



MONTGOMERY COUNTY TRENDS

RETAIL TRENDS

2017

RETAIL TRENDS

Montgomery County's retail market ended 2016 on solid footing, continuing its healthy post-recession performance relative to the region and the nation.

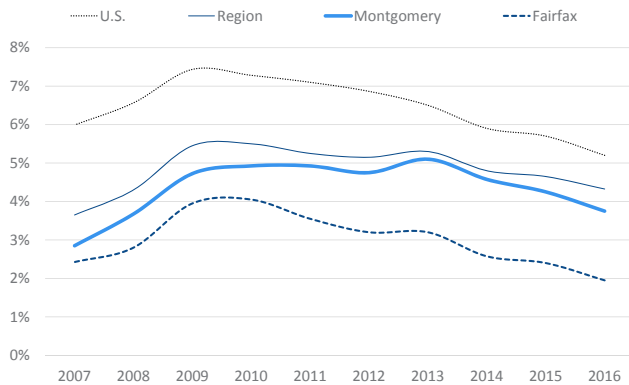
At 3.5 percent, the fourth quarter retail vacancy rate was slightly less than the 3.7 percent vacancy rate in the same quarter in 2015, and nearly a full percentage point below the 4.3 percent vacancy rate posted five years earlier.

Retail rents are ticking up in the county, averaging \$29.21 per square foot at the end of 2016, up more than \$4 from the same quarter five years ago but still under the pre-recession average of \$29.93 in 2007.

Net absorption—the measure of total space occupied minus the total space vacated—was a positive 577,428 square feet in the fourth quarter of 2016, due largely to delivery of the fully-leased Clarksburg Premium Outlets in the county's Interstate-270 North submarket.

With this new retail center, Montgomery County accounted for three-fourths of year-end retail space deliveries (77 percent) and net absorption (74 percent) in the Washington, D.C. metropolitan area.

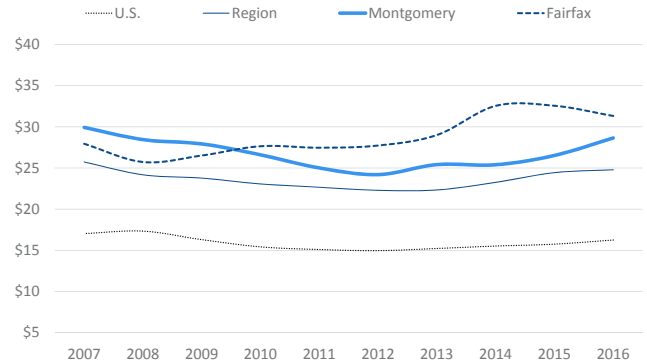
RETAIL VACANCIES: 10-YEAR TREND



Retail leasing remains strong as Montgomery County welcomes its first outlet center

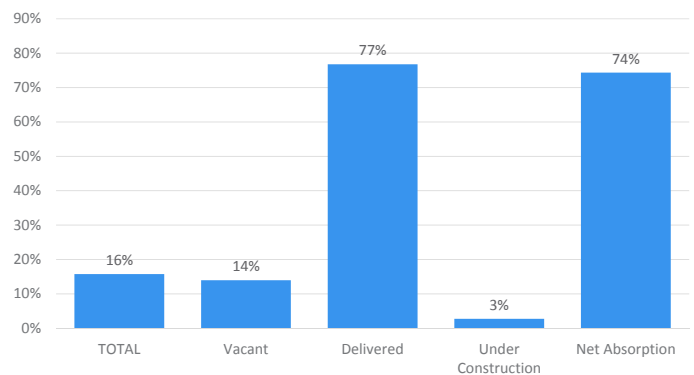
RETAIL RENTS: 10-YEAR TREND

IN NOMINAL DOLLARS



MONTGOMERY COUNTY SHARE OF RETAIL SPACE IN REGION: 2016 Q4

SQUARE FEET OF LEASABLE RETAIL SPACE



RETAIL SNAPSHOT, 2016 Q4

	2016 Q4	CHANGE		
		Past 6 Months	Past Year	Past 5 Year
INVENTORY (SF)	41,856,250	920,948	752,373	606,296
UNDER CONSTRUCTION (SF)	51,725	-48,672	-546,638	-153,188
VACANT SPACE (SF)	1,484,072	-38,769	-36,772	-289,676
VACANCY RATE	3.5%	-0.1%	-0.2%	-0.8%
AVERAGE RENT	\$29.21	\$0.11	\$2.82	4.03

	2016 Q4	TOTAL SQUARE FEET		
		Past 6 Months	Past Year	Past 5 Year
NET ABSORPTION	875,029	637,373	626,604	882,168
DELIVERIES	816,047	585,960	588,760	2,200,887

Source: Research & Special Projects Division analysis of CoStar data.

RETAIL SUBMARKET ACTIVITY

Germantown, North Rockville and Kensington had the lowest retail vacancy rates in Montgomery County at 1.7 percent, 2.1 percent and 2.6 percent respectively. Vacancies in the Bethesda-Chevy Chase, Silver Spring and North Bethesda markets were within half a percentage point of the 3.5 percent countywide average. Retail vacancies generally were highest in areas farthest outside the Beltway. Average fourth quarter 2016 retail rents in Montgomery County ranged from a high of \$41.93 per square foot in the Bethesda-Chevy Chase submarket to a low of \$22.75 in Gaithersburg.

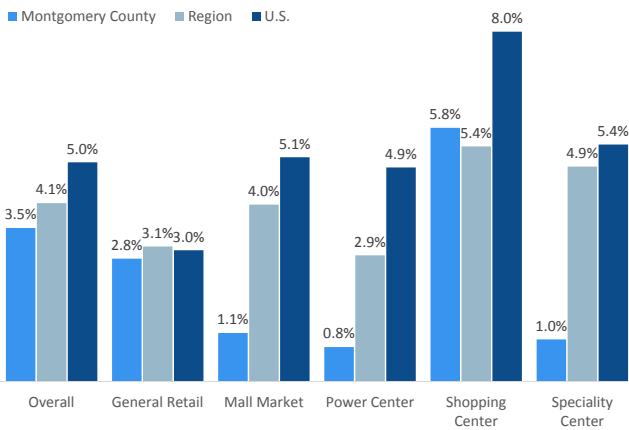
RETAIL CATEGORIES

Demand for retail space nationwide is soft, as consumers continue to shun traditional malls and strip centers in favor of online shopping and “destination” retail centers anchored by restaurants and entertainment. Key exceptions are “value” retail centers—outlet malls and big box retailers offering quality products at lower price points—which are performing relatively well across the nation.

Montgomery County’s retail leasing climate is much sunnier, with comparatively low vacancy rates across all categories of retail space. These conditions in part reflect the county’s large, affluent and diverse population, which provides a solid base of demand for a variety of retail options. In keeping with national trends, vacancies in the county are highest in strip centers and other traditional single-use shopping centers. Notably, however, vacancy rates in Montgomery County malls are extremely low—little more than one percent, compared to four percent in the region and 5.1 percent nationwide—suggesting that these centers are aligned with local consumer preferences.

RETAIL VACANCY BY CATEGORY: 2016 Q4

MONTGOMERY COUNTY, REGION AND NATION



Source: Research & Special Projects Division analysis of CoStar data.

ABOUT US

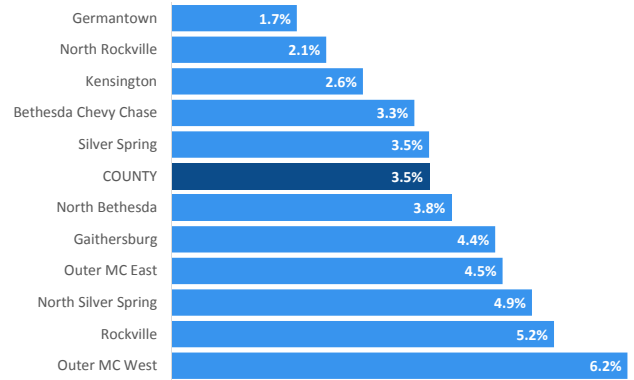
Montgomery County, MD, consists of 492 square miles and includes agricultural, suburban, and urban subareas. The County’s population was 1,004,116 as of July 2015, making it the second most populated County in the Washington, DC region. In 2015, 31% (220,485) of residents age 25 and over held a graduate or professional degree, ranking Montgomery fourth in the concentration of advanced degrees among counties across the nation.

QUESTIONS

Contact Research & Special Projects staff at (301) 650-5600 or MCP-Research@mncppc-mc.org.

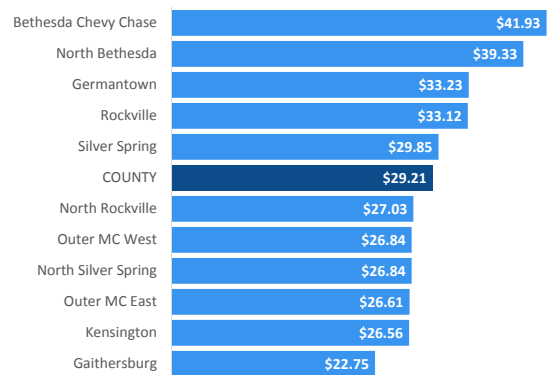
RETAIL VACANCY RATE: 2016 Q4

MONTGOMERY COUNTY AND SUBMARKETS



AVERAGE RETAIL RENT: 2016 Q4

MONTGOMERY COUNTY AND SUBMARKETS



RETAIL NET ABSORPTION (SF): 2016 Q4

MONTGOMERY COUNTY AND SUBMARKETS

