

Suburban Maryland

Office Q3 2021

YoY Chg 12-Mo. Forecast

19.5%

Vacancy Rate



467K

Net Absorption, SF



\$28.97

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

YoY Chg 12-Mo. Forecast

3.2M

DC Metro Employment



5.2%

DC Metro Unemployment Rate



5.2%

U.S. Unemployment Rate



Source: BLS

SUPPLY: No New Deliveries in Q3

After the first quarter of 2021 saw the delivery of two new office buildings—7272 Wisconsin Avenue in Bethesda/Chevy Chase and 1 Capital Gateway Drive in Oxon Hill/Suitland, there were no new deliveries in Q2 or Q3 2021. Still under construction in Bethesda/Chevy Chase, 7373 Wisconsin Avenue and 7750 Wisconsin Avenue are scheduled to deliver in Q4 2021 and Q4 2022, respectively. With no new space delivering this quarter, it will give the market a chance to tighten as supply has outpaced demand and vacancy has ticked up six consecutive quarters.

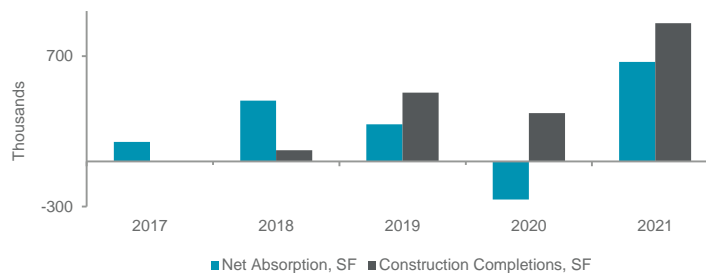
DEMAND: Strong Leasing Activity Continues

After closing Q2 2021 with 606,980 square feet (sf) of new leasing activity, Suburban Maryland saw 526,802 sf of new leasing activity in Q3 2021 bringing year-to-date (YTD) leasing to 1,504,909 sf. Suburban Maryland registered 83,525 sf of renewal activity in Q3, bringing YTD renewals to 371,516 sf. The largest new lease of the quarter was Innovent signing for 30,228 sf at 9900 Belward Campus Dr in the I-270/Rockville submarket. I-270/Rockville led all Suburban Maryland submarkets with 122,080 sf of new leasing activity, followed by Bethesda/Chevy Chase with 112,783 sf of new leasing activity. Montgomery County registered 450,959 sf of new leasing for Q3, bringing YTD new leasing to 1,179,839 sf for the county.

ABSORPTION, VACANCY & PRICING: Positive Absorption and Lower Vacancy, Pricing Increases

Suburban Maryland registered 467,388 sf of positive absorption in Q3 2021. As a result of positive absorption, overall vacancy rates in Suburban Maryland finished Q3 at 19.5%, which is 80 basis points (bps) lower than last quarter. Frederick County saw the largest move in with Frederick Health moving into 387,000 sf at 1 State Farm Rd while ZeniMax Media took 104,000 sf at 1350 Piccard Drive in the I-270/Rockville submarket. From a rental rate perspective, Suburban Maryland average overall asking rates jumped \$0.18 from Q2 2021, closing Q3 2021 at \$28.97 per square foot on a full service basis.

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	11,296,793	95,088	1,929,835	17.9%	111,811	-125,638	189,194	0	\$27.96	\$31.16
Silver Spring	5,497,684	68,730	1,043,355	20.2%	24,713	-111,360	107,759	0	\$29.40	\$32.40
I-270/Rockville	9,221,454	162,310	1,662,343	19.8%	4,380	-59,458	320,344	0	\$28.25	\$30.99
Germantown	1,872,930	20,726	492,475	27.4%	1,548	-52,394	45,511	0	\$27.22	\$26.50
Bethesda/Chevy Chase	9,091,809	196,734	1,669,488	20.5%	52,704	131,072	329,545	1,116,000	\$39.89	\$44.72
Rock Spring Park	4,004,404	118,278	933,543	26.3%	-10,393	-122,563	99,210	0	\$28.78	\$29.08
Gaithersburg	2,106,015	12,642	195,337	9.9%	20,664	126,019	61,910	0	\$20.67	\$23.46
North Silver Spring	1,055,127	0	152,336	14.4%	-15,828	2,948	26,366	0	\$27.65	N/A
Montgomery County	44,146,216	674,508	8,078,712	19.8%	189,599	-211,374	1,179,839	1,116,000	\$30.86	\$34.02
Beltsville/College Park	4,340,431	5,809	780,820	18.1%	1,702	90,118	79,361	0	\$23.90	\$26.01
Laurel	928,694	8,850	207,970	23.3%	5,232	4,215	35,719	0	\$28.53	\$21.55
Greenbelt	2,824,441	11,016	620,328	22.4%	-12,252	143,075	100,648	0	\$23.04	\$25.34
Landover/Lanham	3,070,981	8,171	388,650	12.9%	23,344	17,061	23,002	0	\$22.16	\$22.96
Bowie	780,082	0	183,475	23.5%	-7,803	-24,250	17,413	0	\$25.63	\$24.75
Oxon Hill/Suitland	2,170,705	2,798	329,146	15.3%	4,592	558,874	5,387	0	\$25.00	\$31.06
Prince George's County	14,115,334	36,644	2,510,389	18.0%	14,815	789,093	261,530	0	\$23.66	\$25.40
Frederick County	3,273,235	14,474	702,324	21.9%	262,974	82,936	63,540	0	\$15.83	\$21.49
Suburban Maryland Totals	61,534,785	725,626	11,291,425	19.5%	467,388	660,655	1,504,909	1,116,000	\$28.97	\$32.71

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9900 Belward Campus Drive	I-270/Rockville	Innovent	30,228	New Lease
7500 Old Georgetown Road	Bethesda/Chevy Chase	Northpond Ventures	21,514	New Lease
909 Rose Avenue	Pike Corridor	ESAB	20,506	New Lease
8401 Colesville Road	Silver Spring	Perspecta	18,806	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9737 Washingtonian Blvd	Gaithersburg	PRP Real Estate Investment Management & GMF Capital JV/ Unknown	293,711	\$119,000,000 / \$405.16

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1 Capital Gateway Drive	Oxon Hill/Suitland	GSA-Homeland Security	574,767	Peter N.G. Schwartz
7272 Wisconsin Avenue	Bethesda/Chevy Chase	Enviva, Fox 5, WeWork	345,000	Carr Properties

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