

North Rockville Office Market Update

THIRD QUARTER 2015



Slow & Steady...

The North Rockville office market hasn't seen any improvement over the last quarter, although, an optimist might suggest that things will slowly but surely begin to improve.

Landlords are scrambling in the market to provide amenity-friendly office buildings to lure in new tenants and to encourage existing tenants to renew and more importantly to create a desire to remain or relocate to North Rockville.

Market Activity

There's a "new" listing back on the market – 2440 Research Boulevard, home to Otsuka Pharmaceuticals has recently appointed Transwestern to lease the 25,000 square feet of vacancy in the building with the potential for additional space to hit the market in the coming months.

- The building has been overlooked by much of the brokerage community for several years as, until recently, availability was minimal, if at all.
- Ownership will likely be making some minor improvements to the property that are rumored to include heavy renovations to the surrounding landscaping (pruning trees) which will be critical to making the building "visible" from surrounding thoroughfares.
- It is also rumored that the asking rent for the building will be \$29.00 per square foot, which puts it at the top of the market.

GSA renews for 10 years at 7519 Standish Place (PS Business Parks) – 27,479 square feet (questionable to say it is North Rockville but it does fall within Costar's boundaries)

Piedmont Office Realty Trust is bringing three of it's North Rockville office buildings to the market for sale. 9200, 9211, & 9221 Corporate Boulevard, totaling 341,000 square feet of office space, are now for sale. This news is only made more interesting by the fact that it seems the sale of the buildings are less likely to be about leasing vacant office space and more likely to attract buyers with an eye for residential redevelopment. It's no secret that the residential units are quite popular and with their close proximity to the amenities of Downtown Crown and RIO, and easy access to I-270, it's easy to see why buyers would be interested in the redevelopment play.

Several sizeable tenants in the market – Scheer Partners is currently representing three tenants in the North Rockville market 7,300 square feet, 11,500 square feet, and 8,000 -10,000 square feet.

North Rockville remains to be the low cost option to it's neighbors to the south (Downtown Rockville, and Bethesda) and landlords are aggressively chasing tenants to fill vacancy.



Market Stats

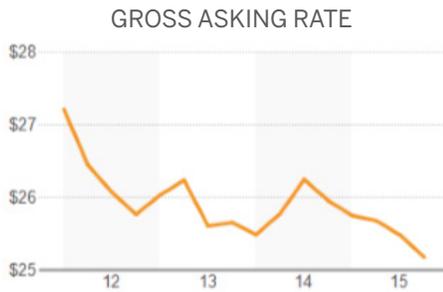
Vacancy Rate – 18.6% (five-year average).



Vacancy is still rising. 1st Quarter 2015 was 18.1% (for comparison)

Gross Asking Rate - \$25.18 (five-year low).

Rental rate continues to fall. Q1 of 2015 gross asking rental rate was \$25.76 (for comparison).



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Thanks to a few great articles in the Washington Post and the Washington Business Journal reporting that the suburban office park is dying, the vacancy rate in North Rockville was 18.6% in 3rd Quarter.

It seems that it will take some time to fill the vacancy that plagues North Rockville. However, it remains a solid low cost option for companies looking to expand or relocate.



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