲	14,903	19,473	\$24.00	\$20.03	\$22.29 ▲	-
Reisterstown Road	114	6,502,163	69,508	1,200,239	956,286	14.8% ▲	27,831	(103,602)	\$25.84	\$21.58	\$24.02 ▲	-
Woodlawn	54	3,824,808	5,075	434,431	399,861	10.5% ▲	16,325	39,827	\$27.18	\$20.74	\$22.24 ▼	-
Baltimore County	476	26,735,300	338,021	4,244,880	3,275,024	12.2% ▲	70,776	(41,186)	\$25.50	\$20.99	\$23.04 ▲	-
Annapolis	132	4,949,349	35,462	602,442	416,045	8.4% ▼	(56,612)	45,803	\$31.02	\$26.78	\$28.65 ▲	100,000
Anne Arundel County	283	14,545,332	100,367	1,969,037	1,535,246	10.6% ▼	(171,407)	41,639	\$30.93	\$24.91	\$29.74 ▲	100,000
Aberdeen	33	1,684,988	14,213	690,377	473,222	28.1% ▼	(3,006)	21,167	\$28.19	\$21.63	\$24.41 ▲	-
Harford County	102	3,523,094	14,213	896,651	618,534	17.6% ▼	(19,156)	10,749	\$28.12	\$21.62	\$23.90 ▼	-
Baltimore Market Total	1,389	88,223,562	877,994	14,602,143	12,627,313	14.3% ▲	(235,141)	(275,019)	\$27.74	\$22.10	\$25.21 ▲	384,000