OFFICE OVERVIEW

OFFICE INDICATORS

Market Size	Building Count	Absorption	YTD Absorption	Vacancy	Rental Rate
115,885,134	2,537	-38,690	-435,881	13.50%	$24.56

According to research issued by Kastle Systems, "there is currently only one day per week in which more than 50 percent of the total workforce in any particular city is physically at their desks," although, according to urbanist Greg Lindsay, "remote work seems to have hit its equilibrium at the current level of 30 percent. These trends ring true in the Baltimore Metropolitan Area's commercial real estate industry as reflected in current data that reveals a total vacancy rate of 13.5% at the end of Q3 – representing a scant drop from the previous 13.54% reported in Q2. The impact of the pandemic is lingering, especially in urban areas where companies and employees alike are thumbing their noses at longer commutes, paid parking, and higher pricing for goods and services. Adding to the sobering news is the approximately 18.8 million square feet of commercial office space available throughout the market, including just over 5.7 million square feet in Baltimore City alone, resulting in a 19.5% vacancy rate. Comparing Q3 2023 to Q3 2022, leasing activity fell throughout each market segment; the Southern Metro nearly halving its leasing total, down to 370,000 sf this quarter from the previous year's 726,000 sf; and the City falling to 64,000 sf of activity this quarter after achieving 440,000 sf in Q3 2022. Through it all, there are glimmers of light shining through the dark clouds. Employers and employees alike agree that there is no replacement to working in traditional office spaces and it's vitally important to maintaining corporate culture, collaborating with peers, and mentoring. Certain companies now have fewer employees in the office, but others now want larger spaces for those that remain. A six-foot by six-foot work station is being enlarged to eight-foot by eight-foot along with some new collaboration areas that provide extra elbow room, with the net result often equaling the same footprint to support 50 percent of the employees that remain in the office. Buildings with on-site and walkable amenities also have the advantage over older product, as the "flight to quality trend" remains very real.

THE NUMBERS

	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Baltimore City CBD	13,977,691	23.9%	24.0%	23.8%	-25,692	-103,183	$24.38	$23.92	$24.36
Baltimore City Midtown	2,038,315	8.7%	8.6%	7.8%	-4,443	-3,925	$20.37	$21.02	$21.34
Baltimore City NE	1,098,051	6.4%	6.5%	2.7%	1,209	-9,666	$30.52	$30.40	$29.66
Baltimore City NW	1,979,747	3.9%	4.6%	3.4%	15,399	-8,727	$29.86	$30.58	$25.82
Baltimore City SE	4,605,727	20.2%	19.1%	13.2%	6,624	118,410	$26.91	$27.05	$23.23
Baltimore City SW	2,953,848	20.4%	21.5%	25.5%	5,929	-7,493	$24.30	$24.30	$23.41
Baltimore City	**26,653,379**	**19.5%**	**19.5%**	**18.2%**	**-974**	**-14,584**	**$25.16**	**$24.85**	**$24.16**
Baltimore County East	4,278,807	14.6%	15.1%	13.2%	31,100	-34,850	$23.02	$22.58	$22.60
Baltimore County West	9,076,777	7.3%	7.4%	7.6%	12,419	67,211	$19.92	$20.16	$20.24
Carroll County	2,197,872	4.4%	4.4%	5.8%	7,840	48,185	$23.33	$22.70	$19.94
Cecil County	766,958	7.8%	7.5%	8.8%	-2,271	1,329	$30.94	$31.26	$30.28
Harford County	4,890,057	15.5%	16.1%	16.0%	19,830	-2,609	$23.91	$24.11	$24.06
I-83 Corridor	10,353,709	14.2%	14.7%	14.2%	10,584	-226,953	$21.28	$21.72	$22.75
Reisterstown Rd	8,299,189	15.3%	15.2%	13.4%	-14,118	-249,136	$25.90	$23.86	$25.24
Towson	8,512,423	10.6%	11.1%	10.6%	2,100	-67,030	$21.26	$21.34	$20.96
Northern Metro	**48,375,792**	**12.1%**	**12.3%**	**11.8%**	**67,484**	**-463,853**	**$22.48**	**$22.24**	**$22.50**
Annapolis	5,167,362	10.7%	10.9%	10.6%	2,903	46,238	$29.67	$30.21	$31.75
BWI Corridor	14,911,941	7.9%	7.9%	10.5%	-28,720	105,991	$26.73	$30.22	$29.90
Columbia	17,998,500	14.7%	14.4%	13.9%	-76,313	-136,883	$25.94	$25.93	$25.99
Route 2 Corridor	2,778,160	6.0%	6.0%	7.4%	-3,070	27,210	$25.01	$25.28	$23.93
Southern Metro	**40,855,963**	**11.1%**	**11.1%**	**11.8%**	**-105,200**	**42,556**	**$26.64**	**$27.99**	**$28.01**
Totals	**115,885,134**	**13.5%**	**13.5%**	**13.3%**	**-38,690**	**-435,881**	**$24.56**	**$24.87**	**$24.82**

ITEMS TO NOTE:

Court Towers, a 217,000 square foot Class A office building has sold for $13.55 million. Several bidders fought for the Towson landmark but an aggressive cash offer from Mid-Atlantic Properties, Inc. sealed the deal.

McHenry Row's office space is now fully leased with the signing of four new tenants. GWWO Architects, RCM&D Insurance Co., GPLA and Subaru of America will soon join MAIF, MindGrub, and others in the mixed-use development.

One East Pratt Street reportedly sold for $25 million this quarter to MCB Real Estate. The property last traded in 2018 for $80.1 million, reflecting the national trend of decreased office value to Maryland.

Insurance advisory firm RCM&D signed a lease for 24,904 sf at 4 North Park in Hunt Valley this quarter with plans to relocate its Baltimore County headquarters from Towson in January. Jacob William Advisory, a financial planning group, also signed a lease at North Park for 4,402 sf.

Baltimore County acquired 305 Washington Avenue, a 53,000 sf, six-story Class B office tower that sits next to the former Towson Armory and the Towson Row development. This purchase will allow the County to better accommodate the growing number of employees throughout a few public agencies.

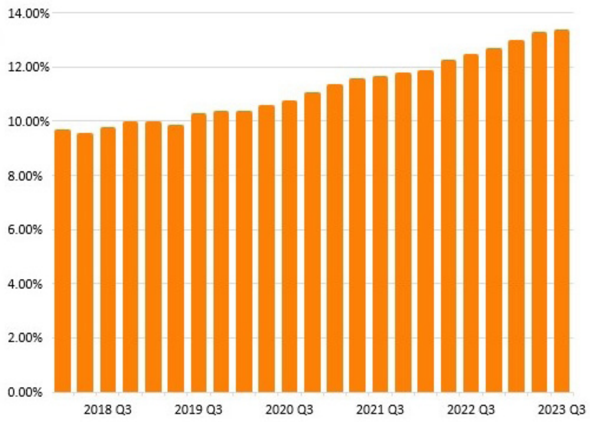
After a year-long search, local advertising agency idfive is moving from the Maryland Institute College of Art (MICA)-owned building to a new 4,500 sf space in Mount Vernon at 800 N. Charles Street.

A local investor acquired the White Marsh Professional Center, an office and flex center that has three two-story buildings with a total of 42 office units. The nearly 81,000 sf complex is located at 7923 Honeygo Blvd., and is 85% leased.

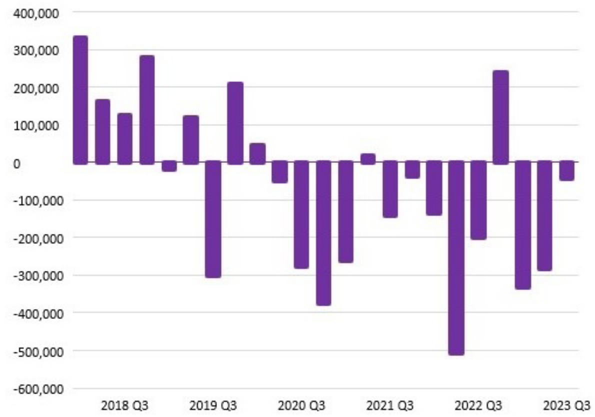
OFFICE INDICATORS

Market Size	Building Count	Absorption	YTD Absorption	Vacancy	Rental Rate
115,885,134	2,537	-38,690	-435,881	13.50%	$24.56

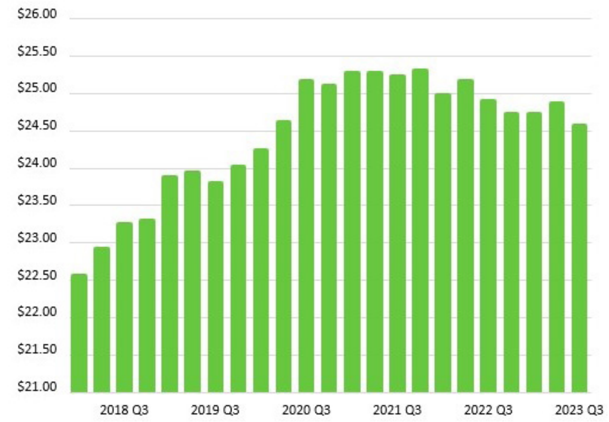
VACANCY



NET ABSORPTION



RENTAL RATES



Lowest Vacancy

1	Baltimore City NW	3.86%
2	Carroll County	4.42%
3	Route 2 Corridor	6.04%

Highest Vacancy

1	Baltimore City CBD	23.9%
2	Baltimore City SW	20.4%
3	Baltimore City SE	20.2%

Most Change vs. Prior Quarter

-	Baltimore City SW	-1.10%
+	Baltimore City SE	1.05%

Lowest Net Absorption

1	Columbia	-76,313
2	BWI Corridor	-28,720
3	Baltimore City CBD	-25,692

Highest Net Absorption

1	Baltimore County East	31,100
2	Harford County	19,830
3	Baltimore City NW	15,399

Most Absorption, Year-to-Date

-	Reisterstown Rd Corridor	-249,136
+	Baltimore City SE	118,410

Cheapest Rates

1	Baltimore County West	$19.92
2	Baltimore City Midtown	$20.37
3	Towson	$21.26

Most Expensive Rates

1	Cecil County	$30.94
2	Baltimore City NE	$30.52
3	Baltimore City NW	$29.86

Most Change vs. Prior Quarter

-	BWI Corridor	-$3.49
+	Reisterstown Rd Corridor	$2.04

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
800 International Dr.*	BWI Corridor	Northrup Grumman	56,584
430 National Business Pkwy.*	BWI Corridor	General Dynamics	28,621
4 N Park Dr.	I 83 Corridor	RCM&D	24,904
410 Severn Ave.*	Annapolis	Morgan Stanley	13,748

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
1 E Pratt St.	Baltimore City CBD	$25,000,000	$70	356,016
210 W Pennsylvania Ave.	Towson	$13,550,000	$102	132,502
151 West St.	Annapolis	$9,500,000	$264	36,014
209 W Fayette St.	Baltimore City CBD	$6,288,375	$92	68,121

* Renewal, Expansion, or Sublease

OFFICE OVERVIEW (DC METRO)

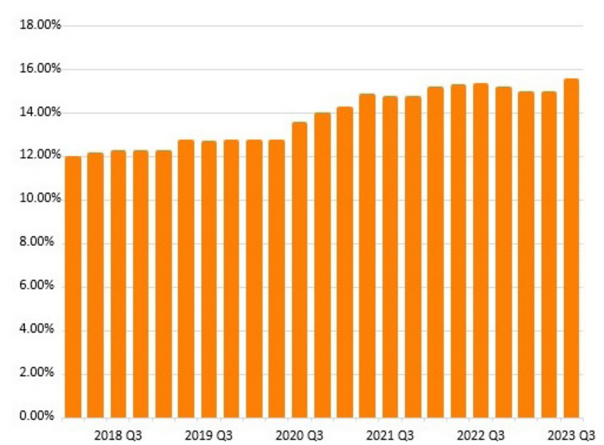
OFFICE INDICATORS

Market Size	Building Count	Absorption	YTD Absorption	Vacancy	Rental Rate
111,045,233	2,006	-90,580	-233,929	15.0%	$28.40

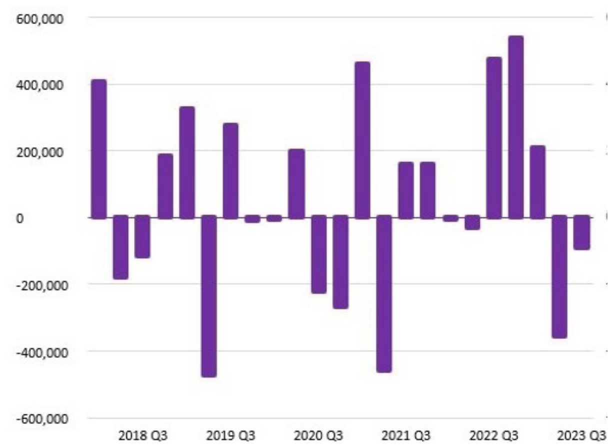
THE NUMBERS

	MARKET SIZE	VACANCY %			ABSORPTION		RENTAL RATES		
		Current	Prior Qtr	Prior Yr	Net	YTD	Current	Prior Qtr	Prior Yr
Frederick Co.	8,554,422	8.3%	9.1%	7.7%	73,981	15,878	$23.90	$23.94	$21.95
Montgomery Co. North	12,171,885	11.4%	11.4%	10.4%	22,805	-163,213	$23.34	$23.33	$23.52
Montgomery Co. South; Rockville/Bethesda	51,485,647	18.2%	18.0%	18.9%	-78,834	-193,342	$32.06	$32.07	$31.81
Prince George's Co. North	22,369,002	14.0%	13.8%	13.9%	-38,787	238,440	$24.30	$24.24	$24.41
Prince George's Co. South	5,270,261	6.4%	5.3%	5.4%	-57,846	-65,593	$26.84	$26.42	$26.45
Silver Spring North/Route 29	3,920,151	10.8%	11.2%	11.4%	14,473	44,609	$29.76	$29.72	$29.27
Silver Spring South	7,273,865	18.6%	18.0%	17.8%	-26,372	-110,708	$29.20	$29.96	$30.42
Totals	**111,045,233**	**15.0%**	**14.9%**	**15.1%**	**-90,580**	**-233,929**	**$28.40**	**$28.42**	**$28.22**

VACANCY



NET ABSORPTION



RENTAL RATES

LEASE TRANSACTIONS

Location	Region	Tenant	Leased (sf)
6116 Executive Blvd.	Montgomery Co.	UMD Institute for Health Computing	27,491
530 Gaither Rd.	Montgomery Co.	Xenergy	24,706
25 W. Watkins Mill Rd.	Montgomery Co.	Confidential	22,930

SALE TRANSACTIONS

Location	Region	Price	PSF	Bldg. Size (sf)
American Center Physics Campus	Prince George's Co.	$35,500,000	$331	107,274
64 Thomas Johnson Dr.	Frederick County	$7,500,000	$125	60,000
17 W Jefferson St.	Montgomery Co.	$4,500,000	$196	22,950

* Renewal, Expansion, or Sublease

