

Bethesda Office Market Update

SECOND QUARTER 2015



Market Summary

The Bethesda office market continues to boast one of the lowest vacancy rates in the region with positive absorption, quarter after quarter.

With new deliveries and building renovations over the last year, rent is at an all-time high: Class A building rent is at mid-upper 40's per square foot and Class B building rents are at the mid-upper 30's per square foot.

There are possible changes brewing for the Bethesda office market - height and density. Revisions are being considered for the Bethesda Downtown plan to enable property owners not interested in redeveloping to sell their unused density. Another proposal is to have densities increased to 20% over the 1994 master plan which could allow for current 'office' site to convert to office/residential possibilities.

Market Activity

Akrige has completely renovated, reskinned, and almost fully leased [7550 Wisconsin Avenue](#). Now they are selling, and at a record high price. The building is being negotiated to trade at \$75 million, or \$630 psf.

Peel Properties purchased [4520 East West Highway](#) for \$63.5 million. They will reportedly make minor improvements and occupy a significant portion of the 174,449 sf building with their company, Red Coats, Inc.

[4500 East West Highway](#) signed its second deal with Teaching Strategies for 28,000 sf.

[7101 Wisconsin Avenue](#) is still under construction for new common areas, lobby, and exterior, but is expected to be complete by mid-August. When all is said and done, the owners would have put \$11 million towards improvements.

Foreclosure papers have been filed against [6610 Rockledge Drive](#).

Recent Transactions

Tenant	Location	Size	Status
Teaching Strategies	4500 East West Highway	28,010 sf	Move-in
US General Services	7501 Wisconsin Avenue	70,500 sf	Renewal
Starbucks	7315 Wisconsin Avenue	11,307 sf	Move-in
Pillar Capital Financial	8120 Woodmont Avenue	2,188 sf	Move-in

Vacancy & Rental Rates



The Bethesda market is still very hot and is drawing tenants from other areas. With all the mixed-use retail/residential development being delivered over the next year, Bethesda is only going to continue to draw more attraction from tenants.

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