

# Suburban Maryland

Office Q2 2023

**19.7%**  
Vacancy Rate



**-84K**  
Net Absorption, SF



**\$29.19**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2023

**3.3M**  
DC Metro Employment



**3.0%**  
DC Metro Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS

## DEMAND: Leasing Activity Drops QoQ

Suburban Maryland recorded 233,610 square feet (sf) of new leasing activity in the second quarter along with 153,628 sf of renewal activity. New leasing is down 47% and renewal activity is down 62% compared to Q1 2023. Class A accounted for 156,355 sf and Class B registered 61,036 sf of new leasing in Q2. Montgomery County accounted for 75% of all new leasing after registering 174,225 sf while Prince George's County registered 19% of new leasing with 45,273 sf signed. The two largest new leases of the quarter occurred in the I-270 Rockville submarket: X-Energy signed 49,412 sf at 530 Gaither Road and GMED North America inked a 13,465 sf at 2600 Tower Oaks Blvd. The U.S. Food and Drug Administration signed the largest deal of Q2 2023, renewing 61,902-sf at 11919 Rockville Pike in the Pike Corridor.

## ABSORPTION, VACANCY & PRICING: Vacancy Up & Rental Rates Decline YOY

Suburban Maryland registered 84,382 sf of negative absorption in the second quarter. This was driven by engineering company Amentum putting 32,577 sf on the sublease market at 20501 Seneca Meadows Pky in Germantown. In the I-270/Rockville submarket, bioscience company Leadiant left 26,664 sf at 9841 Washingtonian Blvd after moving into 11,981 sf at 530 Gaither Rd. AGNC expanded in Bethesda in its move to Avocet Tower- the investment company took 27,100 sf after vacating 20,000 sf at 2 Bethesda Metro. Still, Bethesda/Chevy Chase helped drive negative absorption with 70,323 sf recorded after numerous tenants, like National 4-H and Orano, gave back space. Montgomery County registered negative 134,368 sf of absorption while Prince George's County recorded 37,401 sf of positive absorption and Frederick County netted 12,585 sf. This brings year-to-date (YTD) absorption to negative 288,798 sf- Montgomery County posted negative 281,446 sf YTD while Prince George's County counted positive 40,063 sf YTD. Overall vacancy rates finished the second quarter at 19.7%, up 10 basis points (bps) from Q1 2023 and up 90 bps year-over-year (YOY). From a rental rate perspective, Suburban Maryland's average overall asking rates decreased by \$0.23 per square foot (psf) YOY, closing the second quarter at \$29.19 psf on a full-service basis.

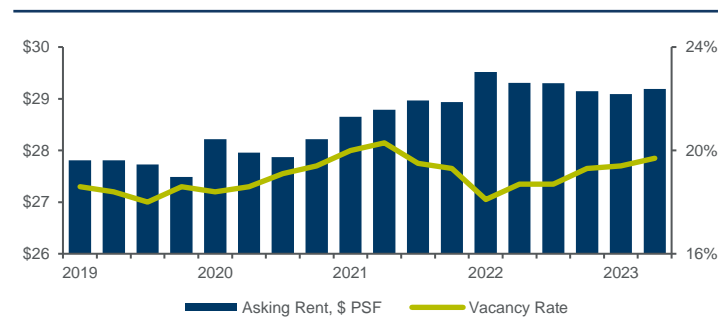
## SUPPLY: 500KSF Under Construction in Pike Corridor

Two buildings are under construction in the Pike Corridor at 915 Meeting St and 1600 Rockville Pike which are 276,000 sf and 231,500 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



## 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	10,881,220	56,984	1,683,960	16.0%	5,727	86,914	89,885	507,500	\$29.06	\$30.71
Silver Spring	5,401,040	16,436	980,844	18.5%	-17,377	-82,237	37,694	0	\$28.81	\$32.87
I-270/Rockville	8,113,766	151,945	1,462,544	19.9%	476	-4,227	219,056	0	\$29.33	\$31.05
Germantown	1,604,248	70,450	345,389	25.9%	-40,467	-47,098	7,522	0	\$22.47	\$20.10
Bethesda/Chevy Chase	9,945,514	214,759	2,384,752	26.1%	-70,323	-219,258	115,679	0	\$38.30	\$41.77
Rock Spring Park	4,004,404	7,391	1,036,375	26.1%	-3,292	-1,659	7,933	0	\$31.33	\$31.72
Gaithersburg	1,941,113	10,890	242,505	13.1%	-9,357	-10,844	17,564	0	\$22.14	\$23.96
North Silver Spring	1,055,127	10,032	138,559	14.1%	245	-3,037	8,060	0	\$26.80	N/A
<b>Montgomery County</b>	<b>42,946,432</b>	<b>538,887</b>	<b>8,274,928</b>	<b>20.5%</b>	<b>-134,368</b>	<b>-281,446</b>	<b>503,393</b>	<b>507,500</b>	<b>\$31.07</b>	<b>\$33.53</b>
Beltsville/College Park	3,722,452	19,934	534,040	14.9%	4,517	12,647	26,303	0	\$23.30	\$25.61
Laurel	959,667	0	187,317	19.5%	0	13,565	0	0	\$23.13	\$21.28
Greenbelt	2,826,190	360	800,948	28.4%	9,162	-7,251	50,239	0	\$22.70	\$26.04
Landover/Lanham	3,070,981	95,045	373,741	15.3%	15,654	-12,246	27,227	0	\$22.05	\$22.49
Bowie	800,082	2,297	120,612	15.4%	11,082	23,569	1,083	0	\$27.38	N/A
Oxon Hill/Suitland	1,900,306	7,334	183,757	10.1%	-3,014	9,779	2,804	0	\$24.38	\$31.62
<b>Prince George's County</b>	<b>13,279,678</b>	<b>124,970</b>	<b>2,200,415</b>	<b>17.5%</b>	<b>37,401</b>	<b>40,063</b>	<b>107,656</b>	<b>0</b>	<b>\$22.95</b>	<b>\$25.19</b>
<b>Frederick County</b>	<b>3,116,904</b>	<b>26,366</b>	<b>553,390</b>	<b>18.6%</b>	<b>12,585</b>	<b>12,585</b>	<b>65,530</b>	<b>0</b>	<b>\$23.38</b>	<b>\$18.49</b>
<b>Suburban Maryland Totals</b>	<b>59,343,014</b>	<b>690,223</b>	<b>11,028,733</b>	<b>19.7%</b>	<b>-84,382</b>	<b>-228,798</b>	<b>676,579</b>	<b>507,500</b>	<b>\$29.19</b>	<b>\$32.44</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11919 Rockville Pike	Pike Corridor	GSA- FDA	61,902	Renewal*
530 Gaither Road	I-270/Rockville	X-Energy	49,412	New Lease
656 Quince Orchard Road	Gaithersburg	Scientific Consulting Group	20,000	Renewal*
52600 Tower Oaks Boulevard	I-270/Rockville	GMED North America	13,465	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
12500 Ardennes Avenue (Resi Redev)	I-270/Rockville	Hardford Venture / Fairstead	21,700	\$16,250,00 / \$748.85
700 Professional Drive	Gaithersburg	Humane Society / Baron Investment	67,808	\$10,000,000 / \$147.48

## KEY UNDER CONSTRUCTION BUILDINGS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
915 Meeting Street	Pike Corridor	Choice Hotels / Sodexo	276,000	Federal Realty Investment Trust
1600 Rockville Pike	Pike Corridor	-	231,500	B.F. Saul Realty

**Christopher Whittle**

Research Analyst

+1 202 721 2350/[Christopher.Whittle@cushwake.com](mailto:Christopher.Whittle@cushwake.com)

**Lauren Kraemer**

Associate Director

+1 202 266 1316 /[lauren.kraemer@cushwake.com](mailto:lauren.kraemer@cushwake.com)

**Nathan Edwards**

Senior Director

+1 202 266 1189 /[nathan.edwards@cushwake.com](mailto:nathan.edwards@cushwake.com)

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