

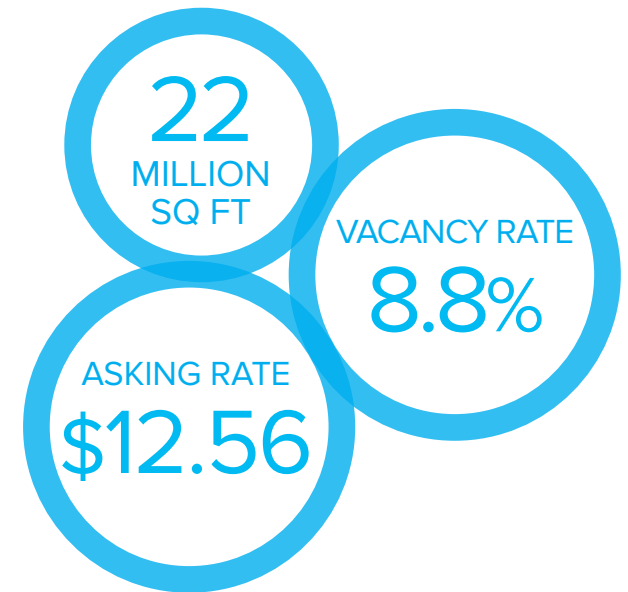
# I270 Industrial Market Update .....

Encompassing submarkets in North Bethesda, North Potomac, Rockville, North Rockville, Gaithersburg and Germantown, the I-270 Corridor represents the largest portion and most thorough representation of Montgomery County, Maryland. The overall industrial market along the I-270 corridor consists of both flex and warehouse product types totaling nearly 700 buildings and 22,000,000 square feet. With a vacancy percentage of 8.8% and average asking rent of \$12.56, many would argue that the health of the industrial market in Montgomery County is exceptional strong and balanced.

However, with the zoning changes that occurred through the White Flint Sector Plan (2010) and the Twinbrook Sector Plan (2009), the fall-out from which has negatively impacted down-county industrial markets, whereby changes in permitted uses, added density and added FAR (Floor Area Ratio) has forced many industrial users further out to North Rockville and Gaithersburg. The resulting tightening of the industrial market, which has mirrored the health and growth of the economy, is being felt by both tenants and prospective buyers, who are increasingly finding it difficult to secure quality space in down-county locations at justifiable rents.

The result has been fairly staggering, with the vacancy factor dropping from 12.2% post-recession high in 2009 down to 8.8% in 3rd quarter 2015. We should see the vacancy rates continue to move downward because of pent-up demand and lack of inventory. Seeing supply dwindling and demand seemingly as strong as ever, many would look to new development as our savior. Unfortunately deliveries have been minimal and insufficient, and the opportunity to acquire land and build doesn't really exist. If these trends continue, the overarching health and relative balance of our industrial market is in jeopardy.

If we're reading the tea leaves, which we love to do in real estate, the impact of these market changes will have a direct impact on not just owners and their land values, but could severely impact our service industrial tenants and Harry and Sally homeowner. When we pick up the phone to have our lawn mowed or our air-conditioner fixed, the vendor on the other end of the line will likely be coming from Prince Georges County or Frederick County.



For additional market information, please contact:

Marek R. Rich  
Director of Industrial Leasing & Sales  
Scheer Partners  
301.337.4742  
mrich@scheerpartners.com