



TRANSWESTERN

SUBURBAN MARYLAND INDUSTRIAL MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.9	2.5	↑	4.9	↓
NET ABSORPTION (THOUSANDS SF)	170.0	391.0	↓	345.1	↑
DIRECT VACANCY RATE	4.0%	3.3%	↑	4.4%	↓
DIRECT VACANT SF (MSF)	3.9	3.1	↑	4.1	↓
UNDER CONSTRUCTION (MSF)	2.4	3.4	↓	1.7	↑
ASKING RENT, NNN (PSF)	\$16.28	\$15.27	↑	\$13.43	↑
SALES VOLUME (MILLIONS)	\$114.0	\$53.0	↑	\$90.5	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

INDUSTRIAL MARKET CONDITIONS MIXED IN Q2

Suburban Maryland industrial market conditions were mixed during the second quarter of 2024. Net absorption registered positive 170,000 SF while the direct vacancy rate increased 20 basis points to 4.0% and is up from 3.3% one year ago. This was due to a handful of deliveries coming online. Given the low vacancy rate, asking rents rose 140 basis points over the past three months to \$16.28 PSF and are up 6.6% over the year.

We expect the industrial market to normalize during 2024, as demand cools in the wake of elevated interest rates and economic uncertainty. Businesses are watching the Fed, as a rate cut could come if inflation lowers to their target rate of 2.0% later this year. The vacancy rate should remain low enough in 2024 to push rents up, albeit at a decelerating pace. Long-term drivers of this property type are strong, boosted by healthy demand for distribution and service product types, which will keep rent growth steady in the years to come.



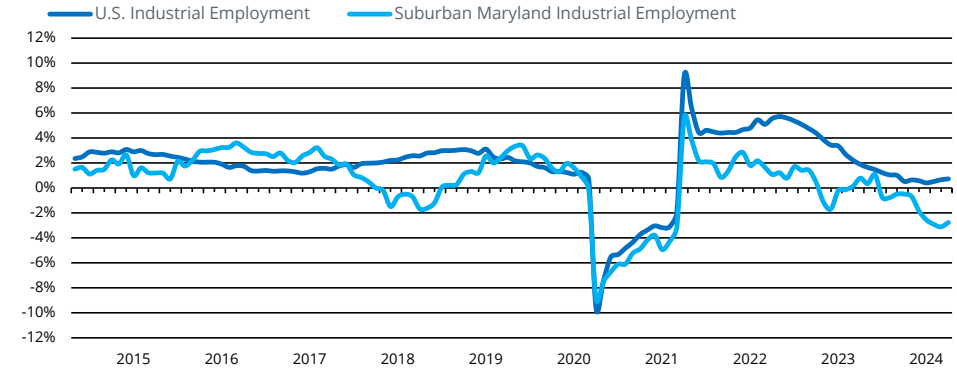


ECONOMY

Industrial Jobs Were Challenged Over the Year

- 700 jobs were lost in the Suburban Maryland economy during the 12-months ending April 2024, which is below the pre-pandemic 5-year average of 9,900. This was driven by Montgomery/Frederick Counties losing 800 employees. Countering this change was Calvert/Charles/Prince George’s Counties adding 100 new jobs.
- Industrial-using jobs lost 3,900 positions during the 12-months ending April 2024, which is just below the pre-pandemic 5-year average of 4,000. Most of the loss during the past year occurred within the construction sector.
- The unemployment rate in Suburban Maryland is currently at 2.8% in April 2024 which is above the average of 2.3% over the past three months. The rate has improved significantly from the peak of 11.5% in May 2020.
- We expect industrial-using job growth in Suburban Maryland to remain steady over the next five years. Growth should be concentrated within local delivery/distribution services and pharmaceutical manufacturing.

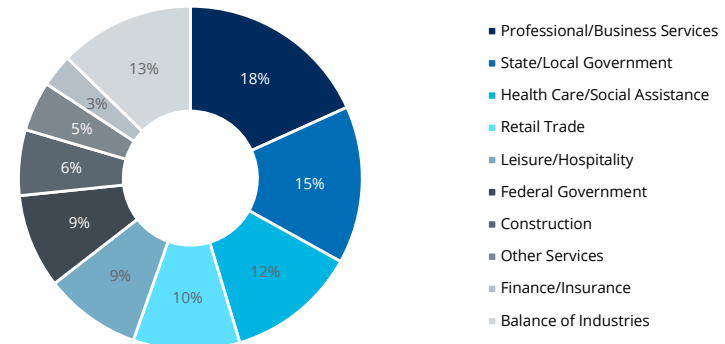
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

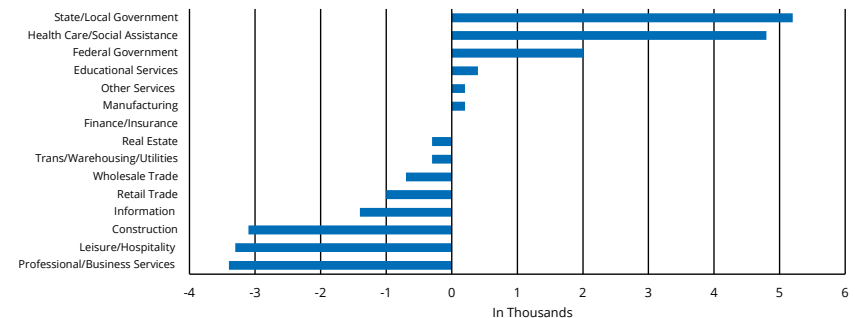
Suburban Maryland | April 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Suburban Maryland



Source: Bureau of Labor Statistics, Transwestern

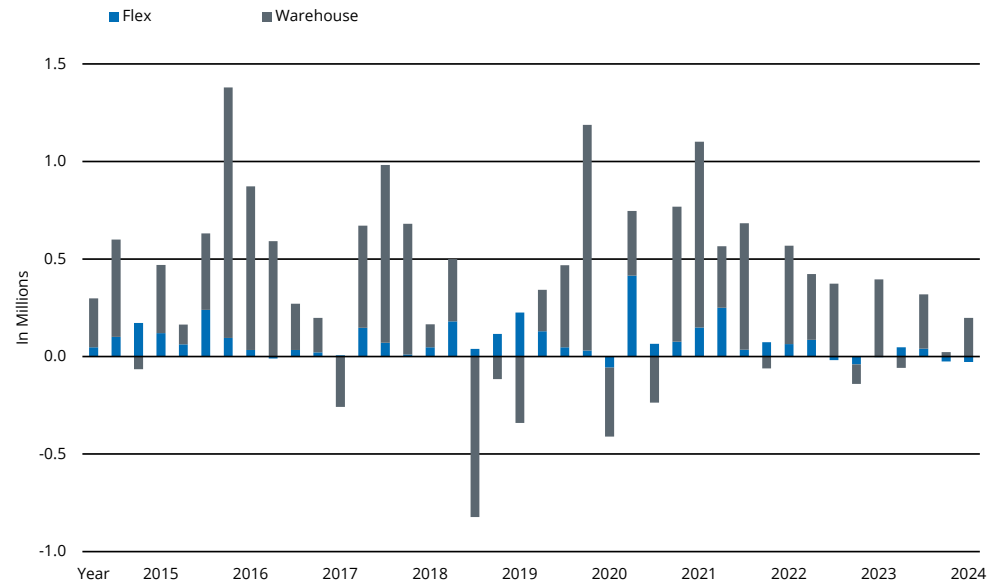


NET ABSORPTION

Net Absorption Improved in Q2

- Net absorption improved in the second quarter of 2024 with positive 170,000 SF, after totaling negative 2,000 SF during the first quarter of 2024.
- Central Prince George's County had the strongest net absorption for the quarter with 198,000 SF and positive 170,000 SF year-over-year.
- One of the largest deals of the quarter was 4Wall Entertainment occupying a pre-leased delivery of 135,000 SF at 6400 Sheriff Road in Central Prince George's. Another notable deal was Curated Events signing for 76,000 SF at 6051 Jefferson Station Court in Frederick County.
- Countering this positive net absorption were a couple of larger move outs that occurred over the quarter. Western Express vacated 102,000 SF at 9821 Fallard Court in South Prince George's County. Another notable moveout was Limbach Holdings vacating 50,100 SF at 13261 Mid Atlantic Boulevard in Northern Prince George's County.
- We expect net absorption to remain healthy in 2024. However, it is likely to decelerate due to pressures on consumer spending which could impact distribution demand.

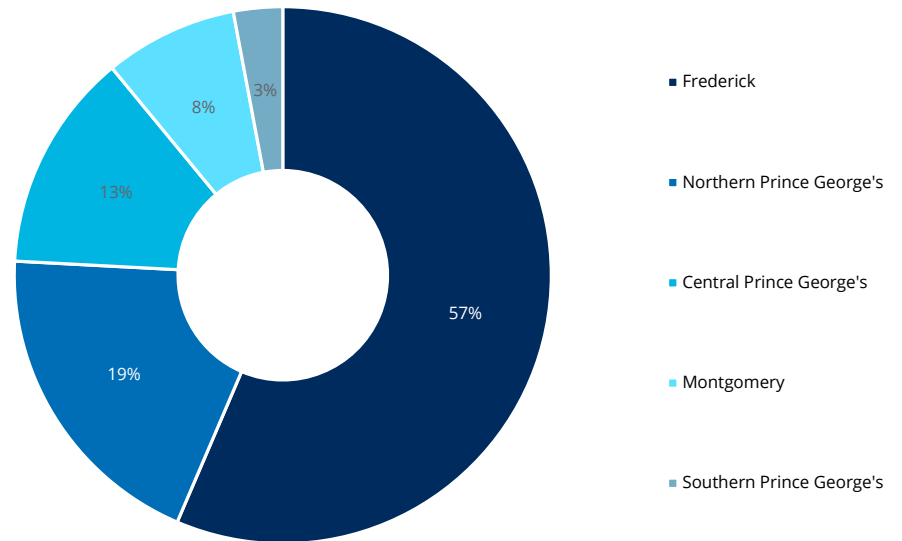
NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY SUBMARKET

YTD 2024



Source: CoStar, Transwestern

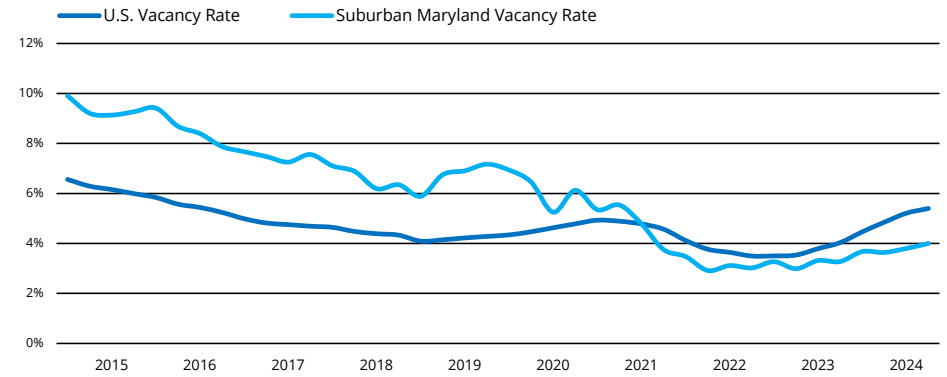


VACANCY

Vacancy Rates Rises Through Q2

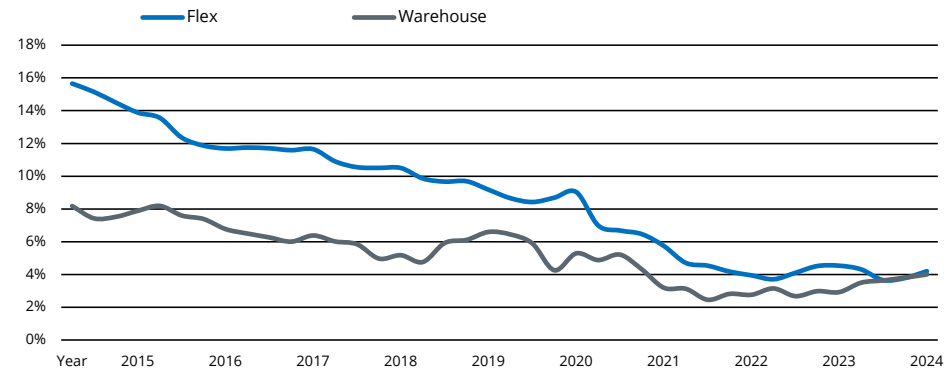
- The direct vacancy rate increased 20-basis points during the quarter to 4.0% at June 2024, and is up from 3.3% one year ago.
- Southern Prince George’s County holds the highest vacancy rate at 8.7%, which increased 310 basis points from last quarter, which was due in part to moveouts outpacing leasing. Frederick County followed at 4.8% but is a 1.0% decrease from last quarter.
- Southern Prince George’s County’s flex product direct vacancy rate is the lowest of the quarter sitting at 0.9%, which is a 30-basis point increase from last quarter. Meanwhile, Frederick County and Montgomery County share the highest flex product direct vacancy rate at 4.5%, which is a 20-basis point increase for Montgomery County and 130 basis point decrease for Frederick County since the first quarter.
- The vacancy rate should remain stable through 2024. However, if pipeline product delivers without pre-leasing in place, the rate could rise in the short-run.

DIRECT VACANCY RATE



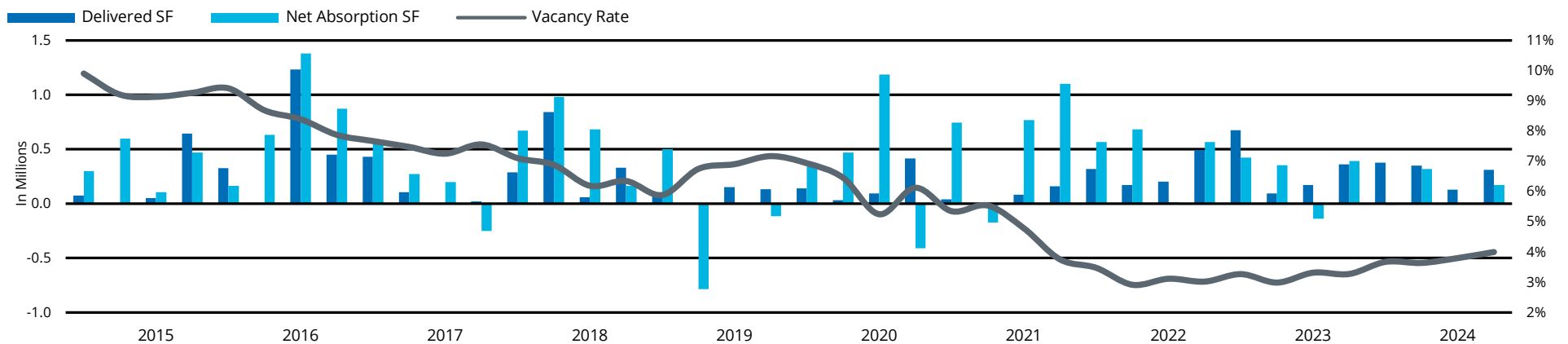
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

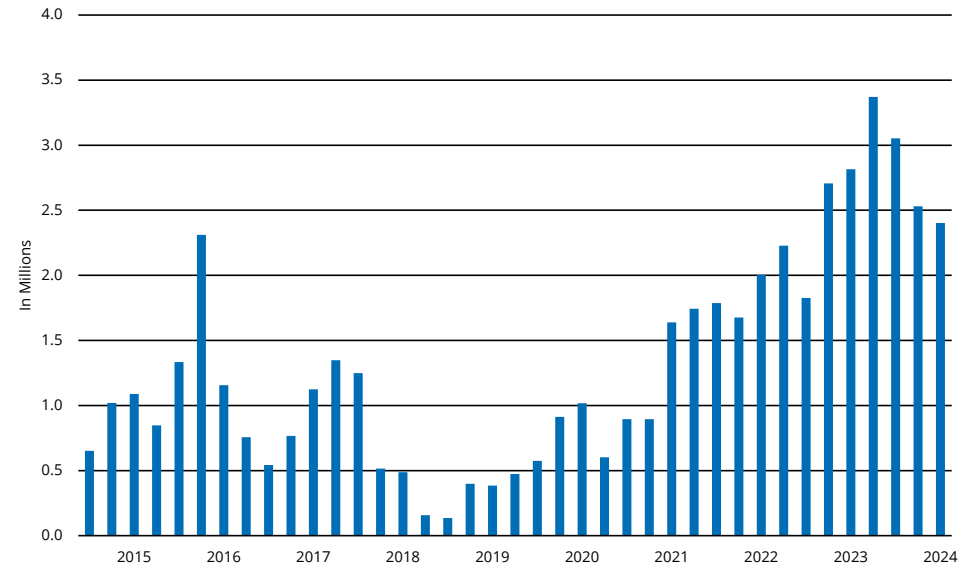


UNDER CONSTRUCTION

Construction Activity Increases in Q2 2024

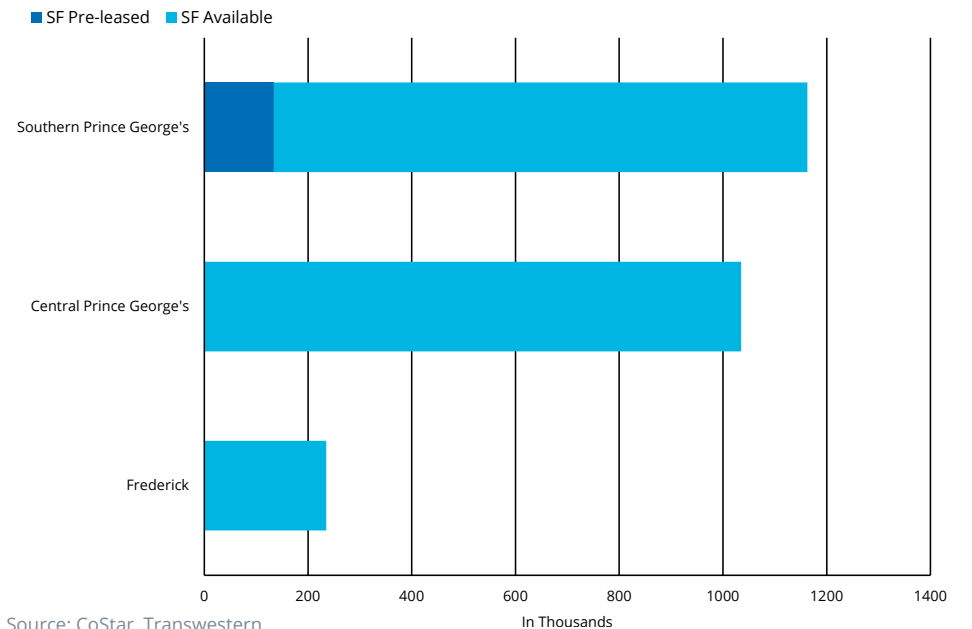
- One project of note that delivered during the second quarter of 2024, was 6400 Sheriff Road in Central Prince George’s County for 133,200 SF.
- There is 2.4 million SF under construction at 6% pre-lease as of June 2024. Southern Prince George’s County now has the most construction volume underway with 1.1 million SF.
- The most notable project in the pipeline is 14900 Elion Way, an 801,500 SF warehouse project in Southern Prince George’s County. The building is expected to deliver by July 2024. Another notable project in Central Prince George’s County is Route 301 Building 1, a 311,040 SF warehouse, which has 100% availability and is set to deliver in July 2024.
- We expect limited ground breakings in the near term, as developers analyze the current economic climate. Construction pricing and interest rates are elevated, which will pause select projects. However, this could shift if the fed cuts rates later this year.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

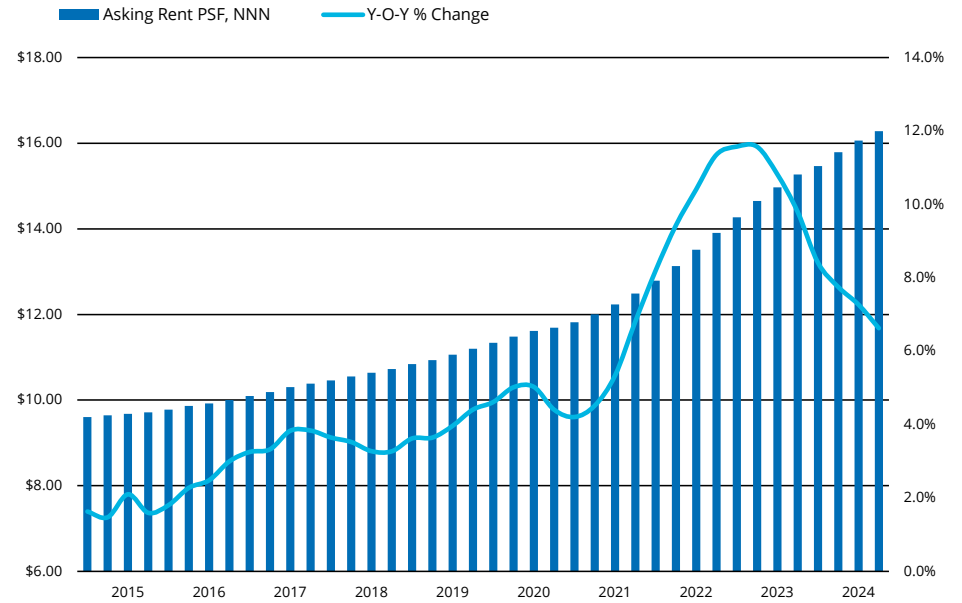


RENTAL RATES

Rents Continue to Increase in Q2 2024

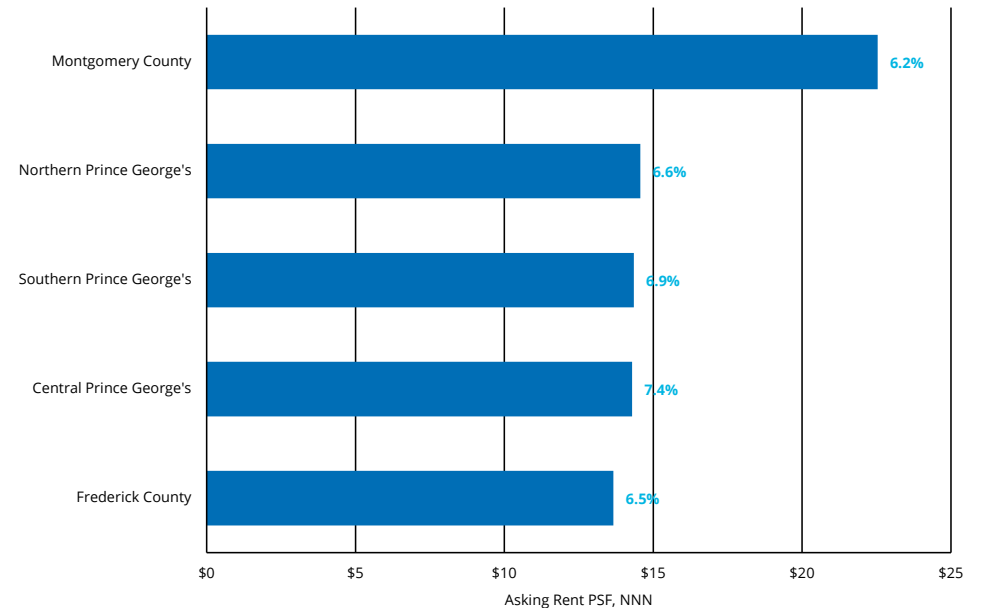
- Industrial asking rents increased 140 basis points during the second quarter of 2024, landing at \$16.28 PSF. Rent growth remains strong at 6.6% year-over-year, but has decelerated off its peak as industrial demand normalizes.
- Rents increased for warehouse during the quarter by 1.5%, settling at \$15.23 PSF. Flex rose 1.1% to \$19.04 PSF during the quarter.
- Rents continue to increase across all submarkets, with Central Prince George's County achieving the highest increase, with asking rates finishing the quarter at \$14.29 PSF, up 7.4% year-over-year.
- We expect continued rent growth through 2024 as the vacancy rate is low enough to justify rent gains. Growth will remain strongest in the close to the core submarkets and along the I-270 Corridor. However, rent growth has likely reached its peak and growth, although strong, will likely decelerate slightly.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

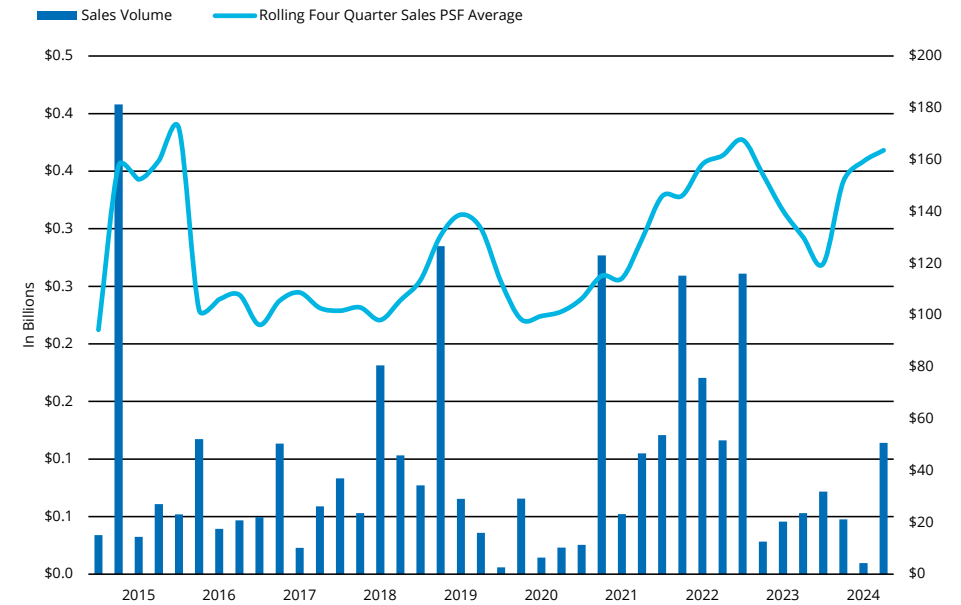


SALES

Sales Volume Boosted During Q2 by Portfolio Deals

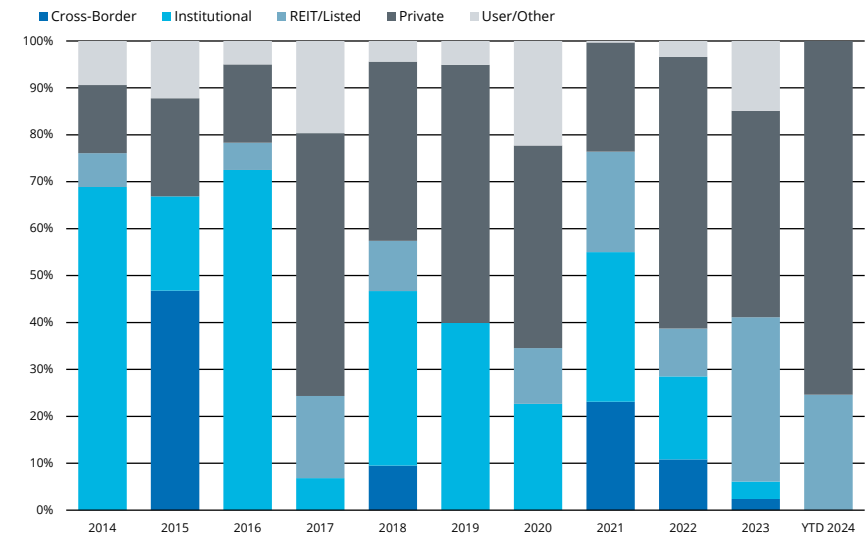
- Investment sales totaled \$114 million or \$147 PSF during the second quarter of 2024 on 13 transactions. This compares to three transactions at \$9.6 million or \$146 PSF during the first quarter of 2024.
- Harbert Management Corporation and DSC Partners purchased the Forbes Center portfolio in Lanham from BECO with a mix of office and industrial assets. The industrial portion totaled \$52.4 million or \$108 PSF.
- We expect investment sales volume to remain steady but limited through 2024 as investors remain cautious about the economy. However, investors are paying attention to potential rate cuts later this year.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern

Source: CoStar, Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
CURATED EVENTS	6051 Jefferson Station Ct	Frederick	New Lease	76,647
GILBANE BUILDING COMPANY	6100 Columbia Park Rd	Central Prince George's	New Lease	70,750
ALTUMINT	10101-10123 Senate Dr	Central Prince George's	New Lease	39,291
FREDERICK LUMBER COMPANY	295 Bailes Rd	Frederick	New Lease	19,600
FIRE AND RISK ALLIANCE	7620-7626 Standish Pl	Montgomery	New Lease	16,164
LA PRIMA CATERING	5105 Berwyn Rd	Northern Prince George's	Renewal	15,912

Source: CoStar, CompStak, Transwestern.

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
4519 MACK AVE	Frederick	May-24	\$1,600,000	17,000	\$94	MKJC, LLC	Johnco LLC
4501 FORBES BLVD	Central Prince George's	May-24	\$8,900,107	89,990	\$99	Harbert Management Corporation	BECO Management, Inc.
9701 PHILADELPHIA CT	Central Prince George's	May-24	\$8,148,753	82,602	\$99	Harbert Management Corporation	BECO Management, Inc.
10101-10123 SENATE DR	Central Prince George's	May-24	\$7,480,499	74,220	\$101	Harbert Management Corporation	BECO Management, Inc.
4260-4296 FORBES BLVD	Central Prince George's	May-24	\$6,929,682	55,883	\$124	Harbert Management Corporation	BECO Management, Inc.
4451 PARLIAMENT PL	Central Prince George's	May-24	\$6,338,235	59,215	\$107	Harbert Management Corporation	BECO Management, Inc.

Source: CoStar, CompStak, Transwestern.

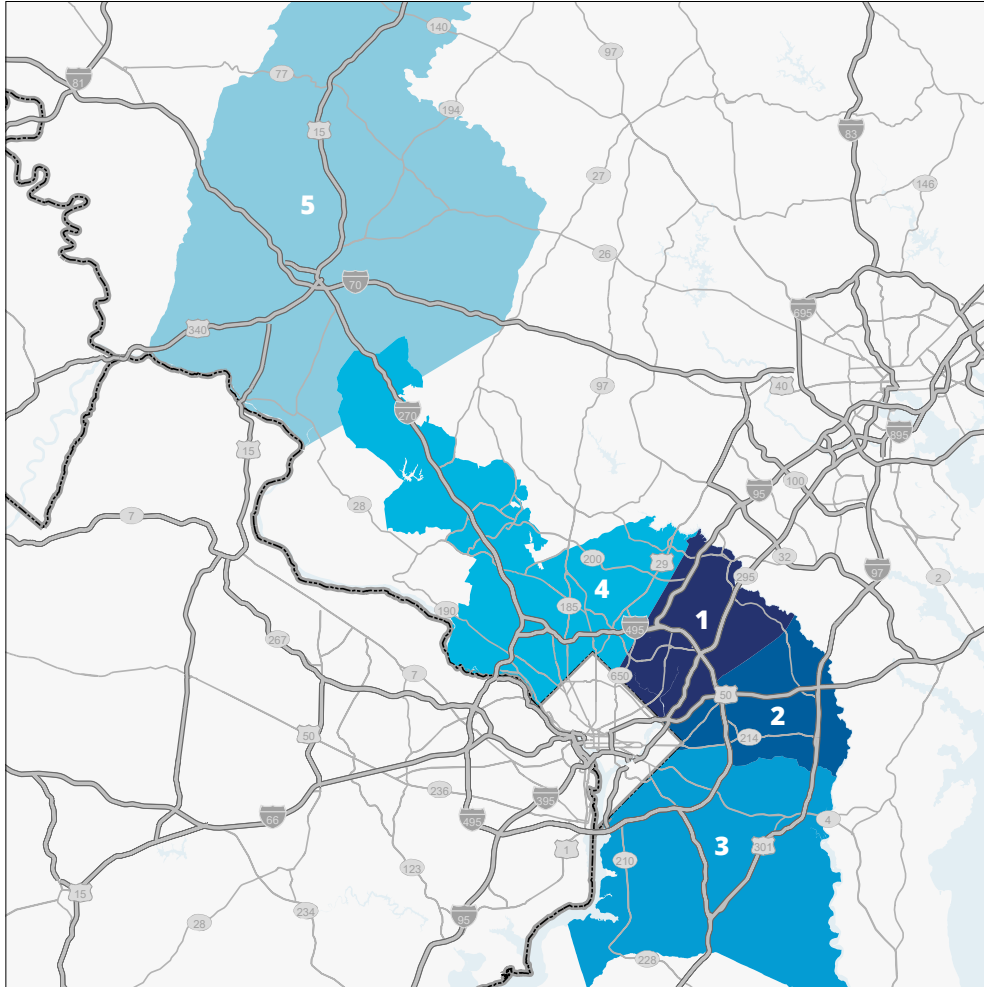


MARKET INDICATORS

All Classes of Space | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
FLEX	3,661,938	141,819	3.9%	4.0%	0	(73,000)	(32,000)	\$15.44
WAREHOUSE	15,559,463	637,156	4.1%	4.1%	0	(31,000)	120,000	\$14.34
NORTHERN PRINCE GEORGE'S	19,221,401	778,975	4.1%	4.1%	0	(104,000)	88,000	\$14.56
FLEX	3,906,735	166,428	4.3%	4.3%	0	5,000	22,000	\$15.22
WAREHOUSE	24,052,159	504,188	2.1%	2.7%	1,035,052	193,000	148,000	\$14.13
CENTRAL PRINCE GEORGE'S	27,958,894	670,616	2.4%	2.9%	1,035,052	198,000	170,000	\$14.29
FLEX	961,132	8,575	0.9%	0.9%	0	(3,000)	(4,000)	\$15.66
WAREHOUSE	8,401,630	802,975	9.6%	16.2%	1,162,544	(96,000)	(279,000)	\$14.19
SOUTHERN PRINCE GEORGE'S	9,362,762	811,550	8.7%	14.6%	1,162,544	(99,000)	(283,000)	\$14.35
FLEX	7,366,586	331,714	4.5%	5.3%	0	(18,000)	(18,000)	\$23.62
WAREHOUSE	12,321,285	345,586	2.8%	3.0%	0	(5,000)	44,000	\$20.71
MONTGOMERY COUNTY	19,687,871	677,300	3.4%	3.8%	0	(23,000)	26,000	\$22.54
FLEX	4,966,995	225,854	4.5%	4.5%	55,002	61,000	68,000	\$14.40
WAREHOUSE	14,313,470	694,107	4.8%	4.8%	179,919	137,000	(124,000)	\$13.30
FREDERICK COUNTY	19,280,465	919,961	4.8%	4.8%	234,921	198,000	(56,000)	\$13.66
FLEX	20,863,386	874,390	4.2%	4.5%	55,002	(28,000)	36,000	\$19.04
WAREHOUSE	74,648,007	2,984,012	4.0%	5.0%	2,377,515	198,000	(91,000)	\$15.23
TOTAL	95,511,393	3,858,402	4.0%	4.9%	2,432,517	170,000	(55,000)	\$16.28

Source: CoStar, Transwestern



Suburban Maryland Industrial Submarkets

- 1** Northern PG County
- 2** Central PG County
- 3** Southern PG County
- 4** Montgomery County
- 5** Frederick County

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on flex and industrial properties located in Suburban Maryland. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency.

FOR MORE INFORMATION

Elizabeth Norton

Senior Managing Research Director
Research Services
Elizabeth.Norton@transwestern.com
202-775-7026

Michael McGraw

Research Analyst
Research Services
michael.mcgraw@transwestern.com
202-617-2339

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