

MONTGOMERY COUNTY INDUSTRIAL MARKET REPORT

 Scheer Partners
A Reputation for Results

Q4 2018

A HEALTHY 2018

Montgomery County, Maryland's industrial submarket experienced a healthy year posting strong rental growth and historically low vacancy in 2018. As reported previously, the industrial submarket is suffering from a land crisis, with land being stripped away around our core, metro-centric submarkets and no new land being designated for future growth considerations. With no land for growth and very little new development in the pipeline, we've seen rents escalate to 5-year highs of **\$12.90** per sq ft and **vacancy rate of 5.5%**, 2.5% lower than the 8% vacancy high water mark we saw mid-year 2015. The by-product of this is a push toward our existing infill market, which is being competed over by Landlords, Tenants, investors and user-buyers. When there is competition there is typically an in-balance to the marketplace, and Montgomery County, Maryland is the proving ground for this theory.

QUICK ROLL - CALL

- Tenants can't find the right space in the right location for their various businesses
- Landlords are pushing rents as vacancy and demand increase
- Investors, both local and national, are taking notice and pursuing investment properties at increased price points and lower capitalization rates
- User-buyers recognized the lack of inventory, increased rents and rising interest rates, are pushing seller pricing

OUTLOOK

The adage that the industrial asset class is this sleepy, steady product with strong occupancy and very moderate rent growth is starting to shift. With the ability to address the needs of a diverse array of tenants, Montgomery County is poised to see a continuation of 2018's success. The vacancy rate should remain stable through 2019, as leasing activity remains solid. We expect Landlords will increase asking rents and reduce concessions like abatement and tenant improvement allowances, while also being 'picky' about the tenants they pursue. We also expect investment sales and user sales activity to maintain a fixed pace in the near-term, as investors with cash seek quality assets in popular last-mile submarkets within the county. **The industrial market throughout the county is ready to experience long-term rent growth, as inventory remains slim and new development projects are few and far between.**

FOR ADDITIONAL INDUSTRIAL MARKET INSIGHT, CONTACT:

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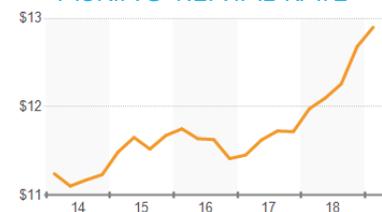
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VACANCY RATE



ASKING RENTAL RATE



PROBABILITY OF LEASING IN MONTHS

