

Office Market Report

YEAR END | 2016 | Prince George's County, MD



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 10,045 buildings. Net absorption for the overall Washington Area was positive 1,450,701 square feet for the fourth quarter 2016. That compares to positive 86,500 square feet in the third quarter 2016, positive 501,096 square feet in the second quarter 2016, and negative (565,786) square feet in the first quarter 2016. The Washington Area vacancy decreased to 14.8% with 10.4% vacant in Washington D.C.'s Central Business District (CBD) and 16.9% vacant in the suburban markets. The Washington Area asking lease rates at the end of the fourth quarter averaged \$35.23 per square foot. The lease rates averaged \$52.04 in the CBD and \$29.34 in the Suburbs. Sales activity tallying office building sales of 15,000 square feet or larger, Washington office sales figures rose during the third quarter 2016 in terms of dollar volume compared to the second quarter of 2016. Cap rates have been lower in 2016, averaging 6.42% compared to the same period in 2015 when they averaged 6.79%. (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 1,137 buildings at rates averaging \$21.45 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

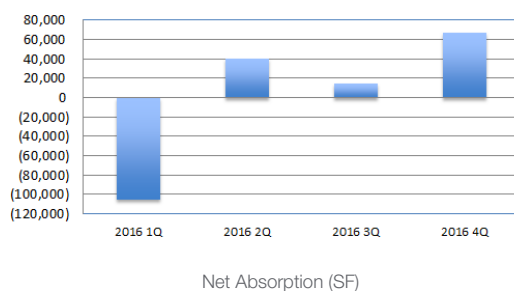
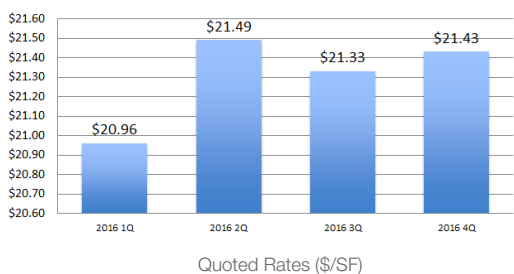
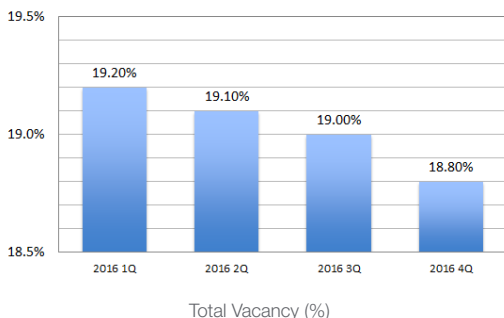
Prince George's County office vacancy rates steadily declined every quarter of 2016 from 19.2% in the first quarter and ending the year at 18.8% at the end of the year. Using 5-year averages and known construction activity, vacancy is forecast to drop to 17.0% by the end of 2017.

Rental Rate

The average quoted asking annual rental rate for Prince George's County office space steadily increased ending the year at a rate averaging \$21.43 per square foot on a full service basis. Full service rates usually include utilities, janitorial services, and maintenance of the building common areas.

Absorption

Net absorption of vacant space county wide for 2016 averaged positive 40,642 square feet for each of the 2nd, 3rd, and 4th quarters. The central to northern county submarkets rebounded in the fourth quarter netting positive 92,896 square feet. New leases signed late in 2016 show that the northern submarkets will have a positive net absorption of over 300,000 square feet in the first quarter 2017.



CoStar Property®



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Office Market Overview Year End | 2016



Sale Transactions

Total office building sales of 60,000 square foot or larger buildings in Prince George's County closed 2016 with 114 transactions totaling 2,597,862 square feet with a volume total of \$168,786,687. The median price per square foot was \$60.55. Almost all the sold properties were purchased by investors and the properties were leased at current market rates. The average time on the market was 114 days. Most new owners intend to invest substantial capital into their assets with many needed improvements and upgrades which will help retain current tenants and attract new tenants at attractive lease prices.

- Capital Office Park (Seven building Office Park) 6301-6421 Ivy Lane, Greenbelt, MD**
 806,531 SF office, sold December 23, 2016 for \$13.175 Million (\$60.55/sf).
- Maryland Corporate Center (Four Building Portfolio) 7375-7404 Executive Place and 7401-7501 Forbes Boulevard, Lanham, MD**
 228,000 SF office, sold November 1, 2016 for \$7.3 Million (\$32.02/sf).

Lease Transactions

Over 153 full service office leases totaling 530,820 square feet were executed in calendar-year 2016. The median rate was \$20.80 psf at full service rates. The average size tenant was 3,864 square feet. There were 24 executed leases that exceeded 10,000 square feet totaling 592,181 square feet with terms averaging five years.

- T-Rex Corporation - Greenbelt Corporate Park, 7601 & 7615 Ora Glen Drive, Greenbelt, MD**
 Leased approximately 126,045 square feet in the fourth quarter 2016.
- Perfect Office Solutions - Palmer Business Center V, 4500 Forbes Blvd, Lanham, MD**
 Leased 16,255 square feet in the fourth quarter 2016.
- 2U, Inc. - 4900 Harkins Road, Lanham, MD**
 Leased approximately 252,950 square feet. They are in the process of relocating from nearby 8201 Corporate Drive in Landover vacating approx. 80,000 sf. The last 56,350 sf is scheduled for occupancy by second quarter 2017.

Prince George's County Area Office Market Statistics Year End | 2016

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Prince George's County	1,137	26,566,134	4,988,200	18.8	17,059	5,183	34,089	\$21.45
Prince George's County Northern Submarkets	700	19,656,289	4,194,971	21.3	(45,531)	5,183	34,089	\$20.97
Prince George's County East Submarkets	115	2,525,830	239,648	9.5	42,052	0	0	\$20.47
Prince George's County Southern Submarkets	322	4,384,015	553,581	12.6	20,538	0	0	\$24.07

Washington DC Area Office Market Statistics Year End | 2016

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Washington DC Area	10,045	470,042,173	69,734,360	14.8%	1,450,701	2,429,105	9,994,882	\$35.23
Washington Central Business District	2,294	149,074,189	15,575,237	10.4%	681,850	681,850	4,781,458	\$52.04
Suburban MD DC VA	7,751	320,987,984	54,159,123	16.9%	768,851	1,262,202	5,213,424	\$29.34

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

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

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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.