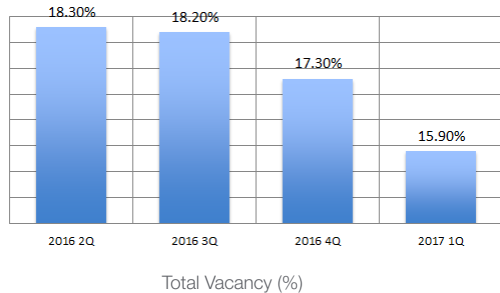


Office Market Report

Q1 | 2017 | Prince George's County, MD



Market Overview

The Washington DC Area Office Market

The Washington Area office market includes the District of Columbia and adjacent suburban submarkets in Maryland and Virginia. The Washington Area office market consists of about 470 million square feet in 10,051 buildings. Net absorption for the overall Washington Area was positive 2,754,849 square feet for the first quarter 2017. The Washington Area vacancy decreased from 14.6% to 14% with the suburban MD and VA submarket vacancy dropping from 16.9% in 2016 to 15.7% vacant in first quarter 2017. The Washington Area asking lease rates at the end of the first quarter averaged \$35.30 per square foot. The lease rates averaged \$51.79 in the Washington Central Business District (CBD) and \$29.48 in the adjacent Maryland and Virginia submarkets. (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 1,138 buildings at rates averaging \$21.73 per square foot.

Vacancy

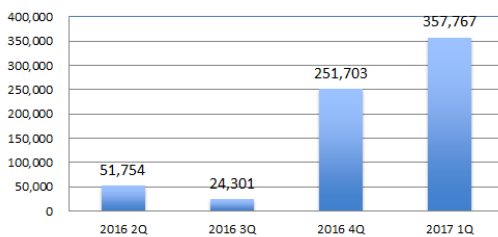
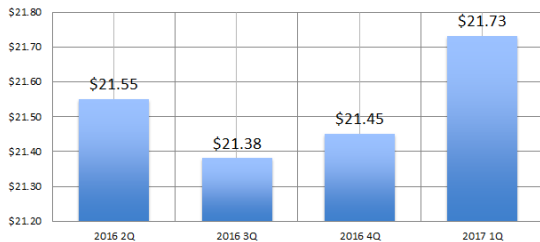
Prince George's County office **vacancy rates steadily declined** every quarter of 2016 through the first quarter 2017 from 19.2% in the first quarter 2016 and ending the first quarter 2017 with an impressive 15.9 percent.

Rental Rate

The average quoted annual **rental rate** for Prince George's county office space has **increased steadily** almost every quarter for the last 5 quarters with a first quarter 2017 rate per square foot of \$21.73 on a full service basis. Full service rates typically include utilities, janitorial services, and maintenance of the building common areas.

Absorption

Net absorption of vacant space county wide was averaging about 40,000 square feet per quarter in 2016 with a **significant positive absorption** of 357,767 square feet in the first quarter 2017. The northern submarkets had most of the positive absorption with 351,368 square feet in the first quarter 2017.



CoStar Property®



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Office Market Overview

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Sale Transactions

Total office and R&D flex building sales in Prince George's County closed the first quarter with 24 transactions totaling 669,201 square feet with a volume total of \$37,560,338.00. The median price per square foot was \$88.00 per square foot for office, and \$124.00 for flex / office buildings. We expect that the lower priced office buildings will soon be resold for higher price points. Trends show that improving market conditions and lack of "bargain" sales moving forward will result in future sale transactions at higher prices.

- **Calverton Office Park, 11700-11720 Beltsville Drive, Beltsville, MD**, a three-building office building property totaling 307,027 square feet was settled March 13, 2017 sold to an investor for \$9,000,000.
- **Centerpark 1, 4041 Powder Mill Road, Beltsville, MD**, a 120,881 SF sold to a religious organization for \$7,200,000 (\$59.56 psf) on March 17, 2017. The seller had recently acquired the building, for \$19.85 per square foot following a foreclosure. It is reported that the purchaser will be developing a sanctuary in the parking lot behind the building. The timeline for the project is about two years. Shortly after this transaction, the GSA executed a lease for 62,050 SF of the building.
- **Inglewood Business Center, 1220 & 1221 Caraway Court, Largo, MD**, two flex buildings totaling 156,393 square feet, were sold January 26, 2017 for \$16.5 million (\$105.50 psf). According to verified research, the two buildings were reported by the buyer to be about 93% leased at sale. The tenants include U.S. Department of Health and Human Services and the National Oceanic and Atmospheric Administration. The buyer was attracted to the property's location nearby the Largo Town Center Metro, the proposed Regional Medical Center, as well as the new Prince George's County executive headquarters.
- **Largo 95, 1100 & 1200 Mercantile Lane, Largo, MD**, two flex-office buildings totaling 149,795 square feet in Largo, was purchased by an investor just before the end of the year for \$21.85 million (\$145.87 psf). The average occupancy for the past 11 years has been 92%. Prince George's County government and the State of Maryland occupy about 47% of the property. The property is adjacent to the proposed Regional Medical Center that is expected to be completed by 2020.

Prince George's County Area Office Market Statistics Q1 | 2017

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Submarkets	1,138	26,588,365	4,233,795	15.9	357,767	0	75,000	\$21.73
Prince George's County North	700	19,665,823	3,454,965	17.6	351,368	0	75,000	\$21.35
Prince George's County East	115	2,525,730	232,685	9.2	6,963	0	0	\$20.79
Prince George's County South	323	4,396,812	546,145	12.4	(564)	0	0	\$24.10

Washington DC Area Office Market Statistics Q1 | 2017

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Market	10,051	470,342,343	66,003,605	14.0%	2,754,849	686,172	11,021,323	\$35.30
Washington CBD	2,293	149,313,819	15,645,987	10.5%	307,026	346,172	5,110,264	\$51.79
Suburban MD VA	7,758	321,028,524	50,357,618	15.7%	2,447,823	340,000	5,911,059	\$29.48

Lease Transactions

Over 66 office leases totaling 309,926 square feet were executed in first quarter 2017. The asking median rate for new leases was \$22.75 psf at full service rates. The average size tenant was 6,344 square feet.

- **Calverton Tower - 11785 Beltsville Drive, Beltsville, MD** The Federal Government leased 106,197 square feet at Calverton Tower, and is expected to occupy in October. The new lease will reduce the building's vacancy from 77% to about 20% which is lower than Beltsville's current vacancy of 27%.
- **Centerpark 1 - 4041 Powder Mill Road, Beltsville, MD** is now fully leased. Centerpark 1 is a modern 7-story 120,881 square foot building built in 1985 that was totally vacant until the Federal Government leased the top 4 floors totaling about 69,072 rentable square feet. The recent purchaser, Reid Temple African Methodist Episcopal Church, will occupy the balance of the building.

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.
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.