Industrial Land Use Trends

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Industrial Land Uses

- **Production**
  - Bakeries, coffee roasters, printers, woodworking, custom furniture

- **Distribution**

- **Repair**
  - Auto repair
  - Appliance repair
Industrial Land Uses

- Contractors
  - Landscapers
  - Home improvement contractors
- Retail
  - Countertops, carpets
- Entertainment
  - Gymnastics
  - Paintball
The Importance of Industrial Districts

- Entrepreneurs and small businesses
  - Arts and arts-related

![Industrial Districts' Businesses by Number of Employees, 2013](chart.png)
The Importance of Industrial Districts

- Convenient access to repair and other services
The Importance of Industrial Districts

- Entry-level and vocational jobs
The Importance of Industrial Districts

- Public sector operational needs
- Tax revenues
Zoning Issues for Industrial Districts

- Market pressure to convert use
- Speculation raises land values
- Residential encroachment impedes operations
Industrial vs. Flex Space

- **Industrial**
  - Warehouse/distribution
  - Manufacturing

- **Flex**
  - Office in front
  - Warehouse, assembly in back
  - Labs
Space Trends

- Major declines in
  - Construction pace
  - Absorption pace
  - Occupancy rate
## Industrial Space - Current Conditions

<table>
<thead>
<tr>
<th></th>
<th>Industrial</th>
<th>Flex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inventory (Sq. Ft.)</td>
<td>14,306,000</td>
<td>11,701,000</td>
</tr>
<tr>
<td>Occupied Space</td>
<td>13,196,000</td>
<td>10,331,000</td>
</tr>
<tr>
<td>Percent Occupied</td>
<td>92.0%</td>
<td>87.6%</td>
</tr>
<tr>
<td>Annual Absorption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993-2002</td>
<td>141,000</td>
<td>247,000</td>
</tr>
<tr>
<td>2003-2012</td>
<td>-2,000</td>
<td>-6,000</td>
</tr>
<tr>
<td>Rent ($/Sq. Ft. NNN)</td>
<td>$11.22</td>
<td>$14.14</td>
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</tbody>
</table>

- Absorption was greatly affected by the Great Recession; now recovering
- Low occupancy rates relative to healthy rate of 92% to 95%
Industrial and Flex Rents

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Industrial Rent</th>
<th>Flex Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montgomery County</td>
<td>$11.22</td>
<td>$14.61</td>
</tr>
<tr>
<td>Prince George’s County</td>
<td>$6.60</td>
<td>$9.01</td>
</tr>
<tr>
<td>Frederick County</td>
<td>$5.72</td>
<td>$11.22</td>
</tr>
<tr>
<td>Fairfax County</td>
<td>$8.97</td>
<td>$12.89</td>
</tr>
<tr>
<td>Arlington County</td>
<td>$11.44</td>
<td>$21.90</td>
</tr>
<tr>
<td>City of Alexandria</td>
<td>$9.75</td>
<td>$13.95</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>$10.52</td>
<td>$12.21</td>
</tr>
</tbody>
</table>

Third Quarter 2013 triple net rents per square foot, excluding utilities, taxes, insurance and maintenance.

- Montgomery County rental rates are higher than those of all competitive jurisdictions, except Arlington County.
Regional Industrial Trends

- Last decade saw a major shift to second-ring suburbs
  - Charles, Frederick, Loudoun, Prince William, Manassas and Manassas Park
- Away from DC and first-ring suburbs
  - Montgomery, DC, Prince George’s, Fairfax County, Arlington, Alexandria, Fairfax City and Falls Church
Employment Trends

- PDR industries under-represented in Montgomery County and regional economies
Need for Industrial Space

- Declining industrial employment does not eliminate the need to preserve industrial land
  - Lower employee densities
  - Shifts among subsectors and businesses
  - Replacement of obsolete space
  - Locational mismatch
  - Shifts of flex space to retail showrooms and office uses
  - County facility needs
Industrial Land Use Trends

- From 1993 to 2012, 144 properties with industrial uses changed to a commercial or residential use
- 566 acres removed from the industrial inventory
  - Almost one-quarter of all industrial land
Industrial Properties Converted to Other Uses 1993-2012
Policy Recommendations

- No need to expand the supply of industrially zoned land county-wide
- Important to preserve existing industrial space in each of the county’s major subareas
- Maintain well-dispersed “ pods” of industrial land for services to residents, businesses and agencies
- Maintain an adequate supply of municipal support service sites
Policy Recommendations

- Resist industrial land rezoning, particularly down-county sites and sites near other industry
- Restrict uses to industrial-type operations not well suited to commercial or employment zones
  - Higher-value uses will push up land values and push out industrial uses
- Allow some limited support retail and services
Policy Recommendations

- Land within one-half mile of Metro stations should be reserved for higher-density uses.
- Quarry land can be transitioned to other more intensive uses without negative economic impacts due to limited need for land zoned for heavy industry.
Key Zoning Area Issues

- Brookville Road area in Lyttonsville
- Howard Avenue in Kensington
- Parklawn/Twinbrook
- Critical to providing convenient access for customers
Protections in the Zoning Rewrite

- Only educational uses are trade, artistic and technical schools
- Retail/service uses
  - Building and food service supply
  - Home design and furnishings
  - Computer programming and software sales
  - Wholesale trade to industrial and commercial users
- No hotels
- Excludes live/work in Industrial Light, Industrial Moderate and Industrial Heavy zones
Protections in the Zoning Rewrite

- Limits ancillary retail/service, office and restaurant use to 35 percent of the mapped FAR
  - Allows for hybrid operations (e.g., office, warehouse, sales and production)
  - Provides on-site amenities for industrial users and a better mixed-use environment
- Allows large recreational and entertainment facilities up to 1,000 persons
Buffering Provisions

- 30- to 50-foot landscaped buffer between industrial and residential uses
- Tough on smaller sites
- Zoning does allow for alternative compliance methods
Policy Recommendations

- Any rezonings should consider impacts on existing businesses
- Rezone close in time to anticipated development to avoid speculation
- 50-foot height limit is compatible with needs of modern warehousing
- FARs of 1.0 to 2.5 greatly exceed what is likely to be developed
Conclusion

- County is well served with industrial land given the nature of the local economy
- Good stewardship of the county’s resources demands an optimal mix of land and development
- Recognize the role played by industrial districts
- Protect remaining industrial land in developed portions of the county