



Availability remains elevated as construction booms in Montgomery County

Overall availability in Suburban Maryland inched up another 20 basis points over the year, ending the second quarter at 20.3%. Class A availability saw a higher jump over the year, increasing 220 basis points to 22.9% - its highest since 2013. There are currently 2.8 million square feet (msf) under construction in the market, with the majority located in the Bethesda/Chevy Chase submarket. As a result, overall availability in Montgomery County increased 100 basis points over the year to 19.8%, with Class A availability increasing by 280 basis points to 21.7%.

New trophy options push asking rents higher, concessions also on the rise

New construction remains a top choice for tenants and a persistent flight to quality has kept preleasing activity robust. Coworking giant, WeWork, chose its first location in the Suburban Maryland market, taking 60,067 square feet (sf) at 7272 Wisconsin Avenue. Financial services firm, ProFunds, also committed to 7272 Wisconsin Avenue this quarter, taking 54,614 sf and bringing occupancy at the building to 80.0% a year ahead of delivery. Similarly, 4747 Bethesda Avenue is nearly 90.0% leased with construction expected to complete in Q3 2019. New trophy options come with higher rents, pushing Montgomery County's average asking rate over \$30.00 per square foot (psf) for the first time on record. However, as asking rents drift upwards, so do concessions, keeping effective rents in check. Tenants are receiving generous concession offerings, with up to \$100.00 psf in tenant improvement allowances and an average of 12 months of free rent for new, long-term, Class A leases.

Healthcare and TAMI industry drive leasing demand

The healthcare industry accounted for 30.2% of total leasing activity in the market, closely followed by technology, advertising, marketing and information (TAMI) sector tenants (27.1%). Children's National Health System is taking 140,000 sf at Inventa Towers (1 Discovery Place) - the first new tenant in Discovery's former headquarters. Leasing remained healthy through midyear with a total of just under 1.0 msf leased in Suburban Maryland during Q2. Demand remains focused on Montgomery county as Prince George's County saw leasing activity (63,656 sf) reach just half of what it was in Q2 2018.

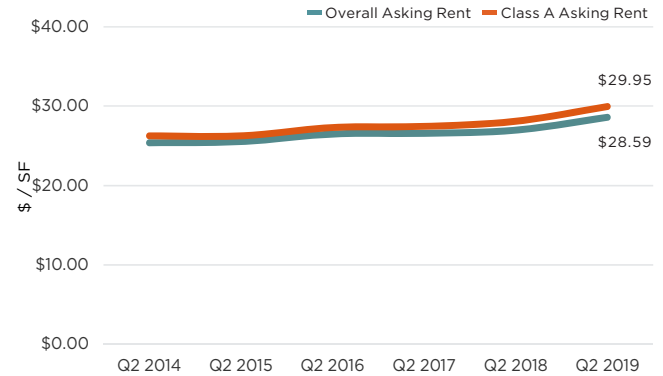
Outlook

- Even with healthy preleasing activity, an additional 2.8 msf is hitting the market in the near-term which will keep availability elevated and options plentiful
- Due to its abundant amenities and newly built options, Montgomery County has become attractive across a variety of industries including coworking and tech organizations that focus on attracting and retaining top talent
- If the development pipeline remains plentiful, additional relocations from both within and outside the market are expected as tenants flock to newer, high-quality space

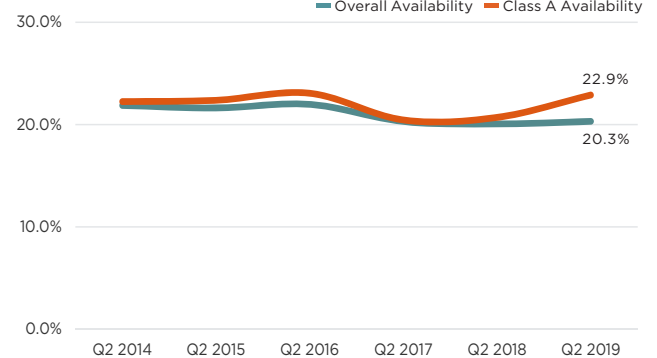
KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	63.6 MSF	63.6 MSF	◀▶
Availability Rate	20.1%	20.3%	▲
Asking Rental Rate	\$26.97	\$28.59	▲
Class A Asking Rental Rate	\$28.09	\$29.95	▲
Quarterly Leasing Activity	0.9 MSF	1.0 MSF	▲

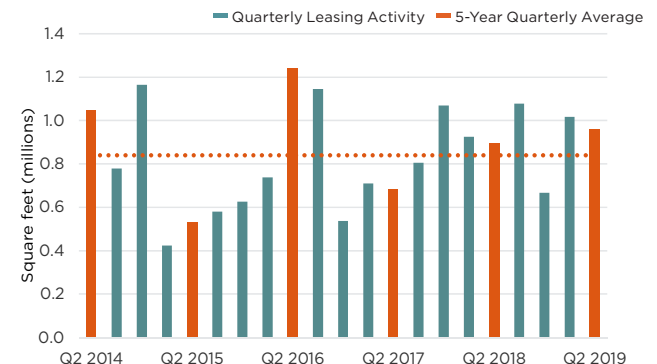
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

84.4%

of major transactions were new market entrants, expansions or relocations

95.8%

of large transactions occurred in Montgomery County submarkets

67.6%

Healthcare and TAMI sectors resented 67.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Children's National Health System	140,000	1 Discovery Place	New Location	Montgomery County	Healthcare
ZeniMax Media	104,474	1350 Piccard Drive	Relocation	Montgomery County	TAMI
WeWork	60,067	7272 Wisconsin Avenue	New Location	Montgomery County	Coworking
ProFunds	54,615	7272 Wisconsin Avenue	Relocation	Montgomery County	Financial Services
Dovel Technologies	35,655	1700 Rockville Pike	Renewal	Montgomery County	TAMI
Henry M Jackson Foundation	30,515	6720-B Rockledge Drive	Expansion	Montgomery County	Associations & Non-profits
RADA Technologies	25,893	20511 Seneca Meadows Parkway	Relocation	Montgomery County	TAMI
Alteon Health	24,336	12420 Milestone Center Drive	New Location	Montgomery County	Healthcare
Eric Cohen & Associates	23,600	1 Research Court	Renewal and Expansion	Montgomery County	Legal Services
APISOURCE	22,003	7850 Walker Drive	Renewal	Prince George's County	TAMI

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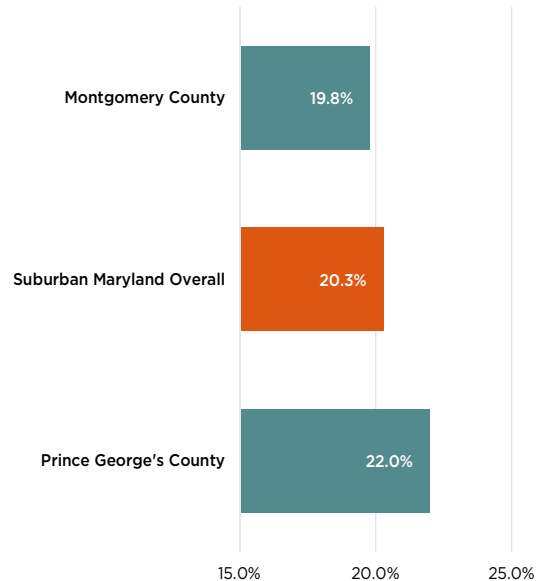
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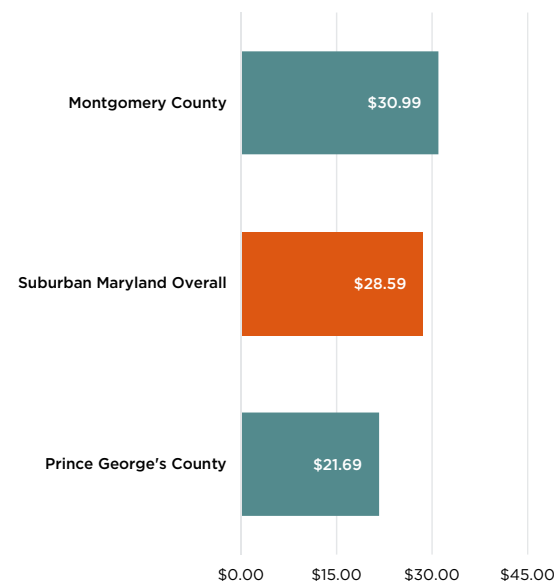
AVAILABILITY RATE COMPARISON

Suburban Maryland Submarkets



RENTAL RATE COMPARISON (\$/SF)

Suburban Maryland Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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