

Suburban Maryland

Office Q3 2022

	YoY Chg	12-Mo. Forecast
18.5% Vacancy Rate	▲	▼
657K Net Absorption, SF	▲	▼
\$29.10 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
3.3M DC Metro Employment	▲	▲
3.3% DC Metro Unemployment Rate	▼	▼
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

SUPPLY: Marriott Delivers in Downtown Bethesda

In the third quarter, Marriott delivered its new 616,000 square foot (sf) headquarters at 7750 Wisconsin Avenue in downtown Bethesda. The Bethesda/Chevy Chase submarket makes up all Suburban Maryland office deliveries for 2022 after Avocet Towers delivered in Q2. Currently, two buildings are under construction in the Pike Corridor at 915 Meeting Street and 1600 Rockville Pike which are 276,000 sf and 240,000 sf, respectively. Both projects are scheduled to come online in 2024. Choice Hotels is taking 105,000 sf at 915 Meeting Street and 1600 Rockville Pike has not yet seen any pre-leasing.

DEMAND: Montgomery County Leads New Leasing; Total Wine Renewal in Rock Spring Park

Suburban Maryland saw 393,348 sf of new leasing activity in Q3 2022 along with 217,412 sf of renewal activity, bringing year-to-date (YTD) new leasing to 1,368,384 sf and YTD renewals to 1,002,681 sf. Class A accounted for 260,746 sf and Class B registered 123,332 sf of new leasing in the third quarter. Montgomery County registered 305,657 sf of new leasing while Prince George's County registered 53,743 sf in Q3 2022. Frederick County saw 33,948 sf of new leasing activity with 30,348 sf in Class A product. Biotech company, Arcellx, signed the largest new lease at 800 King Farm Boulevard for 57,902 sf in the I-270/Rockville submarket. Intellian Technologies leased 27,647 sf, Apex Companies took 12,685 sf and Infosys Public Services signed 10,286 sf in I-270/Rockville while NV Homes leased 30,348 sf and Securitas took 13,195 sf in Frederick. Pike Corridor's 909 Rose Avenue is fully leased after Bright MLS inked 13,455 sf. For renewal activity, Class A space in Montgomery County registered 49,960 sf- 74% of all Class A renewal activity. Rock Spring Park accounted for 68% of renewal activity in Suburban Maryland with 148,663 sf of renewals. This was driven by Total Wine & More renewing 141,932 sf and expanding 11,691 sf at 6600 Rockledge Drive.

ABSORPTION, VACANCY & PRICING: Positive Absorption and Pricing Increase

Suburban Maryland registered 657,163 sf of positive absorption in Q3 2022- this is due to the Marriott HQ coming online with 616,000 sf. Without the Marriott building, absorption comes to just under 50,000 sf. Year-to-date absorption totals 955,300 sf of positive absorption with Montgomery registering 768,944 sf YTD and Prince George's registering 147,065 sf YTD. Overall vacancy rates in Suburban Maryland finished Q3 at 18.5%, which is down 30 basis points (bps) from Q2 2022 and down 100 bps year-over-year (YOY). From a rental rate perspective, Suburban Maryland's average overall asking rates increased by \$0.13 per square foot (psf) YOY, closing Q3 2022 at \$29.10 psf on a full-service basis. Bethesda/Chevy Chase continues to hold the highest asking rental rate at \$39.27 psf.

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	11,515,741	66,691	1,857,169	16.7%	59,153	96,454	290,706	516,000	\$28.00	\$31.29
Silver Spring	5,472,684	16,436	918,761	17.1%	12,293	18,964	157,127	0	\$29.00	\$32.74
I-270/Rockville	9,037,666	127,536	1,691,018	20.1%	-56,619	-18,980	303,831	0	\$29.35	\$30.00
Germantown	1,872,930	18,000	418,960	23.3%	12,742	44,887	5,537	0	\$28.10	\$22.13
Bethesda/Chevy Chase	9,945,514	155,611	2,057,462	22.3%	588,700	613,165	189,103	0	\$39.27	\$44.10
Rock Spring Park	4,004,404	12,603	1,033,784	26.1%	-27,983	-13,187	49,138	0	\$20.91	\$31.33
Gaithersburg	2,106,015	9,130	196,016	9.7%	162	-2,625	10,363	0	\$22.05	\$23.93
North Silver Spring	1,055,127	0	110,274	10.5%	5,556	30,266	18,178	0	\$27.76	N/A
Montgomery County	45,010,081	406,007	8,283,444	19.3%	594,004	768,944	1,023,983	516,000	\$31.11	\$33.88
Beltsville/College Park	3,722,452	5,809	530,432	14.4%	44,257	95,763	90,423	0	\$23.57	\$25.46
Laurel	959,667	0	218,362	22.8%	-14,473	-10,392	36,394	0	\$28.95	\$22.12
Greenbelt	2,824,441	11,016	590,925	21.3%	-1,727	9,092	43,769	0	\$22.89	\$25.52
Landover/Lanham	3,070,981	6,820	353,835	11.7%	11,845	53,277	35,432	0	\$22.01	\$22.76
Bowie	800,082	0	172,186	21.5%	-1,553	5,788	34,621	0	\$26.23	\$24.75
Oxon Hill/Suitland	1,900,306	2,798	191,924	10.2%	1,243	-6,463	1,243	0	\$24.42	\$30.36
Prince George's County	13,277,929	26,443	2,057,664	15.7%	39,567	147,065	241,882	0	\$23.57	\$25.10
Frederick County	3,260,774	14,474	595,196	18.7%	23,567	39,291	102,519	0	\$15.76	\$22.66
Suburban Maryland Totals	61,548,784	446,924	10,936,304	18.5%	657,163	955,300	1,368,384	516,000	\$29.10	\$32.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6600 Rockledge Drive	Rock Spring Park	Total Wine & More	153,623	Renewal*/Expansion
800 King Farm Boulevard	I-270/Rockville	Arcellx	57,902	New Lease
2600 Tower Oaks Boulevard	I-270/Rockville	Intellian Technologies	27,647	New Lease
1100 Wayne Avenue	Silver Spring	EnCompass	20,588	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Democracy Center (6901, 6903, 6905 Rockledge Drive)	Bethesda/Chevy Chase	PGIM / CP Group JV DRA Advisors	709,313	\$69,500,000 / \$97.98

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
7750 Wisconsin Avenue	Bethesda/Chevy Chase	Marriott HQ	616,000	Boston Properties/Bernstein Co
7373 Wisconsin Avenue	Bethesda/Chevy Chase	AGNC Investment/ Long & Foster	344,980	Stonebridge JV Invesco

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