office space monitor: april-june 2013

montgomery county

At 13.7 percent, the County's 2nd quarter 2013 office vacancy rate was up six-tenths of a percent from the same quarter last year. Currently, there are 9,903,418 square feet of vacant office space in the County, up 582,211 square feet over the year. Average rental rates were $28.01, down 18 cents from one year ago. One 197,720 square foot office property delivered during the quarter. The County added 1,253,051 square feet of office space over the past year.

region

Office vacancies in the Washington region were 13.9 percent in the 2nd quarter of 2013, up half of a percentage point from one year ago. Average office rents rose by 26 cents to $34.15 per square foot over the year. The region added 2,481,056 square feet of office space in the past year. During the 2nd quarter of 2013, a total of 5 office properties delivered, increasing square footage by 891,767 region-wide. The District accounted for nearly half of the new office inventory with 450,000 square feet delivered in the quarter. Fairfax County followed with 244,047 square feet.

At mid-year 2013, the region had nearly 6.7 million square feet of office space under construction. The District and Fairfax County were virtually tied, each with 2.05 million square feet under construction. Arlington County was third with nearly 1.5 million square feet, followed by Montgomery County with 868,720 square feet.

state and nation

Maryland's office vacancy rate was 14.7 percent, up from 14.1 percent one year ago. Average office rents were $24.82 per square foot, essentially unchanged from $24.87 one year ago. The nation's 2nd quarter 2013 average office vacancy rate stood at 11.7 percent.
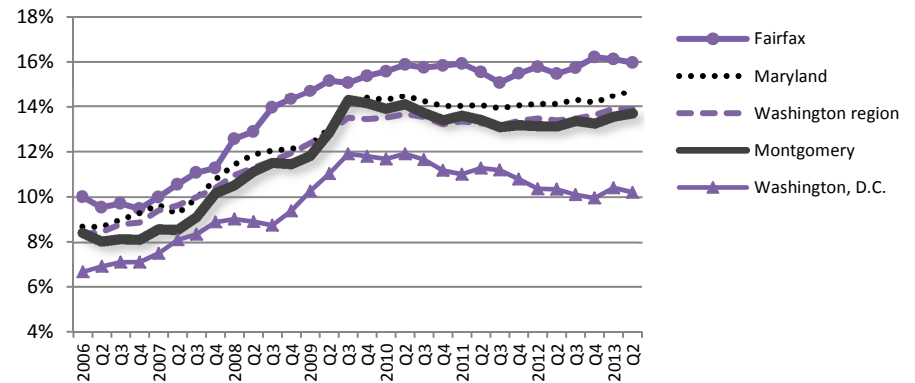
REGIONAL OFFICE SNAPSHOT

Mid-Year 2013

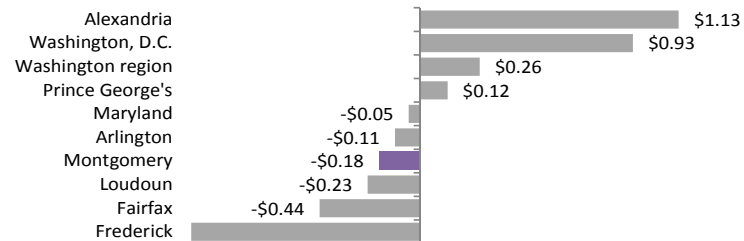|	EXISTING OFFICE SPACE		VACANCY		AVERAGE RENT
	buildings	sq ft	rate	sq ft	per sq ft
Maryland	4,323	120,236,741	14.7%	17,659,570	$24.82
Washington region	11,297	478,348,125	13.9%	66,364,290	$34.15
Alexandria	698	20,115,782	16.5%	3,324,330	$29.19
Arlington	325	39,592,274	17.1%	6,761,023	$41.05
Washington, D.C.	2,390	151,331,933	10.2%	15,440,891	$48.50
Fairfax	1,763	112,296,437	16.0%	17,939,205	$29.20
Frederick	641	8,800,280	13.9%	1,224,561	$20.68
Loudoun	550	17,693,481	16.4%	2,902,112	$23.87
Montgomery	1,522	72,319,632	13.7%	9,903,418	$28.01
Prince George's	1,150	26,383,319	19.1%	5,039,514	$20.32

Source: Montgomery County Planning Department analysis of CoStar data (8/5/2013). Note that there may be a delay in CoStar's reporting of development activity, including construction starts, under-construction inventory, and completions in the most recent quarter.

Montgomery County added 1.25 million square feet of office space over the past year, more than half of new office space delivered region-wide.
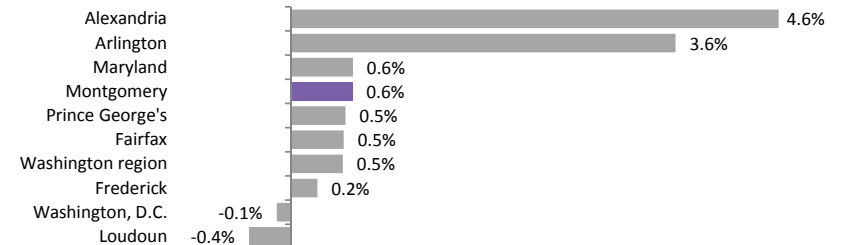
OFFICE VACANCY RATE

Legend: Fairfax, Maryland, Washington region, Montgomery, Washington, D.C.

CHANGE IN OFFICE RENT, 2Q 2012 to 2Q 2013

Alexandria	$1.13
Washington, D.C.	$0.93
Washington region	$0.26
Prince George's	$0.12
Maryland	-$0.05
Arlington	-$0.11
Montgomery	-$0.18
Loudoun	-$0.23
Fairfax	-$0.44
Frederick	

CHANGE IN OFFICE VACANCY RATE, 2Q 2012 TO 2Q 2013

Alexandria	4.6%
Arlington	3.6%
Maryland	0.6%
Montgomery	0.6%
Prince George's	0.5%
Fairfax	0.5%
Washington region	0.5%
Frederick	0.2%
Washington, D.C.	-0.1%
Loudoun	-0.4%

Montgomery County Planning Department / M-NCPPC
MontgomeryPlanning.org
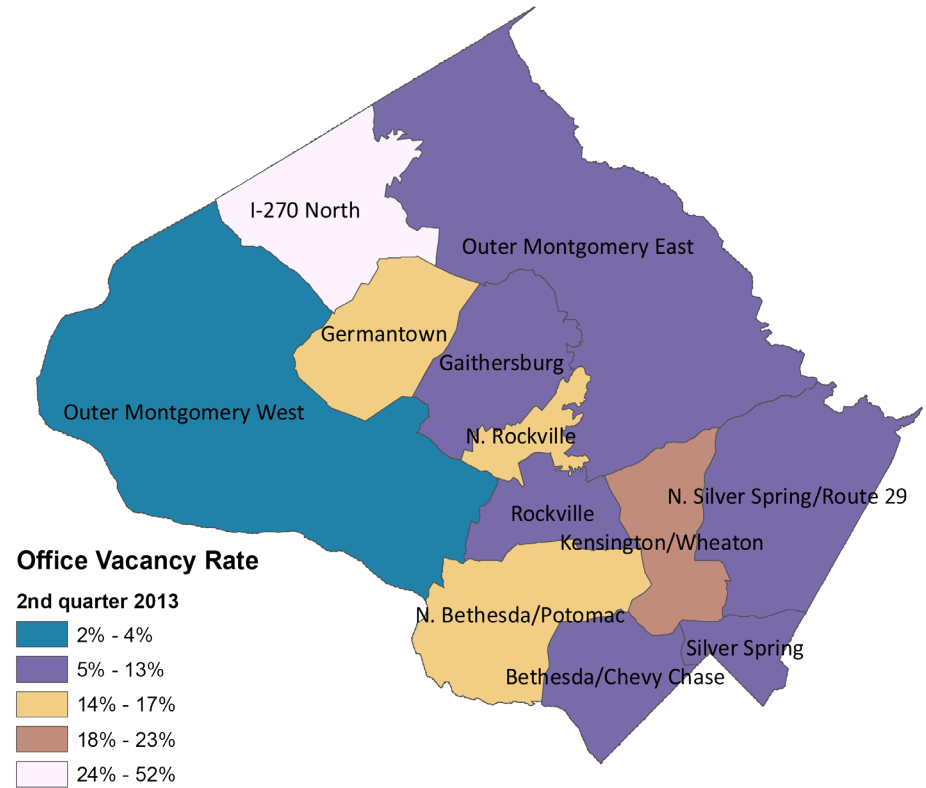
montgomery county office submarkets

North Rockville added the most office space (585,130 square feet) over the past year, accounting for 47 percent of new square footage countywide. The office vacancy rate in North Rockville increased slightly from 15.9 percent to 16.2 percent over the same period, while average rents fell by 48 cents to $26.43 over the year. North Bethesda/Potomac had the second largest net increase in office space, adding 358,440 square feet over the year; vacancies fell from 14.6 percent to 14.2 percent in this market, but average rents also declined from $30.12 to $29.64.

Rents were highest in Bethesda/Chevy Chase, averaging $37.00, up $1.17 from one year ago. Germantown also had a rent increase of more than one dollar, from $23.98 to $25.11 per square foot. Mid-year office vacancy rates ranged from a low of 3.5 percent in Outer Montgomery West to 52.3 percent in I-270 North, where the landmark COMSAT building remains vacant.
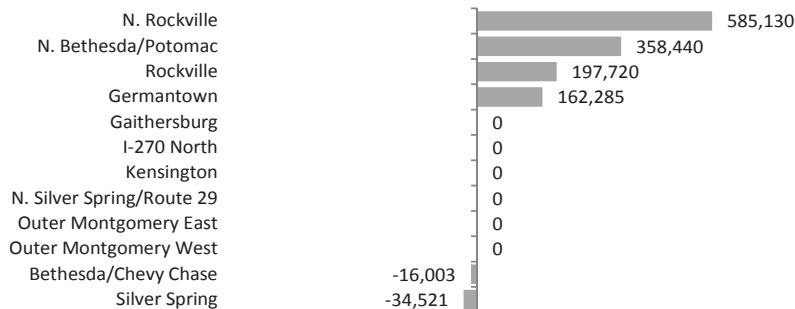
MONTGOMERY COUNTY OFFICE SNAPSHOT

	EXISTING OFFICE SPACE		VACANCY		Mid-Year 2013 AVERAGE RENT
	buildings	sq ft	rate	sq ft	per sq ft
Montgomery County	**1,522**	**72,319,632**	**13.7%**	**9,903,418**	**$28.01**
Bethesda/Chevy Chase	247	11,990,923	10.1%	1,210,087	$37.00
Gaithersburg	213	7,518,338	10.8%	809,080	$22.20
Germantown	67	3,273,516	16.6%	543,856	$25.11
I-270 North	21	1,039,367	52.3%	543,299	$20.46
Kensington/Wheaton	100	1,973,155	22.7%	447,536	$23.28
N. Bethesda/Potomac	128	11,084,857	14.2%	1,569,141	$29.64
N. Rockville	166	13,368,657	16.2%	2,161,788	$26.43
N. Silver Spring/Route 29	84	3,601,167	11.8%	426,329	$23.67
Outer Montgomery East	77	753,323	9.0%	68,092	$25.35
Outer Montgomery West	31	886,287	3.5%	31,312	$30.48
Rockville	207	9,855,450	12.9%	1,272,713	$27.56
Silver Spring	188	7,393,532	11.1%	823,589	$27.51

OFFICE VACANCY RATE, SECOND QUARTER 2013

Office Vacancy Rate

2nd quarter 2013

- 2% - 4%
- 5% - 13%
- 14% - 17%
- 18% - 23%
- 24% - 52%

CHANGE IN OFFICE SQUARE FOOTAGE, 2Q 2012 TO 2Q 2013

- N. Rockville: 585,130
- N. Bethesda/Potomac: 358,440
- Rockville: 197,720
- Germantown: 162,285
- Gaithersburg: 0
- I-270 North: 0
- Kensington: 0
- N. Silver Spring/Route 29: 0
- Outer Montgomery East: 0
- Outer Montgomery West: 0
- Bethesda/Chevy Chase: -16,003
- Silver Spring: -34,521

Source: Montgomery County Planning Department analysis of CoStar data (8/5/2013). Note that there may be a delay in CoStar's reporting of development activity, including construction starts, under-construction inventory, and completions in the most recent quarter.

MONTGOMERY COUNTY OFFICE MARKET ACTIVITY

	UNDER CONSTRUCTION		DELIVERIES		Mid-Year 2013 NET ABSORPTION
	buildings	sq ft	buildings	sq ft	sq ft
Montgomery County	**4**	**868,720**	**1**	**197,720**	**66,371**
Bethesda/Chevy Chase	1	226,566	-	-	30,946
Gaithersburg	-	-	-	-	78,532
Germantown	-	-	-	-	(16,236)
I-270 North	1	119,530	-	-	3,960
Kensington/Wheaton	-	-	-	-	12,128
N. Bethesda/Potomac	-	-	-	-	18,041
N. Rockville	2	151,156	-	-	(78,285)
N. Silver Spring/Route 29	-	-	-	-	(128,306)
Outer Montgomery East	-	-	-	-	(4,251)
Outer Montgomery West	-	-	-	-	727
Rockville	1	490,998	1	197,720	137,069
Silver Spring	-	-	-	-	13,567