

## MARKETBEAT

# Suburban Maryland

Industrial Q1 2019



### SUBURBAN MARYLAND INDUSTRIAL

#### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
D.C. Metro Employment	3.31M	3.32M	▲
D.C. Metro Unemployment	3.6%	3.3%	■
U.S. Unemployment	4.1%	3.8%	▼

\*Numbers above are quarterly average

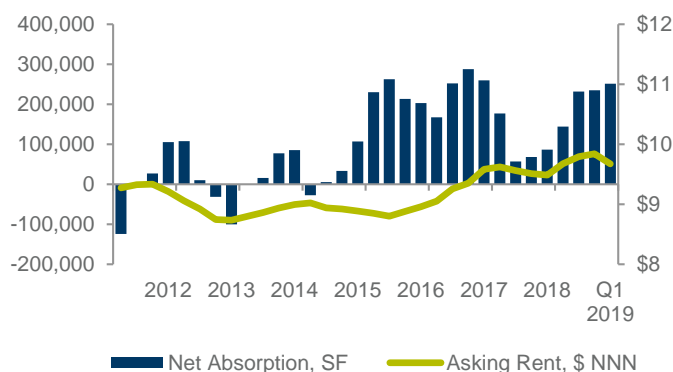
#### Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	9.7%	7.8%	▲
YTD Net Absorption (sf)	61k	137k	▲
Under Construction (sf)	459k	0k	■
Average Asking Rent*	\$10.02	\$9.34	▼

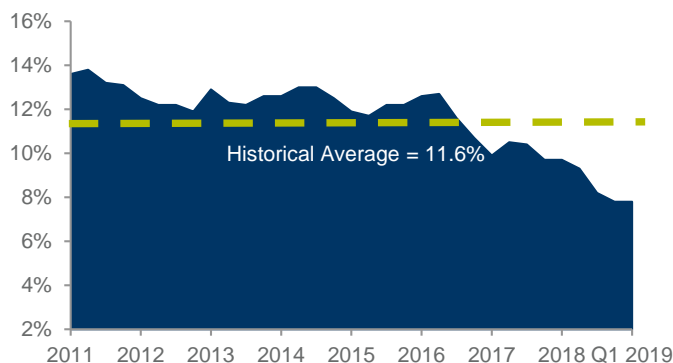
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



## Economy

Job growth across the Washington, DC metropolitan region made a good start to 2019 with 8,100 net new nonfarm payroll jobs added in January and February. Industry sectors leading job creation were Leisure and Hospitality with 6,900 jobs and Professional and Business Services with 3,100 jobs. The unemployment rate continues to be incredibly tight and has hovered at 3.3% since October 2017—the lowest rate since April 2008.

## Market Overview

Suburban Maryland's industrial market experienced a good start to the year as well. In the first quarter of 2019 new leasing activity for the warehouse/ distribution (W/D) sector totaled 231,259 square feet (sf); that is over half of all new leasing during the quarter. Merchant Metals contributed to the total by leasing 70,750 sf at 6100 Columbia Park Road—the largest lease of the quarter in Suburban Maryland. Leasing activity in the office services sector closed the first quarter at 170,947 sf. Kite Pharma's 33,919-sf expansion at 930 Clopper Road was the largest office services lease. Year-to-date leasing activity closed the quarter at 402,206 sf, a small decline of 5.1% year-over-year (YOY).

Absorption remained positive during the first quarter of 2019 thanks to a full building renovation and a construction completion, both of which are fully leased. Vigene Biosciences moved into the entire 52,000 sf of the newly renovated building located at 5 Research Court—a move demonstrating the increasing demand for life science space in Suburban Maryland. Construction also commenced during the quarter at 9300 Alaking Court, delivering a 46,168-sf warehouse that is fully occupied by Pepsico-Frito Lay. While Vigene is in the office services sector and Pepsico-Frito Lay in the warehouse/distribution sector, absorption remained positive for both which helped bring the Suburban Maryland absorption total to 137,169 sf. Given the high level of absorption for the quarter, vacancy rates continued to decline, closing the first quarter of 2019 at 7.8%, a decrease of 190 basis points (bps) YOY. Higher asking rent space has been leased up and so rental rates have declined slightly, closing the first quarter at \$8.31 per square foot (psf) on a triple net (NNN) basis, a decrease of 5.0% YOY for warehouse/distribution product. Asking rents for office services product closed the quarter at \$11.04 psf NNN, a decrease of 8.6% YOY.

## Outlook

With a limited supply of new construction in the pipeline, vacancy rates in the Suburban Maryland industrial market should remain in check. Last-mile distribution centers and eCommerce warehouses continue to drive demand. In addition to life science product, buildings with outside storage are scarce throughout Suburban Maryland but the demand is strong. Another desirable factor for tenants in this market is the enterprise-zone tax credits. Businesses that are located in the Maryland enterprise zones are provided real property and state income tax credits in return for job creation and investments.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
North Bethesda/Rockville	208	7,600,994	0	4.9%	24,796	0	\$13.06	\$12.84
Gaithersburg/Germantown	197	8,525,893	0	8.4%	15,264	0	\$14.74	\$12.12
<b>Montgomery County</b>	<b>405</b>	<b>16,126,887</b>	<b>0</b>	<b>6.8%</b>	<b>40,060</b>	<b>0</b>	<b>\$14.17</b>	<b>\$12.31</b>
Beltsville/College Park	160	7,454,361	0	7.4%	6,317	0	\$9.49	\$9.19
Laurel	37	2,986,711	0	3.8%	-2,416	0	\$10.15	\$7.80
Landover/Lanham	192	14,308,493	0	6.7%	118,667	0	\$8.69	\$7.09
Bowie	32	2,621,804	0	11.3%	-30,505	0	\$7.80	\$7.15
Oxon Hill/Suitland	109	4,845,836	0	14.9%	11,046	0	\$17.57	\$5.82
<b>Prince George's County</b>	<b>530</b>	<b>32,217,205</b>	<b>0</b>	<b>8.2%</b>	<b>103,109</b>	<b>0</b>	<b>\$9.18</b>	<b>\$6.73</b>
<b>Frederick County</b>	<b>22</b>	<b>1,798,718</b>	<b>0</b>	<b>10.2%</b>	<b>-6,000</b>	<b>0</b>	<b>\$11.87</b>	<b>N/A</b>
<b>Suburban Maryland TOTALS</b>	<b>957</b>	<b>50,142,810</b>	<b>0</b>	<b>7.8%</b>	<b>137,169</b>	<b>0</b>	<b>\$11.04</b>	<b>\$7.90</b>

\*Rental rates reflect asking \$psf/year

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

TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	581	32,965,414	0	6.5%		0	\$7.90
Office Service/Flex	376	17,177,396	0	9.8%		0	\$11.04

## Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6100 Columbia Park Rd	70,750	Merchant Metals	New Lease	Landover/Lanham
8210 Penn Randall Place	59,620	Undisclosed	New Lease	Oxon Hill/Suitland
930 Clopper Road	33,919	Kite Pharma	Expansion	Gaithersburg- Germantown
25 W Watkins Mill Road	13,571	Arcellx	New Lease	Gaithersburg- Germantown

## Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
12051 Indian Creek Court*	93,000	Office Properties Income Trust/Buchanan Partners	\$11,745,080/ \$126	Beltsville-College Park

\*Part of portfolio sale

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