

Suburban Maryland

Office Q2 2020

| | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| 18.6% Vacancy Rate | ▲ | ▼ |
| -120K Net Absorption, SF | ▼ | ▲ |
| \$27.96 Asking Rent, PSF | ▲ | ▲ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 3.0M DC Metro Employment | ▼ | ▲ |
| 9.7% DC Metro Unemployment Rate | ▲ | ▼ |
| 13.0% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS

SUPPLY: Quality Space Under Construction

Suburban Maryland has a total of 2,244,767 SF of space under construction across Montgomery and Prince George's Counties. With nearly 600,000 sf of this space delivering in 2020, it is yet to be seen whether or not demand will match the supply of top-of-market space. The Bethesda/Chevy Chase submarket has 65% of the space currently under construction (7272 Wisconsin Avenue, 7373 Wisconsin Avenue, and 7750 Wisconsin Avenue), while Rockville has 209,000 sf under construction at 909 Rose Avenue.

DEMAND: Leasing Activity Remains Slows

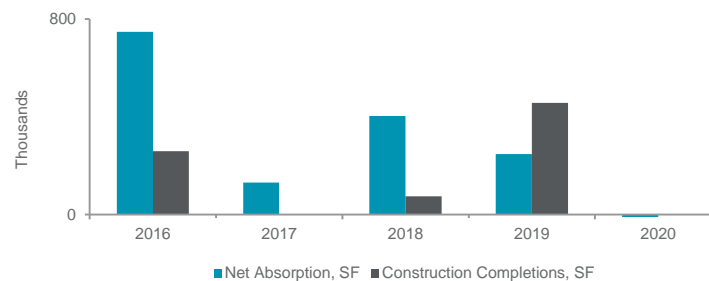
Leasing activity in Q2 2020 was relatively light at 296,351 sf, compared to a very strong Q1, which saw 1,062,818 sf of new leasing activity. The largest new lease of the quarter came at 5275 Westview Drive in Frederick, where United Health Group leased 41,032 sf. The second largest lease of the quarter was New York Life leasing 37,237 sf at 6905 Rockledge Drive in Rock Spring Park. Silver Spring led all of the Suburban Maryland submarkets with 59,551 sf of new leasing activity. As a result of negative absorption, vacancy increased 20 basis points from last quarter and year-over-year to close Q2 at 18.6%.

PRICING: Asking Rents Decrease

With new leasing activity slowing and negative absorption, Suburban Maryland saw rental rates drop slightly in Q2. For the market as a whole, overall rental rates fell \$0.26 since last quarter. Despite falling rental rates, Germantown, Landover/Lanham, and Oxon Hill/Suitland were the three submarkets to see rental rates increase from the previous quarter. As leasing activity picks up in the coming quarters, rental rates will surely rebound.

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---------------------------------|-------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Pike Corridor | 11,087,793 | 42,669 | 1,637,157 | 15.2% | -31,776 | 92,553 | 121,648 | 209,000 | \$28.14 | \$30.53 |
| Silver Spring | 5,497,684 | 25,153 | 1,007,145 | 18.8% | -92,743 | -26,597 | 131,920 | 0 | \$30.57 | \$33.38 |
| I-270/Rockville | 9,221,454 | 143,347 | 1,584,240 | 18.7% | -17,361 | -165,441 | 450,783 | 0 | \$29.52 | \$31.23 |
| Germantown | 1,872,930 | 5,726 | 444,288 | 24.0% | 22,429 | -43,178 | 15,573 | 0 | \$23.22 | \$26.50 |
| Bethesda/Chevy Chase | 8,746,809 | 204,355 | 1,262,484 | 16.8% | -61,063 | -113,647 | 216,781 | 1,461,000 | \$39.09 | \$44.26 |
| Rock Spring Park | 4,004,404 | 121,944 | 777,023 | 22.4% | -10,305 | 90,444 | 186,041 | 0 | \$29.14 | \$29.41 |
| Gaithersburg | 2,106,015 | 1,100 | 318,360 | 15.2% | 32,673 | 46,865 | 14,730 | 0 | \$22.96 | \$24.44 |
| North Silver Spring | 1,055,127 | 8,600 | 134,914 | 13.6% | 21,123 | 25,982 | 14,968 | 0 | \$25.54 | N/A |
| Montgomery County | 43,592,216 | 552,894 | 7,165,611 | 17.7% | -137,023 | -93,019 | 1,152,444 | 1,670,000 | \$30.30 | \$32.82 |
| Beltsville/College Park | 4,229,155 | 9,126 | 830,986 | 19.9% | -22,726 | -18,398 | 10,898 | 0 | \$22.44 | \$24.08 |
| Laurel | 928,694 | 0 | 213,267 | 23.0% | 3,569 | 7,874 | 39,023 | 0 | \$23.71 | \$17.50 |
| Greenbelt | 2,824,441 | 9,740 | 721,718 | 25.9% | 14,646 | 30,386 | 22,709 | 0 | \$21.61 | \$23.99 |
| Landover/Lanham | 3,070,981 | 28,175 | 377,075 | 13.2% | 32,270 | 60,503 | 47,893 | 0 | \$21.14 | \$22.14 |
| Bowie | 780,082 | 0 | 158,141 | 20.3% | -30,440 | -37,865 | 6,438 | 0 | \$26.02 | \$23.73 |
| Oxon Hill/Suitland | 1,595,938 | 0 | 314,598 | 19.7% | -4,829 | -519 | 5,195 | 574,767 | \$23.28 | \$31.67 |
| Prince George's County | 13,429,291 | 47,041 | 2,615,785 | 19.8% | -7,510 | 41,981 | 132,156 | 574,767 | \$22.08 | \$23.90 |
| Frederick County | 3,273,235 | 6,322 | 829,237 | 25.5% | 24,549 | 24,549 | 87,063 | 0 | \$16.73 | \$20.94 |
| Suburban Maryland Totals | 60,294,742 | 606,257 | 10,610,633 | 18.6% | -119,984 | -26,489 | 1,371,663 | 2,244,767 | \$27.96 | \$31.48 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|----------------------|-----------------|---------------------|--------|-----------|
| 12420 Parklawn Dr | Pike Corridor | GSA-FDA | 93,014 | Renewal* |
| 9711 Washington Blvd | I-270/Rockville | Open Text | 50,375 | Renewal* |
| 5275 Westview Dr | Frederick | United Health Group | 41,032 | New Lease |

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|------------------------|----------------------|---|--------|--------------|
| 10100 Laureate Way | Bethesda/Chevy Chase | Society Of American Foresters / Hope Connections For Cancer | 11,880 | \$189.39 |
| 9110 Old Marlboro Pike | Oxon Hill/Suitland | Washington Mailers Labor Union / Baltimore/Washington Laborers District Counsel | 7,444 | \$240.97 |
| 37 N Market Street | Frederick | Smith Bradley, Inc. / Taft Family Ventures | 5,821 | \$221.51 |

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