

Montgomery County

INDUSTRIAL MARKET REPORT

4TH QUARTER 2015 & 2016 FORECAST



MONTGOMERY COUNTY INDUSTRIAL MARKET REPORT

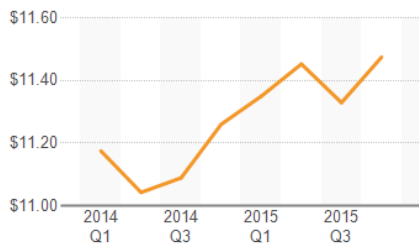
The Montgomery County, Maryland industrial market saw impressive leasing activity while maintaining healthy demand for space throughout 2015. With vacancy declining and rental rates rising throughout the year, building owners recognized and took advantage this change in the market.

Moving into 2016, the Montgomery County industrial market is expected to continue on its path of positive growth. Tenants should expect to pay a premium for quality space in well-positioned locations within the county. With rents expected to climb, limitations to fulfill pent-up demand with new development, we could see Landlords becoming more selective and less willing to provide extensive concessions to prospective tenants. This could, could finally usher in the emergence of the investment market, which has been somewhat dormant the recession.

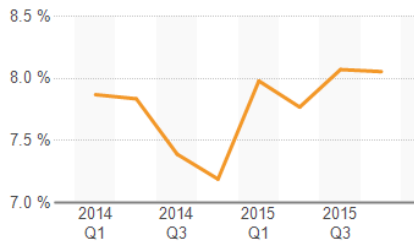
Most economists agree the quarter percentage point rise in interest rates that recently occurred will not affect commercial real estate pricing in the short run. But if the market perceives the rate hike to be a sign of strength for the US economy, heightened activity might mean lower cap rates and higher prices for the most desirable of properties in prime locations. In the long run, a higher interest rate means higher cap rates, which leads to lower valuations for commercial real estate properties. However, if the Fed continues to raise rates, this could imply rising inflations. A fast series of rate hikes may not be bad for commercial real estate because a higher Consumer Price Index (CPI) means higher rent, higher construction costs, and higher replacement costs.

Overall, the Fed's initial decision to raise the interest rate has benefits to the commercial real estate industry and will affect the best markets and best assets more extensively, including the industrial markets in Montgomery County.

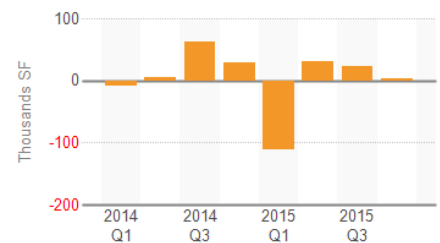
ASKING RENT PER SF



VACANCY RATE



NET ABSORPTION



MAJOR TRANSACTIONS IN 2015:

- Potomac 18 Caterers Inc bought the 35,475 industrial/flex property located on 8341 Beechcraft Avenue for \$3,900,000.
- A Wider Circle bought 9153-9159 Brookville Road, a 33,000 square foot warehouse for \$4,200,000.
- Selective Demolition & Hauling, LLC paid \$4,500,000 for the 34,500 square feet on 8040 Queenair Drive.
- Amazon leased the 65,000 square feet 861 East Gude Drive.
- Goodman Distribution leased 28,100 square feet at 8791 Snouffer School Road.
- The Kiddie Academy leased 24,103 square feet at 15801-15813 Gaither Drive.



8341 BEECHCRAFT AVENUE



9153-9159 BROOKVILLE ROAD

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8040 QUEENAIR DRIVE



861 EAST GUDE DRIVE

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