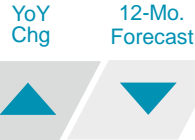


Suburban Maryland



Office Q3 2023

20.0%
Vacancy Rate



-208K
Net Absorption, SF



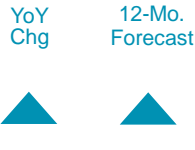
\$29.33
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

3.4M
DC Metro Employment



2.3%
DC Metro Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

DEMAND: Leasing Activity Drops QOQ

Suburban Maryland leasing activity continues to trend downwards after recording 110,000 square feet (sf) of new leasing activity in the third quarter along with 137,000 sf of renewal activity. New leasing is down 64% and renewal activity is down 63% compared to Q2 2023. Class A accounted for 41,299 sf and Class B registered 61,036 sf of new leasing in Q3. Montgomery County accounted for 70% of all new leasing after registering 76,650 sf while Prince George's County recorded 27% of new leasing with 30,251 sf signed. The largest deal in Q3 occurred in the Bethesda/Chevy Chase submarket after Wells Fargo signed a renewal and expansion for 25,300 sf at 7600 Wisconsin Avenue. Leidos Biomedical Research, Inc. inked the second largest renewal at 2099 Gaither Road for 25,040 sf in the I-270/Rockville submarket.

ABSORPTION, VACANCY & PRICING

Suburban Maryland registered 208,000 sf of negative absorption in the third quarter. Montgomery County registered negative 241,000 sf of absorption while Prince George's County and Frederick County recorded nearly 24,000 sf and 10,000 sf of positive absorption, respectively. This brings year-to-date (YTD) absorption to negative 469,000 sf- Montgomery County posted negative 598,000 sf while Prince George's County counted positive 52,000 sf and Frederick recorded 77,000 sf YTD. In Bethesda/Chevy Chase, negative absorption was driven by Microsoft leaving 57,560 sf across two floors at 5404 Wisconsin Avenue as the tech company consolidates its workforce in other DC and Virginia offices and at 4800 Hampden Lane after law firm Paley Rothman disbanded and vacated 26,558 sf.

Overall vacancy rates finished the third quarter at 20.0%, up 40 basis points (bps) from Q2 2023 and up 130 bps year-over-year (YOY). From a rental rate perspective, Suburban Maryland's average overall asking rates decreased by \$0.05 per square foot (psf) YOY, closing the third quarter at \$29.33 psf on a full-service basis, which is up \$0.16 psf from the second quarter of 2023.

SUPPLY: 276KSF Under Construction in Pike Corridor

Suburban Maryland's pipeline is nearly dry as only one building is under construction in the Pike Corridor. Federal Realty's development at 915 Meeting Street is scheduled to deliver 276,000 sf at the beginning of 2024 and is currently 64% preleased by Choice Hotels, which is taking 105,000 sf and Sodexo, which has leased 52,000 sf. B.F. Saul is waiting for significant preleasing before breaking ground on the office portion of 1600 Rockville Pike.

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	67,552	1,691,561	16.2%	-21,463	55,737	102,786	276,000	\$29.27	\$30.80
Silver Spring	5,401,040	20,725	1,020,945	19.3%	-6,778	-122,338	47,310	0	\$28.64	\$32.69
I-270/Rockville	8,113,766	128,457	1,541,616	20.6%	-57,282	-63,350	260,572	0	\$29.52	\$31.21
Germantown	1,604,248	50,577	380,028	26.8%	-14,766	-61,864	7,522	0	\$23.23	\$23.89
Bethesda/Chevy Chase	9,945,514	145,957	2,517,912	26.8%	-117,412	-344,731	157,595	0	\$38.95	\$42.60
Rock Spring Park	4,004,404	7,391	1,085,552	27.3%	-26,428	-50,836	7,933	0	\$31.67	\$32.16
Gaithersburg	1,941,113	11,788	235,493	12.7%	6,114	-4,730	22,755	0	\$21.69	\$24.17
North Silver Spring	1,055,127	7,500	144,352	14.4%	-3,261	-6,298	23,835	0	\$27.20	N/A
Montgomery County	42,946,432	439,947	8,617,459	21.1%	-241,733	-589,410	630,308	276,000	\$31.34	\$33.91
Beltsville/College Park	3,722,452	19,934	528,802	14.7%	5,238	17,885	31,351	0	\$21.37	\$25.60
Laurel	959,667	0	193,832	20.2%	-6,515	7,050	9,569	0	\$22.64	\$20.46
Greenbelt	2,826,190	360	786,596	27.8%	24,289	4,962	62,474	0	\$22.76	\$26.04
Landover/Lanham	3,070,981	103,545	103,545	14.9%	2,361	-9,885	39,384	0	\$21.89	\$22.16
Bowie	800,082	2,297	2,297	14.0%	4,384	27,953	12,113	0	\$27.43	N/A
Oxon Hill/Suitland	1,900,306	11,448	11,448	10.4%	-5,937	3,842	4,174	0	\$22.94	\$30.61
Prince George's County	13,279,678	137,584	2,158,498	17.3%	23,820	51,807	159,065	0	\$22.32	\$24.73
Frederick County	3,060,453	26,366	488,667	16.8%	9,723	77,308	72,540	0	\$14.85	\$19.51
Suburban Maryland Totals	59,286,563	603,897	11,264,624	20.0%	-207,733	-469,295	861,913	276,000	\$29.33	\$32.77

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7600 Wisconsin Avenue	Bethesda/Chevy Chase	Wells Fargo	25,300	Renewal*/Expansion
2099 Gaither Road	I-270/Rockville	Leidos Biomedical	25,040	Renewal*
5425 Wisconsin Avenue	Bethesda/Chevy Chase	RBC Capital Markets	18,408	Renewal*
12510 Prosperity Drive	North Silver Spring	Thrive	7,356	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
64 Thomas Johnson Drive	Frederick	Patriot Medical Labs / Monocacy Montessori	60,000	\$7,500,000 / \$125.00

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

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