




# Montgomery Planning

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

Item No. 6  
Date: 2-25-20

## Silver Spring Downtown and Adjacent Communities Plan: Retail and Office Market Study Briefing MCPB

---

-  Todd Fawley-King, Real Estate Specialist, R&SP, [todd.fawleyking@montgomeryplanning.org](mailto:todd.fawleyking@montgomeryplanning.org), 301-495-4545
-  Leslye Howerton, Master Plan Supervisor, DownCounty Planning, [leslye.howerton@montgomeryplanning.org](mailto:leslye.howerton@montgomeryplanning.org), 301-495-4566
-  Elza Hisel-McCoy, Chief, DownCounty Planning, [elza.hisel-mcfoy@montgomeryplanning.org](mailto:elza.hisel-mcfoy@montgomeryplanning.org), 301-495-2115

Completed: 2/18/21

---

### Description

The Silver Spring Downtown and Adjacent Communities Plan team will present the findings from the market study of the downtown Silver Spring retail and office market. Partners for Economic Solutions (PES), the consultant working with the team, will review the findings and implications for the Planning Board. The study was commissioned to assess the economic conditions within the downtown area, with a focus on the performance of office and retail properties. The findings from this study serve to create the economic and market context for this Sector Plan and will ultimately play an important role in shaping staff recommendations on issues like density, height, and business retention and growth.

The briefing is to inform the Planning Board of the existing conditions in the real estate market. No Planning Board approval actions are required at this time.

### Summary

Office: The 6.7 million square-foot Silver Spring office market is positioned as a cost-effective alternative to downtown Washington, DC. Attracting firms targeting younger workers, tech workers, and creative workers who prefer office locations in transit-oriented walkable districts is an opportunity for Silver Spring. However, office vacancies in downtown Silver Spring are very high following the relocation of Discovery Communications and years of businesses downsizing their spaces. In the face of this high vacancy there has been little new office construction since 2008, only a single 221,000 square foot purpose-built structure for United Therapeutics. Currently, 18 percent of office space in downtown Silver Spring is vacant, sharply up from the 8.1 percent level in 2018 prior to Discovery Communication's decision to relocate. Even at the high levels of absorption experienced in 2018, it would take 5 years of steady growth before vacancies would reach a level that makes the area attractive for new development, roughly estimated to be equal to or less than 9 percent vacancy. At the much lower average pace of absorption between 2010 and 2020 it would take 53 years for office vacancy to decline to 9%.

# Montgomery Planning

## THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

Over the next five years, downtown is unlikely to see new development of speculative or for-rent office as owners of existing buildings compete to fill their vacant spaces and lower rents below levels required to finance new construction. Opportunities may continue for single-tenant construction.

Retail: The 1 million square-foot retail market in downtown Silver Spring has competed well over the last 15 to 20 years due to its mix of retailers and restaurants, its ambiance as a vibrant mixed-use district, its density of residents within walking distance of the retail core and the continual programming. The mix of national brands and unique independent restaurants and stores help to attract a variety of customers from different backgrounds, incomes and age groups. PES estimates that 11 percent of retail space is vacant and that at the average pace of absorption from 2017 to 2019 it could take 7 to 8 years for vacancy to fall to a healthier 5 percent level.

The restrictions related to the COVID pandemic and softness in the office market will continue to negatively impact retailers. The reduced number of office workers in downtown each workday affect restaurants and retailers, limiting daytime sales. Downtown will need to attract new businesses to replace those unable to survive the pandemic, and existing retailers and restaurants will need to evolve in order to stay competitive as consumer tastes change. Despite the tough market conditions, entrepreneurs continue to seek out downtown opportunities with at least four new restaurants opening during the pandemic and a lease signing that will bring MOM's Organic Market to Georgia Avenue, a positive sign that the underlying demographics and growing base of close-in residents will fuel a future recovery once there is a vaccine and a return to "normalcy."