

## Strong Industrial Market in 2018

After an unusually soft year in 2017, the industrial market in Prince George's County experienced a strong recovery in 2018. Pricing for investment sales continued on an upward trajectory and strong leasing demand returned to the market. The vacancy rate fell to an historic low of 6% for all industrial classes throughout the County, a sign that rental rates will continue to rise as vacancy becomes increasingly scarce. For only the second time in the last 25 years, average rental rates for all classes of industrial space throughout the County ended the year north of \$7 per square foot. Net absorption for the year exceeded 600K square feet, a stark contrast to the -140K SF of net absorption the County experienced the year prior.

Class A industrial leasing in Prince George's County also rebounded nicely throughout the year. A sizable increase in tenant demand coupled with a dramatic decrease in new deliveries within the County pushed vacancy rates lower and helped drive up overall net absorption. New Class A deliveries dropped considerably off recent averages as the supply of vacant industrial-zoned ground continues to diminish. At year's end, only 167K SF of new Class A industrial space delivered within the County, contrast that with a 2017 total of 383K SF and a 2016 total of 803K SF. Leasing demand for the year eclipsed last year's total by over 100K SF at (726K SF in 2018 vs. 554K SF in 2017) and net absorption for Class A industrial space closed out the year at over 380K square feet.

Positive rent growth has also emerged in the wake of steady leasing activity and positive net absorption. Average Class A NNN rental rates rose to an all-time high of \$8.39 psf NNN at the conclusion of 2018. The vacancy rate dropped to a four-year low of 17.3% and will most certainly continue to decline.

## FORECAST: EXPECT LEASING DEMAND TO REMAIN STEADY

In the first half of 2019, we anticipate a continued upward trend in absorption and rental rate growth due to currently active tenants and the burn-off of Class A industrial product delivered in this cycle. We also expect to see overall vacancy rates continue to drop in 2019 as new industrial deliveries continue to lag resulting from a shortage of available industrial dirt. In particular, we expect to see a steady appetite for functional last-mile Class A product around the Beltway that enables national tenants the ability to effectively distribute their goods to the ever-growing DC Metro consumer market.

**OVERALL  
VACANCY**



**LEASING  
ACTIVITY**



**CONSTRUCTION**



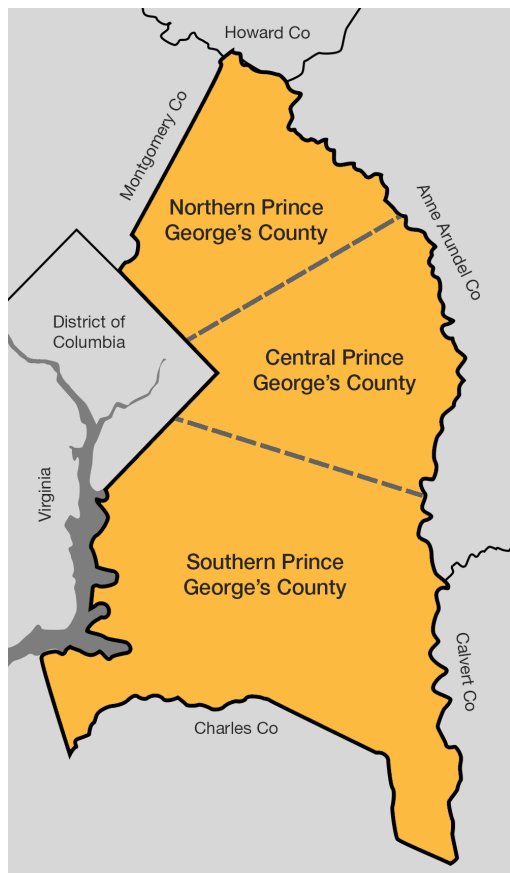
**RENTAL  
RATES**



## 2018 YEAR END STATISTICS

	Bldgs	Total RBA (SF)	Total Avail. (SF)	Vacant Avail. (SF)	Vacancy %	Total Net Absorp. (SF)	NNN Rent Overall (\$/SF/Yr)	Under Const. (SF)	Deliveries (SF)	Leasing Activity (SF)
Prince George's County Totals	1,526	52,664,346	4,570,596	3,146,161	6	601,695	7.14	76,777	167,146	1,950,169
Northern Submarkets	355	11,612,994	744,645	453,659	3.9	35,068	8.34	0	0	462,078
Central Submarkets	977	36,543,510	3,061,815	2,102,631	5.8	491,725	7.31	76,777	167,146	1,406,169
Southern Submarkets	194	4,507,842	734,136	589,871	13.1	74,902	5.73	0	0	81,922

All statistics are sourced from CoStar and other sources deemed reliable; however we make no representation as to its accuracy or completeness.



9300 Martin Luther King Jr Blvd

## 2018 MAJOR LEASE TRANSACTIONS

- 1851 S. Club Drive (Hyattsville) - 156,480 SF to Perfect Settings, LLC
- 7501 Andrews Federal Campus Drive (Forestville) - 112,613 SF to Home Depot
- 13150 Mid Atlantic Boulevard (Laurel) - 101,821 SF to Shepherd Electric

## 2018 MAJOR SALE TRANSACTIONS

- 9300 Martin Luther King Jr Blvd (Lanham) - 365,000 SF sold for \$45,500,000
- 8100-8210 Penn Randall Pl (Penn Ave Corridor) - 284,290 SF sold for \$42,000,000
- 16101 Queens Court (Upper Marlboro) - 220,800 SF sold for \$29,250,000

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