

Montgomery County

INDUSTRIAL MARKET REPORT

SECOND QUARTER 2016



Strong Demand, Supply Struggling to Keep Up

MONTGOMERY COUNTY CONTINUES TO BE ONE OF THE TIGHTEST MARKETS IN THE REGION

Market fundamentals continue to strengthen in the county as strong industrial tenant demand is contributing to low vacancy. Even though the U.S. is in a "slower growth" economy, leading indicators that favor warehouse space, such as increasing retail sales, moderate home sales growth and a low unemployment rate are healthy in the region. With areas such as Rockville, Gaithersburg and Silver Spring being very land-constrained, vacancy is expected to remain low throughout the year and leverage remains firmly in the Landlord's favor.

With leasing activity throughout the 1st quarter fairly rampant and the lack of available quality warehouse spaces, Landlord's and Landlord brokers have been pushing rents. The rent growth should continue through the year, as the supply/demand imbalance remains in place

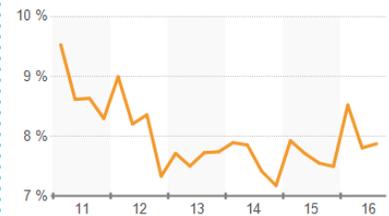
SPACE-USE AND ZONING CHANGES LIMIT INDUSTRIAL OPTIONS

We're beginning to see some transformation occur in the industrial product in the county. As previously reported, the zoning changes that occurred in the White Flint and Twinbrook Sector plans has afforded developers with the unique opportunity to convert their properties to other more financially viable uses; including residential, office and retail.

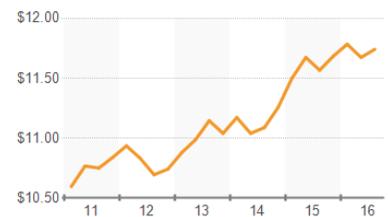
The change in space use falls within a long-term trend in which the current industrial inventory is reduced. This is certainly something that we'll be monitoring over the coming years, as the county continues to ignore the long-term effects this will have on our industrial markets. The absence of industrial developments in the pipeline will only exacerbate the current tight market conditions.

MARKET STATISTICS

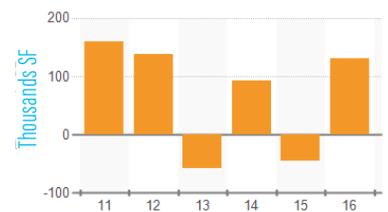
VACANCY RATE



ASKING RENTAL RATE



NET ABSORPTION



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