

# OFFICE OVERVIEW

SECOND QUARTER | 2020



## OFFICE INDICATORS

Market Size  
**82,502,404**

Building Count  
**1,238**

Absorption  
**-133,594**

YTD Absorption  
**-45,943**

Vacancy  
**12.8%**

Asking Rent  
**\$24.69**

## MARKET OUTLOOK

With the 2nd quarter starting off with a nation-wide pandemic, it was to be expected that commercial real estate activity would be slightly different than quarters' past. Offices closed their doors and sent employees home to work remotely, a concept that is far from new, but one that has proven to be effective for many. As the quarter and pandemic progressed, overall office transaction volume decreased. Those that remained at work, or started to make their way back late in the quarter were met with social distancing protocols and altered work spaces to accommodate distancing safety measures. Many question the need for office space with remote working a new norm; however, we are already seeing office needs being redefined, revamped, and revisited. Companies are beginning to reevaluate space needs; this could mean expanding to allow for more distance between workspaces, or reducing footprints since some employees may remain remote. Tenants are negotiating shorter terms and shorter renewal periods; some are considering new markets all together. We anticipate an uptick in movement late 3rd quarter into 4th quarter as more information on the virus progresses.

## HIGHLIGHTS

The NAACP announced plans for a future headquarters move from Baltimore to D.C., with the civil rights group eventually relocating to a redeveloped Reeves Center at the heart of the U Street corridor. The NAACP recently picked a new headquarters within Baltimore, inking an eight-year lease for a full floor in a downtown office tower late last year.

Two tech companies and a marketing firm have signed lease deals to move into the Hangar Building in North Baltimore. CreditXpert, Tricerat and the Harvey Agency have leased a total of 22,463 sf in the former airplane parts manufacturing plant at 1600 W. 41st St., owned and developed by Seawall Development.

The 18-story Munsey Building, a landmark near City Hall that once housed Baltimore's first radio station, has changed hands for \$22 million. The granite tower at 7 N. Calvert St. converted from office space to apartments in 2002.

Merritt Properties is expanding its footprint in Howard County near Columbia. The company acquired the two-building Lyndwood Executive Center office park at 6085-6095 Marshalee Dr. in Elkridge. The park is 98% leased and has nearly 800 parking spaces on a surface lot.

The site of a devastating gas explosion will soon be rebuilt into an 85,000 sf shopping and office center in the heart of Columbia. Situated at 8865 Stanford Blvd., owner and property manager Holland Properties is rebuilding the former 80,000 sf complex as Lakeside Center.

North Ridge Professional Center in Ellicott City sold for \$9,350,000. The 38,894 sf medical office building located at 2850 North Ridge Rd. was 97% leased at the time of sale.

Versant Health, one of the nation's leading managed vision care companies signed a 38,000 sf lease at 881 Elkridge Landing Rd. in Linthicum Heights.

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	2,547,258	7.2%	8.3%	5.5%	-7,314	10,881	\$23.98	\$23.80	\$24.32
Baltimore City Midtown	1,683,077	5.6%	5.4%	6.6%	-2,661	38,617	\$21.88	\$22.12	\$20.20
Baltimore City North	3,824,313	3.3%	3.4%	2.6%	-1,606	4,821	\$26.77	\$25.37	\$25.44
Baltimore City South	1,633,253	9.1%	10.5%	15.5%	7,948	48,618	\$30.93	\$30.93	\$31.12
Baltimore City West	2,061,290	24.5%	27.2%	26.9%	55,975	76,927	\$21.26	\$17.73	\$16.71
<b>Baltimore City</b>	<b>11,749,191</b>	<b>9.0%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>52,342</b>	<b>179,864</b>	<b>\$23.91</b>	<b>\$22.16</b>	<b>\$21.89</b>
City Center A	3,055,741	24.7%	26.4%	24.5%	-649	-5,810	\$24.41	\$24.35	\$24.65
City Center A+	5,900,442	9.4%	10.7%	8.1%	-1,124	-54,833	\$32.44	\$33.34	\$30.62
City Center B	2,652,163	27.1%	27.1%	27.8%	0	24,389	\$17.18	\$17.15	\$17.25
City Center B+	2,934,228	15.5%	16.6%	16.1%	-7,039	-11,119	\$21.20	\$21.31	\$23.24
<b>City Center</b>	<b>14,542,574</b>	<b>17.1%</b>	<b>18.2%</b>	<b>16.8%</b>	<b>-8,812</b>	<b>-47,373</b>	<b>\$24.68</b>	<b>\$24.00</b>	<b>\$23.67</b>
<b>Baltimore + CBD</b>	<b>26,291,765</b>	<b>13.5%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>43,530</b>	<b>132,491</b>	<b>\$24.45</b>	<b>\$23.49</b>	<b>\$23.12</b>
Baltimore County East	2,266,620	15.2%	17.6%	13.3%	17,752	20,253	\$21.75	\$21.64	\$21.49
Baltimore County West	3,107,508	12.9%	13.5%	12.7%	20,366	61,118	\$19.52	\$19.42	\$19.14
Harford County	3,720,238	15.7%	15.6%	19.0%	-19,333	103,927	\$23.26	\$22.46	\$22.95
I-83 Corridor	8,091,951	6.9%	7.7%	6.1%	21,020	2,700	\$23.62	\$23.21	\$22.04
Reisterstown Rd Corridor	5,166,849	14.8%	15.8%	16.1%	15,642	-27,684	\$21.70	\$21.63	\$22.13
Towson	5,124,695	13.1%	14.6%	14.0%	24,612	25,913	\$20.84	\$20.19	\$20.21
<b>Northern Metro</b>	<b>27,477,861</b>	<b>12.1%</b>	<b>13.0%</b>	<b>12.5%</b>	<b>80,059</b>	<b>186,227</b>	<b>\$21.99</b>	<b>\$21.58</b>	<b>\$21.48</b>
Annapolis	4,467,645	8.9%	8.8%	9.5%	-31,221	60,812	\$29.53	\$29.00	\$28.35
BWI	8,807,367	13.7%	12.4%	13.2%	-161,052	-100,167	\$27.49	\$26.71	\$27.40
Columbia	14,178,538	13.5%	13.3%	8.7%	-87,908	-314,268	\$27.71	\$27.64	\$27.13
Route 2 Corridor	1,279,228	13.9%	15.7%	13.6%	22,998	-11,038	\$21.23	\$21.13	\$21.34
<b>Southern Metro</b>	<b>28,732,778</b>	<b>12.9%</b>	<b>12.4%</b>	<b>10.5%</b>	<b>-257,183</b>	<b>-364,661</b>	<b>\$27.59</b>	<b>\$27.21</b>	<b>\$27.11</b>
<b>Totals</b>	<b>82,502,404</b>	<b>12.8%</b>	<b>13.3%</b>	<b>12.2%</b>	<b>-133,594</b>	<b>-45,943</b>	<b>\$24.69</b>	<b>\$24.11</b>	<b>\$23.89</b>



## OFFICE INDICATORS

Market Size  
**82,502,404**

Building Count  
**1,238**

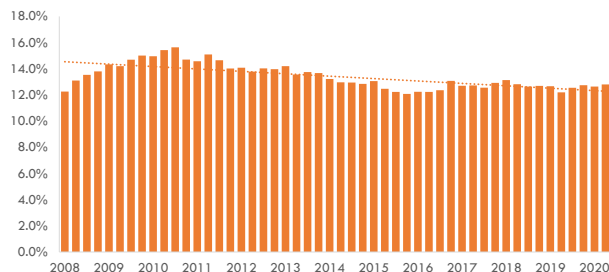
Absorption  
**-133,594**

YTD Absorption  
**-45,943**

Vacancy  
**12.8%**

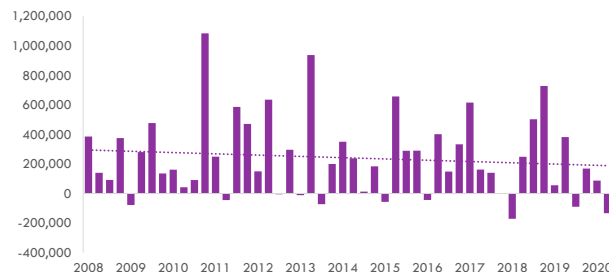
Asking Rent  
**\$24.69**

## DIRECT VACANCY



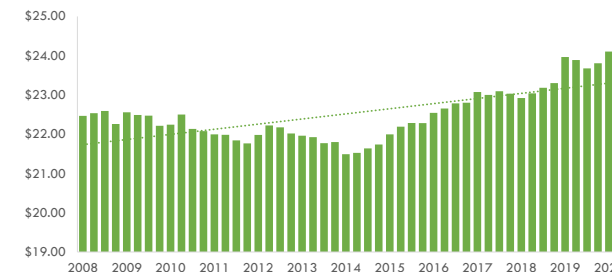
This quarter, direct vacant space decreased, equaling 10,565,953 sf out of the total 82,502,404 sf market size. This resulted in a -0.47% change from 13.27% to 12.81%. Compared to this time last year, vacancy rates are up by 0.61%.

## NET ABSORPTION



Quarterly absorption was approximately -133,594 sf. For 2020 year-to-date, tenant movement in the area shows an overall negative absorption, totaling -45,943 sf. Comparatively, at this time last year, absorption was around 381,911 sf.

## ASKING RENTAL RATES (Weighted, Full Service)



Asking rental rates averaged \$24.69/sf this quarter, weighted by a total available space of 12,611,594 sf. This is approximately \$0.58/sf higher than last quarter (\$24.11/sf), and \$0.80/sf higher than last year (\$23.89/sf).

### Lowest Direct Vacancy

1	Baltimore City North	3.3%
2	Baltimore City Midtown	5.6%
3	I-83 Corridor	6.9%

### Highest Direct Vacancy

1	City Center B	27.1%
2	City Center A	24.7%
3	Baltimore City West	24.5%

### Most Change vs. Prior Quarter

-	Baltimore City West	-2.7%
+	BWI	1.3%

### Lowest Net Absorption

1	BWI	-161,052
2	Columbia	-87,908
3	Annapolis	-31,221

### Highest Net Absorption

1	Baltimore City West	55,975
2	Towson	24,612
3	Route 2 Corridor	22,998

### Most Absorption, Year-to-Date

-	Columbia	-314,268
+	Harford County	103,927

### Cheapest Asking Rates

1	City Center B	\$17.18
2	Baltimore County West	\$19.52
3	Towson	\$20.84

### Most Expensive Asking Rates

1	City Center A+	\$32.44
2	Baltimore City South	\$30.93
3	Annapolis	\$29.53

### Most Change vs. Prior Quarter

-	City Center A+	-\$0.90
+	Baltimore City West	\$3.53

## LEASE TRANSACTIONS

Location	Region	Tenant	Leased
1 Olympic Pl. <sup>(1)</sup>	Towson	Washington & West, LLC	12,192
8830 Stanford Blvd.	Columbia	Aceotech, LLC	11,085
11620 Red Run Blvd.	Reisterstown Cor.	Blue Ocean Realty	8,660
7008 Security Blvd.	Balto. Co. West	Cormac Corporation	6,869

## SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size
50 Schilling Rd.	I-83 Corridor	\$6,640,000	\$150.57	44,100
7168 Columbia Gateway Dr.	Columbia	\$6,780,510	\$165.00	41,094
1001 Pine Heights Ave.	Balto. Co. West	\$5,215,000	\$168.23	31,000
110 Old Padonia Rd.	I-83 Corridor	\$4,000,000	\$131.80	30,349

(1) Renewal; (2) Expansion; (3) Part of Portfolio Sale; (4) Investment Sale; (5) Foreclosure; (6) Condo

# OFFICE OVERVIEW (DC METRO)

SECOND QUARTER | 2020



## OFFICE INDICATORS

Market Size  
**99,966,591**

Building Count  
**1,523**

Absorption  
**82,744**

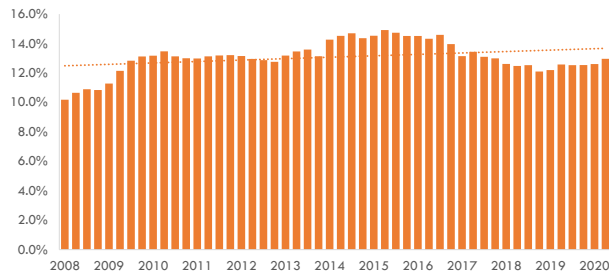
YTD Absorption  
**16,609**

Vacancy  
**13.0%**

Asking Rent  
**\$27.77**

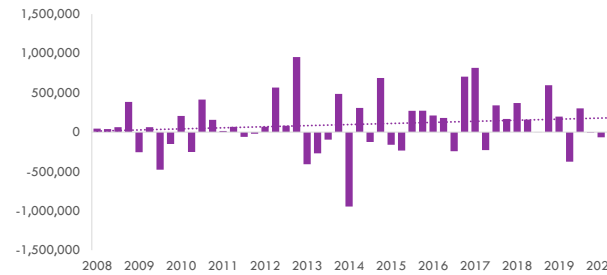
THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		ASKING RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick County	6,533,861	12.6%	11.7%	11.4%	-67,448	-63,479	\$22.69	\$22.97	\$22.36
Prince George's County	21,738,583	15.9%	15.3%	15.9%	-214,557	-24,450	\$22.25	\$22.19	\$21.54
Montgomery North	11,612,270	9.9%	10.5%	9.2%	24,692	-69,430	\$23.49	\$23.28	\$23.51
Bethesda - Chevy Chase	48,844,986	12.5%	13.3%	12.1%	-122,931	-384,948	\$31.67	\$31.82	\$31.00
Silver Spring - Route 29	11,236,891	12.5%	14.3%	12.4%	462,988	558,916	\$29.47	\$28.41	\$27.47
Montgomery County	71,694,147	12.1%	13.0%	11.7%	364,749	104,538	\$30.28	\$30.14	\$29.54
<b>Totals</b>	<b>99,966,591</b>	<b>13.0%</b>	<b>13.4%</b>	<b>12.6%</b>	<b>82,744</b>	<b>16,609</b>	<b>\$27.77</b>	<b>\$27.72</b>	<b>\$27.01</b>

## DIRECT VACANCY



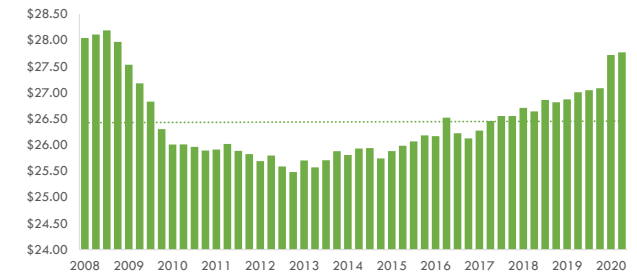
This quarter, direct vacant space decreased, equaling 12,960,929 sf out of the total 99,966,591 sf market size. This resulted in a -0.44% change from 13.41% to 12.97%. Compared to this time last year, vacancy rates are up by 0.39%.

## NET ABSORPTION



Quarterly absorption was approximately 82,744 sf. For 2020 year-to-date, tenant movement in the area shows an overall positive absorption, totaling 16,609 sf. Comparatively, at this time last year, absorption was around -375,237 sf.

## ASKING RENTAL RATES (Weighted, Full Service)



Asking rental rates averaged \$27.77/sf this quarter, weighted by a total available space of 15,757,349 sf. This is approximately \$0.05/sf higher than last quarter (\$27.72/sf), and \$0.76/sf higher than last year (\$27.01/sf).



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