

# North Rockville Office Space Update

First Quarter 2015

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## Market Summary

Since 2012, the North Rockville office market has experienced significant vacancy changes. If one were to listen closely for market activity, the faint sucking sound, not unlike that of a vacuum could be heard. The relocation of Adventist Healthcare from North Rockville to Gaithersburg, Lockheed Martin's substantial downsizing, and several Montgomery County office space consolidations left significant chasms in the office market. Couple this with low market activity and the fact that the average tenant in the market was in the 2,000 to 4,000 square feet range and you have a recipe for a slow ascent towards a "healthy" market.

However, we are beginning to see ownership groups and landlords take action in hopes of generating new activity. The creation of base building amenities, such as conference centers, fitness facilities, and cafés, along with general base building and common area renovations seem to be popular tactics that some landlords are employing to entice new tenants and keep the ones they have.

Over the next 12 to 18 months we expect to see a drop in the overall vacancy rate as tenants begin to re-evaluate their facility needs and take advantage of the aforementioned amenity investments.

## Major 1st Quarter Transactions



**Edgewood Management**  
24,000 square feet at  
**9711 Washingtonian  
Boulevard.**

The large property management firm is relocating from their current facility in Germantown. The move comes with an increased rental rate and signifies a large block of vacancy being taken off the market.



**InfoStructures, Inc**  
5,000 square feet at **1390  
Piccard Drive.** Relocating  
from 5 Choke Cherry,  
which is being slated  
for demolition and

redevelopment, as a part of JBG's Choke Cherry master plan, the IT company will now be housed on Piccard, an area of the market that, although off the beaten path, has seen some decent activity over the last few months.



**Glass Jacobson, PA**  
has expanded and  
relocated to **800 King  
Farm Boulevard.** The  
relocation of the wealth

management firm also comes with an increase in square footage as the company expands its Rockville services. King Farm rents are on the high end in the North Rockville submarket, tipping the scales in the low 30's (per square foot).



Smislova, Kehnemui &  
Associates.  
20,000 square feet at  
**12435 Park Potomac  
Avenue.** The engineering

firm is the second tenant, behind the Park Potomac developer Folger Pratt, to sign a lease in the newly started spec-building. The firm will occupy one full floor of the new building.

## Market Forecast

- Following on the heels of the several building renovations, market activity will continue to increase, ultimately lowering the overall vacancy rate.
- Local amenities, such as those offered by Crown Farm, will provide tenants with an additional reason to consider North Rockville for their company's office space needs.
- As landlords continue investing millions in their properties with the hopes of attracting tenants and filling vacancy the current idea of North Rockville being a true "tenant's market" will become a thing of the past. As the vacancy rate stabilizes, landlords will tighten their purse strings for the first time in several years.



**9601 Blackwell** (BROE Group)

## Owner and Developer Activity

Owners and developers alike are investing millions into the suburban Maryland office submarket in North Rockville. Examples include the Colorado based BROE Group purchasing 9601 Blackwell at auction, followed closely by the New York based, True North Management Group purchase of 9600 Blackwell.



**14995 Shady Grove Rd** (Lerner)

These transactions are both on the heels of Lerner's newly delivered 200,000 square feet medical office building on Shady Grove Road and Brandywine's multi-million dollar renovation of their three building campus at 2273, 2275 & 2277 Research Boulevard.



**2275 Research Boulevard** (Brandywine)  
Part of a 3-building project.

Both 1801 & 1803 Research have also received some attention from their new owner, Research Blvd, LLC, which include lobby and common area renovations as well as a new shared conference center. Considering all of these instances, it's not too hard to read between the lines and pick up on the overall sense of market confidence.



**1801 Research Boulevard**

With large scale renovations being completed, new amenity bases being constructed and being well located with easy access to major transit routes, North Rockville remains a great option for companies that seek quality, convenience, and a growing amenity base to establish or grow their business.



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