

SUBURBAN MARYLAND INDUSTRIAL MARKET

Q4 2024

TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.2	2.0	↑	4.9	↓
NET ABSORPTION (THOUSANDS SF)	(443.0)	319.0	↓	302.0	↑
DIRECT VACANCY RATE	5.6%	3.6%	↑	4.2%	↓
DIRECT VACANT SF (MSF)	5.4	3.5	↑	3.9	↓
UNDER CONSTRUCTION (MSF)	1.5	2.5	↓	1.9	↑
ASKING RENT, NNN (PSF)	\$16.60	\$15.79	↑	\$13.93	↑
SALES VOLUME (MILLIONS)	\$19.7	\$47.5	↓	\$91.8	↑

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

INDUSTRIAL MARKET CONDITIONS DECLINE IN Q4

Suburban Maryland industrial market conditions struggled during the fourth quarter of 2024. Net absorption totaled negative 443,000 SF while the direct vacancy rate increased 40-basis points to 5.6%. The vacancy rate is up from 3.4% one year ago. Given the low vacancy rate, asking rents rose 80-basis points over the past three months to \$16.60 PSF and are up 5.1% 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 another quarter point in December 2024 to keep the cooling economy stable. Two additional cuts are expected in 2025. This could pave a positive path for the industrial market. The vacancy rate should remain low enough during 2025 to push rents up, albeit at a decelerating pace.

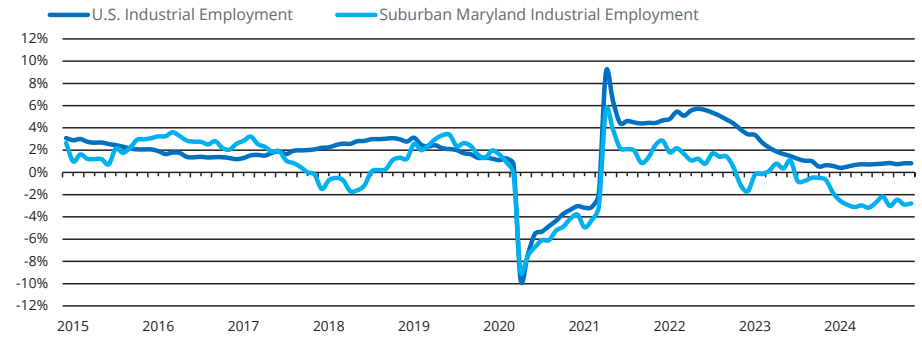


ECONOMY

Industrial Jobs Suffer Over the Year

- 7,400 jobs were added to the Suburban Maryland economy during the 12-months ending November 2024, which is below the pre-pandemic 5-year average of 9,900. While the education/health sector added 7,000 positions, the leisure/hospitality and construction sectors cut 2,000 and 3,600 positions, respectively.
- Industrial-using jobs lost 4,000 positions during the 12-months ending November 2024, which is in line with the pre-pandemic 5-year average of 4,000. Most of the loss during the past year occurred within the construction and wholesale trade sectors which shed 4,500 combined jobs from the market.
- The unemployment rate in Suburban Maryland is currently at 3.5% in November 2024, which is on track with the average of 3.3% 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.

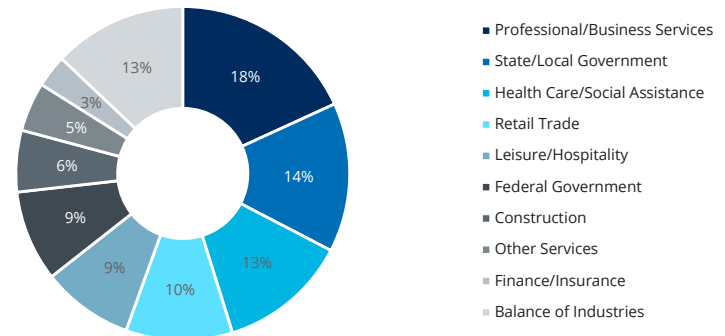
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

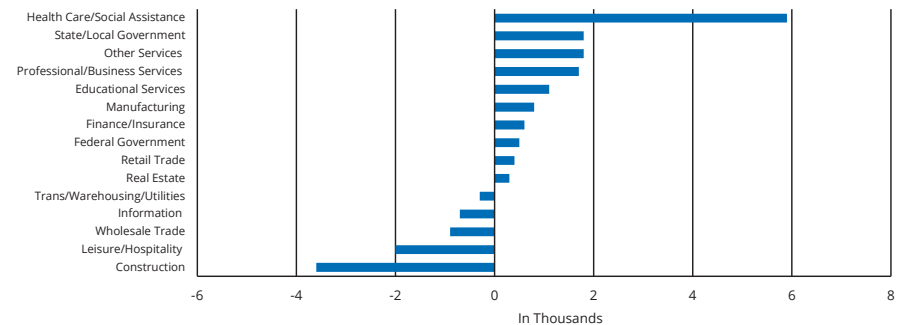
Suburban Maryland | November 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Suburban Maryland



Source: Bureau of Labor Statistics, Transwestern

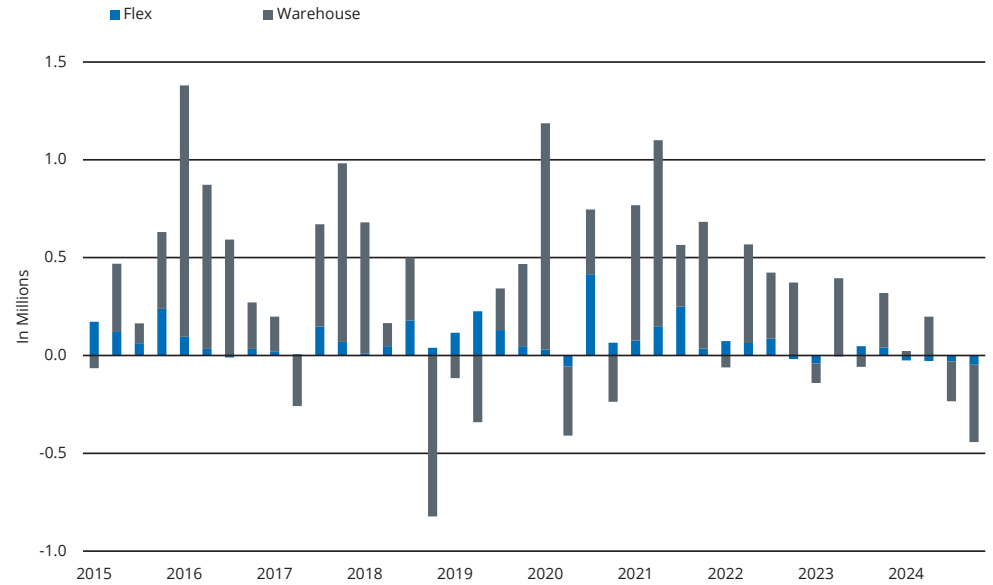


NET ABSORPTION

Net Absorption Weakens in Q4

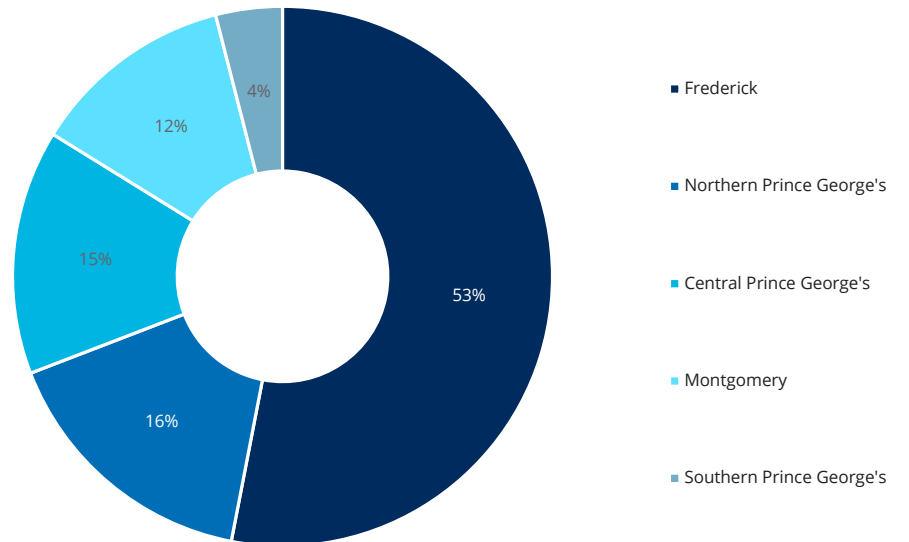
- Net absorption worsened in the fourth quarter of 2024 with negative 443,000 SF, after totaling negative 234,000 SF during the third quarter of 2024.
- Frederick County had the strongest net absorption for the quarter with positive 149,000 SF and 401,000 SF year-over-year. This was partly due to Restaurant Depot signing for 44,000 SF at 6051 Jefferson Station Court.
- Countering the positive net absorption were a handful of mid-size moveouts, and one large move out. MDV Nash Finch vacated 368,000 SF at 6304 Sheriff Road in Central Prince George’s County. The food supplier vacated the facility in effort to streamline operations. Another notable moveout, Light Truck Service Company vacating 26,000 SF at 1301-1327 E Gude Drive in Montgomery County.
- We expect net absorption to remain steady during 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

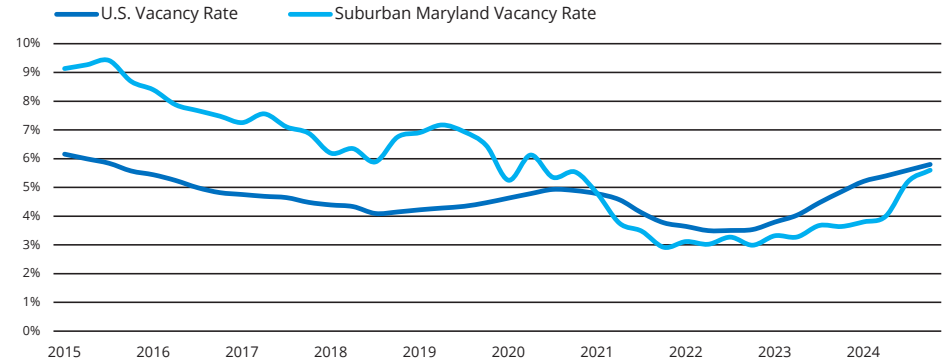


VACANCY

Vacancy Rates Continue to Climb at Q4

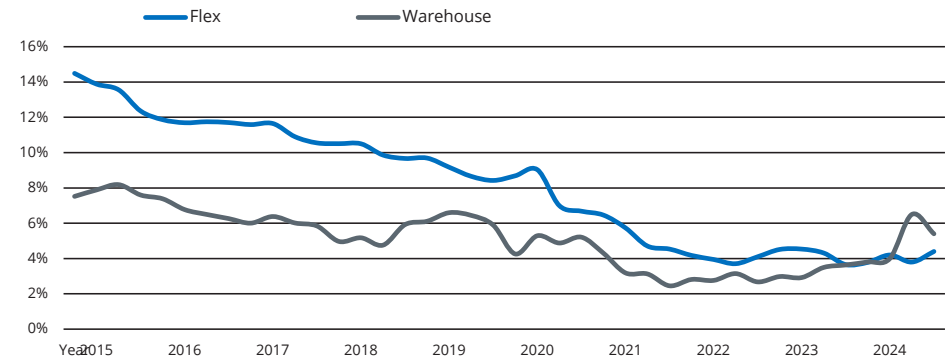
- The direct vacancy rate increased 40-basis points during the quarter to 5.6% at December 2024 and is up from 3.4% one year ago.
- Southern Prince George’s County holds the highest vacancy rate at 15.8%, which increased 70-basis points from last quarter. Northern Prince George’s County followed at 5.0% which is a 50-basis point increase from the third quarter.
- Southern Prince George’s County’s flex product direct vacancy rate is the lowest of the quarter increasing 50-basis points from the third quarter to 1.3%. Meanwhile, Montgomery County represents the highest flex product direct vacancy rate resting at 5.5% for the quarter.
- The vacancy rate should remain stable through 2025. However, if pipeline product delivers without pre-leasing in place, the rate could rise in the short-run.

DIRECT VACANCY RATE



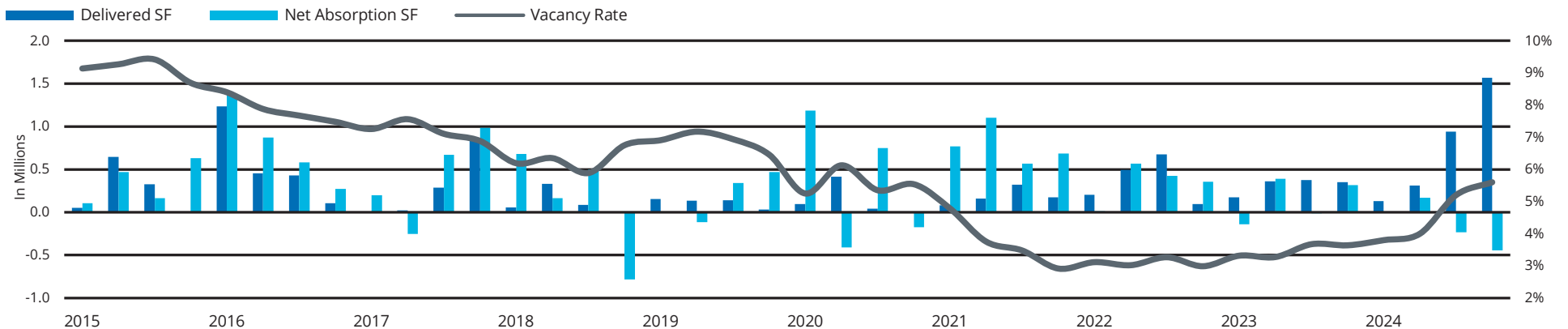
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

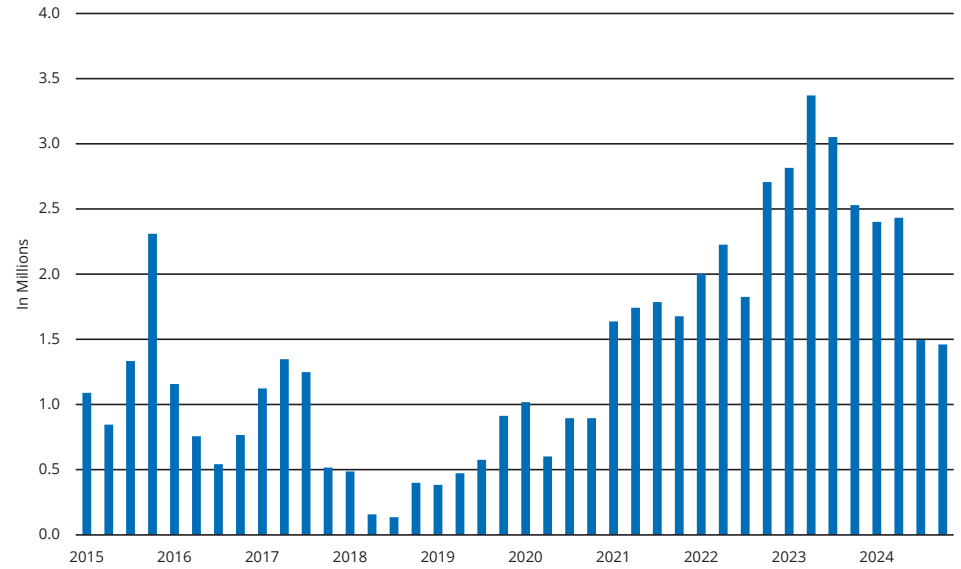


UNDER CONSTRUCTION

Construction Activity Remains Strong at Q4 2024

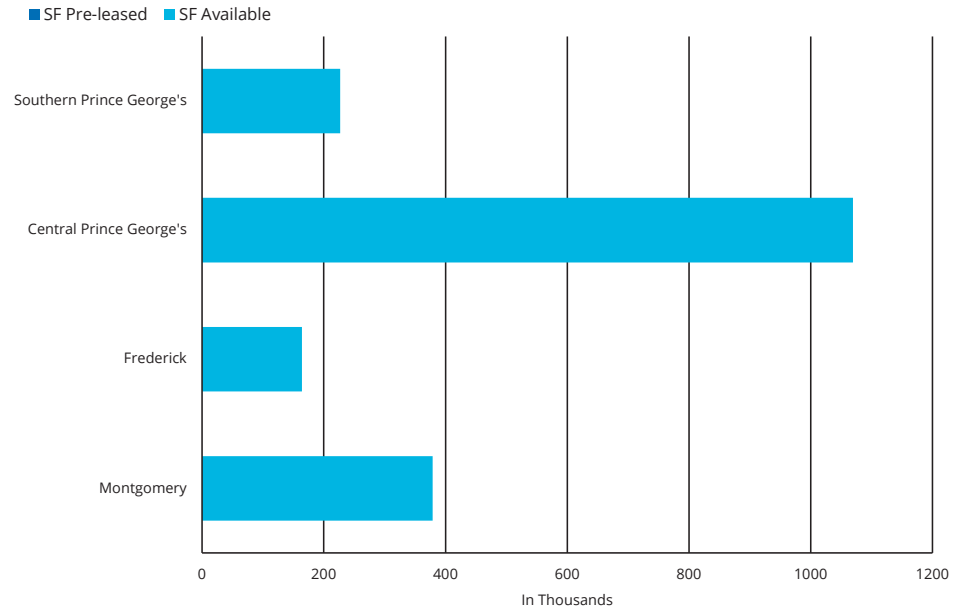
- There is 1.3 million SF under construction at 0% pre-lease as of December 2024. Central Prince George’s County now has the most construction volume underway with 1.1 million SF.
- The two projects that delivered during the fourth quarter of 2024, developed by Matan, Inc., were Buildings 1 and 2 at Louie Pepper Drive in Southern Prince George’s County, bringing a total of 134,000 SF to the Suburban Maryland industrial market. These projects came online with 100% of the building’s available space leased.
- 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. Other notable projects include the three buildings in Central Prince George’s County at Queens Court West - Buildings 10, 11, and 12. This project will bring 654,000 SF to the market in early 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

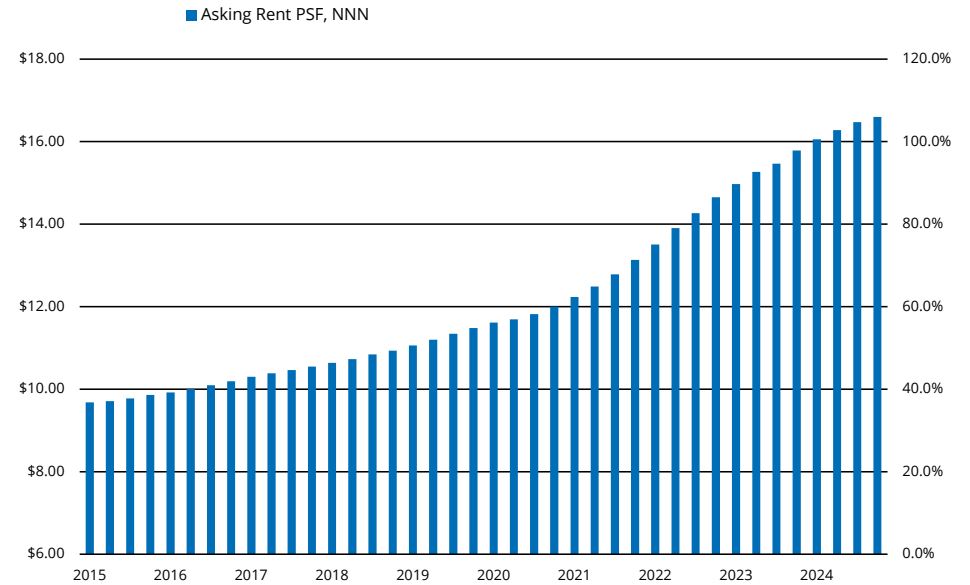


RENTAL RATES

Rents Rise as Vacancy Remains Low

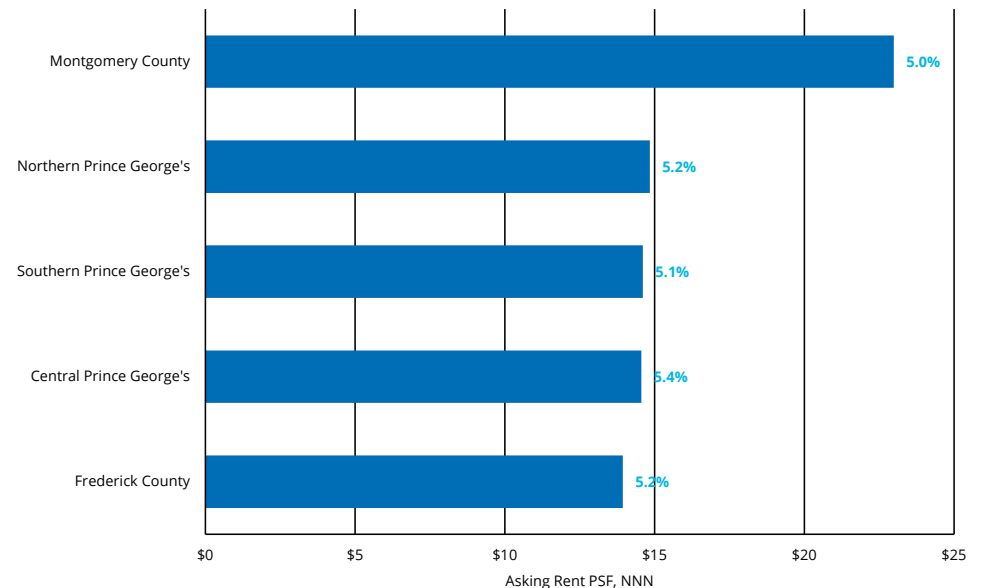
- Industrial asking rents increased 80-basis points during the fourth quarter of 2024, landing at \$16.60 PSF. Rent growth remains strong at 5.1% year-over-year, but has decelerated off its peak as industrial demand normalizes.
- Rents increased for warehouses during the quarter by 70-basis points, settling at \$15.50 PSF. Flex rose 100-basis points to \$19.46 PSF during the quarter.
- Rents continue to increase across all submarkets, with Montgomery County achieving the highest quarterly increase, with asking rates finishing the quarter at \$22.99 PSF, up 5.0% year-over-year.
- We expect continued rent growth through 2025 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

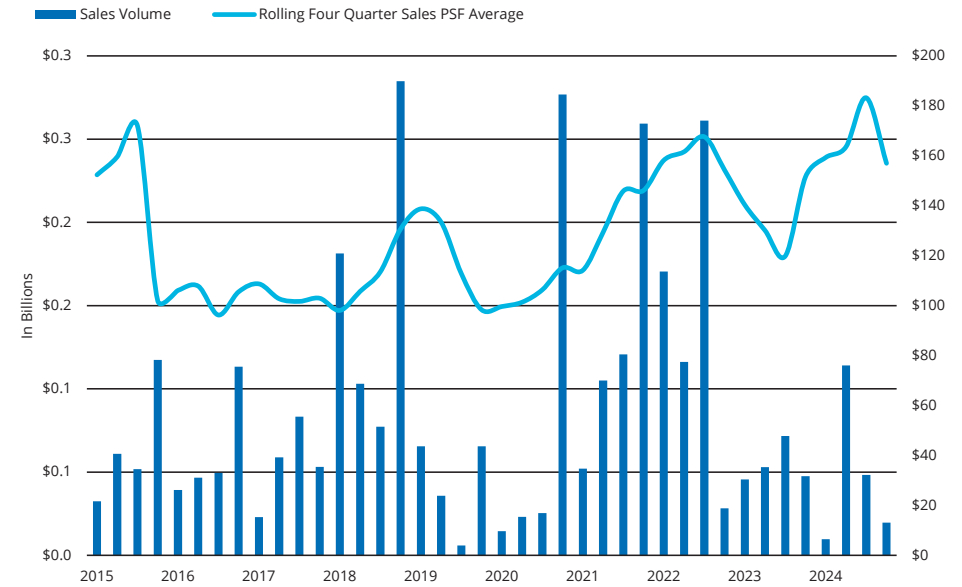


SALES

Sales Volume Drops at Q4

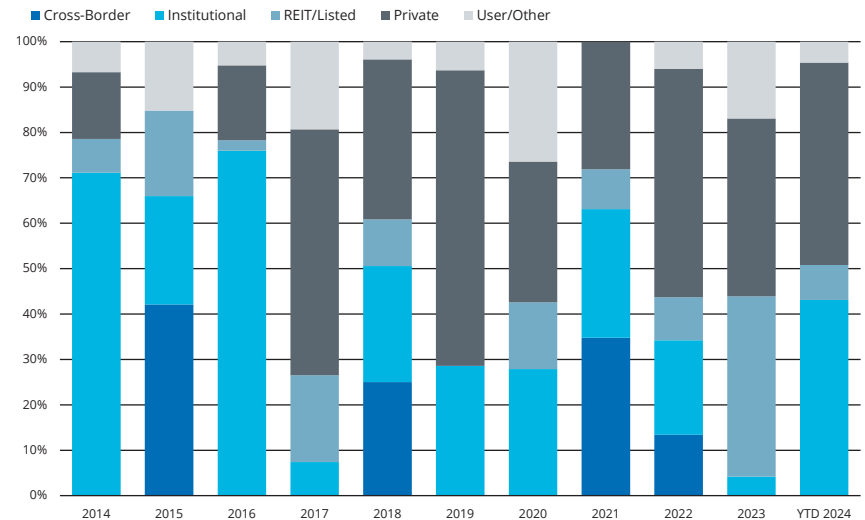
- Investment sales totaled \$19.7 million or \$157 PSF during the fourth quarter of 2024 on four transactions. This compares to six transactions at \$78 million or \$197 PSF during the third quarter of 2024.
- A notable deal from the quarter was Lucern Capital Partners purchasing 14709-14713 Baltimore Avenue from Finmarc Management, Inc for \$9.2 million or \$157 PSF. Additionally, Pleasants Construction, Inc. acquired 30,000 SF from LES Engineering for \$4.2 million or \$139 PSF.
- We expect investment sales volume to remain steady but limited through 2025 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
HERCULES CUSTOM IRON LLC	4607 Wedgewood Blvd	Frederick	New Lease	55,755
RESTAURANT DEPOT	6051 Jefferson Station Ct	Frederick	New Lease	44,353
SKYZONE	357 Ballenger Center Dr	Frederick	New Lease	42,756
DMV DISTRIBUTING LLC	8450 Broadband Dr	Frederick	Renewal	23,040
FOOD PRO	605 E Church St	Frederick	New Lease	18,900
K&K FLOORS OF ROCKVILLE INC	86 Derwood Cir	Montgomery	New Lease	18,532

Source: CoStar, CompStak, Transwestern.

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
4000 PENN BELT PL	Southern Prince George's	Dec-24	\$4,100,000	18,281	\$224	Zenith	Dominion Siding and Roofing LLC
14709-14713 BALTIMORE AVE	Northern Prince George's	Dec-24	\$9,175,000	58,612	\$157	Lucern Capital Partners	Finmarc Management, Inc.
7210 CORPORATE CT	Frederick	Nov-24	\$4,200,000	30,281	\$139	Pleasants Construction, Inc.	LES Engineering
4908 LAWRENCE ST	Northern Prince George's	Nov-24	\$2,200,000	18,370	\$120	Hazrat Waziry	Divine Unity Food LLC
4501 AUTH PL	Southern Prince George's	Aug-24	\$22,700,000	113,512	\$200	EQT Exeter	Nuveen
6601 AMMENDALE RD	Northern Prince George's	Jul-24	\$7,000,000	45,780	\$153	Gary E Shipp	Hutchinson International Corp

Source: CoStar, CompStak, Transwestern.

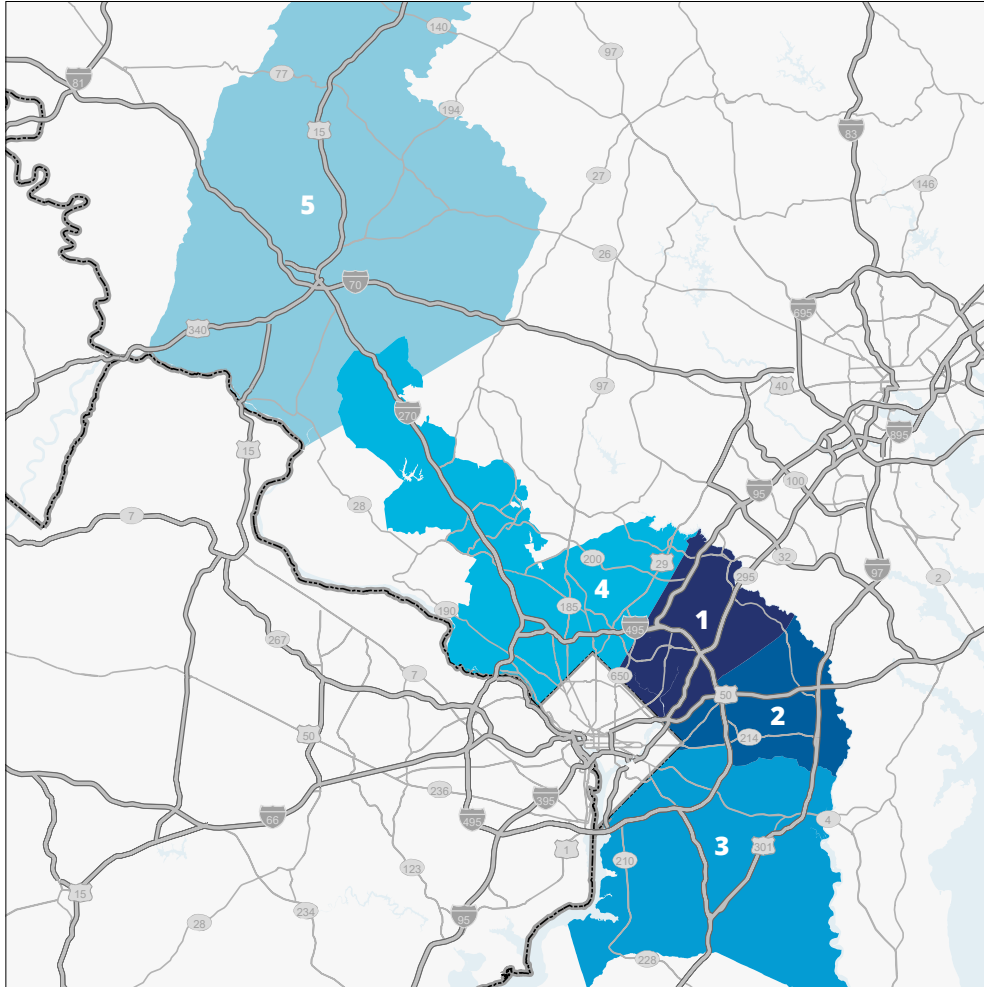


MARKET INDICATORS

All Classes of Space | Q4 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	157,772	4.3%	4.3%	0	(17,000)	(83,000)	\$14.50
WAREHOUSE	15,559,463	799,978	5.1%	5.2%	0	(76,000)	(26,000)	\$15.62
NORTHERN PRINCE GEORGE'S	19,221,401	957,750	5.0%	5.0%	0	(93,000)	(109,000)	\$14.84
FLEX	3,906,735	198,655	5.1%	5.1%	0	(7,000)	(22,000)	\$14.30
WAREHOUSE	24,052,159	1,052,274	4.4%	4.6%	1,035,052	(414,000)	(365,000)	\$15.38
CENTRAL PRINCE GEORGE'S	27,958,894	1,250,929	4.5%	4.7%	1,035,052	(421,000)	(387,000)	\$14.56
FLEX	961,132	12,709	1.3%	1.3%	0	(5,000)	(7,000)	\$14.33
WAREHOUSE	9,203,240	1,588,363	17.3%	23.5%	361,020	(61,000)	(347,000)	\$15.84
SOUTHERN PRINCE GEORGE'S	10,164,372	1,601,072	15.8%	21.4%	361,020	(66,000)	(354,000)	\$14.61
FLEX	7,520,922	369,184	4.9%	5.5%	0	(30,000)	(42,000)	\$20.94
WAREHOUSE	12,321,285	397,261	3.2%	3.6%	0	18,000	(18,000)	\$23.90
MONTGOMERY COUNTY	19,842,207	766,445	3.9%	4.3%	0	(12,000)	(60,000)	\$22.99
FLEX	4,966,995	214,715	4.3%	4.4%	120,480	12,000	23,000	\$13.45
WAREHOUSE	14,449,576	620,978	4.3%	4.3%	43,813	137,000	378,000	\$14.57
FREDERICK COUNTY	19,416,571	835,693	4.3%	4.3%	164,293	149,000	401,000	\$13.94
FLEX	21,017,722	953,035	4.5%	4.8%	120,480	(47,000)	(131,000)	\$15.40
WAREHOUSE	75,585,723	4,458,854	5.9%	6.8%	1,439,885	(396,000)	(378,000)	\$19.26
TOTAL	96,603,445	5,411,889	5.6%	6.4%	1,560,365	(443,000)	(509,000)	\$16.60

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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