

FIGURES | SUBURBAN MARYLAND INDUSTRIAL | Q1 2025

Economic Uncertainty Slows Industrial Activity

▲ 6.2%
Vacancy Rate

▼ 22,556
SF Net Absorption

▼ 1.9M
SF Under Construction

▲ \$14.05
Average NNN Asking Rate

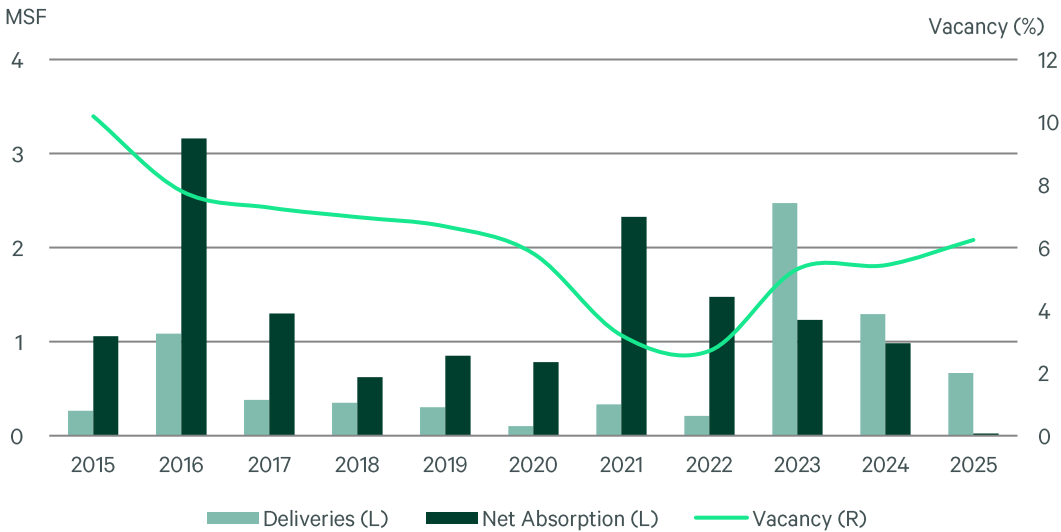
Note: Arrows indicate change from previous quarter.

Industrial and logistics activity across the Mid-Atlantic picked up at the end of 2024, including in Suburban Maryland. The market posted strong occupancy gains following consecutive quarters of dampened leasing activity. This momentum did not continue into the first quarter of 2025, as headwinds in the economy have returned, causing industrial users to be more hesitant in real estate decision-making. That said, Suburban Maryland’s industrial market maintains some positive fundamentals.

Industrial tenants posted low occupancy gains totaling 22,500 sq. ft., however, absorption numbers are expected to grow in 2025 as fully preleased developments are scheduled to deliver later this year. The development pipeline remains active, with two properties delivering completely occupied and one additional project breaking ground. Some space delivered unoccupied, causing the vacancy rate to increase by 80 basis points (bps) quarter-over-quarter.

Leasing activity slowed after the strong activity seen in the fourth quarter of 2024. Despite the increase in vacancy and relatively low leasing totals, rental rates remain elevated, increasing marginally to \$14.05 per sq. ft. per annum on a triple-net basis (NNN).

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Leasing during the first quarter was heavily concentrated in Prince George’s County, which captured 87% of all activity. Dampened leasing in Frederick and Montgomery counties led to leasing totals 54% below the prior quarter. Quality space in the market comes at a high price and user activity has slowed with rising economic uncertainty.

Business Services

Tenants in the business services sector were the most active, capturing 69% of all leasing activity and accounting for the two largest transactions of the quarter. The Severn Group preleased 102,000 sq. ft. of space at Building 10 of National Capital Business Park and will occupy upon delivery later this year. ServiceSource renewed its lease at 1101 Hampton Park Boulevard. They have occupied the location since 2008 and have now recommitted to remain in the space through 2030.

Building Materials & Construction

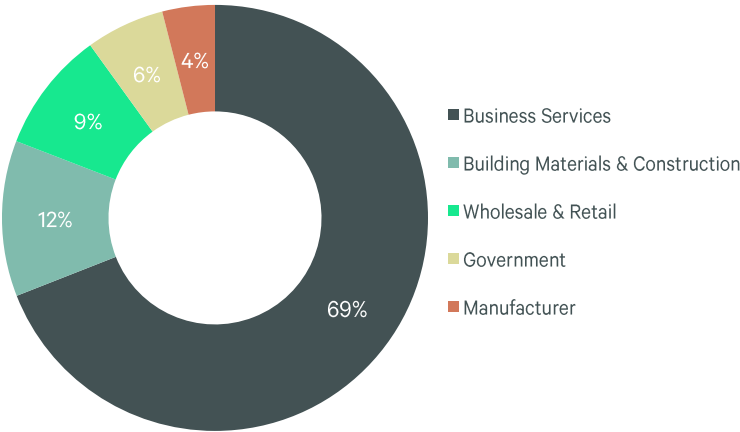
Aside from business services, activity was limited. In the first quarter of 2024, the building materials & construction sector accounted for 54% of gross leasing. However, activity was muted to start 2025. Just one lease was signed in the sector, as JJ Prime renewed its 41,000 sq. ft. lease at 15800 Commerce Court.

FIGURE 2: Select Notable Q4 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
The Severn Group	Business Services	National Capital Business Park - 10	Bowie	New Lease	102,855
ServiceSource	Business Services	1101 Hampton Park Blvd	Capitol Heights	Renewal	56,843
JJ Prime	Building Materials & Construction	15800 Commerce Ct	Bowie	Renewal	41,532
Interior Concepts	Business Services	845 Hampton Park Blvd	Capitol Heights	Renewal/Contraction	26,244
HIMA	Business Services	5640 Sunnyside Ave	Beltsville/Calverton	New Lease	25,971
Public Building Service	Government	8375-8413 Ardwick Ardmore Rd	Landover/Largo	Renewal	20,975
Spectra Metal Sales	Wholesale & Retail	8601 Ritchie Dr	Capitol Heights	Renewal	18,572
Lennox Industries	Business Services	11900 Baltimore Avenue	Beltsville/Calverton	Renewal	12,313

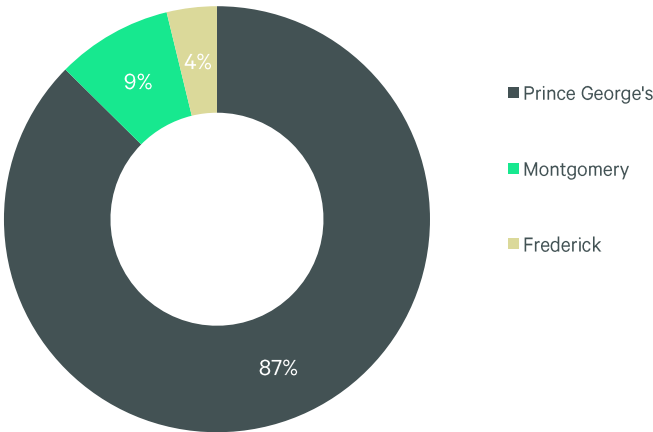
Source: CBRE

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

Both buildings 1 & 2 of Matan’s Woodyard Industrial Park delivered during the first quarter. The 108,000 sq. ft. and 90,000 sq. ft. Class A properties delivered completely occupied. Turnbridge Equities’ National Capital Business Park saw buildings 11 & 12 deliver, totaling 470,000 sq. ft. Core Development Group broke ground on a 48,000 sq. ft. warehouse located at 2200 Urbana Pike in Frederick County. The property is expected to deliver later this year.

In total, 1.9 million sq. ft. is under construction across 14 properties, all scheduled to deliver through the end of the year. Of note, more than 850,000 sq. ft. is within the National Capital Business Park, which continues to see strong leasing activity in Prince George’s County.

Pricing

To start the new year, overall asking rates reached \$14.05 NNN, and warehouse asking rates hit \$13.67 NNN. The overall rate saw an incremental increase quarter-over-quarter, in line with other industrial markets showing flattening rent growth. That said, quality bulk space continues to demand premium rates due to the short supply.

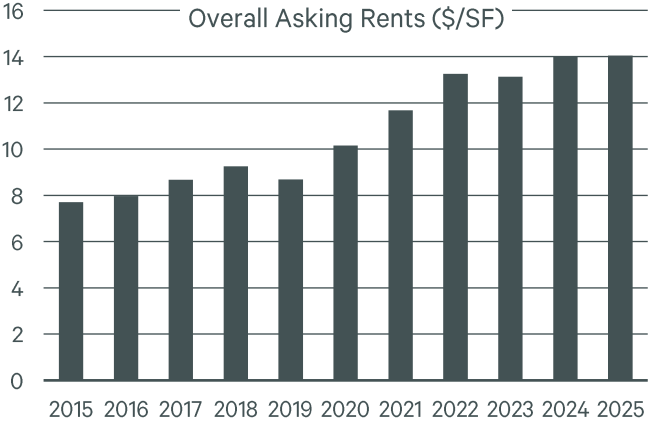
Montgomery County saw the largest increases quarter-over-quarter, rising by 30 cents to \$17.77 overall.

FIGURE 5: Select Notable Developments Under Construction

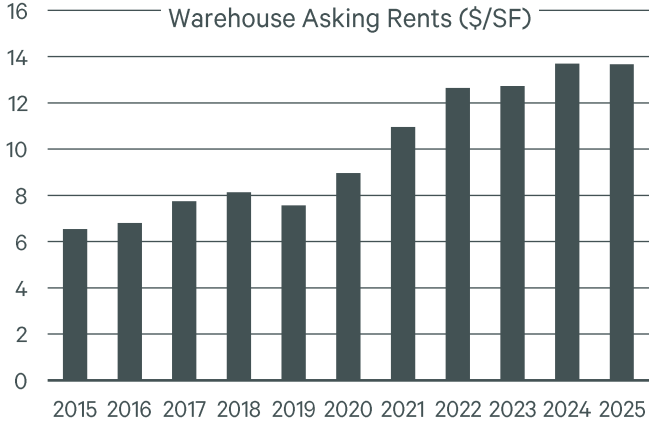
Address	Submarket	SF	Expected Delivery	Developer(s)
National Capital Business Park – 7	Upper Marlboro	358,400	Q2 2025	Turnbridge Equities
National Capital Business Park – 1	Upper Marlboro	311,040	Q2 2025	Turnbridge Equities
1640 Bowmans Farm Rd	Frederick	258,129	Q4 2025	Hanover Company
1620 Bowmans Farm Rd	Frederick	249,730	Q4 2025	Hanover Company
National Capital Business Park – 10	Upper Marlboro	184,140	Q2 2025	Turnbridge Equities
Jefferson Station Court – Bldg 3	Frederick	164,321	Q3 2025	Lincoln Property Company
6401 Foxley Ct	Upper Marlboro	139,375	Q3 2025	Metro Logistics

Source: CBRE

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



Source: CBRE



Source: CBRE

Economic Outlook

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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

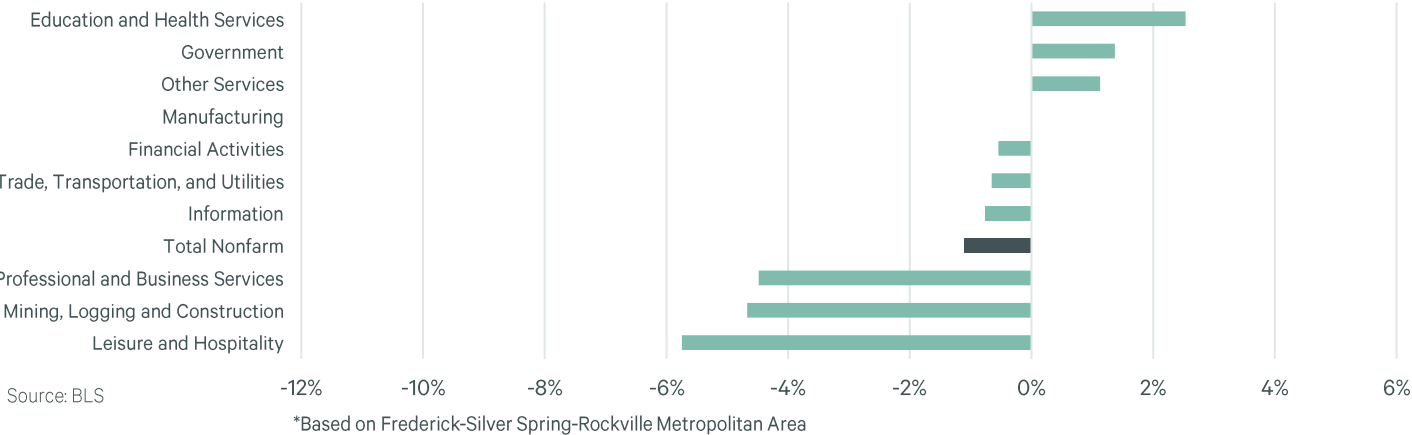


FIGURE 8: Unemployment Rate for Selected Counties

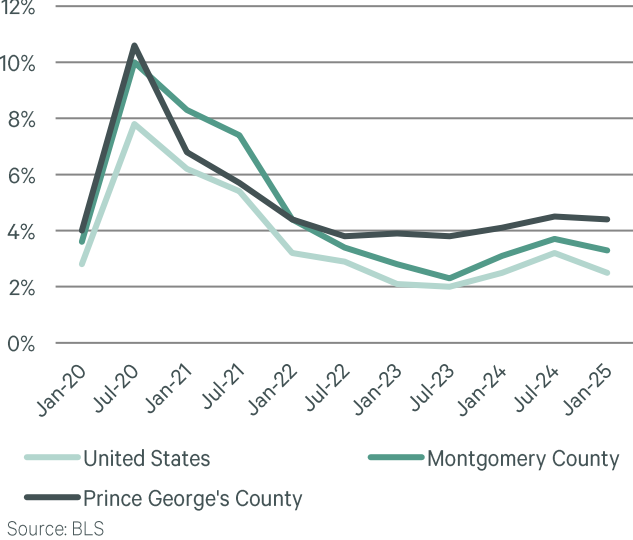


FIGURE 9: Consumer Price Index, 12-Month Percent Change

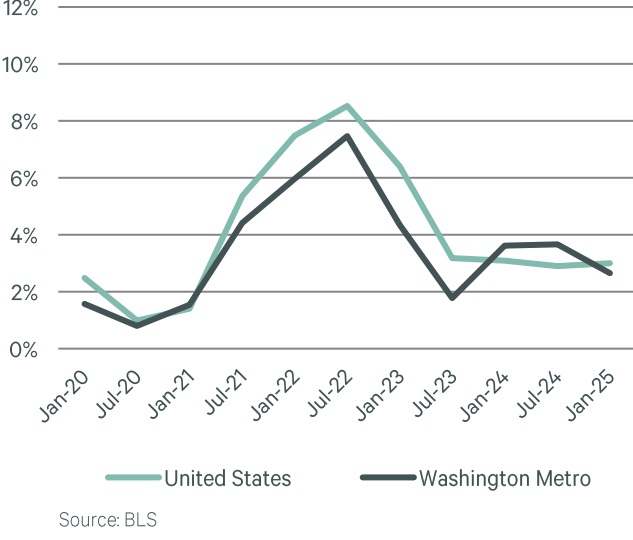


FIGURE 10: Key Market Statistics

		Inventory (SF)	Overall Vacancy Rate (%)	Q1 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Prince George's	46,376,338	7.3	127,854	13.90	1,150,600
	Frederick	10,620,879	7.6	(59,016)	12.24	720,180
	Montgomery	11,373,878	4.2	55	15.46	-
	Total	68,371,095	6.8	68,893	13.67	1,870,780
Flex	Prince George's	7,025,089	2.1	-	13.77	-
	Frederick	4,135,009	8.6	(3,267)	13.18	-
	Montgomery	8,638,724	3.6	(43,070)	21.97	-
	Total	19,798,822	4.2	(46,337)	16.11	-
Total Industrial	Prince George's	53,401,427	6.6	127,854	13.89	1,150,600
	Frederick	14,755,888	7.9	(62,283)	12.48	720,180
	Montgomery	20,012,602	4.0	(43,015)	17.77	-
	Total	88,169,917	6.2	22,556	14.05	1,870,780

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

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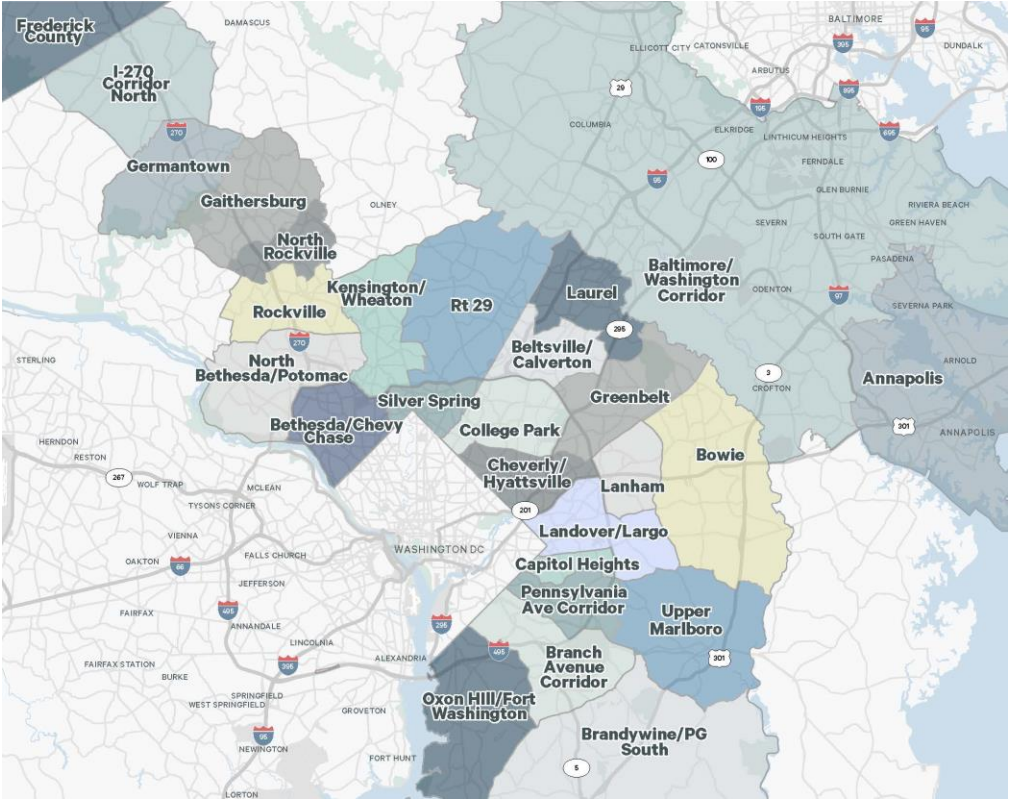
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CBRE Mid-Atlantic Research began using a proprietary database for industrial properties in mid-2024. Beginning Q4 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies.

