

FIGURES | BALTIMORE OFFICE | Q4 2022

# Baltimore Office Market Posts Second Consecutive Quarter of Positive Absorption

▲ 17.8%

Vacancy Rate

▲ 193,447

SF Net Absorption

▼ 1,250,679

SF Under Construction

▼ \$23.12

Average Gross Asking Rate

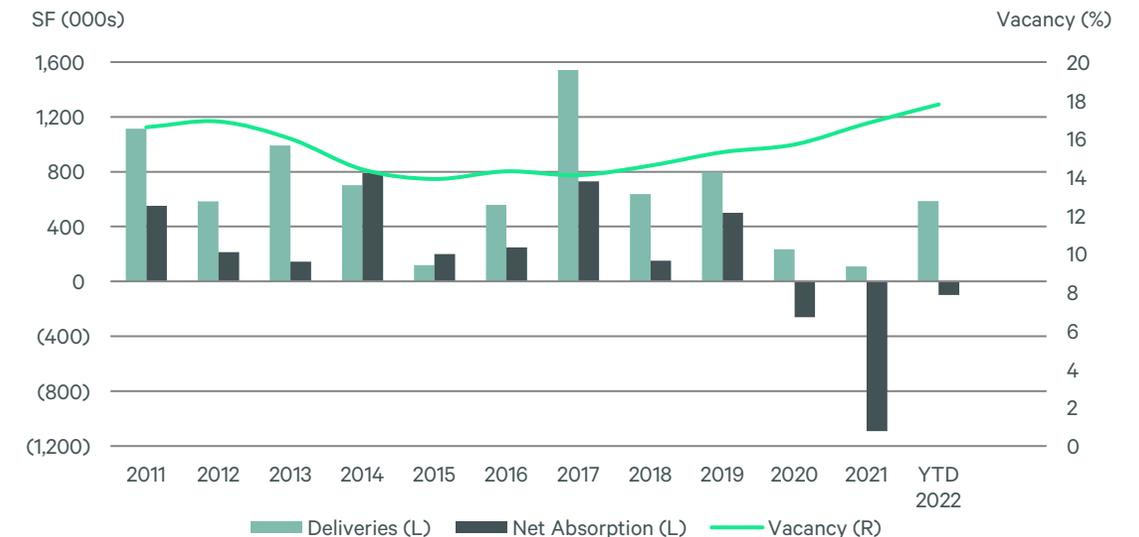
Note: Arrows indicate change from previous quarter.

The Baltimore office market posted a second consecutive quarter of positive absorption, recording 193,447 sq. ft. of occupancy gains during the fourth quarter. This was the first time Baltimore saw two quarters of positive absorption since the first half of 2019. Despite positive absorption, vacancy increased 30 basis points (bps) over the prior quarter due to the delivery of new vacant space to the market. The vacancy rate across the Baltimore office market is up 2.5 percentage points from the rate pre-pandemic.

Gross leasing activity picked up this quarter with 1.3 million sq. ft. leased, a 695,000 sq. ft. increase from Q3 levels. In total, tenants leased 3.25 million sq. ft. during 2022, up 500,000 sq. ft. from 2021 and 2020. Government tenants dominated the top transactions of the fourth quarter followed by financial services and technology. Despite another quarter of improved demand, occupancy losses earlier in the year caused the market to record 98,072 sq. ft. of negative absorption for the year.

The Baltimore City East submarket posted nearly 50,000 sq. ft. of positive absorption during the quarter, with Morgan Stanley moving into 34,653 sq. ft. at 1201 Wills Street, and McCormick Taylor moving into 14,142 sq. ft. at 1501 S Clinton Street. Sublease availability in Baltimore remains elevated at 1.5 million sq. ft., which is 94% higher than pre-pandemic levels, and has fluctuated between 1.4 million and 1.6 million sq. ft. in recent months.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Sector Snapshot

### Government

State and local government tenants led all sectors in leasing activity again, accounting for 56% of all leases signed in Baltimore during Q4. The Maryland Department of Health signed the largest lease of the quarter with its 463,000 sq. ft. new lease at 300 N Greene Street. Other State of Maryland relocations include Department of Labor, Office of the Comptroller, Department of Budget & Management, Department of Planning, and Department of Aging. Combined, these state government tenants leased 761,000 sq. ft. in the CBD during the fourth quarter.

These government agencies will relocate from the State Center Complex in Midtown, as the State continues to act on its pledge to shift state offices to the Central Business District in order to encourage continued economic activity and reinvestment in downtown Baltimore. This policy change played a key role in pushing vacancy in the CBD down to end the year at 20.9%, from 23.2% in Q2 of this year.

### Financial Services

Financial Services tenants accounted for 22% of leasing activity in the fourth quarter, largely due to one tenant. Morgan Stanley signed a 242,000 sq. ft. renewal expansion at 1300 Thames Street. Additionally, NewRez renewed its 15,000 sq. ft. lease at 6230 Old Dobbin Road, AON Service Corporation renewed 7,560 sq. ft. at 10461 Mill Run Circle, and Aquilance, LLC, signed a new lease for 3,374 sq. ft. at 225 International Circle.

### Development Activity

Two office properties totaling 402,896 sq. ft. delivered during the fourth quarter. The speculative development at 2455 Banner Street delivered 215,759 sq. ft. in the Baltimore City West submarket. In addition, Rye Street Market (301 Atlas Street) delivered in December and is 3% leased to Chambers.

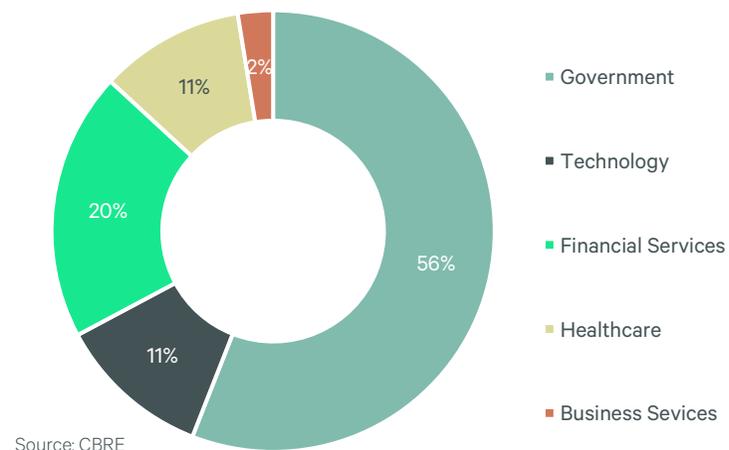
Ten properties totaling 1.2 million sq. ft. remain under construction across Baltimore. Of note, 4010 Boston Street is scheduled to deliver 104,500 sq. ft. in Canton during Q1 2023. The five-story class A building will be Baltimore’s first mass timber office building. Additionally, the latest waterfront office development at Harbor East—the new global headquarters of T. Rowe Price—is scheduled to deliver 470,000 sq. ft. across two buildings in Q2 2024.

FIGURE 2: Select Notable Q4 2022 Lease Transactions

Tenant	Address	Submarket	Lease Type	SF	Market Effect
Maryland Department of Health	300 N Greene St	CBD	New Lease	463,000	Growth
Morgan Stanley	1300 Thames St	Baltimore East	Renewal	242,000	Growth
Maryland Department of Labor	100 S Charles St	CBD	New Lease	126,432	Growth
Maryland Office of the Comptroller	7 St. Paul St	CBD	New Lease	67,586	Growth
Catalent	7031 Ridge Rd	BWI Corridor	New Lease	60,000	Growth
Maryland Department of Budget & Management	300 E Lombard St	CBD	New Lease	44,240	Growth
Columbia Medical Association	6220 Old Dobbin Ln	Columbia	New Lease	32,515	Growth
UKI	7055 Samuel Morse Dr	Columbia	New Lease	24,298	Growth
The Arc Maryland	999 Corporate Blvd	BWI Corridor	New Lease	23,744	Growth
Maryland Department of Planning	120 E Baltimore St	CBD	New Lease	19,329	Growth

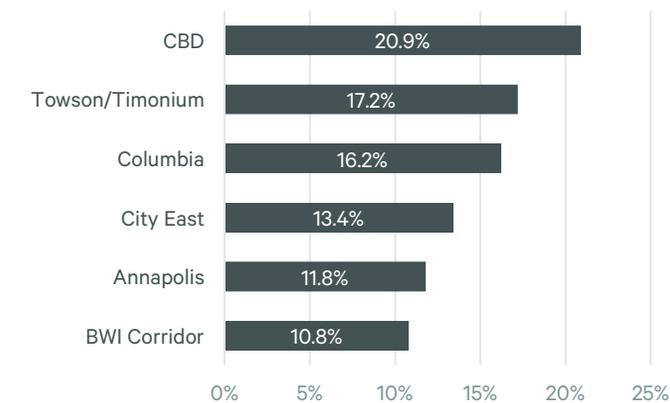
Source: CBRE

FIGURE 3: Q4 2022 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q4 2022 Vacancy by Submarket



Source: CBRE

FIGURE 5: Key Market Statistics

	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2022 Net Absorption (SF)	YTD Net Absorption (SF)	Gross Asking Rent (\$/SF)	Under Construction (SF)
<b>Baltimore City</b>	138	21,797,995	20.2	70,641	(57,561)	22.11	840,000
CBD	55	11,545,889	20.9	26,409	(27,987)	25.18	-
Baltimore City East	34	5,044,414	13.4	49,962	(29,915)	26.83	590,000
Baltimore City West	26	2,965,207	41.1	(15,807)	2392	18.94	250,000
<b>Lower Suburban</b>	392	26,222,256	13.6	192,796	280,124	25.64	379,395
Annapolis	51	2,538,316	11.8	7408	29,997	29.35	54,000
BWI	101	8,900,911	10.8	216,620	306,346	25.47	122,195
Columbia	200	13,251,035	16.2	(32,323)	(63,233)	25.70	203,200
<b>Upper Suburban</b>	340	21,116,001	20.5	(69,990)	(320,635)	21.61	31,284
Baltimore County East	29	1,428,652	24.4	7352	(54,550)	22.81	-
Hunt Valley	55	4,572,843	16.4	(48,946)	(99,826)	22.82	-
Reisterstown Rd Corridor	67	4,312,436	17.3	38,449	49,283	21.33	31,284
Towson/Timonium	99	6,296,043	17.2	316	(45,885)	20.71	-
<b>Overall</b>	870	69,136,252	17.79	193,447	(98,072)	23.12	1,250,679

Source: CBRE



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