

Suburban Maryland

Office Q1 2024

	YoY Chg	12-Mo. Forecast
20.9% Vacancy Rate	▲	▼
-111K Net Absorption, SF	▼	▼
\$31.00 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
3.4M DC Metro Employment	▲	▲
2.9% DC Metro Unemployment Rate	▼	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS

DEMAND: Leasing Activity Drops YOY

Suburban Maryland recorded nearly 215,000 square feet (sf) of new leasing activity in Q1 along with 105,000 sf of renewal activity. New leasing is down 20% compared to Q4 2023 and down nearly 50% compared to Q1 2023. In the first quarter, Class A accounted for just under 109,000 sf and Class B registered nearly 80,000 sf of new leasing. Montgomery County accounted for 89% of all new leasing after registering 190,350 sf while Prince George's County recorded 11% of new leasing with 24,000 sf signed. The largest deal in Q1 occurred in the Greenbelt submarket after Chasen & Boscolo, a personal injury law firm, inked a renewal for 19,407 sf at 7852 Walker Dr. The largest new lease of the quarter was signed by Coakley & Williams for 18,973 sf at 4500 East West Hwy in Bethesda – the local construction company will move down the street from their current 22,655 sf office at 7475 Wisconsin Ave.

ABSORPTION, VACANCY & PRICING

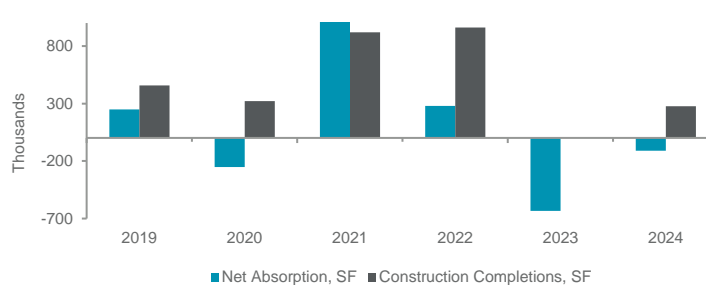
Suburban Maryland registered 110,824 sf of negative absorption in the first quarter. Montgomery County recorded negative 119,051 sf of absorption while Prince George's County and Frederick County recorded 15,163 sf of positive absorption and 6,963 sf of negative absorption, respectively. Bethesda/Chevy Chase registered the most amount of negative absorption out of any submarket with negative 65,292 sf in Q1, which was driven by ARES Management vacating the 11th - 13th floor at 2 Bethesda Metro Center- the investment services company left Bethesda, Maryland to move to 4300 Wilson Blvd in Arlington, Virginia.

Overall vacancy rates finished Q1 at 20.9%, up 50 basis points (bps) from Q4 2023 and up 150 bps year-over-year (YOY). From a rental rate perspective, Suburban Maryland's average overall asking rates increased by \$0.17 per square foot (psf) from last quarter, closing Q1 at \$31.00 psf on a full-service basis, which is up \$1.91 psf from Q1 2023. Class A rents for Suburban Maryland went up \$2.37 in the last year.

SUPPLY: 276KSF Under Construction in Pike Corridor

Federal Realty's development at 915 Meeting Street delivered 276,000 sf in the Pike Corridor. Choice Hotels moved into their 105,000 sf and food company Sodexo is expected to move into their 52,000-sf office next quarter. B.F. Saul has proposed an additional 231,500 sf at 1600 Rockville Pike in Pike Corridor and is waiting for significant preleasing before breaking ground on the office portion.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Suburban Maryland

Office Q1 2024

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	11,157,220	81,732	2,134,449	19.9%	-57,864	-57,864	27,918	0	\$29.35	\$30.39
Silver Spring	5,401,040	18,464	1,057,237	19.9%	-11,708	-11,708	13,572	0	\$29.57	\$32.38
I-270/Rockville	8,113,766	172,271	1,511,059	20.7%	-19,963	-19,963	40,149	0	\$29.43	\$30.93
Germantown	1,604,248	50,577	353,874	25.2%	-1,051	-1,051	0	0	\$23.45	\$23.78
Bethesda/Chevy Chase	9,945,514	121,343	2,776,283	29.1%	-65,292	-65,292	83,718	0	\$43.74	\$49.64
Rock Spring Park	4,004,404	7,391	1,083,416	27.2%	13,768	13,768	15,645	0	\$31.71	\$32.20
Gaithersburg	1,941,113	3,658	211,923	11.1%	9,361	9,361	5,860	0	\$21.72	\$23.78
North Silver Spring	1,055,127	0	120,303	11.4%	13,698	13,698	3,488	0	\$27.55	N/A
Montgomery County	43,222,432	455,436	9,248,544	22.5%	-119,051	-119,051	190,350	0	\$33.01	\$36.03
Beltsville/College Park	3,722,452	14,125	589,704	16.2%	-16,488	-16,488	2,042	0	\$22.85	\$25.64
Laurel	959,667	0	189,760	19.8%	3,961	3,961	0	0	\$23.61	\$22.39
Greenbelt	2,826,190	5,408	707,535	25.2%	26,191	26,191	16,050	0	\$22.80	\$25.94
Landover/Lanham	3,070,981	99,845	339,927	14.3%	2,781	2,781	6,092	0	\$21.98	\$22.39
Bowie	800,082	0	100,203	12.5%	-508	-508	0	0	\$26.64	N/A
Oxon Hill/Suitland	1,876,806	4,114	185,124	10.1%	-774	-774	0	0	\$22.71	\$31.62
Prince George's County	13,256,178	123,492	2,112,253	16.9%	15,163	15,163	24,184	0	\$22.75	\$25.01
Frederick County	3,060,453	26,366	488,676	16.8%	-6,936	-6,936	0	0	\$15.86	\$19.48
Suburban Maryland Totals	59,539,063	605,294	11,849,473	20.9%	-110,824	-110,824	214,534	0	\$31.00	\$34.88

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7852 Walker Drive	Greenbelt	Chasan & Boscolo	19,407	Renewal*
4500 East West Highway	Bethesda/Chevy Chase	Coakley & Williams Construction	18,973	New Lease
2 Bethesda Metro Center	Bethesda/Chevy Chase	Regus	16,000	New Lease
7200 Wisconsin Avenue	Bethesda/Chevy Chase	Democracy International Inc.	15,303	New Lease
401 North Washington Street	Pike Corridor	Social Security Administration	12,680	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
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KEY COMPLETIONS 2024

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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