

FIGURES | SUBURBAN MARYLAND INDUSTRIAL | Q1 2024

Fundamentals Hold Strong Despite Muted Activity



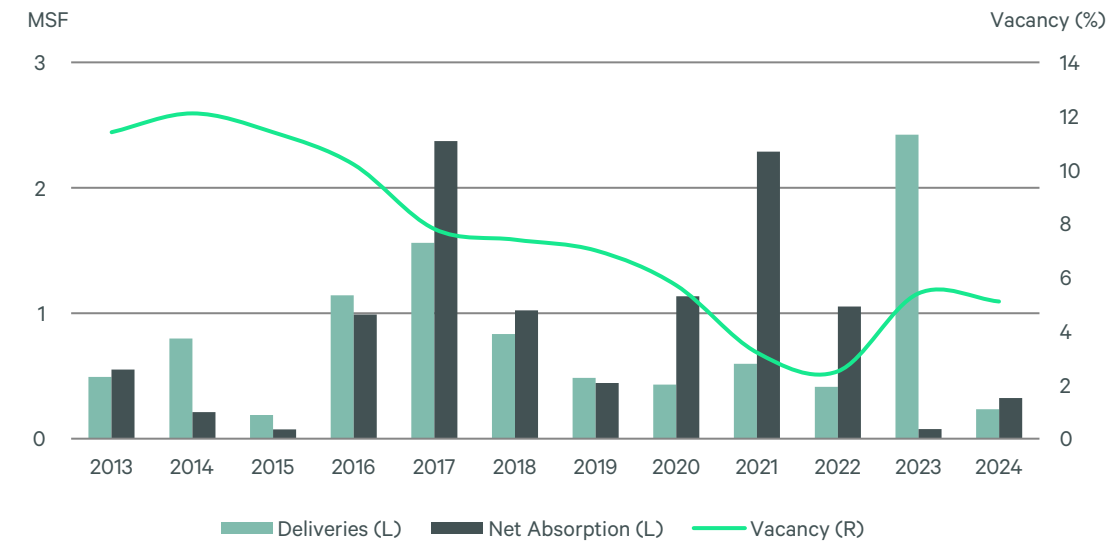
Note: Arrows indicate change from previous quarter.

Industrial activity across the Mid-Atlantic is muted to start the new year as economic headwinds persist. Despite obstacles, the Suburban Maryland industrial market maintains positive fundamentals and vacancy remains unchanged quarter-over-quarter.

Despite record-high levels of new construction recorded in 2023, the Suburban Maryland industrial development pipeline remains just as robust in 2024. Just over 100,000 sq. ft. delivered during the first quarter and up to 2.4 million sq. ft. is scheduled to deliver before year-end. Move-ins outweighed move-outs, and with the delivery of fully preleased 801 Prince George’s Boulevard, Suburban Maryland recorded 343,436 sq. ft. of occupancy gain overall.

The Suburban Maryland industrial market recorded 493,000 sq. ft. of leasing activity during the first quarter of 2024, down 27% from average quarterly levels recorded since the onset of the pandemic. Prince George’s County captured the most activity of the three counties, accounting for 72% of all leasing activity.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Building Materials & Construction

While the Suburban Maryland industrial market typically captures activity from a variety of industries, the first quarter of 2024 was largely driven by the Building Materials and Construction sector.

Southland Industries signed the largest lease of the quarter, committing to 93,000 sq. ft. of industrial space in Prince George’s county. Additionally, Gilbane Building Company signed a 70,750 sq. ft. lease at 6100 Columbia Park Road.

Food & Beverage

Prince George’s County also recorded robust activity from food & beverage tenants. Royal Coffee renewed its 34,176 sq. ft. lease at 845 Hampton Park Boulevard. Additionally, Julius Silvert signed a 16,506 sq. ft. sublease at 1001 Hampton Park Boulevard.

General Wholesale & Retail

Two wholesale tenants headlined the top leases:

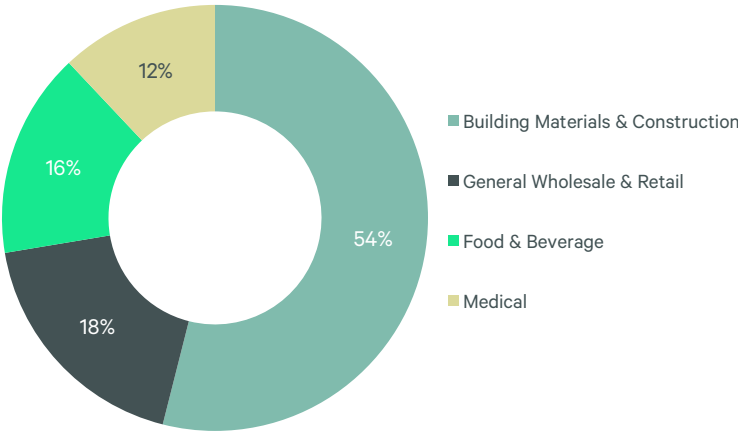
- Carrier Enterprise renewed its 29,951 sq. ft. lease at 4615 Wedgewood Boulevard in Frederick County
- Chesapeake Merchandising renewed its 29,900 sq. ft. lease at 4613 Wedgewood Boulevard

FIGURE 2: Select Notable Q1 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Southland Industries	Building Materials & Construction	12051 Indian Creek Ct	Beltsville/Calverton	New Lease	93,000
Gilbane Building Company	Building Materials & Construction	6100 Columbia Park Rd	Landover/Largo	New Lease	70,750
Royal Coffee	Food & Beverage	845 Hampton Park Blvd	Capitol Heights	Renewal	34,176
Carrier Enterprise	Wholesale	4615 Wedgewood Blvd	Frederick	Renewal	29,951
Chesapeake Merchandising	Wholesale	4613 Wedgewood Blvd	Frederick	Renewal	29,900
Julius Silvert	Food & Beverage	1001 Hampton Park Blvd	Capitol Heights	Sublease	16,506
TNT Services Group	Building Materials & Construction	17301 Melford Boulevard	Bowie	New Lease	11,501

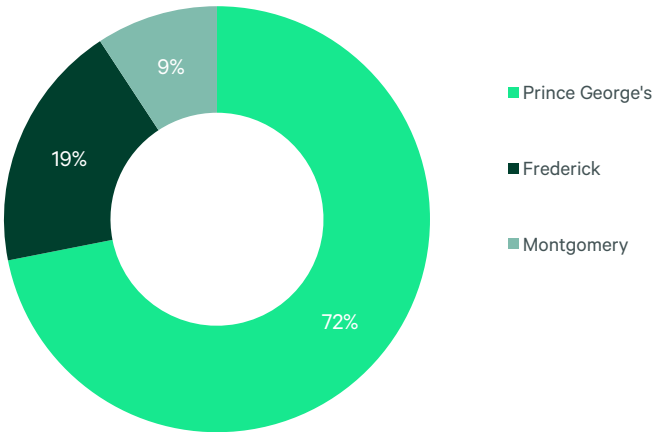
Source: CBRE

FIGURE 3: Q1 2024 Gross Leasing by Transaction Type (Share by SF)



Source: CBRE

FIGURE 4: Q1 2024 Gross Leasing by County



Source: CBRE

Development Activity

801 Prince George’s Boulevard—a 102,377 sq. ft. warehouse in Prince George’s County—was the only property that delivered during the first quarter. The warehouse delivered 100% preleased to Tribble’s.

With no groundbreakings during the first quarter, 13 properties totaling 2.4 million sq. ft. remain under construction, all expected to deliver by the beginning of 2025. The large majority (94%) of properties under construction are in Prince George’s County.

Pricing

Suburban Maryland recorded a 2% increase in overall and warehouse asking rates quarter-over-quarter. Despite muted leasing activity, Suburban Maryland rental rates continue to command a premium within the region, given the market’s prime location between Baltimore and Washington, D.C. Prince George’s County recorded a 4% increase in warehouse rates quarter-over-quarter, the highest of the three counties.

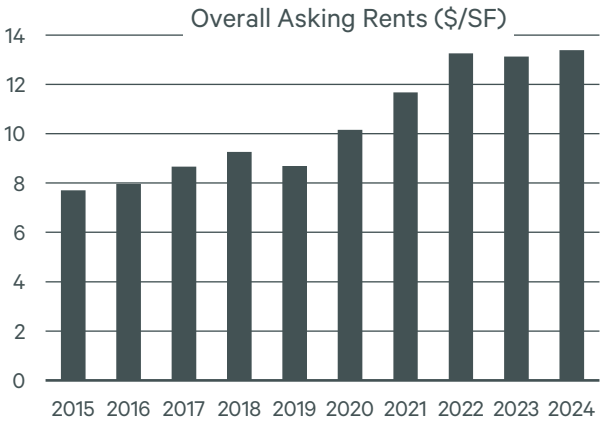
Montgomery County has the highest asking rates in the Suburban Maryland market, with warehouse and overall rental rates at \$14.71 and \$15.59 per sq. ft. per annum on a triple-net basis, respectively.

FIGURE 5: Development Pipeline

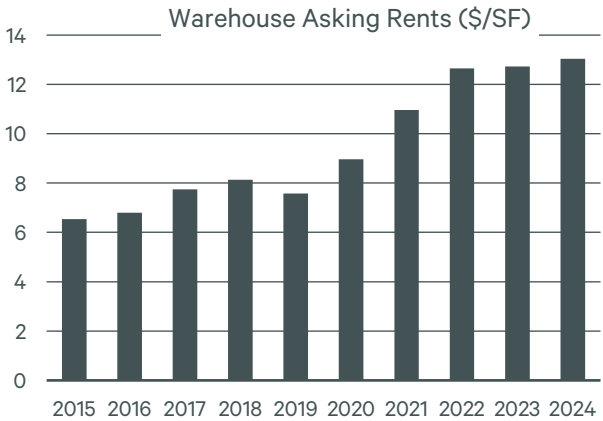
Address	Submarket	SF	Expected Delivery	Developer(s)
14900 Elion Way	Brandywine/PG South	800,000	Q3 2024	Elion Partners
National Capital Business Park – 1	Upper Marlboro	311,040	Q1 2025	Turnbridge Equities
National Capital Business Park - 11	Upper Marlboro	301,392	Q4 2024	Turnbridge Equities
National Capital Business Park – 10	Upper Marlboro	184,140	Q1 2025	Turnbridge Equities
National Capital Business Park – 12	Upper Marlboro	168,840	Q4 2024	Turnbridge Equities
6400 Sheriff Rd	Landover/Largo	133,200	Q2 2024	Trammell Crow
9211 Old Pike Way	Upper Marlboro	116,500	Q2 2024	High Street
Louie Pepper Dr – 1	Branch Ave	108,000	Q2 2024	Matan
Louie Pepper Dr – 2	Branch Ave	90,000	Q2 2024	Matan

Source: CBRE

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



Source: CBRE



Source: CBRE

Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

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

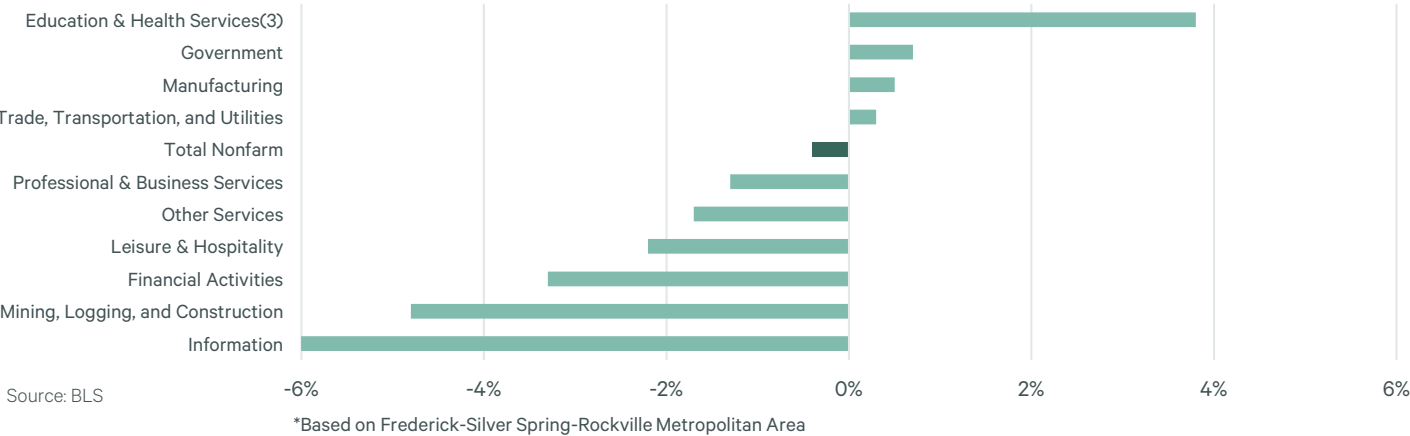


FIGURE 8: Unemployment Rate for Selected Counties

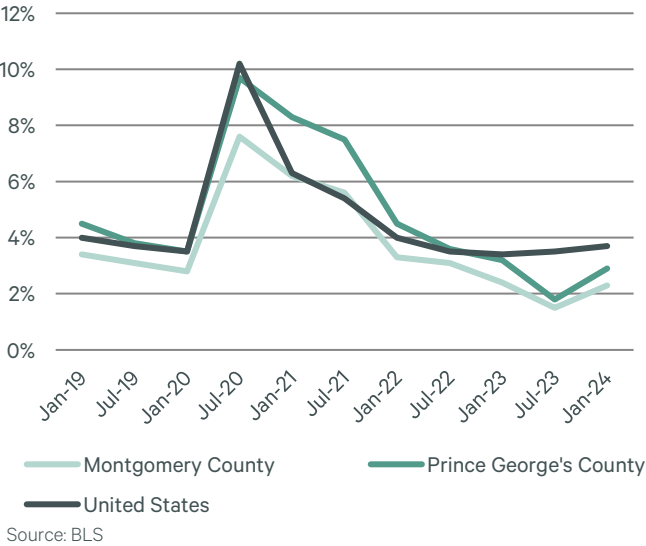


FIGURE 9: Consumer Price Index, 12-Month Percent Change

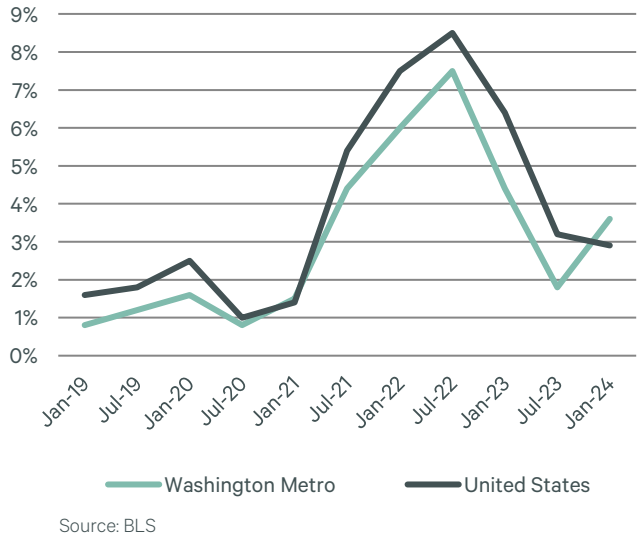


FIGURE 10: Key Market Statistics

		Inventory (SF)	Overall Vacancy Rate (%)	Q1 Net Absorption (SF)	Gross Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Prince George's	45,244,330	4.5%	13,581	\$13.47	2,302,367
	Frederick	10,519,787	8.5%	94,049	\$11.16	-
	Montgomery	11,828,787	4.8%	166,453	\$14.71	-
	Total	67,726,104	5.1%	274,083	\$13.04	2,169,167
Flex	Prince George's	7,058,050	3.8%	34,853	\$13.13	-
	Frederick	3,998,903	7.9%	15,276	\$13.17	136,056
	Montgomery	8,626,083	4.4%	19,224	\$17.26	-
	Total	19,703,036	5.0%	69,353	\$14.68	136,056
Total Industrial	Prince George's	52,322,380	4.4%	48,434	\$13.43	2,302,367
	Frederick	14,518,690	8.3%	109,325	\$11.67	136,056
	Montgomery	20,454,870	4.7%	185,677	\$15.59	-
	Total	87,295,940	5.1%	343,436	\$13.38	2,438,423

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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