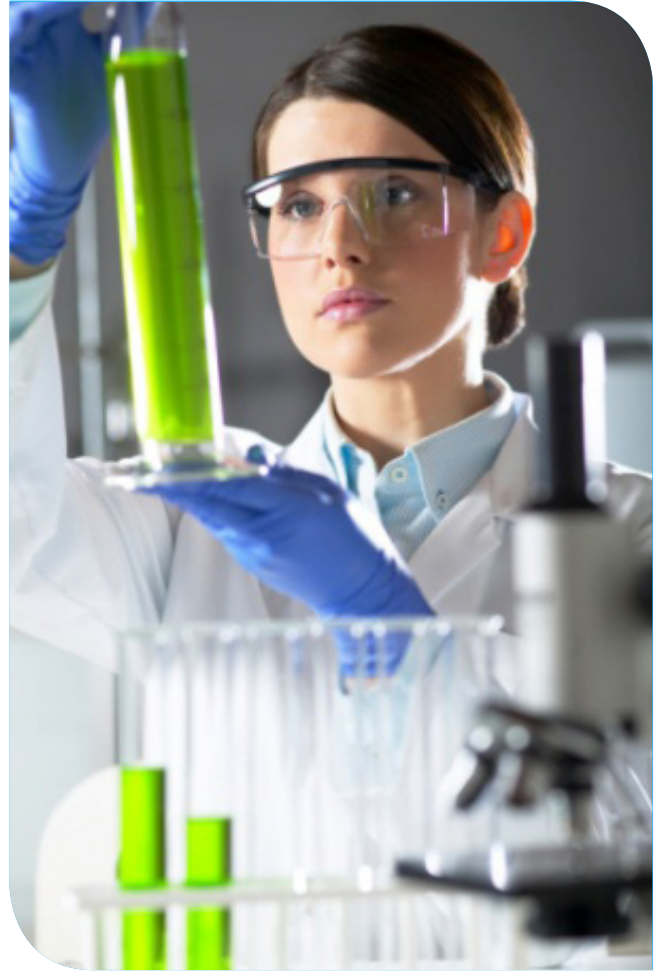




I-270 Corridor Lab Market Report

THIRD QUARTER 2015



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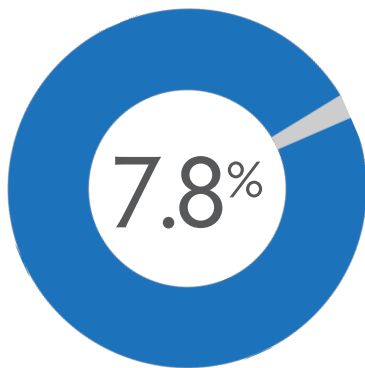


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Market Summary

The buildup of demand over the 1st and 2nd quarters of 2015 are starting to result in closed real estate transactions and plummeting vacancy rates. The larger requirements in the market have either secured a location or are well on their way with negotiations.



The vacancy rate for lab space in the I-270 Corridor is currently 7.8%, which represents approximately 605,000 square feet of available lab space in a 7,600,000 square foot market.

This is down sharply from January 2015 when the vacancy rate was 12.6% (970,000 square feet available).

What does this mean for lab users?

Now that the final 2015 transactions are finding their way to closure, there are few available lab options across all size ranges. Those tenants looking in the coming months could have to consider options such as the need to retrofit the slim market or find alternative ways of financing the needed design and construction above the “market improvement allowance”.

For those considering renewing their leases, those tenants could be faced with landlords who have already begun leveraging the lack of lab supply to boost rental rates during new lease and renewal negotiations.

Major Market Transactions

- **MacroGenics** – 125,000 sf at 9704 Medical Center Drive – taking the entire JCVI sublease space.
- **Biomedical Research Institute** – is relocating its operations from Parklawn Drive to 9410 Key West Avenue. They are taking 40,000 square feet of the 52,000 square feet that was left vacant when Teva consolidated their operations to Philadelphia in June of this year.
- **Novavax** – continues to take space on Firstfield Road. In total they leased an additional 50,000 square feet in the 3rd quarter between 21 and 22 Firstfield Road.
- **Midwest Research Institute** – found its way to a rare purchase as an owner-occupant of 65 West Watkins Mill Road. The 42,000 square foot building was previously occupied by GenVec who did the original lab build out.
- **Saint-Gobain** – following its recent acquisition of American Fluoroseal, expanded into the 37,000 square foot vacant space at 50 West Watkins Mill. The space has been vacant since Gene Logic moved out almost 4 years ago.

Forecast

Limited lab inventory has created several complications, as well as opportunities, for the tenants and landlords. For the foreseeable future, we are anticipating continued low levels of lab inventory.

Another change facing tenants is the adjustment to the lead time to finance, design, and build new lab space. We are recommending it should be budgeted in the 9 to 15 month range.

We are anticipating one large block of lab space (approx. 50,000 sf) is expected to become available on the market in late 2016. There are several landlords in the market possibly considering retrofits to accommodate lab space, but it is too soon to tell.

Finally, for those tenants renewing their leases, it is time to get aggressive. Renewal options will become strong defensive positions as tenants will need to take a more aggressive, and proactive approach to find options for new space or to expand.

For additional market insight, please contact:

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