

Office Market Report

MID-YEAR | 2016 | Prince George's County, MD

Current Market Overview

The Washington DC Office Market

The Washington Area office market includes the District of Columbia and adjacent suburban markets in Maryland and Virginia. The Washington Area office market consists of about 470 million square feet in 10,007 buildings. Net absorption for the overall Washington Area was positive 406,764 square feet for the second quarter 2016 compared to negative (583,862) square feet in the first quarter 2016. The Washington Area vacancy was 14.9% with 10.6% in Washington D.C.'s Central Business District (CBD) and 16.9% in the suburban markets. Washington Area quoted asking lease rates at the end of the 2nd quarter averaged \$35.09 per square foot. The rates averaged \$50.50 in the CBD and \$29.08 in the suburbs. 41 office building sales of 15,000 square feet or larger closed in the Washington Area during the first quarter with a total volume of \$1,507,598,741 averaging \$260.59 per square foot. Cap rates have been lower in 2016, averaging 6.06% compared to the same period in 2015 when they averaged 6.45%. (CoStar®)

Prince George's County Office Market

Prince George's County encompasses all of Washington D.C.'s eastern boundary which includes the Capital Beltway from I-95 to the north of DC then south to National Harbor. The Prince George's County office market totals approximately 26 million square feet in 1,136 buildings with lease rates averaging \$21.62 per square foot – a good value when compared to over \$50 psf in DC's central business district and \$30 psf in other comparable suburban markets.

Vacancy

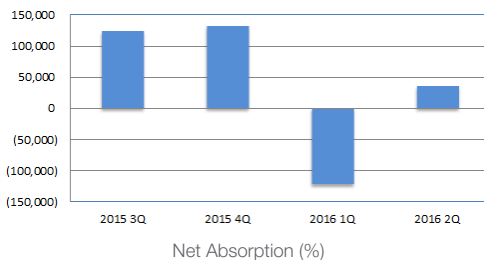
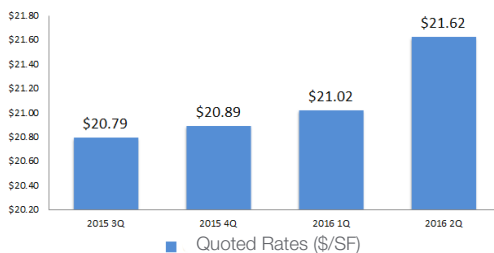
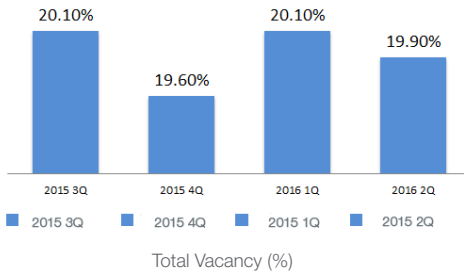
Prince George's County office vacancy rates have averaged just under 20% since 2014 and are currently at 19.9% for mid-year 2016.

Rental Rate

The average quoted asking annual rental rate for Prince George's County existing office space is approximately \$21.62 per square foot on a full service basis for the second quarter of 2016. Full service rates usually include utilities, janitorial services and maintenance of the building common areas.

Absorption

The 2016 year to date net absorption of vacant space totaled negative 85,737 square feet. This negative absorption occurred mostly in the northern submarkets with the Federal Government downsizing by 74,451 square feet in Hyattsville and a government contractor vacating 60,452 square feet in Laurel.



CoStar Property®



Report Prepared by:

David Wills

Vice President
+1 301 918 2929
dwills@naimichael.com

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Office Tips

How To – New IT Setup and Support for New Office Locations

Internet and phone service providers can vary from location to location which might include everything from dial-up copper lines, FIOS, or Ethernet solutions. “Is your building Lit UP?”.

The good news is that a move can be a perfect time for a technology refresh. Take this opportunity to get new IT equipment into the new space. Hiring a Managed IT Service & Support company can help you with a move. They can often package a deal to help with identifying the right internet/phone service provider for you, as well as recommending and executing a technology refresh, while keeping your budget and timeline under control!

Information provided by: www.1RTechnologies.com

Sale Transactions

During the first and second quarter, 18 office buildings 15,000 square feet or larger sold in Prince George's County. The total sales volume was \$55,787,949 averaging \$89.93 per square foot. Eight of the buildings sold were purchased by investors.

Notable Sales:

- Metro Plaza, Metro East Building Community (Four building portfolio)**
 8100-8300 Professional Place, Landover, MD
 175,717 SF office, sold May 6, 2016 for \$13.175 Million (\$74.98/sf)
- Corporate Plaza, Metro East Building Community (Three building portfolio)**
 8200-8400 Corporate Drive, Landover, MD
 179,062 SF office, sold June 14, 2016 for \$14.6 Million (\$81.54/sf)
- Triangle Centre**
 6401 Golden Triangle Drive, Greenbelt, MD
 80,454 SF 4-story, all brick with glass office building, sold June 2, 2016 for \$4 Million (\$49.72/sf)

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Prince George's County	1,136	26,436,629	5,274,111	19.9	(- 85,737)	0	39,272	\$21.62
Prince George's County Northern Submarkets	698	19,519,883	4,413,012	22.6	(- 89,276)	0	39,272	\$21.16
Prince George's County East Submarkets	116	2,539,652	289,641	11.4	1,398	0	0	\$21.71
Prince George's County Southern Submarkets	322	4,377,094	571,458	13.1	2,161	0	0	\$24.23

Net Absorption - The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space. CoStar Property® RBA - Rentable Building Area

Lease Transactions

Over 79 full service office leases totaling 300,962 square feet were executed in Prince George's County by mid-year 2016. Based on county wide absorption, about 45% of those leases were term extensions or expansions of existing leases. Starting rents averaged \$23.20/SF with full service terms. Rents usually include some remodeling or interior office construction. There were five executed leases that exceeded 10,000 square feet totaling 134,564 square feet with terms averaging five years.

Notable Leases:

- Maryland Trade Center II**
 7474 Greenway Center Drive, Greenbelt, MD
 ATA Aerospace - 12,000 SF
- National Harbor**
 100 American Way, National Harbor, Maryland
 BP Fisher Law Group - 62,480 SF
- Calvert Metro Park**
 6811 and 6801 Kenilworth Avenue, Riverdale, MD
 Fluor Enterprises - 44,000 SF
- 4900 Harkins Road, Lanham, MD**
 2U, Inc. - 252,950 SF (Occupancy by 2nd quarter 2017)

For more information regarding these transactions, please visit our blog at www.blog.naimichael.com

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The information contained herein was obtained by sources deemed reliable; however we make no representation as to its accuracy or completeness.