

OFFICE OVERVIEW

FIRST QUARTER | 2021



OFFICE INDICATORS

Market Size
112,712,600

Building Count
2,534

Absorption
-384,595

YTD Absorption
-384,595

Vacancy
12.23%

Rental Rate
\$24.79

1ST QUARTER SUMMARY

The effects of the ongoing pandemic are becoming more apparent as the first quarter closed; however, like everything else predictable, they are not. Vacancy rates have increased as tenants have decided to downsize or consolidate locations. The overall office market vacancy has gone from 11.89% at year end to 12.23% currently. This equates to 384,595 sf in negative absorption. What remains to be seen is if this trend will continue. It appears hybrid work is here to stay in some forms. Google and Amazon are reopening and will be requiring employees to return to the office; many companies are looking at ways to create floor plans that allow for the flexibility of hybrid work while providing the comfort and safety of the home office. Class A and B offices on a national level show the Baltimore Metro's vacancy increased less than 1%, while the US average was an increase of 2.4% in the past year. Suburban markets have seen a slight uptick in rental rates from last year while Baltimore City saw a decrease. Even though the quarter ended with negative absorption overall, it cannot be dismissed that that number would have been much higher if there had not been over 780,000 sf of positive absorption. Over 118 leases were signed in the first quarter 2021 as compared to 79 in 2Q2020. Tenants are also taking advantage of the current situation to upgrade to nicer buildings where certain amenities are key factors in the decision making. Another wrench thrown into the mix is the increasing costs of building materials. According to the US Bureau of Labor Statistics, lumber prices are up 56%, copper and brass 30.9%, and steel 10.1%.

ITEMS TO NOTE:

Corporate Office Properties Trust has opened Wayline, their newly reimagined office building at 6721 Columbia Gateway Drive. Wayline features shared flexible conference, group and individual workspaces, social areas, a fitness center and "modern bohemian design details."

The 125,000 sf 40Ten building, part of the Collective at Canton, is expected to break ground soon and will be constructed entirely with heavy timber. Celebree School signed a deal to lease 10,275 sf of indoor space and an additional 6,000 sf for an outdoor playground.

International law firm Hogan Lovells signed a 10-year lease renewal for their 30,000 sf at Harbor East. The law firm was one of the first tenants to move into the building at 100 International Drive and their commitment to stay in Baltimore is a much-needed sign of optimism.

Transamerica placed their 125,109 sf of office space on the market at the Transamerica Tower. The Baltimore building has been mostly vacant since March with 95% of the employees working from home; if they decide to stay in Baltimore, they do not expect employees back in the office until July.

In an off-market deal, Remedy Medical Properties acquired 820 Bestgate Road in Annapolis. The Chicago firm is the largest private owner of healthcare properties in the US, and they have just added an additional 41,413 sf to their portfolio of properties. The building was 96% leased at the time of sale.

The newly constructed medical building at 810 Bestgate Road has another anchor tenant. St. John Properties leased 19,676 sf to Maryland Oncology Hematology, a cancer treatment provider.

MacKenzie Capital arranged construction development financing for City House in Mount Vernon. The project will transform the former Grand Central Club into a 38,000 sf, 8-story, class A office with street level retail. Construction has begun, and scheduled to be complete the beginning of 2022.

THE NUMBERS	MARKET SIZE	DIRECT VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City CBD	13,984,483	21.77%	20.60%	18.46%	-164,475	-164,475	\$24.46	\$25.12	\$25.20
Baltimore City Midtown	2,058,095	9.10%	9.04%	14.86%	-1,127	-1,127	\$22.31	\$22.51	\$21.25
Baltimore City NE	779,815	1.42%	1.45%	1.28%	220	220	\$27.11	\$25.96	\$19.66
Baltimore City NW	1,955,483	3.89%	3.50%	3.93%	-7,754	-7,754	\$28.31	\$29.15	\$25.55
Baltimore City SE	3,638,826	10.34%	10.28%	9.23%	-2,228	-2,228	\$26.23	\$25.86	\$28.09
Baltimore City SW	2,478,689	19.82%	21.08%	23.35%	31,162	31,162	\$23.41	\$23.41	\$16.22
Baltimore City	24,895,391	16.82%	16.24%	15.59%	-144,202	-144,202	\$24.82	\$25.19	\$24.25
Baltimore County East	4,128,675	15.35%	14.00%	14.02%	-51,217	-51,217	\$23.82	\$23.36	\$21.56
Baltimore County West	9,417,110	6.54%	6.29%	5.85%	-23,700	-23,700	\$19.47	\$19.60	\$19.69
Carroll County	2,403,666	10.91%	11.41%	10.98%	12,056	12,056	\$22.14	\$22.34	\$17.76
Cecil County	864,247	19.35%	19.76%	15.47%	3,600	3,600	\$18.88	\$18.88	\$21.20
Harford County	5,027,736	12.38%	12.48%	12.37%	5,408	5,408	\$24.23	\$24.37	\$22.37
I-83 Corridor	10,039,432	10.80%	9.82%	8.86%	-98,804	-98,804	\$24.02	\$23.55	\$23.19
Reisterstown Rd	8,388,408	12.41%	11.97%	11.99%	-37,287	-37,287	\$21.76	\$21.26	\$22.16
Towson	8,383,379	9.70%	9.48%	8.89%	-18,336	-18,336	\$20.72	\$20.72	\$20.09
Northern Metro	48,652,653	10.77%	10.33%	9.84%	-208,280	-208,280	\$22.00	\$21.83	\$21.27
Annapolis	5,124,952	9.26%	8.74%	7.16%	-26,300	-26,300	\$31.73	\$30.69	\$29.83
BWI Corridor	13,373,242	11.56%	10.77%	11.69%	-106,491	-106,491	\$29.42	\$28.75	\$25.64
Columbia	17,932,188	11.87%	12.55%	9.48%	120,721	120,721	\$27.37	\$27.04	\$27.76
Route 2 Corridor	2,734,174	7.71%	6.98%	8.97%	-20,043	-20,043	\$21.36	\$21.15	\$20.92
Southern Metro	39,164,556	11.13%	11.05%	9.90%	-32,113	-32,113	\$28.22	\$27.69	\$26.82
Totals	112,712,600	12.23%	11.89%	11.13%	-384,595	-384,595	\$24.79	\$24.61	\$23.85



OFFICE INDICATORS

Market Size
112,712,600

Building Count
2,534

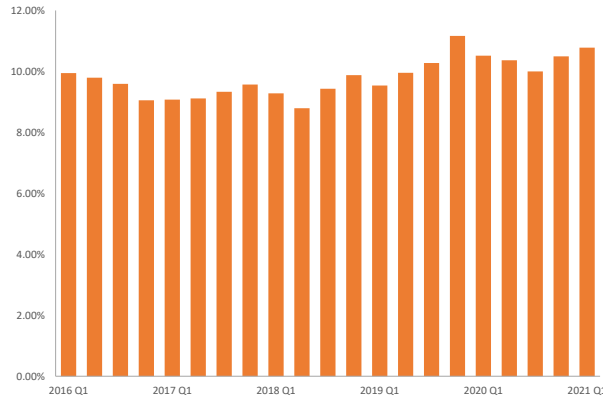
Absorption
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YTD Absorption
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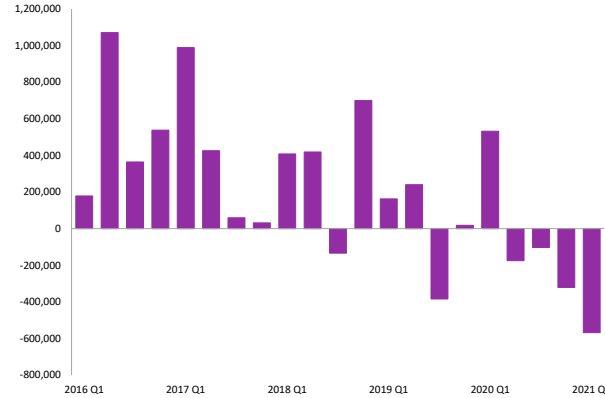
Vacancy
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Rental Rate
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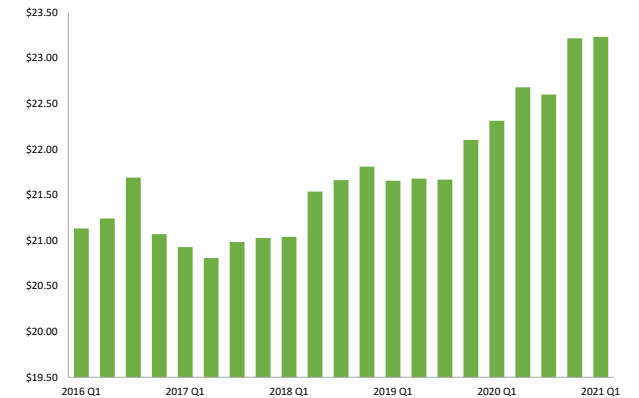
DIRECT VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Direct Vacancy

1	Baltimore City NE	1.42%
2	Baltimore City NW	3.89%
3	Baltimore County West	6.54%

Highest Direct Vacancy

1	Baltimore City CBD	21.77%
2	Baltimore City SW	19.82%
3	Cecil County	19.35%

Most Change vs. Prior Quarter

-	Baltimore City SW	-1.26%
+	Baltimore County East	1.35%

Lowest Net Absorption

1	Baltimore City CBD	-164,475
2	BWI Corridor	-106,491
3	I-83 Corridor	-98,804

Highest Net Absorption

1	Columbia	120,721
2	Baltimore City SW	31,162
3	Carroll County	12,056

Most Absorption, Year-to-Date

-	Baltimore City CBD	-164,475
+	Columbia	120,721

Cheapest Rates

1	Cecil County	\$18.88
2	Baltimore County West	\$19.47
3	Towson	\$20.72

Most Expensive Rates

1	Annapolis	\$31.73
2	BWI Corridor	\$29.42
3	Baltimore City NW	\$28.31

Most Change vs. Prior Quarter

-	Baltimore City NW	-\$0.84
+	Baltimore City NE	\$1.15

LEASE TRANSACTIONS

Location	Region	Tenant	Leased
100 International Dr.	CBD	Bank of America	54,528
410 Severn Ave.	Annapolis	GSA	22,523
6211 Greenleigh Ave.	Baltimore Co. East	Smart Care	19,016
9755 Patuxent Woods Dr.	Columbia	CBIZ	15,889

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size
700 Geipe Rd.	Baltimore Co. West	\$16,200,000	\$197.74	81,927
820 Bestgate Rd.	Annapolis	\$15,000,000	\$362.21	41,413
10909 McCormick Rd.	I-83 Corridor	\$8,150,000	\$127.71	63,816
200 W Towsontown Blvd.	Towson	\$4,100,000	\$74.19	55,260

* Renewal

OFFICE OVERVIEW (DC METRO)

FIRST QUARTER | 2021



OFFICE INDICATORS

Market Size
108,730,211

Building Count
2,009

Absorption
397,055

YTD Absorption
397,055

Vacancy
14.09%

Rental Rate
\$27.97

THE NUMBERS

MARKET SIZE

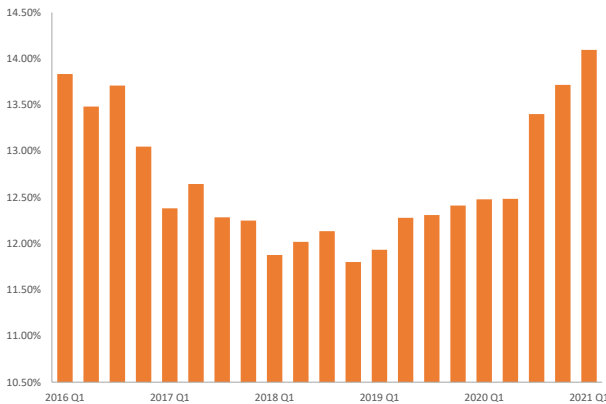
DIRECT VACANCY %

ABSORPTION

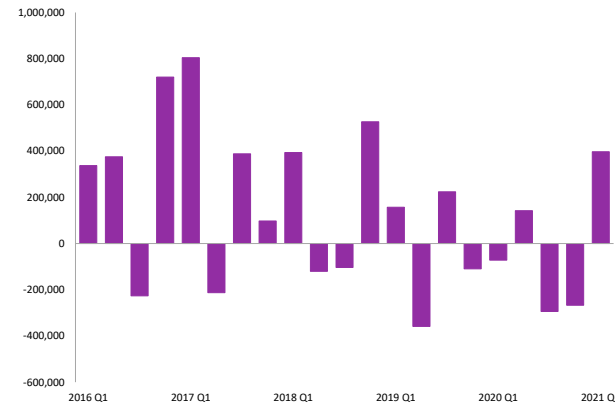
RENTAL RATES

		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,129,622	10.85%	11.39%	14.44%	44,188	44,188	\$22.68	\$22.69	\$23.18
Montgomery Co. North	12,094,025	11.33%	10.69%	10.05%	-78,043	-78,043	\$26.07	\$23.91	\$23.31
Montgomery Co. South; Rockville/Bethesda	50,717,352	15.58%	14.59%	12.59%	-192,016	-192,016	\$31.49	\$31.43	\$31.78
Prince George's Co. North	21,395,282	15.27%	15.25%	12.98%	-3,762	-3,762	\$22.51	\$22.36	\$21.97
Prince George's Co. South	5,206,844	5.74%	7.14%	8.17%	606,647	606,647	\$26.74	\$27.56	\$23.83
Silver Spring North/29	3,960,821	10.53%	10.55%	11.10%	672	672	\$27.79	\$27.56	\$22.94
Silver Spring South	7,226,265	16.42%	16.69%	15.54%	19,369	19,369	\$29.57	\$29.92	\$30.57
Totals	108,730,211	14.09%	13.72%	12.48%	397,055	397,055	\$27.97	\$27.72	\$27.48

DIRECT VACANCY



NET ABSORPTION



RENTAL RATES

