

FIGURES | SUBURBAN MARYLAND INDUSTRIAL | Q3 2024

Strong Fundamentals Remain, Despite Dampened Tenant Activity



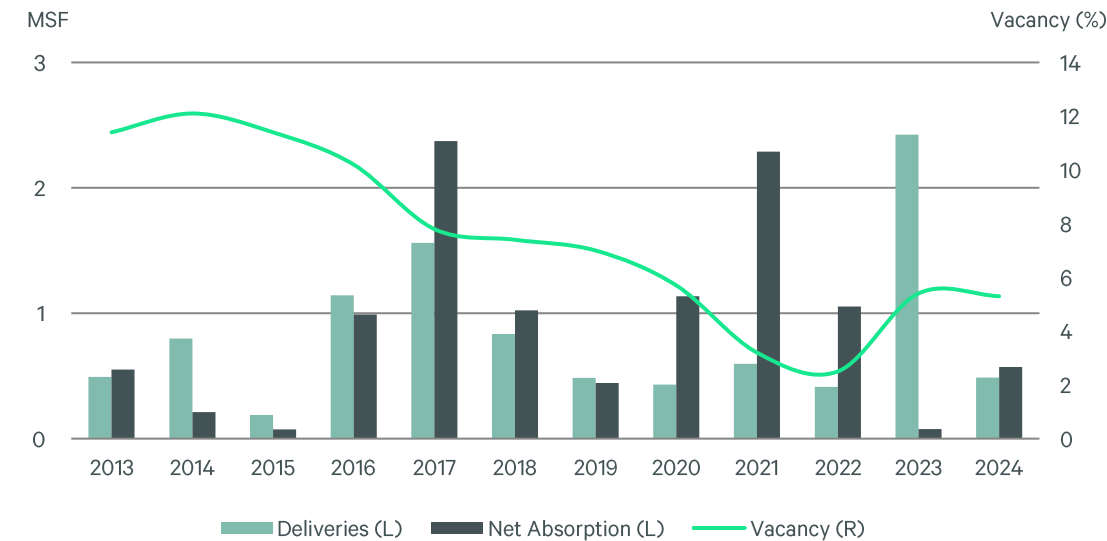
Note: Arrows indicate change from previous quarter.

Overall activity remains muted across the Suburban Maryland industrial and logistics market. Tenants remain cautious with high federal rates and uncertain economic conditions, especially with the premium rental rates across the market. However, federal rate cuts in September and additional forthcoming rate cuts, coupled with lower bond yields, are expected to bolster commercial real estate investment activity and asset values and could lead to an uptick in leasing demand.

Move-ins outweighed move-outs during the third quarter, leading to occupancy gain of 180,000 sq. ft., and net absorption remains positive for the year at 570,000 sq. ft. The Suburban Maryland industrial market recorded 356,000 sq. ft. of leasing activity, down 20% quarter-over-quarter. Despite the muted tenant activity, rental rates remain a premium in the market, rising 2.3% to \$13.71 per sq. ft. per annum on a triple-net basis (NNN).

Deliveries are near 500,000 sq. ft. through three quarters, matching the pace set during the onset of the pandemic, but down from the record-high levels seen in 2023. That said, the industrial development pipeline is still robust, with 2.9 million sq. ft. under construction and expected to deliver through the first quarter of 2026.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Leasing in the Suburban Maryland industrial market was mostly driven by small and medium-sized deals during the third quarter. Gross leasing is down year-over-year but remains consistent with activity recorded through the first half of 2024. Prince George’s County recorded the most leasing activity during the quarter, accounting for 72% of total space leased. Activity was dominated by relocations, with no large renewals recorded during the third quarter.

Third-Party Logistics (3PL)

3PLs are not typically an active sector in Suburban Maryland, due to the lack of bulk inventory. In fact, they have only accounted for 9% of leasing activity in the market year-to-date. However, Diamond Transportation Services signed the largest lease of the quarter and will occupy the entire 93,770 sq. ft. warehouse at 3201-3237 Hubbard Road in Prince George’s County.

Building Materials & Construction

Building materials & construction occupiers continue to lease space in Suburban Maryland, accounting for 27% of leasing activity, a slight increase quarter-over-quarter.

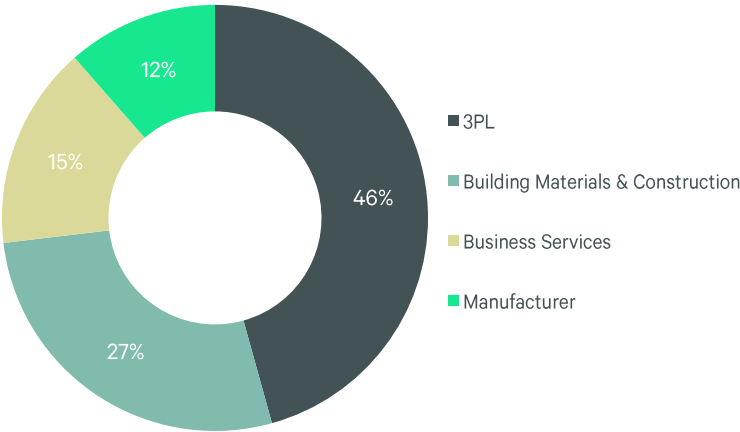
- Daiken signed the second largest lease of the quarter, committing to 36,145 sq. ft. of space at 750 Progress Way, a recently delivered warehouse in Montgomery County.
- United Rentals Realty signed a new deal at 4600 Branch Ave, where they will fully occupy the 21,108 sq. ft. property.

FIGURE 2: Select Notable Q3 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Diamond Transportation Services	3PL	3201-3237 Hubbard Rd	Landover/Largo	New Lease	93,770
Daiken	Building Materials	750 Progress Way	Gaithersburg	New Lease	36,145
21st Century Expo	Business Services	6201-6231 Columbia Park Rd	Landover/Largo	New Lease	26,174
United Rentals Realty	Building Materials	4600 Branch Avenue	Branch Ave	New Lease	21,108
Space Worx	Manufacturer	14200-14254 Cherry Ln	Laurel	New Lease	17,100
Uni Uni	3PL	5214-5216 Monroe Pl	Cheverly/Hyattsville	New Lease	12,800

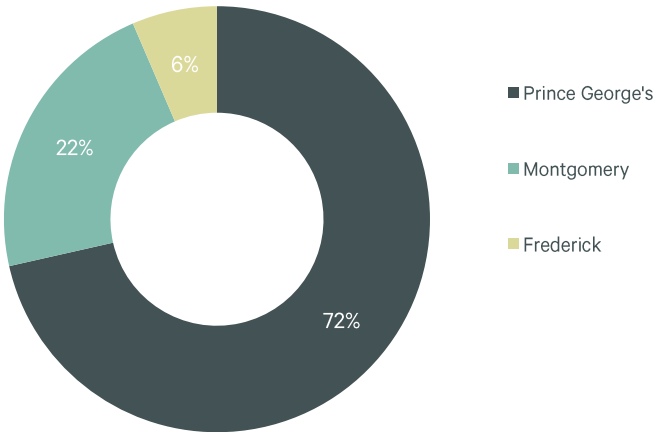
Source: CBRE

FIGURE 3: Q3 2024 Gross Leasing by Transaction Type (Share by SF)



Source: CBRE

FIGURE 4: Q3 2024 Gross Leasing by County (Share by SF)



Source: CBRE

Development Activity

Four properties delivered during the third quarter:

- Trammell Crow delivered a 133,200 sq. ft. warehouse at 6400 Sheriff Road in Prince George’s County. The property was completely preleased by 4Wall Entertainment and heavily contributed to the occupancy gains recorded during the quarter.
- Mackintosh Commercial delivered three flex properties at Ballenger Creek Business Center. The properties total 136,106 sq. ft., all available for lease in Frederick County.

2.9 million sq. ft. remains under construction across 13 properties, all scheduled to deliver through early 2026. The large majority (79%) of properties under construction are in Prince George’s County.

Pricing

Despite muted activity, asking rates continue pushing higher. Overall asking rents rose to \$13.71 NNN after recording little growth through the first half of the year.

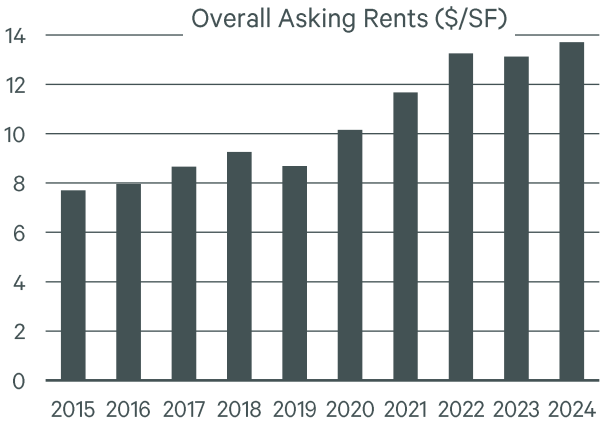
Montgomery County has the highest asking rates in the Suburban Maryland market, with warehouse and overall rental rates at \$15.82 and \$17.12 NNN, respectively.

FIGURE 5: Select Notable Developments Under Construction

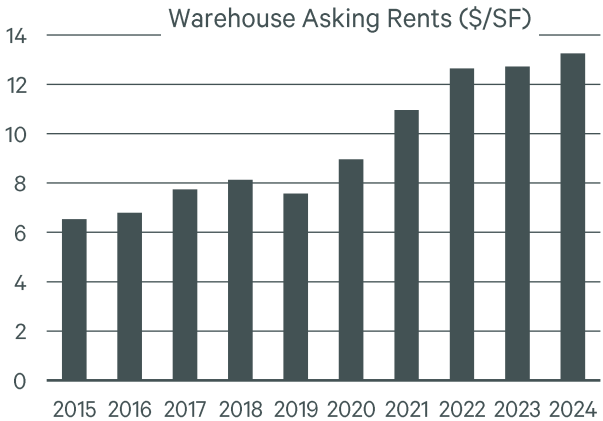
Address	Submarket	SF	Expected Delivery	Developer(s)
14900 Elion Way	Brandywine/PG South	800,000	Q4 2024	Elion Partners
National Capital Business Park – 1	Upper Marlboro	311,040	Q1 2025	Turnbridge Equities
National Capital Business Park - 11	Upper Marlboro	301,392	Q4 2024	Turnbridge Equities
14 Firstfield Rd	Gaithersburg	300,000 300,000	Q1 2026	Novavax
National Capital Business Park – 10	Upper Marlboro	184,140	Q2 2025	Turnbridge Equities
National Capital Business Park – 12	Upper Marlboro	168,840	Q1 2025	Turnbridge Equities
6401 Foxley Rd	Branch Ave	139,375	Q3 2025	Metro Logistics
Louie Pepper Dr – 1	Branch Ave	108,000	Q4 2024	Matan
Louie Pepper Dr – 2	Branch Ave	90,000	Q4 2024	Matan

Source: CBRE

FIGURE 6: Historical Rent Growth (\$/SF)



Source: CBRE



Source: CBRE

Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change

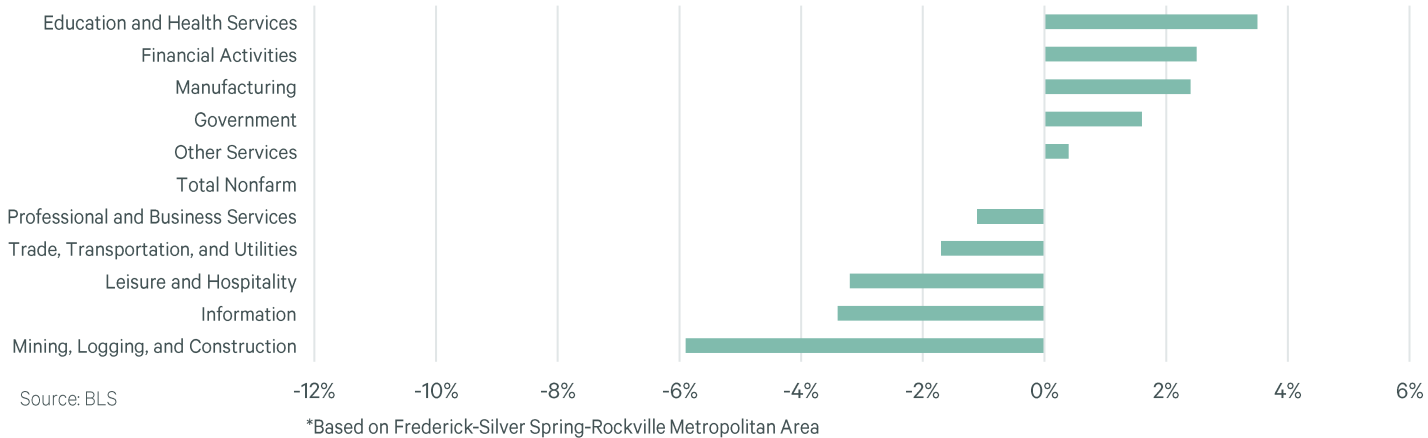


FIGURE 8: Unemployment Rate for Selected Counties

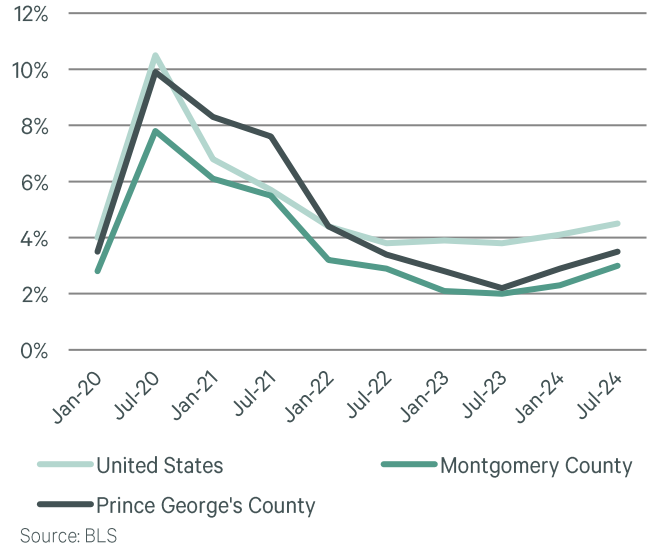


FIGURE 9: Consumer Price Index, 12-Month Percent Change

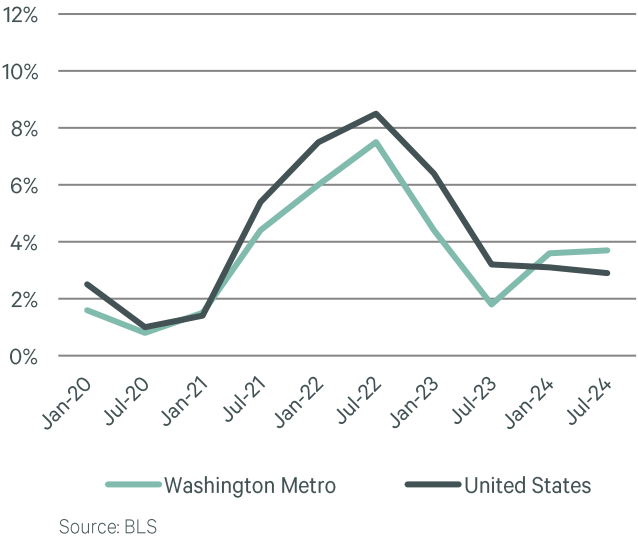
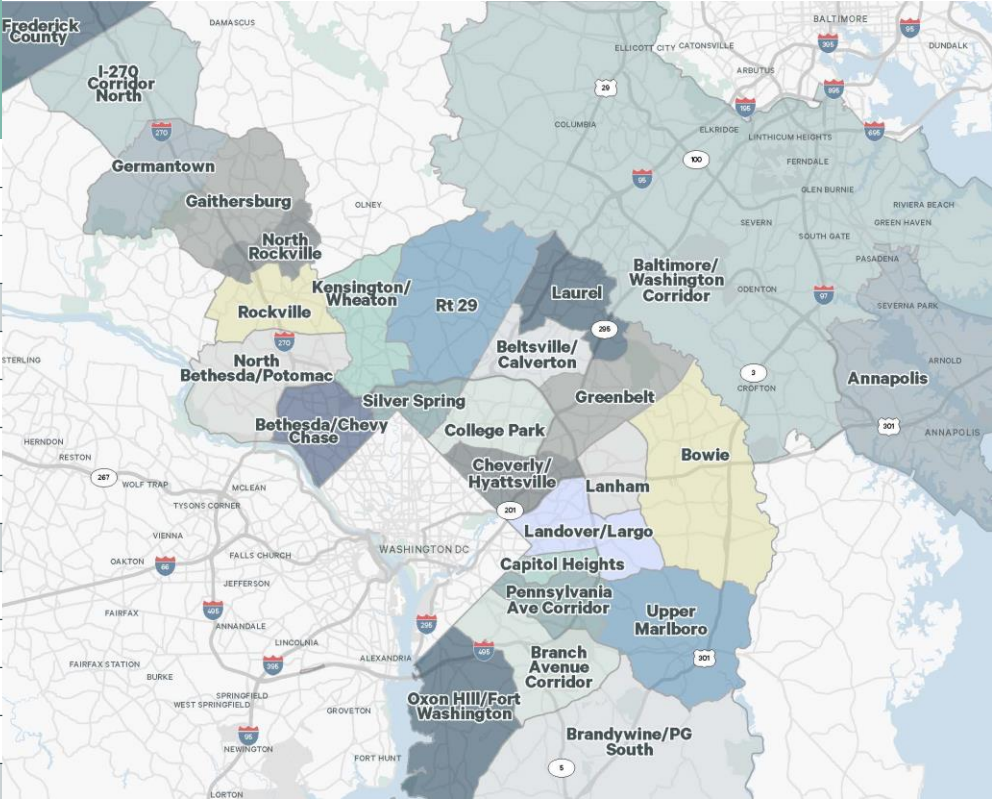


FIGURE 10: Key Market Statistics

		Inventory (SF)	Overall Vacancy Rate (%)	Q3 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Prince George's	45,200,752	5.2%	46,861	1,116	\$13.35	2,262,042
	Frederick	10,539,556	6.0%	138,473	330,190	\$11.16	43,813
	Montgomery	11,752,126	4.8%	24,043	179,148	\$15.82	-
	Total	67,492,434	5.2%	209,377	510,454	\$13.26	2,305,855
Flex	Prince George's	7,086,506	3.2%	37,885	83,857	\$13.22	-
	Frederick	4,132,509	11.1%	(17,126)	10,110	\$13.03	-
	Montgomery	8,604,808	4.5%	(50,106)	(34,080)	\$19.34	600,000
	Total	19,823,823	5.4%	(29,347)	59,887	\$15.14	600,000
Total Industrial	Prince George's	52,287,258	4.9%	84,746	84,973	\$13.34	2,262,042
	Frederick	14,672,065	7.4%	121,347	340,300	\$11.84	43,813
	Montgomery	20,356,934	4.7%	(26,063)	145,068	\$17.12	600,000
	Total	87,316,257	5.3%	180,030	570,341	\$13.71	2,905,855



Survey Criteria:
Includes all classes of competitive single and multi-tenant, non-owner-occupied industrial buildings 10,000 sq. ft. and greater in Suburban Maryland
Source: CBRE

Contact

Chad Robbins

Research Analyst
+1 443 975 8220
chad.robbins1@cbre.com

Erin Janacek

Research Manager
+202 585 5505
erin.janacek@cbre.com

Stephanie Jennings

Research Director
+1 202 609 6802
stephanie.jennings@cbre.com

