

## Leasing activity jumped in the fourth quarter, bolstered by a few large transactions

The total leasing activity in the Baltimore market was a little over 700,000 square feet (sf) in Q4, representing a sharp increase of 81.2% over the quarter. While this is still a 27.6% decrease year over year, it was a much-needed jolt of activity for the market since it hit a five-year low in Q3. However, this increase in Q4 transaction volume is not enough to reverse the impact that COVID-19 has had on the Baltimore office market throughout the year. The bump in leasing activity primarily came from a few significant lease transactions in Howard County rather than a sustainable change in market sentiment. Maxim Healthcare Services leased 146,792 sf at 7223, 7225, and 7229 Lee Deforest Drive and KBR, Inc. leased 79,194 sf at 8120 Maple Lawn Boulevard.

## Overall asking rents decreased slightly over the quarter, but remained relatively flat over the year

In Q4, the average office asking rent stood at \$24.27 per square foot (psf) in the Baltimore market, reflecting a quarterly decrease of just 0.2%, but no meaningful change over the year. Class A rents similarly decreased 0.3% over the quarter, but remained up 0.6% over the year, closing at \$26.85 psf. Central Business District (CBD) rents saw a more pronounced decline, decreasing by 3.6% to \$22.85 psf over the year, while suburban rents increased 2.4% to \$25.36 psf over the same period. Even though asking rents have seen little fluctuation amid the current crisis, landlords are looking to secure their share of a shrunken number of tenants in the market and are likely to concede some in price while offering generous concessions and favorable deal terms.

## Availability continues to climb but began to taper off by the end of 2020

Baltimore overall availability rose in Q4, but the rate of increase slowed over the quarter – only increasing by 20 basis points (bps) from 16.4% to 16.6% – rather than the 100-bps increase seen between Q2 and Q3. Availability was likely kept from escalating further due to the increase in leasing activity seen during the fourth quarter. Over the last year, the Class A availability rate increased by 90 bps to 19.1%, while the availability rate for lower quality space only slightly increased by about 10 bps to 13.9%. It will take time and substantial leasing activity to reverse the surge in availability caused by COVID-19 throughout 2020.

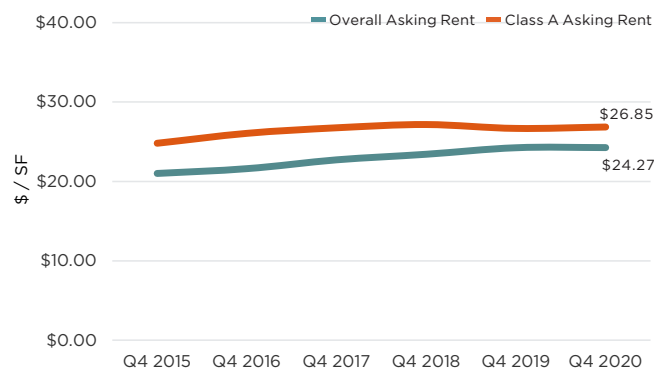
## Outlook

- Q4 showed a jump in leasing activity, but demand will likely remain low as many tenants are waiting to make significant real estate decisions until there is more clarity surrounding the ongoing pandemic and the future of workplace trends
- Until vaccination is widespread and occupiers feel more confident in returning to the office, the Baltimore market may have to ride out a slow and inconsistent recovery from the effects of the public health crisis
- Employment in the Baltimore MSA is projected to grow by 2.0% per year over the next five years, resulting in an aggregate of 131,000 new jobs through 2025

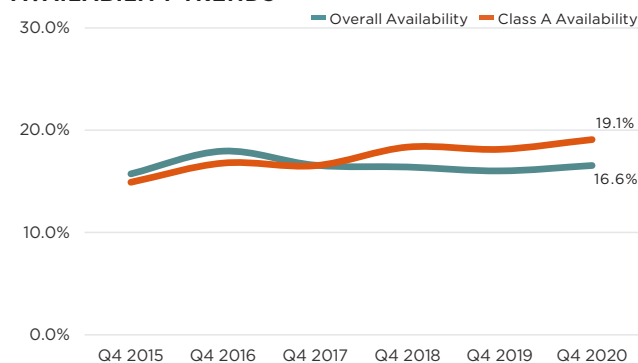
### KEY STATISTICS

	Q4 2019	Q4 2020	y-o-y Change
Inventory	82.1 MSF	<b>82.1 MSF</b>	◀▶
Availability Rate	16.0%	<b>16.6%</b>	▲
Asking Rental Rate	\$24.26	<b>\$24.27</b>	▲
Class A Asking Rental Rate	\$26.68	<b>\$26.85</b>	▲
Quarterly Leasing Activity	1.0 MSF	<b>0.7 MSF</b>	▼

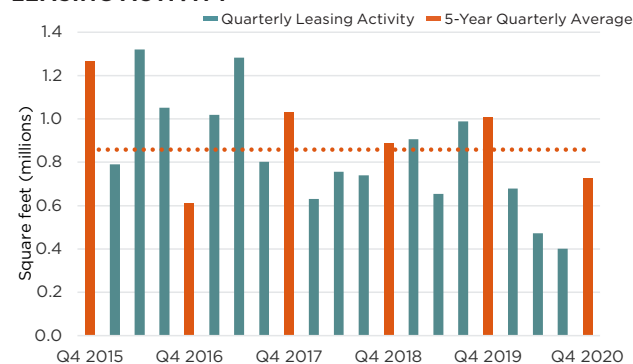
### ASKING RENT TRENDS



### 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%**

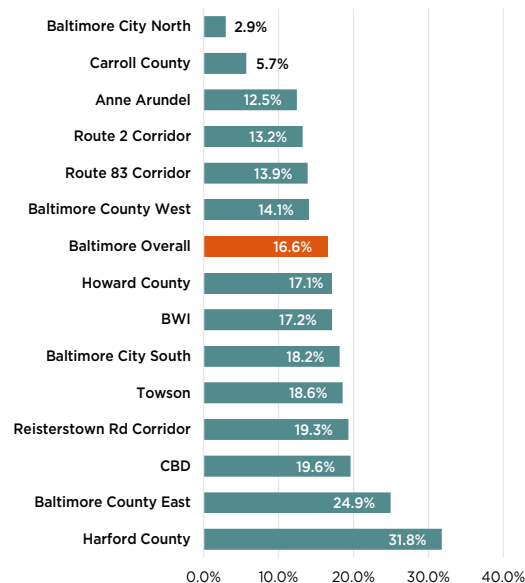
**Healthcare** sector tenants represented 50.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
KBR, Inc	79,194	8120 Maple Lawn Boulevard	New Location	Howard County	Engineering
Maxim Healthcare Services	60,687	7223 Lee Deforest Drive	Renewal	Howard County	Healthcare
Maxim Healthcare Services	43,076	7229 Lee Deforest Drive	Renewal	Howard County	Healthcare
Maxim Healthcare Services	43,029	7225 Lee Deforest Drive	Renewal	Howard County	Healthcare
Chesapeake Contracting Group	19,499	10065 Red Run Boulevard	New Location	Reisterstown Road Corridor	Construction
DreamPort Group	16,442	839 Elkridge Landing Road	New Location	BWI	TAMI
Perfect Office Solutions	13,620	6340 Security Boulevard	New Location	Baltimore County West	Coworking

Source Savills Research

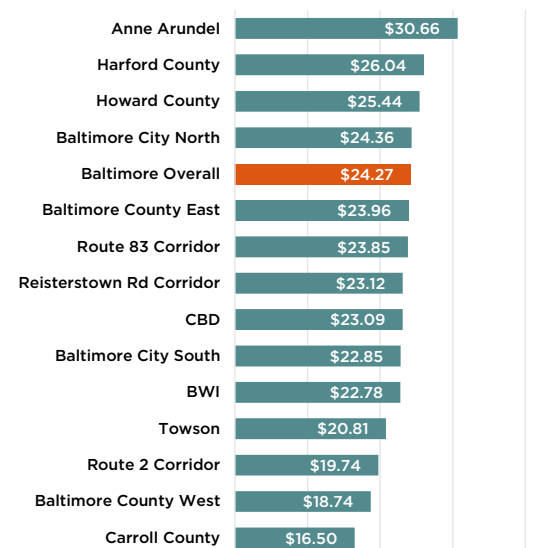
## AVAILABILITY RATE COMPARISON

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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