

Baltimore, Maryland

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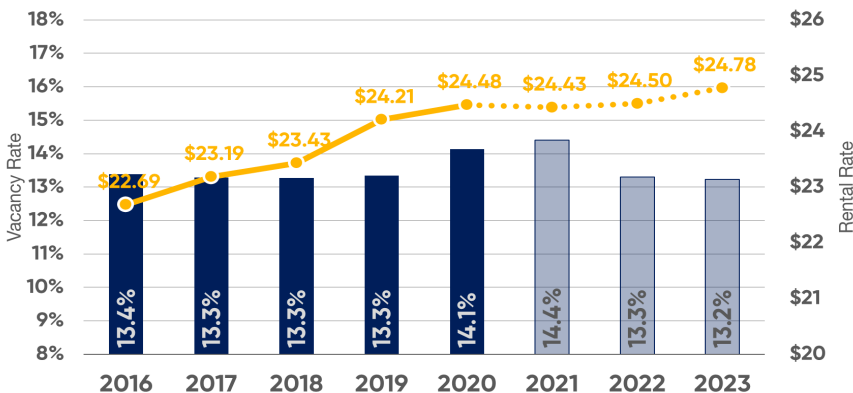
Q3 2020 Market Report

Key Performance Indicators



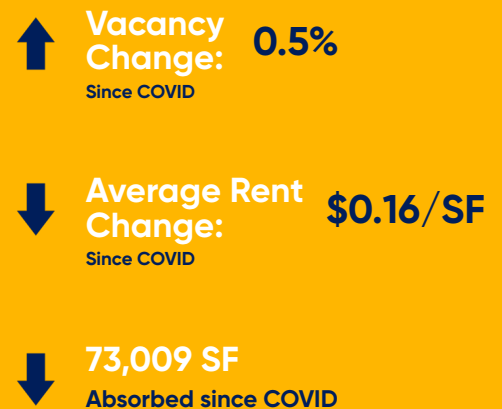
Market Overview

The Baltimore office market continues to show softening as the effects of COVID considerably accelerated changes in the third quarter of 2020. Leasing activity continued to slow, with total leased square feet dropping nearly 58.4% from year-ago levels. Overall vacancy for Baltimore's Q3 office market ended at 14.2%, up 70 basis points from year-ago levels. Market softening is expected to continue through 2021 as low demand and economic uncertainty have a lasting impact pre-vaccine. Average office asking rates recorded a \$0.63/SF increase from year-ago levels, ending at \$24.70/SF. Third-quarter asking rents recorded the first drop from previous quarter levels, further exhibiting market softness as COVID continues to pressure the market. Despite COVID's negative impact on business activities, landlords continue to appear optimistic that underlying demand is strong. The coronavirus's duration and scope will dictate Baltimore's recovery timeline; however, its office market's stability prior to COVID continues to provide some insulation against the severity of the initial market shock.



Tenant's Perspective

As had been previously anticipated, Baltimore office market fundamentals are expected to remain tenant-favorable due to the COVID-induced uncertainty in the market. Landlord competition began to show in the third quarter as leasing activity slowed, and vacancy rates stay high. The limited construction pipeline and Baltimore market tightness pre-COVID supported the limited increase in vacancy compared to other regional markets.

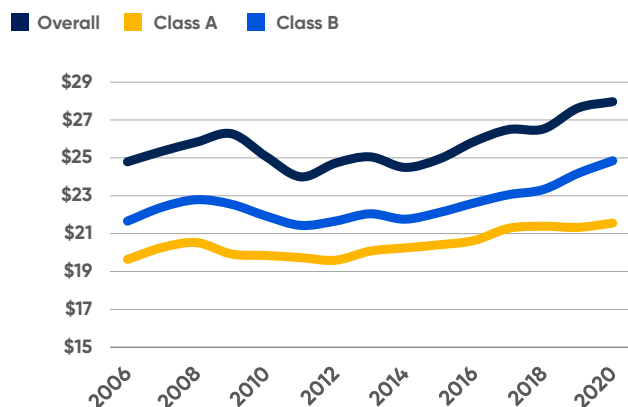


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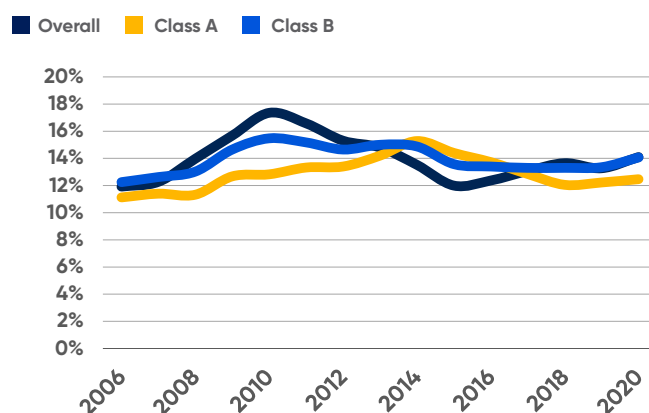


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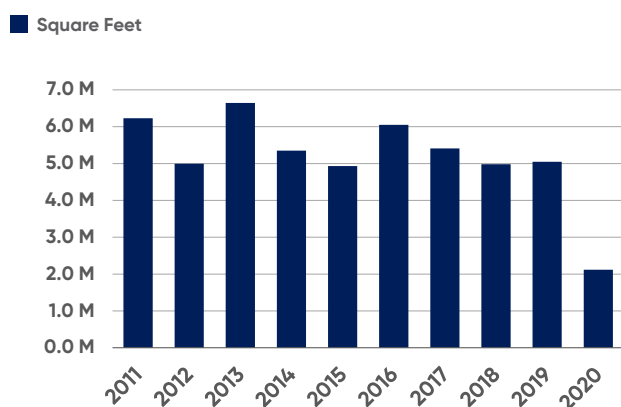
Asking Rents



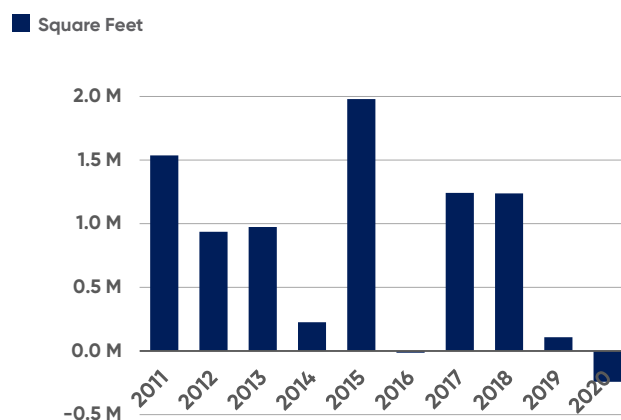
Average Vacancy Rate



Leasing Activity (SF)



Net Absorption



Baltimore City Drives Quarterly Growth, Anticipated in Counties

Near-term uncertainty has been and will continue to be a significant hindrance to nearly all of Baltimore's submarkets through 2021. Though leasing activity has slowed significantly, large leases previously signed commenced Q3, such as Northrop Grumman and Tenable, resulting in positive occupancy gains across the Baltimore office market. Though occupancy growth showed in Baltimore City, the outlying counties reacted differently, resulting in negative year-to-date occupancy of 241,888 SF. 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 help support the economy during the next several quarters of recovery.

Q3 Top Leasing

| Tenant | Submarket | Address | Size | Type |
|-------------------|---------------------|----------------------------|--------|-----------|
| State of Maryland | Baltimore Midtown | 1510 Guilford Ave | 91,000 | Renewal |
| KBR | Columbia | 8120 Maple Lawn Blvd | 65,831 | New Lease |
| Gordon Feinblatt | Baltimore City East | 1001 Fleet St | 29,000 | New Lease |
| Accenture | BWI | 420 National Business Pkwy | 29,000 | Renewal |

Sublease Market

Recessionary Connection

Following past economic shocks, sublease listings recorded varying increases as firms reacted to the market uncertainty by listing unused and unnecessary space.

Current Availability

Sublease availability increased by 23.7% (227,000 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 | 52 | 2,527,865 | 2,275 | 162,830 | 209,374 | 8.3% ▼ | 109,009 | 128,920 | N/A | \$20.79 | \$20.79 ▲ | 21,000 |
| Baltimore NE | 20 | 1,553,139 | 4,444 | 22,056 | 9,123 | 0.6% ▼ | 7,250 | 12,005 | N/A | \$18.77 | \$25.18 ▲ | - |
| Baltimore NW | 31 | 2,442,032 | 2,889 | 108,568 | 94,147 | 3.9% ▲ | 12,871 | 21,859 | N/A | \$27.41 | \$27.41 ▲ | - |
| Baltimore SE | 77 | 7,310,165 | 206,897 | 1,119,420 | 800,812 | 11.0% ▲ | (13,004) | 26,711 | \$23.38 | \$24.31 | \$25.95 ▲ | - |
| Baltimore SW | 29 | 2,504,928 | 5,656 | 571,132 | 541,492 | 21.6% ▼ | 803 | 53,059 | N/A | \$26.45 | \$26.45 ▲ | - |
| CBD Baltimore | 81 | 12,747,746 | 171,676 | 3,052,811 | 3,234,055 | 25.4% ▼ | 3,114 | (55,909) | \$27.39 | \$18.02 | \$24.97 ▲ | - |
| Baltimore City | 290 | 29,085,875 | 393,837 | 5,036,817 | 4,889,003 | 16.8% ▲ | 120,043 | 186,645 | \$26.31 | \$20.67 | \$25.27 ▲ | 21,000 |
| Columbia North | 43 | 2,042,984 | 39,583 | 427,158 | 232,123 | 11.4% ▼ | (2,832) | (31,473) | \$29.32 | \$24.76 | \$25.03 ▲ | - |
| Columbia South | 141 | 8,799,011 | 174,387 | 1,934,550 | 1,304,271 | 14.8% ▲ | (150,938) | (480,104) | \$27.01 | \$23.49 | \$24.01 ▼ | 263,000 |
| Downtown Columbia | 33 | 3,090,650 | 45,465 | 423,512 | 350,582 | 11.2% ▲ | 168,133 | 141,776 | \$33.63 | \$28.88 | \$33.29 ▲ | - |
| Howard County | 238 | 14,816,465 | 259,435 | 2,962,461 | 2,044,043 | 13.8% ▲ | 41,327 | (311,496) | \$28.37 | \$24.25 | \$25.26 ▲ | 263,000 |
| Route 83 North | 82 | 5,614,359 | 67,643 | 820,370 | 558,580 | 9.9% ◆ | (28,388) | 27,226 | \$28.76 | \$19.74 | \$22.52 ▲ | - |
| Route 83 South | 46 | 2,617,435 | 13,411 | 303,788 | 229,737 | 8.8% ▲ | (21,304) | (89,389) | N/A | \$22.89 | \$23.59 ▲ | - |
| Towson | 89 | 4,665,037 | 92,733 | 903,490 | 708,191 | 15.2% ▲ | (10,555) | 10,967 | \$21.91 | \$20.33 | \$20.75 ▲ | - |
| I-83 Corridor | 217 | 12,896,831 | 173,787 | 2,027,648 | 1,496,508 | 11.6% ▲ | (60,247) | (57,131) | \$25.17 | \$20.47 | \$21.89 ▼ | - |
| Baltimore County East | 89 | 2,982,150 | 126,019 | 616,014 | 430,262 | 14.4% ▼ | 6,965 | 26,438 | \$26.23 | \$21.22 | \$22.30 ▲ | - |
| Reisterstown Road | 115 | 6,553,037 | 51,666 | 1,255,970 | 1,011,411 | 15.4% ▲ | (59,074) | (162,676) | \$21.64 | \$21.38 | \$21.46 ▲ | - |
| Woodlawn | 54 | 3,824,800 | 32,533 | 469,756 | 427,027 | 11.2% ▼ | (27,166) | 12,661 | N/A | \$19.60 | \$19.60 ▼ | - |
| Baltimore County | 475 | 26,256,818 | 384,005 | 4,369,388 | 3,365,208 | 12.8% ▲ | (139,522) | (180,708) | \$24.20 | \$20.75 | \$21.58 ▲ | - |
| Annapolis | 132 | 5,133,012 | 47,740 | 594,856 | 455,328 | 8.9% ▼ | 8.9% | 45,803 | \$31.02 | \$26.78 | \$28.65 ▲ | 100,000 |
| Anne Arundel County | 314 | 16,091,671 | 111,955 | 2,253,468 | 1,808,804 | 11.2% ▼ | 11.2% | 41,639 | \$30.93 | \$24.91 | \$29.74 ▲ | 100,000 |
| Aberdeen | 33 | 1,684,988 | 14,213 | 691,273 | 473,418 | 28.1% ▼ | 28.1% | 21,167 | \$28.19 | \$21.63 | \$24.41 ▲ | - |
| Harford County | 103 | 3,540,534 | 14,213 | 915,190 | 633,757 | 17.9% ▲ | (15,223) | (4,474) | \$26.06 | \$23.69 | \$23.63 ▼ | - |
| Baltimore Market Total | 1,420 | 89,791,363 | 1,163,445 | 15,537,324 | 12,740,815 | 14.2% ▲ | 33,131 | (241,888) | \$26.96 | \$22.06 | \$24.70 ▲ | 384,000 |