
4Q24

Baltimore Office Market Overview



NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. November’s 3.2% unemployment rate was significantly lower than the national average of 4.2%.
- The market saw a solid 12-month gain in the Business & Professional sector of 0.8%, however, it saw declines in the Financial Activities and Information sectors of 1.4% and 5.0% respectively. This resulted in the three main office-using sectors staying flat year-over-year.
- 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% and Trade/Transportation/Utilities with 17% of the regional workforce.

Major Transactions

- The largest deal of the quarter was the sale of 2034 Greenspring Drive, a 78,516-square-foot, Class B office building. Loyola University sold the single-story office building to Bimmer Capital Investments for \$14 M, or \$178.31 PSF. Baltimore County Public Schools fully occupied the property at the time of sale.
- The second-largest deal of the quarter was the sale of 1000-1018 Cromwell Bridge Road, a 24,000-square-foot, Class C office building. Cromwell RP Group sold the single-story office building to Rosedale Roofing for 3.4 M, or \$141.67 PSF. The property was 83.3% occupied by multiple tenants at the time of sale.

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 83,000 SF of positive net absorption during 2024.
- 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 2024 at 15.6%.
- Development has been muted the past few years, which continued in Q4 2024 with no deliveries. Furthermore, there are three properties totaling 588,000 SF under construction, well below the market’s decade average of 800,000 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 2024 at 15.6%. 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.

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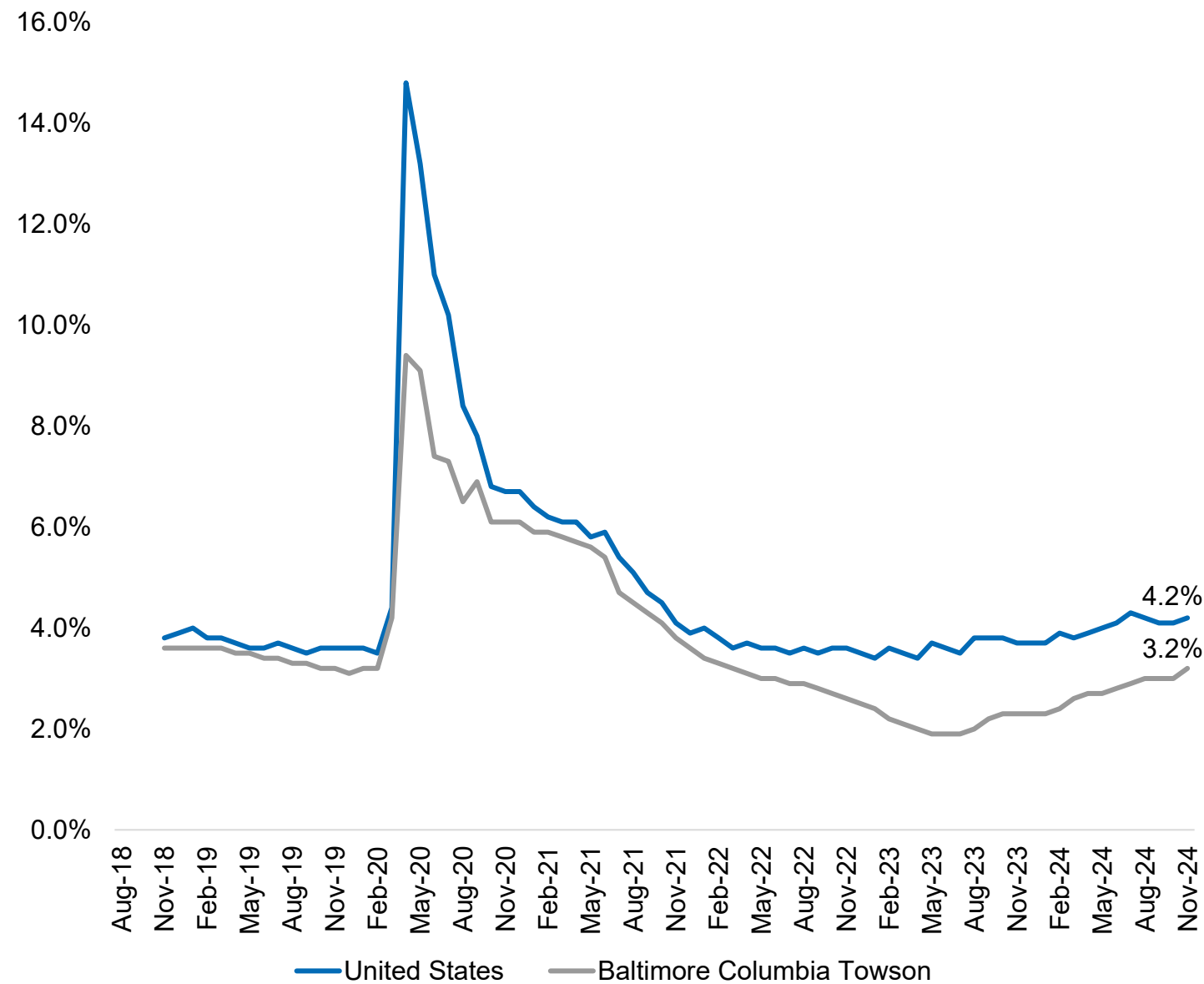
Economy



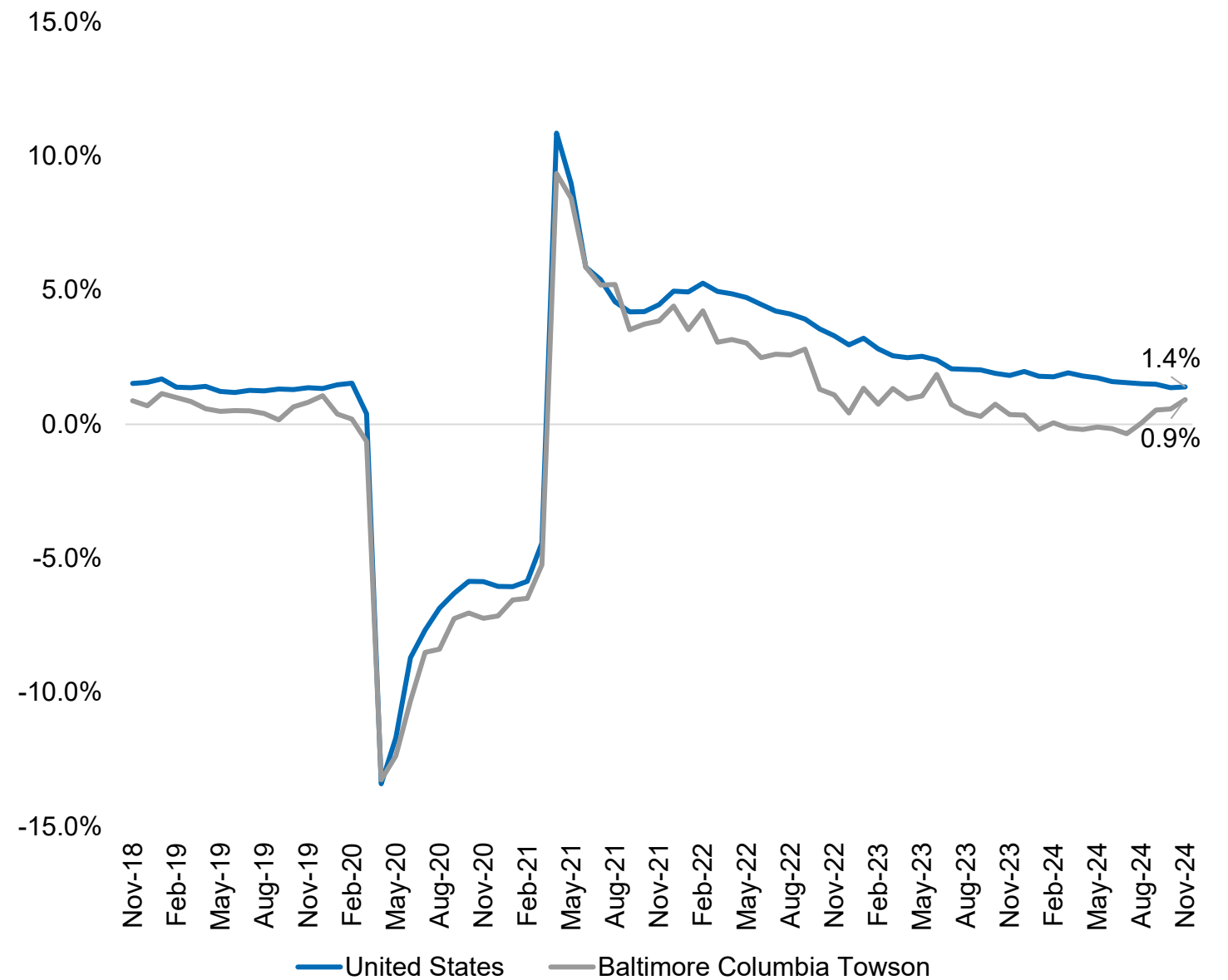
Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended November 2024 at 3.2%. This is 90 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

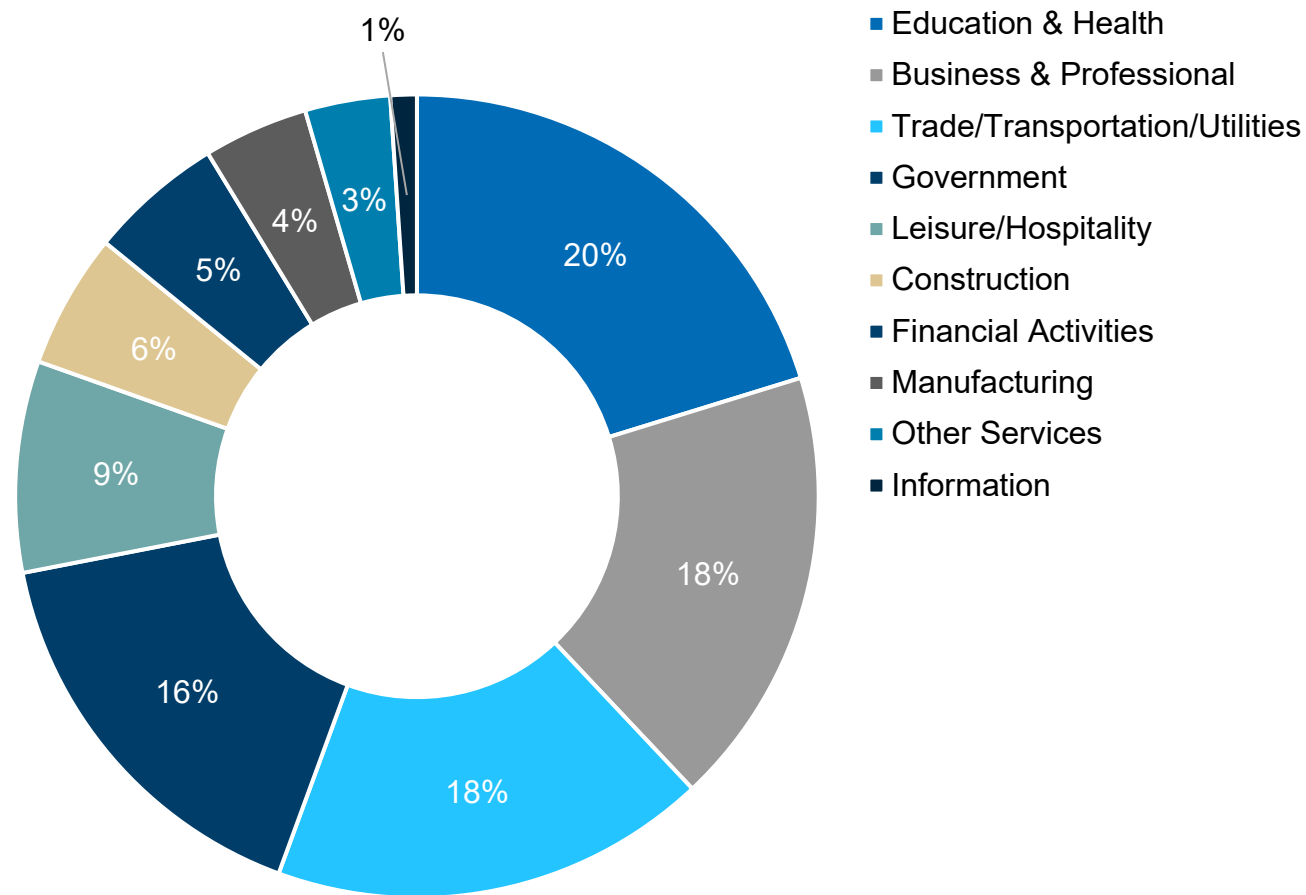


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

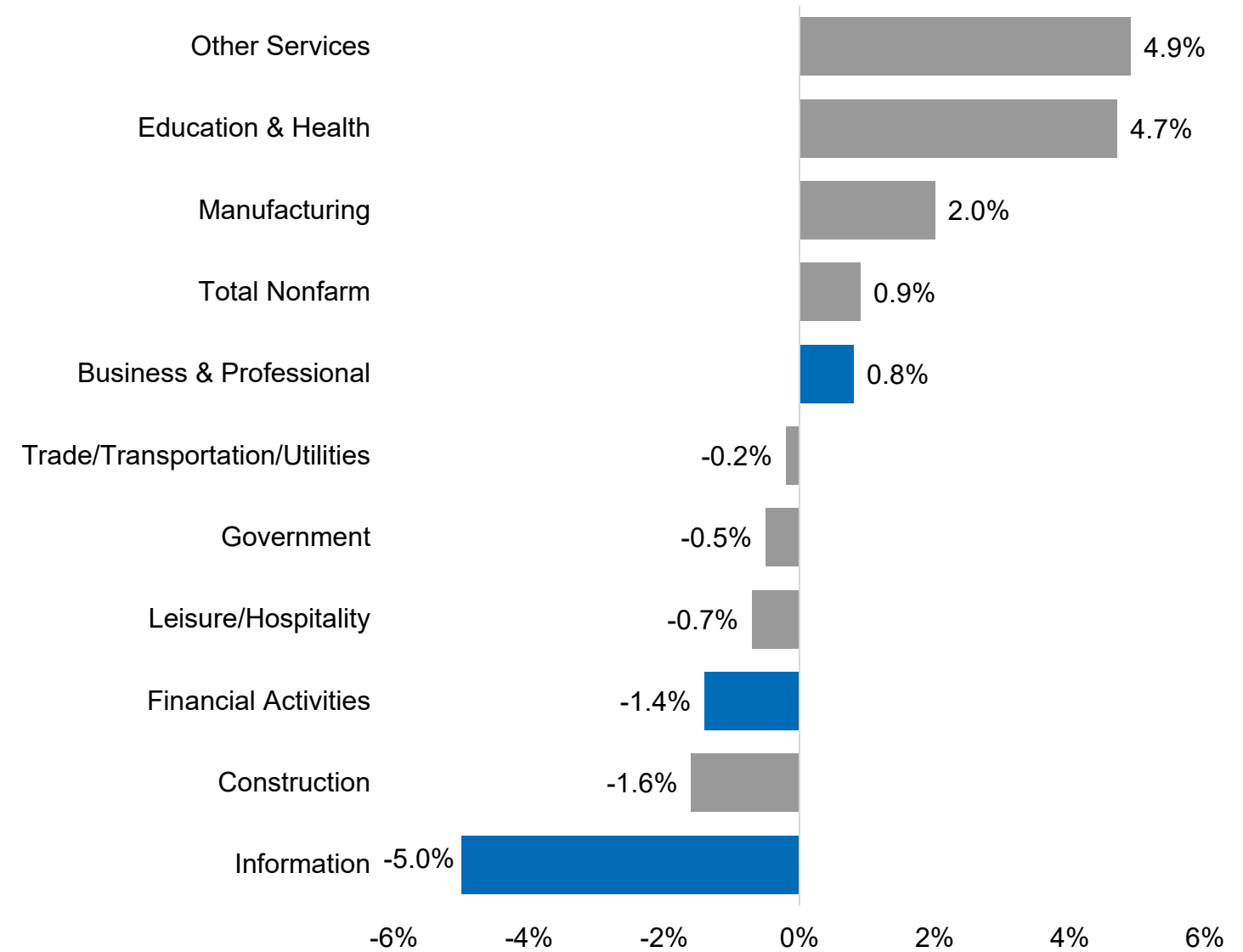
The Business & Professional Sector Sees 12-Month Employment Growth

Overall nonfarm employment increased 0.9% in the Baltimore metro year-over-year. The market saw declines in two of the three office-using sectors. The Information and Financial Activities sectors saw declines of 5.0% and 1.4%, respectively. Conversely, the Business & Professional sector saw an expansion of 0.8% over the past year, providing optimism for the office market. The Business & Professional industry remains the second-largest industry in the region, only behind Education & Health.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

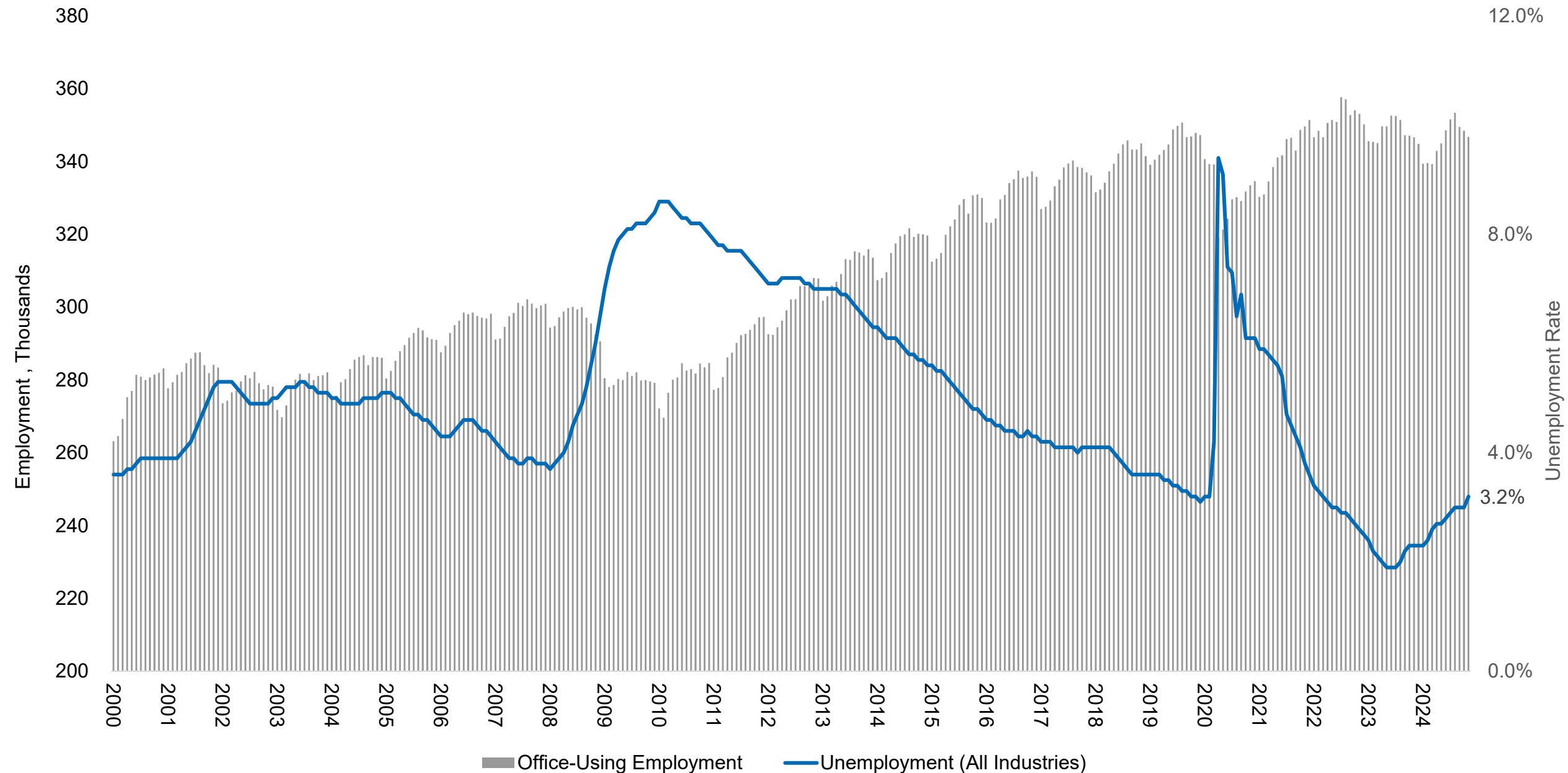


Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson

Office-Using Employment Was Relatively Flat in 2024

The number of office jobs has rebounded past pre-pandemic levels and held steady during 2024. Employment ended November 2024 at 346,800 employees, staying flat year-over-year and increasing 8.7% since the market reached a pandemic-related low in April of 2020.

Office-Using Employment* and Unemployment Across All Industries



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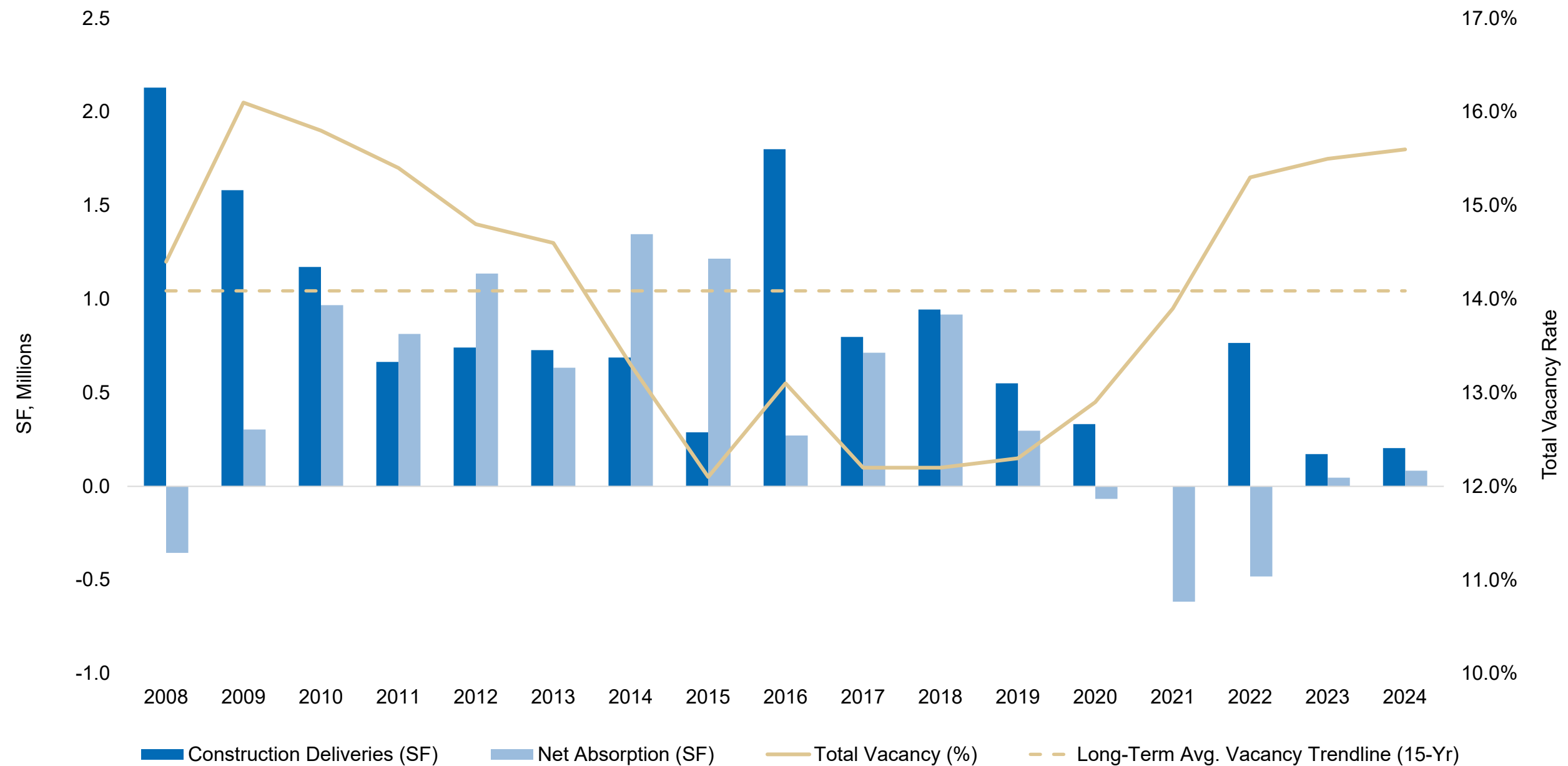
Leasing Market Fundamentals



Market Fundamentals Show Positive Signs in 2024

The vacancy rate expanded slightly during Q4 2024, ending the quarter at 15.6% after the market experienced 77,108 SF of negative net absorption. Although the market's vacancy remains above the long-term average of 14.1%, the positive net absorption of 83,313 SF during 2024 shows tenants' ability to make long-term real estate commitments in Baltimore. Although there were no deliveries during the quarter, there are currently three properties under construction totaling 588,000 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy



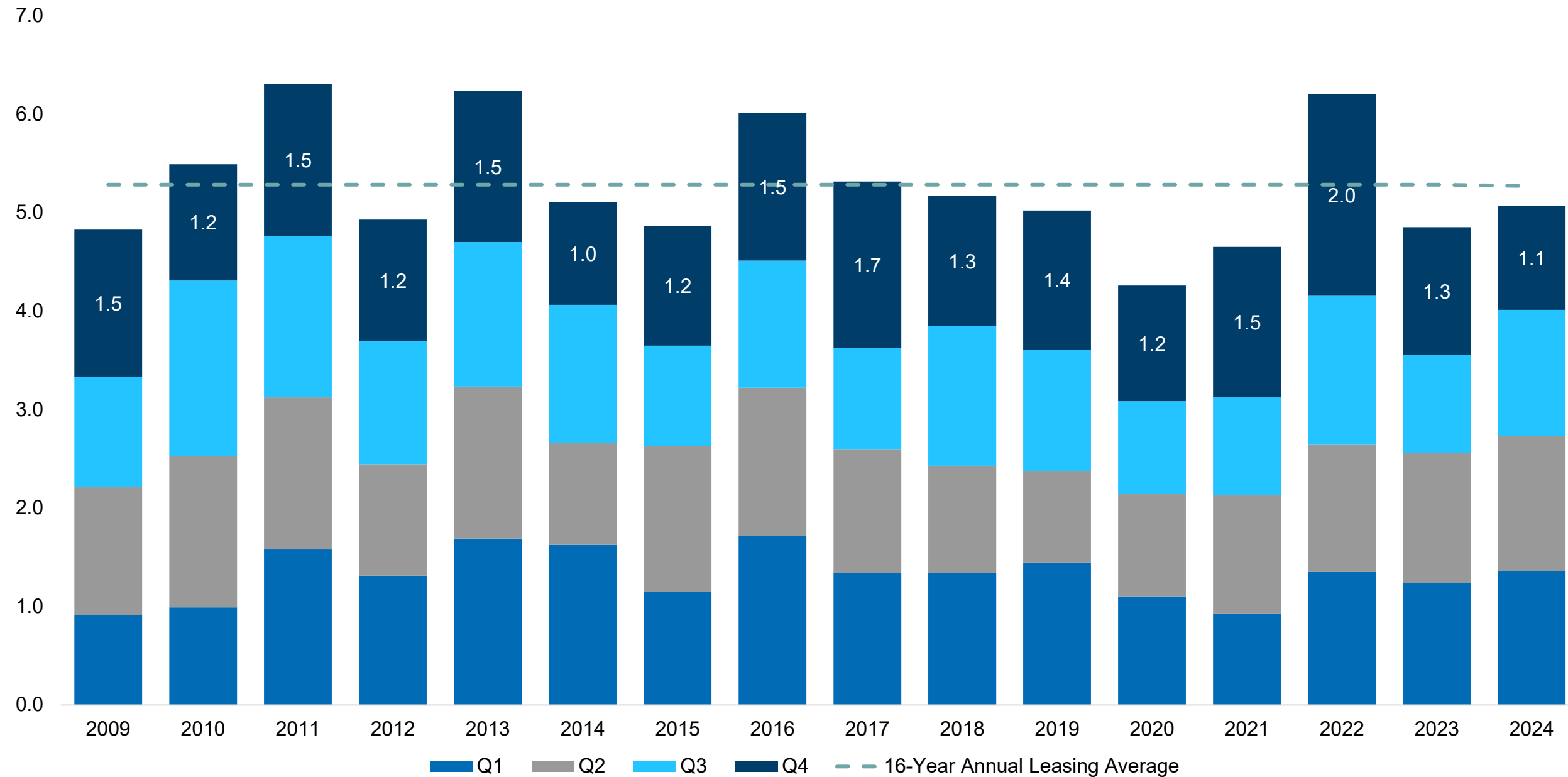
Source: Newmark Research, CoStar



Leasing Activity Slightly Below the Historical Average

Leasing activity during Q4 2024 was below the market's historical average, with the market seeing 1.1 MSF of activity, below the historical average of 1.4 MSF of leasing activity during the fourth quarter. Overall, during 2024, the Baltimore market was slightly below historical averages after experiencing 5.1 MSF of leasing activity compared to the historical average of 5.3 MSF of leasing activity per year.

Total Leasing Activity (msf)



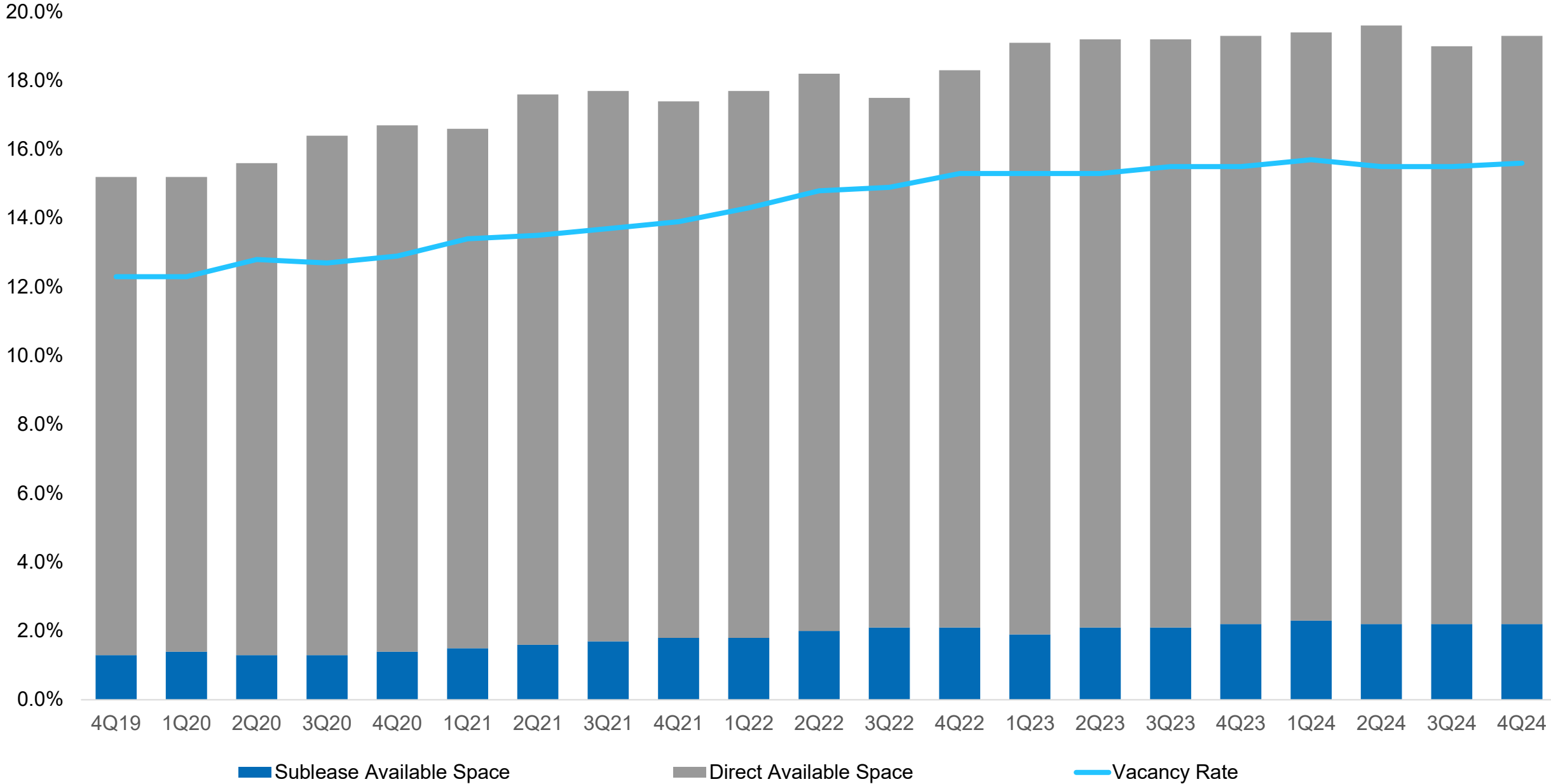
Source: Newmark Research, CoStar



Vacancy Remains Stabilized While Availability Has Tightened

During Q4 2024, sublease availability stayed flat at 2.2% while direct available space expanded 30 bps to 17.1%. Vacancy ended the quarter at 15.6%, a slight increase of 10 bps quarter-over-quarter and 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, CoStar

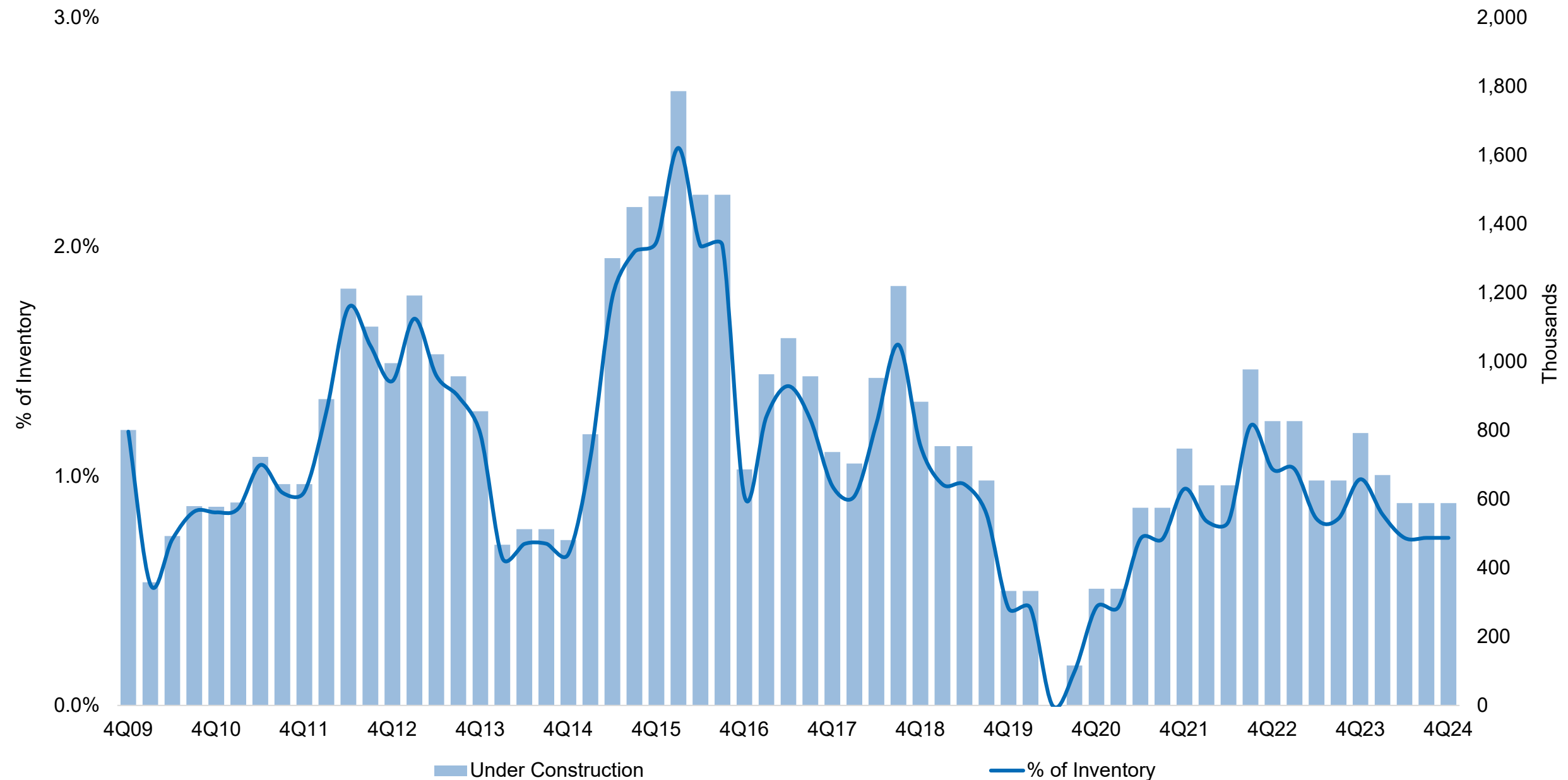


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Construction Below the Historical Average

There are three properties totaling 588,000 SF currently under construction, below the market's decade average of 786,000 SF under construction. The largest of these developments is T Rowe Price's new headquarters at Harbor Point, which will add two buildings totaling 450,000 square feet to the market, with delivery expected Q1 2025.

Office Under Construction and % of Inventory



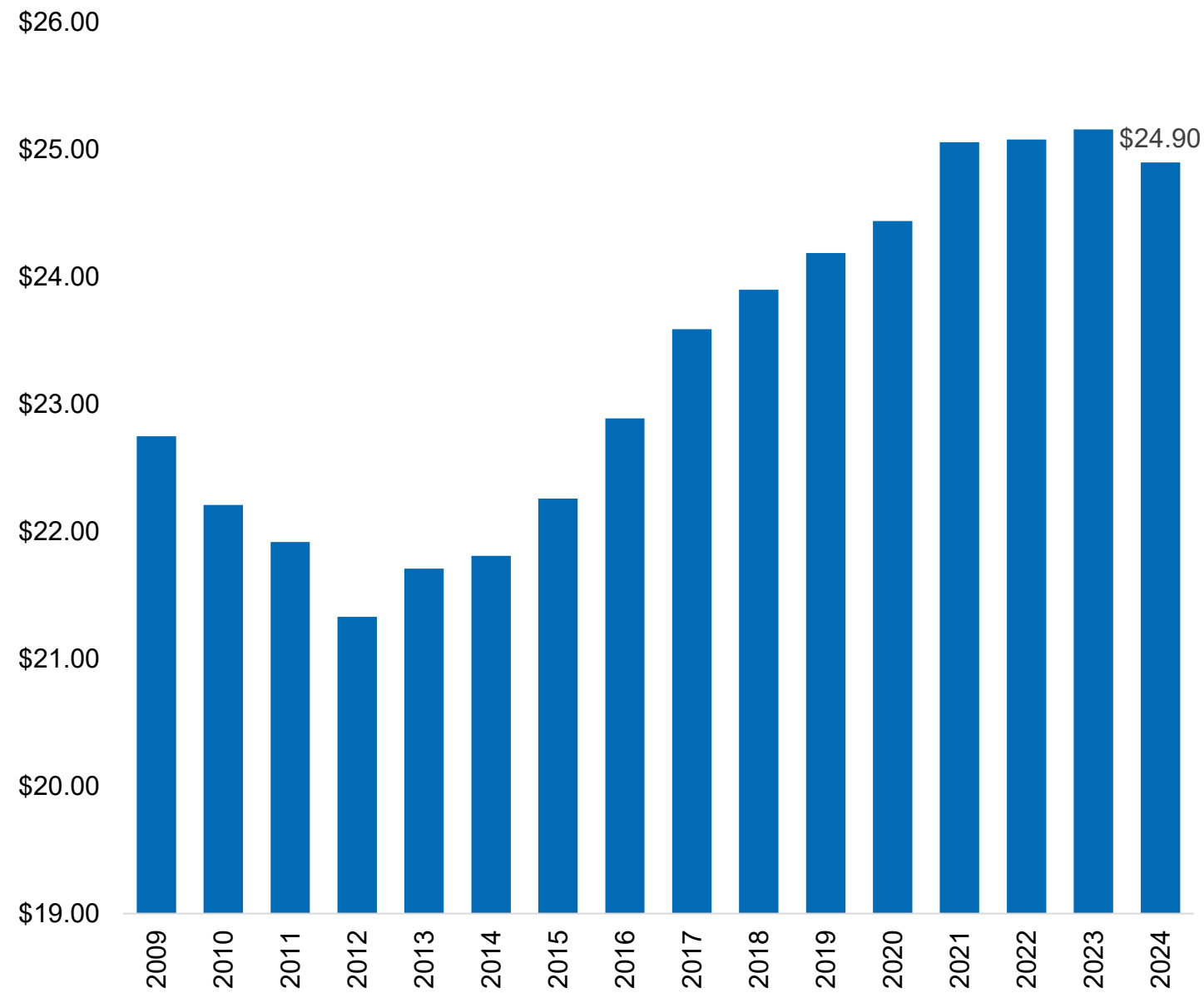
Source: Newmark Research, CoStar



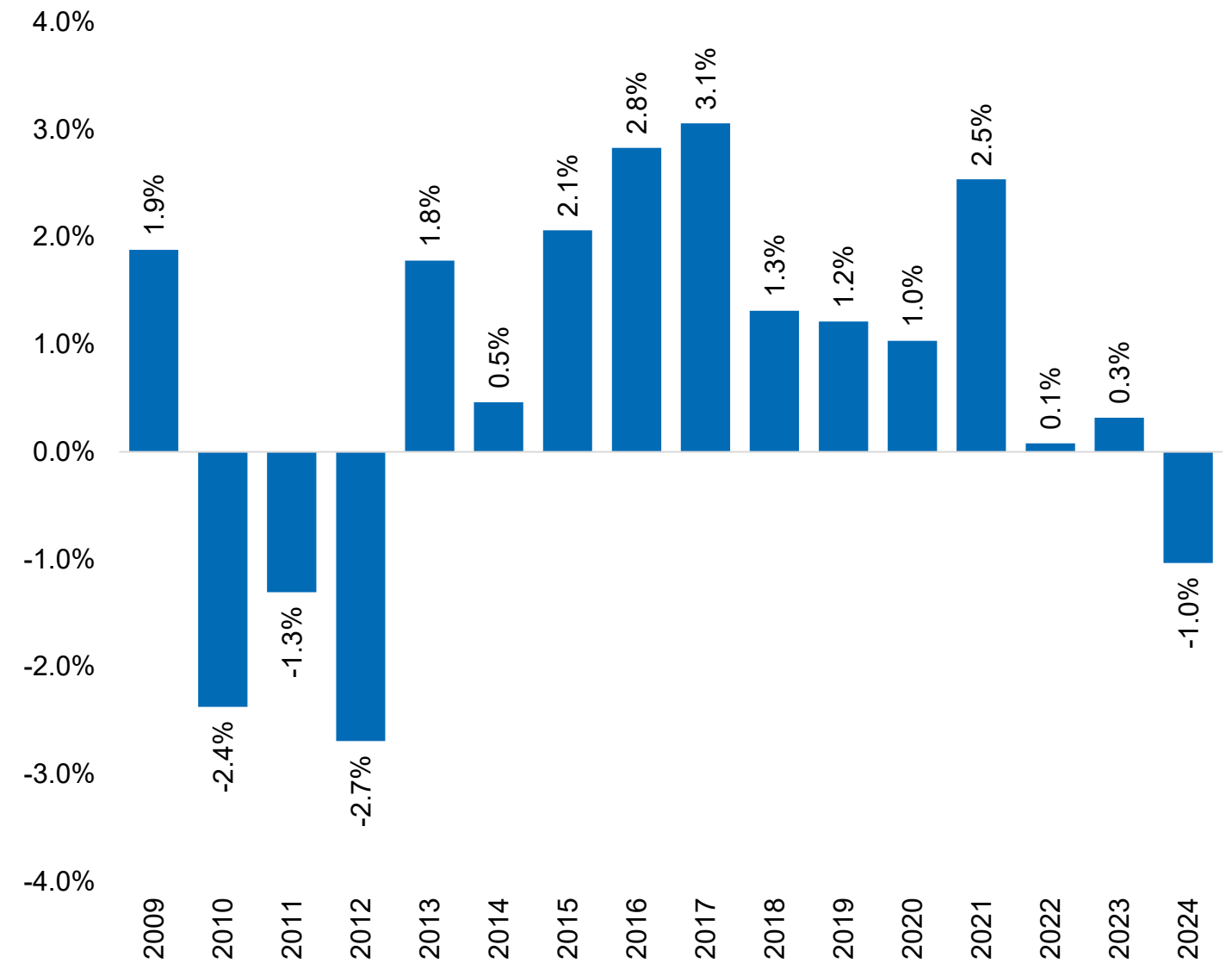
Rents Decline During 2024

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 began to fall, ending the year at \$24.90 PSF, a decrease of 1.0% year-over-year.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



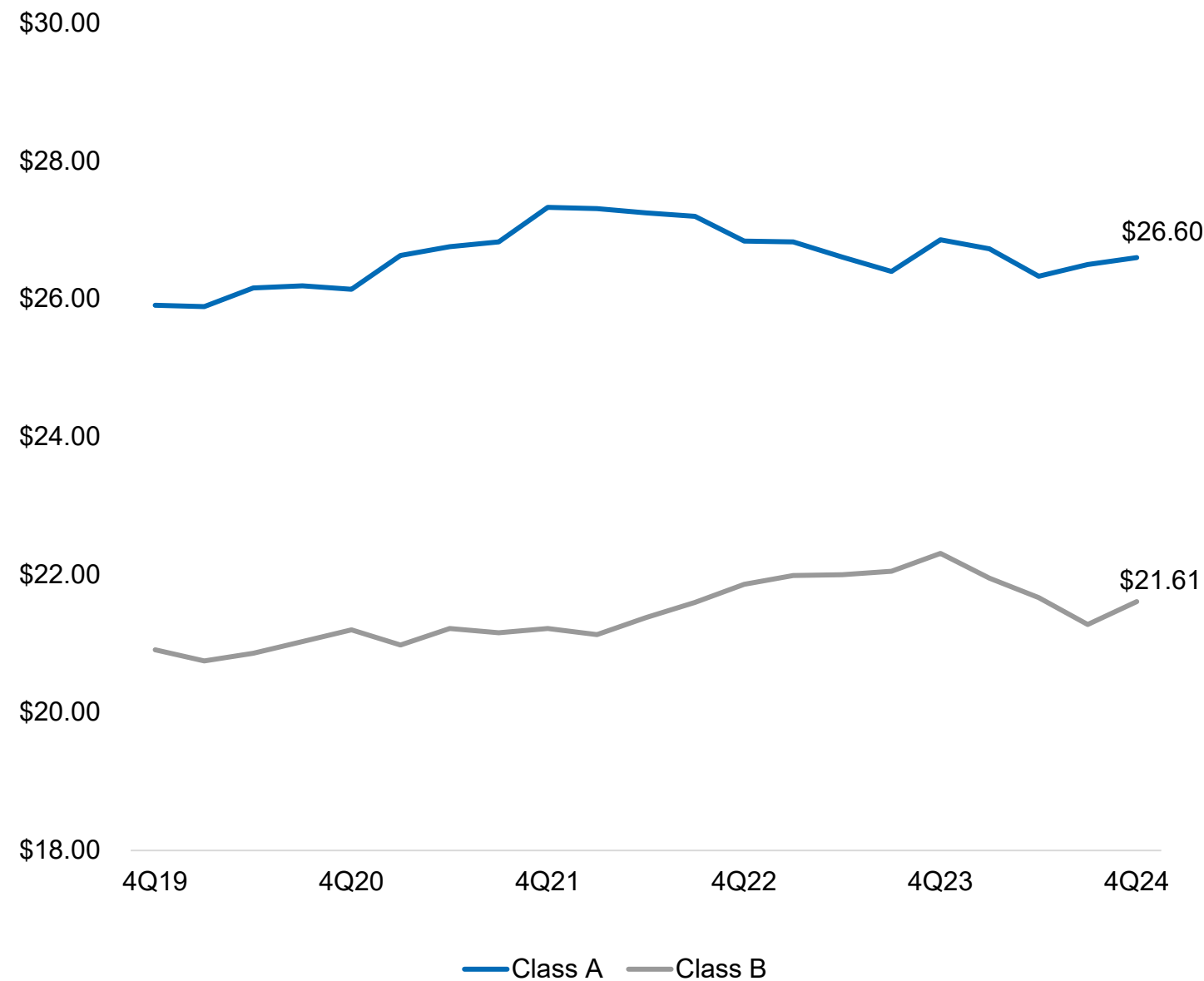
Source: Newmark Research, CoStar



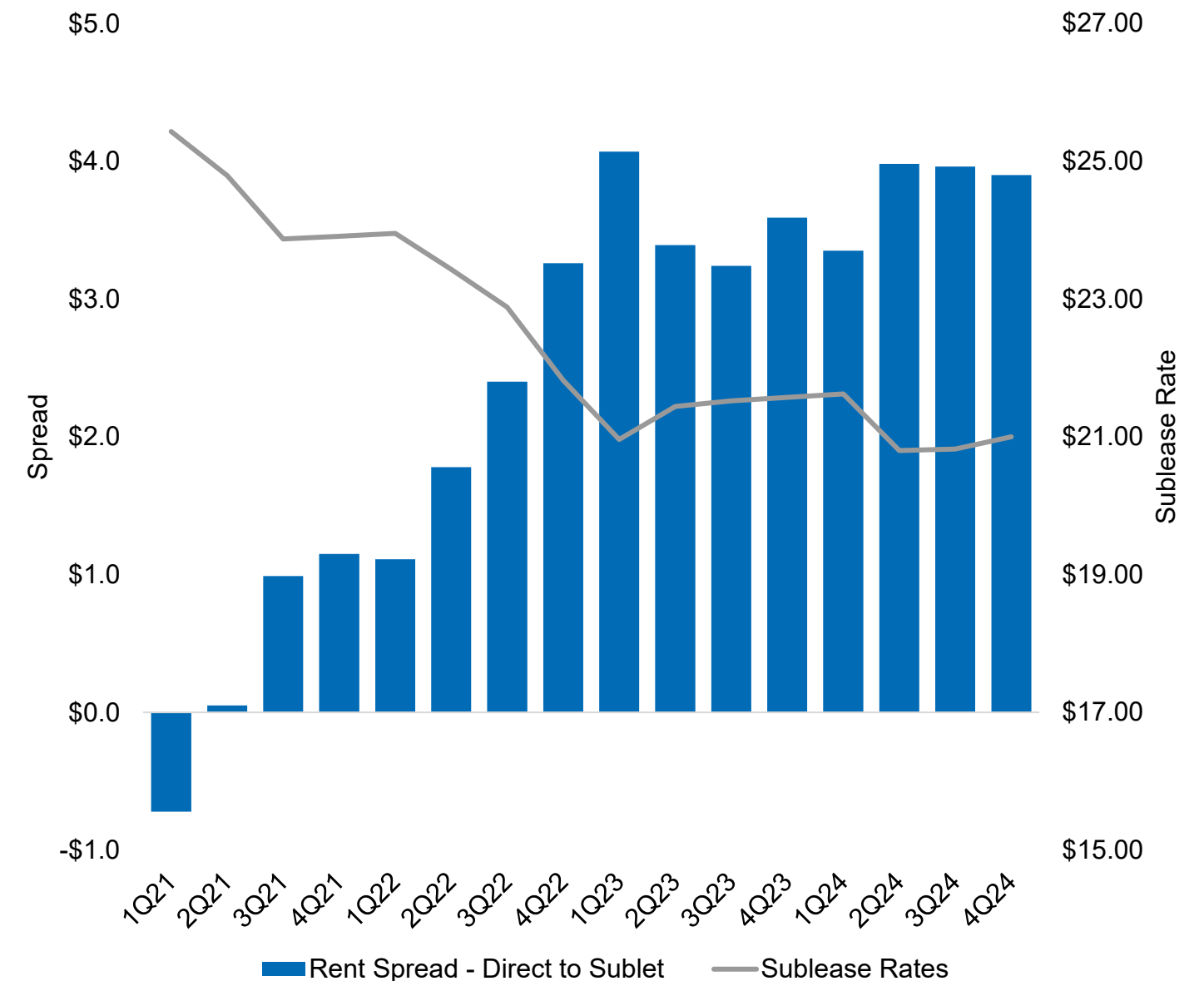
Rents Finish Year with Positive Movement Despite Seeing Slight Decline During 2024

Class A rents ended the year at \$26.60, an increase of 0.4% quarter-over-quarter, although a decline of 1.0% year-over-year. Class B rents ended the quarter at \$21.61, an increase of 1.6% quarter-over-quarter, although a decline of 3.14% year-over-year. Sublease rates increased 0.9% quarter-over-quarter but decreased 2.6% year-over-year. The spread between direct and sublease rates ended Q4 2024 at \$3.90 PSF.

Class A and Class B Asking Rents



Sublease Rates



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	80,492,403	15.6%	19.2%	-77,108	83,313	0	203,781	587,985	\$24.90
Class A	49,075,496	17.7%	22.4%	127,530	112,047	0	203,781	587,985	\$26.60
Class B	26,138,434	13.9%	16.1%	-222,981	-25,953	0	0	0	\$21.61
Class C	5,278,473	4.2%	4.6%	18,343	-2,781	0	0	0	\$21.53

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%	15.8%	-137	10,157	0	0	0	\$29.68
Baltimore County East	1,891,681	18.6%	20.6%	-43,601	72,949	0	0	0	\$25.84
Baltimore Midtown	2,167,162	7.2%	7.2%	-28,767	-90,413	0	0	0	\$19.15
Baltimore Northeast	1,179,016	4.8%	7.4%	0	-12,234	0	0	0	-
Baltimore Northwest	1,229,881	11.3%	8.8%	8,369	-15,895	0	0	0	\$19.61
Baltimore Southeast	7,330,224	15.9%	25.2%	28,861	-101,796	0	0	450,000	\$28.15
Baltimore Southwest	2,331,933	17.1%	17.1%	97	-1,970	0	0	0	\$29.77
BWI	9,792,392	8.2%	8.5%	-47,878	106,887	0	122,195	137,985	\$26.07

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	5.9%	7.5%	-822	21,839	0	0	0	\$17.32
CBD Baltimore	13,776,185	16.4%	21.7%	-17,751	89,378	0	0	0	\$24.47
Columbia	11,774,337	20.2%	23.8%	32,116	3,377	0	81,586	24,832	\$26.42
Ellicott City	879,329	8.5%	7.6%	8,679	5,503	0	0	0	\$23.96
Harford County	1,910,894	24.2%	24.3%	-3,609	24,249	0	0	0	\$25.04
I-83	7,793,241	15.3%	21.5%	-36,188	-1,995	0	0	0	\$21.56
I-97 Crain Highway Corridor	726,522	11.9%	14.1%	5,938	8,810	0	0	0	\$27.54
Reisterstown Road Corridor	4,725,322	17.1%	25.2%	23,521	43,524	0	0	0	\$23.83
Route 1 Corridor	1,398,332	22.0%	21.7%	28	-113,029	0	0	0	\$19.54
Route 2 Corridor	931,886	9.0%	9.1%	1,892	577	0	0	0	\$25.20
Towson	4,489,503	16.1%	18.8%	-18,260	-18,219	0	0	0	\$22.15
Woodlawn	2,353,710	21.2%	23.8%	10,404	51,614	0	0	0	\$19.84

Source: Newmark Research



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