MARKET IN MINUTES

Savills Research

Q1 2021

BALTIMORE

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Asking rents hold at pre-pandemic rates, even as more supply hits the market

In the first quarter of 2021, the average asking rent stood at $24.62 per square foot (psf) in the Baltimore market, the highest rate the market has seen to date. This rate reflects increases of 1.5% over last quarter and 2.5% year-over-year despite the impacts of COVID-19 still in effect. Class A rents in the market increased 0.2% over the quarter and increased 0.4% over the year, to $26.90 psf. CBD rents increased by 1.6% to $23.71 psf over the year, while suburban rents increased 3.5% to $25.42 psf over the same period. The moderate rise in asking rents is more of a function of new product being added to the market at the same asking rates seen pre-pandemic, rather than landlords actually increasing asking rents. Landlords keeping asking rents at these rates may show their confidence in the future of the Baltimore market.

Availability rates are rising in the CBD and suburban markets

In the first quarter of 2021, overall availability in Baltimore increased by 40 bps during the quarter and 140 bps year-over-year to 16.9%. Over the last year, the Class A availability rate increased by 230 bps to 19.4%, while the availability rate for lower quality space increased by just 40 bps to 14.4%. The CBD availability rate increased by 240 bps to 17.5% year-over-year, while the comparable suburban availability rate rose 70 bps to 16.6%. Submarket availability rates ranged from 2.7% in Baltimore City North and 6.2% in Carroll County to 22.2% in Baltimore County East and 31.5% in Harford County. The sublease supply also grew by 3.2% quarter over quarter ending Q1 at 1.2 msf available; However, Baltimore still has one of the lowest sublease availability rates in the country.

Despite a strong increase last quarter, leasing activity fell once again

The leasing activity in the Baltimore market totaled 677,413 sf in the first quarter of 2021. This activity is relatively flat year-over-year but reflects a decrease of 7.0% over the quarter. As the pandemic has continued for a full year, Baltimore still shows signs of subdued leasing activity despite an upward trend of activity from the five-year low seen in the third quarter of 2020. In the first quarter of 2021, 146 office leases were signed in averaging about 4,600 sf per lease. The largest leases were signed by Eating Recovery Center at 55 Schilling Rd. in the Route 83 Corridor submarket (53,798 sf), Johns Hopkins Community Physicians at 6201 Greenleigh Ave. in the Baltimore County East submarket (51,233 sf), and Hogan Lovells at 100 International Dr. in the Baltimore City South submarket (30,877 sf).

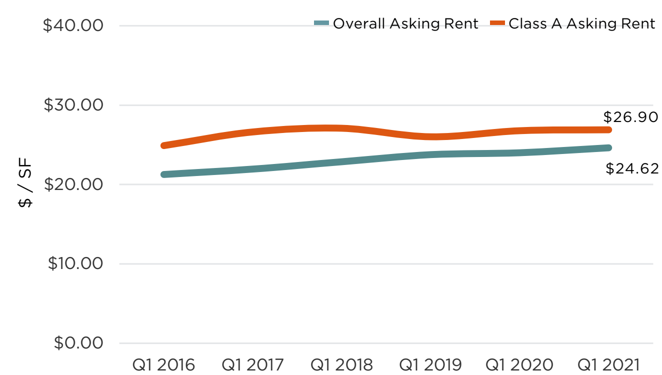
Outlook

- Work from home options and overall increased flexibility within workplace will likely continue post-pandemic causing occupiers to rethink their office needs
- While sublease supply has increased over the last year, it remains low and will likely not be a largely contributing factor to elevated availability
- Employment in the Baltimore MSA is projected to grow by 1.8% per year over the next five years, resulting in an aggregate of 119,000 new jobs through 2025.

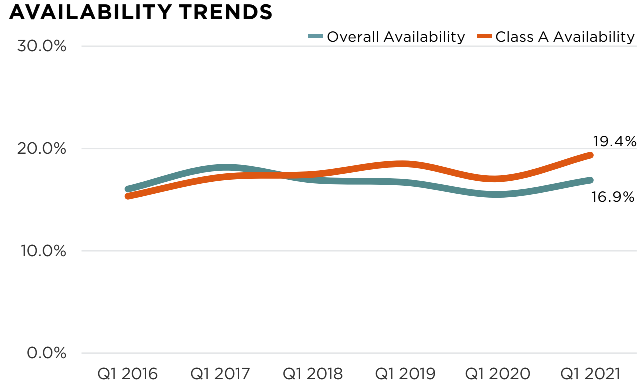
KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	81.9 MSF	**81.7 MSF**	▼
Availability Rate	15.5%	**16.9%**	▲
Asking Rental Rate	$24.01	**$24.62**	▲
Class A Asking Rental Rate	$26.79	**$26.90**	▲
Quarterly Leasing Activity	0.7 MSF	**0.7 MSF**	◀▶

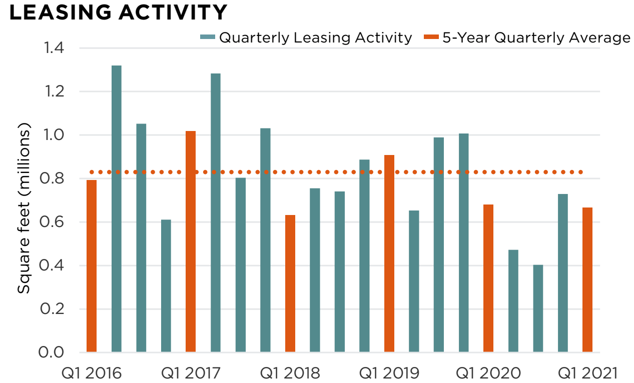
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

49.5%
of major transactions were new locations by square footage

83.0%
of large transactions occurred in the Howard County submarket by square footage

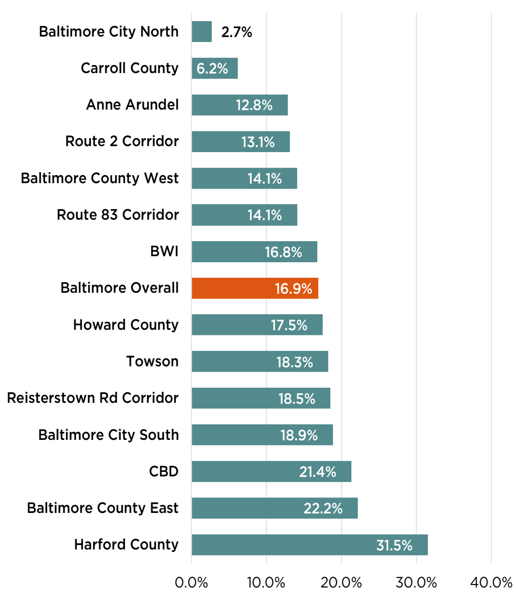
50.5%
Healthcare sector tenants represented 50.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Eating Recovery Center (ERC)	53,798	55 Schilling Road	New Location	Route 83 Corridor	Healthcare
Johns Hopkins Community Physicians	51,233	6201 Greenleigh Avenue	New Location	Baltimore County East	Healthcare
Hogan Lovells	30,877	100 International Drive	Restructure	Baltimore City South	Legal Services
Eating Recovery Center (ERC)	28,021	101 Schilling Road	New Location	Route 83 Corridor	Healthcare
Sheppard Pratt Health System	27,171	849 Fairmount Avenue	New Location	Towson	Healthcare
Smart Care	16,808	6211 Greenleigh Avenue	New Location	Baltimore County East	TAMI
Maxim Healthcare Group	13,900	7221 Lee Deforest Drive	Renewal	Howard County	Healthcare
Secure Offices LLC	13,059	7467 Ridge Road	Renewal	Anne Arundel	Coworking
Maersk	10,984	1501 S Clinton Street	New Location	Baltimore City South	Transportation
DMW	10,691	501 Fairmount Avenue	Renewal	Towson	Construction

Source Savills Research

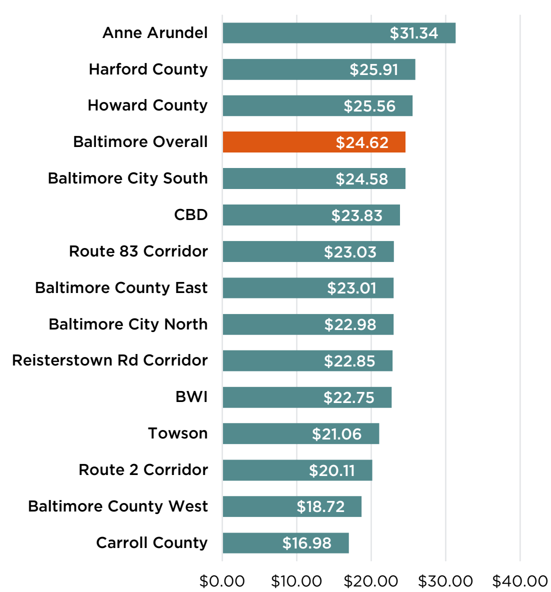
AVAILABILITY RATE COMPARISON

Baltimore Submarkets



RENTAL RATE COMPARISON ($/SF)

Baltimore Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

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