Tyler Duncan Realty Partners

4th Quarter 2018 Newsletter

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Featured Properties

Hyatt Center

1896 Urbana Pike

Hyattstown, MD 20871

TDRP proudly presents the Hyatt Center in northern Montgomery County (Hyattstown) for Lease. Located at the intersection of MD 355 and MD 75, and right off the MD 109 and I-270 interchange, this property has great access and visibility for your office or store. Currently, there is one suite available that is 2,911 square feet and is recently renovated, awaiting your business' customization. Neighboring tenants include Dunkin Donuts, Green Valley Montessori School, and multi-located Laurienzo Brick Oven Café.

For more information, please contact Brian Duncan at 240.436.6417 or brian@tylerco.com; or Andrew Borsa at 240.315.3103 or aborsa@tylerco.com

Royal Oaks, New Market

TDRP has three remaining new homes for sale in the Royal Oaks subdivision of New Market, Maryland. Retained a few months ago to list/market the remaining 7 spec-built houses, TDRP has sold 4. The model is now available for sale as well. Developed by Oak Hill Properties and located inside New Market's historic town limits, Royal Oaks is comprised of 120 homes on large lots in a beautiful setting. Residents enjoy small town charm without having to sacrifice the urban amenities found in nearby Downtown Frederick.

For more information, please contact Brian Duncan at 240.436.6417 or brian@tylerco.com

Savage River Lodge

Tyler Duncan Realty Partners is excited to have just listed the iconic Savage River Lodge for sale (located in western Maryland). With bookings several months into the future, and an extensive loyal/reoccurring client base, its ideally suited to continue its profitable operations as a highly sought after hospitality property/lodge. Alternatively, given its amenities, there are many other potential uses. Some include a corporate retreat, family retreat or compound, youth camp, or hunting club. The current owners are committed to continue offering the highest level of service until the ideal buyer is secured which will match the level of stewardship they've maintained.

4770 Winchester Blvd

Frederick, MD 21703

Available for sale is 3.09 acres located within the Stanford Industrial Park, conveniently located just off US route 15 approximately 5 minutes from I-270. The site will accommodate a building up to 7,500 square feet. The well has been dug and the soil perked for installation of a septic system; electricity is available and Comcast and Verizon already serve this office park. This is one of the lowest-priced industrial lots in the county and is ideal for a small contractor or landscaper.

For more information please contact David Kaye at 301.639.5954 or davek@tylerco.com.

Recent Transactions

Having Listed 41 acres in Clarksburg, MD for the Finfgeld Family Trust, TDRP sold the property in two transactions. The purchasers included Criswell Chevrolet of Gaithersburg, MD and Standard Properties. The property is situated between state highway Rt 355 and Interstate I-270. Criswell purchased approximately 16 acres to provide overflow parking for its thriving automotive sales business and its fleet services. Standard Properties purchased approximately 25 acres for a long-term investment. The parcels Standard purchased were subject to existing leases in place, most notably a lease to Brightview Landscaping, a NYSE publicly traded company. The entire 41 acres sold for $6,450,000. Most of the land was zoned “moderate industrial”, with one small parcel zoned “neighborhood retail

Andrew Borsa represented RoRo’s Mexican Cuisine in its leasing of 3,500 square feet of prime retail space at 50 Carroll Creek Way, situated on Frederick’s award-winning Carroll Creek Linear Park. One of Frederick’s newest restaurants, RoRo’s offers Mexican favorites with a Bolivian flair in honor of the owners’ heritage. One of the owners has also owned and operated Frederick-favorite Stone Hearth Bakery for many years, and looks forward to continuing to provide Frederick’s hungry citizens with great food at RoRo’s.

Chad Tyler represented Idiom Brewing Co. in its leasing of space at the newly-renovated Union Knitting Mills building in Frederick. With their space backing up to Carroll Creek Linear Park as well as the location inside one of Frederick's premier renovation projects, Idiom is well-poised to make its mark upon Frederick's exploding brewery/distillery scene.

Indivumed GmbH is a physician-led, integrated global oncology company with the world's premier high-content tumor database and highest quality biobank. The company was founded in 2002 by leading scientists to establish what is now considered the most advanced approach to biospecimen and clinical data collection, preservation, and analysis. They are headquartered in Hamburg, Germany, with a US-based subsidiary and a global clinical network. Their mission is to make individualized diagnosis and treatment of cancer on a global scale possible, with the objective of revealing the molecular and environmental realities of cancer, one patient at a time. They have chosen Frederick as their U.S. Headquarters and TDRP has located them at 7210 Corporate Ct. in 5,325 sf for a 7-year term. The transaction was completed by David Kaye who represented the Landlord.

MaidPro is a locally owned franchise that has been at the 1713 Rosemont Ave. facility for about a year and is in the top 5 fasted growing franchises in the corporation. They began with a small handful of cleaning staff and now have more than 22. This summer David Kaye who represents the Landlord, assisted them in expanding to the adjacent 800 sf space as they were overcrowded in the existing space.

The company opened their doors in June 2017 in Frederick, boasting exclusive saltwater livestock and supplies, specialized expertise virtually unheard of in the area, and the backing of other authorities in the aquarium-keeping industry. In their quest to expand their business at their 1713 Rosemont Ave. facility to also support exotic freshwater fish and supplies. There was no space left on the ground floor, but they took David Kaye's suggestion to move the second part of their operation to an 800 sf vacancy on the second floor. The grand opening of their freshwater operation was on December 1, 2018.

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For more information on how Tyler Duncan Realty Partners can assist you in the sale and/or leasing of your commercial building(s) or land and the acquisition or leasing of commercial real estate for your business or investments contact:

- *Chad Tyler, Partner at 240.436.6432,* chad@tylerco.com
- *Brian Duncan, Partner at 240.436.6417,* brian@tylerco.com
- *Andrew Borsa, Sales & Leasing Associate at 240.315.3103 or* aborsa@tylerco.com
- *Timothy Shanklin, Sales & Leasing Associate at 443.422.4600 or* tshanklin@tylerco.com
- *Amy Young, Sales & Leasing Associate at 240.604.1882 or* amy@tylerco.com
- *David Kaye, Sales & Leasing Associate at 301.639.5954 or* davek@tylerco.com.
- *Kent Gubler, Strategic Accounts at 240.436.6 416,* kent@tylerco.com

Property Management

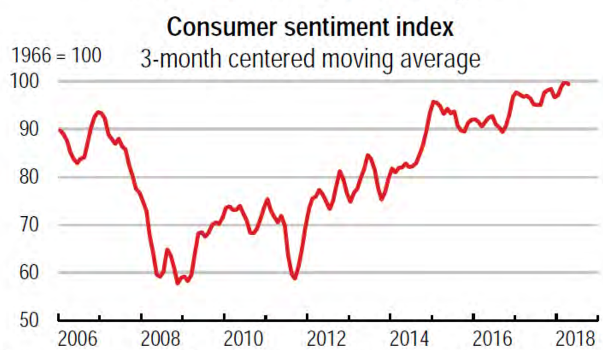
Tyler Duncan Realty Partners manages over one million square feet across a variety of property types, including office, retail, industrial, multifamily, and residential condominiums. Tyler Duncan Realty Partners now manages the Monocacy Landing Condominium I and II and the Monocacy Landing Homeowners Association located on the north side of Frederick City. Monocacy Landing offers the privacy and quiet of suburban living while still being located within the City.

For more information on how Tyler Duncan Realty Partners can help manage your property, please contact Brian Duncan at 240.436.6417 or brian@tylerco.com; or Brendan Wharton at 240.436.2960 or brendan@tylerco.com

General Economic Overview

The United States is enjoying one of the longest economic expansions in its history, and the short term outlook is positive. Private consumption remains solid, the labor market is strong, and consumer confidence is high (see chart below). Threats to longer term economic health include elevated leverage ratios in the corporate sector, rising trade tensions, and increasing national debt.

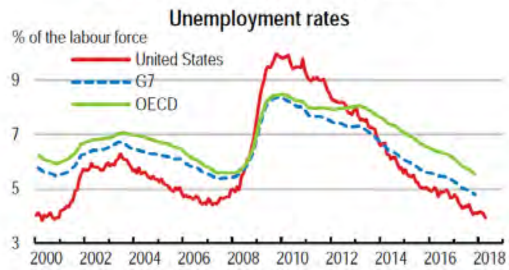
Consumer confidence is high



Source: Surveys of consumers, University of Michigan.

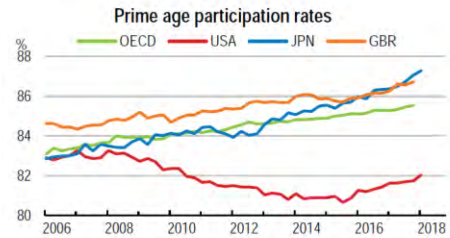
The historically-low unemployment rate remains a central story in the current American economy. Unemployment has been steadily dropping since 2010, in part because of robust job growth but also because labor participation is low, especially among young males.

Unemployment is now very low



Source: OECD Analytical Database.

Many Americans appear to have dropped out of the labour force



Note: OECD refers to a simple average.
Source: OECD Employment and Labour Market Statistics.

In a report published by the Federal Reserve Bank of Atlanta, estimated GDP growth for Q4 2018 was 2.5%. Both Euromonitor International and the OECD estimated GDP growth for all four quarters in 2018 at 2.9% (see below). The federal Bureau of Economic Analysis has not yet released its GDP figures for Q4 2018.

ECONOMIES

	2013	2014	2015	2016	2017	2018
GDP (USD million)	16,784,851.0	17,521,747.0	18,219,297.0	18,707,189.0	19,485,394.0	20,491,743.6
Real GDP Growth (% growth)	1.8	2.5	2.9	1.6	2.2	2.9
Inflation (% growth)	1.5	1.6	0.1	1.3	2.1	2.4
Unemployment Rate (% of economically active population)	7.4	6.2	5.3	4.9	4.3	3.9
Exchange Rates Against US Dollar (USD per USD)	1.0	1.0	1.0	1.0	1.0	1.0

Metro Washington Commercial Overview

Industrial

Vacancy rates at the close of Q4 2018 were 5.8% across all types of industrial product. The vacancy rate for flex properties was 7.1% and for warehouse was 5.4%. Warehouse vacancy at year-end was higher than it had been all year, although in historic terms it is still very low.

The Q4 2018 average quoted asking rental rate was $9.10 per square foot, up $.01 higher than the prior quarter. Flex rates were $13.72 per square foot, while warehouse rates were $7.76, both of which are the highest among all 2018 quarters.

Industrial Sales activity was strong in 2018. In the first nine months of 2018, the market saw 80 transactions (over 10,000 SF or larger) with a total sales volume over $574,000,000, or approximately $103 per square foot. Cap rates have also been high in 2018, averaging 8.26% over the first nine months of the year compared to 7.51% over the same period in 2017.

Office

Office vacancy rates in the Washington market varied considerably according to building class. For class A properties, the reported vacancy rate was 15.3% (no chance from the prior quarter); classes B and C finished at 11.0% and 5.0%, respectively. The central business district rate was 12.7%. The overall vacancy rate was 12.8%, down from the prior two quarters; suburban vacancy was also 12.8%.

Among office building sales 15,000 square feet or larger, 2018 sales were down in comparison to 2017. In the first nine months of 2018, the market saw 117 transactions with a total volume over $5B. The average price per square foot was $315.64, and the average cap rate was 6.73%. Over the same period in 2017, transaction volume totaled over $6.2B and average price per square foot was $327.44

Th average quoted asking rental rate for the overall office market was $35.90 per square foot in Q4 2018, up .3% from Q3 2018. Class A asking rates were $39.89, class B rates were $30.59, and class C at $25.98. The average rate for the suburban market was $31.22, while the central business district finished at $53.13.

Retail

The overall Washington retail market has remained remarkably stable over the prior 4 quarters. The overall vacancy rate has held firm at 3.9%. Shopping center vacancy finished the year at 5.5%; power centers at 3.8%; general retail at 2.8%; specialty retail at 7.0%; and malls at 3.2%.

Total retail sales volume (among buildings 15,000 square feet or more) for the first nine months of Q4 2018 was over $608,000,000 over 43 transactions with an average price per square foot of $211.87. Cap rates in 2018 averaged 7.63%, up one-half percent over 2017.

Overall quoted asking retail rates ended Q4 2018 at $25.37 per square foot per year, or a 1.3% increase over the prior quarter and a 3.51% increase from four quarters ago. Shopping centers finished Q4 at an asking rate of $22.92, power centers at $22.20, specialty at $21.24, malls at $16.46
(source: CoStar Realty Information, Inc.)

For more information about Investing, Purchasing or Selling Real Estate contact Chad Tyler at 240.436.6432 or chad@tylerco.com , Brian Duncan at 240.436.6417 brian@tylerco.com , or Andrew Borsa at 240.315.3103 or andrew@tylerco.com.

National Residential Overview

According to the National Association of Realtors' (NAR) Pending Home Sales Index (an indicator based on contract signings), 2.2% fewer homes went under contract in December 2018 than in November 2018, making this the twelfth straight month of annual decreases. However, a handful of major cities in the West have still seen growth, especially the Denver, Seattle, San Francisco, San Diego, and Portland metro areas. The South has seen the greatest drop, down 13.5 percent from December 2017.

Lawrence Yun, the NAR's chief economist, cited several reasons for the drop, including the stock market correction hurting consumer confidence, record high home prices reducing affordability, and higher mortgage rates in October and November. However, Yun sees reason for optimism in 2019, noting that the Federal Reserve changed its policy on rate hikes by announcing there will likely only be one increase or even no increase at all, which will spur a fall in the 30-year, fixed rate for mortgages.

Existing home sales declined 6.4% in the month of December after two consecutive months of increases (including condos and co-ops). The data for single family homes is broken down by region below.

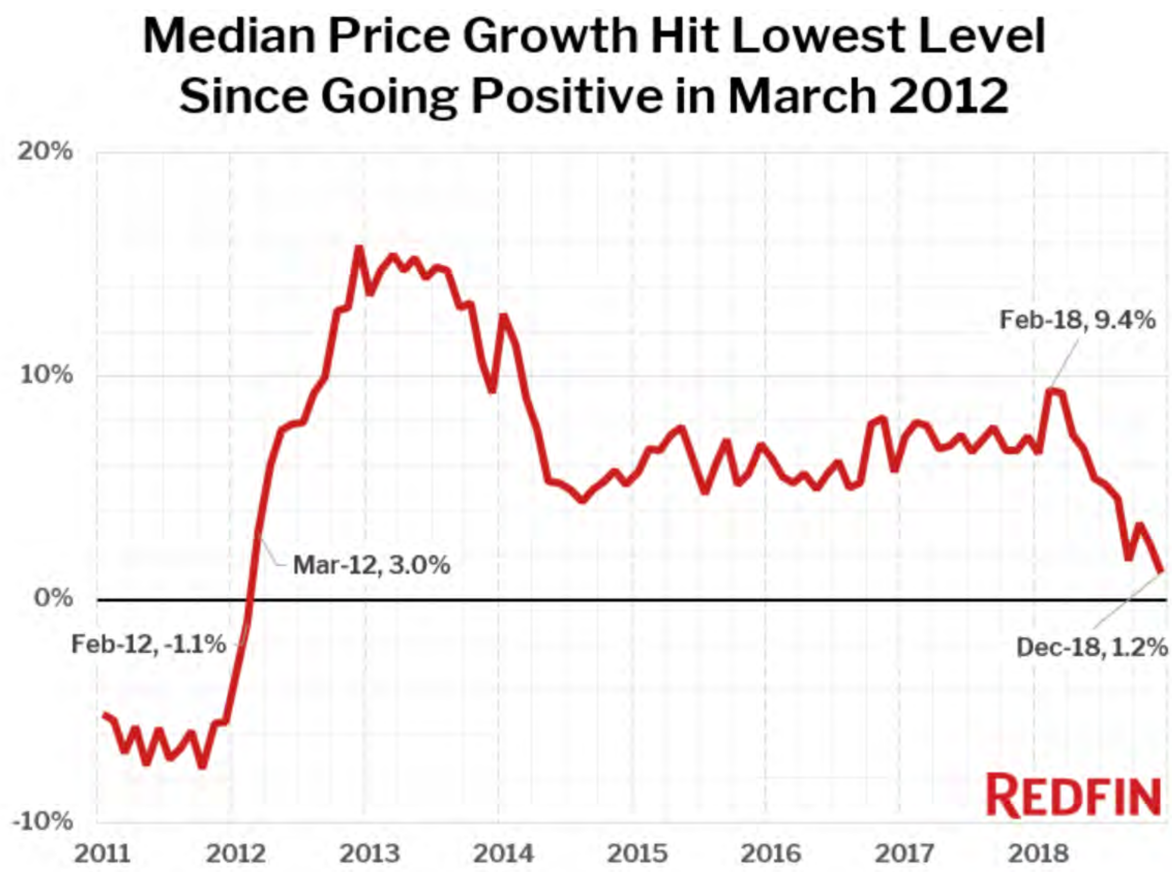
Regional Sales by Price
Existing Single Family Homes
December 2018

% Change in Sales from 1 Year Ago						
Region	**$0-100K**	**$100-250K**	**$250-500K**	**$500-750K**	**$750K-1M**	**$1M+**
Northeast	-14.3%	-7.8%	-2.4%	-4.6%	7.6%	-9.3%
Midwest	-20.0%	-8.3%	-4.9%	-1.4%	7.4%	-19.1%
South	-20.8%	-11.0%	-4.8%	-8.2%	-5.1%	-7.6%
West	-36.8%	-28.7%	-11.7%	-10.7%	-14.1%	-16.1%
U.S.	-19.6%	-11.9%	-6.4%	-8.0%	-6.3%	-13.3%

Sales Distribution						
Region	**$0-100K**	**$100-250K**	**$250-500K**	**$500-750K**	**$750-1M**	**$1M+**
U.S.	9.5%	40.3%	35.4%	9.0%	2.9%	2.9%

Redfin also reports a sluggish December. Across the 76 metro areas Redfin tracks, U.S. home sale prices increased just 1.2 percent in December 2018 over December 2017. This represented the smallest year-over-year increase in home prices since the increase went positive in 2012. Sales of completed (i.e. speculative) homes have dropped most drastically, down 10.9% overall from December 2017; sales declined in 69 of the 76 metro areas.

Redfin chief economist Daryl Fairweather forecasts a buyer's marker in 2019: Now that price growth has slowed down and more homes are sitting on the market, buyers will have the upper hand in 2019. Buyers will have more options with more homes for sale, and it will be sellers working to woo buyers into making an offer. And as a bonus, buyers, for the time being, have the benefit of mortgage interest rates that are lower than they were in late 2018, which will make borrowing more affordable."



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