

FIGURES | BALTIMORE OFFICE | Q1 2023

# Baltimore Office Market Fundamentals Remain Challenged

▲ 18.2%

Vacancy Rate

▼ (205,123)

SF Net Absorption

▶ 1.2M

SF Under Construction

▲ \$23.82

Average Gross Asking Rate

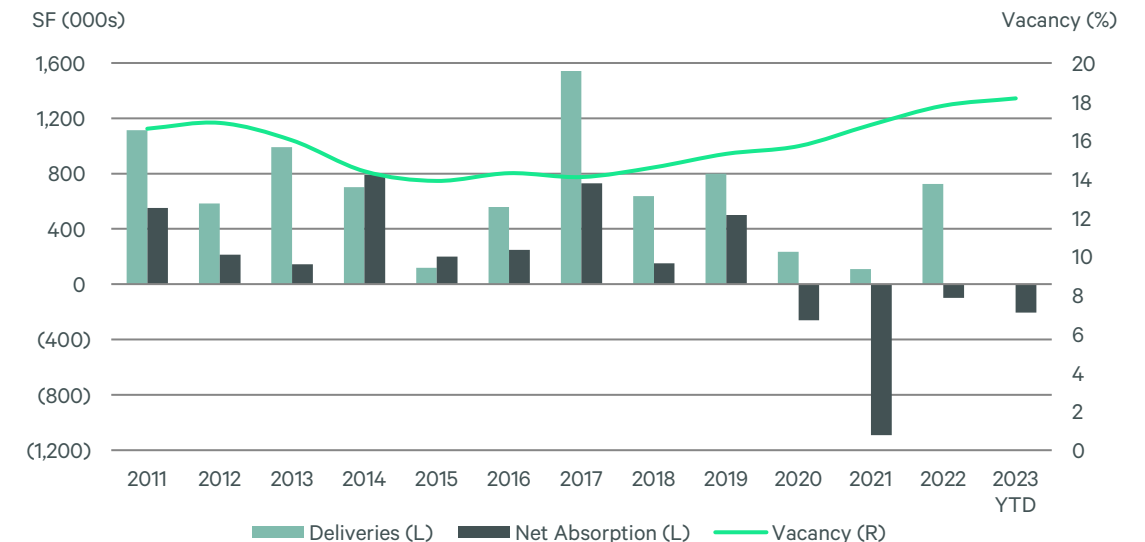
Note: Arrows indicate change from previous quarter.

Office market fundamentals posted a first quarter occupancy loss after back-to-back quarters of positive absorption. The market recorded 205,000 sq. ft. of negative absorption during the first quarter performing similarly to Q2 of 2022 when net absorption was negative 230,000 sq. ft.

Consequently, vacancy increased 40 basis points (bps) over the prior quarter to 18.2%, a new record-high for the Baltimore office market. Pandora moved out of 72,000 sq. ft. at its 250 W Pratt Street Headquarters as it gave back space in a move to New York. S3 Shared Solutions subleased 38,915 sq. ft. at 1501 S Clinton Street from Prometric. Sublease availability in Baltimore remains elevated at 1.5 million sq. ft., which is 94% above pre-pandemic levels and has fluctuated between 1.4 million and 1.6 million sq. ft. in recent months. Despite inflation, overall asking rents have remained relatively flat at \$23.59 per sq. ft. per annum on a full-service basis. Landlords are increasingly offering free rent and other concessions to entice tenants while keeping rental rates static.

Gross leasing activity declined this quarter with 668,600 sq. ft. of total leasing activity. This was about half of the 1.3 million sq. ft. gross leasing activity from Q4 2022, which was propped up by strong government leasing. The first quarter of 2023 was in line with the average of the first three quarters of 2022 (excluding the outlier fourth quarter). Seventeen tenants sized 10,000 sq. ft. or larger signed leases totaling 420,270 sq. ft. during the first quarter.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Sector Snapshot

### Business Services

Business Services tenants led all sectors in leasing activity in Q1 accounting for 50% of leases signed. Element Fleet Corporation signed the largest lease for 63,778 sq. ft. at 10200 Grand Central Avenue. S3 Shared Service Solutions signed a new sublease for 38,915 sq. ft. at 1501 S Clinton Street, taking over the lease of Prometric.

### Financial Services

Financial Services tenants accounted for 24% of leasing activity in the fourth quarter, largely due to one tenant. CFG Bank signed a 97,286 sq. ft. new lease at 2455 House Street, part of the Baltimore Peninsula. Thomas Park Investments signed a new sublease for 14,159 sq. ft. at 1906 Towne Centre Boulevard. Direct Mortgage Loans renewed for 9,034 sq. ft. at 11011 McCormick Road. This marks the second quarter in a row in which Financial Services was the second highest gross leasing sector in Baltimore.

## Development Activity

Development activity is slowing down after 402,900 sq. ft. delivered in Q4 2022. No buildings broke ground or delivered during the first quarter of 2023. Eleven properties totaling 1.2 million sq. ft. remain under construction across Baltimore:

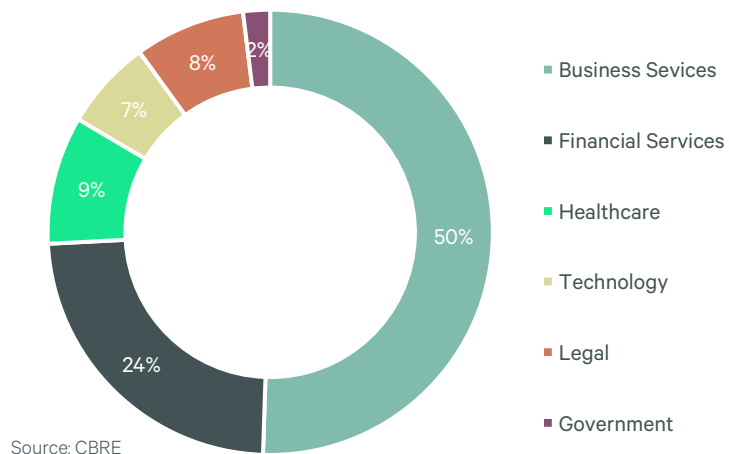
- UMB Bio Park at 4 N Martin Luther King Jr Blvd broke ground in November 2022 and is scheduled to deliver 250,000 sq. ft. of Class A laboratory and office space in Q4 2024.
- In Canton, 40Ten Boston (or 4010 Boston Street) is scheduled to deliver 104,500 sq. ft. in Q1 of 2023. The five-story class A building will be Baltimore’s first mass timber office building.
- 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 Q1 2023 Lease Transactions

Tenant	Address	Submarket	Lease Type	SF	Market Effect
CFG Bank	2455 House St	Baltimore East	New Lease	97,286	Growth
Element Fleet Corporation	10200 Grand Central Ave	Reisterstown Road Corridor	New Lease	63,778	Contraction
S3 Shared Service Solutions	1501 S Clinton St	Baltimore East	Sublease	38,915	Contraction
Enlighten IT	10960 Grantchester Way	Columbia	Sublease	23,707	Growth
Gebhardt & Smith LLP	1 South St	CBD	Renewal	16,671	Flat
Serco	6731 Columbia Gateway Dr	Columbia	Renewal	14,377	Flat
Thomas Park Investments	1906 Towne Centre Blvd	Annapolis	Sublease	14,159	Growth
SafeNet Assured Technologies	3465 Box Hill Corporate Center Dr	Harford County	Renewal	13,689	Flat
Arch Insurance Co	11350 McCormick Rd	Hunt Valley	Renewal	13,687	Flat
Kennedy Krieger Institute	425 Williams Ct	Baltimore County East	New Lease	13,365	Contraction
ABR Capital Partners	100 Light St	CBD	New Lease	11,606	Growth

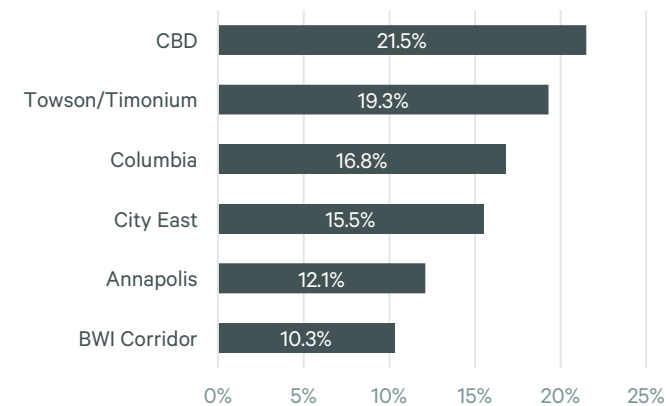
Source: CBRE

FIGURE 3: Q1 2023 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q1 2023 Vacancy by Submarket



Source: CBRE

FIGURE 6: Key Market Statistics

	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q1 2023 Net Absorption (SF)	YTD Net Absorption (SF)	Gross Asking Rent (\$/SF)	Under Construction (SF)
<b>Baltimore City</b>	132	21,479,164	19.9	(67,510)	(67,510)	24.70	840,000
CBD	53	11,447,595	21.5	(49,739)	(49,739)	25.23	-
Baltimore City East	33	4,952,156	15.5	(17,067)	(17,067)	26.96	590,000
Baltimore City West	26	2,965,207	31.8	5043	5043	18.99	250,000
<b>Lower Suburban</b>	383	25,710,383	13.7	(71,509)	(71,509)	25.70	379,395
Annapolis	50	2,514,416	12.1	(5761)	(5761)	29.41	54,000
BWI	100	8,844,459	10.3	48,409	48,409	23.82	122,195
Columbia	193	12,819,514	16.8	(116,273)	(116,273)	25.92	203,200
<b>Upper Suburban</b>	334	20,361,126	21.9	(66,104)	(66,104)	21.41	31,284
Baltimore County East	29	1,428,652	23.6	11,642	11,642	22.85	-
Hunt Valley	52	4,003,738	19.1	(16,951)	(16,951)	22.84	-
Reisterstown Rd Corridor	67	4,312,436	19.1	(77,493)	(77,493)	21.39	31,284
Towson/Timonium	98	6,255,043	19.3	(63,004)	(63,004)	20.74	-
<b>Overall</b>	849	67,550,673	18.2	(205,123)	(205,123)	23.82	1,250,679

Source: CBRE



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