



TRANSWESTERN

# SUBURBAN MARYLAND INDUSTRIAL MARKET

## Q3 2024



### TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.4	1.8	↑	4.9	↓
NET ABSORPTION (THOUSANDS SF)	(234.0)	(11.0)	↓	339.4	↑
DIRECT VACANCY RATE	5.2%	3.7%	↑	4.3%	↓
DIRECT VACANT SF (MSF)	5.0	3.5	↑	4.0	↓
UNDER CONSTRUCTION (MSF)	1.5	3.1	↓	1.8	↑
ASKING RENT, NNN (PSF)	\$16.47	\$15.47	↑	\$13.68	↑
SALES VOLUME (MILLIONS)	\$48.3	\$71.7	↓	\$91.1	↑

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

### INDUSTRIAL MARKET CONDITIONS DECLINE IN Q3

Suburban Maryland industrial market conditions were sluggish during the third quarter of 2024. Net absorption totaled negative 234,000 SF while the direct vacancy rate increased 120 basis points to 5.2%. The vacancy rate is up from 3.6% one year ago. Given the low vacancy rate, asking rents rose 110 basis points over the past three months to \$16.47 PSF and are up 6.5% year-over-year.

Industrial fundamentals remain strong, but demand will likely oscillate over the next several quarters, as the market normalizes. The Fed cut rates by 50 basis points at the most recent meeting with intention to keep the economy humming. This could pave a positive path for the industrial market. The vacancy rate should remain low enough during the balance of 2024 to push rents up, albeit at a decelerating pace.

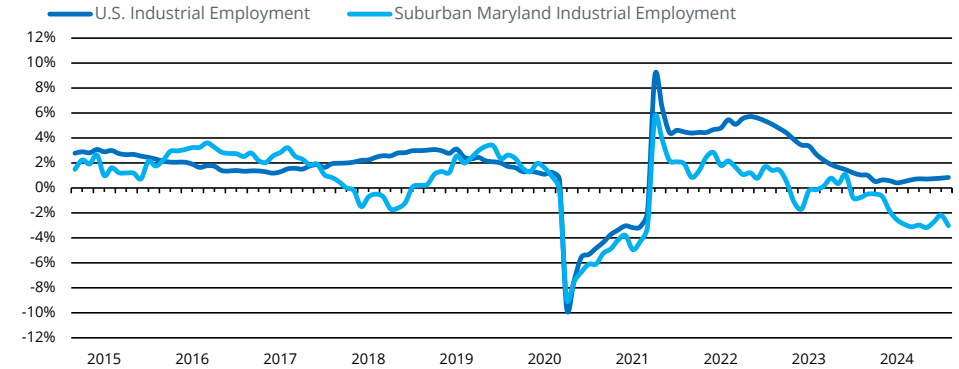


### ECONOMY

#### Industrial Jobs Suffer Over the Year

- 600 jobs were eliminated in the Suburban Maryland economy during the 12-months ending August 2024, which is below the pre-pandemic 5-year average of 9,900. While the government sector added 5,300 positions, the professional/business and construction sectors cut 3,000 and 4,000 positions, respectively.
- Industrial-using jobs lost 4,300 positions during the 12-months ending August 2024, which is below the pre-pandemic 5-year average of 4,000. Most of the loss during the past year occurred within the construction sector which shed 4,000 jobs from the market.
- The unemployment rate in Suburban Maryland is currently at 3.5% in July 2024 which is above the average of 3.4% over the past three months. The rate has improved significantly from the peak of 11.5% in May 2020.
- Despite the recent sluggishness, 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.

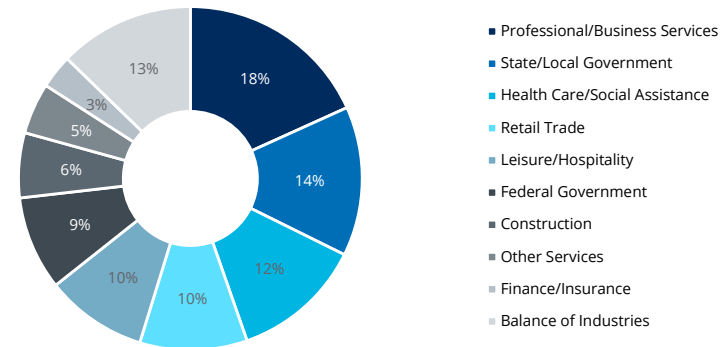
### Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

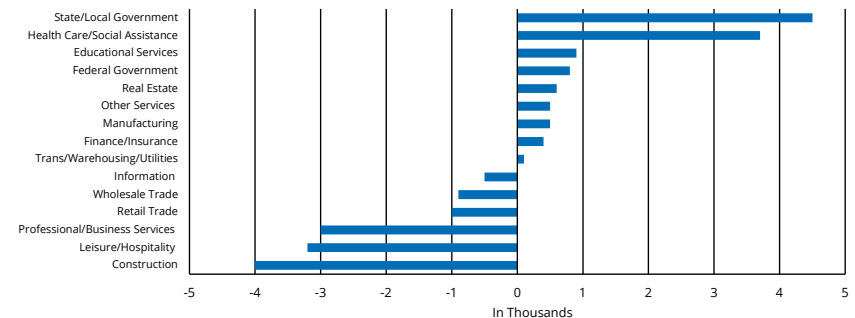
Suburban Maryland | August 2024



Source: Bureau of Labor Statistics, Transwestern

### Y-O-Y CHANGE IN JOBS BY INDUSTRY

Suburban Maryland



Source: Bureau of Labor Statistics, Transwestern

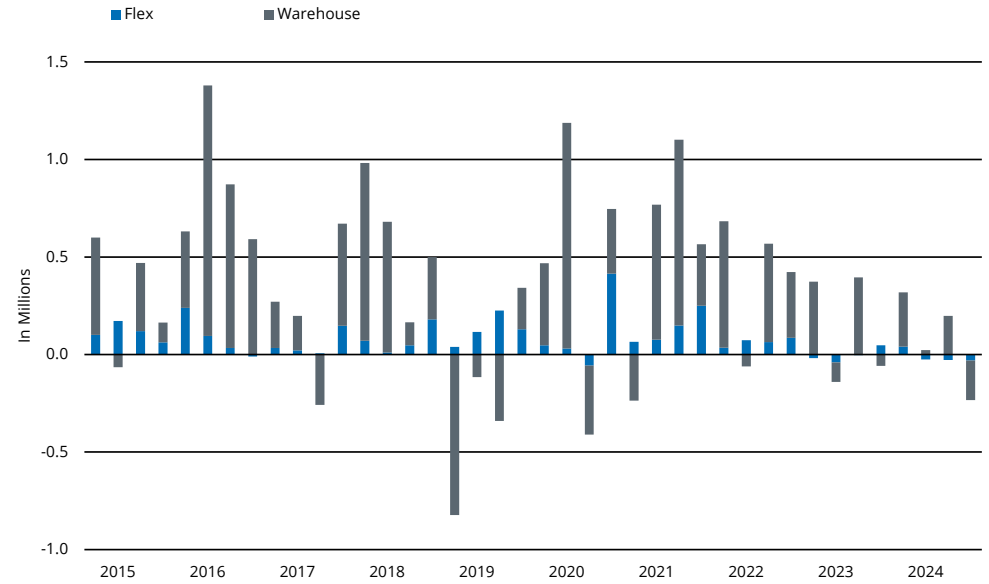


### NET ABSORPTION

#### Net Absorption Declines in Q3

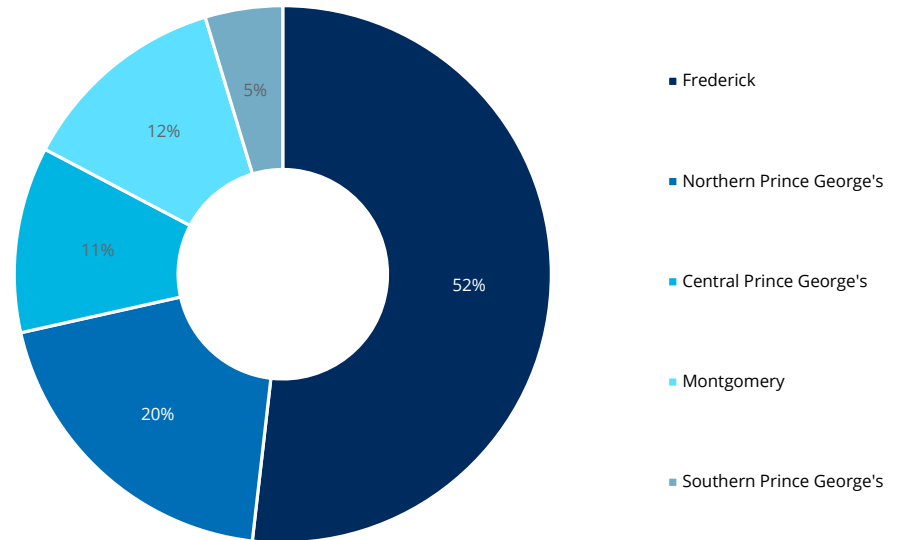
- Net absorption worsened in the third quarter of 2024 with negative 234,000 SF, after totaling positive 170,000 SF during the second quarter of 2024.
- Frederick County had the strongest net absorption for the quarter with positive 71,000 SF and 157,000 SF year-over-year. This was partly due to GT Senior Services signing for 42,000 SF at 6900 English Muffin Way.
- Countering this positive net absorption were a couple of larger move outs. Capital Area Food Bank vacated 80,000 SF at 6100 Columbia Park Road in Central Prince George’s County. Another notable moveout, D-Bat vacated 40,000 SF at 8791 Snouffer School Road in Montgomery County.
- We expect net absorption to remain steady during the balance of 2024 and into 2025. However, it is likely to decelerate as the market normalizes.

### NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

### SHARE OF LEASING ACTIVITY BY SUBMARKET YTD 2024



Source: CoStar, Transwestern

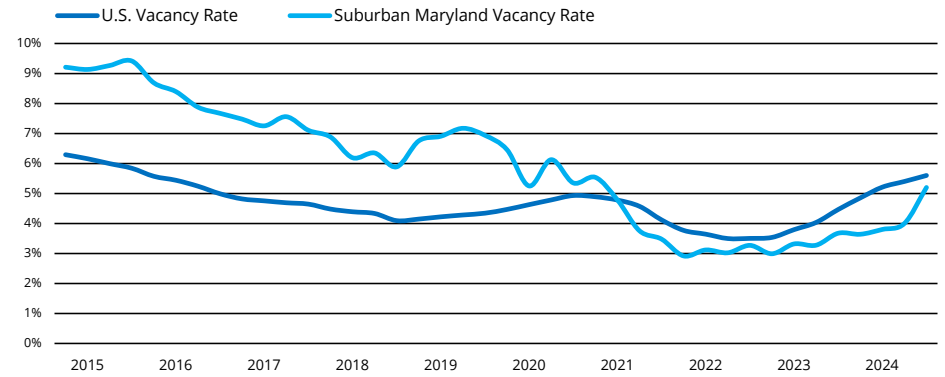


### VACANCY

#### Vacancy Rates Rises Slightly Through Q3

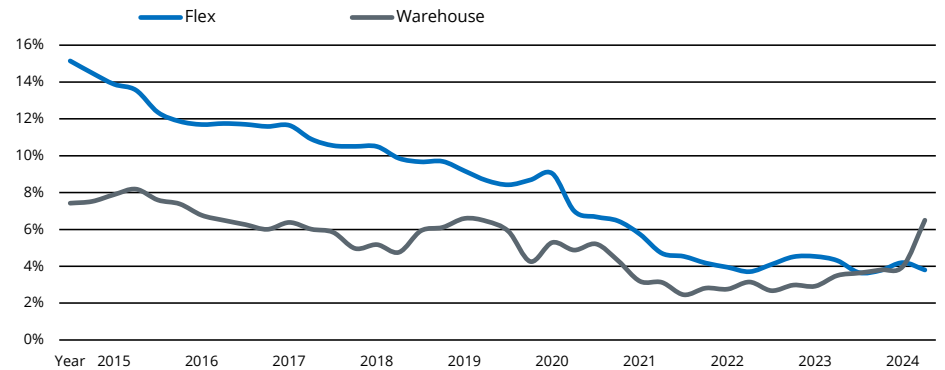
- The direct vacancy rate increased 120-basis points during the quarter to 5.2% at September 2024 and is up from 3.6% one year ago.
- Southern Prince George’s County holds the highest vacancy rate at 15.1%, which increased 6.4% from last quarter. This was primarily due to the vacant 800,000 SF delivery at 14900 Elion Way. Frederick County followed at 5.1% which is a 30 basis point increase from last quarter.
- Southern Prince George’s County’s flex product direct vacancy rate is the lowest of the quarter decreasing 10 basis points from the previous quarter to 0.8%. Meanwhile, Central Prince George’s County represents the highest flex product direct vacancy rate resting at 4.9% for the 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



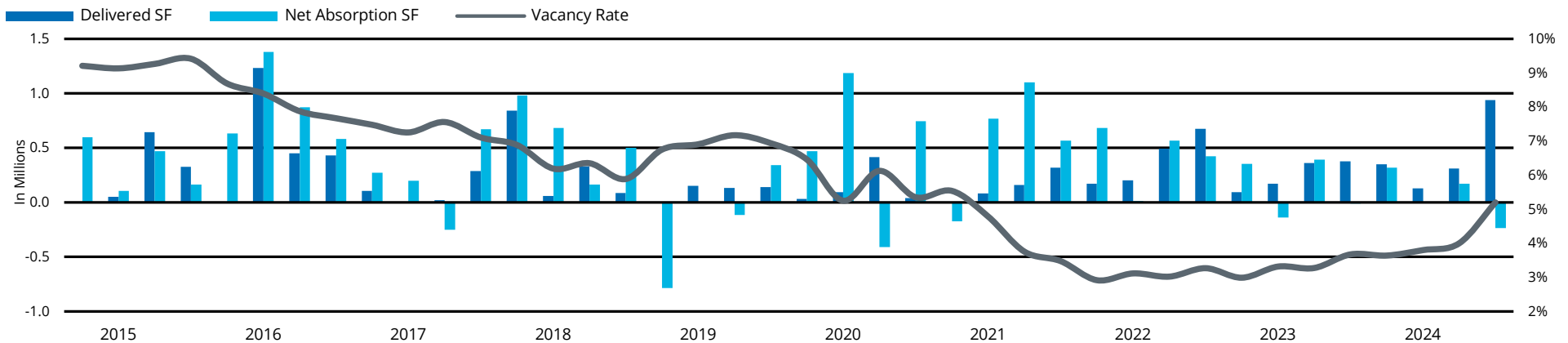
Source: CoStar, Transwestern

### DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

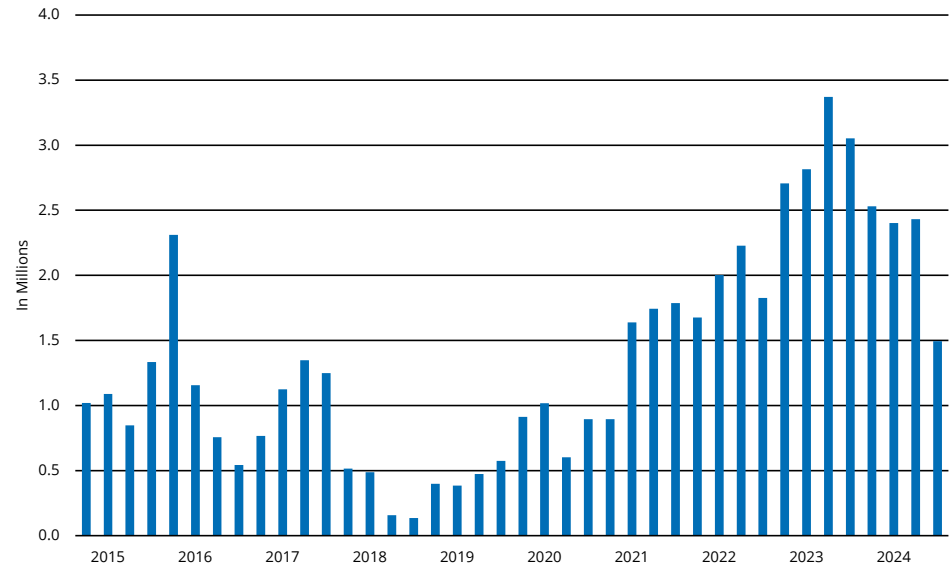


### UNDER CONSTRUCTION

#### Construction Activity Strong at Q3 2024

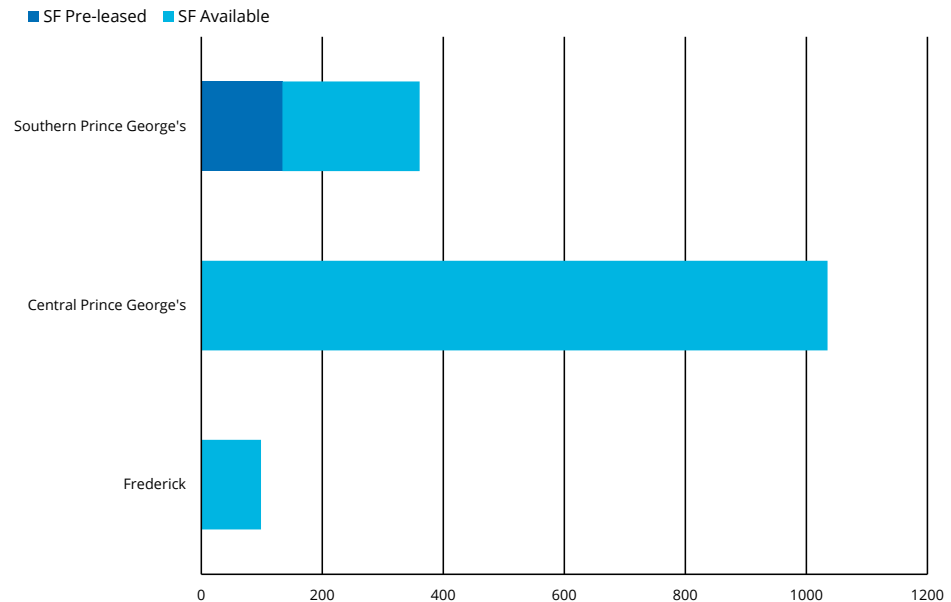
- There is 1.5 million SF under construction at 9% pre-lease as of September 2024. Central Prince George’s County now has the most construction volume underway with 1.0 million SF.
- One project of note that delivered during the third quarter of 2024, was 14900 Elion Way in Southern Prince George’s County for 800,000 SF. There were also three warehouses that delivered this quarter in Frederick County as 353, 355 and 357 Ballenger Center Drive brought a total of 135,000 SF to the market. These projects came online with no tenants in place. However, these buildings should quickly lease up given demand for new, efficient product.
- The most notable project in the pipeline is Route 301 Building 1, a 311,000 SF warehouse project in Central Prince George’s County. The building is expected to deliver by April 2025. Another notable project in Central Prince George’s County is Queens Court West Building 11, a 301,000 SF warehouse, which has 100% availability and is set to deliver in February 2025.
- 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, the recent Fed rate cut could spark activity in time.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

In Thousands

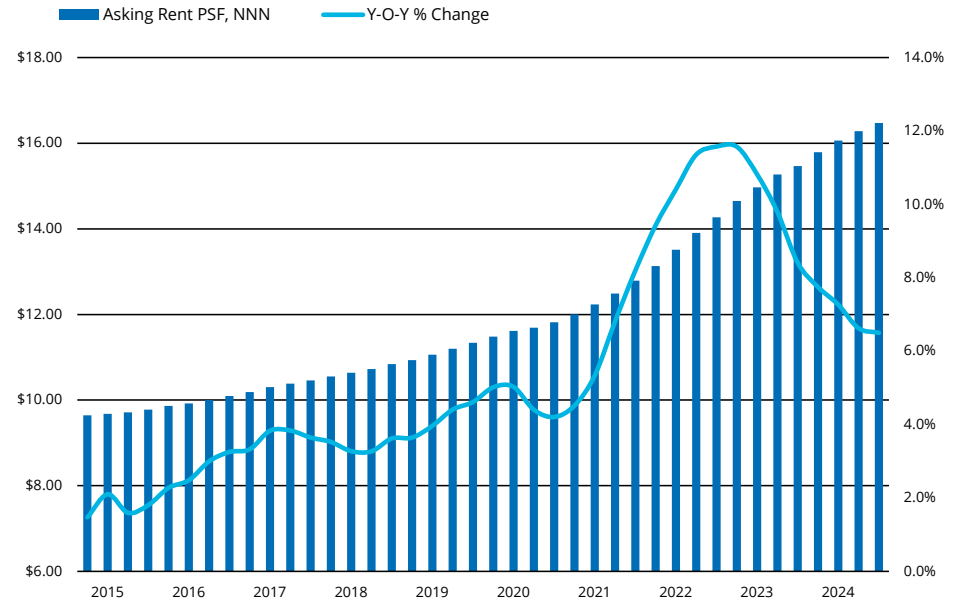


### RENTAL RATES

#### Rents Continue to Increase in Q3 2024

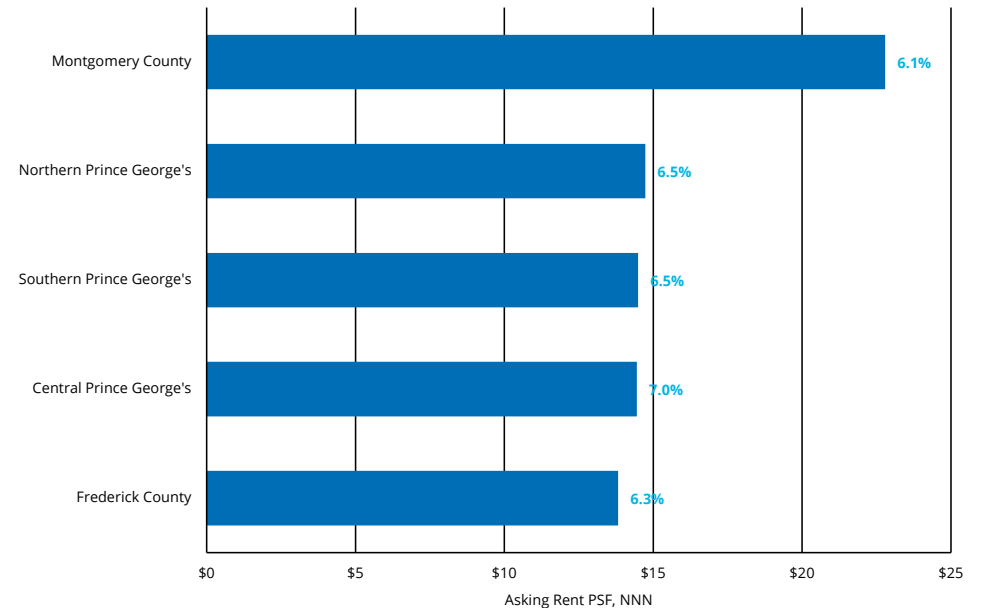
- Industrial asking rents increased 110 basis points during the third quarter of 2024, landing at \$16.47 PSF. Rent growth remains strong at 6.5% year-over-year, but has decelerated off its peak as industrial demand normalizes.
- Rents increased for warehouse during the quarter by 1.1%, settling at \$15.40 PSF. Flex rose 1.2% to \$19.26 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 \$14.45 PSF, up 7.0% 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 reached its peak and growth, although strong, will decelerate slightly.

### ASKING RENT



Source: CoStar, Transwestern

### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

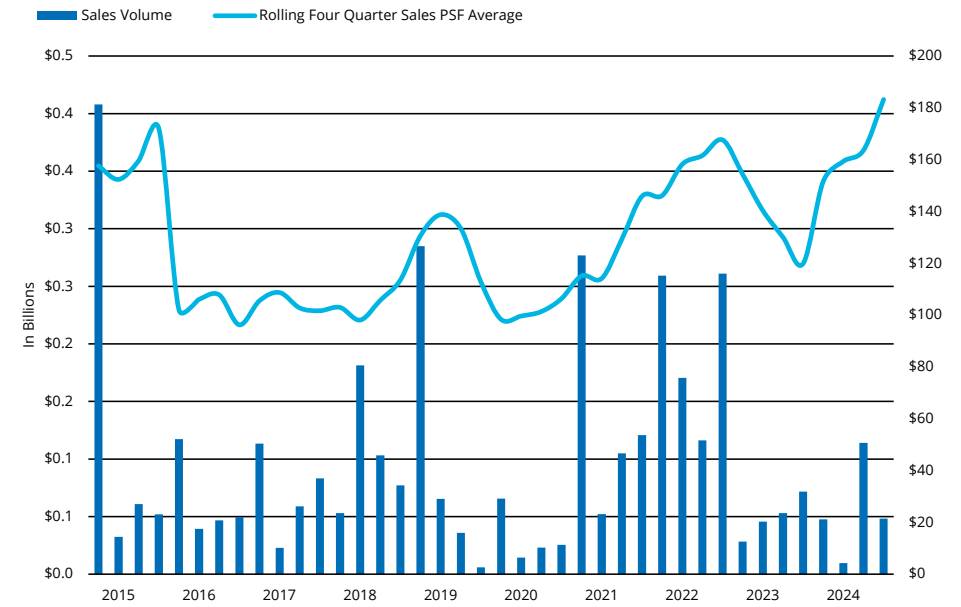


### SALES

#### Sales Volume Drops Significantly at Q3

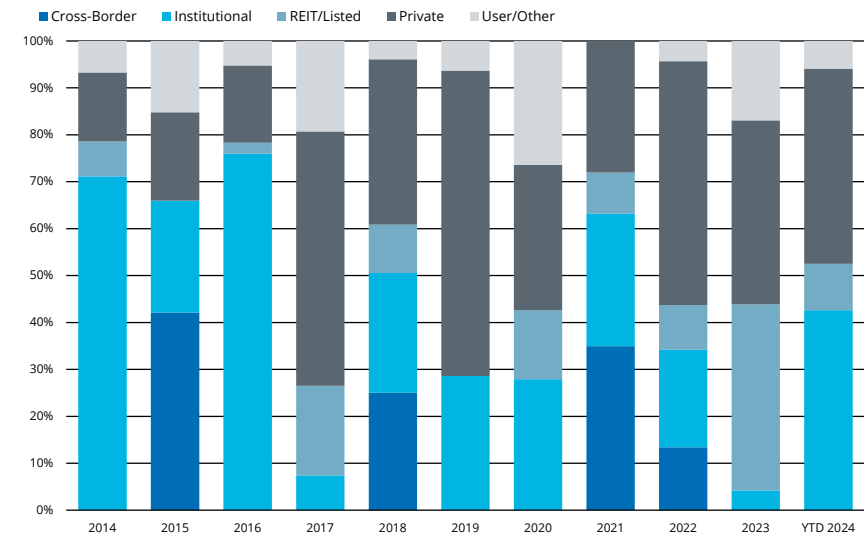
- Investment sales totaled \$48.3 million or \$209 PSF during the third quarter of 2024 on four transactions. This compares to 16 transactions at \$149.8 million or \$149 PSF during the second quarter of 2024.
- A notable deal from the quarter was Cabot Properties purchasing 1901 Stanford Court from Berkeley Partners for \$20 million or \$221 PSF. Additionally, Berkeley Partners acquired 121,000 SF from Marcus Partners which was part of a two-property deal at Distribution Way in Northern Prince George’s County. This deal totaled \$24.3 million or \$200 PSF.
- We expect investment sales volume to remain steady but limited through 2024 as investors remain cautious about the economy. However, the recent Fed rate cut might spark investment activity in time.

### 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
GT SENIOR SERVICES	6900 English Muffin Way	Frederick	New Lease	41,966
BASIKWALL-DC	11850 Baltimore Ave	Northern Prince George's	New Lease	36,787
DAIKEN	750 Progress Way	Montgomery	New Lease	36,145
MARQUETTE FINE ARTS	7804 Marlboro Pike	Southern Prince George's	New Lease	26,843
MONTGOMERY COUNTY GOVERNMENT	18753 N Frederick Ave	Montgomery	Sublease	8,351
GUARDIAN FIRE	7668-7684 Standish Pl	Montgomery	New Lease	8,168

Source: CoStar, CompStak, Transwestern.

**NOTABLE SALES**

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
1901 STANFORD CT	Central Prince George's	Aug-24	\$19,650,000	88,861	\$221	Cabot Properties Inc	Berkeley Partners
20111 CENTURY BLVD	Montgomery	Jul-24	\$4,375,000	21,234	\$206	Minkoff Development Corporation	Yong Kyu Kim
12201-12211 DISTRIBUTION WAY	Northern Prince George's	Jul-24	\$12,996,421	62,763	\$207	Berkeley Partners	Marcus Partners Inc
6850-6872 DISTRIBUTION DR	Northern Prince George's	Jul-24	\$11,273,579	58,444	\$193	Berkeley Partners	Marcus Partners Inc
1 MILESTONE CENTER DR	Montgomery	Jun-24	\$19,100,000	133,140	\$143	MRP Realty   Rockwood Capital	Walton Street Capital   Matan
8520 PEPKO PL	Southern Prince George's	Jun-24	\$14,500,000	75,000	\$193	EQT Exeter	TSI Corporations

Source: CoStar, CompStak, Transwestern.

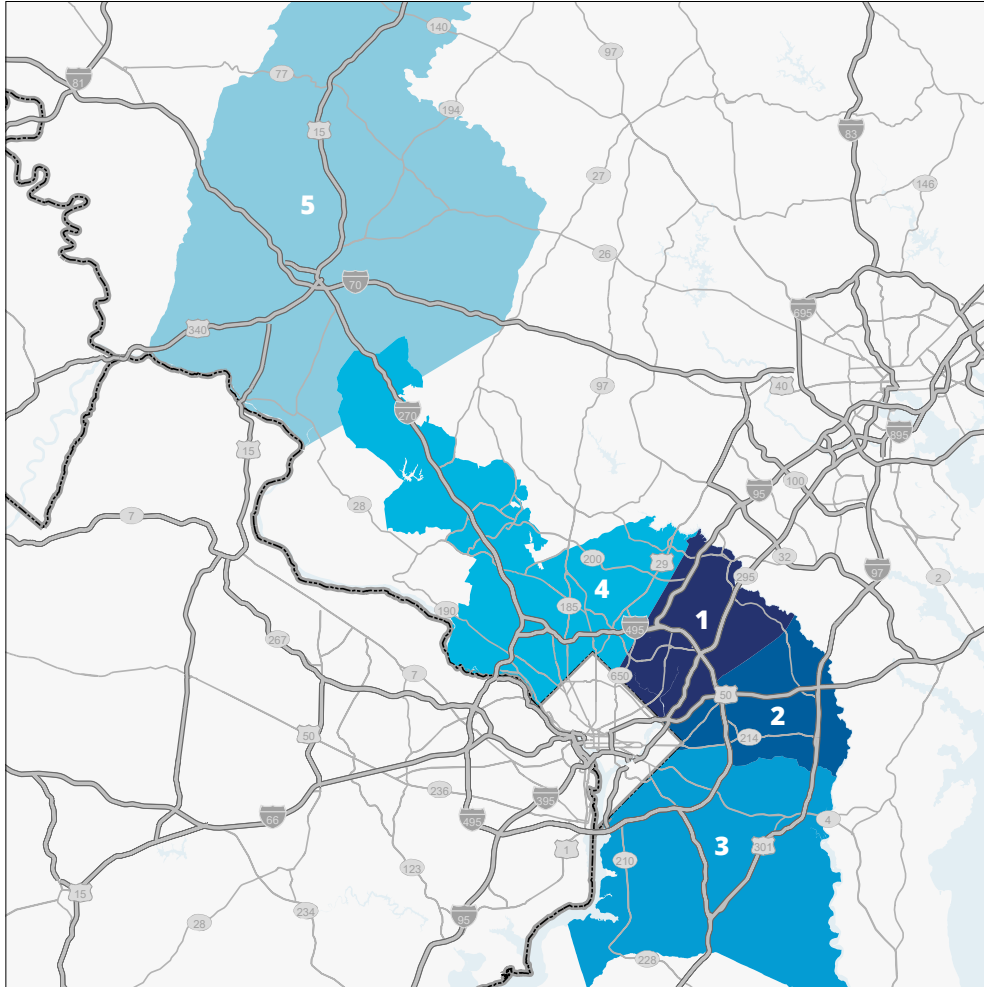


**MARKET INDICATORS**

All Classes of Space | Q3 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	141,197	3.9%	3.9%	0	1,000	(75,000)	\$14.50
WAREHOUSE	15,559,463	724,232	4.7%	4.7%	0	(46,000)	95,000	\$15.62
<b>NORTHERN PRINCE GEORGE'S</b>	<b>19,221,401</b>	<b>865,429</b>	<b>4.1%</b>	<b>4.1%</b>	<b>0</b>	<b>(45,000)</b>	<b>20,000</b>	<b>\$14.73</b>
FLEX	3,906,735	192,218	4.9%	4.9%	0	(25,000)	7,000	\$14.30
WAREHOUSE	24,052,159	638,241	2.7%	2.9%	1,035,052	(134,000)	15,000	\$15.38
<b>CENTRAL PRINCE GEORGE'S</b>	<b>27,958,894</b>	<b>830,459</b>	<b>2.4%</b>	<b>2.9%</b>	<b>1,035,052</b>	<b>(159,000)</b>	<b>22,000</b>	<b>\$14.45</b>
FLEX	961,132	7,803	0.8%	0.8%	0	1,000	(1,000)	\$14.33
WAREHOUSE	9,203,240	1,527,523	16.6%	22.8%	361,020	(25,000)	(301,000)	\$15.84
<b>SOUTHERN PRINCE GEORGE'S</b>	<b>10,164,372</b>	<b>1,535,326</b>	<b>8.7%</b>	<b>14.6%</b>	<b>361,020</b>	<b>(24,000)</b>	<b>(302,000)</b>	<b>\$14.49</b>
FLEX	7,366,586	340,057	4.6%	5.2%	0	(7,000)	(25,000)	\$20.94
WAREHOUSE	12,321,285	415,845	3.4%	3.5%	0	(70,000)	(46,000)	\$23.90
<b>MONTGOMERY COUNTY</b>	<b>19,687,871</b>	<b>755,902</b>	<b>3.4%</b>	<b>3.8%</b>	<b>0</b>	<b>(77,000)</b>	<b>(71,000)</b>	<b>\$22.79</b>
FLEX	4,966,995	227,184	4.6%	4.6%	55,002	(1,000)	51,000	\$13.45
WAREHOUSE	14,449,576	757,847	5.2%	5.2%	43,813	72,000	106,000	\$14.57
<b>FREDERICK COUNTY</b>	<b>19,416,571</b>	<b>985,031</b>	<b>4.8%</b>	<b>4.8%</b>	<b>98,815</b>	<b>71,000</b>	<b>157,000</b>	<b>\$13.82</b>
FLEX	20,863,386	908,459	4.4%	4.6%	55,002	(31,000)	(43,000)	\$15.40
WAREHOUSE	75,585,723	4,063,688	5.4%	6.3%	1,439,885	(203,000)	(131,000)	\$19.26
<b>TOTAL</b>	<b>96,449,109</b>	<b>4,972,147</b>	<b>5.2%</b>	<b>5.9%</b>	<b>1,494,887</b>	<b>(234,000)</b>	<b>(174,000)</b>	<b>\$16.47</b>

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**

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