

Trends & Deals

Industrial Market Outlook | Prince George's County, MD | Q3 | 2013

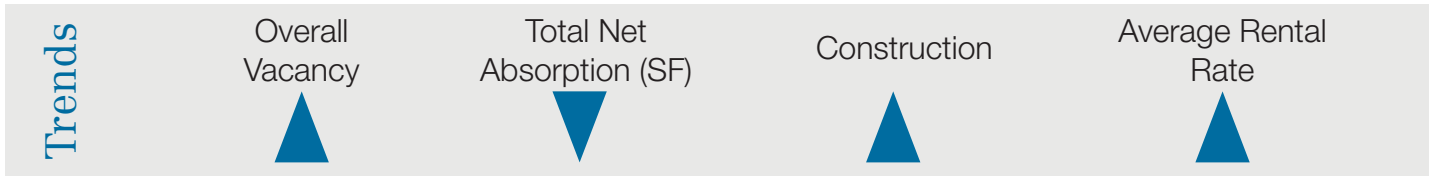
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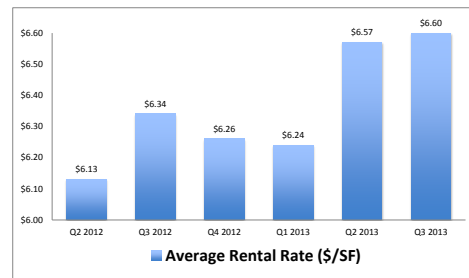
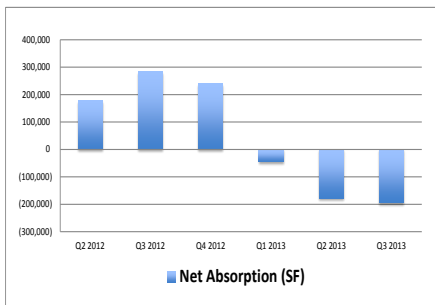
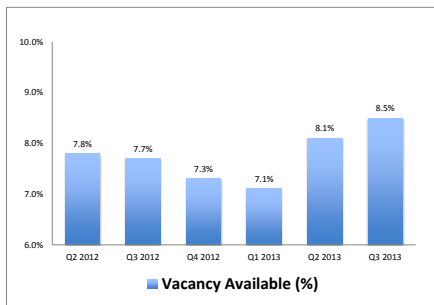
Overview

The industrial market in Prince George's County is seeing an abundance of new construction after two years of increased activity in the market, most of which is focused in the Central Sub-markets which include the Cheverly and Landover/Largo submarkets. This new construction is a result of declining vacancy due to several hundred thousand square feet of positive absorption in the submarket that had reduced sub-market vacancy to 6.1% as of Q1 2013. Currently, the overall Prince George's County Industrial vacancy rate is 8.3% due to the delivery of new industrial space to the market.

Atapco has delivered two new buildings at Steeple Chase 95 (92K & 43K sf respectively) and has plans to deliver an additional 180K s/f of Class "A" industrial space in one buildings. Atapco's 92K sf building has recently been fully leased to HD Supply Company. The Merchants Terminal site (adjacent to Cabin Branch) was purchased by a partnership between Chesapeake Real Estate, Oakmont and Carlyle and was recently delivered, adding 360,550 sf of vacant Class "A" industrial space known as the Landover Logistics Center. The final 77K sf of Lincoln Property Company's 150K sf building (Lincoln 495) was recently leased by Uni-Select. Lincoln Property Company sold the Class "A" warehouse for \$107 per sf to TIAA-CREF in Q2 2013. Pannatoni has plans to build an approximately 220K sf spec building in Bowie at their Collington site which should be delivered late 2014. Jackson Shaw has teamed up with Prudential to build a 124,950 sf Class "A" spec building at Andrews Federal Campus which will begin construction in 2014. The older Class "B" product in the Cheverly market has been fully leased due in great part to Nash Finch absorbing the remaining 365K sf in Wolf Commerce Center (6304 Sheriff Road) and GSA absorbing the remaining 43,000 sf at 6500 Sheriff Road for the Department of Transportation.

Rates continue to hold steady in this sub-market (in part due to the previous lack of new construction). Class "A" warehouse space is leasing in the \$6-\$7 per sf range while older product is leasing in the \$4.50-\$5.50 per sf range on a triple net basis.

NAI Michael Company is forecasting an increase of over 1M sf of new industrial space in 2014, with rents north of \$6 per sf and up to \$7.50 for smaller bay deals in the new Class "A" product. The lack of competing vacant Class "B" and "C" space should push rents for larger blocks of vacant space up in the immediate sub-market for users who must be Capital Beltway Adjacent. Users who are less location reliant will focus out the Baltimore Corridor or in suburban Prince Georges County where rates 10-15% lower can be achieved due to less expensive land and more abundant supply.



Major Lease Transactions

Building:	Submarket:	Tenant:	Size (SF):
6700 - 6800 Distribution Drive	Beltsville	Impact Office	65,056
3701 West Street	Landover/Largo	Amaryllis	50,000
1101 Hampton Park Blvd.	Capitol Heights	Goodman	29,723

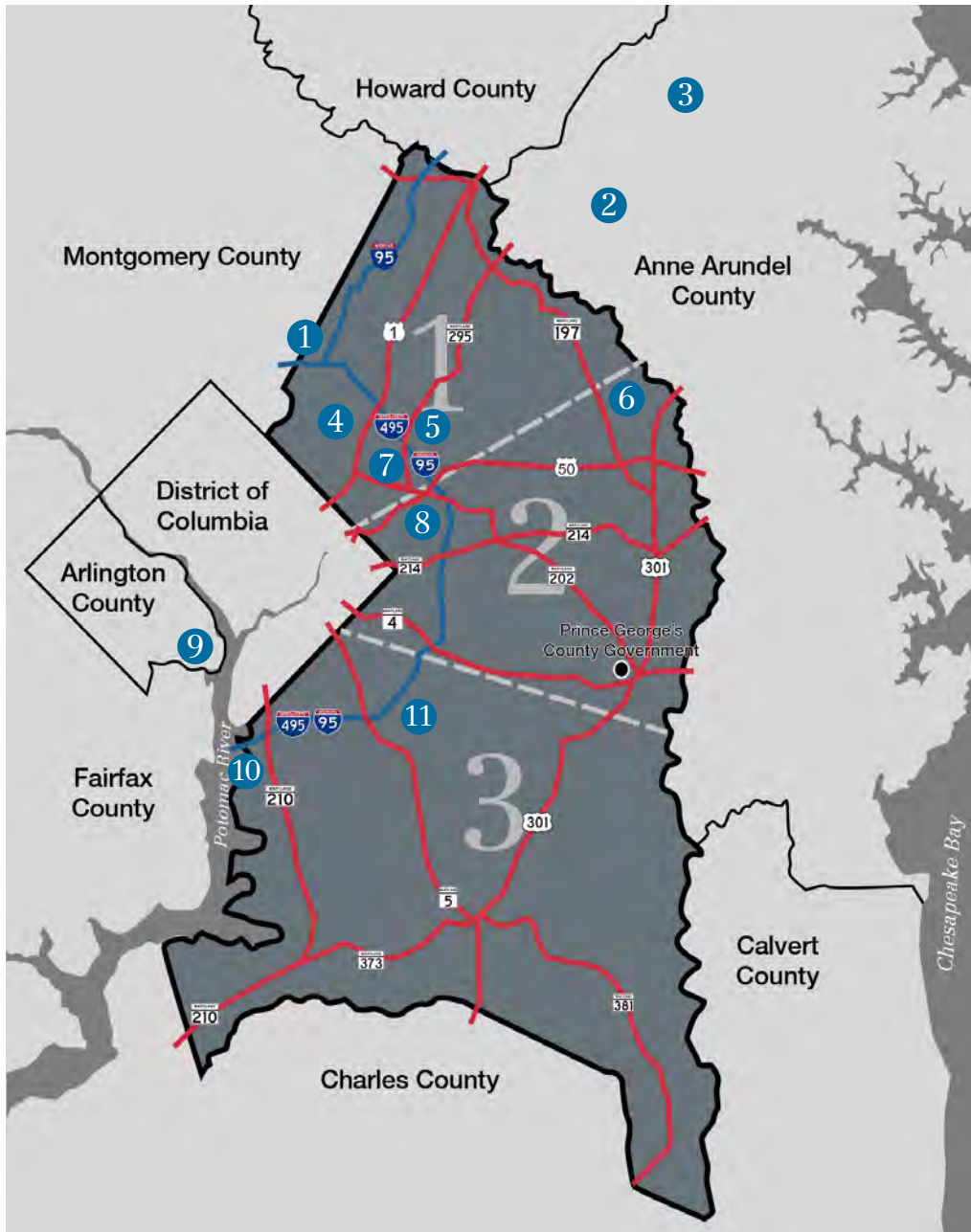
Major Sales Transactions

Building:	Submarket:	Size (SF) / Sales Price:	\$/SF:
10701 - 10707 Hanna Street	Beltsville	28,900 / \$2,100,000	\$72.66
5100 Lawrence Place	Cheverly/Hyattsville	26,347 / \$1,500,000	\$56.35
11400 Baltimore Avenue	Beltsville	13,120 / \$1,424,900	\$108.61

	# of Buildings	Total RBA (SF)	Total Avail. (SF)	Vacant Avail. (SF)	Total Vacant Avail (%)	Total Net Absorption (SF)	Total Average Rate (\$/SF/YR) NNN	Under Construction (SF)
Prince George's County Select Submarkets	1448	49,145,598	6,205,189	4,178,360	8.5%	(193,298)	\$6.60	0
PG County North Submarkets	297	10,174,371	1,199,858	942,925	19.9%	(46,197)	\$7.59	0
Laurel	50	2,510,205	504,096	388,584	15.5%	(33,397)	\$5.18	0
Beltsville	240	7,291,072	551,249	409,828	5.6%	(79,594)	\$6.08	0
Greenbelt	8	373,094	144,513	144,513	38.7%	0	\$11.50	0
PG County Central Submarkets	963	34,482,377	4,168,844	2,912,009	7.7%	(143,067)	\$7.58	0
Bowie	45	3,467,749	316,896	174,495	5.0%	(25,560)	\$6.42	0
Capitol Heights	136	4,845,182	691,168	326,142	6.7%	32,268	\$6.97	0
Cheverly/Hyattsville	381	6,726,905	569,929	269,014	4.0%	27,955	\$6.43	0
Landover/Largo	203	13,606,331	1,898,642	1,594,533	11.7%	(176,189)	\$6.30	0
Lanham	33	1,428,503	86,722	12,547	0.9%	3,000	\$8.46	0
Penn Ave Corridor	130	2,934,870	664,475	303,426	10.3%	3,466	\$6.01	0
Upper Marlboro	35	887,195	148,896	122,996	13.9%	(25,000)	\$12.00	0
PG County Southern Submarkets	187	4,488,850	836,487	323,426	4.6%	(4,034)	\$6.38	0
Branch Ave Corridor	132	2,934,870	664,475	303,426	10.3%	3,466	\$6.01	0
Brandywine PG South	17	1,100,865	156,080	5,780	0.5%	(5,780)	\$6.75	0
National Harbor/Oxon Hill/Ft. Wash	38	453,115	15,932	14,220	3.1%	(1,720)	-	0

Source: CoStar Property®

Prince George's County Submarket	Vacancy Available (%)	Net Absorption (SF)	Average Rental Rate (\$/SF)
Q2 2012	7.8%	177,363	\$6.13
Q3 2012	7.7%	282,459	\$6.34
Q4 2012	7.3%	238,863	\$6.26
Q1 2013	7.1%	-45,360	\$6.24
Q2 2013	8.1%	-177,939	\$6.57
Q3 2013	8.5%	-193,298	\$6.60



1 NORTHERN SUBMARKETS

Laurel
Beltsville
College Park
Greenbelt

2 CENTRAL SUBMARKETS

Bowie
Capitol Heights
Cheverly/Hyattsville
Landover/Largo
Lanham
Penn Ave Corridor
Upper Marlboro

3 SOUTHERN SUBMARKETS

Branch Ave Corridor
Brandywine PG South
National Harbor/Oxon Hill/
Fort Washington

- 1 FDA (Food & Drug Administration)
- 2 NSA/Ft. Meade/Cyber Command
- 3 BWI Airport
- 4 University of Maryland
- 5 NASA Goddard Space Flight Center
- 6 Bowie State University
- 7 IRS (Internal Revenue Service)
- 8 FedEx Field (Washington Redskins)
- 9 Reagan National Airport
- 10 National Harbor
- 11 Joint Base Andrews

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