



Market Overview

The Washington DC Area Office Market

The **Washington Office Market** includes the District of Columbia and adjacent suburban submarkets in Maryland and Virginia. The Washington Office market consists of about 475 million square feet in 10,105 buildings. The net absorption for the Washington Office market was positive 4,371,079 square feet for calendar 2017 which was the best since 2010 and about 4 times the annual average of 959,332 square feet for the last 5 years. The Washington Office market vacancy increased from 13.5% in 2013 to 14.0% for year-end 2017. The Suburban MD and VA submarkets had a vacancy of 15.5% at the end of 2017. The Washington Market asking lease rate at the end of 2017 averaged \$35.88 per square foot, a slight decrease over the previous quarter. Lease rates averaged \$52.24 in the Washington Central Business District (CBD) and \$30.13 in the adjacent Suburban Maryland and Virginia Submarkets. (CoStar ®)

Total Washington DC Area Office Market Statistics

	Buildings	Total RBA (SF)	Direct Vacant (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
Central Business District	2,302	149,325,634	14,638,710	15,860,882	10.6%	821,058	819,893	6,172,333	\$52.24
Suburban	7,803	321,657,721	48,281,534	50,518,044	15.5%	3,550,021	2,286,215	4,874,683	\$30.13
TOTALS	10,105	474,983,355	62,920,244	66,378,926	14.0%	4,371,079	3,106,108	11,047,016	\$35.88

Washington DC Central Business District (CBD)

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bdgs	Total RBA	Direct SF	Total SF	Vac %				
Class A Bldg	331	88,338,000	10,051,449	10,902,083	12.3%	1,633,292	802,494	6,144,408	\$56.27
Class B Bldg	886	50,470,992	4,161,582	4,492,035	8.9%	(721,886)	17,399	27,925	\$45.20
Class C Bldg	1,085	10,516,642	425,679	466,764	4.4%	(90,348)	0	0	\$37.63
TOTALS	2,302	149,325,634	14,638,710	15,860,882	10.6%	821,058	819,893	6,172,333	\$54.24



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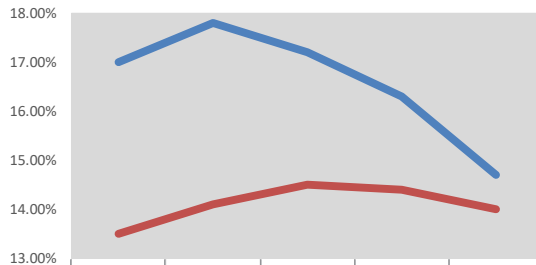
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The Washington Central Business District (CBD) refers to the real estate development characterized by the high density and well organized core within Washington, DC. The CBD ended 2017 with a vacancy of 10.6% at quoted rates of \$54.24. The Class A market has seen vacancies rise. The Class B/C building vacancies will remain tight." For more information about the Washington DC Central Business District, contact Ken Harris at kharris@naimichael.com.

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

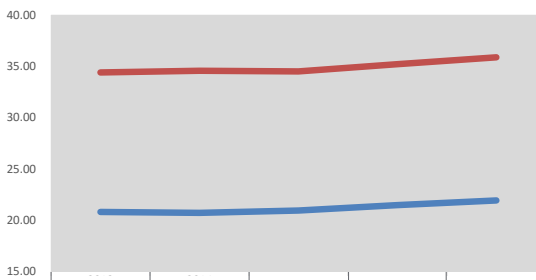
The Prince George's County Office Market 5-Year Trends

The **Prince George's County Office Market** 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 27 million square feet in 1,145 buildings at rates averaging \$21.92 per square foot at the end of 2017.



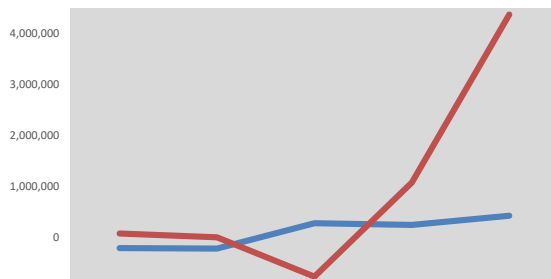
VACANCY

Prince George's County office vacancy rates declined from 16.5% at the end of the second quarter 2017 to 14.7% at the end of 2017. Vacancies hovered around 20% for several years but have steadily declined from 17% in 2013.



RENTAL RATES

The average quoted annual rental rate for Prince George's county office space has increased steadily over the last 5 years from \$20.80 in 2013 to a 2017 year-end rate of \$21.92 per square foot on a full service basis. Full service rates typically include utilities, janitorial services, and maintenance of the building common areas.



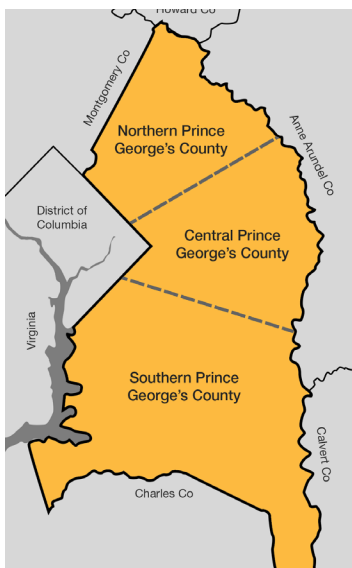
NET ABSORPTION

Net absorption of vacant space county wide was negative for 2013 and 2014 but has averaged about 325,000 positive square feet for each of the last 3 years ending with a significant positive net absorption of 434,727 square for calendar year 2017.

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Prince George's County Area Office Submarket Statistics

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
N Prince George's County Totals	703	20,622,993	3,368,070	16.3	372,091	0	251,000	\$21.79
Beltsville/Calverton	51	1,891,870	526,956	27.9	(44,122)	0	0	\$21.35
College Park	239	6,222,462	597,059	9.6	139,694	0	75,000	\$23.74
Greenbelt	80	3,730,004	920,882	24.7	113,310	0	0	\$21.39
Landover/Largo/Capitol Hts	126	3,409,609	582,444	17.1	(53,516)	0	176,000	\$22.59
Lanham	71	2,230,860	423,346	19.0	200,828	0	0	\$20.38
Laurel	136	3,138,188	317,383	10.1	15,897	0	0	19.90
E Prince George's County Totals	118	2,551,128	252,020	9.9	8,472	0	0	\$21.58
Bowie	68	1,983,153	249,188	12.6	(2,736)	0	0	\$22.43
Greater Upper Marlboro	50	567,975	2,888	0.5	11,208	0	0	\$14.89
S Prince George's County Totals	324	4,437,196	476,165	10.7	64,266	0	95,000	\$25.63
Branch Avenue Corridor	172	2,321,794	280,543	12.1	14,064	0	0	\$24.07
Nat. Harbor/Oxon Hill/Ft. Wash	57	1,285,320	141,603	11.0	36,412	0	95,000	\$29.50
Pennsylvania Ave Corridor	95	830,682	54,019	6.5	13,790	0	0	\$20.60
TOTALS	1,145	27,611,317	4,096,311	14.8	444,829	0	346,000	\$21.92



Prince George's County 5-Year Sales Statistics

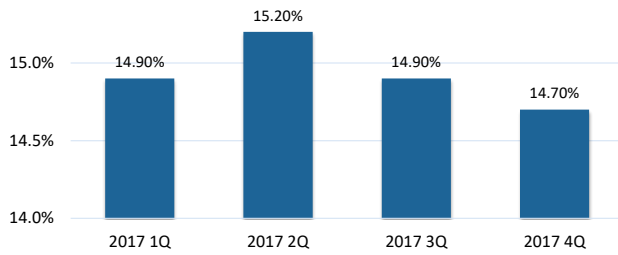
	2013	2014	2015	2016	2017
Sales Volume (Millions)	\$47.32 (M)	\$94.51 (M)	\$51.50 (M)	\$185.16 (M)	\$156.83 (M)
Total Sales in Square Feet Sold	595,586	1,325,640	658,953	2,781,596	2,005,906
Average Sales Price (\$/PSF)	\$128.47	\$86.76	\$79.56	\$95.56	\$83.83
Average Cap Rate (%)	10.00%	13.50%	8.01%	6.71%	8.00%

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

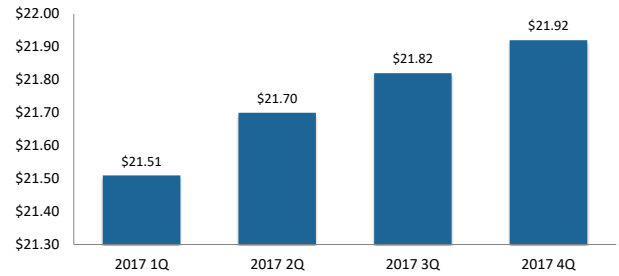
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Prince George's County Office Market Trends

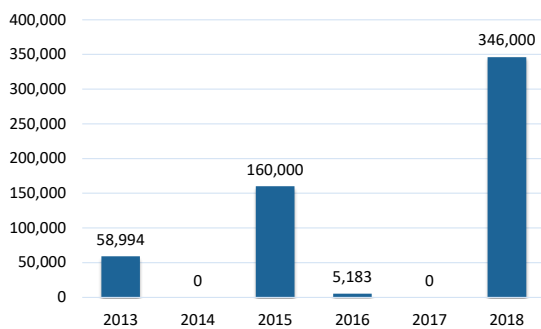
2017 VACANCIES BY QTR



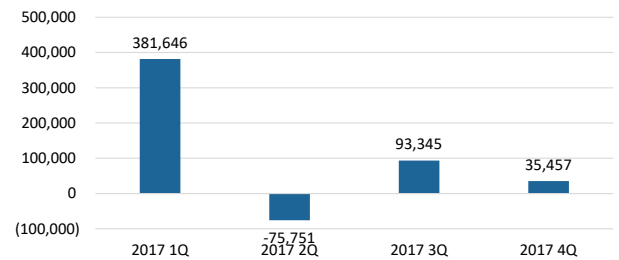
2017 RENTAL RATES BY QTR



ANNUAL DELIVERIES (SF)



2017 NET ABSORPTION (SF BY QTR)



Prince George's County Deliveries 2018 Fourth QTR

Buildings	Location		Vacancy			Date Avail	Quoted Rates
	Address	Submarket	Bldg SF	Avail SF	Vac %		
Kaiser Permanente	4000 Garden City Drive	New Carrollton	176,000	0	0%	11/ 2018	N/A
The Medical Pavilion at National Harbor	251 National Harbor Blvd	Oxon Hill	95,000	38,000	40%	10/2018	\$35.00
Discovery District	5801 Univeristy Research Court	College Park	75,000	75,000	100%	12/2018	\$34.00
TOTALS			346,000	113,000	32.7%		\$35.88

Prince George's County 2018 Preview:

The Washington Office Market's vacancy is expected to decline from the current 14 percent to about 12.5 percent in 2021. However, rental rates are forecast to increase about 1 percent during the same time period. Many economic factors contribute to this trend but the Washington Market is still fairly stable considering that rents are forecast to decline in other metro markets across the United States. The Prince George's County Office Market is expected to achieve a positive net absorption of 42,599 square feet in 2018 which includes delivery of 356,000 square feet of new deliveries in the fourth quarter. Net absorption for 2019 is forecast to be positive 166,000 square feet with an average vacancy rate of about 15 percent. Prince George's County Office lease rates in 2019 overall will probably be about 3 percent higher averaging \$22.50 to \$22.75 per square foot.



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Total Montgomery County Submarket Office Cluster Statistics

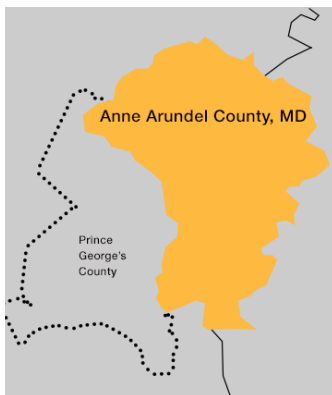
Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bdgs	Total RBA	Direct SF	Total SF	Vac %				
Bethesda/Chevy Chase	229	11,892,266	986,506	1,236,472	10.4%	(204,583)	0	300,000	\$36.52
I-270 Corridor	817	46,725,175	6,629,283	6,830,853	14.6%	328,703	2,304	0	\$27.36
SE Montgomery County	380	12,819,892	1,522,579	1,560,302	12.2%	(61,027)	16,806	121,724	\$27.11
TOTALS	1,426	149,325,634	346,000	113,000	13.5%	63,093	19,110	421,724	\$28.63



Montgomery County’s lease rates increased from \$28.32 to \$28.63 psf. The I-270 corridor had the highest vacancies but had the largest gain in net absorption. The Bethesda/Chevy Chase submarkets have the highest rates and benefit of being close to the Capitol Beltway, access to I-270 and Route 355, and Metro’s Red Line. Those benefits have not translated into strong absorption in the past year. Several projects and redevelopments, especially for older properties, are in the pipeline for the Bethesda/Chevy Chase submarkets.

Anne Arundel County Office Market

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bdgs	Total RBA	Direct SF	Total SF	Vac %				
Route 1/BWI Area	250	11,660,269	1,611,110	1,717,085	14.7%	301,832	139,400	0	\$26.00
Route 2 Corridor	299	3,103,343	274,358	274,358	8.8%	35,944	25,734	0	\$21.60
Southern Anne Arundel	627	8,948,202	799,833	847,697	9.5%	29,235	130,000	256,484	\$27.34
TOTALS	1,176	23,711,814	2,685,301	2,839,140	12.0%	367,011	295,134	256,484	\$26.23



The Anne Arundel County office market, part of the Baltimore Office Market, encompasses the submarkets from Baltimore Avenue (Route 1) to BWI Airport, Ritchie Highway (Route 2) from Baltimore to Annapolis, and from the city of Annapolis adjoining Prince George’s County’s eastern boundary. Lease rates averaged \$26.23 per square foot at the end of 2017. Vacancy rates held steady for most of 2017 ending the year at 12%. Net absorption was positive for the first three quarters of 2017, averaging 36,131 square feet per quarter, however the fourth quarter net absorption was negative 66,572 with a year-end net absorption of 367,011 square feet. For more information contact Steve Catalano scatalano@naimichael.com.

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