3Q25

Baltimore Office Market Overview

Market Observations

Economy

- The region's labor market saw a dip during the third quarter, highlighted by the unemployment rate. The metro's unemployment rate sat at 4.3% as of August, a concerning expansion of 110 bps from the three months prior. 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.
- Overall nonfarm employment saw growth slow to 0.2% in the Baltimore metro year-over-year, slower than national growth of 0.9%. Within the office-using sectors, the market saw an increase of 1.7% in the Financial Activities sector, however the Information sector saw a decline of 4.4%, while Professional & Business Services was flat.
- 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 portfolio sale of three office buildings in the North Park Business Community. The three Class A office buildings, totaling 295,392 SF, are located at 4-10 N Park Drive in Hunt Valley. Quadrel Realty Group sold the portfolio to St. John Properties for $20.05 M, or $67.88 PSF. The properties, which were 63% occupied at the time of sale, were sold in a court-appointed sale, as they had been in receivership at the time of sale.
- The second-largest deal of the quarter was the portfolio sale of three office buildings, totaling 221,000 SF, and two adjacent land parcels within Highlands Corporate Park in Sparks, Maryland. The portfolio, located at 901-934 Ridgebrook Road, was sold by Lingwood Partners Inc to Broadmead Inc for $16.5 M, or $74.66 PSF. This was a distress sale, as the properties were in receivership and the occupancy of the three office buildings was less than 5.0% at the time of sale. The buyer plans to convert the portfolio into an independent living residence known as Broadmead at Ridgebrook.

Leasing Market Fundamentals

- After the market experienced almost 1.1 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 180,000 SF of positive net absorption during 2024. During the first three quarters of 2025, however, the market saw negative activity, with over 280,000 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 14.1%, the vacancy rate has stabilized and remained relatively flat since the end of 2022, ending Q3 2025 at 15.9%.
- Baltimore office development has slowed steadily since a peak of almost 1.8 MSF 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 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. Vacancies will likely continue expanding in the short term due to the federal government's downsizing.
- 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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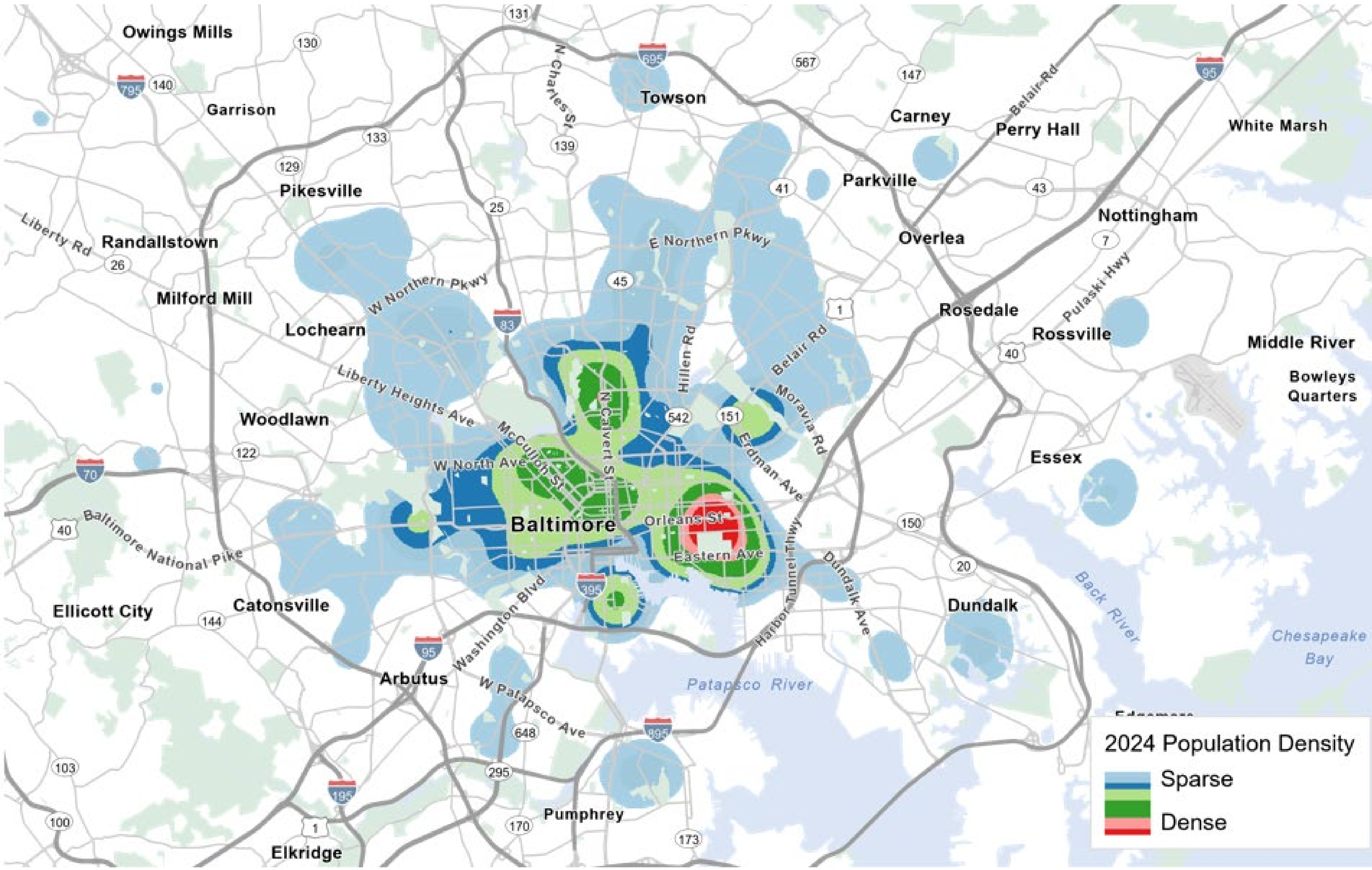
Economy

Baltimore 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%. Looking forward, the region is expected to add 57,455 residents from 2025 to 2030, a projected growth rate of 2.0%.

Population



#22
Largest U.S. Metro by Population (2024)

Source: U.S. Census Bureau

2.9 M
Total Population (2024)

Source: Moody's Analytics

39.6
Median Age

Source: ESRI

2.0%
Projected Population Growth 2025-2030

Source: Moody's Analytics

$100,420
Median Household Income

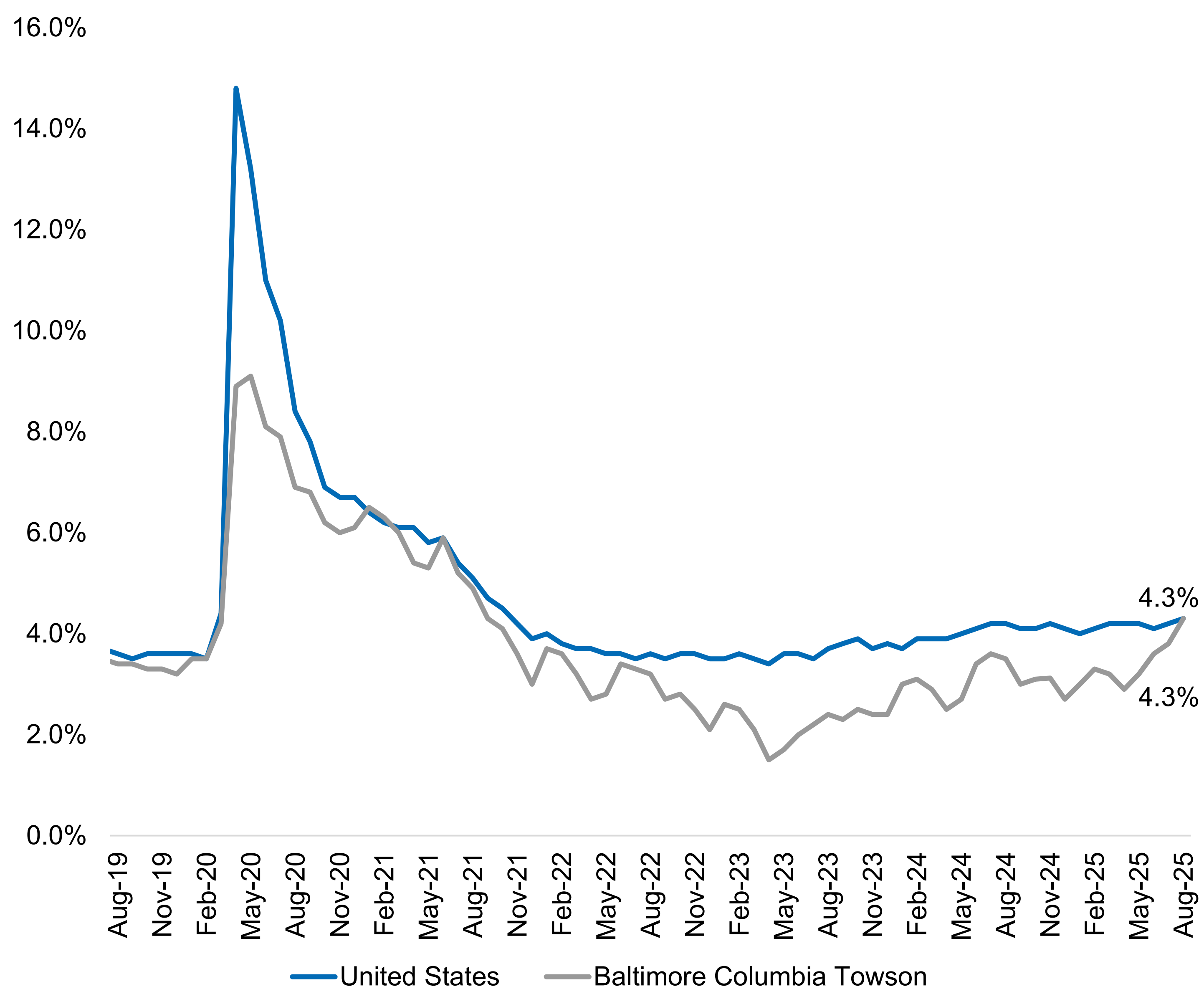
Source: ESRI

Source: Newmark Research, Moody's Analytics

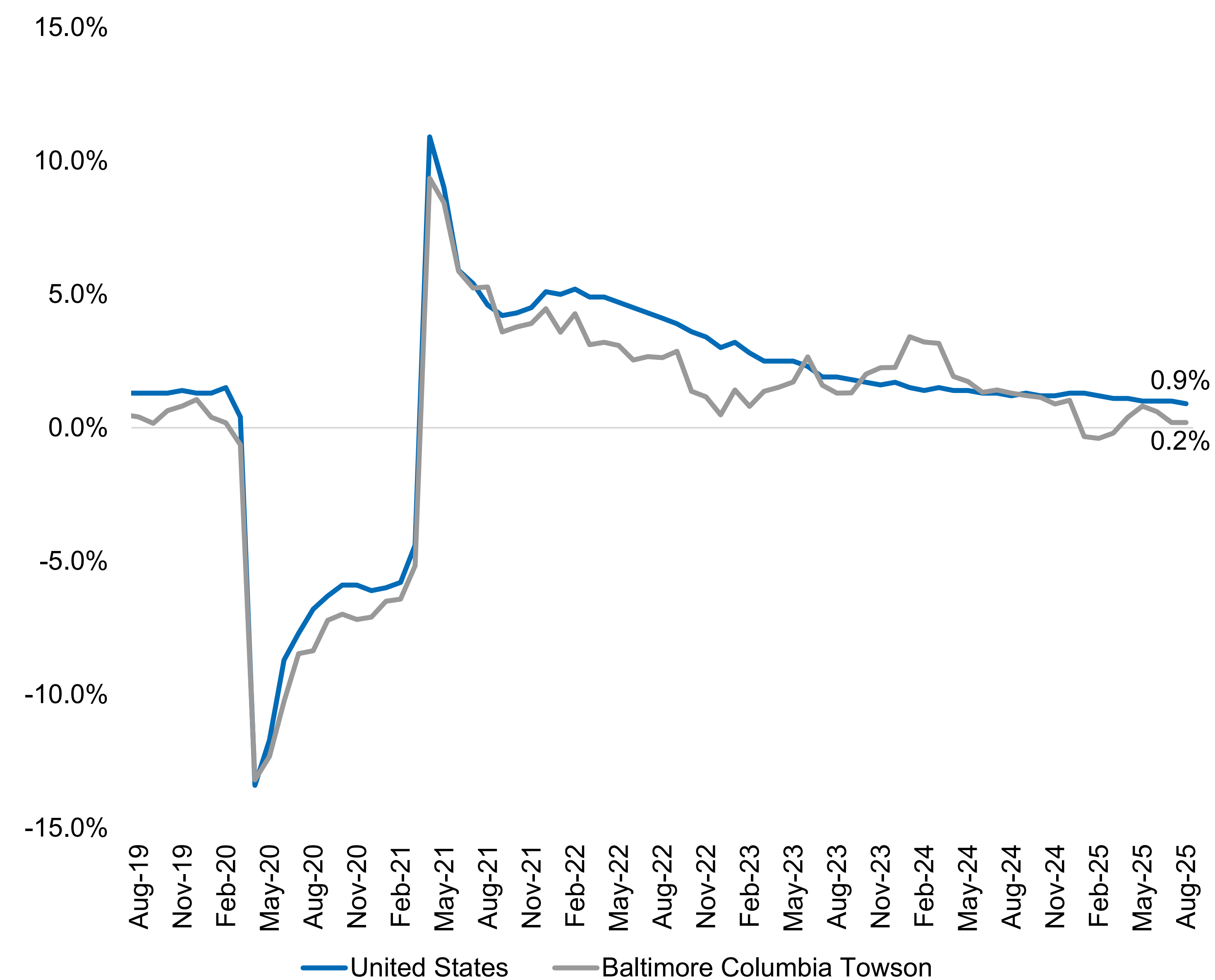
Baltimore's Unemployment Even With National Levels

Baltimore's unemployment rate ended August 2025 at 4.3%, equal to the national rate and an 80 bps increase year-over-year. Job growth has slowed, with an increase of 0.2% over the last 12 months.

Unemployment Rate, Seasonally Adjusted



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

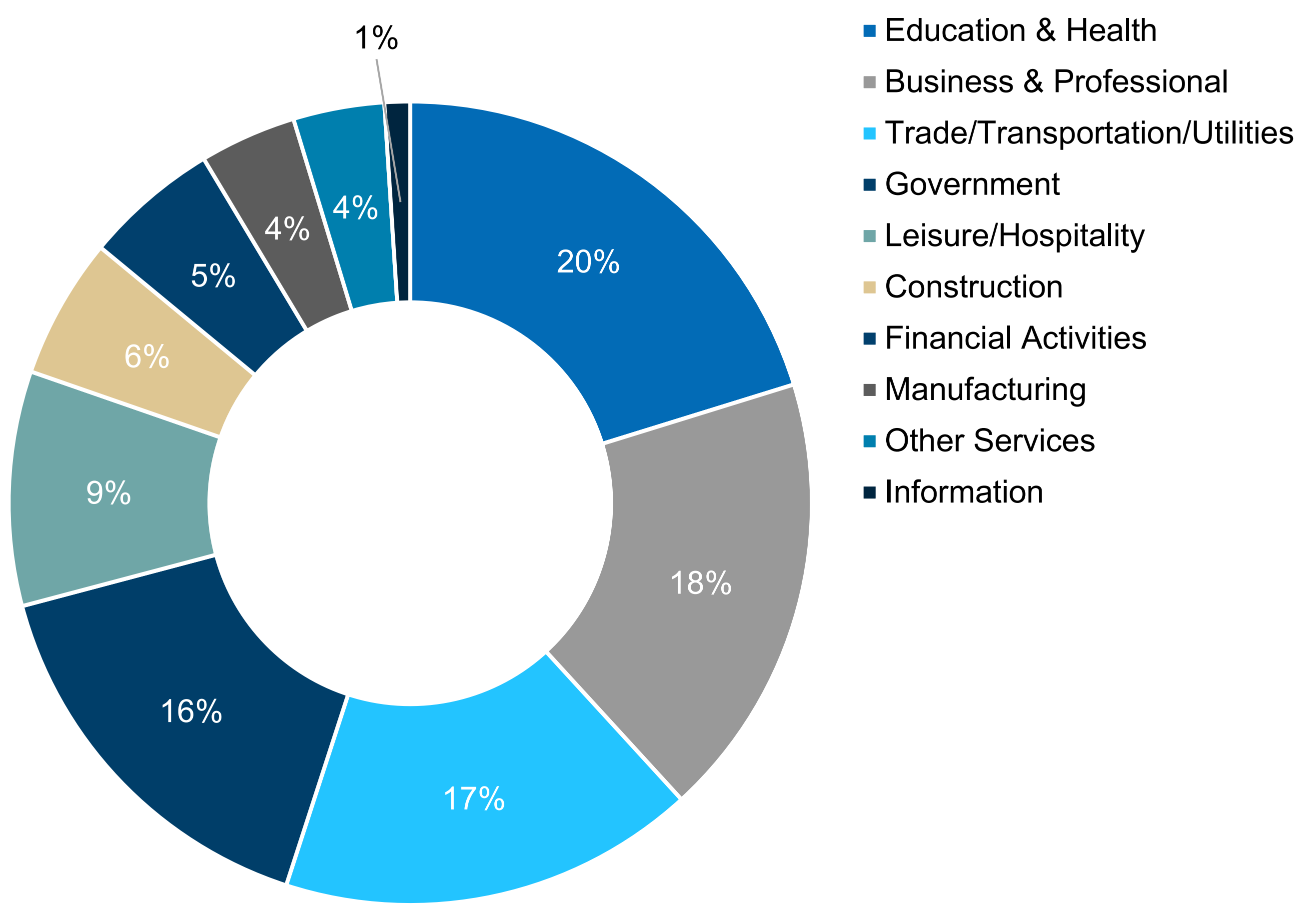


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

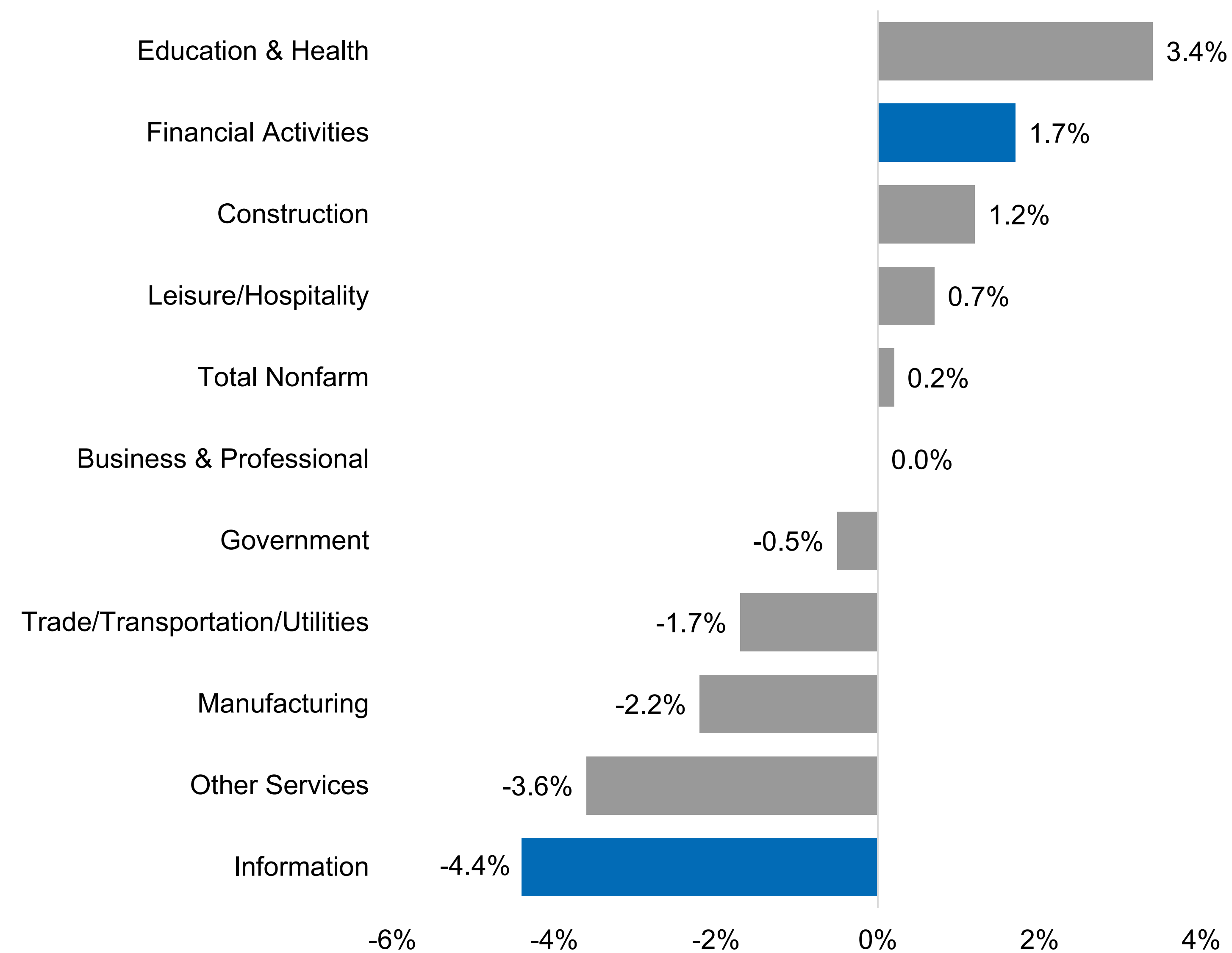
The Financial Activities Sector Sees 12-Month Employment Growth

Overall nonfarm employment increased 0.2% in the Baltimore metro year-over-year. The market saw an increase of 1.7% in the Financial Activities sector, however the Information sector saw a decline of 4.4%, while Professional & Business Services was flat. The Professional and Business Services sector remains the second-largest industry in the region, only behind Education & Health.

Employment by Industry, August 2025



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

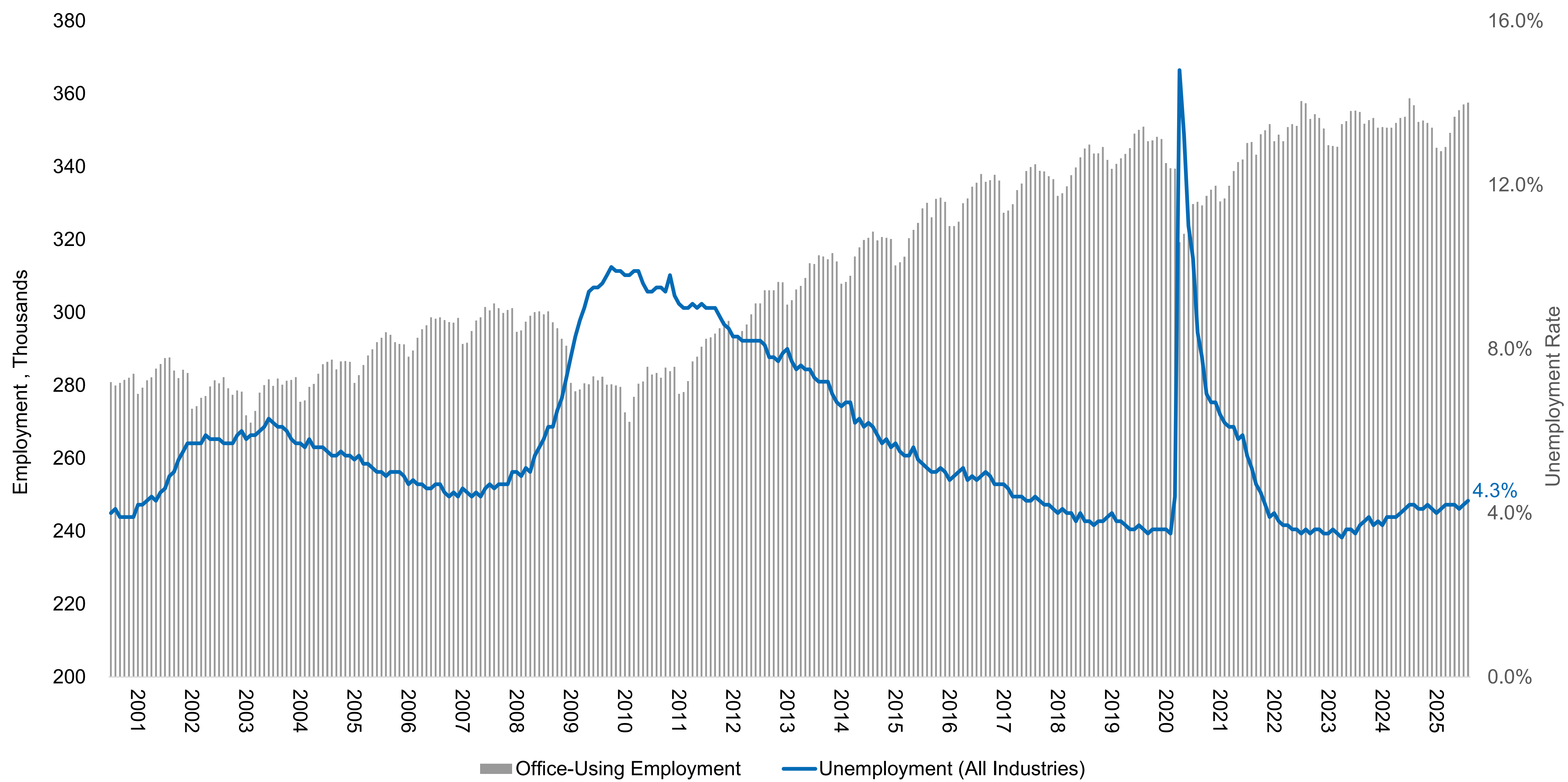


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Office-Using Employment Rises Year-Over-Year

The number of office jobs has rebounded past pre-pandemic levels and held steady. Employment ended August 2025 at 357,600 employees, up 0.2% year-over-year and 12.0% since the market reached a pandemic-related low in April of 2020.

Office-Using Employment* and Unemployment Across All Industries



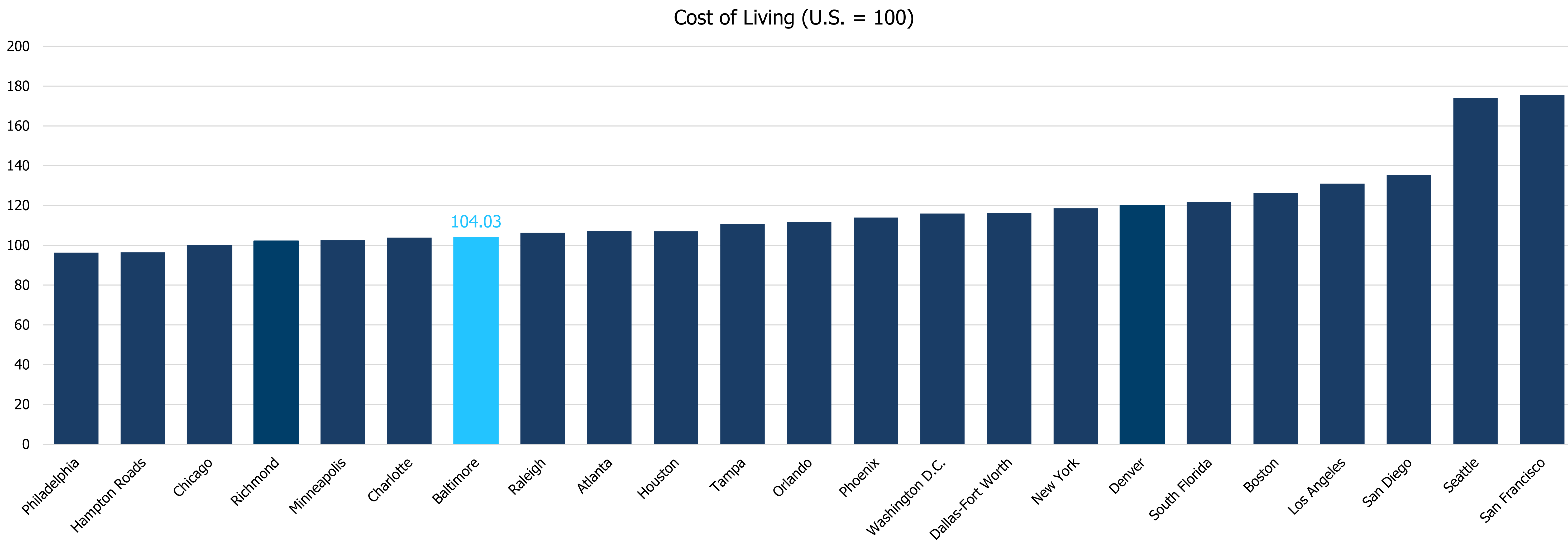
Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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.

Cost of Living



#7 Lowest Cost of Living Among the Largest and Most Comparable Metros

Source: Newmark Research, Moody's Analytics

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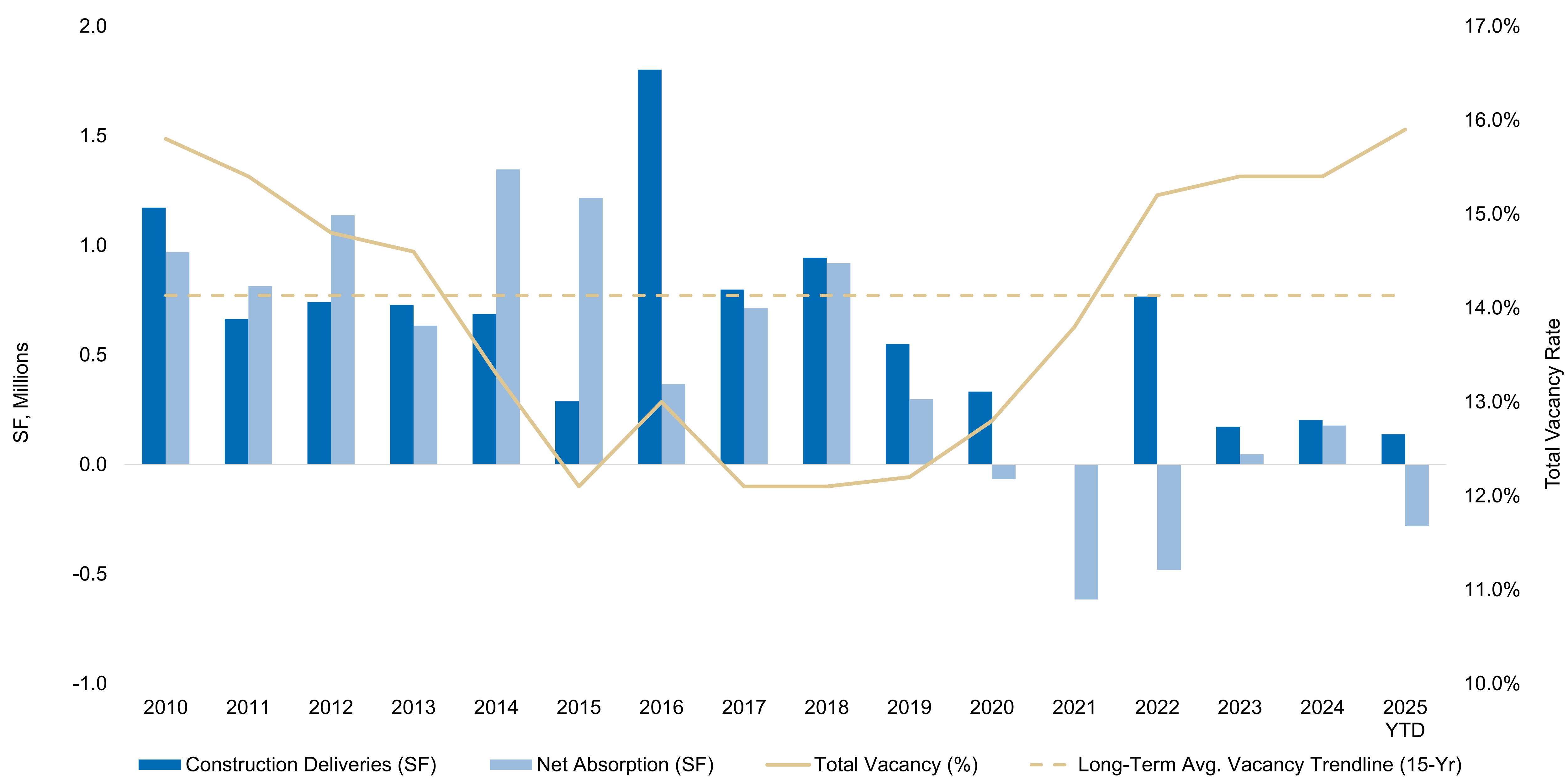
Leasing Market Fundamentals

Market Fundamentals See Loosening So Far in 2025

Although the vacancy rate has expanded so far in 2025, ending Q3 2025 at 15.9%, this was due to the first quarter when the market saw 488,000 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 has rebounded in the two quarters since, experiencing over 200,000 SF of positive net absorption, despite seeing over 50,000 SF of negative net absorption in Q3 2025.

Historical Construction Deliveries, Net Absorption, and Vacancy

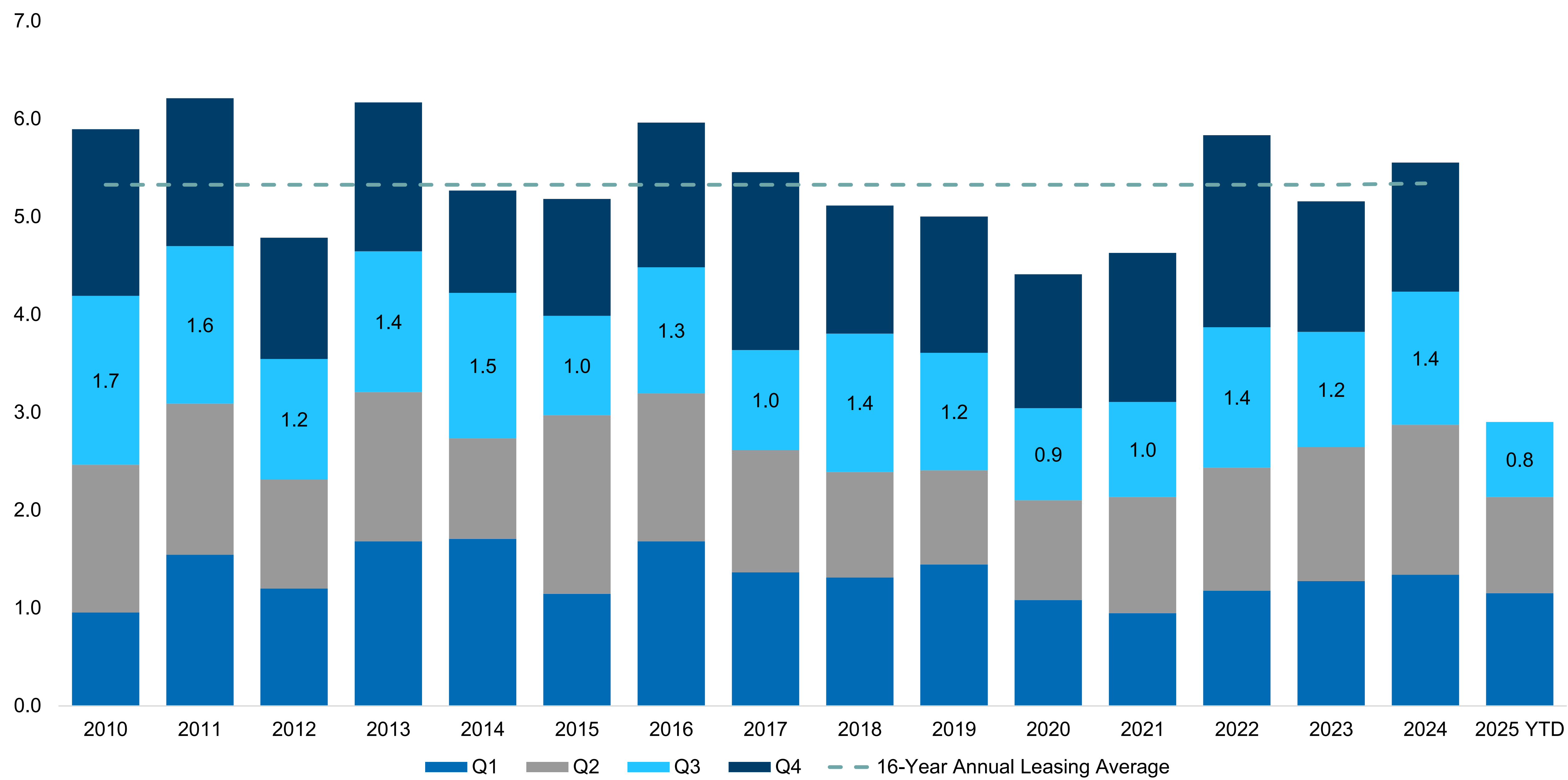


Source: Newmark Research

Leasing Activity Historically Slow So Far in 2025

Leasing activity during Q3 2025 was below the market's historical average, with the market seeing 0.8 MSF of activity, below the historical average of 1.3 MSF of leasing activity during the third quarter. Overall, so far in 2025, the market is seeing historically slow leasing activity, with 2.9 MSF of leasing activity during the first three quarters, much less than the historical average of almost 3.9 MSF of leasing activity during the same period. This comes after the market experienced leasing activity above the historical average during 2024, when the market saw 5.6 MSF of leasing activity compared to the historical average of 5.3 MSF of leasing activity per year.

Total Leasing Activity (msf)

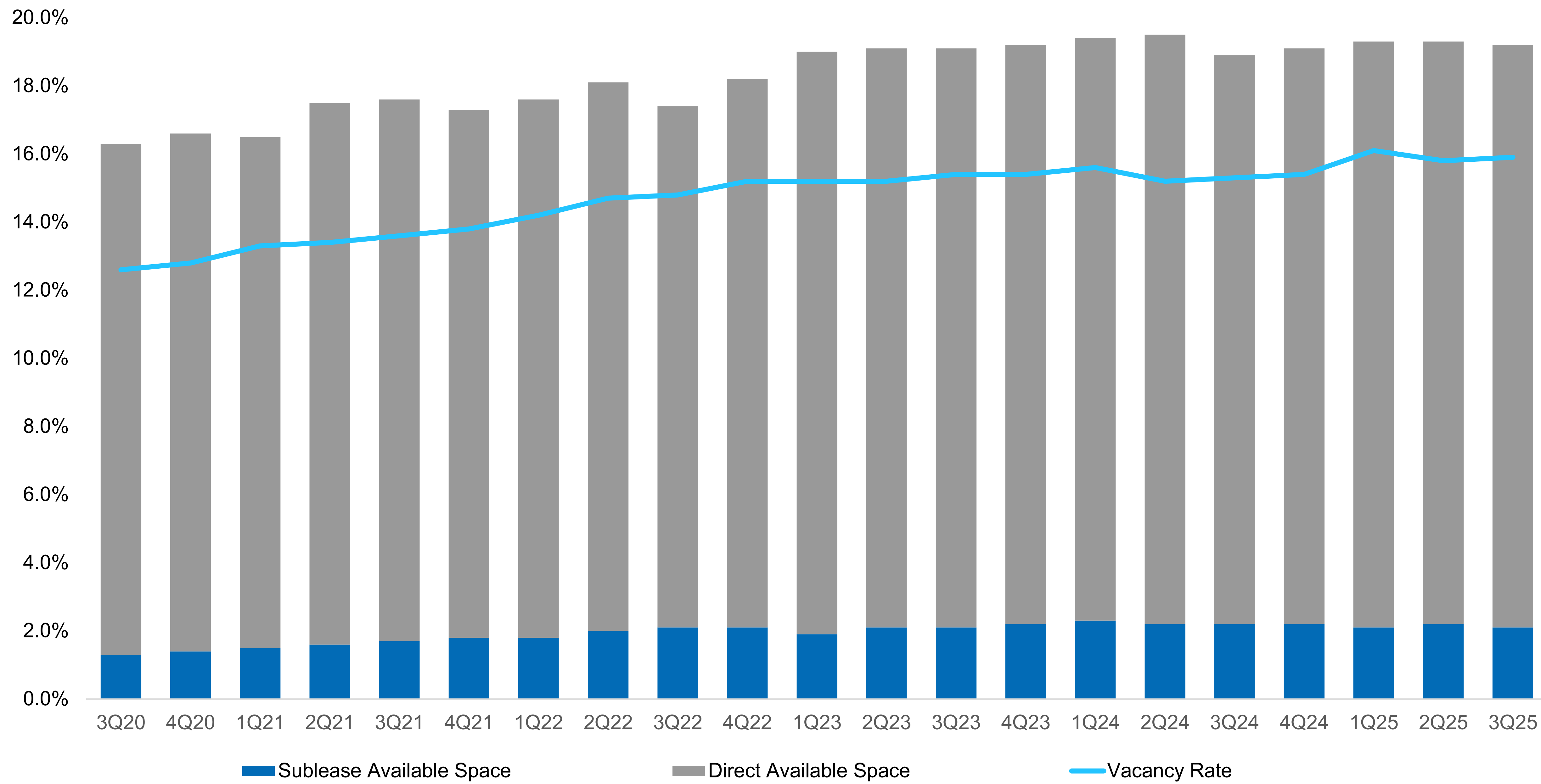


Source: Newmark Research

Vacancy and Availability Remain Stabilized

During Q3 2025, sublease availability tightened 10 bps to 2.1%, while direct available space remained flat at 17.1%. Vacancy ended the quarter at 15.9%, expanding 10 bps quarter-over-quarter and 60 bps year-over-year. Vacancy has remained relatively stable since the end of 2022 after expanding consistently from 2020 to 2022.

Available Space and Vacancy Rate



Source: Newmark Research

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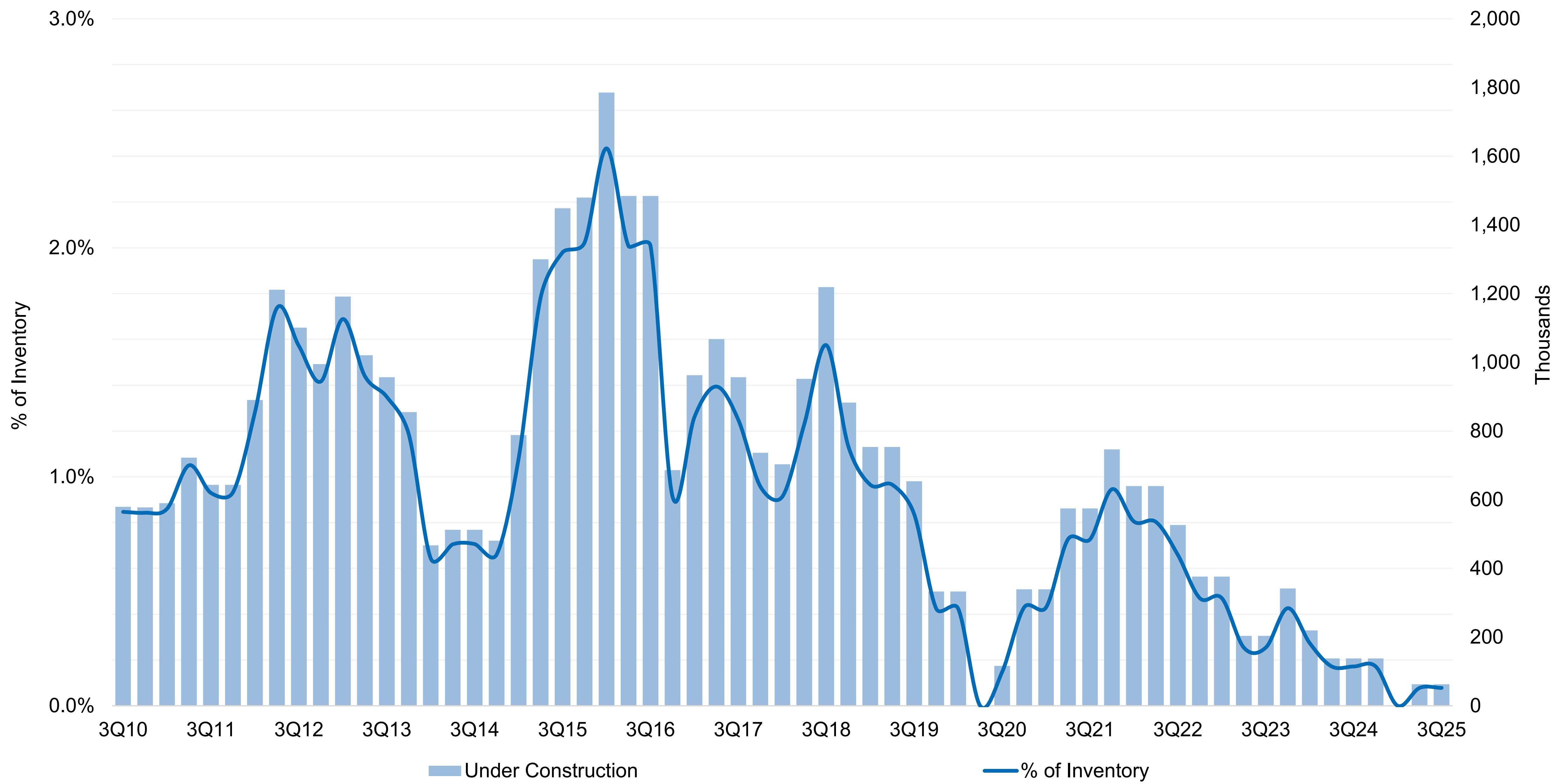
Lack of Construction Continues in the Baltimore Market

Baltimore office development has slowed steadily since a peak of almost 1.8 MSF 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, known as Reservoir Square, broke ground in June and is expected to be delivered by the end of 2026.

Office Under Construction and % of Inventory

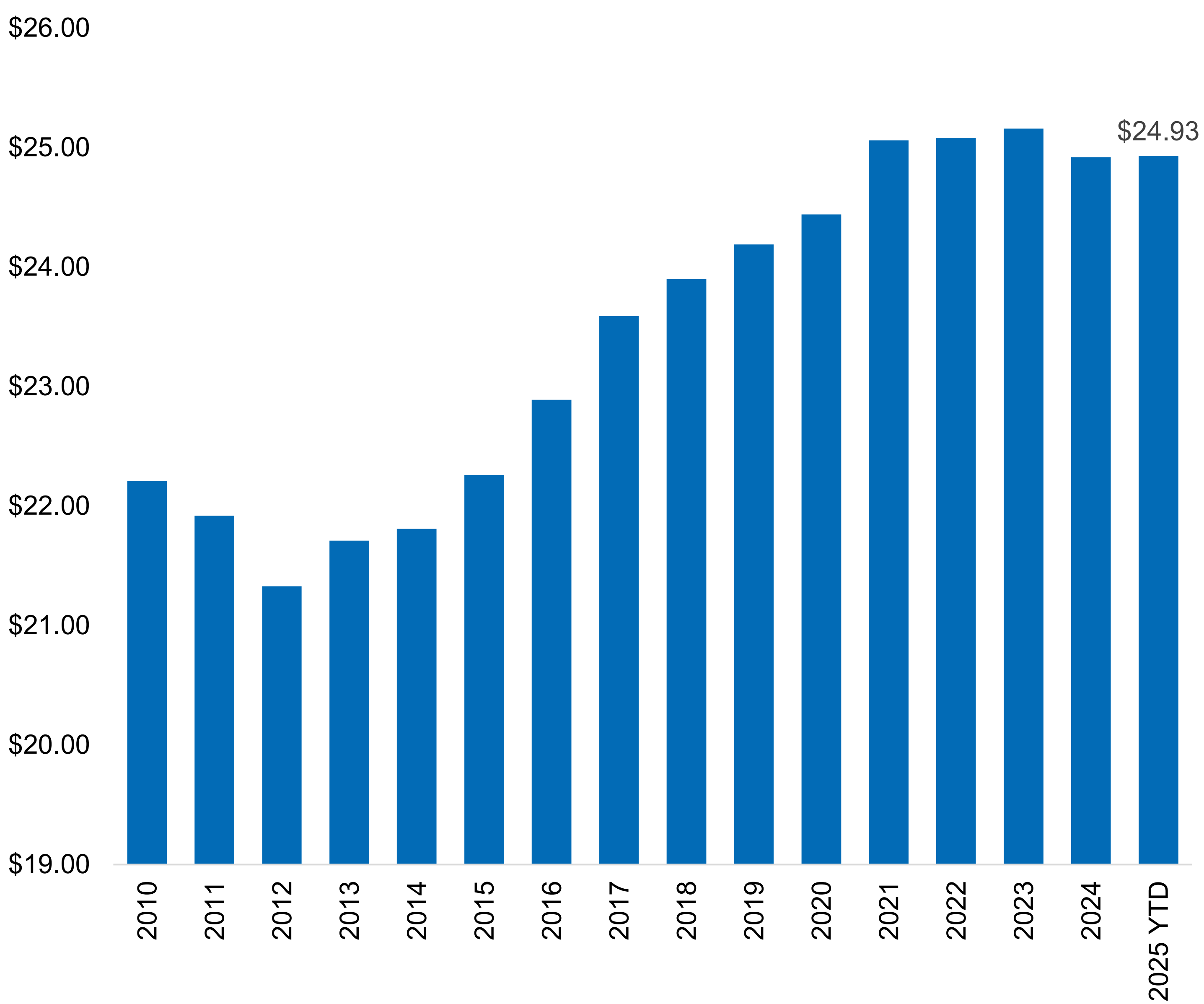


Source: Newmark Research

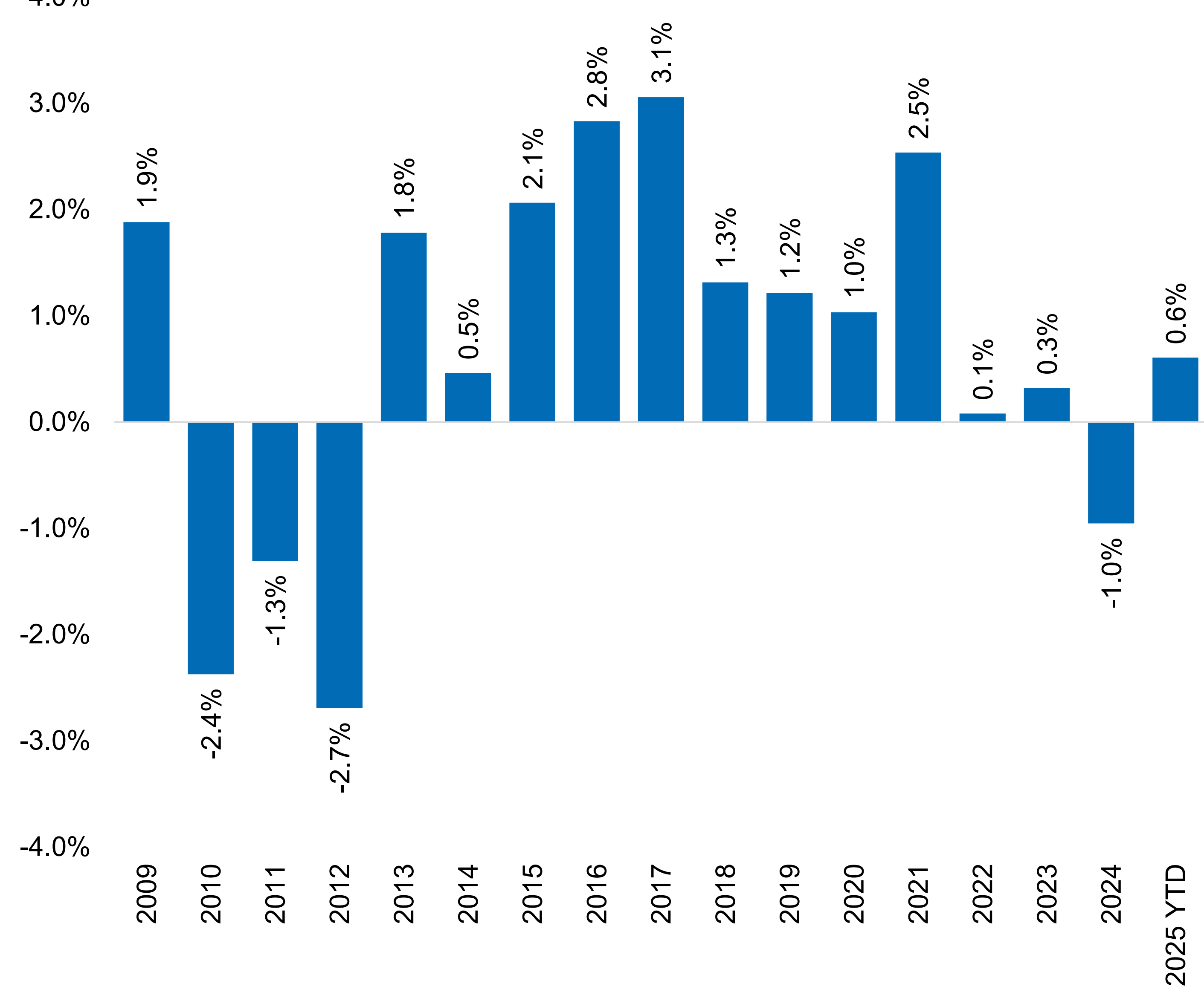
Rents Seeing Positive Growth So Far in 2025

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. So far in 2025, however, rents ended Q3 2025 at $24.93, an increase of 0.6% year-over-year.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

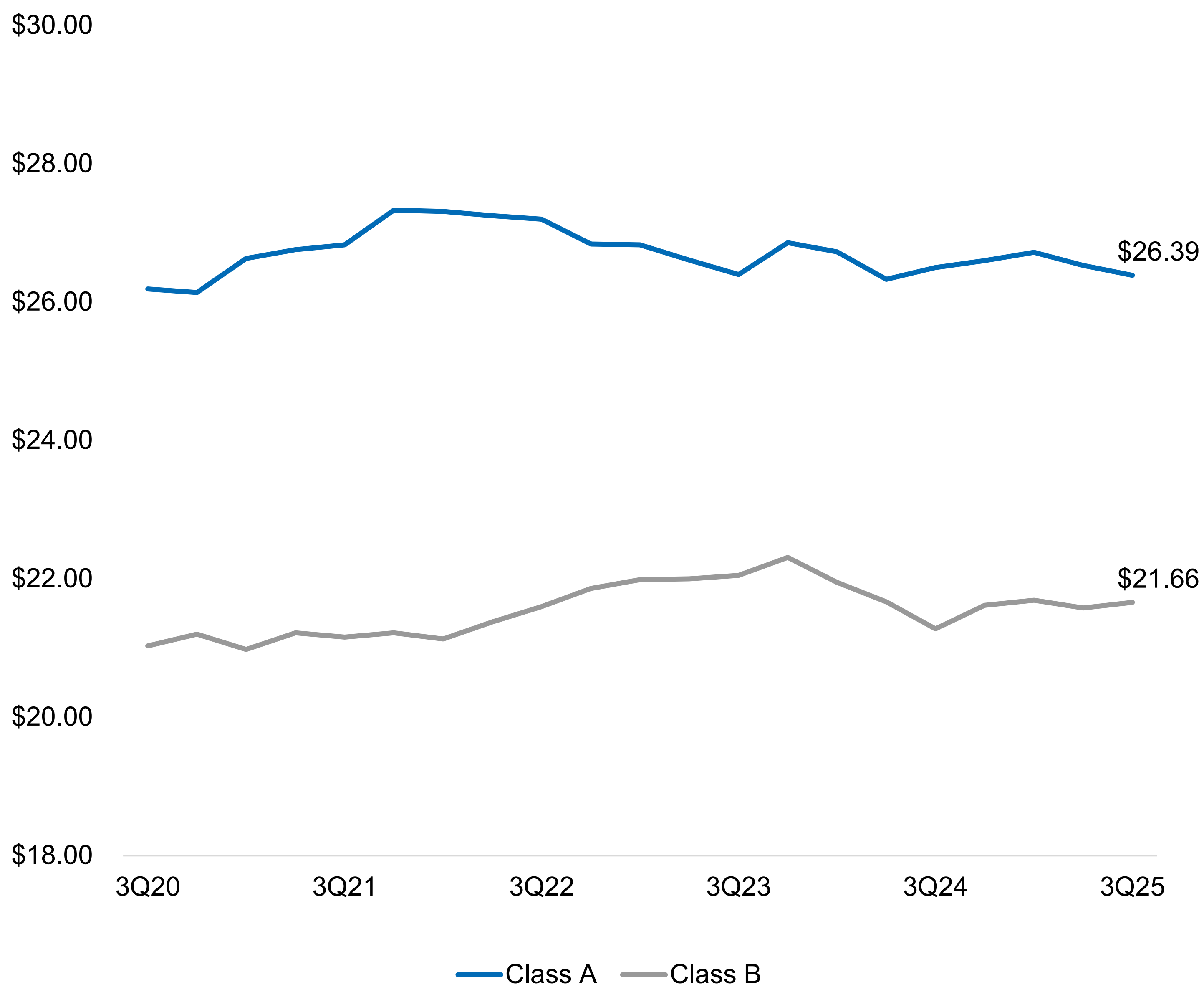


Source: Newmark Research

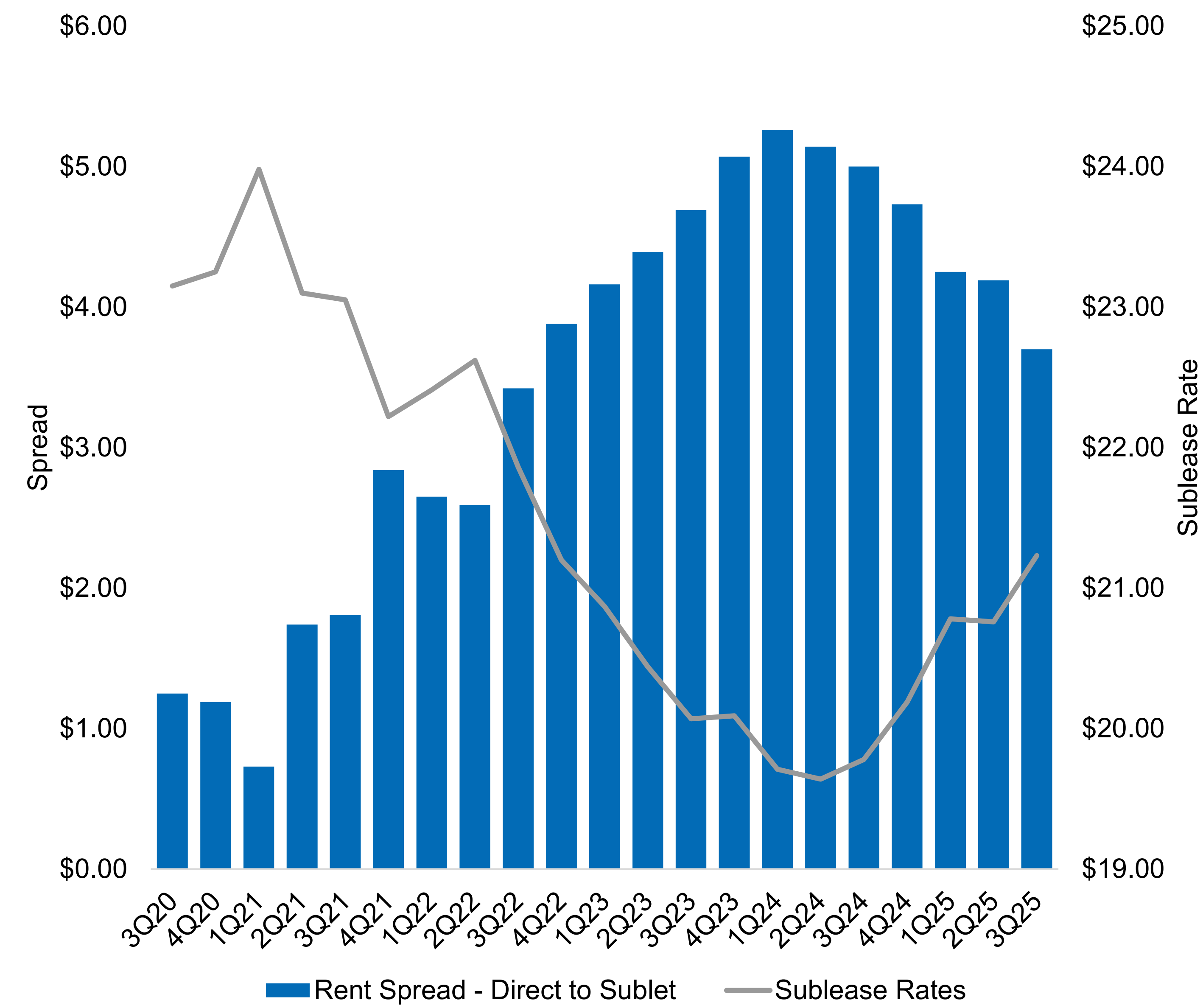
Class A Rents and Class B Rents Moving In Opposite Directions

Class A rents have seen a recent decline, ending Q3 2025 at $26.39 PSF, a decrease of 0.5% quarter-over-quarter and 0.4% year-over-year. Conversely, Class B rents have seen positive movement, ending the quarter at $21.66 PSF, an increase of 0.4% quarter-over-quarter and 1.8% year-over-year. Sublease rates have also seen positive movement, ending Q3 2025 at $21.23 PSF, an increase of 2.3% quarter-over-quarter and 7.3% year-over-year. The spread between direct and sublease rates ended Q3 2025 at $3.70 PSF. The spread has been tightening consistently since reaching a historic peak of $5.26 PSF in Q1 2024.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

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Market Statistics

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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