

North Rockville Office Market Update

SECOND QUARTER 2015



Market Summary: Struggles with Vacancy

This past quarter, the death of the suburban office park was reported. The office market of N. Rockville is on life support due to lack of demand and low leasing activity. With over a dozen buildings, all with substantial blocks of contiguous space (20,000 sf or more), and vacancy rates hovering above 20%, it is easy to determine that the submarket is struggling. Landlord and owners continue to invest in their properties to stay competitive. Fitness centers, conference centers, onsite eateries are becoming a standard requirement for suburban office buildings. With the submarket remaining flat over the last two quarters and the number of large blocks of vacant space still available, landlords and owners are being challenged to present a compelling case to attract new tenants.

Major Second Quarter Transactions:



Strayer University – Pulling out of their current space (approximately 20,000 square feet) at 4 Research Place, leaving the building entirely vacant. Strayer will now call **1801 Research Boulevard** home, where

ownership recently completed a multi-million dollar “enhancement package” throughout the two building complex (1801 & 1803 Research Boulevard) including renovated lobby and common areas, a shared conference center, and fitness facility.



Netflix – Renewed their 30,000 sf lease in **2 Choke Cherry**. Despite the renewal, 2 Choke Cherry remains approximately 40% vacant with just shy of 50,000 square feet available for lease. However, a

change in the landscape of the surrounding area could spark activity in the coming years. JBG’s Upper Rock District across the street includes over 500 apartments and will include new commercial and retail space that will certainly change the look and feel of the dated and lackluster area of Choke Cherry / Shady Grove Road.

Financial Advantage Associates – Renews its 7,200 square foot lease at **1803 Research Boulevard** for 8 years. The renewal comes to fruition on the heels of the aforementioned renovations.



As yet another large block of vacancy comes online after a brief hiatus, the owners of **2099 Gaither Road** will have to get in line with everyone else to attempt to fill their 115,000 square feet of vacancy.



Turning Point Global Solutions – The IT engineering services firm will be relocating from Piccard Drive into Brandywine’s project at **2273 Research Boulevard**. Brandywine’s

three building complex on Research Blvd has seen a flurry of activity over the last few quarters due to a multi-million dollar including new building lobbies, common corridors, façades, and the construction of shared conference facilities, café, and fitness facility.



At the end of this year, the IT giant, **CSC**, will finish vacating its home at **15245 Shady Grove Road**, leaving the owners with approximately 65,000 square feet of vacancy to fill. Consequently, Meritage, the building’s owner, has recently dropped the asking rate for the building from \$28.50 to \$27.50 to attempt to stay competitive.

“More of the same” but competition between landlords, in the form of tenant friendly concessions, could heat up..

Although owners and landlords alike are doing what they can to stay relevant by renovating their buildings and creating shared services/amenity bases on site, it is likely that competition to fill vacancy in North Rockville will continue to increase. A sizeable tenant looking for space in this area will command attention. Landlords will have no choice but to provide compelling, aggressive concessions to tenants in hopes of filling vacancy.

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