

## METROPOLITAN DC MARKET OVERVIEW

3Q 2014

### OVERALL MARKET SUMMARY

The Washington, DC Metropolitan commercial real estate market is comprised of approximately 410.5 million square feet of rentable office space located in the District of Columbia, Northern Virginia, and Suburban Maryland. The total vacancy rate increased to 15.5% in the third quarter, up from 15.4% at the end of the previous quarter. The market recorded approximately **-47,000** square feet of net absorption in the third quarter, a moderate decrease from the 14,000 square feet absorbed in the second quarter. Leasing activity increased with 6.5 million square feet in transactions signed during the third quarter. The largest lease executed was a renewal signed by the GSA for the Department of Defense for 606,575 square feet in Alexandria, VA. Two buildings completed construction in the third quarter (1 DC, 1 VA, 0 MD), totaling 224,831 square feet and 47% leased. There were eighteen sale transactions in the third quarter, comprising of 2.6 million rentable square feet and totaling \$860 million (a 22% decrease in value from the \$1.1 billion that sold in the previous quarter). Average asking rental rates ticked up \$0.14 to \$35.59 per square foot, Full Service. From July 2013 to July 2014 employment in the DC Metropolitan area had a net increase of 19,800 jobs (23,900 private sector, -4,100 government) representing 0.6% growth, while the unemployment rate increased to 5.6%.

|            | Direct Vacancy | Total Vacancy | Total Net Absorption | Leasing Activity |
|------------|----------------|---------------|----------------------|------------------|
| DC         | 10.7% ↑        | 11.3% ↑       | -66,595 SF ↓         | 6.5 M SF ↑       |
| VA         | 16.0% ↑        | 16.9% ↑       | -292,903 SF ↓        | 8.2 M SF ↑       |
| MD         | 16.5% ↑        | 17.1% →       | -770,779 SF ↓        | 3.1 M SF ↑       |
| Metro Area | 14.7%          | 15.5%         | -1.1 M SF            | 17.8 M SF        |

Arrows reflect differences from 2Q 2014

Arrows reflect differences from YTD 3Q 2013 totals

### OUTLOOK

As low economic and employment growth continues to stymie the Washington, DC metro area, the commercial real estate market is expected to remain relatively flat through the remainder of 2014. The private sector should continue to drive employment; while the federal government continues to downsize its workforce. Early renewals are expected to dominate the larger lease transactions, as private sector tenants leverage the current market conditions. The GSA should continue to execute renewals as well, however, their primary focus will be on consolidating and downsizing federal office space requirements when possible. To maintain or increase competitiveness in this “tenant’s market”, aggressive landlords will continue to renovate and upgrade amenities to their buildings. As the GSA and the private sector (as seen with the larger DC law firms) continue to reduce space requirements, vacancy is expected to tick upward, while net absorption is expected to remain negative. While the construction pipeline remains limited, there will be an uptick of new inventory with eight new buildings, totaling 1.3 million square feet, scheduled to deliver over the next two quarters. Sales velocity is expected to decline as there are approximately a dozen buildings currently under contract. Phase I of the Silver Line Metro opened in July, with four of its five stops located in the Tysons submarket. Demand for high-end office space should intensify around these Metro stations, and in Tysons in general.

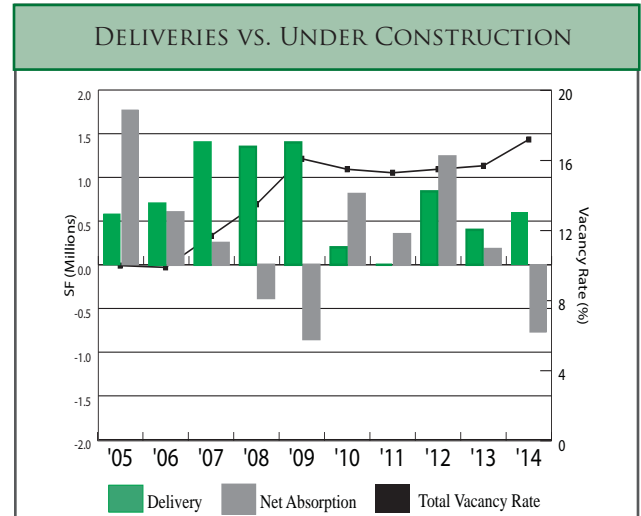
## MARKET SUMMARY

- The Suburban Maryland office market, which encompasses Montgomery and Prince George's Counties, contains over 86.5 million square feet of office space in 885 office buildings 25,000 square feet and greater.
- On the heels of the second quarter's relatively impressive 429,190 square feet net absorption, the Suburban Maryland office market slipped back into negative absorption in the third quarter of 2014 with **-1,432** square feet net absorption. However, this is still considered an improvement compared to the **-21,616** square feet of net absorption experienced this time last year. The negative absorption in the third quarter brings the year to date total to **-770,779** square feet.
- The predominant reason for the amount of negative absorption in the third quarter was the Food and Drug Administration (FDA) vacating a total of 220,400 square feet in the Rockville and North Rockville submarkets, while the US Public Health Services Commission left 58,000 square feet in North Bethesda. Government agencies and private sector tenants alike continue to consolidate space and renew in place.
- Leasing in the third quarter was abysmal to say the least, with the top lease of the quarter being a mere 39,822 square feet signed by Bank of America/Merrill Lynch at 11810 Grand Park Avenue in Bethesda.
- The total average rental rates rose \$0.02 cents from \$25.58 Full Service in the second quarter to \$25.60 Full Service in the third quarter.
- Prince George's County received less attention this quarter, with just one of the top leases falling in its jurisdiction. The eighth largest lease of the quarter was signed in Landover as the United Food and Commercial Workers Union leased 17,294 square feet of space in 8400 Corporate Drive.

|                    | 3Q '14     | 2Q '14     | 3Q '13     |
|--------------------|------------|------------|------------|
| DIRECT VACANCY     | 16.5%      | 16.4%      | 15.2%      |
| TOTAL VACANCY      | 17.1%      | 17.1%      | 15.8%      |
| NET ABSORPTION     | -1,432 SF  | 429,190 SF | -21,616 SF |
| LEASING ACTIVITY   | 656,566 SF | 1.3 M SF   | 1.0 M SF   |
| UNDER CONSTRUCTION | 772,651 SF | 646,651 SF | 1.0 M SF   |
| DELIVERIES         | 0 SF       | 602,474 SF | 41,156 SF  |
| RENTAL RATES       | \$25.60 FS | \$25.58 FS | \$25.96 FS |
| PERCENT PRE-LEASED | 28%        | 37%        | 58%        |

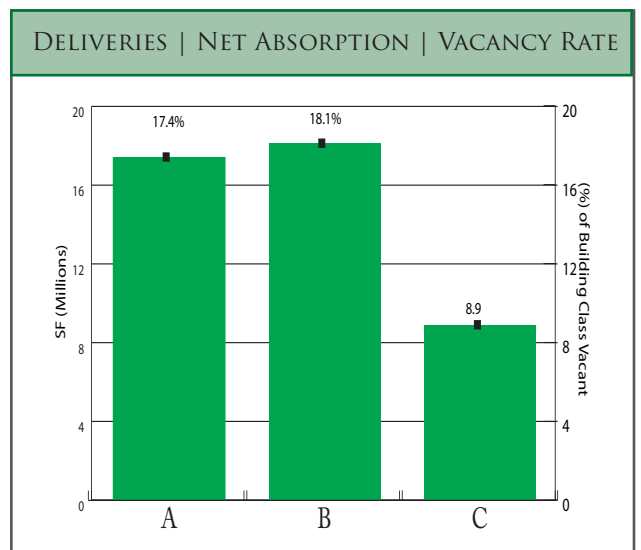
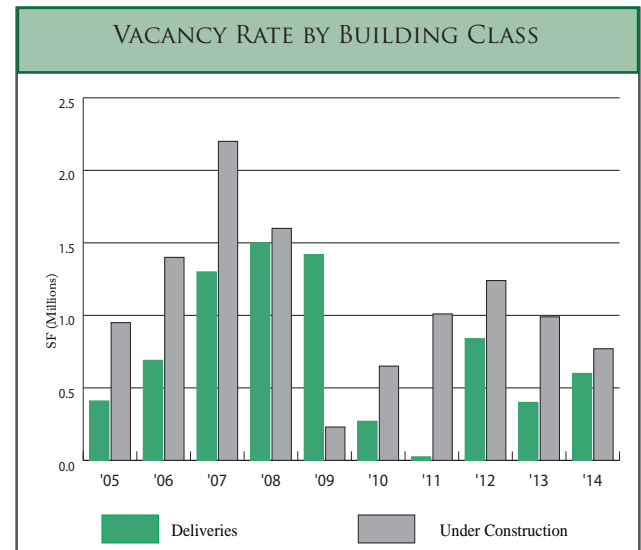
## VACANCY RATE

- The direct vacancy in the third quarter saw a slight increase from the previous quarter as it moved from 16.4% to 16.5%. Total vacancy remained consistent with the second quarter at 17.1%, substantially higher than the third quarter 2013 when it was 15.8%. This is the highest that the total vacancy has been in over ten years.
- With a number of tenants vacating space in an effort to consolidate in the Suburban Maryland office market, the dramatic rise in vacancy rates was anticipated. Existing tenants have simply maintained their space requirements and renewed at their current location, or reduced their footprint and moved up in quality.



## ABSORPTION AND GROSS LEASING

- Total net absorption for office space in Suburban Maryland was recorded at **-1,432** square feet in the third quarter, a drastic improvement from the **-1,190,000** square feet absorbed in the first quarter, however a definite decrease from the 429,190 square feet recorded in the second quarter. This brings the year to date number to **-770,779** square feet.
- Most positively effecting net absorption were a handful of move ins that took place in the third quarter. One of which was JDSU, a communications equipment company who moved into 45,119 square feet at 20250 Century Boulevard in Germantown.
- In the third quarter 2014, the overall leasing activity was 656,566 square feet. A substantial drop from the second quarter 2014 when total leasing activity was 1,272,882 square feet. This is also a significant difference from this time last year when total leasing activity was 1,009,842 square feet.
- The total average asking rental rate was recorded at \$25.60 Full Service for the Suburban Maryland office market, up just two cents from the previous quarter. However, this is a \$0.36 drop from third quarter 2013 when it was \$25.96 Full Service.
- Montgomery County accounted for nine of the top ten leases while Prince George's County brought in the eighth largest lease of the quarter.



## CONSTRUCTION

- At the conclusion of the third quarter 2014, seven office buildings, totaling 772,651 square feet, were under construction in the Suburban Maryland office market. These buildings were collectively 28% preleased.
- Carr Properties' speculative project at 4500 East West Highway is expected to deliver 241,412 square feet of Class A space to the market in fourth quarter 2014. 11800 Grand Park Avenue, the Pike & Rose project in the North Bethesda/Potomac submarket is expected to deliver 170,000 square feet to the market in fourth quarter 2014 as well.
- 4009 Sandy Spring Road, the Starpoint Plaza, a 25,239 square foot Class B building is currently under construction set to deliver in fourth quarter 2014 in North Silver Spring.
- 7800 Harkins Road, the Department of Housing and Community Development building, is set to deliver 110,000 square feet of office space in first quarter 2015. 12358 Parklawn Drive will be delivering 100,000 square feet of office space in Rockville second quarter 2015. 19851 Observation Drive in Germantown will be delivering 80,000 square feet of Class B office medical space in third quarter 2015.
- 7911 Anchor Street, a Prince Georges County Public Safety Complex in Landover, is currently under construction. 46,000 square feet of Class A office space will be delivering in fourth quarter 2015.

## OUTLOOK

- We expect that the trend of consolidation will continue in the near future, however long term we believe tenants will slowly gain more confidence in the market and begin to lease more office space as amenities are added to buildings to better cater to the modern tenant's needs.
- Building owners are likely to continue meeting the pressure of the market with greater offers of concession packages in hopes of attracting new tenants and retaining those with upcoming lease expirations.
- A combination of large tenant consolidations, high vacancy rates, and aggressive concession packages will continue to fuel the trend of tenant's moving from Class B and A- to Class A product.

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### SUBURBAN MARYLAND TOP LEASES

### 3Q 2014

In the third quarter 2014, the majority of the top leases took place in Montgomery County, none of which were 100,000 square feet or over. Unfortunately, the largest lease of the third quarter was a mere 39,822 square feet and took place in the North Bethesda/Potomac submarket at 11810 Grand Park Avenue as Bank of America/Merrill Lynch leased new space.

While the government has participated largely in recent quarters with top leases, it was the private sector in the third quarter that made up the majority of the top leases. Monument Bank was responsible for the second largest lease of the quarter, as they leased approximately 24,000 square feet of office space at 2101 Gaither Road in the North Rockville submarket. Meanwhile, Dataprise also leased 23,313 square feet of space in the North Rockville submarket at 9600 Blackwell Road, accounting for the third largest lease of the quarter.

Prince George's County made some headway this quarter as they broke into the top leases, which have typically been monopolized by Montgomery County. In Landover, the United Food and Commercial Workers Union leased 17,294 square feet of space in 8400 Corporate Drive, making it the eighth largest lease of the quarter.



11810 GRAND PARK AVE.

Tenant: Bank of America/ML  
Size: 39,822 SF  
New  
North Bethesda/Potomac



2101 GAITHER RD.

Tenant: Monument Bank  
Size: 24,000 SF  
Relet  
North Rockville



9600 BLACKWELL RD.

Tenant: Dataprise  
Size: 23,313 SF  
Relet  
North Rockville



20251 CENTURY BLVD.

Tenant: VIKI  
Size: 20,000 SF  
Renewal/Expansion  
Germantown



7500 OLD GEORGETOWN RD.

Tenant: MCM Capital  
Size: 19,492 SF  
Renewal  
Bethesda/Chevy Chase



9600 BLACKWELL RD.

Tenant: Shady Grove Fertility Center  
Size: 19,000 SF  
Relet  
North Rockville



6500 ROCK SPRING DR.

Tenant: Mass Mutual Life Insurance  
Size: 18,511 SF  
Relet  
North Bethesda/Potomac



8400 CORPORATE DR.

Tenant: United Food & Commercial Workers Union  
Size: 17,294 SF  
Relet  
Landover/Largo/CHeights



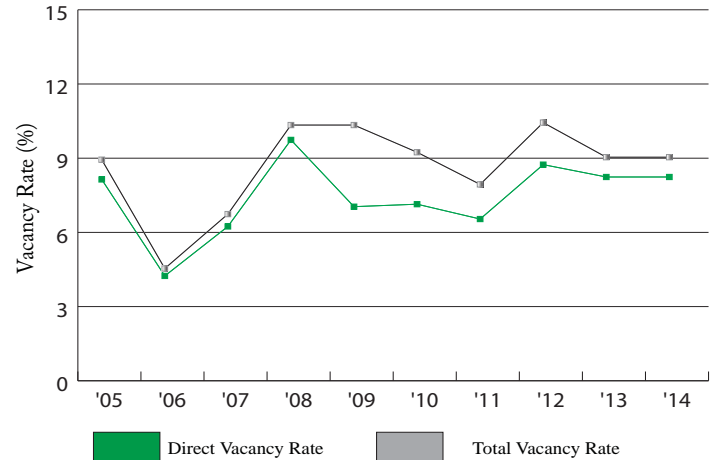
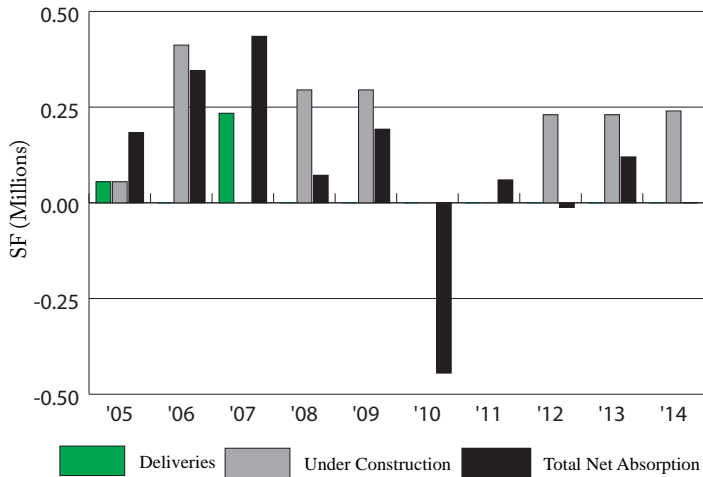
11720 BELTSVILLE DR.

Tenant: Grimm + Parker Architects  
Size: 16,270 SF  
Relet  
Bethesda/Chevy Chase



11200 ROCKVILLE PK.

Tenant: Berlin, Ramos & Co  
Size: 12,000 SF  
Renewal/Expansion  
North Bethesda/Potomac



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 126,923 SF/YR  
DELIVERIES: 59,114 SF/YR

INVENTORY: 10.9 MILLION SF

DIRECT VACANCY: 8.3 %

TOTAL VACANCY: 9.1 %

YTD 2014 ABSORPTION: -1,218 SF

UNDER CONSTRUCTION: 241,412 SF

YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$28.55 PSF

2014: \$35.85 PSF

## HIGHLIGHTS

- Total leasing activity was 120,683 square feet, a slight decrease from second quarter when total leasing activity was recorded at 211,919 square feet.
- The Class A total vacancy rate is 8.2%, down from 9.5% in the second quarter. The Class A average rental rate decreased slightly from \$41.13 Full Service in the second quarter to \$39.43 Full Service.
- The Class B total vacancy rate rose to 11.2% from second quarter's 9.9%, with a mild increase in the average rental rate from \$32.92 Full Service to \$33.49 Full Service.
- Total net absorption for the second quarter was 33,846 square feet, a minor decrease from second quarter when it was 52,274 square feet.

LEASES AT A GLANCE



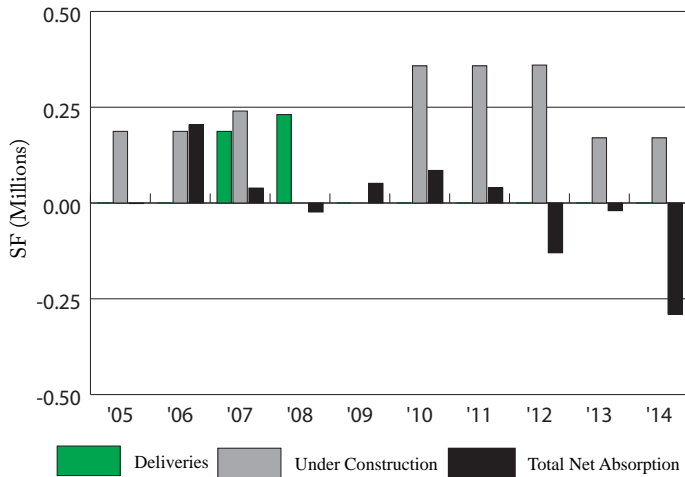
6917 ARLINGTON RD.

Tenant: 3 Green Moms  
Size: 742 SF New  
Rate: \$36.00 FS  
Term: 36 Months  
Esc: 5.00%  
TI: As-Is



4800 MONTGOMERY LN.

Tenant: MarketBridge  
Size: 14,287 SF New  
Rate: \$40.50FS  
Term: 91 Months  
Esc: 2.50%  
TI: \$60.00/SF  
Comments: 7 Months Free Rent



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: **-22,249 SF/YR**  
DELIVERIES: 81,256 SF/YR

INVENTORY: 10.7 MILLION SF

DIRECT VACANCY: 19.3 %

TOTAL VACANCY: 19.7 %

YTD 2014 ABSORPTION: **-287,102 SF**

UNDER CONSTRUCTION: 170,000 SF

YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$27.43 PSF

2014: \$29.33 PSF

## HIGHLIGHTS

- Total leasing activity was slightly higher than the 80,807 square feet in the second quarter, as it recorded 99,553 square feet in the third quarter.
- Total net absorption fell drastically to **-81,157** square feet in the third quarter, down from 23,258 square feet in the second quarter. However, this is a major improvement from the third quarter 2013 when total net absorption was **-273,955** square feet.
- The Class A total vacancy rate dropped to 22.0% from second quarter's 22.1%, with a slight rental rate decrease from \$31.70 Full Service to \$31.49 Full Service.
- The Class B total vacancy rate rose to 16.1% this quarter from 13.8% in the second quarter, as rental rates also increased slightly from \$25.86 Full Service to \$25.89 Full Service.



LEASES AT A GLANCE



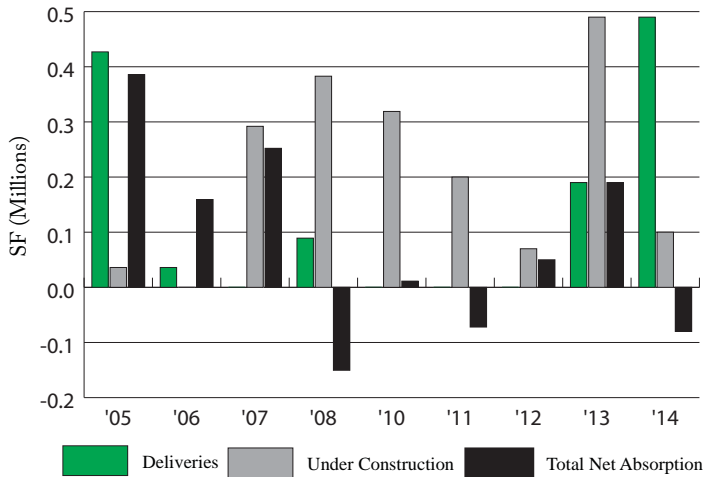
6306-6310 DEMOCRACY BLVD.

Tenant: Physiotherapy Associates  
Size: 3,090 SF New  
Rate: \$39.00 FS  
Term: 60 Months  
Esc: 3.00%  
TI: As-Is



6701 DEMOCRACY BLVD.

Tenant: Legacy Financial Corp  
Size: 3,128 SF Sublease  
Rate: \$22.00 FS  
Term: 12 Months  
Esc: 0.00%  
TI: As-Is



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 100,980 SF/YR  
DELIVERIES: 178,622 SF/YR

INVENTORY: 9.2 MILLION SF  
DIRECT VACANCY: 17.9 %  
TOTAL VACANCY: 18.2 %

YTD 2014 ABSORPTION: **-83,212 SF**  
UNDER CONSTRUCTION: 100,000 SF  
YTD DELIVERIES: 490,998 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$26.57 PSF  
2014: \$29.40 PSF

## HIGHLIGHTS

- Total leasing activity decreased dramatically from 450,334 square feet in the second quarter to a mere 72,296 square feet in the third quarter.
- Total net absorption plummeted to **-131,666** square feet in the third quarter, after being recorded at 77,706 square feet in the second quarter.
- Total vacancy in the Class A office market rose to 28.2% in the third quarter from 25.5% and also experienced a slight increase in total average asking rental rate from \$31.56 Full Service to \$31.85 Full Service.
- Total vacancy in the Class B office market rose to 10.7% in the third quarter from 10.3% while total average asking rental rates rose from \$27.42 Full Service to \$27.73 Full Service.

LEASES AT A GLANCE



3202 TOWER OAKS BLVD.

Tenant: Montgomery Women's Medical Center  
Size: 3,510 SF New  
Rate: \$27.50 FS  
Term: 126 Months  
Esc: 3.00%  
TI: \$55.00/PSF  
Comments: 6 Months Free Rent

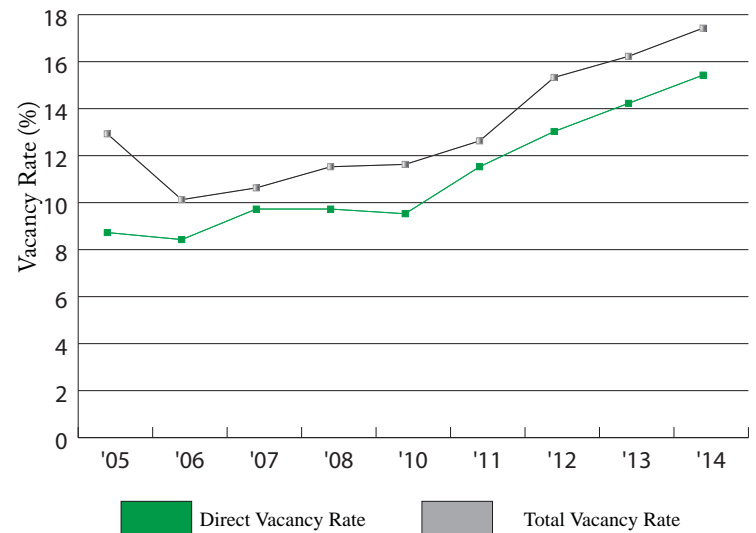
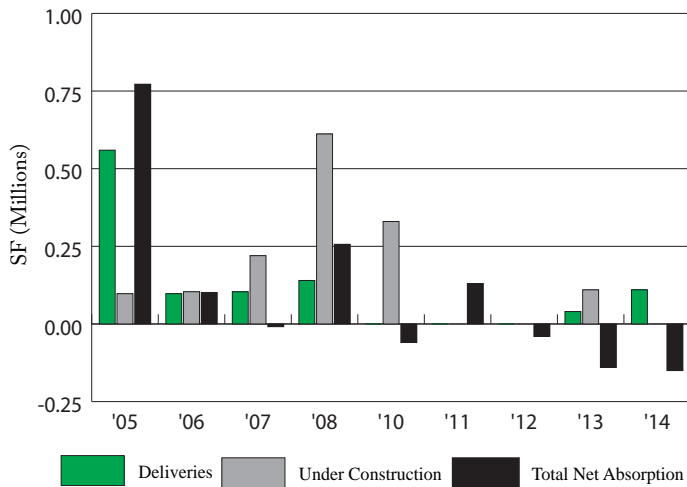


3204 TOWER OAKS BLVD.

Tenant: Mark Peller, DC  
Size: 2,088 SF Renewal  
Rate: \$28.91 FS  
Term: 91 Months  
Esc: 3.00%  
TI: As-Is

### NORTH ROCKVILLE MARKET SPOTLIGHT

3Q 2014



### MARKET STATS

#### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 129,583 SF/YR  
DELIVERIES: 240,508 SF/YR

INVENTORY: 13.2 MILLION SF  
DIRECT VACANCY: 15.7 %  
TOTAL VACANCY: 17.7 %  
YTD 2014 ABSORPTION: -150,782 SF  
UNDER CONSTRUCTION: 0 SF  
YTD DELIVERIES: 111,476 SF

#### ASKING RENTAL RATES (FULL SERVICE)

2005: \$24.50 PSF  
2014: \$26.33 PSF

### HIGHLIGHTS

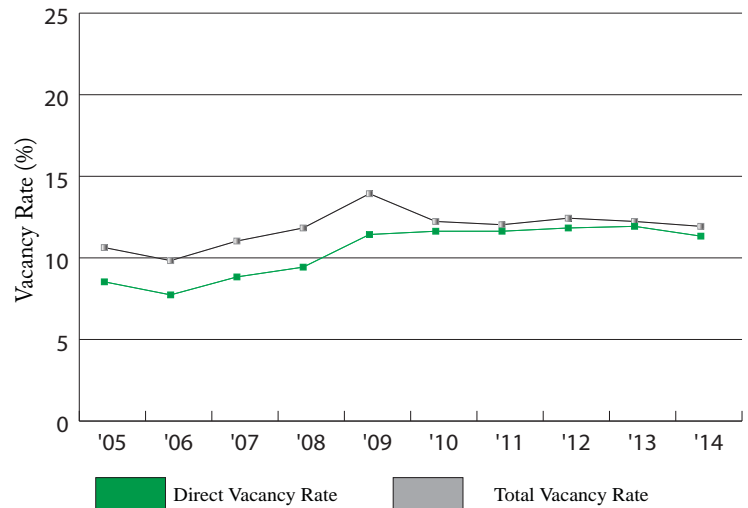
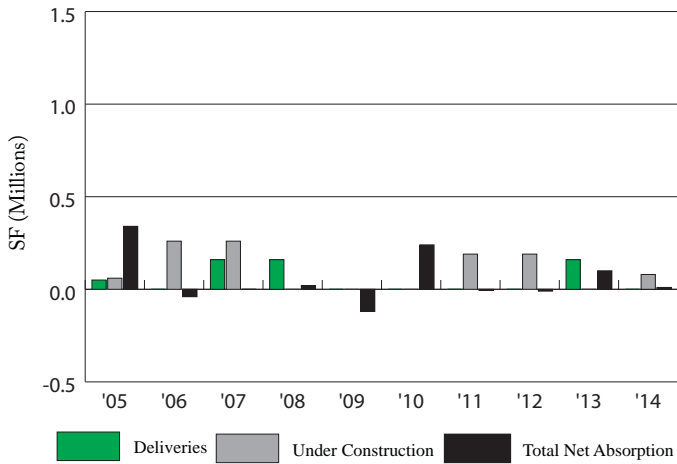
- Total leasing activity was 142,693 square feet in the third quarter, a slight decrease from the second quarter when it was 200,353 square feet.
- The total vacancy fell from 18.0% in the second quarter to 17.7% in the third quarter, with 15.7% attributed to direct vacant space.
- The Class A average asking rental rates experienced an increase as prices rose from \$28.01 Full Service in the second quarter to \$28.87 Full Service in the third quarter.
- The Class B average asking rental rates experienced a slight decrease from \$23.66 Full Service in the second quarter to \$23.57 Full Service in the third quarter.

LEASES AT A GLANCE



1355 PICCARD DR.

Tenant: Redfin  
Size: 2,485 SF New  
Rate: \$24.00 FS  
Term: 39 Months  
Esc: 3.00%  
TI: \$45.00/PSF  
Comments: 3 Months Free Rent



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 72,194 SF/YR  
DELIVERIES: 65,836 SF/YR

INVENTORY: 9.5 MILLION SF

DIRECT VACANCY: 12.1 %

TOTAL VACANCY: 12.7 %

YTD 2014 ABSORPTION: 14,784 SF

UNDER CONSTRUCTION: 80,000 SF

YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$21.40 PSF

2014: \$23.59 PSF

## HIGHLIGHTS

- Total leasing activity rose from second quarter's 37,129 square feet to 58,506 square feet in the third quarter. This is also an increase from the 49,908 square feet leased in the third quarter 2013.
- Total vacancy dropped from 13.7% in the second quarter to 12.7% in the third quarter, with 12.1% attributed to direct space.
- The Class A total vacancy rate fell to 16.3% in the third quarter from 17.7% in the second quarter. Total average asking rental rates saw a slight increase from \$25.51 Full Service in the second quarter to \$25.54 Full Service.
- The Class B total vacancy rate decreased from 11.3% in the second quarter to 10.5% and experienced a drop in total average asking rental rate as it fell to \$22.07 Full Service from \$22.23 Full Service.

LEASES AT A GLANCE



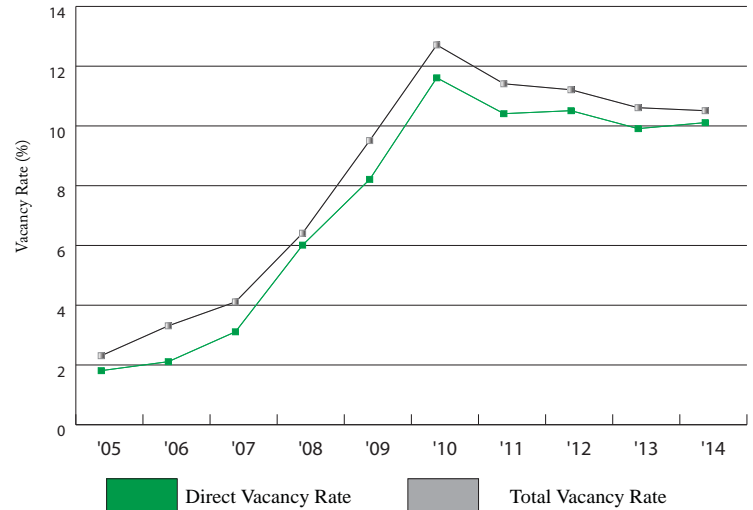
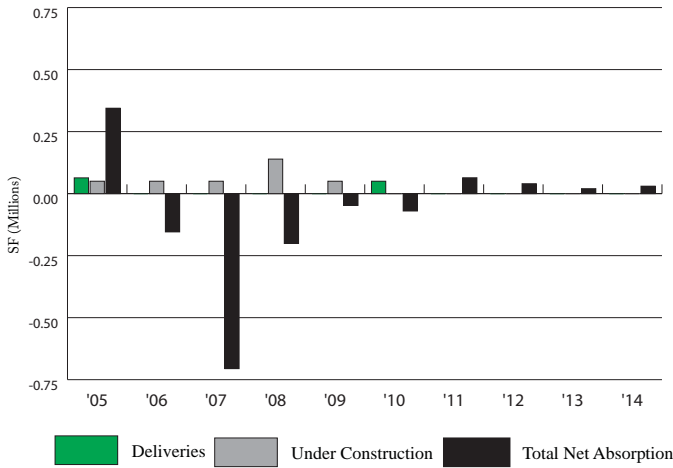
20410 CENTURY BLVD.

Tenant: Mantaro Product Development  
Size: 8,500 SF Renewal  
Rate: \$22.50 FS  
Term: 120 Months  
Esc: 2.50%  
TI: As-Is



189 KENTLANDS BLVD.

Tenant: RAO Radiologist  
Size: 2,549 SF Sublease  
Rate: \$22.00 FS  
Term: 63 Months  
Esc: 3.00%  
TI: \$22.00/PSF  
Comments: 3 Months Free Rent



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 11,645 SF/YR  
DELIVERIES: 23,300 SF/YR

INVENTORY: 6.4 MILLION SF

DIRECT VACANCY: 10.1 %

TOTAL VACANCY: 10.5 %

YTD 2014 ABSORPTION: 32,954 SF

UNDER CONSTRUCTION: 0 SF

YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$23.23 PSF

2014: \$28.01 PSF

## HIGHLIGHTS

- Total leasing activity for the third quarter was 48,662 square feet, a slight decrease from the 55,484 square feet leased in the second quarter.
- The total vacancy rate showed a slight increase as it went from 10.2% in the second quarter to 10.5% in the third quarter.
- The Class A total vacancy rate rose to 9.9% from 9.4% in the second quarter, with a thirty three cent increase in average asking rental rate from \$29.54 Full Service to \$29.87 Full Service.
- The Class B total vacancy rate remained consistent with the second quarter at 8.3%, as the average asking rental rate increased from \$23.93 Full Service to \$24.04 Full Service.



YEAR TO DATE LEASES



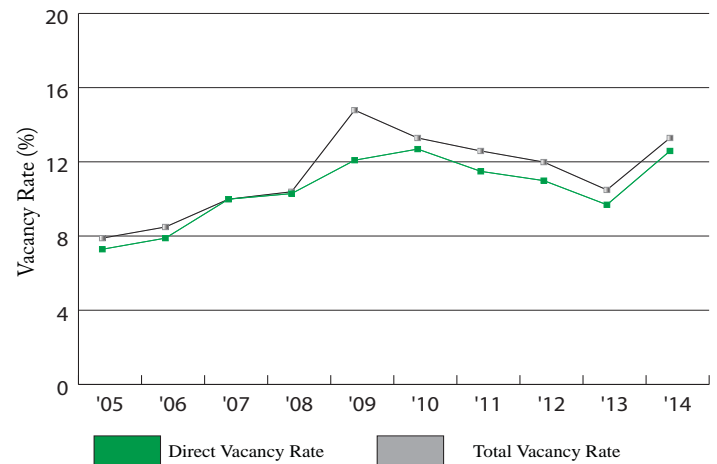
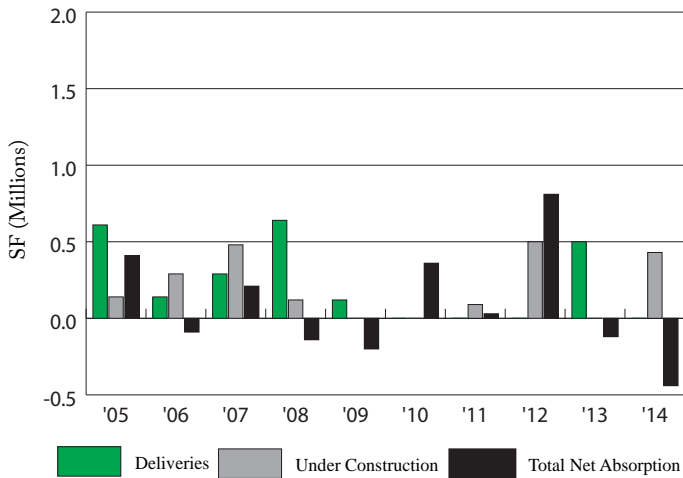
8380 COLESVILLE RD.

Tenant: Potomac Massage Training Institute  
Size: 9,865 Relet  
Rate: \$26.50 FS  
Term: 120 Months  
Esc: 2.50%  
TI: \$12.00/PSF



11510 GEORGIA AVE.

Tenant: Farmers Insurance  
Size: 944 SF New  
Rate: \$24.00 FS  
Term: 120 Months  
Esc: 5.00%  
TI: As-Is  
Comments: 4 Months Free Rent



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 128,420 SF/YR  
DELIVERIES: 241,687 SF/YR

INVENTORY: 19.5 MILLION SF

DIRECT VACANCY: 12.3 %

TOTAL VACANCY: 13.0 %

YTD 2014 ABSORPTION: **-437,655 SF**

UNDER CONSTRUCTION: 426,682 SF

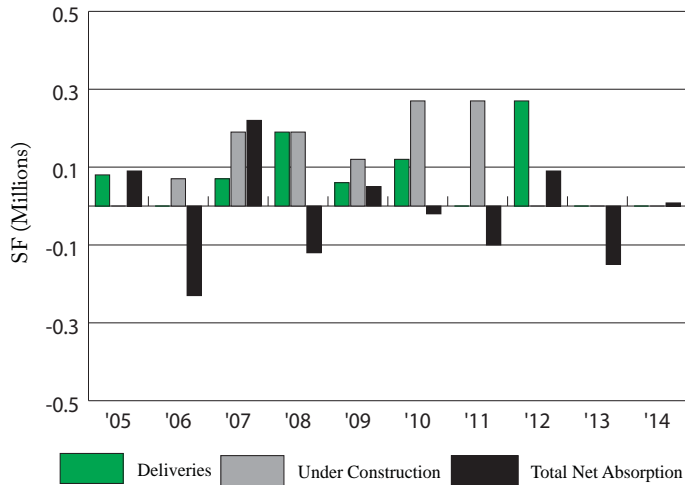
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (TRIPLE NET)

2005: \$5.43 PSF  
2014: \$6.07 PSF

## HIGHLIGHTS

- Total leasing activity experienced a slight decrease in the third quarter at 48,179 square feet in comparison to second quarter when it was 67,495 square feet.
- Total net absorption fell drastically from the second quarter's 70,859 square feet to **-201,609** square feet in the third quarter. This is also a large difference from this time last year when it was **-110,083** square feet.
- The total average asking rental rates increased from second quarter's \$6.00 Triple Net to \$6.07 Triple Net.
- The Class A total vacancy rate increased from 18.5% in the second quarter to 20.9% in the third quarter. Total average asking rental rates remained consistent with the first quarter at \$6.36 Triple Net.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: **-1,051 SF/YR**  
DELIVERIES: 102,129 SF/YR

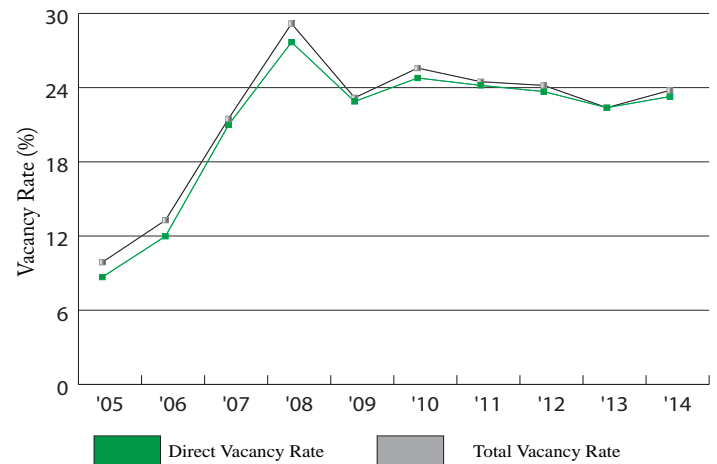
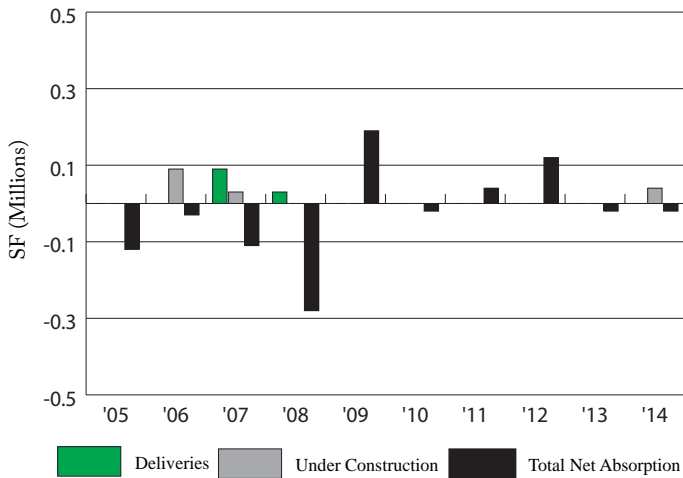
INVENTORY: 7.4 MILLION SF  
DIRECT VACANCY: 24.0 %  
TOTAL VACANCY: 24.4 %  
YTD 2014 ABSORPTION: 8,842 SF  
UNDER CONSTRUCTION: 0 SF  
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$20.38 PSF  
2014: \$21.00 PSF

## HIGHLIGHTS

- Total leasing activity was recorded at 25,488 square feet this quarter, a slight decrease from 37,150 square feet in the second quarter.
- The total vacancy rate dropped slightly from 24.8% in the second quarter to 24.4%, with 24.0% being attributed to direct space.
- Average rental rates remained consistent with the second quarter at \$21.00 Full Service.
- The total vacancy in the Class A market fell from 21.2% in the second quarter to 20.1%, as the total average rental rates saw \$0.03 decrease from \$21.93 Full Service to \$21.90 Full Service.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: **-28,588 SF/YR**  
DELIVERIES: 11,293 SF/YR

INVENTORY: 3.1 MILLION SF  
DIRECT VACANCY: 23.4 %  
TOTAL VACANCY: 23.9 %

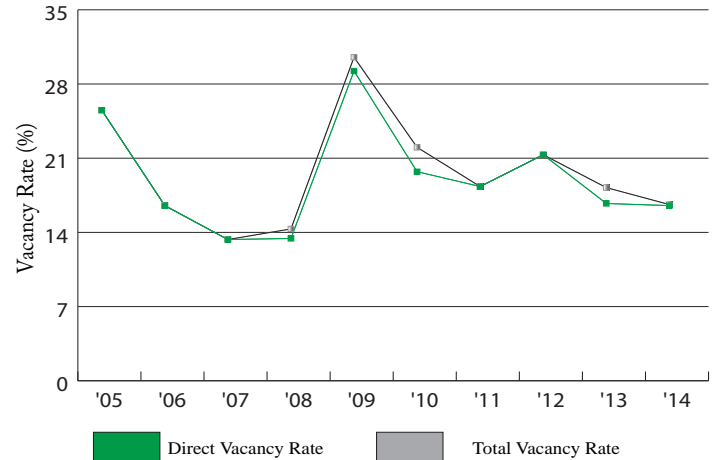
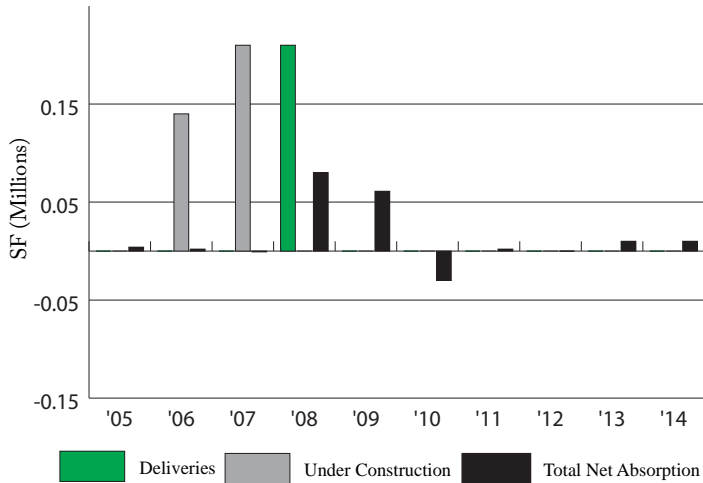
YTD 2014 ABSORPTION: **-25,826 SF**  
UNDER CONSTRUCTION: 46,000 SF  
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$19.48 PSF  
2014: \$19.19 PSF

## HIGHLIGHTS

- Total vacancy increased notably from 23.0% in the second quarter to 23.9% in the third quarter.
- Total net absorption was **-26,615** square feet in the third quarter, a decrease from the **-11,606** square feet recorded in the second quarter.
- The total average asking rental rates increased from second quarter's \$19.08 Full Service to \$19.19 Full Service, the highest it has been since fourth quarter 2013 when it was \$19.34 Full Service.
- The total average rental rate in the Class A market witnessed a \$0.10 increase from the previous quarter as it went from \$17.61 Full Service to \$17.71 Full Service.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 17,796 SF/YR  
DELIVERIES: 21,209 SF/YR

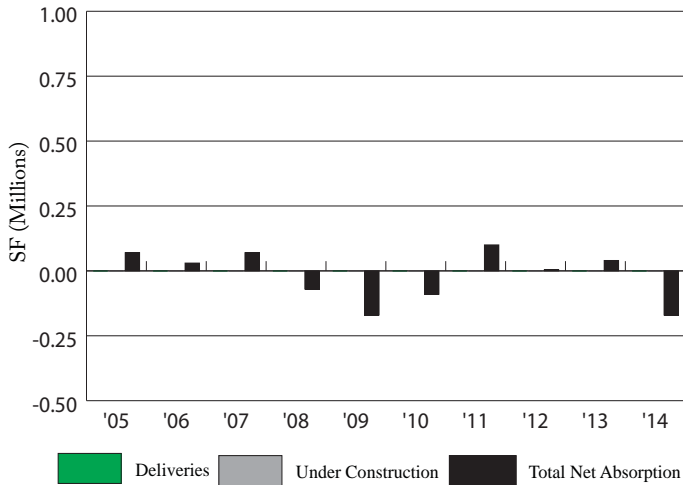
INVENTORY: 999,355 SF  
DIRECT VACANCY: 18.0%  
TOTAL VACANCY: 18.1%  
YTD 2014 ABSORPTION: 15,794 SF  
UNDER CONSTRUCTION: 0 SF  
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$18.38 PSF  
2014: \$22.89 PSF

## HIGHLIGHTS

- Total leasing activity rose from 1,800 square feet in the second quarter to 7,527 square feet in the third quarter. This is also a slight improvement from this time last year when total leasing activity was 7,516 square feet.
- Total net absorption decreased from 15,653 square feet in the second quarter to 1,800 square feet in the third quarter.
- The Class A total vacancy rate remained consistent with the second quarter at 18.6%, with a slight rental rate increase from \$23.64 Full Service to \$23.79 Full Service.
- The Class B total vacancy rate dropped from 19.9% in the second quarter to 19.4%, as rental rates decreased from \$22.78 Full Service to \$22.71 Full Service.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: **-28,544 SF/YR**  
DELIVERIES: 0 SF/YR

INVENTORY: 1.5 MILLION SF  
DIRECT VACANCY: 32.6 %  
TOTAL VACANCY: 33.6 %  
YTD 2014 ABSORPTION: **-173,163 SF**  
UNDER CONSTRUCTION: 0 SF  
YTD DELIVERIES: 0 SF

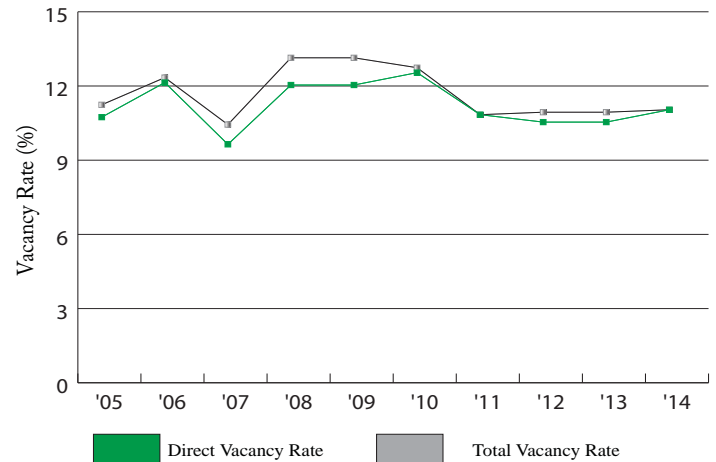
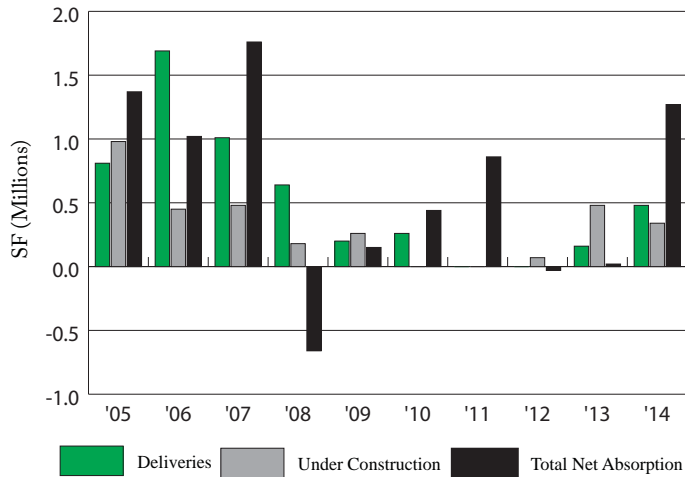
### ASKING RENTAL RATES (FULL SERVICE)

2005: \$18.44 PSF  
2014: \$20.62 PSF

## HIGHLIGHTS

- Total leasing activity rose to 17,446 square feet in the third quarter from 6,512 square feet in the second quarter. This is only a slight decrease from this time last year when total leasing activity was recorded at 17,996 square feet.
- The Class A market average asking rental rate remained consistent with the second quarter at \$21.56 Full Service.
- Total vacancy in the Class B market rose from 21.8% in the second quarter to 22.1% in the third quarter, and also experienced a slight decrease in total average asking rental rate from \$18.11 Full Service to \$17.70 Full Service.
- Total net absorption for the second quarter was **-22,109** square feet, a major difference from this time last year when net absorption was recorded at **-3,194** square feet.

### BALTIMORE/WASHINGTON CORRIDOR INDUSTRIAL SPOTLIGHT 3Q 2014



### MARKET STATS

#### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 664,849 SF/YR  
DELIVERIES: 525,016 SF/YR

INVENTORY: 47.3 MILLION SF  
DIRECT VACANCY: 11.0%  
TOTAL VACANCY: 11.1%

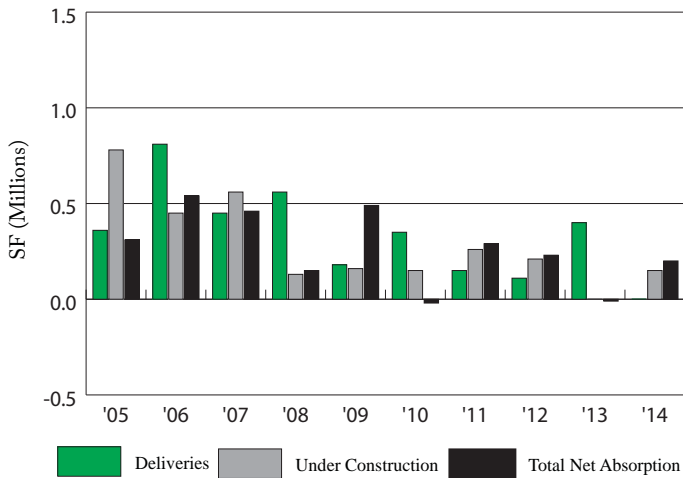
YTD 2014 ABSORPTION: 1,270,522 SF  
UNDER CONSTRUCTION: 346,408 SF  
YTD DELIVERIES: 485,209 SF

#### ASKING RENTAL RATES (TRIPLE NET)

2005: \$4.62 PSF  
2014: \$5.07 PSF

### HIGHLIGHTS

- Total vacancy fell slightly from 11.2% in the second quarter to 11.1% in the third quarter.
- Total leasing activity made a dramatic increase from the second quarter's 395,530 square feet as it reached 1,614,036 square feet in the third quarter.
- The Class A total vacancy rate rose from 12.4% in the second quarter to 12.8% in the third quarter, and witnessed a \$0.05 asking rental rate increase from \$5.47 Triple Net to \$5.52 Triple Net.
- The Class B total vacancy rate dropped to 9.9% from 10.5% in the second quarter, while the average asking rental rate rose from \$4.92 Triple Net to \$5.04 Triple Net.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 275,168 SF/YR  
DELIVERIES: 342,301 SF/YR

INVENTORY: 8.8 MILLION SF  
DIRECT VACANCY: 12.8 %  
TOTAL VACANCY: 14.3 %

YTD 2014 ABSORPTION: 208,881 SF  
UNDER CONSTRUCTION: 150,000 SF  
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$20.02 PSF  
2014: \$24.34 PSF

## HIGHLIGHTS

- Total vacancy rose from 13.5% in the second quarter to 14.3% in the third quarter, with 12.8% attributed to direct vacant space.
- Total net absorption fell from 120,909 square feet in the second quarter to **-76,992** square feet in the third quarter. However this is a major difference from this time last year when total net absorption was recorded at 86,256 square feet.
- The total average asking rental rate decreased slightly from \$24.98 Full Service in the second quarter to \$24.34 Full Service in the third quarter.