

# Suburban Maryland

Office Q4 2019

YoY Chg      12-Mo. Forecast

**18.6%**

Vacancy Rate



**-62K**

Net Absorption, SF



**\$27.49**

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: 4747 Bethesda Ave. Delivered in Q4

JBG Smith's trophy development at 4747 Bethesda Avenue delivered this quarter. The 291,414 square foot (sf) building is just over 93% leased, therefore avoiding a vacancy rate spike. Overall vacancy in Suburban Maryland in the fourth quarter is 18.6%, which is 50 basis points (bps) below the historical vacancy in the market. There is over 2.2 million square feet (msf) currently under construction with 65% centered in the Bethesda/Chevy Chase submarket, which includes the Marriott headquarters at 7750 Wisconsin Avenue. As Suburban Maryland continues to attract new tenants, new supply will have to maintain a growing pace to satiate a market with a desire for high quality space.

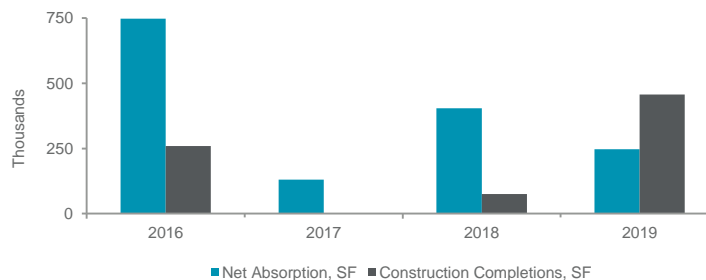
## DEMAND: Leasing Activity

Congressional Bank captured the largest lease of the quarter, renewing for 37,551 sf at 4445 Willard Avenue in Chevy Chase. Peraton will join AGM University and Children's National Health System after signing a deal to occupy over 32,000 sf at 1 Inventa place. As this building continues to lease up, the Silver Spring submarket will return to normal vacancy levels, after increasing from 10.3% in 1Q19 to 17.4% in 2Q19 when Discovery vacated. In the fourth quarter, Silver Spring's vacancy has already decreased to 16%. Leasing activity for the fourth quarter was over 450,000 sf, a 6.3% increase year-over-year (YOY), bringing the 2019 total to over 2.1 msf.

## PRICING: Class A Rents Remain Strong

Class A gross asking rents rose by 1.85% YOY, closing the quarter at \$31.35 per-square foot (psf). Overall asking rates dropped 0.9% from Q3 as vacancy increased 60 basis points. The high amount of space coming online and delivering soon bodes well for investor confidence in the submarket and attracts tenants to new, desirable space, resulting in the significant increase in Class A rents. As trophy developments continue to push buildings to new standards, it has forced Class A owners to improve their buildings in order to stay competitive in the market.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NEY ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Pike Corridor	11,078,061	51,517	1,720,862	16%	9,409	81,603	290,351	209,000	\$29.10	\$32.39
Silver Spring	5,497,684	7,981	997,720	18.3%	-52,832	-495,316	314,482	0	\$30.54	\$33.79
I-270/Rockville	9,246,214	63,449	1,498,697	16.9%	-10,624	128,409	508,700	0	\$29.60	\$31.67
Germantown	1,872,930	4,200	402,636	21.7%	0	3,433	59,614	0	\$23.21	\$26.50
Bethesda/Chevy Chase	8,746,809	192,920	1,160,272	15.5%	92,521	95,313	466,983	1,461,000	\$39.18	\$43.92
Rock Spring Park	4,004,404	142,710	846,701	24.7%	-58,108	18,529	100,387	0	\$29.10	\$29.19
Gaithersburg	2,106,015	1,000	365,325	17.4%	19,137	8,221	38,940	0	\$22.16	\$24.07
North Silver Spring	1,055,127	0	169,496	16.1%	-9,934	-6,155	63,181	0	\$23.94	N/A
<b>Montgomery County</b>	<b>43,607,244</b>	<b>463,777</b>	<b>7,161,709</b>	<b>17.5%</b>	<b>-10,431</b>	<b>-165,963</b>	<b>1,842,638</b>	<b>1,670,000</b>	<b>\$30.25</b>	<b>\$33.05</b>
Beltsville/College Park	4,239,155	9,126	812,588	19.4%	-3,994	-16,253	47,625	0	\$22.25	\$24.17
Laurel	928,694	0	221,141	23.8%	400	5,282	21,436	0	\$23.24	\$17.50
Greenbelt	2,824,441	2,796	759,048	27%	49,027	149,625	74,440	0	\$21.78	\$23.77
Landover/Lanham	3,066,183	12,428	453,325	15.2%	-10,228	245,282	39,431	0	\$21.71	\$22.63
Bowie	780,082	0	120,276	15.4%	-422	-1,707	20,375	0	\$25.84	\$15.95
Oxon Hill/Suitland	1,595,938	2,671	311,408	19.7%	7,481	96,128	29,307	574,767	\$21.51	\$32.00
<b>Prince George's County</b>	<b>13,434,493</b>	<b>27,021</b>	<b>2,677,786</b>	<b>20.1%</b>	<b>42,264</b>	<b>478,357</b>	<b>232,614</b>	<b>574,767</b>	<b>\$22.03</b>	<b>\$23.68</b>
<b>Frederick County</b>	<b>3,273,235</b>	<b>6,322</b>	<b>853,786</b>	<b>26.3%</b>	<b>-93,971</b>	<b>-64,807</b>	<b>96,274</b>	<b>0</b>	<b>\$15.83</b>	<b>\$23.96</b>
<b>SUBURBAN MARYLAND TOTALS</b>	<b>60,314,972</b>	<b>497,120</b>	<b>10,693,281</b>	<b>18.6%</b>	<b>-62,138</b>	<b>247,587</b>	<b>2,171,526</b>	<b>2,244,767</b>	<b>\$27.49</b>	<b>\$31.35</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4445 Willard Avenue	Bethesda/Chevy Chase	Congressional Bank	37,551	Renewal*
7855 Walker Drive	Greenbelt	Peraton	32,322	New Lease
1 Inventa Place	Silver Spring	AGM University	28,500	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5600 Fishers Lane	Rockville	JBG Smith-Cammeby's International/Union Bancaire Privee	1,283,646	\$436M/\$340
1 State Farm Drive	Frederick	Lone Star Funds/Frederick Health	387,008	\$18.5M/\$48

## KEY CONSTRUCTION COMPLETIONS Q4 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4747 Bethesda Avenue	Bethesda/Chevy Chase	JBG Smith / Booz Allen Hamilton / Host Hotels	281,020	JBG Smith

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