



Leasing activity continues dramatic decline due to uncertainties caused by COVID-19

As the pandemic continues without a clear end in sight, many tenants are postponing leasing decisions until there is more market clarity. Baltimore's deteriorating demand has only worsened as 2020 progresses with last quarter marking a five-year low in leasing activity and then Q3 declining further with a new record five-year low. Quarterly leasing activity totaled 402,113 square feet (sf), representing decreases of 14.9% over the quarter and 59.3% year over year. There were 114 office leases signed across the market in the third quarter, averaging about 3,500 sf per lease. The largest leases were completed by McCormick Taylor (23,006 sf) in Baltimore City South, and Chiron Technology Services (19,031 sf) in Howard County.

Baltimore's availability has seen some increase, but the market is relatively cushioned from the worst of the pandemic's impacts

In Q3, overall availability in the Baltimore market increased by 90 basis points (bps) during the quarter to 16.4% but was flat year over year. The Class A availability rate increased by 50 bps to 18.7% over the last year, while the availability rate for lower quality space decreased by 70 bps to 13.9%. Despite limited demand, availability has not significantly climbed in the market since the onset of the public health crisis. This is partially due to Baltimore's tenant base which is significantly made up of government contractors. Their presence provides a safeguard relative to other metropolitan regions and has kept the availability rate stable because they are not a cyclical industry sector. Government contractors can better ride out market volatility without shedding space in the form of subleases like many other markets. Baltimore has the lowest sublease availability rate nationally at 1.3%.

Overall rents continue to rise, though at a slower pace, led by Baltimore City North.

The average asking rent in Q3 was \$24.34 per square foot (psf), reflecting annual (0.9%) and quarterly (1.2%) increases. Class A rents in the market increased 0.9% over the quarter and 1.7% over the year, to \$26.92 psf. Central Business District (CBD) rents decreased by 0.8% to \$23.06 psf over the year, while suburban rents increased 1.7% to \$25.32 psf over the year. Over the last year, rent spikes were observed in the Baltimore City North (+16.6%), Route 83 Corridor (+16.0%), Route 2 Corridor (+3.4%), and Anne Arundel (+3.2%) submarkets, while the Carroll County (-12.8%) and Baltimore County West (-7.7%) submarkets saw rent declines over the same period.

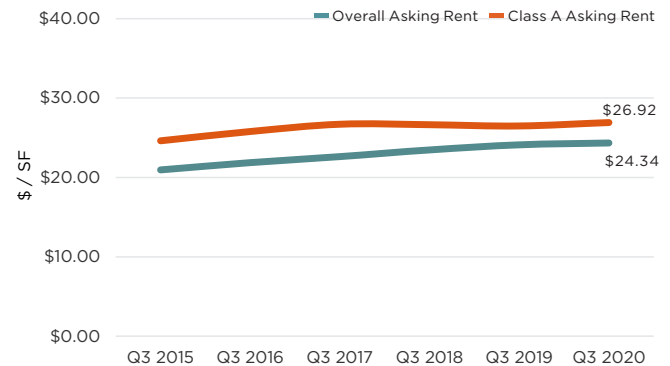
Outlook

- Landlords have not yet been pressured by the marketplace to reprice their listings but depending on the longevity of the pandemic and diminished demand this may change
- With transaction volume dropping to a new five-year low in Q3, the Baltimore market may begin to weaken in the near-term
- Employment in the Baltimore market is projected to grow by 3.9% per year over the next five years, resulting in an aggregate of 248,000 new jobs through mid-2025

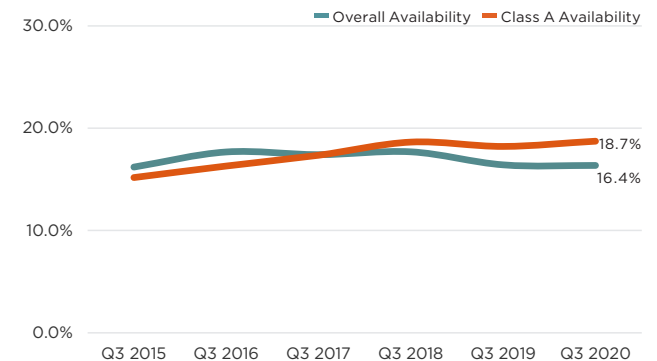
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	82.3 MSF	82.1 MSF	▼
Availability Rate	16.4%	16.4%	◀▶
Asking Rental Rate	\$24.12	\$24.34	▲
Class A Asking Rental Rate	\$26.48	\$26.92	▲
Quarterly Leasing Activity	1.0 MSF	0.4 MSF	▼

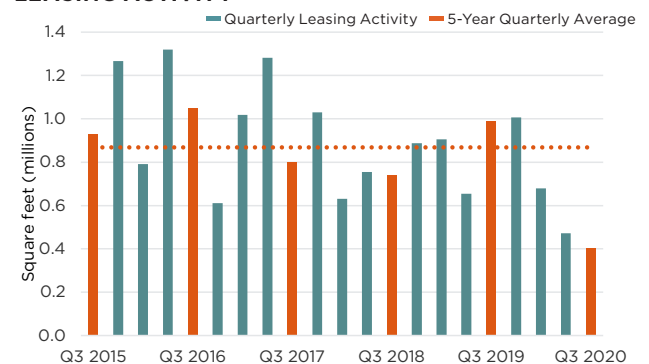
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

46.3%

of major transactions were **renewals** by square footage

27.3%

of large transactions occurred in the **Baltimore City South** submarket by square footage

32.6%

TAMI sector tenants represented 32.6% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
McCormick Taylor Inc	23,006	509 S Exeter Street	Renewal	Baltimore City South	Professional Services
Chiron Technology Services	19,031	7021 Columbia Gateway Drive	Expansion	Howard County	TAMI
Levin & Gann, P.A.	11,641	1 W Pennsylvania Avenue	New Location	Towson	Legal Services
Noxilizer, Inc.	9,226	1334 Ashton Road	New Location	Anne Arundel	Pharmaceuticals
Scope Infotech Inc	8,433	10420 Little Patuxent Parkway	Renewal	Howard County	TAMI
Fidelity National Title Insurance Company	7,560	9891 Broken Land Parkway	Renewal	Howard County	Financial Services
First Home Mortgage	5,390	479 Jumpers Hole Road	New Location	Route 2 Corridor	Financial Services

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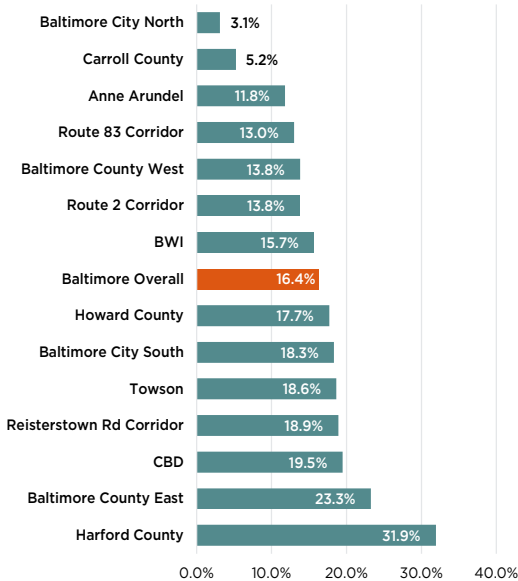
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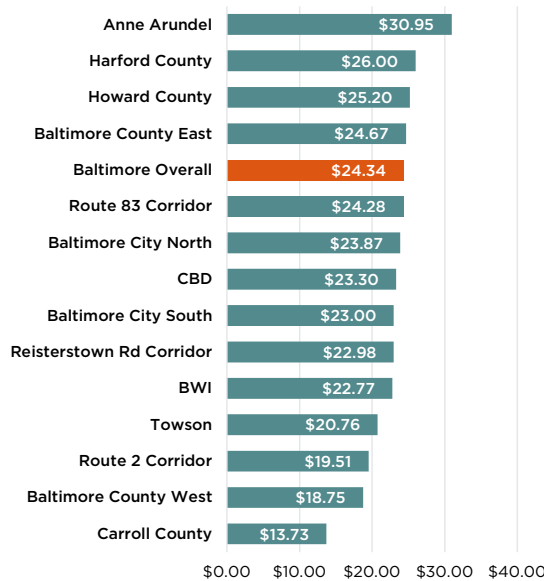
AVAILABILITY RATE COMPARISON

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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