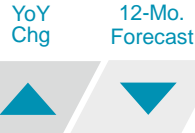


Suburban Maryland

Office Q4 2022

18.9%
Vacancy Rate



-142K
Net Absorption, SF



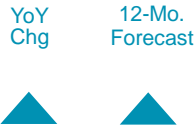
\$29.13
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

3.3M
DC Metro Employment



3.4%
DC Metro Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

DEMAND: Montgomery County Leads Leasing

Suburban Maryland saw 315,804 square feet (sf) of new leasing activity in Q4 along with 99,646 sf of renewal activity, bringing year-to-date (YTD) new leasing to 1,864,054 sf and renewals to 1,176,689 sf. Class A accounted for 163,361 sf and Class B registered 132,957 sf of new leasing in Q4, bringing YTD Class A leasing to 1,122,383 sf and Class B to 686,429 sf. Montgomery County registered 241,609 sf and Prince George's County registered 54,637 sf in Q4 while Frederick County saw 19,558 sf of new leasing activity. Montgomery County accounted for 77% of all new leases signed in Q4. The two largest leases of the quarter occurred in the Pike Corridor submarket: Georgetown University renewed at 11333 Woodglan Drive for 31,052 sf and health insurance company Blue Cross Blue Shield inked a 25,168 sf new lease at 11200 Rockville Pike. In Silver Spring, Gilbert Employment Law signed a 16,972 sf new lease at 8403 Colesville Road.

ABSORPTION, VACANCY & PRICING: Negative Absorption but Rents Increase

Suburban Maryland registered 141,788 sf of negative absorption in Q4, bringing YTD absorption to positive 701,222 sf. This was driven by Clark Construction leaving 89,365 sf 7500 Old Georgetown Rd, Dept. of Treasury exiting 31,000 sf at 6505 Belcrest Rd and General Dynamics leaving 21,000 sf at 6003 Executive Blvd. Digital Infuzion moved out of 31,000 sf at 656 Quince Orchard Rd in Gaithersburg and into 32,000 sf at 6120 Executive Blvd in Pike Corridor while Tetracore took 93,000 sf at 77 Upper Rock Cir in I-270/Rockville. Overall vacancy rate finished Q4 at 18.9%, up 40 basis points (bps) from Q3 2022 and down 40 bps year-over-year (YOY). From a rental rate perspective, Suburban Maryland's average overall asking rates increased by \$0.19 per square foot (psf) YOY, closing 2022 at \$29.13 psf on a full-service basis.

SUPPLY: Pike Corridor Under Construction

The Bethesda submarket made up all 2022 office deliveries after Avocet Towers delivered 345,000 sf in Q2 and Marriott delivered its 616,000 sf headquarters at 7750 Wisconsin Ave in Q3. Two buildings are under construction in the Pike Corridor at 915 Meeting St 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 and Sodexo has leased 52,000 sf at 915 Meeting Street and 1600 Rockville Pike has not yet seen any pre-leasing.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Suburban Maryland

Office Q4 2022

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	96,536	1,837,701	16.8%	-13,935	86,077	430,215	516,000	\$28.29	\$30.72
Silver Spring	5,472,684	16,436	885,970	16.5%	32,791	51,755	202,100	0	\$28.97	\$33.54
I-270/Rockville	9,037,666	173,053	1,595,889	19.6%	67,003	23,575	347,074	0	\$29.94	\$30.94
Germantown	1,872,930	18,000	425,723	23.7%	-6,763	38,124	27,817	0	\$27.24	\$22.13
Bethesda/Chevy Chase	9,945,514	152,552	2,160,087	23.3%	-100,219	512,946	261,871	0	\$39.03	\$43.69
Rock Spring Park	4,004,404	12,603	1,036,642	26.2%	-2,858	-16,045	71,418	0	\$30.96	\$31.35
Gaithersburg	2,106,015	9,130	239,650	11.8%	-45,929	-46,259	23,439	0	\$22.15	\$23.98
North Silver Spring	1,055,127	12,564	125,490	13.1%	-27,780	2,486	39,267	0	\$26.41	N/A
Montgomery County	45,010,081	490,874	8,307,152	19.5%	-97,690	652,659	1,403,201	516,000	\$31.01	\$33.59
Beltsville/College Park	3,722,452	19,934	546,687	15.2%	-53,164	42,599	103,330	0	\$23.61	\$25.90
Laurel	959,667	0	197,442	20.6%	20,920	10,528	57,853	0	\$22.67	\$20.93
Greenbelt	2,824,441	4,864	626,299	22.3%	-29,222	-20,130	55,873	0	\$22.79	\$25.98
Landover/Lanham	3,070,981	91,345	366,395	14.9%	-5,964	-43,808	47,523	0	\$21.95	\$22.53
Bowie	800,082	0	136,973	17.1%	35,213	41,001	56,938	0	\$26.09	\$24.75
Oxon Hill/Suitland	1,900,306	7,334	185,615	10.2%	4,347	-4,690	9,503	0	\$24.91	\$31.88
Prince George's County	13,277,929	123,477	2,059,411	16.4%	-27,870	25,500	331,020	0	\$23.07	\$25.31
Frederick County	3,260,774	43,266	582,632	19.2%	-16,228	23,063	129,833	0	\$16.71	\$19.41
Suburban Maryland Totals	61,548,784	657,617	10,949,195	18.9%	-141,788	701,222	1,864,054	516,000	\$29.13	\$32.28

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11333 Woodglen Drive	Pike Corridor	Georgetown University	31,052	Renewal*
11200 Rockville Pike	Pike Corridor	Blue Cross & Blue Shield of South Carolina	25,168	New Lease
8403 Colesville Road	Silver Spring	Gilbert Employment Law	16,972	New Lease
6010 Executive Boulevard	Pike Corridor	Optimal Beginnings	13,011	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9601 Blackwell Road	Rockville	Invesco JV Caddis / Remedy Medical Properties	129,000	\$48,000,000 / \$372.09
2301 Research Boulevard	Rockville	Novel Office / Community Healthcare Trust	94,491	\$13,936,900 / \$147.49

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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