

# MONTGOMERY COUNTY INDUSTRIAL MARKET REPORT

## Industrial Momentum

The Montgomery County, Maryland industrial market completed its 3rd consecutive year of outstanding performance. With key factors like E-commerce contributing, the industrial markets throughout the county were one of the true darlings of commercial real estate. By creating robust demand for buildings within our core markets, like Bethesda, Rockville and Silver Spring, last-mile distribution centers and cross-over industrial buildings with retail-like qualities saw demand sore.

As we look at the market performance at the end of 2017 and turn to expectations in 2018, building location, connectivity to strong demographics and the ability of buildings to adhere to varying tenant requirements are key factors to watch. We saw the highest leasing probabilities went to property with the best accessibility, ceiling heights, parking, power and signage. These key factors will also help support added demand and continue to press rents within the counties large population centers and also within our secondary markets, like Gaithersburg.

Flex space will continue to be a star asset class for both investors and occupiers in 2018, especially in urban core markets with younger populations. The push to service this population base will likely lead to a pickup in conversions of older industrial product within in-fill, metro-centric locations, like Rockville.

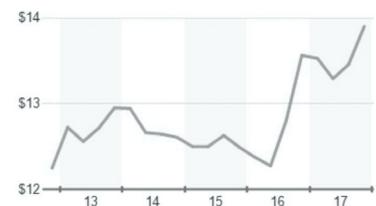
TOTAL MARKET SIZE (SF)

**26.5M<sup>SF</sup>**

CURRENT AVERAGE RENTAL RATE

**\$13.90 PSF**

OVER 5 YEARS



CURRENT VACANCY RATE

**8.3%**

OVER 5 YEARS



## What's Ahead?

We expect record fundamentals for the county's industrial real estate to continue in 2018. Demand from rising retail sales, especially through E-commerce and from younger population growth, should keep leasing activity strong in both our core metro submarkets and secondary, tertiary markets. However, we also don't anticipate much new construction, mainly only conversions, so absorption and construction will remain out of equilibrium. Continued ascent of asking rental rates will continue into 2018.

For additional market insight, contact:

Marek Rich  
Director of Industrial Leasing & Sales  
(301) 337-4700  
mrich@scheerpartners.com

Scheer Partners, Inc.  
15245 Shady Grove Road  
Suite 210  
Rockville, Maryland 20850