

# MONTGOMERY COUNTY INDUSTRIAL MARKET REPORT

1<sup>ST</sup> QUARTER 2017

We love trends. Commercial Real Estate is always focused on trends – whether focused on rental rates, vacancy, macro/micro economic drivers, new development or absorption, we’re always paying attention and selling where we believe markets have been and where they’re headed.

For the Montgomery County, Maryland industrial market, the trends tend to focus on things like zoning, lack of inventory, vacancy and rents. While more nationally the discussions revolve around the political climate, foreign entities investing in our product, the rise of e-commerce to name just a few. But one constant remains both nationally and locally and that is supply chain – from warehouse to last mile – they are all impacted by demographics, technology, growing urbanization, differentiated lifestyle patterns of millennials, longevity of Baby Boomers and overarching consumer desire.

In Montgomery County, we’ve seen this first hand, what with new development, new zoning and new infrastructure impacting our industrial inventory around on Metro sites. Developers, builders and investors are optimistic that the industry can continue to grow. And with consumers continuing to call for more goods at faster delivery rates, this could lead to more goods held in inventory because e-commerce is driving us to daily delivery, and just in-time manufacturing is not going away.

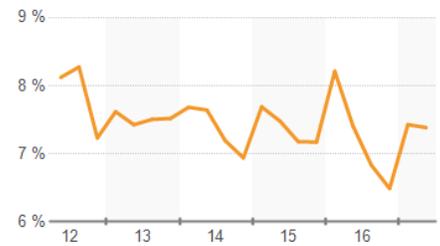
## Some local market insights:

- Although rental rates have risen and vacancy rates have declined, the expectation is for increasing rental rates and continued low vacancy.
- The overall market for industrial space from both an investor and user basis continues its strong upward movement, leaving an extremely limited supply of product for owner/users and individual investors
- Even though the market continues to improve and supply remains minimal, there is some concern that sale prices are increasing too rapidly.
- Typically speaking, tenants are able to receive two months of abatement for every three years of lease term and four months free rent for every five years of lease term
- Strongest demand is for 3,000- 10,000 square feet with particular interest in some outside storage for equipment or vehicle parking. This is especially true for automotive repair or body shops.
- There remains an extremely limited supply on product over 20,000 square feet, especially in Rockville.
- The market continues to improve, with vacancy at 7.4% and average asking rents of \$11.60 per square foot.
- Average sale prices have risen to \$154 per square foot, up \$29 per square foot from the 5-year average. Average caps rates have been 7.1%.
- There is no new industrial buildings scheduled for construction, nor are there any new products set to hit the market in the next 12 months.

For additional market insight, contact:

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## MONTGOMERY COUNTY VACANCY RATE



## MONTGOMERY COUNTY ASKING RENT



## ROCKVILLE VACANCY RATE



## ROCKVILLE ASKING RENT RATE

