

INVESTMENT FORECAST

Office
Baltimore Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Construction and Leasing Activity Concentrated in East Baltimore and Major Suburban Corridors to D.C.

Positive demand momentum noted in key areas. T. Rowe Price's move to their new 450,000-square-foot Harbor Point office this year marks the latest in a trend of financial firms opening offices on the East Baltimore waterfront. Stifel Financial also relocated here in 2024, joining Morgan Stanley and Transamerica. Some of the largest new builds opening this year will be around the Harbor as well. The impact to local vacancy will be blunted, however, as most of the new facilities are built-to-suit. Meanwhile, development outside East Baltimore City includes a 130,000-square-foot office park in Annapolis Junction. The project is not pre-leased but will open in the Route 1-BWI submarket, where vacancy was near 10 percent ending last year, among the lowest in the metro and more than 200 basis points below the area's 2019 level. Vacancy was even lower entering this year along the adjacent Route 2 Corridor, given demand for space near the airport and south down the titular highway.

Smaller, suburban properties draw most attention. In the metro, 20 percent fewer deals closed in 2024 than 2023. Annapolis in particular saw a cluster of 10,000- to 20,000-square-foot properties trade. Local vacancy has been slowly improving in the greater area since 2023, undercutting the metro's rate by over 400 basis points last year. Two years of positive net absorption may draw more investor interest in 2025. Howard County was a focal point of trading, similar to years past. Most assets trading hands here were under 50,000 square feet, excluding a 200,000-square-foot complex exchanged at a discount. Higher vacancy among larger buildings may be steering investors toward smaller assets where financing is also more available. Positive Class A net absorption in Columbia-Ellicot City specifically makes it a candidate for larger investors.

2025 MARKET FORECAST

+1.2%



EMPLOYMENT: The pace of employment expansion picks up slightly this year with 17,000 jobs. Federal workforce reduction efforts could impact the metro's white collar segment.

870,000

sq. ft.



CONSTRUCTION: A handful of major projects complete this year, increasing available inventory by 0.6 percent, which is about twenty basis points above last year's deliveries' impact on vacant stock.

+20 bps



VACANCY: While net absorption turns positive, vacancy will still rise to 14.7 percent as excess supply lingers from 2024. The size of the increase is smaller however than last year.

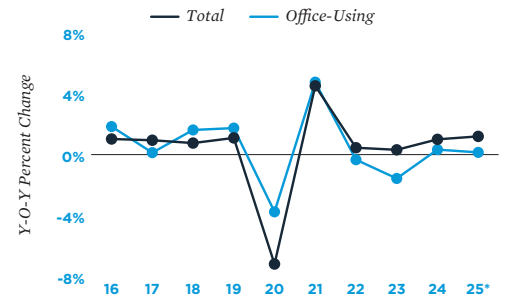
-1.0%



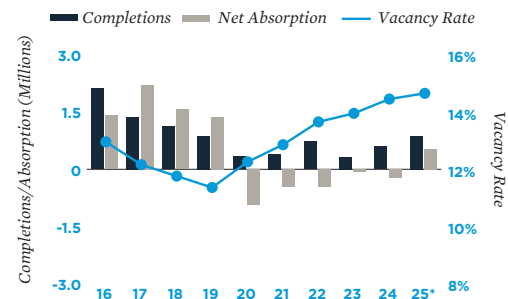
RENT: The average asking rent for office space lowers to \$21.70 per square foot this year, which is a slower yearly decline compared with 2024. Rents have held between \$21 and \$22 since 2014.

INVESTMENT: *Sub-50,000 square foot Class B and C properties have fared better in recent years. Recent activity highlights the Reisterstown Road submarket, encompassing Owings Mills and Pikesville.*

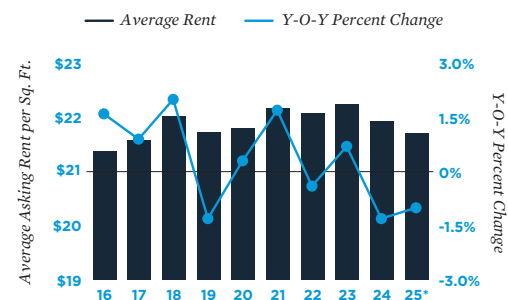
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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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.