

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



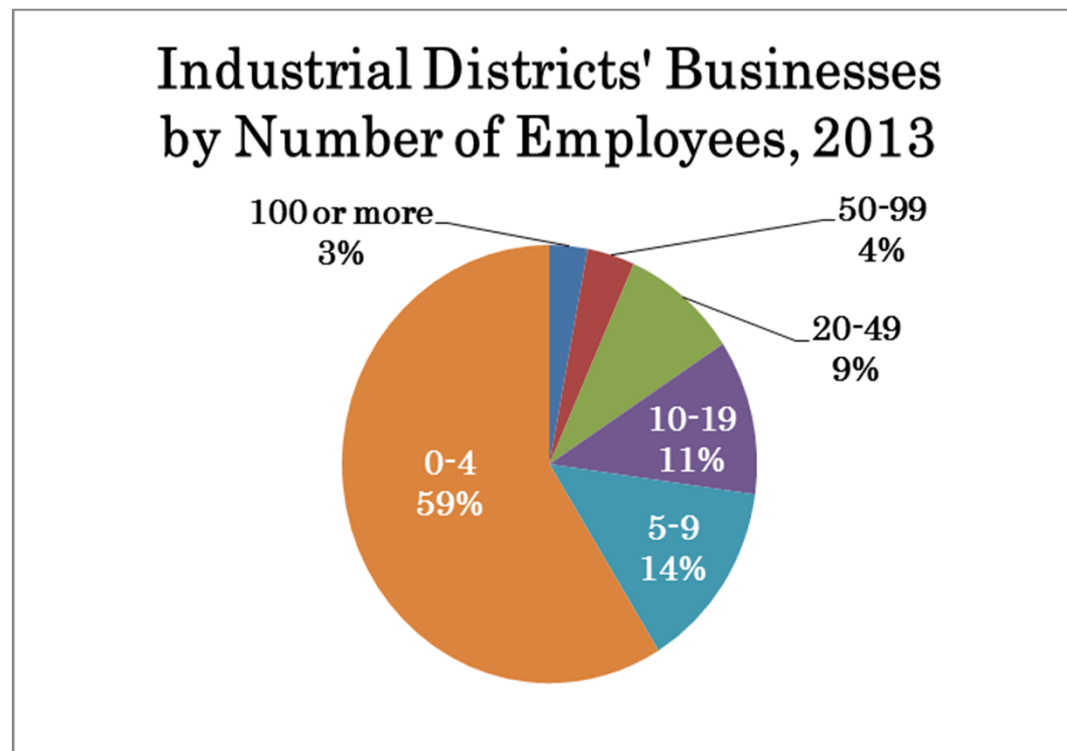
Industrial Land Uses

- Contractors
 - Landscapers
 - Home improvement contractors
- Retail
 - Countertops, carpets
- Entertainment
 - Gymnastics
 - Paintball



The Importance of Industrial Districts

- **Entrepreneurs and small businesses**
 - Arts and arts-related



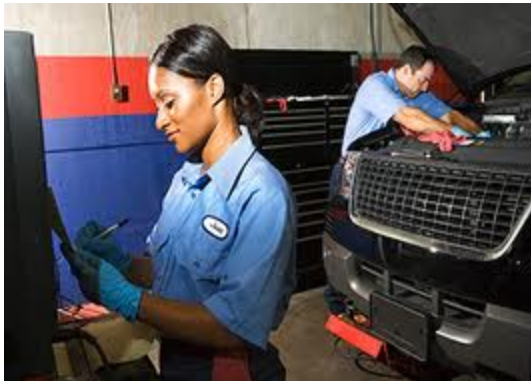
The Importance of Industrial Districts

- 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



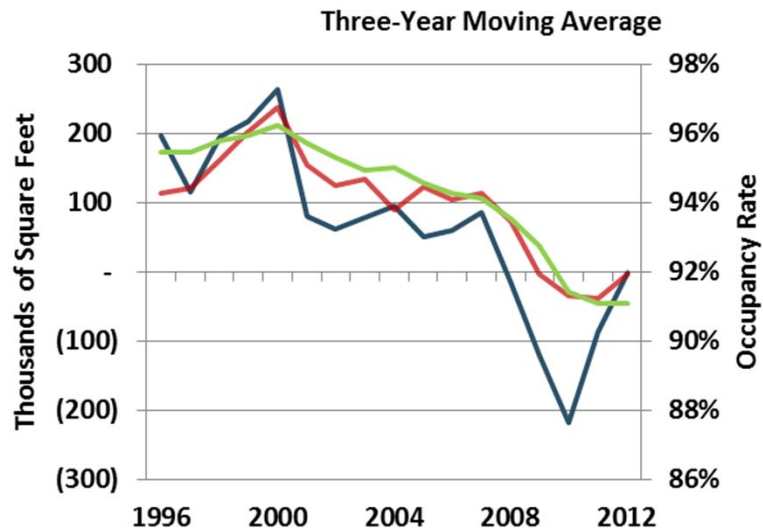
■ Flex

- Office in front
- Warehouse, assembly in back
- Labs



Space Trends

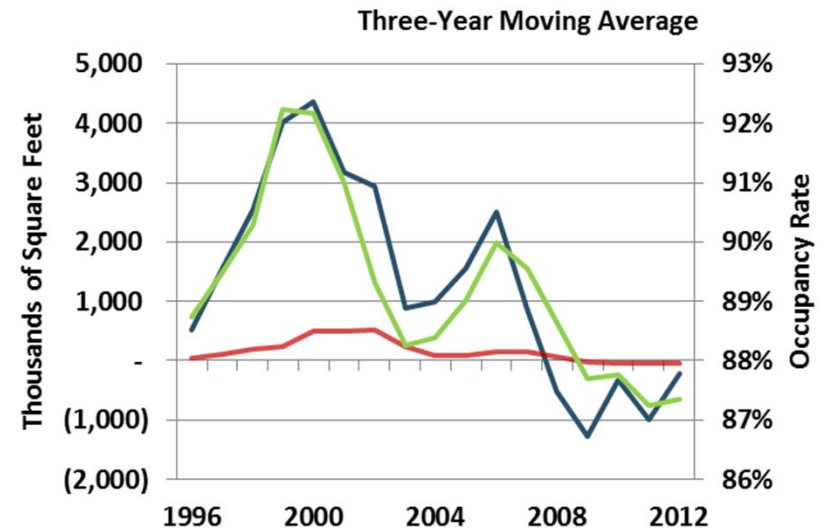
Montgomery County Industrial Construction, Absorption and Occupancy Rates



— Absorption
— Construction
— Occupancy Rate

- Major declines in
 - Construction pace
 - Absorption pace
 - Occupancy rate

Montgomery County Flex Space Construction, Absorption and Occupancy Rates



Industrial Space-Current Conditions

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

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

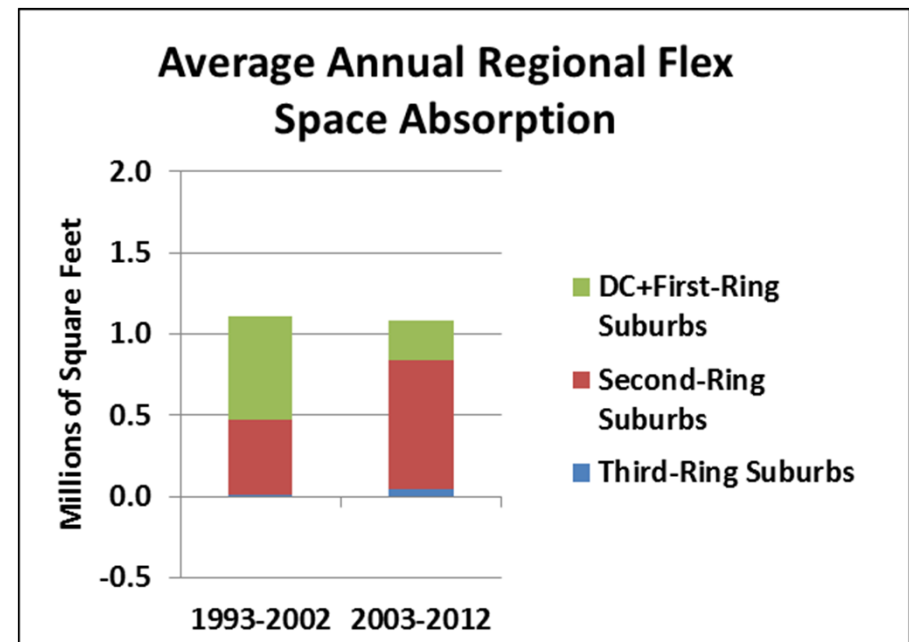
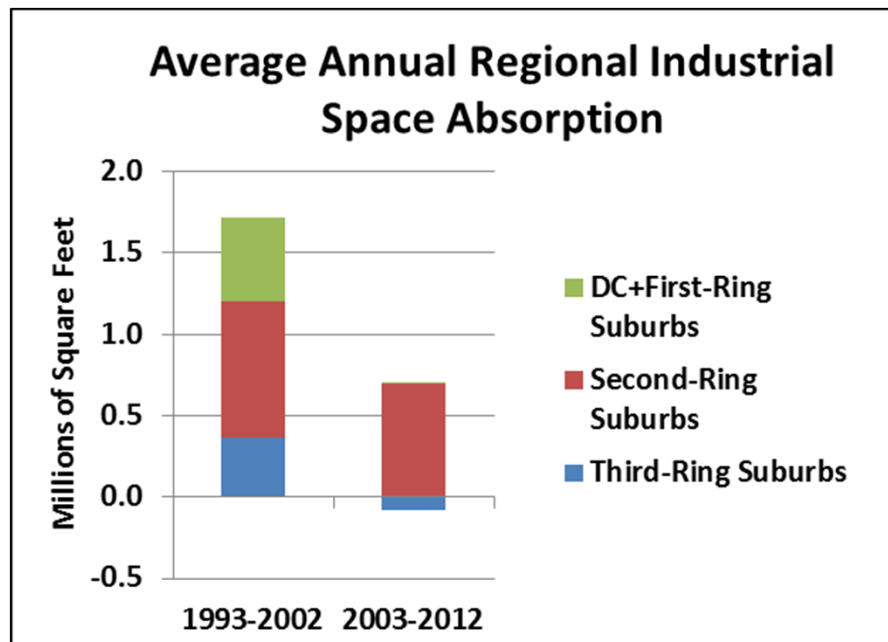
Industrial and Flex Rents

Jurisdiction	Industrial Rent	Flex Rent
Montgomery County	\$11.22	\$14.61
Prince George's County	\$6.60	\$9.01
Frederick County	\$5.72	\$11.22
Fairfax County	\$8.97	\$12.89
Arlington County	\$11.44	\$21.90
City of Alexandria	\$9.75	\$13.95
District of Columbia	\$10.52	\$12.21

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**

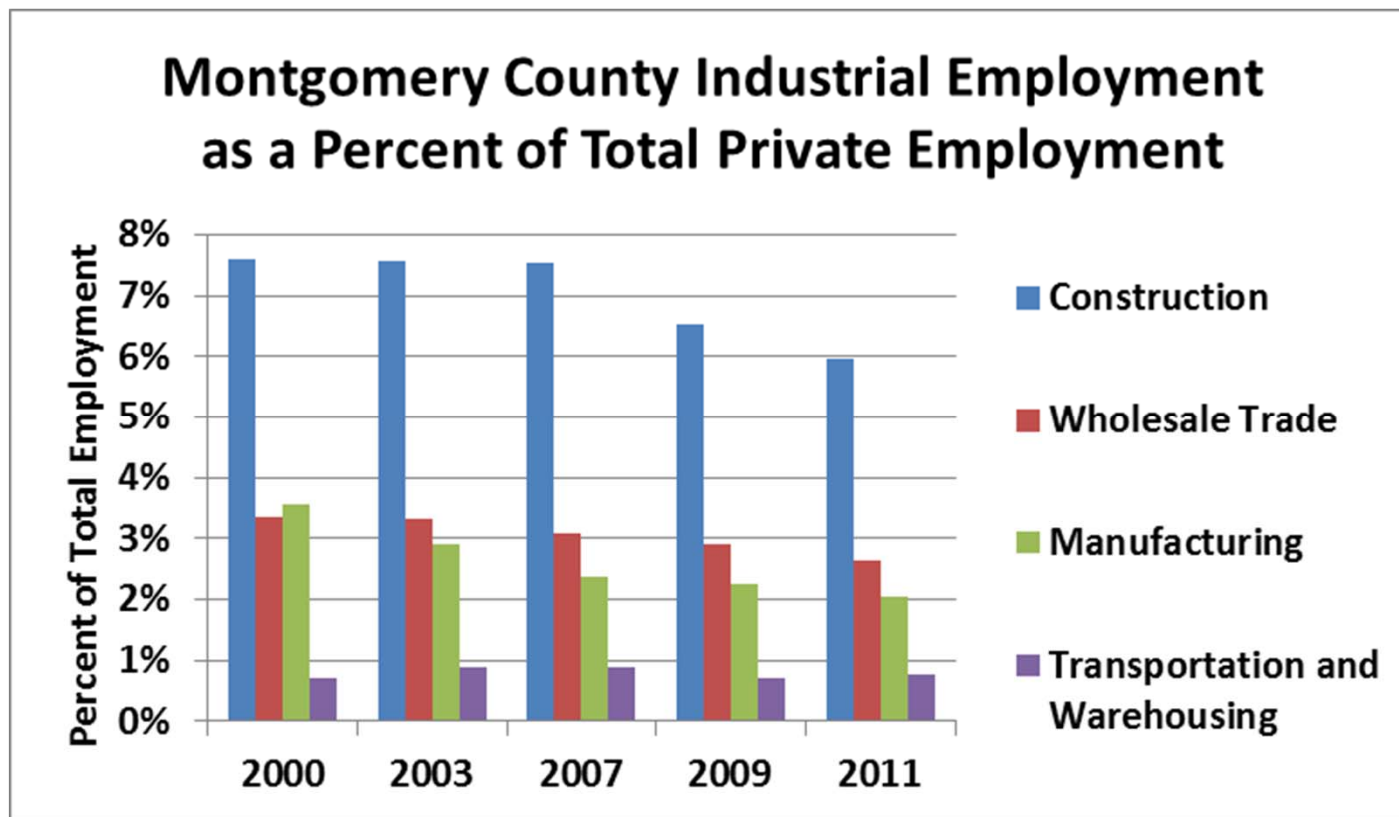
Regional Industrial Trends



- 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



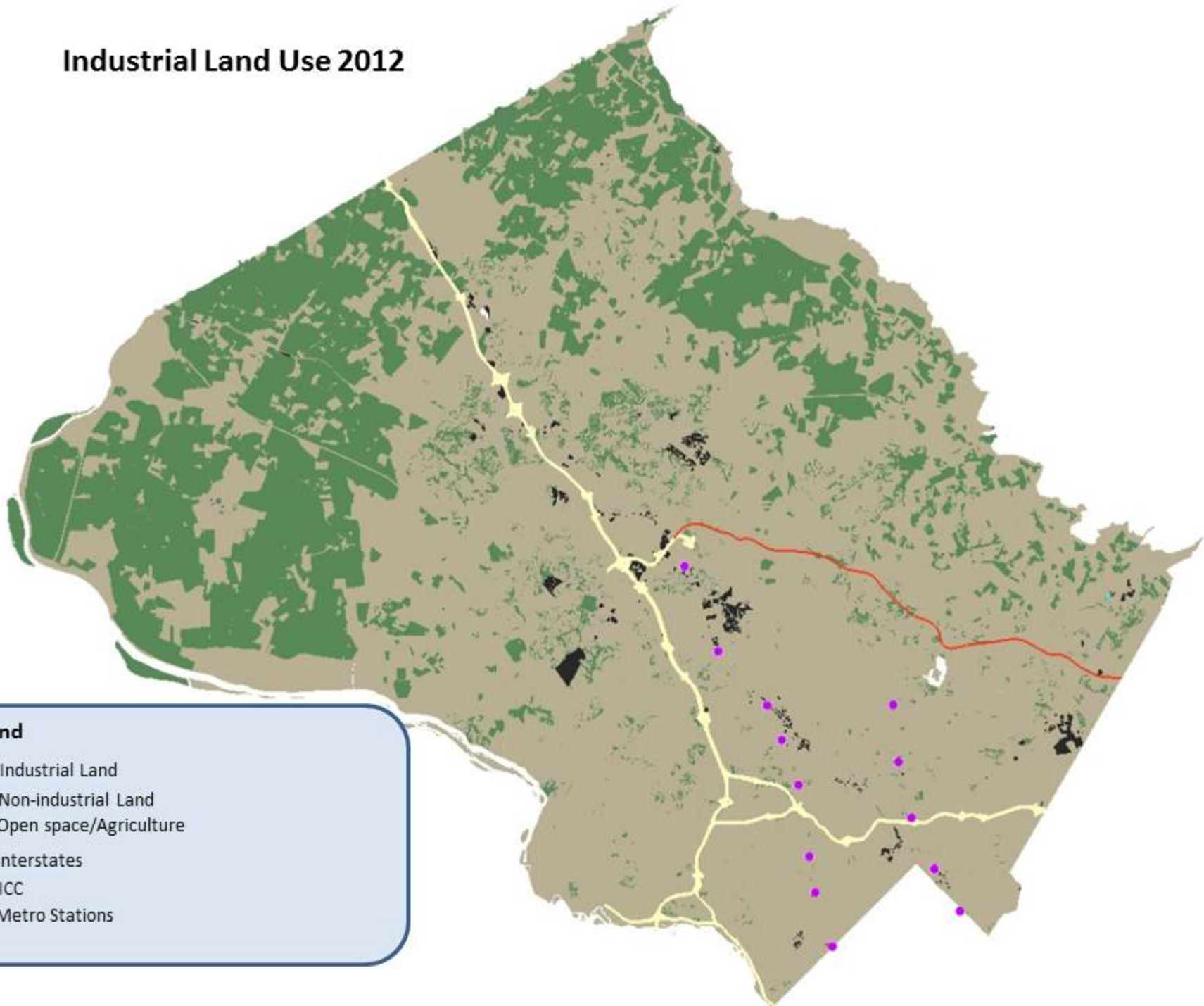
Need for Industrial Space

- 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 2012

Legend

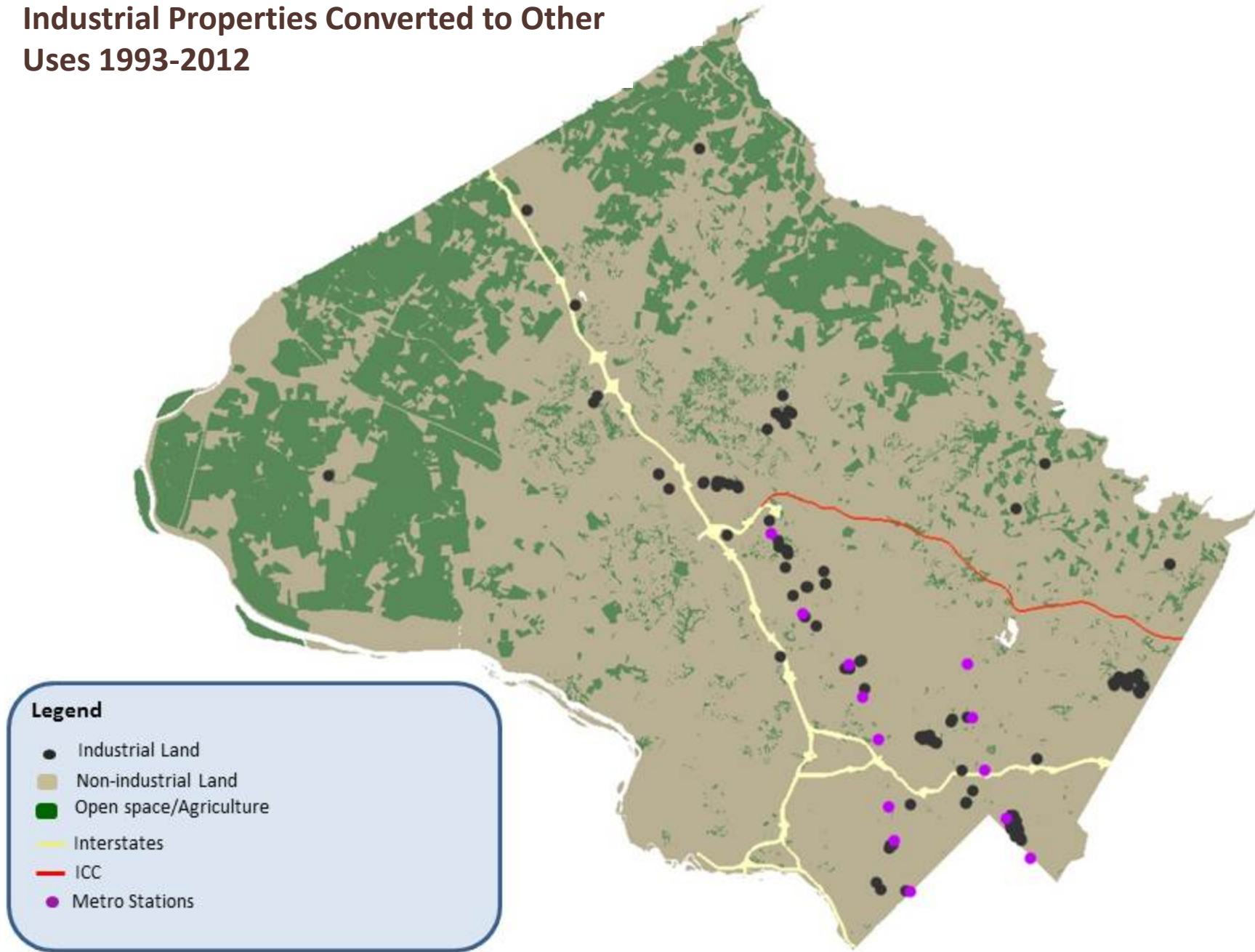
- Industrial Land
- Non-industrial Land
- Open space/Agriculture
- Interstates
- ICC
- Metro Stations



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