

Suburban Maryland



Industrial Q4 2019

YoY Chg 12-Mo. Forecast

7.8%

Vacancy Rate



139K

Net Absorption, SF



\$9.84

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

3.3M

D.C. Metro Employment



3.0%

D.C. Metro Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

Supply: Strong Absorption, Low Vacancy

The Suburban Maryland industrial market continues to improve. Absorption was positive in the fourth quarter of 2019 while vacancy rates remained flat. Overall absorption was 17,087 square feet (sf) for the fourth quarter and 138,776 sf for the year. Office service had 226,905 sf of positive absorption, while warehouse/distribution was negative 88,129 sf year-to-date (YTD). The vacancy rate in Suburban Maryland was 7.8%, which remained the same year-over-year (YOY). Fourth quarter vacancy for warehouse/distribution space was 7.1%, remaining 70 basis points (bps) below the Suburban Maryland average. Vacancy in the office services sector was 120 bps above the Suburban Maryland average, closing the third quarter at 9.0%.

Demand: Leasing Activity

Leasing activity in the warehouse/distribution sector far outpaced the office service sector and closed the quarter at 188,866 sf, bringing the YTD total to 764,430 sf. The office service sector registered 62,335 sf of leasing for the quarter and 528,731 sf YTD. The largest lease signed during the quarter was a new lease by Whole Foods at 1513-1521 Cabin Branch Drive in Landover for 45,300 sf. Another noteworthy lease was Saba Direct taking 31,609 sf at 6900 English Muffin Way in Frederick. New leasing activity totaled 1,293,161 sf for the year, down from 1,914,633 sf leased in 2018.

PRICING: Increasing Rental Rates

Rental rates rose from \$9.52 per square foot (psf) in Q4 2018 to \$10.02 psf in Q4 2019, a \$0.50 psf YOY change. The overall asking rents for both sectors increased in the fourth quarter. Rates for warehouse/distribution were \$8.28 psf on a NNN basis, \$0.35 psf cents higher YOY. For office service space, asking rents were \$12.54 psf NNN for the quarter, \$1.33 psf higher YOY. Last-mile distribution centers and eCommerce warehouses continue to be the top demand drivers for Suburban Maryland's industrial market. The enterprise-zone tax credits have also been a strong enticement, not surprising given the benefits of the program: rewarding job creation and investments, real property and state income tax credits are given to businesses that are located within these enterprise zones, an equal benefit for landlords and tenants.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Montgomery County	16,126,887	1,190,453	7.4%	-4,674	-60,555	0	0	\$14.44	\$12.11
North Bethesda-Rockville	7,600,994	488,469	6.4%	-19,351	-93,839	0	0	\$15.05	\$12.18
Gaithersburg-Germantown	8,525,893	701,984	8.2%	14,677	33,284	0	0	\$13.79	\$12.07
Prince George's County	32,217,205	2,449,694	7.6%	24,691	286,673	0	46,168	\$9.95	\$6.73
Beltsville-College Park	7,454,361	448,003	6.0%	66,214	107,970	0	0	\$9.67	\$9.70
Laurel	2,986,711	88,096	2.9%	-2,300	22,753	0	0	\$10.90	\$8.38
Landover/Lanham	14,308,493	935,747	6.5%	-11,860	134,852	0	46,168	\$8.61	\$7.20
Bowie	2,621,804	310,876	11.9%	-38,284	-43,850	0	0	\$10.72	\$7.65
Oxon Hill/Suitland	4,845,836	666,972	13.8%	10,921	64,948	0	0	\$15.29	\$5.49
Frederick County	1,837,718	264,659	14.4%	-2,930	-87,342	0	0	\$11.88	N/A
SUBURBAN MARYLAND TOTALS	50,181,810	3,904,806	7.8%	17,087	138,776	0	46,168	\$12.33	\$8.18

*Rental rates reflect weighted net asking \$psf/year

OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	33,004,414	2,353,036	7.1%	-47,754	-88,129	0	46,168	\$8.28
Office Service / Flex	17,177,396	1,551,770	9.0%	64,841	226,905	0	0	\$12.54

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10100 Willowdale Road	Landover/Lanham	Undisclosed	98,653	New Lease
1030 Hampton Park Boulevard	Landover/Lanham	C3M Power Systems, LLC	26,191	Renewal*
627 Southlawn Lane	North Bethesda/Rockville	Undisclosed	21,600	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
300 Prince Georges Boulevard	Bowie	John Bradley Murr / AEI Capital Corporation	29,190	\$6.8M / \$233

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