

Suburban Maryland



Demand

- » Demand for office space grew by 287,523 square feet, the most in seven quarters. However, the total growth for the year only reached 191,685 square feet. It was below 2017 levels when demand grew by 666,279 square feet.
- » Demand for Class A space was the most significant contributor to the positive absorption. During the quarter, demand for high-end space grew by 317,533 square feet, bringing the total for the year to 394,613 square feet. It was down from 681,185 square feet in 2017.
- » The demand for Class B and C space fell by 30,010 square feet in the fourth quarter, lowering the net absorption in 2018 to negative 202,928 square feet. This compares to negative 14,906 square feet of absorption in 2017.

Supply

- » Three buildings were completed during the fourth quarter, adding 291,724 square feet of product. Of the space brought to market, more than 87 percent was occupied upon delivery.
- » United Therapeutics Corporation's building at 1000 Spring Street was the largest delivery of the quarter. The building totaled 121,724 square feet.

Vacancy Rates

- » The vacancy rate remained the same from last quarter as the impact of new supply offset downward pressure caused by new demand.
- » The vacancy rate has fallen marginally from 14.9 percent at the beginning of the year, to end 2018 at 14.7 percent.

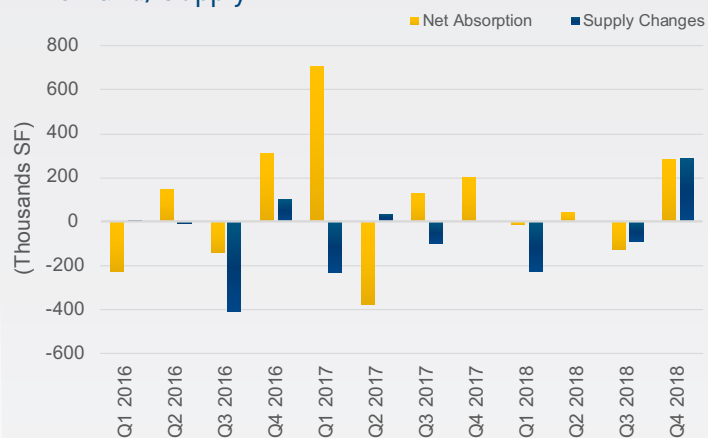
Rental Rates

- » The direct average asking rental rate decreased by \$0.07 or 0.3 percent to \$27.83 per square foot during the quarter. It increased 1.9 percent from the start of 2018.
- » The average Class A asking rate grew by \$0.02 or 0.1 percent during the quarter to end at \$29.10 per square foot and was up 1.6 percent from the start of 2018.
- » A \$0.28 decrease in the average Class B asking rate offset the impact of the Class A growth on the overall market rate. The Class B rate ended the year at \$26.13 per square foot. Although down for the quarter, it was up 2.3 percent for the year.

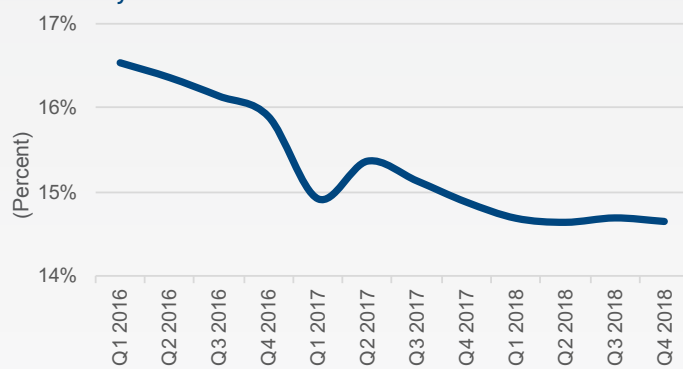
Market Indicators



Demand/Supply



Vacancy Rate



Direct Asking Rate



Source: Colliers International, CoStar Group

Suburban Maryland—Office Market—All Classes | Q4 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	2018 NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	2018 ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	11,345,437	-	-	1,375,609	5,542	-133,925	11.9%	\$38.89
Gaithersburg	6,461,927	-	-	119,000	-61,656	-65,175	8.5%	\$22.24
Germantown	3,133,475	-	-	-	-6,086	-36,646	16.3%	\$23.42
I-270 North	94,390	-	-	-	-	-19,950	24.6%	n/a
Kensington	1,622,017	-	-	-	7,945	56,768	23.7%	\$25.49
North Bethesda	11,090,400	-	-	212,000	-22,817	94,037	17.8%	\$30.30
North Rockville	13,230,573	-	-	175,840	-20,004	169,860	16.6%	\$27.98
North Silver Spring	3,262,156	-	-	-	10,983	53,890	6.8%	\$24.14
Outlying Montgomery County East	480,689	-	-	-	2,340	14,943	6.5%	\$31.27
Outlying Montgomery County West	779,338	-	-	-	1,020	2,270	4.9%	\$19.00
Rockville	10,050,552	-	-	-	25,711	-114,357	13.9%	\$30.82
Silver Spring	6,973,164	121,724	121,724	-	175,820	251,385	8.3%	\$30.36
Montgomery County Total	68,567,118	121,724	121,724	1,882,449	118,798	272,100	13.5%	\$30.00
PRINCE GEORGE'S COUNTY								
Beltsville	1,628,177	-	-	-	-40,367	-20,659	29.9%	\$22.00
Bowie	1,845,823	-	-	-	16,690	43,376	9.1%	\$23.00
Branch Avenue Corridor	1,930,340	-	-	574,767	15,320	15,135	13.5%	\$15.32
College Park	4,570,345	75,000	75,000	-	70,451	60,446	15.2%	\$23.48
Greenbelt	3,636,484	-	-	-	12,734	-24,919	26.3%	\$21.55
Landover/Largo	3,219,357	-	-	176,000	16,4v99	-148,031	22.5%	\$22.03
Lanham	2,069,494	-	-	-	-10,380	-19,726	18.6%	\$20.67
Laurel	2,665,963	-	-	-	8,433	-35,392	12.1%	\$20.44
National Harbor	1,278,378	95,000	95,000	-	76,147	36,079	7.3%	\$20.25
Outlying PG County South	108,909	-	-	-	11,973	11,266	10.8%	n/a
Pennsylvania Avenue Corridor	584,684	-	-	-	-8,775	1,010	8.0%	\$20.48
Upper Marlboro	196,690	-	-	-	-	-	0.0%	n/a
Prince George's County Total	23,691,644	170,000	170,000	750,767	168,725	-80,415	18.0%	\$21.94
SUBURBAN MARYLAND TOTAL	92,258,762	291,724	291,724	2,633,216	287,523	191,685	14.7%	\$27.83

FOURTH QUARTER 2018

OVERALL QUICK STATS



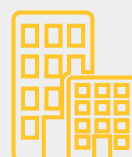
14.7%

Vacancy Rate



287,523

Absorption
(Square Feet)



291,724

New Deliveries
(Square Feet)



\$27.83

Direct Asking Rate
(\$/SF)

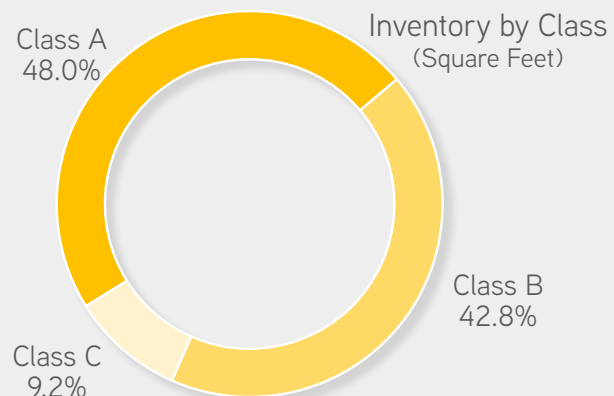
Suburban Maryland—Office Market—Class A | Q4 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	2018 NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	2018 ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	5,508,542	-	-	1,375,609	29,767	-58,299	9.9%	\$41.67
Gaithersburg	2,382,240	-	-	119,000	-6,223	37,039	7.3%	\$22.86
Germantown	1,314,846	-	-	-	-6,204	-45,395	18.8%	\$22.59
I-270 North	-	-	-	-	-	-	n/a	n/a
Kensington	165,000	-	-	-	-	2,310	11.0%	\$36.71
North Bethesda	7,198,354	-	-	212,000	-35,961	59,473	19.4%	\$31.56
North Rockville	8,017,067	-	-	175,840	-33,891	127,721	16.9%	\$29.56
North Silver Spring	1,399,928	-	-	-	1,106	3,522	0.5%	\$25.70
Outlying Montgomery County East	-	-	-	-	-	-	n/a	n/a
Outlying Montgomery County West	719,082	-	-	-	-	-	5.1%	n/a
Rockville	4,542,614	-	-	-	30,086	-98,960	20.0%	\$31.85
Silver Spring	4,314,735	121,724	121,724	-	170,242	240,032	8.5%	\$31.86
Montgomery County Total	35,562,408	121,724	121,724	1,882,449	148,922	267,443	14.2%	\$31.10
PRINCE GEORGE'S COUNTY								
Beltsville	767,760	-	-	-	-13,823	49,905	43.5%	\$22.08
Bowie	688,392	-	-	-	13,385	14,790	16.7%	n/a
Branch Avenue Corridor	-	-	-	574,767	-	-	n/a	n/a
College Park	1,922,977	75,000	75,000	-	64,004	42,678	7.8%	\$25.47
Greenbelt	2,166,286	-	-	-	25,700	-37,441	30.3%	\$22.51
Landover/Largo	957,735	-	-	176,000	1,285	8,367	21.7%	\$25.95
Lanham	557,000	-	-	-	-	-	11.6%	\$22.00
Laurel	840,547	-	-	-	-	2,397	13.9%	\$22.10
National Harbor	555,752	95,000	95,000	-	78,060	46,474	0.0%	n/a
Outlying PG County South	-	-	-	-	-	-	n/a	n/a
Pennsylvania Avenue Corridor	232,189	-	-	-	-	-	0.0%	n/a
Upper Marlboro	54,000	-	-	-	-	-	0.0%	n/a
Prince George's County Total	8,742,638	170,000	170,000	750,767	168,611	127,170	20.0%	\$23.10
SUBURBAN MARYLAND TOTAL	44,305,046	291,724	291,724	2,633,216	317,533	394,613	15.3%	\$29.10



2.63

Under Construction
(Million Square Feet)



Suburban Maryland—Office Market—Class B & C | Q4 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	2018 NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	2018 ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	5,836,895	-	-	-	-24,225	-75,626	13.7%	\$37.58
Gaithersburg	4,079,687	-	-	-	-55,433	-102,214	9.2%	\$21.78
Germantown	1,818,629	-	-	-	118	8,749	14.5%	\$24.61
I-270 North	94,390	-	-	-	-	-19,950	24.6%	n/a
Kensington	1,457,017	-	-	-	7,945	54,458	25.1%	\$23.33
North Bethesda	3,892,046	-	-	-	13,144	34,564	14.8%	\$27.96
North Rockville	5,213,506	-	-	-	13,887	42,139	16.3%	\$23.43
North Silver Spring	1,862,228	-	-	-	9,877	50,368	11.6%	\$24.06
Outlying Montgomery County East	480,689	-	-	-	2,340	14,943	6.5%	\$31.27
Outlying Montgomery County West	60,256	-	-	-	1,020	2,270	2.7%	\$19.00
Rockville	5,507,938	-	-	-	-4,375	-15,397	8.9%	\$27.55
Silver Spring	2,658,429	-	-	-	5,578	11,353	8.1%	\$25.28
Montgomery County Total	33,004,710	-	-	-	-30,124	4,657	12.8%	\$28.21
PRINCE GEORGE'S COUNTY								
Beltsville	860,417	-	-	-	-26,544	-70,564	17.8%	\$16.86
Bowie	1,157,431	-	-	-	3,305	28,586	4.5%	\$23.00
Branch Avenue Corridor	1,930,340	-	-	-	15,320	15,135	13.5%	\$15.32
College Park	2,647,368	-	-	-	6,447	17,768	20.7%	\$21.67
Greenbelt	1,470,198	-	-	-	-12,966	12,522	20.5%	\$18.86
Landover/Largo	2,261,622	-	-	-	15,214	-156,398	22.9%	\$21.78
Lanham	1,512,494	-	-	-	-10,380	-19,726	21.1%	\$20.05
Laurel	1,825,416	-	-	-	8,433	-37,789	11.3%	\$20.14
National Harbor	722,626	-	-	-	-1,913	-10,395	12.9%	\$20.25
Outlying PG County South	108,909	-	-	-	11,973	11,266	10.8%	n/a
Pennsylvania Avenue Corridor	352,495	-	-	-	-8,775	1,010	13.2%	\$20.48
Upper Marlboro	142,690	-	-	-	-	-	0.0%	n/a
Prince George's County Total	14,949,006	-	-	-	114	-207,585	16.8%	\$20.45
SUBURBAN MARYLAND TOTAL	47,953,716	-	-	-	-30,010	-202,928	14.0%	\$25.90