

Overall rents rise, driven by spikes in select submarkets

In the third quarter of 2019, the overall average office asking rent stood at \$23.80 per square foot (psf) in the Baltimore region, reflecting an annual increase of 1.5% and 1.8% over the quarter. Rents ranged from a low of \$15.73 psf in Carroll County, to a high of \$28.95 psf in the Anne Arundel submarket. Class A rents saw a similar increase, rising by 1.5% year over year and 1.6% over the quarter, to \$26.53 psf. Asking rent growth is being driven by suburban markets with Central Business District (CBD) rents decreasing by 1.6% year over year, while suburban rents rose by 3.6% over the same period. Over the trailing four quarters, rent spikes were seen in Harford County (+27.0%), Baltimore County East (+7.6%), and the CBD (+5.3%).

Both overall and Class A availability rates are trending downward year over year

Baltimore's overall availability rate declined by 40 basis points over the quarter and 150 basis points year over year, to 16.2% in the third quarter of 2019. In comparison, the average Class A availability rate was effectively flat over the quarter but down 80 basis points year over year, to 18.1%. CBD and suburban market availability rates in the third quarter were 17.1% and 15.7%, respectively. Submarket availability rates range from 5.4% in Carroll County and 8.7% in Baltimore City North, to 20.2% in the CBD and 31.6% in Harford County.

Leasing activity is in line with the 5 year average, financial services firms active amongst large deals

Total third-quarter 2019 leasing activity stood at 1.0 million square feet (msf), reflecting large increases over both the last year (36.0%) and quarter (51.0%). Third-quarter leasing activity was in line with the five-year average of 990,000 sf but well below the Q3 2014 peak of 1.6 msf. About 150 leases were signed in the quarter, averaging 6,575 sf per lease. The largest leases in the quarter were signed by financial advisory firm Brown Advisory (125,000 sf) in the Baltimore City South submarket, wireless communications supplier TESSCO Technologies (102,164 sf) in the Route 83 Corridor submarket, and Helm Services (44,523 sf), a subsidiary of Stripe technologies, also in Baltimore City South. Financial services tenants were particularly active over the quarter accounting for three of the largest 10 leases signed.

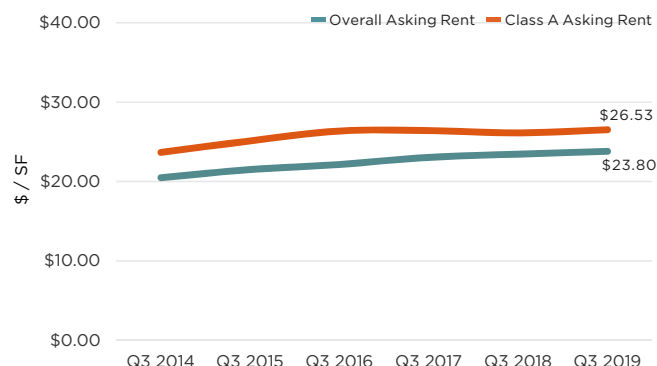
Outlook

- Vacancy rates are expected to hold steady, even as new deliveries are completed, particularly in the Southeast submarkets; construction is slowing
- Continued upward pressure on Class A rents is expected to continue, especially in the suburbs
- Baltimore MSA employment is projected to grow by about 1.0% per year over the next five years, resulting in an aggregate of 72,000 new jobs through the first quarter of 2024

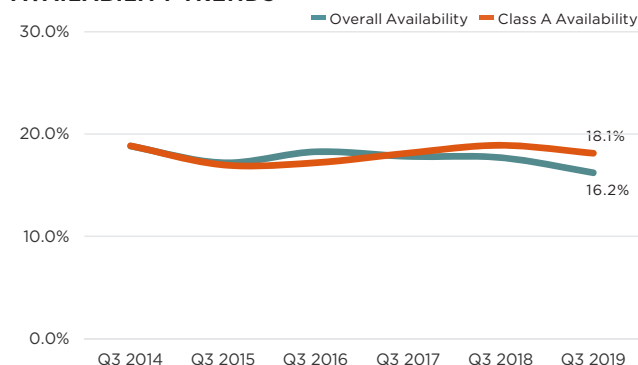
KEY STATISTICS

	Q3 2018	Q3 2019	y-o-y Change
Inventory	83.9 MSF	84.2 MSF	▲
Availability Rate	17.7%	16.2%	▼
Asking Rental Rate	\$23.45	\$23.80	▲
Class A Asking Rental Rate	\$26.13	\$26.53	▲
Quarterly Leasing Activity	0.7 MSF	1.0 MSF	▲

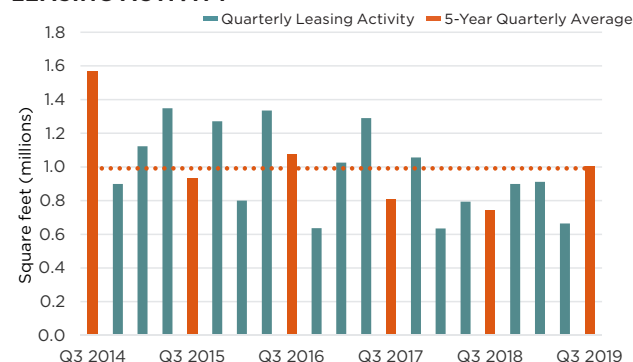
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

56.0%

of major transactions were **renewals**

48.6%

of large transactions occurred in the **Baltimore City South** submarket

36.3%

Financial Services represented 36.3% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Brown Advisory	125,000	901 S Bond Street	Renewal and Expansion	Baltimore City South	Financial Services
TESSCO	102,164	375 W Padonia Road	Renewal	Route 83 Corridor	Telecommunications
Helm	44,523	1215 E Fort Avenue	New Location	Baltimore City South	TAMI
The Johns Hopkins Health System Corporation	38,000	901 S Bond Street	Renewal	Baltimore City South	Associations and Non-profits
Versant Health	37,954	881 Elkridge Landing Road	New Location	BWI	Healthcare
Thermo Fisher Scientific	36,066	101 Schilling Road	New Location	Route 83 Corridor	Biotechnology
GSA	30,578	7740 Milestone Parkway	New Location	Anne Arundel	Government
Johns Hopkins Federal Credit Union	29,350	1501 S Clinton Street	Relocation	Baltimore City South	Financial Services
MassMutual	22,512	11350 McCormick Road	Renewal	Route 83 Corridor	Financial Services
Murphy, Falcon & Murphy	21,413	1 South Street	New Location	CBD	Legal Services

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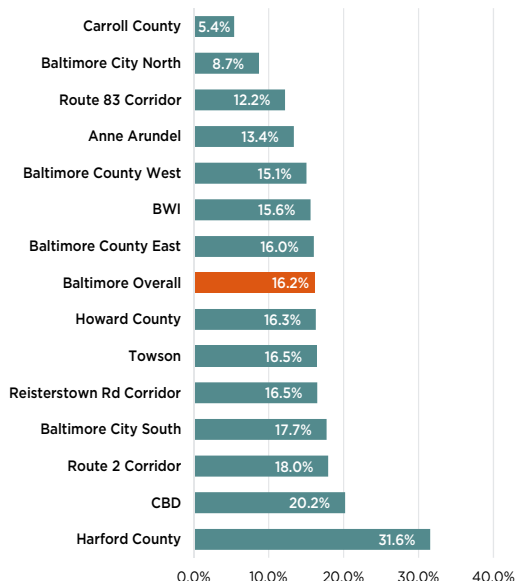
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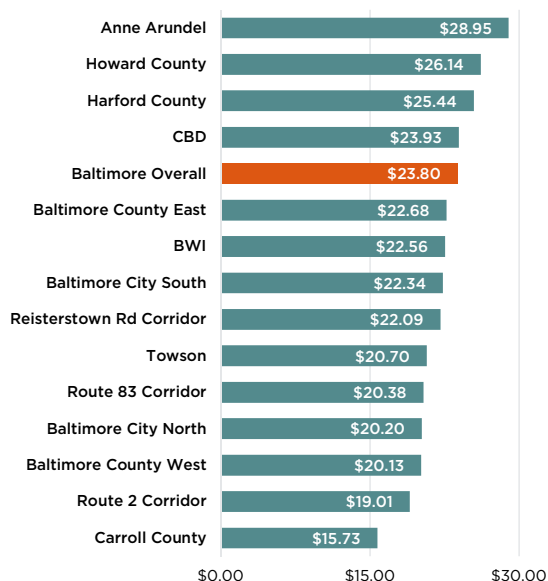
AVAILABILITY RATE COMPARISON

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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