

Market Overview

The Washington DC Area Office Market

The Washington area office market includes the District of Columbia and adjacent suburban submarkets in Maryland and Virginia. The Washington area office market consists of about 471 million square feet in 10,079 buildings. Year-to-date net absorption for the overall Washington area was positive 2,510,519 square feet for the first half of the year with negative (208,026) square feet net absorption for the the second quarter 2017. The Washington area vacancy increased from 14.1% to 14.2% with the suburban MD and VA submarket vacancy increasing from 15.7% to 15.8% in the second quarter 2017. The Washington area asking lease rates at the end of the first quarter averaged \$35.62 per square foot. Lease rates averaged \$51.94 in the Washington Central Business District (CBD) and \$29.68 in the adjacent suburban Maryland and Virginia submarkets. (CoStar ®)

Prince George's County Office Market

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 26 million square feet in 1,137 buildings at rates averaging \$21.70 per square foot.

Vacancy

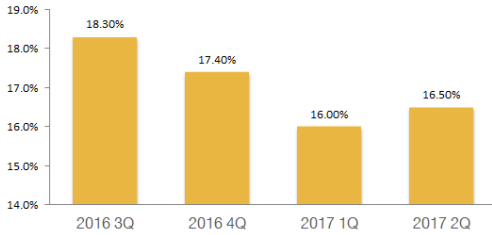
Prince George's County office vacancy rates steadily declined each quarter of 2016 and have remained approximately the same at 16.5% for the first and second quarters in 2017.

Rental Rate

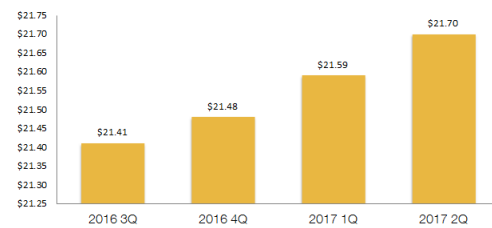
The average quoted annual rental rate for Prince George's County office space has increased steadily over the last year with a second quarter 2017 rate of \$21.70 on a full service basis. Full service rates typically include utilities, janitorial services, and maintenance of the building common areas.

Absorption

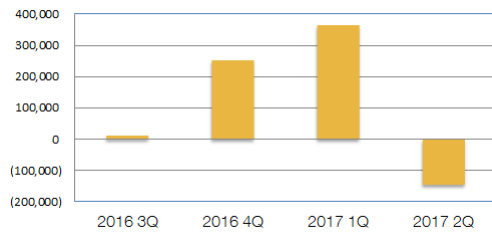
Net absorption of vacant space county wide averaged about 40,000 square feet per quarter in 2016 with a significant positive net absorption of 363,685 square feet in the first quarter 2017. The second quarter net absorption was negative 146,212 square feet with the 2017 year to date net absorption still at positive 217,473 square feet.



TOTAL VACANCY (%)



QUOTED RATES (\$/SF)



NET ABSORPTION (SF)

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YTD
OVERALL
VACANCY



YTD
QUOTED
RATES



YTD
NET
ABSORPTION



Sale Transactions

Total office building sales in Prince George's County closed the second quarter with 14 transactions totaling 357,615 SF and a volume total of approx. \$31 million. The average price per SF was \$87.27, which was equivalent to first quarter prices. Trends show that improving market conditions will provide significant appreciation for office properties in the future with improving profit margins for multi-tenanted office buildings.

- **Calverton 95**, 11720 Beltsville Dr, Beltsville: 10-story 128,903 SF office building in the Calverton Office Park settled April 5, 2017 for \$5,000,000. Shortly after the purchase, the owner extended the term for a 16,270 SF tenant and is optimistic about leasing up the remaining vacancies.
- **The World Weather Building**, 5200 Auth Rd, Camp Springs: 140,000 SF multi-story office building was sold to an investor on April 3, 2017 for \$1,750,000. According to CoStar, Manekin LLC will be redeveloping the property into retail, with delivery expected in 2020.
- **MedStar Health Stephen's Crossing Medical Office Building**, 13950 Brandywine Rd, Brandywine: Sold April 20, 2017 to Physicians Realty Trust, a public REIT, for \$20.9 million (\$343.52 per SF). The 60,840 SF facility includes multiple practices affiliated with MedStar Health, including ambulatory surgery, primary care, and orthopedic practices.
- **North Oak Medical Office Building**, 3060 Mitchellville Rd, Bowie: 1,623 SF office condo settled on May 11, 2017 for \$158,000 (\$97.35 per SF).

Lease Transactions

Approximately 65 office leases were executed in the second quarter 2017. The average asking rate for new leases was \$23.72 per SF at full service rates and the average space size was 2,887 SF.

- **Kaiser Permanente** leased 176,000 SF in a new building to be built at the New Carrollton Metro Station. The new building is expected to be delivered in the fall of 2018.
- **BECO Forbes Center**, Forbes Blvd, Lanham: New office occupancies included NGEN (5,028 SF), Team Ban Enterprises (4,513 SF), and Netronix Integration (3,380 SF).
- **Melford Plaza I**, 16701 Melford Dr, Bowie: FTI Consulting leased approximately 31,000 SF.
- **Capitol Office Park**, 6301-6411 Ivy Ln, Greenbelt: Six leases were signed that included International Systems Management Corp (1,276 SF), Fraternal Order of Police (756 SF), Clifton Larson Allen (14,974 SF), Transit Employees Federal Credit Union (7,323 SF), Action Sport & Fitness and Mass Mutual (2,913 SF).
- **National Harbor**: A new 95,000 SF medical office building has begun leasing. Willpower Sport & Wellness leased 19,000 SF, and an ambulatory surgery center has leased approximately 12,000 SF. Occupancies are expected in late 2018.
- **Trade Center II**, 7474 Greenway Center Drive, Greenbelt: Merrick Towle Communications leased 6,529 SF.

	Buildings	Total RBA (SF)	Total Vacant (SF)	Vacant %	YTD Net Absorption	YTD Deliveries	Under Construction (SF)	Quoted Rates
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Prince George's County Area Office Market Statistics

Prince George's County Totals	1,137	26,490,965	4,373,712	16.5	217,473	0	168,100	\$21.70
Prince George's County North	698	19,519,907	3,578,600	18.5	194,148	0	75,000	\$21.28
Prince George's County East	116	2,540,844	234,896	9.2	11,752	0	0	\$21.72
Prince George's County South	323	4,430,214	534,008	12.1	11,573	0	93,100	\$24.06

Washington DC Area Office Market Statistics

Washington DC Totals	10,079	471,647,588	63,814,589	14.2%	2,510,519	1,167,668	11,667,951	\$35.62
Washington CBD	2,303	149,704,561	15,171,572	11.0%	226,564	568,291	5,876,813	\$51.94
Suburban Maryland / Virginia	7,776	321,943,027	48,643,017	15.8%	2,283,955	599,377	5,791,138	\$29.68

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