

FIGURES | SUBURBAN MARYLAND INDUSTRIAL | Q4 2024

# Moderate Fourth Quarter Activity Drives Positive Year-End Fundamentals

▲ 5.4%

Vacancy Rate

▲ 637,655

SF Net Absorption

▼ 2.8M

SF Under Construction

▲ \$14.01

Average NNN Asking Rate

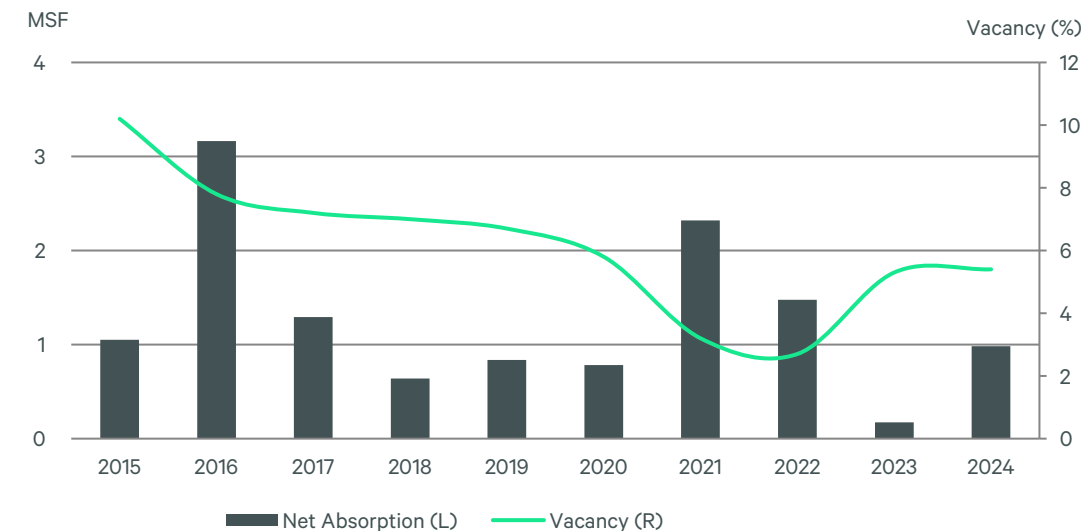
Note: Arrows indicate change from previous quarter.

Industrial and logistics activity across the Mid-Atlantic picked up during the fourth quarter and Suburban Maryland is no exception. With the improvement of economic conditions, including a third federal rate cut in December, demand for industrial space has grown.

Move-ins outweighed move-outs during the fourth quarter, leading to ample occupancy gains of 638,000 sq. ft. and bringing annual net absorption to 985,000 sq. ft. Despite the positive absorption, vacancy increased 20 basis points (bps) quarter-over-quarter due to a bulk vacant delivery in Prince George’s County. Tenants across the Suburban Maryland industrial market recorded 825,000 sq. ft. of leasing activity during the fourth quarter. Rental rates remain elevated, recording a slight 2% increase to \$14.01 per sq. ft. per annum on a triple-net basis (NNN) during the fourth quarter.

Deliveries total 1.3 million sq. ft. in 2024, 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 2.8 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

Fourth quarter leasing in the Suburban Maryland industrial market was driven by medium-sized deals, in addition to a short-term sublease at 14301 Mattawoman Drive. Mako Freight occupied the warehouse, encompassing this quarter’s 3PL activity. Prince George’s County recorded the most leasing activity during the quarter, accounting for 68% of total space leased. Activity was dominated by relocations, with only two notable renewals.

### Business Services

Suburban Maryland typically sees a wide variety of tenants leasing space, and this quarter was no different with multiple business service tenants transacting. JCM Associates signed the largest lease of the quarter, committing to 84,000 sq. ft. of space at National Capital Business Park, a premier industrial development in Prince George’s County. Frederick County captured multiple relocations, with Curated Events taking space at 6051 Jefferson Station Court & Skyzone leasing space at recently-completed 357 Ballenger Court.

### Wholesale & Retail

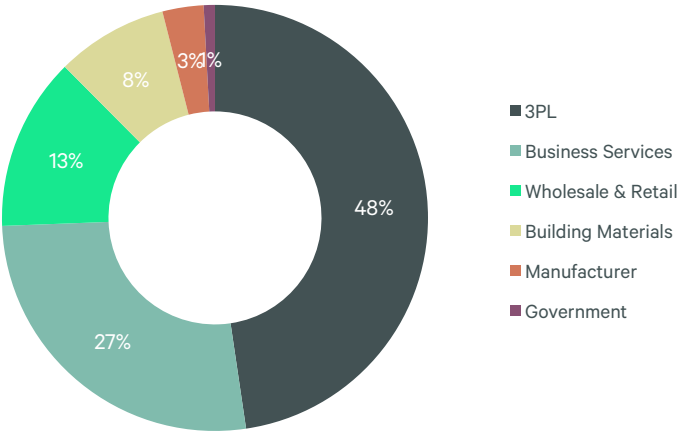
After recording no activity during the third quarter, wholesale & retail occupiers were the third-most active occupier type during the fourth quarter, accounting for 13% of leasing activity. In one of the few renewals of the quarter, Goodwill recommitted to its 55,000 sq. ft. lease in Prince George’s County. Additionally, K&K Floors of Rockville signed a new lease at 86 Derwood Circle, expanding its footprint within the Derwood Industrial Park.

FIGURE 2: Select Notable Q4 2024 Lease Transactions

| Tenant                    | Industry           | Address                        | Submarket                 | Lease Type | SF      |
|---------------------------|--------------------|--------------------------------|---------------------------|------------|---------|
| Mako Freight              | 3PL                | 14301 Mattawoman Dr            | Brandywine/PG South       | Sublease   | 393,440 |
| JCM Associates            | Business Services  | 15821 Queens Court             | Bowie                     | New Lease  | 84,240  |
| Columbia Woodworking      | Building Materials | 1520 Cabin Branch Dr           | Landover/Largo            | New Lease  | 70,000  |
| Goodwill Industries, Inc. | Wholesale & Retail | 7501 Andrews Federal Campus Dr | Pennsylvania Ave Corridor | Renewal    | 54,676  |
| Curated Events            | Business Services  | 6051 Jefferson Station Ct      | Frederick County          | New Lease  | 44,353  |
| Skyzone                   | Business Services  | 357 Ballenger Ct               | Frederick County          | New Lease  | 42,756  |
| KG Sheet Metal            | Manufacturer       | 301 Prince Georges Blvd        | Bowie                     | Renewal    | 25,762  |
| K&K Floors of Rockville   | Wholesale & Retail | 86 Derwood Cir                 | North Rockville           | New Lease  | 18,532  |

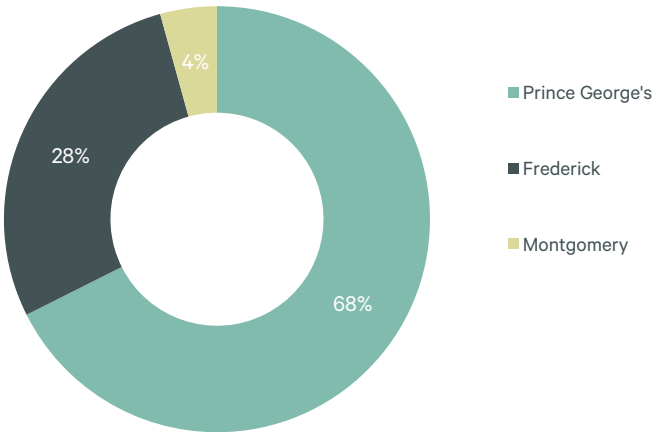
Source: CBRE

FIGURE 3: Q4 2024 Gross Leasing by Industry (Share by SF)



Source: CBRE

FIGURE 4: Q4 2024 Gross Leasing by County (Share by SF)



Source: CBRE

## Development Activity

One property delivered during the fourth quarter. Elion Partners delivered an 800,000 sq. ft. warehouse at 14900 Elion Way in Prince George’s County. The Class A property delivered vacant, causing a slight increase in vacancy for the overall market despite overall positive absorption. This property is now the largest warehouse in Prince George’s County, and one of a handful larger than 500,000 sq. ft.

Additionally, three warehouses broke ground in Frederick County. Hanover Company began construction at 1640 & 1620 Bowmans Farm Road, located at Frederick Airport Park, and Lincoln Property Company started on Building 3 at Jefferson Station Court.

In total, 2.8 million sq. ft. is under construction across 14 properties, all scheduled to deliver through early 2026. About 53% of total space under construction is in Prince George’s County.

## Pricing

To close 2024, overall asking rates reached \$14.01 NNN, and warehouse asking rates hit \$13.70 NNN. Suburban Maryland industrial rates are higher than those of the neighboring Baltimore market due to the market’s proximity to Washington, D.C.

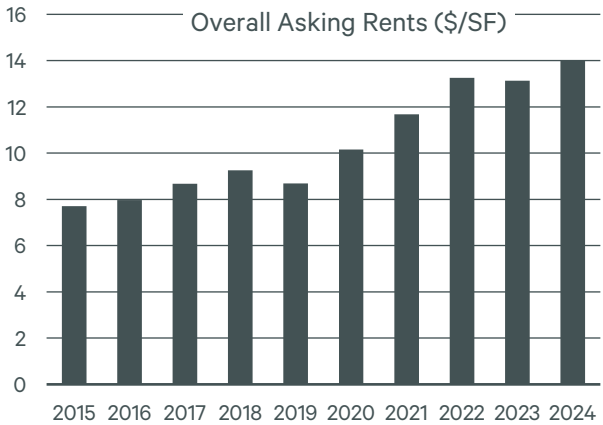
Prince George’s County saw notable increases with the delivery of 14900 Elion Way, with warehouse and overall rental rates at \$13.90 and \$13.89 NNN, respectively.

FIGURE 5: Select Notable Developments Under Construction

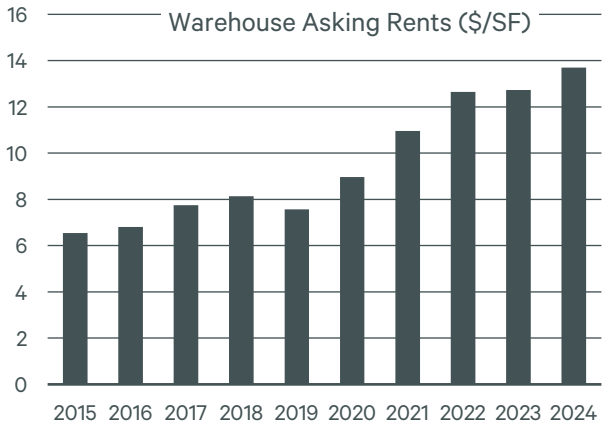
| Address                             | Submarket      | SF                | Expected Delivery | Developer(s)             |
|-------------------------------------|----------------|-------------------|-------------------|--------------------------|
| National Capital Business Park – 1  | Upper Marlboro | 311,040           | Q2 2025           | Turnbridge Equities      |
| National Capital Business Park - 11 | Upper Marlboro | 301,392           | Q2 2025           | Turnbridge Equities      |
| 14 Firstfield Rd                    | Gaithersburg   | 300,000   300,000 | Q1 2026           | Novavax                  |
| 1640 Bowmans Farm Rd                | Frederick      | 258,129           | Q3 2025           | Hanover Company          |
| 1620 Bowmans Farm Rd                | Frederick      | 249,730           | Q3 2025           | Hanover Company          |
| National Capital Business Park – 10 | Upper Marlboro | 184,140           | Q2 2025           | Turnbridge Equities      |
| National Capital Business Park – 12 | Upper Marlboro | 168,840           | Q2 2025           | Turnbridge Equities      |
| Jefferson Station Court – Bldg 3    | Frederick      | 164,321           | Q4 2025           | Lincoln Property Company |
| 6401 Foxley Rd                      | Branch Ave     | 139,375           | Q3 2025           | Metro Logistics          |

Source: CBRE

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



Source: CBRE



Source: CBRE

## Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

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

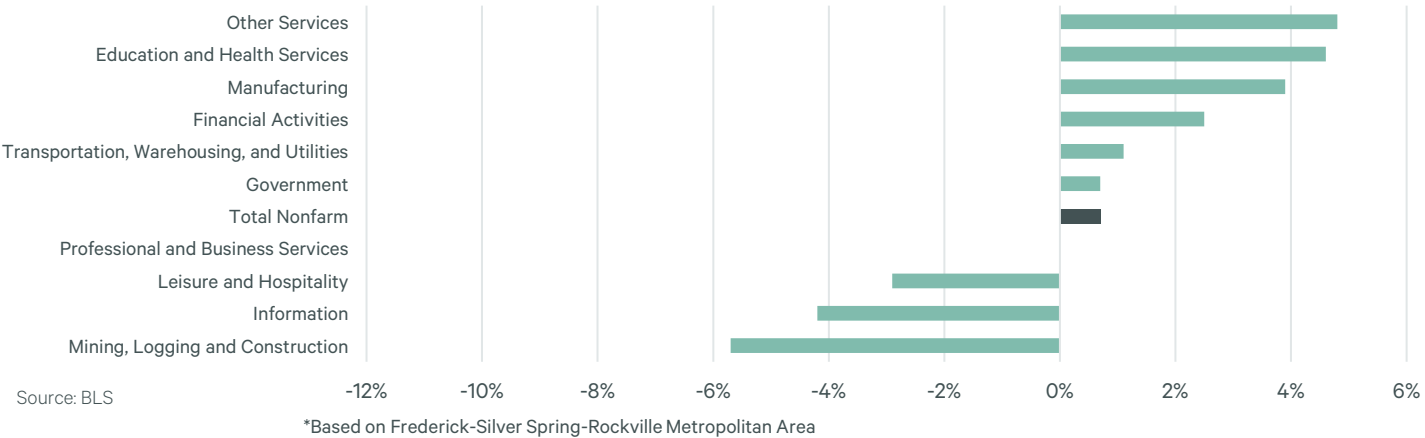


FIGURE 8: Unemployment Rate for Selected Counties

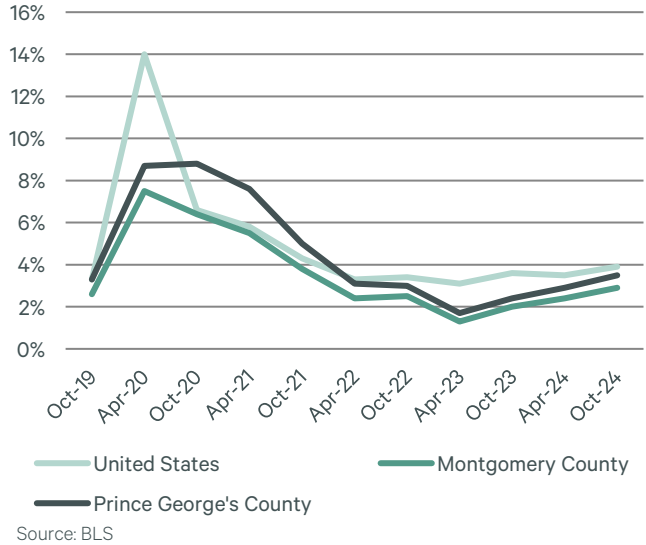


FIGURE 9: Consumer Price Index, 12-Month Percent Change

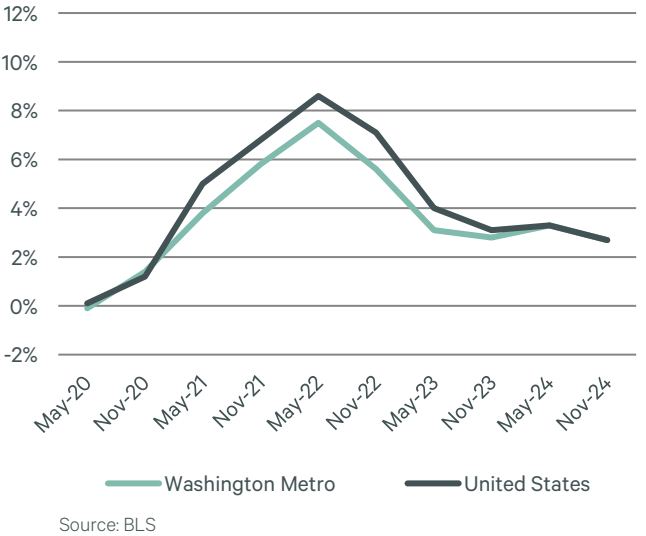
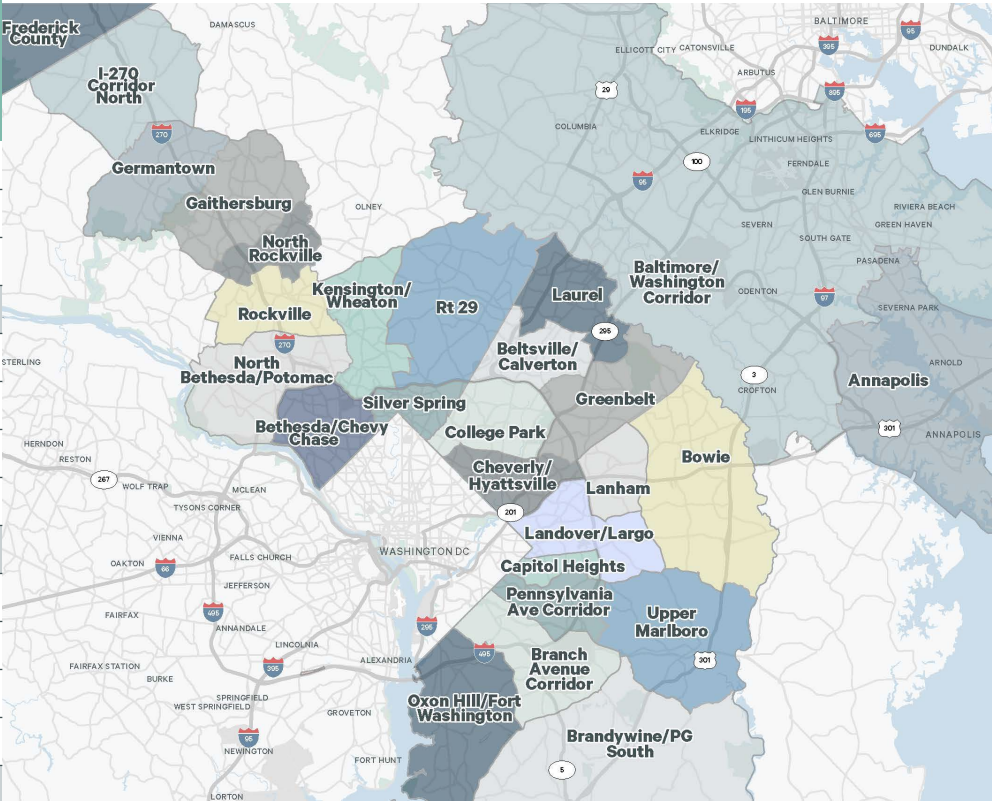


FIGURE 10: Key Market Statistics

|                  |                 | Inventory<br>(SF) | Overall<br>Vacancy<br>Rate (%) | Q4 Net<br>Absorption<br>(SF) | 2024 YTD Net<br>Absorption<br>(SF) | NNN Asking<br>Rent<br>(\$/SF) | Under<br>Construction<br>(SF) |
|------------------|-----------------|-------------------|--------------------------------|------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Warehouse        | Prince George's | 45,812,872        | 6.2                            | 291,701                      | 58,791                             | 13.90                         | 1,456,432                     |
|                  | Frederick       | 10,520,628        | 6.2                            | (19,950)                     | 315,830                            | 12.15                         | 772,431                       |
|                  | Montgomery      | 11,373,878        | 4.2                            | 83,367                       | 184,488                            | 15.46                         | -                             |
|                  | Total           | 67,707,378        | 5.9                            | 355,118                      | 559,109                            | 13.70                         | 2,228,863                     |
| Flex             | Prince George's | 7,025,089         | 2.1                            | 60,452                       | 178,052                            | 13.49                         | -                             |
|                  | Frederick       | 4,135,009         | 8.6                            | 102,650                      | 106,490                            | 13.18                         | -                             |
|                  | Montgomery      | 8,638,724         | 3.1                            | 119,435                      | 140,980                            | 21.13                         | 600,000                       |
|                  | Total           | 19,798,822        | 3.9                            | 282,537                      | 425,522                            | 15.68                         | 600,000                       |
| Total Industrial | Prince George's | 52,837,961        | 5.7                            | 352,153                      | 236,843                            | 13.89                         | 1,456,432                     |
|                  | Frederick       | 14,655,637        | 6.8                            | 82,700                       | 422,320                            | 12.47                         | 772,431                       |
|                  | Montgomery      | 20,012,602        | 3.8                            | 202,802                      | 325,468                            | 17.26                         | 600,000                       |
|                  | Total           | 87,506,200        | 5.4                            | 637,655                      | 984,631                            | 14.01                         | 2,828,863                     |



**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

CBRE Mid-Atlantic Research began using a proprietary database for industrial properties in mid-2024. Beginning Q4 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies.

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