

2Q25

Baltimore Office Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. May’s 3.2% unemployment rate was significantly lower than the national average of 4.2%.
- Overall nonfarm employment increased 0.8% in the Baltimore metro year-over-year. Within the office-using sectors, the market saw growth of 2.2% in the Financial Activities sector, while seeing declines of 0.3% and 4.4% in the Business & Professional and Information sectors, 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 177-179 Admiral Cochrane Drive by Kcs Admiral LLC to Serinity Annapolis LLC. The 37,650-square-foot, two-story Class B office building, located in Annapolis, sold for \$7.9 M, or \$209.83 PSF. The building was 90% occupied at the time of sale.
- The second-largest deal of the quarter was the sale of 9755 Patuxent Woods Drive, a three-story, 98,281-square-foot office building located in the Columbia South submarket. Center Court Partners LLC sold the Class B office building to the Howard County Government for \$5.6 M, or \$56.98 PSF. The office building was a high vacancy property at the time of sale, with only 47% occupancy. The Howard County Government plans to consolidate state agencies into the building over the next few years.

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 80,000 SF of positive net absorption during 2024. During the first half of 2025, however, the market saw negative activity, with 350,000 SF of negative net absorption, largely due to T. Rowe Price vacating their leased space at 100 E Pratt Street to move into their new headquarters.
- Although the market’s vacancy remains above the historical average of 14.2%, the vacancy rate has stabilized and remained relatively flat since the end of 2022, ending Q2 2025 at 16.1%.
- 400 National Business Parkway delivered to the market in the first quarter, adding 138,000 SF of Class A product to the market. There are no properties 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 Q2 2025 at 16.1%.
- 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.

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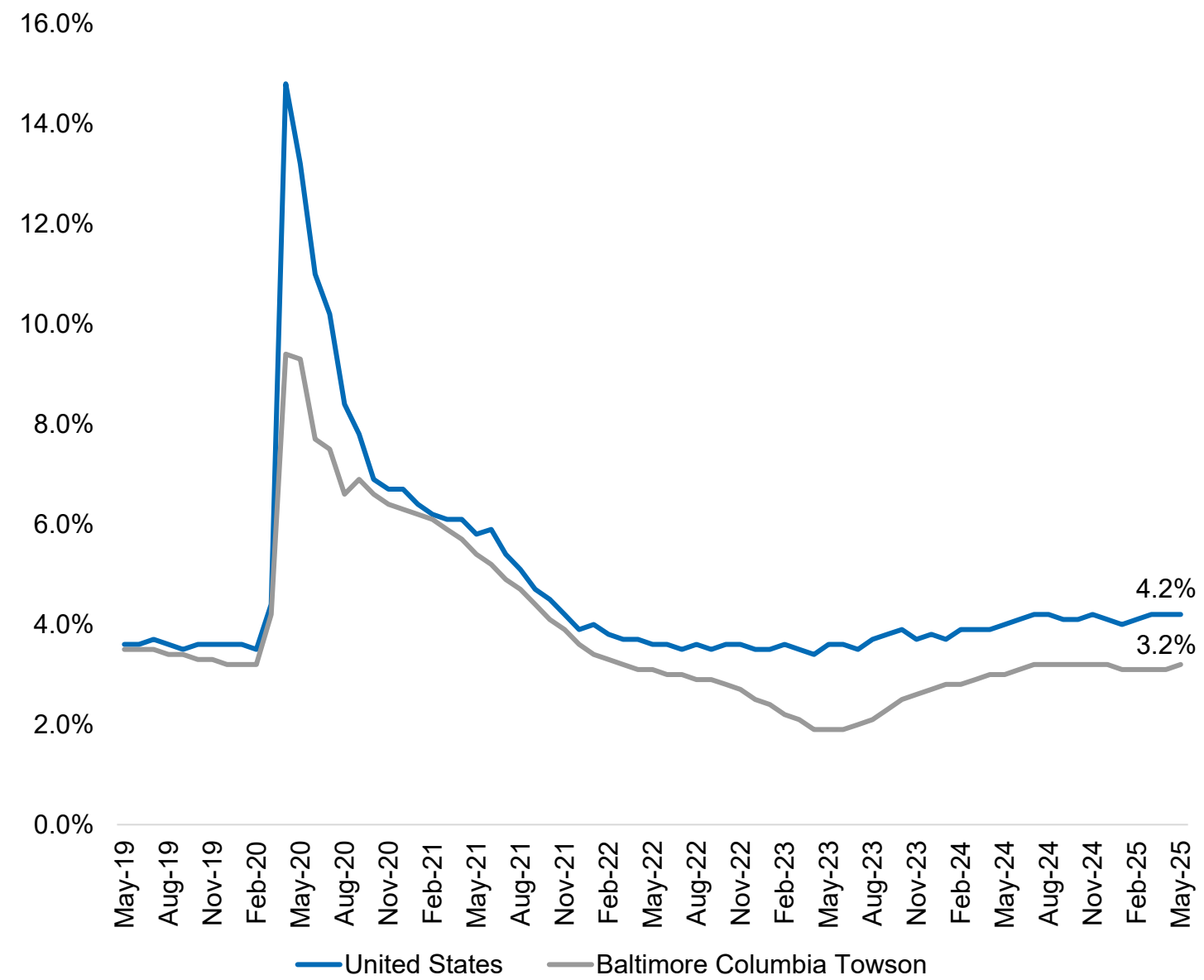
Economy



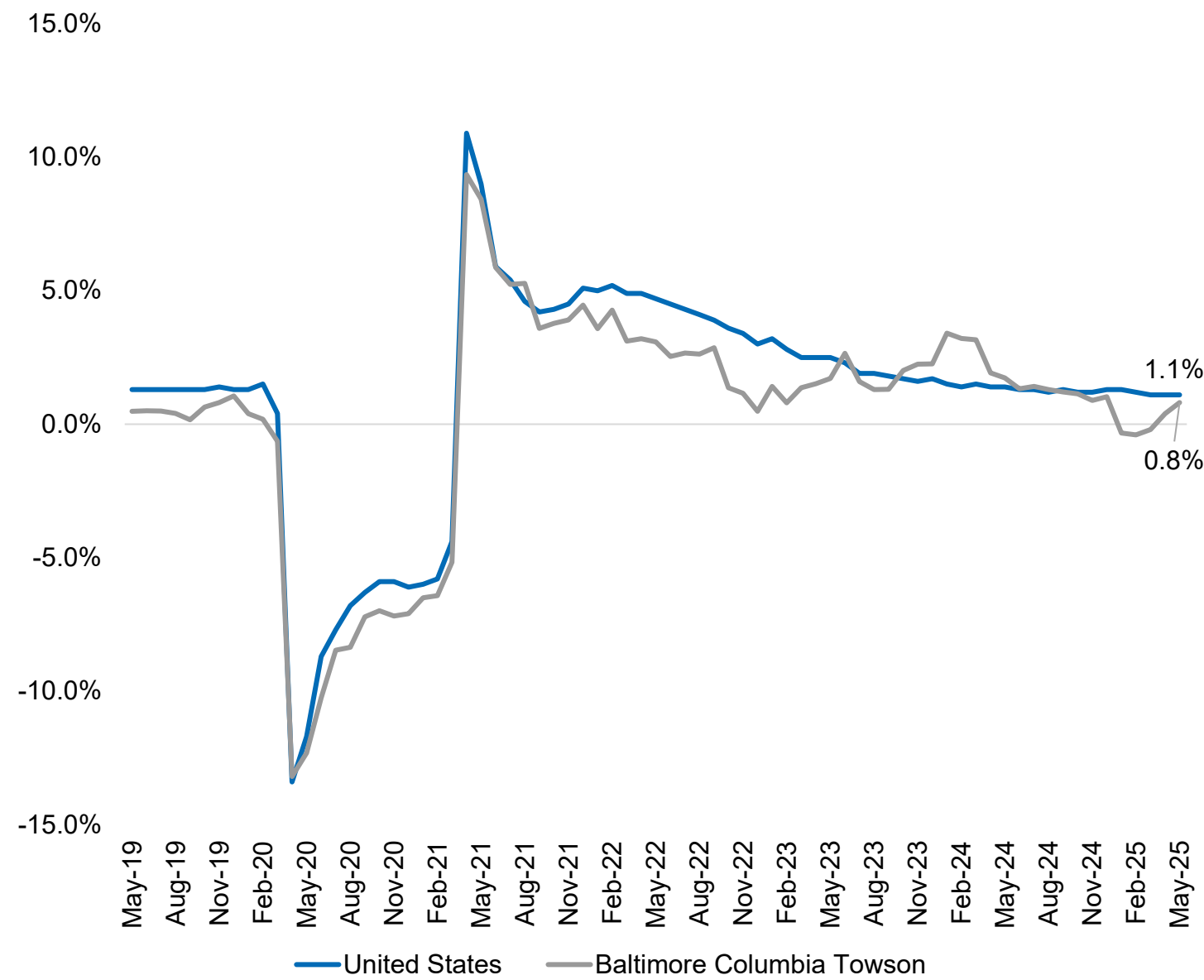
Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended May 2025 at 3.2%. This is 20 bps higher year-over-year, however 100 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



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

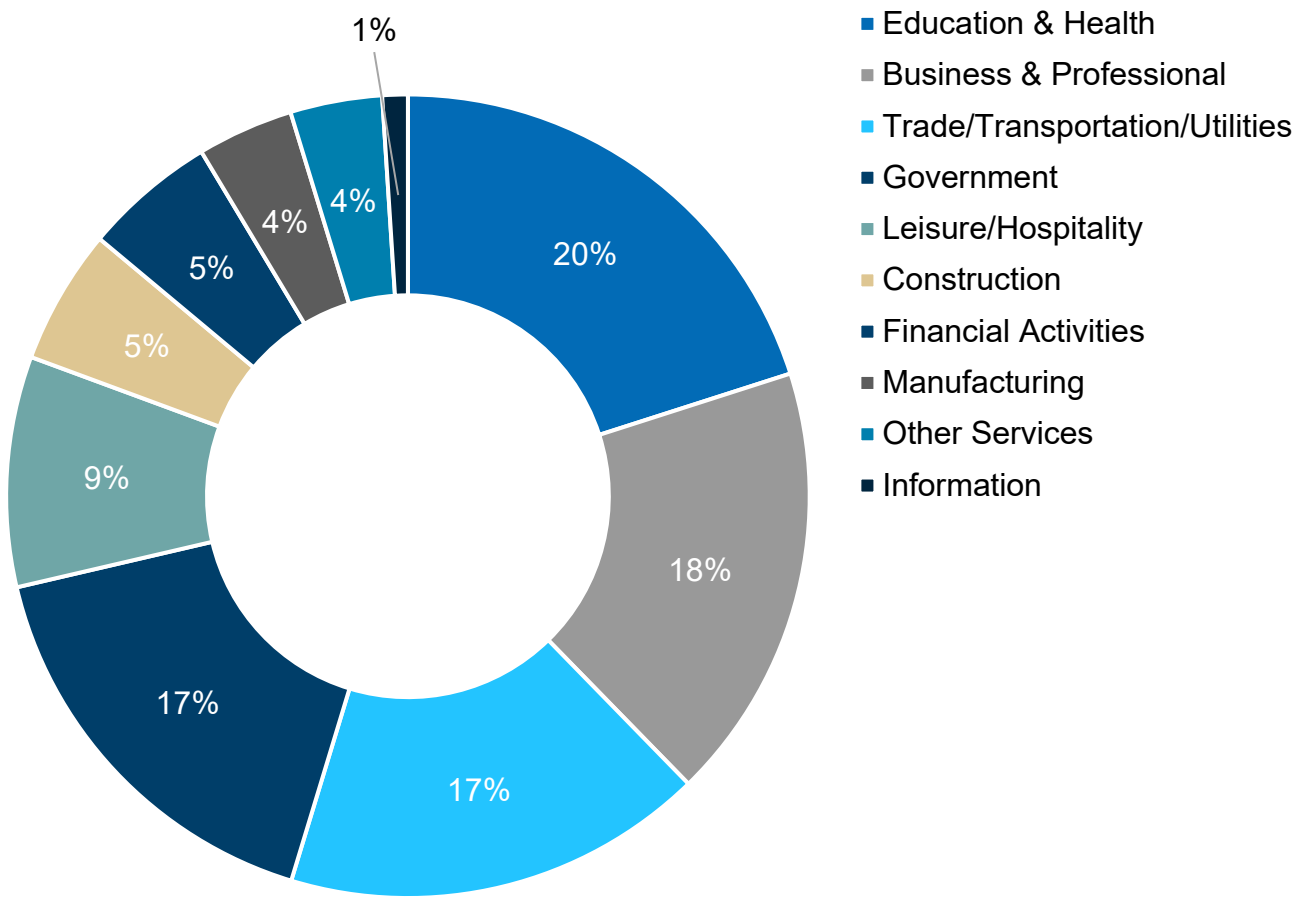


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

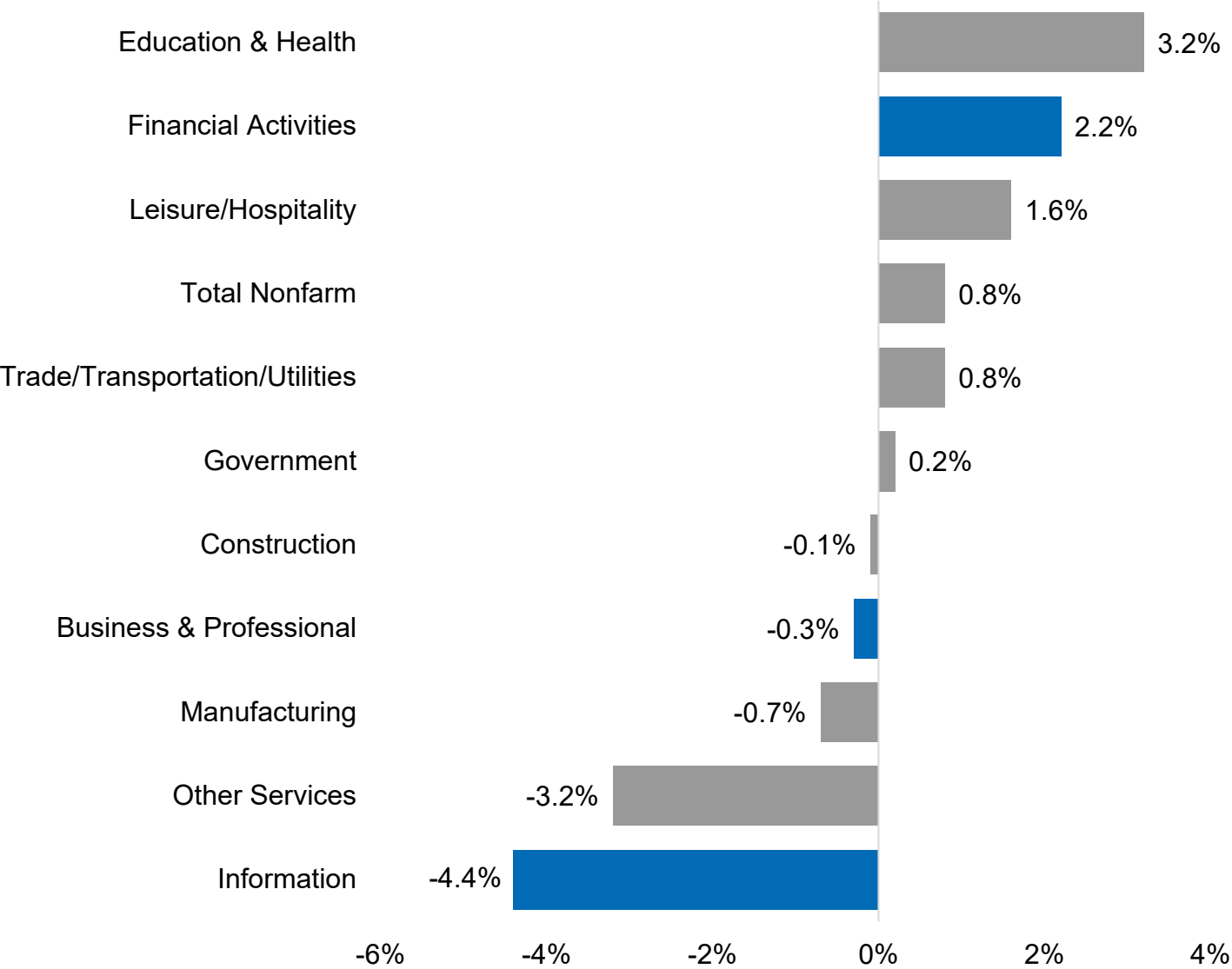
The Financial Activities Sector Sees 12-Month Employment Growth

Overall nonfarm employment increased 0.8% in the Baltimore metro year-over-year. The market saw an increase of 2.2% in the Financial Activities sector, however saw declines in the Business & Professional and Information sectors of 0.3% and 4.4%, respectively. The Business & Professional industry remains the second-largest industry in the region, only behind Education & Health.

Employment by Industry, May 2025



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

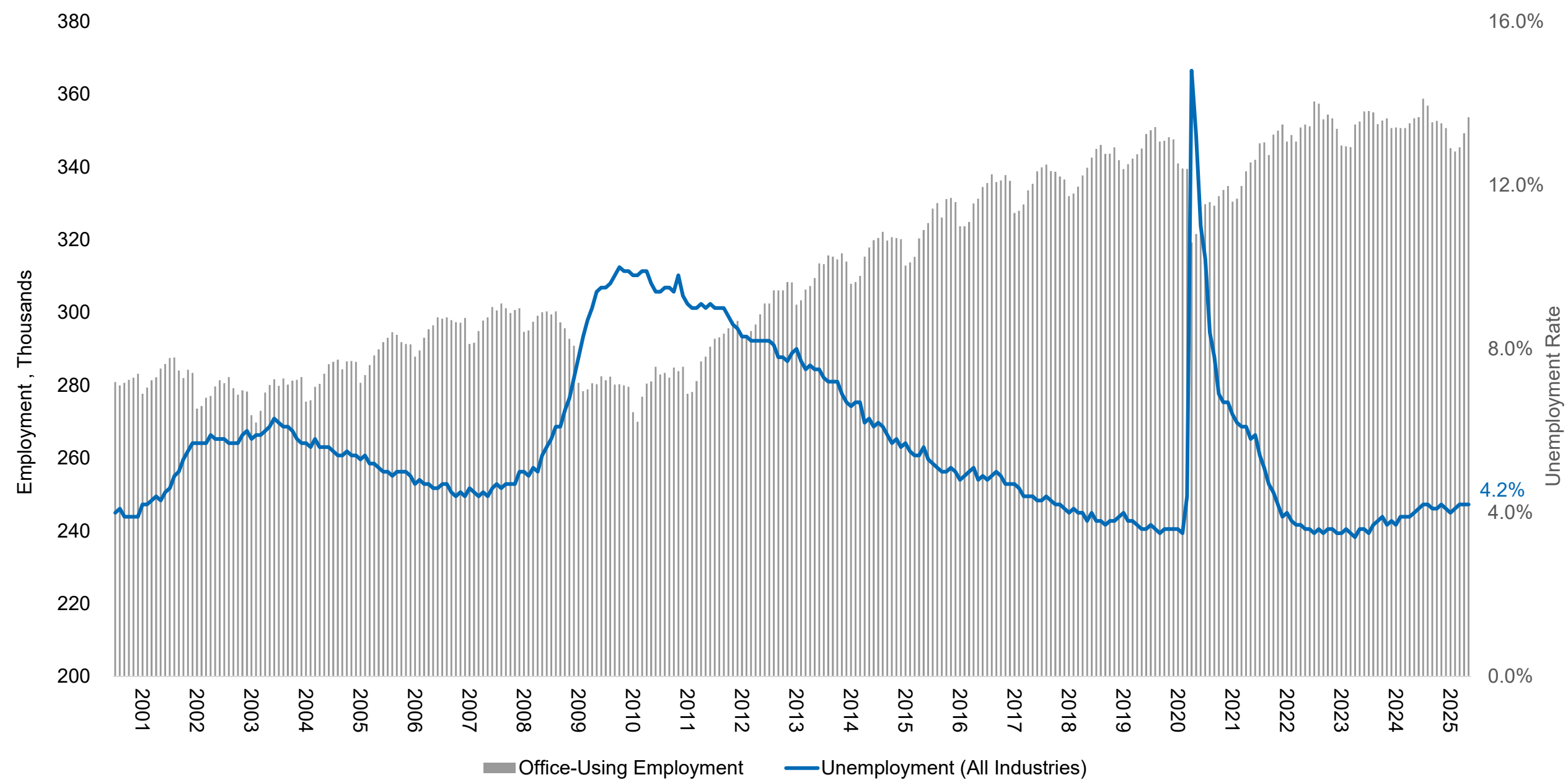


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Office-Using Employment Rises Year-Over-Year

The number of office jobs has rebounded past pre-pandemic levels and held steady. Employment ended May 2025 at 353,700 employees, up 0.1% year-over-year and 10.8% since the market reached a pandemic-related low in April of 2020.

Office-Using Employment* and Unemployment Across All Industries



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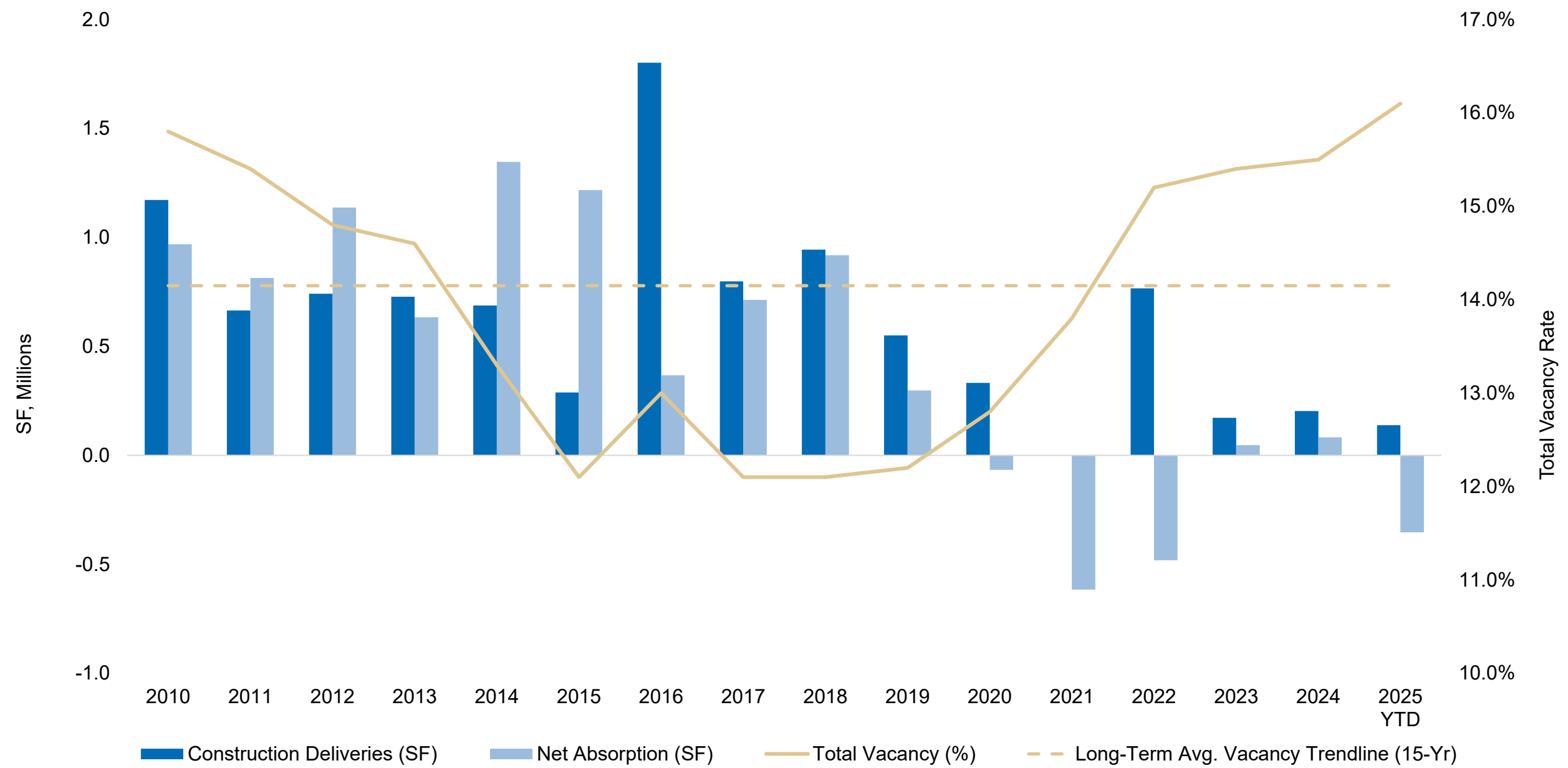
Leasing Market Fundamentals



Market Fundamentals See Loosening in First Half of 2025

Although the vacancy rate expanded during the first half of 2025, ending the period at 16.1%, this was due to the first quarter when the market saw 473,000 SF of negative net absorption. This was largely due to T. Rowe Price vacating 435,000 SF of space at 100 E Pratt Street to move into their new headquarters located at 1307 Point Street, known as T. Rowe Price Towers. The market rebounded during Q2 2025, experiencing 120,000 SF of positive net absorption.

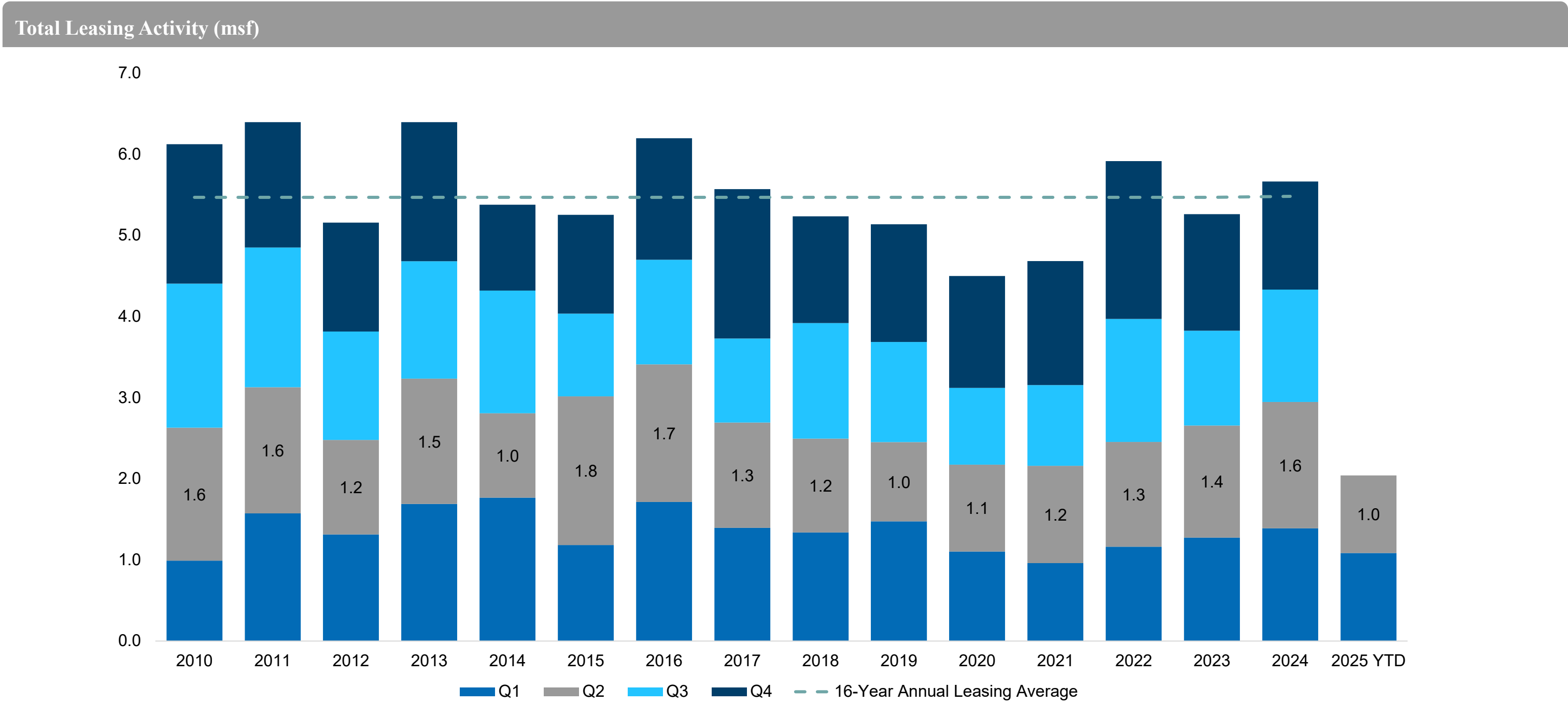
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Below the Historical Average to Begin 2025

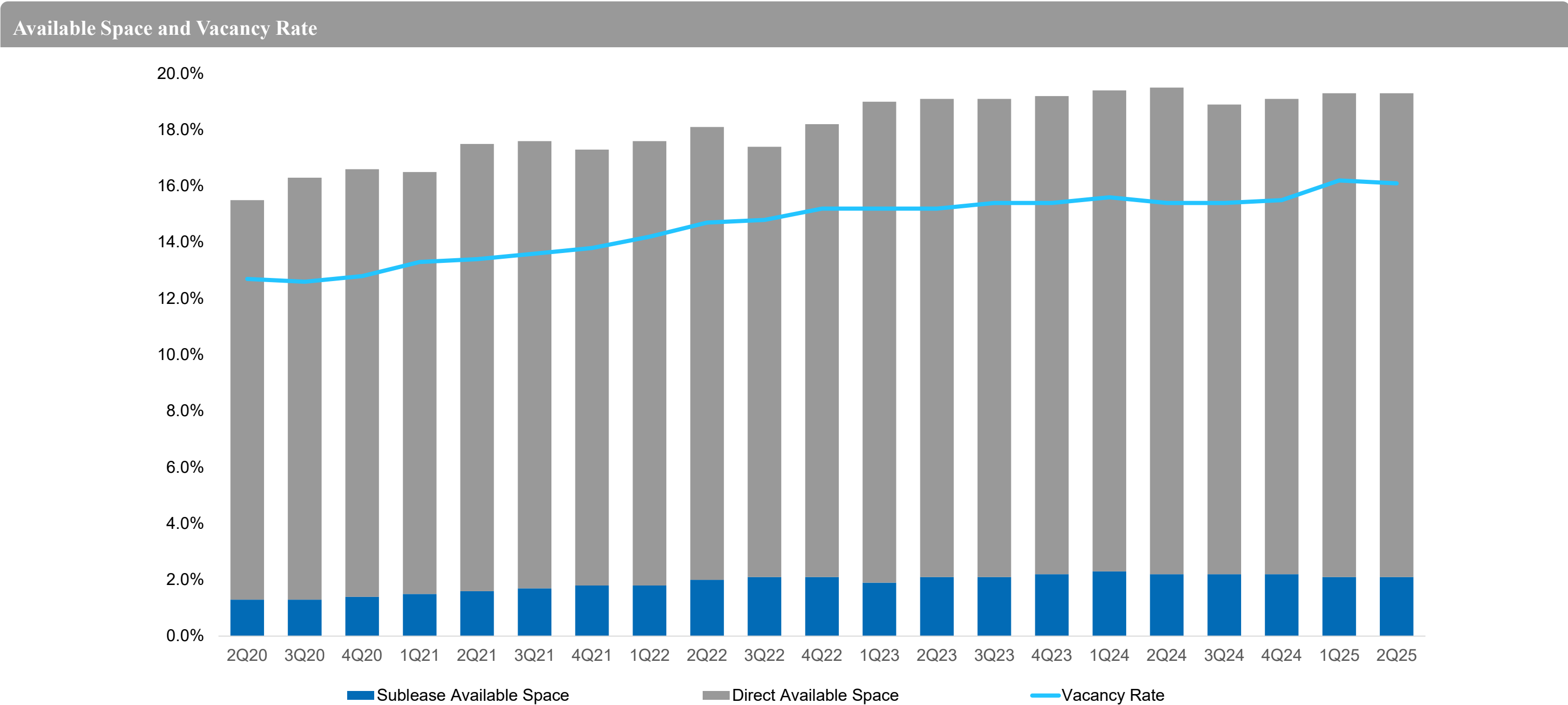
Leasing activity during Q2 2025 was below the market’s historical average, with the market seeing 1.0 MSF of activity, below the historical average of 1.3 MSF of leasing activity during the second quarter. This comes after the market experienced leasing activity above the historical average during 2024, when the market saw 5.7 MSF of leasing activity compared to the historical average of 5.5 MSF of leasing activity per year.



Source: Newmark Research, CoStar

Vacancy and Availability Remain Stabilized

During Q2 2025, sublease availability remained flat at 2.1%, while direct available space remained flat at 17.2%. Vacancy ended the quarter at 16.1%, tightening 10 bps quarter-over-quarter, however expanding 70 bps year-over-year. Vacancy has remained relatively stable since the end of 2022 after expanding consistently from 2020 to 2022.



Source: Newmark Research, CoStar

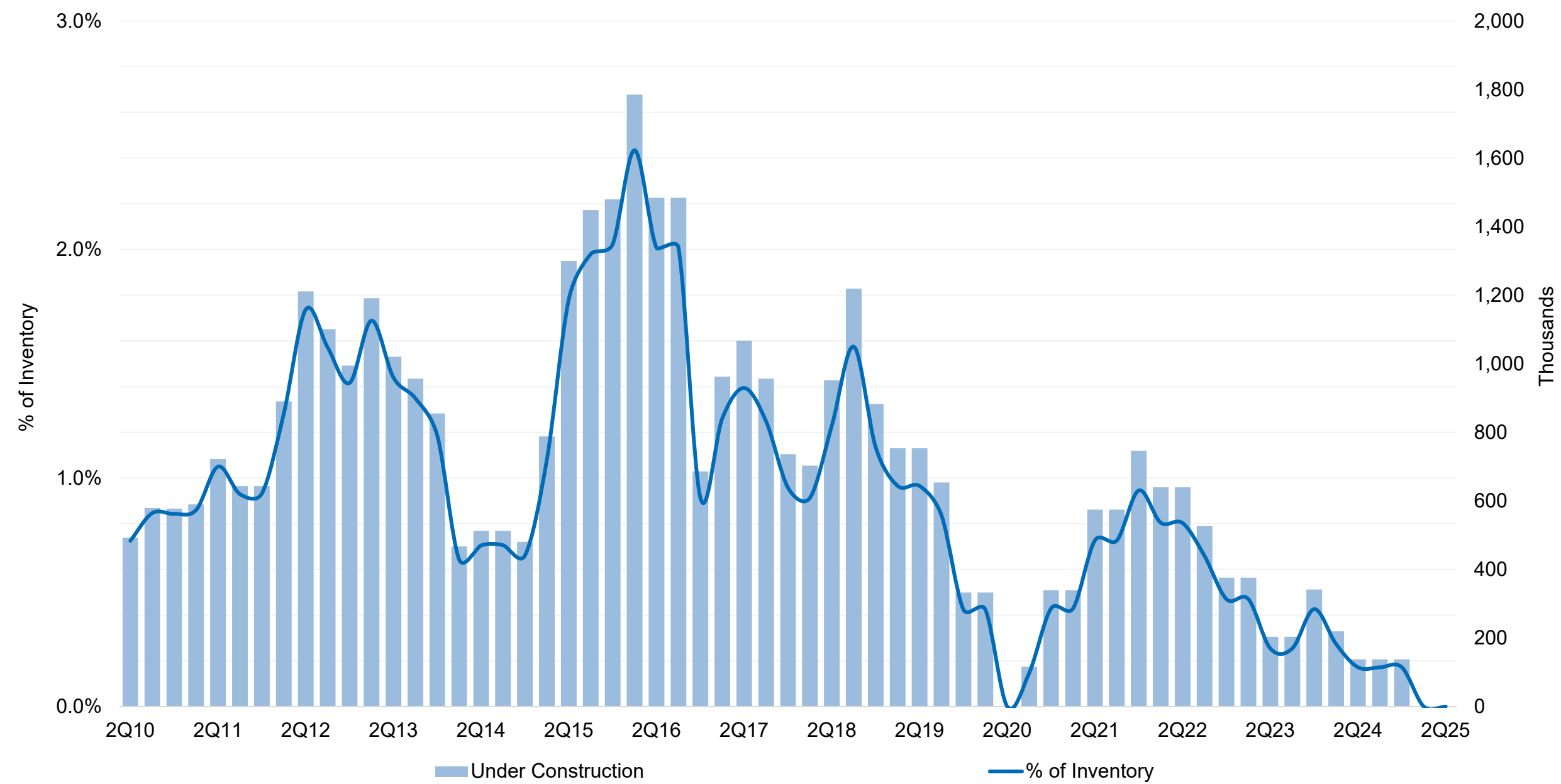


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Lack of Construction Continues in the Baltimore Market

There are no properties currently under construction after the market saw the delivery of 400 National Business Parkway in the first quarter, which added 138,000 SF of Class A office space to the BWI submarket.

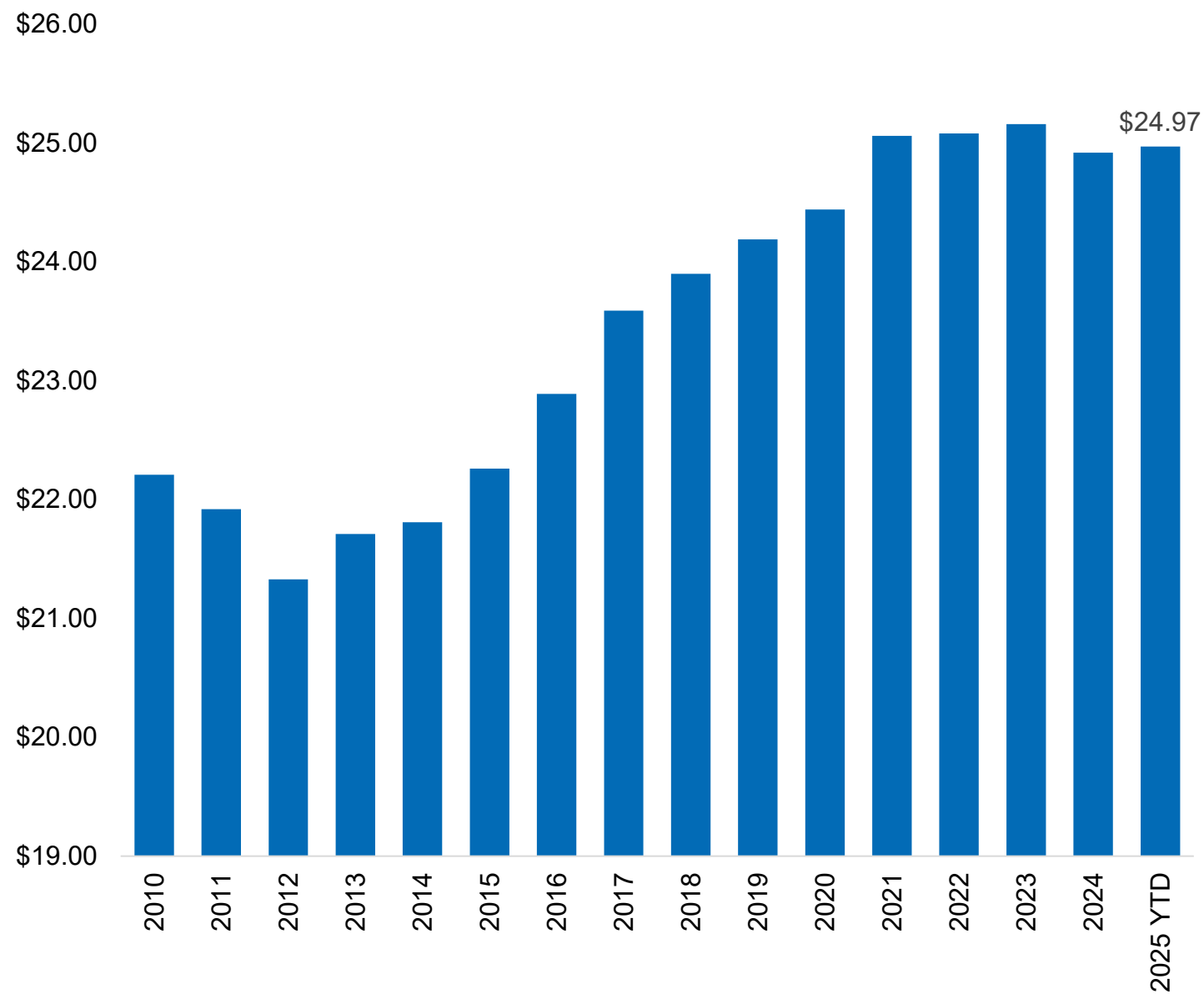
Office Under Construction and % of Inventory



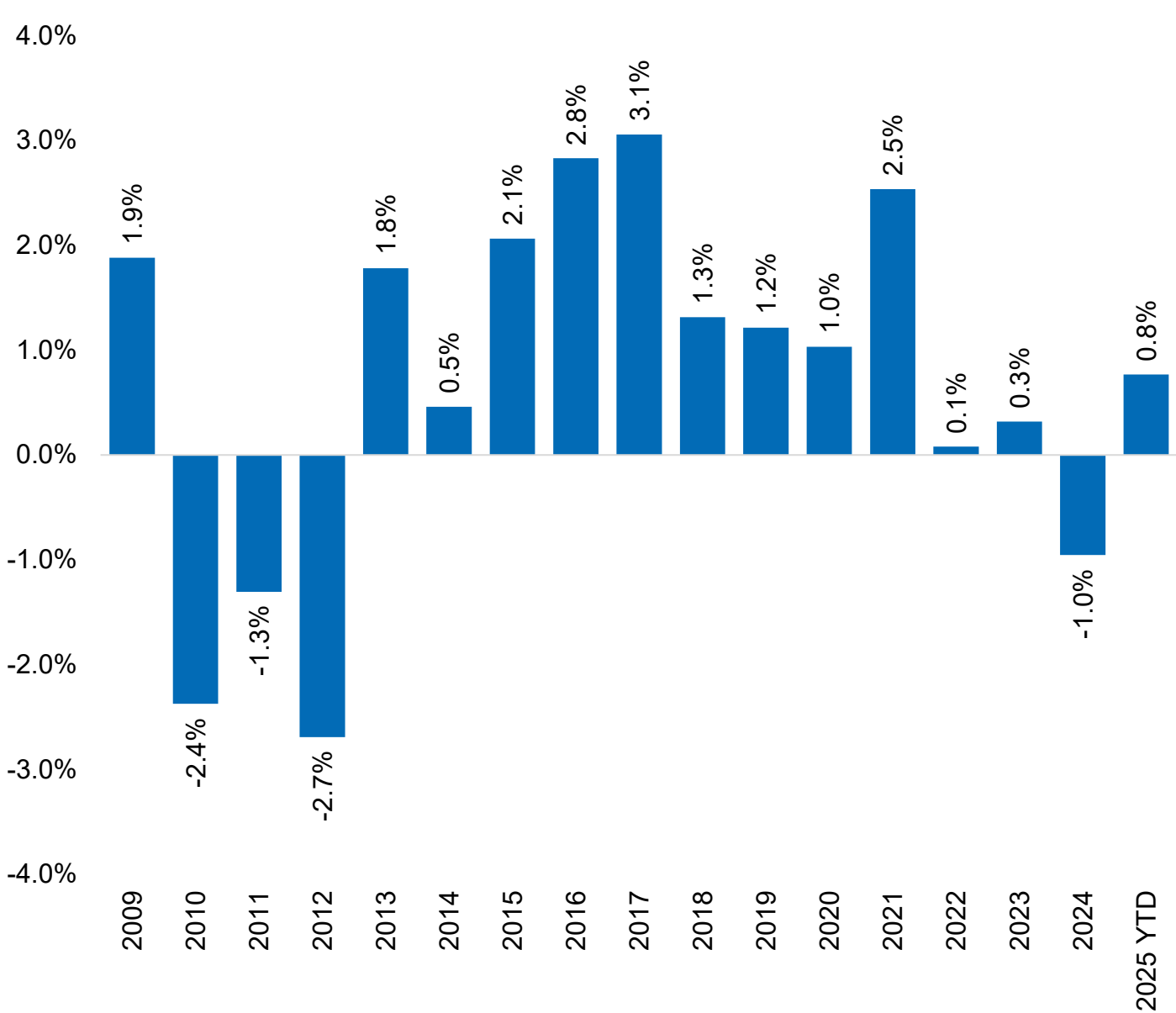
Rents Begin 2025 on a Positive Note

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 Q2 2025 at \$24.97, an increase of 0.8% year-over-year.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

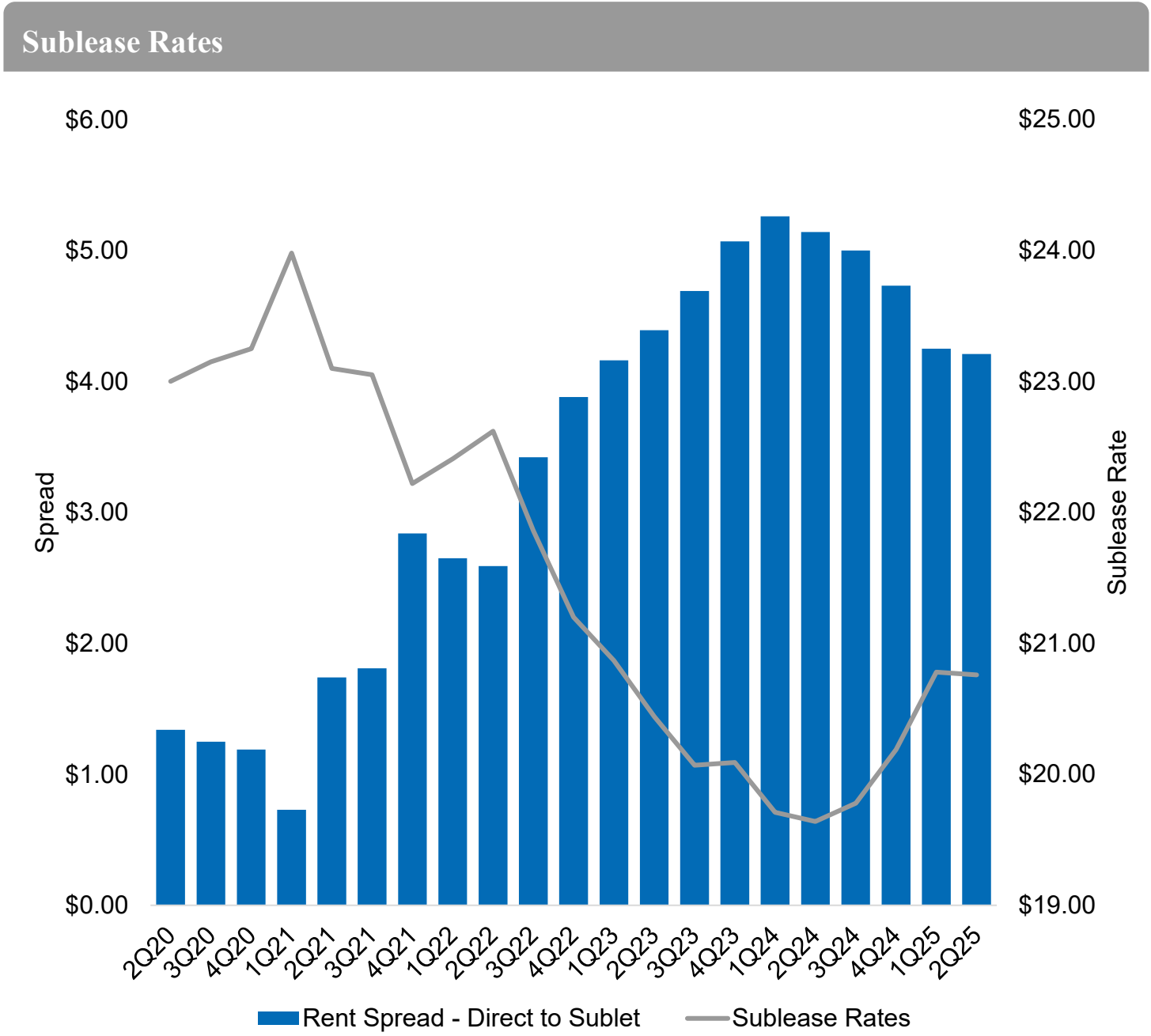
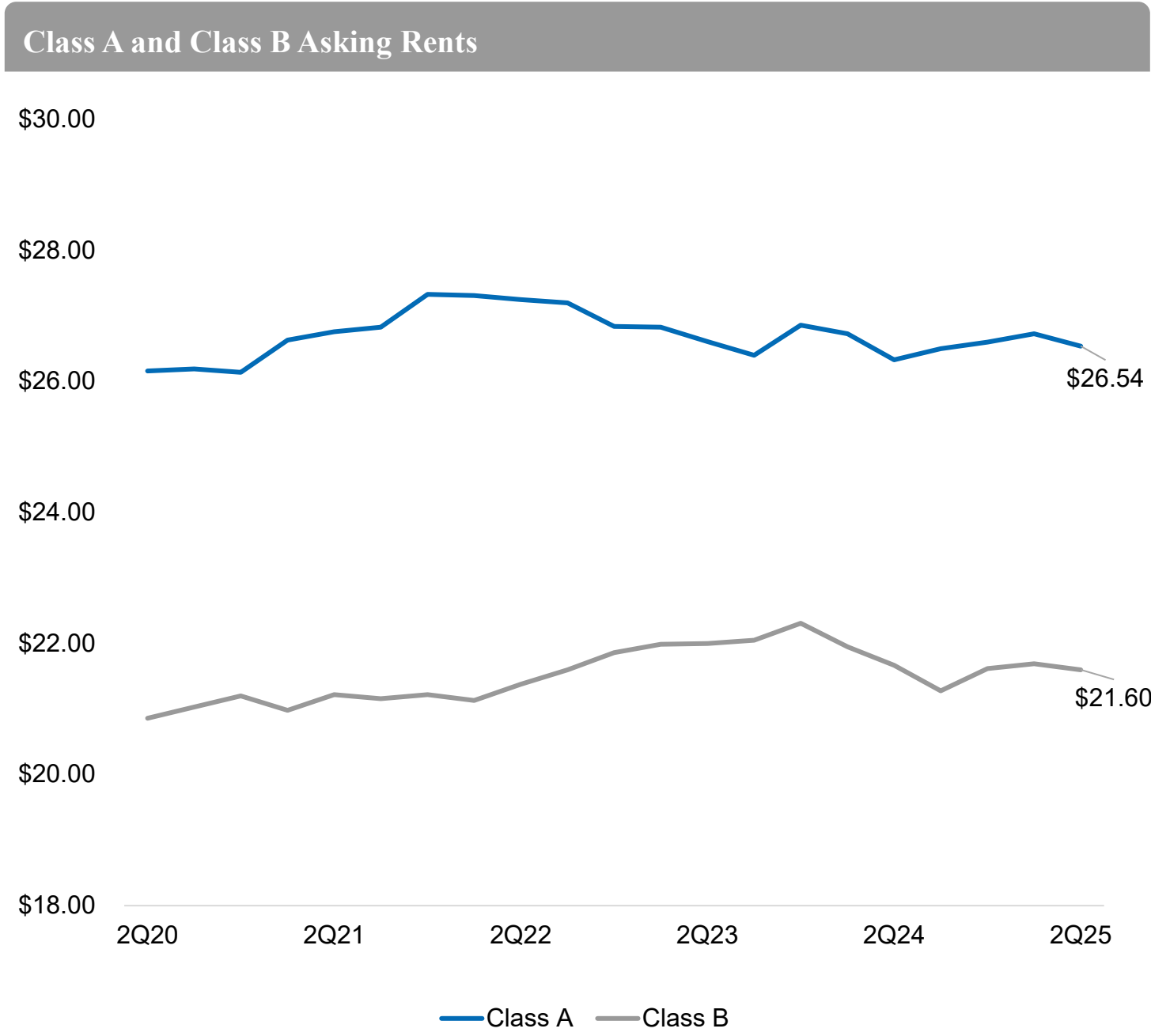


Source: Newmark Research, CoStar



Rents See Slight Negative Movement In Both Class A and Class B Product

Class A rents ended Q2 2025 at \$26.54, a decrease of 0.7% quarter-over-quarter, although an increase of 0.8% year-over-year. Class B rents ended the quarter at \$21.60, a decrease of 0.4% quarter-over-quarter and 0.3% year-over-year. Sublease rates remained flat quarter-over-quarter, however increased 5.7% year-over-year. The spread between direct and sublease rates ended Q2 2025 at \$4.21 PSF.



Source: Newmark Research, CoStar



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Market Statistics



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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	80,634,752	16.1%	19.4%	120,270	-353,068	0	137,985	0	\$24.97
Class A	49,314,481	18.8%	23.2%	133,281	-360,438	0	137,985	0	\$26.54
Class B	26,041,798	13.3%	15.2%	-35,906	4,238	0	0	0	\$21.60
Class C	5,278,473	4.2%	4.3%	22,895	3,132	0	0	0	\$21.07
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	17.6%	14.8%	9,751	590	0	0	0	\$28.57
Baltimore County East	1,891,681	14.3%	12.1%	17,725	81,785	0	0	0	\$25.79
Baltimore Midtown	2,167,162	6.8%	5.9%	-10,898	-10,569	0	0	0	\$18.47
Baltimore Northeast	1,179,016	4.8%	7.7%	0	0	0	0	0	\$19.35
Baltimore Northwest	1,229,881	10.3%	8.0%	-3,362	11,622	0	0	0	\$19.25
Baltimore Southeast	7,311,224	15.1%	22.5%	-5,262	60,135	0	0	0	\$28.17
Baltimore Southwest	2,331,933	19.3%	19.3%	-5,584	-51,939	0	0	0	\$27.74
BWI	9,833,741	9.0%	11.2%	13,400	-40,387	0	137,985	0	\$27.90

Source: Newmark Research

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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	6.9%	7.5%	-1,807	-3,682	0	0	0	\$16.83
CBD Baltimore	13,776,185	19.1%	21.3%	24,263	-369,346	0	0	0	\$24.55
Columbia	11,774,337	19.1%	24.3%	25,741	132,970	0	0	0	\$26.47
Ellicott City	879,329	9.4%	7.7%	-3,580	-7,497	0	0	0	\$22.91
Harford County	1,910,894	24.4%	25.7%	-5,331	-2,839	0	0	0	\$24.67
I-83	7,793,241	14.8%	22.6%	29,895	37,166	0	0	0	\$22.48
I-97 Crain Highway Corridor	726,522	9.9%	15.3%	5,049	14,190	0	0	0	\$29.25
Reisterstown Road Corridor	4,845,322	16.3%	24.1%	988	21,066	0	0	0	\$23.95
Route 1 Corridor	1,398,332	21.8%	22.2%	-7,053	-27,345	0	0	0	\$20.56
Route 2 Corridor	931,886	9.5%	9.3%	-8	-4,429	0	0	0	\$23.23
Towson	4,489,503	18.0%	20.2%	-622	-44,946	0	0	0	\$21.76
Woodlawn	2,353,710	27.5%	27.1%	120,270	-353,068	0	0	0	\$21.45

Source: Newmark Research



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