

1Q25

Baltimore Office Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. February’s 3.0% unemployment rate was significantly lower than the national average of 4.1%.
- Overall nonfarm employment decreased 0.3% in the Baltimore metro year-over-year. The market saw declines in all three office-using sectors. The Information sector saw the largest decline at 5.4%, while the Business & Professional and the Financial Activities sectors saw declines of 2.0% and 0.5%, respectively.
- Education and Health remains the largest industry in the region, encompassing 20% of the regional workforce. It is followed closely by Business and Professional services with 18% of the regional workforce.

Major Transactions

- The largest deal of the quarter was the sale of 40 Wight Avenue, a 132,207-square-foot, Class A medical office building. Peakstone Realty Trust sold the five-story office building to Onward Investors for \$26 M, or \$196.66 PSF. The primary tenant at the time of sale was Johnson, Mirmiran & Thompson, which occupies almost 106,000 SF within the building.
- The second-largest deal of the quarter was the sale of 7168 Columbia Gateway Drive, a 41,094-square-foot, Class B office building. Superlative Technologies Inc sold the single-story office building to an undisclosed buyer for 7.32 M, or \$178.01 PSF.

Leasing Market Fundamentals

- After the market experienced almost 1.2 MSF of negative net absorption from 2020 to 2022, the market rebounded in 2023, ending the year with 46,000 SF of positive net absorption. The market continued the positive momentum from 2023, experiencing 50,000 SF of positive net absorption during 2024. To begin 2025, however, the market saw slight negative activity, with 38,000 SF of negative net absorption during the first quarter.
- Although the market’s vacancy remains above the historical average of 14.1%, the vacancy rate has stabilized and remained relatively flat since the end of 2022, ending Q1 2025 at 15.7%.
- Development has been muted the past few years, which continued in Q1 2025 with no deliveries. Furthermore, there is only one property totaling 138,000 SF under construction, well below the market’s decade average of 700,000 SF under construction.

Outlook

- Baltimore rents performed much better than most markets during the initial two years of the pandemic, with rents increasing 3.6% from the beginning of 2020 to the end of 2021. Since then, rents have declined slightly, which may continue in the short term as leases roll over and companies look to downsize, leading to a larger disparity between supply and demand.
- After the market experienced a large expansion in vacancies from 2020-2022, vacancies have remained relatively flat since 2022, ending Q1 2025 at 15.7%. This contrasts with leasing activity which has underperformed the historical average.
- Life sciences is a critical growth driver for the Baltimore region, and its relatively affordable office market is expected to capture more demand as some life sciences users are priced out of more costly East Coast markets.

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics

1Q25

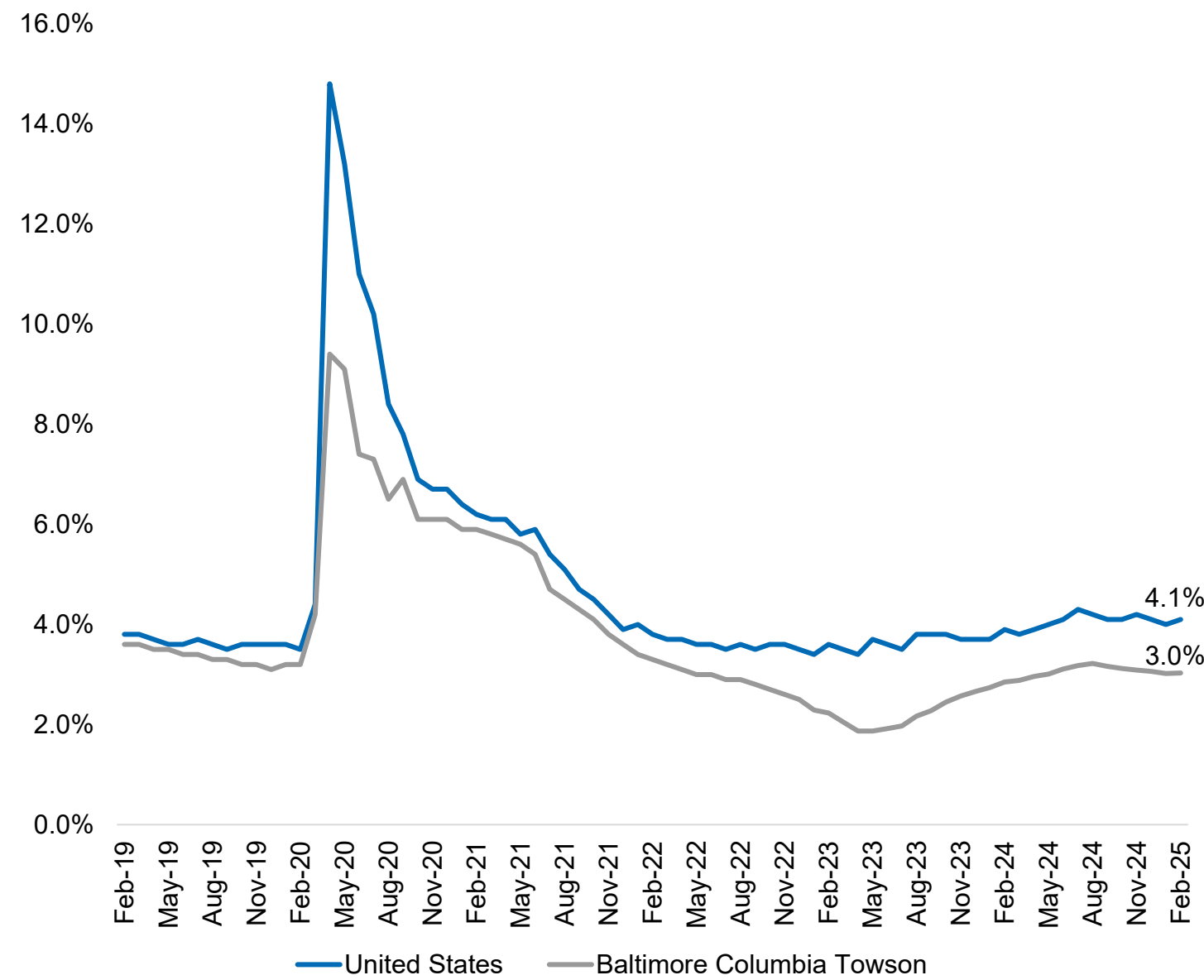
Economy



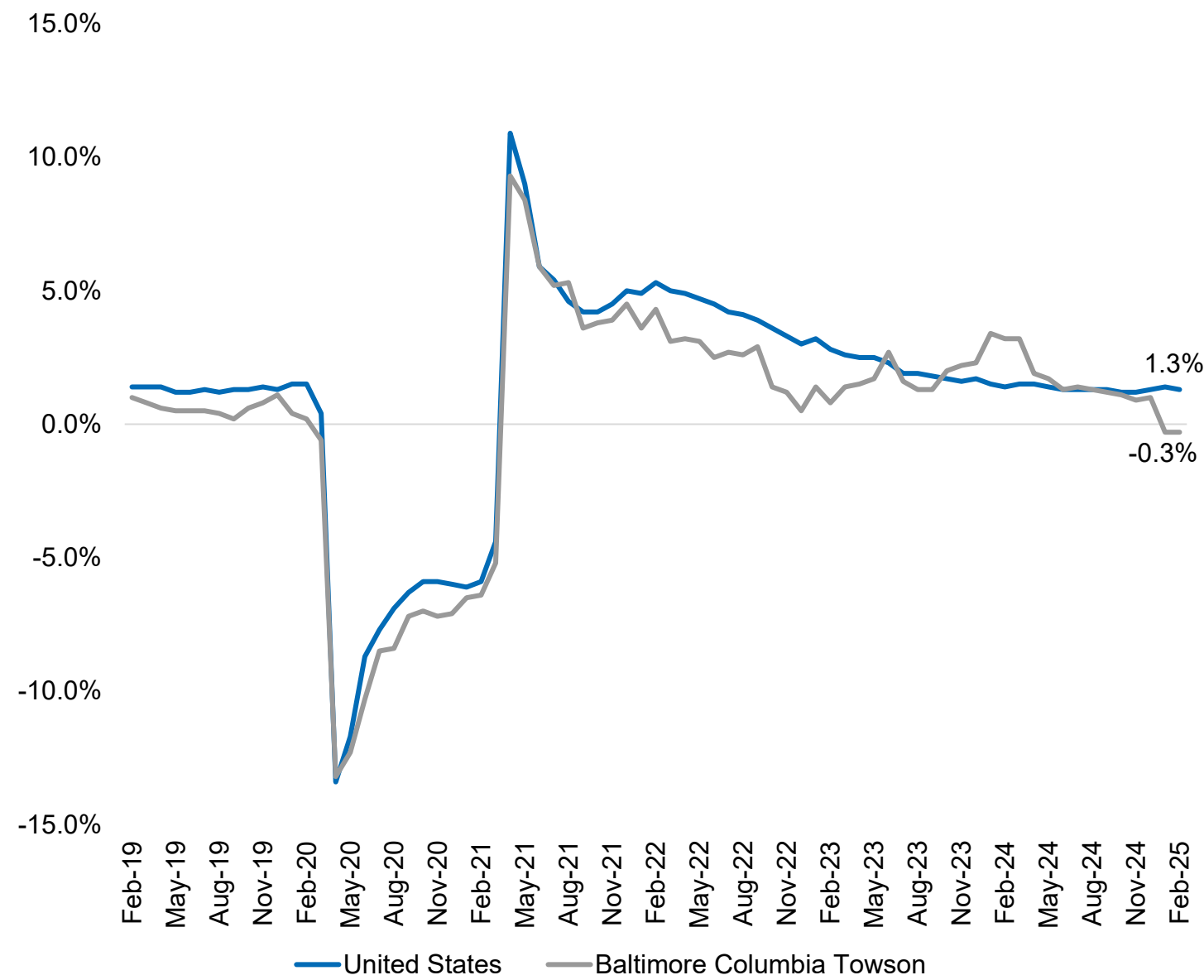
Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended February 2025 at 3.0%. This is 10 bps higher year-over-year, however 110 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

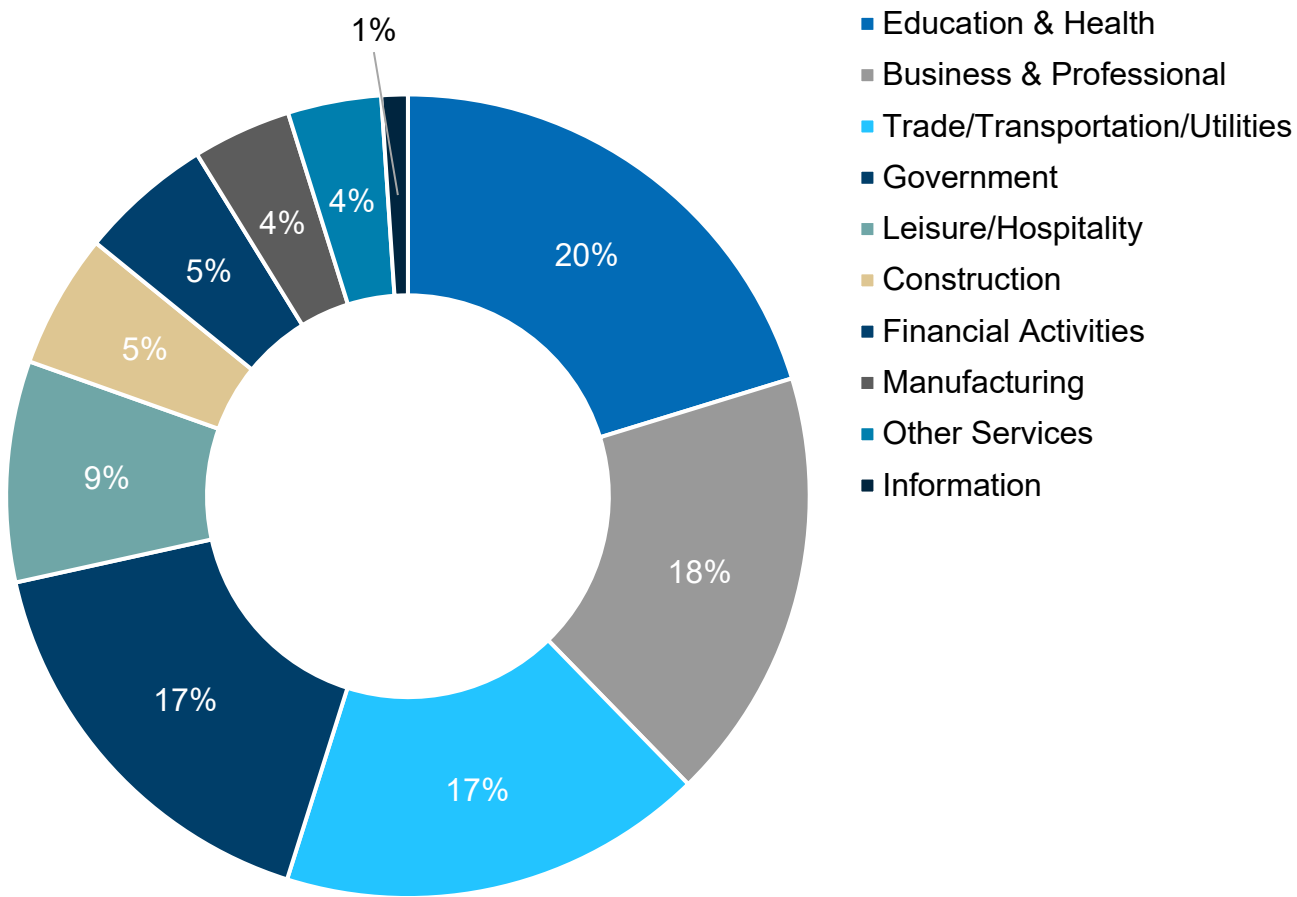


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

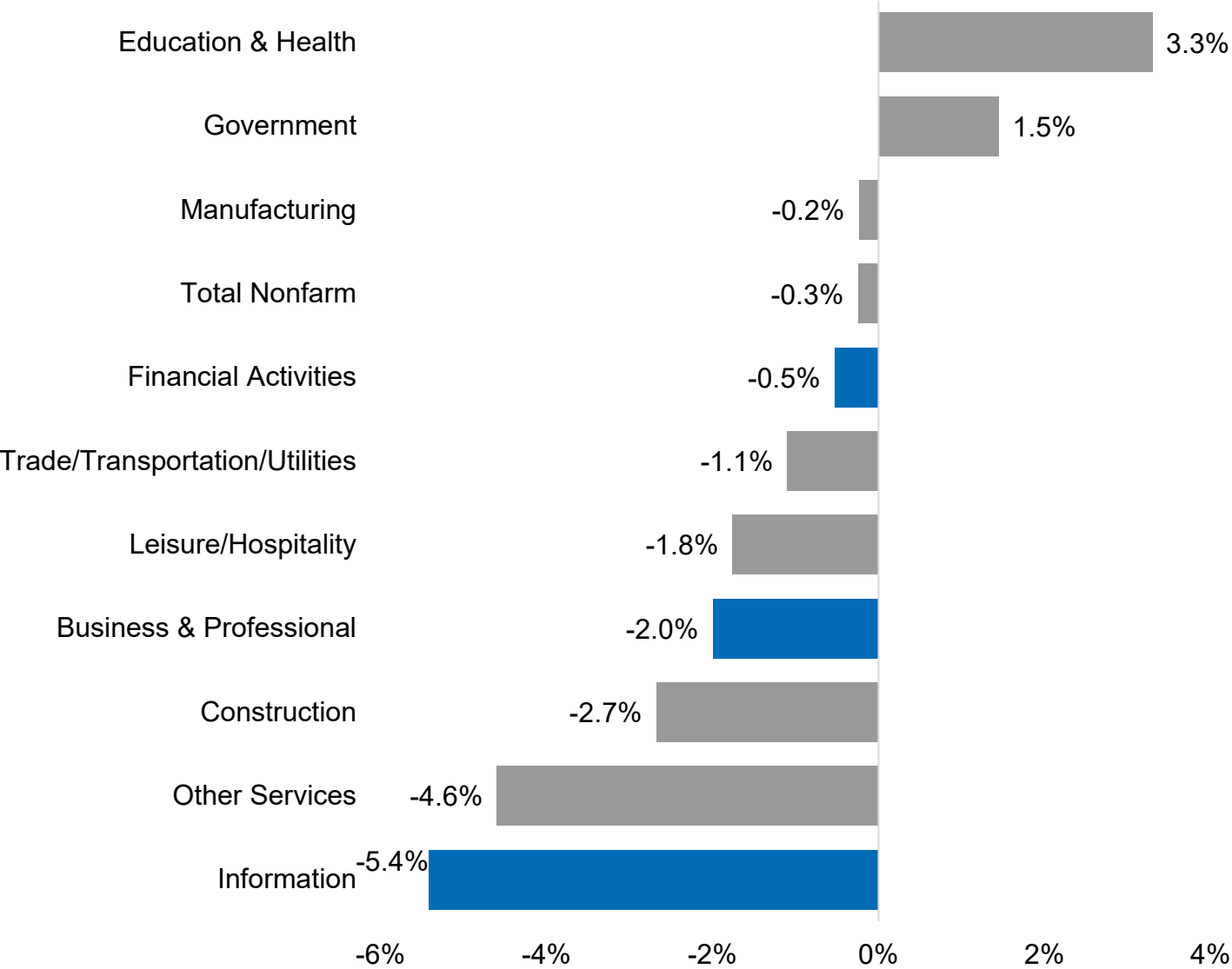
Office-Using Sectors See 12-Month Employment Decline

Overall nonfarm employment decreased 0.3% in the Baltimore metro year-over-year. The market saw declines in all three office-using sectors. The Information sector saw the largest decline at 5.4%, while the Business & Professional and the Financial Activities sectors saw declines of 2.0% and 0.5%, respectively. The Business & Professional industry remains the second-largest industry in the region, only behind Education & Health.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

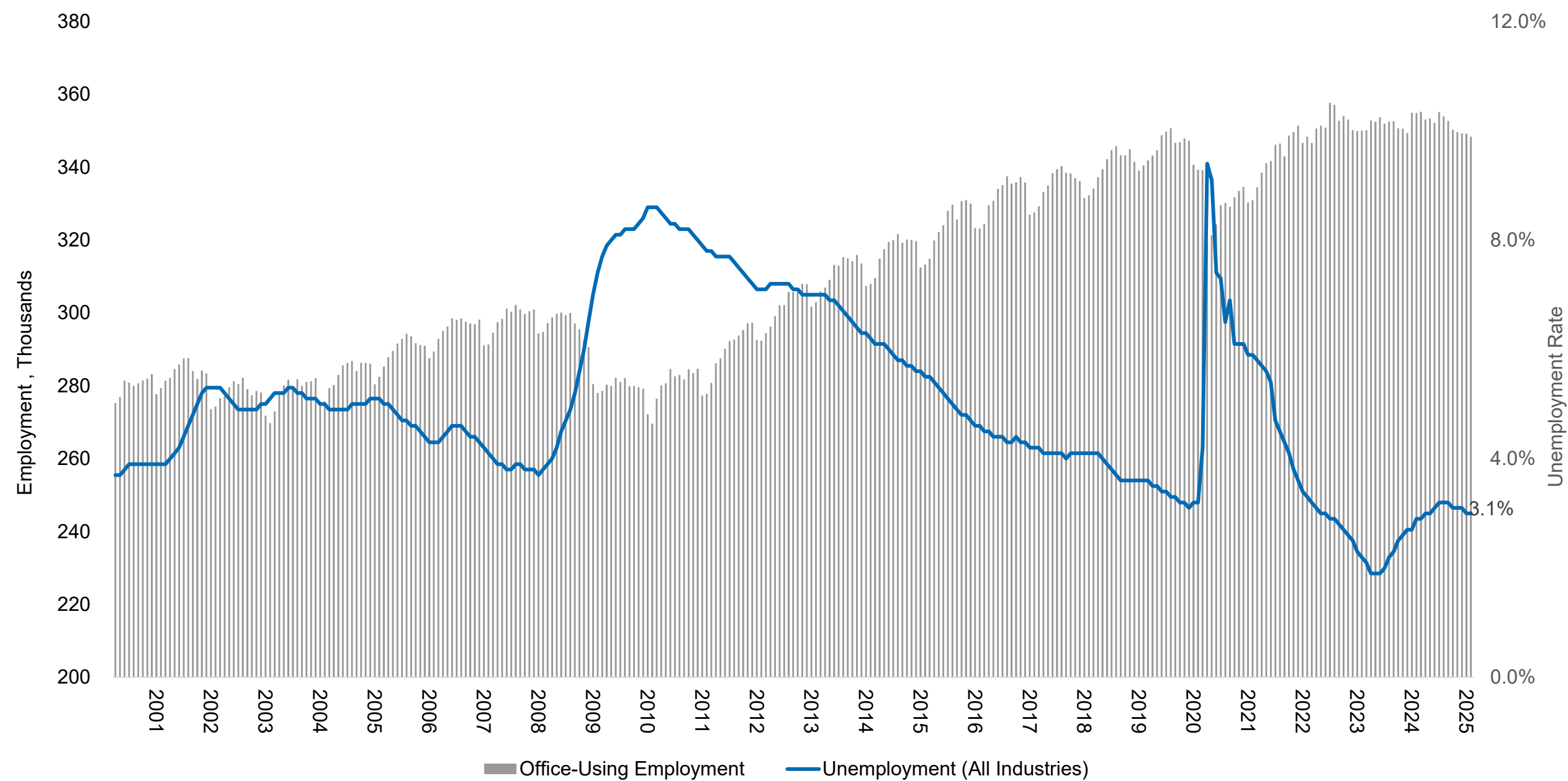


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Office-Using Employment Declines to Begin 2025

The number of office jobs has rebounded past pre-pandemic levels and held steady during 2024. Employment ended February 2025 at 348,400 employees, down 1.8% year-over-year, however up 9.2% since the market reached a pandemic-related low in April of 2020.

Office-Using Employment* and Unemployment Across All Industries



1Q25

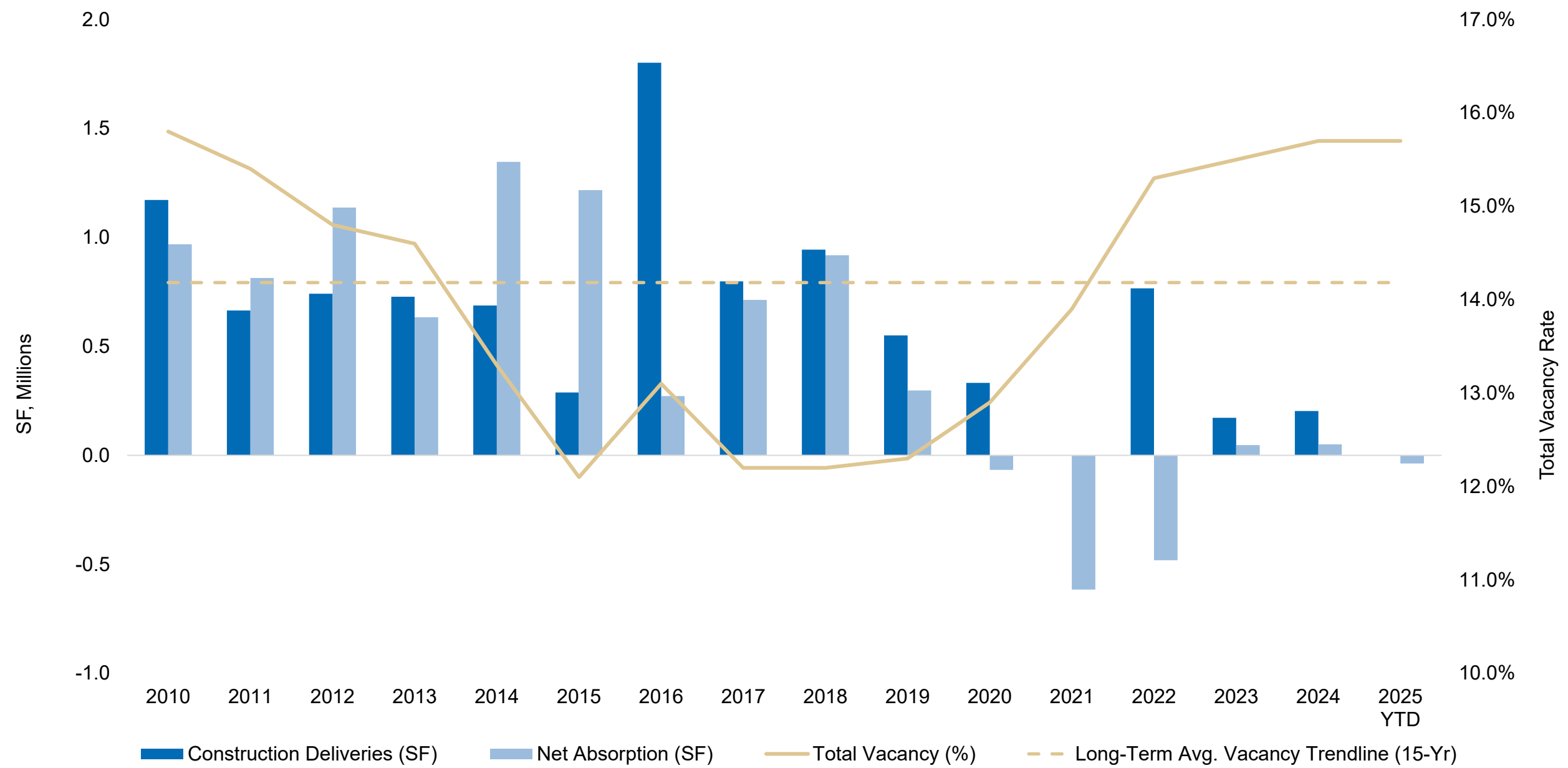
Leasing Market Fundamentals



Market Fundamentals Show Stability to Begin 2025

The vacancy rate remained relatively flat during Q1 2025, ending the quarter at 15.7% after the market experienced 38,000 SF of negative net absorption. Although the market’s vacancy remains above the long-term average of 14.2%, the market has shown impressive resilience in recent years. Although there were no deliveries during the quarter, there is one property under construction totaling 137,985 SF.

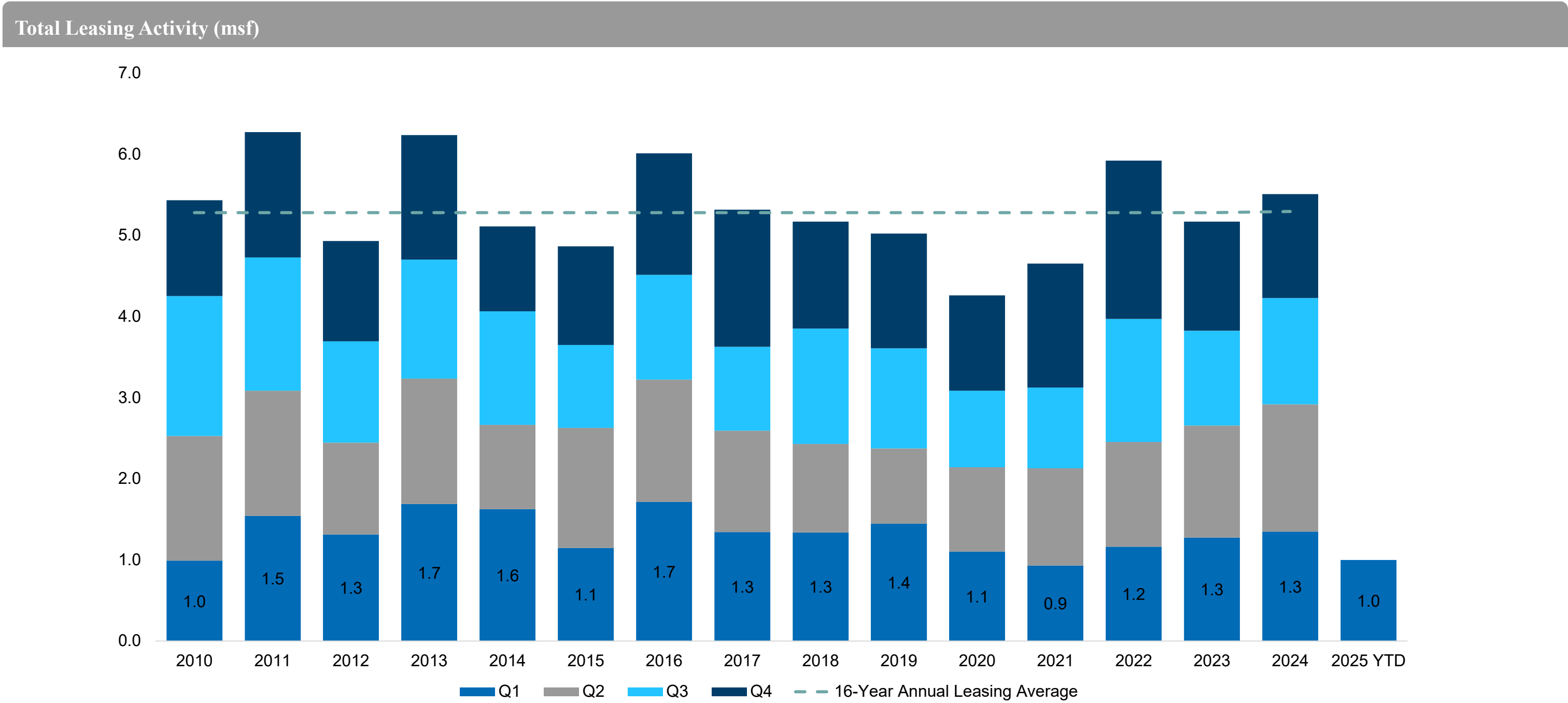
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Slightly Below the Historical Average

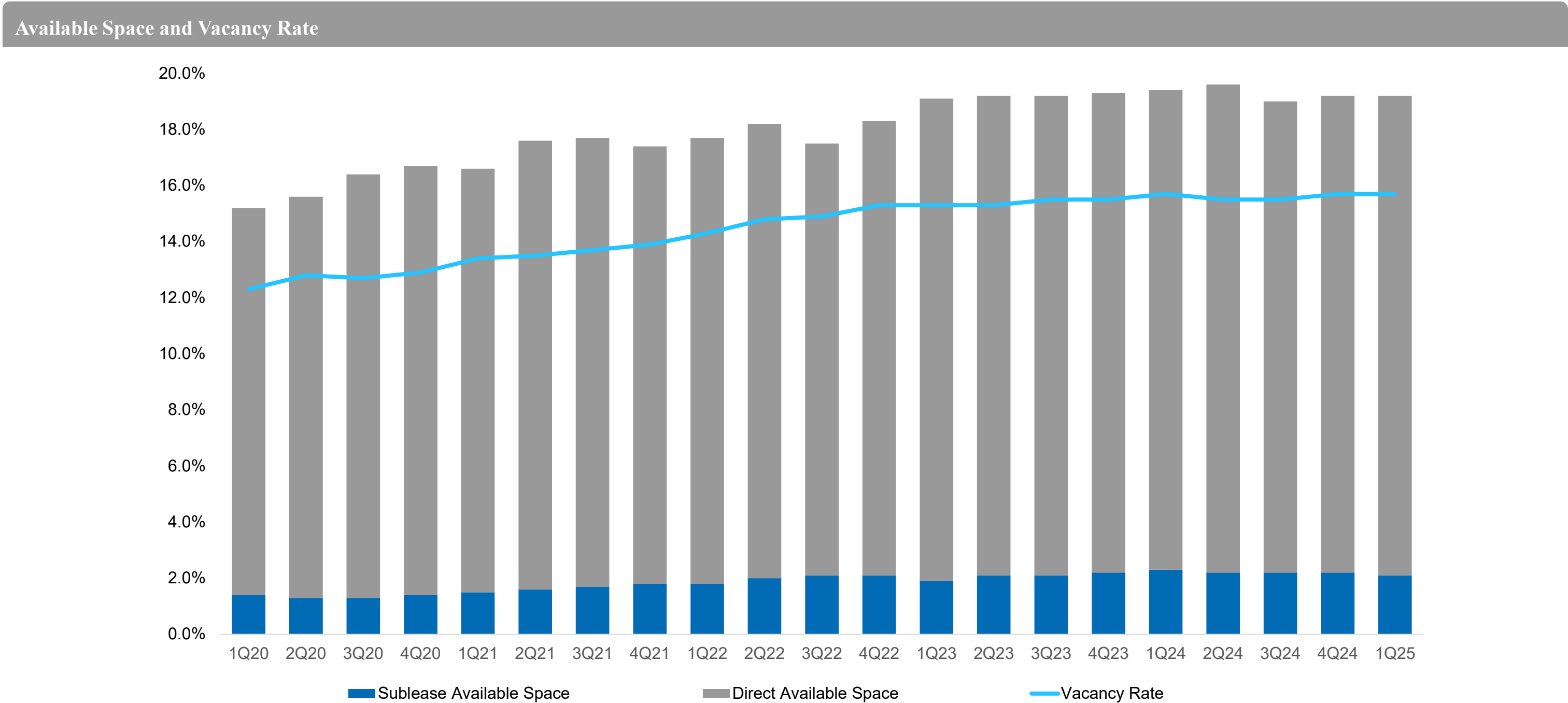
Leasing activity during Q1 2025 was below the market’s historical average, with the market seeing 1.0 MSF of activity, below the historical average of 1.3 MSF of leasing activity during the first quarter. This comes after the market experienced leasing activity above the historical average during 2024, when the market saw 5.5 MSF of leasing activity compared to the historical average of 5.3 MSF of leasing activity per year.



Source: Newmark Research, CoStar

Vacancy and Availability Remain Stabilized

During Q1 2025, sublease availability tightened 10 bps to 2.1%, while direct available space expanded 10 bps to 17.1%. Vacancy ended the quarter at 15.7%, staying flat quarter-over-quarter and year-over-year. Vacancy has remained relatively stable since the end of 2022 after expanding consistently from 2020 to 2022.



Source: Newmark Research, CoStar

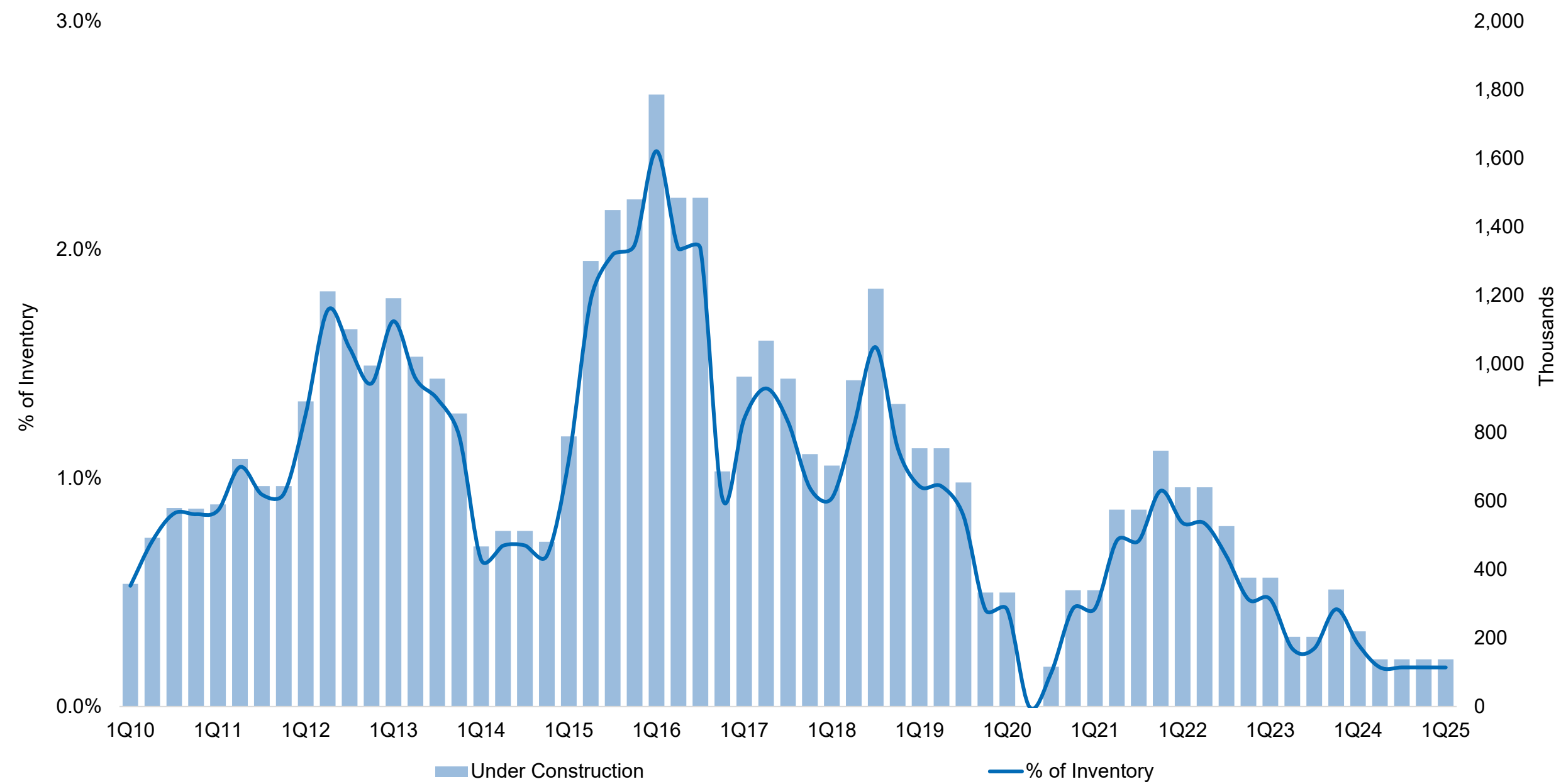


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Construction Below the Historical Average

There is one property totaling 138,000 SF currently under construction, below the market’s historical average of 700,000 SF under construction. The development is at 400 National Business Parkway in the BWI/Anne Arundel submarket and will add 138,000 square feet to the market, with delivery expected in April.

Office Under Construction and % of Inventory

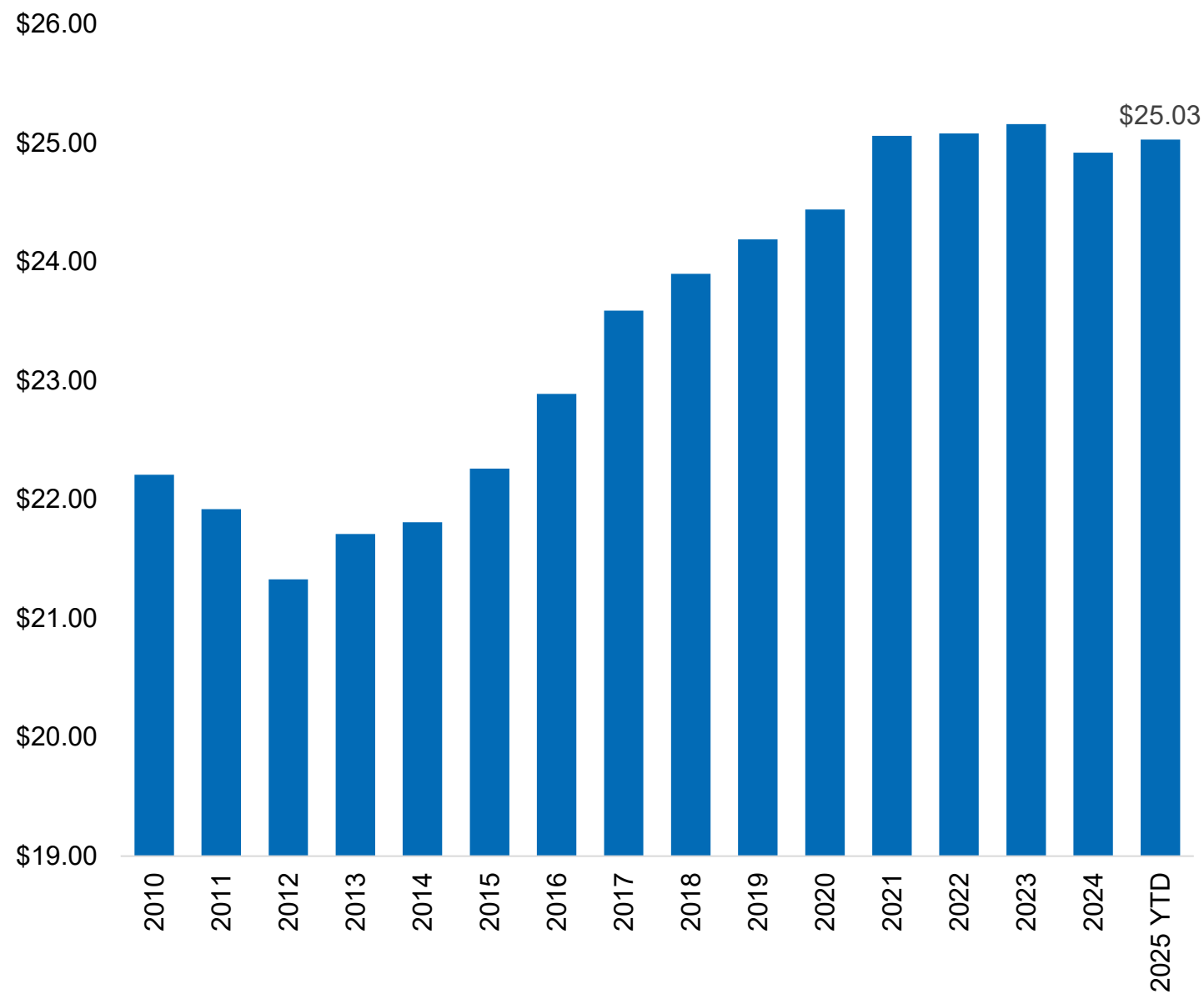


Source: Newmark Research, CoStar

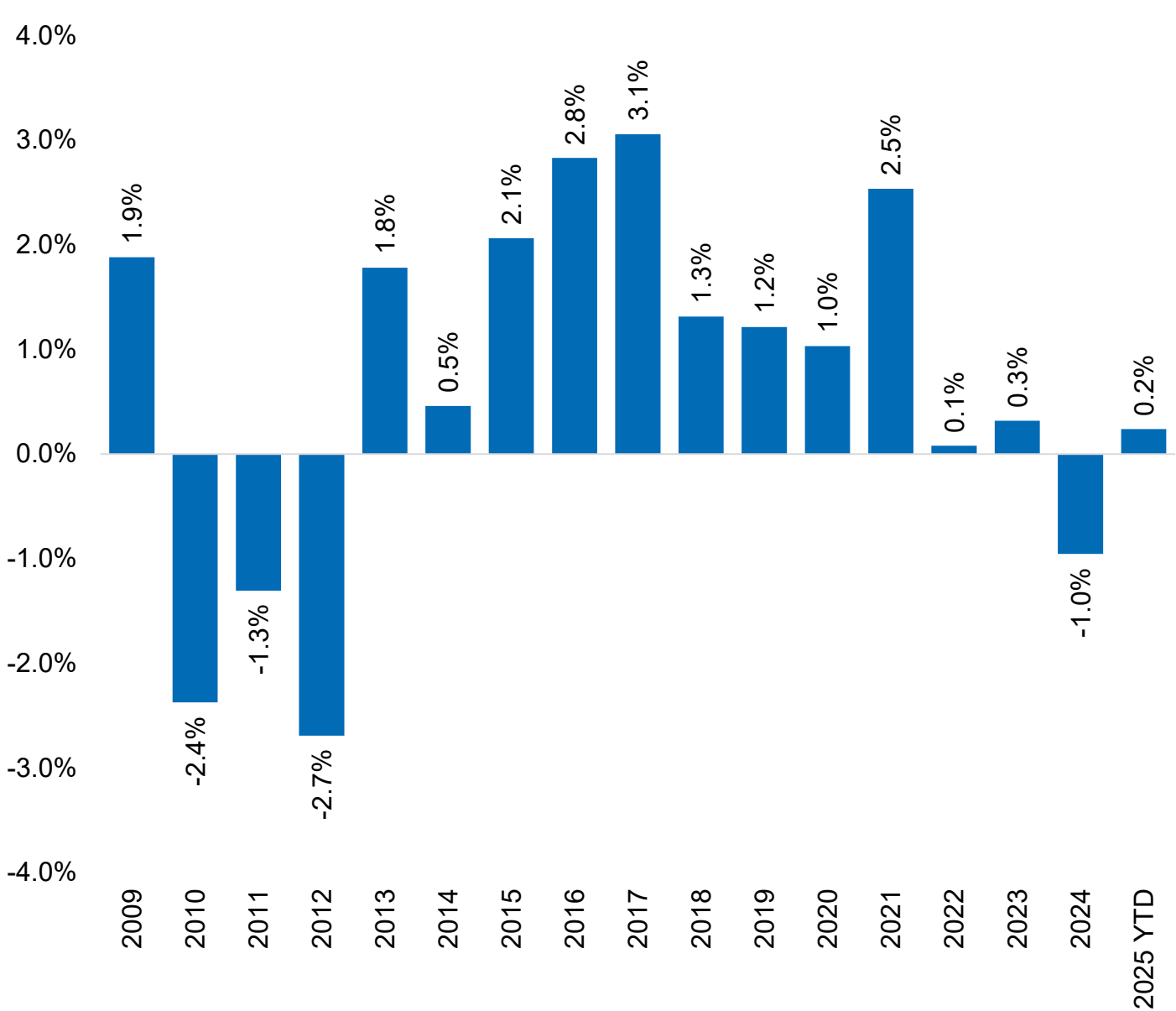
Rents Begin 2025 on a Positive Note

After the market saw positive rent growth from 2013 to 2021, rents flattened in 2022 and remained flat through 2023. During 2024, average asking rents fell, ending the year at \$24.92 PSF, a decrease of 1.0% year-over-year. To begin 2025, however, rents ended Q1 2025 at \$25.03, an increase of 0.4% quarter-over-quarter and 0.2% year-over-year.

Office Average Asking Rent, \$/SF, FS



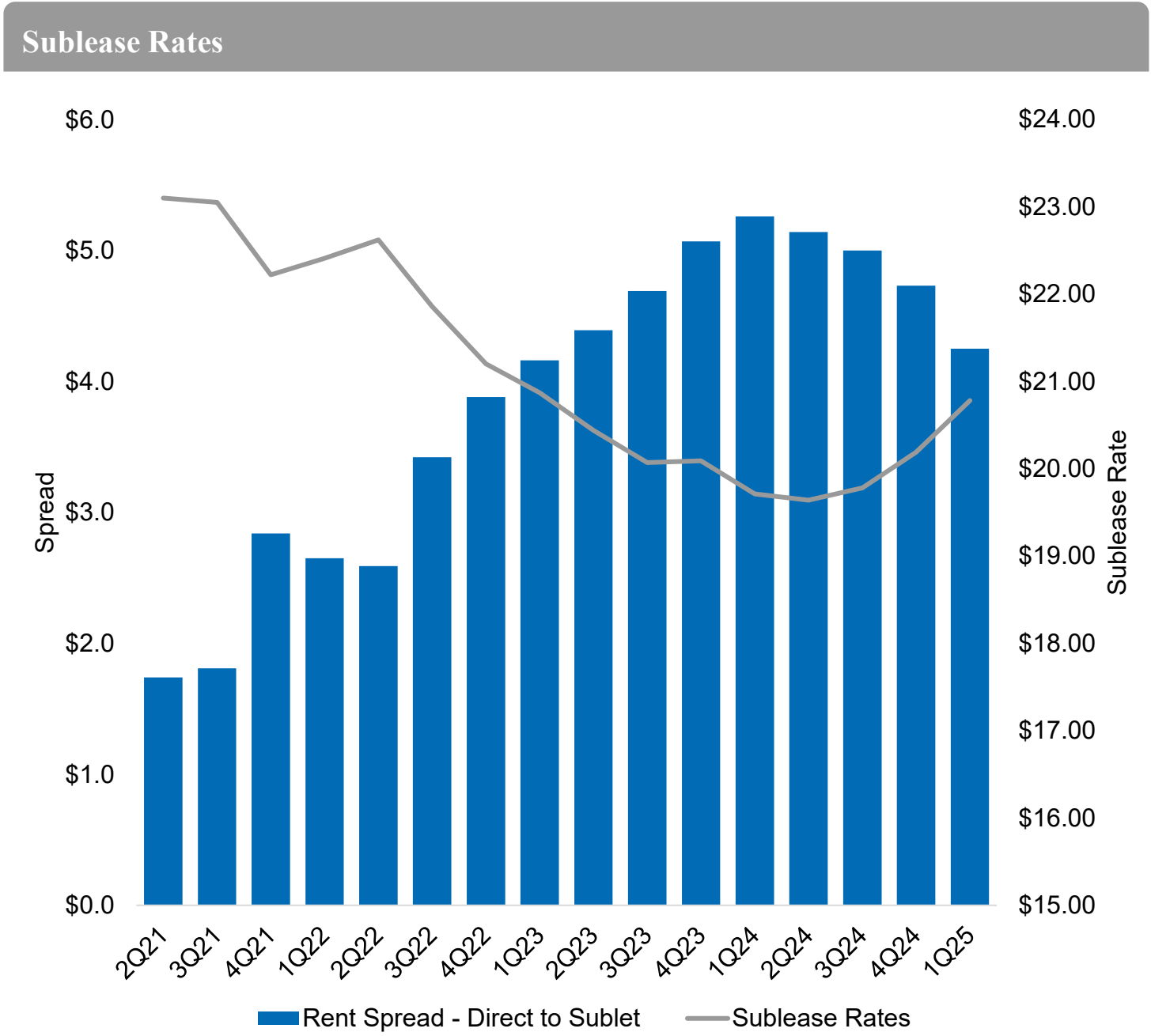
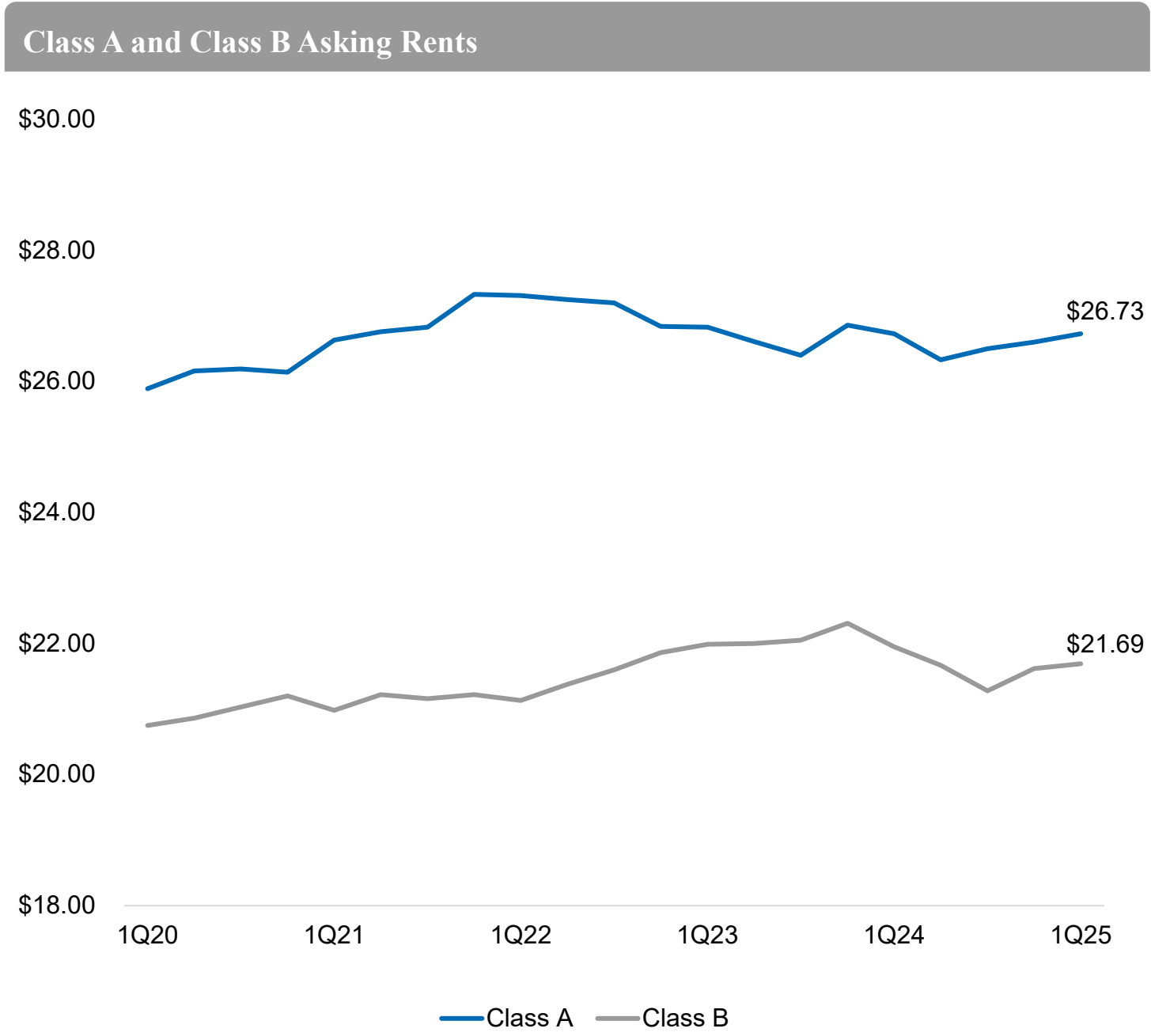
Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

Rents See Positive Movement In Both Class A and Class B Product

Class A rents ended the year at \$26.73, an increase of 0.5% quarter-over-quarter, although flat year-over-year. Class B rents ended the quarter at \$21.69, an increase of 0.3% quarter-over-quarter, although a decline of 1.2% year-over-year. Sublease rates increased 2.9% quarter-over-quarter and 5.4% year-over-year. The spread between direct and sublease rates ended Q1 2025 at \$4.25 PSF.



Source: Newmark Research, CoStar



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1Q25

Market Statistics



Baltimore Office Market Overview (page 1 of 2)

Market Statistics By Class									
	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Baltimore	80,612,403	15.7%	19.2%	-37,644	-37,644	0	0	137,985	\$24.79
Class A	49,195,496	18.0%	22.6%	-54,327	-54,327	0	0	137,985	\$26.41
Class B	26,138,434	13.6%	15.7%	36,446	36,446	0	0	0	\$21.49
Class C	5,278,473	4.6%	5.0%	-19,763	-19,763	0	0	0	\$20.95

Submarket Statistics – All Classes									
	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Annapolis	3,442,008	17.8%	14.3%	-4,461	-4,461	0	0	0	\$28.47
Baltimore County East	1,891,681	15.2%	14.8%	64,060	64,060	0	0	0	\$24.45
Baltimore Midtown	2,167,162	6.3%	5.3%	329	329	0	0	0	\$18.67
Baltimore Northeast	1,179,016	4.8%	7.4%	0	0	0	0	0	\$21.20
Baltimore Northwest	1,229,881	10.1%	7.7%	14,984	14,984	0	0	0	\$18.84
Baltimore Southeast	7,330,224	15.2%	23.5%	53,778	53,778	0	0	0	\$28.09
Baltimore Southwest	2,331,933	18.9%	19.0%	-41,655	-41,655	0	0	0	\$28.84
BWI	9,792,392	8.5%	9.1%	-35,798	-35,798	0	0	137,985	\$28.24

Source: Newmark Research



Baltimore Office Market Overview (page 2 of 2)

Submarket Statistics – All Classes									
	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Carroll County	368,845	6.4%	8.4%	-1,875	-1,875	0	0	0	\$17.41
CBD Baltimore	13,776,185	16.2%	21.3%	40,395	40,395	0	0	0	\$24.60
Columbia	11,774,337	19.6%	24.3%	101,547	101,547	0	0	0	\$26.08
Ellicott City	879,329	9.0%	8.2%	-3,917	-3,917	0	0	0	\$24.87
Harford County	1,910,894	24.1%	26.0%	2,492	2,492	0	0	0	\$25.24
I-83	7,793,241	15.3%	22.1%	-1,127	-1,127	0	0	0	\$22.22
I-97 Crain Highway Corridor	726,522	10.6%	12.1%	9,141	9,141	0	0	0	\$27.54
Reisterstown Road Corridor	4,845,322	16.3%	24.3%	20,078	20,078	0	0	0	\$24.24
Route 1 Corridor	1,398,332	21.3%	22.4%	-20,292	-20,292	0	0	0	\$19.47
Route 2 Corridor	931,886	9.5%	9.8%	-4,421	-4,421	0	0	0	\$23.66
Towson	4,489,503	18.0%	19.9%	-44,324	-44,324	0	0	0	\$22.11
Woodlawn	2,353,710	29.1%	28.6%	-186,578	-186,578	0	0	0	\$21.50

Source: Newmark Research



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