

NEWMARK

Baltimore Office Market Overview

4Q25

Market Observations



Economy

- The region's labor market saw a dip during 2025, highlighted by the unemployment rate. The metro's unemployment rate sat at 3.7% as of September, an expansion of 50 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.
- Overall nonfarm employment saw growth slow to 0.5% in the Baltimore metro year-over-year, slower than national growth of 0.8%. Within the office-using sectors, the market saw an increase of 0.7% in the Financial Activities sector, the Information sector saw a decline of 4.7%, while Professional & Business Services was flat.
- 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.



Leasing Market Fundamentals

- After the market experienced almost 1.3 MSF of negative net absorption from 2020 to 2022, the market rebounded in 2023, ending the year with 57,000 SF of positive net absorption. The market continued the positive momentum from 2023, experiencing 360,000 SF of positive net absorption during 2024. During 2025, however, the market saw negative activity, with 260,000 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. If not for the T. Rowe Price move, the market would have experienced a notable amount of positive net absorption during the year.
- Although Baltimore's vacancy remains above the historical average of 14.4%, the vacancy rate has stabilized and remained relatively flat since the end of 2022, ending 2025 at 15.7%.
- Baltimore office development has slowed steadily since a peak of over 1.9 MSF under construction in 2016, with only one project under construction totaling 63,000 SF.



Major Transactions

- The largest deal of the quarter was the sale of 405 East Joppa Road, a 20,000-square-foot, Class B office building located in Towson. Wallace H. Campbell & Co. Inc. sold the four-story office building to Exelon Corporation for \$9.8 million, or \$489.65/SF. The property, known as the Campbell Building, was purchased as an investment and was fully occupied at the time of sale.
- A second notable deal of the quarter was the sale of 7125 Thomas Edison Drive, a 62,000-square-foot, Class B office building located at Colgate Ridge Tech Center in Columbia. Bernstein Management Corporation sold the two-story office building to Maximum Support Services for \$5.7 million, or \$98.09/SF. This was a high vacancy property, with only 51.7% leased at the time of sale. Maximum Support Services purchased the property to occupy the remaining vacant space.



Outlook

- Baltimore rents performed much better than most markets during the initial two years of the pandemic, with rents increasing 4.3% 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 contracting as well as a continued weakness in the tech sector.
- 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

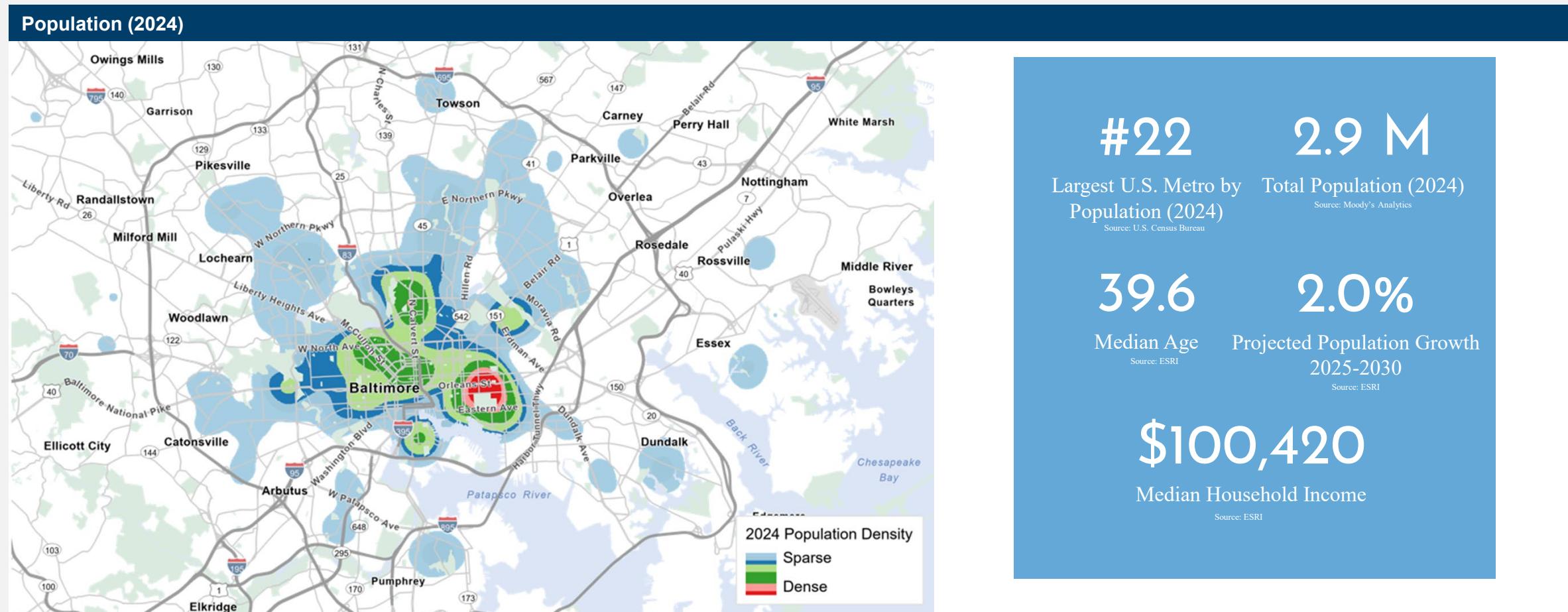
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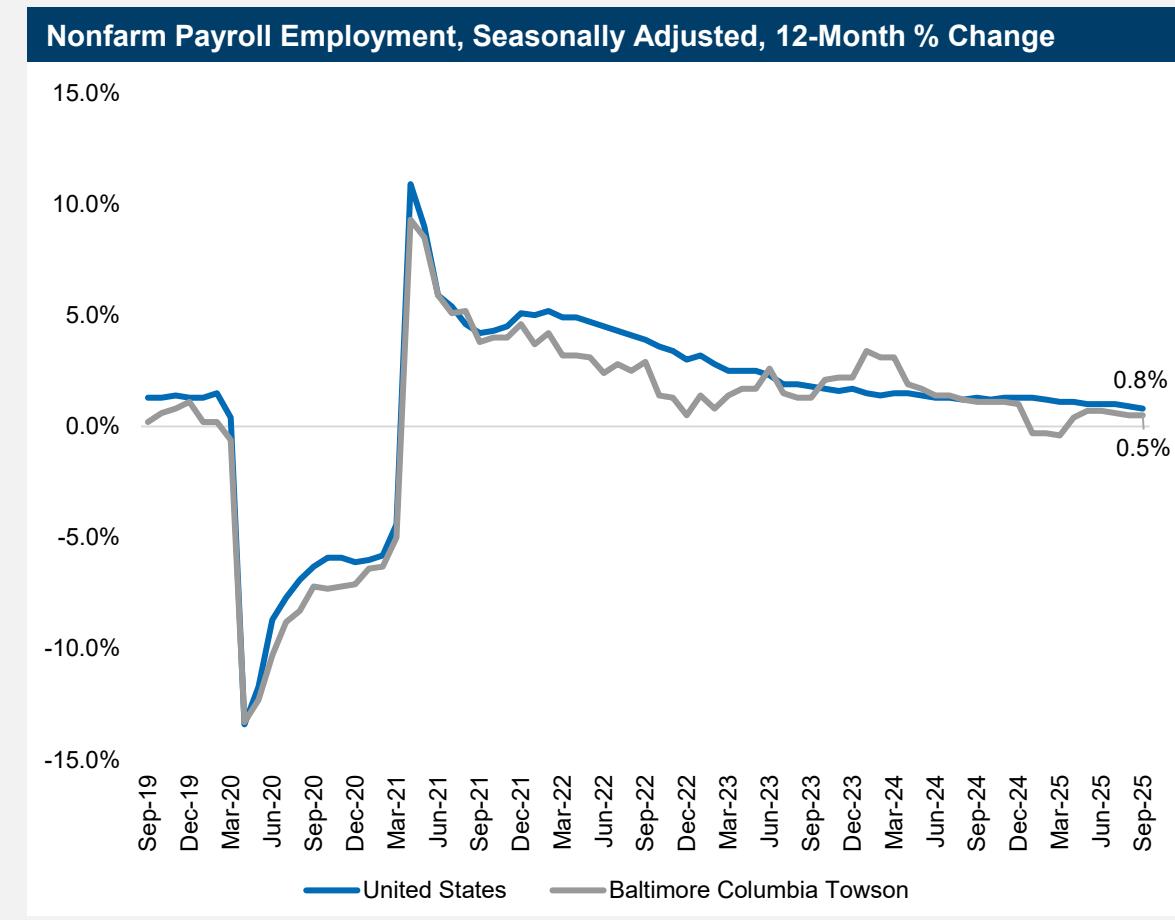
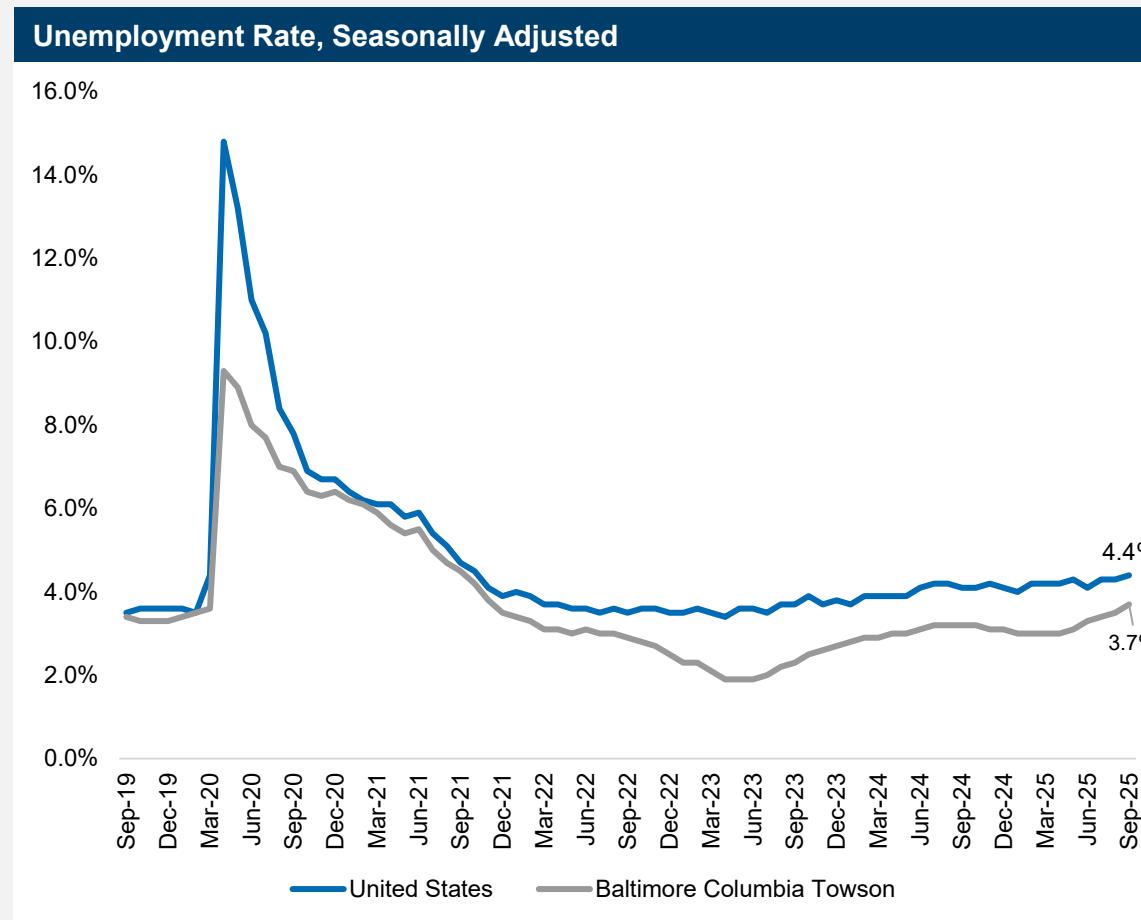
Baltimore Continues to See Elevated Population Growth

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%.



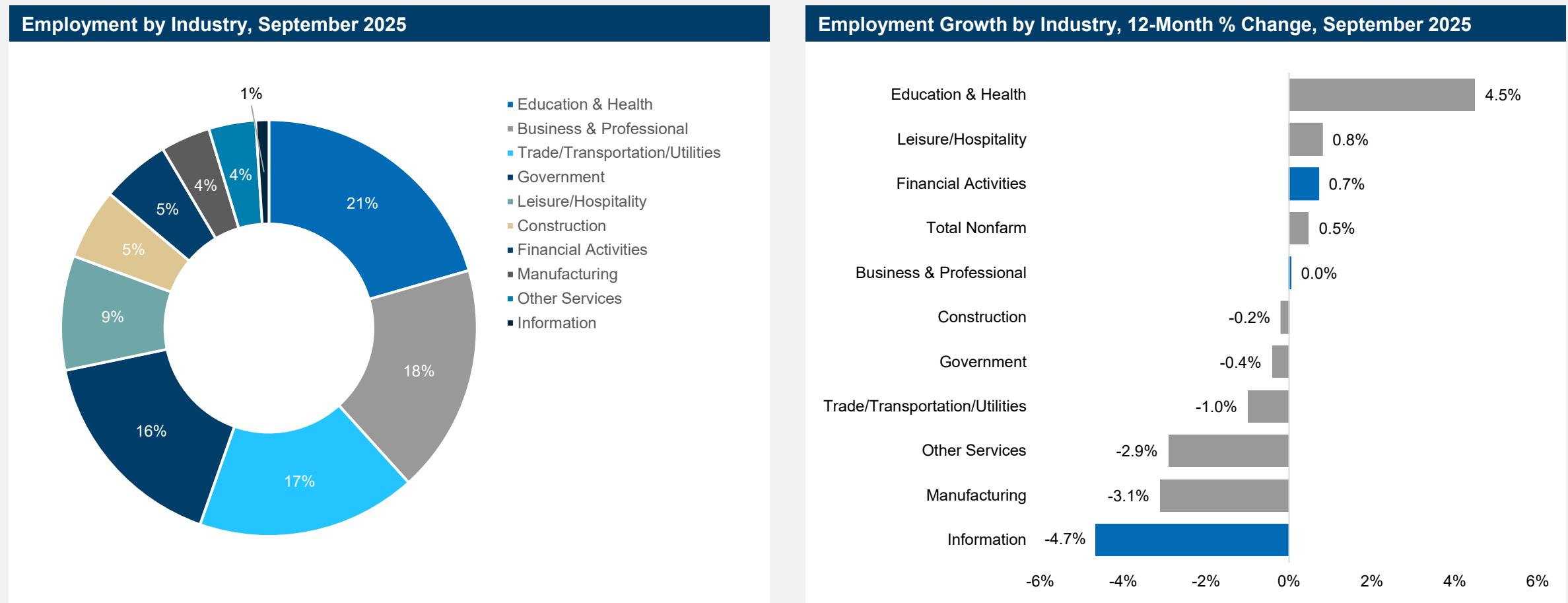
Baltimore's Unemployment Remains Below National Levels

Baltimore's unemployment rate ended September 2025 at 3.7%. This is 50 basis points higher year-over-year, however 70 basis points lower than the national average. Baltimore has seen a noticeable expansion in the unemployment rate during 2025, largely due to the downsizing of the federal workforce.



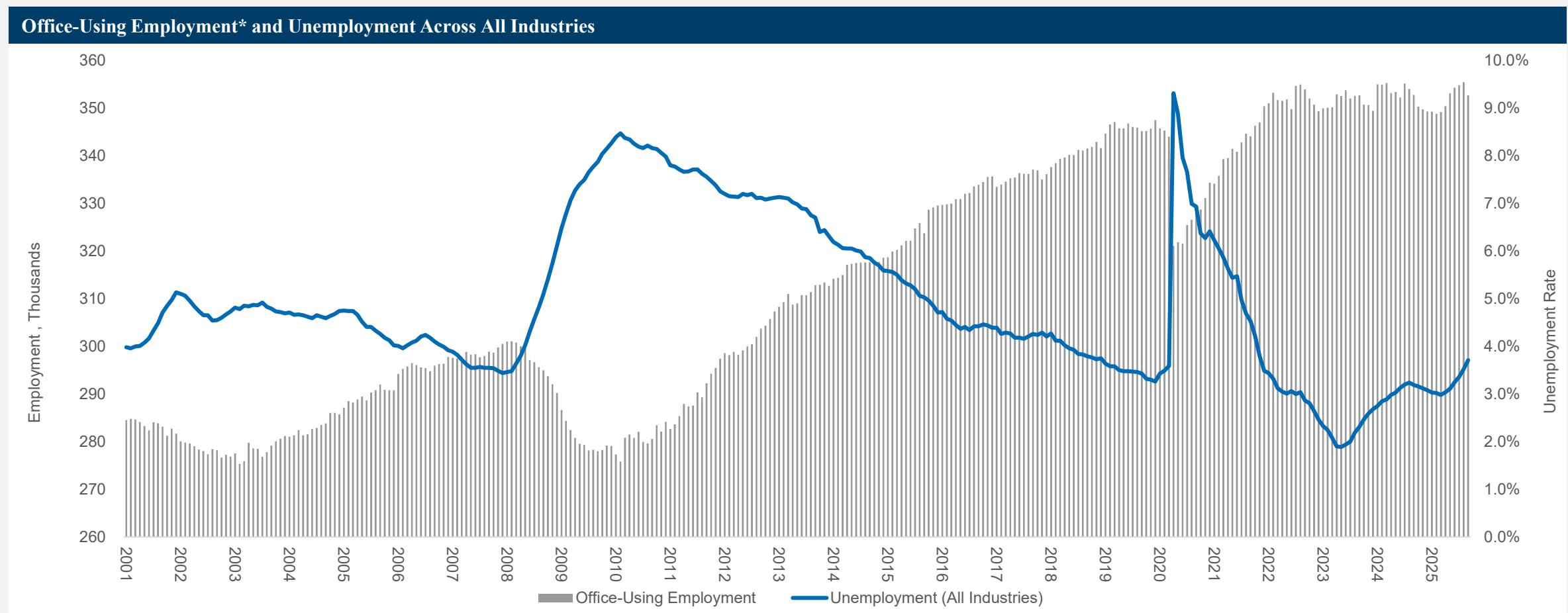
Job Growth Driven by Education & Health

Education & Health propped up job growth in the region with a 4.5% 12-month increase, leading to total nonfarm employment growth of 0.5%. Office-using employment was a mixed bag, as Financial Activities led the way with 0.7% 12-month growth, while the Business & Professional sector remained flat with almost no change, and the Information sector saw a 12-month decline of 4.7% due in part to lingering weakness in the U.S. tech sector.



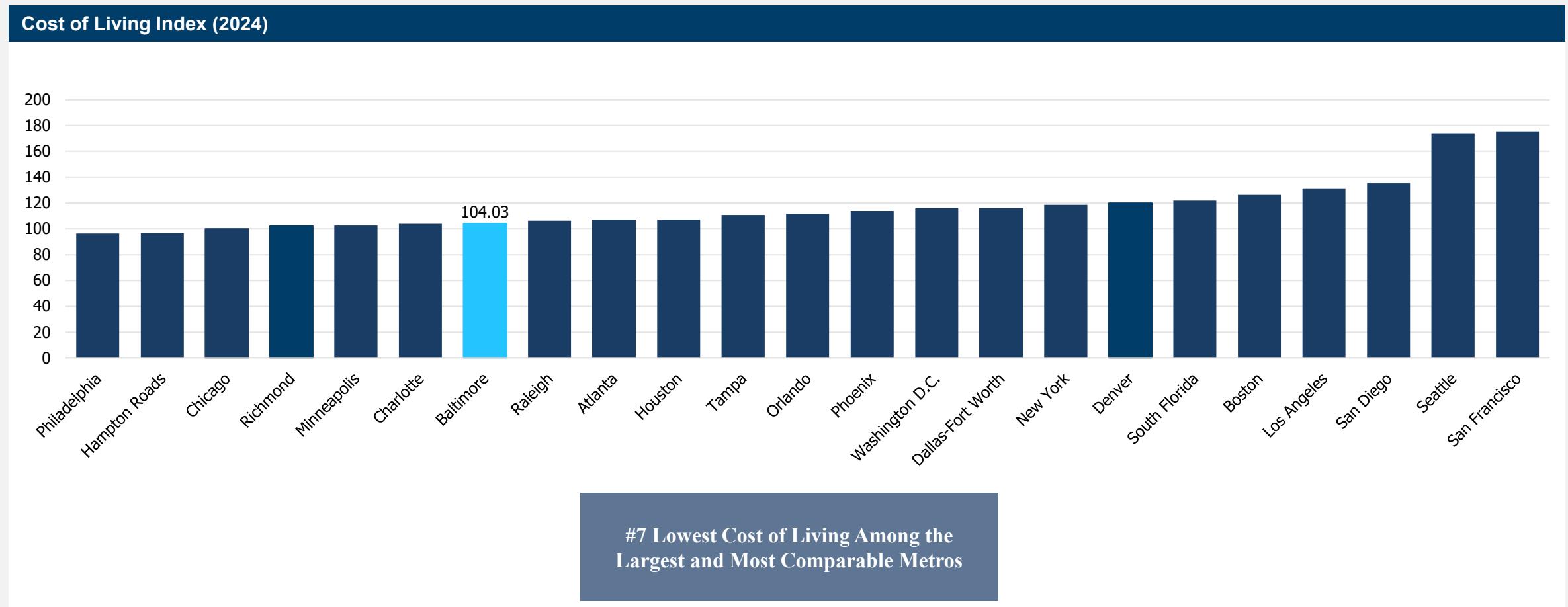
Overall Office-Using Employment is Flat Year-Over-Year

Office employment exceeds pre-pandemic levels but is flat year-over-year. Although office-using jobs in the region are currently 9.8% higher than the trough of the pandemic, they are flat year-over-year, due in part to DOGE actions and their impact on the regional workforce.



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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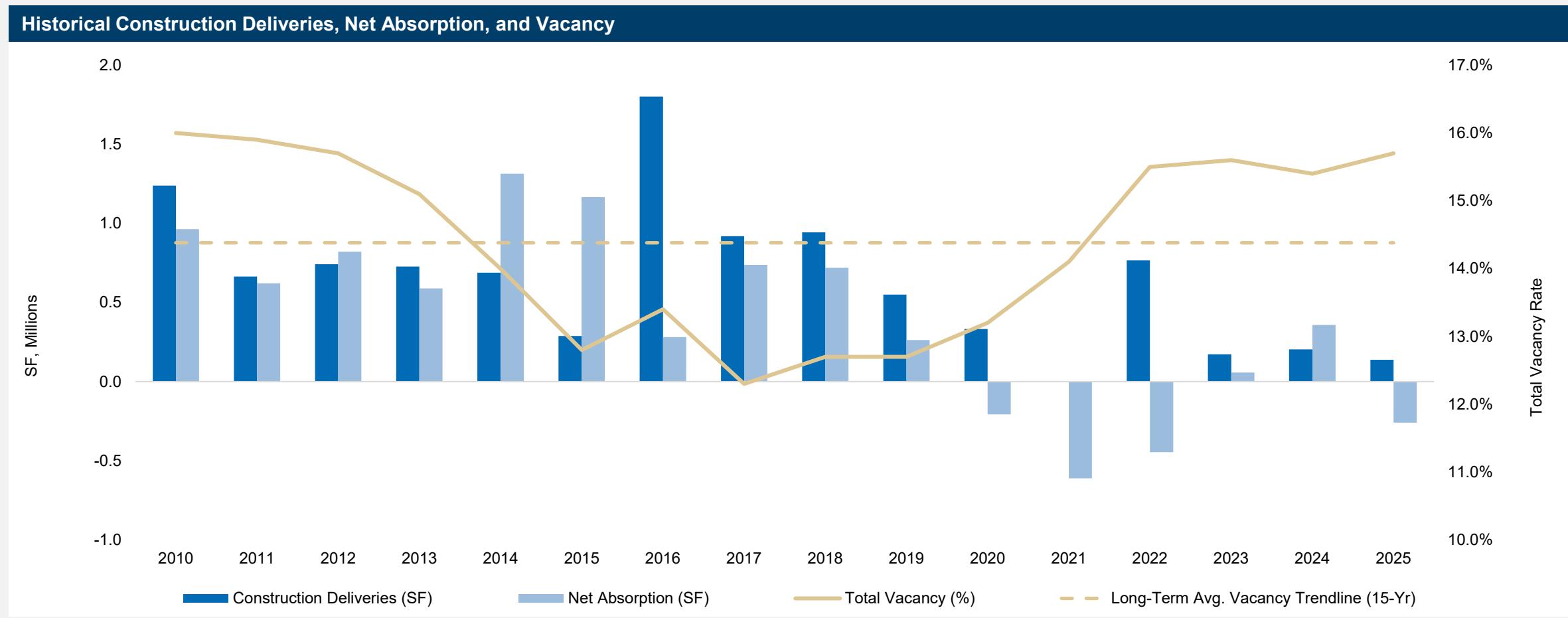
Leasing Market Fundamentals

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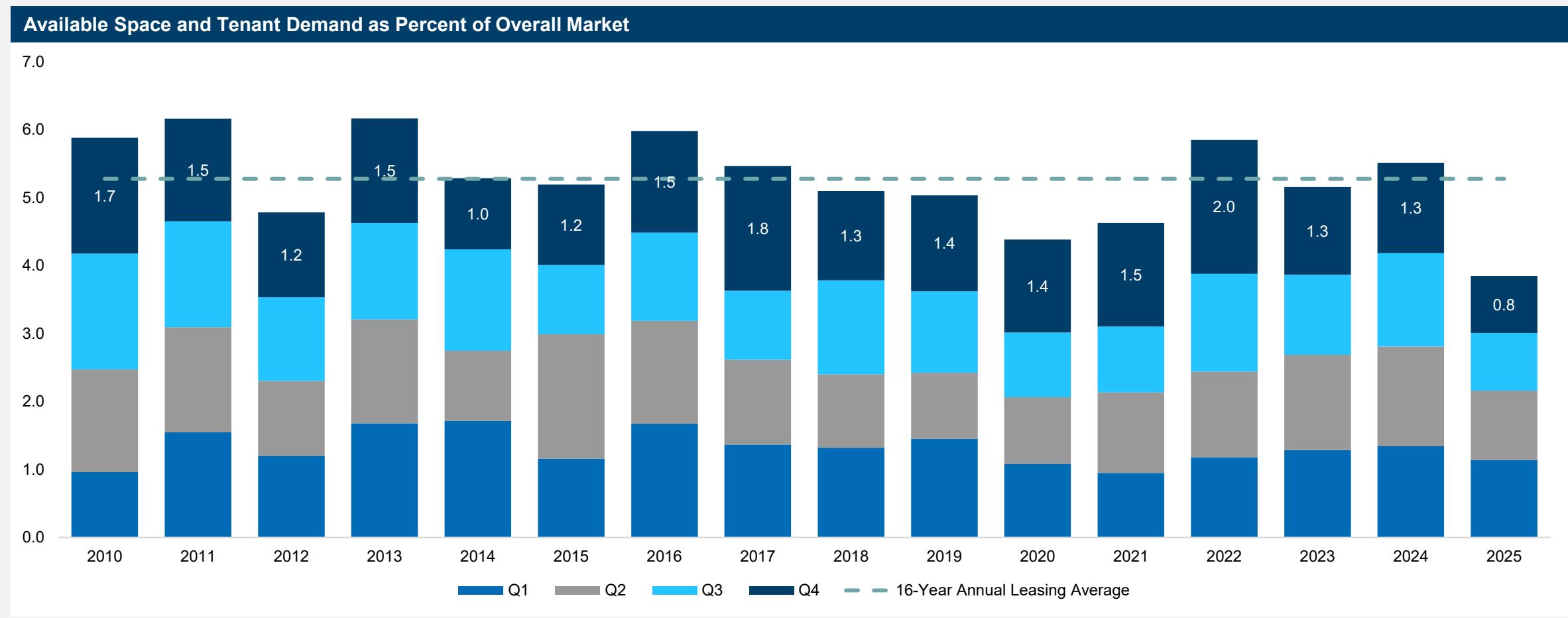
Market Fundamentals Remained Relatively Stable to End 2025

Although the vacancy rate expanded during 2025, ending the year at 15.7%, this was due to the first quarter when the market saw over 450,000 SF of negative net absorption. These occupancy losses were 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 the final three quarters of the year, seeing positive net absorption in each quarter, totaling almost 200,000 SF of positive net absorption. If it weren't for the T. Rowe Price move, the market would have experienced a notable amount of positive net absorption during the year, continuing the positive trend the market has seen since 2023.



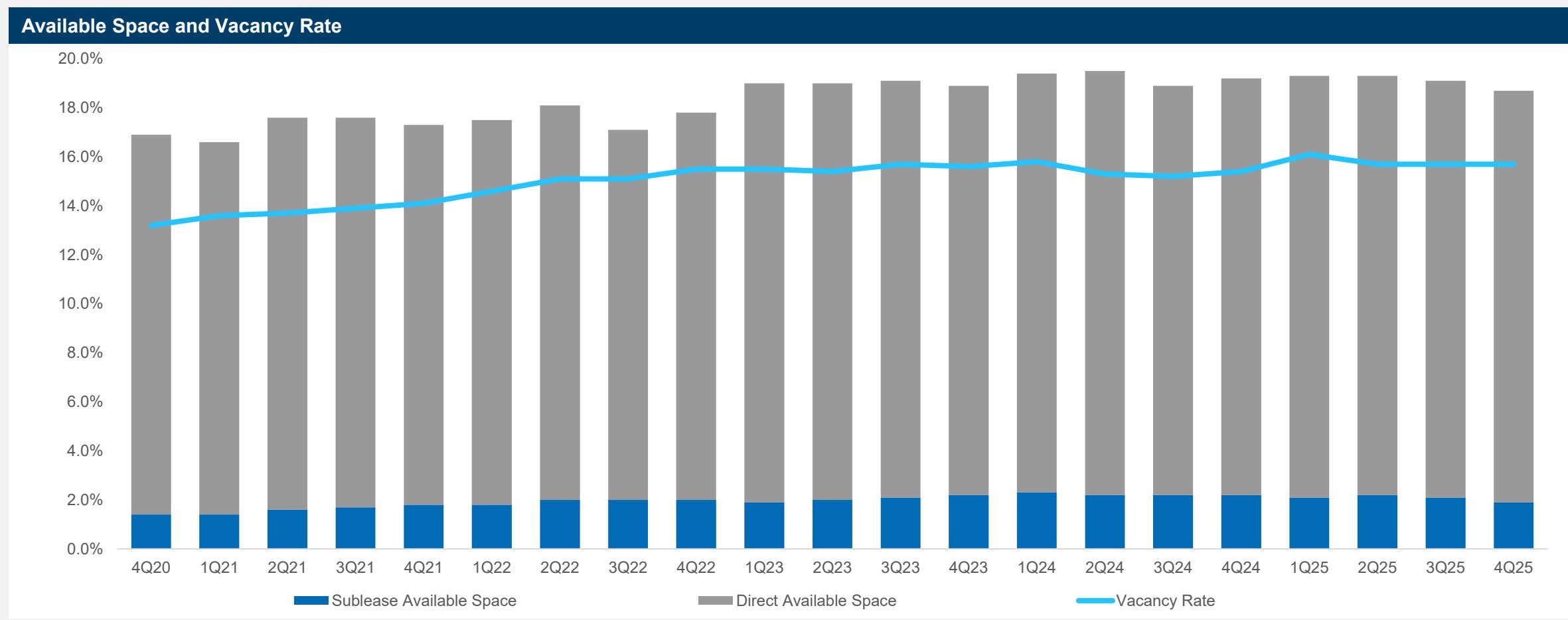
Leasing Activity Historically Slow During 2025

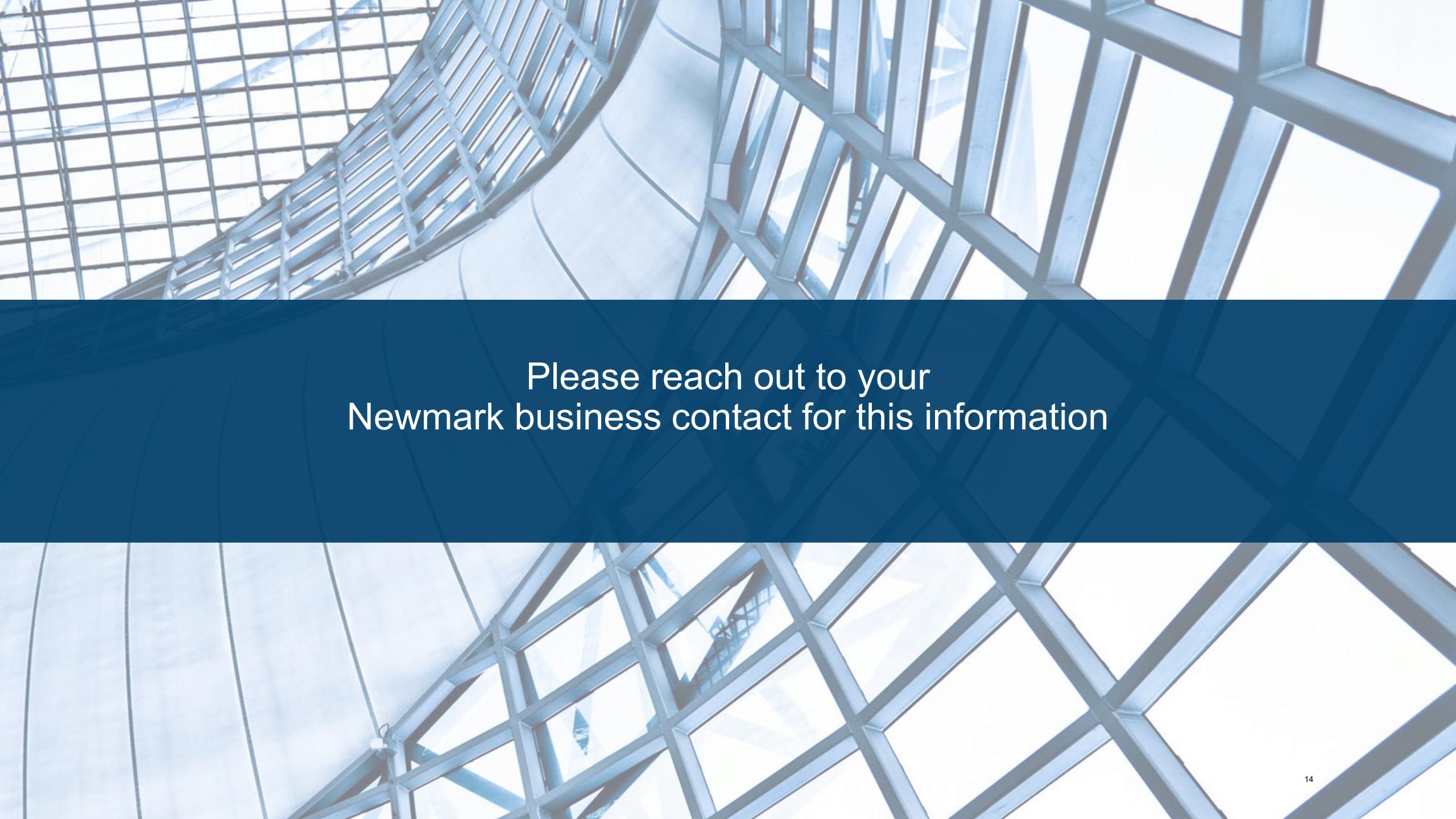
Leasing activity was below the market's historical average during the fourth quarter of 2025, with the market seeing 800,000 SF of activity, well below the historical average of 1.4 MSF of leasing activity during the fourth quarter. Overall, during 2025, the market saw historically slow leasing activity, with 3.8 MSF of transaction volume, much less than the historical average of 5.3 MSF of leasing activity. This comes after the market experienced leasing activity above the historical average during 2024, when the market saw 5.5 MSF of leasing activity.



Vacancy and Availability Remain Stabilized

During the fourth quarter of 2025, sublease availability tightened 20 basis points to 1.9%, while direct available space also tightened 20 basis points to 16.8%, leading to an overall availability of 18.7%. Overall availability has been tightening since reaching a cyclical peak of 19.5% in the second quarter of 2024. Vacancy ended the year at 15.7%, staying flat quarter-over-quarter, however expanding 30 basis points year-over-year. Vacancy has remained relatively stable since the end of 2022 after expanding consistently from 2020 to 2022.

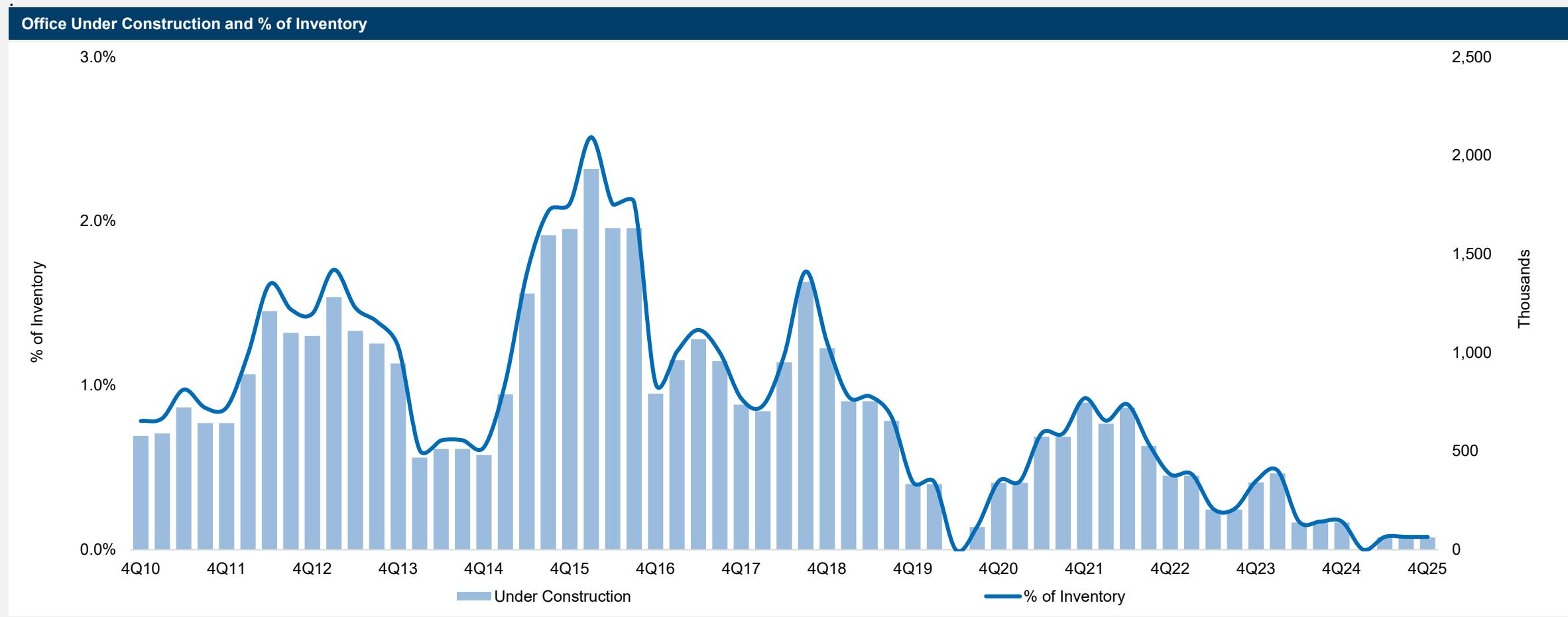




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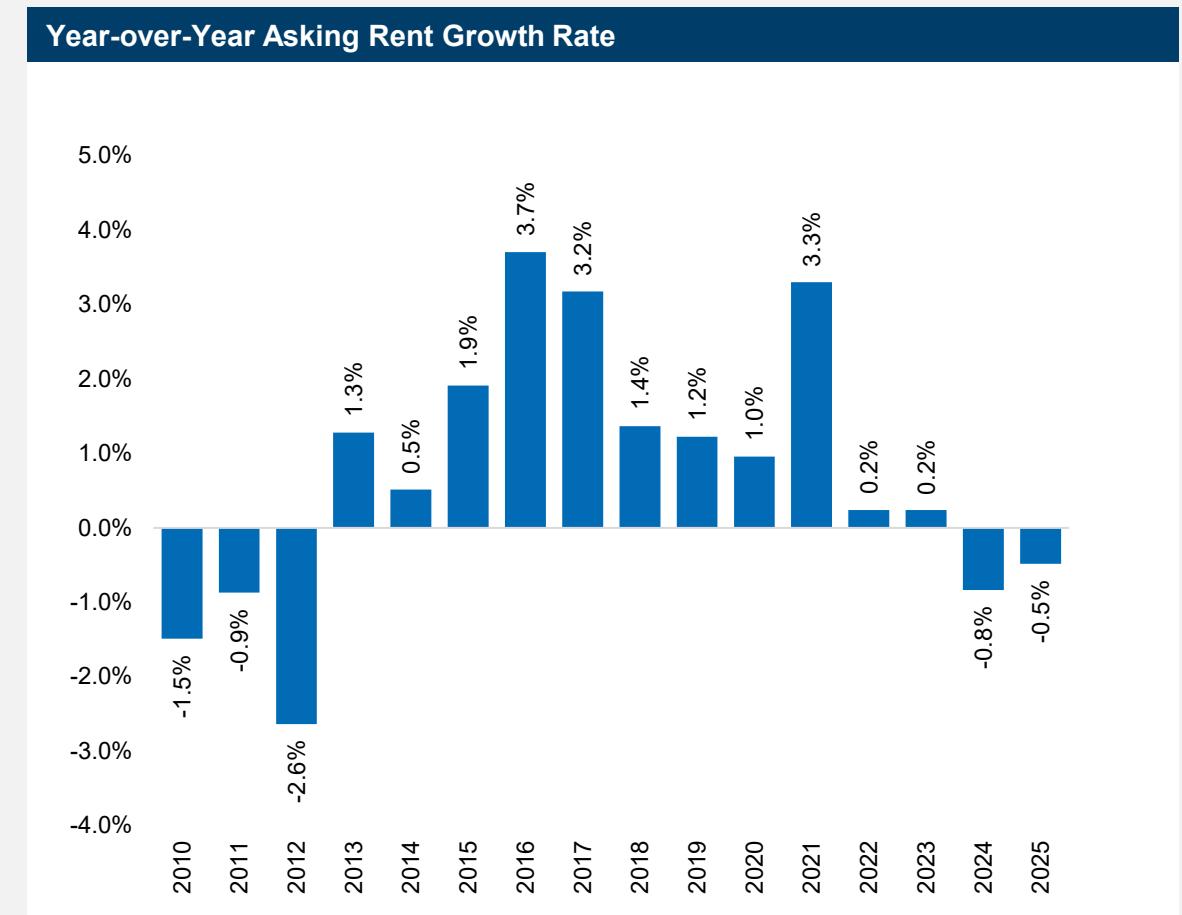
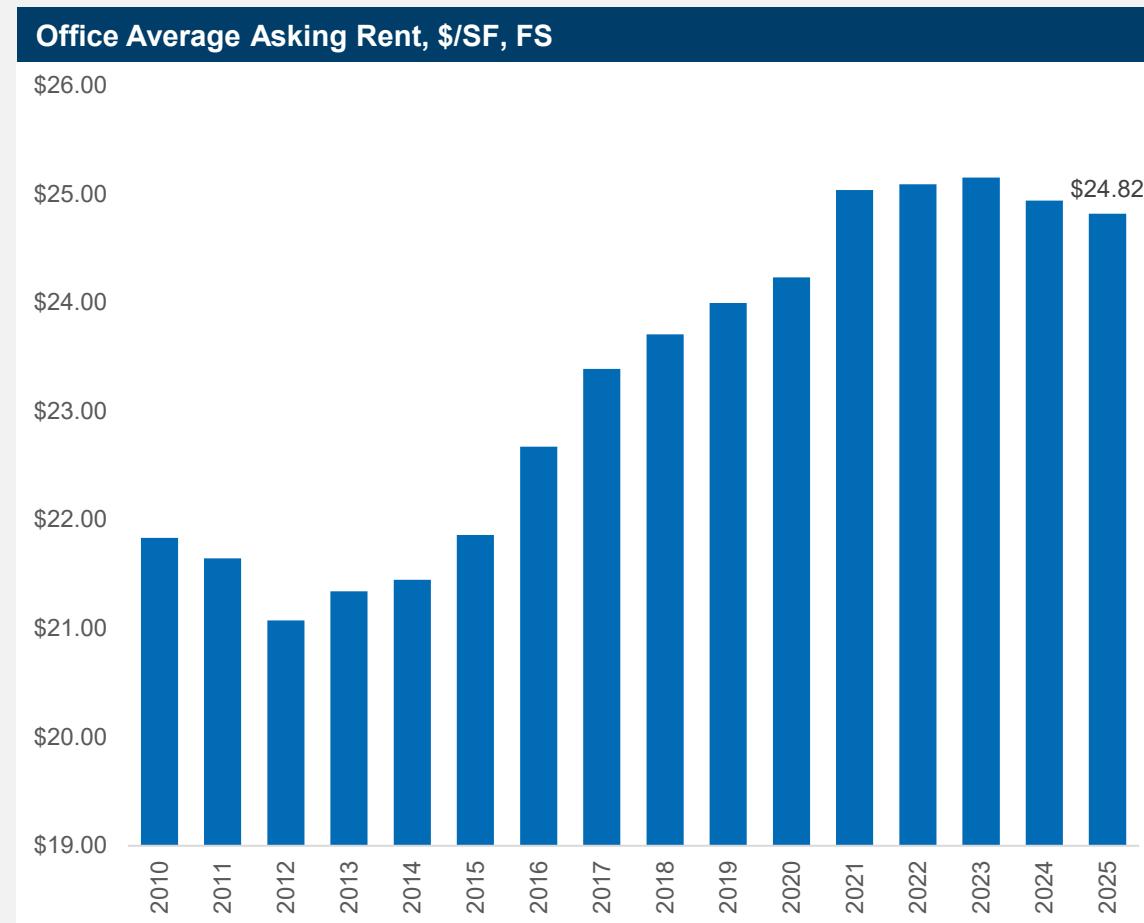
Lack of Construction Continues in the Baltimore Market

Baltimore office development has slowed steadily since a peak of over 1.9 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 of 2025 and is expected to be delivered by the end of 2026.



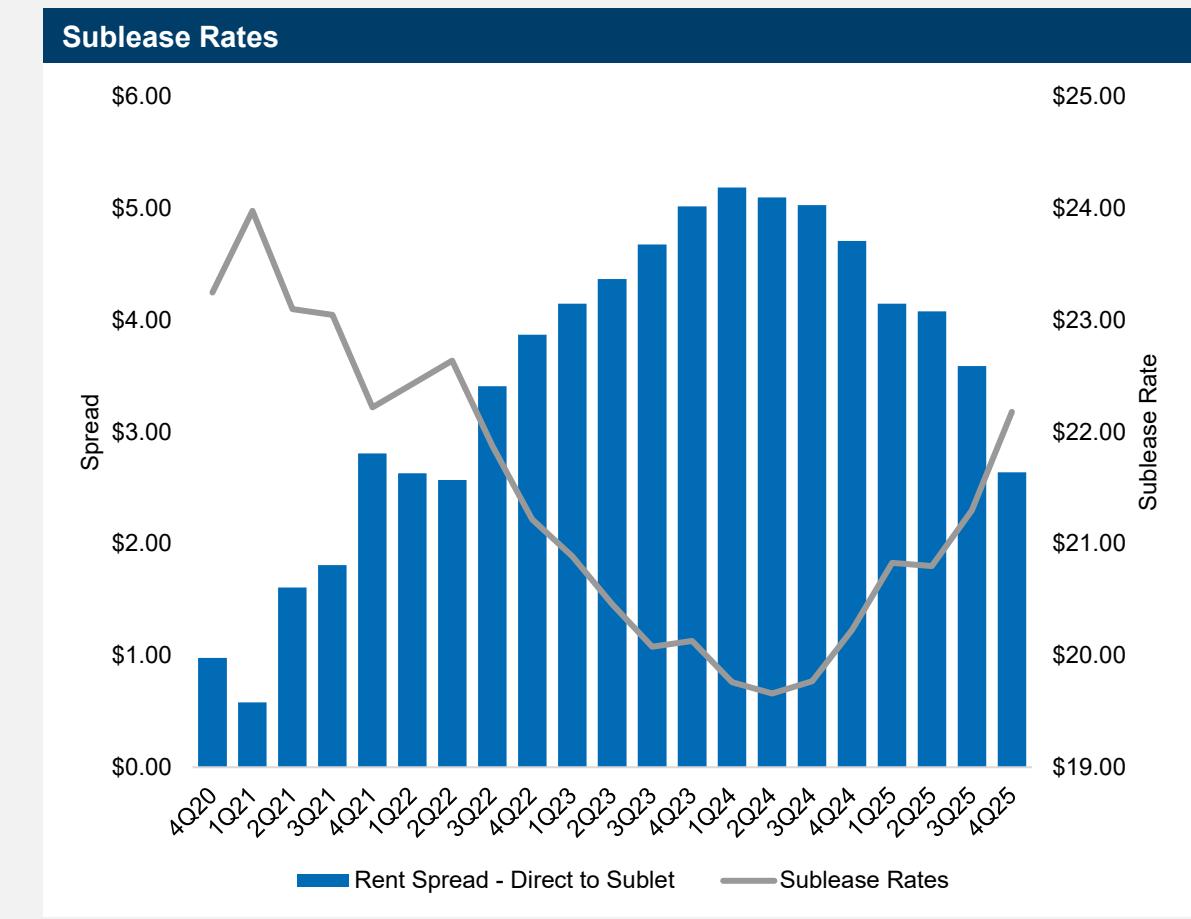
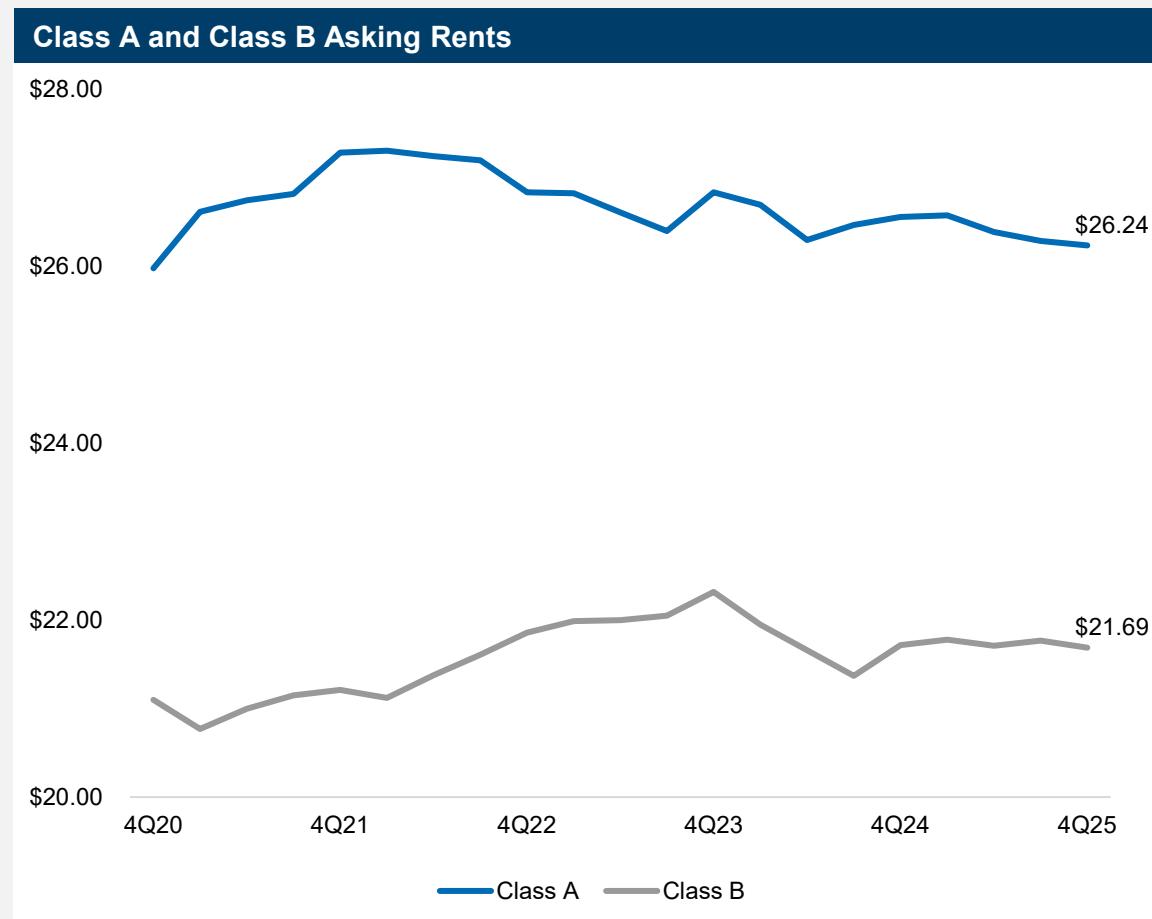
Rents Decline Slightly During 2025

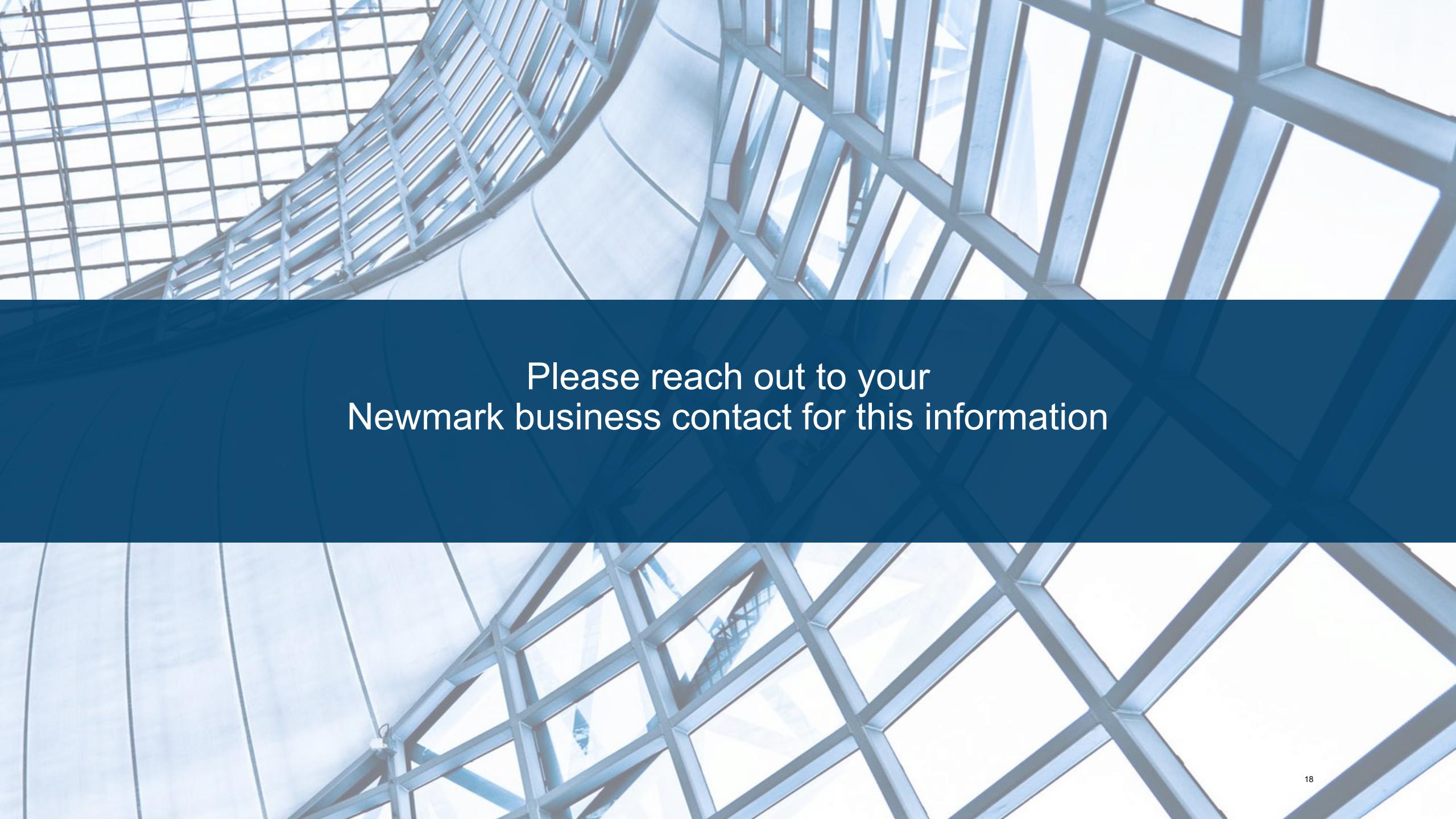
After the market saw notable positive rent growth from 2013 to 2021, rents flattened in 2022 and remained relatively flat through 2023. During 2024, average asking rents fell, ending the year at \$24.94/SF, a decrease of 0.8% year-over-year. Rents continued this slight decline during 2025, ending the year at \$24.82/SF, a decrease of 0.5% year-over-year; however, remain elevated near cyclical highs.



Class A Rents and Class B Rents See Slight Declines During 2025

Class A rents have seen a recent decline, ending 2025 at \$26.24/SF, a decrease of 0.2% quarter-over-quarter and 1.2% year-over-year. Class B rents followed suit, ending the year at \$21.69/SF, a decrease of 0.4% quarter-over-quarter and 0.1% year-over-year. Conversely, sublease rates have seen positive movement, ending 2025 at \$22.18/SF, an increase of 4.1% quarter-over-quarter and 9.6% year-over-year. The spread between direct and sublease rates ended 2025 at \$2.64/SF. The spread has been tightening consistently since reaching a historic peak of \$5.19/SF in Q1 2024. The reason for this increase in sublease rates and tightening of the spread is that much of the previously available Class B sublease space has been leased during the past couple of years, while much of the Class A sublease space remains available, leading to an overall increase in the average sublease rate and tightening of the spread.





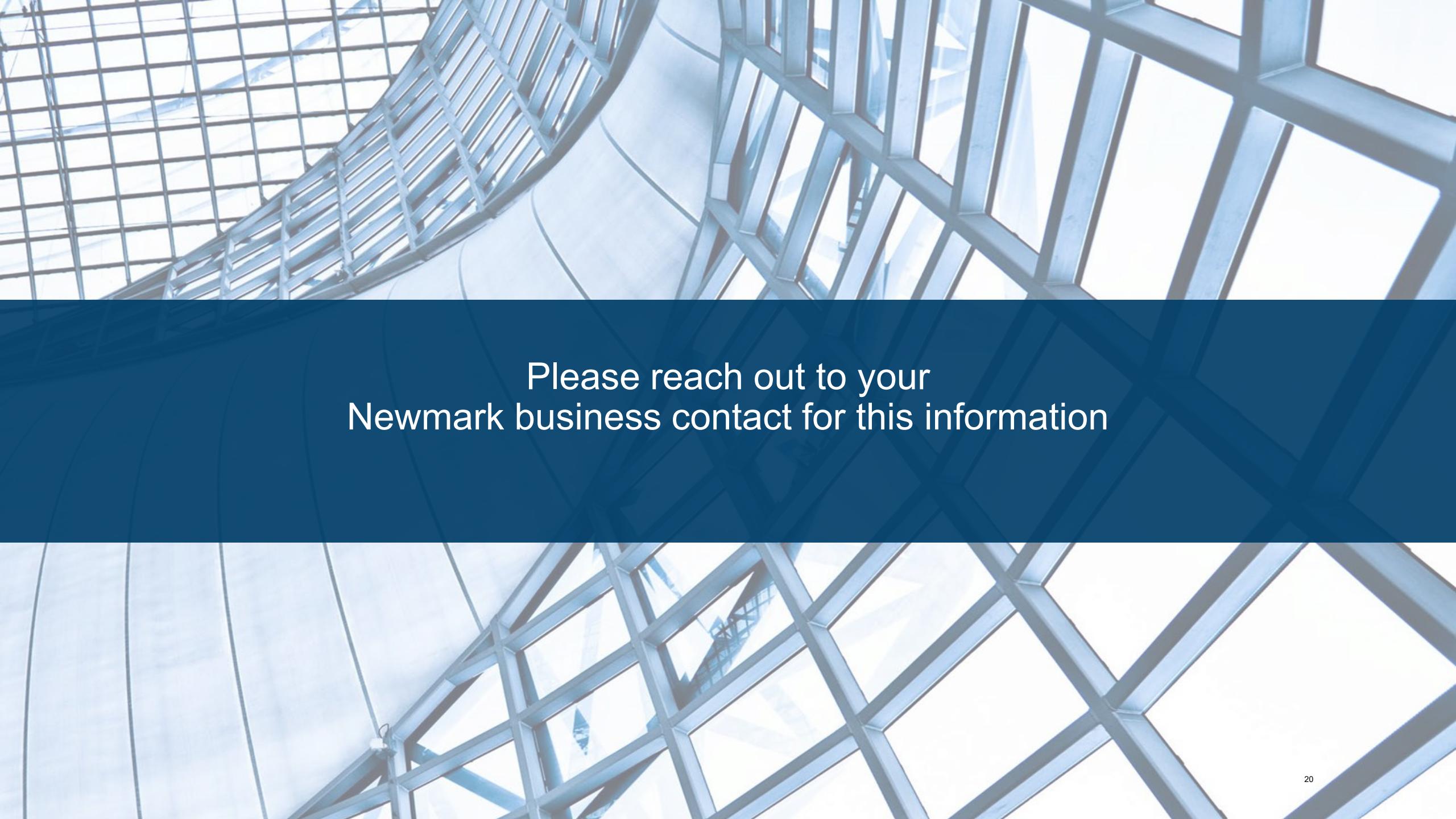
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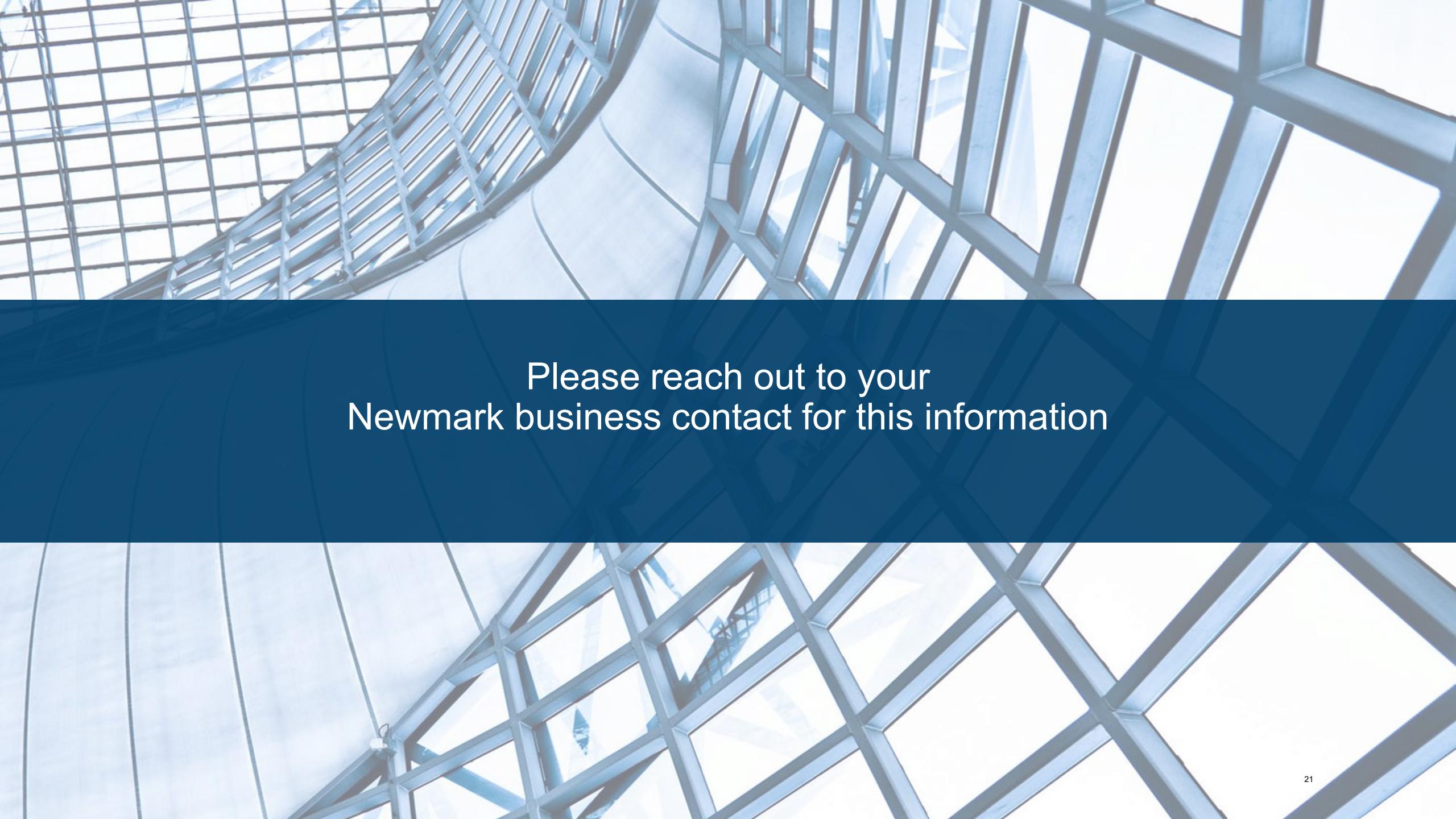
Market Statistics

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