

INVESTMENT FORECAST

Office
Baltimore Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Minimal New Supply and Additional Consumers Aid Outlook, but New Factors Raise Questions

Stable performance complicated by Federal budget cuts. Retail supply additions fall this year to the lowest level since at least 2007, with projects delivering in 2025 distributed across suburbs south and west of the city. Aiding demand, the metro recorded its largest net population gain in over two decades last year. Ongoing efforts to reduce Federal employment may blunt this benefit to some degree, however, as these moves have implications for government offices and nearby retailers downtown and in Woodlawn. If funding for government contractors is also constricted, it could affect submarkets southwest of the city toward D.C. Despite these headwinds, overall retail vacancy is expected to hold between 5.5 percent and 5.6 percent again this year — a pattern that began in 2022. Single-tenant properties saw strong net absorption late last year, signaling leasing momentum heading into 2025.

Eastern Baltimore and northern suburbs garnering investment appeal. Transaction velocity last year mirrored vacancy trends within the city of Baltimore, as the east side hosted the most trades, followed by the west side and then Midtown. Demand for retail space downtown may improve after 2024's near-record multifamily absorption, with another 1,000 units slated to deliver in 2025. Baltimore City East assets could gain further attention from retailers and investors following a more than 50-basis-point jump in Class A office occupancy last year. Meanwhile, investors targeting single-tenant buildings may look toward Harford County, where the segment vacancy rate has fallen every year since 2020. Entering 2025 at 5.2 percent, the submarket's rate compares favorably to the metro average. Its large single-tenant inventory provides greater acquisition opportunities for investors.

2025 MARKET FORECAST

+1.2%



EMPLOYMENT: Total employment will see a modest increase with 17,000 positions added. Job growth will be comparable to the average from 2015-2019.

210,000
sq. ft.



CONSTRUCTION: Retail space inventory grows at 0.2 percent annually — the lowest in the metro since at least 2008. No project that has broken ground as of early 2025 was over 100,000 square feet.

-10 bps



VACANCY: Initially weak net absorption recovered over the course of 2024, hinting at an improved 2025. The vacancy rate returns to its reading two years ago of 5.5 percent.

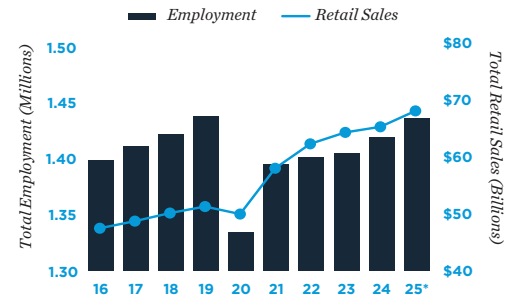
+2.4%



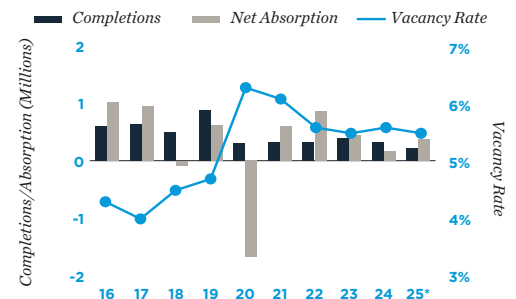
RENT: Rising to \$21.41 per square foot, Baltimore's average asking rent reaches a point above its 2021 posting, marking a new all-time high. The rate will grow at the same pace as the U.S. average.

INVESTMENT: Investors may turn toward Carrol County after a handful of deals closed last year, including shopping centers. The area's low and improving multi-tenant vacancy rate reflects greater tenant demand.

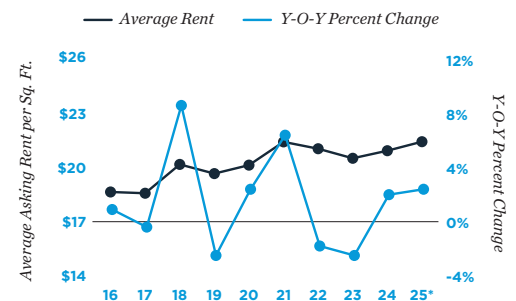
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.