

Suburban Maryland

Industrial Q2 2023

	YoY Chg	12-Mo. Forecast
5.3% Vacancy Rate	▲	▼
-53K Net Absorption, SF	▼	■
\$16.56 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

Supply: 1 MSF Set to Deliver

Suburban Maryland (SMD) currently boasts five speculative warehouse buildings under construction totaling just over 1 million square feet (msf). Frederick is experiencing a construction boom with three projects totaling 744,200 sf under construction compared to 254,228 sf under construction in Q2 2022 and an additional five proposed projects which would add just over 490,000 sf to the submarket. Trammell Crow's 684,000 sf development at Frederick Commerce Center- 65% of the under construction pipeline- recently signed wood manufacturer Metrie to take 278,000 sf. Landover/Lanham is home to two buildings totaling 313,200 sf delivering mid 2023 through 2024- no tenants have been attached to these speculative builds.

Suburban Maryland registered 53,218 sf of negative absorption in the second quarter, bringing year-to-date (YTD) absorption to 67,810 sf. This was driven by Landover/Lanham posting negative 104,095 sf after Zip Mailing vacated 48,511 sf at 6304 Sheriff Rd, 50 Floors left 33,984 sf at 845 Hampton Park Blvd and Whole Food's closed its 45,300-sf seafood distribution center at 1513-1521 Cabin Branch Dr. From the second half of 2023 through the end of 2024, tenants in SMD are expected to move into nearly 2.5 msf of industrial space.

Demand: New Leasing Activity Down YOY

New leasing activity decreased 28.5% from Q1 2023 to 375,369 sf and was down 18% year-over-year (YOY). Office services (OS) yielded 44,624 sf and warehouse/distribution (W/D) logged 330,745 sf of new leasing activity. Frederick County inked 62% of new leasing with 204,959 sf recorded. Frederick County's new leasing activity was driven by Walmart taking 102,000 sf at 4910 Executive Way for pharmacy distribution and electrical contractor Power Solutions signing 72,959 sf at 4754 Arcadia Dr. In the second quarter, renewals registered 240,323 sf, bringing YTD renewal activity to 386,470 sf. Prince George's County drove renewal activity with 217,466 sf signed after Ferguson Enterprises remained in 114,147 sf at 11730-11750 Baltimore Ave in the Beltsville-College Park submarket.

Pricing: Rental Rates Up YOY

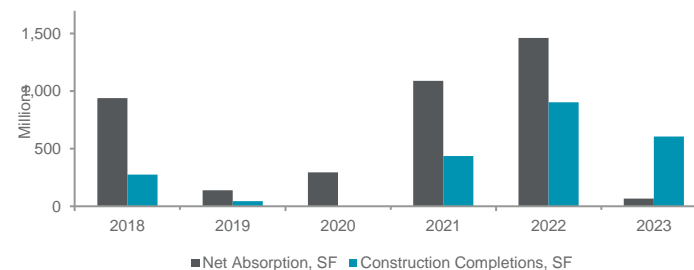
The average overall rental rate in the second quarter of 2023 was \$16.56 per square foot (psf), up \$2.46 from Q2 2022. Due to the industrial market's recent growth, vacancy rates have been low while rents have increased considerably. Rental rates for OS space rose \$2.19 psf YOY to \$17.70 while W/D rents climbed \$2.67 psf YOY to \$14.92 psf. Montgomery County commanded the highest rents at \$20.87 psf in the OS sector and \$15.90 psf in the W/D sector.

ECONOMIC INDICATORS Q2 2023

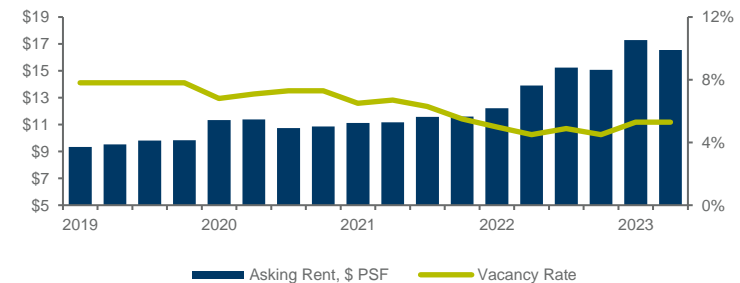
	YoY Chg	12-Mo. Forecast
3.3M D.C. Metro Employment	▲	▲
3.0% D.C. Metro Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	■	▲

Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Suburban Maryland

Industrial Q2 2023



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)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Montgomery County	14,203,232	1,002,972	7.1%	34,610	-23,708	0	450,000	\$20.87	\$15.90
North Bethesda-Rockville	6,614,508	393,938	6.0%	27,699	-66,194	0	0	\$23.47	\$16.77
Gaithersburg-Germantown	7,588,724	609,034	8.0%	6,911	42,486	0	450,000	\$14.81	\$14.35
Prince George's County	32,615,778	950,864	2.9%	-89,179	36,268	313,200	0	\$12.91	\$13.89
Beltsville-College Park	6,937,918	231,122	3.3%	17,116	-15,116	0	0	\$11.23	\$8.37
Laurel	2,836,861	27,320	1.0%	2,600	280	0	0	\$18.69	N/A
Landover/Lanham	14,958,410	627,614	4.2%	-104,095	27,404	313,200	0	\$12.66	\$15.13
Bowie	2,495,404	27,904	1.1%	10,260	22,660	0	0	\$12.50	N/A
Oxon Hill/Suitland	5,387,185	36,904	0.7%	-15,060	1,040	0	0	N/A	\$12.62
Frederick County	2,834,906	660,801	23.3%	1,351	55,250	744,200	155,282	\$16.07	N/A
SUBURBAN MARYLAND TOTALS	49,653,916	2,614,637	5.3%	-53,218	67,810	1,057,400	605,282	\$17.70	\$14.92

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

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)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	34,747,524	1,807,484	5.2%	-49,413	268,944	1,057,400	605,282	\$14.92
Office Service / Flex	14,906,392	807,153	5.4%	-3,805	-12,187	0	0	\$17.70

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8995-9063 Gas House Pike**	Frederick	Metrie	278,160	New Lease
11730-11750 Baltimore Avenue	Beltsville-College Park	Ferguson Enterprises	114,147	Renewal*
4910 Executive Way	Frederick	Walmart- Pharmacy Distribution	102,000	New Lease
4754 Arcadia Drive	Frederick	Powe Solutions	72,959	New Lease
1811 Cabin Branch Drive	Landover/Lanham	Trimark	57,444	New Lease

*Renewals not included in leasing statistics

**Not reflective in leasing stats

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8700 Ritchie Drive	Landover/Lanham	Principal RE JV Pinkard Group / LBA Realty	103,193	\$20,400,000 / \$197.69

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