

NEWMARK

Baltimore Office Market Overview

1Q26

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Market Observations



Economy

- The region's labor market has seen a recent dip, highlighted by the unemployment rate. The metro's unemployment rate sat at 4.1% as of December of 2025, an expansion of 100 basis points year-over-year. This expansion in the unemployment rate is likely due to the federal workforce layoffs that are most affecting the regions surrounding the nation's capital.
- As of December, overall nonfarm employment saw a decline of 0.1% in the Baltimore metro year-over-year, lower than national growth of 0.1%. Within the office-using sectors, the market saw an increase of 0.4% in the Financial Activities sector, an increase of 0.3% in the Business & Professional sector, while the Information sector saw a decline of 4.7%, highlighting the recent weakness in the tech sector.
- Education and Health remains the largest industry in the region, encompassing 21.0% of the regional workforce. It is followed closely by Business and Professional services with 18.0% of the regional workforce.



Major Transactions

- The largest deal of the quarter was the sale of 10451 Mill Run Circle, a 130,000-square-foot, Class A office building located in Owings Mills. BECO Management, Inc. sold the ten-story office building to AVG Partners for \$7.7 million, or \$59.59/SF. The property, which includes an adjacent 132,000-square-foot parking garage, was 74.1% occupied at the time of sale. The deal was a distress sale, as the property was in receivership before the sale, and the property was sold at auction.
- A second notable deal of the quarter was the sale of 5602 Baltimore National Pike, a 47,175-square-foot, Class C office building located in Catonsville. Tan & Associates, Inc sold the seven-story office building to Blue Key Development for \$3.0 million, or \$63.59/SF. Although the property was only 45.0% occupied at the time of sale, the buyer was interested in the property due to its value-add potential through lease-up.



Leasing Market Fundamentals

- After the market experienced 1.2 million SF of negative net absorption from 2020 to 2022, the market rebounded in 2023, ending the year with 16,000 SF of positive net absorption. The market continued the positive momentum from 2023, experiencing 450,000 SF of positive net absorption during 2024. During 2025, however, the market saw negative activity, with 290,000 SF of negative net absorption, largely due to T. Rowe Price vacating 435,000 SF of leased space at 100 E Pratt Street to move into their new headquarters. During the first quarter of 2026, the market continued this negative momentum, experiencing 187,000 SF of negative net absorption, largely due to OneMain Financial vacating over 100,000 SF of space at Legg Mason Tower.
- Although Baltimore's vacancy remains above the historical average of 13.7%, the vacancy rate has stabilized and remained relatively flat since the end of 2022, ending the first quarter of 2026 at 15.7%.
- Baltimore office development has slowed steadily since a peak of over 1.9 million SF under construction in 2016, with only one project under construction totaling 63,000 SF.



Outlook

- Baltimore rents performed much better than most markets during the initial two years of the pandemic, with rents increasing 4.2% from the beginning of 2020 to the end of 2021. Since then, rents have remained relatively flat, 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. Vacancies will likely continue expanding in the short term due to a continued weakness in the tech sector, as well as macroeconomic headwinds.
- The market will likely remain bifurcated going forward, with trophy product remaining desirable, while the rest of the market struggles to perform. Despite this, a lack of supply-side pressure, along with a likely increase in conversions, should soften these negative effects and lead to more stable fundamentals.

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Economy

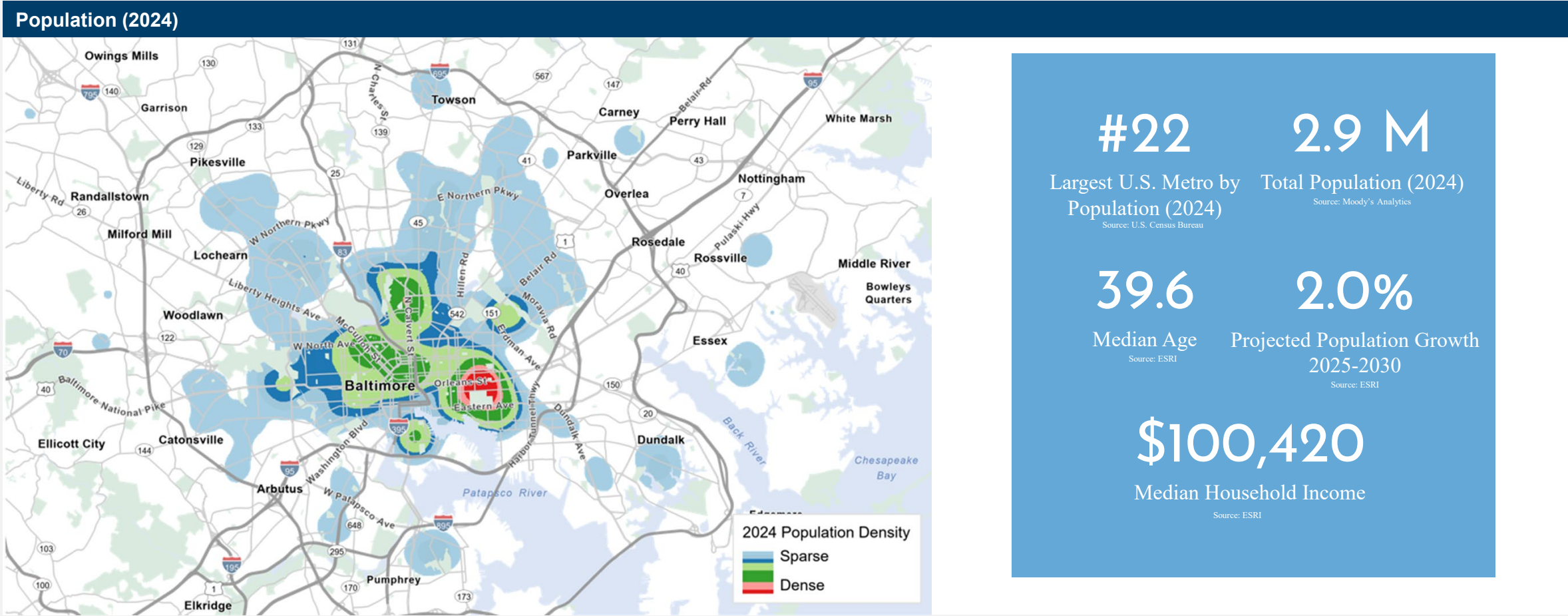
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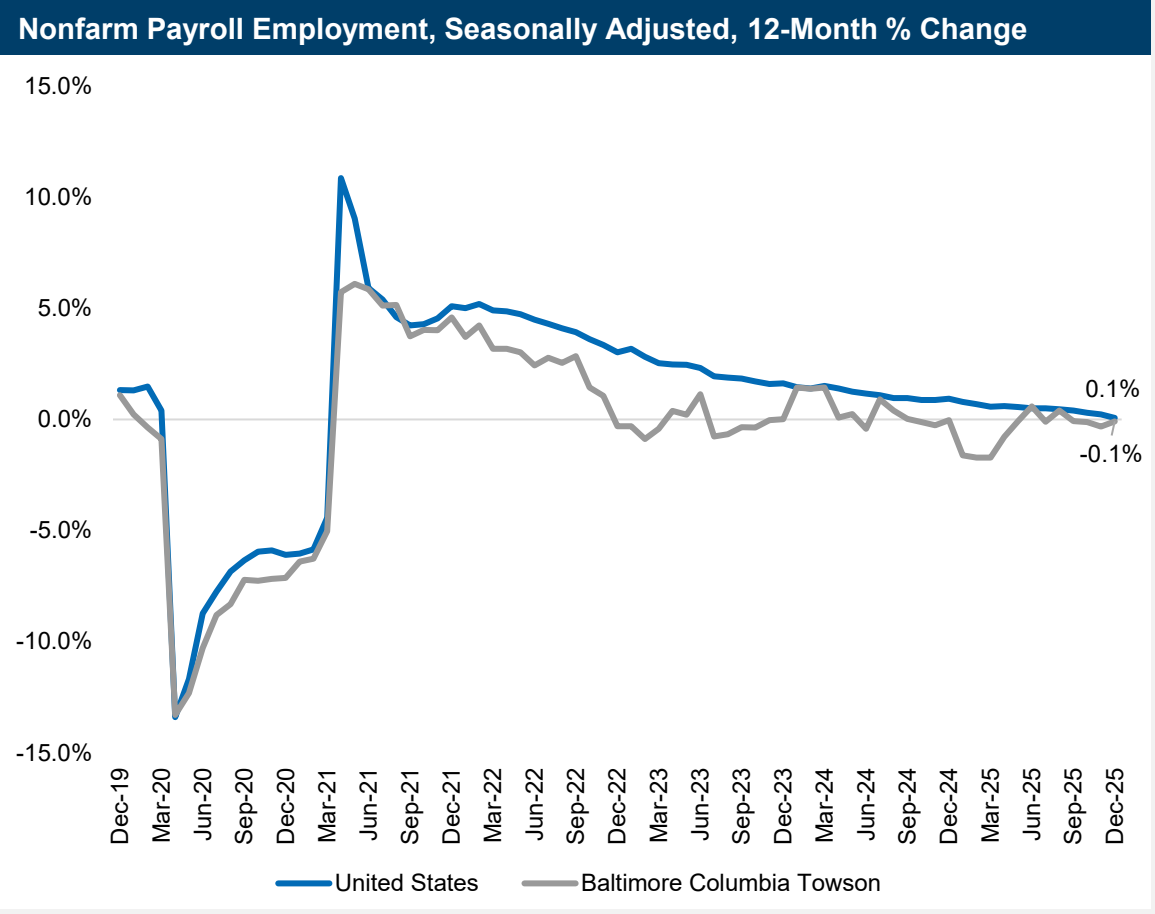
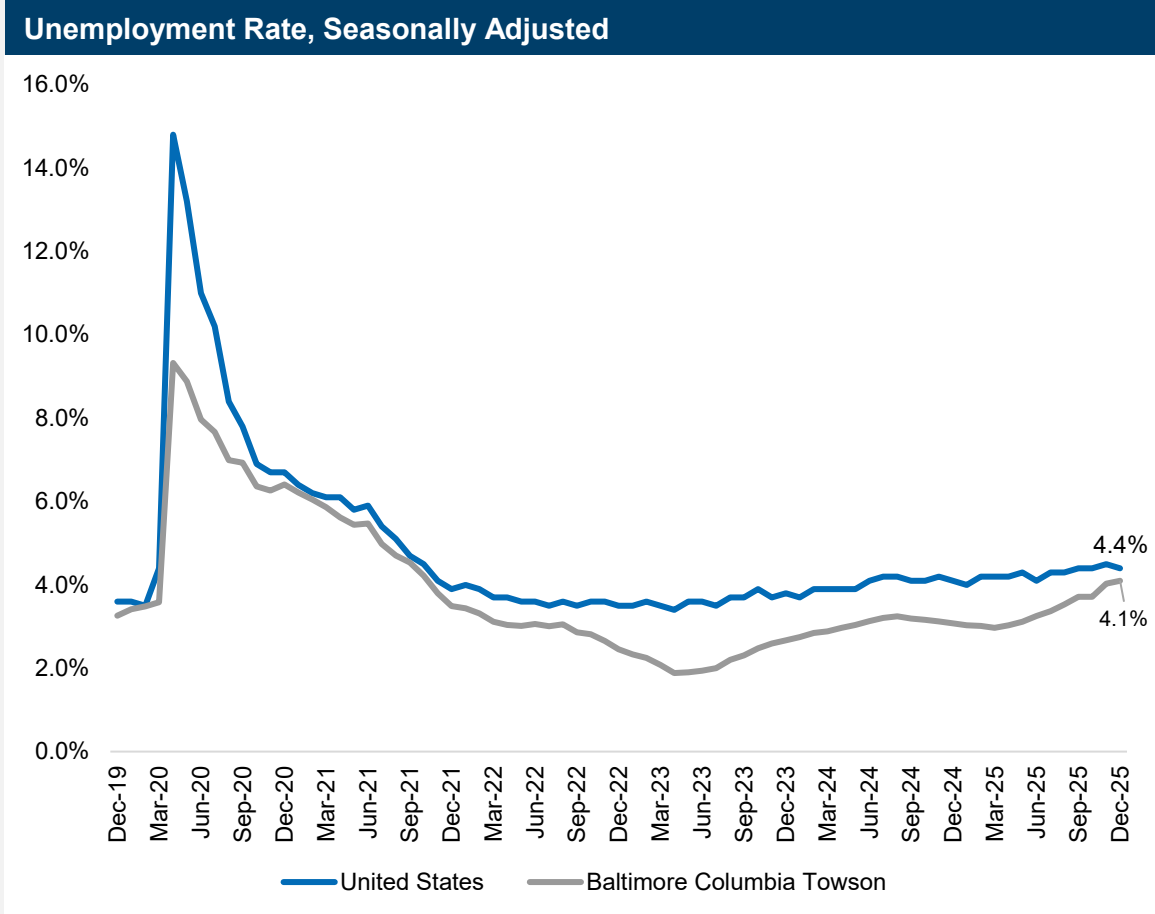
Baltimore Continues to See Elevated Population Growth

The Baltimore metropolitan area is the 22nd largest in the nation with a population of roughly 2.9 million people. From 2019 to 2024, the Baltimore metro added approximately 35,903 residents, reflecting a growth rate of 2.4%, slightly below the national rate of 3.0%. Looking forward, the region is expected to add 57,455 residents from 2025 to 2030, a projected growth rate of 2.0%.



Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended December of 2025 at 4.1%. This is 100 basis points higher year-over-year, however 30 basis points lower than the national average. Baltimore saw a notable expansion in the unemployment rate during 2025, largely due to the downsizing of the federal workforce, as well as macroeconomic headwinds.

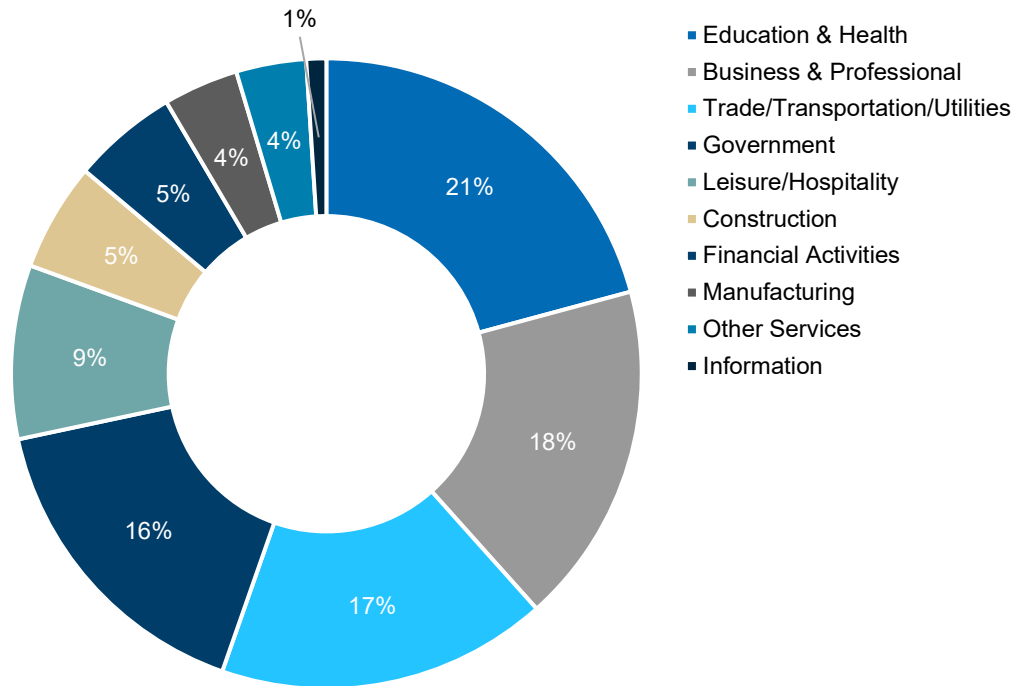


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson
 *October 2025 government shutdown missing unemployment data addressed by duplicating September 2025's data

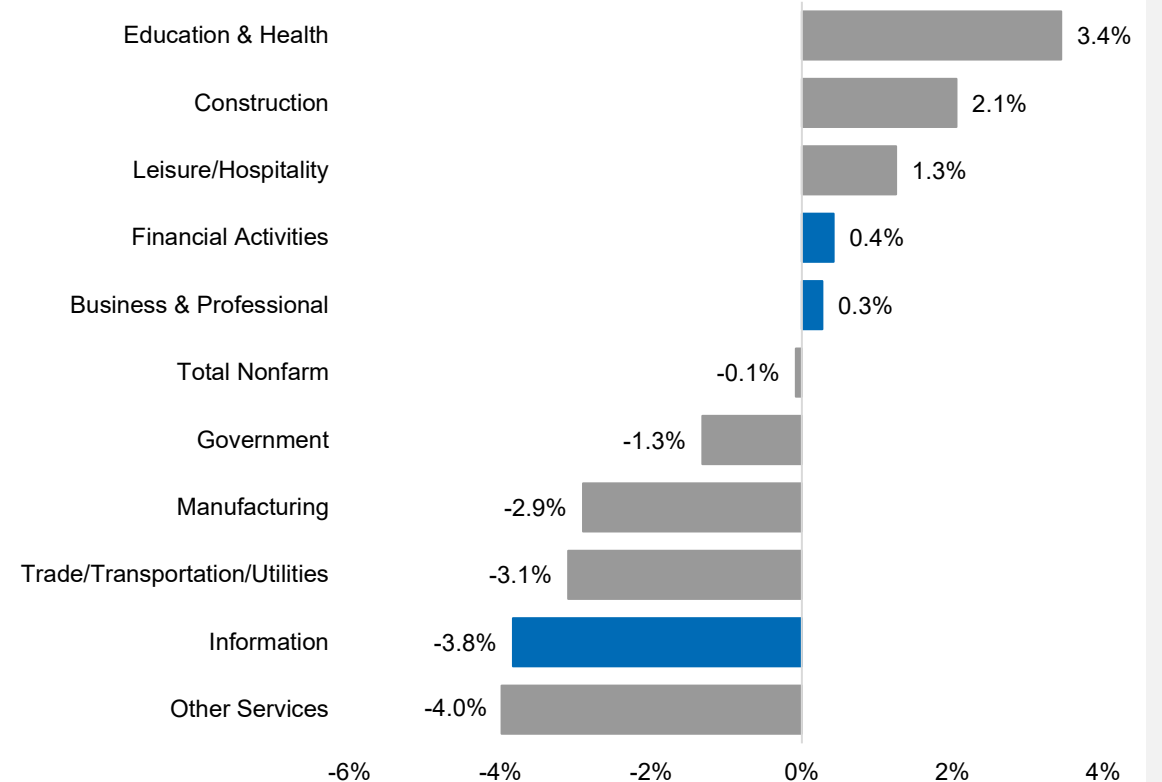
Job Growth Driven by Education & Health

Education & Health propped up job growth in the region with a 3.4% 12-month increase, however the region saw a total nonfarm employment decline of 0.1%. Office-using employment reported mixed results, as Financial Activities led the way with 0.4% 12-month growth, while the Business & Professional sector followed close behind with 0.3% 12-month growth, while the Information sector saw a 12-month decline of 3.8% due in part to lingering weakness in the U.S. tech sector.

Employment by Industry, December 2025

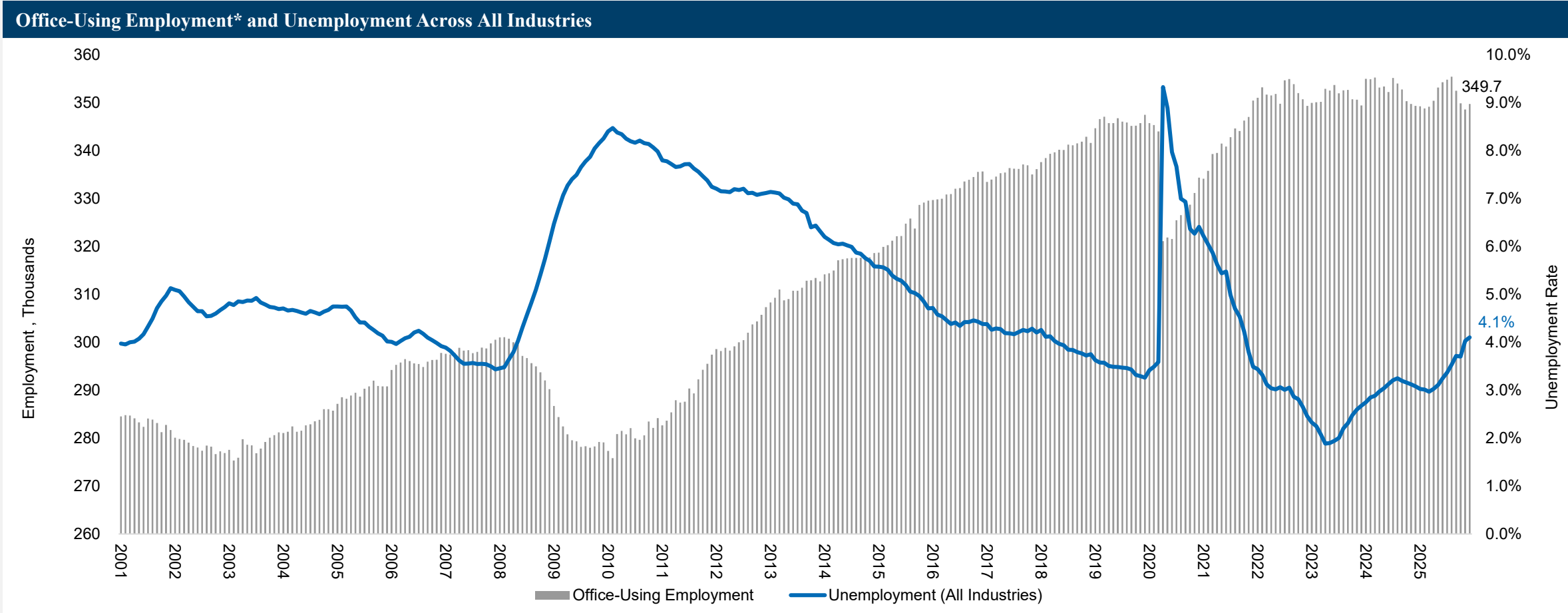


Employment Growth by Industry, 12-Month % Change, December 2025



Overall Office-Using Employment is Flat Year-Over-Year

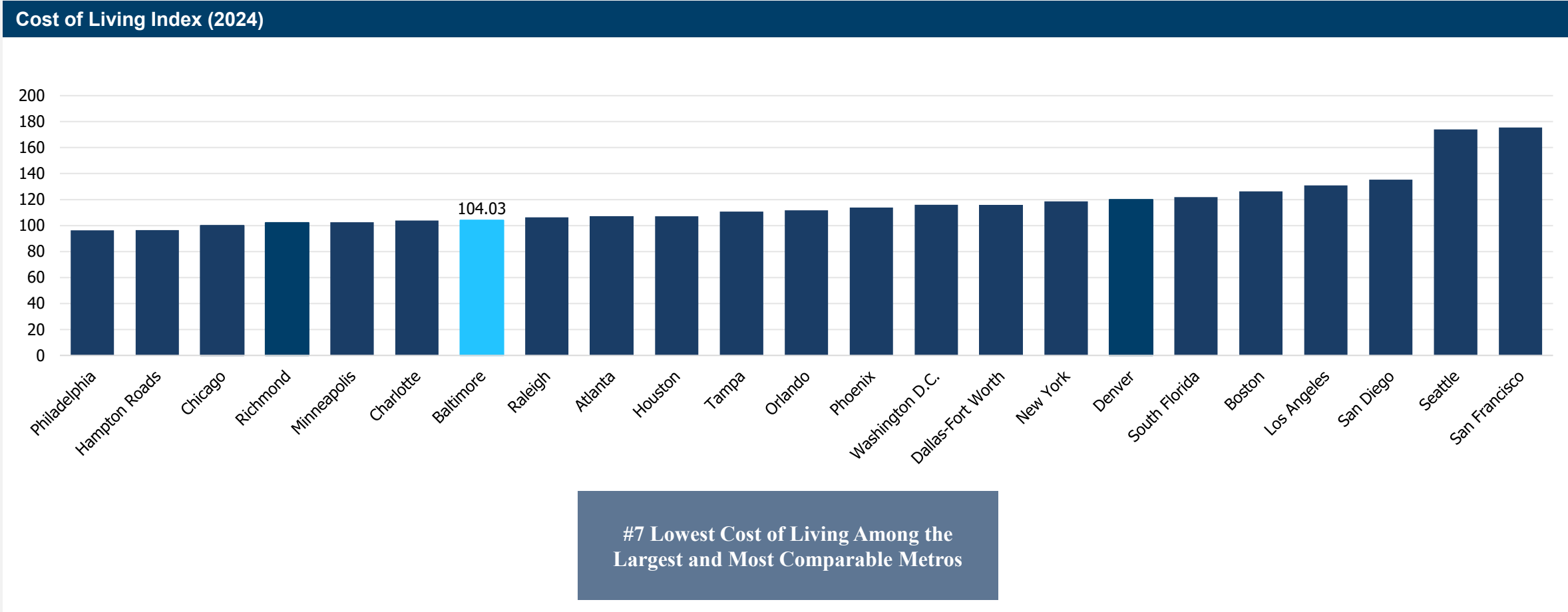
Office employment exceeds pre-pandemic levels, ending 2025 at 349,700 office-using jobs, slightly higher than the levels leading up to the pandemic, which sat around 345,000 office-using jobs. Office-using jobs in the region are also 8.9% higher than the trough of the pandemic, however they are flat year-over-year, largely due to macroeconomic headwinds.



Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson
 *Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information
 *October 2025 government shutdown missing unemployment data addressed by duplicating September 2025's data

Baltimore Remains Desirable Due to Cost of Living

The Baltimore metro has the seventh-lowest cost of living and is considered affordable relative to large and comparable metros nationally. This allows the region to be extremely competitive in providing people and employees a better quality of life.



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Leasing Market Fundamentals

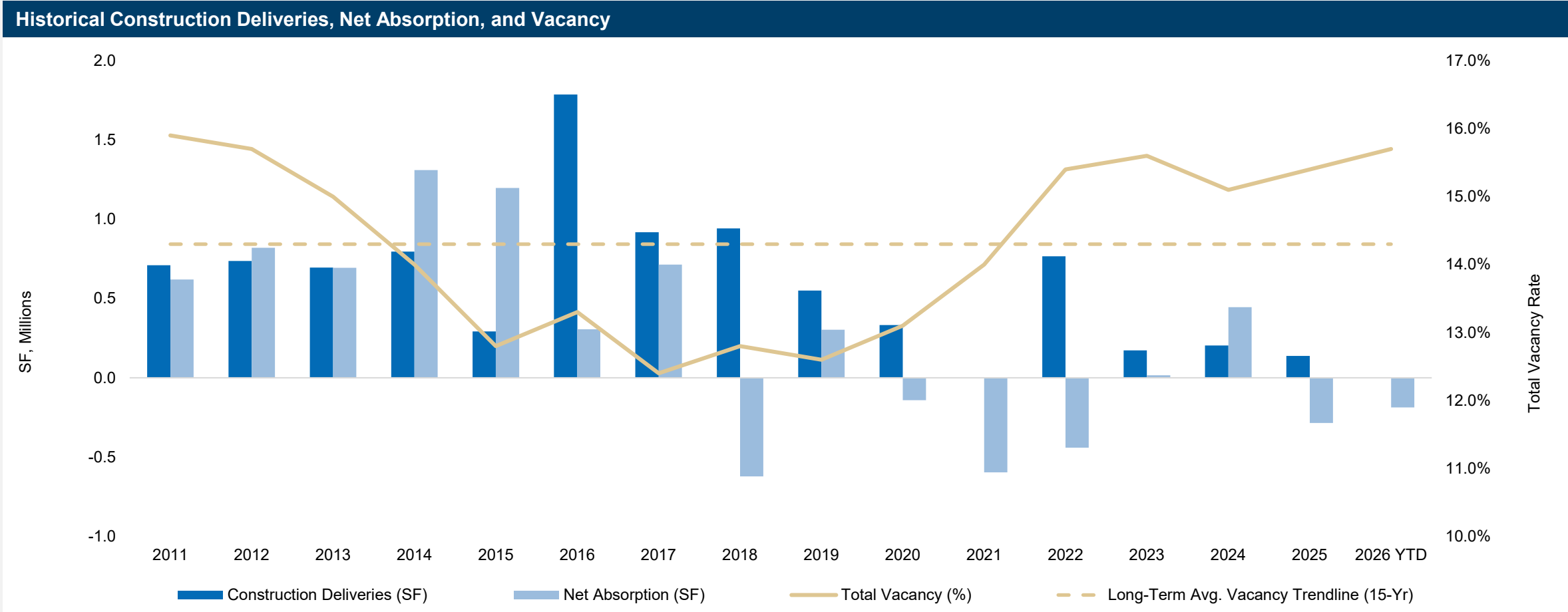
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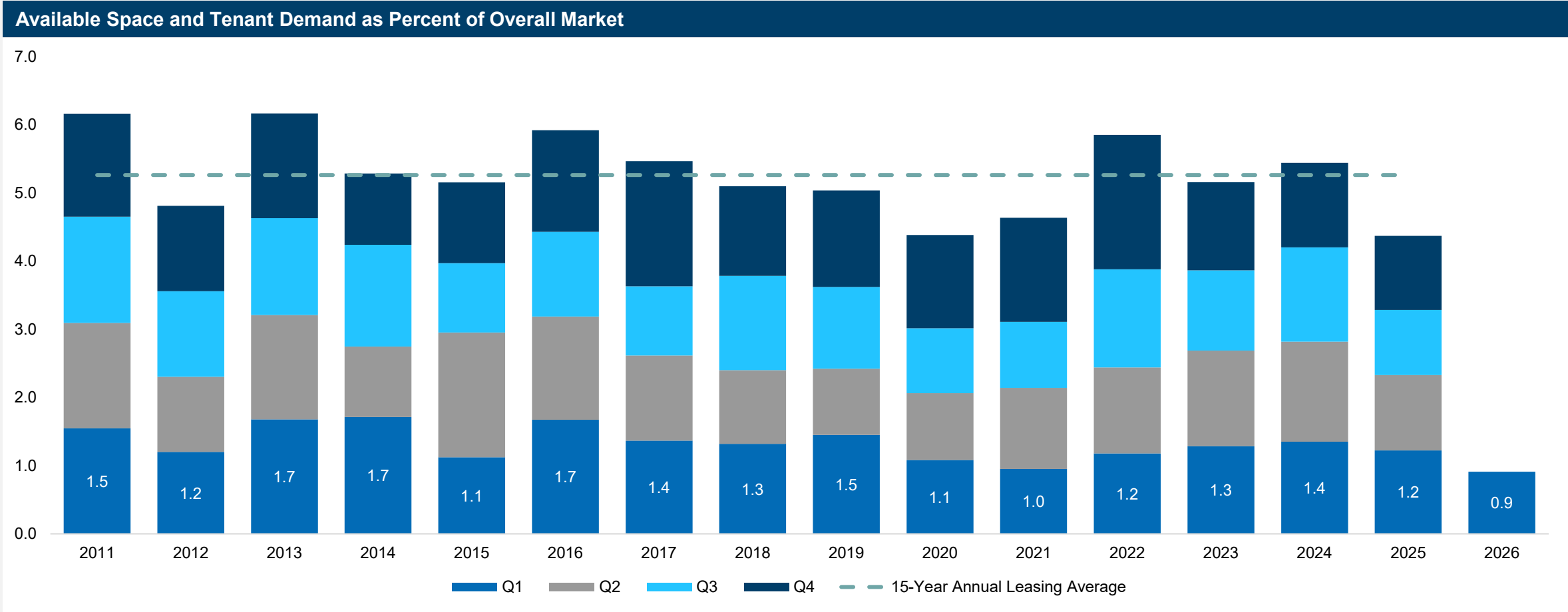
Market Fundamentals Remain Relatively Stable to Begin 2026

The vacancy rate expanded during the first quarter of 2026 after the market experienced 187,000 SF of negative net absorption. This led to the market ending the quarter at a 15.7% vacancy rate, an increase of 30 basis points quarter-over-quarter. Much of this negative net absorption was due to OneMain Financial vacating over 100,000 SF of space at Legg Mason Tower, CGI vacating over 31,000 SF at 300 Sentinel Drive, and Cigna Healthcare vacating over 22,000 SF at 111 Calvert Street. Although the market’s vacancy remains above the long-term average of 14.3%, it has shown impressive resilience in recent years and is flat year-over-year. Furthermore, the market continues to see limited development, with no deliveries during the quarter, which should help stabilize vacancies going forward.



Leasing Activity Historically Slow To Begin 2026

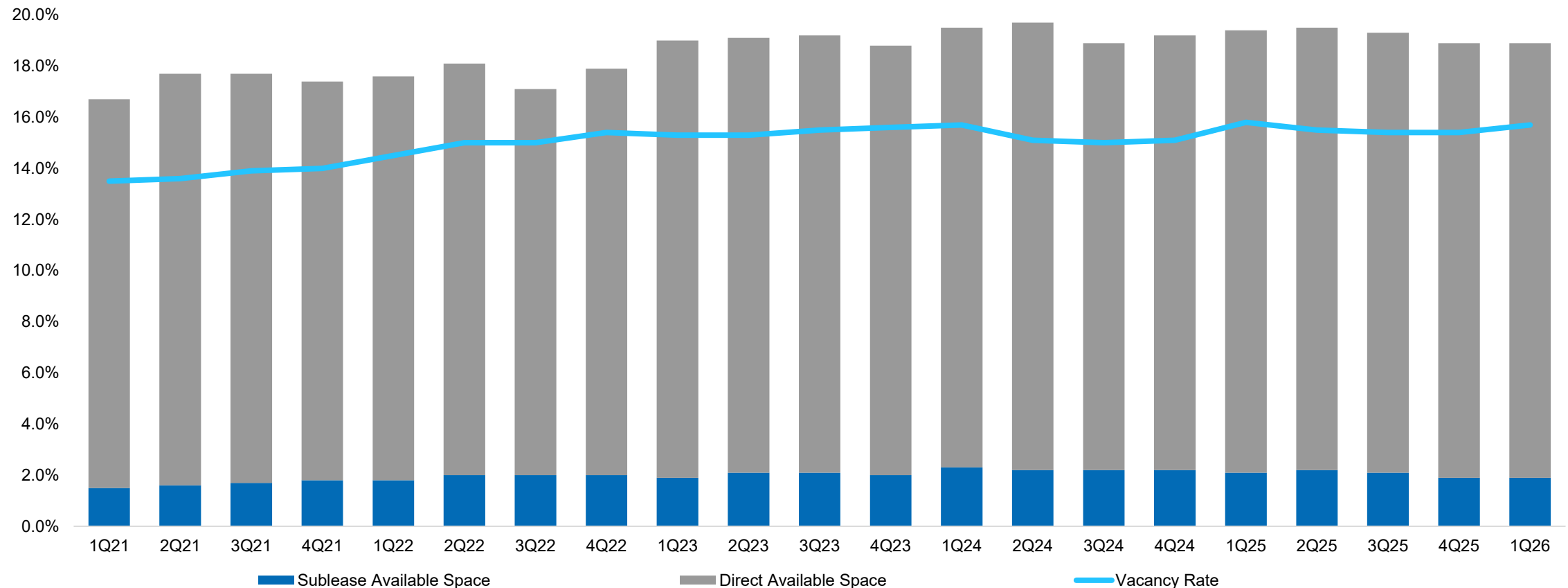
Leasing activity was below the market’s historical average during the first quarter of 2026, with the market seeing 900,000 SF of leasing activity, well below the historical average of 1.3 million SF of leasing activity during the first quarter. This comes after the market saw historically slow leasing activity during 2025, with 4.4 million SF of transaction volume, much less than the historical average of 5.3 million SF of leasing activity.



Vacancy and Availability Remain Stabilized Despite Sitting Near Cyclical Highs

During the first quarter of 2026, sublease availability stayed flat and ended the quarter at 1.9%, while direct available space also stayed flat and ended the quarter at 17.0%, leading to an overall availability of 18.9%. Overall availability has been tightening since reaching a cyclical peak of 19.6% in the second quarter of 2024. Vacancy ended the year at 15.7%, expanding 30 basis points quarter-over-quarter, however, tightening 10 basis points year-over-year. Vacancy has remained relatively stable since the end of 2022 after expanding consistently from 2021 to 2022.

Available Space and Vacancy Rate

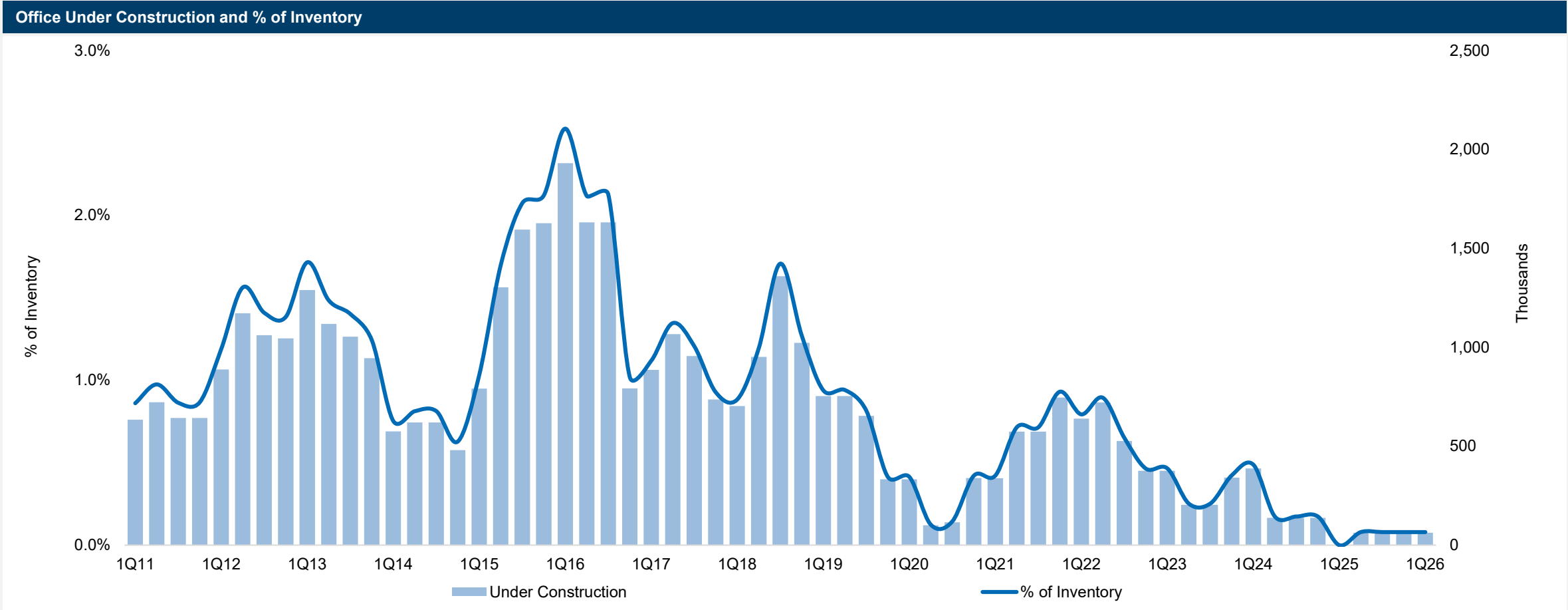




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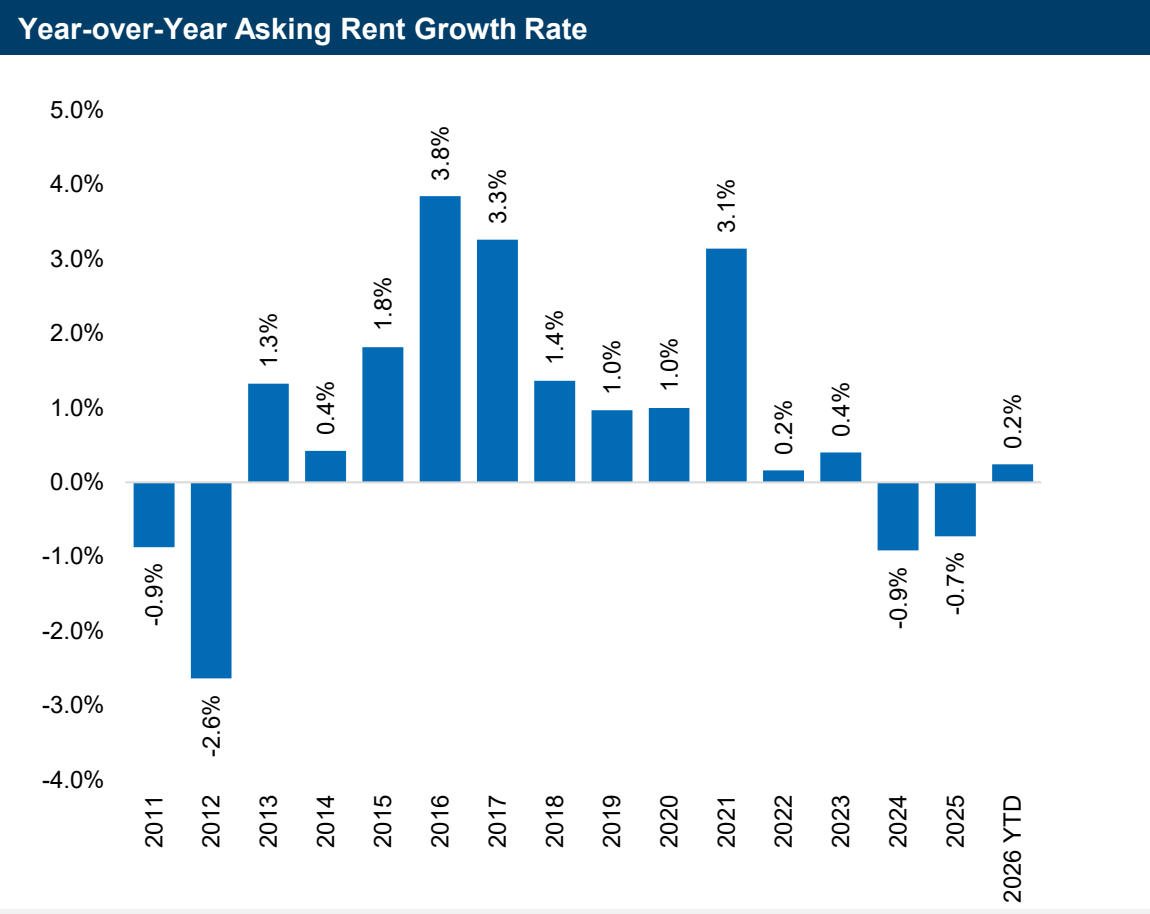
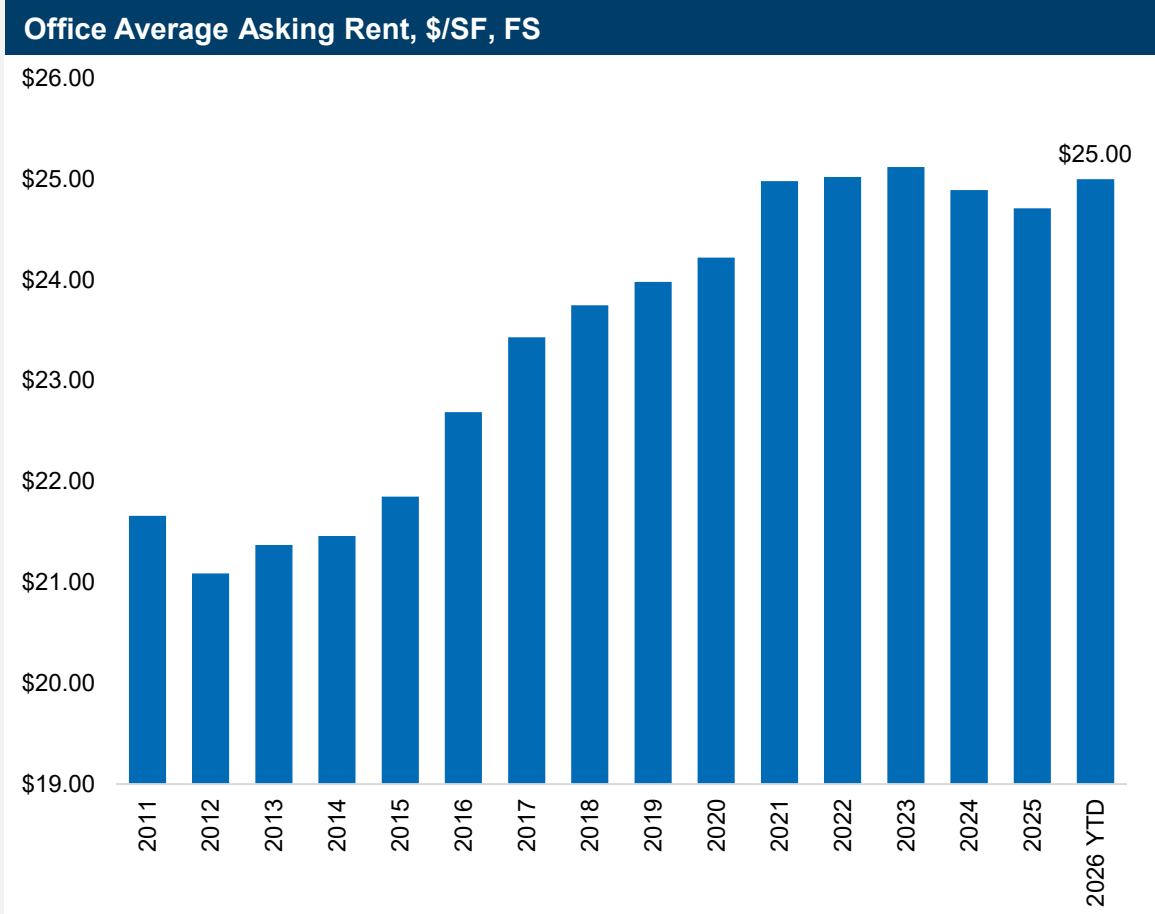
Lack of Construction Continues in the Baltimore Market

Baltimore office development has slowed steadily since a peak of over 1.9 million SF under construction in 2016. There is currently one project under construction, a 63,000-square-foot, Class A office building located at 800 W North Avenue in the Baltimore Midtown submarket. The development, which has the Mayor’s Office of Employment Development as its anchor tenant, broke ground in June of 2025 and is expected to be delivered by the end of 2026.



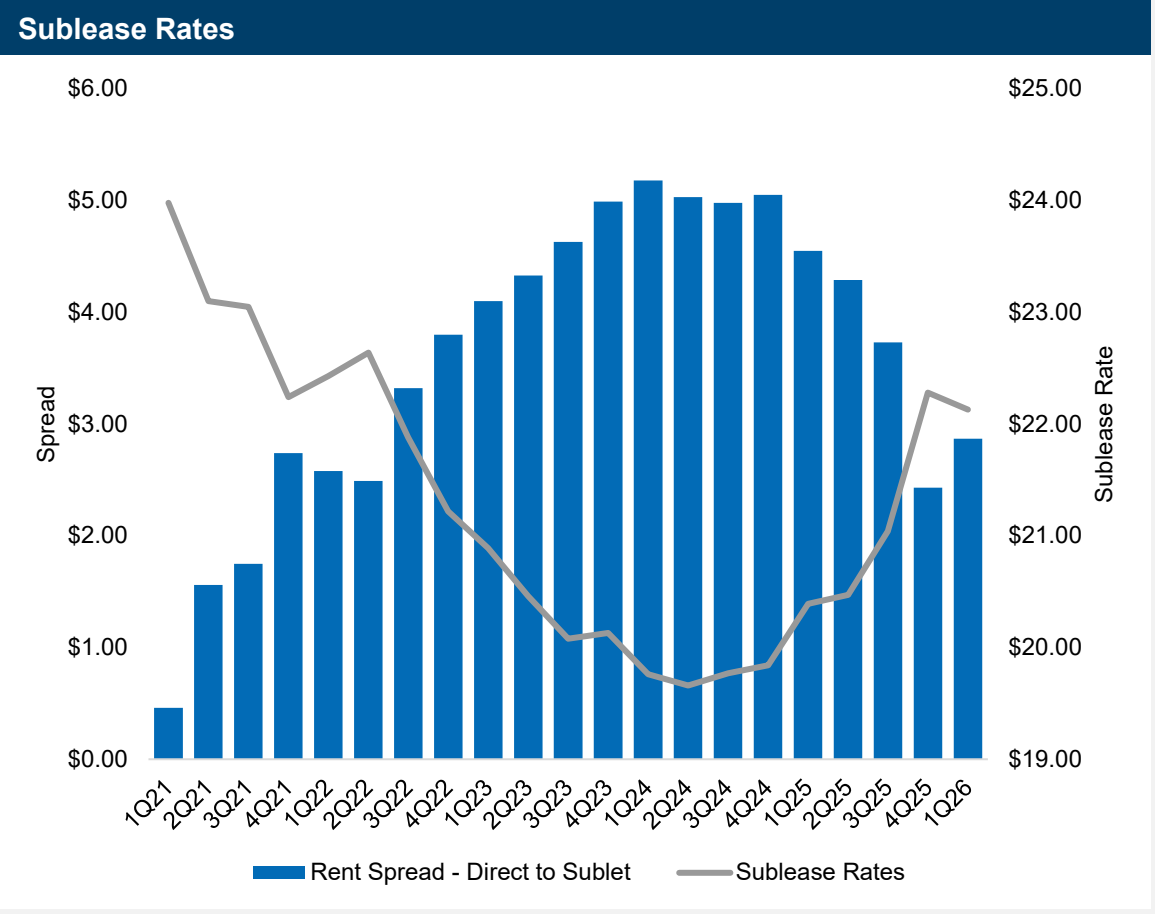
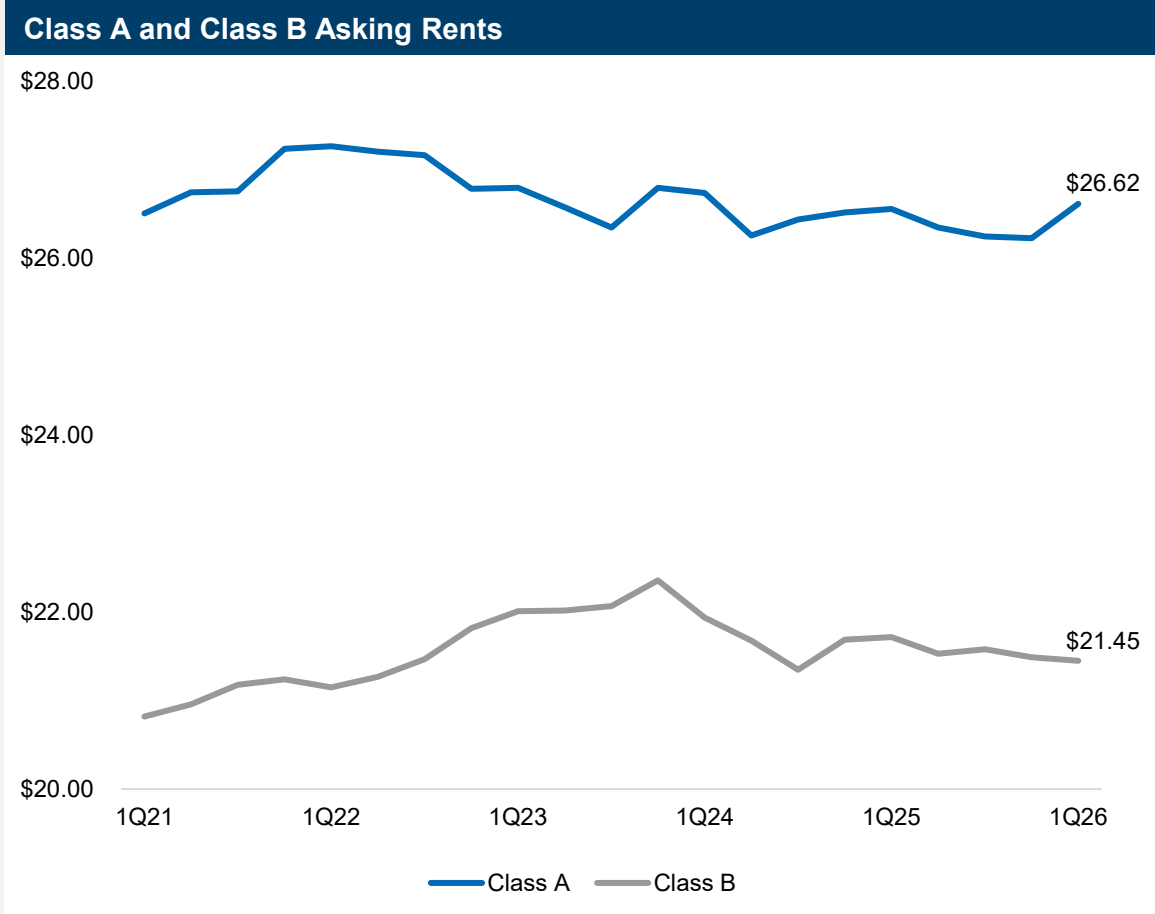
Rents Grow to Begin 2026

After the market saw notable positive rent growth from 2013 to 2021, rents flattened in 2022 and remained relatively flat through 2023. During 2024, average asking rents fell, ending the year at \$24.89/SF, a decrease of 0.9% year-over-year. Rents continued this slight decline during 2025, ending the year at \$24.71/SF, a decrease of 0.7% year-over-year. Despite the recent declines, the market saw positive rent growth to begin 2026, with rents ending the first quarter of 2026 at \$25.00/SF, an increase of 0.2% year-over-year.



Class A Rents See Growth While Class B Rents Remain Flat to Begin 2026

Class A rents saw growth to begin 2026, ending the first quarter at \$26.62/SF, an increase of 1.5% quarter-over-quarter and 0.2% year-over-year. Class B rents counteracted this by seeing slight declines, ending the quarter at \$21.45/SF, a decrease of 0.2% quarter-over-quarter and 1.2% year-over-year. Sublease rates have seen positive movement, ending the first quarter of 2026 at \$22.13/SF, an increase of 8.5% year-over-year. The spread between direct and sublease rates ended the first quarter of 2026 at \$2.87/SF, a slight expansion quarter-over-quarter despite the spread consistently tightening since 2024.





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Market Statistics

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Please reach out to your
Newmark business contact for this information

Liz Berthelette

Managing Director

*Head of Northeast Research &
National Life Science Research*

elizabeth.berthelette@nmrk.com

Kevin Sweeney

Associate Director

Mid-Atlantic Research

kevin.sweeney@nmrk.com

Chad Braden

Senior Research Analyst

Mid-Atlantic Research

chad.braden@nmrk.com

Nick Schlanger

Senior Research Analyst

Mid-Atlantic Research

nick.schlanger@nmrk.com

Salini Thiraviyarajah

Research Analyst

Mid-Atlantic Research

salini.thiraviyarajah@nmrk.com

District of Columbia

1899 Pennsylvania Avenue,

NW Suite 300

Washington, DC 20006

t 202-331-7000

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

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