



Baltimore's market fundamentals remain fairly resilient to initial COVID-19 impacts

The COVID-19 public health crisis has shaken most office markets across the U.S., however, the Baltimore market has been cushioned from the worst of the crisis' impacts so far. Baltimore benefits from a tenant base made of a substantial amount of government contractors which are a non-cyclical industry. Most cities are experiencing elevating availability rates as tenants shed space to cut real estate costs, but Baltimore saw overall availability decrease by 120 basis points (bps) and 10 bps year over year and quarterly, respectively, to 15.4%. Availability in Baltimore's Central Business District (CBD) declined most significantly, falling by 320 bps to 14.7% year over year, while the suburban overall availability rate rose 10 bps to 15.9% – illustrating softer market conditions in fringe submarkets.

Despite ongoing pandemic, overall rents continue to increase, though at a slower pace, led by the Route 83 Corridor Submarket

Baltimore landlords have been hesitant to reprice asking rents so far and the overall average asking rent stood at \$24.05 per square foot (psf) – reflecting annual (0.8%) and quarterly (0.2%) increases. Rents ranged from a low of \$13.70 psf in Carroll County, to \$27.58 psf in Anne Arundel. Class A rents in the market saw a slight decrease of 0.4% over the quarter, but increased 1.5% over the year, to \$26.68 psf. CBD rents increased by 1.7% to \$23.39 psf over the year, while suburban rents decreased 0.6% to \$24.53 psf over the year. Over the last year, significant rent spikes were observed in the Route 83 Corridor (+23.7%) and Baltimore City North (+14.3%), while the Route 2 Corridor (-7.4%) and Anne Arundel (-7.3%) submarkets saw noteworthy rent declines over the same period.

Leasing activity dropped to a five-year low and WeWork terminated its 69,000-sf Wills Wharf lease

With a dwindling pool of tenants willing to sign leases in the uncertain near-term, total transaction volume in Baltimore dropped to just 470,000 square feet (sf) – a five year low for the market. This represents decreases of 30.6% over the quarter and 27.7% year-over-year. During the second quarter WeWork terminated its lease for 69,000 sf across the top two floors at Wills Wharf (1201 Wills Street). This will be one of many leases that WeWork will likely terminate nationally this year as the company looks to cut costs after last year's failed IPO and ongoing struggles in 2020 that have been amplified by the COVID-19 pandemic.

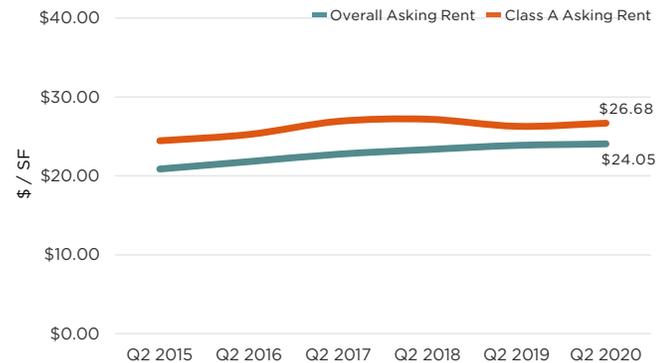
Outlook

- Regardless of the global pandemic, Baltimore rents rose and availability rates declined in Q2 2020; however, leasing velocity fell to a five-year low, foreboding a softening tenant-favorable market
- Baltimore's anemic development pipeline will work in its favor as significant new space will not be added to the market; as the crisis continues developers will not likely start any new construction projects without substantial preleasing
- Prior to COVID-19, Baltimore area employment was projected to grow by 1.2% per year over the next five years; revised projections, which assume a 20% net decline in U.S. employment in 2020, imply a substantial job loss in the MSA over the same period

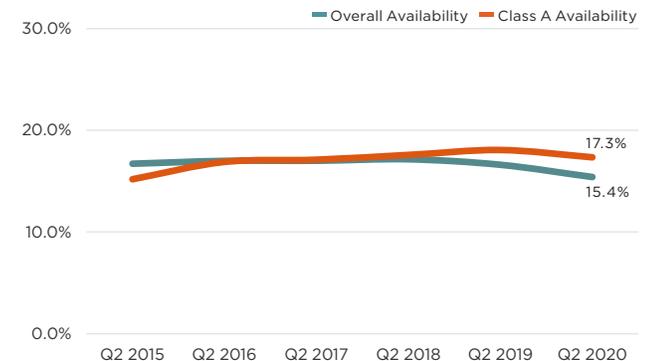
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	82.3 MSF	82.2 MSF	▼
Availability Rate	16.6%	15.4%	▼
Asking Rental Rate	\$23.86	\$24.05	▲
Class A Asking Rental Rate	\$26.28	\$26.68	▲
Quarterly Leasing Activity	0.7 MSF	0.5 MSF	▼

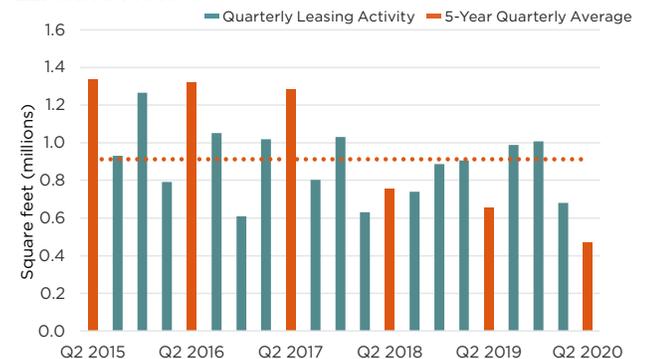
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

9 of 10

of major transactions were new locations

53.8%

of large transactions occurred in the Baltimore City North submarket

57.5%

Government sector tenants represented 57.5% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Baltimore City Police Department	121,833	401-501 N Calvert Street	New Location	Baltimore City North	Government
Advarra	27,130	6100 Merriweather Drive	New Location	Howard County	Professional Services
Notre Dame of Maryland University	18,384	6810 Deerpath Road	New Location	Howard County	Education
The Prosperity Consulting Group, LLC	12,339	10065 Red Run Boulevard	New Location	Reisterstown Rd Corridor	Financial Services
Intelligenesi	10,831	6950 Columbia Gateway Drive	New Location	Howard County	TAMI
American Community Management Inc	10,651	1099 Winterson Road	New Location	BWI	Real Estate
General Dynamics	10,275	6721 Columbia Gateway Drive	New Location	Howard County	Professional Services
Social Security Office	8,500	6820 Hospital Drive	Renewal	Baltimore County East	Government
Columbia Pregnancy Center	3,447	8945 Guilford Road	New Location	Howard County	Healthcare
Cornerstone Financial, LLP	3,290	210 Allegheny Avenue	New Location	Towson	Financial Services

Source Savills Research

For more information, please contact us:

Savills
102 West Pennsylvania Avenue
Suite 302
Towson, MD 21204
+1 410 844 3900

George Santos
Senior Managing Director
gsantos@savills.us

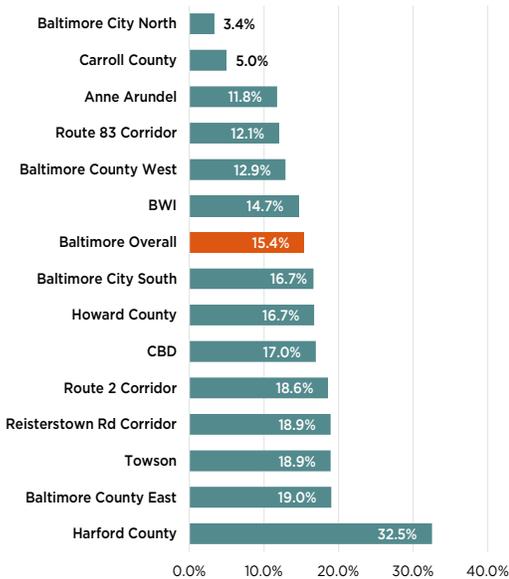
Devon Munos
Research Manager
dmunos@savills.us

About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

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.

Copyright © 2020 Savills

