

# OFFICE OVERVIEW

FOURTH QUARTER | 2018



## OFFICE INDICATORS

Market Size  
**79,593,805**

Building Count  
**1,200**

Absorption  
**219,803**

YTD Absorption  
**852,719**

Vacancy  
**12.5%**

Asking Rent  
**\$23.26**

## MARKET OUTLOOK

The Baltimore Metropolitan office market saw yet another quarter of decreased vacancy. The market absorbed 219,803 sf bringing vacancy down to 12.5%. This closed out 2018 on a strong note with a year to date absorption of 852,719 sf and a decrease of nearly a percentage point since Q4 2017. The I-83 Corridor continues to be one of the steadiest submarkets in the metro area with a vacancy rate of 8.7%, the lowest in the Northern Metro. Disabilities Determination Services signed a lease for 55,344 sf on Schilling Circle while CallRevu took occupancy in 21,092 sf at 10 N. Park Drive. It was also announced that Greenfield Partners would be listing a portfolio of ten buildings for sale in Columbia and in Hunt Valley (including 10 N. Park Drive).

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City East	2,405,001	2.8%	7.4%	3.6%	24,655	19,232	\$24.50	\$27.43	\$20.60
Baltimore City Midtown	1,493,435	7.9%	5.2%	8.7%	-39,627	11,279	\$20.42	\$19.99	\$20.83
Baltimore City North	2,885,654	6.6%	7.1%	8.9%	16,460	66,554	\$25.81	\$26.54	\$19.92
Baltimore City South	1,529,141	10.5%	5.7%	9.6%	-15,695	55,256	\$31.39	\$27.12	\$24.46
Baltimore City West	1,986,679	29.7%	31.9%	28.2%	42,732	-29,992	\$14.72	\$12.71	\$18.26
<b>Baltimore City</b>	<b>10,299,910</b>	<b>10.9%</b>	<b>11.5%</b>	<b>11.5%</b>	<b>28,525</b>	<b>122,329</b>	<b>\$20.48</b>	<b>\$18.81</b>	<b>\$19.64</b>
City Center A	3,124,730	22.3%	26.2%	20.8%	81,739	-45,650	\$24.57	\$24.68	\$24.02
City Center A+	5,883,444	7.6%	6.0%	6.2%	-118,980	150,908	\$30.51	\$29.37	\$28.58
City Center B	2,632,299	29.3%	30.1%	20.6%	19,187	-229,169	\$17.72	\$17.67	\$18.64
City Center B+	2,920,711	13.1%	14.5%	10.0%	30,462	-90,976	\$22.98	\$22.98	\$23.48
<b>City Center</b>	<b>14,561,184</b>	<b>15.8%</b>	<b>16.4%</b>	<b>12.8%</b>	<b>12,408</b>	<b>-214,887</b>	<b>\$23.56</b>	<b>\$23.28</b>	<b>\$22.97</b>
<b>Baltimore + CBD</b>	<b>24,861,094</b>	<b>13.8%</b>	<b>14.4%</b>	<b>12.2%</b>	<b>40,933</b>	<b>-92,558</b>	<b>\$22.60</b>	<b>\$21.88</b>	<b>\$21.84</b>
Baltimore County East	2,089,998	15.6%	16.7%	13.3%	17,583	14,699	\$21.83	\$21.59	\$21.42
Baltimore County West	3,105,890	13.2%	12.6%	13.0%	5,890	19,305	\$18.91	\$19.32	\$19.48
Harford County	3,677,799	20.9%	20.9%	22.7%	-16,417	66,558	\$22.15	\$21.27	\$23.34
I-83 Corridor	8,196,451	8.7%	8.9%	8.5%	-25,292	-23,219	\$21.95	\$20.94	\$21.57
Reisterstown Rd Corridor	5,215,619	15.6%	17.5%	17.6%	61,532	100,995	\$21.77	\$21.06	\$21.36
Towson	4,912,468	10.8%	11.4%	14.5%	27,641	178,689	\$21.07	\$20.77	\$20.64
<b>Northern Metro</b>	<b>27,198,225</b>	<b>13.1%</b>	<b>13.6%</b>	<b>14.1%</b>	<b>70,937</b>	<b>357,027</b>	<b>\$21.48</b>	<b>\$20.88</b>	<b>\$21.53</b>
Annapolis	3,950,469	7.7%	8.7%	9.5%	49,455	123,712	\$28.29	\$27.96	\$28.94
BWI	8,680,645	12.8%	12.9%	14.7%	60,982	279,138	\$27.10	\$26.90	\$27.27
Columbia	13,614,977	10.1%	9.6%	10.6%	7,519	191,471	\$25.35	\$25.20	\$25.61
Route 2 Corridor	1,288,395	12.9%	12.1%	12.4%	-10,023	-6,071	\$21.44	\$20.92	\$21.51
<b>Southern Metro</b>	<b>27,534,486</b>	<b>10.7%</b>	<b>10.6%</b>	<b>11.8%</b>	<b>107,933</b>	<b>588,250</b>	<b>\$26.09</b>	<b>\$25.94</b>	<b>\$26.33</b>
<b>Totals</b>	<b>79,593,805</b>	<b>12.5%</b>	<b>12.8%</b>	<b>12.7%</b>	<b>219,803</b>	<b>852,719</b>	<b>\$23.26</b>	<b>\$22.80</b>	<b>\$23.13</b>

\*This is a sampling of our represented tenants in the market. The section is updated quarterly. If you'd like your business to be included, please let us know.

## HIGHLIGHTS & TRENDS

The Disabilities Determination Services signed a ten-year lease to move its headquarters from 170 W. Ridgely Road to the former McCormick building at 211 Schilling Circle. The space is 55,344 square feet, and the state agency plans to move in March.

Strategic Wealth Management (StratWealth) leased 10,000 square feet at 8170 Maple Lawn Boulevard. The company also has plans to open an Annapolis office in the next year.

Welltower purchased 10710 Charter Drive (in Columbia) from the Ten Acres Business Trust. The 163,814 square foot medical office building sold for \$79.4 million (\$484.70/sf).

116 Defense Highway sold in an online auction for \$12.6 million to Douglas Development. The building was 81,931 square feet and 70% leased at the time of sale.

SC&H Group, a financial services company, is expanding into a total of 7,500 square feet (from its current 4,500 square feet) at 6011 University Boulevard in Ellicott City.

MRE Properties recently gained approval from the City of Annapolis to replace the building currently at 410 Rowe Boulevard with a new 4,235 trophy office building, rebranding it as 107 Forbes Street.

Mid-Atlantic Health Institute leased 2,540 square feet at 71 Old Mill Bottom Road in Annapolis, expanding from their current location in Arnold.

## OUT AND ABOUT...\*



**Johns Hopkins Federal Credit Union**  
Seeking approximately 40,000 square feet within Baltimore City.



**Keller Williams Legacy**  
Seeking to purchase office space around 20,000 square feet throughout the I-83 Corridor.



**Benefit Mall**  
Seeking office space from 20-25,000 square feet in Hunt Valley, MD.



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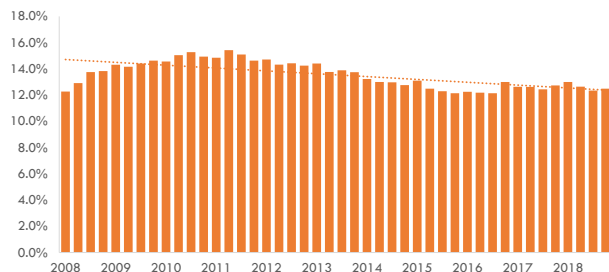
Absorption  
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YTD Absorption  
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Vacancy  
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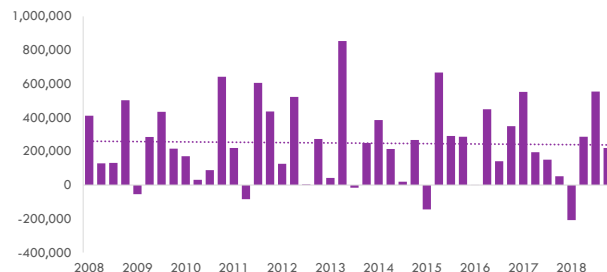
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## DIRECT VACANCY



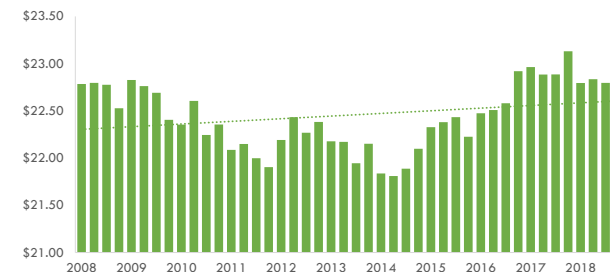
This quarter, direct vacant space decreased, equaling 9,944,954 sf out of the total 79,593,805 sf market size. This resulted in a -0.34% change from 12.83% to 12.49%. Compared to this time last year, vacancy rates are down by -0.25%.

## NET ABSORPTION



Quarterly absorption was approximately 219,803 sf. For 2018 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 852,719 sf. Comparatively, at this time last year, absorption was around 52,344 sf.

## ASKING RENTAL RATES (Weighted, Full Service)



Asking rental rates averaged \$23.26/sf this quarter, weighted by a total available space of 12,670,603 sf. This is approximately \$0.47/sf higher than last quarter (\$22.80/sf), and \$0.13/sf higher than last year (\$23.13/sf).

### Lowest Direct Vacancy

1	Baltimore City East	2.8%
2	Baltimore City North	6.6%
3	City Center A+	7.6%

### Highest Direct Vacancy

1	Baltimore City West	29.7%
2	City Center B	29.3%
3	City Center A	22.3%

### Most Change vs. Prior Quarter

-	Baltimore City East	-4.6%
+	Baltimore City South	+4.8%

### Lowest Net Absorption

1	City Center A+	-118,980
2	Baltimore City Midtown	-39,627
3	I-83 Corridor	-25,292

### Highest Net Absorption

1	City Center A	81,739
2	Reisterstown Rd Corridor	61,532
3	BWI	60,982

### Most Absorption, Year-to-Date

-	City Center B	-229,169
+	BWI	279,138

### Cheapest Asking Rates

1	Baltimore City West	\$14.72
2	City Center B	\$17.72
3	Baltimore County West	\$18.91

### Most Expensive Asking Rates

1	Baltimore City South	\$31.39
2	City Center A+	\$30.51
3	Annapolis	\$28.29

### Most Change vs. Prior Quarter

-	Baltimore City East	-\$2.93
+	Baltimore City South	+\$4.27

## LEASE TRANSACTIONS

Location	Region	Tenant	Leased
<b>1931 Greenspring Dr<sup>1</sup></b>	<b>I-83 Corridor</b>	<b>Mosaic Community Services</b>	<b>14,280 sf</b>
10980 Grantchester Way	Columbia	Nike	12,018 sf
<b>1576 Merritt Blvd<sup>1,2</sup></b>	<b>Balto. Co. East</b>	<b>Medstar Health, Inc.</b>	<b>11,374 sf</b>
700 E. Pratt St	City Center	Havas North America, Inc.	10,015 sf

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size
10710 Charter Dr	Columbia	\$79,400,000	\$484.70	163,814 sf
211 Schilling Cir	I-83 Corridor	\$11,000,000	\$85.62	128,471 sf
180 Admiral Cochrane Dr	Annapolis	\$24,500,000	\$194.87	125,728 sf
116 Defense Hwy	Annapolis	\$12,600,000	\$153.79	81,931 sf

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo; bolded transactions are a sampling of those brokered by MacKenzie Real Estate Services, LLC.