

# Suburban Maryland

Office Q2 2024

	YoY Chg	12-Mo. Forecast
<b>21.6%</b> Vacancy Rate	▲	▼
<b>-39K</b> Net Absorption, SF	▼	▼
<b>\$31.28</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
<b>3.4M</b> DC Metro Employment	▲	▲
<b>2.9%</b> DC Metro Unemployment Rate	▲	▲
<b>4.1%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

## DEMAND: New leasing Increases

Suburban Maryland recorded over 481,000 square feet (sf) of new leasing in the second quarter along with over 318,000 sf of renewal activity. Year-to-date (YTD), Suburban Maryland registered 902,000 sf of new leasing and inked 439,000 sf of renewals. New leasing activity in the second quarter was up 59% year-over-year (YOY) and up 15% from Q1. Class A made up 79% of all new leasing in the second quarter while Class B accounted for 21%. The largest new deal of the quarter had Westat inking 182,000 sf for its new headquarters at 7501 Wisconsin Ave. This represents the largest private sector deal struck in Suburban Maryland since Marriot's HQ deal in 2017. Another deal over 100,000 sf was inked in the Pike Corridor when consultant ABT Associates signed a renewal for 107,675 sf at 6130 Executive Blvd. The business management consultant firm downsized by over 40,000 sf and will remain in Pike and Rose throughout 2028.

## ABSORPTION, VACANCY & PRICING

Suburban Maryland registered 39,055 sf of negative absorption in the second quarter, bringing YTD absorption to negative 186,186 sf. Montgomery County recorded 174,237 sf of negative absorption while Prince George's County and Frederick County netted negative 9,588 sf and 2,361 sf, respectively, YTD. I-270/Rockville registered negative 129,055 sf in Q2, which was driven by Sodexo leaving nearly 100,000 sf at 9801 Washingtonian Blvd for 51,000 sf in the recently delivered 915 Meeting Street in the Pike Corridor. Overall vacancy rates finished Q2 at 21.6%, a 140-basis point (bps) increase YOY. In Q2, Class A vacancy posted 22.9%, up 260 bps YOY while Class B recorded 21.4%, up 10 bps YOY. Class A vacancy is higher than Class B due to slowed leasing among top of class buildings and large vacant blocks from older stock Class A.

From a rental rate perspective, Suburban Maryland's average overall asking rates increased by \$0.19 per square foot (psf) from last quarter, closing the second quarter at \$31.28 psf on a full-service basis, which is up \$0.60 psf YOY. Bethesda/Chevy Chase continues to hold the highest asking rates at \$44.00 psf while Rock Spring Park recorded \$32.10 psf in Q2.

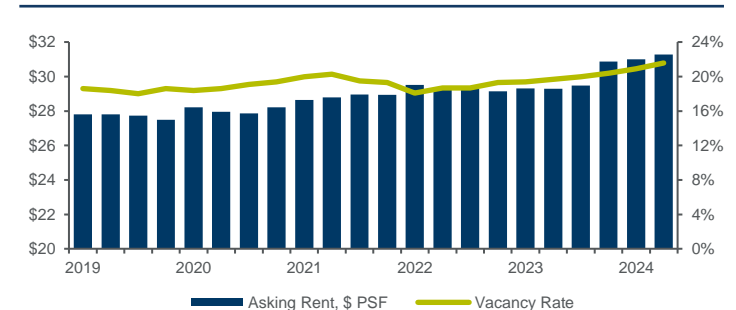
## SUPPLY: Sodexo Moves into 915 Meeting St

Federal Realty's development at 915 Meeting Street delivered 276,000 sf in the Pike Corridor last quarter. After Choice Hotels moved into 105,000 sf in Q1, Sodexo, a food services management company, moved into their 52,000-sf office. B.F. Saul has proposed an additional 231,500 sf at 1600 Rockville Pike and is waiting for significant preleasing before breaking ground on the office portion.

### 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	11,157,220	44,095	2,117,241	19.4%	85,293	27,429	110,134	0	\$29.50	\$30.44
Silver Spring	5,401,040	18,464	1,065,573	20.1%	-8,336	-20,044	60,576	0	\$29.32	\$32.35
I-270/Rockville	8,168,766	110,146	1,704,760	22.2%	-129,055	-151,321	100,224	0	\$30.55	\$31.14
Germantown	1,677,414	50,577	453,028	30.0%	-2,397	-27,039	57,108	0	\$25.28	\$28.47
Bethesda/Chevy Chase	9,945,514	80,091	2,809,602	29.1%	791	-63,840	410,964	0	\$44.00	\$50.30
Rock Spring Park	4,004,404	1,926	1,081,748	27.1%	-1,302	20,901	24,207	0	\$32.10	\$32.43
Gaithersburg	1,941,113	3,658	196,682	10.3%	15,241	24,602	26,594	0	\$21.67	\$23.75
North Silver Spring	1,055,127	0	118,926	11.3%	1,377	15,075	9,198	0	\$27.82	-
<b>Montgomery County</b>	<b>43,350,598</b>	<b>308,957</b>	<b>9,547,560</b>	<b>22.7%</b>	<b>-38,388</b>	<b>-174,237</b>	<b>799,005</b>	<b>0</b>	<b>\$33.35</b>	<b>\$36.21</b>
Beltsville/College Park	3,722,452	14,125	574,649	15.8%	-1,214	-17,702	6,727	0	\$22.65	\$25.70
Laurel	959,667	0	165,047	17.2%	20,902	28,674	27,015	0	\$23.89	\$23.00
Greenbelt	2,826,190	360	738,328	26.1%	-5,606	-2,735	29,802	0	\$23.03	\$25.95
Landover/Lanham	3,070,981	99,845	343,201	14.4%	-8,904	-6,123	14,007	0	\$21.99	\$22.35
Bowie	800,082	0	103,955	13.0%	-3,752	-4,260	5,004	0	\$26.64	-
Oxon Hill/Suitland	1,876,806	4,114	188,985	10.3%	-6,668	-7,442	1,050	0	\$24.12	\$31.98
<b>Prince George's County</b>	<b>13,256,178</b>	<b>118,444</b>	<b>2,114,165</b>	<b>16.8%</b>	<b>-5,242</b>	<b>-9,588</b>	<b>83,605</b>	<b>0</b>	<b>\$22.92</b>	<b>\$25.50</b>
<b>Frederick County</b>	<b>3,072,853</b>	<b>26,366</b>	<b>794,107</b>	<b>26.7%</b>	<b>4,575</b>	<b>-2,361</b>	<b>19,608</b>	<b>0</b>	<b>\$15.76</b>	<b>\$19.48</b>
<b>Suburban Maryland Totals</b>	<b>59,679,629</b>	<b>453,767</b>	<b>12,455,832</b>	<b>21.6%</b>	<b>-39,055</b>	<b>-186,186</b>	<b>902,218</b>	<b>0</b>	<b>\$31.28</b>	<b>\$35.01</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7501 Wisconsin Avenue	Bethesda/Chevy Chase	Westat	182,040	New Lease
6130 Executive Boulevard	Pike Corridor	Abt Associates	107,675	Renewal*/Contraction
4235 28 <sup>th</sup> Avenue	Oxon Hill/Suitland	Prince George's County Dept. of Social Servies	73,132	Renewal*
8403 Colesville Road	Silver Spring	American Nurse Association	53,310	Renewal*
4550 Montgomery Avenue	Bethesda/Chevy Chase	Aledade	19,480	Renewal*

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1801 Rockville Pike	Pike Corridor	MassPRIM / Singh Capital Partners JV KPI Comercial	199,740	\$14,250,000 / \$71.34

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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