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### Valbridge Property Advisors

is based in Naples, FL and is one of the largest commercial property valuation and advisory services firms in the U.S.

Valbridge has 200 MAIs, 68 office locations and 675+ staff across the nation. Each Valbridge office is led by an appraiser who holds the MAI designation of the Appraisal Institute.

Valbridge | Lipman Frizzell & Mitchell serves the Baltimore and Washington, D.C. markets from its central location in Columbia, MD. With 8 MAI's, 8 Certified General licensed appraisers, two economic consultants and a very capable support staff, VLFM is available for all types of real property valuation and evaluation assignments.

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## Commercial Markets: 2Q 2016

### RETAIL – SNAPSHOT

- Net absorption was positive in the Washington, D.C. retail market, with approximately 104K SF absorbed in the quarter
- Over the past four quarters, the market has seen an overall decrease in the vacancy rate
- Rental rates reflected a nominal increase for the MSA from last quarter
- During the 2<sup>nd</sup> quarter, 13 buildings totalling 306K SF were delivered to the market

Submarket	Retail Snapshot						Net Absorption	
	Single Tenant	Vacancy			Quoted Rates			
		Strip Center	Restaurant		Single Tenant	Strip Center		Restaurant
District of Columbia	0.90%	4.60%	1.30%	\$41.45	\$34.96	\$47.24	(74,700)	
Montgomery County	1.10%	5.90%	7.50%	\$35.09	\$25.93	\$36.45	3,440	
Prince George's County	3.60%	5.50%	6.90%	\$19.69	\$19.93	\$25.02	126,790	
Charles County	1.10%	11.20%	10.00%	\$17.74	\$16.91	\$12.01	(1,150)	
Calvert County	0.50%	4.30%	8.30%	\$14.25	\$15.54	\$21.76	10,590	
Frederick County	0.50%	9.50%	2.30%	\$20.64	\$20.70	\$23.72	1,750	
Alexandria	0.60%	13.50%	2.80%	\$27.25	\$45.46	\$15.04	37,150	
Arlington County	2.50%	2.60%	4.80%	\$81.23	\$37.27	-	(17,920)	
Fairfax County	0.80%	4.10%	1.40%	\$27.52	\$30.48	\$26.69	24,310	
<b>Total Submarket (2Q16)</b>	<b>1.50%</b>	<b>5.90%</b>	<b>4.40%</b>	<b>\$26.67</b>	<b>\$23.81</b>	<b>\$27.19</b>	<b>104,190</b>	
Total Submarket (1Q16)	1.50%	5.90%	4.60%	\$26.48	\$23.46	\$26.38	36,020	
Total Submarket (2Q15)	1.70%	6.20%	5.20%	\$26.15	\$23.32	\$26.70	(436,710)	

Source: CoStar Group, Inc.

\*Quoted rental rates are based on a NNN lease structure

### OFFICE – SNAPSHOT

- The vacancy rate was down slightly over the previous quarter, with net absorption totalling 365K SF in the quarter
- Rental rates reflected a nominal increase for the MSA from last quarter
- During the 2<sup>nd</sup> quarter, six buildings totalling more than 126K SF were delivered to the market

Submarket	Office Snapshot						Net Absorption		
	Class A	Class B	Class C	Class A		Class B		Class C	
				Quoted Vacancy	Quoted Rates	Quoted Vacancy			Quoted Rates
District of Columbia	12.20%	\$55.41	9.50%	\$42.52	3.10%	\$35.49	272,310		
Montgomery County	15.70%	\$31.01	14.40%	\$25.57	10.00%	\$23.64	339,750		
Prince George's County	26.80%	\$22.87	19.00%	\$20.94	10.80%	\$19.49	36,320		
Charles County	0.00%	\$32.89	10.30%	\$21.73	12.10%	\$19.64	(7,020)		
Calvert County	0.00%	-	7.20%	\$17.96	9.70%	\$17.80	8,580		
Frederick County	13.90%	\$22.82	14.10%	\$21.19	6.30%	\$19.23	44,130		
Alexandria	23.60%	\$34.97	10.10%	\$27.96	7.40%	\$27.36	(41,180)		
Arlington County	21.00%	\$41.16	20.20%	\$36.97	10.50%	\$34.84	(166,480)		
Fairfax County	19.00%	\$30.28	17.60%	\$24.68	6.70%	\$23.91	(170,580)		
<b>Total Submarket (2Q16)</b>	<b>16.50%</b>	<b>\$39.65</b>	<b>14.30%</b>	<b>\$30.31</b>	<b>7.30%</b>	<b>\$27.31</b>	<b>365,660</b>		
Total Submarket (1Q16)	16.60%	\$38.98	14.60%	\$29.83	7.30%	\$27.28	(661,520)		
Total Submarket (2Q15)	16.40%	\$39.10	14.80%	\$29.84	7.30%	\$26.46	(717,430)		

Source: CoStar Group, Inc.

\*Quoted rental rates are based on a gross lease structure

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**INDUSTRIAL – SNAPSHOT**

- Washington, D.C. Industrial market ended the quarter with over 464K SF of absorption
- Rental rates showed a nominal increase for the MSA from last quarter
- 11 buildings totalling 1.1MM SF were delivered to the market in the quarter
- The vacancy rate decreased slightly over the previous quarter

Industrial Snapshot					
Submarket	Vacancy		Quoted Rates		Net Absorption
	Warehouse	Flex	Warehouse	Flex	
District of Columbia	4.70%	3.40%	\$12.47	\$29.22	28,310
Montgomery County	7.50%	11.60%	\$11.59	\$13.22	188,620
Prince George's County	9.60%	13.90%	\$7.09	\$9.85	228,470
Charles County	5.90%	12.40%	\$6.81	\$11.35	15,760
Calvert County	6.80%	3.70%	\$8.17	\$10.05	27,990
Frederick County	6.80%	9.00%	\$6.53	\$10.01	96,310
Alexandria	6.90%	11.00%	\$10.30	\$16.02	(35,400)
Arlington County	1.30%	0.00%	\$25.00	\$18.91	-
Fairfax County	8.70%	12.50%	\$9.36	\$14.06	1,260
<b>Total Submarket (2Q16)</b>	<b>8.20%</b>	<b>11.70%</b>	<b>\$8.49</b>	<b>\$12.83</b>	<b>464,090</b>
Total Submarket (1Q16)	8.40%	11.80%	\$8.43	\$12.96	828,450
Total Submarket (2Q15)	8.40%	13.10%	\$8.39	\$13.04	1,348,900

Source: CoStar Group, Inc.

\*Quoted rental rates are based on a NNN lease structure

**MULTIFAMILY – SNAPSHOT**

- Development during the quarter was widespread, with 16 buildings delivered, bringing 4,130 new units to the market
- Rental rates showed a slight increase for the MSA from last quarter and vacancy also increased slightly

Multifamily Snapshot								
Submarket	Studio		1 BR		2 BR		3 BR	
	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit	Vacancy	Asking Rent/Unit
District of Columbia	3.90%	\$1,476	5.40%	\$1,717	4.50%	\$2,033	3.90%	\$1,787
Montgomery County	6.00%	\$1,271	5.70%	\$1,465	4.80%	\$1,807	3.80%	\$2,198
Prince George's County	2.00%	\$937	3.30%	\$1,157	3.80%	\$1,382	3.20%	\$1,616
Charles County	1.20%	\$632	7.60%	\$1,191	8.60%	\$1,455	7.80%	\$1,844
Calvert County	6.70%	\$1,673	7.10%	\$1,173	3.60%	\$1,532	3.60%	\$1,451
Frederick County	1.10%	\$804	3.90%	\$1,051	4.30%	\$1,261	3.30%	\$1,489
Alexandria	6.80%	\$1,218	6.30%	\$1,492	5.10%	\$1,864	5.20%	\$2,083
Arlington County	11.00%	\$1,552	4.40%	\$1,771	4.00%	\$2,323	1.70%	\$2,920
Fairfax County	5.30%	\$1,265	6.20%	\$1,524	4.80%	\$1,808	2.50%	\$2,028
<b>Total Submarket (2Q16)</b>	<b>4.70%</b>	<b>\$1,389</b>	<b>5.30%</b>	<b>\$1,510</b>	<b>4.60%</b>	<b>\$1,772</b>	<b>3.40%</b>	<b>\$1,974</b>
Total Submarket (1Q16)	4.50%	\$1,341	5.10%	\$1,485	4.50%	\$1,740	3.60%	\$1,923
Total Submarket (2Q15)	5.40%	\$1,349	4.90%	\$1,467	4.50%	\$1,710	3.60%	\$1,887

Source: CoStar Group, Inc.

### Data Sources

- ❖ Bankrate.com
- ❖ FreddieMac.com
- ❖ CoStar Group, Inc.
- ❖ U.S. Department of Labor
- ❖ Valbridge Property Advisors

*Some figures are interpolated and estimated due to variances between the reports.*

### CAP RATES

According to PwC "Real Estate Investor Survey," following are the respective Cap Rates nationally:

National Rates				Change from
Property	Low	High	Average	1Q16
Apartment	3.50%	8.00%	5.29%	Decrease
CBD Office	3.50%	7.50%	5.55%	Decrease
Suburban Office	4.50%	9.00%	6.43%	Increase
Flex	5.75%	9.00%	7.15%	No change
Warehouse	3.00%	7.00%	5.38%	Decrease
Retail	4.50%	9.50%	6.26%	Decrease

Source: PwC Real Estate Investor Survey

### UNEMPLOYMENT & LENDING RATES

Unemployment	May-16	May-15	May-14
Washington, D.C. MSA	3.60%	4.60%	5.20%
National	4.70%	5.50%	6.20%
Rates	May-16	May-15	May-14
15-Year Fixed	2.84%	3.06%	3.29%
30-Year Fixed	3.60%	3.84%	4.19%
1-Year ARM	2.84%	2.49%	2.43%
10-Year Treasury	1.57%	1.88%	2.86%

Source: U.S. Department of Labor & freddieMac.com