

Suburban Maryland

Industrial Q3 2022

YoY
Chg

12-Mo.
Forecast

4.9%

Vacancy Rate


22.6K

Net Absorption, SF


\$15.02

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2022

YoY
Chg

12-Mo.
Forecast

3.3M

 D.C. Metro
Employment

3.3%

 D.C. Metro
Unemployment Rate

3.7%

 U.S.
Unemployment Rate


Source: BLS

Supply: Positive Overall Absorption and Decreasing Vacancy

Suburban Maryland registered a 4.9% vacancy rate in Q3 2022, a 40 basis point (bps) increase from Q2 2022, and a 130 bps drop year-over-year (YOY). The office service (OS) sector saw a 280 bps drop YOY to 4.1% while the warehouse/distribution (W/D) sector recorded a 100 bps drop YOY to 5.2%. Montgomery County's vacancy fell 260 bps YOY to 4.2% as the W/D sector saw a 130 bps decrease YOY to 4.5% while OS registered a 390 bps drop YOY to 3.8%. Prince George's vacancy dropped 250 bps YOY to 3.8% with OS declining by 130 bps YOY to 4.2% while W/D saw a 280 bps decrease YOY to 3.7%. Frederick's vacancy was 22.3% as OS dropped to 7.3%, down from 19.6% in Q3 2021, while W/D rose to 25.2%, up from 3.0% in Q3 2021. The OS sector registered 66,701 square feet (sf) of positive absorption and the W/D sector registered 44,138 sf of negative absorption, bringing the third quarter overall absorption to 22,563 sf of net absorption. This brings year-to-date (YTD) absorption to 1,022,077 sf, with OS absorption at 270,510 sf and W/D at 751,567 sf of net absorption YTD. Landover/Lanham led the OS submarkets with 39,931 sf of net absorption in Q3 while Laurel led the W/D submarkets with 17,009 sf of net absorption in Q3. In Laurel, manufacturer TWG moved into 16,640 sf at 9125 Whiskey Bottom Rd- the largest W/D move of the quarter. Tenants taking space in O/S properties include X-Energy moving into 10,447 sf at 5303 Spectrum Drive, Goodwill taking 8,800 sf at 725 Rockville Pike and Mastech Digital moving into 8,642 sf at 9700 Martin Luther King Jr Hwy. Landover/Lanham saw the largest move out of the quarter with electronic connector manufacturer SMK leaving 34,540 sf at 6304 Sheriff Road.

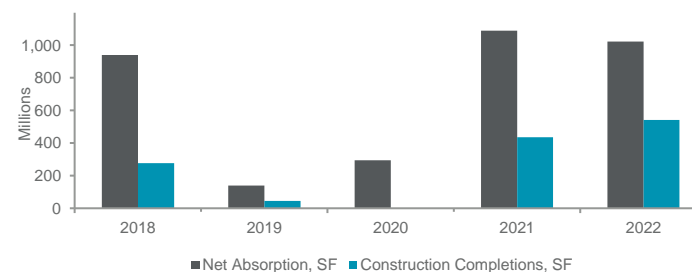
Demand: Leasing Activity Remains Stable

The third quarter of 2022 saw new leasing remain stable with 550,304 sf of new leasing activity, bringing YTD new leasing to 1,612,285 sf. In the third quarter, OS registering 93,429 sf and W/D recorded 456,875 sf of new leasing activity, bringing YTD new leasing to 442,643 sf for the OS sector and 1,169,642 sf for the W/D sector. Prince George's County saw the bulk of new leasing with 402,043 sf transacted- this was driven by the 99,640 sf signed in Laurel and the 233,473 sf signed in Oxon Hill/Suitland. The largest new lease was inked by Capital Electric, an electrical supply company, for 224,000 sf at 8511 Pepco Pl in Oxon Hill/Suitland while freight company CRST signed for 83,000 sf at 13200 Mid Atlantic Blvd in Laurel. Gaithersburg/Germantown saw two large new leases with EV automaker Rivian taking 46,401 sf at 8787 Snouffer School Rd and Visionary Management transacted 35,475 sf at 8341 Beechcraft Ave. PODS, the moving/storage company, signed the largest renewal of the quarter of 20,126 sf at 4510 Buckeystown Pike in Frederick.

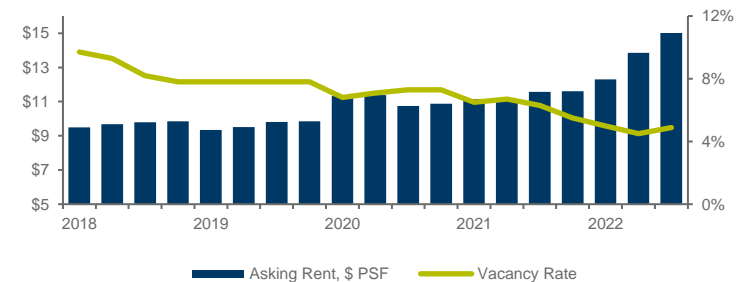
Pricing: Rental Rates Up YOY

Suburban Maryland ended Q3 with an average overall rental rate of \$15.02 per square foot (psf), up \$1.16 psf over last quarter and a \$3.46 psf increase YOY. Rental rates for the OS space rose \$2.68 psf YOY to \$16.09 while W/D rose \$3.48 psf YOY to \$13.78 psf in the third quarter.

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)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Montgomery County	15,489,618	645,205	4.2%	18,404	229,875	619,800	0	\$18.16	\$14.60
North Bethesda-Rockville	7,063,002	339,543	4.8%	8,285	125,995	0	0	\$16.58	\$14.99
Gaithersburg-Germantown	8,426,616	305,662	3.6%	10,119	103,880	619,800	0	\$19.44	\$13.83
Prince George's County	32,211,137	1,236,793	3.8%	-13,516	768,573	496,080	325,702	\$10.71	\$12.93
Beltsville-College Park	6,935,249	131,099	1.9%	-26,025	80,210	0	0	\$13.17	\$10.46
Laurel	2,836,861	145,524	5.1%	17,009	-54,631	0	0	N/A	\$11.75
Landover/Lanham	14,919,318	726,010	4.9%	9,392	262,068	133,200	0	\$10.10	\$13.62
Bowie	2,495,404	56,783	2.3%	-6,680	20,199	0	0	N/A	N/A
Oxon Hill/Suitland	5,024,305	177,377	3.5%	-7,212	460,272	362,880	325,702	\$18.96	\$13.32
Frederick County	2,518,217	560,548	22.3%	17,675	23,629	38,200	216,028	\$7.22	\$0.00
SUBURBAN MARYLAND TOTALS	50,218,972	2,442,546	4.9%	22,563	1,022,077	1,154,080	541,730**	\$16.09	\$13.78

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

**Not reflective of US Marketbeat Stats Table

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)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	33,676,528	1,767,137	5.2%	-44,138	751,567	1,154,080	541,730	\$13.78
Office Service / Flex	16,542,444	675,409	4.1%	66,701	270,510	0	0	\$16.09

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8511 Pepco Place	Oxon Hill/Suitland	Capital Electric	224,000	New Lease
13200 Mid Atlantic Boulevard	Laurel	CRST	83,000	New Lease
8787 Snouffer School Road	Gaithersburg/Germantown	Rivian	46,401	New Lease
8341 Beechcraft Avenue	Gaithersburg/Germantown	Visionary Management	35,475	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8511 Pepco PI	Oxon Hill /Suitland	Capital Electric / TA Realty	224,000	\$251
12101 Tech Rd	Silver Spring	Spectrum Partners / Power Home Remodeling	58,280	\$220

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