

Yardi® Matrix

OFFICE MARKET REPORT

Baltimore Holds Slow, Steady

Winter 2020

**Deliveries Hit
Record Low**

**Investors Focus
On Value-Add**

**Class-A Space
Draws Tenants**



BALTIMORE OFFICE MARKET

Yardi® Matrix

Vacancy Falls as Development Slows

Although Baltimore's office market slowed down in some respects last quarter, it managed to keep its balance in others. The metro's transaction volume was \$536 million year-to-date through November, a steep drop from the previous year and the lowest point since 2013. Investors shifted focus away from high-end properties, instead switching to value-add opportunities, with Class B and C assets comprising more than two-thirds of total transaction volume.

The metro also saw reduced development, with activity falling to its lowest level in 25 years. With only two projects coming online through November and just one additional completion on track for December, 2019's deliveries were expected to fall just short of 550,000 square feet—a stark contrast to the average of 1.4 million square feet delivered each year for the past decade. Despite the overall decline in construction, development activity is expected to increase in some of Baltimore's high-growth, high-demand submarkets such as Columbia.

Office vacancy stood at 12.3% as of November—130 basis points lower than the national average—and is expected to drop further in upcoming quarters, given the market's limited development pipeline. Asking rates, which averaged \$22.75 per square foot for Class B and \$30.28 for Class A space, made the metro an attractive alternative to Washington, D.C., particularly for government contractors and cybersecurity firms.

Baltimore's employment rates made small gains, as employers added nearly 25,000 jobs in the 12 months ending in October. The professional and business services sector had the largest increase, totaling 12,400 jobs for a 3.4% expansion year-over-year, far outweighing minor losses in other office-using sectors.

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Market Analysis

Winter 2020

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