



MONTGOMERY COUNTY

REAL ESTATE MARKET REPORT

4TH QUARTER 2015 & 2016 FORECAST



MONTGOMERY COUNTY OVERVIEW: HAPPY DAYS ARE HERE AGAIN?

BACK AND BETTER THAN EVER?:

Is the economy back in our region? Drive down Wisconsin Avenue in Bethesda and you would think the good times are back. Or venture down Georgia Avenue in Silver Spring, and one would think the economy is running like a race car. And with all the positive activity, we learned of the reported death of office parks in Montgomery County. Yes, certain areas of Montgomery County are surely thriving and it looks like the region is climbing out of the recession, but in order to continue the climb, we need to take a hard look at what the county needs to do in order to sustain and continue growth.

Suburban Maryland is lagging far behind Northern Virginia and Washington, D.C when it comes to job creation. According to the Center for Regional Analysis, the District is projected to add more jobs than suburban Maryland in each of the next three years (even though it only has a quarter of the population), and Northern Virginia is projected to add more than twice as many jobs as the Maryland suburbs each year until 2017.

Based on recent activity over the last half of this year, it could appear that the county is turning the corner towards an economic revitalization, but the true opportunity for the state, county and for businesses is to create opportunities which can sustain growth and ignite stagnant industries, and create brand new economic generators for the county.

OFFICE VACANCY

\$11_M

SQUARE FEET

VENTURE CAPITAL FUNDING

\$150_M

AWARDED IN THE REGION

LARGEST JOB MARKET

6TH

WASHINGTON DC AREA
OUT OF 15 MAJOR MARKETS

NO QUICK FIXES:

We didn't get to 11 million square feet of vacancy overnight and we will not be able to quickly fix the problem. In part, the problem is job growth and to an extent beyond the reach of County and even State Government. We simply do not have sufficient employment in Montgomery County by way of existing companies expanding or new companies relocating into the County to offset many macro-economic and cultural factors that are creating head winds. These factors are numerous and include sequestration, flat NIH budget, millennial migration to urban centers and the effect of technology on space utilization.

Relatedly, we need to recognize that any county program developed may simply be "rearranging the deck chairs" unless the county is successful in attracting new companies or until such time as economic expansion in the County can offset some of the intrinsic factors described above. Creating programs to aid the distressed and antiquated office parks may simply draw existing tenants from other properties in the County.

Nonetheless, a significant portion of the problem is perception. As stated, we didn't get here overnight and we are not going to solve the problem, quickly but, we have decades of policy and poor marketing which sends the message that Montgomery County is not "business friendly".

More importantly, we need to create a sustained culture within the County that "business matters" and the future vitality of the County includes economic growth and job creation – not just the "best school systems" and a Triple A bond rating.

COUNTY TAKES ENCOURAGING ECONOMIC STEPS:

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Over the last year, Montgomery County has taken early steps in enhancing incentives for businesses considering locating to or remaining in the county. County Executive Leggett, as mentioned during his inauguration speech in his 6-point plan for the county, has made it a priority to provide incentives and opportunities for county businesses and has redirected some of his focus. Three initiatives particularly helpful are:

THE MOVE PROGRAM:

The MOVE program is an innovative approach intended to attract new businesses to Montgomery County. Eligible new businesses receive a one-time grant to offset relocation costs upon signing a commercial lease within the county. Businesses new to the County that lease up to 10,000 square feet of office space in the County receive a grant of \$8.00 per square foot.

THE ECONOMIC DEVELOPMENT FUND (EDF):

Financial assistance to private employers who retain jobs or stimulate new job creation in Montgomery County.

Priority is given to the following businesses:

- High technology companies,
- Manufacturing companies,
- Businesses located in urban revitalization areas;
- Other private employers providing the greatest public benefits.

The typical amount of EDF assistance ranges from \$5,000 to \$100,000. Higher amounts are possible for businesses involved in large projects based on evaluation criteria.

Priority will be given to:

- Cases where the private employer's business will create significant employment growth by creating new jobs within 1 to 3 years of funding.
- Cases that will result in significant capital investment in the county.
- Assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies.
- Cases where County funding complements and leverages existing state and private sector funding programs.

WHAT DOES THIS MEAN FOR YOUR BUSINESS:

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Montgomery County has invaluable assets that make it one of the most desirable locations in the country. It's commitment to quality of life, smart growth, an unsurpassed educated work force, stellar public schools and diversity ensures that Montgomery County will remain an important economic destination in the region. Add to the above, recognition by County Officials that business can drive quality of life issues and the fact that the County is taking important concrete steps to improve the overall business climate and the perception that they County is open for business will only add to the area's allure.

PREDICTIONS FOR 2016:

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2016 will be remembered as the beginning of a slowly tightening and improving office market due to continued globe sustained job growth, an important programmatic outreach by County officials directly and through the newly created private Economic Development Department. We expect absorption to continue, to slowly increase with vacancy rates dropping 100 to 200 basis points in most submarkets throughout the County and rates stabilizing or slightly increasing with overall concessions to tenants diminishing.

TO LEARN MORE, SIGN UP FOR OUR NEXT WEBINAR:

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Join the experts from Scheer Partners to preview what is to come for Montgomery County and specific county industries and markets. We will take a look at bio-tech, industrial and the Bethesda and North Rockville markets. And at the end of the webinar, you will be able to get in the prediction game while making some money for your favorite charity.

[2016 Previews and Predictions for Montgomery County webinar on Tuesday January 12, 2016 at 2:00 PM EST. Click here to register now!](#)

FOR ADDITIONAL INFORMATION, CONTACT:

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