

MONTGOMERY COUNTY

REAL ESTATE OFFICE MARKET OVERVIEW



FIRST QUARTER 2017

Unconventional Thinking Driving Our Future

Swim upstream. Go the other way. Ignore the conventional wisdom. - Sam Walton

Throw out your conventional thoughts about your business, the economy, transportation challenges, and the Country and our County. It is all about to change in 2017.

Over the last year, we have explored transportation challenges, emerging markets and the ever-present changing economy. In 2017, we have the chance to stop thinking in a conventional manner and stretch our opportunities for success.

Let's focus on two areas of conventional thinking and how they are now evolving into unconventional paths.

Montgomery County Council and County Executive Offices: The Revolving Door Moves More Rapidly Now

Over the next year and a half, politics in Maryland's most populous and economically powerful county, Montgomery County, is likely to be turned on its head thanks to voters approving term limits.

This decision creates an unprecedented four open seats on the nine-member County Council and one in the county executive's office. The door will swing open to a new group of decision-makers charged with addressing traffic congestion, overcrowded schools, economic development and other urgent issues in our county.

So what will this mean for the business community? Some believe that the county's business sector will be newly aggressive in recruiting and supporting candidates of its own, who might bypass party primaries to run as independents. Private-sector leaders have become increasingly outspoken about their unhappiness with recent increases in property and recordation taxes, a higher minimum wage and what they consider a lackluster county record of attracting and retaining jobs — Marriott International's decision to remain in Bethesda notwithstanding.

Think about it, with term limits approved and with the business community lobbying possible political candidates, the ability exists to elect political novices but with business expertise. What could that mean for Montgomery County? And just like private sector, we, the county residents, can 'fire' our elected officials when we don't think they are performing for what is best for our county.

Is this the best thing for our county? What does a future leader for our county look like? Can they make changes in one term?

Metro Is Critical



The importance of Metro to our county's economy cannot be overstated. Where is the most valuable real estate in the county?

Look at Pike & Rose on Rockville Pike, across the street from Metro—that could be the hottest spot in the County right now. But on the flip side, two other 'hot' spots are Park Potomac and Downtown Crown—neither are very close to Metro, but packed with activity, new tenants and a bustling community.

Is Montgomery County being left out of economic opportunities because of Metro's woes and inability to meet the needs our business community demands? Or have we actually found how to build, develop and succeed without Metro?

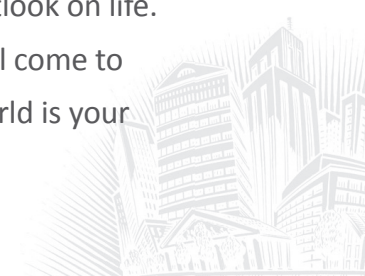
Consider what has happened in Northern Virginia, during the past five years, companies have moved into 700,000 more square feet of space than they have vacated near Silver Line stations. Everywhere else in Northern Virginia it's the opposite, as companies have vacated 5.5 million square feet more space than they have leased. A tally last year found roughly \$50 billion in real estate development being actively built near Metro stations. That's five times what it cost to build the original Metro system. Development leads to property, sales and income taxes that fill local coffers.

For all of Metro's woes, smart real estate is betting on it more than ever. The extra revenue generated from development could eventually be tapped to help put the transit system back on solid financial footing. In fact, the difference in value between Metro-accessible offices and apartments and those that require driving has probably never been greater.

Our communities and businesses have become resourceful in building successfully without Metro. So, the question needs to be asked, is Metro truly that critical to economic prosperity in Montgomery County? Where should our transportation focus be?

My Wish for You in 2017

Unconventional thinking means looking at the world through an inquisitive, investigative lens. And this perspective should not be limited just to your work, but permeate your general outlook on life. After all, some of the greatest inspirations and most profound unconventional ideas will come to you in moments and situations completely removed from your business. The whole world is your reservoir for unconventional ideas.



Do not accept your business and our community at its current limitations as though they were unchangeable. Ask yourself:

- Why does this have to be?
- What is needed is a way to align my interests and the interest of the county to create a more successful system for both?
- How?

I look forward to hearing and reading about your unconventional thinking in 2017.

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