

OFFICE OVERVIEW

THIRD QUARTER | 2024



OFFICE INDICATORS

Market Size
114,612,493

Building Count
2,545

Absorption
-474,285

YTD Absorption
-235,793

Vacancy
13.92%

Rental Rate
\$24.58/sf

The upcoming elections have heightened economic uncertainty, further destabilizing an already fragile market. A recent 50 basis point interest rate cut, with another rate cut expected before year's end, may stimulate leasing activity. However, Baltimore City's difficulty in attracting new businesses has led to persistently high vacancy rates. While many U.S. markets have seen tenants downsize and shift to higher-quality spaces, Baltimore has struggled to absorb excess office space, exacerbating local market challenges.

New construction has slowed, preventing further oversupply. The State of Maryland has yet to occupy many Baltimore City Center buildings leased in 2022 and 2023, though the Department of Human Services did move into 149,000 sf at 25 S. Charles St. in the third quarter. In contrast, the suburban markets, Northern Metro and Southern Metro, have shown stronger occupancy, with vacancy rates at 11.2% and 11.6% respectively, compared to the city's 22.1% vacancy rate. Despite robust leasing activity in suburban areas, many deals consist of renewals, downsizing, and future leases with future occupancy dates.

Overall, 2023 has been a weak year for office sales, with the average price per square foot dropping to \$92 from \$217. The path to recovery may rely on repurposing or modernizing existing office spaces to meet evolving workforce demands. Additionally, initiatives to attract new industries to Baltimore and state efforts to fully occupy leased spaces may offer long-term relief. However, without significant economic improvement or stronger business incentives, the commercial office market, especially in urban areas like Baltimore City, may face prolonged recovery challenges into the future.

THE NUMBERS	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Baltimore City Center	12,097,237	28.8%	29.2%	28.5%	-58,756	-59,345	\$24.55	\$24.50	\$24.17
Baltimore City Midtown	2,070,336	9.4%	8.8%	8.7%	6,921	14,986	\$19.31	\$19.05	\$20.37
Baltimore City NE	1,057,599	8.4%	9.8%	6.4%	29,968	-14,819	\$32.23	\$32.23	\$30.52
Baltimore City NW	2,069,148	6.5%	3.8%	3.9%	-26,923	-20,817	\$29.51	\$29.52	\$29.20
Baltimore City SE	7,013,197	20.2%	18.8%	20.2%	-106,216	9,061	\$32.08	\$32.10	\$32.23
Baltimore City SW	3,033,959	23.6%	22.8%	20.4%	-21,875	-17,790	\$24.13	\$25.26	\$24.30
Baltimore City	27,341,476	22.1%	21.7%	19.5%	-176,881	-88,724	\$26.71	\$26.80	\$26.59
Baltimore County East	4,149,759	12.0%	12.6%	14.6%	-36,113	-47,019	\$21.77	\$22.04	\$23.02
Baltimore County West	8,324,399	7.0%	7.1%	7.3%	3,914	22,758	\$19.89	\$19.58	\$19.77
Carroll County	2,165,824	3.9%	3.8%	4.4%	494	4,415	\$21.70	\$21.63	\$23.22
Cecil County	754,540	1.7%	2.3%	7.8%	4,536	5,580	\$24.67	\$24.67	\$30.94
Harford County	4,886,388	15.2%	14.7%	15.5%	-26,739	5,278	\$24.56	\$24.56	\$24.27
I-83 Corridor	10,342,972	13.4%	12.8%	14.2%	-68,496	-161,987	\$22.90	\$22.96	\$22.91
Reisterstown Rd.	7,992,607	12.4%	12.4%	15.3%	26,273	59,762	\$25.58	\$25.53	\$25.69
Towson	8,018,794	11.3%	11.1%	10.6%	-18,135	-2,134	\$21.69	\$21.68	\$21.69
Northern Metro	46,635,283	11.2%	11.0%	12.1%	-114,266	-113,347	\$22.66	\$22.63	\$22.91
Annapolis	5,240,649	10.3%	10.7%	10.7%	-17,757	-28,567	\$29.38	\$29.38	\$29.67
BWI Corridor	14,222,201	8.6%	8.6%	7.9%	-69,193	51,447	\$23.27	\$23.14	\$26.10
Columbia	18,298,521	15.1%	14.8%	14.7%	-83,358	-40,195	\$25.77	\$25.45	\$26.12
Route 2 Corridor	2,874,363	6.1%	5.6%	6.0%	-12,830	-16,407	\$25.54	\$25.17	\$25.01
Southern Metro	40,635,734	11.6%	11.4%	11.1%	-183,138	-33,722	\$25.34	\$25.13	\$26.49
Totals	114,612,493	13.9%	13.7%	13.5%	-474,285	-235,793	\$24.58	\$24.51	\$25.06

An iconic office building at 201 N. Charles St. has been sold for \$3.1 million at auction. The lender took a \$1 million loss, having acquired the 268,645 sf building for a higher price during the foreclosure auction in June 2022.

Stifel Financial is downsizing its office space from 80,000 sf to just one floor at One South St. The majority of its workforce will relocate to a 35,000 sf office at 1201 Wills St. in Baltimore Southeast.

The fully leased office building located at 2553 Housley Rd. in Annapolis sold for \$2.42 million or approximately \$187/sf.

The University of Baltimore has leased over 46,000 sf at 101 W. Mt. Royal Ave. This location will house the UBalt Welcome Center, as well as key administrative offices.

The former office building at 600 E. Lombard St., has been demolished after years of vacancy and vandalism. The site is slated to be transformed into green space, with completion expected by the end of 2024.

Zander's, a fine dining restaurant at 135 E. Baltimore St., has closed after just four months of operation. The Alex Brown building is now available for lease as office space.

The historic Can Company complex in Canton sold for \$12 million to local investors before it went up for auction. The 280,000 sf building is a mix of office and retail, the new owners intend to refill the current vacancy.

The vacant, vandalized office building at 600 E. Lombard St. in City Center has been razed. Formerly the home of Baltimore City Community College the transformation to green space should be completed by the fall of 2024.



OFFICE INDICATORS

Market Size
114,612,493

Building Count
2,545

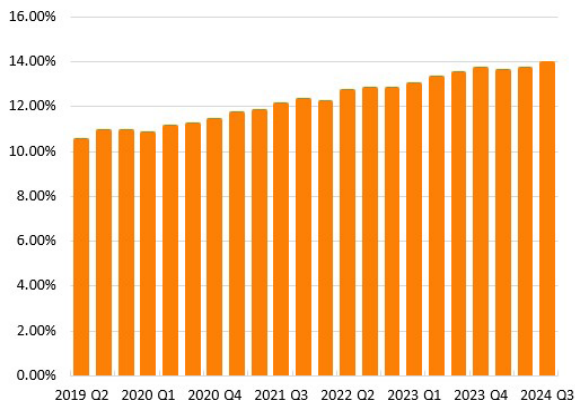
Absorption
-474,285

YTD Absorption
-235,793

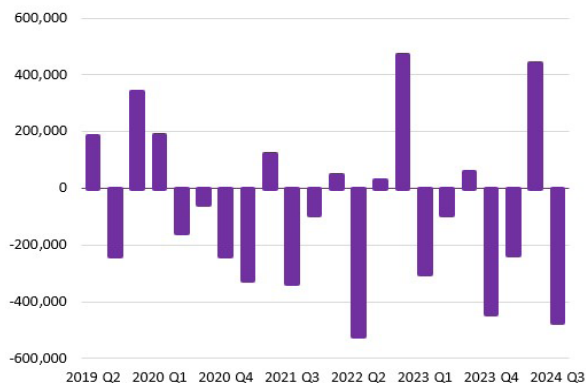
Vacancy
13.92%

Rental Rate
\$24.58/sf

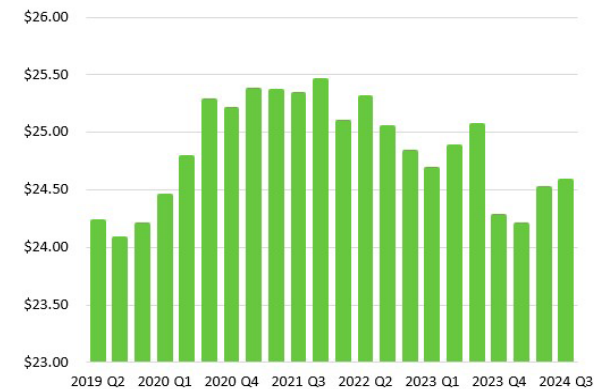
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Cecil County	1.7%
2	Carroll County	3.9%
3	Route 2 Corridor	6.1%

Highest Vacancy

1	Baltimore City Center	28.8%
2	Baltimore City SW	23.6%
3	Baltimore City SE	20.2%

Most Change vs. Prior Quarter

-	Baltimore City NE	-1.45%
+	Baltimore City NW	2.73%

Lowest Net Absorption

1	Baltimore City NE	29,968
2	Reisterstown Rd Corridor	26,273
3	Baltimore City Midtown	6,921

Highest Net Absorption

1	Baltimore City SE	-106,216
2	Columbia	-83,358
3	BWI Corridor	-69,193

Most Absorption, Year-to-Date

-	I-83 Corridor	-161,987
+	Reisterstown Rd Corridor	59,762

Cheapest Rates

1	Baltimore City Midtown	\$19.31
2	Baltimore County West	\$19.89
3	Towson	\$21.69

Most Expensive Rates

1	Baltimore City NE	\$32.23
2	Baltimore City SE	\$32.08
3	Baltimore City NW	\$29.51

Most Change vs. Prior Quarter

-	BWI Corridor	-\$1.13
+	Route 2 Corridor	\$0.37

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
1550 W. Nursery Rd.*	BWI Corridor	Northrop Grumman	156,215
8031 Corporate Dr.*	Baltimore County East	Comcast	66,000
6100 Merriweather Dr.*	Columbia	Adtalem Global Education	53,346
101 W. Mt. Royal Ave.	Baltimore City Midtown	UM Welcome Center	46,380

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
2200 Defense Hwy.	Route 2 Corridor	\$9,000,000	\$137	65,780
2 Park Center Ct.	Reisterstown Rd Corridor	\$5,942,500	\$197	30,167
8020 Corporate Dr.	Baltimore County East	\$4,000,000	\$78	51,600
2553-2555 Housley Rd.	Annapolis	\$2,425,000	\$195	12,464

* Renewal, Expansion, or Sublease

OFFICE OVERVIEW (DC METRO)

THIRD QUARTER | 2024



OFFICE INDICATORS

Market Size
112,665,643

Building Count
2,009

Absorption
192,028

YTD Absorption
-578,645

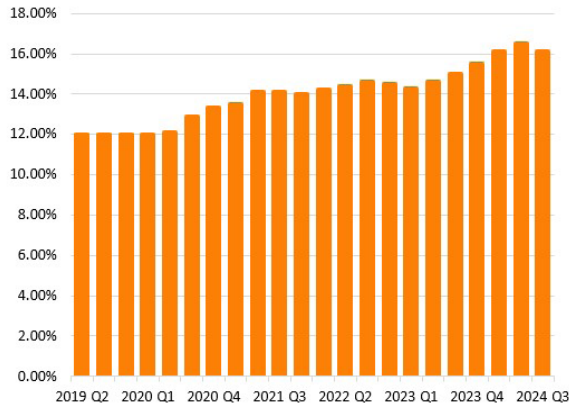
Vacancy
16.13%

Rental Rate
\$29.49/sf

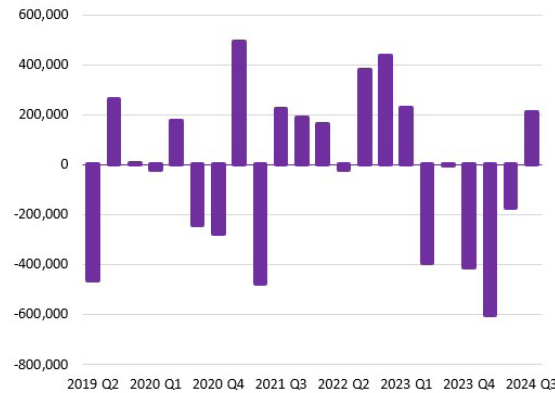
THE NUMBERS

	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	QTD	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,799,881	12.6%	12.4%	8.3%	29,502	-288,842	\$23.65	\$23.50	\$24.70
Montgomery Co. North	12,532,324	12.9%	13.4%	11.4%	43,868	27,952	\$31.67	\$31.23	\$24.04
Montgomery Co. South; Rockville/Bethesda	52,391,821	20.0%	20.3%	18.2%	140,906	-400,920	\$32.43	\$32.45	\$31.96
Prince George's Co. North	22,348,186	13.1%	13.9%	14.0%	15,481	61,322	\$24.31	\$24.09	\$24.09
Prince George's Co. South	5,137,867	6.1%	6.0%	6.4%	-7,344	-35,677	\$27.56	\$28.27	\$30.92
Silver Spring North/Route 29	4,236,170	9.1%	8.8%	10.8%	-12,273	79,058	\$27.33	\$27.24	\$29.86
Silver Spring South	7,219,394	18.4%	18.4%	18.6%	-18,112	-21,538	\$30.19	\$30.19	\$29.36
Totals	112,665,643	16.1%	16.5%	15.0%	192,028	-578,645	\$29.49	\$29.43	\$28.66

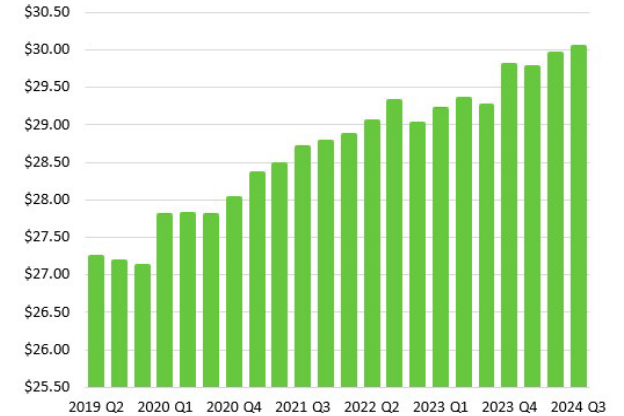
VACANCY



NET ABSORPTION



RENTAL RATES



LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
520 Gaither Rd.*	Montgomery County S	BAE Systems	139,120
6555 Rock Spring Dr.*	Montgomery County S	National Institute of Health	123,750
9711 Washingtonian Blvd.*	Montgomery County S	Regus	17,013

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
2115 E Jefferson St	Montgomery County S	\$21,760,000	\$149	146,286
8490 Progress Dr	Frederick County	\$18,000,000	\$136	132,134
20500 Seneca Meadows Pky	Montgomery County N	\$8,500,000	\$132	64,320

* Renewal, Expansion, or Sublease